

# 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. 1956. The SEC Index of Stock Prices, based on the closing prices of 300 common stocks for the week ended February 14, 1964, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1963-1964 is as follows:

	1957-59 = 100		Percent Change	1963-1964	
	2/14/64	2/7/64		High	Low
Composite	158.2*	157.4	0.5	158.2	130.6
Manufacturing	148.5*	148.0	0.3	148.5	121.1
Durable Goods	144.4*	142.7	1.2	144.4	116.2
Non-Durable Goods	152.5	153.1	-0.4	153.1	125.8
Transportation	143.7*	142.5	0.8	143.7	106.4
Utility	199.2*	197.3	1.0	199.2	170.3
Trade, Finance & Service	181.8*	180.3	0.8	181.8	153.8
Mining	145.4*	142.7	1.9	145.4	104.2

\*New High

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended February 13, 1964, 21 registration statements were filed, 18 became effective, 2 were withdrawn, and 243 were pending at the week-end.

BROKERS' EXEMPTION RULE ANALYZED. The SEC today released a statement with respect to the Section 4(2) exemption from Securities Act registration applicable to "brokers' transactions, executed upon customers' orders . . . but not the solicitation of such orders." The statement discusses particularly the limitations of Rule 154, which was heretofore adopted by the Commission to interpret and define various terms used in Section 4(2) as applied to the offering of securities by a broker on behalf of a person in a control relationship to the issuer. Among other things, the statement emphasizes that Rule 154 and Section 4(2) "do not provide an exemption for brokers' transactions on behalf of an issuer, an underwriter for an issuer, or a person in a control relationship with the issuer who is engaged in a secondary distribution." Following a recital of various limitations upon the brokers' exemption, the statement concludes with a warning that "the terms of an exemption are to be strictly construed against the claimant who also has the burden of proving its availability." Copies of the statement (Release 33-4669) are being distributed to practicing lawyers and registered broker-dealer firms.

MEASUREMENTS SPECTRUM SUSPENSION PERMANENT. The SEC today announced a decision under the Securities Act (Release 33-4671) making permanent its May 1962 order temporarily suspending a Regulation A exemption from registration with respect to a public stock offering by Measurements Spectrum, Inc., of 733 South Fremong Ave., Alhambra, Calif. In its decision, the Commission sustained the findings of its Hearing Examiner that the company's offering circular "contained materially false and misleading statements." Among other things, according to the decision, financial statements as of August 31, 1961, included in the offering circular failed to disclose that in the subsequent period but before the effective date of the circular, Spectrum had sustained further operating losses in excess of \$33,000 for the months September - November 1961. Nor did the circular disclose four subsequent loans for which notes aggregating \$56,000 were issued, and that one of the notes provided for a chattel mortgage on all of Spectrum's assets, as security. One of the loans was arranged by Norman J. Adams, a director of Spectrum whose firm, Adams & Company, underwrote the public offering.

Moreover, Spectrum's offering circular stated that 34,000 shares issued or to be issued (including 21,000 shares for Charles Otterman, company president, 4,000 shares for Adams and 9,000 shares for three others) were to be escrowed subject to restrictions against their sale or transfer. No disclosure was made that prior to the effective date of the circular Otterman and Adams engaged in a series of transactions reallocating, assigning, offering to sell, and granting options to purchase, certain of these shares, including assignments to members of the selling group and salesmen of Adams and to various persons who had made or arranged for the \$56,000 loans to Spectrum. In addition, the offering circular failed to disclose that Spectrum had agreed to pay Adams \$20,000 for services and to retain him as a financial consultant for three years at a total salary of \$18,000, with an option to pay only \$15,000 if payment was made by December 1, 1961; the circular falsely stated that as of the end of September 1961 Spectrum had a backlog of orders of approximately \$278,000; Adams as underwriter published, without any attempt at verification, grossly exaggerated figures supplied by Otterman as to Spectrum's past and future sales; and the proceeds of the Spectrum stock sale were not used in the manner and for the purposes specified in the circular.

GUARDIAN INVESTMENT EXPULSION SUSTAINED. In a decision announced today (Release 34-7239), the Commission affirmed an order of the NASD expelling from membership the broker-dealer firm of Guardian Investment Corporation, 1925 "K" St., N.W., Washington, D. C., for violation of NASD rules, and revoking the registration of its president, Earl J. Lombard, as a registered representative and fining him \$5,000.

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The NASD had found that Guardian, aided and abetted by Lombard, had violated provisions of its Rules of Fair Practice in the following respects: Guardian operated with insufficient net capital, its net capital deficiency computed to the SEC Net Capital Rule being \$6,187 as of August 31, 1961. Guardian extended credit in violation of Regulation T of the Federal Reserve Board by failing to cancel or liquidate nine cash purchases by customers when payment was not received within the prescribed seven-day period, the delays in payment ranging up to 43 days. In addition Guardian failed to make and keep current books and records as required by SEC rules, submitted to the Association a false and misleading financial statement as of September 30, 1961, and violated the NASD's "Free Riding and Withholding" policy by withholding from public sale and allotting to Lombard 200 shares of a 2,000 share participation in a public offering of shares of stock of National Research Associates, Inc.

