

## SECURITIES AND EXCHANGE COMMISSION

## NEWS DIGEST

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



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FOR RELEASE March 23, 1964

Statistical Release No. 1962. The SEC Index of Stock Prices, based on the closing prices of 300 common stocks for the week ended March 20, 1964, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1963-1964 is as follows:

	1957-59 = 100		Percent Change	1963-1964	
	3/20/64	3/13/64		High	Low
Composite	161.0	161.5	-0.3	161.5	130.6
Manufacturing	153.0	153.4	-0.3	153.4	121.1
Durable Goods	150.3	152.5	-1.4	152.5	116.2
Non-Durable Goods	155.6*	154.3	0.8	155.6	125.8
Transportation	150.7*	149.7	0.7	150.7	106.4
Utility	193.8	195.4	-0.8	199.2	170.3
Trade, Finance & Service	186.2*	185.8	0.2	186.2	153.8
Mining	143.5	143.0	0.3	145.4	104.2

\*New High

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended March 19, 1964, 47 registration statements were filed, 19 became effective, 1 was withdrawn, and 267 were pending at the week-end.

O/C INTER-DEALER QUOTATION RULE PROPOSED. The SEC announces (for March 24th Newspapers) a proposal to adopt a new Rule 15c2-7 under the Securities Exchange Act which would make it unlawful for a broker or dealer to furnish a quotation to an inter-dealer-quotation-system unless certain conditions were met; and it invited the submission of views and comments thereon not later than April 20, 1964 (Release 34-7275). The rule is proposed under Section 15(c)(2) of the Act, which authorizes the Commission to adopt rules and regulations designed to prevent fictitious quotations by brokers and dealers.

The proposed rule implements a recommendation of the Report of the Special Study of Securities Markets designed to improve the reliability and informativeness of the wholesale quotations system through which dealers advertise their buying or selling interests in securities traded over-the-counter. The Report points out that the wholesale quotations system is important because it tells at any given time and over spans of time what dealer interest exists, the basic price levels at which particular securities are capable of being bought and sold, and the spread between these levels. The Report also states that the depth of dealer interest and the identity of dealers making a market are extremely pertinent in evaluating the marketability of a particular security. However, the Report notes that broker-dealers inserting quotations in wholesale quotation systems are not required to differentiate quotations entered on behalf of another broker-dealer nor are they required to indicate the kind of arrangements involving this practice.

While the Report recognizes that there may be legitimate reasons for a broker-dealer to insert a quotation for another firm, it also points out that this practice may create a misleading impression (such as when one firm has a number of firms appear in the quotation system for a particular security in order to give an appearance of increased trading interest and activity in such security), and may be used for other improper purposes. The Report therefore recommended that broker-dealers using an inter-dealer-quotation-system should be required to designate quotations entered on behalf of another, with clear differentiation between correspondent arrangements and other arrangements involving this practice, so that there will be a clear indication where two or more quotations in different names represent a single quotation.

Under the first of the suggested conditions, the broker-dealer submitting the quotation would have to disclose whether it is submitted in furtherance of one or more of the following arrangements: (A) he is acting as a correspondent for another broker-dealer, (B) the quotation is furnished for the joint account of the broker-dealer and another broker-dealer, or (C) it is furnished in furtherance of some other arrangement (including a guarantee of profit, guarantee against loss, a commission, markup, or markdown) with any other broker-dealer, or as an accommodation for any other broker-dealer. Secondly, the broker-dealer furnishing the quotation would have to disclose the identity of the other broker or dealer, except in those arrangements (under (C) above) where neither the broker-dealer submitting the quotation, nor the other broker-dealer, has any similar arrangement involving the same security with any third broker or dealer. (Even where the identity of the other broker-dealer need not be disclosed, the existence of the arrangement must be disclosed.) Thirdly, the quotation would have to be submitted to an inter-dealer-quotation-system which makes it a general practice, by symbol or otherwise, to differentiate the different types of arrangements referred to above, and discloses the identity of the broker or dealer for whom the quotation is furnished where the identity of such broker-dealer is required to be supplied to the quotation system under the provisions of the rule. The inter-dealer-quotation-system could use any simple feasible identification, such as a numbering or coding system, to identify particular broker-dealers.

