

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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DOMAN HELICOPTERS FILING QUESTIONED. The SEC has ordered proceedings under the Securities Act of 1933 which question the accuracy and adequacy of informational disclosures contained in a registration statement filed by Doman Helicopters, Inc., Municipal Airport, Danbury, Connecticut. A hearing has been scheduled for October 30, 1962 in the Commission's Washington Office to take evidence with respect to the alleged deficiencies in the statement for the purpose of determining whether certain representations therein are false and misleading and, if so, whether a "stop order" should be issued suspending the statement.

According to the Doman Helicopter's prospectus the company was organized in August 1945, to develop and apply certain inventions of Glidden S. Doman in the field of helicopter rotor construction. The company proposes to offer 418,680 shares of common stock (par value 10¢ per share) to the present holders of common stock through transferable subscription warrants at the rate of two shares for every three shares held, and 189,291 shares to certain creditors in satisfaction of claims against the company. In addition, certain selling stockholders propose to offer 74,000 shares of common stock to the public.

Among the items of disclosure challenged by the Commission are the following: The manner and order in which the offerings are to be made and the participation of the officers, directors, their affiliates and associates in the offerings; the contemplated uses of proceeds and the sources of funds necessary to meet current expenditures; the company's past operating history, including the lack of reference to the history of extended and unsuccessful negotiations with various agencies of the Department of Defense for bids on contracts to supply helicopters for military use; the omission of results of tests made on the company's helicopters by various agencies of the Department of Defense and the relationship of such results to the present acceptability of the company's helicopter for both commercial and military use, as well as to claims made in the prospectus for the company's helicopters; the terms, conditions and present work progress under a license agreement with Societa per Azione Aeronautica Sicula of Palermo, Sicily, the company's manufacturing agent; the identity of certain optionees and amount of consideration received and to be received by the company for issuance of certain options; the number of shares presently outstanding, including the circumstances surrounding the issuance of securities since September 20, 1959; and the number of shares presently held by officers, directors, their associates and affiliates, including the circumstances surrounding such issuance.

The issuer now has outstanding 627,859 common shares, par value 10¢ per share, of which the officers and directors own 62,862 shares or 10.02%.

NEW SEC ORDER CITES BARUCH & CO., OTHERS. The SEC has ordered new proceedings under the Securities Exchange Act of 1934 to determine whether the broker-dealer registrations of the following firms should be revoked for alleged violations of the Federal securities laws by the firms and/or certain persons associated with them: R. Baruch and Company, 1518 K Street, N. W., Seraphim & Company, Inc., 533 Woodward Building, and Fairfax Investment Corporation, 1841 K Street, N. W., all of Washington, D. C., and A. T. Brod & Company, 120 Broadway, New York. The proceedings with respect to Baruch and Co. and Brod & Co. also concern the question whether they should be suspended or expelled from membership in the National Association of Securities Dealers, Inc., and whether Brod & Co. should be suspended or expelled from membership in the New York and American Stock Exchanges. On October 1st, the Commission terminated similar proceedings with respect to the respondent firms, "without prejudice to the subsequent institution of new proceedings based upon the same or other charges." Commissioners Woodside and Cohen did not participate in the Commission's action authorizing the new proceedings.

The Commission's orders with respect to Baruch and Co. and Brod & Co. recite allegations of its staff that information developed in an investigation tends to show that they violated the Securities Act registration and anti-fraud provisions and the anti-manipulative provisions of the Securities Exchange Act in connection with the offer and sale of stock of Agricultural Research and Development, Inc. ("AGR") in 1961. The Commission's order with respect to Baruch & Co. also contains allegations by its staff that fraudulent representations were made by that firm in its offer and sale of stock of Micro Electronics Corporation during the period September and October 1961; the stock of Government Personnel Savings and Loan Association, Inc., during the period November 1960 through March 1961; and the stock of Baruch and Co., itself, during the period January-October 1961. The Commission's staff also asserts that Claude V. Warren, president of Fairfax, while employed by another firm, and John C. Pappas, president of Seraphim, while employed as a registered representative with Brod & Co., also offered and sold AGR stock in violation of the Securities Act registration and anti-fraud provisions. In addition to said persons, the Commission's orders name several other participants in the alleged violations, including Baruch Rabinowitz, president of Baruch and Co., and Martin Lesser, former general partner of Brod & Co.

Hearings will be held, at times and places to be announced, for the purpose of taking evidence on the foregoing to determine whether the staff charges are true and, if so, whether the broker-dealer registrations of the four firms should be revoked.

REGISTRATION DENIED KAY BRUNELL. The SEC today announced the issuance of a decision under the Securities Exchange Act (Release 34-6913) denying an application for broker-dealer registration filed by Kay Brunell, doing business as Kay Brunell Securities Company, 277 Park Ave., New York.

