

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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VIOLATIONS CHARGED TO M. POSEY ASSOCIATES. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether M. Posey Associates, Ltd., 824 E. 9th Street, Brooklyn, N. Y., engaged in practices which operated as a "fraud and deceit" upon certain persons and, if so, whether its broker-dealer registration should be revoked.

The said company ("registrant") has been registered with the Commission as a broker-dealer since July 16, 1961. Manuel Posey (also shown as Posey) is president and beneficial owner of 10% or more of its common stock. In April 1962, registrant reported that Charles Woska, formerly reported as secretary-treasurer and director, no longer held such positions but was beneficial owner of 10% or more of registrant's common stock. In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that registrant, Posey and Woska, during the period January 9 to April 12, 1962, "engaged in transactions, practices and a course of business which would and did operate as a fraud and deceit upon certain persons" in violation of the anti-fraud provisions of the Federal securities laws, in that they (1) solicited and induced certain persons to purchase securities from or through registrant, to sell securities to and through registrant, and to otherwise effect transactions in securities through or with registrant, and in connection therewith solicited and accepted deposits of monies and securities from such persons and represented that registrant was ready and able to discharge its liabilities to such persons, when in fact, as they well knew but did not disclose to such persons, registrant's liabilities exceeded its current assets and it was unable to meet its liabilities in the ordinary course of business, and (2) intended to and did appropriate to their own use and benefit funds and securities deposited with registrant by certain of its customers.

A hearing will be held, at a time and place to be announced, for the purpose of taking evidence to determine whether the staff charges are true and, if so, whether registrant's broker-dealer registration should be revoked. Registrant is a member of the National Association of Securities Dealers, Inc.; and one of the issues in these proceedings is whether it also should be suspended or expelled from NASD membership.

SMYTHE, BOWERS, HILLIARD REGISTRATION SUSPENDED. The Commission has issued an order suspending the broker-dealer registration of Smythe, Bowers, Hilliard & Co., Inc., 166 West Washington, Chicago, pending final decision by the Commission in proceedings to determine whether to revoke the registration of the said firm (which consented to the suspension order). The proceedings are based upon staff charges that the firm engaged in transactions which operated as a "fraud and deceit" upon certain of its customers.

INDICTMENT NAMES TWO. The SEC New York Regional Office announced June 15th (Lit-2292) the return of an indictment (USDC SDNY) charging violations of the anti-fraud provisions of the Securities Exchange Act by Melvyn Kevin and Robert Bialkin in transactions with a broker-dealer firm involving stock of Andrea Radio Corp.

ATLANTIC BOWLING PROPOSES DEBENTURE OFFERING. Atlantic Bowling Corporation, 100 Medway St., Providence, R. I., filed a registration statement (File 2-20478) with the SEC on June 18th seeking registration of \$810,000 of 6% subordinated convertible debentures due 1972. It is proposed to offer such debentures for subscription by common stockholders at 100% of principal amount and at the rate of \$100 of debentures for each 200 rights acquired by such holders (on the basis of three rights for each share held). The record date is to be supplied by amendment. Certain management officials and large stockholders have agreed to purchase unsubscribed debentures; and the company has agreed to issue to members of such group, in proportions in which they purchase debentures, 5-year warrants to purchase an aggregate of 30,000 common shares at from \$3 to \$4 per share.

The company is engaged in the operation of 11 modern air-conditioned tenpin bowling centers in Rhode Island and Massachusetts. Of the net proceeds from the debenture sale, \$525,000 will be used to repay short-term borrowings (principally from certain management officials and promoters), and the balance to equip and open a new center in Maine and for working capital, primarily to meet payment schedules on equipment notes, to cover operating expenses during the summer months of 1962 and to cover any pre-opening, equipment or other expenses incurred in opening additional centers. In addition to certain indebtedness, the company has outstanding 540,000 shares of common stock, of which Sidney A. Kane, a director and promoter, personally and through Benjamin N. Kane Investment Company of which he is a partner, owns 9.4%; and Maurice Fox, board chairman owns 8.2%. Management officials as a group own 34.7%.

VIOLATIONS CHARGED TO TILLMAN SURVEY. The SEC has ordered proceedings under the Investment Advisers Act of 1940 to determine whether Carroll Tillman and John Francis Ryan, Jr., each doing business as The Tillman Survey, 85 Westminster St., Providence, R. I., engaged in "fraudulent and deceptive" acts and practices, including the distribution of advertising material which was "lurid and flamboyant" and, if so, whether their registrations as investment advisers should be revoked.

