

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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Washington 25, D.C.

FOR RELEASE November 17, 1960

SEC SUSTAINS EXPULSION OF MIDLAND SECURITIES, INC. FROM NASD. In a decision announced today (Release 34-6413), the SEC sustained the action of the National Association of Securities Dealers, Inc. expelling Midland Securities, Inc., a brokerage house with offices at 25 Broad Street, New York, from membership in the Association, naming Midland's president and sole stockholder, Ben Degaetano, a cause of the expulsion, and revoking Degaetano's registration as a registered representative.

In sustaining the penalties imposed on Midland and Degaetano, the Commission held that from September through November, 1956, they had violated the NASD's Rules of Fair Practice by selling stock of Inland Resources Corp. at unfair prices and by failing to maintain certain books and records. The Commission found that the prices of 1-1/8 to 2-3/8 charged in 353 sales included mark-ups over current market prices that were clearly excessive, ranging from 50% to 67% in 45 sales, 30% to 44.5% in 203 sales, and 10.4% to 28.6% in 105 sales. It was noted that the dollar profit ranged from \$14.25 in a sale of 38 shares for \$47.50, to \$1,500 in a sale of 4,000 shares for \$5,000.

The Commission rejected the contention that since the securities involved were low in price, the mark-ups were justified under the NASD's so-called "5% mark-up policy," which indicates that a "somewhat higher" mark-up than 5% may sometimes be appropriate in the case of securities selling below \$10 per share. The Commission declared that mark-ups of 10.4% to 67% cannot be considered as only "somewhat higher" than 5%. Midland's contention that its mark-ups were justified by its claimed costs of doing business, including 10% sales commissions on gross sales, and allegedly "unusual" services to customers was also rejected, the Commission pointing out that merely to recoup the 10% sales commission on the gross sales price would require a mark-up of more than 10%, and that the alleged services did not appear to be unusual. "Excessive expenses cannot justify an excessive mark-up," the Commission observed.

The Commission further found that Midland did not record sales on its books unless and until the sales were consummated by payment, and that during the period in question it cancelled about 50% of its sales because payment was not received within seven business days. Midland also failed to maintain records reflecting as of the clearance dates all long and short positions.

The Commission ruled that a portion of the costs of \$2,292.76, which were entirely assessed against Degaetano by the NASD, was not properly chargeable and that the remaining costs were excessive under all the circumstances, and it reduced the assessment to \$750.

HOLIDAY INNS FILES FOR SECONDARY. Holiday Inns of America, Inc., 3736 Lamar Ave., Memphis, Tennessee, filed a registration statement (File 2-17297) with the SEC on November 16, 1960, seeking registration of 127,845 outstanding common shares, to be offered for public sale by the present holders thereof through a group of underwriters headed by Equitable Securities Corporation. The public offering price and underwriting terms are to be supplied by amendment. The registration statement also includes 20,000 common shares which have been sold by the company to a registered investment company, for investment, at \$34 per share.

Holiday Inns of America, Inc. and its licensees constitute the Holiday Inn System organized in 1954. There are 162 Holiday Inns in operation in the United States, of which 22 are owned by the company, 7 are leased by the company, and 133 are owned and operated by licensees. According to the prospectus, the company derives additional revenues from its licensing operations, from restaurants which are operated by the company and others under lease, and from miscellaneous store and service rentals. Inn Keepers Supply Co., a wholly-owned subsidiary, sells operating supplies, furnishings, equipment and certain construction materials to motels (principally its licensees).

In addition to certain indebtedness, the company has outstanding 635,807 shares of common stock, of which Kemmons Wilson, board chairman, owns 144,777 shares and proposes to sell 50,000 shares, and Lazard Freres & Co. owns 44,332 shares and proposes to sell 39,992 shares. The prospectus lists nine other selling stockholders who propose to sell all of their holdings ranging from 928 shares to 8,652 shares.

RESTAURANT ASSOCIATES FILES FOR OFFERING AND SECONDARY. Restaurant Associates, Inc., 515 West 57th St., New York, filed a registration statement (File 2-17298) with the SEC on November 16, 1960, seeking registration of 245,000 shares of common stock, of which 195,000 shares are to be offered for public sale by the company and 50,000 shares, being outstanding stock, are to be offered by the present holders thereof. The public offering

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For further details, call Worth 3-5526

price and underwriting terms are to be supplied by amendment. Shearson, Hammill & Co. is listed as the principal underwriter.

The company operates a wide variety of food service establishments including luxury restaurants, medium-priced restaurants, and cafeterias, most of which are located in New York City, and a coffee shop and snack bar at the Newark airport. The net proceeds from the company's sale of additional stock will be used to augment the working capital being used in connection with the company's expansion program involving the addition of six major restaurants to its operations. Of such working capital, \$150,000 will be used in connection with the commencement of operations at LaGuardia Airport.

