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VIOLATIONS CHARGED TO NORMAN ADAMS. The SEC has ordered proceedings under the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940 to determine whether Norman Joseph Adams, doing business as Adams & Company, 5455 Wilshire Blvd., Los Angeles, engaged in practices which operated as a "fraud and deceit" upon investors or otherwise violated the Federal securities laws and, if so, whether his broker-dealer and investment adviser registrations should be revoked.

Adams has been registered with the Commission as a broker-dealer and an investment adviser since March 1961. According to the order, in November 1962 he was permanently enjoined by a Federal court in California from further violations of the anti-fraud provisions of the Federal securities laws. 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 since December 1961 of the common stocks of Industrial Fasteners, Inc., The Squire For Men, Inc., Measurements Spectrum, Inc., and other securities, Adams "engaged in transactions, 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. The staff asserts that Adams engaged in the distribution and sale of unseasoned and speculative securities to unsophisticated investors with whom he was unacquainted by means of intensive telephone and direct mail solicitation (including the distribution of flamboyant and misleading sales literature), without regard to whether the securities were suitable or consistent with the customers' investment needs or objectives, and by means of false and misleading statements of material facts. The alleged misrepresentations with respect to the stocks of Industrial and Squire concerned, among other things, the existence of bona fide independent markets for the stocks, the fair and reasonable market price therefor, and the "mark-ups" to customers over Adams' contemporaneous cost of the securities; and concerning Spectrum, the holders of its "promotion stock," Adams' relationship to Spectrum and Spectrum's financial obligations and condition. Moreover, it is alleged that in effecting transactions in Industrial and Squire stocks, Adams failed to disclose to customers that he controlled (or was in common control) with such companies.

The staff also charges that Adams (1) permitted and arranged for his salesmen to "load" and "reload" the accounts of investors with securities of which he was the underwriter (or in which he was otherwise financially interested), and to "switch" securities within the accounts of such investors, and (2) engaged in an extensive program of speaking appearances before business and community organizations purportedly as an expert in securities investments, and discussed various local issues of known investment merit together with speculative issues in which he had a financial interest, intimating by association that such speculative securities were also of high investment quality. Furthermore, it is also charged that he offered to purchase and purchased Industrial stock at 75¢ to \$1.50 per share when prior to and contemporaneous with such transactions, he was offering to sell and selling such stock at prices varying between \$2.50 and \$3 per share. Violations of the Commission's net capital and recordkeeping rules also are charged.

A hearing will be held on February 11, 1963, at the Commission's Los Angeles Branch Office, for the purpose of taking evidence to determine whether the staff charges are true and, if so, whether Adams' broker-dealer and investment adviser registrations should be revoked. The hearing will concern itself initially with the question whether to suspend Adams' broker-dealer registration pending final determination of the question of revocation. Adams is a member of the National Association of Securities Dealers, Inc.; and one of the issues in these proceedings is whether he also should be suspended or expelled from NASD membership.

WARREN & CO. HEARING SCHEDULED. The Commission has scheduled a hearing for February 18, 1963, in its Washington Office, in proceedings to determine whether the broker-dealer registration of N. Warren and Company, 1411 Pennsylvania Ave., N. W., Washington, D. C., should be revoked. The January 1962 order authorizing these proceedings recites charges of the Commission's staff that Warren and Company violated the registration and anti-fraud provisions of the Securities Act of 1933 in the offer and sale of common stock of American International Savings & Loan Association, Inc.

TEXAS EASTERN TRANSMISSION RECEIVES ORDER. The SEC has issued an order under the Trust Indenture Act (Release TI-178) finding that the trusteeship of The Chase Manhattan Bank under an indenture of Texas Eastern Transmission Corporation dated June 1957 (previously qualified under the Act) and trusteeship by Chase under a new indenture dated as of December 15, 1962 (not qualified under the Act) is not so likely to involve a material conflict of interest as to disqualify Chase from acting as trustee under both indentures.

NEW ENGLAND ELECTRIC SEEKS ORDER. New England Electric System, Boston registered holding company, and its 13 utility subsidiaries have applied to the SEC for an order under the Holding Company Act authorizing the subsidiaries to borrow up to an aggregate of \$74,700,000 from time to time (through December 31, 1963) from banks and/or NEES; and the Commission has issued an order (Release 35-14796) giving interested persons until February 14, 1963 to request a hearing thereon. The proceeds of the proposed borrowings are to be used to pay then outstanding notes due to banks and/or to NEES (outstanding in the principal amount of \$43,600,000 at January 1, 1963), and to provide new money for construction expenditures or to reimburse the treasury therefor.

