

# 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 COMPLAINT NAMES BILTMORE SECURITIES.** The SEC New York Regional Office announced August 12th (LR-1755) the filing of court action (USDC SDNY) seeking to enjoin Biltmore Securities Corporation, 160 Broadway, New York, and Wilbur Buff, its president and controlling stockholder, and Samuel Goldberg, general manager, from further offering and sale of Universal Fuel and Chemical Corporation stock in violation of the Securities Act anti-fraud provisions. Temporary restraining order issued by court, and hearing on motion for preliminary injunction scheduled for August 23, 1960.

**RESOURCES FUND SEEKS EXEMPTION.** Resources Fund, Inc., of New York, has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company; and the Commission has issued an order (Release 40-3096) giving interested persons until September 1, 1960, to request a hearing thereon. Pursuant to a vote of its eleven stockholders, the company is in the process of dissolution; and in September 1959 it distributed all but \$301.75 of its assets to its stockholders.

**INTERCOAST COMPANIES FILES FOR OFFERING.** Intercoast Companies, Incorporated, 3140 J Street, Sacramento, Calif., filed a registration statement (File 2-16918) with the SEC on August 16, 1960, seeking registration of 110,000 shares of common stock, to be offered for public sale through a group of underwriters headed by Schwabacher & Co. The public offering price and underwriting terms are to be supplied by amendment. The underwriters will receive, for expenses, an amount not to exceed \$11,000, and the company will sell to Schwabacher & Co. for \$735 5-year options covering an aggregate of 7,350 shares of common stock, exercisable at 115% to 125% of the public offering price depending upon time of exercise of said option.

The company was organized in May 1959 primarily to acquire controlling interests in one or more companies operating in the insurance industry and to establish an agency for the distribution of comprehensive lines of insurance. According to the prospectus, its only significant business activity has been its acquisition of a majority of the outstanding capital stock of The Western Life Assurance Company, a Canadian stock company. Of the 6,410 outstanding shares of Western Life, 4,500 shares were purchased from H. P. Skoglund, a director of Intercoast, and 500 shares from Homer O. Martin, Jr., president of Intercoast. All of such shares were purchased at an adjusted price of \$254 per share, or an aggregate of \$1,270,000, of which \$67,000 was paid by conveyance to Skoglund of a 2.88 acre parcel of land. Of such sum, \$943,899.52 remains unpaid and is evidenced by a non-interest bearing note payable to Skoglund not later than February 1, 1961. The 500 shares purchased from Martin had been acquired by him from Skoglund in December 1959, and Martin received no consideration other than the assumption by the company of his indebtedness to Skoglund for the purchase price of such shares.

Of the net proceeds from the stock sale, \$943,899.52 will be used to pay the balance due from the purchase of the 5000 outstanding shares of Western Life, and the balance will be added to the company's general funds and will be utilized to finance the development of a general agency to write comprehensive insurance lines and as working capital for the company's operations. Approximately \$150,000 is expected to be devoted to such an agency. The company has outstanding 37,000 shares of common stock, of which Intercoast Mutual Life Insurance Company owns 6,750 shares and management officials as a group own 7,400 shares.

**TWO STOCKS DELISTED.** The SEC has issued orders (Release 34-6348) granting applications of the New York Stock Exchange to delist the common stock of F. E. Myers & Bro. Company and the \$1.30 and \$1.32 cumulative preferred stocks of General Telephone Company of Florida (the General Telephone \$1.30 Preferred B stock remains listed). Myers & Bro. is in the process of liquidation. There are only 101 and 133 holders, respectively, of the General Telephone \$1.30 and \$1.32 preferred stocks.

**CORRECTION.** In the SEC News Digest of August 10th, it was erroneously reported that an application of the New York Stock Exchange to delist the \$2.50 cumulative preferred stock of McCord Corporation had been granted, whereas the Commission's order instead gave interested persons until August 26, 1960, to request a hearing thereon.

For further details, call WOrth 3-5526

**CRYOGENICS PROPOSES STOCK OFFERING.** Cryogenics, Inc., 1129 Vermont Ave., N. W., Washington, D. C., filed a registration statement (File 2-16919) with the SEC on August 16, 1960, seeking registration of 236,000 shares of common stock, of which 175,000 shares are to be offered for public sale by the issuing company at \$2 per share. The offering is to be made on a best efforts basis by John R. Maher Associates, which will receive a selling commission of 30¢ per share. The registration statement also includes an additional 61,000 shares sold to promoters at 10¢ per share.

