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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TO THE PRESS: Following Item for Release in September 15th Newspapers.

SEC SEEKS TO IMPLEMENT SECURITIES LAW AMENDMENTS. The Securities and Exchange Commission today took several related actions designed to facilitate compliance with the newly-enacted Securities Acts Amendments of 1964 ("1964 Amendments") and to implement its provisions.

The new law, generally considered the most significant statutory advance in Federal securities regulation and investor protection since 1940, makes material revisions in the Securities Act of 1933 and the Securities Exchange Act of 1934; and it affects in important respects the obligations of issuers of securities as well as broker-dealer firms engaged in the securities business. So that both groups may have a better understanding of the 1964 Amendments and how it may affect them, the Commission has issued a summary analysis of the new law (Release 34-7425). It has undertaken to give the summary widespread public distribution; and copies may be obtained from its Washington Office and its seventeen Regional and Branch Offices (copies of the 1964 Amendments (Public Law 88-467) may be purchased from the Government Printing Office at 10¢ per copy). At the same time, the Commission announced several new rules and rule proposals designed to implement certain provisions of the new law. Further rules are now being formulated.

One major objective of the 1964 Amendments is to afford investors in the larger, publicly-held companies whose securities are traded over-the-counter, the same fundamental disclosure protections as have been provided for the past thirty years to investors in companies whose securities are listed on an exchange. Thus, such over-the-counter companies (if they meet the statutory test discussed below) will be subject to the registration and periodic reporting, proxy solicitation, and insider reporting and trading provisions of the amended Exchange Act now applicable to listed companies. It is currently estimated that, eventually, approximately 3200 such companies may be affected. Of these, some 1600 now file periodic reports (by virtue of a prior, Securities Act registration for a public offering of securities), but have not been subject to other provisions of the Exchange Act. The provisions of the new law also will apply to some 600 banks and 400 insurance companies. However, provisions of the new law as applied to banks (whether their securities are listed or unlisted) will be administered and enforced by the Federal bank regulatory agencies. Banks which meet the test and which are not subject to regulation by a Federal bank regulatory agency will be required to comply with the provisions of the new law as administered by the Commission. Insurance companies whose securities are traded over-the-counter will be exempt from the registration and reporting provisions, provided the insurance company is subject to certain specified regulation by the state of its incorporation with respect to the filing of annual reports and solicitation of proxies (as prescribed by the National Association of Insurance Commissioners) and, after July 1, 1966, with respect to insider holdings and trading. Over-the-counter insurance companies which file or have filed a Securities Act registration statement may, however, be subject to reporting obligations.

Under the new law, a company whose securities are traded over-the-counter will initially be required to file a registration statement within 120 days after the last day of its first fiscal year ended after July 1, 1964, on which it has both total assets in excess of $1,000,000 and a class of equity security held of record by 750 or more persons. However, the Commission today announced the adoption of a new Rule 12g-1 under the amended Exchange Act (Release 34-7429) extending to April 30, 1965 the time for the filing of such registration statements by companies not now reporting to the Commission and having fiscal years ending prior to December 31, 1964. Such postponement provides a reasonable period for preparation of the required filings by issuers involved and permits gradual assumption by the Commission of its administrative burdens. After July 1, 1966, registration will be required of a company having both total assets in excess of $1,000,000 and a class of equity security held of record by 500 or more persons. The proposed registration form is now in preparation, and it is expected to be similar to the forms now applicable to the listing of securities on an exchange.

In this connection, the Commission also announced for public comment a proposal to adopt new Rules 12g5-1 and 12g5-2 under the Exchange Act (Release 34-7426) defining the terms "held of record" and "total assets" as they apply to the question of registration. Comments on the rule proposals are due on or before October 12, 1964.

In an endeavor to assist companies in determining and advising the Commission whether they will become subject to the registration and related provisions of the new law, the Commission is mailing a letter to several thousand companies whose securities are quoted in the "sheets" published by the National Quotation Bureau, Inc., accompanied by copies of its summary of the law. Also forwarded to these companies is a copy of the proposed rules with respect to the determination of record holders and total assets, as well as a questionnaire to be completed and filed with the Commission reporting such information.

