

# 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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**PICKARDS BARRED.** The SEC today announced a decision (Release 34-8433) barring John Sackville-Pickard and Peter Sackville-Pickard from further association with any broker-dealer or being an investment adviser. They were president and vice-president, respectively, as well as principal stockholders of Pickard & Company, Inc., of New York City, and along with that firm and several others were charged by the Commission's staff with activities violative of the anti-fraud and other provisions of the Federal Securities laws. For the purpose of settling the proceedings against them, these two named respondents waived a hearing and consented to the bar order.

According to the Commission's decision, the two Pickards made false and misleading statements to customers concerning the firm's ability to select profitable securities through use of a new method (employing a computer and certain graphs and charts) and concerning the capability of such method to guarantee customers profits and portfolio appreciation; induced persons to subordinate their securities and cash to general creditors of the firm by means of false and misleading statements concerning, and failure to disclose, the firm's financial condition and the extensive withdrawal of capital funds from the firm by certain of its officers and directors. They also effected securities transactions for customers when the firm's books and records were not current, contained numerous errors and could not be relied upon accurately and promptly to reflect the securities or cash held for the accounts of customers, when the firm did not have the facilities and personnel necessary in order promptly to consummate customers' securities transactions and make delivery of securities and cash to such customers, and when the firm was not in compliance with the NYSE financial requirements.

The Commission also ruled that the two Pickards aided and abetted violations of its hypothecation, of the Federal Reserve board, and that they failed reasonably to supervise persons under their supervision with a view to preventing these and other violations.

**TRADING IN GALE INDUSTRIES SUSPENDED.** The SEC on October 25 ordered the suspension of exchange and over-the-counter trading in the common stock of Gale Industries, Inc., of New York City, for the period October 25 (at 12:35 p.m.) through October 31, 1968, inclusive. The American Stock Exchange halted exchange trading in the stock on October 10, 1968. The Commission's action was based upon the fact that numerous rumors have been circulating in the investment community concerning the development and manufacture of new products by Gale and because of a sizable increase in over-the-counter trading in Gale shares. Accordingly, the Commission deemed it necessary and appropriate in the public interest and for the protection of investors to suspend trading in the common stock of Gale Industries, Inc., pending clarification by the company of the facts with respect to its products and operations and adequate public dissemination thereof along with all other pertinent information.

**TWO OFFERINGS SUSPENDED.** The SEC has issued orders under the Securities Act of 1933 making permanent its earlier orders temporarily suspending (i) a Regulation A exemption from registration with respect to a proposed offering of 149,000 shares of common stock at \$2 per share of Pollution Dynamics Corporation, Rochester, N. Y., and (ii) a Regulation F exemption with respect to an assessment of 10¢ per share on 2,982,915 outstanding shares of common stock of Mountain States Development Company, of Salt Lake City, Utah. Pollution Dynamics requested a hearing on the question whether the suspension order as to it should be vacated or made permanent, but later withdrew its hearing request. Mountain States Development filed an answer which generally denied the allegations contained in the temporary suspension order as to it, but consented to entry of the order of permanent suspension.

Pollution Dynamics was organized under New York law in September 1967 to engage in the development, manufacture and distribution of equipment used to eliminate or control air and water pollution; its primary business was to be "the development of a smokeless incinerator which can be used as a disposal for waste, rubbish or similar material on a commercial basis." According to the suspension order, its offering circular failed to disclose that Louis Martino, a principal stockholder and director, has exercised and will continue to exercise control over the company and its affairs; was false and misleading in its failure to make proper disclosure of the business experience and background of Martino and the serious business reverses suffered by him and companies which he controlled; and failed to make proper disclosure of the terms and conditions of a transaction wherein Martino transferred to the company all his rights in and title to the incinerator, including the consideration to be paid by the company, the obligation, if any, to be assumed by the company, and the liability to be assumed by the company with respect to working models of incinerators which Martino built for other persons prior to such transfer. Moreover, the company failed to name three-Martino-controlled companies as affiliates; failed to disclose certain prior stock sales; and offered its shares in violation of provisions of Regulation A.

