

NEWS DIGEST

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



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MUTUAL EMPLOYEES TRADEMART SUSPENSION MADE PERMANENT. In a decision announced today (Release 33-4478), the SEC made permanent its prior order temporarily suspending a Regulation A exemption from Securities Act registration with respect to a proposed public offering of stock by Mutual Employees Trademart, Inc., of Hialeah, Florida. The Commission held that the amount of securities to be offered exceeded the \$300,000 limitation imposed by the Regulation and that the company's offering circular was false and misleading by reason (among others) of its failure to make adequate disclosure of the fact that an investment in the issuer (which was insolvent) would suffer a substantial dilution and of the significance of a proposed payment by the issuer of over half of the proceeds of the stock offering to a controlling person in satisfaction of an obligation without such person losing control.

The company ("Trademart") filed a Regulation A notification in February 1960 proposing the public offering of 200,000 common shares at \$1.50 per share. The order temporarily suspending the exemption was issued on March 21, 1960, following which a hearing was held on the question whether the suspension order should be vacated or made permanent. Trademart operates a department store open only to persons who pay a registration fee. It sustained a loss of \$127,660 in its first year of operations ended May 1959, and a loss of \$36,694 for the seven-month period ended December 31, 1959. The company's offering circular disclosed that, if the stock offering were completed the present stockholders (Commercial International Corporation and John G. O'Neill) would hold 56% of the then outstanding stock. It further stated that \$130,579 or about 54% of the net proceeds of the offering would be applied toward payment of an obligation of Trademart to CIC. It failed to explain the full significance of such payment, however, which would enable CIC, an insider, to recoup a substantial portion of its investment in the insolvent issuer with funds supplied by public investors, without losing control of the company (retaining a 51% interest).

Also, according to the Commission's decision, sale of the new stock at \$1.50 per share would convert a net capital deficit of \$98,129 into a plus figure of about \$142,000. Thus, the equity in Trademart held by CIC and O'Neill would be increased from a deficiency of \$98,129 to a plus figure of \$78,750, while the public would receive a diluted equity interest amounting only to \$63,000 for its investment of \$300,000. Trademart contended that public investors would be sufficiently informed of this dilution of their investment by the disclosure that after the stock sale present stockholders would hold a 56% stock interest and the public 44% and by disclosure in the balance sheet of the \$98,129 deficit. "We reject this contention," the Commission stated. "Adequate disclosure is not to be viewed in terms of a jig-saw puzzle which investors must piece together. . . . Such prominence had to be given in the offering circular to the facts related to Trademart's insolvency and the amounts by which the equities of CIC and the purchasers would be affected as would make the substantial dilution plainly evident to investors."

The \$300,000 limitation for exempt offerings prescribed by Regulation A was exceeded by reason of the fact that, contrary to the provisions of the Regulation, Trademart did not include in the computation the outstanding shares issued to CIC and four other promoters. Their inclusion was required in this case because of the unfavorable earnings record of the issuer and the failure, in view thereof, to make effective provision against the sale of the promotional shares within one year of the public offering of new stock. There also was a failure to identify as affiliates, as required by the Regulation, both CIC and R. Paul Weesner, who was president and owns 52% of the stock of CIC. In addition, the reference in the offering circular to the fact that CIC made a capital contribution of \$65,225 to Trademart by assuming the payment of an indebtedness of that amount failed to disclose that Weesner was the creditor involved and that the figure mentioned is the aggregate of his loans to Trademart.

FOUR REG A OFFERINGS SUSPENDED. The SEC has issued orders temporarily suspending Regulation A exemptions from registration under the Securities Act of 1933 with respect to offerings or proposed offerings of stock to public investors by the following: Haze-A-Way Products, Inc., 185 South 35th St., Boulder, Colo.; Haltone Rental Corporation, 350 Seventh Ave.; New York, N. Y., Prosper Oil and Mining Company, Milford, Utah, and Pryor Mining Company, 207 Hedden Bldg., Billings, Montana.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. Each of the above companies, in notifications filed June 15, 1960, December 18, 1961, February 16, 1962, and January 8, 1959, respectively, proposed the public offering of common stock as follows: Haze-A-Way, 140,000 shares at \$2 per share; Haltone, 150,000 shares at \$2; Prosper Oil, 350,000 shares at 50¢ (plus 170,000 shares for property and equipment); and Pryor, 250,000 at \$1. The Commission asserts in its orders that it has reasonable cause to believe that each of the companies failed to comply with certain terms and conditions of the Regulation. With respect to Haze-A-Way, the alleged noncompliance related to its failure to file a revised offering circular and a report of stock sales for the six-month period ended September 19, 1961, as well as its failure to cooperate by reason of its failure to respond to several requests for such filings; and with respect to Pryor, its failure to file reports of stock sales and (through Robert B. Spizzo, an officer) to cooperate with the Commission in an investigation of the case.

