

# 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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**BOREN & CO. EXPULSION FROM NASD MODIFIED.** In a decision announced today (Release 34-6367), the SEC affirmed a ruling by the National Association of Securities Dealers, Inc., that Boren & Co., and its president and sole stockholder, Irving N. Boren, of 569 North Rossmore Ave., Hollywood, had violated certain NASD Rules of Fair Practice; but the Commission overruled certain other findings of violations by the NASD, reduced the NASD sanction from one of expulsion from the Association to a 90-day suspension, effective September 26, 1960. The Commission also reduced the assessment against the firm for costs.

In its decision, the Commission concluded that Boren & Co. had engaged in conduct inconsistent with just and equitable principles of trade in violation of NASD Rules of Fair Practice, by reason of the fact that it effected a number of sales of securities in 1957 at prices and commissions which were not fair in view of all the relevant circumstances. Boren & Co. urged various considerations in defense, including special concessions obtained from dealers in the purchase of the securities, the low price of certain securities involved, and the expense involved and the right of the firm to a profit. In 24 sales of Colorado Gas stock, the price charged ranged from 33.3% to 66.7% over the firm's contemporaneous cost; and in 23 of 155 sales of Texas Toy stock, the mark-up ranged from 11.9% to 19% over the prices paid by the firm on the day of the sales. As to these transactions, the Commission affirmed the NASD ruling that the mark-ups were excessive, and were inconsistent with just and equitable principles of trade. As to the remaining sales of Texas Toy stock, the Commission was unable to find the mark-ups unfair. Other unfair mark-ups found by the Commission included four sales of other securities in which the mark-ups ranged from 10.8% to 25%. The Commission concluded that the mark-up in certain agency transactions were not excessive.

The Commission also sustained rulings that salesmen for the firm violated NASD rules by making unsuitable recommendations and misleading statements to a customer concerning the purchase of mutual fund shares and the sale of certain common stocks; by misleading representations in the firm's mutual fund sales literature which contravened Commission's Statement of Policy relating to such sales literature; by its refusal to produce certain information in response to an NASD request; by its failure to maintain and preserve certain records; and by its failure to properly supervise salesmen. It overruled a finding by the NASD that its rules had been violated through the firm's failure to register certain representatives, because of the absence of a finding of willfulness by the NASD.

Although concluding that "a substantial sanction" is warranted in view of the nature and extent of violations found, the Commission concluded that the expulsion of the firm from NASD membership was "excessive" because of mitigating factors urged by the firm and the fact that certain rulings of the NASD were set aside by the Commission. Under the circumstances, it concluded that a 90-day suspension was appropriate. The NASD had assessed costs in the aggregate amount of \$8,318, including the costs of the salaries of employees amounting to over \$3,500 which the Commission ruled was improper. The Commission also observed that, if a member is to be given a fair hearing, he must feel free to defend himself "without thereby subjecting himself to a prohibitive assessment of costs," and that other members of the NASD "have an interest in the proper and just policing of the Association and the imposition of appropriate sanctions upon offending members." Under all the circumstances, the Commission concluded that the assessment of costs against the firm should be reduced to \$1,000.

**PACIFIC GAS TRANSMISSION FILES FOR OFFERING AND SECONDARY.** Pacific Gas Transmission Company, 245 Market St., San Francisco, filed a registration statement (File 2-17072) with the SEC on September 20, 1960, seeking registration of 747,250 shares of common stock, of which 552,500 shares are to be offered for public sale by the issuing company through an underwriting group headed by Blyth & Co., Inc., The Dominion Securities Corporation and McLeod, Young, Weir, Inc. The public offering price and underwriting terms are to be supplied by amendment, net proceeds to the company being listed at \$9 per share.

S. D. Bechtel, a director of the company, owns 81,550 shares of the outstanding common stock of the company; and he proposes to offer 40,050 of his shares to certain employees and stockholders of Bechtel Corporation, of which he is a director, officer and shareholder, and to certain employees of Canadian Bechtel Limited, the former's subsidiary.

The company was organized in August 1957; and pursuant to a certificate of public convenience and necessity and related authorizations to import natural gas from Canada issued by the FPC in August 1960 it is constructing and proposes to operate a natural gas transmission pipeline extending from the international boundary

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between Canada and the United States southward through the States of Idaho, Washington and Oregon to the California border. The pipeline will be part of a project, known as the Alberta-California Project, which is designed to bring gas from the Province of Alberta to California. The gas will be distributed in California by Pacific Gas and Electric Company, principal sponsor of the project. Six other companies are participants or associates in the project.

