

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



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

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FOR RELEASE August 7, 1961

Statistical Release No. 1770. The SEC Index of Stock Prices, based on the closing price of 300 common stocks for the week ended August 4, 1961, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1961 is as follows:

	1957-59 = 100		Percent Change	1961	
	8/4/61	7/28/61		High	Low
Composite	137.1*	135.0	+1.6	137.1	118.3
Manufacturing	129.9*	127.6	+1.8	129.9	113.0
Durable Goods	131.8	129.3	+1.9	132.1	117.0
Non-Durable Goods	128.1*	126.0	+1.7	128.1	109.2
Transportation	106.0	104.4	+1.5	109.4	97.8
Utility	170.0	170.1	-0.1	173.0	164.4
Trade, Finance & Service	163.5*	159.3	+2.6	163.5	132.5
Mining	93.5	92.6	+1.0	99.5	83.3

\*New High

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended August 3, 1961, 47 registration statements were filed, 25 became effective, 2 were withdrawn, and 547 were pending at the week end.

EARLE HENSLEY CO. REGISTRATION REVOKED. The SEC today announced a decision under the Securities Exchange Act (Release 34-6611) revoking the broker-dealer registration of D. Earle Hensley Co., Inc., 1711 Smith Tower, Seattle, for "fraud" in its transactions with customers and other violations of the Federal securities laws. D. Earle Hensley, his wife, Bernice K. Hensley, and Jack R. Clement, officers and stockholders, were each found to be a cause of the revocation order.

In its decision (issued August 4th and written by Commissioner Gadsby), the Commission ruled that the "Respondent" company engaged in the conduct of a securities business for several months prior to its registration in September 1959 as a broker-dealer, thus violating the registration requirement; included a false financial statement in its registration application; committed fraud in its securities transactions by reason of false representations in the sale of its stock to public investors, misappropriation of customers' funds and securities, and failure promptly to deliver securities to customers and to remit to an issuer the proceeds of securities sold as underwriter; and violated the Commission's net capital and record-keeping rules. Respondent and D. Earle Hensley were enjoined by Federal court order in January 1961 (with their consent) from various of the foregoing violations.

According to the decision, Respondent made false and misleading statements in the sale of its own common and preferred stocks during the second quarter of 1959 in amounts aggregating \$106,000. These included statements that purchasers could not possibly lose their money and would get a guaranteed rate of 6% "interest" on the preferred; that Respondent had been "paying earnings in excess of \$1 per share" and expected to pay dividends of \$1 per share in 1959; and that on the basis of certain purported underwritings and other business Respondent's gross earnings would approximate \$8 per share and therefore its common stock could be expected to increase from the \$2 per share offering price to \$15 or \$20 or \$25 per share within a short time. In fact, Respondent had never paid any dividends; suffered a loss in 1958 and had very little income in 1959 (aggregating about \$400 during the 1959 second quarter); submitted no evidence of the purported underwritings; and had substantial unrecorded liabilities and was in such a precarious financial position that it used funds of customers to pay operating expenses and used proceeds of the sale of its own stock to satisfy its liability to account to an issuer for the sale of that company's shares as underwriter.

Moreover, after termination of its common stock offering at \$2 per share, Respondent continued to offer such shares at prices ranging from \$2.50 to \$4 per share upon the representation that such prices represented the market prices, without revealing that the only market for the shares was one which it created; purchased 150 shares of an insurance company stock from a customer at \$3 per share without disclosing that it had arranged to resell the stock to another customer at \$5 per share, thus realizing a mark-up of 66-2/3% over its cost in a riskless transaction; failed to make prompt delivery to customers who had deposited funds for the purchase of securities, and failed to remit promptly to other customers the proceeds of the sale of their securities, and instead appropriated those funds to its own use; and failed to account properly to an issuing company for the proceeds of stock sold for it as underwriter, as a result of which purchasers failed to receive their certificates promptly, and was obliged later to pay the issuer \$11,518 in settlement of the account, the funds being derived from the sale to the public of Respondent's own stock.