After the initial registration with the Commission, issuing companies will be required to file Form 10-K or other annual reports, Form 9-K semi-annual reports reflecting the first six months' operating results, and Form 8-K reports for any month in which a significant event occurred. Financial statements in the original registration statement and subsequent annual reports must conform to the Commission's accounting rules (Regulation S-X) and must be certified by independent public accountants. Moreover, following registration the solicitation of proxies from holders of registered securities must comply with the Commission's proxy rules (Regulation 14). If a meeting of shareholders is called but the management does not solicit proxies, information comparable to that required with respect to a solicitation must be mailed to shareholders; and

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this requirement for the first time also will apply to listed companies. In addition, the insider trading rules will apply to insiders (officers, directors, and beneficial owners of more than 10% of registered equity securities): Each such person must file an initial report on Form 3 reflecting the amount of equity securities of which he is the beneficial owner; thereafter a report on Form 4 must be filed within 10 days of the close of each month during which any change in his holdings occurs, profits by insiders on short-swing trading (within six months) in any equity securities may be recovered by or on behalf of the issuer; and short selling by insiders is prohibited. A limited exemption from the recovery and short-selling provisions is provided for broker-dealer insiders with respect to their over-the-counter market-making transactions.

The new law specifically authorizes the Commission to grant an exemption from the registration and related requirements, if not inconsistent with the public interest. The Commission announced the adoption of new Rule 12g3-1 (Release 34-7427) granting a temporary exemption, until November 30, 1965, for securities of a foreign issuer and certificates of deposit therefor; and it will at a future date invite public comments on the question of the extent to which such exemption should be continued.

Heretofore, companies which registered securities for public offering under the Securities Act were obligated to file an undertaking to keep the financial and other information current by filing annual and periodic reports, provided they met a $2,000,000 test (offering price of new securities plus value of outstanding securities of same class based upon the offering price). This reporting requirement was suspended if and so long as the value of the outstanding securities was reduced to less than $1,000,000. Under the new law, the requirement of an undertaking is deleted in favor of a provision requiring the filing of periodic reports during the remainder of the fiscal year in which the Securities Act registration statement became effective and thereafter so long as the registered securities are held of record by 300 or more persons.

The new law also empowers the Commission to adopt rules governing the filing of all types of material contracts and disclosures with respect thereto; and the Commission expects to announce soon a proposal for revision of its registration and report forms to implement these provisions.

Under the 1964 Amendments, the Commission may authorize unlisted trading privileges on an exchange only for securities listed and registered upon another exchange; the provision authorizing such privileges for non-listed securities upon a showing of substantially equivalent disclosures has been rescinded. The provisions governing unlisted trading privileges have been amended in several other respects, including the deletion of the provision that in the publication of exchange transactions or quotations the exchange differentiate between transactions or quotations in listed securities and securities having unlisted trading privileges. The Commission today proposed a revision of Rule 12f-4 (Release 34-7428) under which the exemptions from the registration and related provisions of the Exchange Act accorded to issuers of non-listed securities which have been admitted to unlisted trading privileges on an exchange will not apply to such issuers if they meet the statutory tests for registration under the new law. The new rule, if adopted, will also require the continued filing of periodic reports by such companies which have heretofore filed such reports pursuant to a Securities Act undertaking. The Commission invited the submission of written comments upon this rule proposal not later than October 12, 1964.

Under the new law, the Commission is empowered, after notice and opportunity for hearing, to order compliance with any registration or reporting provision of the Exchange Act by any issuer found to have failed to comply therewith; and it may seek court orders enforcing compliance.

Heretofore, the Commission was authorized summarily to suspend trading in securities listed on an exchange for a period not exceeding 10 days; and this power is now extended to securities traded over-the-counter.

