

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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SEC SUBPOENA RULE AMENDED. The SEC today announced a revision of the provisions of its Rules of Practice dealing with the issuance and service of subpoenas in administrative proceedings under the Federal securities laws. The amendment provides that both subpoenas ad testificandum and subpoenas duces tecum will normally be issued upon the request of any party to an adjudicatory proceeding. Previously, subpoenas duces tecum were issued only upon a written application, which included a showing of the general relevance, materiality and reasonable particularity of the documentary evidence desired and the facts to be proved by them. In removing the additional requirements for a subpoena duces tecum, the amendment is in accord with a recommendation of the Administrative Conference of the United States. The Rule as amended, however, reserves to the official requested to issue a subpoena the discretion to require the person seeking the subpoena to advise him of the general relevance and reasonable scope of the evidence sought, where it appears to him that the subpoena might be unreasonable, oppressive, excessive in scope, or unduly burdensome.

The amendment also incorporates a requirement similar to that of the Federal Rules of Civil Procedure that the fees for one day's attendance and the specified mileage must be tendered to the witness in order to effect valid service of the subpoena. As in the case of the Federal Rules, this requirement does not apply when a subpoena is issued at the instance of any officer or agency of the United States.

In addition, the amended Rule spells out that on a motion to quash the subpoena the appropriate official may condition denial of the motion or modify the subpoena upon just and reasonable conditions, including, in the case of a subpoena duces tecum a requirement that the person on whose behalf the subpoena is issued shall advance the reasonable cost of transporting the documentary or other tangible evidence to the place of hearing. This provision is also patterned after the Federal Rules.

DEVELOPERS SBIC SEEKS ORDER. Developers Small Business Investment Company, of Newark, N. J., has joined with Airport Boulevard Hotel Corporation and two individuals in the filing of an application with the SEC for an exemption order under the Investment Company Act with respect to certain proposed transactions; and the Commission has issued an order (Release IC-3769) giving interested persons until 12:30 P.M., September 30, 1963, to request a hearing thereon.

The principal business of the SBIC is to make loans and investments in small business concerns engaged in the real estate business. Leo Goodman, one of the applicants, is a director of the SBIC and one of three promoters of the Hotel Corporation. It is proposed that the SBIC make a \$420,000 loan to the Hotel Corporation, to which Goodman and his partner, John Guidera, the second individual applicant, will assign a contract for the purchase of 2.8 acres of land near the Los Angeles International Airport, for \$555,000, on which a motor hotel is to be constructed. Goodman, Guidera and Ralph Solow, a third promoter of the Hotel Corporation, have advanced \$300,000 plus interest under the contract pending the closing date. Plans and specifications for the building have been prepared by an architect and a construction contract providing for construction of the motor hotel for \$2,725,000 has been executed. The motor hotel will be operated by Airport Hotel and be franchised by Holiday Inns of America. The aggregate cost of the land, construction and furnishing of the motor hotel and other pre-opening expenses are estimated at \$4,200,000. The application states that a commitment has already been received by Airport Hotel from a bank for a \$2,000,000 first mortgage, and \$1,300,000 will be raised by the sale of Airport Hotel's stock. In addition to the \$420,000 loan from Developers, the remaining \$480,000 is proposed to be borrowed from Florida Capital Corporation, a small business investment company.

Under the agreement, each of the two SBICs will have a ten-year option to purchase in the aggregate a total of 3,186 shares of the Hotel Corporation's Class A stock at \$100 a share and 1,062 shares of its Class B stock at \$5.88 per share. It is anticipated that Goodman will own approximately 1,000 shares of Class A stock for which he will have paid \$100 a share and 1,262 shares of Class B stock for which he will have paid \$5.88 per share. It is further anticipated that Guidera and Solow will each own approximately 1,000 shares of Class A stock for which they will pay \$100 per share, and that Guidera will own 1,262 shares of Class B stock and Solow will own 1,011 shares of Class B stock for which they will each have paid \$5.88 per share. In connection with its public offering of stock, Hotel Corp. intends to offer 10,750 shares of Class A stock at \$100 per share to a relatively small group of investors. There will be no underwriting commissions or other selling compensation in connection with such sale.

HEARING ORDERED ON ALLEGHANY POWER EXCHANGE PLAN. The SEC has issued an order under the Holding Company Act (Release 35-14942) instituting consolidated proceedings to determine (1) whether a plan submitted by Allegheny Power System, Inc., a registered holding company, providing for the issuance by Allegheny of common shares in exchange for the publicly-held common shares of one of its subsidiaries, West Penn Power Company, is fair and equitable to the persons effected thereby and satisfies the applicable provisions of the Act, and (2) whether the corporate structure of West Penn unfairly and inequitably distributes voting power among the holders of common stock of West Penn and, if so, what steps (if any) are necessary and should be required to be taken by Allegheny and West Penn to fairly and equitably distribute such voting power. The hearing is scheduled for November 7, 1963. According to the order, Allegheny owns 95.21% of West Penn's outstanding common shares and the balance is held by about 3,000 public stockholders.