In addition, Respondent conducted a securities business in violation of the Commission's net capital rule and failed to make and keep current various books and records as required by the Commission's record-keeping rules. According to the decision, its net capital deficiency amounted to \$17,384 on July 29, 1959, and \$32,345 on August 31, 1959. It also failed to include among the liabilities reflected in its financial statement, accounts payable estimated at from \$12,000 to \$15,000.

OVER

**CARBOLINE FILE FILES FOR OFFERING AND SECONDARY.** Carboline Company, 32 Hanley Industrial Court, St. Louis, Mo., filed a registration statement (File 2-18638) with the SEC on August 4th seeking registration of 100,000 shares of common stock, of which 35,000 shares are to be offered for public sale by the company and 65,000 shares, being outstanding stock, by the present holders thereof. The stock is to be offered at \$5 per share on an all or none basis through underwriters headed by Reinholdt & Gardner. The underwriting terms are to be supplied by amendment. The registration statement also includes 5,000 common shares which underlie three-year warrants sold to the principal underwriter for \$250, exercisable at \$6 per share.

The company is principally engaged in the development and sale of synthetic linings and coatings for industrial use. Its principal products are manufactured from resins which it has developed and from commercial resins, including vinyls and epoxies, and are used for the purpose of protecting steel, concrete and other materials from the effects of weather, acids, alkalis, other chemicals and high temperatures. Substantially all of the company's products which are sold domestically are manufactured for it by Midwest Consultants, Inc., a non-affiliated corporation. Net proceeds from the company's sale of additional stock will be used to pay presently outstanding short-term bank indebtedness and the remainder will initially be added to general funds, and will be available for working capital or for use in connection with research related to the development of existing and additional products.

The company has outstanding 320,000 shares of common stock, of which Stanley L. Lopata, president, and Lucy M. Lopata, his wife and company vice-president, own 228,800 and 83,200 shares, respectively, and propose to sell 48,000 and 17,000 shares, respectively.

**MARSHALL INDUSTRIES PROPOSES RIGHTS OFFERING.** Marshall Industries, 2065 Huntington Drive, San Marino, Calif., filed a registration statement (File 2-18639) with the SEC on August 4th seeking registration of 131,305 shares of common stock. It is proposed to offer such stock for subscription by common stockholders at the rate of one new share for each four shares held. William R. Staats & Co. and Shearson, Hammill & Co. head the list of underwriters. The record date, subscription price and underwriting terms are to be supplied by amendment.

The company is engaged in research, development, design, manufacture and distribution of electronic components and instruments for use by industry and government, primarily in space and missile applications. As a prime contractor, it designs and manufactures sounding rockets and space probes and performs research and development contracts for various government agencies. Of the net proceeds from the stock sale, the company plans to use \$500,000 in its divisions and a similar amount will be loaned to its subsidiaries pursuant to presently existing loan agreements, in each case to enable them to carry higher inventories and accounts receivable. A portion of the amount so loaned, together with other funds, will be used to pay indebtedness of \$414,000 payable by Aerolab Development Co., incurred in connection with its acquisition by the company.

In addition to certain indebtedness, the company has outstanding 525,220 shares of common stock, of which Gordon S. Marshall, president, owns 72.7%. Marshall has agreed to sell his subscription rights to the underwriters, who in their discretion may or may not exercise any rights so acquired. Whether Marshall's rights are exercised or expire, the shares represented thereby, together with all other shares not acquired by the exercise of rights, will be acquired and offered to the public by the several underwriters.

**QUAKER STATE OIL FILES STOCK PLAN.** Quaker State Oil Refining Corporation, Box 138, Oil City, Pa., filed a registration statement (File 2-18640) with the SEC on August 4th seeking registration of 20,000 shares of capital stock, to be offered to eligible employees pursuant to the company's Thrift and Stock Purchase Plan.

