

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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TODD - NEW ENGLAND COUNSELLOR REGISTRATION REVOKED. In a decision announced today (Release IA-109), the SEC revoked the investment adviser registration under the Investment Advisers Act of Frank Payson Todd, doing business as The New England Counsellor, of Ox-Pasture Hill, Rowley, Mass.

The revocation was based upon a Federal court order permanently enjoining Todd from engaging in fraudulent practices in connection with his activities as an investment adviser. In rejecting certain pleas in defense and extenuation, the Commission observed: "An investment adviser is a fiduciary and, as such, owes a duty of fair and impartial advice to his clients. It is clear that Todd's conduct grossly violated this standard, and we conclude that under all the circumstances it is in the public interest to revoke his registration as an investment adviser."

The court order, entered on complaint of the Commission, enjoined Todd and Ralph L. Loomis from use of the mails (1) to sell or deliver stock of Canadian Javelin, Ltd., or any other securities in violation of the Securities Act registration requirement, (2) to publicize any security, in return for a consideration from the issuer, underwriter or dealer, without disclosing such consideration, or (3) to offer or sell Canadian Javelin stock or any other securities through fraudulent misrepresentation. The complaint, filed in December 1958, charged that Todd included in his investment newsletter, "The New England Counsellor," recommendations that subscribers purchase Canadian Javelin stock. That company had retained Todd in 1955 to make an evaluation of its financial program and paid him \$500 for this service; and Todd purchased 17,000 shares of Canadian Javelin stock from the management of the corporation for a price of \$70,500 and gave therefor two unsecured demand notes totalling that amount. Thereafter Todd mentioned Canadian Javelin in his newsletter about every week and sent telegrams to his subscribers in which he advised the purchase of Canadian Javelin stock. Todd was reimbursed for part of his telegraph expenses, to the extent of \$3,700, by the secretary to the president of the company. The Commission's complaint asserted that Todd and Loomis offered unregistered Canadian Javelin stock for sale; circulated articles and communications describing such stock for a consideration received and to be received from the issuer and from underwriters without fully disclosing the receipt of such consideration and the amount thereof; and engaged in transactions, practices and a course of business which operated as a fraud and deceit on purchasers. The fraud charged included false representations by Todd that he was recommending the purchase of Canadian Javelin stock because of an independent and impartial analysis made by him and that purchasers would make substantial profits and would not be justified in selling the stock until the market price rose to \$125 or \$163 per share or in engaging in short-term trading until the market price rose to the area of \$53 to \$64, and the failure to disclose that he was receiving compensation to recommend the purchase of such shares and was making such recommendations for the purpose of facilitating the distribution of stock by persons in control of Canadian Javelin and by Loomis, with whom he was assertedly acting in concert, and for the purpose of creating a demand for the stock by increasing the price which would be received by those persons.

PEARSON CORP - R. A. HOLMAN & CO, HEARING SET. The SEC today announced that a consolidated hearing would be held in its New York Regional Office, commencing November 21, 1960, (1) to determine whether to vacate, or make permanent, a prior order of the Commission temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by Pearson Corporation, of Bristol, Rhode Island (the hearing was ordered on request of Pearson); and (2) to determine whether the broker-dealer registration of R. A. Holman & Co., Inc., of New York, should be revoked and/or whether Holman & Co. should be suspended or expelled from membership in the National Association of Securities Dealers, Inc.

The Regulation A exemption with respect to the public offering of Pearson stock (175,000 shares), for which offering Holman & Co. served as principal underwriter, was suspended by Commission order of September 16, 1960 (Release 33-4279) by reason of asserted misrepresentations in the offering circular concerning the purported \$1 per share offering price and the failure to disclose the method of offering whereby the stock was purchased in part from the underwriter by certain persons with a view to its redistribution and was resold by such persons to public investors at higher prices. In its order authorizing the administrative proceedings with respect to Holman & Co. (Release 34-6374), the Commission alleged, among other things, that Holman & Co. misrepresented the offering price of Pearson stock and failed to disclose the actual plan of distribution as aforesaid.

