

SECURITIES AND EXCHANGE COMMISSION

NEWS DIGEST

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REGISTRATIONS OF FIVE BROKERS REVOKED. The SEC has issued orders under the Securities Exchange Act revoking the broker-dealer registrations of the following: (1) Nance-Kieth Corporation, 99 Wall Street, N. Y. (Release 34-6946), (2) Lewis Wolf, Inc., Lewis Wolf Associates (a partnership), and Lewis Wolf, doing business as Lewis Wolf Associates, all of 82 Beaver Street, N. Y. (Release 34-6949), (3) M. Posey Associates, Ltd., 824 E. 9th Street, Brooklyn, N. Y. (Release 34-6947), (4) Flatto-Hess Company, 595 Madison Avenue, N. Y. (Release 34-6945), and (5) Howard Tasch, doing business as Howard & Co., 347 Market St., Patterson, N.J. (Release 34-6948).

In its order with respect to Nance-Kieth Corporation, the Commission found that from May through July 1962, the firm, aided and abetted by William L. Wiener and Henry Scharf, officers and stockholders, and Sidney Cranwell, an employee, violated the registration and anti-fraud provisions of the Federal securities laws in the offer and sale of stock of North American Cigarette Manufacturers, Inc., in that they (1) made false and misleading statements in an intensive telephone and mail campaign concerning substantial increases in the price of the stock within a short period of time, the assets and operations of North American, and the length of time Nance-Kieth had been in business and the number of its employees, and (2) failed to disclose that North American had no assets and was only a dormant shell bearing a corporate name, and that North American's financial statements for the year ended December 31, 1960 showed a net loss of \$113,112. Wiener, Scharf and Cranwell consented to the revocation order and were each found to be a cause thereof.

With respect to Wolf, Inc., the Commission found that in August 1961, that firm, aided and abetted by Lewis Wolf, president and principal stockholder (he is also registered as a broker-dealer doing business as Lewis Wolf Associates and is a general partner in a partnership having the same name) and Michael C. Hellerman, a principal stockholder of Wolf, Inc., violated the anti-fraud provisions of the Federal securities laws in the offer and sale of stock of Chrislin Photo Industries, Inc. According to the order, Wolf, Inc. was named as underwriter for a proposed offering of 50,000 Chrislin shares at \$6 per share, but no shares were to be sold at that price until after a market was established at a level well above that price; immediately prior to any sales at \$6 per share, there was trading activity in the over-the-counter market at prices ranging from \$17 to \$22.50 per share (in which Hellerman was the most active participant); a substantial number of shares were reserved for sale and sold at \$6 per share to persons related to or associated with the firm and said persons, and were immediately resold by them at substantially higher prices; and prior to the completion of the public offering, the firm told investors that no shares were available at \$6 and induced them to purchase at prices ranging up to \$21 per share. The Commission also found violations of the Securities Act registration requirement and misrepresentations in the firm's registration application. Wolf and Hellerman consented to the revocation order and were each found a cause thereof.

The Commission found, with respect to M. Posey Associates, that from January through April 1962, that firm, aided and abetted by Manuel Posey, president and a principal stockholder, and Charles Woska, a principal stockholder, violated the anti-fraud provisions of the Federal securities laws in that the firm (1) engaged in securities transactions while insolvent and (2) obtained funds from about 45 customers in payment for securities and appropriated such funds to their own use and benefit, with the result that customers received neither the securities nor the return of the money paid therefor. The Commission also found violations of its net capital rule. Posey and Woska consented to the revocation order and were each found to be a cause thereof.

With respect to Flatto-Hess Company, the Commission found that it failed to file a report of its financial condition as of a date from one to five months after its registration became effective in June 1961; and, with respect to Howard & Co., that it failed to file a report of its financial condition for the year 1961.

Nance-Kieth Corp. and M. Posey Associates are also members of the National Association of Securities Dealers, Inc., and the Commission's orders with respect to each also expell them therefrom.

VIOLATIONS CHARGED TO MERRITT & CO. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether M. J. Merritt & Co., Inc., 54 Wall Street, New York, violated the anti-fraud, anti-manipulative and other provisions of the Federal securities laws 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 June 18, 1959. Matthew J. Merritt, Jr., is president and a principal stockholder, and Charles Nardi is vice president. In its registration application, James S. Vickers was reported to be an officer and a principal stockholder but a subsequent amendment reported him no longer in such capacities. According to the order, registrant and Merritt are permanently enjoined by Federal court order (USDC, SDNY) from certain violations in the purchase and sale of securities. In 1959, the Commission revoked the broker-dealer registration of Vickers Brothers and expelled it from membership in the National Association of Securities Dealers, Inc., finding that the firm had violated provisions of the Exchange Act and that Henry G. Vickers, one of its partners, was a cause of such action. In its order, the Commission recites charges of its staff that information developed in an investigation tends to show (1) that from June 1959, to date, Henry G. Vickers participated in and directed the business operations of registrant and was a person controlling registrant and (2) that in the offer and sale of the common stock of Minerals Corporation of America during the period from April 1959 to December 1960 (or later), registrant, said persons, and registrant's salesmen (Edward Abramson, William Perles,

