

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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FOR RELEASE August 17, 1962

SEC RULES IN APPEAL FROM NASD ORDER. The SEC has issued an order under the Securities Exchange Act (Release 34-6886) reversing in part certain findings of the National Association of Securities Dealers, Inc., upon which it based disciplinary action against Investment Bankers of America, Inc., 724 9th Street, N. W., Washington, D. C., and Conrad L. Berman and Sidney Spector, officers and directors. The firm ("IBA") and said individuals had appealed an order of the NASD which expelled the firm from membership and revoked the registrations of Berman and Spector as registered representatives. The Commission remanded the case to the NASD so that it "may determine what action it considers appropriate in the public interest" in light of the Commission's findings.

The Commission agreed with the NASD findings that IBA and said persons sold securities at prices not reasonably related to current market prices and that such conduct constituted violations of the NASD's Rules of Fair Practice. The Association had found that during February-July 1959, the firm had effected over 200 transactions at mark-ups of more than 5% over the then current market prices. The Commission found that although some of the transactions may not have involved unreasonable prices, a significant number of transactions involving substantial amounts were effected at mark-ups which were "clearly excessive." Thus, in at least 31 instances, transactions involving amounts of \$500 or more were effected at mark-ups of 10% to 33.3%. In 6 transactions involving \$1,000 or more the mark-ups ranged from 10% up to 22.2%. The Association also found that IBA had a net capital deficiency in violation of the Commission's net capital rule by reason of the failure of two dealers to make payment for some shares allotted to them by IBA as part of a "best efforts" underwriting by IBA. The Commission ruled, however, that the failure to make such payment did not result in the creation of a liability from IBA to the issuer. The Commission also did not agree with NASD findings that the firm had circumvented Regulation T by reconfirming certain transactions which had previously been cancelled for non-payment within seven days, upon later receipt of a payment therefor. The Commission also reversed the NASD finding that the firm had failed to observe high standards of commercial honor and just and equitable principles of trade because it had refused to accept delivery of and pay for securities in a transaction with another broker-dealer entered into over the telephone by a person in IBA's office who "was not a representative of or authorized to act for IBA."

DELAWARE POWER & LIGHT FINANCING NOTICED. The SEC has issued an order under the Holding Company Act (Release 35-14684) giving interested persons until September 4th to request a hearing upon an application filed by Delaware Power & Light Company (Wilmington), and its subsidiary, The Eastern Shore Public Service Company of Maryland (Salisbury, Md.). According to the application, Eastern Shore proposes to sell to Delaware for cash \$2,000,000 of 4% promissory notes due 1973, the funds to be used by the subsidiary to reimburse its treasury for previous expenditures for construction and to provide funds for future expenditures (estimated at an aggregate of \$7,961,203 for the years 1962-64).

NATIONAL FUEL GAS FINANCING CLEARED. The SEC has issued an order under the Holding Company Act (Release 35-14685) authorizing National Fuel Gas Company, New York holding company, to sell from time to time during the balance of 1962, \$4,000,000 of unsecured notes to The Chase Manhattan Bank, and authorizing Iroquois Gas Corporation, a subsidiary of National, to sell to National a like amount of unsecured promissory notes during the same period. Pennsylvania Gas Company, another subsidiary, proposes to sell \$2,400,000 of unsecured notes to Warren National Bank of Warren, Pa., and the Commission has authorized the sale of \$1,355,440 principal amount thereof (the balance being exempt). The net proceeds will be used by the two subsidiaries, together with funds available from current operations, for 1962 property additions and improvements (estimated at \$6,950,000 for Iroquois and \$2,251,000 for Pengas) and for the purchase by Pengas of additional gas for underground storage (estimated at \$234,000).

TWO DELISTINGS APPROVED. The SEC has granted applications of the Philadelphia-Baltimore Stock Exchange to delist the common stocks of Westmoreland Coal Company and Terminal Refrigerating & Warehousing Corp., both effective close of business August 31, 1962 (Release 34-6888).

