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

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FOR RELEASE October 25, 1966

RULES PROPOSED RE NON-NASD MEMBERS. The SEC today announced a proposal under the Securities Exchange Act (Release 34-7984) to adopt a group of selling practice and related rules which would establish standards of supervision, general business conduct, and suitability of recommendations; regulate discretionary accounts; and impose supplementary record keeping requirements upon brokers and dealers who are registered with the Commission and not NASD members. Views and comments thereon may be submitted not later than December 5, 1966.

The proposed rules implement the provisions of Section 15(b)(10) of the Act, which authorize the Commission to regulate certain activities of non-NASD brokers and dealers to promote just and equitable principles of trade, the protection of investors and the public interest. These rules follow closely the rules of the NASD and certain exchanges.

Proposed Rule 15b10-2 imposes a general ethical standard of fair dealing by requiring that nonmember brokers and dealers and their associated persons (including principals, officers, salesmen and branch managers) adhere to high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

Proposed Rule 15b10-3 requires a nonmember broker-dealer, or an associated person, to concern himself with securing the facts and circumstances pertaining to the transaction and the customer to permit him to make a reasonable judgment as to the suitability of a recommended transaction for the customer. Under the proposed rule the broker or dealer, and his associated persons, when recommending a transaction to a customer, would be expected to make reasonable inquiry concerning the customer's investment objectives, and his financial situation and needs. The broker-dealer and his associated persons may rely on the information furnished by the customer.

The suitability of the broker-dealer's recommendations are to be judged in the light of the information available to him after reasonable inquiry as to the customer's situation at the time of the recommendation and not by reference to subsequent events. The proposed rule would not affect legitimate sales efforts.

Proposed Rule 15b10-4 would impose a general duty on nonmember brokers and dealers to supervise diligently the securities activities of their associated persons. As part of this general duty each nonmember broker-dealer would be required to maintain and enforce written procedures which would set forth the measures adopted by the broker-dealer to comply with the duties imposed by the rule. Furthermore, each such broker-dealer would be required to designate certain of his associated persons as supervisors and there would be at least one such supervisor in each business office of the broker-dealer. The proposed rule would require that each supervisor review and approve by signature the opening of new customer accounts; provide frequent examination of these accounts; and review and endorse promptly by signature all securities transactions and correspondence pertaining to such securities transactions.

The supervisor would have to approve by signature the delegation by any customer of discretionary authority with respect to his account to a stated associated person and would also be required to review and approve the handling of any customer complaints relating to the associated persons subject to his supervision.

The proposed rule contemplates that every customer account and all transactions, correspondence and complaints relating to that account would be subject to the supervision of at least one such supervisor. Where a broker-dealer has more than one business office, a secondary level of overall supervision would be maintained to review and supplement the supervision effected by the supervisors.

Proposed Rule 15b10-5 governs discretionary accounts and would require the person who is to exercise discretionary authority in any account to be specifically authorized in writing to do so by the customer. The proposal would also require that the records of the broker-dealer state the reason given by the customer for granting discretionary authority in his account. A supervisor would have to approve each transaction effected in a discretionary account on the day the order is entered.

Proposed Rule 15b10-6 would impose record keeping requirements on nonmember broker-dealers designed to complement certain provisions of the proposed rules on suitability, personnel supervision, and discretionary accounts. The proposed rule would require that a record be kept for each customer maintaining an account with the firm which would contain the customer's name, age, address, nationality or citizenship and social security number. Where the broker-dealer or any associated person has made a recommendation to purchase or sell security, additional information would be required, including the customer's investment objectives and financial situation and needs. There would be no obligation to record any information which the customer declines to furnish. The proposed rule would also require that, for each new customer acquired after the effective date of the rule, the customer account record include the signatures of the customer, the associated person introducing the account, and the person with primary supervisory responsibility over that particular account.

A separate complaint file, to include all material relating to complaints and the action taken, if any, also would have to be maintained.

