

# 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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**VIOLATIONS CHARGED TO MACLAUGHLIN SECURITIES.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Leo G. MacLaughlin Securities Co., 65 South Euclid Ave., Pasadena, Calif., engaged in practices which operated as a "fraud and deceit" upon its customers or otherwise violated provisions of the Federal securities laws and, if so, whether its broker-dealer registration should be revoked. (NOTE TO PRESS. Copies also available at SEC Los Angeles Branch Office)

The said company ("registrant") has been registered with the Commission as a broker-dealer since January 2, 1945. In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that James H. Logan (also known as Sam Johnson) and certain other persons not disclosed in registrant's application for broker-dealer registration, are presently management officials or controlling persons of registrant. Logan was found to be the cause of the Commission's revocation on July 9, 1962 of the broker-dealer registration of J. Logan & Co., also of Pasadena, of which he was president and controlling stockholder, the Commission then finding that Logan & Co. had "shrewdly engaged in a Machiavellian scheme to play upon the credulity - - - of the public for their own unconscionable gain." Others named in the order are Jeanne Wilkins, financial advisor to registrant and in active direction of its operations since February 1961; Millard M. Mier, beneficial owner of 6% of registrant's stock and holder, as trustee for unknown beneficiaries, of an additional 45%; John E. Lalich, president since January 1962; Geraldine G. Gillespie, assistant secretary and 9% stockholder since March 1961; and Carolyn J. Hendrickson, secretary since June 25, 1962.

The staff further charges that registrant, aided and abetted by said persons, engaged in "acts, practices and a course of business which operated and would operate as a fraud and deceit upon customers of registrant and other brokers and dealers," in violation of the anti-fraud provisions of the Federal securities laws, in that they solicited and accepted orders from customers and other brokers and dealers when registrant was insolvent and unable to meet its current liabilities and unable to account to them for monies and securities due them. In addition, the staff also charges that registrant and said persons violated provisions of the Exchange Act and rules thereunder in that they (a) failed to amend registrant's application for broker-dealer registration to disclose that Logan and Wilkins directly and indirectly control its business and to disclose changes which occurred in ownership of 10% or more of its stock by officers and directors and persons having similar status or functions, (b) refused to produce various books for examination by representatives of the Commission; and (c) made false and fictitious entries in its books and records relating to (but not limited to) transactions by registrant in shares of the stock of Chase Capital Corporation. Violations of the Commission's net capital rule and record keeping requirements are also charged.

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 broker-dealer registration should be revoked. Registrant is a member of the National Association of Securities Dealers, Inc.; and one of the issues in these proceedings is whether it also should be suspended or expelled from NASD membership.

**AMERICAN QUICKSILVER ENJOINED.** The SEC San Francisco Regional Office announced July 26th (Lit-2325) the entry of a Federal court order (USDC SD, Calif.) permanently enjoining American Quicksilver Corporation, Nick Comeriski and Thomas Craig, from violating the anti-fraud provisions of the Securities Act in the offer and sale of American Quicksilver stock. The action continues as to the defendants Brown, Barton & Engel and George P. Barton, who are subject to a preliminary injunction entered on April 30, 1962.

**HARRY B. MATHESON INDICTED.** The SEC Boston Regional Office announced July 27th (Lit-2326) the return of an indictment (USDC Mass.) charging Harry B. Matheson, president of San Juan Petroleum Corporation, of Salt Lake City, with violations of the registration and anti-fraud provisions of the Securities Act in connection with the offer and sale of stock of that company.

**MACLAUGHLIN SECURITIES ENJOINED.** The SEC San Francisco Regional Office announced July 27th (Lit-2327) the entry of a Federal court order (USDC SD, Calif.) enjoining Leo G. MacLaughlin Securities Co., 65 Euclid Street, Pasadena, Calif., from violating the Commission's net capital rule, and from engaging in business while insolvent in violation of the anti-fraud provisions of the Exchange Act. The firm consented to the entry of the decree, which also directs it to submit its books and records for examination by the Commission's staff. The action continues with respect to individual defendants John E. Lalich, Geraldine G. Gillespie and Carolyn J. Hendrickson.

**J. LOGAN & CO. ENJOINED.** The SEC San Francisco Regional Office announced July 27th (Lit-2328) the entry of a Federal court order (USDC SD, Calif.) permanently enjoining J. Logan & Co., Pasadena, Calif., James H. Logan, Mildred Logan and Marvin M. Hersh from engaging in acts and practices in violation of the anti-fraud provisions of the Federal securities laws.