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For further details, call WOrth 3-5526

SAVOY INDUSTRIES FILES FOR SECONDARY. Savoy Industries, Inc., 416 Enterprise Bldg., Tulsa, Okla., filed a registration statement (File 2-17259) with the SEC on October 31, 1960, seeking registration of 46,753 shares of common stock (of which 34,453 are reserved for outstanding convertible debentures).

According to the prospectus, this stock may be offered for public sale from time to time for the accounts of selling shareholders and over the American Stock Exchange. The selling shareholders include five former stockholders of Rex Bassett, Inc. (now Savoy Electronics, Inc.), who became entitled to 12,300 shares of common stock under a purchase agreement dated July 8, 1959, pursuant to which they were to receive such stock in exchange for their Bassett stock. The principal recipients of company stock are Rex Earl Bassett, Jr., 6,687 shares, Marion Estelle Bassett, 2,691, and Rex Earl Bassett, Sr., 1,691 (all of Ft. Lauderdale, Fla.) An additional 770 shares will be received by William B. Giles of Detroit and 461 by Marianne Bassett of Ann Arbor, Mich.

The 34,453 additional shares are issuable upon the exercise of \$100,000 of 7% convertible debentures held by New York Factors, Inc. (N.Y.), 12,500 shares; \$150,000 of such debentures held by B.S.F. Company (Del.), 14,635 shares; and \$75,000 such debentures held by Calabrese & Co., 7,318 shares.

The company is engaged principally in the production of crude petroleum. In addition to various indebtedness, it has outstanding 401,010 common shares, of which Dreyfus & Co. owns 10.7% and Louis Danenberg, president 11.6%. Management officials as a group own 28.5% of the outstanding stock.

TRANSCONTINENTAL INVESTING FILES EXCHANGE PLAN. Transcontinental Investing Corporation, 375 Park Ave., New York, filed a registration statement (File 2-17258) with the SEC on October 31, 1960, seeking registration of 2,613,750 shares of Class A common stock and 534,000 shares of Class B common. The Class A shares are to be offered in exchange for outstanding interests of (i) partners or their assignees in certain limited partnerships, (ii) joint venturers or their assignees in certain joint ventures, (iii) beneficiaries or their assignees of a trust, and (iv) stockholders and noteholders of a corporation.

According to the prospectus the company was organized in October 1960 under Delaware law by Robert K. Lifton, president, Ira J. Hechler, treasurer, and Howard L. Weingrow, executive vice president, for the purpose of taking advantage of the opportunities which they believe are available to a company which is primarily engaged in the investment in and integrated ownership, operation and management of office buildings, apartment developments, hotels, motels, and other income producing real estate. Initially, the company proposes to acquire interests in two office buildings, three apartment developments, two hotels and nine motels located in 15 different cities throughout the United States, through the exchange of up to 1,200,685 Class A shares for such interests; to acquire the Dinkler chain of three hotels and one motel, consisting of The Dinkler-Plaza Hotel in Atlanta, The Dinkler-Tutwiler Hotel in Birmingham, The Dinkler-Andrew Jackson Hotel in Nashville and The Belvedere Motel in Decatur, Ga., and one motel management contract, through the exchange of 1,412,865 shares for all the outstanding capital stock and notes of Associated Hotels Corporation, which is controlled by Lifton, Hechler and Weingrow; and the acquisition of Transcontinental Small Business Investment Company through the assignment (without consideration) by Messrs. Lifton, Hechler and Weingrow to the company of their rights to purchase stock of said company.

Messrs. Lifton, Hechler and Weingrow each has or will acquire 178,000 Class B shares and 3,964, 3,743 and 3,743 shares, respectively, of the Class A stock as a result of an exchange for \$53,400 in cash and all the outstanding stock of two corporations, and substantially all the assets, a subject to liabilities, of a third corporation. At the time of such exchange, the aggregate capital and surplus of such corporations was about \$100,000. The shares to be received by Lifton, Hechler and Weingrow upon consummation of the exchange offer are in exchange for their interests in various limited partnerships and their interests in Associated Hotels Corporation. These interests have an aggregate cash cost to Lifton, Hechler and Weingrow of \$1,565,000. The 1,412,865 shares are being offered in exchange for the common stock, preferred stock, and notes of Associated Hotels Corporation; and these securities represent a cash investment of \$4,150,000 by their holders.

