

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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FOR RELEASE October 6, 1964

LIFE INSURANCE ACCOUNTING RULES FORMULATED. The SEC today announced the adoption of an amendment to its accounting rules (Regulation S-X), consisting of a new section (designated Article 7A and Rule 12-31) to govern the form and content of financial statements and related schedules filed by life insurance companies (Release 33-4727). The financial statements, schedules and special notes are based on information either in the annual statements filed by life insurance companies with state regulatory authorities or otherwise readily available. Specific regulations for life insurance companies are deemed necessary because of the increasing number of life insurance companies filing financial statements with the Commission in registration statements and annual reports in order to provide for reasonable uniformity in financial reporting. The amendments are based on experience gained from the examination of financial statements and schedules filed with the Commission, on comments received from interested persons as a result of notice to adopt these amendments, and on discussions with representatives of industry associations, state regulatory authorities, and public accountants. The new rules will be in effect with respect to financial statements for any fiscal year ending on or after December 31, 1964, filed as a part of any registration statement, application for registration or report.

FUNDAMENTAL INVESTORS SEEKS ORDER. Fundamental Investors, Inc., of Elizabeth, N. J. (a Delaware open-end diversified investment corporation), has applied to the SEC for an exemption order under the Investment Company Act with respect to the proposed issuance of its shares at net asset value for substantially all of the assets of Distribution Warehouses, Inc. (DWI); and the Commission has issued an order (Release IC-4059) giving interested persons until October 22 to request a hearing thereon. According to the application, DWI is a Michigan personal holding company with seven stockholders and had net assets valued at \$938,221 on June 30, 1964. DWI will distribute the Fundamental Investors shares acquired through the exchange to its shareholders upon the liquidation of DWI.

LEON GRADSKY, HAROLD GRADSKY, OTHERS CONVICTED. The SEC Atlanta Regional Office announced (LR-3044) that on September 29 Leon Gradsky (West Palm Beach), Harold Gradsky (Miami Beach), and Robert W. Muir, Sr. (Los Angeles) were convicted of violating the anti-fraud provisions of the Securities Act and the mail fraud and conspiracy statutes in the sale of notes of Federal Finance, Inc., Inter-City Acceptance Corporation, Franklin Acceptance Corporation and Franklin Fidelity Corporation. Another defendant, Robert A. McKee of Ft. Lauderdale, was acquitted. Robert B. Sills (a/k/a Robert S. Roberts) of Miami pleaded guilty to one fraud count. Roger D. Abbott and William H. Morris, both of Tampa, entered nolo contendere pleas to an information charging them with a violation of Rule 10b-5 of the General Rules and Regulations under the Securities Exchange Act. Imposition of sentences was deferred.

SOUTHRIDGE CORP., CARSON CITY GAY NINETIES, OTHERS ENJOINED. The SEC San Francisco Regional Office announced on October 1 (LR-3045) the entry of an order (USDC Carson City, Nev.) permanently enjoining Southridge Corp., Carson City Gay Nineties, Inc., Preston's Black Gold Club, Inc., and E. J. Preston from violating the registration and anti-fraud provisions of the Federal securities laws in the sale of securities issued by the three corporations. The defendants consented to the order.

DEFENDANTS IN MOEL, INC., CASE ENJOINED. The SEC San Francisco Regional Office announced on October 1 (LR-3046) the entry of an order (USDC Phoenix) permanently enjoining Moel, Inc., Clarence O. Mitchell and Grace G. Mitchell from further violations of the Securities Act registration requirements in the sale of Moel securities. The defendants consented to the entry. The action against defendant Elgin L. Kriewald is pending.

S. E. JONAH & CO. AND PRESIDENT ENJOINED. The SEC San Francisco Regional Office announced on October 2 (LR-3047) the entry of a decree (USDC San Francisco), with the defendants' consent, permanently enjoining S. E. Jonah & Co., Inc., and its president, Stanley E. Jonah, from further violating the net capital, record-keeping and anti-fraud provisions of the Federal securities laws.

CONTINENTAL SECURITY LIFE INSURANCE PROPOSES OFFERING. Continental Security Life Insurance Company, 925 Madison St., Jefferson City, Mo., filed a registration statement (File 2-22832) with the SEC on October 5 seeking registration of 150,000 shares of common stock. The shares are to be offered for public sale at \$7 per share through company officials and NASD members. A 56¢-per-share selling commission will be paid on all stock sold through the NASD members.

Organized under Missouri law in 1962, the company is engaged in writing life insurance on both the participating and nonparticipating basis. Net proceeds from its stock sale will be added to capital and surplus and used to conduct its business. The company has outstanding 200,000 shares of common stock, owned entirely by The Continental Security Investment Company of Missouri, Inc. The initial 100,000 shares were purchased at \$2.75 per share, and at a later date Continental purchased the additional 100,000 shares at \$4.85 per share. Jack L. Clay is president.

OVER

RECENT FORM 8-K FILINGS. The companies listed below have filed Form 8-K reports for the month indicated and responding to the item of the Form specified. Copies thereof may be ordered from the Commission's Public Reference Section (please give News Digest's "Issue No." in ordering). Invoice will be included with photocopy material when mailed. An index of the caption of the several items of the form was included in the October 2 News Digest.

Philips Electronics & Pharm. Ind, Corp
April 1964 (11,13)

Northeast Airlines, Inc Aug. 1964 (6)

Doughboy Ind, Inc July 1964 (2,13)
Peruvian Oils & Minerals Ltd Sept. 1964
(3,13)

Central Maine Power Co Sept. 1964 (4,8,13)

U. S. Plywood Corp Sept. 1964 (11)

Revere Racing Assoc. Inc July 1964 (11)

Magic Chef, Inc Aug. 1964 (11,13)

Scot Lad Foods, Inc Sept. 1964 (11)

Levingston Shipbuilding Co Aug. 1964 (8)

General Acceptance Corp Aug. 1964 (7,8,13)

Kent Washington, Inc May 1963 (11,13)

Nationwide Motorist Assoc., Inc Aug. 1964
(4,7,11,13)

Nuclear Data, Inc May 1964 (11)

Lehigh Valley Ind, Inc Amend #1 to 8K
for July 1964 (4)

SECURITIES ACT REGISTRATIONS. Effective October 5: Community Research and Development, Inc. (File 2-22711). Effective October 6: Texas Eastern Transmission Corp. (File 2-22773).

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