

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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REGISTRATION OF BROWN, BARTON & ENGEL REVOKED. The SEC today announced the issuance of a decision under the Securities Exchange Act (Release 34-7063) revoking the broker-dealer registration of Brown, Barton & Engel, 24 Commerce St., Newark, N. J., and expelling the firm from membership in the National Association of Securities Dealers, Inc. George Phillip Barton, president and principal stockholder, was found a cause of the revocation and expulsion order.

In its decision, the Commission sustained findings by its hearing examiner that in the offer and sale as underwriter of a 100,000-share offering of stock of Federated Holding Company, Inc., at \$3 per share during February-March 1962, registrant and Barton violated the anti-fraud provisions of the Federal securities laws in that they made representations which were materially false and misleading. The Commission found that Barton represented to purchasers, among other things, that the price of the stock would increase and "eventually rise to a comfortable \$6 or \$7 per share" and "would be worth \$30" by September, that the stock would probably be listed on an exchange at "about \$4.50," that the company was very sound financially and would "come up with earnings of approximately \$3 per share" in the near future, and that the shares were selling very rapidly and it was necessary to act fast. The Commission also found that Barton arranged for newspaper advertisements which represented that the management of Federated was efficient, proven and reputable; that its policy was to invest in an established successful business; and that Federated Cleaners and Dyers, Inc. ("Cleaners"), a proposed subsidiary of Federated, had "year-round profits" and its gross income was expected to increase from about \$500,000 to over \$1,000,000.

The Commission ruled that the record shows a flagrant disregard by registrant and Barton of their duties and responsibilities to investors in failing to make a reasonable investigation of Federated before undertaking the public sale of its securities and making their ebullient representations. In fact, according to the decision, registrant had confirmed orders for only 4,669 shares of the 100,000-share offering; Cleaners had incurred net losses of \$25,361 during 1961 and \$13,322 for the three months ended March 1962; and Federated had not engaged in any business, had no office, and its sole asset was an option to purchase 85% of the stock of Cleaners. Registrant and Barton failed to advise investors that Federated's promoter, sole stockholder and salaried "administrator" had received 270,000 shares of Federated stock in exchange for the Cleaners option which cost him nothing, and that he had twice been found guilty of securities violations. The Commission also noted that registrant has twice been enjoined by Federal courts from violating provisions of the securities acts in the sale of other securities, and that in March 1962 it suspended registrant from membership in the NASD for 30 days because of its activities in connection with the sale of certain of those securities (and found Barton a cause of such suspension).

REGISTRATION OF CRAVIN CO. REVOKED, DENIED TO CARLSON SECURITIES. The SEC today announced the issuance of a decision under the Securities Exchange Act (Release 34-7064) revoking the broker-dealer registration of John C. Cravin Co., Inc., ("registrant"), 56 Beaver St., New York, and denying an application for broker-dealer registration filed by Carlson Securities, Inc., ("applicant"), of the same address. Carl Monaco, vice-president and secretary of registrant, and George Howard and David S. Hoffman, registrant's salesmen, were each found a cause of the revocation order; and Monaco, president and 50% stockholder of applicant, was found a cause of the denial order.

In its decision, the Commission found that in the offer and sale during 1960-61 of stock of Long Island Arena, Inc. (which owned and operated an indoor sports arena in Long Island, N.Y.), registrant, aided and abetted by Monaco, Howard, Hoffman and Edward Abramson (another salesman) violated the anti-fraud provisions of the Federal securities laws while engaged as knowing participants in a boiler-room operation conducted by registrant. According to the decision, registrant's salesmen solicited unknown persons over the telephone, following the distribution to them of optimistic sales literature prepared by registrant, which recommended the Arena stock as "an excellent investment for future growth" and the company as "potentially profitable." The salesmen made predictions of specific price rises for the stock within certain periods, and represented that Arena's facilities were in great demand and that Arena was or would be comparable to Madison Square Garden. In addition, Hoffman and Abramson also represented that Arena was likely to pay dividends. The Commission ruled that such representations and predictions were materially false and misleading and had no reasonable basis. In fact, as of August 1960, Arena had an accumulated earned surplus deficit of \$296,628, sustained further losses during the next year, failed to make principal payments on its mortgage indebtedness because no cash was available, and paid certain creditors in stock. Abramson was not found a cause because he had not been served with notice of the proceedings.

CORRECTION RE HEARING IN ALLEGHANY-I.D.S.-PHILLIPS CASE. The SEC News Digest of April 19th reported that the Commission has scheduled an oral argument before it at 2:30 P.M. on May 1, 1963 with respect to exemption applications under the Investment Company Act filed by Allan P. Kirby and others associated with him, and by John D. and Clint W. Murchison, Jr., whereas the oral argument is scheduled for 2:30 P.M. on May 14, 1963.

