

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



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A brief summary of financial proposals filed with and actions by the S.E.C.

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Statistical Release No. 1765. The SEC Index of Stock Prices, based on the closing price of 300 common stocks for the week ended July 7, 1961, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1961 is as follows:

	1957-59 = 100		Percent Change	1961	
	7/7/61	6/30/61		High	Low
Composite	132.9	130.7	+1.7	136.3	118.3
Manufacturing	125.4	123.7	+1.4	128.8	113.0
Durable Goods	126.5	125.2	+1.0	132.1	117.0
Non-Durable Goods	124.4	122.3	+1.7	125.9	109.2
Transportation	105.5	103.8	+1.6	109.4	97.8
Utility	165.8	161.8	+2.5	173.0	144.4
Trade, Finance & Service	159.4*	156.4	+1.9	159.4	132.5
Mining	95.1	95.6	-0.5	99.5	83.3

\*New High

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended July 6, 1961, 19 registration statements were filed, 22 became effective, 1 was suspended by stop order, and 511 were pending at the week end.

NASD FINE IN "HOT ISSUE" CASE SUSTAINED. The SEC today announced a decision (Rel. 34-6586) sustaining disciplinary action by the National Association of Securities Dealers, Inc. against one of its members, First California Company, of San Francisco. The NASD had found that First California had violated NASD's Rules of Fair Practice, which require members to observe high standards of commercial honor and just and equitable principles of trade, in that it had failed to make a bona fide public offering of shares of stock which it had acquired as a member of a selling group participating in a distribution of such stock. Upon the basis thereof, the NASD had fined the company \$500 and assessed costs of \$41.89 against it.

The basic facts, not in dispute, involved a public offering of Permanent Filter Corporation stock at \$15 per share. First California, as a selling group member was allotted 1500 shares on May 7, 1959; and on that day it sold 400 shares at the \$15 offering price to its Employees Profit-Sharing Retirement Plan, an account in which its officers and employees had a beneficial interest. The stock was quoted on May 7th at 19 to 19½ and on the following day the high bid was 20½. Thus, on the basis of the low bid on May 7th, there was a potential profit on the 400 shares of \$1,600 exclusive of the price concession to members of the selling group. The shares were held in the account until August 10th, when they were sold at prices of 15½ and 15-3/4, representing a profit to the Plan of \$222.50.

The NASD rested its determination that its rules were violated in this case solely on its finding that the amount of stock sold the Plan, representing 26.6% of the 1500-share allotment, was disproportionate to that sold to public investors. Thus, the sale was held to be in violation of the NASD's published interpretation with respect to "free-riding and withholding" in connection with public distributions of securities. Its announced interpretation was to the effect that a member is obligated to make a bona fide public offering of securities acquired for distribution and that, among other things, sales to insiders, including accounts in which the member or its officers have an interest, in excess of their normal investment practice (unless otherwise provided in a prospectus), or withholding or refraining from making a public offering of all or any part of his participation to make an extra profit, are contrary to high standards of commercial honor and just and equitable principles of trade. With respect particularly to a practice of sales to such accounts primarily of new issues at a time when they are being quoted or sold above the offering price (so-called "hot issues"), and therefore may be resold at a profit, the NASD had pointed out that such a practice is questionable and should be the subject of careful consideration. A March 1959 clarification of the policy stated: ". . . it becomes apparent that allotments of a member's participation in a 'hot issue' to insider accounts (bona fide investments or other) in disproportionate amounts, as opposed to allotments to the public, would hardly indicate a genuine effort to sell such participation to public investors. Consideration should be given to the fairness of such ratios in the fulfillment of the member's obligation as a participant."

In its decision, written by Commissioner Frear and representing its first ruling on the NASD's interpretation with respect to "free riding" in connection with the distribution of a "hot issue," the Commission expressed agreement with the NASD position that the basic requirement under its "free-riding" interpretation that a bona fide public offering be made is violated, regardless of the investment history or normal investment practice of an insider account, if a sale of a "hot issue" is made to such an account in an amount which is disproportionate in comparison with the amount being offered to the public by the member. The effect of such withholding, the Commission observed, is "not only to give to the insiders the opportunity for a profit on the shares withheld, which appears highly likely under the circumstances, and thereby deprive public investors of such opportunity, but also to restrict the supply and tend to raise the market price further and enable the insiders to realize an increased profit upon subsequent sale of the shares retained by them."

