

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.

(In ordering full text of Releases from Publications Unit, cite number)



Washington 25, D.C.

FOR RELEASE July 23, 1962

Statistical Release No. 1841. The SEC Index of Stock Prices, based on the closing price of 300 common stocks for the week ended July 20, 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 Change	1962	
	7/20/62	7/13/62		High	Low
Composite	115.6	117.7	-1.8	144.3	107.0
Manufacturing	106.5	108.4	-1.8	135.0	98.6
Durable Goods	104.0	106.0	-1.9	135.6	95.2
Non-Durable Goods	108.8	110.6	-1.6	134.4	101.8
Transportation	89.4	91.9	-2.7	111.0	85.5
Utility	156.4	159.3	-1.8	185.5	143.0
Trade, Finance & Service	138.3	141.0	-1.9	178.2	131.4
Mining	91.2	92.5	-1.4	113.3	83.8

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended July 19, 1962, 9 registration statements were filed, 17 became effective, 21 were withdrawn, and 674 were pending at the week-end.

TWO ACCOUNTANTS DISCIPLINED. The SEC today announced the issuance of decisions (Accounting Series Releases 91 and 92) in which it ruled that Arthur Levison, an accountant practicing in New York as Levison and Company, and Morton I. Myers, a Pittsburgh accountant, engaged in unethical and improper professional conduct in their preparation of financial statements of Cornucopia Gold Mines and its affiliate. (The Commission in August 1960 ordered the withdrawal of Cornucopia stock from listing and registration on the American Stock Exchange.) Levison was denied the privilege of practicing before the Commission; and Myers was disqualified from practicing for one year and thereafter only upon application to and approval by the Commission.

According to the Commission's decision, Levison certified materially false and misleading financial statements of Cornucopia as of December 31, 1957, filed with the Commission in May 1958 as part of Cornucopia's 1957 annual report, as well as two false and misleading statements of Eastern Investment and Development Corp., which had acquired a substantial amount of Cornucopia stock. Both were controlled by Murray Talenfeld, Burton Talenfeld and Earl Belle. Levison's certificate with respect to Cornucopia, prepared at Belle's request, stated that he had examined the records of the Pittsburgh office of Cornucopia, and as to Eastern that his examination was made in accordance with generally accepted auditing standards. In fact, as Levison admits, he had made no audit of, nor had he even seen, the records of Cornucopia or Eastern. Moreover, Levison was disqualified from certifying the financial statements of Cornucopia by reason of the fact that he was not "independent" of its management, his own testimony indicating that he was subject to the dominant influence or direction of Belle and the Talenfelds. The Commission rejected certain considerations urged by Levison in extenuation of his conduct, and concluded that his "flagrant violation of our rules" and "serious breach of the standards of his profession" necessitated a denial to him of the privilege of practicing before the Commission.

Myers had been requested by Burton Talenfeld, Eastern's treasurer, to prepare a balance sheet for Eastern as of December 31, 1956, on the basis of information supplied over the telephone, which assertedly was for Talenfeld's personal use to show his family the effect of putting certain assets into a proposed industrial redevelopment program. Myers prepared the statement, in which he derived the item "Capital \$802,600.24" by subtracting total liabilities from total assets as furnished by Talenfeld; and he sent it to Talenfeld with a covering letter stating that "We have reviewed the books and records of Eastern and have prepared therefrom a balance sheet as of December 31, 1956." In fact, Myers had not seen any books or records of Eastern, and his sole source of information for the balance sheet was his telephone conversation with Talenfeld. The balance sheet, which was materially false and misleading, was given to a bank from which Eastern thereafter obtained a \$100,000 loan to finance its purchase of control of Cornucopia.

Myers had urged several factors in mitigation. He asserted that his conduct, though admittedly improper, represented an isolated instance of negligence during the tax season when he was overworked and tired, and he points to the fact that the statement was not to be filed with this Commission but one which he believed was solely for the use of the Talenfeld family. He also points to the adverse consequences he has already sustained from publicity incident to the Cornucopia case and from the loss of his position as partner in the accounting firm. However, the Commission concluded that Myers' conduct was "utterly inconsistent with the high professional standards which the public interest requires of accountants" and that the indicated suspension from practice was required.

OVER

**CREATIVE VENTURES REGISTRATION DEFERRED.** The SEC has issued an order under the Securities Exchange Act (Release 34-6860) postponing the effective date of an application for broker-dealer registration filed by Creative Ventures Corporation, 733 Third Ave., New York, pending further hearing and decision on the question whether said application should be denied. Consolidated proceedings are now pending on that question and on the question whether to revoke the broker-dealer registration of Bristol Securities, Inc. According to the order, applicant failed adequately to disclose, among other things, the positions of its president, Freeman Koo, and its board chairman, Max Block, with and their interests in Bristol and other broker-dealer firms; made incorrect statements with respect to Block's position and interests in Bristol; and failed to disclose the identity of one of its directors.

