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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SANCTIONS IMPOSED ON BRUNS, NORDEMAN. The SEC today announced a decision under the Securities Exchange Act in which it ruled that Bruns, Nordeman & Company ("Registrant"), 52 Wall Street, New York, manipulated the over-the-counter market for stock of Gob Shops of America, Inc., during the period September 1956 to January 1957 and otherwise violated provisions of the Act (Release 34-6540).

The Commission ordered a 60-day suspension of Registrant from membership in the National Association of Securities Dealers, Inc., effective May 15, 1961. Harold S. Coleman and Lawrence H. Lubin, general partners, were each found to be a cause of the suspension; and the Commission ordered their suspension from membership in the New York and American Stock Exchanges for periods of 90 and 60 days, respectively, effective May 15, 1961.

The decision was based upon a stipulated record, including an offer of settlement wherein Registrant and the two individuals agreed that the Commission might make such findings and issue such order as it deemed warranted, provided that any sanctions did not exceed those specified above, and was joined in by Commissioners Hastings, Gadsby and Woodside with a special concurrence by Chairman Cary. In a dissenting opinion, Commissioner Frear expressed the view that the offer of settlement should be rejected as not providing for a sufficient sanction with respect to Registrant.

The case arose from a proposed public offering of Gob Shops stock, to be underwritten by Registrant, pursuant to a Regulation A exemption from registration filed January 21, 1957. The offering involved 240,000 common shares "at the market" (then estimated at $1.25 per share). Included in the offering were 86,118 shares available to Registrant upon exercise (at 97¢ per share) of warrants received in an earlier offering; 128,882 shares to be sold by officers of Gob Shops, with any excess over $1 per share to be retained by Registrant as a commission; and 25,000 shares to be sold in behalf of Registrant's partners, including Coleman and Lubin. The Regulation A exemption for this offering was temporarily suspended by the Commission on July 25, 1957; and in a decision of May 6, 1959, making the suspension permanent, the Commission held that the Gob Shops offering circular was materially misleading by reason of its failure to disclose Registrant's domination of the market and its manipulative activities in Gob Shops stock during the period between September 1956 and January 1957, in anticipation of the proposed offering. Registrant appealed this decision to the Court of Appeals for the Second Circuit.

According to the Commission's decision, Registrant placed bids for Gob Shops stock in the national daily quotations sheets, beginning with a bid of 1 on June 27, 1956 (its last bid, entered in the sheets on July 5, 1957, was a 1/2). By August 27, 1956, its bid had dropped to 5/8, which bid continued to September 17, 1956. On October 1, 1956, Registrant and its partners held 49,000 shares of Gob Shops stock. Between that date and January 20, 1957, it purchased 98,611 shares (52,290 from customers, 23,400 from its partners and 22,921 from dealers); and in the same period it sold about 124,500 shares, of which about half were sold to customers in small lots and nearly all the remainder to two dealers for redistribution to their customers. Between September 18, 1956, and January 16, 1957, Registrant placed bids in the sheets at prices increasing from 5/8 to 1-3/16, and with corresponding offers up to 1-7/16. Registrant entered bids on 80 of the 82 trading days during that period, and its bid was the highest on 51 days and equal to the highest on 23 days. It raised its bid 9 times.

The Commission reaffirmed its prior ruling that Registrant's bids and trading activities "were designed to stimulate buyer interest and thereby create market activity which would induce the purchase of Gob Shops stock by others at rising prices." The record leaves no doubt, the Commission observed, that Registrant's increasing bids for Gob Shops stock, supported by its purchases of stock at or near the bid prices, elevated the prices at which shares were sold during this period; and the price so increased was maintained by continued bids of 1-3/16 until shortly before the new stock offering proposal was filed in January 1957.

