

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



Washington, D.C. 20549

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

(In ordering full text of Releases from SEC Publications Unit cite number)

FOR RELEASE September 22, 1969

(Issue No. 69-181)

**SANCTIONS IMPOSED ON TWO DEAN WITTER BRANCH OFFICES.** The SEC today announced a decision under the Securities Exchange Act (Release 34-8700) in which it ordered suspension of the over-the-counter activities of the Beverly Hills and San Marino, California, branch offices of Dean Witter & Co., Inc., San Francisco broker-dealer firm, for 15 business days (effective today) for violations of the Securities Act registration provisions in the offer and sale of unregistered stock of Mountain States Development Company, Inc. in 1968. The Commission's action, which was based upon a settlement offer by the Witter firm and four individual respondents, also provided for suspension for a like period of (a) Richard Brown, former supervisor in Witter's compliance department for the area in question, (b) William Lashbrook, formerly a salesman in the San Marino office, and (c) Lawrence Smith, a salesman in the Beverly Hills office; and it provided for a 5-business day suspension of George Vandenhoff, vice-president of the firm (and a partner in its predecessor partnership). The Commission ruled that Smith and Lashbrook had participated in the firm's violations and that Vandenhoff and Brown failed to exercise reasonable supervision with a view to preventing such violations. The firm and the four individuals consented to the findings of violations and to the sanctions but without admitting or denying the violations.

According to the Commission's decision, large blocks of Mountain States stock were offered and sold to the public through intermediaries in 1967-68 by the company and control persons. In May 1968, Manhattan-West, a corporation, acquired 150,000 shares of Mountain's stock from that company for properties sold to it. In June 1968 an additional 100,000 shares were acquired by it for cash from controlling persons of Mountain. Following Vandenhoff's refusal on behalf of Witter to purchase as principal 100,000 shares of Mountain stock offered by an officer of Manhattan-West, Vandenhoff, on behalf of Witter, permitted Smith to accept agency orders from the officer to sell 45,000 shares provided Brown approved. Brown cleared acceptance of the orders after the president of Mountain signed a letter drafted by Smith which represented that the stock was registered and was not control stock. Witter sold these shares, consisting of shares acquired by Manhattan-West from Mountain and its controlling persons, in May and June 1968. During the course of such sales, Smith was informed by the Manhattan officer that his company had acquired stock from Mountain. From May through August 1968, Witter sold an additional 46,000 shares of Mountain stock on agency orders accepted by Lashbrook from a customer. The customer initially told Lashbrook that the stock had been purchased on the open market but, during the sales, admitted to him that he had obtained the stock from Mountain for machinery and services.

**RAHILLY & CO. CENSURED; CONSENT TO INJUNCTION.** In a decision under the Securities Exchange Act announced today (Release 34-8698), the SEC censured the New York broker-dealer firm of J.P. Rahilly & Co., Inc., as well as James P. Rahilly, its president, and Reuben Indursky, secretary-treasurer for violations of its record-keeping and financial reporting rules. The Rahilly firm and the two individual respondents consented to the sanctions and also to a court order of permanent injunction against further violations of such rules (Litigation Release No. 4116). Moreover, the respondents undertook, among other things, to maintain the firm's books and records in the required manner, and to file a monthly financial report with the SEC New York Regional Office for the next 13 months accompanied by an affidavit or letter stating whether the firm is in compliance with the record-keeping requirements. In determining to accept the offer of settlement, the Commission considered such undertakings and took into account that, following the violations found by the Commission, all of the firm's books were fully posted and in compliance with applicable requirements.

**SEC SUSPENDS INTERNATIONAL PATENTS OFFERING.** In a decision under the Securities Act of 1933 announced today (Release 33-5006), the SEC suspended the effectiveness of a registration statement filed by International Patents & Development Corp. ("International"), of Kings Point, N.Y., because it was "materially deficient" in its failure to disclose accurately the principal products that International intended to develop and produce, the planned use of the proceeds of its stock sale, and the cost to the company's president of assets which he transferred to the company in exchange for stock.

In a stipulation submitted by the company, International waived a hearing and for the purposes of this proceeding admitted that the disclosures in its statement were deficient in the respects alleged. It further consented to the issuance of a stop order suspending effectiveness of the statement and agreed to file appropriate correcting amendments (which were filed September 19). In accordance with the terms of International's settlement offer, the Commission's stop order shall cease to be effective September 27 and the registration statement, as amended, will become effective that day.

**SHENANDOAH VARIABLE ANNUITY FUND RECEIVES ORDER.** The SEC has issued an order under the Investment Company Act (Release IC-5821) exempting Shenandoah Life Insurance Company, Roanoke, Virginia, and Shenandoah Variable Annuity Fund A from certain provisions of the Act. Insurance Company established Fund A as a separate account to offer individual or group variable annuity contracts.

**MACINTOSH SERVICES TO SELL STOCK.** Mary MacIntosh Services, Inc., 800 N.W. Twenty-first St., Miami, Fla. filed a registration statement (File 2-34662) with the SEC on September 18 seeking registration of 20,000 shares of common stock, to be offered for sale at \$16 per share to directors and shareholders as well as employees of the company and its subsidiaries, and of other companies to which the company furnishes

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management services. The company acquired such stock from W. Bruce MacIntosh, Sr., board chairman, for \$16 per share.

