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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NASD SUSPENSION AFFIRMED. The SEC today announced a decision under the Securities Exchange Act (Release 34-7619) in which it sustained disciplinary action of the NASD against Jerome Goldberg, of Beverly Hills, Calif. According to the decision, Goldberg had established securities accounts in fictitious and deceptive names so as to conceal his ownership of securities from his employer, allocated to those accounts portions of his employer's participation in the public offering of a new issue, and thereafter sold the shares at a profit to the accounts. For these violations of NASD rules, he was fined $2,000 and censured, and his registration as a registered representative was suspended for six months. Goldberg appealed the NASD ruling.

Goldberg's activities involved his participation in the 1961 distribution of stock of Rocket Jet Engineering Corp. Goldberg persuaded his employer to participate in the selling group and undertook to sell the employer's entire allotment of 15,000 shares. He placed 2,400 shares in four accounts. The designations of three accounts, the Commission stated, were designed to conceal the true ownership and purpose of the accounts and Goldberg's relationship to them; and he made no disclosure to his employer of the facts respecting them. The market price of the Rocket Jet stock rose to $9 on the date of the offering and continued thereafter to be in excess of the $5 offering price; and the shares placed in the four accounts were sold at a profit of about $5,400 within a few months. The Commission affirmed the NASD ruling that the sales to three of the accounts "were sales to insiders which violated the NASD free-riding and withholding interpretation."

Goldberg urged that the six-month suspension will cause him to lose his customers and is equivalent to expulsion, and that it is "excessive and oppressive." In rejecting his arguments, the Commission observed that free-riding and withholding tend to produce exaggerated price movements of "hot" issues and that failure to make a bona fide public offering not only may have a direct adverse effect on investors who make purchases at artificially increased prices but tends to impair investor confidence in the existence of a free and unmanipulated market.

SEC ISSUES OPINION IN GODDARD CASE. The SEC today issued its decision with respect to its prior suspensions of the firm of J. H. Goddard & Co., Inc., of Boston (Release 34-7618). Based upon the firm's stipulation and consent, the Commission on July 2, 1964, had suspended the firm ("registrant") from NASD membership for the 45-day period July 3 through August 16, 1964, and from membership in the Boston Stock Exchange for the 90-day period August 16 through November 14, 1964. James H. Goddard, Sr., George C. Mirageas and Carleton Davenport had each been found a cause of the suspensions. Upon the basis of stipulated facts, the Commission had ruled that the firm and said individuals engaged in activities violative of the registration, anti-fraud and anti-manipulative provisions of the Federal securities laws. In ordering the suspensions, it announced that it would issue its definitive findings and conclusions later.

The violations involved transactions by the respondents during a period of a year beginning in December 1961 in the stock of United Security Life Insurance Co. (USLIC). "It is clear," the Commission stated, "that registrant dominated and controlled the market in USLIC stock, and increased its bids despite such domination . . . It is also clear that it manipulated the market in USLIC stock and failed to disclose to customers its control of the market or its manipulative activities." According to the decision, registrant inserted quotations for the stock in the daily quotation sheets on all but 11 business days over a 12-month period; it was the high bidder 86 times and was equal to the high bidder 96 times. Of the 94 times that the high bid was raised by dealers, registrant raised it 39 times independently of other dealers, and 22 times at the same time another dealer did so. Between December 1961 and April 1963, registrant purchased a total of about 390,000 shares, and sold 360,000 shares (including 306,000 shares sold to retail customers).

Registrant also distributed market letters as part of its "concerted selling effort," which recommended the purchase of USLIC stock and which contained inaccurate and misleading information concerning the issuer and its stock. These letters violated the anti-fraud provisions of the securities laws.

The USLIC stock distributed by registrant was acquired in part from interests in a control relationship with the issuer; thus, the sale of such "control" stock violated the Securities Act registration requirement.

AMERICAN NATURAL GAS RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-15257) authorizing American Natural Gas Company to acquire an additional 360,000 shares of common stock of its subsidiary, Michigan Consolidated Gas Company, for a total consideration of $5,040,000. Michigan Consolidated will apply the proceeds from the stock sale to its 1965 construction program, estimated to cost $55,000,000.

GLOBE REALTY PROPOSES OFFERING. Globe Realty Investments, 405 Southway Blvd., East, Kokomo, Ind., filed a registration statement (File 2-23678) with the SEC on June 1 seeking registration of 2,500,000 shares of beneficial interest in the trust, to be offered for public sale at $10 per share. Solar Bond and Share Co., 2954 Washington Blvd., Ogden, Utah, will act as dealer-manager on a best-efforts basis and will receive a $1 per-share selling commission.

Organized under Indiana law in May 1965, the trust proposes to provide "investors with an opportunity to participate in real estate investments on a diversified basis." Net proceeds from this offering will be ultimately invested in income-producing real estate or interest therein, although the trust presently has no such commitments. Floyd F. Cook is the presiding trustee.