Another provision of the 1964 Amendments is designed to strengthen the standards of entrance into the securities business and to make more effective the disciplinary controls of the Commission and the rules of the industry self-regulatory organizations over brokers and dealers and persons associated with them. Recently, the Commission adopted a new Rule 0-8 (Release 34-7406) to implement a provision of the new law that the prohibitions of the Exchange Act shall be applicable to registered brokers and dealers, whether or not the mails or interstate facilities are used. Accordingly, it will no longer be necessary to prove the use of the mails by a registered broker-dealer charged with a violation.

Moreover, the new law establishes direct administrative powers of the Commission over persons associated with broker-dealer firms; and after notice and opportunity for hearing, any such person may be censured or barred (temporarily or permanently) from association with a broker-dealer if such person would himself be disqualified from being a broker-dealer. The new law also changes the grounds for the denial or revocation of registration to broker-dealer firms. Previously, substantive offenses for which denial or revocation could be ordered included conviction of any felony or misdemeanor involving the purchase or sale of securities or arising out of the conduct of the business of a broker or dealer. The 1964 Amendments expressly add as disqualification (among others) any conviction of a felony or misdemeanor arising out of the conduct of the business of an investment adviser, or involving embezzlement, fraudulent conversion, misappropriation of funds or securities, or a violation of the provisions of the U. S. Code dealing with various frauds and swindles committed by use of the mails or other interstate facilities. Failure to supervise other persons who commit violations is made an independent ground for disciplinary action. In Release No. 34-7430 of September 10, 1964, the Commission announced a revision of its Form BD registration application for broker-dealers to provide for disclosure of any such disqualifications.

Under the amended law, the NASD is required to adopt appropriate standards with respect to the training, experience and other qualifications of members and persons associated with members, as well as to adopt rules designed to produce fair and informative quotations and to prevent fictitious and misleading quotations as well as to promote orderly procedures for collecting and publishing quotations.

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Moreover, broker-dealers who are not members of the NASD are now subject to certain additional regulation by the Commission; and the Commission is empowered to prescribe qualifications for such firms and for persons associated with them. These qualifications would relate to training, experience, etc. In addition, as is true of the NASD with respect to its members, the Commission is empowered to prescribe rules governing such non-members firms designed to promote just and equitable principles of trade, to provide safeguards against unreasonable profits or unreasonable rates of commission or other charges, and in general to protect investors and public interest and to remove impediments to and perfect the mechanism of a free and open market. Such rules are in the process of being formulated.

Finally, the Commission has published a proposal (Release 33-4726) under the Securities Act to adopt two new rules (on which comments are due October 12, 1964) governing the distribution by dealers of prospectuses involving securities the subject of a registered public distribution. The period during which delivery of prospectuses is required has now been extended from 40 to 90 days with respect to securities of an issuer which has not previously sold securities pursuant to an earlier effective Securities Act registration statement. However, the Commission is empowered to shorten the 40 or 90 day period; and the proposal under consideration provides for the adoption of a new Rule 174 which would shorten or eliminate the statutory period with respect to certain offerings to company employees, certain non-convertible fixed interest debt securities, American depositary receipts, and voting trust certificates. The maximum period during which dealers must deliver a prospectus will expire in 40 days if the issuer has a class of securities listed and registered on an exchange. The rule makes clear, however, that its provisions do not apply to an underwriter continuing to act as such, or to a dealer participating in a distribution of securities constituting an unsold allotment to or subscription by such dealer.

In a newly-proposed Rule 425A, in order that dealers will be apprised of their obligations to deliver a prospectus, a statement will be required to be included on the outside cover of the prospectus stating the date on which the relevant 40 or 90 day period will expire.

OREGON KING CONSOLIDATED MINES OFFERING SUSPENDED. The SEC has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a proposed public offering of securities by Oregon King Consolidated Mines, Inc., 521 Failing Bldg., Portland, Ore. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding $300,000 in amount. In a notification filed on February 7, 1963, Oregon King proposed the public offering of 100,000 common shares at $1 per share (which reportedly was completed in December 1963); and in a second notification filed August 11, 1964, it proposed a public offering of $100,000 of 6% convertible debentures. The Commission in its suspension order asserts that it has reasonable cause to believe that the offerings violated or will violate certain terms and conditions of Regulation A as well as the anti-fraud provisions of the Securities Act, in that the company's notifications, offering circular and report of stock sales contain untrue and misleading statements. The alleged misrepresentations relate, among other things, to the stock holdings and disposition of personally-held stock by company officials and promoters, the collectibility of certain funds owed to the company, and the possible contingent liability of the company for sales made in violation of the Oregon securities laws.

