

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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



Washington 25, D.C.

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

(Issue No. 62-12-1)

FOR RELEASE December 3, 1962

Statistical Release No. 1866. The SEC Index of Stock Prices, based on the closing price of 300 common stocks for the week ended November 30, 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	
	11/30/62	11/23/62		High	Low
Composite	127.4	125.5	+1.5	144.3	107.0
Manufacturing	118.3	116.7	+1.4	135.0	98.6
Durable Goods	114.8	113.7	+1.0	135.6	95.2
Non-Durable Goods	121.7	119.6	+1.8	134.4	101.8
Transportation	103.2	100.1	+3.1	111.0	85.5
Utility	167.8	164.8	+1.8	185.5	143.0
Trade, Finance & Service	150.9	149.4	+1.0	178.2	129.8
Mining	101.3	101.5	-0.2	113.3	83.8

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended November 29, 1962, 30 registration statements were filed, 22 became effective, 3 were withdrawn, and 462 were pending at the week-end.

SEC SUSTAINS NASD SANCTION AGAINST PALOMBI SECURITIES. The SEC today announced a decision (Release 34-6961) sustaining findings by the National Association of Securities Dealers, Inc., that Palombi Securities, Co., Inc., 37 Wall Street, New York, Edward Palombi, president and registered representative, and Harry Barath, James DePasquale and Marvin Jay Polsky, registered representatives, violated certain of the NASD's Rules of Fair Practice and that such violations constituted conduct inconsistent with just and equitable principles of trade. The NASD had expelled the firm from membership, found Palombi a cause thereof, and revoked the registrations as registered representatives of said individuals; and the Commission determined that the sanctions were not excessive or oppressive.

According to the Commission's decision, the firm was involved almost exclusively as the principal underwriter on a best efforts basis with respect to a public offering of securities of Azalea Mobile Homes, Inc. and of National Standard Electronics, Inc. pursuant to a claimed Regulation A exemption from Securities Act registration. Each offering consisted of 300,000 common shares at \$1 per share. The NASD found that there was such a high ratio of cancellations of sales of Azalea stock allegedly effected by said persons in 1959 as to indicate that they engaged in a conspiracy to and did increase sales by sending confirmations to persons who were solicited over the telephone to purchase the stock but who did not in fact agree to make the purchase. The record shows 49 cancellations of sales covering a total of 22,100 shares out of 87 alleged sales totalling 31,000 shares followed by the reinstatement of 7 sales covering 4,700 shares. The evidence supports the NASD finding, the Commission ruled, "that the high cancellation rate reflected a pattern of confirming transactions to which customers had not in fact agreed." The Commission held that the NASD had properly rejected the reasons advanced by the salesman for such cancellations, namely, an asserted inability of the customer to pay because of unemployment, illness, or lack of funds (presumably occurring after an alleged firm commitment by the customer); that the customer had changed his mind following a television announcement warning against dealing with strangers on the telephone, and an apparent unfavorable Dun and Bradstreet report on the firm or a more thorough reading of the offering circular by the customer. The Commission also considered "the high-pressure selling methods, characteristic of a boiler-room operation," which were used by the salesman and which are "often accompanied by the use of false confirmations to generate sales."

The Commission also sustained NASD findings that the firm and the salesman offered and sold the securities at an arbitrary price without disclosing that the firm dominated and controlled the market in such securities, unlawfully extended credit to customers in violation of Regulation T, permitted employees to transact business in securities when such employees were not registered as registered representatives, and failed to maintain current and accurate records. The Commission rejected applicants contentions that the penalties imposed upon them by the NASD should be set aside or reduced, that they acted in good faith and the public was not harmed, and that although there may have been "slight indiscretions" they were not premeditated or willful.