The market was further stimulated by the declaration of a stock dividend by Gob Shops two days after Registrant began increasing its bids. Coleman and Lubin, directors of the issuer, had proposed that a cash dividend be paid, although they knew Gob Shops had been operating at a loss; and when the issuer's president objected that a cash dividend was impossible in view of Gob Shops' financial condition, the directors authorized a 3% stock dividend, which was charged to capital surplus because of the insufficiency of earned surplus. Such action, the Commission commented, is "characteristic of manipulative schemes." The market also was stimulated by the use of "extremely optimistic sales literature containing false and misleading statements," including the employment of sales figures which "distorted" the company's financial picture, and suggestions that its operations had been and were to be further expanded. Thus, the Commission concluded that the increasing bids for and trading in Gob Shops at increasing prices, together with the dividend declaration and use of misleading sales literature, were component elements of a "manipulative scheme to raise the price of the stock; " that Registrant dominated the market in the stock and inflated and maintained the market price at artificially high levels; and that Coleman and Lubin were responsible for these manipulative activities. The Commission also ruled that Registrant, aided and abetted by Coleman and Lubin, bid for and purchased Gob Shops stock while participating in a distribution of the stock, in violation of SEC Rule 10b-6.

The Commission further found that respondents made other fraudulent misrepresentations concerning Gob Shops and its stock in violation of the anti-fraud provisions of the Securities Exchange Act and the Securities Act. These included representations that Gob Shops enjoyed a remarkable success in its business, that it was

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making money and plowing it back into the company (operating losses were then being sustained), that it had a good previous record of earnings, that the stock was guaranteed to make money, that the stock was a safe and sound investment, that Gob Shops was in sound financial condition and getting stronger, that it was a successful growing concern and that its business and earnings were good, as well as representations of listing the stock on an exchange, payment of a cash dividend, and negotiations by a large chain store to purchase Gob Shops, and predictions of future price rises in the stock.

The Commission stated that having found these willful and serious violations, it had to "determine whether it was consistent with the public interest to accept the offer of settlement with the sanctions therein proposed and thus dispose of the matter or in the alternative to reject it and return the case to the time-consuming processes of an adversary proceeding." Various considerations were factors in the Commission's acceptance of the settlement offer, including an offer of rescission pursuant to which Registrant repurchased 35,377 shares of Gob Shops stock at a cost of $36,524 and paid $10,183 representing losses sustained by customers upon 19,981 shares as well as an undertaking by Registrant to withdraw its appeal from the Commission's May 1959 decision on the suspension of the Gob Shops stock offering. In his dissenting opinion, however, Commissioner Frear stated that he could not attach as much "mitigative" weight as the majority to these factors, including restitution to defrauded customers and the long experience of Registrant and its partners in the securities business without any prior disciplinary action. He observed that restitution was made only after these proceedings were commenced, and that the extensive background "should have made them fully cognizant of the impropriety of their conduct." He was not satisfied with a sanction upon Registrant of a 60-day suspension from the NASD, in view of the fact that substantially all of its business is conducted on the exchanges. Observing that the misconduct was serious in nature, he stated: "I think the sanction imposed on Registrant should not ignore the market on which it does practically all its business . . . In my view, for any resolution of this case on an agreed basis to be acceptable, it should also include as a condition to settlement the suspension of Registrant from membership on the exchanges for an appropriate period."

Chairman Cary found "great merit" in Commissioner Frear's views as to sanctions; but, taking into account the lengthy history of the proceeding in the course of which Registrant was given cause to believe it had arrived at a basis for settlement which would be acceptable to the Commission and acted to effectuate this settlement, he concurred in the majority opinion.

SEGCO STOCK REACQUISITION APPROVED. The SEC has issued an order under the Holding Company Act (Release 35-14417) authorizing Southern Electric Generating Company, subsidiary of Alabama Power Company and Georgia Power Company, to reacquire shares of its outstanding stock from time to time after 1966 from the parent companies. Such purchases are designed to reduce and minimize excessive accumulations of cash arising from the non-cash expense items in its operating expenses.