The NASD found that Guardian's conduct in the above respects was inconsistent with high standards of commercial honor and just and equitable principles of trade; and the Commission affirmed these findings and concluded that the penalties imposed by the NASD were not excessive or oppressive. Various assertions in defense of the firm's conduct were rejected by the Commission.

**TOWER SECURITIES REVOKED.** The SEC today announced a decision (Release 34-7240) revoking the broker-dealer registration of Tower Securities Corporation, 818 17th St., Denver, for violations of its financial reporting requirements (the required reports of financial condition for the years 1959-61 were not filed) and record-keeping requirements (failure to make and keep certain books and records relating to its business and failure to preserve its records). Harvey Landau was found to be a cause of the revocation order. Both the firm and Landau consented to entry of the order.

**NASD CENSURE AFFIRMED, FINE VACATED.** In a decision announced today (Release 34-7241), the SEC affirmed an NASD censure of the broker-dealer firm of Bailey & Co., 1230 M St., Fresno, Calif., for violating the rule prohibiting "free-riding and withholding;" but it set aside a \$500 fine imposed against the firm. In April 1961 the firm participated in a public offering of stock of Ortronix, Inc. Its allotment was 1,000 shares; and it in turn allotted 150 shares to a branch office. Considering such allotment inadequate, the branch office did not undertake to sell the shares but placed them in its investment account, a fact about which the firm did not learn until after the offering had been completed. Based on the published quotations for the stock on the date of the public offering, there was a potential profit of \$825 on the 150 shares. However, the shares were not sold until October 1962, at a loss. The Commission agreed that the withholding of the 150 shares violated the NASD rule and sustained the censure; but in concluding that the \$500 fine should be cancelled it stated: "In reaching this conclusion we have taken into account the fact that the shares were withheld from the public offering without applicant's actual knowledge, applicant's assertion that they were not sold until long after the offering at a time when the sale resulted in a loss, and the fact that clearly there was no intent to violate the rules."

**W. THEO. WILLIAMS CO. DECISION ANNOUNCED.** The SEC today announced a decision under the Securities Exchange Act (Release 34-7242) denying an application for broker-dealer registration filed by W. Theodore Williams Co., Inc., of Fitchburg, Mass. However, this action, which based upon a settlement proposal submitted by the Williams firm and its president and sole stockholder, W. Theodore Williams (who was found to be a cause of the denial order), is not to constitute a bar to Williams' future employment in the securities business as a supervised registered representative.

In the settlement proposal, both the firm and Williams admitted that the firm filed with its application a false statement of financial condition. However, no customers' funds or securities were involved, and the falsity stemmed from the listing of certain cash assets on the expectation, which did not materialize, that Williams would be able to borrow the amount involved from a friend. Williams, who has served as a representative of a registered broker-dealer firm for nineteen years, does not appear to have been the subject of any previous complaint; and the Commission concluded that it is not necessary in the public interest to bar him permanently from engaging in the securities business in a supervised capacity.

**RAPP-WEBSTER SECURITIES REVOKED.** The SEC has issued a decision under the Securities Exchange Act (Release 34-7243) revoking the broker-dealer registration of Herbert Rapp, dba Webster Securities Company, 37 Wall St., New York, (1) for failure to file reports of his financial condition for the years 1958 through 1961 in violation of the requirements of Commission rules; and (2) in view of the fact that Rapp is the subject of two court orders of injunction issued on the basis of SEC complaints. One was entered in August 1962 permanently enjoining Rapp from violations of the Securities Act anti-fraud provisions in the sale of stock of Taylorcraft, Inc.; and the other, issued in September 1962, preliminarily enjoined Rapp as manager and majority stockholder of Federated Holding Company, Inc., from similar violations in the offer and sale of that company's stock. Certain assertions in mitigation and defense were rejected by the Commission.

**NEES PROPOSES SYSTEM FINANCING.** New England Electric System, Boston holding company, has joined with nine of its subsidiaries in the filing of an application with the SEC under the Holding Company Act proposing borrowings by the subsidiaries; and the Commission has issued an order (Release 35-15009) giving interested persons until March 10th to request a hearing thereon. The subsidiaries propose during 1964 to issue notes to banks and/or NEES in amounts not to exceed \$22,225,000 at any one time outstanding. The borrowings will be used to pay off some \$18,790,000 of maturing notes now held by the banks and/or NEES and to provide new money for construction expenditures.

**ALLEGHENY POWER SEEKS ORDER.** Allegheny Power System, Inc., 320 Park Ave., New York, has applied to the SEC for an order under the Holding Company Act proposing a cash capital contribution of \$500,000 to its subsidiary, Cumberland Valley Electric Company; and the Commission has issued an order (Release 35-15012) giving interested persons until March 10th to request a hearing thereon. The subsidiary will, in turn, pay a note in like amount held by Allegheny.