OVER

BROKER-DEALER HEARINGS SCHEDULED. The SEC has scheduled hearings in its New York Regional Office in proceedings under the Securities Exchange Act to determine whether to revoke the broker-dealer registrations of certain firms for alleged failure to file financial reports, as follows:

<u>Registrant</u>	<u>Hearing Date</u>	<u>Registrant</u>	<u>Hearing Date</u>
Daycon Investors Associates, Inc.	October 1, 1963	Five County Securities, Inc.	October 3, 1963
Larry Richards, Inc.	October 1, 1963	Eric J. Gavel, Sr.	October 3, 1963
Family Funds of New York, Inc.	October 1, 1963	American Planning Co.	October 7, 1963
William F. O'Brien	October 1, 1963	Solomon J. Bolder	October 7, 1963
The First Commonwealth Corp.	October 2, 1963	Clarence R. Carter, dba Carter & Company	October 8, 1963
Sylvia R. Madoff, dba Gibraltar Securities	October 2, 1963	Max Rhoads, dba Fenright Co.	October 8, 1963
Second Gibraltar Corp.	October 2, 1963	Nathan Salinger, dba	
Richard & Co.	October 2, 1963	Salinger Investment Co.	October 9, 1963
Textile-Shares Corp.	October 2, 1963	Vranken Investors Corp.	October 9, 1963

UNLISTED TRADING SOUGHT. The SEC has issued orders under the Securities Exchange Act (Release 34-7145) giving interested persons until October 4th to request a hearing upon applications of the Detroit Stock Exchange for unlisted trading privileges in the common stocks of Litton Industries, Inc., Outboard Marine Corp., Proctor & Gamble Co., Pure Oil Co., R. J. Reynolds Tobacco Co., San Diego Imperial Corp., Stouffer Foods Corp., Texas Eastern Transmission Corp., Twentieth Century-Fox Film Corp.

JULES & JACK A FREEMAN ENJOINED. The SEC Atlanta Regional office announced September 16th (LR-2743) the entry of a Federal court order (USDC Miami, Fla.) permanently enjoining (with their consent) Jules Freeman and Jack A. Freeman, individually and doing business as J. & J. Associates, of Coral Gables, from further sale of interests in a motel in violation of the Securities Act registration requirements.

ACTION V. SOUTHRIDGE CORP., OTHERS FILED. The SEC San Francisco Regional Office announced September 17th (LR-2744) the filing of action (USDC, Carson City, Nev.) seeking to enjoin the further offer and sale of securities by Southridge Corporation, Carson City Gay Nineties, Inc., Preston's Black Gold Club, Inc., and E. J. Preston, in violation of the Securities Act registration requirements.

REGISTRATION OF KAY & CO. CANCELLED. The SEC has issued an order under the Securities Exchange Act of 1934 cancelling the broker-dealer registration of Kay & Company, 2316 South Main St., Houston, Texas. In August 1962, the Commission instituted proceedings to determine whether the company and Maurice Russell Karkowski, Edith Sukman Karkowski and Joseph Lee Karkowski, its general partners, engaged in practices which operated as a "fraud and deceit" upon certain persons or otherwise violated the Federal securities laws and, if so, whether the firm's broker-dealer registration should be revoked and whether it should be suspended or expelled from membership in the National Association of Securities Dealers, Inc. The firm and said persons were permanently enjoined by a Federal court in Texas in August 1962 from further violations of the Exchange Act anti-fraud and bookkeeping provisions; Maurice R. Karkowski was convicted in the same court in July 1963 of a felony involving the purchase and sale of securities and arising out of the conduct of a broker-dealer business; in August 1962 the NASD expelled the firm from membership and revoked the registration of Maurice R. Karkowski; and the firm is not now engaged in business as a broker-dealer. Accordingly, the Commission dismissed its administrative proceedings and cancelled the Kay & Company broker-dealer registration.

SECURITIES ACT REGISTRATIONS. Effective September 20: Philippine Oil Development Co., Inc. (File 2-21483); Wisconsin Public Service Corp. (File 2-21667).

ORAL ARGUMENTS, COMING WEEK. September 24, 2:30 P.M. Herbert Rapp, dba Webster Securities Co.
September 26, 2:30 P.M. Glickman Corp. (now Franchard Corp.)

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