

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



Washington, D.C. 20549

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

(For ordering full text of Releases from Publications Unit, cite number)

Issue No. 65-8-20)

FOR RELEASE August 30, 1965

FUND RETAIL SALESMAN REVOKED. In a decision announced today (Release 34-7687), the SEC revoked the broker-dealer registration of Russell L. Irish, doing business as Russell L. Irish Investments, of Spokane, Wash., for inducing excessive trading by customers in mutual fund shares in violation of the anti-fraud provisions of the Federal securities laws. These violations also included that of switching customers from one mutual fund security to another which "was highly profitable to himself and detrimental to his customers." Irish also was expelled from NASD membership; and his son, Russell Lawson Irish, was found to be a cause of the revocation and expulsion order.

The Commission examined transactions over a five-year period in the accounts of nine of the Irish firm's biggest customers, said to have accounted for over 50% of \$212,038 gross commissions on sales to over 100 customers; and it found excessive trading and switching in each. For example, one customer purchased 214,459 of mutual fund shares in 16 transactions of which 14 involved switches from another fund; another effected 6 purchases for \$46,588 of which 4 involved switches; another effected 21 purchases totalling \$44,111, of which 12 involved switches; another purchased \$395,226 of mutual fund shares in 27 transactions, of which 19 involved switches; and the other five customers effected 16, 17, 20, 33 and 35 purchases, of which 8, 11, 8, 14 and 16, respectively, involved switches.

According to the decision, the switches were in many instances effected after the first fund had been sold in the customer's account for a relatively brief period of time. For example, the funds that were sold to effect switches represented an aggregate investment by the nine customers of \$1,477,000 and had been acquired in 135 transactions; and some \$542,000 in mutual fund shares or 37% acquired in 23 transactions had been held in the accounts less than a year before being sold. Only about \$90,000 or 6% acquired in 19 transactions had been held more than three years. Redemptions, whether or not followed by switches, reflected a pattern of selling after relatively short periods of retention; of the total of \$2,692,000 in mutual fund purchases in 195 transactions, about \$959,000 or 36% acquired in 55 transactions were resold within one year. "Switches," the Commission stated, "accounted for \$65,593 of registrant's commissions from the nine accounts, or over one-half of its gross commissions from those accounts during the period in question. In every case the switching of investments resulted in a reduction in the profits which the customer otherwise would have made." One customer, for example, was \$32,162 worse off as a result of switches in his account than if no switches had been effected.

Another violation involved the failure of Irish to allow two customers a discount or reduction in sales load for purchases above a \$25,000 break point, resulting in \$1,380 of excess sales charges to the customers and more than \$800 in excessive commissions to Irish. Moreover, in several transactions Irish sold mutual fund shares to a customer in several transactions within a short time or to different members of a customer's family at the same time, with each sale being in an amount below the break point, although the aggregate amount exceeded the break point. If the purchases by one customer had been combined, for example, the customer's sales load would have been over \$900 less and registrant's commissions over \$600 less.

PREFERRED INVESTMENTS REVOKED. The SEC today announced a decision under the Securities Exchange Act (Release 34-7689) revoking the broker-dealer registration of Preferred Investments, Inc., 5301 E. Colonial Pk., Orlando, Fla., for violations of the registration, anti-fraud, and other provisions of the Federal securities laws. The order also barred Wilbur Max Ritter (its president) and Troy Paul Odom from being associated with any broker-dealer. All three respondents defaulted in the filing of an answer to the charges against them.

Based on such charges, as recited in the order for proceedings, the Commission found that during May 1963-October 1964 the firm (aided and abetted by Ritter and Odom) violated the registration and anti-fraud provisions of the securities laws in the sale of common stock of Preferred Risk Life Assurance Co. (Assurance Co.). Among other things, the respondents failed to disclose in writing to purchasers that Preferred Investments was a wholly-owned subsidiary of Assurance Co. and that Ritter was president of both firms. They also made sales and purchases of shares of Assurance Co. stock at prices not reasonably related to prevailing market prices or contemporaneous costs and made untrue and misleading statements with respect to the market for that stock. The decision further states that the firm, aided and abetted by Ritter, failed to give customers written notice of the capacity in which it acted and other required information, and failed to make and keep current all required records.