Organized in May 1959 under Florida law, the company intends to engage in the design, development, manufacture and sale of instruments and instrumentation systems for the handling and control of Cryogenic materials (or gases which have been liquefied by cooling to the range of Cryogenic temperatures - 150 to 460 degrees, F.). The company is new in the field, and has no factory or equipment. It now has outstanding 209,562 common shares and certain indebtedness. Of the net proceeds of the stock sale, \$5,000 will be used to repay a bank loan in that amount; \$55,000 to pay certain salaries; \$32,000 for operating expenses; \$6,600 for purchase of land in Fredericksburg, Va.; \$123,000 to build and equip a research and development laboratory thereon; and the balance for working capital.

Upon organization, the company issued and sold 56,000 shares each to Kalman Shmueli and Sibyl Shmueli and 28,000 shares to A. Lee Stack, Jr., for \$500. Kalman and Sibyl Shmueli are listed as president and secretary-treasurer, respectively, and Stack as vice president. In July 1960 John Maher, a director, of John R. Maher Associates, Herbert C. Lazarus of the same firm, Gordon R. Molesworth, a director, of Molesworth Associates, Richard W. Ince, and the firm of Bull & Low, acquired 14,500, 14,500, 5,000, 5,000 and 22,000 shares, respectively, at 10¢ per share. The Fredericksburg property is presently under lease from Stack and members of his family for two years at an aggregate rental of 3,000 shares and is under option to purchase for \$6,600. Molesworth Associates will render advice in public relations and sales promotion for one year at a monthly fee of \$1,000, plus disbursements, the fee to be paid quarterly in stock at the rate of \$2 per share. Under this agreement 1,500 shares have been issued to the said firm. The 61,000 additional shares included in the registration statement are held by Maher, Lazarus, Ince, Molesworth and the firm of Bull & Low.

**AMERICAN FOODS PROPOSES STOCK OFFERING.** American Foods, Inc., 1211 NW 21st Street, Miami, filed a registration statement (File 2-16920) with the SEC on August 16, 1960, seeking registration of 167,500 shares of common stock. The stock is to be offered for public sale at \$3 per share through Godfrey, Hamilton, Magnus & Company, Inc., which will receive a commission of 36¢ per share. An additional 16,500 shares have been purchased by the underwriter from the company at 10¢ per share.

The company is primarily engaged in the growing, purchase and distribution of winter strawberries. It grows strawberries through its participation in joint ventures formed for that purpose. Strawberries so grown are sold by each joint venture to the company, which also purchases strawberries on the open market and from farmers under special contracts. These operations are conducted primarily in Florida, but the company plans to extend the operations to North Carolina. Sales are made to retail chains, independent stores and wholesale dealers in major markets throughout the United States, according to the prospectus. The company also is engaged, on a much smaller scale, in the purchase of mushrooms on the open market and also on a contractual basis from growers in South Florida and their sale to retail, independent stores and wholesale dealers in the southeastern states.

According to the prospectus, the company now has outstanding 296,500 common shares, of which 200,000 shares are owned by Joseph M. Cerniglia, president, and 70,000 shares by Archie J. Rutledge, vice president. Of the net proceeds of the sale of additional stock, \$85,000 will be used for the company's 1960-61 growing venture in Florida and \$54,000 for its 1960-61 growing venture to be established in North Carolina. The balance will be added to working capital and expended for the development of new growing ventures and purchasing operations and the expansion of sales and marketing facilities.

**FLORIDA HILLSBORO FILES FINANCING PROPOSAL.** Florida Hillsboro, Inc., 2800 E. Oakland Park Blvd., Fort Lauderdale, Fla., filed a registration statement (File 2-16921) with the SEC on August 16, 1960, seeking registration of (1) \$1,000,000 Junior Lien Bonds, 7% Series due 1975 and 150,000 common shares, to be offered in units of a \$500 bond and 75 common shares at \$500 per unit; (2) 120,000 common shares, to be offered for sale at \$1 per share; and (3) additional securities, as indicated. Offering of the units is to be made through P. W. Brooks & Co. Inc. and Lee Higginson Corporation, for which a \$50 per unit commission is to be paid. Sale of the 120,000 shares is to be made through P. W. Brooks & Co., Inc., without commission.

The company was organized under Delaware law in July 1959, primarily for the purpose of acquiring, operating and developing the facility known as the Hillsboro Club, consisting of some 16 acres of improved ocean front resort property in Hillsboro Beach, Fla., including a hotel, guest cottages, related service facilities and various recreational facilities. The property has operated for over 30 years as a winter resort, the last season under a long-term agreement with Hillsboro Club, Inc., 75% of whose 109 founder members have patronized the property for most of the past ten years. Certain additional improvements have been made since the company acquired the property; and of the proceeds of this financing \$525,000 are to be expended for further improvements, including the addition of 40 to 45 rental units. Of the balance of the proceeds, \$285,000 will be used to repay certain existing mortgage and other indebtedness and \$145,000 to increase working capital.

