

**NEWS DIGEST**

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

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Washington 25, D.C.

FOR RELEASE July 17, 1962

**EQUITY FUNDING RULE ADOPTED.** The SEC today announced the adoption (Release 34-6851) of a new Rule 15c2-5 under the Securities Exchange Act with respect to "equity funding" arrangements by broker-dealers in the sale of securities - a program which contemplates that securities sold to a customer will be used as collateral for a loan, the proceeds of which would be used to pay the premium on a life insurance policy sold to the customer (which, by Release 33-4491, was construed as involving the offer and sale of an investment contract required to be registered under the Securities Act of 1933). The new rule, effective August 31, 1962, makes it unlawful for a broker-dealer to induce the purchase of a security by any person if the broker-dealer offers to extend any credit (or participates in a credit arrangement for such person) unless the broker-dealer delivers to the customer a written statement setting forth certain information about the credit arrangement. Under the rule, the broker-dealer would have to disclose to the customer the exact nature and extent of his obligations including, among other things, the specific charges he will incur in each period during which the loan may continue or be extended, the risks and disadvantages which he will incur, and the commissions and other remuneration to be received by the broker or dealer, by all other persons in a control relationship to him, and by any other person participating in the transaction. The rule also requires the broker or dealer to obtain from such person information concerning his financial situation and needs, to reasonably determine that the entire transaction, including the loan arrangement, is suitable for the customer, and to deliver to him a written statement setting forth the basis upon which this determination was made. This may require disclosure, among other things, of any disadvantages of the new over the old insurance policy. The new rule is not applicable to an extension of credit under Regulation T if only for the purpose of purchasing or carrying the securities offered or sold.

**CORRECTION RE FOREIGN ISSUER RULE.** The due date for submission of comments upon the proposed "Foreign Issuer" rule referred to in the SEC News Digest of July 16, 1962, is August 17, not August 27, as indicated in the Digest.

**CANADIAN RESTRICTED LIST.** The SEC has removed Purdex Minerals Ltd. from its Canadian Restricted List, reducing to 257 the number of Canadian companies whose securities the Commission has reason to believe recently have been or currently are being distributed in the United States in violation of the registration requirements of the Securities Act of 1933, thus depriving investors of the financial and other information essential to an informed and realistic evaluation of the worth of the securities which registration would provide.

**SEC COMPLAINT NAMES LEO MACLAUGHLIN SECURITIES.** The SEC San Francisco Regional Office announced July 13 (Lit-2312) the filing of a complaint (USDC Los Angeles) seeking to enjoin Leo G. MacLaughlin Securities Co., of Pasadena, Calif., John E. Lalich, Geraldine G. Gillespie, and Carolyn J. Hendrickson, from further violating the SEC net capital rule and certain anti-fraud provisions of the Securities Exchange Act. Pending hearing on motion for preliminary injunction and for appointment of receiver, court entered interim order prohibiting dissipation of assets.

**BLUE MAGIC FILES FOR STOCK OFFERING.** Blue Magic Co. of Ohio, Inc., 901 Florence Ave., Lima, Ohio, filed a registration statement (File 2-20582) with the SEC on July 16th seeking registration of 100,000 shares of common stock, to be offered for public sale at \$4 per share. The offering will be made through underwriters headed by Hallowell, Sulzberger, Jenks, Kirkland & Co., Philadelphia National Bank Bldg., Philadelphia, which will receive a 36¢ per share commission and \$10,000 for expenses. A \$5,000 finder's fee is payable by the company to Max Levy.

The company is engaged principally in the manufacture and sale of liquid starch, a fabric softener (rinse), and spray starch for household use under the trade name "Easy Monday" in certain midwestern states. Of the net proceeds from the stock sale, \$120,000 will be used to purchase machinery and equipment to manufacture additional household products such as a liquid dishwashing detergent, and the balance to purchase the company's present plant from its president, to construct additional manufacturing, warehousing and office facilities, and for working capital. The company has outstanding 125,000 shares of common stock, of which Paul H. Glass, president, Leah H. Glass, his wife and secretary-treasurer of the company, Andrew Cohn, vice-president, and Eunice Cohn, his wife, own 25% each. Book value of stock now outstanding is \$2.03 per share.

**LING-TEMCO-VOUGHT FILES FOR SECONDARY.** Ling-Temco-Vought, Inc., P. O. Box 5003, Dallas, filed a registration statement (File 2-20583) with the SEC on July 16th seeking registration of 79,611 outstanding shares of common stock, to be offered for public sale by James J. Ling, vice chairman of the board, from time to time on the New York Stock Exchange or in the over-the-counter market, at prevailing prices at the time of sale (maximum \$16 per share\*). Ling also intends to sell from time to time (under another registration statement) all or part of warrants expiring in 1966 to purchase an aggregate of 23,405 common shares at \$30 and \$40 per share and \$4,018,800 of 5½% subordinated convertible debentures due 1976. He also owns \$100,000 of 5½% convertible debentures due 1971.

The company is engaged, through its subsidiaries and divisions, in the design, development and production of military aircraft and missiles, electronic products and electro-mechanical and acoustical equipment,

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in modification and electronic aero-systems work on military aircraft and in the production of air conditioning and refrigeration equipment, information systems for industrial automation control and other products. In addition to certain indebtedness and preferred stock, the company has outstanding 2,782,368 shares of common stock, of which management officials as a group own 7.6%. Robert McCulloch is board chairman and G. K. Johnson is president.

COLORADO INTERSTATE GAS FILES THRIFT PLAN. Colorado Interstate Gas Company, P. O. Box 1087, Colorado Springs, Colo., filed a registration statement (File 2-20584) with the SEC on July 16th seeking registration of \$1,250,000 of contributions by participating employees in its Thrift Plan, and 33,838 shares of common stock which may be acquired pursuant thereto.

BLACK BEAR INDUSTRIES TRADING BAN CONTINUED. The SEC has issued an order under the Securities Exchange Act suspending trading in the common stock of Black Bear Industries, Inc., on the San Francisco Mining Exchange and over-the-counter market for a further ten-day period, July 18 to 27, 1962, inclusive.

INDICTMENT NAMES T K PENNELL, OTHERS. The SEC Fort Worth Regional Office announced July 13th (Lit-2313) the return of a Federal court indictment (USDC, Abilene, Tex.) charging Truman Kenneth Pennell, Carl Leroy Linn, and Security Enterprises, Inc., of Wichita Falls, Texas., with violations of the anti-fraud provisions of the Federal securities laws in the sale of stock of American Trust Life Insurance Company and American Trust Underwriters.

SEC COMPLAINT NAMES ADMIRAL OIL & GAS. The SEC Fort Worth Regional Office announced July 14th (Lit-2314) the filing of a complaint in Federal court (USDC, Oklahoma City) seeking to enjoin Admiral Oil & Gas Company, of Dallas, and M. E. Barnett of Oklahoma City, from further violations of the Securities Act registration and anti-fraud provisions in the offer and sale of oil interests.

SECURITIES ACT REGISTRATIONS. Effective July 16: Silicon Transistor Corp. (File 2-19554).  
Effective July 17: Atlanta Gas Light Co. (File 2-20542); Founders Financial, Inc. (File 2-20337).  
Withdrawn July 17: Income Properties, Inc. (File 2-20385); Joannell Laboratories, Inc. (File 2-19488);  
Molecular Dielectrics, Inc. (File 2-18830); Plastics Chemicals, Inc. (File 2-19754); Pulp Processes Corp. (File 2-18923); Sportsways, Inc. (File 2-19806).

\*As estimated for purposes of computing the registration fee.

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