

# 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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FOR RELEASE May 8, 1963

**SEC ORDER CITES ALBION SECURITIES - ALAN KORNBLUTH.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Albion Securities Company, Inc., 52 Broadway, New York, and Alan Kornbluth, formerly a salesman for Albion and now doing business as Alan Kaye Enterprises, 1531 West 11th St., Brooklyn, N. Y., engaged in practices which operated as a "fraud and deceit" upon investors and, if so, whether their broker-dealer registrations should be revoked.

Albion has been registered with the Commission as a broker-dealer since October 15, 1959 and Kornbluth since January 13, 1962. (William) Murray Dailey is president and sole stockholder of Albion and John F. Dailey, Jr., is its secretary-treasurer. According to the order, during January-March 1961, Albion participated as underwriter in an offering by Edlund Engineered Products, Inc. of 100,000 common shares at \$3 per share pursuant to a claimed Regulation A exemption from Securities Act registration. In October 1961, Edlund filed a voluntary petition for reorganization under Chapter X of the Bankruptcy Act in a Federal court in Florida; and in February 1962 the Chapter X proceedings were terminated and Edlund was adjudicated a bankrupt. In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that in the offer and sale of Edlund stock during January-December 1961, Albion, J. F. Dailey, Jr., Kornbluth, and Albion's salesmen, Anthony Gravino, Lewis Cohen, D. Richard Engel, Aaron Lang (also known as Aaron Lichtenstein), George A. Rein, Murray Peters, and James De Pasquale, "engaged in transactions, acts, practices and a course of business which would and did operate as a fraud and deceit" upon investors in violation of the anti-fraud provisions of the Federal securities laws, in that they (1) made false and misleading statements of material facts, (2) employed salesmen with records of previous employment by "boiler rooms" (against whom remedial or disciplinary action had been taken), as well as allowing Gravino and Cohen who had prior boiler room backgrounds to control daily operations and business activities of Albion, (3) employed salesmen without sufficient inquiry into their experience, background, training or qualifications (and who in fact had none) while encouraging such salesmen to offer and sell the stock without suitable training or indoctrination in the standards of conduct required of those engaged in the securities business, and (4) engaged in the extensive sale and distribution of Edlund's unseasoned and speculative securities by means of an intensive telephone and direct mail campaign to investors with whom they were unacquainted and of whose financial needs, objectives and circumstances they had no knowledge, and without due regard to the suitability of the stock for the investor.

The alleged misrepresentations concerned Edlund's future prospects for growth and success, including anticipated earnings; an anticipated increase in the market price of the stock and payment of dividends; sales contracts obtained and to be acquired by Edlund from alleged large users of the company's products; the unusually high degree of risk involved in the purchase of such stock; Edlund's operating losses during 1961; and the filing of the Chapter X petition. The staff also alleges that the accounts of investors were "loaded" and "reloaded" with Edlund stock and persons were induced to purchase such stock before Albion completed its participation in the claimed Regulation A offering. The staff also charges that Murray Dailey aided and abetted in the violations of the Exchange Act anti-fraud provisions through lack of suitable control and supervision of Albion and through "negligence, indifference and lack of enforcement".

A hearing will be held, at a time and place to be announced, for the purpose of taking evidence to determine whether the staff charges are true and, if so, whether the broker dealer registrations of Albion and Kornbluth should be revoked. Both are members of the National Association of Securities Dealers, Inc.; and one of the issues in these proceedings is whether they also should be suspended or expelled from NASD membership.

**REGISTRATION OF GOLDEN-DERSCH CANCELLED.** The Commission also has cancelled the broker-dealer registration of Golden-Dersch & Co., Incorporated, 50 Broadway, New York. In 1956 the said firm was permanently enjoined by a Federal court in New York from violations of the Commission's net capital rule and at that time the Court appointed a receiver of all of its assets and property; it also has been permanently enjoined by the New York Supreme Court from engaging in securities transactions within that State; and the firm also has ceased doing business as a broker or dealer.

