

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 May 8, 1961

Statistical Release No. 1752. The SEC Index of Stock Prices, based on the closing price of 300 common stocks for the week ended May 5, 1961, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1961 is as follows:

	1957-59 = 100		Percent Change	1961	
	5/5/61	4/28/61		High	Low
Composite	*134.5	132.1	+1.8	134.5	118.3
Manufacturing	*127.5	125.1	+1.9	127.5	113.0
Durable Goods	*130.5	127.3	+2.5	130.5	117.0
Non-Durable Goods	*124.8	123.1	+1.4	124.8	109.2
Transportation	105.8	102.8	+2.9	106.6	97.8
Utility	168.7	166.6	+1.3	170.9	144.4
Trade, Finance & Service	*152.3	150.2	+1.4	152.3	132.5
Mining	93.8	91.3	+2.7	95.3	83.3
	*New High				

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended May 4, 1961, 34 registration statements were filed, 38 became effective, 1 was withdrawn, and 450 were pending at the week end.

IRVING GRUBMAN REGISTRATION APPLICATION DENIED. In a decision announced today (Release 34-6546), the SEC denied an application for broker-dealer registration under the Securities Exchange Act of 1934 filed by Irving Grubman, doing business as Irving Grubman & Co., 195 Broadway, Paterson, N. J., because of the fraudulent sale of stock of U-Bowl, Inc., by Grubman.

According to the decision (written by Commissioner Hastings), Grubman, while employed as a salesman by S. H. Bennett Co., Inc., a broker-dealer, from September 1959 to June 1960, sold U-Bowl stock which was part of a public offering through Bennett as underwriter of 250,000 shares at \$2 per share. Several purchasers of stock from Grubman testified that he represented to them, among other things, that it was a good investment, which would appreciate considerably in the near future, generally mentioning \$6 to \$8 as the price to which the stock would rise, and in one instance representing that it would range up to \$15 within a year, and that the U-Bowl stock was comparable to the stock of other companies engaged in the operation of bowling alleys, which had been very successful, particularly American International Bowling Corp. ("AIB"). Although denying that he made any misrepresentations, Grubman admitted that he compared U-Bowl stock with that of other bowling concerns, including AIB, and represented to customers that there was no reason why such stock should not do as well or better than the others. Grubman asserted that he had "every reason" to believe that a substantial appreciation in the price of U-Bowl stock would take place, in view of the experience of the other bowling stocks, and that the statements made by him were based on statements contained in the offering circular and other material put out by the issuer.

The Commission ruled that the representations and predictions made by Grubman were unfounded and misleading. Construction of the U-Bowl building had not yet begun and operations had not commenced, and Grubman had no reasonable basis for his representations as to an increase in market price for U-Bowl stock, the Commission stated, or for his comparisons of such stock with that of AIB and other companies which had experienced particularly successful operations. Moreover, Grubman falsified his registration application by denying that he had had any connection with another broker-dealer within the past ten years.

Arrest Record Pertinent to Broker-Dealer Registrations. In ruling that it was in the public interest to deny Grubman's application for broker-dealer registration, the Commission noted that its staff had offered evidence that Grubman was convicted by a Florida court in 1958 of defrauding an innkeeper. The conviction was of an Irving Albert Grubman; and Grubman, claiming the privilege against self-incrimination, refused to answer the question whether he was the person convicted. The Hearing Examiner upheld his refusal to answer and excluded the evidence of the conviction on the ground that there has not been a sufficient showing of identity as between Grubman and the convicted person. The Commission ruled that the "virtual identity of names in and of itself gave rise to a presumption or inference of identity, which in the absence of rebutting evidence warrants a finding of identity." Accordingly, in considering the public interest question, the Commission sustained the staff's objection to this exclusion of evidence and took into consideration the conviction, "which bears upon Grubman's trustworthiness in his dealing with others, . . . although we may note that we view his conduct in connection with the sales of U-Bowl stock and the false statement . . . sufficient to resolve that question against him."