TWO TRADING BANS CONTINUED. The SEC has issued an order under the Securities Exchange Act suspending over-the-counter trading in securities of Pinal County Development Association and Underwater Storage, Inc., for the further ten-day period October 26-November 4, 1966, inclusive.

OVER

R S GORSKI SUSPENSION PROPOSED. SEC Hearing Examiner Irving Schiller has filed an "initial decision" in administrative proceedings under the Investment Advisers Act involving Roman S. Gorski, of Mars Hill, N. Car. Subject to Commission review of the decision, either on its own motion or on petition by Gorski, the Examiner ordered a six-month suspension of Gorski's registration as an investment adviser for violations of provisions of the Advisers Act.

According to the Examiner's decision, Gorski violated provisions of the Advisers Act by entering into investment advisory contracts with clients which provided, contrary to the prohibitions of the Advisers Act, that Gorski would share in the net profits on transactions effected for the clients' account; that the contract violated the Act by reason of its failure to provide that no assignment may be made by the adviser without the consent of the client; that when Gorski entered into a contract with clients which provided that he was to be paid on the basis of 25% of the net profits realized immediately upon the completion of each transaction and that he would have custody and possession of the funds and securities held in the clients' account, he failed promptly to correct contrary statements of intent in his registration application; that he violated another provision of the Act by failing to produce for inspection all written agreements with clients; and that Gorski's activities and conduct in the operation of the accounts of two of his investment advisory clients constituted a fraud or deceit upon such clients in violation of the Act.

FOTOCROME DELISTED. The SEC today announced a decision (Release 34-7985) granting an application of the American Stock Exchange to strike from listing and registration on the Exchange the common stock and 5 $\frac{1}{2}$ % convertible subordinated debentures (due 1981) of Fotochrome, Inc., effective at the opening of business on October 25. Trading in these securities was suspended on August 11, 1966. According to the decision, Fotochrome has failed to meet the Exchange's standards in that it has operated at a loss for the past four fiscal years. The company stated that it expects its operations in the current fiscal year to be profitable; however, the Commission did not consider that there was adequate basis for requiring the Exchange to afford continued listing and registration to Fotochrome's securities pending the results of its current operations. The delisting will not relieve the company from the financial reporting, proxy and insider trading rules, by reason of the registration and related provisions of Section 12(g) of the Act applicable to shares traded over-the-counter.

BOWSER REACQUISITION OF SHARES PROPOSED. Bowser, Inc., of Chicago, has joined with The Equity Corporation, New York investment company, Sterling Precision Corporation, J. Russell Duncan, Sterling's board chairman, and Jardun Corporation, wholly-owned by Duncan, in the filing of an application with the SEC for an exemption order under the Investment Company Act permitting Bowser to reacquire shares of its common stock owned by the others. The Commission has scheduled the application for hearing on November 14 (Release IC-4728).

According to the application, Equity owns 11.8% of Sterling's voting securities and Sterling, in turn, owns 19.98% of Bowser's voting securities. In addition to serving as board chairman of Sterling, Duncan was a director of Bowser in February 1966 when the agreement was entered into. Under the agreement, Bowser will reacquire 30,000 of its common shares from Equity for \$390,000; 144,200 from Sterling for \$1,874,600, 3,400 from Duncan for \$44,200, and 45,000 from Jardun for \$585,000, or for a aggregate purchase price of \$2,893,800. Because of the intercompany affiliations, the transactions are prohibited by the Investment Company Act unless the Commission finds that the terms thereof are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transactions are consistent with the policy of Equity as a registered investment company.

QUINBY & CO. RECEIVES ORDER. The SEC has issued an exemption order under the Investment Company Act (Release IC-4727) permitting Quinby & Co., Inc., Rochester, N. Y., the principal underwriter for and sponsor of The Quinby Plan for Accumulation of Common Stock of Xerox Corp., to offer such plan at reduced public offering prices on certain group accounts. According to the application, the plan is designed to provide for investment and dividend reinvestment over a period of years in the common stock of the Xerox Corporation.

