

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 August 9, 1962

RECKLESS HIRING OF SALESMEN BRINGS SANCTION. In a decision announced today (Release 34-6872), the SEC sustained the National Association of Securities Dealers, Inc., in its expulsion from NASD membership, for "reckless hiring procedures," of the New York firm of Vickers, Christy & Co., Inc. Also affirmed was the NASD's revocation of the registration of Sydney G. Vickers, Jr. and William J. Christy, president and secretary-treasurer, respectively, as registered representatives.

In the first case presented to the Commission involving the responsibilities of NASD members in hiring registered representatives, the Commission (in an opinion by Chairman Cary) observed: "Both the NASD and we have been concerned with raising the standards of character, competence and training of securities salesmen. . . The salesman often represents the major point of contact between the securities business and the general public - a minimum level here can produce maximum damage everywhere."

Under its rules, any member of the NASD who associates with it any person requiring registration with the NASD, must have reason to believe upon the exercise of reasonable care, and must so certify to the NASD, that such person "is of good character and of good business repute" and is or will be qualified by training or experience to perform the functions assigned to him. Such determination is the "complete" responsibility of the member, and "improper or unwarranted certification . . . shall be deemed to be conduct contrary to high standards of commercial honor."

The NASD had ruled that the Vickers-Christy firm had certified to the "good character and good business repute" of the four salesmen, employed in June 1960, "without having exercised reasonable care" in investigating their background; and this finding was sustained by the Commission. David Schor, one of three salesmen who had formerly worked for Biltmore Securities Corp., a defendant in two separate Commission actions based on fraud charges, had himself been a defendant in an injunction action based on fraud charges while employed by Philip Newman Associates, Inc. Moreover, the four salesmen had previously been associated with ten or more other firms against which various adverse actions had been taken. Despite this, the firm had made an inquiry only of Biltmore, for whom three of the salesmen had worked for short periods. The "superficial" nature of the firm's inquiry, the Commission states, was highlighted by its asserted ignorance of Biltmore's difficulties and the prior employment records of the salesmen, and "we must doubt the depth of their interviews and investigations when they failed completely to learn of the formidable record of the salesmen's dubious connections."

The appellants indicated that, had they known of the past connections of the salesmen, they would not have engaged them. "Here is the crux of the case against them," the Commission stated, "they did not know and made no reasonable effort to find out." The Commission also rejected a defense based on the absence of any finding by the NASD that the salesmen in fact were not of good character and business reputation. This is immaterial, the Commission stated, "the dereliction charged concerns appellants' duty to make a reasonable inquiry and to certify a reasonable belief based on information."

COMSTOCK COIN OFFERING SUSPENDED. The SEC has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a stock offering by Comstock Coin Company, 158 North Virginia Street, P. O. Box 5067, Reno, Nevada.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. In a notification filed on August 15, 1961, Comstock proposed the public offering of 5,680 Class A common shares at \$50 per share. The Commission asserts in its suspension order that it has reasonable cause to believe that certain terms and conditions of the Regulation were not complied with, that certain of the company's sales material was false and misleading, and that the offering is being made in violation of the Securities Act anti-fraud provisions. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

According to the order, Comstock did not comply with the Regulation in that it failed to amend its notification to correctly disclose all the jurisdictions in which the offering of its shares was being made, failed to file copies of sales material with the Commission prior to its distribution to the public, and failed to comply with the Regulation in its use of sales material distributed to the public and broadcast by television. The alleged misrepresentations related to the business of and financial condition of the company, the availability of funds to the company and its ability to engage in business, the company's growth potential, the qualifications of management and extent of management costs, transactions into which the company has entered and its business, and other matters.

WESREB OIL HEARING SCHEDULED. The Commission has scheduled a hearing for September 17, 1962, in its Washington Office to determine whether to vacate or make permanent an order of June 21, 1962, temporarily suspending a Regulation A exemption from registration with respect to a public stock offering by Wesreb Oil Company, Inc., of Washington, D. C. The suspension order alleged that Wesreb Oil did not comply with certain terms and conditions of the Regulation and that its offering circular was false and misleading in respect of certain material facts.

OVER

COLUMBIA GAS SYSTEM SERVICE NOTICED. Columbia Gas System Service Corporation, wholly-owned subsidiary service company of The Columbia Gas System, Inc., New York holding company, has applied to the SEC for an order authorizing certain proposed modifications in its organization and conduct of business; and the Commission has issued an order (Release 35-14680) giving interested persons until September 5, 1962 to request a hearing thereon. Columbia Service performs professional and technical services at cost for all associate companies in the Columbia Gas holding-company system, and also manufactures and sells stationery at cost to such associate companies. According to the application, Columbia Service proposes (1) to pay the salaries and related expenses of system officers and employees, heretofore paid entirely by Columbia Gas, whose functions relate both to Columbia Gas and its operating subsidiaries, and to allocate such costs fairly and equitably among the associate companies benefiting therefrom in accordance with cost allocation methods approved by the Commission, and (2) to render to the system and the operating subsidiaries executive, managerial and coordinating services heretofore prohibited by the terms of a 1943 Commission order.

AMERICAN ELECTRIC POWER SEEKS ORDER. American Electric Power Company, Inc., New York holding company, has applied to the SEC for an order authorizing a split of its authorized and outstanding shares of common stock on a 2-for-1 basis; and the Commission has issued an order (Release 35-14681) giving interested persons until August 30th to request a hearing thereon. Under the proposal, American will be authorized to issue 50,000,000 common shares (par value \$6.50 per share) in lieu of the 25,000,000 presently authorized common shares (par value \$10 per share); and the 21,904,115 common shares presently outstanding will be reclassified into 43,808,230 common shares; and in connection therewith American will transfer \$65,712,345 (\$3 per outstanding share) from capital surplus to capital stock, thus increasing the aggregate par value of the outstanding common shares from \$219,041,150 to \$284,753,495. The proposed amendment will be submitted to a vote of shareholders at a special meeting to be held on October 9th.

JOHNS & CO. ENJOINED. The SEC New York Regional Office announced August 6th (Lit-2343) the entry of a Federal court order (USDC, NJ) preliminarily enjoining F. S. Johns & Co., Inc., and John A. Tricoli, Jr., its president, from violating the Securities Act anti-fraud provisions in the offer and sale of stock of Diversified Funding, Inc. Also enjoined were Diversified Funding, Inc. and its wholly-owned subsidiary, Silver Springs Acres, Inc., and Lawrence Tricoli and Joseph Onello, officers and directors of Diversified Funding and Silver Springs.

CLARIFICATION RE CENCO INSTRUMENTS DELISTING. The SEC News Digest of August 3rd reported the issuance of a Commission order granting an application of the Midwest Stock Exchange to delist the common stock of Cenco Instruments Corporation. Cenco's stock, however, remains listed on several other Exchanges.

SECURITIES ACT REGISTRATIONS. Effective August 8: Pay-N Save Corp. (File 2-20295). Effective August 9: The I-M Company (File 2-20561). Withdrawn August 7: Esslinger's Industries of Philadelphia, Inc. (File 2-20070); Income Properties, Inc. (File 2-17902). Withdrawn August 8: Computer Components, Inc. (File 2-19423); General Classics Inc. (File 2-20025). Withdrawn August 9: Lustig Food Industries, Inc. (File 2-19595).

---0000000---