ERNEST BORUSKI, JR. DENIED REGISTRATION. In a decision announced today (Release 34-7418), the Commission revoked the broker-dealer registration under the Securities Exchange Act of Ernest F. Boruski, Jr., 290 Riverside Drive, New York City, suspended him from membership in the NASD, and denied his application for registration as an investment adviser under the Investment Advisers Act. The action was based upon violations of the SEC reporting requirements by reason of Boruski's filing as a registered broker-dealer of annual reports of his financial condition over a four-year period which were not certified despite repeated notices that certification was required. According to the decision: "Boruski has manifested, not only in connection with his persistent failure to file certified financial reports, but also in prior cases in which he has been involved, a consistent refusal to comply with or open defiance of regulations governing the conduct of broker-dealers for the protection of investors."

THOMAS MILLER CO. GRANTED EXEMPTION. The SEC has issued an order under the Investment Company Act (Release IC-4048) exempting Thomas Miller and Company, 500 Summer Street, Stamford, Conn., from certain provisions of the Act. The company is to be organized as a general partnership under the laws of Connecticut and will invest in securities and other properties. The only persons eligible to become partners will be voting partners or retired partners(and wives thereof) in a large accounting firm, said to have had 140 voting partners and 32 retired partners as of June 30. It is contemplated that Morgan Guaranty Trust Company of New York will serve as Investment Agent to handle investments for the partnership.

INDICTMENT RETURNED IN SALE OF HYDRAMOTIVE STOCK. The SEC today announced (LR-3019) the return of a Federal court indictment (USDC DC) charging violations of the Securities Act registration and anti-fraud provisions in the sale of stock of Hydramotive Corporation. The defendants so charged are Forrest Parrott and Donald Parrott of Denver; John V. Holmes and Durward E. Willis of Atlanta; Jules Arfield and Robert I. Allen, successive presidents of the American Capital Corporation of Washington, D. C. (formerly American Securities Company of Charlotte, N. C.); and Alan R. Rose, Harry Weintraub and Harry Kaskowitz (aka Harry Kass), former stock salesmen for American Capital.

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PARAMOUNT HOLDING CO. RESTRAINING ORDER EXTENDED. The SEC Denver Regional Office announced September 9 (LR-3020) the issuance of a court order (USDC Denver) extending a temporary order issued on September 2 restraining Paramount Holding Company, Eugene Whitworth and Edward L. Gibbons from further violating the Securities Act registration and anti-fraud provisions in the sale of securities of Paramount Holding Company, until final determination is made with respect to a permanent injunction.

EXTENSION GRANTED FOR RULE COMMENTS. At the request of the Investment Company Institute, the SEC has extended from September 15 to October 15, 1964, the period within which written views and comments may be submitted on its proposed revision of annual report Form N-30A-1 for management investment companies registered under the Investment Company Act (Release IC-4026).

UNLISTED TRADING SOUGHT. The SEC has issued orders giving interested persons until September 28 to request a hearing upon (1) an application of the Boston Stock Exchange for unlisted trading privileges in the common stock of Leesona Corporation and (2) an application of the Philadelphia-Baltimore-Washington Stock Exchange for such privileges in the common shares of U.S.Borax & Chemical Corporation and the American Potash & Chemical Corporation (Release 34-7417).

ROYAL CROWN COLA FILES STOCK PLAN. Royal Crown Cola Co., 1000 Ninth Ave., Columbus, Ga., filed a registration statement (File 2-22757) with the SEC on September 11 seeking registration of 325,701 shares of common stock. Of this stock, 42,900 shares are to be offered pursuant to the company's Stock Option Plan; 187,176 shares are held by optionees who have heretofore exercised options granted under the Plan or under an earlier stock option plan of the company; 33,750 shares are to be offered upon exercise of individual options not granted pursuant to any plan; and 61,875 shares are held by optionees who have heretofore exercised such individual options.