Furthermore, the Commission sustained the staff's objection to a ruling by the Hearing Examiner excluding proffered evidence that Grubman, in addition to having been convicted as discussed above, has been arrested on 22 different occasions and in eight different states on various charges including the issuance of worthless checks on seven occasions, swindling on five occasions, theft, and the operation of a confidence game, and on six occasions for being a fugitive from other jurisdictions. While these arrests covered a period of some 23 years, half of them were made since December 1957, and they involved alleged misconduct of a nature relevant

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to Grubman's honesty in his dealings with others and his amenability to legal authority. In our opinion, the evidence as to the numerous arrests in various jurisdictions for such alleged misconduct should have been admitted on the issue of the public interest, which involves a determination of Grubman's fitness to engage in the securities business. Upon the admission of such evidence, Grubman would be entitled to present any relevant explanatory matter in answer thereto, on the basis of which the weight if any to be attached to such evidence could be assessed. However, the Commission concluded, in view of the fact that the record provides ample basis aside from the arrests for the conclusion that denial of the application is in the public interest, no purpose would be served by reopening the record at this time for the admission of the proffered and related evidence.

WYOMING NUCLEAR CORP. STOCK OFFERING SUSPENDED. The SEC has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public stock offering by Wyoming Nuclear Corporation, Lander, Wyoming.

Regulation A provides a conditional exemption from registration with respect to securities offered for public sale in amounts not exceeding \$300,000 in amount. In a notification filed in September 1959, Wyoming Nuclear proposed the public offering of 10,000,000 common shares at 3¢ per share. The Commission's suspension order asserts that it has reasonable cause to believe (1) that certain terms and conditions of Regulation A were not complied with by Wyoming Nuclear; (2) that the company's offering circular was false and misleading in respect of certain material facts, by reason of its failure to make certain disclosures; and (3) that the stock offering violated Section 17(a) (the anti-fraud provision) of the Securities Act. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

With respect to compliance with Regulation A, the Commission asserts in its order that Wyoming Nuclear failed to list Gas Hills Uranium Co. in its notification as an affiliate and to indicate the nature of such affiliation; filed a false and misleading report of stock sales which indicated that the public offering was completed when, in fact, a substantial portion of the shares was in the hands of the underwriter and members of the selling group; failed to amend the notification and offering circular to reflect subsequent transactions by the issuer in the copper and peat mining industries; failed (along with the underwriter, C. A. Benson & Co., Inc., of Pittsburgh, Pa.) to deliver an offering circular to purchasers of certain shares sold to the public at prices in excess of the public offering price listed in the offering circular; and failed to comply with the \$300,000 limitation prescribed by Regulation A by reason of the sale of stock at prices in excess of the listed public offering price.

The order further alleges that the company's offering circular failed accurately and adequately to disclose the proposed use of the proceeds of the stock sale, in that the proceeds were expended on copper and peat mining ventures rather than on uranium ventures; failed to disclose accurately and adequately the underwriting commissions and profits of the underwriter as well as the true connection and association of the company's president, Bernard Blonder, with States Mines Drilling Company; failed to disclose that some of the shares would be sold at prices higher than the listed offering price; and failed to disclose that management officials intended to acquire a substantial portion of the shares for the purpose of resale to the public at prices in excess of the listed offering price. (NOTE TO PRESS. Copies of foregoing also available in SEC Denver Office).

VIOLATIONS CHARGED TO HAROLD GRILL. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Harold Grill, of 550 Fifth Ave., New York City, defrauded investors in the offer and sale of securities of Alaska Development Company and, if so, whether an application filed by Grill (a sole proprietor intending to do business as Program Planning Co.) for registration as a broker-dealer should be denied.

The Commission has scheduled an initial hearing for May 15, 1961, in its New York Regional Office to determine whether the effective date of Grill's application should be postponed pending decision upon the ultimate question of denial.

The Commission's order asserts that, in the offer and sale of securities of Alaska Development (also known as Alaska Dakota Development Company and ADDCO) during the period February 13 to April 9, 1959, Grill "engaged in transactions, practices and a course of business which would and did operate as a fraud and deceit" upon the purchasers, by reason of false and misleading representations made by him in connection with the sale of the securities with respect to an advance in the price of the stock, the assets, prospectus and proposed drilling activities of Alaska Development, and the length of time Hannibal Associates, Inc., had engaged in the securities business. Grill was a salesman for Hannibal Associates, whose broker-dealer registration was revoked in March 1960.

AMERICAN PROGRAMMING HEARING SCHEDULED. The Commission also has scheduled a hearing for May 31, 1961, in its Los Angeles Branch Office on the question whether the broker-dealer registration of American Programming Corporation, Beverly Hills, Calif., should be revoked because of alleged violations of the Commission's net capital rule.

