

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



A brief summary of financial proposals filed with and actions by the S.E.C.

Washington, D.C. 20549

(In ordering full text of Releases from Publications Unit, cite number)

(Issue No. 65-5-12)

FOR RELEASE May 18, 1965

QUALIFICATION STANDARDS PROPOSED FOR NON-NASD FIRMS. The SEC today announced a proposal under the Securities Exchange Act (Rule 15b8-1) for the establishment of qualifications requirements for non-NASD member broker-dealer firms and their principals, salesmen, and other associated persons (Release 34-7603); and it invited the submission of views and comments thereon not later than June 14.

The proposed rule would prohibit any nonmember broker or dealer from engaging in the over-the-counter securities business unless every "associated person" within certain defined categories has successfully completed a general securities examination. Associated persons would be subject to the examination requirement if any part of their securities activities is in sales, trading, research or investment advice, advertising, public relations, hiring or recruitment of salesmen, training of salesmen, underwriting and private placements, or management and administration. The grade or grades for successful completion shall be as determined by the Commission. A person who became associated with a broker-dealer firm prior to July 1, 1963, would be exempted from the examination requirement if he has been associated continuously with any registered broker or dealer since that date and since that date has not been the subject of any disciplinary or other action by any Federal or State agency or self-regulatory organization.

The general securities examination will cover the following subjects: characteristics of corporate structure, legal obligations of the corporation to its stockholders, financial statements and corporate accounting theory, types of securities; differences between various kinds of open-end and closed-end investment companies, characteristics of contractual plans, evaluation of investment company securities in the light of investment objectives of different customers, pertinent provisions of the Investment Company Act of 1940, and rules adopted thereunder and the Commission's Statement of Policy; provisions of the Securities Exchange Act of 1934 pertaining to the conduct of brokers and dealers and persons associated with them and rules adopted thereunder; methods used for the underwriting and distribution of securities, prospectus and registration requirements of the Securities Act of 1933 and rules adopted thereunder; regulation of exchanges, exchange members, and issuers whose securities are registered under the Securities Exchange Act of 1934 and rules adopted thereunder; trading methods; and types of securities traded on the exchanges and over-the-counter markets.

An associated person may also fulfill the examination requirement by successful completion of the NASD examination for principals or its examination requirement for qualification as a registered representative; the NYSE standard examination for registered representatives as well as its Branch Office Manager Examination and certain other examinations; certain examinations of the American Stock Exchange; and the State Securities Sales Examination. These examinations are comparable to the Commission's proposed examination requirement; and the Commission expects to coordinate closely its examination program with those of the NASD, the exchanges and the State administrators with the goal of having a uniform securities examination covering a core of basic subjects to be used by all regulatory and self-regulatory agencies. Such a standard examination could be supplemented as any particular agency might desire for its own purposes.

Each firm subject to the rule would be required to file a personnel form (Form SECO-2) for every associated person (other than clerical) before he begins to serve in his designated capacity. Form SECO-2 would consist of two parts. The first, to be completed by the associated person, requires information concerning his educational background, business associations for the preceding ten years, and the states in which he is licensed to engage in the securities business. In addition, information concerning arrests, convictions, court proceedings, indictments and disciplinary proceedings involving such person (and his former employers while serving with them) must be provided. The second part, to be completed by the broker-dealer, contains a certification that "due and diligent inquiry has been made of the background of the associated person; that the broker-dealer has reason to believe that he is of good character and reputation and qualified to perform his functions and duties; and, if applicable, that he has fulfilled the examination requirements of Rule 15b8-1.

The Commission is now exploring methods of administering the examination requirement, including the possibility of using the facilities of the NASD or of a Federal government agency engaged in the administration of examinations. It is anticipated that the fee will not be in excess of the fee charged by the NASD for administration of its examination. The Commission proposes to adopt a temporary fee schedule to defray the costs of inaugurating a program for establishing and enforcing qualification standards. Under the proposed rule, every broker or dealer subject to its requirements on June 30, 1965, would pay a fee of \$100, plus two dollars for each associated persons as of June 30, 1965 up to a limit of 100 persons, and one dollar for each additional person. This fee would be based upon the number of principals and employees (other than clerical), not merely those subject to the examination requirement. The Commission expects to publish shortly, for comment, a proposed permanent fee schedule.

CANADIAN RESTRICTED LIST. The SEC has added Norart Minerals Limited to its Canadian Restricted List. The said list is comprised of the names of Canadian companies whose securities the Commission has reason to believe recently have been or currently are being distributed in the United States in violation of the registration requirements of the Securities Act of 1933, thus depriving investors of the financial and other information essential to an informed and realistic evaluation of the worth of the securities which registration would provide. (Release 33-4781)

OVER

LEONARD J. TILLOTSON SENTENCED. The SEC Denver Regional Office announced May 11 (LR-3223) that Leonard J. Tillotson of Salt Lake City, Utah, was placed on three years' probation (USDC Casper, Wyo.), following a finding of guilty to violating the anti-fraud provisions of the Securities Exchange Act.

