

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



Washington, D.C. 20549

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

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

(Issue No. 67-38)

FOR RELEASE February 28, 1967

ARMSTRONG, JONES REVOCATION PROPOSED. SEC Hearing Examiner Warren E. Blair has filed an initial decision in administrative proceedings under the Securities Exchange Act involving Armstrong, Jones & Co., of Detroit, and six individuals. Upon the basis of evidence adduced at a hearing before the Examiner, he ruled that the Detroit firm ("Registrant"), its president, Thomas W. Itin, and the other respondents, had violated the registration, anti-fraud and anti-manipulative provisions of the Federal securities laws in the offer and sale of stock of Alexander Hamilton Life Insurance Company ("Hamilton Life"). The other respondents were George A. Reuter, director and vice president of Registrant during 1964; Rene F. Campeau, executive vice president of Registrant and in charge of sales during 1964; E. Keith Owens, a promoter of Hamilton Life and its board chairman; Charles H. Bruce, president of Hamilton Life, and from September 1963 to December 1964, a director of Registrant; and Robert O. Safford, vice president and director of Hamilton Life and also a director of Registrant for the 1963-64 period mentioned.

According to the Examiner's decision, Owens, as the dominant person, with Bruce, Safford and another as close associates, controlled the policies and operations of Hamilton Life; Owens, Bruce and Safford, in company with Itin and Reuter, controlled Registrant; and Hamilton Life and Registrant were thus under common control. The Examiner found that, although the offering of Hamilton Life stock (which commenced in November 1963) was made under a purported intra-state exemption from registration with the Commission under the Securities Act, the exemption was lost by reason of certain sales to non-residents of Michigan. Because of their participation "in the over-all scheme which involved the offer and sale of unregistered stock to finance Hamilton Life," all of the respondents except Reuter were found responsible for the resulting violation of the registration requirement.

Moreover, according to the Examiner's decision, the record established "a pervasive use of unwarranted predictions of rapid and extra-ordinary price rises as a means to induce purchases of Hamilton Life stock," which were misleading and fraudulent. There also was a failure by Registrant in its sales of Hamilton Life stock to disclose the common control existing between the two companies. Furthermore, the Examiner ruled that in the post-offering period, commencing in April 1964, Registrant published quotations on and effected transactions in Hamilton Life stock at prices that were "arbitrary and artificial for the purpose of raising the price level and creating a false and misleading appearance of trading activity in that security and of its market. Doing so constituted a manipulative scheme and device in violation of the securities acts." Registrant and the six individual respondents, singly and in concert, were thus found to have violated the anti-fraud and anti-manipulative provisions of the securities acts.

The Examiner also held that Registrant and Itin in 1964 had violated provisions of the securities acts by sending confirmations of sale of stock of Windsor Raceway Holdings Ltd. following the effective date of its registration statement, to customers of the firm from whom it had solicited and obtained "indications of interest" in Windsor Raceway stock but who had not actually ordered or agreed to purchase the stock.

Upon the basis of his findings, the Examiner ordered that Armstrong, Jones & Co.'s broker-dealer registration be revoked and that it be expelled from membership in the Detroit Stock Exchange and the National Association of Securities Dealers, Inc.; that Itin, Campeau and Owens each be barred from association with a broker-dealer, except that Itin after one year and Campeau after six months may become associated with a securities firm in a non-supervisory capacity upon a showing that each will be adequately supervised; that Reuter be expelled from the said Exchange; and that Reuter, Bruce and Safford be suspended from association with a broker-dealer for six months. These sanctions will become effective if the Commission does not order review on its own motion or on petition by any party.

BANGOR PUNTA PROPOSES DEBENTURE OFFERING. Bangor Punta Corporation, 84 Harlow St., Bangor, Me. 04401, filed a registration statement (File 2-26029) with the SEC on February 24 seeking registration of \$15,000,000 of convertible subordinated debentures, due 1987. The debentures are to be offered for public sale through underwriters headed by Wertheim & Co., 1 Chase Manhattan Plaza, and White, Weld & Co., 20 Broad St., both of New York 10005. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company is a holding company with subsidiaries engaged in the consumer products, textile, process equipment and service fields. Of the net proceeds of its debenture sale, \$2,500,000 will be used to repay a short-term note and \$3,500,000 may be used to repurchase all 80,000 of the outstanding shares of the company's \$1.25 convertible preference stock--Series B when it becomes callable in September 1967. The note and shares were issued to Amoskeag Company in satisfaction of indebtedness to that company incurred in connection with the company's acquisition of Smith & Wessen, Inc., in 1965. The remainder of the proceeds of this offering will be added to working capital, to be used for general corporate purposes and in connection with future acquisitions. In addition to indebtedness and preference stock, the company has outstanding 1,600,431 common shares, of which management officials own 25.88% (including 12.99% owned by Nicholas M. Salgo, board chairman). W. Gordon Robertson is president.

RAND DEVELOPMENT SUSPENSION CONTINUED. The SEC has issued an order under the Securities Exchange Act suspending over-the-counter trading in securities of Rand Development Corporation for a further 10-day period March 1-10, 1967, inclusive.