In addition to certain indebtedness, the company has outstanding 555,408 shares of common stock, of which Jerome Brody, president, owns 81,396 shares and proposes to sell 7,328 shares, and Grace Brody, a director, owns 57,456 shares and holds of record 158,004 shares as custodian for the Brody children and proposes to sell 5,173 shares of her beneficial holdings and 13,223 shares held of record. The prospectus lists four other selling stockholders, including Elaine Slater who holds of record 129,276 shares as custodian for the Slater children and proposes to sell 11,638 shares.

CITIES SERVICE SEEKS ORDER. Cities Service Company, a registered holding company, has applied to the SEC for an order under the Holding Company Act regarding certain security issuances and related transactions, and the Commission has issued an order (Release 35-14309) giving interested persons until November 29, 1960, to request a hearing thereon. On July 14, 1960, the Commission approved a plan providing for the elimination of the publicly-held interest in the common stock of Cities' subsidiary, Arkansas Fuel Oil Corporation. (Release 35-14260). The plan was ordered enforced by the United States District Court for the District of Delaware on September 2, 1960. In order to facilitate the consummation of the plan, the following transactions are now proposed: (1) Arkansas will retire its outstanding \$11,000,000 principal amount of 3- $\frac{1}{2}$ % Sinking Fund Debentures due June 1, 1974, held by John Hancock Mutual Life Insurance Company, by prepayment at the principal amount thereof plus accrued interest to the date of prepayment; (2) concurrently, Cities will issue and sell to John Hancock \$11,000,000 face amount of 4- $\frac{1}{2}$ % notes maturing serially on dates and in amounts corresponding to the Arkansas debenture sinking fund payments, with final maturity on June 1, 1974; (3) Cities will lend the proceeds of the notes to Arkansas to be used by it to retire the aforesaid debentures; and (4) to evidence such loan, Arkansas will issue to Cities a note or notes aggregating \$11,000,000 face amount bearing interest at 4- $\frac{1}{2}$ % per annum and maturing January 1, 1963. Arkansas will have outstanding at the close of business December 1, 1960, \$9,987,625 of promissory notes held by certain banks. In exchange for these notes, Cities will issue its notes to the banks in like face amounts, bearing the same rates of interest, and having the same maturities. Cities has requested that the issuance and sale of the \$11,000,000 face amount of notes to John Hancock Mutual Life Insurance be excepted from the competitive bidding requirements of Rule 50.

GENERAL BOWLING FILES FOR OFFERING. General Bowling Corp., 2 Park Avenue, Manhasset, Long Island, New York, today filed a registration statement (File 2-17299) with the SEC, seeking registration of 250,000 shares of common stock, to be offered for public sale at \$4.00 per share through H. S. Simmons & Co., Inc. and McMahon, Lichtenfeld & Co. on a "best efforts, half or none" basis. In addition to a 50¢ per share selling commission, the underwriters will receive 5¢ per share for expenses, and may purchase not more than 37,500 additional common shares at \$.33- $\frac{1}{3}$ per share and not more than 25,000 stock purchase warrants at 1¢ per share. Each warrant will entitle the holder thereof to purchase one share of common stock at \$4.00 per share through January 1964 to \$6.00 per share two years thereafter. H. S. Simmons & Co. and Jules Grossbard, company president, have each agreed to sell Louis Graff 1,000 shares at \$.33- $\frac{1}{3}$ per share for services in introducing the company and the underwriters.

Organized under New York law in April 1960, the company is engaged in the operation of two ten-pin bowling establishments located in Aberdeen, Maryland and Babylon, Long Island, with a total of 52 lanes. In addition, it owns a tract of undeveloped land on which it expects to construct a new establishment with 32 lanes in Indiana County, Pa. Of the net proceeds from the stock sale, \$50,000 will be used to repay a bank loan which was obtained to provide working capital pending the completion of this offering; \$150,000 to equip the new bowling establishment in Pennsylvania; \$50,000 to add eight additional lanes to the Aberdeen facility; and the balance will be used for expansion or be added to working capital.

In addition to certain indebtedness, the company has outstanding 300,000 shares of common stock, of which, Sidney Berkenfeld, a vice president, owns 150,000 shares, and Grossbard and Irving M. Kadwa, a vice president, own 75,000 shares each. If all the shares are sold, the underwriters and the company's officers will own 57% of the outstanding common stock, which will have cost them \$112,500, and the public will own 43% representing an investment of \$1,000,000.

SOUTH GATE FILES FOR OFFERING. South Gates Associates, Shirley Highway and S. Glebe Rd., Arlington, Va., today filed a registration statement (File 2-17300) with the SEC, seeking registration of \$690,000 of Limited Partnership interests, to be offered for public sale in 138 units at \$5,000 per unit. The offering is to be made by the general partners of the company on a "best efforts" basis. No sales commission will be paid.