The orders with respect to Haltone and Prosper Oil also assert that each of the two companies failed to comply with certain terms and conditions of Regulation A, including in the case of Haltone the failure to

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make effective escrow arrangements with respect to 200,000 common shares held by management officials and promoters as well as the underwriter, and with respect to Prosper Oil the failure to disclose the sale of unregistered shares within one year by or for the account of persons who were then officers or promoters or an underwriter; and the orders with respect to these two issuing companies also allege that their respective offering circulars are false and misleading with respect to certain material facts.

The alleged misrepresentations concerning Haltone relate among other things to the failure to disclose that Haltone Fashions, Inc., is a predecessor and its secretary and manager, Ralph Hakim, is an affiliate, the failure to disclose Hakim's background and experience in the fur business, and the failure to make proper disclosure of the financial condition of Haltone Fashions, as well as a statement which implies that Haltone Fur Rentals is active, a statement that a contract between the latter and Consolidated Laundries Corporation for the rental of furs was assigned to Haltone (the issuer), and a statement that the latter sub-leases its premises at the Seventh Avenue address from Haltone Fur Rentals. Numerous misrepresentations are alleged with respect to Prosper Oil's offering circular, including the failure to make adequate disclosure concerning various terms and conditions of the stock offering, to set forth the speculative features of the offering in the forepart of the offering circular, to disclose adequately the particulars concerning recurring operating losses and the fact that the company's current assets on January 31, 1962, was \$10,772 as compared with current liabilities of \$65,196; the failure to disclose adequately the risks involved in the mining, oil and gas and the real estate businesses and the extent to which the issuer's properties will be explored and developed as well as the pertinent terms of the leases on mining and oil and gas properties and the issuer's interest therein; and the failure to disclose that no body of commercial ore is known to exist on the properties, and that the principal metallic constituents of the deposits on the mining property are low grade probable gold and silver ore.

On request of any interested person, the Commission will schedule a hearing on the question whether any of the suspension orders should be vacated or made permanent.

VIOLATIONS CHARGED TO VALLEY FORGE SECURITIES. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Valley Forge Securities Co., Inc., of 1706 Walnut Street, Philadelphia, violated the anti-fraud provisions of that Act and the Securities Act of 1933 in the offer and sale of stock of Young Development Corporation ("Young") and, if so, whether its broker-dealer registration should be revoked. The respondent company ("registrant") has been registered with the Commission as a broker-dealer since March 1960. John William Landenberger III has been president and Claude Francis McDaniel vice president since September 1960; Newell George Umansay was secretary-treasurer from February 1960 to August 1961; and James Joseph Collins has been cashier and treasurer since June 1960. Each also served as a director. Registrant was expelled from membership in the National Association of Securities Dealers, Inc., in March 1962, and has appealed such expulsion to the Commission; and the Commission's proceedings also involve the question whether it should be suspended or expelled from NASD membership.

The Commission's order recites allegations by its staff that information developed in an investigation tends to show that registrant, Landenberger III, Umansay and McDaniel, together with Arthur Leibowitz, in connection with their offer and sale of Young stock in May 1961, "engaged in acts, practices and a course of business which would and did operate as a fraud and deceit" upon the purchasers of the stock in violation of the anti-fraud provisions of the two Federal securities laws, in that they (a) made false and misleading representations with respect to the future earnings of Young and appreciation in the market price of its stock, a forthcoming favorable earnings statement and favorable public announcement of progress to be issued by Young, the date on which the stock was initially issued, and the purpose for which Leibowitz was employed as salesman and sales manager in registrant's New York office and (b) omitted to state material facts concerning Young's financial standing as of May 1961, the relatively small amount of its sales for the year ended October 31, 1960, and its substantial operating loss for the year ended that date.