METED PROPOSES STOCK SALE. Metropolitan Edison Company, subsidiary of General Public Utilities Corporation, New York holding company, has joined with its parent in the filing of an application with the SEC under the Holding Company Act for permission to issue an additional $7,000,000 of common stock (70,000 shares) to the parent; and the Commission has issued an order (Release 35-14418) giving interested persons until May 11, 1961, to request a hearing thereon. The proceeds of the stock sale will be used by the subsidiary to reimburse its treasury for construction expenditures made prior to 1961.

NEW ORLEANS PUBLIC SERVICE PROPOSES BOND SALE. New Orleans Public Service Company, New Orleans, La., has applied to the SEC for an order under the Holding Company Act permitting it to issue and sell at competitive bidding $15,000,000 of First Mortgage Bonds, due 1991; and the Commission has issued an order (Release 35-14419) giving interested persons until May 16th to request a hearing thereon. As previously reported (SEC News Digest of 4/14/61), the company will apply the proceeds of the bond sale toward financing its construction program, to repay some $2,000,000 of bank borrowings, and for other corporate purposes.

BANK FIDUCIARY FUND GRANTED EXEMPTION. The SEC has issued an order under the Investment Company Act (Release IC-3237) declaring that Bank Fiduciary Fund of Maine, Portland, Me., has ceased to be an investment company and its registration as such is no longer in effect.

CONSOLIDATED NATURAL GAS FINANCING. The SEC has issued an order under the Holding Company Act (Release 35-14420) giving interested persons until May 11th to request a hearing upon a proposal of Consolidated Natural Gas Company, New York holding company, to issue and sell at competitive bidding $40,000,000 of debentures due 1986. As previously indicated (See News Digest of 4/25/61), net proceeds of the debenture sale will be used to prepay $30,000,000 of bank notes and the balance, together with $20,000,000 from the sale of $45,000,000 of debentures in February 1961, will provide the long-term financing required for the 1961 construction expenditures of subsidiary companies, estimated at $70,000,000.

MISSISSIPPI POWER TO ISSUE BONDS. Mississippi Power Company (Gulfport) has applied to the SEC for an order under the Holding Company Act authorizing it to issue $465,000 of first mortgage bonds for sinking fund purposes; and the Commission has issued an order (Release 35-14421) giving interested persons until May 18th to request a hearing thereon.

VORNADO STOCK REACQUISITION CLEARED. The SEC has issued an exemption order (Release IC-3238) under the Investment Company Act permitting Vornado, Inc., of Garfield, N. J., to purchase 160,000 shares of its common stock from Investors Diversified Services, Inc., in exchange for $2,340,000 principal amount of Vornado's 3.10% Junior Subordinated Notes, due May 1, 1976, and a warrant expiring April 27,1967, to purchase 42,000 shares of Vornado common stock at $16 per share. The supporting decision of the Commission will be issued later.

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SEABOARD ELECTRONIC FILES FOR SECONDARY. Seaboard Electronic Corp., 417 Canal Street, New York, filed a registration statement (File 2-18008) with the SEC on April 26th seeking registration of 100,000 outstanding shares of common stock, to be offered for public sale at $5.50 per share by the present holders thereof. The offering will be made through underwriters headed by Amos Treat & Co., Inc., which will receive a 65¢ per share commission and $6,000 for expenses. The registration statement also includes an additional 10,000 outstanding common shares which were sold by the selling stockholders to Amos S. Treat, president of the underwriter, for 50¢ per share.

The company is engaged in the manufacture of warning signals, flashers, control boxes, intervalometers and related equipment for aircraft and missile applications. It has outstanding 300,000 shares of common stock, of which Alfred B. Reiss, president and board chairman, owns 145,000 shares and proposes to sell 50,000 shares, and Burton Bernard, a vice president, and Lawrence Lewison, treasurer, own 72,500 shares each and propose to sell 25,000 shares each. After the sale of the outstanding shares, the said stockholders will own 63.3% of the outstanding stock, based on a net worth of about $182,800, and the public will own 33.3% at a cost of about $550,000.

