

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 EXPULSION OF KEISTER CO. AFFIRMED. The SEC today announced a decision under the Securities Exchange Act (Release 34-7988) sustaining the NASD's expulsion from membership of H. C. Keister & Company, of New York. Also affirmed was the revocation of the registration of H. C. Keister, a partner, as a registered representative; but a \$1,000 fine against the other partner, L. A. Sorneson, was reduced to \$500.

The Commission concurred in NASD findings that the Keister firm, at the instigation of its trader, Paul H. Beerman, was interposed between Thomson & McKinnon ("T&M"), of New York, and the best available market in the execution of T&M customer orders. Beerman had been employed to develop an over-the-counter trading department as a vehicle for reciprocity for listed business given to exchange members. During representative periods, totaling about three months, between April 1959 and December 1962, the Keister firm effected 316 transactions in a wide variety of securities with T&M; its profit averaged about \$40 on 237 principal transactions and computable commissions on 79 agency transactions averaged about \$25. In connection with such interpositioning, payments were made to T&M's senior order clerk, Benedict G. Kerrigone, in part through the use of a fictitious customer's account on Keister's books, for the purpose of influencing and rewarding Kerrigone for directing business to Keister.

According to the Commission's decision, the Keister firm's activities as a middleman operated to make a profit for the firm in return for listed business given to T&M, and to increase the price paid for securities by T&M's customers and to reduce the amount they received in stock sales, as compared with the prices T&M might reasonably have expected to realize had it made a bona fide effort to get the best available prices for its customers. Keister "admittedly failed to exercise adequate supervision" and was held responsible for the firm's violations; but, the Commission noted, this would not operate as a permanent bar if a subsequent showing could be made that a future association in the securities business would be consistent with the public interest (the Keister firm's broker-dealer registration was withdrawn in 1965). The Commission concluded that Sorneson had no knowledge of the payments made to Kerrigone but that he had in other respects failed to exercise adequate supervision in connection with the firm's interpositioning.

The NASD had imposed fines of \$2,000 on T&M, and a partner in that firm who supervised Kerrigone was fined \$2,000 and suspended for 30 days (which penalties were not appealed). Commenting on the difference between these sanctions and those imposed on the Keister firm and Keister, the Commission stated that, without appropriate justification, the differences in sanctions for persons with seemingly similar responsibility for violations raise questions as to the adequacy of the existing statutory provisions for Commission review of NASD decisions.

Commissioner Budge, in a dissenting opinion, expressed the view that the penalty as to Keister was too severe, even apart from any consideration of the disparity in treatment as between the two firms. Concerning the disparate treatment, he observed that a T&M partner was "equally guilty with Keister" and that each firm's supervision of its employee was inadequate; but on the basis of the same record the NASD imposed lesser penalties in the case of T&M. "How, then," he questioned, "the expulsion in one case and the minimal sanction in the other?" If future NASD cases display the disparity evidenced in this case, he continued, "it may be that statutory authority should be sought for such review as may be necessary to afford the opportunity for review of unduly lenient as well as unduly severe sanctions."

Commission Wheat concurred in Commission Budge's view that the sanction imposed on Keister was too severe.

FOXBORO PROPOSES DEBENTURE OFFERING. The Foxboro Company, 38 Neponset Ave., Foxboro, Mass. 02035, filed a registration statement (File 2-25671) with the SEC on November 2 seeking registration of \$15,000,000 of convertible subordinated debentures (due 1986). The debentures are to be offered for public sale through underwriters headed by Paine, Webber, Jackson & Curtis, 24 Federal St., Boston, Mass. 02110. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company manufactures electronic and mechanical instrumentation for indicating, recording and controlling temperature, pressure, flow, liquid level and other process variables. Net proceeds of its debenture sale will be used to pay \$2,000,000 of the company's short-term bank loans incurred for working capital purposes and to help finance the cost of its expansion and modernization program (estimated at \$4,400,000). The balance of the proceeds will be added to working capital. In addition to indebtedness, the company has outstanding 3,912,709 common shares, of which management officials own 38% (including 22.1% owned by Benjamin H. Bristol, board chairman). Rexford A. Bristol is president.