OVER

Under the facts here involved, the Commission concluded that the NASD properly found that the sale by First California to its own Plan account of 26.6% of its allotment of Permanent Filter stock, at a time when the offering price of these shares was at least \$1,600 less than the contemporaneous market price, was disproportionate in relation to the amount sold to public investors, and that the NASD rules had been violated.

**VIOLATIONS CHARGED TO M. J. BOGAN JR.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Michael J. Bogan, Jr., a sole proprietor doing business as M. J. Bogan, Jr. & Co., of Bristol, W. Va., defrauded investors in the offer and sale of stock of F & F Finance Co. Inc. ("F & F") and, if so, whether its broker-dealer registration should be revoked.

Bogan has been registered with the Commission as a broker-dealer since July 23, 1960. In its order authorizing these proceedings, the Commission asserts that, during the period December 1, 1960 to March 1, 1961, he offered and sold F & F stock in violation of the Securities Act registration requirement and that, in connection therewith, he made false and misleading representations concerning F & F and its stock and "engaged in transactions, practices and a course of business which would and did operate as a fraud and deceit upon the purchasers." The alleged misrepresentations related to the following: (1) the financial condition and earnings of F & F, its line of credit, and the success of its finance business; (2) a contemplated change in the business of F & F, its acquisition of other finance companies, and a joint venture with another company; (3) the availability of F & F stock, an increase in the price of the stock, and the amount of stock owned by Bogan; and (4) the registration of F & F stock with the Commission and its listing on the American Stock Exchange.

The Commission's order charges other violations to Bogan, including (a) the effecting of securities transactions in the account of a customer without his knowledge and consent; (b) the placing of bids for and purchases of F & F stock for his account while engaged in its distribution; (c) the failure to make, keep current and preserve certain books and records; and (d) the extension of credit in contravention of Regulation T by reason of his failure to cancel or liquidate purchases when prompt cash payment therefor was not received.

A hearing will be held at a time and place later to be determined to take evidence on the foregoing.

**CHAMPION & CO. HEARING POSTPONED.** The SEC has authorized postponement from July 17 to August 21, 1961, of the hearing scheduled for Little Rock, Ark., in proceedings on the question whether the broker-dealer registration of Champion & Co., Inc., of Little Rock, should be revoked. The parties are attempting to negotiate a stipulation which might avoid the necessity of a hearing.

**TELEPROMPTER CORP. PROPOSES DEBENTURE OFFERING.** Teleprompter Corporation, 50 West 44th St., New York, filed a registration statement (File 2-18471) with the SEC on July 6th seeking registration of \$5,000,000 of Convertible Subordinated Debentures due 1976, to be offered for public sale on an all or none basis through underwriters headed by Bear, Stearns & Co. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

Also included in the registration statement are 15,000 shares of common stock underlying five-year options to be sold to the principal underwriter at 10¢ per share; 26,000 shares to be issued in exchange for stock of Pacific Telescription System; and 43,324 outstanding shares which may be offered by the present holders thereof.

The company is engaged in the design and sale of certain communication systems and equipment, the programming and production of meetings and entertainment events, prompting services for television and motion picture production, installation and operation of educational and training facilities, and the ownership and operation of community antenna television (CATV) systems. Of the net proceeds of the sale of debentures, \$500,000 will be applied to the payment of bank loans, of which \$400,000 were made in connection with the purchase of the CATV system at Eugene, Ore., and \$100,000 was for additional working capital. An estimated \$3,000,000 of the proceeds will be used for the purchase and construction of additional CATV systems, although plans have not yet been made except as to a maximum of \$400,000 with respect to Kaiser-Teleprompter of Hawaii, Inc. Some \$750,000 will be used in the further development and testing of new products, principally Key TV, its participation pay television system, and the balance for working capital.

