

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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(Issue No. 64-9-6)

FOR RELEASE September 9, 1964

WRIGHT MYERS FIRM REVOKED. The SEC today announced a decision under the Securities Exchange Act (Release 34-7415) revoking the broker-dealer registration of Wright, Myers & Bessell, Inc., formerly of 1616 Eye St., N. W., Washington, D. C., for fraud in the offer and sale of securities and other violations of the Federal securities laws. Certain officers and other individuals were found to have been a cause of the revocation order.

According to the decision, the respondent firm and four individuals violated the anti-fraud provisions of such laws in the offer and sale during the period June 1961 to May 1962 of common stock of Physio-Chem Corporation, Custom Shell Homes, Inc., and Space-Tone Electronics Corporation. The individuals were Jack C. Wright, Jimmy C. Myers, and Gerald L. Bessell, officers and directors, and B. Russell Atwood, an employee, all of whom consented to the revocation order and the finding of cause against them. The Commission ruled that the firm and said individuals sold such securities, which were unseasoned and speculative in nature, by means of an intensive telephone campaign to persons with whom they were not acquainted and of whose individual needs and circumstances they had no knowledge, and by inducing those persons to make hasty purchase decisions on the basis of unsubstantiated representations and without disclosing material facts concerning the true nature and value of the securities. Material misrepresentations were made concerning, among other things, the market price and investment value of Physio-Chem stock; the purchase of a large block of such stock by registrant; the trading of New York brokers in that stock; the investment quality of Custom stock; the rate of growth and potential earnings of that issuer; and the market for its product.

Another employee, Paul M. Wakeman, also was found to have violated the said anti-fraud provisions in the offer and sale of Space-Tone stock by making unwarranted predictions of price increases in such stock; and he also was found a cause of the revocation order against the firm.

Moreover, the Commission held, the firm, Wright, Myers, Bessell and Atwood employed "manipulative and deceptive devices" in the sale of Physio-Chem stock by arranging for other participants in its distribution to bid for and purchase the stock, as well as by purchasing the stock from customers at \$4 per share when it had an agreement under which another firm would purchase such stock from the firm at \$6 per share.

Other violations found by the Commission were (1) failure of the firm, after its employment of Wakeman as a salesman in January 1962, to amend its registration application to disclose a prior injunctive order against Wakeman involving securities violations; (2) failure of the firm to make and keep current certain books and records and to record all its liabilities; and (3) firm violations of Regulation T. Another salesman, Lawrence C. Betzler, was also found to be a cause of the revocation order because of his admitted violations of the record-keeping and margin rules; however, because of the absence of a showing that Betzler was a significant participant in the firm's illicit activities, the Commission concluded that he need not be barred from employment with another firm in a non-supervisory capacity under adequate supervision.

S. E. C. ALUMNI TAKE NOTE

Write Orval DuBois about plans to Commemorate the

S. E. C. 30TH ANNIVERSARY

October 9, 1964

FINCHLEY INVESTORS CORP. REVOKED. The SEC today announced a decision under the Securities Exchange Act (Release 34-7416) revoking the broker-dealer registration of Finchley Investors Corporation, 42 Broadway, New York, for violations of the net capital, anti-fraud, registration and record-keeping provisions of the Federal securities laws. Herman Weinstein, the firm's president and treasurer, was found a cause of the revocation order.

Weinstein became president and treasurer of the registrant in February 1962. Prior to that time, S. Cohen had held such offices and his wife was vice-president and secretary and sole stockholder of the firm. Mrs. Cohen, however, was inactive in the management of the registrant's affairs and Cohen having operated the business until he withdrew from management because of ill health.

The Commission found that the registrant was in straitened financial condition and in violation of the Commission's net capital rule prior to Weinstein's assumption of office and that the registrant was so notified in a report dated March 29, 1962 from its accountants. Although these insolvency conditions were brought to Weinstein's attention, he continued to effect securities transactions for registrant, particularly in the stock of Consolidated Aeronautics, Inc. During April 1962 registrant through Weinstein sold 650

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shares of stock of Consolidated Aeronautics to various customers in the New England area. Three customers testified that they paid for their purchases but did not receive their stock certificates. Subsequent to the sales, registrant purchased 650 shares of Consolidated Aeronautics from another broker-dealer but was unable to pay for them.

Moreover, Weinstein made misleading representations to customers that the price of the Consolidated Aeronautics stock would increase in the near future when he had no reasonable basis for such predictions, and that registrant would forego its commissions on the sales when in fact it was not acting as agent for Consolidated Aeronautics or any other persons but made the sales as principal.