Tillman has been registered with the Commission as an investment adviser since July 14, 1943. Ryan has been an employee of Tillman from March 1958 to date and has actively participated in the preparation and distribution of The Tillman Survey and advertising material pertaining thereto; and his separate registration as an investment adviser became effective April 25, 1962. In its order, the Commission recites charges of its

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staff that information developed in an investigation tends to show that from January 1962 to date, Tillman, aided and abetted by Ryan, "engaged in acts, practices and a course of business which were fraudulent and deceptive" in that they published, circulated and distributed advertising material which was "lurid and flamboyant" and which contained untrue statements of material facts and was otherwise false and misleading. The alleged misrepresentations involved misleading comparisons between securities recommended by Tillman and other securities (without adequately disclosing the material differences between the securities which were the subjects of the comparisons), by representing that a list of ten stocks which Tillman was offering was selected in accordance with seven "tests" prescribed by him and that these "tests" could "dig up" securities which eventually may turn out like I.B.M., American Home Products or certain other designated companies and that "None of the names mentioned above appear in the new list, largely because even better ones have been found."

The staff also alleges that the advertising material violated the law (1) by creating "false and misleading" impressions in the minds of subscribers that the purchase of securities recommended by Tillman would result in profit to the investors, by representing among other things: "there's thrilling excitement when you put your money in such a stock ... when you see the price go up - and up - with a 25% increase in two or three months - with a 50% or more increase inside of six months - with an expected 100% capital gain within a year; And I want to send you the name of such a stock right now;" (2) by falsely representing that certain subscription offers were available only to "you -- and a small selected group..." when in fact such offers were widely circulated and not restricted to a small selected group, (3) by guaranteeing that a refund would be made to subscribers unless a specified group of 10 stocks rose "175 points in the aggregate before September 7, 1962" and the subscribers "proved participation in these bargains," while omitting to state Tillman's complex and misleading method of determining the dates and figures to be used in ascertaining the availability of such "guarantee," and by representing through exaggerated, misleading and flamboyant statements that the method of evaluating securities devised by Tillman would result in profits to subscribers (while omitting adequately to disclose the difficulties and limitations inherent in such method) by stating, among other things: "1962 should strongly boost your finances... especially if you take these few simple steps ...", "...this exclusive list...is nominated on the belief that anyone will be perfectly safe in buying any of these 50 'crown jewels'" and "you...can become your most successful analyst and trader, if you know the secret keys to success that professional Wall Street Analysts have learned."

A hearing will be held, at a time and place to be announced, for the purpose of taking evidence to determine whether the staff charges are true and, if so, whether the investment adviser registrations of Tillman and Ryan should be revoked.

UNIVERSAL AMERICAN SHARES IN REGISTRATION. Universal American Corporation, 60 East 42nd Street, New York, filed a registration statement (File 2-20479) with the SEC on June 19th seeking registration of 949,794 shares of common stock. Such stock includes (1) 124,656 shares underlying outstanding 10-year warrants of Van Norman Industries, Inc., assumed by the company upon Van Norman's recent merger with and into the company, (2) 417,007 shares underlying warrants (series of 1962) of the company issued or issuable in connection with said merger, and (3) an aggregate of 184,000 shares underlying options granted or to be granted under the company's stock option plan, in connection with an employment contract and to employees by Van Norman. The statement also includes 224,131 common stock purchase warrants (series of 1962), exercisable at \$13.75 per share, which will be issued to the holders of the outstanding 10-year warrants of Van Norman upon exercise of such warrants on or before March 31, 1965, to holders of stock options granted to employees of Van Norman and to holders of 4½% convertible debentures of Van Norman assumed by the company, upon conversion thereof.

The company is engaged in operations conducted by three subsidiaries: Paul Hardeman, Inc., which is engaged primarily in the design, engineering, construction and installation of missile launching bases and related facilities for the Armed Forces and facilities of various types for agencies and commissions of the United States Government, and for the aircraft, petroleum, chemical and petro-chemical industries; Norma-Hoffman Bearings Corp., which is engaged in the manufacture and sale of precision anti-friction roller bearings and annular ball bearings; and The Hardie Manufacturing Company, which manufactures and sells spraying equipment for agricultural and related purposes. The company is also continuing the business previously conducted by Van Norman, which manufactured and sold machine tools, cutting tools, a variety of specialized machinery, and fabricated metal components and products. In addition to various indebtedness and preferred stock, the company has outstanding 4,174,026 shares of common stock, of which Francis S. Levien, president, Harry E. Gould, board chairman, Paul Hardeman, chairman of the executive committee, and America Corporation, of Ohio, own 15.5%, 14.9%, 10.7% and 11.6%, respectively.

TROY VILLAGE REALTY FILES FOR OFFERING. Troy Village Realty Co., 15 West 44th Street, New York, filed a registration statement (File 2-20480) with the SEC on June 19th seeking registration of \$1,680,000 of limited partnership interests, to be offered for public sale at \$10,000 per interest. No underwriting is involved.

