

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 February 8, 1963

ALEX. REID & CO. REVOKED. In a decision under the Securities Exchange Act announced today (Release 34-7016), the SEC revoked the broker-dealer registration of Alexander Reid & Co., Inc., 972 Broad Street, Newark, N. J., for fraudulent representations in the offer and sale of common stock of Woodland Electronics Co., Inc. (formerly Woodland Oil & Gas Co., Inc.). The Reid firm also was expelled from membership in the NASD; and Alexander Silberman, president, and Leo F. Boyle, Isaac M. Drescher, Albert J. Feirt, Pasquale Malanga and Sidney Richman, salesmen, were each found to be a cause of the revocation and expulsion order.

In 1960 Woodland, which had engaged in oil and gas operations, acquired the assets of a company which had developed a machine, known as Speed-O-Fax, designed to transmit a facsimile of documents over telephone lines. According to the Commission's decision, the Reid firm and its salesmen offered and sold over 400,000 shares of Woodland stock to customers between October 1960 and July 1961, at prices ranging from \$1 to \$1.875 per share. The names of investors were obtained through newspaper, television and radio advertisements which invited requests for information about a low-priced electronics stock; and thereafter, following mailing of the literature, a salesman would telephone and recommend the purchase of Woodland stock.

The Commission ruled that in the offer and sale of Woodland stock false and misleading representations were made by the salesmen. Some of the representations by various of the salesmen were to the effect, among other things, that the stock "presented a tremendous investment opportunity," that the price of the stock could double in price in a short period and might increase in price between \$5 and \$10 in a couple of years (or even to the \$40 or \$50 prices of other securities), that Woodland was in production and had contracts with big companies and with the government and was "going to go places," and that its machine was likely to replace the teletype machine eventually. Others referred to the expected increase in the price of the stock, while Silberman stated to a customer that tremendous things were happening with Woodland but he was sworn to secrecy. The respondents denied making many of these statements attributed to them by investors, although they did not deny that some statements were made with respect to the possibilities of future price increases; but the Commission sustained the finding of the Hearing Examiner who had observed the demeanor of the customers and credited their testimony.

The Commission held that the representations were not supported by any reasonable basis in fact and were false and misleading. Woodland had never operated at a profit, had an accumulated deficit of \$132,465 at August 31, 1960, and had a net loss of \$7,200 for the nine months ending that date, which figures were not disclosed to customers. None of the machines had been sold or leased by Woodland during the period of the stock offering, none had even been produced on a commercial basis, and no contracts had been entered into with the government or with "big" companies. Respondents contended that the salesmen honestly and reasonably believed that the Speed-O-Fax machine would become a success and that Woodland had bright prospects, that they had observed a demonstration of the machine, and that Woodland had received many letters of interest from business concerns and government agencies. Persons engaged in the sale of securities, the Commission stated, "cannot avoid responsibility for unfounded statements of a deceptive nature, recklessly made, merely by characterizing them as opinions or predictions or by presenting them in the guise of a probability or possibility." The Commission further observed: "In our opinion these asserted facts can afford no basis for predictions of specific and substantial price rises and offer no reasonable basis for the highly optimistic, enthusiastic and unrestrained opinion and prediction of future business success made by registrant's representatives. The duty of reasonable and adequate inquiry which is imposed on those who recommend securities to public investors is not satisfied by observing a demonstration of a machine not yet in commercial production . . . Registrant conducted an intensive high-pressure advertising and telephone campaign to sell highly speculative and promotional securities to customers. Respondents' sales techniques of highly colored representations and predictions of rapid and substantial market price rises without disclosure of adverse information and the lack of adequate information were calculated not to inform but to mislead. We do not believe that the investing public should be exposed to further risk of such conduct by respondents who have demonstrated their gross indifference to the basic duty of fair dealing required of both broker-dealers and securities salesmen. Accordingly, we conclude, as did the hearing examiner, that it is necessary and appropriate in the public interest to revoke registrant's registration and expel it from membership in the NASD."

N.J. INVESTMENT BROKERS REVOKED. The SEC has issued an order under the Securities Exchange Act (Release 34-7017), revoking the broker-dealer registration of Investment Brokers of N. J., 744 Broad Street, Newark, for violations of the anti-fraud and other provisions of the Federal securities laws. Robert G. Dabler, secretary-treasurer, was found to be a cause of such revocation. According to the order, the firm in February 1960 engaged in the conduct of a securities business when its current liabilities exceeded its assets and it was unable to meet its current liabilities in the ordinary course of business, in violation of the Commission's net capital rule and the anti-fraud provisions of the securities laws. Moreover, the firm violated the Commission's record-keeping requirements. In March 1960 the firm and Dabler were enjoined by Federal court order (on their consent) from the continued conduct of a securities business while the firm was insolvent and in violation of the net capital and record-keeping rules.

