

10 TSE Firms Under Notice Of Suspension

Trading in the shares of 10 small companies may be suspended in two weeks by the Toronto Stock Exchange as the result of one of several major policy changes announced yesterday by Howard D. Graham, TSE president.

He said the warnings were issued after the exchange adopted a suspension policy for inactive mining and oil companies with less than \$25,000 in net liquid assets. Companies unable to requalify after one year will be delisted, he said.

The crackdown follows a recommendation this spring by the Ontario Legislature's Committee on Security Regulations that the TSE be required to draw up a delisting policy to weed out dormant companies.

Mr. Graham also announced tighter controls on the sale of treasury shares by speculative companies through exchange facilities. These changes may foreshadow recommendations by the Windfall royal commission, whose report has been delivered to Premier John Robarts but has not yet been published.

The exchange's policing pro-

cedures have been under fire from many groups since July, 1964, when wild trading in the shares of Windfall Mines and Oils Ltd. prompted the Ontario Government to set up a royal commission under Mr. Justice Arthur Kelly.

Named in the list of companies given two weeks to improve their finances or face a suspension are: Consolidated Fenimore Iron Mines Ltd., Marboy Mines Ltd., Southern Union Oils Ltd., United Mindamar Metals Ltd., Yellorex Mines Ltd., Cayzor Athabaska Mines Ltd., Rexspar Minerals and Chemicals Ltd., West Malartic Mines Ltd., Wisconsin Mining Co. Ltd. and Queenston Gold Mines Ltd.

Mr. Graham said the suspension policy had been discussed with John R. Kimber, chairman of the Ontario Securities Commission, "who considers it to be reasonable and suitable action to be taken at this time."

Suspended companies will not be allowed to increase their assets by selling shares through an underwriting and option agreement with a member firm of the exchange, Mr. Graham said.

Despite the 10 warnings, Mr. Graham said the delisting formula "is going to be a gradual policy extending over a period of two to three years."

There was trading yesterday in shares of only six of the 10 companies facing suspension with only two showing gains. Wisconsin Mining rose 2 cents to a close of 24 cents on a volume of 2,550 shares while United Mindamar went up 3 cents to 20 cents on a volume of 2,333 shares.

In recent years, the TSE has been criticized for harboring dormant companies whose only asset is their exchange listing. Such companies, it is argued, frequently can be taken over and used for stock market manipulations.

Mr. Graham also said yesterday that TSE member firms will no longer be able to use treasury shares purchased through an underwriting to cover short sales made before the TSE's approval of the deal. Market players make short sales when they sell borrowed stock in the hope that they will be able to buy in later at a lower price to cover the short sale and make a profit.

Underwriters will be required to report their transactions in the shares of a stock for a two-week period before the submission of an underwriting application for TSE approval, he said.

The TSE also announced that underwritings must give the underwritten company a working capital of at least \$75,000 after the property to be explored has been purchased. In addition, all underwritings must be for at least \$50,000.

Previously, TSE underwritings were required to provide a working capital of \$50,000 of which part could be used to acquire properties or other assets.

Mr. Graham also said member firms will be allowed to negotiate only one option with each firm underwriting with the size of the option restricted to not more than half of the number of shares underwritten. The option must be exercised within three months of the underwriting. This compares with a previous practice where underwriters could have up to four options of 200,000 shares each with each underwriting of 200,000 shares.

He said the exchange has deferred any changes in the rules covering trading by member firms on their own behalf on the exchange floor until after the Windfall report has been published.