

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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

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SEC PROPOSES RULE CLARIFYING PRIVATE OFFERING EXEMPTION. The SEC today announced a proposed new Rule 155 under the Securities Act of 1933 defining the phrase "transactions by an issuer not involving any public offering" in Section 4(1) of that Act. Views and comments upon the rule proposal may be submitted not later than January 15, 1960.

The purpose of the proposed rule "is to make clear that a public offering of convertible security, which at that time is immediately convertible into another security of the same issuer (hereinafter referred to as the underlying security), by persons who purchased the convertible security from an issuer in a private placement, or a public offering of the underlying security received by such persons upon conversion of the convertible security, may be subject to the registration provisions of the Securities Act. The Commission's announcement contains a discussion of various situations in which the sale of convertible securities and/or the underlying securities into which they are convertible may require registration.

The text of the proposed rule reads: "The phrase 'transactions by an issuer not involving any public offering' in section 4(1) of the Act shall not include (a) any public offering of a security, which at that time is immediately convertible into another security of the same issuer, by or on behalf of any person or persons who purchased the convertible security directly or indirectly from an issuer as part of a non-public offering of such security, or (b) any public offering by or on behalf of any such person or persons of the other security acquired on conversion of a convertible security, unless the other security was acquired under such circumstances that such person or persons are not underwriters within the meaning of section 2(11)."

SEC STOP ORDER SUSPENDS CAMERON INDUSTRIES OFFERING. In a "Stop Order" decision announced today (Release 33-4159), the SEC suspended a registration statement which proposed the public offering of 300,000 common shares at \$1 per share by Cameron Industries, Inc. ("Registrant") of New York, because of false and misleading statements and omissions of material facts. Registration was also sought for a proposed offering to the underwriter of three-year purchase warrants for up to 200,000 shares, exercisable at \$1.50 together with the underlying shares, and for 25,000 shares previously issued to the underwriter's president. The company consented to entry of the stop order.

The Commission ruled that the Cameron Industries registration statement contained false and misleading statements of material facts and omitted material facts required to be stated therein with respect to the company's relationship to its predecessor, the latter's arrangements with registrant's promoters, the underwriter's participation in the formation, plan of financing, management, and control of registrant, sales of unregistered securities by registrant and its predecessor and contingent liabilities resulting therefrom, and the description of registrant's property. It concluded, in light of these "serious material deficiencies," that a stop order should be issued suspending the registration statement.

Organized in November 1956, Registrant's principal asset consists of 99.9% of the outstanding stock of Compania Minera Sontar, S. A. ("Sontar"), a Mexican corporation which holds a government concession in copper-bearing properties in Mexico, known as the Garcia property. The indicated purposes of the financing were to raise funds to pay the balance of the purchase price of the Garcia concession, to commence production, and to secure working capital. The prospectus stated that 316,500 shares were outstanding, of which 293,000 shares were said to have been issued to Allan W. Brown, a promoter, in exchange for the Sontar stock, and that of the 293,000 shares, 60,930 shares were "donated" pro rata to about 60 stockholders of a Canadian corporation organized by Brown and Gerald Cameron, another promoter and president of Registrant, and 25,000 shares were issued to Robert Grocoff, president of the underwriter, R. G. Worth & Co., Inc., a New York securities dealer, for services rendered in connection with the proposed offering. The prospectus further stated that the Canadian corporation is now inactive and is not affiliated with Registrant or interested in its properties or any adjacent properties.

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According to the Commission's decision, however, the Canadian corporation was Brocam Mining Limited, a predecessor of Registrant, and no disclosure was made with respect to their relationship, of Brocam's arrangements with the promoters of Registrant, or of Registrant's relations with the underwriter. Sontar had been organized by Brown and Cameron to acquire and hold a certain copper-bearing property in Mexico for Brocam; Brown, on behalf of Brocam, held virtually all of Sontar's stock; and Brocam sold 264,000 shares of its stock in 1955 to finance the search for such a mining property. Such acquisition was not effectuated; but while in Mexico Brown and Cameron located and opened negotiations for purchase of the Garcia concession. Brocam used funds borrowed by Brown and proceeds of the sale of 40,650 additional shares of its stock in purchasing the concession and for the organization of Sontar. Brown and Cameron regarded the Garcia concession as an asset of Brocam; and purchasers of the 40,650 shares of Brocam stock understood that they would receive Registrant's stock in exchange upon the organization of Registrant as Brocam's successor.

Moreover, according to the Commission's decision, the registration statement failed to disclose that Grocoff played an important part in causing Registrant to be organized and in formulating its financing proposal, served as its president until shortly before the statement was filed, kept Registrant's books and records, and received and exercised authority to co-sign all checks drawn on Registrant's bank account. The Commission held that the arrangements between Brocam and the promoters of registrant, including Grocoff, were required to be disclosed in the prospectus. Moreover, the failure to recite the facts concerning the organization and purposes of Brocam, the use of the proceeds of the sales of its stock, the organization of Sontar, the acquisition of the Garcia concession, and the extent to which the prospective underwriter participated in the creation and formulation of the plan of financing of registrant made the prospectus materially misleading. In addition, no adequate disclosure was made of Grocoff's position in Registrant after its incorporation.

The Commission also criticized the failure to "adequately or accurately" disclose the circumstances and reasons for the distribution of 170,000 shares of Registrant's stock by Brown. The prospectus indicated that 293,000 shares were issued to Brown in exchange for the Sontar stock. In fact, however, only about 125,000 shares were to be retained by Brown and Cameron for their services in locating and securing the Garcia concession and organizing Sontar, while 60,930 shares were to be issued to Brocam's shareholders, and 109,000 shares were to be issued to certain individuals as "bonus stock."