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**LINCOLN LIBERTY LIFE FILES FOR SECONDARY.** Lincoln Liberty Life Insurance Company, 711 Polk Ave., Houston, Texas 77002, filed a registration statement (File 2-22078) with the SEC on February 14 seeking registration of 200,000 outstanding shares of its common stock, to be offered for public sale by the present holders thereof through underwriters headed by Bache & Co., 36 Wall St., New York. The public offering price (\$24 per share maximum\*) and underwriting terms are to be supplied by amendment.

The company is engaged in the business of selling and underwriting life insurance, its operations being conducted in 12 states in the Midwest and Southwest. It presently sells only non-participating ordinary life insurance, accident and health insurance, and nominal amounts of group life insurance. The company now has outstanding 1,448,759 common shares, of which management officials own 48.5%. The largest individual stockholders are Lloyd M. Bentsen, president (324,430 shares) and Elmer C. Bentsen (243,474 shares). They propose to sell 82,033 and 47,666 shares, respectively. Three other directors propose to sell an aggregate of 48,000 shares; and two other holders will sell an aggregate of 22,301 shares.

**SPACE CITY USA PROPOSES OFFERING.** Space City USA, Inc., Lady Anne Lake Road, Highway 20 West, Huntsville, Ala., filed a registration statement (File 2-22083) with the SEC on February 14 seeking registration of 2,000,000 shares of common stock. It is proposed to offer these shares for public sale on a "best efforts" basis through William Stanley Reynolds, company treasurer, who may appoint salesmen to act as his agents in such sale. The public offering price (\$2.50 per share maximum\*) and selling commission are to be supplied by amendment.

The company was organized in September 1963 for the purpose of developing and operating a theme park at Huntsville. It has acquired certain real properties and has erected its office building thereon. It is planning to construct thereon a motel at an estimated cost of \$1,500,000, and it also has commenced engineering and grading work for the theme park, the proposed themes to include "Old South," "Moon City," "Land of Oz," etc. Skylim of Alabama, Inc., has been retained to furnish detailed design, engineering, and to supervise construction. Of the proceeds of the stock sale, \$500,000 will be allocated to the cost of constructing the motel and the balance applied to the cost of constructing the theme park, estimated at \$4,850,000.

The company now has outstanding 305,250 common shares. Nelson Weaver of Birmingham is listed as board chairman and Hubert R. Mitchell of Hartselle, president. Management officials and promoters, in consideration of \$137,500 cash, plus the assignment of assets valued at \$21,800, have acquired 187,500 common shares (which are included in this statement). Recently, an additional 117,750 shares were sold to the public for \$235,500. Five-year options, exercisable at \$2 per share, are to be issued to the management officials, promoters and others covering an additional 196,250 shares.

**GOLDEN BOY PROPOSES OFFERING.** The Golden Boy Company, 891 Park Ave., New York, filed a registration statement (File 2-22079) with the SEC on February 14 proposing the offering of \$465,000 of Limited Partnership interests in 50 units (at \$9,300 per unit plus a possible \$1,860 overcall). They will be offered, without underwriting, by Hillard Elkins, the general partner.

Golden Boy is the tentative title of a Musical Play to be based upon a dramatic play of the same name written in 1937 by the late Clifford Odets, and a motion picture based on said original dramatic play produced by Columbia Pictures Corporation. Jefferson Pictures, Inc., employer of the services of the late Clifford Odets, has granted the Producer (the Elkins Productions International Corporation) the right to produce and present a Musical Play as a first-class production, with book, music and lyrics to be written by persons designated by Producer. A contract also has been entered into which Strada Corporation, employer of the services of Charles Strouse and Lee Adams, as Composer and Lyricist. Peter Coe is to serve as director. Pursuant to a contract with "Trio," the latter has agreed to furnish the services of Sammy Davis, Jr., as star of the Musical Play. Proceeds of the offering will be used to finance the production.

**WESTINGHOUSE ELECTRIC SHARES IN REGISTRATION.** Westinghouse Electric Corporation, 3 Gateway Center, Pittsburgh, Pa., 15230, filed a registration statement (File 2-22080) with the SEC on February 14 seeking registration of 132,000 shares of common stock. According to the prospectus, these shares were delivered on April 30, 1963, to Calgon Corporation in connection with Westinghouse's purchase of certain of the assets and property of Calgon's Process Controls Division and (at the option of Westinghouse) of two of Calgon's wholly-owned subsidiaries. The shares are being registered so that a prospectus may be available for use by Calgon at such times as it may wish to offer the shares for public sale. The subsidiaries in question are Hagan Corporation (Canada) Ltd. and Hagan Pneutronics, S. A., a Swiss corporation.

**SECURITIES ACT REGISTRATIONS.** Effective February 14: International and Common Market Fund, Inc. (File 2-21132); State of Israel (File 2-21970).

Withdrawn February 14: Metromedia Inc. (File 2-21832).

\*As estimated for purposes of computing the registration fee.

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