

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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Statistical Release No. 1894. The SEC Index of Stock Prices, based on the closing price of 300 common stocks for the week ended April 12, 1963, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1963 is as follows:

	1957-59 = 100		Percent Change	1963	
	4/12/63	4/5/63		High	Low
Composite	140.3	139.2	+0.8	140.3*	130.6
Manufacturing	131.7	130.4	+1.0	131.7*	121.1
Durable Goods	126.4	125.5	+0.7	126.4*	116.2
Non-Durable Goods	136.8	135.0	+1.3	136.8*	125.8
Transportation	114.8	113.7	+1.0	114.8*	106.4
Utility	178.2	178.8	-0.3	178.8	170.3
Trade, Finance & Service	165.1	162.7	+1.5	165.1*	153.5
Mining	119.3	116.9	+2.1	119.3*	104.2

*New High

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended April 11, 1963, 39 registration statements were filed, 27 became effective, 5 were withdrawn, and 409 were pending at the week-end.

NASD SANCTION AGAINST VALLEY FORGE SECURITIES SUSTAINED; BROKER-DEALER REGISTRATION REVOKED. The SEC today announced the issuance of two decisions under the Securities Exchange Act (Releases 34-7055 and 34-7056) (1) sustaining findings by the National Association of Securities Dealers, Inc., that Valley Forge Securities Company, Inc., 1706 Walnut Street, Philadelphia, and J. William Landenberger, III and Claude F. McDaniel, its principal officers and stockholders, violated the Commission's net capital rule, the credit restrictions of Regulation T and the NASD's interpretation of its Rules of Fair Practice with respect to advertising and sales literature, and (2) revoking the firm's registration as a broker-dealer, and finding that Landenberger, McDaniel, and James J. Collins and Newell George Umansay, present or former officers, as well as Arthur Leibowitz, a former salesman, were each a cause thereof. The NASD had ordered the expulsion of the firm from membership, revoked the registrations of Landenberger and McDaniel as registered representatives, and assessed certain costs against each of them; and the Commission determined that such penalties are not excessive or oppressive.

According to the Commission's decision with respect to the NASD sanction (written by Commissioner Whitney), the firm distributed a "Financial Bulletin" designated as "A SPECIAL MEMORANDUM REGARDING NEW ISSUES," which brochure was headed by the words "FROM \$2.50 to \$76.00 PER SHARE IN SIX MONTHS." The brochure included a list of securities that had been the subject of initial offerings which the firm was said to have either participated in or recommended to its clients and which were stated to have increased in price from 33% to 2,900% in very short periods of time. The brochure stated that only "limited amounts" of new issues are available to investors, that the "vital" time element involved made it impossible to notify many clients concerning new issues, that clients often were allotted only a portion of the amounts they desired, and that only a few investors have the opportunity to purchase such issues at the original offering price. The brochure then offered to place the names of interested clients on a "NEW ISSUE LIST," which would purportedly entitle them to preferential treatment in the disposition of new issues. The NASD District Committee found that while many of the statements were superficially true, "the general connotation of such a presentation is, in our judgment, neither wholly true, nor in the best interest of the industry." The Commission observed that while the NASD did not in so many words find the use of the bulletin to be a violation of the anti-fraud provisions of the securities acts, the NASD did conclude that the bulletin contained statements whose implications might mislead and that it did not provide a fair basis for evaluating the facts presented. It also noted that the NASD's action was based on its published interpretation of its Rules of Fair Practice that exaggerated or sensational statements or claims, the implications of which may mislead, are prohibited; and it further observed in this respect that the objective of self-regulation is to protect public investors and the securities business itself not only from fraudulent and specifically prohibited activities but also from unfair practices.

In its decision the Commission emphasized that both it and the NASD are now, as they have been, concerned with raising the standards of the industry. The phenomenon of the 'hot issue' offers the less scrupulous broker-dealer a myriad of opportunities to trade on the public greed and gullibility characteristic of such a 'hot market.' The public is done disservice by the distribution of sales literature which attempts to sell new issues on the basis of a 'hot' market rather than on the merits of individual securities. This is particularly so where there is no explanation of or reference to the inherent risk in investing in new and untried enterprises. The technique used by applicants in calling attention only to past recommendations which were or would have been profitable is inherently misleading and deceptive because by its very nature it emphasizes the

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favorable facts, ignores any which are unfavorable, and fails to caution that investment in subsequent new issues cannot always be expected to show results comparable to the selected instances listed. Furthermore, its appeal is bottomed on what has been colloquially referred to as the 'bigger fool' theory. This is simply the assurance that regardless of whether the price paid for a security is fair and/or reflective of the intrinsic value of the security or even reflective of a rational public evaluation of the security, the security is still a good buy because a 'bigger fool' will always come along to take it off the customer's hands at a higher price. To imply that this theory will be perpetually applicable is an intolerable business practice which is the antithesis of any acceptable standards of commercial honor."

