

SECURITIES AND EXCHANGE COMMISSION

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A brief summary of financial proposals filed with and actions by the S.E.C.

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STOP ORDER SUSPENDS RICHMOND CORP. STATEMENT. In a decision and order announced today (Release 33-4584), the SEC suspended a registration statement under the Securities Act of 1933 filed by The Richmond Corporation, of Washington, D. C., which proposed the public offering of 142,858 common shares at \$7 per share (and included warrants to be issued to the underwriter to purchase an additional 36,500 shares). The statement was found by the Commission to be false and misleading in respect of various material facts. Richmond Corp. consented to the entry of the order.

The Commission ruled that the company's undisclosed investment plans and activities materially alter the nature of the investment opportunity and risk from that represented by the information contained in the prospectus, and that the statements made in the prospectus with respect to registrant's investment plans are false and misleading. In this connection, the Commission found that, contrary to the company's representations in its prospectus that it would hold unimproved land for appreciation of value (or for development into subdivisions and sale of lots for residential use) and that it had no present plans for improvement or development of any of its three tracts of land, the company intends to devote about \$250,000 from the proceeds of the offering for and has taken steps to develop shopping centers on two of such tracts. Moreover, the prospectus fails to state (1) material facts concerning the feasibility of constructing shopping centers on the sites or the company's plans in connection therewith (including construction costs and financing plans); (2) that the company also intends to invest in other unimproved land which may be used for shopping centers, bowling alleys, parking lots, apartment houses or general real estate purposes; (3) that its future policy will be to invest about 20% of its assets (as compared to 1% in the past) in trust notes and that \$180,000 of the proceeds were to be used for such purposes; and (4) the competitive factors as they relate specifically to the development of shopping centers and other proposed activities of the company as well as the fact that the company's officers and directors have no experience in development, operation or management of shopping centers. Failure to disclose the intended use of over one-half of the proceeds and to describe adequately the order of priority "makes its prospectus materially false and misleading," the Commission stated.

The Commission also found false and misleading a statement in the company's prospectus: "There are no business relations between the Board members or officers or promoters which are competitive with, or in conflict with the business purposes of the Company." The record indicates, according to the decision, various existing and potential conflicts of interests arising from the competitive real estate activities of the company's officers and directors. Moreover, the prospectus also represents falsely that registrant will have first refusal of any investment suitable for it which is offered or becomes available to any of the officers of registrant. The record shows that, in fact, one officer as well as some of the directors of registrant intend to engage for their own account in real estate transactions which may be suitable for the registrant without first bringing these investment opportunities to the registrant. The Commission observed that it is the policy of the company not to prevent or to discourage such activity; and it ruled that the failure to disclose such conflicts of interest renders the registration statement materially misleading.

The Commission also held that, since the company does not intend to return any proceeds to investors regardless of the amount of securities sold, the probable success of the offering is a matter of great significance to investors. Accordingly, the inexperience of its underwriter is a material factor bearing on the probable success of the proposed offering and the failure to disclose it was a material omission. The Commission also observed that the underwriter's investigation of the company's business consisted of visits to two of its three tracts of land, an examination of the company's list of stockholders and obtaining a credit report on its President; and as to all other matters in connection with the registration statement, the underwriter apparently relied only on representations of the company's management. "It seems clear," the Commission stated, "that such a limited investigation by an underwriter does not measure up to the degree of care, reasonable under the circumstances, necessary for and required of an underwriter to satisfy himself as to the accuracy and adequacy of the representations in the prospectus."

In addition, the Commission ruled that the company failed to include a summary statement in the forepart of its prospectus discussing certain speculative risks of the offering, including the extent of the potential dilution of the equity of public investors, the management's lack of experience in the development of unimproved lands and the construction and operation of shopping centers, the additional costs and problems which arise from such activities, the effect on the issuer if the offering is only partially successful, the underwriter's limited experience, and the nature and significance of the conflicts of interest of management officials.

VIOLATIONS CHARGED TO WARREN SECURITIES. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Warren Securities Corp., 560 Fifth Avenue, New York, violated certain provisions of that Act and, if so, whether its broker-dealer registration should be revoked.

Warren Securities has been registered with the Commission as a broker-dealer since March 1960. Sidney Schwartz is president and sole stockholder, Stanley Schuman is vice president, and Laura Satz is secretary. In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that from March 1960 to date, the company, aided and abetted by said persons, violated the Commission's record keeping requirements and failed to file reports of the firm's financial condition for the years 1961

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and 1962. A hearing will be held, at a time and place to be announced, for the purpose of taking evidence on the foregoing to determine whether the staff charges are true and, if so, whether the broker-dealer registration of Warren Securities should be revoked.

FIRST FINANCIAL INVESTMENT EXEMPTED. The SEC has issued an order under the Investment Company Act (Release IC-3639) declaring that First Financial Investment Company, of Fort Lauderdale, Florida, has ceased to be an investment company.