**CARL D. SCHAEFER IN CUSTODY.** The SEC today announced (Lit-2329) that Carl D. Schaefer was remanded to the custody of the U. S. Marshall on June 29th to begin serving a 2-year prison sentence for violations of the registration and anti-fraud provisions of the Securities Act.

OVER

**VIOLATIONS CHARGED TO PALOMBI SECURITIES.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Palombi Securities Co., Inc., 37 Wall Street, New York, engaged in practices which operated as a "fraud and deceit" upon its customers or otherwise violated provisions of that Act, and, if so, whether its broker-dealer registration should be revoked.

The said company ("registrant") has been registered with the Commission as a broker-dealer since April 6, 1959. Edward R. Palombi is president and beneficial owner of 10% or more of its common stock. In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that registrant and Palombi "engaged in transactions, acts, practices and a course of business which would and did operate as a fraud and deceit upon certain persons," in violation of the anti-fraud provisions of the Federal securities laws, in that they represented that registrant, as a broker and dealer engaged in the securities business, was ready and able to discharge its liabilities to such persons when, in fact, registrant's liabilities exceeded its current assets and it was unable to meet its liabilities in the ordinary course of business. Violations of the Commission's net capital rule and financial reporting requirement are also charged.

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 broker-dealer registration should be revoked. Registrant is a member of the National Association of Securities Dealers, Inc.; and one of the issues in these proceedings is whether it also should be suspended or expelled from NASD membership.

**SOUTHWELL HEARING SCHEDULED.** The Commission has ordered a hearing for August 9, 1962, in its New York Regional Office in proceedings under the Exchange Act to determine whether to revoke the broker-dealer registration of Robert J. Southwell, doing business as R. J. Southwell Co., 880 Bergen Avenue, Jersey City, N.J. The Commission's order authorizing the proceedings recites charges of its staff that Southwell violated provisions of the Exchange Act in that he failed to file an amendment to his broker-dealer registration reflecting a change of business address; refused to make his books and records available for examination by the Commission's staff; and violated the Commission's financial reporting and record keeping requirements. Further, according to the order, Southwell was permanently enjoined by Federal court order in June 1962 from engaging in certain conduct and practices in connection with the purchase and sale of securities.

**THREE BROKER-DEALER REGISTRATIONS CANCELLED.** The Commission has issued orders cancelling the broker-dealer registrations of the following: (1) J. Morris Anderson & Associates, Inc., Washington, D. C. Associates has ceased to do business as a broker-dealer. The firm and John Morris Anderson and Paul Obie Downtin, president and vice president, respectively, were enjoined by Federal court order in December 1961 from violating certain provisions of the Securities Exchange Act. (2) Pruett & Company, Inc., Atlanta, Ga. The said company ceased business in May 1961. In September 1961, its principal officers, Carl and Gertrude Pruett, were sentenced to nine years' imprisonment on their pleas of guilty to a Federal indictment charging violations of the anti-fraud provisions of the Federal securities laws. (3) Vickers, Christy & Co., Inc., New York City. In December 1961 the said company was enjoined by Federal court order, along with Sidney G. Vickers, Jr., and William J. Christy, president and secretary, respectively, from further violations of certain provisions of the Securities Exchange Act.

**POWER REACTOR DEV. ORDER MODIFIED.** The SEC has issued an order under the Holding Company Act (Release 35-14675) amending a 1957 order so as to permit Power Reactor Development Company to sell its facilities used for the production of steam without affecting its exempt status under the Act. The 1957 order declared PRDC, a non-profit, non-stock, corporation organized under the membership corporation law of Michigan, and then engaged in the construction of a "fast neutron breeder" atomic reactor, not be an electric utility company under that Act.

**C. E. BURLINGAME DISSOLUTION PLAN APPROVED.** The SEC has issued an order under the Holding Company Act (Release 35-14676) approving a plan filed by C. E. Burlingame Corporation, a registered holding company, its subsidiary public-utility and non-public utility companies, and the executor of the estate of Clarence E. Burlingame, to simplify the Burlingame holding-company system as incident to compliance with the will of Clarence E. Burlingame (who owned all of Burlingame's outstanding stock) and declaring that Burlingame has ceased to be a holding company. Under the plan, Burlingame Corp. and one non-utility company will be dissolved, and the net underlying assets of Burlingame, consisting primarily of the common stocks of subsidiaries, will be transferred to a testamentary trustee for disposition in accordance with the terms of the said will.