OVER

**REALTY SECURITIES (SALT LAKE) REGISTRATION DENIED.** In a decision under the Securities Exchange Act announced today (Release 34-7271), the SEC denied an application for broker-dealer registration filed by Realty Securities, Inc., 19 East First South Street, Salt Lake City, Utah, and found Charles L. Wall, its principal stockholder, to be a cause of the denial order.

The denial order was based upon fraudulent conduct in the sale of securities of Sevenplan Trust Fund by Guaranty Trust Deed Corporation. Guaranty served as trustee of Sevenplan; and Wall was an officer of Guaranty and later served as president and director and a member of its investment committee which passed upon purchases of trust deeds and mortgages for Sevenplan. The Commission ruled that Guaranty failed to disclose to customers of Sevenplan its failure profitably to employ the trust fund to earn income for the fund in that it purchased balloon-payment notes; renewed loans after maturity, including in the new loan amounts of overdue interest; despite its announced policies to the contrary, failed to obtain an independent appraisal of properties prior to their purchase and to obtain credit information relating to the obligor on the note or trust deed; made purchases of stocks and bonds with investors' monies which were not authorized by the declaration of trust; incurred excessive operating costs which led the Utah securities commission to deny the reregistration of Sevenplan certificates in January 1962 on that ground among others; and failed to maintain books and records adequate to apprise itself of the current financial condition of the trust.

Moreover, according to the decision, neither the prospectus nor the sales literature disclosed the nature and extent of Guaranty's dealings with Wall. The record shows a series of transactions with respect to properties and notes and mortgages of Wall and Wasatch Land Corporation, of which he was president until he became a director of Guaranty in November 1960. As a result of these transactions the funds' assets as of September 30, 1961 included a note of Wall's in the amount of \$200,500, which was secured by real estate. Guaranty also failed to disclose that under the terms of the declaration of trust it could terminate its trusteeship and appoint a successor, without regard to the financial responsibility of such appointee. Such extraordinary power by Guaranty to remove itself from its obligation guaranteeing the payment of principal and interest to Sevenplan investors obviously affected the value of their investment.

Although the prospectus described the distinctive features of first and second deeds of trust and mortgages, most of the Fund's assets were invested in second mortgages as well as second deeds of trust and no disclosure was made of the hazards of such speculative investments. Various misrepresentations were made by Guaranty in the sale of Fund securities, including assurances of safety of an investment in such securities and guarantee of principal and/or a 7% return on investments in the Fund. Guaranty, in fact, was compelled to use investors' funds for operating expenses and for the payment of the guaranteed interest on the investments, because of the substantial amount of delinquencies and the large expenditures of the Fund's cash in many foreclosures. In addition, Guaranty had an operating deficit as of September 30, 1961, of \$86,829; and on that date it was indebted to Sevenplan and another fund in the amount of \$444,673, about 19.8% of the combined assets of the two funds. At that date, according to the decision, over 20% of the funds' mortgage and trust deed notes (amounting to \$1,528,781) was delinquent, and interest receivable on such notes was delinquent in the amount of \$13,108, or 30% of the total interest receivable. Of Guaranty's assets, foreclosed real estate accounted for \$489,790 or 27.7% of the total real estate securities held by the trust funds. No disclosure was made of this ratio or the substantial expenses and possible loss of income or principal involved in foreclosing.

**SEC ORDER CITES GEO. WRIGHT CO. OF UTAH.** The SEC has ordered administrative proceedings under the Securities Exchange Act of 1934 involving the broker-dealer firm of George R. Wright & Company, Inc., of 5919 South Woodland Drive, Ogden, Utah. Also named as a respondent is George R. Wright, president and principal holder of the said firm's Class A common stock. The firm, which has been registered since May 1961, is also a member of the National Association of Securities Dealers, Inc.

The proceedings are based upon staff charges (among others) that the Wright firm and Wright, in connection with their offer and sale during the period March 1961 to July 1963 of Class B non-voting stock of the Wright firm, engaged in activities violative of the registration and anti-fraud provisions of the Federal securities laws.

A hearing will be held (at a time and place to be announced) to take evidence on the staff charges and afford the respondents an opportunity to establish any defenses thereto, for the purpose of determining whether the alleged violations occurred and, if so, whether any administrative action of a disciplinary nature is appropriate in the public interest.