OVER

COOPER-CARROLL FIRMS DENIED REGISTRATION. In a decision under the Securities Exchange Act announced today (Release 34-7018), the SEC denied broker-dealer registration to H. N. Cooper & Company, Inc., of 88-29 155 Avenue, Howard Beach, N. Y., and R. C. Carroll & Co., Inc., 150 Broadway, N. Y. Myron A. Cooper and Herbert Zeller were each found to be a cause of the denial of registration to Cooper & Co., of which they were officers and shareholders; and Maxwell W. Schren and Allan Rich (formerly known as Benjamin N. Schultz), who were officers and shareholders of Carroll & Co. were each found to be a cause of the revocation of its registration. The Commission ruled that the individuals, while employed in 1956 as securities salesmen for P. J. Gruber & Co., Inc., made false and misleading representations in the offer and sale of stock of Century Controls Corporation. Information available to them provided no support "for the assurances of a profitable investment which these representations conveyed to customers."

COURT ORDER RESTRAINS HAROLD GRADSKY, OTHERS. The U. S. District Court in Miami, Fla., on February 4 continued until further court order a temporary injunction issued four days earlier restraining violations of the Federal securities laws by Harold Gradsky, Leon Herman Gradsky, Saul M. Liberman, Milton Holtzman Spell, and Chester Maier, residents of the Miami, Fla., area as well as Auto Factors of America, Inc., Southern Motor Sales Corporation, New Car Discount Center, Inc., Kane Leasing Corporation, and Great Western Land Corporation (all Florida corporations), and Gulf Intercontinental Finance Corporation, Ltd., a Dominion of Canada corporation. The Commission's complaint alleged violations of the laws in the sale by Gulf International of \$750,000 of notes of the five corporate defendants to Canadian investors, which funds were deposited in various U.S. bank accounts of the individual and corporate defendants and used by the defendants for living, travel and other expenses and not for the businesses of the Florida corporations or to provide security for the notes. (See Release LR-2502)

JURY CONVICTS FIVE IN UNITED DYE FRAUD. On February 4, Federal jury (USDC SDNY) returned a verdict of guilty against Virgil D. Dardi on charges of manipulating the stock of United Dye and Chemical Corporation on the New York Stock Exchange in violation of the Securities Exchange Act. Charles Rosenthal, Charles M. Berman, Robert B. Gravis and R. B. Gravis, Inc. were found guilty on various counts of violating the Securities Act registration requirement. Prior to or during the trial, the following defendants pleaded guilty to violations of the said registration requirement or to conspiring to violate the Federal securities laws: Samuel Garfield, Allen K. Swann, Allard Roen, Irving Pasternak, Garland L. Culpepper, Jr., Joseph H. Lederer, I. F. Stillman, Sidney Barclay and the broker-dealer firms of McGrath Securities Corp., I. F. Stillman & Co., Rockwell Securities Corp. and J. H. Lederer & Co. The defendant Cornelius DeVroedt, Inc. pleaded nolo contendere to the conspiracy and to various counts charging violations of the registration requirements of the Securities Act of 1933. In addition, Herman W. Brann pleaded guilty to two counts charging the manipulation of the price of the stock of United Dye and Chemical Corporation on the New York Stock Exchange. (LR-2501)

FINANCIAL EQUITY (L.A.) ENJOINED. The SEC San Francisco Regional Office announced February 5 (LR-2500) the entry of a court order (USDC, Los Angeles) permanently enjoining Financial Equity Corporation of Los Angeles from violating the SEC net capital rule. Defendant's former president, Jack L. Mahakian, agreed by stipulation to accept the decision of the SEC in an administrative proceeding involving defendant as a final determination of the court action.

STRATTON FUND SEEKS ORDER. The Stratton Fund, Inc., New York investment company, has filed an application with the SEC for an exemption order under the Investment Company Act; and the Commission has issued an order (Release IC-3630) giving interested persons until February 25 to request a hearing thereon. According to the application, Stratton Fund has filed a Securities Act registration statement proposing the offering to investors of 5,000,000 common shares in exchange for their present holdings of certain securities (with a minimum of \$15,000 of securities to be deposited by any investor). The present application seeks an exemption from the requirement that no registered investment company may make a public offering of securities unless it has a net worth of at least \$100,000.

THREE SUBSIDIARIES OF AMERICAN ELECTRIC POWER PROPOSE BORROWINGS. Indiana & Michigan Electric Company (Fort Wayne), Wheeling, (W.Va.) Electric Company, and Kingsport (Tenn.) Utilities Inc., subsidiaries of American Electric Power Company, Inc., have applied to the SEC for orders under the Holding Company Act authorizing bank borrowings by the three subsidiaries; and the Commission has issued orders (Release 35-14798, 14799, and 14800, respectively) giving interested persons until February 28, 1963, to request a hearing thereon. Under the proposals, Indiana & Michigan would borrow not to exceed \$29,000,000 to be outstanding at any one time, to be used to pay part of the costs of its construction program estimated at \$62,000,000 for 1963; Wheeling Electric would issue notes to banks in amounts aggregating \$4,250,000, in renewal of outstanding notes maturing March 26, 1963; and Kingsport Utilities would issue renewal notes aggregating \$1,600,000.