**NEES MERGER TRANSACTIONS NOTICED.** The SEC has issued an order under the Holding Company Act (Release 35-14677) giving interested persons until August 16th to request a hearing upon an application filed by New England Electric System, Boston holding company, and five of its electric public-utility subsidiaries with respect to the proposed merger of three of such subsidiaries, Lynn Electric Company, Merrimack-Essex Electric Company and Suburban Electric Company, into a fourth, Massachusetts Electric Company. According to the application, Mass. Electric will issue to NEES 941,068 common shares in exchange for all of the common shares of the other merging companies. Upon consummation of the merger, Mass Electric will acquire all of the assets of Lynn, Merrimack, and Suburban and will assume their liabilities, including the outstanding first mortgage bonds of Merrimack and Suburban, the long-term debt of Lynn, and the short-term notes payable of each of these companies, as well as the liability for the payment of the preferred stock of Merrimack, which is to be called for payment prior to the time the merger is consummated. Mass Electric proposes to sell publicly, at competitive bidding, \$60,000,000 of first mortgage bonds and \$7,500,000 of \$100 par preferred shares; and the proceeds therefrom will be used to redeem the first mortgage bonds of Merrimack and Suburban (\$33,500,000), to pay long-term notes of Lynn (\$2,199,000), to redeem preferred stock of Merrimack (\$7,500,000), to redeem series E bonds of Mass. Electric (\$7,500,000), and to reduce short-term notes payable of Lynn, Merrimack, Suburban and Mass. Electric (\$17,000,000). After the merger, Mass. Electric proposes to purchase for \$601,388 certain properties, related equipment and materials and supplies from the fifth subsidiary, New England Power Company; and the latter proposes to purchase properties, equipment, materials and supplies from Mass. Electric for \$220,180.

CONTINUED

**NATIONAL CAPITAL ACCEPTANCE SUSPENSION PERMANENT.** National Capital Acceptance Corporation, of Washington, D. C., has withdrawn its request for a hearing upon the Commission's May 17, 1962, order temporarily suspending a Regulation A exemption from registration with respect to a public offering of 150,000 shares of Class A common stock by the said Acceptance Corporation at \$2 per share pursuant to a notification filed in October 1961. Accordingly, the hearing thereon has been cancelled and the suspension has become permanent.

**SEC SEEKS ORDER ON EMBARCADERO RANCHOS.** The SEC has filed a motion with the US District Court in Los Angeles to dismiss proceedings under Chapter XI of the Bankruptcy Act with respect to Embarcadero Ranchos, Inc., Embarcadero, Inc., Redova Development Corporation and Colonia Vista Properties Corporation, unless the Chapter XI petitions are amended to conform with the requirements of Chapter X of the Act or creditors' petitions under Chapter X are filed. It is the Commission's position that the procedures under Chapter XI for the composition of unsecured creditors' claims are inadequate for the accomplishment of a much-needed thoroughgoing reorganization of these debtors and do not provide the safeguards for the interests of public investors which are provided under Chapter X.

The four debtors constitute a single enterprise organized to develop about 1,350 acres of land located near Santa Barbara, California. The petitions reflect liabilities of \$5,117,000, including \$1,200,000 of improvement and construction loans and \$2,307,000 of notes secured by deeds of trust on unimproved lots. These notes were issued by the debtors and sold to approximately 600 investors by Los Angeles Trust Deed & Mortgage Exchange. The sole owners of the common stock of the four debtors have been indicted for conspiracy, grand theft and violations of the State Corporation Code, and the president of Los Angeles Trust Deed & Mortgage Exchange was convicted for his activities in connection with that company.

**CONCRETE STRUCTURES FILES FOR STOCK OFFERING.** Concrete Structures, Inc., 12825 North East 14th Ave., North Miami, Fla., filed a registration statement (File 2-20607) with the SEC on July 27th seeking registration of 100,000 shares of common stock, to be offered for public sale at \$4.50 per share. The offering will be made on an all or none basis through underwriters headed by Bernard M. Kahn & Co., Inc., Time & Life Bldg., New York, which will receive a 45¢ per share commission and \$7,500 for expenses. The statement also includes 9,000 shares underlying 5-year warrants to be sold to the underwriter for \$900, exercisable at \$2.50 per share.