VIOLATIONS CHARGED TO MITCHELL & CO. OF PHOENIX. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether "Mitchell & Company, Inc., Securities," doing business as Mitchell & Co., Inc., 3033 North Central Avenue, Phoenix, Arizona, violated the anti-fraud, anti-manipulative and other provisions of that Act and, if so, whether its broker-dealer registration should be revoked.

The said firm ("registrant") has been registered with the Commission as a broker-dealer since November 8, 1961. Jerry J. Mitchell is president and a principal stockholder; and during the period March-July 1962 William M. Liddon was a principal stockholder. According to the order, from October 1960 to date, Liddon

OVER

was president and a principal stockholder of Preferred Securities, Inc., a Phoenix broker-dealer against whom the Commission recently ordered proceedings to determine whether that company and Liddon violated the anti-fraud and anti-manipulative provisions of the Federal securities laws and, if so, whether its broker-dealer registration should be revoked. In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that in the purchase and offer to purchase common stock of General Trust Corporation during the period from July 1 to November 1, 1962, registrant, Mitchell and Liddon "engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit" in that they made false and misleading statements of material facts to the effect that General was not doing well, the price of its stock would decline, various proposed mergers had fallen through, and cash dividends would not be paid by General. The staff also charges that amendments were filed to registrant's application for broker-dealer registration which falsely stated that in January 1962 Liddon ceased to be president and a director of Preferred Securities, and that from August 1, 1962 to date Mitchell was the only person who owned 10% or more of registrant's common stock. It is also alleged that respondents employed "manipulative, deceptive and other fraudulent devices" in numerous transactions for the accounts of its customers wherein, acting as agent for both the buyer and seller, registrant failed to disclose the source and amount of certain commissions or other remuneration received or to be received by it in connection with the transactions. Violations of the Commission's net capital rule also are charged.

A hearing will be held, at a time and place to be announced, for the purpose of taking evidence on the foregoing 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.

**PROCEEDINGS AGAINST TWO NEW YORK FIRMS DISMISSED.** The SEC has issued an order under the Securities Exchange Act (Release 34-6964) granting a motion filed by Bristol Securities, Inc. 60 East 42nd Street, and Creative Ventures Corporation, 733 Third Avenue, both of New York, to dismiss proceedings under that Act to determine whether Bristol's broker-dealer registration should be revoked and whether Creative Venture's application for broker-dealer registration should be denied. The Commission on September 14, 1962 had determined that although the record established inaccuracies and inadequacies in both firm's broker-dealer application forms, "it was not clear that it was in the public interest to revoke or deny the registrations;" and that it was appropriate to afford them an opportunity to submit corrective amendments thereto. The two firms subsequently filed such amendments to their respective applications and moved to dismiss the proceedings; and, accordingly, the Commission dismissed said proceedings (and also permitted the application for broker-dealer registration filed by Creative Ventures to become effective).

**WICK INVESTING FILES EXCHANGE PLAN.** Wick Investing Corp., of Delaware, 10 East 44th St., New York, filed a registration statement (File 2-20926) with the SEC on November 29th seeking registration of 211,500 shares of Class A stock, 34,357 shares of Class A deferred stock and 44,925 shares of Class B stock. It is proposed to offer such securities in exchange for the outstanding interests of additional limited partners and original limited partners in Motel of the Mountain Associates, London House Associates, Manchester Associates, Granada Associates and Franklin Garden Associates. In addition, the company proposes to exchange 5,000 Class B shares for general partnership interests in the partnerships. The statement also includes 5-year warrants to purchase an aggregate of 295,782 shares of Class A stock at prices ranging from \$7.50 to \$11.50 per share, to be offered for public sale at \$2.75 per warrant. The names of the underwriters for the public offering of the warrants, and the underwriting terms, are to be supplied by amendment.