MEDI CARD PROPOSES OFFERING. Medi Card, Inc., 16 King St., Port Chester, N. Y., filed a registration statement (File 2-25642) with the SEC on October 21 seeking registration of 200,000 shares of common stock. The stock is to be offered for public sale at \$10 per share through underwriters headed by Gianis & Co., Inc., 44 Wall St., New York, which will receive a \$1-per-share commission. The underwriters have made a firm commitment to purchase 100,000 shares and the remaining 100,000 shares are to be offered on a "best-efforts" basis. The company has agreed to sell to the principal underwriter, for an aggregate of \$200, 20,000 transferable three-year purchase warrants, each warrant entitling the holder thereof to purchase one common share (initially for \$11 per share).

Organized under Delaware law in February 1966, the company intends to provide qualified persons with the means, through a single professional credit card, of charging the services of and purchases from participating medical doctors, dentists, hospitals, accredited nursing homes and pharmacies. The company has acquired from MZ Incorporated (organized in 1964) all of its assets, including all right, title and interest in and to the service mark "Medi-Card". The company will add the net proceeds of its stock sale to working capital. In addition to indebtedness and preferred stock, it has outstanding 8,050 common and 135,000 Class B shares (including 3,325 common and 17,500 Class B shares to be issued pursuant to an outstanding subscription agreement upon the conclusion of this offering). Such stock was issued to organizers, initial investors and management officials for \$94,000. Willard A. Thompson is president.

TRANSITRON ELECTRONIC FILES FOR SECONDARY. Transitron Electronic Corporation, 168 Albion St., Wakefield, Mass., filed a registration statement (File 2-25644) with the SEC on October 21 seeking registration of 100,000 outstanding shares of common stock. The present holder thereof may offer the stock for public sale on the New York Stock Exchange at prices prevailing at the time of sale (\$16 per share maximum*).

The company manufactures and sells electronic components for commercial, industrial and military use. In addition to indebtedness, it has outstanding 7,659,516 common shares, of which management officials own about 69% (including 33.3% owned by David Bakalar, president, and 34.4% owned by Leo Bakalar, board chairman). Pacific Industries, Inc., is the selling stockholder; it is offering its entire holdings in the company.

NEW ENGLAND POWER PROPOSES OFFERING. New England Power Company, 441 Stuart St., Boston, Mass. 02116, filed a registration statement (File 2-25643) with the SEC on October 24 seeking registration of \$10,000,000 of first mortgage bonds, Series L, due 1996. The bonds are to be offered for public sale at competitive bidding. A subsidiary of New England Electric System, the company will apply the net proceeds of its bond sale toward repayment of approximately \$16,000,000 of short-term notes. Construction expenditures for the period September 1, 1966, through December 31, 1969, are estimated at \$94,000,000.

CONTINENTAL ASSURANCE SEPARATE ACCOUNT SEEKS ORDER. Continental Assurance Company Separate Account (B) (the "Separate Account"), Chicago, Ill., an open-end investment company, has applied to the SEC for an order under the Investment Company Act exempting it from certain provisions of the Act; and the Commission has issued an order (Release IC-4725) giving interested persons until November 10 to request a hearing thereon. The application states that Separate Account is a subsidiary of Continental Assurance Company; it proposes to engage in the sale of group variable annuity contracts in connection with annuity plans adopted by public school systems and tax-exempt organizations. Separate Account represents that the parent company's assets are available to meet its obligations and that the parent company is contractually obligated to the participants and cannot resign or otherwise avoid its contractual obligation. Separate account is seeking an exemption from the \$100,000 minimum net capital provisions of the Act and from certain other provisions with respect to investment-advisory and management contracts, the right of redemption of retired persons who have commenced to receive annuity payments, and trustee or custodian arrangements. It also seeks authorization to sell its contracts at other than the current offering price described in its prospectus.