The company produces a wide variety of precast and prestressed concrete architectural and structural members for use in the construction industry. These products are used in the construction of foundations, bridges and commercial and industrial buildings throughout the South and Central Florida area. The \$365,000 estimated net proceeds from the stock sale will be applied to reduce indebtedness secured by factored accounts, which at June 30, 1962 amounted to \$427,933. In addition to certain indebtedness, the company has outstanding 200,000 Class B shares, all of which are owned by Concrete Corporation of America, of New York. Murray Druce, treasurer of the company, and Isidore Yavers, secretary, own about 52% of the stock of Concrete Corp. Burt Hunter is president of the company. Sale of new stock to the public at \$4.50 per share will result in an increase in the book value of stock now outstanding from 99¢ to \$1.88 per share with a resulting dilution of \$2.62 per share in the book equity of stock purchased by the public.

**SPENCER CHEMICAL FILES STOCK PLAN.** Spencer Chemical Company, 610 Dwight Bldg., Kansas City, Mo., filed a registration statement (File 2-20608) with the SEC on July 27th seeking registration of 225,000 shares of common stock, to be offered pursuant to its 1960 Stock Option Plan.

**LESLIE FAY FILES FOR STOCK OFFERING.** Leslie Fay Inc., 1400 Broadway, New York, filed a registration statement (File 2-20609) with the SEC on July 27th seeking registration of 200,000 shares of Class A stock, to be offered for public sale through underwriters headed by Shearson, Hammill & Co., 14 Wall Street, New York. The public offering price (maximum \$12 per share\*) and underwriting terms are to be supplied by amendment.

The company is engaged in the design, manufacture and sale of a diversified line of moderate and better priced dresses, suits and coats. Of the net proceeds from the stock sale, \$500,000 will be used for the acquisition of additional plant facilities and equipment, and for working capital in connection with the proposed commencement of the manufacture of knit dresses and suits. Most of the balance will be used as working capital, of which \$1,000,000 will be used to finance accounts receivable and additional inventories of finished goods and raw materials. In addition, \$100,000 will be used to repay indebtedness to the company's president incurred for working capital purposes. In addition to certain indebtedness, the company has outstanding 100,000 Class A and 300,000 Class B shares, of which Fred P. Pomerantz, president, owns 80% and 84%, respectively.

**TEXAS PLASTICS FILES FOR STOCK OFFERING.** Texas Plastics, Inc., Elsa, Texas, filed a registration statement (File 2-20610) with the SEC on July 27th seeking registration of 313,108 shares of common stock, to be offered for public sale at \$3.50 per share. The offering will be made on an agency best efforts basis by Crow, Brouman & Chatkin, Inc., 115 Broadway, New York, which will receive a 35¢ per share selling commission. The statement also includes (1) 30,000 shares underlying 3-year warrants to be sold to the underwriter at 1¢ each, exercisable at \$3.50 per share, and (2) 3,000 shares to be issued to two employees of the company.

The company is engaged in the plastics industry, operating a plant producing plastic film and packaging products. The net proceeds from the stock sale will be used as additional working capital to provide for larger raw material supplies, larger inventory of finished goods, and an expanded sales force as well as to carry greater accounts receivable. The company has outstanding 339,892 shares of common stock (after giving effect to a recent 2-for-1 stock split), of which F. H. Vahlsing, Inc., of Texas, and The Christina Corp., of Maine, own 66.6% and 29.6%, respectively. All of the stock of Vahlsing and Christina is owned by F. H. Fahlsing, Sr., president of the company, and F. H. Vahlsing, Jr., executive vice president. Book value of stock now outstanding is \$3 per share.

**MUSIC ROYALTY CORP. FILES FOR STOCK OFFERING.** Music Royalty Corporation, 545 Fifth Avenue, New York, filed a registration statement (File 2-20611) with the SEC on July 27th seeking registration of 150,000 shares of common stock, to be offered for public sale at \$1 per share. The offering will be made on a best efforts basis through underwriters headed by Associated Securities Company, 1008 Law & Finance Building, Pittsburgh, which will receive a 15¢ per share selling commission and \$5,000 for expenses. The statement also includes 50,000 shares underlying 5-year warrants to be sold to the underwriters for \$50, exercisable at \$1 per share.

The company was organized in June 1962 and shortly thereafter, under an agreement with Richard Carpenter, president, acquired certain music copyrights and personal management contracts with artists and composers. The company acts as a representative under 18 contracts with artists, instrumentalists, songwriters, and composers in the popular music field with specific emphasis on jazz; and it also proposes to engage in the music publishing business. The consideration paid for such assets was \$15,000 represented by a promissory note (such assets having had no cost basis to Carpenter). The estimated \$106,000 net proceeds from the stock sale will be used to pay the note to Carpenter, for promotion and public relations, to defray copyright expenses, to acquire musical properties and for general working capital. The company has outstanding, in addition to the note, 150,000 shares of common stock, of which Carpenter and Chauncey S. Olman, secretary-treasurer, own 50% each. Sale of new stock to the public at \$1 per share will result in an increase in the book value of stock now outstanding from 1¢ to 50.7¢ per share, with a resulting dilution of 49.3¢ per share in the book equity of stock purchased by the public.