The Commission also found that the amendment to registrant's application for registration filed in March 1962 to show a change in officers indicated that Weinstein had not had any connection with other broker dealers when in fact he had been connected with four other broker-dealers within the previous ten years. In addition, registrant's records were not current and accurate, and it failed to file a 1962 financial report.

ADDITIONAL COMPLAINTS AGAINST JONAH & CO. AND PRESIDENT. The SEC San Francisco Regional Office announced September 2 (LR-3013) that it had filed an amended complaint and a motion to appoint a receiver/pending court action (USDC San Francisco) involving S. E. Jonah & Co., Inc., a San Francisco brokerage firm, and its president, Stanley E. Jonah. The amended complaint, in addition to seeking an injunction enjoining the defendants from further violating the net capital rule, seeks to enjoin them from violating the record-keeping and anti-fraud provisions of the Securities Exchange Act. The Court has issued an order restraining the firm and its president from disposing of any funds or securities, except for delivery of fully paid securities to customers.

PARAMOUNT HOLDING CO. RESTRAINED. The SEC Denver Regional Office announced September 2 (LR-3014) that Paramount Holding Company, 145 S. Cache St., Jackson, Wyoming; Eugene Whitworth, Pocatello, Idaho; and Edward L. Gibbons, 10 S. State St., Preston, Idaho, were temporarily restrained (USDC Denver) from further violating the Securities Act registration and anti-fraud provisions in the sale of securities of Paramount Holding Company. They were also restrained from disbursing any funds or assets now held that were acquired through such transactions.

INDIVIDUALS' SAVING UP. The SEC announces (For September 10th Newspapers) that individuals saved \$7.7 billion in financial form during the second quarter of 1964. This was the highest quarterly total in the post-war period and reflected the major increase in disposable personal income largely due to the recent reduction in taxes. The amount of saving was \$1.2 billion more than in the first quarter and \$4.3 billion greater than in the same period of 1963. The highest previous amount of saving was \$7.5 billion in the first quarter of 1962. For additional details, see Stat. Release No. 1999.

COMSAT UNLISTED TRADING GRANTED. The SEC has issued orders granting applications of the Boston, Philadelphia-Baltimore-Washington, and Pittsburgh Stock Exchanges for unlisted trading privileges in the common shares of Communications Satellite Corporation (Release 34-7417).

GEORGIA POWER FINANCING CLEARED. The SEC has issued an order under the Holding Company Act (Release 35-15123) authorizing the Georgia Power Company to sell, at competitive bidding, \$28,000,000 of first mortgage bonds (due 1994) and 50,000 shares of preferred stock. Net proceeds from this financing will be applied to the company's construction program (estimated at \$159,249,000 through 1965) and will be used to pay \$24,302,000 of short-term bank loans made for such purpose.

BUSINESS FUNDS RECEIVES ORDER. The SEC has issued an exemption order under the Investment Company Act (Release IC-4046) permitting Business Funds, Inc., an SBIC of Houston, to transfer to J. A. McRae certain interests in a \$787,000 promissory note issued to applicant by Arizona City Development Corporation in exchange for common stock of Arizona Valley Development Co., Inc., which owns all of the capital stock of Arizona City. The applicant has entered into an agreement with J. A. McRae, owner of 254,192 shares (57.6%) of the common stock of Arizona Valley and warrants to purchase an additional 52,500 shares, to transfer to him a \$527,637 interest in the Arizona City note in exchange for all of the stock and warrants of Arizona Valley which he holds. At the closing of the transaction between applicant and McRae, First National Bank in Dallas will acquire McRae's interest in the note by payment in cash to McRae of \$508,384.

CALIF. COMPUTER PROPOSES OFFERING. California Computer Products, Inc., 305 N. Muller Ave., Anaheim, Calif., filed a registration statement (File 2-22748) with the SEC on September 8 seeking registration of \$1,000,000 of convertible subordinated debentures due 1984, to be offered for public sale in \$1,000 units through underwriters headed by Mitchum, Jones & Templeton, Inc., 510 S. Spring St., Los Angeles. The interest rate and underwriting terms are to be supplied by amendment.

The company develops, manufactures and sells digital data processing devices and systems and other electronic systems. Net proceeds from its debenture sale will be used for general corporate purposes, such as increasing sales personnel and facilities, establishing additional customer service facilities, expanding the company's proprietary product research and development program, establishing a program to lease its products, and increasing inventories of finished products. The company has outstanding 651,227 shares of common stock, of which management officials as a group own 44.5%. Lester L. Kilpatrick is board chairman and president.

SECURITIES ACT REGISTRATIONS. Effective September 9: Delhi Australian Petroleum Ltd. (File 2-22421); E. R. Wagner Manufacturing Co. (File 2-22669); Windsor Insurance Co. (File 2-22572).
Withdrawn September 8: The Marquardt Corp. (File 2-18268).