

# 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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Statistical Release No. 1900. The SEC Index of Stock Prices, based on the closing prices of 300 common stocks for the week ended May 10, 1963, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1963 is as follows:

	1957-59 = 100		Percent Change	1963	
	5/10/63	5/3/63		High	Low
Composite	143.7*	142.7	+0.7	143.7	130.6
Manufacturing	135.0*	133.8	+0.9	135.0	121.1
Durable Goods	131.7*	128.6	+2.4	131.7	116.2
Non-Durable Goods	138.1	138.6	-0.4	138.6	125.8
Transportation	121.2*	121.1	+0.1	121.2	106.4
Utility	181.7*	181.6	+0.1	181.7	170.3
Trade, Finance & Service	168.4*	168.0	+0.2	168.4	153.5
Mining	123.2*	121.9	+1.1	123.2	104.2

\*New High

**SECURITIES ACT REGISTRATION STATEMENTS.** During the week ended May 9, 1963, 25 registration statements were filed, 26 became effective, 2 were withdrawn, and 361 were pending at the week-end.

**REGISTRATION OF ASSOCIATED UNDERWRITERS REVOKED.** The SEC today announced the issuance of a decision under the Securities Exchange Act (Release 34-7075) revoking the broker-dealer registration of Associated Underwriters, Inc., 3625 Lee Avenue, Little Rock, Ark. Aychel Denton Barnett, president and a principal stockholder, was found a cause of the revocation order. The firm and Barnett admitted certain facts and consented to the revocation order.

In its decision, the Commission found that the firm, aided and abetted by Barnett, violated provisions of the Exchange Act in that they (1) falsely stated in the firm's application for registration (executed by Barnett) that Barnett had not within the past 10 years been connected with any broker-dealers, when in fact he had been employed in various capacities by 8 broker-dealers between 1957 and 1961, and also failed to amend the application to disclose that the person named therein as secretary-treasurer and principal stockholder had ceased to hold those positions and repudiated his agreement to purchase stock; (2) falsely represented in a statement of financial condition that the firm had cash of \$2,000 and no liabilities, whereas the cash represented funds loaned to Barnett individually and deposited to the firm's account as capital (Barnett withdrew \$1,980 from this account and applied that amount to repayment of the loans); and (3) failed to keep required books and records. The Commission also denied Barnett's request that he be permitted to continue in the securities business as a part-time salesman (but it was observed that this would not bar his employment by a registered broker-dealer or member of the NASD in a supervised capacity upon an appropriate showing, including evidence of good conduct subsequent to that on which the Commission's decision is based).

**SEC ORDER CITES TWO PHOENIX FIRMS.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Powell & McGowan, Inc., of 1826 North Central Avenue, Phoenix, Ariz., engaged in securities transactions which operated as a "fraud and deceit" upon investors and, if so, whether its broker-dealer registration should be revoked. Also named in the order are James D. McGowan, president, and Elmer J. Powell, vice president, as well as Robert T. Kittleson, former trader of the firm; and in related proceedings involving R. T. Kittleson Investments, Inc., of 1807 North Central Avenue in Phoenix, the question is presented whether an application for broker-dealer registration filed by Kittleson Investments, of which Kittleson is president, should be denied.

The Powell-McGowan firm has been registered with the Commission as a broker-dealer since January 1954, while the Kittleson Investments application for registration was filed April 11, 1963. In orders authorizing the consolidated proceedings, the Commission recites charges of its staff that information developed in an investigation "tends to show" that during the period November 15, 1962, to March 8, 1962, the said firm, Powell, McGowan and Kittleson violated the anti-fraud provisions of the Securities Act in the offer and sale of securities by engaging in activities and a "course of business which would and did operate as a fraud and deceit" upon certain customers of the firm, in that they represented that securities transactions were being effected for such customers at market prices when, in fact, they were withholding information as to prevailing market prices for the securities and effecting transactions therein at prices bearing no reasonable relationship to the market price thereof and substantially in excess of the contemporaneous cost of the securities to the firm. Other violations charged by the staff included the conduct of a securities business by the firm in violation of the Commission's net capital rule and bookkeeping rules.

Similar charges are made by the staff in the proceedings with respect to the application for broker-dealer registration filed by Kittleson Investments. The staff also charges with respect to the Powell-McGowan firm, that it, Powell and McGowan defrauded a customer of the firm, whose trust and confidence it had gained,

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(1) by causing said customer to sell certain seasoned securities and reinvest the proceeds in other securities on which the firm realized a substantial profit; and (2) by causing the customer to loan the purchased securities to the firm under a subordinated agreement while concealing the firm's true financial condition, and thereafter selling such securities and converting the proceeds thereof to the firm's own use and benefit.