**CROSSWAY MOTOR HOTELS SHARES IN REGISTRATION.** Crossway Motor Hotels, Inc., 54 Tarrytown Road, White Plains, N. Y., filed a registration statement (File 2-18641) with the SEC on August 4th seeking registration of 70,000 shares of common stock, to be offered for public sale at \$5 per share by Candee & Co., which will receive a 50¢ per share commission and \$17,000 for expenses. The underwriter will pay a finder's fee of \$16,250 to United Improvement and Investing Corp. The company has granted five-year warrants to the underwriter and United to purchase, respectively, 16,200 and 9,500 common shares at from \$5 to \$6. The registration statement also includes (1) 198,486 common shares which are to be issued to Stanley J. Slote, president, Lee G. Corton, vice-president, and Charles L. Weinberg, treasurer, and certain associates in exchange for certain properties and assets, and (2) 372,864 capital shares which the company proposes to offer in exchange for (a) the interests of the limited partners in Dunwoodie Associates and in University Associates, (b) units consisting of capital stock and debentures of Bristol Motel, Inc. and capital stock of Green Lane Realty, Inc., and (c) a long term promissory note drawn by Bristol Motel to Crossway Construction Co., Inc., which note is presently held by United Improvement & Investing Corp. To acquire such interests, stock and debentures, the company is offering (a) 26 common shares or, at the option of each offeree, (b) units consisting of 24 shares of the company's 45¢ cumulative preferred stock and two common shares for each \$100 of original investment. To acquire said promissory note, the company will offer 23,163 shares. As a result, the said 372,864 capital shares may consist of a possible maximum of 372,864 common shares or a possible maximum of 322,800 45¢ preferred shares and 50,064 common shares.

The company was organized in July 1961 by Slote, Corton and Weinberg for the purpose of creating a centrally operated motor hotel company. They intend that the company will engage primarily in the business of constructing, purchasing, leasing and otherwise acquiring interests in and managing motor hotels so as to develop a motor hotel chain. The said 198,486 common shares to be issued to the organizers and their associates are in exchange for Dunrill Construction Co., Inc., which owns the leasehold on and manages Dunwoodie Motor Inn, Westchester County, N. Y., UMI, Inc., which owns the leasehold on and manages University Motor Inn, and Gralec, Inc., which has contracts for the purchase of the site and for construction plans for the proposed Crossway Airport Inn across from LaGuardia Airport in New York; and in exchange for stock of Bristol

Motel, Inc. and Green Lane Realty, Inc. The net proceeds from the public sale of stock, estimated at \$255,000, will be applied to the reduction of the amount of outstanding debentures and long-term note, all of which were originally issued by Bristol Motel, Inc. in connection with its construction; to the acquisition of certain assets of Crossway Motor Hotel, Inc. and Crossway Construction Co., Inc.; to the repayment of indebtedness; and the balance, together with other funds, to site acquisition and construction of the Crossway Airport.

In addition to certain indebtedness, the company will have outstanding 641,550 shares of common stock (assuming all persons involved in the exchange offer accept only common stock), of which Slote, Corton and Weinberg will own 59,729, 59,728 and 59,729 shares, respectively.

**ALLIED STORES PROPOSES DEBENTURE RIGHTS OFFERING AND EXCHANGE.** Allied Stores Corporation, 401 Fifth Avenue, New York, filed a registration statement (File 2-18642) with the SEC on August 4th seeking registration of \$27,006,200 of convertible subordinated debentures due 1981. It is proposed to offer such debentures for subscription by common stockholders at the rate of \$100 of debentures for each ten shares held. Lehman Brothers heads the list of underwriters. The record, interest rate, subscription price and underwriting terms are to be supplied by amendment. The registration statement also includes 65,000 common shares to be offered in exchange for the outstanding stock of The Fair of Texas Company.