**REPORTING OF EMPLOYEE STOCK PLANS PRESCRIBED.** The SEC today announced the adoption of regulations (Release 33-4514 and 34-6857) with respect to the filing of annual reports by Securities Act registrants relating to employee stock purchase, savings and similar plans. A new Form 11-K has been adopted for use in filing annual reports with respect to such plans. A new Rule 15d-21 also has been adopted which provides that separate annual and other reports need not be filed with respect to any plan if the issuer of the stock or other securities offered to employees through their participation in the plan files annual reports on Form 10-K or U5S and furnishes to the Commission as a part of its annual report on such form the information, financial statements and exhibits required by Form 11-K and furnishes to the Commission copies of any annual report submitted to employees in regard to the plan. A new general instruction has been added to Form 10-K which specifies the procedure to be followed where an issuer elects to file information and documents pursuant to Rule 15d-21. In addition, Regulation S-X, the Commission's accounting regulation, has been amended by adding thereto a new Article 6C which prescribes the form and content of financial statements filed for employee stock purchase, savings and similar plans. These new requirements are applicable to reports filed on the new Form 11-K.

**MIDWEST TECHNICAL ORDER.** The SEC has issued an exemption order under the Investment Company Act (Release IC-3504) with respect to the proposed sale by Midwest Technical Development Corporation, Minneapolis, to Minco Products, Inc., of 960 shares of Minco's common stock. Minco proposes to purchase the 960 shares (which represent about 28% of the outstanding stock of Minco) at \$20 per share. Midwest purchased the stock in March 1959 at \$10 per share.

**CORRECTION RE STRATFORD CAPITAL.** The due date for the filing of requests for a hearing upon the application of Stratford Capital Corporation, New York, for an order declaring that it has ceased to be an investment company, is August 3, 1962, not July 23d, as reflected in the SEC News Digest of July 20th (IC-3503).

**BAN ON TRADING TWO STOCKS CONTINUED.** The SEC has issued orders under the Securities Exchange Act suspending exchange and over-the-counter trading in the common assessable stock of Industrial Enterprises, Inc., and the Class A stock of Automated Procedures Corp., for an additional ten-day period, July 24 to August 2, 1962, inclusive.

**INTERNATIONAL PIPE AND CERAMICS SHARES IN REGISTRATION.** International Pipe and Ceramics Corporation, 150 Rutledge Avenue, East Orange, N. J., filed a registration statement (File 2-20588) with the SEC on July 20th seeking registration of 36,059 shares of 5% cumulative convertible preferred stock (\$100 par) and 560,386 shares of common stock. Such shares are part of an aggregate of 334,227 preferred and 1,843,938 common shares which the company will issue pursuant to a proposed merger of Lock Joint Pipe Company, of New Jersey, and Gladding, McBean Co., of California, into Electro-Chemical & Mfg. Co. (a wholly-owned subsidiary of Lock Joint). Electro-Chemical will then change its name to International Pipe and Ceramics. Holders of Lock Joint common will receive common stock of International and holders of Gladding, McBean will receive the preferred stock of the company. Part or all of the shares being registered may be sold from time to time on the New York Stock Exchange, or otherwise, at prices current at the time of sale (maximum \$30 per share\*). The prospectus states that the persons receiving such shares have stated that they have no intention of making a public offering of such shares, but they are unwilling to represent that they are acquiring them for investment. The statement also includes 100,000 common shares issuable upon exercise of Restricted Stock Options.

Lock Joint manufactures pre-stressed concrete pressure pipe, which is used principally for the transmission and distribution of potable water, and concrete sewer, culvert and drainage pipe. Its subsidiary, Electro-Chemical, is engaged in the manufacture and sale of coatings, linings, adhesives and corrosion-resistant materials, principally for the chemical, textile, steel and food industries. Gladding, McBean manufactures and sells a diversified line of ceramic products. Allan M. Hirsh, Jr. is president of Lock Joint and C. W. Planje is board chairman and president of Gladding, McBean. Based on their respective holdings in the predecessor companies, Ellen H. R. Hirsh and Allan M. Hirsh, Jr. will receive 162,569 and 90,817 common shares of the new company, respectively, and Atholl McBean, 21,567 preferred shares. The remaining common shares covered by this statement will be issued principally to the family and descendants of Allan M. Hirsh, founder of Lock Joint, and their families and trusts created for the benefit of various members of their families which, as a group, now own about 30.4% of the outstanding common stock of Lock Joint.

**SECURITIES ACT REGISTRATIONS.** Effective July 23: The American News Company (File 2-20486); Automatic Retailers of America, Inc. (File 2-20395); The Columbia Gas System, Inc. (File 2-20491); Dulany Industries, Inc. (File 2-19833). Withdrawn July 23: The Medical and General Capital Fund, Inc. (File 2-19224).

\*As estimated for purposes of computing the registration fee.