The two proceedings have been consolidated for purposes of hearing, to commence on May 17, 1963, in the New Federal Building in Phoenix. At the hearing, evidence will be taken on the question whether the staff charges are true and, if so, whether to revoke the registration of the Powell-McGowan firm and deny the application of Kittleson Investments.

**SUSPENSION OF HALTONE RENTAL OFFERING MADE PERMANENT.** The SEC today announced the issuance of a decision under the Securities Act (Release 33-4607) making permanent its April 16, 1962 order temporarily suspending a Regulation A exemption from registration with respect to a proposed public by Haltone Rental Corporation, 350 Seventh Ave., New York, of 150,000 common shares at \$2 per share.

In its decision, the Commission sustained findings by its hearing examiner that the issuer's notification and offering circular were materially deficient in that they failed to disclose that Haltone Fashions, Inc. was the predecessor and an affiliate of the issuer and that Ralph Hakim was promoter of the issuer and was in active control and management of the predecessor (all of whose stock was owned by his wife). The Commission also found that Haltone Fur Rentals, a sole proprietorship operated by Hakim's son, Selwyn Hakim, did not engage in any business but served as a conduit to transfer certain assets held by the predecessor to the issuer and which constituted the major portion of the issuer's assets. Selwyn Hakim became president of the issuer and held 45.1% of its stock (his mother holding 44.5%). The Commission ruled that the notification and offering circular were materially misleading and deficient in omitting any reference to the parts played by the predecessor and Ralph Hakim in the organization and operation of issuer.

The Commission also found that the issuer's offering circular failed to include the financial statements of the predecessor and that the balance sheets of the issuer and Haltone Fur Rentals were misleading in that they reflected assets of \$3,820 shown at "identifiable cash cost," whereas such assets had been among those acquired from the predecessor and had been valued on the predecessor's books at only \$470. The Commission also ruled that effective provisions were not made, by escrow arrangements or otherwise, to assure that 200,000 shares of the issuer (and warrants to purchase an additional 33,000 shares) issued to management officials, promoters, underwriter and counsel would not be reoffered to the public within one year after commencement of the proposed Regulation A offering; and accordingly such securities were required to be included in the computation of the maximum amount of securities which may be offered under a Regulation A exemption, the maximum amount thereby being exceeded.

**TRUSTEE FOR NORTHEASTERN FINANCIAL CORP. OF NEWARK.** The SEC New York Regional Office announced May 9th (LR-2620) that appointment by a Federal court (USDC, NJ) of Morris M. Schnitzer of Newark as trustee for Northeastern Financial Corporation, defendant in injunctive action filed by the SEC.

**PLEA ENTERED BY STACEY HUMPHRIES.** The SEC Denver Regional Office announced May 9th (LR-2621) that Stacey P. Humphries, Wheatridge, Colo., had entered a plea of guilty to two counts of a ten-count indictment (USDC, Wyo.) charging Humphries and Henry O. Aaberg with violation of the Securities Act registration and anti-fraud provisions in sale of Titanol, Inc. stock. Trial of Aaberg set for May 20th.

**EDSON SMITH FUND SEEKS ORDER.** The SEC has issued an order under the Investment Company Act (Release IC-3692) giving interested persons until May 28th to request a hearing upon an application of Edson B. Smith Fund, of Boston, for an order declaring that it has ceased to be an investment company. Pursuant to a vote of shareholders in December 1962, according to the application, all assets of the Fund were distributed to shareholders.

**PENNSYLVANIA POWER PROPOSES FINANCING.** Pennsylvania Power Company, 19 E. Washington St., New Castle, Pa. subsidiary of Ohio Edison Company (Akron), has applied to the SEC for an order under the Holding Company Act\* authorizing its issuance and sale of \$9,000,000 of first mortgage bonds due 1993 pursuant to competitive bidding, and authorizing its sale to Ohio Edison of an additional 50,000 common shares for \$1,500,000. The funds will be used by the subsidiary for property additions and improvements and to reimburse its treasury for expenditures made for such purposes. (\*Release 35-14871)

**SOCONY MOBIL OIL FILES STOCK PLAN.** The Savings Investment Plan of Kordite Corporation, Macedon, N.Y., and Socony Mobil Oil Company, Inc., New York, filed a registration statement (File 2-21414) with the SEC on May 10th seeking registration of \$646,144 of interests in the plan and 9,846 shares of Socony Mobil Oil stock.

**SECURITIES ACT REGISTRATIONS.** Effective May 3: American Telephone & Telegraph Co. (File 2-21344).  
Effective May 10: C.I.T. Financial Corp. (File 2-21359); Thompson Ramo Wooldridge Inc. (File 2-21281).  
Effective May 13: Talon, Inc. (File 2-21184); Western Empire Real Estate Investments (File 2-20756).  
Withdrawn May 10: South Dallas Co. (File 2-20656).