The company now has outstanding 693,695 common shares in addition to certain indebtedness. Management officials own 22% of the outstanding stock and The Western Union Telegraph Company 13%. The prospectus lists Irving B. Kahn as president and board chairman. Utilities & Industries Management Corp. may sell 18,412 common shares; and an additional 24,912 shares held by seven persons, including as to 16,456 of such shares, four partners of Bear Stearns & Co., may be offered for sale.

**CHARLES JACQUIN et CIE FILES FOR OFFERING AND SECONDARY.** Charles Jacquin et Cie, Inc., 2633 Trenton Ave., Philadelphia, filed a registration statement (File 2-18472) with the SEC on July 7th seeking registration of 140,000 shares of common stock, of which 20,000 shares are to be offered for public sale by the issuing company and 120,000 shares, being outstanding stock, by the present holders thereof. The offering is to be made on an all or none basis through underwriters headed by Stroud & Co. Inc., the offering price and underwriting terms to be supplied by amendment. Also included in the statement are an additional 7,500 shares issuable under five-year warrants to be issued to Stroud.

The company is engaged in the production and sale of cordials, its two principal trade names being "Jacquin's" and "Garden Club;" and it also produces vodka, rum, brandy and other specialty items. It now has outstanding 380,000 common shares. Net proceeds to the company from its sale of additional stock will be used for working capital and in particular for the promotional expense and advertising costs involved in initiating the distribution and sale of gin, for which production facilities were recently constructed at its Philadelphia plant.

The prospectus lists Maurice J. Cooper as president; and he also owns 83% of the outstanding stock and holds the balance in trust for members of his family. Cooper proposes to sell 120,000 shares of his personal holdings.

**BRITISH-AMERICAN CONSTRUCTION FILES FOR OFFERING AND SECONDARY.** British-American Construction & Materials Limited, Jarvis Ave., at Andrews St., Winnipeg, Manitoba, Canada, filed a registration statement (File 2-18473) with the SEC on July 7th seeking registration of \$3,500,000 (U.S.) Debentures, 6% Sinking Fund Series due 1981 (with warrants) and 300,000 outstanding shares of common stock. The debentures (with warrants) are to be offered for public sale by the issuing company through underwriters headed by P. W. Brooks & Co. Inc. A warrant for the purchase of 30 common shares will be issued with each \$1000 debenture, exercisable until 1969 at prices to be supplied by amendment. The stock will be offered for sale by the present holders thereof, also through Brooks & Co. and on terms to be supplied by amendment.

The company is engaged in the construction industry in Western Canada, including principally heavy construction, as well as the manufacture and distribution of building supplies and the sale of improved land. Net proceeds of the sale of debentures will be used for payment of \$755,000 of debt, construction of a central equipment repair center at a cost of \$300,000, acquisition of additional manufacturing facilities and quarrying and construction equipment at a cost of \$500,000, and to provide additional working capital for an expanding volume of business. The company also intends to consolidate its various offices in Winnipeg in a new office building to be constructed after plans are finalized.

The prospectus lists Saul Simkin as president and Charles H. Booth as board chairman. Of the 1,000,000 outstanding common shares, Simkin owns 394,420 and I. B. and A. L. Simkin, vice presidents, 188,966 and 163,453 shares, respectively. The three officers along with three other shareholders propose to sell an aggregate of 300,000 shares, in individual amounts to be supplied by amendment.

**TOWNSEND MANAGEMENT, T.C.A. SEFK ORDER.** Townsend Corporation of America and Townsend Management Company, together with the interim board of directors of the two companies appointed by a Federal court, have filed an application with the SEC for exemption from certain provisions of the Investment Company Act; and the Commission has issued an order (Release IC-3288) giving interested persons until July 21st to request a hearing thereon. The three directors serving as an Interim Board were appointed by the court (USDC NJ) in an action filed by the Commission seeking to enjoin the two Townsend companies from violating certain provisions of the Act. The two companies consented to entry of a court order of injunction under which the court took jurisdiction and possession of the records and assets of the two companies and appointed the interim board. Upon consummation of certain transactions proposed in the order, the interim board is to call a meeting of stockholders for the purpose of electing a new board of directors. The present applications seeks interim relief from certain provisions of the Act relating to stockholder election of directors and selection of independent public accountants, and related matters.