STUART C. EDMONDS SENTENCED. The SEC Boston Regional Office announced May 12 (LR-3224) that Stuart C. Edmonds of Boston, Mass., was sentenced to one year in jail (USDC Boston), after pleading guilty to violations of the anti-fraud provisions of the Federal securities laws.

REESE MINING ENJOINED. The SEC Denver Regional Office announced May 14 (LR-3225) the entry of a Federal court order (USDC NM) permanently enjoining Reese Mining and Manufacturing Company, Inc., and Oliver C. Reese, both of Silver City, N. M., from further violations of the Securities Act registration and anti-fraud provisions and from dissipating corporation assets.

GIBCO SEEKS ORDER. Gibco, Inc., 515 W. Williams St., Greenville, Mich., has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company; and the Commission has issued an order (Release IC-4246) giving interested persons until June 9 to request a hearing thereon. The application states that pursuant to a Plan of Liquidation adopted on August 23, 1961, the company has distributed all of its assets.

WELLINGTON FUND SEEKS EXEMPTION ORDER. Wellington Fund, Inc., 1630 Locust St., Philadelphia, has applied to the SEC for an exemption order under the Investment Company Act, particularly Section 22(d) thereof; and the Commission has issued an order (Release IC-4247) giving interested persons until June 9 to request a hearing thereon. According to the application, Wellington Fund proposes to issue its shares, without sales charge, for substantially all of the cash and securities of Apex Hosiery Company. The assets of Apex consist entirely of cash and marketable securities with a January 31, 1965 value of approximately \$9,000,000.

CONSOLIDATED NATURAL GAS SEEKS ORDER. Consolidated Natural Gas Company, a registered holding company, and five of its wholly-owned subsidiaries have applied to the SEC for an order under the Holding Company Act authorizing Consolidated to sell an aggregate of \$35,000,000 of unsecured promissory notes to a group of banks during 1965; and the Commission has issued an order (Release 35-15242) giving interested persons until June 14 to request a hearing thereon. According to the application, Consolidated will advance the proceeds from the note sale to the five subsidiaries to finance their seasonal increase in gas storage inventories.

BOSTON SAFE DEPOSIT AND FONTANA UNION WATER SEEK EXEMPTIONS. The SEC has issued orders under the Securities Exchange Act of 1934 giving interested persons until June 7 to submit their views and comments or request a hearing upon applications of Boston Safe Deposit and Trust Company (Boston Safe Deposit), of Boston, Mass., and Fontana Union Water Company (Fontana), of Fontana, Calif., for exemption from the registration provisions of Section 12(g) of the Act.

According to the application of Boston Safe Deposit, it had approximately \$90 million total assets and 960 holders of its capital stock on December 31, 1964. Pursuant to an Exchange Offer, commenced on March 15, 1965, The Boston Company, Inc., has acquired as of April 21, 1965, over 97 percent of the company's outstanding shares. As of the latter date the company had only 44 stockholders of record, including The Boston Company.

Fontana states that it is a non-profit cooperative irrigation company, organized in 1912 for the purpose of providing water service at cost to its shareholders. As of December 31, 1964, it had total assets in excess of \$5,000,000 and 775 holders of its 15,000 outstanding shares (with 70% of such stock being owned by the Kaiser Steel Company and the San Gabriel Valley Water Company). All but 2% of the company's outstanding stock is held by persons who receive service from the company. There is no market for the stock.

SALES RESEARCH PROPOSES OFFERING. Sales Research Development Co., 192 W. 200 North, Bountiful, Utah, filed a registration statement (File 2-23590) with the SEC on May 13 seeking registration of 558,400 shares of common stock, to be offered for public sale at \$1.25 per share through company officials, who will receive a 25¢-per-share commission. The registration statement also covers 3-year options to purchase 220,800 common shares (exercisable at \$1 per share), which options have been issued to various company directors and stockholders.

Organized under Nevada law in February 1964, the company will manufacture or have parts manufactured for assembly into its Olympus Whirlpool Bath units, both home models and commercial models, accessories and whirlpool bath cosmetics. Of the net proceeds from its stock sale, \$20,000 will be used to refund money to two subscribers for company shares, who have demanded the return of their investment; \$403,000 to meet certain organization and promotional expenses; and \$135,400 for capital reserve. The company has outstanding 220,800 common shares, of which management officials own 72.6% (including 40,000 shares owned by William E. Lloyd, president). The company issued 30,000 shares to Lloyd for the assignment of his right, title and interest in the Olympus Whirlpool Bath. The company also has outstanding options to purchase 220,800 common shares, exercisable at \$1 per share, in addition to the options being registered.

