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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REGISTRATION OF HEFT, KAHN & INFANTE REVOKED. The SEC today announced the issuance of a decision under the Securities Exchange Act (Release 34-7020) revoking the broker-dealer registration of Heft, Kahn & Infante, Inc., 43 N. Village Ave., Rockville Center, N. Y., and expelling the firm from membership in the National Association of Securities Dealers, Inc. (the firm's registration previously was suspended by the Commission). Michael Infante, president, Morton H. Kahn, vice president, Donald Heft, secretary, Max Axman, a director and the firm's trader, and Ronald Binday, research analyst and salesman, were each found a cause of the revocation and expulsion order.

In its decision (written by Commissioner Woodside), the Commission sustained findings by its hearing examiner that in the sale of stock of United States Communications, Inc. ("USC") in 1959, the firm, aided and abetted by said persons, violated the anti-fraud provisions of the Federal securities laws in that they made false and misleading representations of material facts over the telephone and prepared and distributed widely through the mails a letter or brochure (commonly known as a market letter) which contained representations which were "patently false."

According to the decision, USC was organized in 1959 for the purpose of manufacturing and selling a new system of portable wireless communication called "Electropage." Subsequently it commenced a public offering of 100,000 common shares at $2.25 per share pursuant to a claimed Regulation A exemption from registration, the offering circular naming Heft, Kahn & Infante as underwriter. Following the conclusion of the sale, the firm traded USC stock and at the end of October was long 9,740 shares in its trading account; and it thereafter continued its retail sales of USC stock. The oral misrepresentations found by the Commission included statements that the stock "was a winner," would "rise to $6-$10," "within a very short time would really go up high" and if held long enough "would reach $10;" that USC was "successfully selling its equipment;" and that "the anticipated earnings would be $2 per share." In its market letter, which was prepared by Binday, the firm stated, among other things, "It is anticipated that there will be heavy demand for Electropage in hospitals and industrial plants" and that "In order to satisfy this demand effectively the company /U.S.C./ has signed an exclusive sales contract with American Hospital Supply Corp" for distribution of Electropage to hospitals and institutions. It also stated that "a large backlog estimated at $3 million has been compiled," and that "prospective earnings may surpass $2 per share in the first full year of operations with sales at this level."

The Commission found that the record is barren of any basis for the predictions of price increases made to investors, and that the representation that USC was successfully selling its product was patently false. "That registrant made no efforts to provide an accurate presentation of USC's status and prospects is further demonstrated by its sales letter concerning USC, which falsely stated that there was a $3 million backlog of orders. Both the sales letter and the verbal representations were highly misleading in failing to disclose that the company was not in production and that American would not commence its sales effort until the Electropage device had been installed in hospitals and proven successful." The Commission rejected the firm's contention that predictions of a price increase in the stock were not false because the price, in fact did increase, observing that it appeared that such increase must have been affected by the firm's circulation of the fraudulent sales letter, its telephone sales campaign, and its purchases of shares from other dealers. The Commission stated that in the case of a new, untried enterprise such as USC, with a product not yet produced or tested in the market, with no reliable cost data or sales experience, predictions, made by a broker-dealer for the purpose of inducing customer purchases of stock, of substantial short-term price rises in the stock and of annual earnings per share almost equivalent to the initial offering price cannot possibly be justified.

The Commission also rejected Binday's assertions that "he was ordered to prepare the letter" and to include therein the representations found to be false and misleading, that Infante and another officer had frustrated his desire to seek information from American, and that he relied on statements made to him or in his presence by Infante and other officers. The Commission found that Binday deliberately proceeded to compose the market letter, the principal purpose of which he knew was to induce public reliance on a message, the key points of which he knew or had good reason to suspect were completely unreliable. Moreover, the market letter was prepared for a widespread mail campaign to attract public attention to USC stock and to provide a background for and facilitate subsequent telephone sales by registrant's salesmen--a purpose of which Binday was well aware. The Commission concluded that Binday's defense that he followed the instructions of his employer is unavailing and that by preparing the false market letter, "he became an important part of an apparatus perpetrating a fraud."

SISSOM INVESTMENT REVOKED. The SEC today announced the issuance of a decision under the Securities Exchange Act (Release 34-7021) revoking the broker-dealer registration of Joe Bert Sissom, doing business as Sissom Investment Securities, 17 West Avenue A, Temple, Texas, and expelling him from membership in the National Association of Securities Dealers, Inc. Sissom consented to the revocation and expulsion order.

In its decision, the Commission found that in 1962 Sissom violated the anti-fraud provisions of the Federal securities laws in that he effected sales and purchases of securities at prices not reasonably related to the market (mark-ups over contemporaneous costs to Sissom and mark-downs under contemporaneous sales prices ranged up to 50%), and that he hypothecated and permitted the continued hypothecation of securities

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carried for the accounts of certain customers without their written consent, commingling such securities with securities belonging to the firm under liens for loans to Sissom. Violations of the Commission's net capital and record-keeping requirements were also found. Moreover, in April 1962 the firm was permanently enjoined by a Federal court in Texas from such violations.

