

# 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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Washington 25, D.C.

FOR RELEASE October 7, 1960

**AIRCRAFT DYNAMICS INTERNATIONAL HEARING SCHEDULED.** On request of Aircraft Dynamics International Corp., of New York, the SEC has scheduled a hearing for October 24, 1960, in its New York Regional Office on the question whether to vacate, or make permanent, an earlier order of the Commission temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public stock offering by the said company ("Aircraft Dynamics").

The stock offering was made pursuant to a notification filed in September 1959 and involved 99,000 common shares to be offered at \$3 per share. The suspension order asserted that certain terms and conditions of Regulation A were not complied with and that the company's offering circular omitted certain information, including particularly the fact that the underwriter occupies a portion of the company's office space and pays no rental therefor.

**AVIATION INVESTORS OF AMERICA HEARING SCHEDULED.** The Commission also has scheduled a hearing for the same time and place, in the proceedings under the Securities Exchange Act of 1934 to determine whether the broker-dealer registration of Aviation Investors of America, Inc., 666 Fifth Ave., New York, should be revoked. In its order of August 18, 1960, authorizing these proceedings, the Commission charged that the said company offered and sold common stock of Aircraft Dynamics International Corporation in violation of the Securities Act registration and anti-fraud provisions.

The two proceedings have been consolidated for purposes of the hearing.

**VIOLATIONS CHARGED TO TAYLOR INVESTMENT & RUSSELL INVESTMENT.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether the following engaged in securities transactions "which would and did operate as a fraud and deceit" upon their customers in violation of the Federal securities laws and, if so, whether their broker-dealer registrations should be revoked and whether they should be suspended or expelled from membership in the National Association of Securities Dealers, Inc.:

Taylor Investment Company, Inc.  
150 North Center Street, Casper, Wyoming

Russell Investment Company  
722 Boston Building, Denver, Colo.

According to the Commission's order, Taylor Investment has been registered with the Commission as a broker-dealer since November 1959 and Russell Investment since April 1958. Both are members of the NASD. Gerald M. Greenberg is president and owner of all the outstanding stock of Russell Investment; and from October 12, 1959, to February 12, 1960, he was board chairman of Taylor Investment and owner of 10% or more of its outstanding stock. Since October 12, 1959, Herbert J. Taylor has been president of Taylor Investment and since February 12, 1960, the owner of 10% or more of its outstanding stock.

The Commission's order asserts that information developed in an investigation conducted by its staff tends if true to show that Taylor Investment and Greenberg, as agent for customers, induced them to purchase and sell securities upon the representation that such securities would be purchased and sold at the best obtainable prices, whereas (1) upon the receipt of a purchase order from customers Greenberg directed Russell Investment to purchase the securities for its own account and sell same at an increased price to Taylor Investment, which later would then confirm the purchase of such securities for its customers at the increased price, upon the receipt of sell orders from customers Greenberg directed Russell Investment to purchase such securities for its account and contemporaneously to sell such securities at an increased price, Taylor Investment confirming the sale of such securities for its customers at the price at which Russell Investment had purchased such securities from Taylor Investment, and (3) in connection with the foregoing transactions Taylor Investment falsely represented to customers that it had purchased or sold such securities at the best obtainable prices and omitted to disclose to customers (a) that Greenberg controlled both companies and (b) the adverse interest of Greenberg and Russell Investment in the transactions, thereby obtaining secret profits.

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It is further asserted in the Commission's order (A) that Taylor Investment induced customers to purchase securities at prices far in excess of prevailing market prices therefor by withholding information as to the prevailing market prices, thereby obtaining unreasonably and excessive profits; (B) that Taylor Investment and Russell Investment extended credit in the purchase of securities by customers in violation of Regulation T by reason of their failure to cancel or liquidate purchases when payment therefor was not received within seven days; (C) that Taylor Investment engaged in the securities business about a month before its registration as a broker-dealer in November 1959 and in violation of the registration requirement; (D) that Taylor Investment failed to comply with the Commission's confirmation rules in certain of its transactions with customers; (E) that it violated the Commission's net capital rule and record keeping requirements; and (F) that Taylor Investment purchased securities, as agent, for the account of a customer and falsely represented to such customers the price at which such purchase had been effected, thereby obtaining secret profits.