RECENT FORM 8-K FILINGS. The companies listed below have filed Form 8-K reports for the month indicated and responding to the item of the Form specified in parentheses. Photocopies thereof may be purchased from the Commission's Public Reference Section (please give News Digest's "Issue No." in ordering). Invoice will be included with the requested material when mailed. An index of the captions of the several items of the form was included in the October 4 News Digest.

Automatic Data Processing Inc Sept 66(2,13)	0-1906-2	Lab for Electronics Inc Sept 66 (8,11,12,13)	1-4571-2
Blackstone Cigar Co Sept 66(13)	1-3411-2	Portable Elec Tools Inc Oct 66 (11,13)	1-5141-2
Bullion Monarch Uranium Co Inc Sept 66(11,12,13)	1-3896-2	Rohr Corp Sept 66 (7,10)	1-3801-2
Continental Food Mkts of Cal Inc Sept 66(8,9,13)	0-1941-2	Doric Corp Amd #1 to 8K for Sept 66 (8)	0-366-2
Knappe & Vogt Mfg Co Sept 66(11)	0-1859-2	Wheelabrator Corp Amd #1 to 8K for Jun 66 (7,13)	1-2483-2
Potash Co of America Oct 66(11)	0-1832-2	Boeing Co Amd #1 to 8K for Sept 66 (7,8)	1-442-2
Protective American Life Insur Co Sept 66(12,13)	2-25269-2	Burger Brewing Co Amd #1 to 8K for Jul 66 (13)	1-1600-2
CCI Corp Sept 66(3)	1-4239-2	Pitts Coke & Chemical Co Amd #1 to 8K for Jan 66 (2)	1-2943-2
Clark Corp Sept 66(12,13)	0-2116-2	Forest City Enterprises Inc Amd #1 to 8K for Dec 63 (13)	1-4372-2
Florida East Coast RY Co Sept 66(11)	1-2100-2	St Paul Ammonia Products Inc Amd #1 to 8K for Feb 66 (1,12)	0-1794-2
R/A Liquidating Co Sept 66(2,8,11,12,13)	0-2160-2	Pathe Industries Inc Sept 66(4,12,13)	0-1441-2
Air Products & Chemicals Inc Sept 66 (12,13)	1-4534-2	Beryllium Corp July 66(7)	1-458-2
Barnes Eng Co Sept 66 (11)	1-4197-2	Chicago & North Western RY Co Sept 66(7,13)	1-3937-2
Colonial Acceptance Corp Sept 66 (11)	0-1749-2	Greater Iowa Corp Sept 66(3)	0-1403-2
Conn Yankee Atomic Power Co Sept 66 (7)	2-22958-2	McIntyre-Porcupine Mines Ltd May 66(11,13)	1-20-2
Empire Gas Corp Sept 66 (11)	2-24441-2	Great American Industries Inc Aug & Sept 66(3,13)	1-3782-2
The Alfred Hart Co Sept 66 (12)	0-1705-2	Tower Credit Corp Sept 66(3,13)	1-4066-2
Hitco Sept 66 (11)	1-5168-2	Webb Resources Inc Sept 66(11)	0-1945-2
McDonnell Co Sept 66 (11,12)	1-3685-2		
Southern Airways Inc Sept 66 (4,7,13)	0-842-2		
American Educational Life Insur Co Sept 66 (2,12,13)	2-15597-2		
Barber-Greene Co Sept 66 (7)	0-34-2		
Combined Insur Co of Amer Sept 66 (7,10)	2-18761-2		
Dana Corp Sept 66 (7,13)	1-1063-2		
Intermountain Gas Co Jul 66 (7,13)	0-1358-2		