STANLEY FURNITURE PROPOSES RIGHTS OFFERING. Stanley Furniture Company, Incorporated, Stanleytown, Va. 24168, filed a registration statement (File 2-23966) with the SEC on August 26 seeking registration of 44,000 shares of common stock. Of this stock, 40,000 shares are to be offered for subscription at \$50 per share by common stockholders, at the rate of one new share for each five shares held on September 10, 1965. The company is to offer the remaining 4,000 shares pursuant to its Employees' Retirement Plan.

The company is engaged in the manufacture and sale of quality wood furniture. Of the net proceeds from its stock sale, \$1,750,000 will be used to repay short-term loans incurred to meet the cost of acquiring all of the outstanding stock in Sandhill Furniture Corporation (a North Carolina corporation), and any excess of the proceeds will be available for working capital or future capital requirements. The company has outstanding 200,000 common shares, of which management officials own 58.85%. Thomas B. Stanley (board chairman) and members of his family own 67.8% of the company's outstanding stock. Thomas B. Stanley, Jr., is president.

OVER

BTU ENGINEERING FILES FOR SECONDARY. BTU Engineering Corporation, 179 Bear Hill Rd., Waltham, Mass. 02154, filed a registration statement (File 2-23967) with the SEC on August 26 seeking registration of 238,000 outstanding shares of common stock, to be offered for public sale by the present holders thereof. Goodbody & Co., 2 Broadway, New York 10004, is listed as the principal underwriter. The public offering price (\$6.50 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is engaged principally in the manufacture and sale of high-temperature, electric processing furnaces equipped with precision controls. It has outstanding 420,000 common and 180,000 Class A common shares, of which management officials own 74.3% of the combined classes. The prospectus lists three selling stockholders, including J. Howard Beck (president), offering 225,000 of 253,250 common shares held. The remaining two sellers are offering stock in amounts of 5,000 and 8,000 shares. Upon completion of the stock sale, the holdings of Beck, members of his family, and a family charitable foundation will be reduced from 76.4% to 38.9% of the company's outstanding stock.

KANSAS CITY P&L PROPOSES BOND OFFERING. Kansas City Power & Light Company, 1330 Baltimore Ave., Kansas City, Mo. 64141, filed a registration statement (File 2-23969) with the SEC on August 27 seeking registration of \$15,000,000 of first mortgage bonds (due 1995), to be offered for public sale at competitive bidding. The company will apply the net proceeds from its bond sale toward the repayment of some \$18,000,000 of short-term indebtedness incurred for financing construction. Its construction expenditures for the 18-month period ending December 31, 1966, are estimated at \$35,000,000.

FEDERAL-MOGUL FILES STOCK PLAN. Federal-Mogul Corporation, 11031 Shoemaker Ave., Detroit, Mich. 48213, filed a registration statement (File 2-23970) with the SEC on August 27 seeking registration of \$1,000,000 of interests or participation in its Salaried Employees' Investment Plan, together with 25,000 shares of common stock that may be acquired pursuant thereto.

JEROME, RICHARD & CO. REVOKED: FIVE BARRED. In a decision announced today under the Securities Exchange Act (Release 34-7688), the SEC revoked the broker-dealer registration of Jerome, Richard & Co., Inc., 50 Broadway, New York, by reasons of violations of the registration and anti-fraud provisions of the Federal securities laws. The Commission also barred Richard Venticinque, Jerome Perlongo, George Herman, Jerome Melvin Grossinger, Anthony Perrotta, and Frances Ginsberg from being associated with any broker-dealer firm.