The company operates directly 14 stores classified as department and junior department stores; and its subsidiaries operate 70 such stores and 2 specialty stores. Two subsidiaries are engaged in providing domestic and foreign buying services, one of which also conducts wholesale operations. Another subsidiary, Allstores Realty Corporation, together with its subsidiaries, owns a substantial percentage of the properties occupied by the stores. The Fair of Texas Company is engaged in the department store business in Fort Worth, Arlington and Dallas, Texas. The net proceeds from the debenture sale will be added to general funds to be available for general corporate purposes, including the construction or fixturing of branch stores, limited line stores and mass merchandising simplified service stores.

In addition to certain indebtedness and two series of preferred stock, the company has outstanding, 2,691,615 shares of common stock. The amount of common shares owned by management officials as a group is to be supplied by amendment. B. Earl Puckett is listed as board chairman and Theodore Schlesinger as president.

**CANBOWL CENTERS FILES STOCK OFFERING PROPOSAL.** Canbowl Centers Limited, 100 Wilder Building, Rochester, N. Y., filed a registration statement (File 2-18643) with the SEC on August 4th seeking registration of 131,500 shares of common stock. It is proposed to offer such stock for subscription at \$5.50 per share by common stockholders of American Bowling Enterprises, Inc., the company's parent, at the rate of one share for each four American shares held. The record date is to be supplied by amendment. As of the record date, American will have 253,600 common shares outstanding and an aggregate of 272,400 Class A and Class B warrants outstanding which may be converted into a like number of common shares of American. If the stockholders of American or their assigns do not acquire a minimum number of 80,000 shares of the 131,500 shares being offered, American will be obligated to purchase for its own account at \$5 per share such number of shares as may be necessary to satisfy such minimum requirement. Any unsubscribed shares, and an additional 208,500 shares, will be offered for public sale in Canada at \$5.50 per share by Burns Bros. & Denton Limited, of Toronto. The statement also includes 60,000 common shares which underlie Restricted Stock Options granted to officers.

The company was organized under the laws of the Province of Ontario in July 1961 and intends to engage in the business of building and/or operating tenpin bowling centers. It is not yet conducting business. Net proceeds from the rights offering and stock sale in Canada, estimated at about \$1,700,000 will be added to working capital and used to build and operate modern bowling centers, and possibly to lease and/or purchase existing centers.

The company has outstanding 60,000 shares of common stock, acquired by American for \$6,000. David H. Goldman is listed as president of the company and of American.

**CORNING GLASS WORKS FILES FOR SECONDARY.** Corning Glass Works, Corning, N. Y., filed a registration statement (File 2-18644) with the SEC on August 4th seeking registration of 150,000 outstanding shares of common stock, to be offered for public sale by the holders thereof through underwriters headed by Harriman Ripley & Co. and Lazard Freres & Co. The public offering price and underwriting terms are to be supplied by amendment.

The company is engaged primarily in the manufacture of glass products having special qualities of chemical stability, electrical resistance, heat resistance, light transmission and mechanical strength, and technical glass products designed to comply with specific requirements of fabricators in other industries. It also produces products used in furnaces for the manufacture of glass and steel. In addition to certain indebtedness and two series of preferred stock, the company has outstanding 6,776,545 shares of common stock, of which Arthur A. Houghton, Jr., owns 290,035 shares and holds 1,105,846 shares of record (including 241,153 shares held in trusts in which he may have a beneficial interest as a contingent remainderman); and Amory Houghton, chairman of the executive committee owns 52,350 shares and holds 868,279 shares of record (including 680,413 held in trusts in which he may have a beneficial interest as a contingent remainderman). The prospectus lists six selling stockholders (including the two named above) who propose to sell amounts of their beneficial holdings which are to be supplied by amendment. Said two holders and others also propose to sell unspecified amounts held in various trusts. The selling stockholders as a group own or hold an aggregate of 1,508,530 shares. Amory Houghton, Jr. is listed as president.

**BUFFUMS' FILES FOR STOCK OFFERING.** Buffums', Pine at Broadway, Long Beach, Calif., today filed a registration statement (File 2-18645) with the SEC seeking registration of 40,000 shares of common stock, to be offered for public sale by Lester, Ryons & Co. The public offering price and underwriting terms are to be supplied by amendment.

