

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)

(Issue No. 64-11-15)

FOR RELEASE November 23, 1964

SOUTHERN BROKERAGE SUSPENSION REVERSED. In a decision under the Securities Exchange Act announced today (Release 34-7463), the SEC ruled that the refusal of Southern Brokerage Co., Inc., of Dallas, to consummate a stock-purchase contract resulted from the firm's good faith belief that the transaction was part of a manipulative and fraudulent scheme. Accordingly, the Commission concluded that the breach of contract did not violate NASD rules requiring the observance of "high standards of commercial honor and just and equitable principles of trade;" and it set aside a NASD censure, \$1,000 fine and 30-day suspension of the firm from NASD membership.

Southern Brokerage had failed to accept delivery of and pay for 400 shares of stock of Jerome, Richard & Co., Inc., a New York broker-dealer firm, in July 1963. According to the Commission's decision, the firm refused to consummate the transaction after it learned that Commission employees were investigating transactions in Jerome stock, that one of the firms to which it was supposed to deliver Jerome stock had refused to pay a draft and another had turned out to be non-existent, and that the only persons in New York with whom it had any personal dealings in Jerome stock had suddenly left their employment and were unavailable. For these and other reasons, the Commission concluded that the firm "honestly and with reasonable basis believed that its transaction with complainant was part of a fraudulent scheme and that it had justification for its refusal to carry out the transaction;" and that the firm's refusal "did not constitute unethical or dishonorable conduct" in violation of the NASD rules. Accordingly, the Commission set aside the NASD disciplinary action. In a related action, the Commission obtained a preliminary, then permanent injunction against certain firms and individuals based upon alleged fraud in the sale of Jerome stock; and an administrative proceeding also is pending against Jerome and others based upon similar charges.

NASSAU SECURITIES SERVICE DISCIPLINE SUSTAINED. The SEC today announced the issuance of a decision under the Securities Exchange Act (Release 34-7464) sustaining NASD disciplinary action against Nassau Securities Service, of New York City, for its failure to pay the \$325 balance arising out of a "buy-in." Such failure had been found by the NASD to violate its rules requiring members to "observe high standards of commercial honor and just and equitable principles of trade;" and it censured the firm, fined it \$1,000 and assessed costs of \$256.67.

According to the decision, the Nassau firm in October 1962 made a short sale of 100 shares of stock of Cryplex Industries, Inc., at \$6.75 per share for delivery October 31st (later extended). The purchaser (complainant), in a separate transaction, sold 100 shares of Cryplex stock to a third firm. This firm later executed a buy-in against the complainant by purchasing Cryplex shares at \$10 per share; and the complainant sent a confirmation to Nassau notifying it of the execution of the buy-in against Nassau and the consequent close-out of Nassau's transaction. In the meantime, Nassau had purchased 100 Cryplex shares at \$7 per share; but by reason of late delivery the tender of these shares to complainant was not made until a day after the November 13th deadline fixed by complainant, and the tender was refused as too late. Complainant paid the balance owed by it to the third firm; but Nassau did not pay complainant the \$325 difference between its contract price and the buy-in price.

Nassau defended its action on the claim that the market for Cryplex stock was manipulated and that the buy-in procedure was being used as a part of the manipulation scheme. But, according to the Commission's decision Nassau was then participating (with some 16 other firms) in the making of a market in Cryplex and was aware of most of the factors which it claims suggest a manipulation. Furthermore, when brought-in by complainant, Nassau did not communicate its asserted suspicions of fraud to complainant but, instead, sought a further extension for delivery of the Cryplex shares. For these and other reasons, the Commission concluded that Nassau "had no equitable justification for its refusal to honor its obligation to complainant" and that its conduct violated NASD rules.

FUND'S EXCHANGE OF AETNA SHARES CLEARED. In a decision and exemption order under the Investment Company Act announced today (Release IC-4082), the Commission cleared the proposed transfer by Farmington Valley Insurance Company to Insurance Securities Trust Fund, of San Francisco, of capital stock of Aetna Life Insurance Company in exchange for stock of The Aetna Casualty and Surety Company. Insurance Securities owns 406,817 shares (5.09%) of the 8,000,000 outstanding shares of Aetna Life stock, and 533,936 shares (7.63%) of the 7,000,000 outstanding shares of Aetna Casualty stock. Under the proposal, Aetna Life will issue shares of its stock to Farmington in exchange for all the latter's capital stock; Aetna Casualty will be merged into Farmington through the transfer by Farmington of shares of Aetna Life to the shareholders of Aetna Casualty in exchange for shares of Aetna Casualty; and Aetna Life will transfer stock of the surviving company (Farmington, whose name will be changed to The Aetna Casualty and Surety Company) to a trust for the benefit of shareholders of Aetna Life. To effect the merger, each share of Aetna Casualty will be exchanged for 1.9 new shares of Aetna Life, which are equivalent to 0.76 of a share of Aetna Life now outstanding. Assuming no shareholder of Aetna Casualty demands his statutory appraisal rights, 13,300,000 Aetna Life shares will be issued in exchange for the 7,000,000 outstanding shares of Aetna Casualty. However, Aetna Life, as the holder of 61.6% of the outstanding shares of Aetna Casualty, will receive in the merger 8,193,816 shares of its own capital stock, thereby leaving a total of 25,106,184 shares of Aetna Life outstanding after the proposed transactions. Insurance Securities as a shareholder of Aetna Casualty will participate in the exchange on the same basis as all other shareholders.

