

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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



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FOR RELEASE September 3, 1964

**TOWNSEND CORPORATION OF AMERICA DECISION ISSUED.** The SEC today announced a decision under the Investment Company Act (Release IC-4045) exempting from the provisions of Section 17(a) of the Act and approving under Section 23(c)(3), various transactions proposed in a Plan of Merger of Townsend Corporation of America ("TCA"), and its affiliated companies, Townsend Management Corporation ("TMC") and Resort Airlines, Inc. ("Resort"), all of Short Hills, New Jersey. The Plan was filed in compliance with an order of the United States District Court for the District of New Jersey entered on May 31, 1961 in an SEC injunctive action against TCA et al.

The Plan provides for (a) the acquisition by TCA, as the surviving corporation in the merger ("Merged Company"), of the assets of TMC and Resort; (b) the continuation of the cumulative preferred stock of TCA and the publicly held common stock of TCA in the capital structure of the Merged Company; (c) the conversion (on the basis of adjusted relative net asset values per share) of the publicly held common stocks of TMC and Resort into common stock of the Merged Company; (d) the issuance by the Merged Company of noncumulative preferred stock and debentures in exchange for the outstanding noncumulative preferred stock and debentures of Resort; (e) the retirement, upon consummation of the merger, of TCA's outstanding debentures, now in default, and of the noncumulative preferred stock issued in the merger in exchange for the Resort noncumulative preferred stock; and (f) the cancellation of the outstanding perpetual warrants for the purchase of TCA common stock without recognition in the merger. The Plan contemplates that following the merger the stockholders of the Merged Company will vote on a proposal that the company cease to be an investment company.

The SEC order is to become effective only upon the entry by the District Court of an order approving and enforcing the Plan. The SEC will make application to the Court for such an order.

**NASD EXPULSION OF MERRITT VICKERS CO. AFFIRMED.** In a decision under the Securities Exchange Act announced today (Release 34-7409), the SEC affirmed action of the NASD in expelling from membership the New York firm of Merritt, Vickers, Inc., now known as M. J. Merritt & Co., Inc. Revocation of the registrations of Matthew J. Merritt, president, and James S. Vickers, former secretary-treasurer, who were found causes of the expulsion order, also was sustained.

The Commission's decision sustained NASD findings that in 1960 the respondent firm sold securities to customers at unfair prices, improperly extended credit, and failed to keep books and records current. According to the decision, the firm executed 120 retail sales as principal at prices which, as computed by the NASD, ranged from 10.5% to 125% over prevailing wholesale market prices. In 47 of the transactions the mark-ups were computed on the basis of the price paid by the firm in same-day purchases, and averaged 40.5%. In the remaining 73 transactions, which were effected on days when the firm did not make any purchases of the securities sold, the mark-ups were computed on the basis of ask quotations published in the quotation sheets of the National Daily Quotation Bureau ("sheets") which the NASD considered representative of the market price. The mark-ups in those transactions ranged between 12.5% and 113% and averaged 30.1%. The Commission rejected arguments that the NASD improperly used the member's costs and the market quotations as a basis for determining the mark-ups.

With respect to the record-keeping violations, the Commission noted that cancellations of various customers' transactions were not recorded or were not identified as such, the member's general ledger was not posted from June 1 to September 14, 1960 and its securities position record was not posted, and monthly trial balances were not kept. The Regulation T violations involved 72 transactions in which the firm failed to receive payment or effect cancellation of the transactions until after the seven-day period for settlement. The period that credit was thus improperly extended ranged from one to 73 days and averaged 9.4 days. Moreover, 62 of the 72 transactions involved late payments as opposed to late cancellations. In addition, on two occasions when the firm acted as agent for both the sellers and buyers of the same securities, it failed to disclose to the customers the dual agency and the double commission it was receiving.

**CAPITAL EXPENDITURES UP.** The SEC and the Department of Commerce announce (for September 4 newspapers) that businessmen continue to project a substantial rise in capital expenditures during the second half of this year. Outlays were at a record seasonally adjusted annual rate of \$43.5 billion in the second quarter and are expected to rise further to \$44.6 billion in the third quarter and \$46.1 billion in the fourth quarter of 1964. Capital spending for the year 1964 is expected to total \$44.2 billion, 13 percent higher than in 1963. In May the projected increase from 1963 to 1964 was 12 percent and in February it was 10 percent. The upward revision over the survey taken last May was primarily the result of expanded programs of nonmanufacturing industry groups. Durable goods manufacturers also report some increase from earlier anticipations while nondurable goods firms have made slight downward revisions.

**APPLIED TECHNOLOGY FILES STOCK PLAN.** Applied Technology, Inc., 3410 Hillview Ave., Palo Alto, Calif., filed a registration statement (File 2-22739) with the SEC on September 2 seeking registration of 100,000 shares of common stock, to be offered pursuant to its Selected Employees' Stock Option Plan.

OVER

**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. Copies thereof may be ordered from the Commission's Public Reference Section (please give News Digest's "Issue No." in ordering). Invoice will be included with photocopy material when mailed. An index of the caption of the several items of the form was included in the September 2 News Digest.

Catron Electronic Corp, Mar-July 1964,  
(3,7,9,11)

Certain-Teed Products Corp, July 64, (3)  
Insurance Capital, Inc, July 64, (7)

State Bond and Mortgage Company, July 64,  
(8)

Indiana Gas & Water Co Inc, July 64,  
(4,7,13)

Roblin Steel Corporation, June 64, (7,13)  
July 64, (7,8)

IFC Collateral Corporation, July 64, (7)

The Rucker Company, July 64, (13)

California Financial Corp, July 64, (12)  
Roblin Steel Corporation, Amend #1 to 8K  
for April 64, (11)

American Discount Co, Amend #1 to 8K for  
June 64, (4)

" " " Amend #1 to 8K for  
April 64, (4)

**OLSO (NORWAY) PROPOSES DEBENTURE OFFERING.** The City of Oslo, Kingdom of Norway, today filed a registration statement (File 2-22740) with the SEC seeking registration of \$15,000,000 of sinking fund external loan bonds, due 1984, to be offered for public sale through underwriters headed by Kuhn, Loeb & Co., Inc., 30 Wall St.; Harriman Ripley & Co., Inc. 60 Broad St. (both of New York), and two other underwriting firms. The interest rate, public offering price and underwriting terms are to be supplied by amendment. Net proceeds from the bond sale will be added to the foreign exchange reserves of the Kingdom of Norway and will be advanced from time to time to certain revenue-producing municipal enterprises for capital expenditures.

**SECURITIES ACT REGISTRATIONS.** Effective September 2: Financial Life Insurance Co. (File 2-22598); The Prudential Oil Corp. (File 2-22653). Effective September 3: Datamark, Inc. (File 2-22502); Federated Security Insurance Company VOTING TRUST (File 2-22610); King's Department Stores, Inc. (File 2-22624); Racon Inc. (File 2-21776).

**Withdrawn September 2:** Insurance Securities Inc. (File 2-22615).

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