The company operates three department stores in Southern California, which specialize in apparel for men, women and children, together with related lines of accessories, and also carries certain other houseware and other items. The net proceeds from the stock sale will be added to general funds to be available for general corporate purposes. In addition to certain indebtedness, the company has outstanding 508,140 shares of common stock, of which Harry Buffum, board chairman, and his wife, sisters and children, own an aggregate of 36%, and management officials as a group (including their families) own 47%. Vaile G. Young is listed as president.

**RO KO FILES FOR STOCK OFFERING.** Ro Ko, Inc., 3115 East 12th Street, Kansas City, Mo., today filed a registration statement (File 2-18646) with the SEC seeking registration of 120,000 shares of Class A common stock, to be offered for public sale at \$5 per share. The offering will be made through underwriters headed by Midland Securities Company, Inc. and George K. Baum & Company, which will receive a 50¢ per share commission and \$17,500 for expenses.

The company (formerly Columbia Toy Company) is engaged in the manufacture of stuffed toys at popular prices which are distributed mainly through wholesalers and large retail chain organizations. The company still uses the former name as a trade name. Of the net proceeds from the stock sale \$40,000 will be allocated to the purchase down payment on buildings in Kansas City (\$360,500 purchase price), \$60,000 to the purchase of replacement and additional equipment and machinery upon removal of operations into the newly acquired property, and the balance for a general expansion plan including expansion, among other things, of product lines, sales organizations and inventories.

In addition to certain indebtedness, the company has outstanding 42,000 shares of Class B common stock (after giving effect to a 37,200-share stock dividend in July 1961), of which Sherman Rosenberg, president, and Joseph C. Koffman, vice president, own 50% each.

**NEES-LYNN ELECTRIC EXCHANGE PLAN APPROVED.** The SEC today announced a decision under the Holding Company Act approving a plan filed by New England Electric System, a registered holding company (of Boston), for elimination through an exchange offer of the outstanding minority stock interest in its subsidiary, Lynn Electric Company, of Lynn, Mass.

NEES owns 93.76% of the outstanding stock of Lynn, the remaining 6.24% (17,867 shares) being held by 267 record holders. Previously, the Commission had notified NEES that the continued existence of a minority interest in Lynn was prima facie contrary to the provisions of Section 11(b)(2) of the Act, which requires an equitable distribution of voting power among security holders of registered holding companies and their subsidiaries. In proceedings pursuant to that Section which were joined with the proceedings on the plan filed by NEES pursuant to Section 11(e) of the Act, the Commission ruled that the elimination of the minority interest in Lynn was required, and it so ordered.

Under the plan, NEES will offer 40,200 shares of its common stock in exchange for the 17,867 minority shares of Lynn, on the basis of 2½ shares of NEES for each share of Lynn. In lieu of fractional shares, fractional scrip exchangeable for whole shares will be delivered. Upon the basis of its analysis of the assets, earnings and other factors bearing upon the relative worth of the stocks of the two companies, the Commission (in a decision written by Commissioner Frear) concluded that the plan was fair and equitable to all persons affected thereby and that it would effectuate the requirements of Section 11(b)(2).

The Commission will apply to the U. S. District Court in Boston for approval and enforcement of the plan. Upon approval and consummation of the plan, Lynn will issue to NEES a certificate for all the shares of Lynn common then held by its public shareholders and all certificates for the Lynn shares then held by public shareholders will be void except as evidence of their right to receive, upon surrender of their Lynn certificates to the exchange agent, NEES common shares and any fractional scrip, dividends, and other rights or cash to which they may be entitled under the plan.

**SECURITIES ACT REGISTRATIONS.** Withdrawn August 4: Goddard, Inc. (File 2-16078). Effective August 7: Associated Oil & Gas Co. (File 2-18120); Electronic Engineering Company of California (File 2-18290); Lafayette Realty Company (File 2-18043).

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