PENN FUEL ACQUISITION APPROVED. The SEC has issued an order under the Holding Company Act (Release 35-14811) authorizing Penn Fuel Gas, Inc., Oxford, Pa., to acquire all the capital stock (300 shares) of Twin Gas Company (to be incorporated in Pennsylvania as a gas utility company) for an aggregate of \$30,000. Penn Fuel has 19 gas utility subsidiaries all operating within Pennsylvania. John H. Ware, its president, owns or controls, directly or indirectly, about 83% of the outstanding stock of Fuel. Penn Fuel proposes to form Twin Gas to supply natural gas in the Boroughs of Bedford and Everett and in several smaller communities in Bedford County, Pa., which area is close to some of the communities now served by the Penn Fuel system.

UTAH POWER & LIGHT SEEKS ORDER. Utah Power & Light Company, Salt Lake City registered holding company, has applied to the SEC for an order under the Holding Company Act authorizing its proposed sale through June 1964 of up to an aggregate of \$27,000,000 of unsecured promissory notes pursuant to a credit agreement with 14 banks; and the Commission has issued an order (Release 35-14812) giving interested persons until March 12 to request a hearing thereon. The proceeds from such proposed borrowings, together with other funds, will be used to prepay notes to banks (\$6,000,000) and to finance in part the company's construction program up to August 1964. It is estimated that \$24,000,000 will be so required in 1963 and \$5,000,000 in the first half of 1964.

CROWN CORK & SEAL FILES FINANCING PLAN. Crown Cork & Seal Company, Inc., 9300 Ashton Road, Philadelphia, filed registration statements (Files 2-21113 and 21114) with the SEC on February 27 seeking registration of (1) \$30,000,000 of sinking fund debentures due 1988, and (2) 400,000 shares of common stock. Such securities are to be offered for public sale through underwriters headed by Francis I. duPont & Co., One Wall St., New York. The interest rate on the debentures, public offering price for both issues (maximum \$35 per common share*) and underwriting terms are to be supplied by amendment.

The company manufactures cans, crowns and other closures, and closure components. It also makes high-speed beverage filling equipment and other machinery. Of the net proceeds from this financing, \$11,424,000 will be used to prepay a long-term note due 1972, \$17,100,000 to prepay a term loan payable serially until 1967, and the balance to repay a major portion of short-term indebtedness to banks. The proceeds of said loan were used to redeem 250,999 shares of \$2 preferred stock, to discharge an outstanding term loan, and for working capital. In addition to certain indebtedness and preferred stock, the company has outstanding 4,256,936 shares of common stock, of which John F. Connelly, president and board chairman, owns 14.4% and Francis I. duPont & Co. 31.8% (of record).

CLOUD NINE, ET AL. ENJOINED. The SEC Denver Regional Office announced February 25 (LR-2519) the entry of a Federal court order (USDC, Salt Lake City) permanently enjoining Cloud Nine, Inc., American Resources, Ltd., Beryllium Corporation of America, Kiabab Uranium Corporation, Steven W. Netolicky, LaVern D. Netolicky, and E. E. Miller, from further violations of the registration and anti-fraud provisions of the Federal securities laws in the offer and sale of common stock of Cloud Nine and American Resources. The defendants consented to entry of the injunction.

SEC APPEARANCE ENTERED IN TAYLOR INTERNATIONAL PROCEEDING. The SEC has entered an appearance in the proceedings under Chapter X of the Bankruptcy Act for the reorganization of Taylor International Corp. and its wholly owned subsidiary, Taylor Construction Company, pending in the United States District Court in Miami, Fla. The Debtors' voluntary petitions for reorganization, filed on December 28, 1962, have been approved by Judge David W. Dyer, who appointed Ira F. Willard as Trustee. Taylor Construction Company was incorporated in Florida in 1937 and since that time has acted as a general contractor, principally in the construction of resort hotels. In 1958, all of its common stock was acquired by the Charis Corporation, whose name was then changed to Taylor International Corp. and which since then has been principally engaged in the construction business. An unaudited balance sheet attached to the petition of Taylor International shows total assets of \$8,725,000 and liabilities of \$6,038,000 as of September 30, 1962. The assets include investments in or advances to Taylor Construction and other non-consolidated subsidiaries carried at \$4,742,000. An unaudited balance sheet attached to the petition of Taylor Construction, also as of September 30, 1962, lists total assets of \$6,050,000 and liabilities of \$7,319,000, resulting in a capital deficit of \$1,269,000. Taylor International has outstanding 534,708 shares of common stock, listed on the American Stock Exchange and held by more than 1,100 stockholders (the Exchange has suspended trading in the stock). It also has a 50% general partner interest in Taylor Country Estates Associates, for which it had been constructing five multi-story apartment buildings in New Jersey. Taylor Country Estates Associates has approximately 600 public limited partners holding about \$2,400,000 of limited partnership interests.

SECURITIES ACT REGISTRATIONS. Effective February 27: The Green Shoe Manufacturing Co. (File 2-21061). Effective February 28: Ampex Corp. (File 2-20826); Commonwealth Edison Co. (File 2-21083); Estey Electronics, Inc. (File 2-20769). Withdrawn February 27: Creative Ventures Corp. (File 2-20422); Mobile Home Parks Development Corp. (File 2-21045).

*As estimated for purposes of computing the registration fee.