

NEWS DIGEST

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

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Washington 25, D.C.

FOR RELEASE March 9, 1962

SEC ORDER CITES GUARDIAN INVESTMENT OF D.C. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Guardian Investment Corporation, 1925 K Street, N. W., Washington, D. C., engaged in transactions "which operated as a fraud and deceit" upon certain of its customers or otherwise violated provisions of the Federal securities laws and, if so, whether its 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 respondent ("Guardian") has been registered with the Commission as a broker-dealer since October 1960. Earl J. Lombard is president. In January 1962 Guardian and Lombard were preliminarily enjoined by the U. S. District Court in Washington from further violations of the Commission's net capital and bookkeeping rules, the court decree being entered with their consent. According to the Commission's order, since about October 2, 1961, Robert C. Buffkin and Ralph H. Whitmore have been or are employed by Guardian; but, according to the Commission's staff, Guardian failed promptly to amend its registration application to disclose (a) that Buffkin was enjoined by court order of October 3, 1960, from further violations of the Securities Act registration and anti-fraud provisions in connection with the sale of stock of International Planning, Inc., and (b) that Whitmore was convicted on February 19, 1962, by the U. S. District Court in Florida of a felony or misdemeanor involving the purchase or sale of stock of Columbus Rexall Oil Co.

The staff further alleges that Guardian violated various other provisions of the Federal securities laws, including the Commission's net capital and record-keeping rules under the Securities Exchange Act and the provisions of Regulation T (in that Guardian did not receive payment from customers for purchase of securities within the prescribed time). Moreover, the staff charges that during October and November 1961, Guardian, Lombard, Whitmore and Philip P. Friedlander (Guardian's employee) offered and sold stock of Wyoming Nuclear Corporation by employment of "devices, schemes and artifices to defraud" and through acts and practices "which would and did operate as a fraud and deceit" upon the purchasers, in that they (1) obtained a substantial amount of Wyoming Nuclear stock from another broker-dealer and literature concerning such stock which was false and misleading, (2) offered and sold such stock to customers through the use of such false and misleading literature, and (3) made false and misleading representations to purchasers of the stock concerning the production and properties of Wyoming Nuclear, the existence of agreements between it and certain foreign interests, the profit potential of Wyoming Nuclear and the value of its stock, the personnel of Wyoming Nuclear and the underwriting of its stock by certain banks.

The staff further alleges (a) that Guardian, Lombard and Kenneth B. Friedlander (another employee) offered and sold stock of Lena Horne Beauty Products, Inc., in violation of the Securities Act anti-fraud provisions, including the sale of such stock to a particular customer and in connection with this transaction and the customer's subsequent order to sell a portion of such stock, issued "no account" checks to such customer; and (b) that Guardian and Lombard offered and sold various securities in violation of said anti-fraud provisions, in that Guardian received monies from certain customers in full payment for such securities and sold securities for certain other customers, but failed to deliver the securities purchased or the proceeds of the securities sold, and deposited monies received from customers for the purchase of securities in Guardian's bank account from which Guardian made withdrawals to carry on its operations as a broker-dealer.

A hearing for the purpose of taking evidence on the foregoing is scheduled for April 2, 1962, in the Commission's Washington Office.

TRADING IN BLACK BEAR INDUSTRIES SUSPENDED. The SEC has ordered the suspension of trading in the common stock of Black Bear Industries, Inc., on the San Francisco Mining Exchange and over-the-counter market for a further ten-day period March 10-19, 1962, inclusive.

ATLANTA INDICTMENT NAMES NORMAN E. BOWDEN, OTHERS. The SEC Atlanta Regional Office announced March 6th (Lit-2207) the return of a Federal court indictment (USDC, Atlanta, Ga.) charging Norman E. Bowden, Ray E. Griggers, Charles B. Meade, Jack D. McBride, Charles E. Stansell, John A. Bruce and Homer R. Harber with violations of the Securities Act registration and anti-fraud provisions in the sale of securities of S.D.C. Distributors and Sales Company, S.D.C. Manufacturers, Inc., and Safe Drivers Club, Inc., as well as notes of Bowden.

