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SANCTIONS ORDERED FOR SIX FIRMS, EIGHTEEN PERSONS. The SEC today announced a decision under the Securities Exchange Act (Release 34-7972) revoking the broker-dealer registrations of F. S. Johns & Company, Inc. ("Johns & Co."), of Union, N. J., and four other firms and suspending a sixth firm from membership in the National Association of Securities Dealers, Inc. ("NASD") for willful violations of the anti-fraud and anti-manipulative provisions of the Federal securities laws in connection with the 1961-62 sale of stock of Diversified Funding, Inc. ("Diversified"). The Commission revoked the registrations of Winkler, Chase Company ("Winkler firm"), of New York; Eliot, Roberts & Co., Inc. ("Roberts & Co."), of Newark, N. J.; Global Planning Corp. ("Global"), of Newark; and Regina Dlugash, d/b/a Douglas Enterprises ("Douglas"), of Brooklyn. It suspended Reuben Rose & Co., Inc. ("Rose & Co."), of New York, from the NASD for 60 days, effective October 24. Various individuals associated with the above firms were found causes of the sanctions imposed.

According to the decision, Johns & Co. engaged in a high-pressure "boiler-room" campaign to sell Diversified stock, as part of which false and misleading representations were made concerning Diversified's present and prospective operations, its financial condition and the future market price of its stock. The Commission found that the following individuals participated in Johns & Co.'s fraudulent conduct: John A. Tricoli, Jr., president of the firm and a promoter and board chairman of Diversified; Lawrence Tricoli, his brother, a salesman for the firm and president of Diversified; Ronald Lappe, an officer of Diversified and salesman for the firm; and salesmen Salvatore Facciponti (aka Sal Ponti), Aaron Lichtenstein (aka Aaron Lang), George Rein, Harry Rower, and Lucas D. Casarella. John Silvestri and Anthony Grausso, principal stockholders, officers and directors of Johns & Co., were also held responsible for the violations. Although they were "silent partners" who did not actively participate in the business, the Commission found that they had a duty, which they ignored, "to take appropriate steps to prevent or guard against such a pervasively fraudulent operation as existed here."

Douglas also engaged in the sale of Diversified stock by means of false and misleading statements. Jack Dlugash, who aided in the management of Douglas (his wife's firm), and Marvin Abel, its securities manager and trader, were found to be participants in the firm's violations and Johns & Co., John Tricoli, and Harry Weintraub (aka Winters), a Johns & Co. employee, were also held responsible since they supplied Douglas with the information disseminated to its customers.

Moreover, according to the Commission's decision, Johns & Co., in order to create the appearance of a broad and active market and to facilitate the retail distribution at artificially inflated prices of substantial blocks of Diversified stock which it held or expected to acquire, induced the other five firms to place ostensibly independent, but in reality fictitious, quotations in the "pink sheets" at continually increasing levels, in willful violation of the anti-fraud provisions. The quoted price of the stock rose from 1-3/8 bid - 1-7/8 offer in October 1961 to 4-5/8 - 5-1/8 in March 1962. The Commission found that the other dealers were "participants in a fraudulent and manipulative scheme." It stated, "Those dealers must have or at least should have realized that they were cogs in such a scheme. They were obviously aware that the quotations were advancing substantially and rapidly despite the absence of any demand for Diversified stock. This situation was readily recognizable as a typical feature of a market manipulation." Accordingly, the Commission concluded that Johns & Co., John Tricoli, Weintraub, Silvestri and Grausso; Roberts & Co. and Robert E. Shafarman, its president and sole stockholder; the Winkler firm and Joseph Winkler and Louis Chazan, its partners; Douglas, Jack Dlugash and Abel; Rose & Co. and William Rosenthal, who was in charge of its trading department; and Global (which had been organized by the Tricolis) and Edward McNamara, its trader, willfully violated the anti-fraud provisions. With respect to Rose & Co., the Commission, noting that the firm exercised no supervision over Rosenthal's day-to-day activities, held that this failure of supervision made the firm a participant in his misconduct.

The Commission also found that Johns & Co. and Douglas willfully violated Rule 10b-6 under the Exchange Act by placing bids for and purchasing Diversified stock while engaged in its distribution. The Commission further held that Roberts & Co., the Winkler firm and Douglas aided and abetted Johns & Co.'s violations by inserting quotations in the sheets during that firm's distributions.

In imposing a lesser sanction against Rose & Co., which has about 100 employees, the Commission noted among other things that Rosenthal's conduct was not known to others in the firm, that Rosenthal and the officer in charge of supervising him had both left the firm and that the firm's supervision over trading activities had been strengthened. The Commission found Rosenthal a cause of the firm's suspension and stated that he was disqualified from being an associated person of any registered broker-dealer without the Commission's permission.