The prospectus lists Arthur W. Dixon, Sr., as chairman, Arthur W. Dixon, Jr., as vice chairman, and Robert W. Jahn as president. The company has outstanding, in addition to a \$1,180,000 purchase money mortgage and other indebtedness, 6,558 shares of \$35 par preferred, 3,400 shares of \$100 par preferred, and 310,000 common shares,

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of which Kroetz-Keagy, Inc., of the Fort Lauderdale address, owns 110,000 common shares and management officials 44,486 shares. Management officials also own about 35% of the Kroetz-Keagy stock. Kroetz-Keagy first acquired an option to purchase the property for \$1,800,000 (plus \$21,636 of expenses). The option (for which it had paid \$105,000 to be applied toward the purchase price and on which it had incurred development expenses of \$193,656), together with 8 cooperative apartments about two miles south of Pompano Beach (having a book value of \$301,353) and \$51,692 principal and accrued interest on notes secured by other cooperative apartments, was assigned by Kroetz-Keagy to the company for 1,020 Class A shares and \$600,000 of subordinated notes due 1972 (the "Class A Securities") and a \$50,000 demand note (since satisfied). Four of the Pompano Beach properties were recently sold for \$151,953 (\$2,345 below book value). To exercise the option and provide additional working capital, the company raised \$1,930,000 by (i) borrowing \$250,000 from lending institutions secured by a first mortgage on a portion of its property; (ii) borrowing \$1,180,000 from the vendor of such property secured by mortgage and (iii) private sale, for \$500,000 net, of 900 of its then Class B common shares and \$500,000 of non-interest bearing secured notes due May 10, 1960, to various promoters, officers and directors of the company and of Kroetz-Keagy, members of their families, business associates of Wilbur L. Kroetz and Arthur W. Dixon, Jr. and certain other persons. Eight additional Class B shares were sold to the two Dixons and three others (the Class B stock and secured notes are the so-called "Class B Securities"). Payments of \$70,000 on the secured notes have been made; and the First National Bank in Fort Lauderdale has on deposit security, and holds a junior lien on substantially all the company's property, for repayment of said notes. Holders of the Class A and Class B Securities have entered into an agreement with the company whereby their securities will be exchanged, as follows: the Class A Securities will be exchanged for 110,000 common shares and the 3,400 shares of \$100 par preferred; 200,000 common shares will be issued in exchange for 980 shares of the Class B common and \$200,000 of the secured notes; and 6,558 shares of the \$35 par preferred will be exchanged on a dollar-for-dollar basis for the remaining secured notes.

COLUMBIA GAS SURETY BOND APPROVED. The SEC has issued an order under the Holding Company Act (Release 35-14271) authorizing The Columbia Gas System, Inc., to be surety on a \$150,000 bond for such refunds, if any, as its subsidiary, Cumberland and Allegheny Gas Company, may be required to pay as a result of collecting increased rates pursuant to a new rate schedule filed by Cumberland with the Public Service Commission of West Virginia.

PLANS FOR CONTINENTAL GROWTH FUND SHARES RECEIVES ORDER. The SEC has issued an exemption order under the Investment Company Act (Release 40-3097) permitting five individuals to transfer to Plans for the Accumulation of Shares of Continental Growth Fund, Inc. ("applicant"), shares of Continental Growth Fund, Inc., which they own in exchange for Plan Certificates of applicant to provide it with the initial net worth of \$100,000 required by the said Act.

RE, RE & SAGARESE HEARING POSTPONED. At the request of counsel for Re, Re & Sagarese, of New York, the SEC has authorized a postponement from September 7 to September 19, 1960, of the hearing in its Washington office to determine whether the said firm violated provisions of the Federal securities laws and, if so, whether its broker-dealer registration should be revoked and/or whether two of its members, Jerry Re and Gerald F. Re, should be suspended or expelled from membership in the American Stock Exchange.

MICHIGAN CONSOLIDATED GAS BORROWINGS PROPOSED. Michigan Consolidated Gas Company, Detroit, has applied to the SEC under the Holding Company Act for authorization to borrow \$18,000,000 from banks; and the Commission has issued an order (Release 35-14270) giving interested persons until September 6, 1960, to request a hearing thereon. The funds will be used to pay for construction expenditures, the borrowings to be repaid in 1961 from the proceeds of permanent financing.

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