OVER

Aetna Life will deposit all the stock of the "New Aetna Casualty" with a trustee for the pro rata benefit of the holders of the shares of Aetna Life outstanding at the date of the trust agreement. The beneficial interests in the shares of New Aetna Casualty under such trust will be transferable only in conjunction with the transfer of the Aetna Life shares.

GEORGE WILSON, JR., ENJOINED. The SEC Fort Worth Regional Office announced November 17 (LR-3085) the entry of a Federal court order (USDC Houston) permanently enjoining George Wilson, Jr., of Houston, Texas, from further violations of the Securities Act registration and anti-fraud provisions in the sale of interest in oil and gas rights located in Ohio.

THREE INVESTMENT COMPANIES EXEMPTED. The SEC has issued orders under the Investment Company Act declaring that American Electric Securities Corporation, c/o Charles S. Guggenheimer, Esq., 80 Pine St., New York (Release IC-4083); The Eberstadt Income Fund, Inc., 65 Broadway, New York (Release IC-4084); and Applied Science Capital Corporation, 1700 Broadway, Denver (Release IC-4085) have ceased to be investment companies.

GENESCO FILES FOR SECONDARY. Genesco Inc., 111 Seventh Ave., North, Nashville, Tenn., filed a registration statement (File 2-22945) with the SEC on November 19 seeking registration of 76,508 outstanding shares of common stock. Of these shares, 62,508 may be offered for public sale by the present holders thereof from time to time on the New York Stock Exchange at market prices then prevailing (\$45 per share maximum*). Of the remaining stock, certain selling stockholders propose to offer 10,000 shares to a registered investment company in exchange for common stock of such company and 4,000 shares to certain individuals.

The company is principally a manufacturer of shoes but, in recent years, has acquired subsidiaries engaged in the manufacture and distribution of men's, women's and children's apparel. In addition in indebtedness and preferred stock, it has outstanding 4,318,484 common shares, of which management officials as a group own 8.46%. The prospectus lists ten selling stockholders, including J. Carroll Wood (president of J.M. Wood Manufacturing Co., Inc., a wholly owned subsidiary of the company) and The Citizens Securities Co., offering 33,000 of 108,255 shares held and 5,000 of 28,032, respectively. Such shares were acquired by them in exchange for common stock of said subsidiary in March 1964. (Wood and Citizens Securities are offering an aggregate of 10,000 shares in exchange for common stock of a registered investment company.) Jack Warsaw is offering 11,000 of 39,097 shares held, Nat Berkwitz, 11,000 of 39,097, and Alexander Lerner, 7,000 of 25,926, such shares having been acquired in July 1964 in exchange for common stock of Phoenix, Inc. The Life Insurance Co. of Virginia is offering its entire holdings of 5,194 shares. The remaining selling stockholders are offering stock ranging in amounts from 414 to 2,000 shares. W. Maxey Jarman is chairman of the company and Ben H. Willingham is president.

BACHE-GOODBODY SPONSORED FUND FILES. Bache & Co., 36 Wall St., and Goodbody & Co., 2 Broadway, both of New York, depositors and sponsors of Municipal Investment Trust Fund, Series D, filed a registration statement (File 2-22946) with the SEC on November 20 seeking registration of 10,000 units of interests in said Fund. The sponsors have deposited with the Fund trustee, United States Trust Company of New York, \$10,000,000 of tax-exempt bonds. Each unit represents a 1/10,000th fractional undivided interest in the \$10,000,000 principal amount of bonds and net income of the Fund, or \$1,000 principal per unit, together with a corresponding amount of net income.

NUVEEN TAX-EXEMPT FUND FILES. John Nuveen & Co., 135 S. LaSalle St., Chicago, depositor and sponsor of Nuveen Tax-Exempt Bond Fund, Series 8, filed a registration statement (File 2-22947) with the SEC on November 19 seeking registration of 150,000 units of participating interest in the said Fund. The sponsor has deposited with the Fund trustee, United States Trust Company of New York, \$15,000,000 of state, county, municipal and other securities considered to be "exempt from all Federal Income Taxes under existing law." Each unit represents a fractional undivided interest in the principal and net income of the Fund in the ratio of 10 units for each \$1,000 par value of securities initially deposited. The registration statement also includes 75,000 additional units which may be reacquired by the depositor and offered for resale.

STOKELY-VAN CAMP FILES STOCK PLAN. Stokely-Van Camp, Inc., 941 N. Meridian St., Indianapolis, Ind., filed a registration statement (File 2-22948) with the SEC on November 20 seeking registration of 50,000 shares of common stock, to be offered under its Qualified Stock Option Plan of 1964 for Key Employees.

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended November 19, 1964, 19 registration statements were filed, 27 became effective, 1 was withdrawn, and 258 were pending at the week-end.

WEIL & CO., OTHER ENJOINED. The SEC Washington Regional Office announced November 20 (LR-3086) the entry of a Federal court order (USDC DC) permanently enjoining Weil and Company, Inc., of Washington, D. C., from further violations of the financial reporting, record-keeping, margin requirements and anti-fraud provisions of the Federal securities laws. The firm is in receivership. Individual defendants Samuel P. Grubb, Jr., and Richard S. Weil were previously enjoined.

SECURITIES ACT REGISTRATIONS. Effective November 20: Walter E. Heller & Co. (File 2-22830). Effective November 23: Home Oil Co. Ltd. (File 2-22857); NEA Mutual Fund, Inc. (File 2-22513).

*As estimated for purposes of computing the registration fee.