

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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Statistical Release No. 1875. The SEC Index of Stock Prices, based on the closing price of 300 common stocks, for the week ended January 4, 1963, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1962 is as follows:

	1957-59 = 100		Percent Change	1962	
	1/4/63	12/28/62		High	Low
Composite	130.6	128.3	+1.8	144.3	107.0
Manufacturing	121.8	119.5	+1.9	135.0	98.6
Durable Goods	117.2	114.2	+2.6	135.6	95.2
Non-Durable Goods	126.1	124.4	+1.4	134.4	101.8
Transportation	106.4	102.4	+3.9	111.0	85.5
Utility	170.3	168.2	+1.2	185.5	143.0
Trade, Finance & Service	153.5	151.1	+1.6	178.2	129.8
Mining	104.2	101.5	+2.7	113.3	83.8

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended January 3, 1963, 30 registration statements were filed, 9 became effective, 5 were withdrawn, and 415 were pending at the week-end.

FIDELITY SECURITIES REGISTRATION REVOKED. The SEC has issued a decision under the Securities Exchange Act (Release 34-6987) revoking the broker-dealer registration of Fidelity Securities Corporation, 401 Glenwood Ave., Glenburnie, Md., for violations of the anti-fraud and other provisions of the Federal securities laws. Arthur Merican, a former vice president and treasurer, and W. A. Pancoast, a former salesman, were each found a cause of the revocation order.

The Commission ruled that in the sale of stock of Eshelman Motors Corporation in 1959, the firm, together with or aided or abetted by Merican and Pancoast, violated the anti-fraud provisions of the Federal securities laws in that they sold such stock to customers at excessive mark-ups of 33.3% to 108% over contemporaneous costs of \$1.20 to \$1.50 per share and, in connection with such sales, Pancoast made false and misleading statements concerning the listing of the stock on a national securities exchange and its present and future market price. The Commission also found that the firm and Merican violated the law in that (1) in connection with the purchase and sale of said stock, they sent confirmations to customers which did not disclose the capacity in which the firm had acted in such transactions, and (2) they failed to make and keep certain required records. The Commission rejected Merican's assertions of inexperience and belief that the company's transactions were lawful and his assertion that information required to be reflected in separate ledger accounts was available in other records.

The Commission further found that the firm, aided and abetted by Herman F. Timme, president and sole stockholder, violated the Exchange Act record keeping requirement in that in February 1960 the firm filed an uncertified report of financial condition to which was attached an affidavit by Timme stating that the company was exempt from the certification requirement of the Act because it had not done business with other brokers and had acted only as broker in soliciting subscriptions for securities of the issuer when, in fact, the company had effected transactions as principal with customers and other broker-dealers. The Commission noted, however, that Timme did not become an officer, director and shareholder of the firm until after all the said violations had been committed except that relating to his affidavit. Timme asserted that he was inexperienced in the securities business and believed in good faith that certification was not required and, upon being notified that it was necessary, he filed a certified report. The Commission's order for proceedings also charged William Meyers, the firm's former president, with having participated in all the above violations (except Timme's), but efforts to serve him with the order have been unsuccessful; and the Commission has reserved jurisdiction with respect to him.

GROUP ANNUITY CONTRACTS RULE ADOPTED. The SEC today announced the adoption of a new Rule 3c-3 under the Investment Company Act (Release IC-3605) exempting from that Act transactions of insurance companies with respect to certain group annuity contracts providing for administration of funds held by them in a separate account established and maintained pursuant to legislation which permits the income, gains and losses (whether or not realized) from assets allocated to such account to be credited to or charged against such account without regard to other income, gains or losses of the insurance company.

The new rule contemplates that employers would make payments to such accounts as a means of accumulating the funds required to discharge their obligations under pension plans to provide their employees with annuities in fixed-dollar amounts upon their retirement. It is also contemplated that the assets allocated to such a special account would be invested free of the usual restrictions applicable to investment by insurance companies in common stocks. Under the type of pension contract which would utilize such special accounts, the risk of market fluctuation of equities occurs only during the accumulation period and is on the employer. The annuity which will be provided for a retired employee is not affected by market fluctuations. The

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exemption provided by the new rule would be available only if certain requirements are met, including the following. The pension plan must meet the qualification requirements under Section 401 or the requirements for deduction of the employer's contributions under Section 404(a)(2) of the Internal Revenue Code, must cover a least 25 employees as of the plan's initiation date, must not provide for payment of retirement benefits measured by the investment results of the assets allocated to the segregated account, and must not permit the allocation to the separate account of any payment or contribution by any employee.