The company operates laundry and dry cleaning establishments in Florida, Pennsylvania and New Jersey. Net proceeds of its stock sale will be used to reduce indebtedness (which was increased to acquire the shares being registered); the balance will be added to working capital. In addition to indebtedness, the company has outstanding 219,171 common shares, of which MacIntosh owns 33.2% and management officials as a group 57.8%.

**APPALACHIAN POWER TO SELL BONDS.** Appalachian Power Company, 40 Franklin Road, Roanoke, Va. 24009, filed a registration statement (File 2-34663) with the SEC on September 18 seeking registration of \$60,000,000 of first mortgage bonds, to be offered for public sale at competitive bidding. A utility subsidiary of American Electric Power Company, Inc., the company will apply the net proceeds of its bond sale to retirement of the then outstanding short-term debt (of which \$51,000,000 is expected to be outstanding), which was or is to be obtained for construction purposes; the balance will be used for construction and general corporate purposes. Construction expenditures are estimated at \$130,981,000 for 1969 and \$161,790,000 for 1970.

**JACO ELECTRONICS TO SELL STOCK.** Jaco Electronics, Inc., 195 Engineers Road, Hauppauge, N.Y. 11787, filed a registration statement (File 2-34664) with the SEC on September 18 seeking registration of 175,000 shares of common stock, to be offered for public sale through underwriters headed by Brand, Grumet & Seigel, Inc., 49 West 33rd St., New York, N.Y. The company has agreed to pay the underwriters \$20,000 for expenses and to sell the Brand firm, for \$175, five-year warrants to purchase 17,500 shares.

The company is engaged in the distribution of capacitors for industrial and governmental use. Capacitors are electronic devices used to store energy and as components in radios, television sets and other electronic products. Of the net proceeds of its stock sale, \$350,000 will be used to repay a bank loan; the balance will be added to the company's general funds and used for working capital and other corporate purposes, including possible acquisitions. The company has outstanding 575,000 common shares (with a \$1.02 per share book value), of which Charles B. Girsky, president, and Joel H. Girsky, secretary-treasurer, own 50% each. Purchasers of the shares being registered will acquire a 23% stock interest in the company for their investment of \$1,050,000; the present stockholders will then own 77%, for which they will have contributed \$587,104.

**PETROLEUM RESOURCES FUND PROPOSES OFFERING.** Petroleum Resources Fund, Inc., 400 North Woodlawn, Wichita, Kansas, filed a registration statement (File 2-34665) with the SEC on September 18 seeking registration of \$28,000,000 of participation units in limited partnerships, to be offered for public sale at \$5,000 per unit. Summit Corporation, 235 Montgomery, San Francisco, California 94104, as distributor of the Fund units, will receive a 7½% selling commission. The Fund is a subsidiary of Thunderbird Drilling, Inc., which is principally engaged in the exploration and development of oil and gas properties. The Fund may engage Thunderbird to perform or contract the performance of geological, drilling, administrative and other services and may purchase oil and gas properties from Thunderbird. The distributor is a wholly-owned subsidiary of Thunderbird. Floyd K. Rubendall is president of the Fund and of Summit Corporation and Charles W. Aikins, Jr., is president of Thunderbird.

**INFORMATION CO. TO SELL STOCK.** Information Company of America, 225 South 15th St., Philadelphia, Pa. 19102, filed a registration statement (File 2-34666) with the SEC on September 18 seeking registration of 125,000 shares of common stock, to be offered for public sale at \$7 per share. The offering is to be made through underwriters headed by Seidlitz and Company, Inc., 350 Park Avenue, New York, N.Y. 10022, which will receive a 63¢ per share commission plus \$20,000 for expenses. The company has sold 12,500 shares to the Seidlitz firm at \$1.50 per share and has agreed to sell to an affiliate of that firm, for \$1,400, five-year warrants to purchase 14,000 shares, exercisable after one year at \$8 per share.

Organized in June, the company is engaged in providing proprietary computer services, publishing secondary publications and providing contract and consulting services in the fields of information storage, processing and retrieval. Of the net proceeds of its stock sale, \$100,000 will be applied for further development of its Document Preparation Service, \$250,000 to marketing and initial operation of that Service and \$150,000 to leasing computer equipment and equipping and staffing a computer facility in Philadelphia; the balance will be added to the company's general funds and used for general corporate purposes and continued development and marketing of proprietary services and secondary information services. The company has outstanding 137,150 shares of common stock and 77,148 shares of Class A common stock (with a combined book value of 53¢ per share); of the Class A stock, Arthur W. Elias, president and board chairman, and three vice presidents own 25% each; International Equity Corporation owns 12.87% and management officials as a group 3.58% of the common stock. Purchasers of the shares being registered will acquire a 35.53% stock interest in the company for their investment of \$875,000; the present shareholders will then own 64.47%, for their contribution of assets having a net book value of \$103,775 plus \$27,672 cash.

**SECURITIES ACT REGISTRATIONS. Effective September 19:** Baltimore Gas and Electric Company, 2-34512; The Commodore Corporation, 2-34341; Community Public Service Company, 2-34383; Heinicke Instruments Company, 2-31524 (Oct 29); Petro-Lewis Funds, Inc. 2-33065 (Dec 18); Petro-Lewis Corporation, 2-33066 (Oct 29); Pinkerton's, Inc., 2-34292 (40 days); Sola Basic Industries, Inc., 2-34354.

**NOTE TO DEALERS.** The period of time dealers are required to use the prospectus in trading transactions is shown above in parentheses after the name of the issuer.

\*As estimated for purposes of computing the registration fee.