

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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FOR RELEASE March 10, 1965

RECORD-KEEPING RULES FOR B/D FIRMS TO BE AMENDED. The SEC today announced a proposal to amend its record-keeping Rules 17a-3 and 17a-4 under the Securities Exchange Act (Release 34-7550) to require that certain members of national securities exchanges and other brokers and dealers prepare a record of the computation of the ratio of aggregate indebtedness to net capital as of the date of the trial balance now required to be made at least once a month and to preserve the record for a period of not less than three years. Interested persons may submit views and comments thereon not later than April 5, 1965.

In prescribing the trial balance requirement, the Commission noted that one of its principal purposes would be to assist in keeping members, brokers and dealers currently informed of their capital positions under the Commission's net capital rule (Rule 15c3-1), which purpose should be better served by the amendment proposal; but it is not to be construed as relieving a firm from the responsibility for compliance at all times with the net capital rule (unless, of course, it is exempt under one of the exemptive provisions of the rule).

Since the purpose of the calculation is to show whether the broker-dealer is in compliance with Rule 15c3-1, detailed computations may be omitted if the most stringent application of the provisions of the rule would not reduce net capital below the minimum requirement. For example, in preparing a schedule of marketable securities, groupings in accordance with the classifications of subparagraph 15c3-1(c)(2)(C) need not be made if the market value of all securities is subjected to a percentage deduction of 30 per cent; and, similarly, supporting analyses of assets only partially allowable or otherwise of questionable value need not be made if such assets are excluded in their entirety. The Commission is also considering publication of a guide to show how the computation would be made by a representative broker-dealer whose business required calculations under many of the provisions of the rule.

INSIDER TRADING RULES REVISED. The SEC has adopted a new Rule 16b-10 pursuant to Section 16(b) of the Securities Exchange Act (Release 34-7551). Section 16(b) provides that "short swing" profits realized by insiders (officers, directors and beneficial owners of more than 10% of any class of equity security registered under Section 12) from the purchase and sale, or the sale and purchase, of any equity security of the company, inure to and are recoverable by or on behalf of the issuer.

The new rule exempts from Section 16(b) the acquisition of securities from the issuer made in exchange by a railroad or other person subject to one or more of the provisions of Part I of the Interstate Commerce Act, if the person acquiring the securities is subject to an order of, or has accepted a condition imposed by, the Interstate Commerce Commission in connection with approval of a unification, merger or acquisition of control pursuant to Section 5(2) of the Interstate Commerce Act, requiring such person to dispose of all securities of the class given in exchange. The rule requires, as a condition to exemption, that the person acquiring the security has transferred all voting rights in equity securities (other than debt securities which accord no right to vote for election of directors) of the issuer of the security acquired to one or more banks or trust companies under agreements giving such banks or trust companies the right to vote such securities as long as they are held by such person. It further requires that the issuance of the security acquired in exchange be approved by the Interstate Commerce Commission pursuant to Section 20a of the Interstate Commerce Act.

COLBURN CO. OF L.A. SUSPENDED. In a decision announced today (Release 34-7547), the SEC suspended R. L. Colburn Company, of 215 West 7th Street, Los Angeles, from membership in the NASD and the San Francisco Mining Exchange for a period of 30 days, March 15 to April 13, 1965, both inclusive.

The suspension was based upon violations of provisions of the Securities Exchange Act, involving failure of the Colburn firm, in transactions effected through its San Francisco office, (1) to notify customers that it was acting as broker for both buyer and seller of securities, and (2) to cancel or liquidate purchases of securities in those accounts for which full cash payment had not been made within seven business days of the purchase. George J. Flach, who was branch manager in the San Francisco office, and Norman Hudson, vice-president and secretary of the Colburn firm, were suspended from membership in the Mining Exchange for 90 days and 30 days, respectively; and they along with Ray M. French, president, were each found to be a cause of the suspension order against the firm, French and Hudson are its sole stockholders.

According to the decision, the Colburn firm in numerous transactions from July 1954 through May 1962 failed to disclose that it was acting as broker for both the buyer and seller of securities. Although Flach knew of the requirement and had a rubber stamp for making dual agency disclosure, he made no effort to comply with the statutory requirement. Moreover, a sampling of special cash accounts in the San Francisco office in May 1962 showed 55 instances where the Colburn firm violated Regulation T by its failure to cancel or liquidate purchases of securities in accounts for which full cash payment had not been made within seven business days of the purchase. Payments in these accounts were overdue for periods ranging from 8 days to several years; and the amounts due ranged from \$104 to over \$5,400, with 27 balances being over \$300. In four instances, customers were given "free rides" of from two to 12 months before the security purchased but not paid for was sold for the account of the customer.

