

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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LONDONTOWN MFG. REGISTRATION QUESTIONED. The SEC has ordered proceedings under the Securities Act of 1933 with respect to the adequacy and accuracy of financial and related information contained in a registration statement filed by The Londontown Manufacturing Company of Baltimore, Md., which registration statement became effective on October 4, 1961. A hearing is scheduled for May 21, 1962, to take evidence on the question whether information contained in the Company's prospectus dated October 4, 1961, included in its registration statement, was false and misleading, and if so, whether a stop order should be issued suspending the effectiveness of the registration statement.

The registration statement related to a secondary offering of 150,000 outstanding shares of Londontown common stock by its president and sole stockholder, Israel Myers, who then owned all the 375,000 outstanding common shares. The 150,000 shares were offered for public sale by Myers at \$14 per share through underwriters headed by Alex. Brown & Sons, of Baltimore, the entire net proceeds being payable to Myers. This offering reduced his stock interest to 225,000 shares, or 60%, and was immediately sold out.

On January 31, 1962, Londontown filed an amendment to its registration statement showing that inventories had been understated for its fiscal years ended February 28, 1957, 1958, 1959, and for February 29, 1960. The inventory for the latter period was reported in the amendment at \$710,049, as compared to \$291,326 as stated originally in the registration statement. Similar revisions of inventory amounts for the previous fiscal years were shown in the January 1962 amendment. The corrections of the understatement of the inventories resulted in changes in earnings per share. These earnings were reported in the registration statement for the years ended February 28, 1957, 1958, 1959, 1960, and 1961, respectively, at \$.12, .23, .32, .76, and \$1.40. In the amendment, these amounts were changed, respectively, to \$.13, .30, .53, .77, and .93. A change was also reported in the amendment for the three months ended May 31, 1961. The earnings per share for that period were reported previously as \$.41, while the amendment shows reduced earnings of \$.32 per share.

In its order authorizing the present proceedings, the Commission directs inquiry with respect to the adequacy and accuracy of the Summary of Earnings furnished in the prospectus dated October 4, 1961, and the related certificate of the certifying public accountants Peat, Marwick, Mitchell & Co. The proceedings also relate to the question whether the amendment to the registration statement filed on January 31, 1962, is also defective, and whether the Commission should refuse to declare it effective. The Commission questions the failure to disclose therein the practices which resulted in the understatements of inventories, and the purposes thereof. Also questioned is the accuracy and adequacy of the statements in the amendment with respect to the agreement of Myers to indemnify the company against liabilities arising from the erroneous figures, in view of the failure of that statement to disclose the reasons for such indemnification, the liabilities which may be asserted, and the persons subject to such liabilities. The Commission questions the accuracy and adequacy of the note to the financial statements in the amendment with respect to the contingent liabilities arising by reason of the erroneous financial information previously reported. The Commission will also inquire as to the failure to disclose in the amendment facts with regard to the propriety and accuracy of the company's Federal income tax returns filed for the years 1957 through 1961, and the interest and penalties payable thereon, and the facts with respect to the present status of such matters with the Internal Revenue Service.

MINEO & CO. HEARING SCHEDULED. The SEC has scheduled a hearing for May 24, 1962, in its New York Regional Office in the proceedings under the Securities Exchange Act of 1934 to determine whether the broker-dealer registration of Mineo & Co., 99 Wall Street, New York, should be revoked. The January 18, 1962 order authorizing these proceedings recites charges of the Commission's staff that Mineo & Co. violated the anti-fraud provisions of the Federal securities laws in the offer and sale of stock of Colorplate Engraving Co., Inc.

IDAHO ACCEPTANCE, ANDERSEN-RANDOLPH HEARING SCHEDULED. The Commission also has scheduled a hearing for May 21, 1962, in its Salt Lake Branch Office in proceedings to determine whether Andersen, Randolph & Co., Inc., of Salt Lake City and Idaho Acceptance Corp. of Boise, Idaho, offered and sold stock of Idaho Acceptance in violation of the Securities Act registration and anti-fraud provisions and, if so, whether their broker-dealer registrations should be revoked.

CHRISLIN PHOTO SUSPENSION PERMANENT. The SEC has issued an order making permanent its June 1961 order temporarily suspending a Regulation A exemption from Securities Act registration with respect to a public offering by Chrislin Photo Industries, Corp., Hicksville, N. Y., of 50,000 shares of Class A stock at \$6 per share. The company consented to such permanent suspension.

Upon the basis of a stipulated record, the Commission ruled that Chrislin Photo's offering circular was misleading in not disclosing all the material circumstances under which the offering was made, including the following facts: that no shares were to be sold at the \$6 per share price until after a market was established at a level well above that price; that immediately prior to any sales at \$6 per share there were transactions in the over-the-counter market at prices ranging from \$17 to \$22.50 per share; that a substantial number of shares were reserved for sale at \$6 per share to persons related to or associated with the issuer and the underwriter; that a number of persons who acquired shares at \$6 per share almost immediately resold

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them at substantially higher prices; and that there were persons who acted as underwriters although not named as such in the offering circular. The Commission also held that the offering circular was false and misleading in its statement that a camera developed by the company was ready for marketing, that it would be in production within a reasonable time after completion of the stock offering, and that the company was of the opinion that its camera with accessories could profitably be retailed for \$20. In fact, the Commission stated, the camera was not expected to be ready for marketing until March 1962 at which time additional funds would be required; the company contemplated that other firms would manufacture vital components but had made no contracts or arrangements with such firms; and there was no basis for the opinion concerning the retail price. Furthermore, Regulation A was not complied with by reason of the fact that the company sold securities without furnishing an offering circular and the aggregate offering price exceeded the \$300,000 maximum permitted under the Regulation.

GEORGIA-PACIFIC FILES STOCK PLAN. Georgia-Pacific Corporation, Equitable Building, Portland, Oregon, filed a registration statement (File 2-20346) with the SEC on May 8th seeking registration of \$1,500,000 of interests in its Stock Bonus Trust, and an undetermined amount of common shares which may be acquired pursuant thereto.

CUTTER LABS FILES STOCK PLANS. Cutter Laboratories, Inc., Fourth and Parker Streets, Berkeley, Calif., filed a registration statement (File 2-20347) with the SEC on May 8th seeking registration of 105,000 shares of Class A common stock, to be offered pursuant to its Stock Purchase Plan and 1961 Stock Option Plan.

MCGRAW-EDISON FILES PROFIT PLAN. McGraw-Edison Company, Elgin, Ill., filed a registration statement (File 2-20348) with the SEC on May 7th seeking registration of \$3,500,000 of participations in its Profit Sharing Plan, and 194,637 shares of common stock which may be acquired pursuant thereto.

SECURITIES ACT REGISTRATIONS. Effective May 9: American Hospital Supply Corp. (File 2-20243); The Berkshire Gas Co. (File 2-19808); Harper Vending, Inc. (File 2-19628); E. J. Korvette, Inc. (File 2-20206); Western Gas Service Co. (File 2-19972). Withdrawn May 9: Allied Capital Corp. (File 2-19173).

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