

# 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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FOR RELEASE July 16, 1962

Statistical Release No. 1840. The SEC Index of Stock Prices, based on the closing price of 300 common stocks for the week ended July 13, 1962, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1962 is as follows:

	1957-59 = 100		Percent Change	1962	
	7/13/62	7/6/62		High	Low
Composite	117.7	114.2R	+3.1	144.3	106.5
Manufacturing	108.4	105.2R	+3.0	135.0	97.9
Durable Goods	106.0	102.0	+3.9	135.6	95.2
Non-Durable Goods	110.6	108.2R	+2.2	134.4	100.5
Transportation	91.9	89.9	+2.2	111.0	85.5
Utility	159.3	153.1	+4.0	185.5	143.0
Trade, Finance & Service	141.0	139.7	+0.9	178.2	131.4
Mining	92.5	88.9	+4.0	113.3	83.8

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SECURITIES ACT REGISTRATION STATEMENTS. During the week ended July 12, 1962, 18 registration statements were filed, 20 became effective, 17 were withdrawn, and 703 were pending at the week-end.

MORRIS J. REITER REGISTRATION REVOKED. The SEC has issued an order under the Securities Exchange Act (Release 34-6849) revoking the broker-dealer registration of Morris J. Reiter, doing business as M. J. Reiter Co., 60 Wall Street, N. Y., for fraud in the sale of securities and other violations of the Federal securities laws. The Commission also expelled Reiter from membership in the National Association of Securities Dealers.

According to the Commission's order, Reiter offered and sold at \$1 per share about 17,000 shares of Belmont Oil Corporation stock to customers between October 1958 and March 1959 and in connection therewith furnished a brochure to certain customers which contained statements which were materially false and misleading, including that Belmont had "active leases" in Texas and Oklahoma and over 1,000,000 barrels of "recoverable oil in reserve," that its estimated net worth exceeded \$1,200,000, that its estimated production for the year ending February 1959 would exceed \$60,000 and, "with the new leases being negotiated, by this time next year the prospects of doubling at least present income as well as reserves should be excellent," and that Reiter "unhesitatingly" recommended the purchase of Belmont stock for "capital appreciation." Reiter's salesmen represented that Belmont had purchased 10,000 or 20,000 acres of land, was producing oil, had oil fields in South America, and had good prospects for future growth; that the purchase of Belmont stock was a "sure deal"; and that the price of the shares should appreciate substantially in the near future. The Commission found these statements to be false and misleading and that, in fact, Belmont held fractional interests ranging from 5% to 16% (except one of 40%) in six oil leases in Texas and Oklahoma, that Belmont's aggregate pro rata interest in the oil produced or marketed from these leases between January 1958 and June 1959 ranged from a high of 524 to a low of 89 barrels, that the maximum value of those oil leasehold interests beginning in February 1958 was \$50,000, and that Belmont's income statement for the period from January 1 to August 31, 1958 showed gross income from operations of \$10,676 and a net loss of \$5,750 and for the period from February 1 to December 31, 1958, a gross income of \$8,162 and a net loss of \$33,387.

The Commission also found that Reiter violated the Securities Act in his offer and sale of the Belmont stock without registration of such shares, that he willfully violated the Commission's net capital rule and other provisions of the Exchange Act with respect to his failure to amend his application for broker-dealer registration to reflect a preliminary injunction issued against him in November 1959 against further violations of the registration provisions in the offer and sale of Belmont stock.

VIOLATIONS CHARGED TO EAST COAST INVESTORS. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether East Coast Investors Co., Inc., 150 Broadway, New York, violated certain provisions of the said Act and rules of the Commission thereunder and, if so, whether its broker-dealer registration would be revoked.

East Coast Investors ("registrant") has been registered with the Commission as a broker-dealer since June 10, 1961. Georgette B. Murray is president and beneficial owner of 10% or more of its common stock and Miriam Victorson is secretary-treasurer. According to the order, registrant on May 16, 1962 was permanently enjoined by the United States District Court for the District of Colorado against further violations of the registration and anti-fraud provisions of the Federal securities laws in connection with the offer and sale of the common stocks of Ampet Corporation and Petron Corporation; and on May 21, 1962 registrant, together with Victorson, Georgette B. Murray, and her husband, Clifford A. Murray, were temporarily enjoined by the United States District Court for the Southern District of New York from conducting a broker-dealer business in violation of certain provisions of the Exchange Act. Said Clifford A. Murray had been found by the

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Commission in April 1957 to have made false and misleading statements with respect to material facts in a financial statement filed as a document supplemental to his application for broker-dealer registration (the Commission however, permitted withdrawal of his registration rather than ordering its revocation).