CONSOLIDATED SUN RAY FILES FOR SECONDARY. Consolidated Sun Ray, Inc., 8000 Penrose Ave., Philadelphia, filed a registration statement (File 2-17260) with the SEC on October 31, 1960, seeking registration of 1,012,750 outstanding shares of common stock. According to the prospectus, these shares may be offered for sale by the holders thereof from time to time on the American Stock Exchange or in private transactions, at market prices current at the time of offering.

The company has two divisions, one of which is engaged in the business of selling women's, misses, juniors, and children's apparel. The other operates a chain of 85 retail stores in Philadelphia, Baltimore, Maryland, Wilmington and in towns of Eastern Pennsylvania and Central and Southern New Jersey. In addition to various indebtedness and a preferred stock issue, the company has outstanding 5,832,223 shares of common stock. An additional 955,350 common shares are reserved for issuance under agreements covering acquisitions of subsidiaries, at value of \$3 per share. Harry S. Sylk, board chairman, and William H. Sylk, president, together with their families, own beneficially 36.8% of the outstanding voting securities; and, in addition, outstanding agreements require them to buy 270,350 and 76,375 more common shares.

The selling stockholders include the Josefowitz family, from whom the company acquired all the outstanding stock of The Dollar Vitamin Plan, Inc., and who proposes to sell 466,969 shares. An additional 254,250 shares are to be offered by Maurice D. Chaiken, 150,000 by Samuel Stern, 125,000 by Bernard Weinberg and 16,531 by Harry Arnold. None of the selling stockholders will own any shares of company stock after such sale, except Stern will own 40 shares. Members of the Josefowitz family, in consideration of \$100,000, have been granted

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options to purchase up to a maximum of 1,000,000 shares of common stock of the company, the number of shares being related to the net income of Dollar Vitamin for the ten months ended January 31, 1960 and for the years ending January 31, 1961 and 1962. They have indicated an intention to exercise the first group of options, covering 76,500 shares, on January 3, 1961, at \$3.35 per share payable in preferred stock of Dollar Vitamin. These shares are included in the shares being registered. Pursuant to the agreement whereby the company acquired the stock of Dollar Vitamin, 200,000 shares of common stock and 12,250 shares of preferred stock have been issued to members of the Josefowitz family, and 400,000 additional common shares are to be issued in December, 1960. Pursuant to an agreement entered into at the same time as the said acquisition agreement the sellers of the Dollar Vitamin stock have sold to William H. and Harry S. Syk 193,000 shares of the common stock and all of the shares of the preferred stock which they received. Syk accepted this stock for Chaiken's beneficial ownership. The Josefowitz family also transferred to Harry Arnold 6,531 shares for services rendered in connection with the acquisition transaction, and in December, 1960 will transfer 10,000 additional shares to him. These shares of common stock (and the 61,250 shares of common stock into which the preferred stock is convertible) are being offered hereby, by the respective owners.

SEC COMPLAINT NAMES EQUITY INVESTMENT CORP. The SEC Denver Regional Office announced October 27th (LR-1821) the filing of court action (USDC, Colo.) seeking to enjoin Equity Investment Corporation and its president, Robert F. Barbey, from further violation of the SEC net capital rule.

INVESTORS CAPITAL EXCHANGE FUND PROPOSES OFFERING. Investors Capital Exchange Fund, Inc., 50 Congress Street, Boston, Mass., filed a registration statement (File 2-17261) with the SEC on October 31, 1960, seeking registration of 250,000 shares of its capital stock. The minimum transaction in shares of the Fund will be \$50,000. Shares will be offered to investors in exchange for securities acceptable to the Fund. The Keystone Company of Boston is listed as the principal underwriter.

Organized under Massachusetts law on October 17, 1960, the Fund is a diversified open-end investment company whose stated purpose is to provide investors holding large blocks of good quality individual securities with a medium for the diversification and management of their holdings without the realization of capital gains for federal income tax purposes. Keystone Custodian Funds, Inc., of Boston, which will be investment adviser to the Fund, owns the 1,000 outstanding capital shares of the Fund, for which it paid \$100,000 in cash. S. L. Sholley is listed as president.

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