

# 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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**SEC SUSTAINS NASD FINDINGS.** The SEC today announced a decision (Release 34-6730) sustaining findings by the National Association of Securities Dealers, Inc., that its record-keeping requirements had been violated by Robert H. Davis, doing business as Colonial Investors, Mills Bldg., Washington, D. C., and that such conduct violated the NASD rules of fair practice and was inconsistent with just and equitable principles of trade.

However, the Commission reduced the penalty imposed by the NASD. Davis had urged that the six-month suspension ordered by the NASD would result in the loss of all his accounts as well as his registered representatives, and was unwarranted. While admitting laxity in his record-keeping in 1959, as the NASD ruled, he further stated that he has discontinued dealings in securities other than mutual fund shares, which entails less record-keeping, and took immediate steps to correct the deficiencies in the maintenance of the required books and records by employing professional accountants on a regular basis. While agreeing with the NASD that a sanction is appropriate in the public interest, the Commission concluded that a six-month suspension is excessive and reduced the penalty to one of a 20-day suspension from NASD membership.

**CANANDAIGUA ENTERPRISES FILES FOR SECONDARY.** Canandaigua Enterprises Corporation, 29 Broadway, New York, filed a registration statement (File 2-19766) with the SEC on February 12th seeking registration of a maximum of 288,943 outstanding shares of Class A stock and 141,608 outstanding shares of Class B stock (plus underlying Class A shares). Such shares may be offered for public sale by the holders thereof from time to time until April 30, 1963, in the over-the-counter market and at prices prevailing at the time of sale (maximum \$10 per share\*), or privately or otherwise. The statement also includes 60,000 Class A shares underlying warrants which expire in 1967 and were issued by the company at 1¢ each in August 1961 to a group of underwriters headed by S. D. Fuller & Co., in connection with a previous public financing by the company. The warrants are exercisable at \$5 per share.

The company was organized in 1960 to engage in recreational and entertainment activities and related enterprises (including construction and operation of hotels, motels or restaurants located at or near the recreational facilities constructed, owned or operated by the company). As its first venture, the company acquired 81 2/3% of the outstanding stock of Finger Lakes Racing Association, Inc. a New York corporation, for 8,150 Class A shares of the company. The company recently purchased from the Association 190,000 additional shares for \$950,000, thereby increasing its equity in the Association to over 99%. The Association has the franchise to conduct thoroughbred horse race meetings on a site approved by the New York State Racing Commission near the City of Canandaigua in the Finger Lakes region of New York State. The prospectus indicates that construction by the company of the Finger Lakes Race Track is substantially completed and that the Association, which will operate the track under lease from the company, intends to hold its opening race meeting on May 23, 1962.

In addition to certain indebtedness, the company has outstanding 528,943 Class A and 441,608 Class B shares, of which latter stock Arnold R. Krakower, M. Duke Manacher and Leonard M. Tuttman, directors, own over 22% each. Management officials also own over 11% of the outstanding Class A stock. The prospectus lists some 56 selling stockholders of the Class A and Class B shares, none of whom with the exception of Krakower, Manacher and Tuttman, own more than 5% of either class. They all propose to sell all of their holdings, except Manacher and Tuttman, who propose to sell only their Class A holdings, and Krakower who proposes to sell all of his Class A shares and 1,274 Class B shares. The list includes Luke H. O'Brien, president of the company, and Cyrus S. Jullien, president of the Association.

**GERIATRIC RESEARCH FILES FOR OFFERING AND SECONDARY.** Geriatric Research, Inc., 179 North Michigan Ave., Chicago, filed a registration statement (File 2-19767) with the SEC on February 12th seeking registration of 162,500 shares of common stock, of which 12,500 shares are to be offered for public sale by the company and 150,000 shares, being outstanding stock, by the holders thereof. The offering will be made by Bacon, Whipple & Co. (135 S. LaSalle St., Chicago) and Freehling, Meyerhoff & Co. The public offering price (maximum \$8.50 per share\*) and underwriting terms are to be supplied by amendment.

The company is chiefly engaged in the business of selling vitamin-mineral products direct by mail to customers principally over 50 years of age, and through subsidiaries provides mailing lists and mailing services to others interested in the older age market. Net proceeds from the company's sale of additional stock will be added to working capital and devoted to increased advertising and direct mail selling activities. The company has outstanding 461,076 shares of common stock, of which Fred M. Friedlob, president, and Maurice H. Bronner, executive vice president, own 46.7% each. They propose to sell 75,000 shares each.

**VACCO VALVE FILES FOR STOCK OFFERING.** Vacco Valve Co., 1445 Lidcombe Avenue, El Monte, Calif., filed a registration statement (File 2-19768) with the SEC on February 12th seeking registration of 100,000 shares of common stock, to be offered for public sale at \$5 per share. The offering will be made through underwriter headed by California Investors, 3544 West Olympic Blvd., Los Angeles, which will receive a 38¢ per share commission. The statement also includes 9,500 outstanding shares sold to the principal underwriter by present stockholders at \$1 per share.

