

SECURITIES AND EXCHANGE COMMISSION

**NEWS DIGEST**

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



Washington 25, D.C.

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

FOR RELEASE June 25, 1962

Statistical Release No. 1837. The SEC Index of Stock Prices, based on the closing price of 300 common stocks for the week ended June 22, 1962, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1962 is as follows:

	1957-59 = 100		Percent Change	1962	
	6/22/62	6/15/62		High	Low
Composite	106.5*	113.3	-6.0	144.3	106.5
Manufacturing	97.9*	104.6	-6.4	135.0	97.9
Durable Goods	95.2*	102.9	-7.5	135.6	95.2
Non-Durable Goods	100.5*	106.2	-5.4	134.4	100.5
Transportation	85.5*	90.2	-5.2	111.0	85.5
Utility	143.0*	150.3	-4.9	185.5	143.0
Trade, Finance & Service	131.4*	141.1	-6.9	178.2	131.4
Mining	83.8*	87.1	-3.8	113.3	83.8

\*New Low

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended June 21, 1962, 27 registration statements were filed, 21 became effective, 11 were withdrawn, and 695 were pending at the week-end.

SEC RENDER'S RULING IN MIAMI WINDOW CASE. The SEC today announced the issuance of a decision under the Securities Act (Release 33-4503) in which it ruled that the 1958 financial statements and summary of earnings included in a registration statement under which Miami Window Corporation (of Miami, Fla.) made a public offering of securities in 1959 were false and misleading by reason of a substantial overstatement of its inventory position. The Commission also held that the certifying accountants had failed to follow generally accepted auditing standards in their 1958 inventory audit and that their certificate was false and misleading in its representation that the examination was made in accordance with such standards and that the financial statements fairly presented registrant's financial position and results of operation.

However, the Commission determined not to issue a stop order suspending the registration statement, provided the Commission's decision with its analysis of the facts with respect to the overstatement of registrant's inventory and its effect upon the summary of earnings for the nine months ended November 30, 1958, is distributed to Miami Window security holders so as to inform them of the facts. In this connection, the Commission observed that it is not possible to reconstruct the 1958 inventory figures at this time. It also noted that financial statements for recent periods, certified by another accounting firm, had been submitted to the Commission and to the company's stockholders. In urging that a stop order not be issued, registrant stated that the proceedings resulted from its own disclosure to the Commission's staff that there appeared to be irregularities in inventory and that it had made changes in its management, had changed its auditors and had voluntarily disseminated information to shareholders and to the public regarding the fact that questions had arisen regarding the reliability of the financial statements. Under the circumstances, the Commission concluded that upon distribution of its decision to security holders they will be adequately informed of the facts and that a stop order not be issued.

Based upon its analysis of the facts developed at an administrative hearing, the Commission concluded that registrant's consolidated inventory as of November 30, 1958 "was overstated in material amounts, with resultant distortions in dependent elements of the financial statements and summary of earnings, and that additional material amounts encompassed in the inventory figure had no adequate basis in fact." The overstatement of the finished window inventory and the inventories of two subsidiaries alone totaled about \$304,000, or over 60% of the net income before income taxes. The Commission further pointed out that "if, as the record indicates, the windows-in-transit inventory was also substantially overstated, registrant's net income would have been further materially reduced. In addition, the financial statements were deficient as a result of the improper method of determining 'work in process engineering'", another item included in the total inventory figure.

In addition to its analysis of the facts with respect to the overstatement of inventory, the Commission in its decision discussed the failure of the accountants (Roberts & Morrow) to comply with generally accepted standards in their audit of registrant's inventory.

VIOLATIONS CHARGED TO ARCHIE H. CHEVRIER. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Archie H. Chevrier, 233 Sansome Street, San Francisco, engaged in practices which operated as a "fraud and deceit" upon certain persons and, if so, whether his broker-dealer registration should be revoked and whether he should be expelled from Exchange membership.

Chevrier has been registered with the Commission as a broker-dealer since June 13, 1955, and he is a member of the National Association of Securities Dealers, Inc. and San Francisco Mining Exchange. According to the Commission's order, Chevrier was the controlling stockholder of Best & Belcher Gold and Silver Mining

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Corporation, which was listed on said Exchange, and was president of Industrial Enterprises Inc. He is said to have arranged a merger effective in December 1961 of Best & Belcher into Industrial, which succeeded to the listing of Best & Belcher on the Exchange. Chevrier thereafter arranged for the acquisition by Industrial of a controlling interest in Caloric Foods, Inc. In January 1962, the Exchange approved the listing of 750,000 additional common shares of Industrial which (according to the Commission's staff) were used in connection with the acquisition of Caloric and of which Chevrier received 185,000 shares and his brother-in-law, Arnold Toews, 50,000 shares.

