

# 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.

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## SEBASTIAN & CO. REGISTRATION REVOKED

The SEC today announced the issuance of a decision (Release 34-5876) revoking the broker-dealer registration of Richard A. Sebastian, doing business as Sebastian & Company, 734 - 15th St., N. W., Washington, D. C., for fraudulent sale of securities and other violations of the Securities Exchange Act of 1934. Sebastian also was expelled from membership in the National Association of Securities Dealers, Inc.

Sebastian became registered with the Commission in 1954. According to the decision of the Commission, Sebastian sold 100 shares of Canada General Fund to a customer for \$1,528 in June 1957. At the time of the transaction, for which the customer made payment, the securities were owned by Sebastian but were held by a bank as collateral for a loan to him of \$750; and the securities were still so pledged in December 1957 when after Sebastian failed to respond to several inquiries of the customer, the latter complained to the Commission about non-delivery of the shares. Thereafter, Sebastian paid the loan and delivered the securities to the customer. However, the Commission ruled that the sale of the securities without informing the customer that they were pledged and would not promptly be released from such lien "constituted a misrepresentation of a material fact and the sale operated as a fraud and deceit upon the purchaser."

Moreover, Sebastian failed to record the sale on a when-issued basis of \$25,000 of debentures of a company organized by him or the sale of the 100 shares of Canada General Fund, and an inspection in May 1957 of his books disclosed that his general ledger was not posted up to date, thus violating the Commission's rules governing record-keeping.

Sebastian was also found by the Commission to have engaged in the conduct of a securities business in violation of its net capital rule. At April 30, 1957, his aggregate indebtedness was \$64,000; and the amount of net capital required under the rule to carry such indebtedness was \$3,200. However, an inspection disclosed that Sebastian then had a net capital deficit of \$29,840 so that his total deficiency in net capital below the amount required by the rule was \$33,040. He was informed of this deficiency and agreed to discontinue effecting any transactions in securities until his capital position had been restored. However, a further inspection in August 1957 disclosed a net capital deficiency of \$16,267; and it further showed that Sebastian had effected four securities transactions in the aggregate amount of \$3,127. Accordingly, he violated the Commission's net capital rule.

## SEC ORDER CITES THOMPSON AND SLOAN

The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Thompson and Sloan, Inc. ("Registrant"), of 7805 Sunset Blvd., Hollywood, Calif., together with Benjamin Michael Katz and Arnold Irwin Spatt, company officials and stockholders, violated the anti-fraud and other provisions of the Federal Securities Laws and, if so, whether its broker-dealer registration should be revoked.

According to the Commission's order, information developed in an investigation conducted by its Staff tends to show that during the period October 1957 to February 1958 Registrant, Spatt

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and Katz "engaged in acts, practices, and a course of business which operated as a fraud and defrauded upon certain persons" in violation of the fraud prohibitions of the Securities Laws, in that they accepted securities of certain customers for safekeeping and appropriated said securities to their own use and benefit; solicited numerous persons to purchase certain securities and confirmed the sale of such securities to such persons despite the fact that the transactions had not been authorized by such persons, who were then misled to believe that they had purchased the securities and were obligated to pay for them; and induced certain persons to effect transactions in securities and represented that Registrant would make payment of all money due and owing to said persons, and Registrant issued checks against its bank account in purported payment for amounts due and owing said persons, when Registrant knew or should have known that it had insufficient funds in its bank account to cover said checks.

The Commission's order charges other violations of the Securities Laws and rules thereunder by Registrant and/or the two individuals, including (1) the conduct of a securities business by Registrant when its aggregate indebtedness exceeded 2000% of its net capital, in violation of the Commission's net capital rule; (2) soliciting and inducing certain persons to buy and sell securities from and to Registrant, and accepting monies and securities from such persons, and in connection therewith representing that Registrant was solvent and ready and able to discharge its liabilities to such persons when, in fact, Registrant's liabilities exceeded its assets and it was unable to meet its current liabilities in the ordinary course of business; (3) extension of credit in violation of Regulation T by reason of the failure of Registrant to cancel or liquidate approximately 17 purchases of securities when it had not received payment therefor within the seven-day period prescribed by the Regulation; (4) falsification of information in Registrant's statement of financial condition filed in September 1957, with respect to the amount of cash Registrant had in a bank, its liabilities, common shares issued and outstanding, and the amount paid in and received for such stock; (5) failure to correct information in Registrant's registration application with respect to the ownership of 7,500 shares of its stock by Katz following the latter's sale of 1,500 such shares in September or October, 1957; and (6) failure of Registrant to maintain and preserve certain required books and records, falsification of certain of its books and records, and failure of Registrant to file a report of financial condition for the year 1957.