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MAYFLOWER FUND SEEKS EXEMPTION. Mayflower Fund, Incorporated, Des Moines, Iowa open-end investment company, has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company; and the Commission has issued an order (Release IC-3676) giving interested persons until May 10, 1963 to request a hearing thereon. According to the application, the company has been inactive since its registration statement under the Securities Act was withdrawn in July 1962; and there is no contemplation that it will proceed as an investment company.

DYNAMICS LETTER HEARING SCHEDULED. The SEC has scheduled a hearing for June 3, 1963 in its New York Regional Office in proceedings under the Investment Advisers Act to determine whether the investment adviser registration of The Dynamics Letter, Inc., 507 Fifth Ave., New York, should be revoked. The February 20, 1963 order authorizing these proceedings recites charges of the Commission's staff that the firm and Grant Jeffery and Peter Jeffery made misleading representations in advertisements appearing in periodicals of national circulation, concerning the reputation of the firm and the nature of its business, and otherwise engaged in practices which operated as a "fraud and deceit" upon clients.

MCDONALD, KAISER & CO. REGISTRATION CANCELLED. The SEC has issued an order under the Securities Exchange Act of 1934 cancelling the broker-dealer registration of McDonald, Kaiser & Co., Inc., 70 Pine St., New York. According to the order, in May 1959 the company and Hugh McDonald, its president and a principal stockholder, were permanently enjoined by a Federal court in New York from violations of the Exchange Act anti-fraud provisions; in July 1959 they were permanently enjoined by the New York Supreme Court from engaging in securities transactions within the State of New York; in May 1961 the firm was expelled from membership in the National Association of Securities Dealers, Inc.; and the firm is not engaged in business as a broker-dealer.

WOODS & CO. HEARING SCHEDULED. The SEC has scheduled a hearing for May 6, 1963, in its Houston Branch Office, in proceedings to determine whether the broker-dealer registration of Woods & Company, Inc., 201 N. St. Mary's St., San Antonio, Texas, should be revoked. The August 8, 1962 order authorizing these proceedings recites charges of the Commission's staff that the firm and Donald Woods, president, violated the anti-fraud provisions of the securities laws in the offer and sale of stock of Dynamic Metals, Inc.

STALEY MFG. FILES STOCK PLANS. A. E. Staley Manufacturing Company, Decatur, Ill., filed a registration statement (File 2-21343) with the SEC on April 19 seeking registration of an aggregate of 201,255 shares of common stock, to be offered pursuant to its 1952 and 1960 Stock Option Plans.

SOUTHERN CALIF. EDISON PROPOSES BOND OFFERING. Southern California Edison Company, 601 West Fifth St., Los Angeles, filed a registration statement (File 2-21346) with the SEC on April 22 seeking registration of \$60,000,000 of first and refunding mortgage bonds (series Q) due 1988, to be offered for public sale at competitive bidding. The net proceeds from the bond sale will be used to redeem \$32,400,000 of first and refunding mortgage bonds (series of 3s) due 1965 (out of \$75,600,000 principal amount of such bonds outstanding); and the balance of the proceeds will be applied in part to repay an estimated \$25,000,000 of short-term bank loans incurred in 1963 in connection with the company's construction program. It is expected that gross plant additions for 1963-64 will total about \$275,594,000.

CENTRAL ILLINOIS PUBLIC SERVICE PROPOSES BOND OFFERING. Central Illinois Public Service Company, 607 East Adams St., Springfield, Ill., filed a registration statement (File 2-21345) with the SEC on April 22 seeking registration of \$10,000,000 of first mortgage bonds (series I) due 1993, to be offered for public sale at competitive bidding. The net proceeds from the bond sale will be used to finance a part of the company's construction expenditures estimated at \$21,950,000 for 1963 and \$46,450,000 for 1964.

ISRAEL AMERICAN DIVERSIFIED FUND FILES FOR STOCK OFFERING. Israel American Diversified Fund, Inc., 100 West Tenth St., Wilmington, Del., filed a registration statement (File 2-21347) with the SEC on April 22 seeking registration of 550,000 shares of common stock, to be offered for public sale at net asset value plus a sales charge of 8 $\frac{1}{2}$ %. Payment for such shares may be in cash or certain Israel bonds.

The Fund was organized under Delaware law in January 1963 as a diversified management open-end investment company. Its principal purpose is to give its shareholders an opportunity to invest in a large and diversified group of Israeli, Israeli-oriented and American companies. Its principal objectives are to obtain a reasonable current income on capital and to achieve capital growth. Israel Fund Distributors, Inc. will serve as the Fund's investment adviser and underwriter. Peter H. Bergson and Herbert I. Harris are president and secretary, respectively, of both the Fund and its investment adviser. Bergson is also president and a principal stockholder of H. Kook & Company, Inc., a brokerage firm which will be utilized by the Fund in connection with its portfolio transactions.