With respect to Mountain States Development, sales literature used in its assessment, according to the suspension order: (a) was false and misleading with respect to the intended use of the proceeds thereof, and failed to disclose the specific date that payment was due in satisfaction of the assessment without forfeiture and sale of the holder's stock; (b) failed to disclose that certain stockholders, who also held notes of the issuer, would be permitted to return the notes to the issuer in lieu of paying cash for the assessment, or the effect thereof on the voting control of the company, failed to disclose the issuance in October 1967 of a note for \$25,000 to R. C. Gardner and Associates for the purchase of various assets, and the holder's

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right to convert such note into stock at 9¢ per share, and failed to reflect the intention of the holders of some \$530,000 of notes to convert them into shares immediately after the stock assessment; (c) failed to state that Sam Manchel, who controlled Laser Power Industries, Inc. ("Laser"), a newly-acquired subsidiary, died prior to the date of the filing and use of the sales literature, that the company would be responsible for payment of one-third of the amount of any judgment or settlement of a lawsuit against Laser, that Laser's business is solely that of manufacturing batteries and is wholly unrelated to the scientific field of "LASER" research, the competition which Laser would encounter from other battery manufacturers, and the minimum monthly royalty payments due from Laser to Electro-Acid Corporation for use of patents and whether such payments are current.

ATLANTA TIMES GRANTED EXEMPTION. The SEC has issued an order granting an application filed in behalf of The Atlanta Times, Inc., by Walter D. Sanders, Newnan, Ga., Trustee in Bankruptcy, for exemption from the registration provisions of Section 12(g) of the Securities Exchange Act of 1934. Issuance of the exemption order also provides an exemption from the provisions of Sections 13, 14 and 16 of the Act.

PAN AMERICAN WORLD AIRWAYS RECEIVES ORDER. The SEC has issued an order under the Trust Indenture Act of 1939, on application of Pan American World Airways, Inc., New York, determining that the trusteeship of Morgan Guaranty Trust Company of New York under a 1964 indenture pursuant to which \$30,992,000 of PanAm 4 $\frac{1}{2}$ % convertible subordinated debentures are outstanding, and under an indenture pursuant to which Pan American Overseas Capital Corporation N.V., a PanAm subsidiary, proposes to issue and sell \$30,000,000 of 5 $\frac{1}{4}$ % subordinated guaranteed debentures, is not so likely to involve a material conflict of interest such as to require a disqualification of Morgan Guaranty as trustee.

TENDER OF AMERICAN VITRIFIED STOCK INVITED. General Waterworks Corporation, 3219 Philadelphia Pike, Claymont, Del. 19703, filed a Schedule 13D with the SEC on October 24 with respect to its invitation for tenders of shares of American Vitrified Products Company, Cleveland, Ohio. It will pay \$10.00 per share for all shares tendered if a minimum of 60,000 are tendered before the termination of the offer on November 18, 1968.

The purpose of the tender offer is to cause American Vitrified to become, as nearly as possible, a wholly-owned subsidiary of General Waterworks. General Waterworks presently owns approximately 81% of the outstanding stock of American Vitrified.

LEON BRAUDY FILES PLEA. The SEC announced October 25 (LR-4142) that Leon J. Braudy, a CPA of Scarsdale, N.Y., following his plea of guilty without knowledge to a charge involving the certification of false financial statements of VTR, Inc., for the years 1962-63-64, received a \$1500 fine. The indictment is pending against officers and directors of VTR.

PRESTON BEARD INDICTED. The SEC Atlanta Regional Office announced October 28 (LR-4143) that Preston A. Beard of Alexandria, La., had been indicted by a Federal grand jury (ED La.) on charges of violating the Securities Act anti-fraud provisions in the offer and sale of securities of Security Reserve Investment Corporation, Louisiana Security Investment Group, Executive Mutual Fund, Inc., and Executives Associates of Baton Rouge and Alexandria, La.