In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that during the period between September 18, 1961, and March 18, 1962, Chevrier engaged in various activities and transactions in the stocks of Best & Belcher and Industrial "which would and did operate as a fraud and deceit upon certain persons" and were otherwise violative of the anti-fraud, anti-manipulative and other provisions of the Federal securities laws. The staff charges, among other things, that Chevrier manipulated the price of such stocks on the Exchange and made false and misleading representations in the offer and sale thereof. The alleged misrepresentations related to the financial condition of the two issuing companies and the terms of their merger, the terms of the acquisition of Caloric, the growth potential of Industrial and an anticipated increase in the price of its stock, and other material facts relating to the operations and financial condition of the two issuers and Caloric as well as the dominating influence by Chevrier on the market price of the stocks of Best & Belcher and Industrial.

With respect to Chevrier's distribution and sale of Industrial stock subsequent to the acquisition of Caloric, the staff asserts that he failed to make "such reasonable and diligent inquiry" as to the true nature and worth of Caloric as would have revealed the background of Caloric and its promoters, its operations, earnings, dividends, assets and current financial condition, and that he distributed the stock to customers without disclosing his failure to obtain and disclose "material adverse information" concerning Caloric and by representing that Caloric was promoted by Dr. Albert Smith and owned a process for controlling the caloric content of food without disclosing that Smith was not a doctor of medicine and that the process was unpatented and of unproven value.

Various other violations are alleged by the staff, including Chevrier's sale of Industrial stock in violation of the Securities Act registration requirement, his failure to file reports of his holdings of and transactions in shares of Best & Belcher and Industrial, failure to make and preserve certain required books and records, and the recording of false and fictitious entries in his books and records.

A hearing will be held, at a time and place to be announced, for the purpose of taking evidence to determine whether the staff charges are true and, if so, whether Chevrier's broker-dealer registration should be revoked and whether he should be suspended or expelled from membership in the Exchange and the NASD. By successive orders issued by the Commission, trading in Industrial shares on the Exchange and in the over-the-counter market has been suspended since March 6, 1962.

(NOTE TO PRESS. Copies of foregoing also available at SEC San Francisco Regional Office)

PHOTOCOPY CHARGES ANNOUNCED. For the fiscal year ending June 30, 1963, the charge for photocopies of material in the public files of the Commission will range from 14¢ to 50¢ per page, depending on size of copy (with a somewhat lower charge for each additional copy), subject to a minimum charge of \$1 for any one order. For details, see Release 34-6832.

SEC COMPLAINT NAMES DIVERSIFIED FUNDING, OTHERS. The SEC New York Regional Office announced June 21st (Lit-2296) the filing of a complaint in Federal court (USDC NJ) seeking to enjoin further violations of the Securities Act anti-fraud provisions in the sale of common and preferred stock of Diversified Funding, Inc., by that company, F. S. Johns & Co., Inc., of Union, N. J., John A. Tricoli, Jr., president of Johns & Co., Silver Springs Acres, Inc., a Union subsidiary of Diversified Funding, and Lawrence Tricoli and Joseph Edward Onello, officers of Diversified Funding.

COLUMBIA GAS SYSTEM PROPOSES DEBENTURE OFFERING. The Columbia Gas System, Inc., 120 East 41st St., New York, filed a registration statement (File 2-20491) with the SEC on June 22nd seeking registration of \$20,000,000 of debentures due 1987, to be offered for public sale at competitive bidding. The net proceeds from the debenture sale will be used to redeem in September 1962 \$17,560,000 of outstanding 5½% debentures due 1982 (plus accrued interest and a premium), and the balance will be added to general funds and applied to the company's 1962 construction program (estimated at \$100,000,000).

HOFFMAN ELECTRONICS FILES STOCK PLANS. Hoffman Electronics Corporation, 3761 South Hill Street, Los Angeles, filed a registration statement (File 2-20492) with the SEC on June 22nd seeking registration of 16,250 shares of common stock, to be offered pursuant to its Employee Thrift Plan, and 87,489 common shares to be offered pursuant to its Stock Option Plans.