IND. & MICH. ELECTRIC FINANCING. The SEC has issued an order under the Holding Company Act (Release 35-14431) giving interested persons until May 24th to request a hearing upon the debenture financing proposal of Indiana & Michigan Electric Company, Fort Wayne, Ind. As previously reported (News Digest of 4/21/61), the said Electric company proposed to issue and sell \$20,000,000 of sinking fund debentures due 1986 at competitive bidding. Net proceeds will be applied to the prepayment of a like amount of short-term notes held by banks.

TRADING BAN IN UNITED INDUSTRIAL CONTINUED. The SEC has issued an order suspending trading in securities of United Industrial Corporation (Del.) on the American, Detroit, New York and Pacific Coast Stock Exchanges and the over-the-counter market for the further ten-day period May 6 to May 15, 1961, inclusive.

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GORDON JEWELRY FILES FOR OFFERING. Gordon Jewelry Corporation, Stewart Bldg., Houston, Texas, filed a registration statement (File 2-18077) with the SEC on May 5th seeking registration of 140,000 shares of Class A stock, to be offered for public sale through underwriters headed by Paine, Webber, Jackson & Curtis. The public offering price and underwriting terms are to be supplied by amendment.

The company conducts a retail credit jewelry business through its 90 stores, all but 3 of which are operated through subsidiary corporations organized separately for each store. Two wholly-owned subsidiaries are life insurance companies. The net proceeds from the stock sale will be used to finance the further expansion of the business by opening or acquiring additional retail stores, or otherwise. Such proceeds will be used to defray not only the direct expenses of opening new stores, but also to carry the increased accounts receivable and inventories resulting from operation of new stores.

In addition to certain indebtedness and preferred stock, the company has outstanding 685,607 shares of Class B stock (convertible into Class A on a share-for-share basis), of which M. M. Gordon, board chairman, Harry B. Gordon, president, Aron S. Gordon, executive vice president, and I. L. Miller, senior vice president, own 14.64%, 24.84%, 22.93% and 22.17%, respectively.

ELECTRA INTERNATIONAL FILES FOR STOCK OFFERING. Electra International, Ltd., 222 Park Avenue South, New York, filed a registration statement (File 2-18078) with the SEC on May 5th seeking registration of 70,000 shares of capital stock, to be offered for public sale through Robert A. Martin Associates, Inc. and Ezra Kureen Co. The public offering price and underwriting terms are to be supplied by amendment. The registration statement also includes 9,000 capital shares which the company will sell to the underwriters for \$1 per share.

The company is engaged in the manufacture and sale of Lectra Fuel Igniters, which, according to the prospectus, is a "replacement for the conventional air-gap spark plug," and related products in the automotive ignition field, in areas outside of the United States. Of the \$349,000 estimated net proceeds from the stock sale, \$125,000 will be used for research and new product development, advertising, and establishment of foreign manufacturing facilities, and the balance for working capital.

The company was outstanding 90,000 shares of capital stock, of which Fred P. Dollenberg, president, Bernard L. Silver, board chairman, and Jack Howard, secretary-treasurer, own 27.4% each and Hyman Gardner, a director, 13.7%. After the sale of the new shares, management officials as a group will own 51% of the outstanding stock.

C. H. ABRAHAM & CO. HEARING CANCELLED. The May 8th hearing scheduled for the SEC New York Regional Office in proceedings to determine whether the broker-dealer registration of C. H. Abraham & Co., Inc., of New York should be revoked and whether respondent should be suspended or expelled from NASD membership has been cancelled following the signing by the parties of a factual stipulation.

MERRITT-VICKERS ENJOINED. The SEC New York Regional Office announced May 4th (LR-2010) the entry of a court order (USDC SDNY) permanently enjoining Merritt, Vickers, Inc., and its president, Matthew Joseph Merritt, Jr., from further violations of the SEC net capital rule.

NEIL JAMES & CO. ENJOINED. The SEC New York Regional Office announced May 4th (LR-2011) the entry of a court order (USDC SDNY) permanently enjoining Neil James & Co., Inc., and its president, Neil James Shanman, from further violations of the SEC net capital and bookkeeping rules.

SECURITIES ACT REGISTRATIONS. Effective May 2: Keystone Custodian Fund, Series S-1 (File 2-17979). Effective May 8: Professional Men's Association, Inc. (File 2-17535); Arkansas Power & Light Company (File 2-17780); New York State Electric & Gas Corp. (File 2-17789); Criterion Insurance Company (File 2-17806); Wheeling Steel Corp. (File 2-17912).

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