According to the decision, the firm succeeded to the broker-dealer business of Jerome-Richard Co. (a partnership) in September of 1962. Venticinque and Perlongo, who had been named as partners in the partnership, were listed as officers and controlling stockholders of the firm. In November 1962 it began an offering of 50,000 shares of its non-voting common stock pursuant to the Securities Act Regulation A exemption from registration, and reported that 25,025 shares had been sold as of December 3, 1962, and the offering was terminated at that time. No disclosure was made that the firm had suffered substantial losses; that Herman and one Laurence H. Ross controlled the operations of the firm and its predecessor; that Herman and Ross acted as underwriters of the firm's stock; that the sale of such stock pursuant to the purported public offering was intended to be made substantially to associates, relatives and nominees of Herman and Ross; and that the stock offering would continue after its purported termination and involved a reciprocal scheme for obtaining business in securities listed on national securities exchanges from over-the-counter broker-dealers. After the reported completion of the offering, the respondents embarked upon a scheme under which the 25,025 unregistered shares were further distributed in numerous series of contrived consecutive purchase and sale transactions through more than 100 over-the-counter broker-dealers whereby such other broker-dealers were permitted to realize profits in reciprocity for exchange business furnished by them. "In carrying out this scheme," the Commission said, the said firm and the six named respondents "arranged for the contrived transactions by the other broker-dealers to be effected at increasing prices arbitrarily determined by such respondents. While thus engaged in the distribution of registrant's stock, such respondents also made purchases of such stock and induced other broker-dealers to purchase the stock and to enter bids for such stock in the daily quotation sheets. In addition, to facilitate the distribution of registrant's stock, such respondents organized four corporations, and deposited shares of registrant's stock in Swiss bank accounts established for such corporations, from which such shares were sold in this country. To further facilitate the transactions in registrant's stock, two dummy corporations were created which purported to be engaged in business as broker-dealers but which were not registered as such and were in fact inoperative shells.

These proceedings are still pending against Kamen & Company, Frederick Cirlin Associates, Inc., Abraham Kamen, Frederick Cirlin and Brian Frederick Barrabee, president and vice president, respectively, of Cirlin Associates, and Ross. (Ginsberg, Perrotta and Grossinger were former employees of Kamen & Company; Venticinque was president and Perlongo vice president of Jerome, Richard & Co.).

TRADING IN VTR STOCK SUSPENDED. The SEC today announced the suspension of trading in the common stock of VTR, Inc. (New York City), both on the American Stock Exchange and over-the-counter market, for the ten-day period August 30 to September 8, 1965, inclusive (Release 34-7692).

At the same time, the Commission announced the filing (LR-3306) of a complaint (USDC SDNY) seeking to enjoin violations of the registration, reporting and anti-fraud provisions of the Federal securities laws by the said company as well as the following: Harold Leitman (president and chairman of the board of directors of VTR); Donald Leitman (vice president and director of VTR); Alvin Leitman (ex vice president and ex director of VTR); Leitman Company (a Leitman family partnership); Milton Rubin (a controlling shareholder of VTR and a partner of the Leitman Company); Samuel Friedlander (an employee of VTR); Joseph Saik (vice president, secretary, treasurer, director, and general counsel of VTR); Leon Braudy (a certified public accountant who audits VTR's financial statement); Joseph Lann (president of Joseph J. Lann Securities, Inc., 37 Wall Street, New York City); Banque Hassan, S.A. (a Swiss Bank located at 9 Rue Carreterie, Geneva, Switzerland); Jacques Hassan (a principal of Banque Hassan); Bankhaus Schneider & Munzing (a German Bank located at 2 Salvatorplatz, Munich, Germany); Klaus Fischer (a director of Bankhaus Schneider & Munzing); Financiere De Mont Blanc, S.A. (a Swiss Bank located at 3 Rue de la Monnaie, Geneva, Switzerland); and Alfred Laurence a/k/a Alfred Parker

CONTINUED

(a former broker-dealer who resides in Miami, Florida). The complaint alleges that a group of the defendants controlling VTR (Harold, Donald, Alvin Leitman, Leitman Company and Milton Rubin) have been since 1958 and are presently misappropriating funds from VTR to finance their personal investment ventures.