The prospectus is further misleading, the Commission stated, in stressing Registrant's purpose to operate the Garcia concession while merely mentioning that a "portion" of the proceeds of the stock offering would be used to acquire as yet unascertained mining properties, and in failing adequately to emphasize that over half of the proceeds were to be devoted to searching for, acquiring and, if justified, developing other mining properties. In addition, both Brocam and Registrant offered and sold stock in violation of the Securities Act registration requirement; and there was no disclosure of such violations or of the contingent liabilities arising therefrom.

MANILA ELECTRIC NOTE ISSUE CLEARED. The SEC has issued an order (Release 35-14108) authorizing Manila Electric Company to issue its notes in the amount of \$3,355,430.90 to its parent, General Public Utilities Corporation, to evidence advances in that amount by the parent to cover the dollar component of the cost of the installation of a new generating unit in Manila Electric's Rockwell Plant, which was placed in service in September 1958.

PREFERRED STOCK SALE BY FALL RIVER ELECTRIC CLEARED. The SEC has issued an order (Release 35-14109) authorizing Fall River Electric Company, of Fall River, Mass., to issue and sell at competitive bidding 30,000 shares of \$100 par preferred stock. Net proceeds of such sale are to be applied to the prepayment of Fall River Electric's outstanding short-term bank loans amounting to \$2,800,000, the balance to be used for construction.

STATE STREET PURCHASE OF BROAD BROOK CLEARED. The SEC has issued an exemption order (Release 40-2932) under the Investment Company Act permitting State Street Investment Corporation, Boston investment company, to issue its shares at net asset value plus a 1% premium to The Broad Brook Company, in connection with an agreement of reorganization between the two companies whereby all of Broad Brook's assets will be transferred to State Street in exchange for shares of the latter. The September 30, 1959, net asset value of Broad Brook was \$2,754,000.

INCORPORATED INVESTORS WITHDRAWS APPLICATION. Incorporated Investors and Incorporated Income Fund have withdrawn their application for an exemption order under the Investment Company Act permitting the sale by Income Fund of portfolio securities to Incorporated Investors, and the purchase by the latter of securities of Income Fund. (Release 40-2933)

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INSTITUTIONAL SHARES PROPOSES ACQUISITION OF C.S.B. INC. Institutional Shares, Ltd., New York, investment company, has applied to the SEC for an exemption order under the Investment Company Act permitting the issuance of shares of its Institutional Growth Fund class of voting stock for substantially all of the cash and securities of C.S.B. Inc.; and the Commission has issued an order (Release 40-2934) giving interested persons until December 14, 1959, to request a hearing thereon.

CSB is a personal holding company with two stockholders which engages in the business of investing and reinvesting its funds. Substantially all of its cash and securities, with a total value of about \$424,204 on August 31, 1959, will be transferred to Institutional Shares in exchange for Growth Shares of the latter. The Growth Shares will then be distributed to CSB shareholders, the number thereof to be determined by dividing the net asset value per Growth Share into the value of the CSB assets to be exchanged.

CENTENNIAL FUND SEEKS INTERIM EXEMPTION ORDER. Centennial Fund, Inc., newly-formed investment company of Denver, has applied to the SEC for an exemption order under the Investment Company Act with respect to proposed transactions involving escrow agreements; and the Commission has issued an order (Release 40-2935) giving interested persons until December 11, 1959, to request a hearing thereon. Centennial Fund has filed a Securities Act registration statement which has not as yet become effective. It will not commence active business operations until this application is disposed of. The proposed transactions, being basic organizational transactions, involve escrow agreements among the Centennial Management and Research Corporation, manager of the Fund, a bank, and certain "depositors." The escrow agreements provide a procedure for accumulating \$10,000,000 or more in cash or securities in escrow to be exchanged for the shares of an open-end investment company in a simultaneous tax-free exchange.

ROYAL AMERICAN PURCHASE OF MADISON SQUARE GARDEN STOCK PROPOSED. Royal American Corporation and Madison Square Garden Corporation, both affiliates of Graham-Paige Corporation, an investment company, have joined in the filing of an application for an exemption order under the Investment Company Act permitting the repurchase by the Garden Corporation of 130,250 shares of its capital stock held by Royal American; and the Commission has issued an order (Release 40-2936) giving interested persons until December 14, 1959, to request a hearing thereon.

The purchase price of the stock is to be \$20 per share, which is the same price at which Garden Corporation purchased 73,600 shares of its stock on October 2, 1959, and October 7, 1959, from two of its ten largest stockholders, as well as the same price at which stockholders other than Graham-Paige and Royal American were invited to tender their shares for purchase by Graham-Paige or Garden Corporation. The total number of shares so tendered was 66,041, of which 65,383 have been purchased by Graham-Paige at \$20 per share, the balance having been accepted for purchase by Graham-Paige subject to the satisfaction of certain formal requirements. Graham-Paige owns 63% or 2,425,395 shares of the capital stock of Royal American and 58.1% or 489,000 shares of the capital stock of Garden Corporation; and Royal American owns 26.6% or 130,250 shares of the Garden Corporation stock.

WHIRLPOOL FILES FOR STOCK OPTION. Whirlpool Corporation, St. Joseph, Mich., filed a registration statement (File 2-15891) with the SEC on December 1, 1959, seeking registration of 400,000 shares of common stock to be offered under its 1955 and 1959 employee stock option plans.

ADDITIONAL WELLINGTON FUND SHARES IN REGISTRATION. Wellington Fund, Inc., Claymont, Del., investment company, filed an amendment on December 1, 1959, to its registration statement (File 2-11444) seeking registration of an additional 10,000,000 common shares.

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