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Lloyd Fetner, Robert Sharon, Burton W. Teague, Jules Winters, John Costiera, William Downey, Robert Hines, Earle Sperer, Paul Walker and Richard Treistman) "engaged in transactions, practices and a course of business which would and did operate as a fraud and deceit" upon investors in that they engaged in the offer and sale of the speculative stock of Minerals by means of intensive telephone and mail solicitations to investors with whom they were unacquainted and as to whose investment needs, objectives and circumstances they had no knowledge (and as to which they made no sufficient inquiry) and endeavored to place customers in a position where they were asked to make hasty decisions to buy such stock on the basis of unsubstantiated representations and without regard to whether the stock was suitable for them or consistent with their needs and objectives. Furthermore, the staff also charges that registrant permitted employment of salesmen who had no prior experience, training or qualifications as securities salesmen or indoctrination in the standards of conduct required of such persons, some of whom had records of previous employment by brokers with "boiler-room" backgrounds and/or against whom remedial or disciplinary action had been taken. In addition, it is alleged that registrant permitted its salesmen to conduct selling from places and at hours of their own choosing, and without adequate supervision, utilizing lists of prospective customers furnished by registrant, and with indifference to the selling techniques used by them, and permitted them to "load" and "reload" accounts of investors with securities in which registrant was financially interested.

The Commission's staff also charges that registrant and said persons, in the offer and sale of Minerals stock, made false and misleading statements of material facts concerning a rise in such stock, dividends to be paid by Minerals, and the earnings, operations and financial condition of Minerals. Other violations of the Federal securities laws are charged, including (1) violation of the Commission's net capital rule and (2) the failure to reflect in the firm's registration application that Henry G. Vickers directly or indirectly controlled its business and had been found by the Commission to have violated the Exchange Act.

A hearing will be held, at a time and place to be announced, for the purpose of taking evidence on the foregoing to determine whether the staff charges are true and, if so, whether the broker-dealer registration of Merritt & Co. should be revoked. The firm 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.

NEW ENGLAND POWER FINANCING APPROVED. The SEC has issued an order under the Holding Company Act (Release 35-14747) authorizing New England Power Company, Boston subsidiary of New England Electric System, a registered holding company, to sell at competitive bidding \$12,000,000 of first mortgage bonds (series J), due 1992, and 100,000 shares of \$100 par cumulative preferred stock. The net proceeds from the bond sale will be used to pay, in part, short-term notes (estimated at \$15,000,000) incurred for construction purposes or to reimburse the treasury therefor; and the net proceeds from the preferred stock sale, together with treasury funds, will be applied to the redemption of 100,000 shares of \$100 par cumulative preferred stock (5.52%) at \$107.74 per share.

NEW ENGLAND ELECTRIC SEEKS ORDER. New England Electric System, Boston holding company, and Granite State Electric Company, Lynn Gas Company, and Mystic Valley Gas Company, its utility subsidiaries, have applied to the SEC for an order under the Holding Company Act authorizing the sale by said subsidiaries of \$450,000 of unsecured promissory notes to banks and/or NEES; and the Commission has issued an order (Release 35-14748) giving interested persons until December 10, 1962 to request a hearing thereon. According to the application, said companies have authority to issue such notes from time to time in the aggregate maximum amount of \$8,550,000, and they seek authorization to increase such aggregate amount to \$9,000,000. The proceeds of such additional borrowing are to be used to meet their cash construction requirements through December 31, 1962.

REMITCO FILES FOR STOCK OFFERING. Remitco, Inc., 130 North Virginia Street, Reno, Nevada, filed a registration statement (File 2-20898) with the SEC on November 19th seeking registration of 952,000 shares of common stock, to be offered for public sale at \$10 per share. No underwriting is presently involved; and in the event a portion of the shares is sold through brokers, the company will pay a \$1.40 per share selling commission.

