

Mr. Cary

MEMORANDUM OF CONFERENCE

HELD JANUARY 18, 1963
IN THE OFFICE OF SENATOR CLINTON P. ANDERSON OF NEW MEXICO
WITH THE FOLLOWING IN ATTENDANCE:

Congressmen Joseph M. Montoya and Thomas G. Morris of New Mexico; Senator Anderson's Legal Assistant, Mr. Wood; the Mayor of Deming, New Mexico, Mr. Frank King; Denver Attorney, representing the City of Deming, Mr. Hodson; Chairman Cary, Philip E. Loomis, Director, Division of Trading and Exchanges; and Mahlon M. Frankhauser of the Division of Trading and Exchanges.

At the request of Senator Anderson, a conference was held in his office attended by the above-named persons. The purpose of this conference was to discuss the problems which the Commission's Los Angeles and Denver offices raised in connection with the contemplated new offering of revenue bonds by the City of Deming, New Mexico. At the opening of the conference, Senator Anderson stated that he had had a call from the Governor of New Mexico who stated that if the problems could not be absolved the Governor was willing to have the Attorney General of the State come to Washington.

From the outset of the conference it was apparent that the major concern of Senator Anderson and the rest of the Congressional delegation, as well as the Governor of New Mexico and the Mayor of Deming, was the problem the Commission had raised as to the possible loss of the exemption from the registration requirements. Mr. King explained that, if registration was required with possible corresponding liability under Section 3(a)(11) all of the revenue bond issues under the New Mexico Statutes would be in question. Mr. Loomis and Chairman Cary explained immediately that the problem of the loss of the exemption of the registration requirements arose out of the fact that the bonds were being guaranteed by a private corporation. This appeared in the prospectus and other papers which had been submitted to the Commission's Los Angeles Regional Office.

Mr. King and Mr. Hodson immediately assured Mr. Cary that the prospectus that had been supplied to the Los Angeles Office was a preliminary one and that the offering as now contemplated would not include this guarantee. Mr. Loomis stated that in that event it appeared that the revenue bonds would not be required to be registered. It was immediately pointed out by Mr. Loomis and concurred in by Mr. King that the Commission did have jurisdiction over the sale of these revenue bonds by reason of the anti-fraud provisions of the Securities Act.

Mr. King stated that in order to avoid any problems and, of course, any proceedings, he would submit either to our Los Angeles or Denver office copies of brochures and advertisements before they were used. Thereafter, Mr. King raised questions as to the form of financial statements that should be included. He stated that they would not and he did not think they should correspond to the Commission's requirements under Regulation SX, since, according to him, they would be misleading in describing this type of operation. Mr. Loomis said that he could not state at this point without seeing the textual material the type of financial statements that could be used.

After further discussion on the part of Mr. King as to what type of information should be included, it was decided that a preliminary draft of the material should be submitted to the Commission's Denver office and it would be reviewed as rapidly as possible and any comments the Commission might have would be conveyed to Mr. King and the company.

Original to: Mr. Cary
cc: Mr. Loomis
Mr. I. Pollack
Mr. Bliss
L&E