South Gate Motor Hotel, located a short distance from downtown Washington, D. C., has a complex of 210 rooms, all air-conditioned, an 18 hole putting green, heated swimming pool, restaurant facilities, laundry, children's playground, and other facilities for the use of its guests. On September 8, 1960, the partnership entered into a contract to purchase the fee title to South Gate for \$2,496,000, payable as follows:

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On May 2, 1961 or such other date as may be mutually satisfactory to the parties, \$496,000 in cash, of which \$50,000 has already been deposited, subject to a mortgage at that date, (5/2/61) of \$807,231.83, a mortgage of \$41,962, and a purchase money mortgage of \$1,150,806.17. The total cash partnership capital will be \$700,000. The general partners will contribute \$10,000 in cash, and have contributed the contract to purchase South Gate Motor Hotel to the partnership.

The net proceeds will be applied as follows: \$446,000 to be used to pay the balance of cash purchase price; \$50,000 will be used to repay a loan made by general partners and deposited with seller; approximately \$40,000 will be used to defray the expenses incident to the acquisition of the property and the expenses in connection with this offering, including accounting and legal fees, title insurance and printing charges; and approximately \$42,000 will be used to pay a mortgage obligation in full.

POCKET BOOKS FILES FOR SECONDARY. Pocket Books, Inc., 630 Fifth Avenue, New York, today filed a registration statement (File 2-17301) with the SEC, seeking registration of 600,000 outstanding shares of common stock, to be offered for public sale by the present holders thereof through a group of underwriters headed by White, Weld & Co. and Goldman, Sachs & Co. The public offering price and underwriting terms are to be supplied by amendment. Of such stock, 30,000 shares will be initially offered to employees of the company, its subsidiaries and Golden Press, Inc.

The company resulted from the consolidation in October 1959 of the original Pocket Books Inc. into Publishing Enterprises, Inc. (organized in 1957). The company is engaged (a) in the publication of paperback book (pocket books), (b) in the distribution of its publications and publications of Golden Press, Inc., Simon & Schuster, Inc. and certain other publishers, and (c) in the sale of "Golden Records" phonograph records. Golden Press, a 50% owned affiliate, is engaged in the publication of books, principally for children, called "Golden Books".

In addition to indebtedness and two series of preferred stock, the company has outstanding 3,000,000 shares of common stock, of which latter stock James M. Jacobson, executive vice president, owns 555,000 shares and proposes to sell 360,000 shares; Leon Shimkin, president, owns 1,500,000 shares and proposes to sell 150,000 shares; and Seniel Ostrow, as trustee for two trusts, holds 300,000 shares and proposes to sell 90,000 shares.

CANADIAN RESTRICTED LIST. The SEC has added Neeland Flin Flon Mining and Exploration Ltd., Norbank Explorations Ltd., and Olympus Mines Ltd. to its Canadian Restricted List. The list now comprises the names of 236 Canadian companies whose securities recently have been or currently are being distributed in the United States in violation of the registration requirements of the Securities Act of 1933, thus depriving investors of the financial and other information essential to an informed and realistic evaluation of the worth of the securities which registration would provide (Release 33-4299).

ROHM & HAAS FILES FOR SECONDARY. Rohm & Haas Company, 222 West Washington Square, Philadelphia, Pa., today filed a registration statement (File 2-17302) with the SEC, seeking registration of 9,000 outstanding shares of common stock, to be offered for public sale by the executors of the estate of Otto Haas, former board chairman and president. Drexel & Co. and Kidder, Peabody & Co. head the list of underwriters. The public offering price and underwriting terms are to be supplied by amendment.

In addition to indebtedness and preferred stock, the company has outstanding 1,139,330 shares of common stock, of which the estate of Otto Haas holds 206,773 shares and proposes to sell 9,000 shares, and management officials as a group own beneficially 177,380 shares and hold of record 194,929 shares.

PEARSON CORP. - R. A. HOLMAN HEARING POSTPONED. The SEC has postponed to December 12, 1960, the hearing previously scheduled to be held on November 21, 1960, in the Commission's consolidated proceedings involving Pearson Corporation, of Bristol, Rhode Island, and R. A. Holman & Co., Inc., of New York City. The hearing will be held in the Commission's New York Regional Office. The purpose of the hearing is to determine (1) whether a prior order of the Commission temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by Pearson Corporation should be vacated or made permanent and (2) whether the broker-dealer registration of R. A. Holman & Co., Inc., should be revoked and/or whether the Holman corporation should be suspended or expelled from membership in the National Association of Securities Dealers, Inc.