DELISTING GRANTED. The SEC has issued an order under the Securities Exchange Act (Release 34-8436) granting an application of the New York Stock Exchange to strike from listing in registration the 4% first lien bonds and the 4% mortgage bonds, both due 1995, of The Detroit and Mackinac Railway Company, effective at the opening of business October 25. The two bond issues are not deemed appropriate for continued listing because of the limited market value of and trading volume in the bonds.

UNLISTED TRADING GRANTED. The SEC has issued an order under the Securities Exchange Act (Release 34-8436) granting an application of the Boston Stock Exchange for unlisted trading privileges in the common stocks of The Bunker-Ramo Corporation, Consumers Power Company, INA Corporation and Indiana General Corporation.

PENNSYLVANIA FUNDING PROGRAMS PROPOSES OFFERING. Pennsylvania Funding Programs, Inc., 9601 Wilshire Blvd., Beverly Hills, Calif. 90210, filed a registration statement (File 2-30518) with the SEC on October 18 seeking registration of \$10,000,000 of programs for the acquisition of mutual fund shares and life insurance. The programs contemplate that a participant will pay the premiums on life insurance policies with the proceeds of loans from the company secured by the pledge of mutual fund shares purchased by the participant for cash.

Organized under California law in July 1968, the company is a wholly owned subsidiary of Pennsylvania Life Company. The parent company also owns all the outstanding capital stock of Pennsylvania Life Insurance Company and Pennsylvania Securities Corporation and Pacific Programming, Inc. ("brokerage subsidiaries"). The programs offered will generally be made up of individual policies of life insurance written by the insurance subsidiary and mutual fund shares purchased through the brokerage subsidiaries. The company proposes to offer shares of five mutual funds managed by Keystone Custodian Funds, Inc. and shares of Putnam Growth Fund in the programs. John W. Stodder is president.

CORRECTION RE HORIZON INDUSTRIES. The News Digest of October 16 (page 1) included a report on a proposed offering of Horizon Industries, Ltd., 1815 Westchester Ave., New York 10472. The caption incorrectly referred to the proposed offering as a secondary.

**SUITOMAT FILES FOR OFFERING AND SECONDARY.** Suitomat Corporation, 470 Park Ave. South, New York 10016, filed a registration statement (File 2-30549) with the SEC on October 24 seeking registration of 210,000 shares of common stock, to be offered for public sale through underwriters headed by D. H. Blair Securities Corp., 437 Madison Ave., New York. The offering price (\$8.50 per share maximum\*) and underwriting terms are to be supplied by amendment. The company has agreed to pay the D. H. Blair Securities firm \$20,000 for expenses and to sell it, for \$200, five-year warrants to purchase 20,000 common shares.

The company is a manufacturer and retailer of men's and boys' suits, sport coats, slacks and outerwear. It operates no factories of its own, but employs contractors on a "cut, make and trim" basis. Net proceeds of its sale of additional stock, together with internally generated funds and additional short-term borrowings at a later date, will be used to open approximately 60 new departments by the end of two years; and such proceeds may be used to pay short-term debt and for general corporate purposes pending their ultimate use in the company's expansion program. In addition to indebtedness, the company has outstanding 183,333 common shares, of which Louis Polsky, president, owns 13.3% and management officials as a group 42.6%. Names of the selling shareholders will be supplied by amendment.

**HORIZONS RESEARCH PROPOSES OFFERING.** Horizons Research Incorporated, 2905 East 79th St., Cleveland, Ohio 44104, filed a registration statement (File 2-30550) with the SEC on October 24 seeking registration of 250,000 shares of common stock, to be offered for public sale through underwriters headed by Hartzmark & Co., Inc., 1000 East Ohio Bldg., Cleveland, Ohio 44114. The offering price (\$12.50 per share maximum\*) and underwriting terms are to be supplied by amendment. The company has agreed to pay the underwriters \$10,000 for expenses and to sell the Hartzmark firm, for \$50, five-year warrants to purchase 5,000 common shares.