**BRERETON RICE CO. REGISTRATION CANCELLED.** The Commission has cancelled the broker-dealer registration of Brereton, Rice & Co., Inc., of 621 17th St., Denver. According to the order, the said firm has been expelled from National Association of Securities Dealers, Inc. membership, Charles J. Rice is deceased, and the firm is no longer conducting a securities business.

**SEC ENTERS HYDROCARBON CHEMICALS CASE.** The SEC has entered the Chapter X proceedings for the reorganization of Hydrocarbon Chemicals, Inc. and six of its nine subsidiaries pending in the U. S. District Court in Newark, N. J. The debtors petitioned for reorganization under Chapter X on March 17th following withdrawal of their appeal from a court order dismissing proceedings under Chapter XI of the Bankruptcy Act. The court named Robert J. McAlevey, Jr., and Elliot J. Clemence as Trustees in the Chapter X proceedings. (Release CR-212)

**ROBERT A. HOWARD GUILTY.** The SEC Denver Regional Office announced March 18th (LR-2872) that a Federal court jury in Denver returned a guilty verdict against Robert A. Howard on a charge of filing a false statement with the SEC. Howard was acquitted on a charge of fraud in the sale of stock Republic Gas & Uranium Corp.

**SMITH-SHAW-AMERICAN FOUNDATION FOR EDUCATION ENJOINED.** The SEC Fort Worth Regional Office announced March 18 (LR-2873) the issuance of a Federal court order (USDC, Lafayette, La.) permanently enjoining The American Foundation for Advanced Education of Arkansas, Huie H. Smith, its president. The Arkansas Enterprises, Inc., Robert T. Shaw, its president, all of North Little Rock, Ark., and Haca Investments, Inc., formerly of Baton Rouge, La., from further violating the Securities Act registration requirements, and permanently enjoining Haca Investments from violating the broker-dealer registration requirements of the Securities Exchange Act. Refund of escrowed funds also ordered.

**BALL PABLO CO. ENJOINED.** The SEC Washington Regional Office announced March 20th (LR-2874) the entry of a Federal court order (USDC DC) permanently enjoining Ball, Pablo and Company, of 1000 Connecticut Ave., N. W., Washington, D. C., and its officers, Frank H. Ball, Jr., and Marcelino T. Pablo, from further violating the SEC record-keeping requirements. A receiver was appointed in December 1960.

**BERNSTEIN MACCAULAY FUND ORDER.** The SEC has issued an order under the Investment Company Act (Release IC-3941) granting Bernstein-Maccaulay Special Fund, Inc., 341 Madison Ave., New York, an exemption from certain provisions of the said Act to the extent they require stockholder approval of an investment advisory contract, election of the Fund's initial board of directors prior to the first annual meeting, and ratification of the selection of independent public accountants.

**STANDARD MOTOR PROPOSES DEBENTURE OFFERING.** Standard Motor Products, Inc., 37-18 Northern Blvd., Long Island City 1, N. Y., filed a registration statement (File 2-22171) with the SEC on March 19 seeking registration of \$3,000,000 of convertible subordinated debentures due 1984 (convertible into shares of Class A capital stock). The debentures will be offered for public sale through an underwriting group headed by Eastman Dillon, Union Securities & Co., One Chase Manhattan Plaza, New York 5, N. Y. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company manufactures and sell automotive replacement parts (ignition systems, carburetor parts, and battery cables and wire). The net proceeds from the debenture sale will be used primarily to finance the cost of acquiring the wholesale distribution facilities for its Marathon Parts Division, which was established in 1963 to engage in the wholesale distribution of automotive replacements parts manufactured mainly by others. The remaining proceeds will be used to repay outstanding indebtedness incurred in 1963 and 1964 by acquiring certain wholesale distributors and will be added to the company's working capital, which may be used as necessary to acquire additional parts distributors. In addition to certain indebtedness, the company has outstanding 375,501 shares of Class A and 374,649 of Class B capital stock, of which company officials own 50.10% of Class B stock. Bernard Fife is president of the company.