ROBERT M. DENNER FOUND GUILTY. The SEC Atlanta Regional Office announced March 6th (Lit-2208) that a Federal court jury (USDC, Miami, Fla.) found Robert M. Denner guilty on three counts of an indictment charging fraud in the sale of notes of DuPont Mortgage Company and J. P. Lord, Inc. Jerry A. Musin, another defendant, entered a plea of guilty to two counts. Norman L. Dacus, Brooke Temple and James Stern were previously convicted and sentenced.

ARNOLD R. RHINE INDICTED. The SEC Denver Regional Office announced March 6th the return of a Federal court indictment (USDC, Denver) charging Arnold R. Rhine with fraud in the sale of oil interests. (Lit-2209)

OVER

CONSOLIDATED NATURAL GAS SERVICE COMPANY APPROVED. The SEC has issued an order under the Holding Company Act (Release 35-14592) authorizing Consolidated Natural Gas Company, New York holding company, to organize and purchase securities of Con-Gas Service Company, which will operate as a subsidiary service company in Consolidated's holding company system. The activities of Con-Gas will embrace the following services: executive and administrative; planning and economics; accounting; internal auditing; automatic data processing; employee benefits administration; employee relations; medical; engineering and facility planning; gas supply; gas exploration; market development; purchasing; rates and certificates; research; insurance; and tax. Further increases in servicing activities, including meter repair and testing, are planned in 1963 and 1964.

PHILADELPHIA ELECTRIC POWER PROPOSES BORROWINGS. Philadelphia Electric Power Company, Philadelphia subsidiary of Philadelphia Electric Company, has filed a proposal with the SEC under the Holding Company Act for additional bank borrowings; and the Commission has issued an order (Release 35-14593) giving interested persons until March 27th to request a hearing thereon. The said Power Company and its subsidiary, The Susquehanna Power Company, are joint holders of an F.P.C. license for a hydroelectric power development on the Susquehanna River known as the Conowingo Project. The Power Company proposes to issue and renew, from time to time, up to \$20,000,000 of promissory notes (including \$1,000,000 now outstanding) to banks and to use the proceeds for advances to Susquehanna, which will apply the funds, in part, to finance the costs of completing the construction and installation of four additional turbo-generator units of 60,000 kilowatts each at the Conowingo Project.

NEW ORLEANS PUBLIC SERVICE FINANCING. The SEC has issued an order under the Holding Company Act (Release 35-14594) giving interested persons until March 26th to request a hearing upon a proposal of New Orleans Public Service Inc., New Orleans, La., to issue and sell \$8,000,000 of bonds due 1992 at competitive bidding. The net proceeds of the bond sale will be applied toward the financing of the construction of the company's Michoud Steam-Electric Generating Station Unit No. 2 and related facilities.

MISSISSIPPI POWER BOND FINANCING. The SEC has issued an order under the Holding Company Act (Release 35-14595) giving interested persons until March 27th to request a hearing upon the proposal of Mississippi Power Company (Gulfport) to issue and sell \$6,000,000 of bonds due 1992 at competitive bidding. The net proceeds of the sale of the bonds will be applied to the company's construction program (estimated at \$10,549,000 for 1962) and for payment of some \$1,881,000 of bank loans. Mississippi Power also proposes to issue an additional \$472,000 of bonds due 1987 for sinking fund purposes.

GAULEY MOUNTAIN CO. EXEMPTED. The SEC has issued an order under the Investment Company Act (Release IC-3443) declaring that The Gauley Mountain Company, of New York, has ceased to be an investment company following its 1958 dissolution.