Similar violations are charged to registrant, Landenberger III, McDaniel and Umansay in the offer and sale of Young stock in March 1961 by means of a Valley Forge Financial Bulletin which allegedly (a) contained false and misleading statements with respect to Young's 1961 earnings, the investment quality of its stock, and an estimate of future sales and enhancement of Young's earnings as a result of a certain contract with a broadcasting company, and (b) omitted facts with respect to Young's sales and net loss for the year ended October 31, 1960, and the fact that Young never operated at a profit. The staff also charges that registrant engaged in the conduct of a securities business between March 1961 and January 1962 in violation of the Commission's net capital rule and that Landenberger III, McDaniel, Umansay and Collins aided and abetted such violation.

A hearing will be held to take evidence on the foregoing, at a time and place to be announced.

18-YEAR SENTENCES IMPOSED IN FRAUD CASE. The SEC Atlanta Regional Office announced April 12th (Lit-2236) that 18-year prison sentences were imposed upon Robert Zane, Herbert Gilmore, Joseph A. Peel, Jr., John Joseph Crane (alias James Donald Miles, alias J. M. Franklin), and Robert Bernard Sills (alias J. J. Crane, alias James Donald Miles) on their conviction of violating the Securities Act anti-fraud provisions in the sale of 8% notes of Insured Capital Corporation.

SEC COMPLAINT NAMES AMERICAN QUICKSILVER, OTHERS. The SEC San Francisco Regional Office announced April 13th (Lit-2237) the filing of a complaint (USDC, Los Angeles) seeking to enjoin further violations of the Securities Act anti-fraud provisions in the offer and sale of stock of American Quicksilver Corporation by that company and Nick Comeriski, Thomas Craig, George P. Barton, and Brown, Barton & Engel.

ROBERT DENNER AND JERRY MUSIN SENTENCED. The SEC Atlanta Regional Office announced April 17th (Lit-2238) that sentences had been imposed (USDC, Miami) upon Robert M. Denner (after conviction) and Jerry A. Musin (after plea of guilty) for violations of Securities Act anti-fraud provisions in sale of notes of DuPont Mortgage Company and J. P. Lord Inc. Denner received three-year prison term and \$1,500 fine (to be suspended after three months followed by probation for balance of term) and Musin was fined \$1,000 and placed on three-year probation.

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WILLIAM CLARK PLEADS GUILTY. The SEC Boston Regional Office announced April 16th (Lit-2239) that William Clark of Oklahoma City had pleaded guilty on March 5th to a ten-count indictment returned March 2d (USDC, Boston) charging Clark and Omer C. Caouette of Moab, Utah (formerly South Ashburnham, Mass.), with fraud in the sale of New England Uranium Oil Corp. stock. Clark was placed on five years' probation. Trial of Caouette set for hearing May 1, 1962.

STANDARD PETROLEUM, GOLDFARB ENJOINED. The SEC Boston Regional Office announced April 16th (Lit-2240) the entry of a Federal court order (USDC Boston) permanently enjoining Standard Petroleum Corporation and Alfred Goldfarb (also known as Alfred Garwood) from further violations of the Securities Act registration and anti-fraud provisions in the sale of oil interests. Action continued as to a third defendant, Michael Raymond, upon whom service has not been effected.

FREDERICK CHAPMAN ACQUITTED. The SEC New York Regional Office announced April 13th (Lit-2241) that Frederick L. Chapman has been tried and acquitted (USDC SDNY) on charges of violating the Securities Act anti-fraud provisions in the sale of mutual fund shares.

BLACK BEAR INDUSTRIES TRADING BAN CONTINUED. The SEC has ordered the further suspension of trading in the common stock of Black Bear Industries, Inc., on the San Francisco Mining Exchange and over-the-counter market for the period April 19 to 28, 1962, inclusive.

PORTSMOUTH CORP. EXEMPT. The SEC has issued an order under the Investment Company Act (Release IC-3469) declaring that Portsmouth Corporation of Cleveland has ceased to be an investment company.

SIERRA CAPITAL PURCHASE CLEARED. The SEC has issued an exemption order under the Investment Company Act (Release IC-3470) permitting Sierra Capital Company of San Francisco to purchase 26,315 shares of stock and \$250,000 of subordinated debentures of Barton Development Company.