According to the prospectus, the estimated capital requirement of the company will approximate \$132,000,000. The company now has outstanding 1,657,500 common shares, issued at \$9 per share, of which 66.7% is owned by Pacific Gas and Electric, 10.6% by directors of Bechtel Corporation, and 9.3% each by Blyth & Co., Inc., and International Utilities Corporation. The Montana Power Company owns 2.7% and Canadian Bechtel Limited 1.4%. The company expects to obtain the funds required for its capital requirements as follows: \$14,917,500 from the prior sale of the 1,657,500 shares; \$4,972,500 from the public sale of the 552,500 shares; \$13,300,000 from the sale of convertible debentures; and \$98,810,000 from the sale of first mortgage pipeline bonds. The timing, method and terms of the offering and sale of the debentures and bonds have not been determined.

The prospectus lists James B. Black as board chairman and N. R. Sutherland as president.

**NISSEN TRAMPOLINE PROPOSES OFFERING.** Nissen Trampoline Company, 930 27th Ave., S. W., Cedar Rapids, Iowa, filed a registration statement (File 2-17073) with the SEC on September 20, 1960, seeking registration of 85,000 shares of common stock, to be offered for public sale through Jesup & Lamont, of New York. The public offering price and underwriting terms are to be supplied by amendment. The company also has agreed to sell to the underwriter, for \$120, five-year warrants to purchase 12,000 common shares, exercisable initially at the public offering price.

The company and its subsidiaries are engaged principally in the manufacture and distribution of rebound tumbling equipment sold under the trademark "Nissen Trampoline." It also distributes gymnastic equipment manufactured for it abroad. The company has agreed to purchase certain assets of Fred Medart Manufacturing Co. of St. Louis, after which it will manufacture as well as sell gymnastic equipment. The purchase price of the Medart assets will approximate \$400,000, of which one-half is payable in notes and the balance in cash. Of the net proceeds of the sale of common stock, some \$200,000 will be used to replenish working capital and to repay bank borrowings incurred in connection with such purchase; \$250,000 to provide working capital for the gymnastic equipment business and to pay for other expenses relating to the Medart acquisition; and the balance for working capital and other general corporate purposes.

In addition to certain indebtedness, the company now has outstanding 290,000 shares of common stock. George Nissen, company president, owns 258,000 shares or 89% of the outstanding stock. Of the outstanding stock, 20,000 shares were acquired by Nissen in June 1960 at the equivalent of \$5 per share, of which 4,800 shares were sold by him to three persons at his cost. An additional 20,000 shares were sold to the underwriter in April 1960 for an aggregate net purchase price of \$76,000.

With respect to the stock offering, the prospectus states that the underwriter proposes to offer the shares to a limited number of the firm's retail customers (which may include a number of members and employees of its firm, relatives of such persons, and holders of the company's \$325,000 of 6% convertible notes sold to 11 investors in April 1960); and it intends to offer about 45% of the shares to the public.

**DELISTING OF GENERAL AMERICAN INDUSTRIES PREFERRED APPROVED.** The SEC has issued an order granting an application of the New York Stock Exchange to delist the 6% Cumulative Preferred Stock of General American Industries, Inc., effective at the close of the trading session on September 30, 1960 (Release 34-6370).

**UNLISTED TRADING GRANTED MIDWEST EXCHANGE.** The SEC has granted an application of the Midwest Stock Exchange for unlisted trading privileges in the common stock of Union Bag-Camp Paper Corporation (Release 34-6370).

**EUROPEAN COAL AND STEEL AUTHORITY PROPOSES OFFERING.** The High Authority of the European Coal and Steel Community filed a registration statement (File 2-17074) with the SEC on September 20, 1960, seeking registration of \$25,000,000 of Secured Bonds (Thirteenth Series), due 1980, and \$10,000,000 of Serial Secured Notes (Fourteenth Series), due 1963-65. It is proposed to offer these securities for public sale through underwriters headed by Kuhn, Loeb & Co., The First Boston Corporation, and Lazard Freres & Co. The interest rates, public offering prices and underwriting terms are to be supplied by amendment.

The additional funds will be used to make loans to enterprises of the Community engaged in the production and sale at wholesale of coal, coke, iron ore, iron and steel. It is expected that the proceeds will be used principally to finance a part of the cost of projects designed to increase the use by steel enterprises of coal and coke, to increase the production of iron ore within the member countries and to enlarge and improve existing installations, principally in the steel industry. Some portion of the funds also may be used to make loans to enterprises outside the coal and steel industries in order to finance, in part, the construction of new manufacturing facilities and other projects in the Community which are so located as to provide productive employment for coal miners released from the mines as a result of prevailing conditions in the coal industry.

**ALLEGRI-TECH PROPOSES OFFERING.** Allegri-Tech, Inc., 141 River Road, Nutley, N. J., today filed a registration statement (File 2-17075) with the SEC seeking registration of 100,000 shares of common stock, to be offered for public sale at \$6 per share through underwriters headed by Myron A. Lomasney & Co. The underwriters will receive a commission of 75¢ per share; and the company also will issue to the underwriters 15,000

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five-year warrants at 1¢ each, the warrants being exercisable initially at \$6.60 per share. In addition, the Lomasney firm has purchased 7,500 shares at \$1.50 per share from the company. The registration statement also includes 13,000 shares purchased from the company by Max Fabrikant, a finder, at \$1 per share, and 7,000 shares purchased by company counsel from four principals of the company.