ANDERSON NEW ENGLAND CAPITAL RECEIVES ORDER. The SEC has issued an exemption order under the Investment Company Act of 1940 (Release IC-3444) permitting the continuance of an arrangement by and between Anderson New England Capital Corporation, a small business investment company of Boston, and Anderson-Nichols & Company, Inc., whereby Anderson-Nichols will render consulting and advisory services, as agent of Anderson New England Services Corporation, the SBIC's subsidiary, to small business concerns in which the SBIC intends to invest or has invested capital.

DEVEGH MUTUAL FUND SEEKS ORDER. deVegh Mutual Fund, Inc., a deVegh Investing Company, and Continental American Fund, Inc., of New York, have applied to the SEC for exemption orders under the Investment Company Act with respect to advisory contracts between the three Funds and deVegh & Company, a partnership providing investment advisory services to the Funds; and the Commission has issued an order (Release IC-3445) giving interested persons until March 26th to request a hearing thereon. The applications seek an exemption from Section 15(a) of the Act to the extent that such contracts require approval of a vote of a majority of the outstanding voting securities of the Funds. Filing of the applications followed the death on February 3, 1962, of Imrie deVegh, one of the three partners of deVegh & Company, resulting in an "assignment" of the advisory contract under provisions of the Investment Company Act. Exemption from the requirement for stockholder approval of the advisory contracts with the three Funds is sought until the forthcoming stockholders' meetings of the three Funds, when their approval by stockholders will be sought.

WINSTON & CO. HEARING POSTPONED. Because of a conflict in the Hearing Examiner schedule, the Commission has authorized a postponement from March 12 to 15, 1962, of the hearing in the SEC New York Regional Office on the question whether to revoke the broker-dealer registration of J. A. Winston & Co., Inc., of 11 Broadway, New York.

BOSTON EXCHANGE DELISTING APPROVED. The SEC has granted an application of the Boston Stock Exchange to delist the common stock of Lamson Corporation of Delaware, effective March 23d, said company having been succeeded by a New York corporation of a similar name (Release 34-6753).

UNLISTED TRADING SOUGHT. The SEC has issued orders (Release 34-6753) giving interested persons until March 23d to request hearings upon applications of the following Exchanges for unlisted trading privileges in the common stocks of the companies specified: (1) Cincinnati Stock Exchange - Standard Oil of California, International Paper, King-Seeley Thermos, and Chas Pfizer & Co.; (2) Pacific Coast Stock Exchange - Unilever Limited (ADR's for Ordinary Shares), and Unilever N.V. (Ordinary 20 Guilders Shares); and (3) Spokane Stock Exchange - New Park Mining.

CONTINUED

SOUTHWEST-STEVENS FOREST ASSOCIATES FILES FOR OFFERING. Southwest-Stevens Forest Associates, 5051 Lahoma, Dallas, Texas, filed a registration statement (File 2-19906) with the SEC on March 7th seeking registration of \$525,000 of limited partnership interests in Associates, to be offered for public sale at \$10,000 per interest. The offering will be made on an all or none basis by First Commonwealth Corporation, 420 Lexington Avenue, New York (wholly owned by Ellis P. Eisenstein, a general partner), which will receive \$26,250 as compensation.

Associates is a limited partnership organized under Texas law in March 1962 by Eisenstein, Milton Fishman, Michael Gaines and Jack Rose, as general partners. It was formed to acquire fee title to Stevens Forest Apartments, a group of 272 garden apartments in Dallas, for \$2,700,739. Such price is payable \$393,000 to the sellers and \$35,000 to the general partners in repayment of advances. The property will be subject to a purchase money mortgage of \$325,000 due 1971 and first mortgages of \$1,947,739. The general partners, through their nominee corporation will take title to the property and immediately thereafter convey title to the limited partnership; and they will invest \$10,000 as limited partners. The general partners' capital account will be credited with an arbitrarily agreed amount of \$150,000, for partnership purposes only, for their efforts and risks in organizing the partnership and for causing the nominee corporation to convey the title to the partnership. Of the \$525,000 estimated cash capital of the partnership, \$393,000 will be used as the cash purchase price due at closing, and the balance for fees, expenses and commissions of this offering, and for return of the deposit to general partners, working capital and other expenses. The property will be managed by Southwest Management Corporation (controlled by Eisenstein) which will receive \$10,000 per year or 3% of gross revenues, whichever is larger.