OVER

PEISACH - FRICKMANN CANCELLED. The SEC today announced a decision under the Securities Exchange Act (Release 34-7548) cancelling the broker-dealer registration of Frederick L. Peisach, doing business as G. J. Frickmann & Co., New York, and discontinuing administrative proceedings to determine whether Peisach's registration should be revoked by reason of the failure to file a 1963 financial report. According to the decision, counsel for Peisach filed an answer stating that Peisach is 80 years of age and had suffered a stroke, that counsel was currently engaged in winding up registrant's business, and that Peisach would agree to discontinue his business. Under the circumstances, the Commission concluded that it was appropriate in the public interest to cancel registrant's broker-dealer registration and discontinue the proceedings.

SEC REPORTS ON TMT TRAILER FERRY REORGANIZATION. The SEC today announced the filing with the Federal court in Miami, Fla., of an advisory report on the proposed plan for reorganization of TMT Trailer Ferry, Inc., pursuant to Chapter X of the Bankruptcy Act. A court hearing will be held on March 15th to consider the plan and the Commission's report thereon. (Release CR-226)

The plan would vest stock ownership and control of the reorganized company in its unsecured creditors, giving no recognition to the interests or claims on the part of the debtor's common stockholders. The Commission questioned the fairness of the plan in its exclusion of any participation by common stockholders in the reorganized company, because (1) the record as to valuation, and the related issue of insolvency, is inadequate, (2) the plan allows, without any hearings, some \$2,000,000 in claims as to which there are substantial disputes; and (3) the Court summarily rejected, without hearing, the contentions that stockholders should be treated as creditors because they purchased the stock in the open market as a result of activities alleged to have violated the anti-fraud provisions of the Federal securities laws. The Commission concluded that the plan appeared to be feasible, except for the need to clarify the practicability of common stock financing if financing were to become necessary soon after reorganization.

The debtor is engaged in the business of hauling loaded truck-trailers on seagoing vessels between ports in Florida and Puerto Rico. When the reorganization petition was filed in 1957, it had outstanding 4,071,135 common shares held by more than 7,000 persons.

BRADFORD AND FINK SENTENCED. The SEC New York Regional Office announced March 8 (LR-3167) that, following their convictions on January 18, 1965, of interstate transportation of stolen securities and conspiracy to do so, Philip L. Bradford (New York) received a two-year prison sentence (USDC SDNY) to be served consecutively with a one-year sentence he is now serving for mail fraud, and Walter Fink (New York) was sentenced to one year in prison to be followed by three years' probation.

HARTLAND OF DELAWARE PROPOSES OFFERING. Hartland, Inc. of Delaware, 4931 Douglas Ave., Des Moines, Iowa, filed a registration statement (File 2-23265) with the SEC on March 9 seeking registration of \$1,500,000 of Feedlot Agreements, Second Series. The agreements are to be offered for sale to agricultural producers, their immediate families and corporations or associations owned or controlled by such persons, in \$50 multiples, a minimum purchase being \$200 and the maximum \$75,000. The offering is to be made through company officials and salesmen, and NASD members, who will receive a 10% commission.

Organized under Delaware law in March 1963, the company purchases, manages and sells feeder cattle owned by others. Net proceeds from the sale of Feedlot Agreements will be used to purchase, feed and sell cattle for the benefit of the Agreement holders. The company has outstanding 40,175 common shares, after giving effect to a 5-for-1 split in July 1964. Management officials own approximately 9.3% of the outstanding stock. Harold Woodward is president.

DICKSON ELECTRONICS FILES FOR OFFERING AND SECONDARY. Dickson Electronics Corporation, 310 S. Wells Fargo Ave., Scottsdale, Ariz. 85252, filed a registration statement (File 2-23266) with the SEC on March 9 seeking registration of 120,000 shares of common stock. Of this stock, 40,000 shares are to be offered for public sale by the company and 80,000 shares (being outstanding stock) by the present holders thereof. J. Barth & Co., 404 Montgomery St., San Francisco, and C. E. Unterberg, Towbin & Co., 61 Broadway, New York, are listed as the principal underwriters. The public offering price (\$12 per share maximum*) and underwriting terms are to be supplied by amendment. The registration statement also includes 99,400 common shares to be offered to company employees pursuant to stock options.

Organized under Delaware law in 1960, the company is engaged in the business of developing, manufacturing and selling electronic devices for use in electronic circuits and systems. Of the net proceeds from the company's sale of additional stock, \$60,000 will be used to retire a bank loan, and the balance will be used for the purchase of equipment, for expansion of the facilities and business of the company and as additional working capital. In addition to indebtedness, the company has outstanding 414,220 common shares, including 98,700 shares which are expected to be issued upon the exercise of options by the closing date of the underwriting of this offering. Management officials are expected to exercise options to acquire 82,500 common shares, after which they will own 54.2% of the outstanding stock. The prospectus lists 14 selling stockholders, including Donald C. Dickson, Jr. (board chairman and president), offering 50,000 of 177,700 shares held; Investment Associates, Inc., 4,600 of 24,600; Robert J. Levy (director), 4,600 of 18,600; and Mrs. Miranda Tang, trustee, 4,600 of 10,000. The remaining selling stockholders are offering shares ranging in amounts from 400 to 4,000. Holdings by the selling stockholders include any shares which are expected to be acquired by them through exercise of options. Dickson intends to exercise options to purchase 67,700 shares for an aggregate price of \$373,125.

