

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



Washington 25, D.C.

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

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

(Issue No. 63-9-16)

FOR RELEASE September 24, 1963

**REGISTRATION OF LAWRENCE SECURITIES REVOKED.** In a decision announced today (Release 34-4146), the SEC revoked the broker-dealer registration of Lawrence Securities, Inc., 32 Broadway, New York, for fraud in the sale of stock of Acorn Industries, Inc., a New York toy manufacturer. Robert B. Drattell, president and controlling stockholder of the firm (from June 1959 through August 1960) and Norman Aborn and Marvin Katz (also known as Martin Karr) were each found a cause of the revocation order.

In its decision, the Commission ruled that in the sale of 200,000 common shares of Acorn in 1959 pursuant to a claimed Regulation A exemption from Securities Act registration, the firm, aided and abetted by said persons, violated the anti-fraud provisions of the Federal securities laws in that they engaged in a high pressure campaign, mostly over the telephone, to sell the stock through false and misleading representations. The misrepresentations related, among other things, to Acorn's volume of business, profitable operations, declarations of dividends and prospects of substantial increase in the price of the stock within a short period. The Commission held that they had no reasonable basis for such representations, observing that as shown by an amended offering circular dated April 29, 1960, Acorn had been in a precarious financial condition (it had a March 1960 deficit of over \$110,000 and only \$378 cash on hand), it had never had any profitable operations, and its losses continued through the period during which respondents were selling the stock and up to the time an involuntary petition in bankruptcy was filed against Acorn in September 1960, two months after the public offering was completed (it was adjudicated a bankrupt in October 1960).

The Commission rejected contentions by Acorn and Katz that their statements to customers were based on glowing information received from Acorn officials and from their personal observations from visits to Acorn's plant, and ruled that the oral representations made by them were completely at variance with the picture portrayed by the offering circular. The Commission further ruled that to excuse salesmen who deliberately and unreasonably disregard or minimize information in an offering circular and who relay to customers false and misleading information assertedly received from the issuer without any supporting data, "would make a mockery of a salesman's obligation to deal fairly with his customers as well as frustrate the regulatory scheme of the Securities Act." The Commission also held that the Regulation A exemption was unavailable for the offering in that the amended offering circular contained a balance sheet which falsely stated that all assets of Acorn were unencumbered and none had been pledged when, in fact, Acorn had pledged all of its accounts receivable to a commercial factor as security for loans. In addition, the offering circular was not amended to show that a portion of the proceeds from the offering would be used to pay \$26,108 of indebtedness to a factor. The Commission also found that the firm failed to amend its application for broker-dealer registration to report that William M. Portnoy, employed as a salesman in May 1960, is permanently enjoined by the New York Supreme Court from certain conduct and practices, including the making of false statements, in the purchase and sale of securities.

**WALTER HELLER CO. FILES EXCHANGE PLAN.** Walter E. Heller & Company, Chicago, filed a registration statement (File 2-21723) with the SEC on September 23d seeking registration of 423,172 shares of common stock, to be offered to the holders of outstanding common stock of Vulcan-Hart Corporation on the basis of  $1\frac{1}{2}$  shares for each share of Vulcan-Hart stock. The exchange offer is to be made pursuant to an agreement between the company and Wendell M. Smock, Charles C. Coy and Emory L. Brown, Jr., officers and directors of Vulcan-Hart and holders of an aggregate of 198,696 of the 282,114 issued and outstanding shares of its common stock, who have accepted the exchange offer.

Also included in the statement are 1,251,896 common shares, consisting of (a) 969,946 shares "held and may be sold" by certain selling stockholders and (b) 281,950 shares reserved by the company for issuance upon the exercise of restricted stock options granted under its 1961 and 1962 stock option plans for certain officers and employees. In addition, there are included a \$250,000 5% convertible junior subordinated note in the amount of \$250,000 issued in March 1959 under an agreement with Aid Association for Lutherans, and \$4,800,000 of 5% convertible junior subordinated notes issued under February 1960 agreements with 12 institutional investors.

Of the 969,946 shares which may be offered for public sale by the selling stockholders, 413,062 shares were recently acquired by the stockholders in exchange for their shares of National Acceptance Company of America (42,596 shares may be sold by Nathan H. Paset and additional amounts by other members of the Paset family as well as by others); and 332,624 shares were acquired by Sol Mayer and Sid Magness in February 1963 in exchange for their shares of Merit Finance Corporation and affiliates. According to the prospectus, 88,560 shares were issued in June 1961 for the stock of Walter E. Heller & Company of Florida; 83,700 upon conversion of notes held by two insurance companies; and 40,000 in exchange for stock of Time Finance Service, Inc., in October 1962.