FIRST CITIZENS CORP. ENJOINED. The SEC San Francisco Regional Office announced August 15th (Lit-2346) the entry of a Federal court order (USDC Los Angeles) permanently enjoining First Citizens Corporation of Los Angeles and Howard Lewis, its principal officer, from further violations of the SEC net capital and record-keeping rules.

PLEAS ENTERED BY MAKRIS AND LEVINGSTON. The SEC Atlanta Regional Office announced August 15th (Lit-2347) that Michael Angelo Socrates Makris had pled guilty (USDC Miami, Fla.) to violations of anti-fraud provisions of Federal securities laws in sale of securities of Inter-City Finance Corporation and of Real Estate Discount Corporation, and that Clyde Levingston had pled guilty of conspiring with Makris to violate said provisions.

OVER

CALIFORNIA LIFE FILES FOR STOCK OFFERING. California Life Insurance Company, 4400 MacArthur Blvd., Oakland, Calif., filed a registration statement (File 2-20651) with the SEC on August 16th seeking registration of 350,000 shares of common stock, to be offered for public sale through underwriters headed by Stewart, Eubanks, Meyerson & Co., 216 Montgomery Street, San Francisco. The public offering price (maximum \$6 per share*) and underwriting terms are to be supplied by amendment.

The company is engaged in the business of writing individual life, individual accident and health, group life and group accident and health insurance policies. The net proceeds from the stock sale will ultimately be used as needed to absorb the expense of writing new insurance business and providing the reserves thereon, although no portion of such proceeds has been allocated for any particular purpose. The company has outstanding 1,052,004 shares of common stock, of which B. N. Nemerov, board chairman and president, owns about 27% and management officials as a group 42%. According to the prospectus, the company has been operating at a loss since 1959.

PACIFIC NORTHWEST BELL PROPOSES DEBENTURE OFFERING. Pacific Northwest Bell Telephone Company, 1200 Third Avenue, Seattle, Wash., today filed a registration statement (File 2-20652) with the SEC seeking registration of \$50,000,000 of debentures due 2002, to be offered for public sale at competitive bidding. The net proceeds from the debenture sale will be used to reduce a 4½% demand note of the company (in the principal amount of \$150,020,654) which was issued (in the original amount of \$200,000,000) together with 30,450,000 common shares to The Pacific Telephone and Telegraph Company in June 1961 in exchange for properties and business with which the company commenced business. The company is 51% owned by American Telephone and Telegraph Company and 42.7% by the Pacific Company (which is 90.2% owned by AT&T).

COBURN CREDIT FILES FOR PREFERRED STOCK OFFERING. Coburn Credit Co., Inc., 53 North Park Avenue, Rockville Centre, N. Y., today filed a registration statement (File 2-20653) with the SEC seeking registration of 80,000 shares of 6% cumulative convertible preferred stock (\$25 par), to be offered for public sale (without underwriting) at \$25 per share. The statement also includes 20,000 common shares underlying warrants (exercisable at \$8 per share) sold to Brand, Grumet & Seigel, Inc. and Kesselman & Co., Inc. in connection with a prior debenture offering by the company.

The company is engaged primarily in the consumer sales finance business. The net proceeds from the stock sale will be added to its general funds and will be available for working capital, the acquisition of installment contracts and general corporate purposes. All or a portion of such proceeds may be used to reduce indebtedness to A. J. Armstrong Co. Inc. (with which the company has a loan agreement) temporarily until it requires additional advances for the acquisition of installment contracts or to repay all or a part of its 6-month subordinated notes. In addition to certain indebtedness, the company has outstanding 932,512 shares of common stock, of which management officials as a group own 47.2%. Harold Grossman is board chairman and Irving L. Bernstein is president.

SECURITIES ACT REGISTRATIONS. Effective August 16: Commercial Credit Co. (File 2-20448). Effective August 17: Consumer Investor Planning Corp. (File 2-19694). Withdrawn August 16: A. L. S. Steel Corp. (File 2-20079); Calev Photolabs, Inc. (File 2-19718); Sportsmen, Inc. (File 2-19395); United States Finance Company, Inc. (formerly United States Shell Homes, Inc.) (File 2-20427).

*As estimated for purposes of computing the registration fee.

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