HARRINGTON & RICHARDSON FILES FOR OFFERING AND SECONDARY. Harrington & Richardson, Inc., 320 Park Avenue, Worcester, Mass., filed a registration statement (File 2-19908) with the SEC on March 7th seeking registration of 180,000 shares of common stock, of which 40,000 shares are to be offered for public sale by the company and 140,000 shares, being outstanding stock, by the holders thereof. Shearson, Hammill & Co., 14 Wall Street, New York, heads the list of underwriters. The public offering price (maximum \$30 per share*) and underwriting terms are to be supplied by amendment.

The company is engaged in the manufacture and sale of firearms and its present business consists principally of the manufacture and sale of M-14 rifles to the Government. The net proceeds from the company's sale of additional stock will be used for the expansion of manufacturing facilities, the acquisition of additional equipment and, if necessary, additional plant space. Any balance will be added to working capital for general corporate purposes. In addition to certain indebtedness, the company has outstanding 456,852 shares of common stock (after giving effect to a 2-for-1 stock split in August 1961 and a 10% stock dividend in January 1962), of which C. Edward Rowe, president and board chairman, and C. Francis Cowdrey, Jr., vice president, own 202,620 and 86,350 shares, respectively. They propose to sell 98,000 and 42,000 shares, respectively.

DIVERSIFIED REAL ESTATE TRUST FILES FOR OFFERING. Diversified Real Estate Trust, 500 Fifth Avenue, New York, filed a registration statement (File 2-19911) with the SEC on March 8th seeking registration of 1,000,000 shares of beneficial interest in the trust, to be offered for public sale at \$10 per share. The offering will be made on a best efforts basis by Bacon, Johnson Realty Management Co., Inc., 500 Fifth Avenue, New York, which will receive a \$1 per share selling commission.

The trust was organized under New York law in September 1961 and is designed to qualify as a "real estate investment trust" under the Internal Revenue Code. Its purpose is to provide investors with an opportunity to own, through transferable shares, an interest in diversified income-producing properties consisting primarily of real estate interests. The net proceeds from the sale of the shares will be used to acquire suitable real estate investments. The underwriter has also been employed by the trust as its real estate advisor. The trust has outstanding 3,171 shares of beneficial interest recently purchased by certain trustees or members of their families at \$9 per share. Edward R. Finch, Jr. and Jason Gould, trustees, own 945 and 1,112 shares, respectively.

BACARDI CORP. FILES FOR SECONDARY. Bacardi Corporation, San Juan, Puerto Rico, filed a registration statement (File 2-19912) with the SEC on March 8th seeking registration of 35,000 outstanding shares of common stock, to be offered for public sale by Bacardi International Ltd., a principal stockholder, at \$50 per share. The offering will be made by Eastman Dillon, Union Securities & Co., 15 Broad Street, New York, which will receive a \$3.50 per share commission. Of such stock, 5,000 shares will be offered to employees and certain others at \$48.25 per share with a \$1.75 per share commission to the underwriter.

The company is engaged in distilling, aging, bottling and selling "Bacardi" rum made in Puerto Rico. The exclusive distributor for the United States and the United States Armed Forces is Bacardi Imports, Inc., New York. The distributor for the rest of the world (except Puerto Rico and the Virgin Islands, where the company sells directly through appointed agents) is Bacardi International. In addition to certain indebtedness, the company has outstanding 600,000 shares of common stock (after giving effect to a recent recapitalization whereby such shares were issued in exchange for the 5,000 Class A and 45,000 Class B shares then outstanding), of which Bacardi International owns 105,000 shares (and proposes to sell the 35,000 shares) and management officials as a group 78,011 shares. The prospectus indicates that the selling stockholders will use the net proceeds from its stock sale to reduce its open account indebtedness to the issuing company. Jose M. Bosch is president.