OVER

COMPASS FUNDS FILES FOR OFFERING. Compass Funds, Inc., 101 University Blvd., Denver, filed a registration statement (File 2-21047) with the SEC on January 30 seeking registration of \$1,000,000 of participating units in its 1963 gas and oil exploration and development fund, to be offered for public sale at \$2,500 per unit. Each unit will be subject to an assessment for the costs of completing and equipping tests wells believed to have encountered commercial production, which assessment will not exceed an estimated \$1,500 per unit. The company will underwrite the offering on a best efforts basis and, if 100 or more units are sold by April 1963, will receive from program funds 5% of all subscriptions and assessments thereon plus certain expenses.

The company is wholly owned by Compass Exploration, Inc., which was organized in 1959 and will manage the program. It will use funds committed thereto to conduct gas and oil exploration activities for the accounts of the participants, to acquire for participants undeveloped gas and oil leases, and to perform related test drilling and other activities. In addition to 5% of unit subscriptions and assessments thereon, the manager will receive for its services an overriding royalty interest in each lease, and 25% of the working interest's net profits from a lease after the investor has recovered his entire investment therein (the overriding royalty with respect to such lease then terminating). George Aubrey is president of both companies.

DEFENDERS INSURANCE FILES FOR STOCK OFFERING. The Defenders Insurance Company, 146 Old Country Road, Mineola, New York, filed a registration statement (File 2-21048) with the SEC on January 30 seeking registration of 100,000 shares of common stock, to be offered for public at \$12.50 per share. No underwriting is involved.

The company was organized under New York law in May 1962 and intends initially to write only automobile liability insurance, automobile property damage insurance and automobile physical damage insurance. The company has not yet written any insurance and will not commence such activity until this offering has been completed and until it has obtained a license from the Insurance Department of New York. The net proceeds from the stock sale will be used for the general conduct, requirements and promotion of the company, and funds not so spent will be used primarily to acquire income-producing investments as authorized by applicable insurance laws. The common stock of the company will be offered for sale under a plan whereby subscribers will be asked to enter into a voting trust agreement. Although the company does not now have any stock outstanding, the prospectus states that control of the company will be held by Charles J. Barnett, president and board chairman, and four other directors, through their ownership of stock and by the voting trust agreement.

MOBILE HOME PARKS DEVELOPMENT FILES FOR STOCK OFFERING. Mobile Home Parks Development Corp., 82 Baker St., Atlanta, Ga., filed a registration statement (File 2-21045) with the SEC on January 28 seeking registration of 1,250,000 shares of common stock, to be offered for public sale at \$2.50 per share. The offering will be made on a best efforts basis by Overseas Investment Service, of Seville, Spain (wholly-owned by Sam S. Brown, a principle stockholder and director of the company), which will receive a 30¢ per share selling commission.

Organized under Georgia law in December 1962, the company intends to invest a substantial portion of its funds in the development of mobile home parks and in the development of residential and commercial real estate. The company presently owns no real or personal property, and according to the prospectus "there is no limitation as to the time in which the company must invest or use the proceeds of this offering." Furthermore, the prospectus states that the company has not selected any sites for possible mobile home parks and has not formulated any definite plans either for any specific mobile home park development or construction or for the development of commercial or residential property. The prospectus also states that "an investment in the Company's stock offered hereby is therefor speculative, because its value depends upon many factors which cannot be predicted at this time, including the ability of management to accomplish ... stated policies and purposes of the Company and the success of this offering." The company has outstanding 4,400 common shares issued at \$2.50 per share to promoters and officers. Warner A. Bonner is president.

CHARLES C. SCOTT AND TWO OTHERS ENJOINED. The SEC Seattle and Denver Regional Offices announced January 28 (LR-2492) the entry of a Federal court order (USDC, ED, Wash.) preliminarily enjoining Charles C. Scott, V. Glen Keasling and Vernon T. Keasling, of Denver and Canyon City, Colorado, from further violations of the Securities Act anti-fraud provisions in the offer and sale of stock of Bankers Union Life Insurance Company and Life Assurance Company of the West, both Colorado companies.

SECURITIES ACT REGISTRATIONS. Effective January 30: Whitestone 1963 Program Corp. (File 2-20950). Effective January 31: The Bendix Corp. (File 2-21013); American Gas Co. (File 2-20037).