A hearing will be held for the purpose of taking evidence on the foregoing, at a time and place to be determined.

**DELAGO SECURITIES REGISTRATION EFFECTIVE.** In a decision announced today (Release 34-6381), the SEC permitted an application for broker-dealer registration filed by Delago Securities Company, Inc., 105 W. Adams Street, Chicago, to become effective.

The application lists George M. Peterson as vice president, treasurer and a director of the applicant company. Peterson formerly was executive vice-president and a director of Polk-Peterson Corporation, whose broker-dealer registration was revoked by the Commission in 1942 for violation of the anti-fraud provisions of the Securities Act as well as the net capital and record-keeping requirements of the Securities Exchange Act and the latter's prohibitions against hypothecation of customers' securities. Peterson committed and caused Polk-Peterson to commit such violations.

Previously, in 1948, the Commission had permitted Peterson to become a registered representative of another firm. The record in that proceeding showed that all obligations of Polk-Peterson and its officers had been discharged, that Peterson would be adequately supervised, and that his employers were fully acquainted with his record in the securities business and had confidence in his ability and integrity. During his more than 10 years of employment with that firm, no complaints against his conduct were made. He then became associated with Delago Securities, which has engaged in business in exempt securities, upon its formation in the spring of 1959.

Observing that a past violation does not necessarily impose a permanent disability, the Commission concluded that, in view of the length of time since the former violations and Peterson's subsequent favorable record in the securities business, denial of registration to Delago Securities is not necessary in the public interest.

**E B & S ACQUISITION OF ENGINEERING FIRM APPROVED.** The SEC has issued an order under the Holding Company Act (Release 35-14294) authorizing Electric Bond and Share Company, New York holding company, to purchase all the 17,380 outstanding shares of Walter Kidde Constructors, Inc., for a consideration amounting to \$101.25 per share, or \$1,759,725 if all shares are acquired. However, since the controlling stockholders of the latter will not accept cash and have insisted upon receiving shares of Bond and Share's common stock in exchange for their shares, Bond and Share will purchase its shares in the open market on the American Stock Exchange and deliver pro rata to all shareholders of Kidde Constructors who accept the offer, that number of shares of Bond and Share stock which can be purchased for the aggregate purchase price agreed upon. Based on the \$23.625 per share market price of Bond and Share stock on August 31, 1960, and assuming all outstanding shares of Kidde Constructors stock is so acquired, about 73,500 shares of Bond and Share stock would be required for the exchange.

**DEBENTURE ACQUISITION BY SHARES IN AMERICAN INDUSTRY CLEARED.** The SEC has issued an exemption order under the Investment Company Act (Release 40-3120) authorizing Shares in American Industry, Inc., Washington, D. C., investment company, to purchase from an affiliate, Columbia Financial Development Co., Inc., \$5,000 principal amount of debentures (with warrants) of Central Charge Service, Inc.

**TRADING IN CONSOLIDATED DEVELOPMENT (CUBA) SUSPENDED.** The SEC has issued an order (Release 34-6384) suspending trading in the common stock of Consolidated Development Corporation (formerly Consolidated Cuban Petroleum Corp.), of Havana, Cuba, on the American Stock Exchange and over-the-counter market, for a further ten-day period October 9 to 18, 1960, inclusive.

**CONSENT JUDGMENT TERMINATES RUSSELL McPHAIL LITIGATION.** The U. S. District Court for the Southern District Court for the Southern District of New York has entered an order of permanent injunction against Russell McPhail, J. Marion Martin and Dan McL. Martin, with their consent and based upon an agreed settlement of an action instituted against them by the SEC which arose out of their activities as officers and directors of McPhail Candy Corporation. The settlement, which was approved by the court as fair and reasonable, involved an offer by McPhail Candy to purchase or redeem its publicly-held preferred and common stock, other than shares held by Russell McPhail and members of his family; and it further represented a settlement in the amount of \$325,000 of the claims asserted in behalf of the Company. The injunction bars the three defendants from serving as officers, directors, advisers or underwriters of any registered investment company (LR 1803).