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In its decision, the Commission ruled that Kay Brunell, while employed in 1960 as a saleswoman by John C. Cravin Co., Inc., made false and misleading statements over the telephone in the offer and sale of stock of Ponce de Leon Trotting Association, Inc., in violation of the anti-fraud provisions of the Federal securities laws. The Commission also held that she continued to make misleading and deceptive statements to customers even though she knew in the summer of 1960 that Ponce was in a precarious condition and that a receiver had been appointed. Although each prospective customer usually received sales literature from Cravin (prior to being contacted by Kay Brunell) which characterized an investment in Ponce as a speculation, the Commission ruled that such disclosure "is not a license to indulge in the far-fetched." The inconsequential disclosures of the sales literature, coupled with its failure to disclose Ponce's precarious financial condition, "did not provide even a fragile basis for applicant's irresponsible and dishonest sales talk," the Commission held. The Commission noted that Kay Brunell succeeded in selling Ponce stock to some 189 persons, of whom 90% were new customers taken from a mailing list to whom a "flyer" had been mailed by Cravin with a request to call applicant therein. She had represented among other things that the stock, being offered at 75¢ per share, would double in price and might rise to \$5 per share, and that Ponce had a great potential and its stock was a safe investment. Kay Brunell did not have an adequate or reasonable basis for such statements and failed to disclose available adverse information to purchasers of the stock.

NEVADA NORTHERN GAS PROPOSES RIGHTS OFFERING. Nevada Northern Gas Company, 2011 Las Vegas Blvd., South, P. O. Box 1450, Las Vegas, filed a registration statement (File 2-20823) with the SEC on October 15th seeking registration of 209,000 shares of common stock. It is proposed to offer such stock for subscription at \$10.50 per share by holders of certain outstanding securities of Southwest Gas Corporation, its parent, at the rate of 2/9th of a share for each outstanding common share of Southwest and for each common share into which outstanding preferred stock and first mortgage bonds are convertible. The record date is to be supplied by amendment. The underwriters, headed by Eastman Dillon, Union Securities & Co., 3115 Wilshire Blvd., Los Angeles, will receive a 30¢ per share commission in respect of all shares offered plus an additional 50¢ per share in respect of each share of unsubscribed stock and each share of stock acquired by them through the exercise of rights purchased by them.

The company is in the process of constructing and upon completion will operate a pipeline system for the transportation and sale of natural gas in northern Nevada. The gas will be purchased from El Paso Natural Gas Company and sold to industrial users and retail distribution companies in northern Nevada. The net proceeds from the stock sale, together with proceeds from the sale of \$8,000,000 of first mortgage bonds to insurance companies and 125,000 preferred shares to Southwest, estimated at an aggregate of \$12,500,000, will be used to construct the pipeline system. Any balance will be used for working capital. In addition to the preferred stock, the company has outstanding 1,000 common shares, all owned by Southwest. H. G. Laub is president of both companies.

CANADIAN RESTRICTED LIST. The SEC has removed National Telepix (Canada) Limited from its Canadian Restricted List. This reduces to 257 the number of Canadian companies whose securities the Commission has reason to believe recently have been or currently are being distributed in the United States in violation of the registration requirements of the Securities Act of 1933, thus depriving investors of the financial and other information essential to an informed and realistic evaluation of the worth of the securities which registration would provide (Release 33-4544).

SEC ACTION NAMES GARDNER-STANLEY-HARRIS. The SEC San Francisco Regional Office announced December 10th (LR-2395) the filing of court action (USDC, Los Angeles) against Gardner, Stanley and Harris, Inc., of Los Angeles, Philip Gardner, Deane Stanley, Richard Harris and Quentin Gardner, officers, seeking to enjoin the defendant corporation from continuing the conduct of a securities business while insolvent and seeking the appointment of a receiver for the said firm.

MARSHAL MFG. ENJOINED. The SEC San Francisco Regional Office announced December 12th (LR-2396) the entry of a Federal court order (USDC, Las Vegas) permanently enjoining Marshal Manufacturing Co., Inc., from further violations of the Securities Act anti-fraud provisions in the offering and sale of its stock. The company consented to the injunction.

PROFESSIONAL INSURORS SUSPENSION PERMANENT. Professional Insurors and Investors, Ltd., 123 Cook St., Denver, Colo., has withdrawn its request for a hearing upon the June 25, 1962 order of the SEC temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a proposed public offering of securities by that company. Accordingly, the suspension order has become permanent; and the hearing scheduled for September 17, 1962 in Denver has been cancelled.

AMERICAN RADIOTELEPHONE HEARING POSTPONED. On request of American Radiotelephone Corporation, 215 Oak St., Natick, Mass., the Commission has authorized postponement from October 22 until further notice, of the hearing in its Boston Regional Office on the question whether to vacate or make permanent its prior order of September 5, 1962 temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of debentures by that company. The postponement was requested in order to provide an opportunity for counsel to undertake the negotiation of a factual stipulation which might obviate the necessity for an evidentiary hearing.

SECURITIES ACT REGISTRATIONS. Effective October 15: First National Realty & Construction Corp. (File 2-20576); Western Power & Gas Co. (File 2-20727). Effective October 16: Certified Capital Corp. (File 2-20634); Colony Growth Plans (File 2-19564); Scientific Equipment Manufacturing Corp. (File 2-20312).