The Commission determined that the bulletin is of the type prescribed by the NASD interpretation, and that it is equally clear that the NASD not only has the power but a statutory responsibility to prevent unethical practices among its membership whether or not such practices constitute actual violations of law. The Commission concluded that the NASD through its disciplinary powers can and should play an important role in improving the ethical standards of its members, subject always to their rights to obtain review by the Commission and the courts. There can be no doubt, the Commission stated, that the use of sales literature, bulletins and solicitations is a field in which self-regulation of ethical standards is an appropriate and important supplement to the statutory requirements for the protection of investors and the public interest.

The Commission noted that applicants did not dispute their failure to comply with the net capital rule and Regulation T and sustained the NASD rejection of their contentions that these violations were inadvertent and result of a lack of experienced employees and the inability of their accountants to prepare and submit monthly statements for January and February 1961 on time.

In a separate decision revoking the firms registration, the Commission sustained findings by its hearing examiner that in the offer and sale of stock of Young Development Corporation from March 1 to July 1, 1961, Valley Forge Securities, aided and abetted by McDaniel, Leibowitz, Landenberger and Umansay, violated the anti-fraud provisions of the Federal securities laws. According to the decision, a financial bulletin with respect to Young's operations and prospects, prepared for registrant primarily by McDaniel (but which was discussed with and reviewed by Landenberger and Umansay) was published and mailed by Valley Forge to prospective purchasers of Young stock, and the Commission found that the bulletin included false and misleading statements concerning, among other things, Young's contracts, sales and earnings. In addition, the Commission found that in connection with the firm's sales of Young stock made by Leibowitz and McDaniel, they made misleading statements with respect to the issuer's earnings prospects. Violations of the Commission's net capital rule and record-keeping requirements were also found.

REGISTRATION DENIED TO ARTHUR LEIBOWITZ. In a related decision, (Release 34-7057) the SEC denied an application by Arthur Leibowitz, doing business as Almin Security Co., 175 Fifth Avenue, New York, for registration as a broker-dealer. The Commission found that Leibowitz, while employed by Valley Forge Securities Co., in May 1961, offered and sold Class A common stock of Young Development Corporation by means of high-pressure sales techniques, including false and misleading statements made over the telephone, thus violating the anti-fraud provisions of the Federal securities laws. Such misrepresentations included statements that the stock "represented a tremendous opportunity" and should be purchased even if the money had to be borrowed, that the sale price of the stock (which ranged from $4\frac{1}{2}$ to $4-3/8$) would double or increase to 8 in one week or go to 6 within two weeks, that profits would increase, and that Young's estimated earnings for 1961 were \$2 per share. The Commission ruled that Leibowitz had no reasonable basis for his optimistic representations and failed to disclose to his customers adverse facts which he knew (or should have known), including the fact that in order to have earnings of \$2 per share applicable to Class A stock in 1961, Young would have had to earn over \$2,000,000 in that year (in which year it actually sustained a loss). In fact, according to Young's confidential inter-office memorandum projecting earnings for 1961, a copy of which Leibowitz claimed he had at the time of his sales, earnings of less than \$700,000 were estimated.

B.S.F. SEEKS ORDER. B.S.F. Company, a Delaware closed-end investment company, and Arthur Brown, formerly a director, have applied to the SEC for an exemption order under the Investment Company Act with respect to a proposed sale, assignment and transfer by B.S.F. to Brown (or his designee) of certain policies of life insurance on Brown's life which are owned by B.S.F.; and the Commission has issued an order (Release IC-3666) giving interested persons until April 29, 1963 to request a hearing thereon.

COLONIAL FUND SEEKS EXEMPTION. The Colonial Fund, Inc., Boston open-end 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; and the Commission has issued an order (Release IC-3667) giving interested persons until April 30, 1963 to request a hearing thereon. In August 1959 the applicant was merged into The Colonial Fund, Inc., a Massachusetts corporation and the surviving corporation of the merger. The latter is an open-end investment company registered under the Act. The applicant should not be confused with the Massachusetts corporation which currently is registered with the Commission as an open-end investment company and is and for a number of years has been making a continuous public offering of its shares to the public.

GLOBUS FUND SEEKS EXEMPTION. Globus Fund, Inc., New York closed-end 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; and the Commission has issued an order (Release IC-3668) giving interested persons until April 30 to request a hearing thereon. According to the application, the company has no debt securities, its outstanding securities (200 capital shares) are held by Morton Globus, and the company does not intend to make any public offering of its securities nor engage in any business activity. The company has not yet commenced dissolution proceedings, but upon any such dissolution, all of its assets will be distributed to Morton Globus as sole stockholder, after payment of any debts.