CANADIAN INTERNATIONAL GROWTH FUND RECEIVES ORDER. The SEC has issued an order under the Investment Company Act (Release IC-4735) declaring that the Canadian International Growth Fund Limited, a Canadian corporation and a management open-end investment company, has ceased to be an investment company. According to the application, Canadian International's corporate existence has been terminated as a result of effecting a change of its domicile through its reorganization as International Growth Fund, Inc., a new Maryland corporation.

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MARINE CAPITAL SEEKS ORDER. Marine Capital Corporation, Milwaukee, Wisc., 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-4738) giving interested persons until November 21 to request a hearing thereon. The application states that on July 15, 1966, the company's shareholders adopted a plan of complete liquidation and dissolution.

GROWTH CAPITAL WITHDRAWS APPLICATION. The SEC has issued an order under the Investment Company Act (Release IC-4741) permitting Growth Capital, Inc., Cleveland, Ohio, to withdraw its application for an order declaring that it is primarily engaged in businesses other than that of investing, reinvesting, owning, holding or trading in securities and that it has ceased to be an investment company. In its withdrawal request, the company states that it intends to hold a shareholders' meeting on December 15 to take action upon a proposal of the Board of Directors to dissolve the company and liquidate its assets.

OHIO POWER RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-15595) authorizing Ohio Power Company, Canton, Ohio, electric subsidiary of American Electric Power Co., to sell to banks during 1966 its promissory notes aggregating a maximum of \$58,600,000 to be outstanding at any one time. Ohio Power proposes to use the net proceeds of the note sale in connection with its construction program, estimated at about \$142,000,000 for the second half of 1966 and for 1967.

RECENT FORM 8-K FILINGS. The companies listed below have filed Form 8-K reports for the month indicated and responding to the item of the Form specified in parentheses. The captions of the items are as follows:

- Item 1. Changes in Control of Registrant.
- Item 2. Acquisition or Disposition of Assets.
- Item 3. Legal Proceedings.
- Item 4. Changes in Securities.
- Item 5. Changes in Security for Registered Securities.
- Item 6. Defaults upon Senior Securities.
- Item 7. Increase in Amount of Securities Outstanding.
- Item 8. Decrease in Amount of Securities Outstanding.
- Item 9. Options to Purchase Securities.
- Item 10. Revaluation of Assets or Restatement of Capital Share Account.
- Item 11. Submission of Matters to a Vote of Security Holders.
- Item 12. Other Materially Important Events.
- Item 13. Financial Statements and Exhibits.

Copies of the reports may be purchased from the Commission's Public Reference Section (please give News Digest's "Issue No." in ordering. Invoice will be included with requested material when mailed.

General Crude Oil Co Sept 66(7)	0-472-2	Swingline Inc Sept 66(12)	1-4548-2
S C Kresge Co Oct 66(12)	1-327-2	Morse Electro Products Corp Sept 66(7)	1-4414-2
Town & Country Securities Corp Sept 66(3,12,13)	0-1696-2	Renaire Foods Inc Sept 66(3,13)	0-1074-2
General Television Inc May 66(2,13)	0-1899-2	United Park City Mines Co Sept 66(7,13)	1-3753-2
Gulf Resources Inc Sept 66(7,13) Oct 66(2,7,13)	2-17003-2 2-17003-2	Detroit & Canada Tunnel Corp Jan 66(11,13)	0-620-2
Lavelle Corp Sept 66(1)	2-18726-2	Moore Drop Forging Co Sept 66(8,11)	0-1870-2
Defiance Industries Inc Amend #2 for May 66(2,7,13)	1-2910-2	Opelika Mfg Corp Amend #1 for Sept 66(4)	1-4160-2
British American Constr & Mats Ltd Amend #1 for Apr 66(13)	1-5086-2	Liberty Real Estate Trust Amend #1 for July 66(7)	0-1791-2
Corpo Shoe Machinery Corp Amend #1 for Aug 66(4,13)	1-2076-2		

SECURITIES ACT REGISTRATIONS. Effective November 2: Medi-Plex, Inc., 2-25251 (90 days); Woods Petroleum Corp., 2-25435 (40 days). Effective November 3: Fortune National Life Insurance Co., 2-25498 (90 days). Withdrawn November 2: Admiral Corp., 2-25083.

NOTE TO DEALERS. 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.