In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that registrant, aided and abetted by the two Murrays and Victorson, violated the Exchange Act reporting requirements by (1) failure to disclose in registrant's registration application that since May 1961 Clifford A. Murray has been in control of registrant's business and has acted as its cashier and trader and, despite such asserted control, (2) falsely representing that no employee or other person in a control relationship with registrant had been found by the Commission to have violated any provision of the Exchange Act; and (3) failure to promptly file an amendment to the registration application disclosing the court injunctions referred to. Violations of the Commission's net capital and record keeping rules, as well as its financial reporting requirements, also are charged by the Staff.

A hearing will be held, at a time and place to be announced, for the purpose of taking evidence to determine whether the staff charges are true and, if so, whether registrant's broker-dealer registration should be revoked. Registrant is a member of the National Association of Securities Dealers, Inc.; and one of the issues in these proceedings is whether it also should be suspended or expelled from NASD membership.

**J. LOGAN & CO. REGISTRATION REVOKED.** In a decision announced today (Release 34-6848), the SEC revoked the broker-dealer registration of J. Logan & Co., of Pasadena, California, for fraud in the sale of securities to public investors. The activities of the firm and its salesmen were characterized as ". . . a Machiavellian scheme to play upon the credulity, inexperience and speculative instincts of divers members of the public for their own unconscionable gain." The Commission also expelled the firm from membership in the National Association of Securities Dealers, Inc.; and James H. Logan, president, Mildred Baxter Logan, his wife, Marvin M. Hersh, vice president, together with Frank Niles, Theodore Hersh, James C. Flanagan, Trennis K. Lile, Carl Sarafian and Allen Sterling, Jr., were each found to be a cause of the revocation and expulsion order.

The Commission ruled that the Logan firm recruited salesmen lacking in experience and ethical standards and instructed them to solicit unsophisticated customers through indiscriminate telephone presentations and false and misleading statements regarding the firm's research department, its membership on exchanges, and the value of securities sold; took gross advantage of the trust and confidence of its customers to induce excessive trading activity ("churning") to generate profits for the firm in disregard of the financial welfare or investment aims of its customers; and simultaneously made opposite and inconsistent recommendations to customers for the switching of securities held by them. As a part of this unlawful scheme the firm maintained a large sales force which concentrated on the telephone solicitation of unknown persons through use of a "canned sales pitch." Among the securities sold through fraudulent misrepresentations were the shares of American Mollerizing Corporation and Saaty Fuel Injector Corp.

According to the decision, the firm and its salesmen induced customers to place complete reliance on them to act in the best interests of the customers, and then took gross advantage of the trust and confidence induced. In complete disregard of the financial welfare or investment aims of the customers, they were induced to liquidate entire portfolios, including high grade investment securities, and replace them with other securities, frequently of a highly speculative nature. One of several customers whose securities transactions with the firm were analyzed by the Commission was a "Mrs. H" who owned securities worth more than \$28,000 consisting largely of investment fund shares. She was induced to sell these securities; and over a period of 23 months with the proceeds of such sales and other funds there were 65 purchase transactions in her account totalling \$160,621, and her average investment of \$52,991 was turned over 3.03 times. In some instances the same security was bought and sold more than once. On her total investment of \$57,933 in cash and securities Mrs. H. suffered a net realized and unrealized loss of \$22,362 and the firm and one of the salesmen realized profits of \$8,364. Other customers had similar experiences with the firm.

The Commission concluded that the firm and its salesmen "were motivated solely by a desire to produce the greatest possible income to themselves and utterly ignored the fiduciary duties owed to customers." (NOTE TO PRESS. Copies of foregoing also available at the SEC Los Angeles Branch Office.)

**ARMSTRONG & CO. - BENJAMIN SAPORTA CITED.** The SEC has ordered consolidated proceedings under the Securities Exchange Act of 1934 to determine whether Armstrong & Co., Inc., 15 William Street, N. Y., and Benjamin Saporta (one of its salesmen), doing business as Benjamin Saporta & Co., 104-40 Queens Blvd., Kew Gardens, N. Y., engaged in practices which operated as a "fraud and deceit" upon certain persons and, if so, whether the broker-dealer registration of Armstrong & Co. should be revoked and whether an application for broker-dealer registration filed by Saporta should be denied.

Armstrong & Co. ("registrant") has been registered with the Commission as a broker-dealer since October 22, 1960. Robert B. Edens is its president and sole stockholder and Martin Lasher is vice president and secretary. Saporta filed an application for registration as a broker-dealer on March 9, 1962. According to the Commission's order, registrant and Edens were permanently enjoined by Federal court order in May 1962, and Lasher was preliminarily enjoined in February 1962, from engaging in certain conduct and practices in connection with the purchase and sale of securities. In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that from September 1961 to February 1962, in the offer and sale of common stocks of Precision Metal Products Inc. and Triangle Instrument Co., Inc., registrant, Edens, Lasher, Saporta (while a salesman for registrant) and eight other salesmen "engaged in acts, practices and a course of business which operated as a fraud and deceit upon certain persons," in that they made false and misleading statements concerning the two companies and their securities. The alleged misrepresentations related to projected rises in the prices of the two stocks, the payment of dividends by Precision and the earnings per share on its stock, the listing of Triange stock on an exchange, contracts

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possessed by each company, and other matters. The additional salesmen were Howard Saul Cohen, Eugene Freiman, Herbert Patlis, Irving Rubin, Albert Wasserman, Philip Weiner, Frederick Weiss and Stanley Weiss. Violations of the Commission's reporting and record-keeping rules also are charged.