AFL AND CIO MORTGAGE INVESTMENT TRUST PROPOSES OFFERING. American Federation of Labor and Congress of Industrial Organizations Mortgage Investment Trust, 815 Sixteenth St., N. W., Washington, D. C., filed a registration statement (File 2-23267) with the SEC on March 9 seeking registration of \$50,000,000 of certificates of participation in the Trust. Certificates in the minimum amount of \$1,000 are to be offered to all affiliates of the AFL-CIO and to any qualified labor-management welfare, pension or retirement plan as defined by Internal Revenue Code Section 401(a) which may desire to participate in the Trust's Program.

Organized under District of Columbia law in November 1964, "the Trust's primary investment objective will be to invest the proceeds of this issue so as to produce a favorable rate of income from a mortgage investment program." It proposes to accomplish this objective by making investments in first mortgage loans insured by the Federal Housing Administration or guaranteed by the Veterans' Administration. The Board of Trustees, which will employ personnel experienced in mortgage banking and other financing activities, will consist of no less than three nor more than twenty trustees and shall include the president and the secretary-treasurer of the AFL and CIO. The president of the AFL-CIO shall be chairman and shall initially select trustees to serve on the Board, the trustees to be selected from organizations participating in the Trust. The prospectus lists the following as current trustees: George Meany, president of AFL-CIO; William F. Schnitzler, its secretary-treasurer; Walter P. Reuther, president, Automobile, Aerospace and Agricultural Implement Workers of America; and George M. Harrison, chief executive officer and former president of Brotherhood of Railway Clerks.

TEXAS GAS TRANSMISSION FILES STOCK PLAN. Texas Gas Transmission Corporation, P. O. Box 1160, Owensboro, Ky., filed a registration statement (File 2-23268) with the SEC on March 9 seeking registration of \$488,000 of participations in its Thrift Plan for Employees, together with 10,425 shares of common stock which may be acquired pursuant thereto.

RECENT FORM 8-K FILINGS. The companies listed below have filed Form 8-K reports for the month indicated and responding to the item of the Form specified. Photocopies thereof may be purchased from the Commission's Public Reference Section (please give News Digest's "Issue No." in ordering). Invoice will be included with the requested material when mailed. An index of the caption of the several items of the form was included in the March 1 News Digest.

Walt Disney Productions Feb 65 (11,13)	1-4083-2	Supermarkets Operating Co Feb 65 (3)	1-4495-2
Rollins Inc Feb 65 (7)	1-4422-2	Yuba Consolidated Industries Inc Dec 64 (13)	2-12060-2
Hebrew National Kosher Foods Inc Feb 65 (12)	1-4299-2	Eastern Gas & Fuel Associates Dec 64 (7,13)	1-2297-2
Murray Corp of America Dec 64 (11,13)	1-1095-2	New Jersey Natural Gas Co Jan 65 (4,7,8,11)	0-93-2
Wayne Knitting Mills Feb 65 (11)	1-2782-2	Missouri Natural Gas Co Feb 65 (11)	0-110-2
Benrus Watch Co Inc Feb 65 (13)	1-3436-2	General Super Markets Inc Feb 65 (11,13)	1-4782-2
Danly Machine Specialties Inc Jan 65 (13)	2-12148-2	Ore-Ida Foods Inc Feb 65 (11)	0-195-2
Gisholt Machine Co Feb 65 (7,10)	2-4525-2	A P L Corp Feb 65 (2,7,8,9,13)	1-4285-2
International Resistance Co Feb 65 (13)	1-3768-2		
Nunn Bush Shoe Co Feb 65 (11,12,13)	0-154-2		
Hazeltine Corp Amend #1 - 8K for Jan 65 (3)	1-230-3	Aero-flow Dynamics Inc Amend #1 - 8K for Jan 65 (4)	1-690-2
Cardinal Petroleum Co Amend #1 - 8K for Dec 64 (10,11,13)	2-15883-2		

SECURITIES ACT REGISTRATIONS. Effective March 10: DPA, Inc. (File 2-23115); Empire Life Insurance Company of Ohio (File 2-22930); Northern Illinois Gas Co. (File Nos. 2-23170 and 2-23171); Wems, Inc. (File 2-23172). Withdrawn March 10: Ess-Kay Enterprises, Inc. (File 2-22865).

*As estimated for purposes of computing the registration fee.