BAYUK CIGARS FILES FOR SECONDARY. Bayuk Cigars Incorporated, Ninth Street and Columbia Avenue, Philadelphia, filed a registration statement (File 2-20493) with the SEC on June 22nd seeking registration of 48,000 outstanding shares of common stock, to be offered for public sale by the holders thereof from time to time on the New York Stock Exchange, regular way or by special offering or otherwise, at prevailing prices on the Exchange at the time of sale.

The company is engaged in the manufacture and sale of cigars in a wide variety of blends, sizes, shapes and prices, including Phillies, Webster and John Ruskin. In June 1961, the company acquired in exchange for 48,000 common shares, all of the outstanding stock of Mason, Au and Magenheimer Confy and, as a result, the company now also manufactures and sells candy. The 25 selling stockholders are the former stockholders of Mason and others connected with the acquisition. The list includes Charles F. and Herbert E. Haug, who propose to sell 6,599 and 6,012 shares, respectively, and others who propose to sell amounts ranging from 152 to 5,037 shares. In addition to certain indebtedness, the company has outstanding

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800,720 shares of common stock, of which management officials as a group own 13.49%. Sidney Mishkin is board chairman and E. Archie Mishkin is president.

**NATIONAL BANK OF ISRAEL FILES FOR OFFERING.** Bank Leumi Le-Israel, Beeravon Moogbal (National Bank of Israel Limited), of Tel-Aviv, Israel, filed a registration statement (File 2-20494) with the SEC on June 22nd seeking registration of 1,050,000 ordinary shares and 3,190,000 "A" ordinary shares, to be offered for public sale at prices to be supplied by amendment (maximum 75¢ per share for each class\*). The plan of distribution is also to be supplied by amendment.

The Bank carries on a general commercial banking business in all its various aspects, domestic and international. It has 136 branch offices in Israel. The net proceeds from the sale of the shares will be added to general funds to be available for its general banking business. The Bank has outstanding 2,187,500 ordinary (voting) and 6,125,000 "A" ordinary shares, of which voting stock Otzar Hityashvuth Hayehudim B.M. owns 84.18%. Yeshayahu Foerder is board chairman and chief executive officer.

**BALTIMORE GAS AND ELECTRIC PROPOSES BOND OFFERING.** Baltimore Gas and Electric Company, Lexington and Liberty Streets, Baltimore, Md., filed a registration statement (File 2-20495) with the SEC on June 22nd seeking registration of \$25,000,000 of first refunding mortgage sinking fund bonds due 1992, to be offered for public sale at competitive bidding. The net proceeds from the sale of bonds will be used for general corporate purposes, including construction expenditures, and to repay then existing short-term bank loans (estimated at \$14,000,000). Construction expenditures for 1961 were \$44,700,000 and are estimated at \$41,000,000 for 1962.

**AVIS FILES FOR RIGHTS OFFERING.** Avis, Inc., 18 Irvington Street, Boston, Mass., filed a registration statement (File 2-20496) with the SEC on June 22nd seeking registration of \$1,497,300 of subordinated convertible debentures due 1972 and 499,101 shares of common stock. It is proposed to offer the securities for subscription by common stockholders at 100% of principal amount of the debentures and at \$5 per common share and at the rate of \$100 of debentures for each 100 shares held and one new share for each three shares held. The interest rate and record date are to be supplied by amendment. No underwriting is involved. Lazard Freres & Co. and certain other investors owning an aggregate of 40.07% of the outstanding stock of the company have agreed to purchase, at the subscription price, all shares and debentures not subscribed for by stockholders.

The company is primarily engaged in the business of renting and leasing automobiles and trucks (without drivers). Of the \$4,000,000 estimated net proceeds from this financing, \$1,500,000 will be used to pay advances by Amoskeag Company, a principal stockholder, \$200,000 to pay long-term debt, \$650,000 to construct new headquarters facilities and for costs of relocation, and the balance for additional working capital and general corporate purposes. In addition to various indebtedness, the company has outstanding 1,497,303 shares of common stock, of which Lazard Freres & Co. (on its own behalf and for other investors) and Amoskeag Company, own 40.07% and 25.53%, respectively. John T. Cahill is board chairman and Robert C. Townsend is president.

**SECURITIES ACT REGISTRATIONS. Effective June 25:** Allegheny Pepsi-Cola Bottling Company (File 2-19894); Fidelity Bankers Life Insurance Company (File 2-20021); Filmways, Inc. (File 2-19851); Flex Electric Products, Inc. (File 2-19964); Great Atlantic & Pacific Tea Company, Inc. (File 2-20446); H. J. Heinz Company (File 2-20244); Interstate Oil Limited (File 2-20381); Peckham Industries, Inc. (File 2-20178).

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

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