**TWO HEARINGS SCHEDULED.** The Commission has scheduled the hearings, as follows, in proceedings to determine whether the named companies violated provisions of the Federal securities laws and, if so, whether their broker-dealer registrations should be revoked:

<u>Name</u>	<u>Date</u>	<u>Place</u>
Christopher Corporation 620 First National Bank Bldg. Miami, Florida	July 8, 1963	SEC Miami Branch Office

(over)

American Mutual Funds Service, Inc.  
 now known as E. H. Jansen Co.  
 420 Lincoln Road  
 Miami Beach, Florida

July 10, 1963

SEC Miami Branch Office

The Commission's order of April 5, 1962 instituting the proceedings against American Mutual recites staff charges that the firm violated the record-keeping, net capital and other provisions of the Exchange Act; and its May 3, 1962 order with respect to Christopher Corp. alleges violations of anti-fraud and other provisions in the offer and sale of stock of Precision Corporation.

**SEC ORDER CITES PAUL K. PEERS, INC.** The SEC has ordered proceedings under the Investment Advisers Act of 1940 to determine whether Paul K. Peers, Inc., 75 Ocean Ave., Brooklyn, N. Y., engaged in practices which operated as a "fraud and deceit" upon clients and, if so, whether its registration as an investment adviser should be revoked.

The said company ("registrant") is registered with the Commission as an investment adviser; and Paul Kaye Peers is vice president and secretary and Maria Duffy is president and sole stockholder. In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that in the publication, circulation and distribution of advertisements and a newsletter entitled "Technically Speaking," during the period from January 28, 1963 to date, registrant and Peers violated the anti-fraud and anti-manipulative provisions of the Investment Advisers Act in that the advertisements and newsletter (1) contained false and misleading statements of material facts, (2) referred to testimonials concerning registrant, advice, analysis and reports rendered by registrant, and (3) referred to past specific recommendations of registrant which were or would have been profitable to a person and do not set out or offer to furnish a list of all recommendations made within the preceding one year period and which contain no cautionary legend. The alleged misrepresentations relate to the length of time registrant's investment advisory service existed, its organization and staff, and its reputation and character; recommendations made by registrant prior to its registration; and registrant's investigation and knowledge of General Utilities, Inc. and its securities, the management of General Utilities, and the financial structure and assets of General Utilities. It is also alleged that registrant, Peers and Duffy violated the record keeping requirements of the Act.

A hearing will be held, at a time and place to be announced, for the purpose of taking evidence to determine whether the staff charges are true and, if so, whether registrant's investment adviser registration should be revoked.

**STOCK ASSESSMENTS BY WESTERN STATES OIL AND METALS SUSPENDED.** The SEC has issued an order temporarily suspending a Regulation F exemption from registration under the Securities Act of 1933 with respect to a proposed assessment on outstanding stock by Western States Oil and Metals Company, 408 Ness Building, Salt Lake City, Utah.

Regulation F provides a conditional exemption from registration with respect to assessments on assessable stock not exceeding \$300,000 in amount. In certain proposed communications to stockholders filed with the Commission on December 17, 1962, the company proposed assessments of \$11,381.15 (at one-fourth cent per share on its 4,552,460 outstanding shares). The Commission asserts in its suspension order that it has reasonable cause to believe that (1) the Notice of Assessment and Delinquent Notice filed with the notification contained misleading statements, (2) the offering (assessment) would be made in violation of the Securities Act anti-fraud provisions, and (3) the issuer and its officers, directors and promoters have failed to cooperate with the Commission's staff. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

The alleged misrepresentations relate, among other things, to the characterization of an area in which certain wells have been drilled as a "known oil & gas deposit or structure;" the drilling dates and depths of these wells, the names of the operators and the failure to characterize three of them as "dry holes;" the distances and directions to the nearest commercially producing oil wells and gas wells and dry holes of consequential depth; the expiration dates and required annual rentals of issuer's leasehold interests and the acreage of two such interests in Wyoming; issuer's lack of knowledge of any commercially mineable ore body in any of its mines as well as its lack of financial information indicating whether or not prior mining operations on the mining properties were profitable; and the actual past production of issuer's properties in Montana and Nevada.

**EASY-TOW RENTAL HEARING CANCELLED.** Upon the request of Easy-Tow Rental System, Inc., 2208 Northwest Market St., Seattle, Wash., the Commission has cancelled the hearing to take evidence on the question whether to vacate or make permanent an order of the Commission dated February 7, 1963, temporarily suspending a Regulation A exemption from registration with respect to a proposed public offering by Easy-Tow of \$230,000 of trailer investment contracts. The company, without admitting the allegations contained in the order, consented to the suspension order being made permanent.

**SECURITIES ACT REGISTRATIONS.** Effective May 8: Upper Peninsula Power Company (File 2-21315).

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