**NAMOCO AGENCY SEEKS ORDER.** Namoco Agency, Inc., Wichita, Kansas, has filed an application with the SEC for an order under the Investment Company Act exempting it from the statutory prohibition against its continuing to serve as principal underwriter and investment manager for Namoco Mortgage Company, Inc. (formerly known as National Mortgage Corporation, Inc., a registered face-amount certificate company); and the Commission has

OVER

issued an order giving interested persons until October 8, 1963, to request a hearing thereon. The disqualification arises from a March 7, 1963, Federal court order enjoining the investment company, Namoco Agency, O. K. Bush, Dave Bush, and Sam Namee from offering, selling or delivering securities in violation of Sections 5(a) and (c) of the Securities Act. The injunction was based upon the offer and sale of face amount certificates in erroneous but inadvertent reliance upon the intra-state exemption from registration, which is not available to a registered investment company.

**BELDEN & BLAKE PARTNERSHIP SEEKS REGISTRATION.** Belden & Blake and Company Limited Partnership No. 3, 626 Renkert Bldg., Canton, Ohio, filed a registration statement (File 2-21724) with the SEC on September 20, 1963, seeking registration of \$270,000 of limited partnership interests. The partnership proposes to conduct drilling operations in Randolph Township, Portage County, Ohio. Henry S. Belden III and Glenn A. Blake are listed as general partners.

**CORRECTION RE TONKA TOYS.** The SEC News Digest of September 23d included reference to shares of Tonka Toys, Inc., to be offered for public sale by the company and certain selling stockholders. G. E. Batdorf, treasurer, was listed as the proposed seller of 15,000 of 30,000 shares held, whereas he proposes to sell only 5,000 shares.

**SEC COMPLAINT NAMES CENTRAL AMERICAN LAND, OTHERS.** The SEC Chicago Regional Office announced September 16th (LR-2745) the filing of a complaint (USDC, Des Moines, I.) seeking to enjoin violations of the Securities Act registration requirement in the offering of securities of American Land and Cattle Company by the issuing company; Clyde Forrey and Del Dewey, both formerly of Boise, Idaho, but now residents of Puerto Cabezas, Nicaragua; James Warner of Boise; Charles Briggs of Des Moines and Amarillo, Tex.; and Forest Hayes of Creston, Iowa.

**SEC COMPLAINT NAMES MCKEOWN & CO.** The SEC Chicago Regional Office announced September 19th (LR-2746) the filing of a complaint (USDC, Chicago) seeking to enjoin McKeown & Co. of Chicago and James P. Norville from further conduct of a securities business while its liabilities exceeded its assets in violation of the SEC net capital rule and the anti-fraud provisions of the Federal securities laws.

**INDICTMENT NAMES THOMPSON-STEWART-KENISTON.** The SEC Chicago Regional Office announced September 20th (LR-2747) the return of an indictment (USDC, Ill. ED) charging John W. Thompson, Keith W. Stewart and Walter W. Keniston with violations of the Securities Act anti-fraud provisions in the sale of stock of First American Acceptance Corporation.

**SEC COMPLAINT NAMES AMERICAN FOUNDATION FOR ADVANCED EDUCATION.** The SEC Fort Worth Regional Office announced September 20th (LR-2748) the filing of a complaint (USDC, Shreveport, La.) seeking to enjoin The American Foundation for Advanced Education of Arkansas, Hule H. Smith, its president, The Arkansas Enterprises, Inc., and its president, Robert T. Shaw, all of North Little Rock, Ark., from further violating the Securities Act registration requirement in the sale of Foundation bonds. The action also seeks to enjoin Haca Investments, Inc., from violations of the registration provisions of the Securities Exchange Act.

**UNITED FUNDS SEEKS ORDER.** United Funds, Inc., Kansas City, Mo., has applied to the SEC for an exemption order under the Investment Company Act with respect to its proposed purchase of stock of Nevada Power Company; and the Commission has issued an order (Release IC-3772) giving interested persons until October 4, 1963, to request a hearing thereon. United Funds proposes to purchase up to 20,000 shares of the stock for the portfolio of United Science Fund, one of four classes of capital shares for which United Funds is the issuer. The stock is part of a 120,000-share offering proposed in a registration statement filed by Nevada Power on September 6, 1963. One of the directors of United Funds is a director of a broker-dealer firm which is expected to be one of the principal underwriters of the offering.

**SECURITIES ACT REGISTRATIONS.** Effective September 22: Grumman Aircraft Engineering Corp. (File 2-21678).  
Effective September 23: The Budd Company (File 2-21684); Commercial Solvents Corp. (File 2-21615).  
Effective September 24: The Dow Chemical Co. (File 2-21682); FMC Corporation (File 2-21671); The Prudential Oil Corporation (File 2-21664).  
Withdrawn September 20: Garden State Small Business Investment Co. (File 2-19234).  
Withdrawn September 23: Atlas Chemical Industries, Inc. (File 2-21588).