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**GENERAL DEVELOPMENT INVESTMENT PLANS FILES FOR OFFERING.** General Development Investment Plans, Inc., 2828 S.W. 22nd Street, Miami, Florida, filed a registration statement (File 2-17159) with the SEC on October 6, 1960, seeking registration of 1,285 Investment Plans for Port St. Lucie Country Club Homes, to be offered for public sale with sales commissions ranging from 8% to 10%, depending upon the type of mortgage financing involved.

The company is a Florida corporation organized on September 28, 1960 and is a wholly owned subsidiary of General Development Corporation. The principal business of General Development is the development of large tracts of unimproved land into planned communities in which it offers for sale homesite lots, houses and commercial and industrial sites. It also furnishes water and sewerage services to residents in certain areas of its developments through a subsidiary and operates shopping centers therein. One of its major developments is Port St. Lucie on the east coast of Florida, about 10 miles from Fort Pierce and 47 miles from West Palm Beach. The homes being offered by the company are part of said development. The company now owns 343 home sites and it has the option to acquire an additional 942 lots from General Development. The latter has agreed to build the homes for the Plan Company in groups of not less than fifty homes. The lands which were sold by General Development or contributed as capital to the company, together with improvements cost \$778,000. 150 houses were sold "prior to the effective date of this Prospectus" and an aggregate of 200 houses of all types offered on all types of lots have been constructed or are under construction by General Development for which at least \$2,000,000 will have been expended by General Development and the company by the time such houses are completed. All purchasers of the homes already sold and such houses constructed and under construction will be offered an opportunity to become plan holders without additional cost.

Four home models are to be offered on three different lot types. The offering price for each plan will vary depending upon lot and home type and may be more or less than \$18,650. According to the prospectus, the company proposes to offer an individual the opportunity to own a Florida home which he could use for vacations now, retirement later, while securing rental income the rest of the year from others for amortization, interest, maintenance and other recurring costs. To relieve the burden of such costs, the company proposes to advertise and promote rental of the homes for the owner to individuals interested in a Florida vacation, and to offer recreational facilities such as golf, swimming, boating, fishing and other vacation activities. The cost of the plan includes furniture and furnishings.

The plan purchaser will be entitled to occupy his home for such period of time as he selects or during a four-week period specified by the company. The company will maintain and keep the home in good order and repair, pay the taxes and all other expenses of operation out of the planholder's funds held by a custodian. According to the prospectus, the company will receive a 10% commission on all rentals for the first year with a right thereafter to increase by 1% per annum but not to exceed 15%. Certain maintenance charges are fixed and others will be at the direct cost of the plan company plus 10%. According to the prospectus, it would require 26 to 28 weeks rental occupancy for a plan purchaser's home to carry itself.

Gardner Cowles is listed as board chairman and F. E. Mackle, Jr. as president.

**TEXAS BUTADIENE & CHEMICAL PROPOSES OFFERING.** Texas Butadiene & Chemical Corporation, 529 Fifth Ave., New York, filed a registration statement (File 2-17161) with the SEC on October 6, 1960, seeking registration of 635,800 shares of common stock, to be offered for public sale through underwriters headed by Blyth & Co., Inc. and Lehman Brothers. The public offering price and underwriting terms are to be supplied by amendment.