The company was organized under Nevada law in August 1962 for the purpose of engaging in the business of writing (selling) both backed and unbacked security option contracts ("puts" and "calls") on both listed and over-the-counter securities. The net proceeds from the stock sale will be used as working capital. The company has outstanding 22,000 shares of common stock (issued at \$5 per share), of which management officials as a group own 90.9%. An additional 26,000 shares will be issued to management officials and promoters for services rendered. Sale of new stock to the public will result in an increase in the book value of stock now outstanding from \$5 to \$8.43 per share with a resulting dilution of \$1.57 per share in the book equity of stock purchased by the public. Shannon Horn is president. Stanford Investment Management, Inc., of San Francisco, will render advisory services to the company.

CBS FILES STOCK PLAN. Columbia Broadcasting System, Inc., 485 Madison Avenue, New York, filed a registration statement (File 2-20899) with the SEC on November 21st seeking registration of 437,750 shares of common stock, to be offered pursuant to its 1961 Employees' Stock Option Plan.

MAXSON ELECTRONICS FILES FOR SECONDARY. Maxson Electronics Corporation, Sunrise Highway, Great River, New York, filed a registration statement (File 2-20900) with the SEC on November 21st seeking registration of 50,000 outstanding shares of capital stock, to be offered for public sale by the holders thereof in the over-the-counter market at prices then prevailing (maximum \$6 per share*).

The company is primarily engaged in the research, design, development and production of advanced electronic systems, missiles and supporting equipment for the Armed Forces. It also manufactures and sells various component and industrial products for the military and civilian markets. In addition to certain

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indebtedness, the company has outstanding 824,735 capital shares, of which the trustees under the will of William L. Maxson, Sr., own 14.8% and management officials as a group 6%. William L. Maxson, Jr., president, is a contingent income beneficiary for life of a one-third share of said trust principal. The selling stockholders are William L. Hopkins and Bula V. Hopkins, who received 70,000 shares of the company in 1961 pursuant to the company's acquisition of Hopkins Engineering Company, which they wholly-owned. They previously sold 20,000 of such shares.

THE PROFITMAKER HEARING SCHEDULED. The SEC has scheduled a hearing for December 6, 1962 in its Miami Branch Office to determine whether Anne Caseley Robin, doing business as The Profitmaker, P. O. Box 1417, Coral Gables, Fla., and Ben Robin, of Miami, engaged in "fraudulent, deceptive or manipulative" acts and practices in violation of the Investment Advisers Act of 1940 and, if so, whether her registration as an investment adviser should be revoked.

DATAMATION HEARING SCHEDULED. On request of Datamation, Inc., 1500 West Tryon Avenue, West Englewood, N. J., the SEC has scheduled a hearing for January 15, 1963, in its New York Regional Office, to take evidence on the question whether an order of the Commission dated October 1, 1962, temporarily suspending a Regulation A exemption from registration with respect to a public offering of 80,000 common shares of the company at \$2 per share, should be vacated or made permanent. The Commission's suspension order was based upon alleged false and misleading representations in the issuer's offering circular

PRECISION METAL PRODUCTS HEARING POSTPONED. On request of the Commission's staff, the SEC has postponed indefinitely the hearing scheduled to begin on November 26, 1962 in its New York Regional Office on the question whether an order of the Commission dated September 13, 1962, temporarily suspending a Regulation A exemption from Securities Act registration with respect to a proposed public offering of 100,000 common shares of Precision Metal Products, Inc. at \$3 per share, should be vacated or made permanent. The staff requested such postponement due to negotiations with counsel for the company with a view to stipulating the facts in the case, thus obviating the necessity for an evidentiary hearing.

CLARK L. FRY SENTENCED. The SEC Chicago Regional Office announced November 5th (LR-2434) that Clark L. Fry received a 5-year prison sentence following his guilty plea (USDC, WD, Wisc.) to a charge of violating the Securities Act registration requirements.

THOMAS G. FORSYTHE PLEADS GUILTY. The SEC Chicago Regional Office announced November 19th (LR-2435) that on November 13th Thomas G. Forsythe withdrew his plea of not guilty and entered a guilty plea to charges of violating the Securities Act anti-fraud provisions. Sentencing was deferred until after completion of the trial of Forsythe's co-defendant, Paul Prehn.

MOTION TO DISSOLVE INJUNCTION DENIED. The SEC Washington Regional Office announced November 21st (LR-2436) the entry of a Federal court order (USDC, D.C.) denying a motion by Claude V. Warren for dissolution of an order preliminarily enjoining him from further violations of the Commission's net capital rule and denying a motion by John D. Zehkam for summary judgment. The court also denied Zehkam's motion for leave to file a third party complaint but granted the Commission's motion to join additional party defendants.

SECURITIES ACT REGISTRATIONS. Effective November 23: New England Power Co. (File 2-20846); Western States Real Investment Trust (File 2-19288).

* As estimated for purposes of computing the registration fee.

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