BELOCK INSTRUMENT TRADING BAN CONTINUED. The SEC has issued an order suspending exchange and over-the-counter trading in securities of Belock Instrument Corporation for a further ten-day period, August 31-September 9, 1965, inclusive.

ARVIN INDUSTRIES FILES FOR DEBENTURE OFFERING. Arvin Industries, Inc., Columbus, Ind. 47201, filed a registration statement (File 2-23971) with the SEC on August 27 seeking registration of \$18,000,000 of sinking fund debentures, due 1990. The debentures are to be offered for public sale through underwriters headed by Hornblower & Weeks-Hemphill, Noyes, 8 Hanover St., New York 10004. The interest rate, public offering price, and underwriting terms are to be supplied by amendment.

The company manufactures exhaust systems and other automotive parts, home-entertainment, houseware and building products, and vinyl-on-metal laminates. Net proceeds from its debenture sale, together with other available funds, will be applied to the payment of \$18,000,000 of the company's outstanding bank borrowings incurred to meet additional working capital requirements. In addition to indebtedness, the company has outstanding 1,450,431 common shares, of which management officials own 3.1%. Glenn W. Thompson is board chairman and Eldo H. Stonecipher is president.

LAU BLOWER FILES FOR SECONDARY. The Lau Blower Company, 2027 Home Ave., Dayton, Ohio 45407, filed a registration statement (File 2-23972) with the SEC on August 27 seeking registration of 89,310 outstanding shares of common stock, to be offered for public sale by the present holders thereof. Francis I. duPont, A. C. Allyn, Inc., One Wall St., New York 10005, is listed as the principal underwriter. The public offering price (\$14 per share maximum*) and underwriting terms are to be supplied by amendment.

The company manufactures and sells air-moving and air-treatment equipment. In addition to indebtedness, it has outstanding 766,834 common shares, of which management officials own 21.79%. The prospectus lists five selling stockholders, including Harold W. Faulkender (board chairman), offering 55,272 of 60,272 shares held; and Edgar B. Lau (director), 13,038 of 37,919. The remaining selling stockholders are offering stock ranging in amounts from 5,000 to 10,000 shares. Thomas I. Byrd is president.

SECURITY GENERAL INS. PROPOSES OFFERING. Security General Insurance Company, 55 John St., New York 10038, filed a registration statement (File 2-23973) with the SEC on August 27 seeking registration of 315,000 shares of common stock. The stock is to be offered for public sale on a best-efforts basis through company officials and employees, and up to 150,000 shares may be offered through securities dealers which will receive a commission not exceeding \$.50 per share. The public offering price (\$5 per share maximum*) is to be supplied by amendment.

The company writes automobile physical damage insurance, inland marine insurance and fire and allied lines. The prospectus states that although the company has been in business for more than ten years, it has been under its present ownership and management for only the past 2-1/2 years and "expects to operate at a loss during the next several years of developing the business under its present management." Net proceeds from the company's stock sale will be added to capital and surplus and used in the conduct of its insurance business. The company has outstanding 315,000 common shares, of which management officials own 77% (including 22.4% owned by Roy Burros, vice president). David C. White Agency, Inc., owns 18.7% of the company's outstanding stock. All of its outstanding shares were sold at a price equivalent to \$2.22 a share after giving effect to a 9-for-4 split in June 1965. David C. White is board chairman and president.

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended August 26, 1965, 19 registration statements were filed, 20 became effective, 2 were withdrawn, and 307 were pending at the week-end.

SECURITIES ACT REGISTRATIONS. Effective August 27: Perfect Photo, Inc., 2-23758 (40 days); Westbury Fashions, Inc., 2-23397 (Oct 6).
Effective August 30: Thurlow Weed & Associates, 2-23167 (90 days); Woodward & Lothrop Inc., 2-23910.

NOTE TO DEALERS. The last date or 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.

---ooo0ooo---