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SUSPENSION OF MANDINGO OFFERING VACATED. The SEC today announced a decision under the Securities Act (Release 33-4783) vacating its order of July 2, 1964, temporarily suspending a Regulation A exemption from registration with respect to a public offering of $75,000 of limited partnership interests in The Mandingo Company, which was formed by William Baxter and Edward Friedman (general partners) to produce a play entitled "Mandingo." The temporary suspension was based on the partnership's failure to file reports of sales of its securities and the use of the proceeds thereof. According to the decision, the partnership apparently misunderstood the reporting reaquirements as necessitating legal and accounting services for which it had no funds. Upon the issuance of the temporary suspension order, Baxter undertook to complete and file the reports himself, and the Commission concluded that it was not necessary to make the suspension permanent.

CHENANGO & UNADILLA TEL. FILES FOR RIGHTS OFFERING AND SECONDARY. Chenango & Unadilla Telephone Corporation, Norwich, New York 13815, filed a registration statement (File 2-23682) with the SEC on June 4 seeking registration of 18,785 shares of common stock, to be offered for subscription by common stockholders at the rate of one new share for each 25 shares held on June 29. The registration statement also includes 70,772 common shares which are to be acquired by underwriters (at the rate of $12.42 principal amount of debentures for each share) upon conversion of an aggregate of $879,000 principal amount of the company's convertible debentures purchased from Mutual Life Insurance Company of New York. The underwriters plan to acquire an additional 2,830 shares pursuant to the rights offering. The 73,602 shares and any unsubscribed shares are to be offered for public sale by underwriters, headed by W. E. Hutton & Co., 14 Wall St., and Laird, Bissell & Meeds, 120 Broadway, both of New York. The offering price ($36 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is engaged in the telephone business in the State of New York. Net proceeds from its sale of additional stock will be used for the payment of a $100,000 short-term bank loan, for the purchase of all the outstanding capital stock of the Dimock Hollow Telephone Company for $73,500, and for the purchase of additional stock of Chenor Communications, Inc. In addition to indebtedness and preferred stock, the company has outstanding 398,849 common shares, of which management officials own approximately 2.7%. Otis A. Thompson is board chairman and William S. Kingman is president.

LINK-BELT FILES STOCK PLAN. Link-Belt Company, Prudential Plaza, Chicago, Ill. 60601, filed a registration statement (File 2-23683) with the SEC on June 3 seeking registration of 45,803 shares of common stock, to be offered at $36 per share to selected officers and employees of the company.

COLORADO INTERSTATE GAS FILES STOCK PLAN. Colorado Interstate Gas Company, P. O. Box 1087, Colorado Springs, Colo., filed a registration statement (File 2-23684) with the SEC on June 4 seeking registration of $2,500,000 of contributions by participating employees in the company's Thrift Plan, together with 77,979 shares of common stock that may be acquired pursuant thereto.

PENNSYLVANIA RAILROAD SUBSIDIARIES GRANTED EXEMPTION. The SEC has granted applications of the following subsidiaries of The Pennsylvania Railroad Company, filed pursuant to Section 12(h) of the Securities Exchange Act of 1934, for an exemption from the Commission's proxy rules with respect to any annual or other meeting of stockholders of such companies at which the only actions to be taken are the election of directors and/or such other action as does not affect the interest of the stockholders of the respective companies: The Pittsburgh, Youngstown and Ashtabula Railway Co.; Erie and Pittsburgh Railroad Co.; The Philadelphia and Trenton Railroad Co.; The Northern Central Railway Co.; The Cleveland and Pittsburgh Railroad Co.; The United New Jersey Railroad and Canal Co.; West Jersey and Seashore Railroad Co.; Pittsburgh, Fort Wayne and Chicago Railway Co.; Elmira and Williamsport Railroad Co.

According to the applications, Pennsylvania Railroad owns from 52.78% to 92.86% of the outstanding shares of the named companies.

ERT CORP. GRANTED EXEMPTION. The SEC has granted an application of ERT Corporation, of Jersey City, N. J., for exemption from the registration requirements of Section 12(g) of the Securities Exchange Act. The company is in the process of liquidation. Some 98% of its stock is owned by Emerson Radio and Phonograph Corporation. Stock held by holders other than Emerson has a net worth of about $35,000.

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended June 3, 1965, 38 registration statements were filed, 33 became effective, 1 was withdrawn, and 308 were pending at the week-end.

SECURITIES ACT REGISTRATIONS. Effective June 4: Jim Walter Corp., 2-23062 (June 10). Effective June 7: Missouri Edison Co. (File 2-23586); Unifund, Inc. (File 2-23137); Universal Match Corp., 2-23526 (July 14).

NOTE TO DEALERS. The last date or the period of time dealers are required to use the prospectus in trading transactions is shown above in parentheses after the name of the issuer.

*As estimated for purposes of computing the registration fee.

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