

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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



Washington 25, D.C.

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

FOR RELEASE February 12, 1960

TRADING IN CONSOLIDATED DEVELOPMENT (DEL.) SUSPENDED. The SEC today announced the issuance of an order pursuant to Section 19(a)(4) of the Securities Exchange Act of 1934, temporarily suspending trading on the American Stock Exchange in the common stock of Consolidated Development Corporation (a "Delaware corporation"), with offices in Havana, Cuba, for a ten-day period February 12 to 21, 1960, inclusive.

Trading in the Delaware corporation stock on the American Stock Exchange was suspended by action of that Exchange on December 14, 1959, coincident with the Commission's authorization of "stop order" proceedings under the Securities Act of 1933 which challenged the accuracy and adequacy of various informational disclosures contained in a registration statement filed by said company and proposing the issuance and sale of an additional 448,000 common shares. These proceedings are presently in the hearing stage. In today's suspension order, the Commission declares that the suspension is necessary to prevent fraudulent, deceptive or manipulative acts or practices in the Delaware corporation stock, thus prohibiting over-the-counter trading in the stock by brokers and dealers during the period of the suspension, by operation of the Commission's Rule 15c2-2.

As indicated in the announcement of the stop order proceedings (Securities Act Release No. 4165), the Delaware corporation was organized in 1956 under the name Consolidated Cuban Petroleum Corporation for the purpose of engaging in the exploration for, and the development and production of oil, gas and other hydrocarbons in Cuba. In June 1959 its corporate powers were enlarged to permit it to enter the real estate field in Florida; and its corporate name was changed to Consolidated Development Corporation; and in October 1959 it entered into an agreement to acquire certain real estate near Ft. Myers, Florida. The July 1959 capitalization of the company listed \$148,500 of outstanding debentures and over 3,300,000 common shares, of which management officials owned 15.3%. Of the additional shares being registered, 100,000 are issuable to and in repayment of a \$100,000 loan by the underwriter, whose chief executive officer and principal stockholder is an officer and director of the Delaware corporation; 198,000 are issuable to debenture holders in retirement of the debentures at the conversion rate of 75¢ per share; and the net proceeds of the remaining 150,000 shares, estimated at \$163,000 upon the basis of the indicated offering price of \$1.625 per share, would be available for general corporate purposes, including the acquisition of real estate properties in Florida.

The order authorizing the stop order proceedings charges a failure properly to disclose, among other things, the operating results for the Cuban properties and the extent to which operating income failed to defray operating costs; the extent of Cuban oil operations and the effect thereon of recent Cuban government action; indications that the proposed financing is primarily for the benefit of the underwriter and that the net cash proceeds thereof to the company may be insufficient to pay the company's current liabilities, which are substantially in excess of current assets; the estimated net proceeds of the cash sale of shares based upon the \$1.625 offering price when the outstanding shares were being traded on the Exchange at less than half that price; the extent to which the Florida acreage is covered by lakes, cypress swamp areas and water traps; and that the purpose of the financing is not to acquire Florida real estate and any funds so realized will be insufficient to acquire and develop real estate properties. In view of the serious nature of the alleged deficiencies in the Delaware corporation's registration statement, the Commission is of the view that an informed analysis and evaluation of the worth of its stock is not possible upon the basis of published information concerning the company.

Without in any way indicating any judgment as to the merits of any security, the Commission wishes to call attention to the potentialities for confusion and deception presented by the fact that the Delaware corporation's name is identical to that of Consolidated Development Corporation, a Florida corporation which is presently engaged in the Florida real estate business, and which is proposing the public offering of shares of its capital stock pursuant to an effective Securities Act registration statement, following which the shares will presumably be traded in the over-the-counter market.

FIVE STOCKS ADDED TO CANADIAN RESTRICTED LIST. The SEC today announced the addition of the stocks of five additional companies to its Canadian Restricted List (Release 33-4186), as follows: Cairngorm Mines Limited, Minden Land Enterprises Limited, Mile 18 Mines Limited, Norsco Mines Limited, and Space Age Mines Limited. The list is comprised of the names of Canadian companies whose securities recently have been or currently are being distributed in the United States in violation of the Securities Act registration requirement. It now includes the names of 234 such companies.

