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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NASD DISCIPLINE OF MARYLAND FIRM SUSTAINED. In a decision under the Securities Exchange Act announced today (Release 34-7232), the SEC dismissed a petition filed by Maryland Securities Co., Inc., and its president, Morton Sandler, of Pasadena, Md., for review of NASD disciplinary action against them. The NASD had found that the firm and Sandler had violated its "mark-up policy" and had censured them, imposed a fine of $1,000 against the firm, and assessed it with costs of $192.75.

The NASD found that of 80 consecutive principal sales of securities between September 23 and December 2, 1960, the firm realized mark-ups in excess of 5% in 48 sales at prices ranging from $2.37½ to $5.50. An analysis of 14 transactions showed that the mark-ups were computed on the basis of the member's same day cost of purchase for securities of the same class. These mark-ups amounted to 34.2% in one sale and 17.2% in three sales. In four other sales, they ranged from 20% to 20.6% and in the other six from 11.5% to 12%. These mark-ups were defended on the ground that the purchasers were "good buys" and therefore the cost of purchase was not representative of the current inter-dealer market. Such arguments were rejected by the Commission, which held that at least with respect to 10 of the 14 transactions, the firm's same day cost of purchase, which represents the prices charged in actual transactions with dealers publishing quotations for the securities in the daily sheets, was representative of the current inter-dealer market.

In 34 transactions, which occurred on days when the firm did not effect a purchase of the same security, the NASD computed the mark-ups from the representative asked price in the daily sheets of the National Quotation Bureau. The mark-ups in these transactions ranged from 5.1% to 6.2% in twenty-five sales and from 7.1% to 8.7% in five sales. In the four remaining sales the mark-ups amounted to 9.1%, 9.3%, 11.7% and 16.6%. The total sales prices in the 48 transactions ranged from $112 to $1,087. With respect to these and other mark-ups, the firm contended that they were frequently based on "live quotes" obtained from broker-dealers before retail sales; but no specific evidence was submitted as to these quotations. However, the Commission pointed out, the record does show for all transactions the representative quotations contained in the daily sheets which as we have noted, were higher than the prices charged the member in actual transactions with the quoting dealers in a number of instances. Even if the mark-ups in all 48 transactions were computed on the basis of these representative offers, 44 would still exceed 5%. Nor did the Commission find merit in other defenses of the firm's mark-up practices.

The Commission also ruled that the penalties imposed by the NASD were not excessive or oppressive.

ACTION V. SHIFF & CO. DISMISSED. The SEC has dismissed its "revocation proceedings" under the Securities Exchange Act against Meyer H. Shiff, doing business as Shiff & Company, New Brunswick, N. J., for failure to file a report of financial condition for 1962 (Release 34-7231). The dismissal was on motion of Staff Counsel upon the basis of evidence that the report had been prepared by Shiff's accountant and mailed by him to the SEC New York Regional Office prior to its due date. The record further shows that Shiff had filed all required reports in previous years, sending them himself by registered mail and obtaining a return receipt, but in the case of the 1962 report had relied on the accountant for the mailing, and that upon being notified that the 1962 report had not been received, he promptly filed the required report.

GLORAY KNITTING MILLS FILES FOR SECONDARY. Gloray Knitting Mills, Inc., Robesonia, Berks County, Pa., filed a registration statement (File 2-22055) with the SEC on February 4 seeking registration of 180,000 outstanding shares of common stock. This stock is to be offered for public sale by the present holders thereof through underwriters headed by Shields & Company, Inc., 44 Wall St., New York, at a price ($18 per share maximum*) related to the market price of the shares at the time of offering. Underwriting terms are to be supplied by amendment.

The company is engaged in the manufacture of low and medium priced men's, boys' and junior boys' knitted sweaters. It has outstanding 750,000 common shares, of which four management officials own an aggregate of 562,500 and proposed to sell 180,000. Jacob Dunitz, board chairman, proposes to sell 30,000 of 91,800 shares held, and Matilda Dunitz (his wife and a director) 30,000 of 88,800. Their sons, Howard I. and Norman B. Dunitz (president and secretary-treasurer, respectively), propose to sell 60,000 shares each of their holdings of 190,950 shares each.

CLARK MFG. FILES FOR SECONDARY. J. L. Clark Manufacturing Co., 2300 Sixth St., Rockford, Ill., filed a registration statement (File 2-22054) with the SEC on February 4 seeking registration of 185,600 outstanding shares of common stock. This stock is part of 485,600 shares (60.7%) of the outstanding stock of Clark Manufacturing held by First National Bank and Trust Company of Rockford, as Conservator of the Estate of Effie Whit Clark; and they are to be sold by the Estate "in order to diversify its investments and to help establish an over-the-counter market for Common Shares of the Company." The offering is to be made through underwriters headed by Lee Higginson Company, 20 Broad St., New York. Of such shares, 30,000 are to be first offered by the underwriters to employees of the company. The public offering price ($18.00 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is a manufacturer of a wide variety of custom styled packaging items for dry and paste form products packed primarily by the food, spice, drug, chemical specialty, cosmetic and tobacco industries. It has outstanding 800,000 common shares, of which management officials own 21.9%. Ralph C. Rosecrance is board chairman and Frank D. White president.

*As estimated for purposes of computing the registration fee.

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