The company is a contract research organization which carries out research in the physical sciences for various U. S. Government agencies, industry and its own account. It has recently established a pilot manufacturing operation with a view to engaging in the manufacture and sale of dry working free radical photographic film and paper. Of the net proceeds of its stock sale, \$140,625 will be used to prepay the balance of a bank note, \$352,000 to retire outstanding 6% debentures issued to finance the purchase of equipment and the establishment of a pilot production line for the said film and paper and to provide working capital, \$1,500,000 to relocate and equip the office and laboratory, \$100,000 to exercise an option for the purchase of certain chemical process patents used in the reclamation of copper from scrap, and \$500,000 to be advanced to a new Ohio corporation to which the patents will be assigned in exchange for 80% of its outstanding capital stock; the balance will be added to the company's general funds and used for working capital and other purposes. The company has outstanding 602,325 common shares (with a 90c per share book value), of which Eugene Wainer, vice president, owns 51.6% and K. M. Bartlett, president, 12.7%.

**PUBLIC SERVICE OF NEW HAMPSHIRE PROPOSES FINANCING.** Public Service Company of New Hampshire, 1087 Elm St., Manchester, N. H., filed registration statements with the SEC on October 24 seeking registration of 120,000 shares of convertible preferred stock (\$100 par) (File 2-30553) and \$15,000,000 first mortgage bonds, Series P, due 1998 (File 2-30554). The bonds are to be offered for public sale at competitive bidding and the preferred stock through underwriters headed by Kidder, Peabody & Co. Inc., 20 Exchange Pl., New York 10005. The dividend rate, offering price (\$102 per share maximum\*) and underwriting terms are to be supplied by amendment. Net proceeds of the financing will be used to reduce short-term borrowings, incurred in connection with the company's construction program, estimated at \$22,500,000 on the date of sale. Construction expenditures aggregated \$34,248,103 in 1967 and are estimated at \$24,248,000 in 1968, \$21,130,000 in 1969 and \$21,145,000 in 1970.

**CALDOR FILES FOR SECONDARY.** Caldor, Inc., 20 Glover Ave., Norwalk, Conn. 06852, filed a registration statement (File 2-30555) with the SEC on October 24 seeking registration of 300,000 outstanding shares of common stock, to be offered for public sale through underwriters headed by Hayden, Stone Inc., 25 Broad St., New York 10004. The offering price (\$21 per share maximum\*) and underwriting terms are to be supplied by amendment.

The company operates promotional discount department stores in the Northeastern United States featuring nationally advertised brand name products. In addition to indebtedness, it has outstanding 2,321,592 common shares, of which Carl Bennett, president and board chairman, owns 39.9%, his wife, 6.7%, family trusts 10.5% and management officials as a group 40.4%. Bennett, his wife and family trusts propose to sell all of the shares being registered.

**STOCK PLANS FILED.** The following companies have filed Form S-8 registration statements with the SEC proposing the offer of stock under employee stock option and similar plans:

Genesco Inc., Nashville, Tenn. 37202 (File 2-30526) - 250,000 convertible preferred shares (and the underlying common shares) and 250,000 common shares  
 The F. & M. Schaefer Corporation, Brooklyn, N. Y. 11211 (File 2-30531) - 200,000 shares  
 United Merchants and Manufacturers, Inc., New York 10018 (File 2-30544) - 358,441 shares  
 Cabot Corporation, Boston, Mass. 02110 (File 2-30551) - 260,000 shares  
 Medicenters of America, Inc., Memphis, Tenn. 38104 (File 2-30552) - 90,000 shares

**SECURITIES ACT REGISTRATIONS.** Effective October 25: Raymond International, Inc., 2-29963; Sargent Industries, D Inc., 2-29773 (Dec 5); The Tower Fund, Inc., 2-27088.

**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.