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

(NOTE TO PRESS: Copies of foregoing also available SEC San Francisco Regional and Los Angeles Branch Offices.)

#### AMERICAN-MARIETTA SEEKS REGISTRATION OF SHARES

American-Marietta Company, 101 East Ontario St., Chicago, filed a registration statement (File 2-14740) with the SEC on February 12, 1959, seeking registration of 3,500,000 Common Shares (\$2 par) and 67,310 of 5% Cumulative Preferred Shares, \$100 par.

Of these shares, 677,900 common shares and 2,500 preferred shares are presently outstanding and were issued since February 2, 1958, in the acquisition of other businesses. Registration thereof will provide a Securities Act prospectus for use by the holders of such securities who may wish to sell publicly such securities in the over-the-counter market or otherwise at prices current at the time of such sales "in transactions in which such holders may be deemed underwriters" within the meaning of the Securities Act.

The remaining 2,830,848 common shares and 64,810 preferred shares may be issued from time to time in the acquisition of additional businesses; and the prospectus also may be used in connection therewith.

The 677,900 common shares and 2,500 preferred shares were issued since February 2, 1958, in connection with the purchase of all the outstanding capital stocks of five companies, substantially all the assets of ten other companies, and specific assets of two other companies.

#### ITEK CORP. FILES FOR RIGHTS OFFERING

Itek Corporation, 1605 Trapelo Rd., Waltham, Mass., filed a registration statement (File 2-14741) with the SEC on February 12, 1959, seeking registration of 178,842 shares of Common Stock.

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company proposes to offer 164,842 common shares for subscription by its stockholders at the rate of one share for each four shares held; and the remaining 14,000 shares will be offered to eligible employees. The record date for stockholder subscriptions, subscription price and underwriting terms are to be supplied by amendment. Paine, Webber, Jackson & Curtis is listed as the principal underwriter.

Itek was organized in September 1957 to undertake research and development in the field of information technology. In May 1958 Vectron, Inc., was consolidated into the company. Vectron was engaged in engineering and manufacturing work involving the development and manufacture of mechanical, electronic and photographic apparatus for the Armed Services. Richard S. Leghorn is listed as president.

The company expects to use \$2,500,000 of the net proceeds of its stock sale in connection with the acquisition of Photostat Corporation, which is engaged in the manufacture and sale of photocopying machines and accessories and related activities. Itek has entered into an agreement with Photostat and its stockholders which provides that \$1,500,000 of the \$2,500,000 will be paid to acquire common stock of Photostat at approximately 90% of book value as of December 31, 1958, and that \$1,000,000 will be loaned to Photostat on a long-term subordinated basis. At the same time Photostat will retire all of its outstanding Class B Preferred Stock at a redemption price of \$980,000 and the remaining shares of its common stock by the issuance of Photostat's 5% 10-Year Subordinated Notes in the amount of \$2,295,000. Itek will then own all its outstanding stock except for 220 shares of Class A preferred which it is expected will be retired during 1959.

Itek plans to use approximately \$300,000 to purchase additional laboratory, production and other equipment; to set aside some \$250,000 towards the construction of a new building on a plant site in Lexington, Mass.; and to use the balance for general corporate purposes.

#### SMALL BUSINESS INVESTMENT EXEMPTION RULE ADOPTED

The SEC today announced the adoption of a new Rule 151 under the Securities Act of 1933 and a new Rule N-3C-1 under the Investment Company Act of 1940 (Release 33-4033) so as to define the term "public offering" to exclude under certain conditions the offering of the stock of small business investment companies to small business concerns pursuant to the requirements of the Small Business Investment Act of 1958.

Under the Small Business Investment Act, whenever a small business investment company provides capital to a small business concern through the purchase of the latter's convertible debenture bonds, the small business concern is required to purchase stock of the small business investment company in an amount equal to not less than 2% nor more than 5% of the capital so provided, in accordance with regulations of the Small Business Administration. Those regulations specify certain minimum amounts of such stock which a small business concern is required to purchase depending upon the amount of capital which it obtains from a small business investment company through the issuance of convertible debenture bonds.

The new rules provide that a public offering of capital stock of a small business investment company is not deemed to be involved where the offer or sale is made in connection with the purchase of debenture bonds from a small business concern pursuant to the requirements of the Small Business Investment Act, the amount of stock involved in the minimum required by that Act and the regulations thereunder in connection with the particular transaction, and the stock is acquired by the small business concern for investment and not with a view to its distribution.

#### ORDER EXEMPTS ACCUMULATED SHARES LTD.

The SEC has issued an order under the Investment Company Act of 1940 (Release 40-2829) declaring that Accumulated Shares Limited, Inc., has ceased to be an investment company. The company has been dissolved.