**ALL STAR WORLD WIDE FILES FINANCING PLAN.** All Star World Wide, Inc., 100 West Tenth Street, Wilmington, Del., filed a registration statement (File 2-18474) with the SEC on July 7th seeking registration of \$750,000 of 5% convertible subordinated debentures due 1971 and 150,000 shares of common stock. The common stock and \$250,000 of said debentures are to be offered for public sale on an all or none basis through underwriters headed by Alessandrini & Co., Inc. and Hardy & Hardy at \$1,000 per debenture (100% of principal amount) and \$5 per share. The underwriters will receive a \$50 per debenture and 60¢ per share commission and \$11,500 for expenses. The remaining \$500,000 of debentures are to be sold (without underwriting) directly by the company to seven persons, including \$200,000 to Acme Missiles & Construction Corp. in exchange for certain of the company's outstanding notes aggregating \$200,000. The registration statement also includes (1) 28,500 common shares which underlie 3-year options granted six individuals and firms, including Rittmaster & Co., Inc., a finder, exercisable at \$5 per share, and (2) 25,000 common shares which underlie 5-year warrants sold to the principal underwriters at \$5 each, exercisable at \$5 per share.

The company (formerly All Star Bowling, Inc.) was organized under Delaware law in August 1960. It is engaged through subsidiaries in operating two tenpin bowling centers with a total of 76 lanes located in the Long Island suburbs of New York City (each of which is sponsored and partly owned by a prominent athlete). In addition, the company holds an option to purchase a third center having an additional 40 lanes and similarly located. According to the prospectus, operations to date have resulted in a net operating deficit of \$50,172.21. Of the estimated \$1,127,500 net proceeds from the sale of securities, \$200,000 will be used in connection with the company's commitment with Brunswick A.G. for the construction and operation of proposed centers in Europe; \$50,000 in connection with the opening of a center in Essen, Germany; \$75,000 for possible exercise of an option to acquire the capital stock of Falcaro East Islip Lanes, Inc. in Long Island, and the balance will be available for general corporate purposes, including the acquisition or construction of additional bowling centers throughout the world and for promotional activities.

In addition to certain indebtedness, the company has outstanding 300,000 shares of common stock, of which Acme Missiles & Construction Corp. owns 50%, Simon Gluckman, William C. Sherr, executive vice president, and Ugo Antonucci, a vice president, own about 20%, 12% and 12%, respectively, and management officials 50%. Alvin Fried, president and Saul Rabkin, a vice president, are officers, directors and principal stockholders of Acme Missiles. Irving Geist is listed as board chairman.

**SEC ACTION NAMES RONALD MARK & CO., OTHERS.** The SEC New York Regional Office announced July 5th (LR-2056) the filing of a complaint (USDC SDNY) seeking to enjoin Ronald Mark & Co., Inc., Sidney Simon, Leonard Geller, Max Tannenbaum and Norman Miller from further violations of the anti-fraud provisions of the Federal securities laws in the offer and sale of stock of Trans Central Industries, Inc. (formerly Trans Central Petroleum Corp.). Court issued temporary restraining order.

**SECURITIES ACT REGISTRATIONS.** Effective July 10: Eichler Homes, Inc. (File 2-18122); Hager Incorporated (File 2-17887); Handmacher-Vogel, Inc. (File 2-18130); Harvey House, Inc. (File 2-18080); Marquardt Corp. (File 2-18268); Sica Skiffs, Inc. (File 2-17981); United States Gypsum Co. (File 2-18383); Warner-Lambert Pharmaceutical Co. (File 2-18055). Withdrawn July 10: American Realty Shares Ltd. Corp. (File 2-17550); Western Growth Corp. (File 2-17741).