OVER

THIRD PRESIDENTIAL FUND SEEKS ORDER. Third Presidential Fund, Inc., Pittsburgh investment company, has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company as defined in the Act; and the Commission has issued an order (Release IC-4851) giving interested persons until March 16 to request a hearing thereon. On September 1, 1966, applicant was merged into Fourth Empire Fund, Inc., a registered open-end diversified investment company, each share of applicant's capital stock became a share of capital stock of Fourth Empire, and all of applicant's assets were transferred to Fourth Empire.

LOOMIS-SAYLES MUTUAL FUND RECEIVES ORDER. The SEC has issued an order under the Investment Company Act (Release IC-4852) authorizing Loomis-Sayles Mutual Fund, Inc., Boston investment company, to issue its shares at other than the current public offering price described in its prospectus in exchange for substantially all of the assets of Awco, Inc.

AMK SEEKS ORDER. AMK Corporation, New York, has applied to the SEC for an order under the Investment Company Act extending the period during which it is exempt from all provisions of the Act applicable to investment companies for 60 days after January 29, 1967; and the Commission has issued an order (Release IC-4858) giving interested persons until March 14 to request a hearing thereon. On November 30, 1966, AMK applied for an order under the Act declaring that it is engaged primarily in a business other than that of investing, reinvesting, owning, holding or trading in securities. Section 3(b)(2) of the Act provides that the filing of an application by an issuer other than a registered investment company shall exempt an applicant for 60 days from all provisions of the Act applicable to investment companies as such.

MASS. INVESTORS GROWTH FUND GRANTED EXEMPTION. The SEC has issued an order under the Investment Company Act (Release IC-4859) authorizing Massachusetts Investors Growth Stock Fund, Inc., Boston investment company, to issue its shares at net asset value for substantially all of the cash and securities of Halvestco, Inc.

OHIO POWER SEEKS ORDER. Ohio Power Company, subsidiary of American Electric Power Co., Inc., has applied to the SEC for an order under the Holding Company Act authorizing it to sell at competitive bidding \$50,000,000 of bonds and \$20,000,000 of debentures, both due 1997 (See SEC News Digest of February 23). The Commission has issued an order (Release 35-15674) giving interested persons until March 29 to request a hearing thereon. The company will use the net proceeds of this financing to prepay \$58,600,000 of bank notes and to finance its construction program.

AMERICAN ELECTRONIC FILES FINANCING PROPOSAL. American Electronic Laboratories, Inc., Richardson Rd., Lansdale, Pa. 19446, filed a registration statement (File 2-26027) with the SEC on February 24 seeking registration of \$3,000,000 of 6 $\frac{1}{2}$ % sinking fund subordinated debentures (due 1987) and warrants to purchase an aggregate of 75,000 shares of Class A common stock. The securities are to be offered for public sale in units consisting of one \$1,000 debenture and a warrant to purchase 25 Class A shares. The offering is to be made at \$1,000 per unit through underwriters headed by Butcher & Sherrerd and Suplee, Mosley, Close & Kerner Inc., both of 1500 Walnut St., Philadelphia, Pa. 19102, which will receive a \$70-per-unit commission.

The company is engaged primarily in the development and production of antennas, microwave devices and other communication equipment, electro-medical instruments and electronic test equipment. It will use \$1,400,000 of the net proceeds of this financing to reduce its indebtedness. The company will apply \$600,000 to the cost of proposed plant additions (estimated at \$1,300,000) if it is successful in obtaining a \$700,000 loan for such purpose; the balance of the proceeds will be added to working capital. In addition to indebtedness, it has outstanding 389,135 Class A shares and 86,545 Class B common shares, of which management officials own 10.34% and 66.03%, respectively. Leon Riebman (president) owns 30.29% of the outstanding Class B stock.

NEW ORLEANS PS FILES FINANCING PROPOSAL. New Orleans Public Service Inc., 317 Baronne St., New Orleans, La. 70160, filed a registration statement (File 2-26031) with the SEC on February 27 seeking registration of \$12,000,000 of first mortgage bonds, due 1997, and 60,000 shares of cumulative preferred stock, \$100 par. The securities are to be offered for public sale at competitive bidding. A subsidiary of Middle South Utilities, Inc., the company will use the net proceeds of this financing (together with \$2,250,000 to be received from the sale of 225,000 additional common shares to the parent) in connection with its construction program and for other corporate purposes. Its 1967 construction program is estimated at \$23,100,000. In addition, the company is constructing the Michoud Steam-Electric Generating Station Unit No. 3 and related facilities, estimated to cost \$40,000,000. Approximately \$31,700,000 of such cost has been incurred and \$8,300,000 is expected to be expended in 1967.

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended February 23, 1967, 30 registration statements were filed, 31 became effective, 2 were withdrawn, and 339 were pending at the week-end.

SECURITIES ACT REGISTRATIONS. Effective February 27: Key Pharmaceuticals, Inc., 2-25772 (90 days); Rapid American Corp., 2-25344; Thorofare Markets, Inc., 2-25905. Effective February 28: Hawaiian Electric Company, Inc., 2-25955 (Apr 10); Hoover Ball and Bearing Co., 2-25889; San Diego Gas & Electric Co., 2-25964; The Superior Electric Co., 2-25954 (Apr 9).

NOTE TO DEALERS. 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.