

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 June 11, 1962

Statistical Release No. 1832. The SEC Index of Stock Prices, based on the closing price of 300 common stocks for the week ended June 8, 1962, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1962 is as follows:

|                          | 1957-59 = 100 |        | Percent<br>Change | 1962  |       |
|--------------------------|---------------|--------|-------------------|-------|-------|
|                          | 6/8/62        | 6/1/62 |                   | High  | Low   |
| Composite                | 118.1*        | 120.8  | -2.2              | 144.3 | 118.1 |
| Manufacturing            | 109.1*        | 111.9  | -2.5              | 135.0 | 109.1 |
| Durable Goods            | 107.8*        | 109.9  | -1.9              | 135.6 | 107.8 |
| Non-Durable Goods        | 110.3*        | 113.8  | -3.1              | 134.4 | 110.3 |
| Transportation           | 92.7*         | 94.6   | -2.0              | 111.0 | 92.7  |
| Utility                  | 156.0*        | 158.3  | -1.5              | 185.5 | 156.0 |
| Trade, Finance & Service | 148.6*        | 150.6  | -1.3              | 178.2 | 148.6 |
| Mining                   | 91.1*         | 92.4   | -1.4              | 113.3 | 91.1  |

\*New Low

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended June 7, 1962, 16 registration statements were filed, 26 became effective, 14 were withdrawn, and 722 were pending at the week-end.

BROWN, BARTON & ENGEL REGISTRATION SUSPENDED. The SEC has issued a decision under the Securities Exchange Act (Release 34-6821) suspending the broker-dealer registration of Brown, Barton & Engel, 24 Commerce Street, Newark, N. J., pending final decision of the Commission on the question whether the said company's registration should be revoked.

According to the Commission's decision, the evidence adduced at a prior hearing shows that Brown, Barton & Engel (registrant), and George P. Barton, its president and principal stockholder, made false and misleading representations in their offer and sale of stock of Federated Holding Company, Inc. (Federated), a New Jersey corporation. Federated was formed by one Fred Hesse for the purpose of assigning to it an option acquired by him (at no cost) to purchase 85% of the stock of Federal Cleaners and Dyers, Inc. (Cleaners) for a total price of \$130,000; and Hesse received in exchange for the option 270,000 shares of Federated, constituting all of its then outstanding stock. Hesse then arranged with Barton for registrant to offer for sale to residents of New Jersey 100,000 shares of Federated at \$3 per share. The sale of the shares was made in February and March 1962 (orders for only 4,669 shares were confirmed by registrant). Six investors who purchased shares of Federated testified that representations made to them included that the price of the stock would increase, that there was no reason "that it shouldn't start selling for around \$4.50 and eventually rise to a comfortable \$6 or \$7 per share," that the stock would probably be listed on an exchange at "about \$4.50," that by September the shares "would be worth \$30," that the company was very sound financially and would "come up with earnings of approximately \$3 per share" in the near future, that when the stock doubled in price a purchaser could sell half his shares and collect dividends on the remainder, and that the shares were selling very rapidly and it was necessary to act fast. The evidence showed these representations to be false and misleading, the Commission ruled. In fact, Federated had no asset other than the 85% stock interest in Federal Cleaners, and the latter had operated at a net loss of \$26,361 for the year ended December 31, 1961, and of \$13,322 for the three months ended March 31, 1962; and its net worth had decreased from \$77,000 at June 30, 1961, to \$20,285 at February 28, 1962, and was \$25,493 at March 31, 1962.

Moreover, investors were not told that Hesse was connected with Federated, that he was the promoter, sole stockholder and salaried "administrator" of Federated, that he had received the 270,000 shares in exchange for the option which cost him nothing, and that he had been twice found guilty of securities violations.

The Commission held that registrant and Barton did not make reasonable and diligent inquiry into the business, operations and financial condition and results of Federated and Cleaners, that they had no reasonable basis for the highly optimistic representations and recommendations made to customers, and that they "otherwise engaged in a course of conduct which operated as a fraud and deceit on investors." This evidence, the Commission stated, coupled with the existence of two prior injunctions against Brown, Barton and Engel, and Barton, based on their activities in connection with yet other securities, makes it necessary in the public interest to suspend the registration of Brown, Barton & Engel pending determination of the ultimate question of revocation.

NASD APPLICATION REMANDED. In a decision announced today (Release 34-6817) the SEC remanded to the National Association of Securities Dealers, Inc. its application for approval of the continuance of a member firm in NASD membership while employing Edgar R. D'Abre, of Boston, Mass., as a controlled person.