**MADISON LIFE INSURANCE PROPOSES RIGHTS OFFERING.** Madison Life Insurance Company, 850 Third Ave., New York, N. Y., filed a registration statement (File 2-22173) with the SEC on March 19 seeking registration of 200,000 shares of capital stock. It is proposed to offer 162,500 shares for subscription by common stockholders at the rate of one new share for each two shares held. The record date and offering price (\$10 per share maximum\*) will be supplied by amendment. The offering is not underwritten. The remaining 37,500 shares will be offered at the same price, to certain persons (to be designated by the Board of Directors) engaged in the sale of insurance written by the company.

Organized in 1962, the company is licensed to write various forms of life insurance in New York and Pennsylvania. Being a company newly engaged in the insurance business, it sustained losses of \$559,197 during the first seven months of operation (ended December 31, 1963). The net proceeds of the sale of additional stock will be added to the general funds of the company. The company has outstanding 325,000 shares, of which Milton A. Schiff (president and board chairman) owns 10.91% and the management officials as a group 37.11%. Schiff and other promoters of the company acquired 110,500 shares at \$6 per share at the time the company was organized, and an additional 214,500 were sold to the public at the same price in February 1963.

**SINCLAIR OIL FILES STOCK PLAN.** Sinclair Oil Corporation, 600 Fifth Ave., New York, N. Y., filed a registration statement (File 2-22174) with the SEC on March 19 seeking registration of 150,000 shares of common stock, to be offered under the company's Employees Savings Plan.

**SUPERMARKETS OPERATING CO. FILES STOCK PLAN.** Supermarkets Operating Co., 1416 Morris Ave., Union, N.J., filed a registration statement (File 2-22175) with the SEC on March 19 seeking registration of 50,000 shares of common stock, to be offered under the company's Restricted Stock Option Plan.

**COLGATE-PALMOLIVE FILES STOCK PLAN.** Colgate-Palmolive Company, 300 Park Ave., New York, N. Y., filed a registration statement (File 2-22176) with the SEC on March 20 seeking registration of \$9,000,000 of participations in its Employees Savings and Investment Plan, together with 139,535 shares of common stock which may be offered thereunder.

**KAISER STEEL FILES STOCK PLAN.** Kaiser Steel Corporation, 300 Lakeside Dr., Oakland, Calif., filed a registration statement (File 2-22179) with the SEC on March 20 seeking registration of 150,000 shares of common stock, to be offered under the company's 1962 Restricted Stock Option Plan for Officers and Employees.

**CORRECTION RE SURETY LIFE FILING.** In the SEC News Digest of March 10th, the parenthetical phrase "(said Class B shares constituting 50% of the capital of DCA Investors)" should have read "(said Class B shares constituting 50% of the capital of Aberdeen Management Corporation)".

**RECENT FORM 8-K FILINGS.** The companies listed below have filed Form 8-K reports for the month indicated and responding to the item of the Form specified. Copies thereof may be ordered from the Commission's Public Reference Section (please give News Digest's "Issue No." in ordering). Invoice will be included with photocopy material when mailed. An index of the caption of the several items of the form was included in the March 9th News Digest.

Glidden Co Feb. 1964 (Its 7,11)  
 American Electric Power Co, Inc  
 Feb. 1964 (It 12)  
 Appalachian Power Co Feb. 1964 (It 12)  
 Brunswick Drug Co Feb. 1964 (It 11)  
 General Electric Co Feb. 1964 (It 3)  
 Consolidated Foods Corp Feb. 1964 (It 7)  
 Diners Club Inc Feb. 1964 (Its 4,7,13)  
 Hazel Bishop Inc Feb. 1964 (It 3)  
 Management Assistance Inc Feb. 1964 (Its 7,11)

Natl. Video Corp-Rico Electronics Inc  
 Feb. 1964 (Its 7,13)  
 Universal Foods Corp Feb. 1964 (Its 7,13)  
 Dashew Business Machines, Inc  
 Nov. 1962 (Its 6,11,13)  
 Aug. 1963 (Its 1,2,4,9,13)  
 Nov. 1963 (Its 11,13)  
 The Franklin Life Insurance Co Feb. 1964  
 (It 11)  
 Luck's Inc Jan. 1964 (Its 11,13)  
 Beneficial Standard Life Insurance Co  
 Feb. 1964 (Its 7,13)  
 Fischbach and Moore, Inc Feb 1964 (It 11)  
 General Development Corp Feb. 1964  
 (Its 3,7)  
 Glass Tite Industries, Inc Feb. 1964 (Its 3,12)