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For further details, call ST.3-7600, ext. 5526

PEOPLES SECURITIES REGISTRATION APPLICATION DENIED. In a decision announced today (Release 34-6176), the Securities and Exchange Commission denied an application for broker-dealer registration filed by Peoples Securities Company, 5615 Morningside Drive, Houston, Texas, because of fraud in the offer and sale of securities and other violations of the Federal securities laws. A request to withdraw the application and dismiss the proceedings was denied.

Peoples' application for registration was filed in March 1957. L. B. Hartgrove, Sr., who was not an elected officer or director until September 1957, was not listed in answer to the item in the registration application calling for the name of each officer and director and of every other person occupying a similar status or performing similar functions. However, Hartgrove had occupied a "predominant position" in the company and had performed functions similar to those of a principal officer and director; and the Commission ruled that he should have been listed as an official in the original application. The application also failed to list required information regarding the prior connections of Hartgrove and others with other firms in the last ten years.

The Commission also held that Hartgrove made false and misleading statements in the offer and sale of stock of Capital National Life Insurance Company and Capital National Trust Company. The Insurance Company made a public stock offering from July 1953 to August 1954, which was conducted by its officers, including Hartgrove, who was president and an organizer of the company. The stock was offered in blocks, with the price raised progressively from \$15 per share for the first block to \$20, \$25 and \$30, respectively, for succeeding blocks, at a time when the Insurance Company was operating at a loss, and subscriptions were received in an amount exceeding \$2,000,000. The prospectus did not specify an offering price and the price charged each purchaser was stated in the stock purchase agreement entered into by him, with no disclosure being made to purchasers at the higher prices that the stock had shortly before been sold at lower prices and that there was no basis for the increases in the prices. Hartgrove participated in preparation of the prospectus and, the Commission stated, "was responsible for such non-disclosure which rendered the prospectus materially misleading." He also represented that no commissions would be paid by the company on certain sales by himself and others although Hartgrove in fact received commissions aggregating \$9,200 on such sales.

The Trust Company, of which Hartgrove was a promoter and president, made an offering in August 1954 of 50,000 shares at \$10 per share to shareholders of the Insurance Company and of another affiliated company. Subsequently, four additional blocks of 50,000 shares were offered, without an underwriter, at \$15 per share for the first block and at \$20, \$25 and \$30, respectively, for the subsequent blocks. In April 1955, following an increase in authorized shares from one to four million and a 4 for 1 split of outstanding stock, the stock was offered at \$10 per share until June 1955. The Commission ruled that the prospectus was "materially misleading" in failing to disclose to purchasers at the stepped-up prices that sales had previously been made at lower prices and in failing to disclose that sales of 583,000 shares had been made at \$1 per share to officers and others prior to the public offering, in view of the facts that the company had operated at a loss during the period of the offering and that there were no other developments indicating that the successive increases in price were other than arbitrary. In addition, Hartgrove sold stock of Insurance Company and Trust Company owned by himself or a member of his family and represented that the sales were of unissued shares of the companies.