SERVONIC INSTRUMENTS FILES FOR STOCK OFFERING AND SECONDARY. Servonic Instruments, Inc., 1644 Whittier Ave., Costa Mesa, Calif., filed a registration statement (File 2-18010) with the SEC on April 26th seeking registration of 95,000 shares of common stock, of which 50,000 shares are to be offered for public sale by the company and 45,000 shares, being outstanding stock by the present holders thereof. The shares are to be offered for public sale through underwriters headed by C. E. Unterberg, Towbin Co. The public offering price and underwriting terms are to be supplied by amendment. The registration statement also includes an additional 23,250 of outstanding shares of common stock which the present holders thereof may offer for public sale from time to time in the over-the-counter market at prices related to current market prices at the time of sale.

The company is engaged in the business of research, design, development, manufacture and sale of precision devices consisting primarily of electromechanical transducers, of the potentiometer type, for a variety of military, industrial and scientific uses. The net proceeds from the company's sale of additional stock will be used as follows: $90,000 for the purchase of production machinery and equipment; $70,000 for additional test equipment; $15,000 for miscellaneous improvements to plant and facilities; $50,000 to expand the research and development program; and the balance will be available as working capital.

The company has outstanding 211,050 shares of common stock (giving effect to a 30-for-1 stock split in March 1961), of which James A. DeJulio, president, owns 105,600 shares (50%), C. Gilbert Carlson, a director, 34,500 shares (16.3%), and management officials as a group 181,410 shares (85.9%). The prospectus lists 28 selling stockholders who own or hold amounts ranging from 450 to 105,600 shares (DeJulio). The amount of such outstanding shares to be sold by each is to be supplied by amendment.

PAUL HARDEMAN FILES FOR STOCK OFFERING. Paul Hardeman, Inc., Stanton, Calif., filed a registration statement (File 2-18011) with the SEC on April 26th seeking registration of 350,000 shares of common stock, to be offered for public sale through underwriters headed by Michael G. Kletz & Co. The public offering price and underwriting terms are to be supplied by amendment. The registration statement also includes 35,000 common shares which underlie warrants which are to be sold to Michael G. Kletz, and the other underwriters, for $350. The exercise price of the warrants and their expiration date are to be supplied by amendment.

The company was organized under Delaware law in March 1961 and is the successor to a California company of the same name. In April 1959 all of the predecessor's outstanding capital shares were acquired by Universal American Corporation, which engages in various businesses through its subsidiaries, in exchange for Universal's common stock. When the present company was organized all its outstanding shares were issued to Universal in exchange for those of the company's predecessor, which thus became a wholly-owned subsidiary of the company until merged into it in March 1961. The company engages primarily in the design, engineering, construction and installation of missile launching bases and related facilities for the armed forces, and complex facilities of various types for agencies and commissions of the United States Government, and for the aircraft, petroleum, chemical and petro-chemical industries. The company will use the net proceeds from this stock sale in the first instance for general corporate purposes, as working capital, in order to expand the size and scope of its business by enabling it to bid on more and larger contracts. In addition, such working capital will be used to pay indebtedness to Universal and to expand the company's activities in its actual construction projects, in commercial as well as military and government fields, and may be used for reduction of outstanding bank loans. Funds received from exercise of the warrants will be available for general corporate purposes.

In addition to certain indebtedness, the company has outstanding 1,750,000 shares of common stock, all of which are owned by Universal. Paul Hardeman is listed as president and board chairman.

MEAD CORP. FILES STOCK PLAN. The Mead Corporation, 118 West First Street, Dayton, Ohio, filed a registration statement (File 2-18012) with the SEC on April 26th seeking registration of 250,000 shares of common stock, to be offered pursuant to the company's 1961 Employees' Stock Plan.