The company was organized under Delaware law in June 1962 to engage in various phases of the real estate and investment business. It was organized by Joel J. Bloch, president and board chairman, who presently exercises control of the properties involved in the exchange offer by reason of being a general partner of all of the partnerships and who will continue to exercise control of the business and affairs of the company by means of his ownership of more than 50% of the company's Class B stock. The company will acquire pursuant to the exchange offer The Motel on the Mountain (Hillburn, N.Y.), the London Guarantee Building (Chicago), the Cumberland Motel and Glass House Restaurant (Manchester, Tenn.), the Granada Apartments (Houston), the Royal Palms Apartments (Houston), and the Franklin Garden Stores (Garden City, N.Y.). The net proceeds from the public sale of the warrants will be invested in real property and other forms of investments. The company has outstanding 30,000 Class A and 97,500 Class B shares, of which Bloch owns 15.2% and 92.3%, respectively. The Class B shares were issued to the holders thereof at 1¢ per share, and the Class A shares at \$1 per share. Book value of Class A stock now outstanding is \$1.03 per share.

**FIRST UNION REALTY FILES FOR OFFERING.** First Union Realty, a business trust of Union Commerce Bldg., Cleveland, filed a registration statement (File 2-20927) with the SEC on November 29th seeking registration of 880,000 shares of beneficial interest in the trust, to be offered for public sale through underwriters headed by Harriman Ripley & Co., Inc., 63 Wall Street, New York, and Hayden, Miller & Co., Union Commerce Bldg., Cleveland. The public offering price (maximum \$14 per share\*) and underwriting terms are to be supplied by amendment.

The trust was organized as an unincorporated business trust in 1961 to provide investors an opportunity to participate in investments in real estate in the United States. The trust is qualified as a real estate investment trust under the Internal Revenue Code. The trust acquired its present property, the Union Commerce Building in Cleveland, from the Union Commerce Bank (on a lease-back arrangement) in October 1961 for a purchase price of \$25,500,000. Such amount was financed by a mortgage loan of \$13,500,000 and by public sale of 1,060,000 shares of beneficial interest at \$12.50 per share (with a \$1 per share commission to the underwriters). The trust now proposes to acquire the 55 Public Square Building, in downtown Cleveland (including related garage and restaurant buildings) at a cost (including mortgages) of not in excess of \$21,500,000. The building is owned by, and is the only substantial asset of, 55 Public Square, Inc., and

(CONTINUED)

the trust intends to purchase all of the stock of that company at a price yet to be negotiated. Payments for such stock and refinancing of the outstanding mortgages on the building into a single mortgage will aggregate an estimated \$10,000,000 which, with the new \$11,500,000 single mortgage, represents the \$21,500,000 cost of the building, and will be paid from the net proceeds from the sale of new shares of beneficial interest. The balance of such proceeds will be used for working capital. The building (including garage and restaurant) will be leased to First Union Advisory Corp., in which the two named underwriters each have a 40% interest. The two underwriters sponsored organization of the Trust. Stuart F. Silloway (the president of Harriman Ripley) and Russell J. Olderman (a partner of Hayden, Miller) were its initial trustees and designated the present trustees including Robert Black, chairman. Silloway and Olderman are respectively president and vice president of First Union Advisory Corp.

**NATIONAL OLD LINE INSURANCE FILES STOCK PLANS.** National Old Line Insurance Company, 501 Wood Lane, Little Rock, Ark., filed a registration statement (File 2-20930) with the SEC on November 29th seeking registration of 144,000 shares of Class BB common stock, to be offered pursuant to its Employees' Stock Option Plan and its Sales Representatives' Stock Option Plan.

**CONTROLS CO. FILES STOCK PLANS.** Controls Company of America, 2001 North Janice Avenue, Melrose Park, Ill., filed a registration statement (File 2-20931) with the SEC on November 30th seeking registration of 105,882 shares of common stock, to be offered pursuant to its 1956 Stock Purchase Plan and its 1959 Employees' Stock Plan.