E. I. du PONT DE NEMOURS SEEKS ORDER. E. I. du Pont De Nemours and Company, a Delaware company 29% owned by Christiana Securities Company, a registered closed-end investment company, has applied to the SEC for an exemption order under the Investment Company Act with respect to the proposed sale to du Pont by

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S. Hallock du Pont, a director of Christiana, for an aggregate price of \$570,000 of about 394 acres of land constituting a part of a tract being assembled by du Pont for use as a reservoir site; and the Commission has issued an order (Release IC-3669) giving interested persons until April 29, 1963 to request a hearing thereon.

IMPERIAL INCOME FUND SEEKS EXEMPTION. Imperial Income Fund, Inc., Minneapolis open-end 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; and the Commission has issued an order (Release IC-3670) giving interested persons until April 29, 1963 to request a hearing thereon. According to the application, no shares of the company have been offered or sold to the public and none are outstanding, and the company does not intend to make a public offering of its securities. In addition, the company has no assets of any kind and has not transacted any business or entered into any agreements of any kind.

CONSOLIDATED NATURAL GAS FINANCING APPROVED. The SEC has issued an order under the Holding Company Act (Release 35-14852) authorizing Consolidated Natural Gas Company, New York registered holding company, to sell at competitive bidding \$35,000,000 of debentures due 1988. Of the net proceeds from the debenture sale, \$10,000,000 will be used to pay outstanding short-term notes due banks incurred for construction purposes and the balance will be used to finance, in part, the 1963 construction program of the company's subsidiaries (estimated at \$78,000,000).

UNLISTED TRADING SOUGHT. The SEC has issued an order (Release 34-7060) giving interested persons until April 24, 1963 to request a hearing upon applications of the Boston Stock Exchange for unlisted trading privileges in the common stocks of Northern Indiana Public Service, American Home Products Corporation, and American Hospital Supply Corporation.

WEIL AND CO. ENJOINED. The SEC Washington Regional Office announced April 12 (LR-2581) the entry of a Federal court order (USDC, DC) preliminarily enjoining Weil and Company, Inc., a District of Columbia corporation, and its president, Richard S. Weil, and secretary-treasurer, Samuel P. Grubb, Jr. (both of Washington, D.C.), from further violations of the Securities Act anti-fraud provisions, the Exchange Act financial reporting requirements and bookkeeping rules, and provisions under the latter Act relating to the extension of credit to and for customers on securities not registered on a national securities exchange.

JAPAN PROPOSES BOND OFFERING. Japan filed a registration statement (File 2-21319) with the SEC on April 12 seeking registration of \$25,000,000 of 5½% external loan sinking fund bonds due 1980, to be offered for public sale through underwriters headed by The First Boston Corporation, 20 Exchange Place, New York. The public offering price and underwriting terms are to be supplied by amendment. The net proceeds from the bond sale will be advanced to The Japan Development Bank, a wholly-owned Government agency, to be used to make loans to private electric power companies in connection with the Government's Fiscal Investment and Loan Program.

STEPHENSON FINANCE PROPOSES DEBENTURE OFFERING. Stephenson Finance Company, Incorporated, 518 South Irby St., Florence, S. C., filed a registration statement (File 2-21320) with the SEC on April 12 seeking registration of \$1,000,000 of 6% sinking fund subordinated debentures due 1978, to be offered for public sale at 100% of principal amount (plus accrued interest from May 1, 1963) through underwriters headed by Alester G. Furman Co., Inc., South Carolina National Bank Bldg., Greenville, S. C. The underwriters will receive a 5½% commission and \$500 for expenses.

The company is engaged in financing the purchase or sale of new and used automobiles, trucks, tractors, household appliances, radios, and refrigerators; and it is also engaged in automobile and life insurance operations. The net proceeds from the debenture sale will be added to general operating funds and a portion of such funds will be used to repay short term bank loans as they mature. In addition to certain indebtedness and preferred stock, the company has outstanding 305,623 shares of common stock, of which J. Phil Stephenson, board chairman and president, owns 34.52%, and management officials as a group 42.72%.

HEUBLEIN FILES STOCK PLAN. Heublein, Inc., 330 New Park Avenue, Hartford, Conn., filed a registration statement (File 2-21321) with the SEC on April 11 seeking registration of 385,236 shares of common stock, to be offered pursuant to its Restricted Stock Option Plan.

SANGAMO ELECTRIC FILES STOCK PLAN. Sangamo Electric Company, Eleventh and Converse Ave., Springfield, Ill., filed a registration statement (File 2-21324) with the SEC on April 12 seeking registration of 132,383 shares of common stock, to be offered pursuant to its Stock Option Plan.

SECURITIES ACT REGISTRATIONS. Effective April 15: Las Vegas Properties Trust (File 2-21065).