EASTERN PA. INVESTMENT SEEKS ORDER. Eastern Pennsylvania Investment Company, Philadelphia closed-end investment company, has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company; and the Commission has issued an order (Release IC-3607) giving interested persons until January 23d to request a hearing thereon. According to the application, Eastern's outstanding securities are owned beneficially by eight banking institutions, only one of which (The First Pennsylvania Banking and Trust Company) owns 10% or more; and the value of such securities held by said bank does not exceed 5% of the bank's total assets. In addition, Eastern does not intend to make a public offering of its securities.

TOWNSEND CORP. PROPOSES BORROWINGS. Townsend Corporation of America has joined with Townsend Management Corporation, registered investment companies of Short Hills, N. J., in the filing of an exemption application under the Investment Company Act with respect to a proposed loan of \$380,000 by Townsend Management to Townsend Corporation to permit the latter and subsidiaries thereof to repay outstanding past-due borrowings and to meet other urgent commitments; and the Commission has issued an order (Release IC-3608) giving interested persons until January 24, 1963, to request a hearing thereon.

LEHIGH INDUSTRIES & INVESTING FILES RESCISSION OFFER. Lehigh Industries & Investing Corporation, 800 71st St., Miami Beach, Fla., filed a registration statement (File 2-20998) with the SEC on January 4 seeking registration of 46,360 shares of Class A common stock. On July 24, 1962, the company began a public offering of 300,000 Class A shares which, according to the prospectus, was terminated in December because of adverse market conditions with 31,513 shares being sold. While the offering was in progress, Leeco Investors Corporation, the underwriter, purchased 31,443 Class A shares of the company in stabilizing transactions in the open market and resold 14,867 of such shares to the public, the balance of 16,576 shares being sold privately to Lee Ratner, president, and Lee County Land & Title Company, 48% owned by Ratner. The prospectus states that because the company did not obtain through the public offering all of the funds contemplated by the prospectus, it is offering to each stockholder who purchased shares in the public offering the right to rescind the purchase and obtain refund of the \$10 per share purchase price.

The company is engaged in the construction and sale of residences, commercial and community facilities at Lehigh Acres, Fla., and the supply of water, sewage and garbage disposal services to that community. The \$268,380 net proceeds from the earlier stock offering were applied as follows: \$46,750 in selling commissions, \$50,380 for expenses of the offering, \$202,000 for repayment of loans, and \$16,000 for construction of line extensions. In addition to certain indebtedness, the company has outstanding (at September 30, 1962) 457,367 Class A and 1,250,000 Class B shares, of which Ratner owns 61% and 20%, respectively, and Lee County Land 11% and 80%, respectively. In addition, Gerald Gould, a director, by virtue of his ownership of 22% of Lee County Land, owns indirectly 18% of the outstanding Class B shares of the company. The Class B shares owned by Land County Land are subject to an option held by Ratner to acquire such shares at \$1.30 to \$1.40 per share until April 1963. Book value of all stock now outstanding is 70¢ per share.

FIVE SEC STAFF MEMBERS PROMOTED. Chairman William L. Cary of the Securities and Exchange Commission today announced the appointment of Paul E. Leonard as Assistant Regional Administrator in the Washington (DC) Regional Office of the Commission. Mr. Leonard joined the staff of the Commission in 1958 as Special Counsel in the Office of the General Counsel after practicing law in Washington for about four years. Prior thereto and following his graduation from the Georgetown University Law School (LL.B., 1949), Mr. Leonard served as Law Clerk to Judge Alexander Holtzoff of the United States Court for the District of Columbia (1949-51) and as an Assistant United States Attorney in the District of Columbia (1951-54).

Mr. Leonard assumed his new duties during the latter part of 1962. Earlier in the year, four career employees of the Commission's Division of Corporation Finance were promoted to Assistant Director positions in that Division, namely, Joseph Bernstein, Douglas M. Dunn, Benjamin Levy and Herbert D. Miller. Their service as employees of the Commission averages in excess of twenty-five years. Mr. Bernstein is a graduate of George Washington University (B.A., 1948); Mr. Dunn of the University of California (B.S., 1929); Mr. Levy of the Boston University School of Law (LL.B., 1927); and Mr. Miller of National University (LL.B., 1935).

SECURITIES ACT REGISTRATIONS. Effective January 4: Controls Company of America (File 2-15354); New York Telephone Co. (File 2-20957); Perkin-Elmer Corp. (File 2-20870). Effective January 7: Town and Country Associates (File 2-20874); Warren Associates (File 2-20657). Withdrawn January 4: Dorado Riviera Associates (File 2-20841); Everbest Engineering Corp. (File 2-20183); Montebello Liquors, Inc. (File 2-20208).

SEC FILES GRAYSON-ROBINSON MOTION. The SEC filed a motion in the Chapter XI proceedings involving Grayson-Robinson Stores, Inc. (USDC SDNY), for dismissal of the proceedings in favor of a Chapter X re-organization (Release CR-191).