D'Abre's registration with NASD as a registered representative of another firm was revoked by the NASD in March 1961 because of certain irregularities, including "free-riding" and the "manufacture" of fictitious accounts and records in an effort to deceive his former employer and to conceal violations of NASD rules. "If we accept, as the NASD apparently did," the Commission stated, "the correctness of the original findings

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of the District Business Conduct Committee, it would follow that, insofar as the record reveals, D'Abre has never been candid with his former employer, his prospective employer, or the NASD. A securities firm must rely to a considerable extent on the willingness of responsible employees to disclose their activities accurately and forthrightly, if it is to properly discharge its important responsibilities of supervision. If D'Abre is unwilling to make such disclosures, even now, then it would appear doubtful that he fully appreciates the professional obligation to his employer and to the public that further participation in the securities field entails. If so, the necessary finding that it is in the 'public interest' to approve the continuance of a firm in membership with D'Abre as a controlled person can hardly be made. A much different record than the one now before us will be needed to warrant approval of the application."

**HARRY G. AMES HEARING SCHEDULED.** The SEC has scheduled a hearing for June 15, 1962, in its Chicago Regional Office in proceedings under the Securities Exchange Act of 1934 to determine whether to revoke the broker-dealer registration of Harry George Ames, of St. Louis, Mo. According to the Commission's order of May 2, 1962, authorizing these proceedings, Ames was convicted in November 1960 (on his plea of guilty) of violating the Securities Act registration and anti-fraud provisions in the sale of oil interests. He received a three-year prison sentence and a \$5,000 fine; and the prison sentence was suspended and Ames was placed on probation for two years on condition that he pay the fine in quarterly installments.

**HEARING SET IN R. J. CUNNINGHAM & CO. CASE.** The Commission also has scheduled a hearing for June 25, 1962, in its New York Regional Office in proceedings to determine whether to revoke the broker-dealer registration of R. J. Cunningham & Company, Inc., of Newark, N. J. The Commission's order of April 18th authorizing these proceedings recites charges of its staff that the respondent's registration application contains certain false and misleading information.

**RIFKIN & CO. HEARING POSTPONED.** The Commission has authorized a further postponement to June 20, 1962, of the hearing in its New York Regional Office to determine whether S. H. Rifkin & Co., Inc., of New York, violated the Securities Act anti-fraud provisions in the sale of stock of National Telepix (Canada) Ltd., and, if so, whether its broker-dealer registration should be revoked.

**ATLANTIC CITY ELECTRIC PROPOSES BOND OFFERING.** Atlantic City Electric Company, 1600 Pacific Avenue, Atlantic City, N. J., filed a registration statement (File 2-20457) with the SEC on June 8th seeking registration of \$15,000,000 of first mortgage bonds due 1992, to be offered for public sale at competitive bidding. The net proceeds from the bond sale will be applied to the prepayment of outstanding notes payable to banks (\$900,000 now outstanding) incurred for construction purposes, and to provide funds for construction costs to be incurred during the remainder of 1962. Construction expenditures for the entire year 1962 are estimated at \$21,867,000. The balance of the net proceeds will be applied to the 1963 construction program (estimated at \$24,467,000).

**I.D.S. SEEKS ADVISORY REPORT ON PLAN.** Investors Diversified Services, Inc. ("IDS"), Minneapolis face-amount certificate company, has filed a request for an advisory report of the Commission pursuant to Section 25 of the Investment Company Act regarding the fairness of a proposed plan of reorganization and its effect upon the classes of security holders of IDS; and the Commission has invited interested persons to submit, not later than July 9, 1962, a statement in writing with respect to the fairness of the above-described proposed plan of reorganization and its effects upon the legal and equitable rights of the holders of the presently outstanding voting Common Stock and non-voting Common Stock Class A of IDS.

IDS presently has two classes of stock outstanding consisting of 547,540 shares of "Common Stock" and 879,181 shares of "Common Stock Class A." These two classes of stock are represented to be identical except for the fact that the Common Stock Class A is non-voting. The proposed plan of reorganization provides for amendment of the Articles of Incorporation so as to provide that the capital stock of the corporation shall consist of a single class of Common Stock, each share of which shall have identical rights, including the right to vote. If the proposed plan of reorganization is approved by the holders of the requisite number of IDS shares, each outstanding share of Common Stock Class A would automatically become one share of Common Stock.

Section 25(b) of the Act provides in substance, that at the request of management or 25% of the shareholders of an investment company, the Commission may but is not required to render an advisory report with respect to the fairness of any plan of reorganization and the effect of such a plan upon any class or classes of security holders, and that the Commission shall not render such an advisory report if the fairness or feasibility of the plan is in issue in any proceeding pending in any court of competent jurisdiction, unless such plan is submitted to the Commission for that purpose by such court. In the event that the Commission renders such an advisory report, the investment company is required to mail a copy of such report to all its security holders affected by such plan.

**SECURITIES ACT REGISTRATIONS.** Effective June 11: The Cincinnati Gas & Electric Co. (File 2-20342); Independent Telephone Corp. (File 2-20374); National Propane Corp. (File 2-19100); Official Films, Inc. (File 2-18998). Withdrawn June 11: Globe Industries, Inc. (File 2-19237); Masco Corp. (File 2-20343); Statewide Vending Corp. (File 2-20019); Transdata, Inc. (File 2-19396).