LAZARD FUND SEEKS ORDER. The Lazard Fund, Inc., New York investment company, has applied to the SEC for an exemption order under the Investment Company Act permitting its purchase of Ford Motor Company stock during the proposed public offering of Ford stock; and the Commission has issued an order (Release IC-3471) giving interested persons until April 30th to request a hearing thereon. Under a pending registration statement filed by Ford, a secondary offering of 2,250,000 shares of Ford common is proposed. Lazard Freres & Co., investment adviser of the Fund, plans to be one of the underwriters. The Fund wishes to purchase 20,000 shares of Ford common during the offering, from firms other than Lazard Freres & Co., its affiliate.

ALLENTOWN PORTLAND CEMENT GRANTED EXEMPTION. The SEC has issued an order pursuant to Rule 15d-20 under the Securities Exchange Act of 1934, granting an application of Allentown Portland Cement Company of Allentown, Pa., for an exemption from the requirement of that Act for the filing of annual and other periodic reports with the Commission.

According to the company's application, all of the company's Class A common stock is held of record by five persons and its Class B stock by eight persons.

HOFMAN LABS. FILES FOR SECONDARY. Hofman Laboratories, Inc., 5 Evans Terminal, Hillside, N. J., filed a registration statement (File 2-20249) with the SEC on April 17th seeking registration of 46,159 outstanding shares of common stock, to be offered for public sale by the holders thereof from time to time in the over-the-counter market, or otherwise, at prices prevailing at the time of sale (maximum \$14 per share*).

The company is primarily engaged in the manufacture and sale of equipment for use in connection with cryogenic (very low temperature) liquids, such as liquefied oxygen, nitrogen, argon, helium and hydrogen. In addition to certain indebtedness, the company has outstanding 257,098 shares of common stock, of which management officials as a group own 7%. The prospectus lists 26 selling stockholders owning an aggregate of 51,196 shares, including Gerard F. Sulfrian (former president and largest single stockholder) who proposes to sell all of his holdings of 16,336 shares. Others propose to sell amounts ranging from 111 to 3,777 shares. With the exception of Sulfrian, all of the selling stockholders obtained their shares through the conversion at \$9 per share of the company's 6% debentures due 1971. Stanley W. Georgeson is president.

EUROPEAN COAL AND STEEL COMMUNITY PROPOSES BOND OFFERING. The European Coal and Steel Community filed a registration statement (File 2-20250) with the SEC on April 17th seeking registration of \$25,000,000 of sinking fund bonds due 1982, to be offered for public sale through underwriters headed by Kuhn, Loeb & Co., 30 Wall Street, New York, and two other firms. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The Community was established in 1951 pursuant to a treaty among Belgium, France, the Federal Republic of Germany, Italy, Luxembourg and the Netherlands. Its purpose is to contribute to the expansion of the economy, the increase of employment and the improvement of the standard of living in the member countries, through the creation, in harmony with the general economy of such countries, of a Common Market for coal and steel. The net proceeds from the bond sale will be used principally to finance a part of the cost of projects for the modernization and improvement of coal production facilities, the expansion and improvement of facilities for the mining and processing of iron ore and the modernization, improvement and enlargement of installations in the iron and steel industry. It is also expected that a portion, not exceeding 25%, may be used to make loans to concerns outside the coal and steel industries in order to finance, in part, the construction of new manufacturing facilities and other projects in the Community which are so located as to provide productive employment for coal miners released from the mines. The High Authority is the executive body of the Community and is composed of nine members who are nationals of the member countries. Piero Malvestiti, of Italy, is president.

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DIPLOMAT ORLEANS ASSOCIATES FILES FOR OFFERING. Diplomat Orleans Associates, 565 Fifth Avenue, New York, filed a registration statement (File 2-20251) with the SEC on April 17th seeking registration of \$1,580,000 of limited partnership interests in Associates, to be offered for public sale at \$10,000 per interest. The offering will be made on an all or none basis by Weissberg Securities Corporation, which will receive \$80,000 for expenses and commissions.