**SECURITY INTERNATIONAL FILES FOR STOCK OFFERING.** Security International Corporation, 127 West Main Avenue, West Fargo, North Dakota, filed a registration statement (File 2-20612) with the SEC on July 27th seeking registration of 548,000 shares of common stock, to be offered for public sale at \$2.50 per share. The offering will be made on a best efforts basis by Investment Brokerage Corporation, Fargo, which will receive a 37½¢ per share selling commission. The statement also includes (1) 40,000 shares underlying 5-year options to be granted to the underwriter, exercisable at \$2.50 per share, (2) 120,000 shares underlying 5-year options held by management officials and promoters, also exercisable at \$2.50 per share, (3) 26,000 shares to be offered to management officials and promoters under existing subscription by such persons, and (4) 40,000 shares underlying options to be sold to Advisory Board members.

The company was organized under North Dakota law on May 25, 1962 for the purpose of obtaining sufficient funds through the sale of stock to permit it to organize and purchase stock of a subsidiary life insurance company to be wholly owned by the company. It is anticipated that the proceeds obtained by the company from its organizers (they have purchased or subscribed to 52,000 shares at \$2.50 per share), together with the proceeds to be obtained from this offering, will suffice to capitalize properly the life insurance company and to provide it with surplus sufficient in amount to pay its obligations and to finance the acquisition of life insurance business through direct sales by its agents until such time as the volume of such business is sufficient in amount to permit profitable operation. The company does not presently intend to engage in any business, except indirectly through its proposed subsidiary. It presently has outstanding 26,000 common shares (26,000 shares subscribed but not paid for), of which management officials as a group own 22,000 shares (2,000 each). Lloyd E. Tarvestad is president and David B. Johnson is 1st vice president of the company (Johnson also is sole stockholder of the underwriter).

**CAMBRIDGE MILLS FILES FOR STOCK OFFERING.** Cambridge Mills Inc., 725 Broadway, New York, filed a registration statement (File 2-20613) with the SEC on July 27th seeking registration of 110,000 shares of common stock, to be offered for public sale at \$3.50 per share. The offering will be made on a best efforts all or none basis through underwriters headed by Alskor Securities Co., 165 Broadway, New York, which will receive a 36¢ per share commission and \$12,000 for expenses. The statement also includes (1) 10,000 outstanding shares to be sold to the underwriter by the holders thereof at 50¢ per share, (2) 15,000 shares underlying 5-year warrants to be sold to the underwriter at one mil each, exercisable at \$3.50 per share, and (3) 3,000 shares underlying like warrants to be sold to Alex Yanowitch, the finder. A \$3,000 fee is also payable to Yanowitch.

The company and its wholly owned subsidiaries are engaged principally in the design, manufacture and sale of infants' nylon "stretch" wear, including tights, coveralls, playsuits, crawlers, creepers, jackets and pajamas and, to a lesser extent, coordinated sets of cotton knit shirts and pants for infants. Of the \$313,500 estimated net proceeds from the stock sale, \$100,000 will be used to repay factor's loans and the balance for working capital and general corporate purposes, including increased accounts receivable and inventories. In addition to certain indebtedness, the company has outstanding 150,000 shares of common stock (after giving effect to a proposed 1000-for-1 stock split), of which Thomas J. Barile, president, Martin Warner, vice president, and Stanley I. Halbreich, treasurer, own 1/3 each. Sale of new stock to the public at \$3.50 per share will result in an increase in the book value of stock now outstanding from 54¢ to \$1.52 per share with a resulting dilution of \$1.98 per share in the book equity of stock purchased by the public.

**SECURITIES ACT REGISTRATIONS.** Effective July 31: Avis, Inc. (File 2-20496); Colorado Interstate Gas Co. (File 2-20584); Penta Laboratories, Inc. (File 2-20273); Puerto Rico Brewing Company, Inc. (File 2-20022); Seeman Brothers, Inc. (File 2-20454); Worcester Gas Light Co. (File 2-20532). Withdrawn July 30: American Cardboard & Packaging Corp. (File 2-19610). Withdrawn July 31: Rite Electronics, Inc. (File 2-19709); Utah Concrete Pipe Co. (File 2-19758).

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