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The company produces various items of its own design, principally valves and regulators for use in the oil, chemical and missile industries. Of the \$425,000 estimated net proceeds from the stock sale, \$250,000 will be used for the purchase of land and construction of new facilities, and the balance for the tooling of a newly developed filter to be manufactured by the company under a license agreement, for the acquisition of new equipment, and for working capital and general corporate purposes. In addition to certain indebtedness, the company has outstanding 260,019 shares of common stock, of which Luka Pecel, board chairman and president, Arthur Adams and George Karabedian, vice presidents, and John B. Pecel, secretary-treasurer, own about 20% each.

**WALLACE INVESTMENTS FILES FOR SECONDARY.** Wallace Investments, Inc., 1111 Hartford Bldg., Dallas, filed a registration statement (File 2-19770) with the SEC on February 12th seeking registration of 400,000 outstanding shares of common stock, to be offered for public sale by the holders thereof through underwriters headed by Harriman Ripley & Co., 63 Wall Street, New York. The public offering price (maximum \$22 per share\*) and underwriting terms are to be supplied by amendment. The statement also includes (1) 125,000 shares issuable pursuant to the company's Employees' Restricted Stock Option Plan, (2) 90,000 shares underlying 90 warrants sold by the company in 1960 at \$100 per warrant, exercisable until August 1965 at \$8.34 per share, (3) 500,000 shares underlying warrants, exercisable until December 1979 at \$12 per share, issued to 14 persons in connection with the company's sale of \$10,000,000 of 6% promissory notes due 1979 and 134,616 shares underlying warrants, exercisable until December 1966 at \$13 per share, issued to 8 persons in connection with its sale of \$7,000,000 of promissory notes due 1966, (4) 382,463 outstanding shares issued to 5 stockholders of Gibraltar Investment Corp. in exchange for all of its outstanding stock, and (5) 25,000 outstanding shares issued in 1960 in exchange for interests in certain real estate. Such shares and/or warrants (with the exception of those underlying employee options and the 90 warrants), may be sold later by the holders thereof in the over-the-counter market or otherwise at prices and on terms then obtainable.

The company is engaged in the making of short term real estate loans; the acquisition, development and sale of land; and the mortgage loan correspondent business (the business of originating or acquiring and then reselling and servicing long-term mortgage loans). In addition to certain indebtedness and warrants, the company has outstanding 2,566,809 shares of common stock, of which Centex Construction Co., Inc., of Dallas, and Henry C. Beck, Jr. (a director) own 10.1% and 9.7%, respectively. Centex is the wholly-owned subsidiary of a company 20%-owned by Tom Lively, a director of the company. The prospectus lists 32 selling stockholders owning an aggregate of 1,007,814 shares, including Beck, Eugene M. Locke, board chairman, and Joe B. Hutchison, also a director, who propose to sell 38,230, 61,230 and 25,230 shares, respectively. Others propose to sell amounts ranging from 200 to 46,730 shares, the latter by A. B. Cass, Jr., a director. E. E. Wallace, Jr. is president.

**TRAID CORP. FILES FOR STOCK OFFERING.** Traid Corporation, 17136 Ventura Blvd., Encino, Calif., filed a registration statement (File 2-19769) with the SEC on February 12th seeking registration of 150,000 shares of common stock, to be offered for public sale through underwriters headed by J. A. Hogle & Co., 132 South Main Street, Salt Lake City, Utah. The public offering price (maximum \$9 per share\*) and underwriting terms are to be supplied by amendment. The statement also includes 7,500 shares underlying 2-year options granted to the principal underwriter and 10,000 shares underlying like options granted to the former owners of the Fotron Camera (the rights to which the company recently acquired), all exercisable at 110% of the public offering price.

The company is primarily engaged in the design and sale of special cameras for instrumentation and scientific photography which basically is the science of photographing objects and events so that they may be later measured to obtain precise scientific and engineering information. Its recently activated Electronics Division is engaged in the development, manufacture and sale of electronic measuring devices used to determine the accuracy of rockets and missiles under test conditions. The company is currently entering the amateur photographic market with the development and manufacture of the Fotron Camera, said to be a new automatic still camera the rights to which it received in exchange for 25,000 common shares and the obligation to issue, depending upon the sales of such camera, an additional 25,000 shares or less (not including said options). Of the net proceeds from the stock sale, \$775,000 will be used in connection with the Fotron Camera project, including tooling, manufacture and production of cameras and magazines, advertising and promotion, and general and administrative expense; \$150,000 for use in the Electronics Division; and the balance for working capital. The company has issued a firm purchase order to Realist, Inc., of Menomonee Falls, Wisconsin, for the manufacture of 15,000 Fotron cameras and 45,000 film magazines, for about \$775,000. The company expects that the necessary funds under such purchase order, in addition to those allocated to the project from the net proceeds, amounting to about \$315,000, will be generated by sales of cameras and accessory items and other company revenues. The company has outstanding 286,873 shares of common stock, of which management officials as a group own 13.6%. Fred G. Roberts, Jr. is board chairman and president.