MISSISSIPPI RIVER TRANSMISSION PROPOSES DEBENTURE OFFERING. Mississippi River Transmission Corporation, 9900 Clayton Road, St. Louis, Mo., filed a registration statement (File 2-18013) with the SEC on April 26th seeking registration of $5,600,000 of Twenty Year Sinking Fund Debentures, due 1981, to be offered for public sale through Eastman Dillon, Union Securities & Co. and Dempsey-Tegeler & Co. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

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Of the net proceeds from the debenture sale, $5,250,000 will be applied to the repayment of outstanding bank loans. The bank loans, together with proceeds from sales of 250,000 shares of common stock amounting to $1,880,000, have been and are being used for the purpose of paying the cost of constructing and equipping the company's pipeline facilities, estimated to cost $7,200,000, including interest during construction and allowances for contingencies. The balance of the proceeds will be available for the payment of any remaining costs in connection with the pipeline facilities, for working capital, for use in connection with constructior of facilities related to a potential underground gas storage project or for other corporate purposes.

CALIFORNIA TEXAS OIL CORP. FILES SAVINGS PLAN. California Texas Oil Corporation filed a registration statement (File 2-18014) with the SEC on April 26th seeking registration of $4,000,000 of participations in the company's Employees Savings Plan.

COMMUNITY PUBLIC SERVICE PROPOSES BOND OFFERING. Community Public Service Company, 408 West Seventh Street, Fort Worth, Texas, filed a registration statement (File 2-18015) with the SEC on April 26th seeking registration of $5,000,000 of First Mortgage Bonds, Series F, due 1991, to be offered for public sale at competitive bidding. Net proceeds from the sale of bonds will be used to pay some $3,000,000 of bank loans incurred for extensions and improvements to property made in 1960 and for construction in progress. It is estimated that the construction program will require expenditures of $4,665,000 in 1961, of which $2,000,000 will be derived from the sale of the new bonds, and the balance from the company's operations.

DATATROL CORP. PROPOSES STOCK OFFERING. Datatrol Corporation, 8113-A Fenton St., Silver Spring, Md., filed a registration statement (File 2-18016) with the SEC on April 26th seeking registration of 60,000 shares of common stock, to be offered for public sale at $4.25 per share. The offering is to be made on a best efforts basis by First Investment Planning Company, which will receive a selling commission of $.425 per share. Up to 25,000 shares will first be offered by the underwriter to such existing stockholders as the company may designate. The company has agreed to sell the underwriter 10,000 warrants at 1¢ each, exercisable within five years at $4.40 per share.

The company was formed by the present management in July 1959 for the purpose of acting as a consultant or advisor in matters pertaining to data processing problems, the selection and use of information processing equipment, and the methods and techniques of processing data. These services are principally in the form of consulting, system analysis, computer programming and computer processing. Net proceeds of the stock sale, estimated at $219,500, will be used in part($100,000) to develop data processing systems for periodic processing of record keeping problems for small and medium size businesses. The balance will be added to working capital to expedite further expansion.

According to the prospectus, the company now has outstanding 84,400 shares of stock; and 25,600 additional shares are set aside for an employee's stock option plan. Management officials own 38% of the outstanding stock, including 8,570 shares by William H. Kenworthey, Jr., a director. A like number is owned by Alex S. Davis. The prospectus lists Hugh P. Donaghue, owner of 5,250 shares, as president and board chairman.

SEC COMPLAINT NAMES NEW ENGLAND ELECTRONIC COMPONENTS. The SEC Boston Regional Office announced April 20th (LR-1992) the filing of Federal court action (USDC Boston) seeking to enjoin New England Electronic Components Inc. of Holyoke, Mass., and George J. Rodgers, its president and controlling stockholder, from further violations of the Securities Act registration and anti-fraud provisions in the sale of the defendant company's Class A common stock.

RECEIVER APPOINTED FOR AMERICAN DIVERSIFIED SECURITIES. The SEC Washington Regional Office announced April 25th (LR-1993) the entry of a Federal court order (USDC DC) granting the Commission's motion for appointment of a receiver for American Diversified Securities, Inc., of Washington, D. C., because of insolvency. Sephus S. Golden named receiver.

SECURITIES ACT REGISTRATIONS. Effective April 27: Gateway Sporting Goods Company (File 2-17753); Spartans Industries, Inc. (File 2-17782); Union Oil Company of Calif. (File 2-17882).

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