FABRI-TEK FILES FOR OFFERING AND SECONDARY. Fabri-Tek Incorporated, 606 Foshay Tower, Minneapolis, Minn. 55402, today filed a registration statement (File 2-23600) with the SEC seeking registration of 307,500 shares of common stock. Of this stock, 200,000 shares are to be offered for public sale by the company and 107,500 shares (being outstanding stock) by the present holders thereof. Kidder, Peabody & Co. Inc., 20 Exchange Pl., New York, is listed as the principal underwriter. The public offering price (\$26 per share maximum*) and underwriting terms are to be supplied by amendment. Shares covered by this registration statement (as well as the outstanding shares referred to below) reflect a proposed 2½-for-1 stock split.

CONTINUED

The company designs, develops, manufactures and sells electronic equipment used principally for the storage of information in digital computing systems. Net proceeds from its sale of additional stock will be used to repay bank borrowings and applied to the company's expansion program. Its expansion plans call for expenditures during fiscal 1966 of approximately \$2,525,000. In addition to indebtedness, the company has outstanding 3,022,000 common shares, of which management officials own 80.4% (including 75% owned by M. F. Mickelson, president). The prospectus lists four selling stockholders, as follows: Mickelson, offering 50,000 of 2,265,800 shares held; W. Del Clinton (vice president), 12,500 of 50,785; James W. Schallerer (vice president), 25,000 of 52,750; and Donald D. Haselhorst (vice president), 20,000 of 57,500.

O/C REGISTRATIONS REPORTED. The following issuers of securities traded over-the-counter have filed registration statements with the Commission pursuant to requirements of Section 12(g) of the Securities Exchange Act (companies which currently file annual and other periodic reports with the SEC are identified by "***"):

File No.	Registrant	Location	File No.	Registrant	Location
945	Alco Oil & Gas Corp.	Lafayette, La.	905	Perini Corp. **	Framingham, Mass.
929	Buckeye Steel Castings Co.	Columbus, Ohio	928	Pope & Talbot, Inc.	S. F., Cal.
913	Cardinal Corp. Louisville, Ky.	Lexington, Ky.	944	Possis Machine Corp.	Minneapolis, Minn.
949	Central Wisconsin Bankshares Inc.	Wausau, Wisc.	948	Preway Inc.	Wisconsin Rapids, Wisc.
923	Components Corp. of America	Mt. Carmel, Ill.	921	Professional Golf Co.	Chattanooga, Tenn.
916	Consultants Bureau Enterprises, Inc.	N. Y., N.Y.	918	Radiation Dynamics, Inc.	Westbury, N.Y.
943	Corduroy Rubber Co.	Grand Rapids, Mich.	917	Reliance Finance Co.	Columbus, Ohio
940	Crown Hill Cemetery Corp.	Denver, Colo.	924	Renwell Industries Inc.	S. Hadley Falls, Mass.
947	Dayton Malleable Iron Co.	Kettering, Ohio	922	Savannah Sugar Refining Corp.	Savannah, Ga.
914	Denver Chicago Trucking Co., Inc.	Denver, Colo.	946	Seneca Oil Co.	Okla. City, Okla.
920	Diversified Mountaineer Corp.	Charleston, W. Va.	927	Smith's Transfer Corp. of Staunton, Va.	Staunton, Va.
936	Foundation Securities Corp.	Little Rock, Ark.	932	Susquehanna Corp.	Chicago, Ill.
938	Gains Guaranty Corp.	Des Moines, Iowa	941	Tal-Cap, Inc.	Minneapolis, Minn.
942	Lipe-Rollway Corp.	Syracuse, N.Y.	908	Teleflex Inc. **	N. Wales, Pa.
926	Magma Power Co.	L. A., Cal.	915	Torrington Mfg. Co.	Torrington, Conn.
939	F. H. McGraw & Co.	Hartford, Conn.	870	Trico Products Corp.	Buffalo, N.Y.
909	Mercantile Financial Corp. **	Chicago, Ill.	930	U. S. Brass Corp.	Plano, Tex.
937	Modern American Mortgage Corp.	Little Rock, Ark.	934	B. B. Walker Shoe Co.	Asheboro, N.C.
906	Nixon-Baldwin Chemicals Inc. **	Nixon, N.J.	907	William Wallace Corp. **	N. Y., N.Y.
925	P. N. C. Corp.	Houston, Tex.			
935	Pacific Coast Holdings Inc.	San Mateo, Cal.			

SECURITIES ACT REGISTRATIONS. Effective May 18: Control Data Corp., 2-23534 (June 28); Nytronics, Inc., 2-23491 (40 days); Roos/Atkins, 2-23489 (Aug 16).

NOTE TO DEALERS. The last date or the period of time dealers are required to use the prospectus in trading transactions is shown above in parentheses after the name of the issuer.

*As estimated for purposes of computing the registration fee.

---ooo0ooo---