International Paper Co Feb. 1964 (It 13)  
 Rowe Furniture Corp Feb. 1964 (It 11)  
 Henry I. Siegel Co Inc Feb. 1964 (Its 7,11,12)  
 Bramalea Consolidated Devel. Ltd. April 1962  
 (It 12)  
 Nov. 1962 (Its 7,12,13)  
 Jan. 1963 (It 2)  
 July 1963 (It 12)

Campbell Machine, Inc Feb. 1964 (It 7)  
 The Deltona Corp Feb. 1964 (Its 7,13)  
 E. I. Du Pont De Nemours & Co Feb. 1964 (It 13)  
 Florida Power & Light Co Feb. 1964 (It 12)  
 Geotechnical Corp Oct. 1963 (It 11)  
 The Greater Nebraska Corp Feb. 1964 (Its 7,11)

Hager Incorporated Feb. 1964 (It 8)  
 Kellwood Co Feb. 1964 (It 11)  
 National Central Life Insur. Co Feb. 1964  
 (It 11)

Holly Sugar Corp Feb 64 (Its 7,13)  
 Kayser Roth Corp Oct 63 (It 11) & Aug 63  
 (Its 7,8)  
 Internatl. Rys of Cen Amer. Feb 64 (It 6)  
 Natco Corp Feb 64 (It 13)  
 Northwest Bancorporation Feb 64 (It 3)  
 Muskegon Piston Ring Co Feb 64 (Its 3,12)  
 Indiana Genl. Corp Feb 64 (Its 12,13)  
 Iowa Ill. Gas & Elec. Feb 64 (It 3)  
 Kansas City Power & Lt Co Feb 64 (It 13)  
 Internatl. Utilities Corp Feb 64 (Its 12,13)  
 D. Kaltman & Co Inc Feb 64 (It 11)  
 Loew's Theatres, Inc Jan 64 (It 3)  
 Kansas Power & Light Co Feb 64 (It 12)  
 Lakey Foundry Corp Feb 64 (It 11)  
 ILL. Power Co Feb 64 (It 13)  
 May Dept. Stores Co Feb 64 (It 13)  
 Dover Corp Feb 64 (Its 7,13)  
 Genl. Portland Cement Co Feb 64 (It 13)  
 Hewlett-Packard Co Feb 64 (It 11)  
 Brown-Forman Distillers Corp Amend #1 to 8K  
 for Feb 64 (Its 7,10)  
 May Dept Stores Co Amend #1 to 8K for Sept 63  
 (It 13)  
 The Budd Co Feb. 1964 (Its 3,13)  
 Foster Wheeler Corp Feb. 1964 (Its 12,13)  
 U.S. Life Insur. Co In The City Of N.Y.  
 Feb. 1964 (Its 7,10)  
 Famous Artists Schools, Inc Feb. 1964 (It 11)

Dayton Power & Light Co Feb. 1964 (It 12)  
 Manhattan Shift Co Feb. 1964 (It 7)  
 Schield Bantam Co Jan 1964 (Its 12,13)  
 First Apache Realty Program April 1962  
 (Its 4,7,13)  
 Nov. 1962 (Its 4,7,13)  
 Globe-Wernicke Ind, Inc Feb. 1964 (It 3)  
 Abbott Laboratories Feb. 1964 (Its 2,7,11,13)  
 Hartford Electric Light Co Feb. 1964 (It 13)  
 American Petrofina, Inc Amend #1 to 8K for  
 April 1963 (It 7)  
 Indian Head Mills, Inc Feb. 1964 (It 11)  
 Merck & Co Inc Feb. 1964 (It 13)  
 Bloomfield Building Ind, Inc Dec. 1963  
 (Its 11,12,13)

**SECURITIES ACT REGISTRATIONS.** Effective March 20: Atlas Chemical Industries, Inc. (File 2-22060). Effective March 23: Gulf Oil Corp. (File 2-22124); Lilli Ann Corp. (File 2-22090); Pacific Mines, Inc. (File 2-21599). Withdrawn March 20: Sterling Cooper Corp. (File 2-20632).

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

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