DETROIT BROKER REGISTRATION WITHDRAWN. The SEC today announced the issuance of a decision under the Securities Exchange Act (Release 34-7022) granting a request by Carroll, Finch, Hutzel & Co., 1648 Penobscot Building, Detroit, for permission to withdraw its registration as a broker-dealer. In proceedings instituted by the Commission to determine whether the firm's broker-dealer registration should be revoked for its failure to file a report of financial condition subsequent to its registration in July 1961, the firm admitted that it did not file the required report, notwithstanding that it had been notified of such requirement on several occasions. It stated however, that it had been inactive for the greater part of its existence and effected only two securities transactions while in operation; and the Commission found that under all the circumstances "it is appropriate in the public interest to permit the request for withdrawal to become effective."

INTERNATIONAL BANK - FINANCIAL GENERAL SEEK ORDER. International Bank, an Arizona company, and Financial General Corporation, a Virginia company, both with offices in Washington, D. C., have applied to the SEC for an order under the Investment Company Act authorizing the proposed acquisition by FGC from the Bank of all of the capital stock of Hawkeye Interests Corporation and United Interests Corporation in exchange for 373,228 common shares of FGC; and the Commission has scheduled a hearing in the matter on March 4 in its Washington Office (Release IC-3632). FGC's assets consist primarily of interests in majority-owned subsidiaries and other companies engaged in the banking and insurance businesses. The Bank is the beneficial owner of 17.14% of the outstanding common shares of FGC. The assets of Hawkeye Interests consist almost entirely of 36% of the common stock of Hawkeye-Security Insurance Company, of Des Moines, Iowa, a fire and casualty insurance company; and the assets of United Interests consist almost entirely of 4.7% of the common stock of United Services Life Insurance Company, of Washington, D. C., a life insurance company. In addition, Hawkeye-Security owns 6.4% of United Services. The net value of the United Services and Hawkeye-Security stocks used in fixing the proposed ratio of exchange was $5,388,143.

CONGRESS STREET FUND ORDER MODIFIED. The SEC has issued an order under the Investment Company Act (Release IC-3633) vacating that portion of its October 1960 order granting an exemption under that Act to Congress Street Fund, Inc., Boston open-end investment company which referred to depositors as promoters, or otherwise negating the implication that depositors are per se promoters.

ATLANTIC CITY ELECTRIC PROPOSES BOND OFFERING. Atlantic City Electric Company, 1600 Pacific Ave., Atlantic City, N. J., filed a registration statement (File 2-21071) with the SEC on February 11 seeking registration of $15,000,000 of first mortgage bonds due 1993, to be offered for public sale at competitive bidding. The net proceeds from the bond sale will be used for the company's 1963 and 1964 construction programs (estimated at $25,367,000 for 1963).

IOWA POWER AND LIGHT FILES STOCK PLAN. Iowa Power and Light Company, 823 Walnut St., Des Moines, filed a registration statement (File 2-21073) with the SEC on February 11 seeking registration of 50,000 shares of common stock, to be offered pursuant to its Employee Stock Purchase Plan.

ABRAHAM ROWITZ INDICTED. The SEC Chicago Regional Office announced February 1 (LR-2504) the return of an indictment (USDC, SDNY) charging Abraham Rowitz (using the name Abraham Osser), formerly of Skokie, Ill., with violations of the Securities Act anti-fraud provisions in the sale of securities. Rowitz was previously indicted in Chicago for violations of the Securities Act anti-fraud provisions in connection with his operation of an investment club in the Chicago area.

BERMAN LEASING PROPOSES DEBENTURE RIGHTS OFFERING. Berman Leasing Company, Pennsburg, Pa., filed a registration statement (File 2-21072) with the SEC on February 11 seeking registration of $5,500,000 of convertible subordinated debentures due 1983. It is proposed to offer such debentures for subscription by common stockholders at the rate of $100 of debentures for each 20 shares held. Eastman Dillon, Union Securities & Co., One Chase Manhattan Plaza, New York, heads the list of underwriters. The record date, interest rate, subscription price and underwriting terms are to be supplied by amendment.

The company is engaged principally in the leasing of trucks, tractors, trailers and related equipment to industrial and commercial users of such vehicles and to common and contract carriers; the reconditioning and sale of used vehicles; and the sale of new vehicles. The net proceeds from the debenture sale will be used to reduce some $31,712,000 of outstanding indebtedness incurred to purchase vehicles leased to customers. In addition to certain indebtedness, the company has outstanding 1,106,935 shares of capital stock, of which Sol N. Berman, president, and Bernard Berman, senior vice president, own 13.8% each and management officials as a group 38.5%.

SECURITIES ACT REGISTRATIONS. Effective February 11: White Photo Offset, Inc. (File 2-20581). Effective February 12: National Equipment Rental Ltd. (File 2-20884); Texas Power & Light Co. (File 2-21028); Valley Bancorporation (File 2-20928).

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