The company's principal business is the production and sale of butadiene and aviation gasoline as well as miscellaneous by-products. In addition to certain indebtedness, it now has outstanding 2,053,200 shares of common stock (after giving effect to a proposed two-for-one common stock split). Net proceeds of the sale of additional stock will be added to the company's working capital and will be available for general corporate purposes, including the financing of a portion of the investments to be made by a subsidiary, Texas Butadiene & Chemical International, Ltd., said to be an active participant in a synthetic rubber complex now being constructed in France and in the development of a similar project in Argentina. Additional investments of \$5,500,000 in this subsidiary are contemplated. An additional \$700,000 of the net proceeds will be used for the purchase from The Fluor Corporation, Ltd. of 5,570 shares of preferred stock of the company. The remaining 34,430 preferred shares are held in equal amounts by Cabot Corporation and Carl M. Loeb, Rhoades & Co.; and it is proposed that these shares will be exchanged for common stock on a basis related to the price at which the common stock is to be offered.

The prospectus lists John D. Fennebresque as president. Management officials own 4.85% of the outstanding common stock.

**PUBLIC SERVICE OF NEW HAMPSHIRE PROPOSES OFFERING.** Public Service Company of New Hampshire, 1087 Elm St., Manchester, today filed a registration statement (File 2-17162) with the SEC seeking registration of \$5,000,000 of First Mortgage Bonds, Series L, due 1990, to be offered for public sale at competitive bidding. Net proceeds of the sale of the bonds will be applied to the payment of bank borrowings expected to amount to \$3,500,000 on the date of sale, the balance to be used for construction of additional facilities and for other corporate purposes. Construction expenditures are expected to aggregate \$14,300,000 in 1960 and \$10,500,000 in 1961.

**IRVING GRUBMAN & CO. REGISTRATION DELAYED.** In a decision announced today (Release 34-6385), the SEC postponed the effective date of an application for broker-dealer registration filed by Irving Grubman, doing business as Irving Grubman & Co., 195 Broadway, Patterson, N. J., pending the ultimate decision by the Commission whether registration should be denied.

According to the decision, Grubman was employed as a salesman for S. H. Bennett Co., Inc. from September 1959 to June 1960, during which period and employment he sold stock of U-Bowl, Inc., which was part of an intrastate offering of 250,000 shares at \$2 per share through his employer as underwriter, by means of false and misleading statements. In such sales, Grubman represented that when the stock "hit the open market" it would sell at a price of \$6 to \$8 per share, that within one year the stock would be valued at between \$14 and \$15 per share, and that the company was ready to start construction of a building to house bowling alleys. The record indicates that the book value of the stock as of January 31, 1960, was 65¢ per share, based on the shares then outstanding in the hands of investors; that if the stock offering were completed, and without taking into account outstanding options to purchase the stock at lower than the market price, the book value would be 95¢ per share; and that a construction contract for the U-Bowl building had not been executed as of June 27, 1960, nor had construction started as of September 28, 1960.

In view of these false representations by Grubman in the sale of U-Bowl stock, the Commission concluded that it was in the public interest to postpone the effective date of his registration until final determination of the question whether registration should be denied.

**ROBERT B. LARKIN GUILTY.** The SEC Fort Worth Regional Office announced September 26th (LR-1804) that, following his plea of guilty, Robert B. Larkin had been adjudged guilty in the U. S. District Court of Phoenix of violating the Securities Act anti-fraud provisions. Imposition of sentence suspended and Larkin placed on probation for five years, on condition, among others, that he make restitution.

**COURT ORDER ENJOINS SALE OF CAPITAL FUNDS INC. STOCK.** The SEC Seattle Regional Office announced September 29th (LR-1805) the entry of a Federal court order (USDC, Anchorage, Alaska) permanently enjoining the sale of Capital Funds, Inc., stock by that company, Pacific Underwriters, Inc., and Thomas P. Cannon, Jr., in violation of the Securities Act registration requirement.

**COURT ORDER DIRECTS DELIVERY OF GENERAL INSURANCE INVESTMENT STOCK.** The SEC Fort Worth Regional Office announced September 30th (LR-1806) the entry of a Federal court order (USDC, ED, Ark.) directing Southwest Securities, Inc., Allen Goldsmith and Fay Goldsmith to make delivery of General Insurance Investment Company stock to the purchasers thereof, despite a permanent injunction order of the court against the offer and sale of such stock in violation of the Securities Act registration and anti-fraud provisions.

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