ETHYL CORP. FILES STOCK PLANS. Ethyl Corporation, 330 S. Fourth St., Richmond, Va., filed registration statements with the SEC on September 11 seeking registration of securities, as follows: (File 2-22758) 300,000 shares of Class B common stock to be offered under the company's Restricted Stock Option Plan; (File 2-22759) $2,500,000 of interests of participation in Ethyl Visqueen Savings Plan for Employees, together with 31,250 Class B common shares which may be acquired pursuant thereto; and (File 2-22760) $15,000,000 of interests of participation in the company's Savings Plan for Employees, together with 187,500 Class B common shares which may be acquired under the Plan.

FWD CORP. PROPOSES DEBENTURE OFFERING. FWD Corporation, Clintonville, Wisc., filed a registration statement (File 2-22761) with the SEC on September 11 seeking registration of $8,500,000 of 6½% debentures due 1979, to be offered for public sale at 100% of principal amount through underwriters headed by The Ohio Company, 51 N. High St., Columbus, Ohio, which will receive a 6½% commission.

The company is engaged principally in the manufacture and sale of four-, six-, and eight-wheel-drive motor trucks, rubber-tired tractors and parts. Net proceeds from its debenture sale will be used to repay loans of $6,447,710 made since July 1 from Associates Discount Corporation. The borrowed funds were used to retire outstanding debentures in the amount of $926,719 and indebtedness to various corporations aggregating $4,443,669 and to supplement the company's working capital by $1,077,322. The balance of the debenture proceeds will be added to working capital. In addition to indebtedness, the company has outstanding 318,620 common shares, of which management officials as a group own 6.31%. Samuel R. Penneys is board chairman and L. A. DePolis is president.

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended September 10, 1964, 12 registration statements were filed, 20 became effective, 1 was withdrawn, and 251 were pending at the week-end.

LEWISBURG CHAIR AND FURNITURE CORP. PROPOSES OFFERING. Lewisburg Chair and Furniture Corporation (name to be changed to General Interiors Corporation), Lewisburg, Pa., filed a registration statement (File 2-22755) with the SEC on September 10 seeking registration of 200,000 shares of common stock, to be offered for public sale through underwriters headed by Laird & Company, Corporation, 61 Broadway, New York. The public offering price ($9 per share maximum*) and underwriting terms are to be supplied by amendment.

General Interiors was organized under Maryland law in December 1963 by a group of private and institutional investors (including the principal underwriter of this offering) for the purpose of acquiring the business of Lewisburg Chair and Furniture Company, which designs, manufactures and sells Early American and Colonial furniture under the trademark "Pennsylvania House". The properties were acquired for $4,429,425 in cash (plus the assumption of certain liabilities), the seller being T. Gregory Parker and members of his family. Parker is now a president of General Interiors and president of its Lewisburg division). General Interiors also has contracted to purchase for $1,058,000 the H. T. Cushman Manufacturing Company, a Vermont corporation also engaged in the furniture business. Such latter acquisition, however, is conditional (among other things) upon successful completion of this offering, funds therefrom to be used for the purchase. In addition to indebtedness and preferred stock, the company has outstanding 451,800 common shares (after giving effect to a recent 3-for-1 stock split). Management officials as a group own 34.5% of the outstanding common stock. Colin C. Capri is board chairman and president. The prospectus states that, after giving effect to the sale of the new shares, the original investors will have paid $150,600 or some 9% of the total purchase price paid for stock since the company's formation, but will retain about 70% of the total voting power.

SECURITIES ACT REGISTRATIONS. Effective September 14: The William J. Burns International Detective Agency, Inc. (File 2-22694); Mountain Fuel Supply Co. (File 2-22747); The Southern New England Telephone Co. (File Nos. 2-22716 and 2-22717).

*As estimated for purposes of computing the registration fee.

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