Cowles Chemical Co Sept 66(7)	0-476-2	Fiedmont Aviation Inc Sept 66(12,13)	0-1483-2
Baldwin-Montrose Chemical Co Inc Sept 66(7,8)	1-1404-2	Kentucky Investors Inc Amend #1 for Aug 66(7)	0-1999-2
Western Oil Shale Corp Sept 66(4,9,11,13)	2-23959-2	Freedom Holding Corp Amend #1 for July 66(7)	2-23123-2
Eli Lilly & Co Sept 66(8,13)	0-1060-2	Charles Pindyck Inc Amend #1 for Aug 66(2,13)	2-23992-2
Lowell Gas Co Sept 66(4,7,8,13)	2-14328-2	Jackson's Minit Markets Inc Sept 66(11,13)	1-4952-2
S E Massengill Co Sept 66(2)	0-2077-2	Rohm & Haas Co Sept 66(4)	1-3507-2
Amer Pipe & Constr Co Sept 66(13)	0-218-2	Lincoln Liberty Life Ins Co Sept 66(9,12)	2-18894-2
Loehmann's Inc Aug 66(13)	1-4961-2	Globe-Wernicke Ind Inc Feb 66(7)	1-4172-2
Jefferson Stores Inc Sept 66(12)	2-19676-2	Levingston Shipbuilding Co Sept 66(4,7,8,13)	2-13343-2
All Amer Assured Securities Co Inc Feb 66(5,13)	0-1202-2	Lortogs Inc May 66(4,7,13)	0-1703-2
Insur Invstrs Trust Co Sept 66(2,13)	0-1733-2	Michigan Wisconsin Pipe Line Co Sept 66(7,13)	2-13345-2
Big Apple Supermarkets Inc Sept 65(11,12,13)	0-1511-2	Great American Ind Inc Amend #1 for Aug & Sept 66(3)	1-3782-2
Dec 65(12,13)	0-1511-2	American Music Stores Inc Aug 66 (12)	0-2019-2
June 66(12,13)	0-1511-2	Cooper Tinsley Labs Inc Sept 66 (2,13)	2-22040-2
Aug 66(12)	0-1511-2	Chandler Leasing Corp Sept 66 (7,11,13)	2-18967-2
Consolidated Freightways Inc Sept 66(7,13)	1-5046-2	Automation Ind Inc Sept 66 (2,4,7,9,11,13)	0-804-2
Cramer Electronics Inc Sept 66(12,13)	0-126-2	Fla Palm-Aire Corp Jun 66 (2,13)	0-1850-2
Missouri Fidelity/Union Trust Life Ins Co Sept 66(12)	2-18951-2	Victor Equipment Co Sept 66 (2,13)	1-2536-2
Eastern Mass St RY Co Sept 66(6)	1-1563-2	Waddell & Reed Inc Sept 66 (3,13)	0-42-2
Kinney National Service Inc Sept 66(12,13)	1-4671-2	Cumis Insur Society Inc Mar thru Jul & Sept 66 (7)	2-22616-2
Harvard Industries Inc Sept 66(12)	1-1044-2	Metropolitan Securities Corp Sept 66 (11,13)	0-1610-2
Tastee Freez Industries Inc Aug 66(11)	1-4722-2		
Amalgamated Leather Companies Inc Sept 66(2,13)	1-5290-2		
Investment Corp of America Sept 66(2,13)	0-1642-2		
National Realty Investors Sept 66(12)	1-4912-2		
Denver & Rio Grande Western RR Co June thru Sept 66(9)	1-1129-2		
Elco Corp June 66(9)	1-5162-2		

SECURITIES ACT REGISTRATIONS. Effective October 24: Beckman Instruments, Inc., 2-25501; Family & Industry Management Corp., 2-24415 (90 days); Government Employees Financial Corp., 2-25393 (40 days). Effective October 25: Union Fund, Inc., 2-24103.

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.

*As estimated for purposes of computing the registration fee.

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