HEARING SET ON PACIFIC NORTHWEST POWER APPLICATION. Pacific Northwest Power Company, of Portland, Oregon has applied to the SEC pursuant to Section 5(d) of the Administrative Procedure Act for an order declaring when it will become "an electric utility company" within the meaning of Section 2(a)(3) of the Holding Company Act; and the Commission has issued an order (Release 35-14856) scheduling a hearing thereon on May 27, 1963.

Pacific Northwest was organized in 1954 principally for the purpose of constructing, owning and operating major hydroelectric projects. It has outstanding 2,000 common shares owned in equal amounts by The Montana Power Company, Pacific Power & Light Company, Portland General Electric Company, and The Washington Water Power Company. Pacific Northwest owns certain water rights in Idaho and Oregon, and has accepted a license from the Hydroelectric Commission of the State of Oregon for the construction of a hydroelectric project at High Mountain Sheep on the Snake River in Oregon and Idaho. It also has received and exercised a preliminary permit from the Federal Power Commission to investigate the development of a hydroelectric project on the Snake River; and it has pending an application for the issuance by the FPC of a license to construct High

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Mountain Sheep Hydroelectric Development, including a dam across the Snake River between Idaho County, Idaho and Wallowa County, Oregon, and related transmission and other facilities, at an estimated cost of \$257,300,000. The indicated plan of financing consists of \$38,600,000 of equity capital (approximately 15%) to be supplied by purchase by the four named owners of Pacific Northwest's outstanding stock of additional shares of such common stock, a revolving bank loan of 60 to 70 million dollars, and an ultimate public bond issue of \$222,000,000.

Pacific Northwest also has pending an application for the issuance by the FPC of a license for an alternative hydroelectric project known as the Nez Perce Project. Pacific Northwest proposes to enter into power sales contracts with the four owners of its stock under which they agree to purchase the entire power output of the project immediately upon its completion.

Pacific Northwest states that it will not become an electric utility, as such is defined in the Act, until the generating plant (hydroelectric project) has been constructed and is in commercial operation. The Commission states in its order that uncertainty exists as to whether Pacific Northwest is, at present, an electric utility company within the meaning of Section 2(a)(3) of the Holding Company Act, and if not, when it becomes such and, accordingly, it has scheduled a hearing in the matter as indicated above.

SEC ORDER CITES MID AMERICA SECURITIES. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Mid America Securities, Inc., of Utah, 158 East 7500 South, Midvale, Utah, engaged in practices which operated as a "fraud and deceit" upon investors or otherwise violated the Federal securities laws 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 17, 1957. In amendments to its application for broker-dealer registration filed in 1958, Norman Hays was reported as vice president and a principal stockholder. Subsequently, Hays was reported no longer serving in such capacities; and Linden Maxfield was reported as president and a principal stockholder, Rhae Peterson as secretary-treasurer and a principal stockholder, and Susan Hone as vice president. According to the order, from November 1958 to February 1959, Reid Maxfield was directly or indirectly in control of registrant's business. In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that in the offer and sale of securities of Uinta National Insurance Company during 1958-59, registrant, L. Maxfield, Hone, Peterson and R. Maxfield "engaged in transactions, acts, practices and a course of business which would and did operate as a fraud and deceit" upon customers in violation of the anti-fraud provisions of the Federal securities laws in that they made false and misleading statements of material facts; sold to and induced the purchase of Uinta National stock by customers at a time when registrant and Uinta National were under common control of R. Maxfield but failed to disclose that fact in writing to such customers; and failed to make and keep current required books and records and refused to allow examinations of certain accounts and records by the Commission's staff. The alleged misrepresentations relate to a commitment of certain "advisers" of Uinta National to direct the credit life insurance business of companies under their control to Uinta National; the stock options given certain persons for the use of their name as "advisers"; the value of the stock and lack of market therefor independent of the issuer or registrant; the issuer's profit potential; an anticipated increase in the market price of the stock; and the nature and regulation of the issuer's investments.

The staff also charges that registrant, aided and abetted by said persons and Hays, filed prior to February 1959 false and misleading documents supplemental to registrant's application for registration in that disclosure was not made of changes in the address of registrant's principal place of business; the identity of principal stockholders and that R. Maxfield was a controlling person of registrant. Moreover, it is also charged that Hays failed to amend registrant's broker-dealer application to disclose that he purchased registrant from R. Maxfield in February 1959, the correct business address and identity of officers and principal stockholders of registrant, and his conviction in January 1963 by a Federal court in Utah of a felony involving securities transactions while engaged in business as a broker-dealer. According to the order, in 1957, Hays was permanently enjoined by a Federal court in Utah from certain violations in securities transactions. Violations of the Commission's financial reporting requirements are also 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 the broker-dealer registration of registrant should be revoked.

SECURITIES ACT REGISTRATIONS. Effective April 22: Consolidation Coal Co. (File 2-21153).
Effective April 23: Lenox, Inc. (File 2-21206); The Mack Shirt Corp. (File 2-21178); Mitsui & Co., Ltd. (File Nos. 2-21087 and 21088).

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