The Commission found each of the other named individuals a cause of the order revoking the registrations of the respective firms with which they were associated. However, in view of certain mitigating circumstances, the Commission determined that Winkler and Chazan might be employed by another broker-dealer firm in a non-managerial capacity upon a showing of adequate supervision.

In a dissent, Commissioner Budge expressed the view that the sanction imposed upon the Winkler firm and Winkler and Chazan was too severe in relation to that imposed against Rose & Co., and should have been limited to a suspension of the Winkler firm's registration.

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DELISTING GRANTED. The SEC has issued an order under the Securities Exchange Act (Release 34-7975) granting an application of the Detroit Stock Exchange to strike from listing and registration the common stock of Dielectric Products Engineering Company, Inc., effective at the opening of business on October 14. Dielectric Products requested such delisting, based on inactive trading in its stock on said Exchange. The stock continues to be listed on the American Stock Exchange.

UNLISTED TRADING GRANTED. The SEC has issued an order under the Securities Exchange Act (Release 34-7975) granting an application of the Boston Stock Exchange for unlisted trading privileges in the common stocks of Beckman Instruments, Inc., Continental Telephone Corporation, The Glidden Co., and Swingline, Inc.

THREE STOCK PLANS FILED. Form S-8 registration statements have been filed with the SEC by the following companies, seeking registration of securities for offering under employee and/or officer stock plans:

Sprague Electric Company, 87 Marshall St., North Adams, Mass. 01247 (File 2-25601) (171,327 shares)
 Bobbie Brooks, Incorporated, 3830 Kelley Ave., Cleveland, Ohio 44114 (File 2-25606) (288,646 shares)
 The Babcock & Wilcox Company, 161 E. 42nd St., New York 10017 (File 2-25607) (493,956 shares)

ACME MISSILES & CONSTRUCTION FILES PROPOSAL. Acme Missiles & Construction Corporation, 43 N. Village Ave., Rockville Centre, N. Y., filed a registration statement (File 2-25605) with the SEC on October 10 seeking registration of 102,236 shares of Class A common stock. Of such stock, 79,090 shares are outstanding shares and 23,146 shares are to be issued by the company in exchange for certain properties. The prospectus states that the present holders and recipients of such shares may offer the stock for public sale, from time to time, on the American Stock Exchange at prices prevailing at the time of sale (\$12 per share maximum*). The registration statement also covers 35,600 outstanding three-year options to purchase a like number of Class A common shares at prices ranging in amounts from \$4 to \$20 per share. The options, and shares issuable upon exercise thereof, may be offered for public sale on the American Stock Exchange at prices then prevailing. The company is also registering 614,757 rights to be issued to shareholders. Each right entitles the holder thereof to subscribe to a unit of 3 warrants to purchase 3 Class A shares, at \$3 per unit.

The company is engaged in general construction work. Of the net proceeds received from the exercise of warrants, \$1,497,062 will be used to pay current liabilities and the balance will be added to working capital. In addition to indebtedness, the company has outstanding 488,011 Class A and 68,000 Class B common shares, of which management officials own 21.3% and 100%, respectively. After issuance of said 23,146 shares and exercise of the 35,600 options, the company will have outstanding an aggregate of 614,757 shares. Of the outstanding stock being registered, 64,274 shares were issued to Universal American Corporation in exchange for securities of Camera Corporation of America; 14,816 shares were issued to a subcontractor of the company, Florida Weather, Inc., in payment for certain materials and services; and the remaining 23,146 shares, subject to approval of listing by the American Stock Exchange, are to be issued in exchange for all of the outstanding stock of Superior Electric Motor Sales, Inc., and Photomagic, Inc., to Technical Devices, Inc., in partial consideration for license of a patented device, and to Max E. Greenberg and Kenneth Bove for certain services. Upon consummation of an agreement with Universal, the company will own 28.7% of the outstanding stock of Camera Corporation. Saul Rabkin is board chairman and Alvin Fried is president of the company.

DUNKLEE SENTENCED. The SEC Boston Regional Office announced October 7 (LR-3596) that Donald D. Dunklee of New York City was sentenced to a two-year prison term (USDC, Conn.) to be suspended after a six-month incarceration period, following his plea of guilty to conspiring to violate the Securities Act anti-fraud and registration provisions in the sale of interests in oil and gas leases. A four-year probation was also imposed with a condition that Dunklee not engage in the sale of securities or in any speculative business without the permission of the Probation Officer. The indictment as to defendant-salesman Glenn Huffman was dismissed.

SECURITIES ACT REGISTRATIONS. Effective October 11: Ocean Drilling & Exploration Co., 2-25511 (Nov 14); Pennsylvania Electric Co., 2-25466.

NOTE TO DEALERS. The period of time dealers are required to use the prospectus in trading transactions is shown above in parentheses after the name of the issuer.

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