

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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FOR RELEASE July 25, 1962

REGISTRATION DENIED ASSOCIATED INVESTORS (ARK). The SEC today announced the issuance of a decision under the Securities Exchange Act (Release 34-6859) denying an application for broker-dealer registration filed by Associated Investors Securities, Inc. (formerly National Investors Security Company), 209 Commercial National Bank Bldg., Little Rock, Ark. A request of First Equity Securities Corporation (an affiliated company), 1606 North Broadway, Oklahoma City, Okla., for withdrawal of its application for broker-dealer registration was granted. Jess Paul Odom, president of both companies, together with Earl Benjamin North, Glen Wilson Sharp, and Gerland Paul Patten, officers of one or both companies were found to be a cause of the denial order.

In its decision (written by Commissioner Frear), the Commission ruled that Associated, aided and abetted by Odom, North, Patten and Sharp, violated the Securities Act registration requirement, the anti-fraud provisions of that Act and the Exchange Act, and the broker-dealer registration provisions of the latter Act, in the offer and sale of unregistered securities of Associated, of National Investors Life Insurance Company, of Arkansas (Arkansas Life), and of National Investors Life Insurance Company of Louisiana (Louisiana Life) during 1957-59. The Commission rejected claims of the respondents that the offering and sale of the securities were entitled to exemption from the Securities Act registration requirement. Moreover, according to the decision, in the offer of the securities of Associated, Arkansas Life and Louisiana Life, Associated guaranteed that it would establish and maintain successively higher market prices for the said securities for a two-year period. The Commission observed that "it is clear that where the seller dominates and controls the market and fixes the price of the stock at increasingly higher levels, he is engaging in an activity which has the effect of artificially inflating the market and is manipulative in purpose." To announce such manipulative activity in advance, the Commission ruled "evidences a callous disregard of the principles of fair dealing and of the securities laws which are designed to secure compliance with those principles."

The Commission also ruled that the literature used in the public sale of Associated stock was false and misleading, particularly with respect to the company's guarantee of dividends of not less than 5.2% for the year ending May 15, 1959, and not less than 6%, 7%, 8% and 10% in the four succeeding years. Similar representations were made by Associated as underwriter of a public offering of stock of Bowman Industries, Inc., an Arkansas company. In connection with sales literature (prepared by Sharp), it was stated that Bowman assured investors a cash return of 5% on August 1, 1960, and a 6% and 7% in the two succeeding years. Such sales literature also represented that Bowman, with the additional working capital supplied by its stock offering, would be able to increase production and its profits would "skyrocket immediately." The Commission ruled that no basis appeared for such optimism and found that such representations were materially false and misleading. The Commission also held that Associated has engaged since July 1958, and the individual respondents caused it to engage, in the purchase and sale of securities without being registered with the Commission as a broker-dealer in violation of the Exchange Act; and that respondents, in the offer and sale of Associated stock, failed to disclose that Odom, North and Patten had obtained a majority of the stock of Associated for inadequate consideration, thus failing to disclose facts indicating the large dilution of the public's equity.

SEC ORDER APPROVES FEES IN NATIONAL FUEL GAS CASE. The SEC has issued an order under the Holding Company Act (Release 35-14673) authorizing the payment of \$11,712 of legal and other fees and expenses in connection with proceedings culminating in the February 1962 order of the Commission approving a plan providing for the exchange of common stock of National Fuel Gas Company, a registered holding company, for the publicly-held common shares of one of its gas utility subsidiary companies, Pennsylvania Gas Company.

KEYSTONE-UNIVERSAL INDUSTRIES FILES FOR STOCK OFFERING. Keystone-Universal Industries, Inc., 4042-54 Saw Mill Run Blvd., Pittsburgh, Pa., filed a registration statement (File 2-20591) with the SEC on July 24th seeking registration of 100,000 shares of common stock, to be offered for public sale at \$3.50 per share. The offering will be made on a best efforts all or none basis by Strathmore Securities, Inc., 605 Park Bldg., Pittsburgh, Pa., which will receive a \$.4375 per share commission and \$15,000 for expenses. The statement also includes 20,000 shares underlying 4-year warrants to be sold to the underwriter at 1¢ each, exercisable at \$2.75 per share, and 5,000 shares underlying like warrants to be sold to Ronald C. Schmeiser, the finder. A \$3,500 fee is also payable to Schmeiser.

Organized under Pennsylvania law in May 1962 to acquire its present subsidiaries, the company sells at retail levels carpets of various qualities, styles and colors, principally in Western Pennsylvania, Eastern Ohio and Northern West Virginia. Of the \$257,250 estimated net proceeds from the stock sale, \$165,000 will be used to establish 11 branch outlets and the balance for working capital, primarily to finance the company's own commercial paper. In addition to certain indebtedness, the company has outstanding 135,000 shares of common stock, all of which are owned by Marcus Shafer, president. Such shares were issued to Shafer in exchange for his (and his wife's) interests in the company's predecessors, which interests had an April 30, 1962 book value of about \$41,640 (31¢ per share).

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U. S. VITAMIN & PHARMACEUTICAL FILES STOCK PLAN. U. S. Vitamin & Pharmaceutical Corporation, 800 Second Avenue, New York, filed a registration statement (File 2-20592) with the SEC on July 24th seeking registration of 50,000 shares of common stock, to be offered pursuant to its Employees' Incentive Stock Option Plan.

DAVID E. HENSLEY SENTENCED. The SEC Seattle Regional Office announced July 23d (Lit-2324) that David Earle Hensley received a three-year prison sentence on his plea of guilty to one count of a 15-count indictment (USDC WD Wash.) charging fraud in the sale of stock of D. Earle Hensley Co. Inc.

SECURITIES ACT REGISTRATIONS. Effective July 24: Consolidated Credit Corp. (File 2-19701). Effective July 25: Ernest E. Blanche & Associates, Inc. (File 2-19948); G.M.S. Stores, Inc. (File 2-20314); General Motors Corp. (File 2-20570); Lehigh Industries & Investing Corp. (File 2-19588); Mueller Brass Co. (File 2-20441); Sternco Industries, Inc. (File 2-19817); Virginia Electric & Power Company (File 2-20509). Withdrawn July 25: J. L. Turner & Son, Inc. (File 2-20051).

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