**TRI-DEPARTMENT STORES ASSOCIATES FILES FOR OFFERING.** Tri-Department Stores Associates, 30 East 42nd Street, New York, filed a registration statement (File 2-19771) with the SEC on February 9th seeking registration of \$2,436,000 of limited partnership interests in Associates, to be offered for public sale at \$6,000 per interest. The offering will be made on an all or none basis by Adler Securities Corporation, 30 East 42nd St., N. Y. The general partner, Louis Adler, and two of the original limited partners, Eleanore Zinn and Ellen G. Hertz will receive from the partnership \$375,000 and will assume all expenses of the offering, including underwriting commission and expenses. They will pay said underwriter \$243,600 for its costs and expenses. Adler is president of the underwriter and Zinn and Hertz its sole stockholders.

Associates is a limited partnership organized under New York law in February 1962 with Adler as general partner and Adler, Eleanor Zinn, Ellen Hertz, Barnet H. Goldberg and Morris J. Goldberg as original limited partners. It was formed for the purpose of acquiring for investment fee title to three discount

department stores presently in operation in Newington, Bloomfield and Norwich, Conn., for an aggregate of \$2,075,000 in cash. A \$200,000 cash deposit has been made and up to an additional \$225,000 (depending on the closing date) may be required as deposit. Of the net proceeds from this offering (together with \$14,000 to be contributed by the partners) up to \$425,000 may be used as reimbursement for said deposits, and \$1,658,000 for payment of the balance of the purchase price. The partnership will not operate the properties. Contemporaneously with the closing of title (in May or June 1962), each store will be net leased to a wholly owned subsidiary of the seller, Scot's Incorporated. The said partners will receive subordinated limited partnership interests in the aggregate amount of \$400,000 in consideration of the assignment of their respective undivided interests in the contract to acquire the properties. Adler will contribute \$7,000 in cash to the partnership, and Zinn, Hertz and the Goldbergs will contribute \$3,000, \$1,000, \$2,000 and \$1,000, respectively.

AMERICAN SOUTHWEST REALTY FILES FOR STOCK OFFERING. American Southwest Realty Trust, 800 Hartford Bldg., Dallas, filed a registration statement (File 2-19772) with the SEC on February 12th seeking registration of 1,000,000 shares of common stock, to be offered for public sale at \$11 per share. The offering will be made on an all or none basis through underwriters headed by Kidder, Peabody & Co. (20 Exchange Place, N.Y.) and Rauscher, Pierce & Co., Inc. The underwriting terms are to be supplied by amendment. A \$25,000 finder's fee is payable to Landis Mahaffey by the underwriters.

The Trust was organized under Texas law in February 1962 as a business trust to furnish investors an opportunity, through the ownership of transferable shares of the Trust, to invest in income producing real estate. It intends to qualify as a "real estate investment trust" under the Internal Revenue Code and to invest a substantial portion of its assets in real estate to be located principally in the southwestern United States. The sponsors of the Trust are William E. Campbell, Jr., James S. Hudson and Henry S. Miller, Jr., who are also the sole stockholders of Equitable Realty Management Company which, as an independent contractor, will manage and operate real properties of the Trust. The prospectus states that none of said sponsors is to be a Trustee or officer of the Trust or a member of the Advisory Board. Joe T. Fox is president and Herbert L. Nichols is chairman of the Trustees.

SEC COMPLAINT NAMES MATRALIN CO. INC. The SEC Chicago Regional Office announced February 7th (Lit-2192) the filing of a complaint (USDC, Chicago) seeking to enjoin Matralin Co., Inc., Ralph P. Betts and William A. Thalín from further violations of the Securities Act registration requirement in the offer and sale of Matralin stock.

SEC COMPLAINT NAMES SAN JUAN PETROLEUM, OTHERS. The SEC Boston Regional Office announced February 7th (Lit-2193) the filing of a complaint (USDC, Boston) seeking to enjoin San Juan Petroleum Corporation, of Chathamport, Mass., Newport Engineering Company, Inc. and Harry B. Matheson from further violations of the Securities Act registration and anti-fraud provisions in the offer and sale of San Juan Petroleum stock.

SECURITIES ACT REGISTRATIONS. Effective February 13: Corrigan Communications, Inc. (File 2-19061); Delta Capital Corp. (File 2-18661); Minnesota Small Business Investment Co. (File 2-18416); Howard W. Sams & Co., Inc. (File 2-19366). Withdrawn February 12: Golf Courses, Inc. (File 2-18782).

\*As estimated for purposes of computing the registration fee.

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