**CENTRAL AND SOUTH WEST SEEKS ORDER.** Central and South West Corporation, Wilmington registered holding company, and its subsidiary, Southwestern Electric Power Company, have applied to the SEC for an order under the Holding Company Act authorizing Southwestern to sell to its parent an additional 1,800,000 common shares for an aggregate of \$18,000,000; and the Commission has issued an order (Release 35-14758) giving interested persons until December 20, 1962 to request a hearing thereon. According to the proposal, Southwestern intends to amend its Certificate of Incorporation so as to increase its authorized shares from 3,500,000 to 5,500,000 shares. The acquisition will be made by Central by applying the proceeds of an \$18,000,000 cash dividend to be declared and paid by the subsidiary on its common stock.

**JANOV & CO. OF PHILADELPHIA FILES CONSENT.** The SEC announced today that, the respondents having entered into a stipulation and consent to revocation of their broker-dealer registrations under the Securities Exchange Act of 1934, it has cancelled a hearing scheduled for December 3, 1962, on the question whether to revoke the broker-dealer registrations of Samuel Janov, doing business as Janov & Co. (a sole proprietorship) and Janov & Co., Inc., both of Philadelphia. The order authorizing the proceedings charged violations of the margin, net capital and reporting requirements under the said Act. The stipulated record will now go to the Commission for decision.

**CONNECTICUT FIRM CONSENTS.** Mutual Real Estate Investors, Inc., of New Haven, Conn., has consented to the postponement of the effective date of its application for broker-dealer registration under the Securities Exchange Act pending a hearing and Commission determination of the ultimate question whether said application should be denied. Accordingly, the hearing scheduled for December 3, 1962, has been cancelled. A hearing on the question of denial, based upon charges of "fraud and deceit" in the offer and sale of partnership interests in Lima Associates of Lima, Ohio, Jefferson Texas Company and Darien Motor Lodge Associates, will be scheduled by further order of the Commission.

**VALLEY BANCORPORATION FILES EXCHANGE PLAN.** Valley Bancorporation, 221 West College Ave., Appleton, Wisc., filed a registration statement (File 2-20928) with the SEC on November 30th seeking registration of 91,000 shares of common stock. It is proposed to offer such stock in exchange for the outstanding common stock of Appleton State Bank (on a 2½-for-1 basis), Bank of Black Creek (3-for-1) and Northern State Bank (1-for-1). The company was organized in May 1962 and shortly thereafter with the approval of the respective boards of the said banks, filed an application under the Bank Holding Company Act of 1956 for approval to become a bank holding company by acquiring the stock of said banks. In the event the company becomes a bank holding company by consummation of the exchange, it intends to coordinate the operations of the banks and provide them with a number of services, with the objective of facilitating growth of Northern State Bank and maintaining or improving the competitive positions of the other two banks. According to the prospectus, Northern State Bank will commence business in January 1963. Assuming all shares are exchanged, management officials of the company as a group would receive 22.10% of the shares of the company then outstanding. The prospectus states that the company has been advised by Appleton State Bank and 11 individual shareholders of the banks that they intend to accept the exchange offer (as to 23,032 shares of the company) and intend to offer 11,919 of such shares for public sale (without underwriting) primarily to persons in the Appleton area. Arthur F. Zuehlke and Gus A. Zuehlke are board chairman and president, respectively, of the company and of Appleton State Bank.

**WYOMING NUCLEAR HEARING POSTPONED.** The Securities Act hearing scheduled for December 3d in the SEC Denver Regional Office involving Wyoming Nuclear Corporation of Lander, Wyo., has been postponed indefinitely, counsel having undertaken to negotiate a stipulation upon the basis of which the issues under Regulation A might be resolved.

**SECURITIES ACT REGISTRATIONS.** Effective November 30: Fairchild Camera and Instrument Corp. (File Nos. 2-20834 and 2-20839). Effective December 3: Hanover Equities Corp. (File 2-20112). Withdrawn November 30: Petro-Capital Corp. (File 2-20072).

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