Associates is a limited partnership organized under New York law in March 1962 with Nathan P. Baker and Sidney Gespass as general partners and as original limited partners. It was formed to acquire for investment title to five shopping centers in New Orleans and the leasehold estate with respect to the Diplomat Motor Hotel, Washington, D. C. In March title to the shopping centers was conveyed to a nominee of the partnership by H. G. Hill Stores Realty Co., Inc., a non-affiliated person. The transfer of the title resulted from the acquisition of a January 1962 contract to purchase the shopping centers by the partnership from Winslow Hotel, Inc. an affiliated person. The purchase price of \$1,425,000 was paid to Winslow Hotel by delivery of a promissory note in that amount, and said note will be repaid to Winslow Hotel as follows: \$700,000 to be obtained by a first mortgage loan on the shopping centers and \$725,000 from the net proceeds of the sale of partnership interests. In April the partnership contracted to purchase from H. R. Weissberg Corporation, a Delaware company (of which the underwriter and Winslow Hotel are wholly-owned subsidiaries and Baker is an officer and director and Gespass is an officer), the leasehold estate affecting the Diplomat Motor Hotel for a purchase price of \$795,000 in cash, to be paid from the net proceeds of this offering. The prospectus states that, assuming the consummation of said transactions, the aggregate gross profit to H. R. Weissberg Corp. will be \$620,000. Baker and Gespass have each contributed \$5,000 in cash to the capital of the partnership as general partners and an additional \$5,000 each as original limited partners.

FIRST CHARTER FINANCIAL FILES STOCK PLAN. First Charter Financial Corporation, 110 N. Doheny Drive, Beverly Hills, Calif., filed a registration statement (File 2-20252) with the SEC on April 16th seeking registration of 194,127 shares of common stock, to be offered pursuant to its Amended Employee Stock Option Plan.

GOVT. EMPLOYEES FINANCIAL PROPOSES RIGHTS OFFERING. Government Employees Financial Corporation, 1700 Broadway, Denver, Colo., filed a registration statement (File 2-20253) with the SEC on April 17th seeking registration of 607,000 shares of common stock (\$2 par). It is proposed to offer 547,560 of such shares for subscription at \$7.50 per share by common stockholders of the following companies on June 1, 1962 at the rate of one such share (evidenced by a transferable subscription warrant) for each 15 rights evidenced by such warrant, as follows: (1) to the holders of the \$4 par common stock of Government Employees Insurance Company, two rights for each share held (3,141,400 shares outstanding); (2) to the holders of the \$1.50 par common stock of Government Employees Life Insurance Company, one right for each share held (662,274 shares outstanding); (3) to the holders of the \$5 par common stock of Government Employees Corporation, four rights for each share held (187,079 shares outstanding); and (4) to the holders of the \$2 par common stock of Criterion Insurance Company, one right for each share held (520,000 shares outstanding). The remaining 59,440 shares are to be offered for subscription at \$7.50 per share (evidenced by a non-transferable warrant) to 37 operating officers of the company (38,000 shares) and to the trustees of the profit-sharing plan for the employees of Government Employees Insurance Company, Government Employees Life Insurance Company and Government Employees Corporation (21,440). Members of the company's board of directors have agreed to purchase at \$7.50 per share all shares not subscribed for through exercise of subscription warrants.

The company was organized under Colorado law on April 5, 1962 by the management of the Government Employees Group (consisting of said 4 companies, all of which have substantially the same directors and chief executive officers). It is authorized to engage in the business of making loans and has applied to the State Bank Commissioner of Colorado for a license under the Consumer Finance Act of Colorado. The company intends to engage in the business of making unsecured personal loans; initially its predominant source of loan business will be with the clientele of the companies in the said Group, a major portion of which are expected to be military personnel. The \$4,522,500 estimated net proceeds from the stock sale will be used as needed in the development and operation of business, primarily in making signature and educational loans. A small portion will be used in connection with the establishment of offices, the preparation and dissemination of sales literature, and for rent, salaries and other operating expenses.

The company now has outstanding 4,000 shares of common stock, of which Leo Goodwin, Jr., founder chairman of all the companies in the Group, owns 1,000 shares and management officials as a group 4,000 shares. Jerome A. Newman is board chairman of each of the companies and Lorimer A. Davidson is president of each.

SECURITIES ACT REGISTRATIONS. Effective April 17: The Masten Company, Inc. (File 2-19764). Effective April 18: Aluminum Specialty Co. (File 2-19944); Bolsa Chica Oil Corp. (File 2-19697); Breskin Publications, Inc. (File 2-19855); City Finance Company, Inc. (File 2-19497); Newark Electronics Corp. (File 2-19641); Transcontinental Gas Pipe Line Corp. (File 2-19930); Trenton Foods, Inc. (File 2-19684); Warner Bros. Pictures, Inc. (File 2-20172).

*As estimated for purposes of computing the registration fee.