The Commission also ruled that a prospectus used in the offering and sale of subscription rights for 1,000,000 shares of stock of The American Founders Life Insurance Company (an Oklahoma company) commencing in November 1955 was "materially false and misleading." The offering was made at \$2 per share through Sequoyah Securities Company. Union Trust Company, whose outstanding stock was owned by Hartgrove and members of his family, owned 50% of Sequoyah's stock, and Hartgrove was secretary-treasurer and a director of Sequoyah from April to October 1956. Subscriptions were obtained for about 800,000 shares of American Founders stock. Shortly before the offering was closed at the end of May 1956, the offering price was raised to \$4 per share, and subscription rights for about 25,000 shares were sold at that price. The prospectus was held to be false and misleading by reason of its inclusion of statements that the insurance laws of Oklahoma require that life insurance companies "make a profit," that insurance stocks are "superior investments" because "the law secures the investment," that the life insurance business is "of immense profit to those fortunate enough to be stockholders," and is "one of the safest business investments known to mankind," and that "\$1,000 of original capital stock before the stock is split can grow to \$38,000 in 8 years." In addition, favorable income and growth figures for certain other insurance companies were set forth; and the Commission observed that no reasonable basis existed for comparing American Founders with long-established, profitable insurance companies with large amounts of assets. The prospectus was subject to review and approval by Hartgrove, who also rendered advisory services to Sequoyah, organized its sales department and assisted in training its salesmen. For these services in connection with the sale of American Founders stock Hartgrove received over \$46,000, representing 30% of Sequoyah's net profits on such sales. Moreover, subscription rights for 2,300 shares which were owned by organizers of American Founders were subsequently sold by a company organized by Hartgrove and another person at \$6 per share, the purchasers being given the false impression that the proceeds of the sales would be received by American Founders.

The Commission also ruled that Hartgrove, Union Trust and Sequoyah sold American Founders stock in violation of the Securities Act registration requirement (despite claims of an exemption from registration) and that Union Trust engaged in the securities business without being registered as a broker-dealer under the Securities Exchange Act and in violation of the registration requirement.

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UNLISTED TRADING IN TEN STOCKS GRANTED. The SEC has issued an order (Release 34-6181) granting applications of the Detroit Stock Exchange for unlisted trading in the common stocks of Aluminium, Foremost Dairies, General Dynamics, General Telephone & Electronics, Georgia-Pacific Corp., Lear, Inc., Libbey-Owens-Ford Glass, Reichhold Chemicals, Texas Gulf Sulphur, and Textron.

DELISTING OF GENERAL TIRE PREFERRED GRANTED. The SEC has granted an application of the Midwest Stock Exchange to delist the 4½% Preference and 4½% Preferred Stocks of The General Tire & Rubber Company, effective at the close of the exchange trading session on February 23, 1960. (Release 34-6181)

TIP TOP FILES FOR BOND OFFERING. Tip Top Products Company, 1515 Cuming St., Omaha, Nebraska, filed a registration statement (File 2-16112) with the SEC on February 11, 1960, seeking registration of \$600,000 of 6% first mortgage sinking fund bonds, Series B, due December, 1969, (with warrants), to be offered for public sale at 100% of principal amount of debentures. Warrants attached to each \$1,000 bond will entitle holders to purchase 20 shares of Class A common stock at an initial exercise price of \$11 per share. The underwriters, J. Cliff Rahel & Co. (Omaha) and The First Trust Company of Lincoln, Nebraska, will receive a commission of \$75 per \$1000 bond.

The company is engaged in the design, manufacture and distribution of a wide assortment of hair accessories, including hair curlers, wave and pin curl clips, chignons, combs, hair rollers and barrettes. It also manufactures and sells plastic toys, liquid solder and adhesive.

Net proceeds from the sale of the bonds will be used to pay the balance in the amount of \$420,000 due Western Electric Company, Inc., for the purchase of its building located adjacent to the company's present plant and general offices. The balance of the proceeds, approximating \$120,000, will be applied to the financing of improvements and fixtures in the building, the total cost of which is estimated at \$150,000.

LOUISIANA POWER PROPOSES BOND OFFERING. Louisiana Power & Light Company, 142 Delaronde Street, New Orleans, La., filed a registration statement (File 2-16113) with the SEC on February 11, 1960, seeking registration of \$20,000,000 of first mortgage bonds, due 1990, to be offered to the public at competitive bidding.

Proceeds from the sale of the bonds will be used for the construction of new facilities, for the extension and improvement of present facilities, for paying off bank loans in the amount of \$11,480,000, and for other corporate purposes. The company estimates that expenditures for its electric construction program will be approximately \$25,800,000 in 1960.

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