Formerly known as Allied-Alliegr Machine Co., Inc., the company is engaged principally in the manufacture, assembly and sale of printed circuitry and modules. Upon the completion of this offering, it intends to continue to develop, and to manufacture and sell (i) additional products designed to replace conventional wiring employed in commercial and military usage, and (ii) industrial electronic components, production test equipment and power supply and control equipment. Net proceeds of the stock sale will be used in part to pay \$35,000 of bank notes guaranteed by the four principals, to discharge some \$8,467 of obligations incurred in the purchase of machinery and equipment, to finance lease hold improvements (\$90,000) necessary to provide additional floor space for increased manufacturing facilities, and to finance research and development (\$150,000) of new proprietary products (several of which are said to be in the development stage). The balance of the proceeds will be added to working capital.

The company now has outstanding 227,500 common shares, of which Fred J. Allegr, president, owns 25.12% and three other officers (of the same last name) own 20.93% each. The outstanding shares had a \$1 per share book value as of July 31, 1960.

SEC COMPLAINT NAMES OIL LEASE DEVELOPMENT CO. The SEC Chicago Regional Office announced September 15th (LR-1783) the filing of court action (USDC, WD Ky.) seeking to enjoin Oil Lease Development Co., Inc., and Clayton J. Vermillion from further offering and sale of oil interests in violation of the Securities Act registration requirement.

SEC COMPLAINT NAMES WM. C. KARAL. The SEC Boston Regional Office announced September 19th (LR-1784) the filing of court action (USDC, Mass.) seeking to enjoin William C. Karal of Weston, Mass., from further violations of the anti-fraud provisions of Securities Exchange Act. Temporary restraining order issued, and hearing scheduled for September 27th on motion for preliminary injunction.

VIOLATIONS CHARGED TO IRVING GRUBMAN. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Irving Grubman, of 195 Broadway, Paterson, N. J., defrauded investors in the offer and sale of securities of U-Bowl, Inc., and, if so, whether it is in the public interest to deny an application filed by Grubman, doing business as Irving Grubman & Co., for registration as a broker-dealer.

A hearing is scheduled for September 28, 1960, in the Commission's New York Regional Office to take evidence with respect to the foregoing. The initial hearing will relate to the question whether the effective date of Grubman's application for registration should be postponed until final determination of the question of denial.

The Commission's order asserts that, in the offering and sale of U-Bowl stock during the period September 1959 to June 1960, Grubman "engaged in transactions, practices and a course of business which would and did operate as a fraud and deceit upon the purchasers" thereof, in that he made false and misleading representations with respect to an advance in the price of the stock, construction operations begun by the company, and the price at which stock was available to stockholders. It is further asserted that in his application Grubman disclaimed any connection with any other broker-dealer firm during the past 10 years when, in fact, he was employed as a registered representative by S. H. Bennett & Co., Inc., during the period September 1959 to July 1960.

COURT RESTRAINS AMERICAN DIVERSIFIED SECURITIES. Judge Alexander Holtzoff (USDC DC) today issued a temporary restraining order against the conduct of a securities business by American Diversified Securities, Inc., 1028 Connecticut Ave., Washington, D. C., through the close of business Monday, September 26, 1960, pending a further inspection of the defendant's books and records by the SEC to ascertain whether they are in compliance with the record-keeping requirements of the Commission, as reported to the court by the defendant. (LR-1785)

PUBLISHERS COMPANY 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 offering of stock by Publishers Company, Inc., of 1116 - 18th St., N. W., Washington, D. C.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. In a notification filed in April 1959, Publishers Company proposed the public offering of 150,000 shares of Class A common stock at \$2 per share through L. L. Bost & Company. In its suspension order, the Commission charges non-compliance with a provision of Regulation A by reason of the company's failure to file certain sales material; and it further asserts that the company's offering circular was false and misleading in respect of certain material facts and that the stock offering violated Section 17 of the Act. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

The misrepresentations referred to in the Commission's order related to the stated use of the proceeds of the offering as it related to a reduction of outstanding obligations and a statement that \$14,616 of notes held by officers, directors and promoters may be paid out of the proceeds when, in fact, there was an understanding that these notes would be paid from funds made available from operations or from the financing of installment sales contracts; the failure to disclose that the underwriter would and did receive 15,635 shares of stock in payment for expenses and commissions and the statement that the underwriter's expenses would not exceed the estimated sum of \$7,500 when, in fact, the sum paid to the underwriter was \$14,939; and the failure to disclose that \$12,000 of the proceeds would be expended for improved land.

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