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## MANHATTAN BOND FUND SEEKS EXEMPTION

Manhattan Bond Fund, Inc., Elizabeth, N.J., has applied to the SEC for an order declaring that it has ceased to be an investment company; and the Commission has issued an order under the Investment Company Act (Release 40-2830) giving interested persons until February 27, 1959, to request a hearing thereon. According to the application, the Fund's directors have approved a plan of reorganization under which substantially all of its assets were to be transferred to Diversified Investment Fund, Inc., in exchange for shares of the latter company. This plan and the dissolution of the Fund were approved by holders of the requisite two-thirds of the Fund's shares on October 23, 1958.

## ALUMINUM INDUSTRIES DELISTED

The SEC has issued an order (Release 34-5884) granting an application of the American Stock Exchange to delist the common stock of Aluminum Industries, Inc., effective at the close of the trading session February 25, 1959. Gera Corporation, which owns about 91.5% of the 436,129 common shares, had requested the delisting.

## DELISTING OF SUNRISE SUPERMARKETS PROPOSED

The American Stock Exchange has applied to the SEC for permission to delist the common stock of Sunrise Supermarkets Corp.; and the Commission has issued an order (Release 34-5884) giving interested persons until February 25, 1959, to request a hearing thereon. According to the application, all but 7,803 shares of the stock are now owned by The Grand Union Company.

## UNLISTED TRADING GRANTED IN UNIVERSAL CONTROLS

The SEC has issued an order (Release 34-5884) granting an application of the American Stock Exchange for unlisted trading privileges in the common stock of Universal Controls, Inc., which is listed and registered on the Detroit Stock Exchange.

## FIRST VIRGINIA CORP. FILES FOR EXCHANGE OFFER

The First Virginia Corporation, 2924 Columbia Pike, Arlington, Va., filed a registration statement (File 2-14742) with the SEC on February 12, 1959, seeking registration of 1,154,730 shares of Class B Common Stock, \$1 par.

First Virginia proposes to offer to the holders of 38,491 shares of common stock of Old Dominion Bank the privilege of exchanging such shares for shares of Class B common stock of First Virginia, at the rate of 30 shares of First Virginia Class B stock for each one share of Old Dominion common.

First Virginia is engaged in the general insurance agency business since its organization in 1949. It owns more than a majority stock interest in The Bank of Annandale, Annandale, Va., and The National Bank of Manassas, Manassas, Va., and is registered as a bank holding company.

All of the outstanding common stock of First Virginia (100,000 Class B shares) is owned by Old Dominion Bank, 2924 Columbia Pike, Arlington. On January 7, 1959, First Virginia received Federal Reserve Approval for prior permission to acquire from fifty-one to ninety-two per cent of the 40,500 outstanding common voting shares of Old Dominion. The exchange of stock offered under this filing will result in the rearrangement of present corporate units whereby Old Dominion will become a subsidiary of First Virginia. First Virginia now owns 2,009 shares of Old Dominion common (4.96%) and will offer to acquire the additional 38,491 by means of the exchange offer above described.

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The purpose of the exchange offer is for First Virginia to acquire sufficient additional shares of Old Dominion so as to make it a subsidiary. If the exchange offer is fully consummated, Class B common stock of First Virginia would become publicly owned, except for the shares thereof which would still belong to Old Dominion. First Virginia would thereafter own 100% of the common stock of Old Dominion. If the holders of 38,491 shares of Old Dominion common stock exchange their stock at the rate of thirty shares of Class B Common Stock of First Virginia for each one share of Old Dominion owned (1,154,730 shares), such former holders of Old Dominion common stock will thereafter directly own 92.03% of the aggregate number of Class B common stock then outstanding (1,254,730) and indirectly own 7.97% thereof by reason of Old Dominion's direct ownership of 100,000 shares of such outstanding stock.

CANADIAN RESTRICTED LIST  
Fifteenth Supplement

The SEC today announced the addition of the securities of Consolidated Exploration & Mining Co., Ltd. and Rothsay Mines, Limited both of Canada, to its Canadian Restricted List.

As in the case of prior additions to the list, the Commission has reason to believe, based upon information obtained in its investigations and otherwise, that the securities of Consolidated Exploration and Rothsay Mines recently have been or currently are being distributed in the United States in violation of the registration requirement of the Securities Act of 1933. Evasion of such requirement, which is applicable to securities of foreign as well as domestic companies, deprives United States investors of the financial and other information about issuing companies which registration would provide and which is essential to an evaluation of their securities.

The list now comprises the names of 210 Canadian issuing companies.

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