Troy Village Realty is a limited partnership organized under New Jersey law in April 1962 with Julius Giller, Charles Stein and Abraham Dubensky as general partners, and Seymour Dubensky as the original limited partner. It was formed for the purpose of purchasing for investment the fee title to the land and Troy Village Apartment development situated thereon, located in Springfield, N. J. The total purchase price is \$5,999,247.57, of which \$1,675,000 is payable in cash (\$200,000 having been already deposited) and the balance by taking title to a \$4,253,997.31 consolidated first mortgage. The general partners and original limited partner have contributed an aggregate of \$120,000 to the partnership capital, which, together with the proceeds from the sale of limited partnership interests to the public, will be applied to the purchase price of the property (\$1,675,000), including refund of the \$200,000 cash deposit to said partners; and the balance of \$125,000 will be paid to them for legal fees and expenses of closing title. The general and original limited partners will receive \$250,000 in subordinated limited partnership interests in consideration of their assignment of their rights in the purchase contract. Giller & Stein (of which Julius Giller

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and Charles Stein are partners) will act as managing agents for the partnership and will receive 3% of the gross income collected by it.

MARINE MIDLAND FILES EXCHANGE OFFER. Marine Midland Corporation, 241 Main St., Buffalo, N. Y., filed a registration statement (File 2-20481) with the SEC on June 19th seeking registration of 29,644 shares of common stock. It is proposed to offer such stock in exchange for 18,750 outstanding capital shares of Security National Bank of Long Island issued pursuant to a consolidation with The Peconic Bank, Sag Harbor, N.Y. The company previously filed a registration statement with the Commission seeking registration of 1,724,167 shares to be offered in exchange for all of the 1,090,555 capital shares (and additional shares which the bank may pay as a dividend) of said bank then outstanding (See News Digest of February 21, 1962). The rate of exchange (1.55 Marine Midland shares for each share of the bank) and the terms and conditions of both offers are the same. Marine Midland controls 11 banks or trust companies which are engaged in a general commercial banking business and serve 106 communities in New York through 182 banking offices. It now has outstanding 11,211,084 shares of common stock, of which management officials as a group own about 2%. Baldwin Maul is president.

STANDARD OIL FILES STOCK PLAN. The Standard Oil Company, Midland Bldg., Cleveland, Ohio, filed a registration statement (File 2-20482) with the SEC on June 19th seeking registration of 150,000 shares of common stock, to be offered pursuant to its 1962 Stock Option Plan for Key Employees.

LEWARD M. LISTER ENJOINED. The SEC Boston Regional Office announced June 18th (Lit-2293) the entry of a Federal court order (USDC Boston) permanently enjoining Leward M. Lister, doing business as Leward M. Lister & Co. from further violating the SEC net capital rule.

SEC COMPLAINT NAMES HARRY ODZER. The SEC New York Regional Office announced June 18th (Lit-2294) the filing of a complaint (USDC, SDNY) seeking to enjoin Harry Odzer, doing business as Harry Odzer Company, 67 Broad St., New York City, from violating the anti-fraud, net capital and bookkeeping provisions of the Securities Exchange Act.

MICHAEL RAYMOND ENJOINED. The SEC Boston Regional Office announced June 18th (Lit-2295) the entry of a Federal court order (USDC, Boston) permanently enjoining Michael Raymond, Bayside, L.I., New York, from further violations of the Securities Act anti-fraud provisions in the sale of oil interests.

SECURITIES ACT REGISTRATIONS. Effective June 20: Parkview Drugs, Inc. (File 2-20302). Withdrawn June 20: Clark Equipment Co. (File 2-20000); Transportation for the Handicapped, Inc. (File 2-20329); U. S. Scientific Corp. (File 2-20005); Victor Electronics, Inc. (File 2-19664).

NEW ENGLAND T & T PROPOSES DEBENTURE OFFERING. New England Telephone and Telegraph Company, 185 Franklin Street, Boston, today filed a registration statement (File 2-20483) with the SEC seeking registration of \$50,000,000 of debentures due 2002, to be offered for public sale at competitive bidding. The net proceeds from the debenture sale will be applied toward repayment of advances (estimated at \$78,000,000) from American Telephone and Telegraph Company (which owns 69.32% of the company's outstanding capital stock), obtained for general corporate purposes, including construction. Construction expenditures were \$127,000,000 for 1961 and \$33,000,000 for the first three months of 1962, and it is anticipated that such expenditures for the full year 1962 will be about the same as for 1961.

ATLAS SALE OF NORTHEAST AIRLINES CLEARED. The SEC has issued an exemption order under the Investment Company Act (Release IC-3488) permitting Hughes Tool Company to purchase from Atlas Corporation, the latter's interest in Northeast Airlines, Inc., including 996,226 (56%) of the outstanding shares of common stock of Northeast and \$16,251,744 principal amount of Northeast's 5-1/2% subordinated promissory notes payable on demand, for a consideration of \$5,000,000 in cash.

According to the application, the books of account of Northeast reflected a deficiency in net worth of \$23,396,291, equivalent to a negative amount of \$13.12 for each outstanding share of common stock, as of December 31, 1961; the net loss of Northeast for 1961 was \$9,442,444; Atlas is not in a position to provide financial assistance to Northeast; without the financial sponsorship of Northeast by Toolco it is very likely that Northeast would be forced into bankruptcy, and that in bankruptcy or reorganization proceedings the common stock and the notes of Northeast which Atlas owns would be virtually worthless.

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