SILTRONICS-CLAYBAUGH ET AL HEARING POSTPONED. The SEC has postponed from February 11 to March 18 the hearing in proceedings involving charges of violating provisions of the Federal securities laws in the offer and sale of stock of Siltronics, Inc., by Atlantic Equities Co., Blair F. Claybaugh & Co., First Pennington Co., John Randolph Wilson, Jr., dba John R. Wilson, Jr. Co., Shawe & Co., Inc., Lenchner, Covato & Co., Inc. Klein, Runner and Co., Inc., and Strathmore Securities, Inc.

FOUR STOCKS DELISTED FROM AMEX. The SEC has granted applications of the American Stock Exchange (Release 34-7019) to delist the common stocks of Cabot Enterprises Limited, The Clark Controller Company, Eureka Corporation Limited and Nickel Rim Mines Limited, effective at the close of business February 21.

CONTINUED

UNLISTED TRADING ORDERS. The SEC has issued orders (a) granting an application of the Philadelphia-Baltimore-Washington Stock Exchange for unlisted trading privileges in the common stocks of Laboratory for Electronics, Inc., and Crown Zellerbach Corporation; and (b) giving interested persons until February 21, 1963, to request a hearing upon a similar application of said Exchange for such privileges in the common stock of Harvey Aluminum, Inc.

BELDEN & BLAKE FILE FOR OFFERING. Belden & Blake and Company Limited Partnership No. 1., Canton, Ohio, filed a registration statement (File 2-21064) with the SEC on February 4 seeking registration of \$270,000 of partnership interests. The partnership is to be formed under Ohio laws to furnish capital to acquire offset oil and gas well locations on certain Ohio properties for the purpose of drilling wells thereon for oil and gas. Henry S. Belden III and Glenn A. Blake are listed as general partners.

LAS VEGAS PROPERTIES TRUST FILES FOR OFFERING. Las Vegas Properties Trust, 4933 Paradise Road, Las Vegas, Nev., filed a registration statement (File 2-21065) with the SEC on February 7 seeking registration of 500,000 shares of beneficial interest in the Trust. The shares are to be offered for public sale at \$10 per share, with a \$1 per share selling commission to the underwriter, Securities Company of Nevada.

The Trust was organized in August 1962. Its objective is said to be to provide a broad and selected diversification of investments in the field of real estate, with continuous supervision of such investments. No properties or real estate mortgages are now held by the Trust. It is designed to qualify as a "real estate investment trust" under the Internal Revenue Code of 1960. The Trust's investments will be initially directed to the acquisition and holding of fee title to income producing real estate used for industrial, commercial and residential income purposes (initially in Nevada). The prospectus lists M. M. Sweeney as chairman of the board, president and trustee.

NO. AMERICAN LIFE-CASUALTY FILES FOR OFFERING AND SECONDARY. North American Life and Casualty Company, 1750 Hennepin Ave., Minneapolis, today filed a registration statement (File 2-21068) with the SEC seeking registration of 1,000,000 shares of common stock, of which 500,000 shares are to be offered for public sale by the issuing company and the balance by H. P. Skoglund, president and board chairman, and certain other stockholders. The public offering price and underwriting terms are to be supplied by amendment. Paine, Webber, Jackson & Curtis, 25 Broad St., New York, is listed as the principal underwriter; and in addition to their commission the underwriters are to receive options to purchase up to 50,000 additional shares (25,000 from the company and 25,000 from the selling stockholders), at the price to be paid by the underwriters for the 1,000,000 shares to be offered for public sale. These 50,000 shares, and an additional 25,000 being offered by F. J. Huch, senior vice president, directly to employees, field underwriters and managers of the company, also are included in the registration statement.

The company is authorized and licensed to transact and transacts an insurance business in 47 states, the District of Columbia, and all ten provinces of Canada. The primary types of insurance written are life and sickness and accident. The company has outstanding 2,500,000 common shares, of which H. P. Skoglund (and family members) owns 35% and management officials as a group 54%. The selling stockholders own an aggregate of 1,321,409 shares. Of the 525,000 to be offered for sale, H. P. Skoglund proposes to sell 335,000 of his holdings of 816,047 shares.

CORRECTION RE LING-TEMCO-VOUGHT. The SEC News Digest of February 7 referred to the proposed offering of two issues of debentures by Ling-Temco-Vought, Inc., of Dallas, in exchange for outstanding debentures. The due date of the outstanding 5½% Convertible Subordinated Debentures in exchange for which the new debentures are to be issued is September 1976 (not October 1971 as stated in the Digest).

SECURITIES ACT REGISTRATIONS. Effective February 7: Cascade Natural Gas Corp. (File 2-20859). Withdrawn February 7: Automatic Controls, Inc. (File 2-19555); Cable Carriers, Inc. (File 2-20504); Credit Department, Inc. (File 2-19679); Hargrove Enterprises, Inc. (File 2-19444).

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