ROSENAU BROTHERS FILES FOR OFFERING AND SECONDARY. Rosenau Brothers, Inc., Fox Street and Roberts Ave., Philadelphia, filed a registration statement (File 2-19913) with the SEC on March 8th seeking registration of 300,000 shares of common stock, of which 150,000 shares are to be offered for public sale by the company and 150,000 shares, being outstanding stock, by the holders thereof. Burnham and Company, 15 Broad Street,

and Zuckerman, Smith & Co., 30 Broad Street, both of New York, head the list of underwriters. The public offering price (maximum \$12 per share*) and underwriting terms are to be supplied by amendment. The statement also includes 10,000 shares to be sold in equal amounts to the principal underwriters at the public offering price (less underwriting discounts).

The company designs, manufactures and sells medium-priced dresses and sportswear for girls in the 3 to 14 year age range, principally under the name "Cinderella." The net proceeds from the company's sale of additional stock will be used for the partial payment of a bank loan of \$2,200,000 incurred in February 1962 to retire all of the company's outstanding preferred stock (\$1,500,000) and to repay substantially all of the balance due of a promissory note (\$700,000) which was originally in the amount of \$2,000,000. All of the retired stock was owned by and all of the repaid indebtedness was due Pennsylvania Properties, Inc., a corporation owned by certain management officials of the company, members of their families and charitable foundations which they established.

In addition to certain indebtedness and preferred stock, the company has outstanding 305,071 common and 375,671 Class A common shares, of which Gary Rosenau, president, owns 36.24% and 38.49%, respectively. Rosenau and others as trustees for his sister hold 23.45% and 24.90%, respectively. In addition, Nelson J. Leidner and William H. Gutham, vice presidents, each own 17.19% and 16.81%, respectively. Rosenau, said trustees, Leidner and Gutham propose to sell 56,819, 34,461, 26,001 and 26,001 common shares, respectively; and Rosenau and others and Lorraine R. Alexander, as trustees for their respective children, propose to sell all of their holdings in such capacities consisting of 2,818 and 3,900 shares, respectively. After the stock sale, management officials and various members of their families, which now own 100% of each class, will own an aggregate of 63.13% of all the outstanding common and Class A stock of the company. Frederick J. Rosenau is board chairman.

CITY OF OSLO PROPOSES BOND OFFERING. City of Oslo, Kingdom of Norway, today filed a registration statement (File 2-19914) with the SEC seeking registration of \$10,000,000 of sinking fund external loan bonds due 1977, to be offered for public sale through underwriters headed by Kuhn, Loeb & Co., 30 Wall St., New York, and three other firms. The interest rate, public offering price and underwriting terms are to be supplied by amendment. The net proceeds from the bond sale (after conversion to Norwegian kroner) will be transferred to the City's Loan Fund, the funds in which are advanced from time to time to certain revenue-producing Municipal Enterprises for capital expenditures. The City's budget for 1962 provides for loans from the Loan Fund to such enterprises in an aggregate of 128.4 million kroner, including loans to the Oslo Electricity Works, the Oslo Harbor Authority, to municipal tramway companies, and the Oslo Gas Works.

ARGUMENT, COMING WEEK. March 14, 1:30 P.M., Prudential Insurance Co. of America.

SECURITIES ACT REGISTRATIONS. Effective March 9: Pacific Coast Transport Co. (File 2-19336); Westinghouse Electric Corp. (File 2-19775); Whitestone Petroleum Corp. (File 2-19642).
Withdrawn March 9: Fifty States Mutual Fund, Inc. (File 2-17516); Marquette Capital Co. (File 2-19425).

*As estimated for purposes of computing the registration fee.

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