A hearing will be held on July 20, 1962, at the Commission's New York Regional Office for the purpose of taking evidence to determine whether the staff charges are true and, if so, whether registrant's broker-dealer registration should be revoked and whether Saporta's registration application should be denied. The hearing will concern itself initially with the question whether to postpone the effective date of Saporta's registration pending decision on the question of denial. Registrant is a member of the National Association of Securities Dealers, Inc.; and one of the issues in these proceedings is whether it also should be suspended or expelled from NASD membership.

**SEC COMPLAINT NAMES S. BROOKS JOHNSTON.** The SEC Chicago Regional Office announced July 11th (Lit-2310) the filing of criminal complaints in Miami charging S. Brooks Johnston, president of Johnston & Company, Inc., of Cleveland, with violating the National Stolen Property Act and the Federal Mail Fraud and Interstate Fraud by Wire statutes in the transportation and subsequent sale for his own account of inventory securities of the Johnston firm. Broker-dealer revocation proceedings are pending against the firm.

**HARRIS-INVESTORSERVICE HEARING POSTPONED.** On request of the respondents, the SEC has authorized a postponement from July 16 to August 13, 1962, of the hearing in the Commission's New York Regional Office in administrative proceedings involving Albert Harris, doing business as Investorservice, and Elizabeth Harris, doing business as Investaservice, both of 11 West 42d Street, New York.

**D&Z EMPLOYEES TRUST EXEMPTED.** The SEC has issued an order under the Investment Company Act granting an application of the D & Z Employees' Trust Fund for an order declaring that it has ceased to be an investment company. The Trust has been terminated following distribution of its assets to its security holders.

**INTERNATIONAL MINING PROPOSES PEACQUISITION.** International Mining Corporation, New York affiliate of Madison Fund, Inc., New York investment company, has joined with the Fund in the filing of an application with the SEC for an exemption order under the Investment Company Act permitting International to purchase 50,100 shares of its capital stock now owned by the Fund for \$30.25 per share, or a total of \$1,515,525; and the Commission has issued an order (Release IC-3496) giving interested persons until August 2d to request a hearing thereon. The 50,100 shares constitute about 8.78% of the Fund's outstanding shares. South American Gold & Platinum Company, which has six designees on International's board of eight directors, owns 52.58% of International's outstanding stock.

**INVESTORS GROUP CANADIAN SEEKS ORDER.** Investors Group Canadian Fund Ltd., Toronto, has filed an application with the SEC under the Investment Company Act for an order permitting the Fund through its custodian to exercise outside the United States rights issued to it as a shareholder in other companies for the purchase of securities; and the Commission has issued an order (Release IC-3497) giving interested persons until August 1st to request a hearing thereon.

**COLUMBIA HYDROCARBON ORDER.** The SEC has issued an order under the Holding Company Act (Release 35-14668) authorizing The Columbia Gas System, Inc., New York holding company, to make \$400,000 of open-account advances to its subsidiary, Columbia Hydrocarbon Corporation, to finance the inventory storage of the latter's summer production.

**NATIONAL FUEL GAS FINANCING PROPOSED.** National Fuel Gas Company, New York holding company, has joined with two subsidiaries in the filing of a financing proposal with the SEC; and the latter has issued an order (Release 35-14669) giving interested persons until July 30th to request a hearing thereon. National proposes during the balance of 1962 to sell some \$4,000,000 of notes to a bank; and National in turn proposes to purchase a like amount of notes from Iroquois Gas Corporation, Buffalo subsidiary. Another subsidiary, Pennsylvania Gas Company, of Warren, Pa., proposes to make bank borrowings of \$2,400,000. The funds are to be used by the two subsidiaries, together with funds available from operations, for property additions and improvements (estimated as \$6,950,000 for Iroquois and \$2,251,000 for Pengas) and for the purchase by Pengas of additional gas for underground storage (estimated at \$234,000).

**SEC FILES IN FLORIDA SOUTHERN PROCEEDING.** The SEC today announced that it had entered its appearance in the proceedings under Chapter X of the Bankruptcy Act for the reorganization of Florida Southern Corp., pending in the United States District Court for the Southern District of Florida, Miami Division. The Debtor's voluntary petition for reorganization, filed on May 17, 1962, was approved by Judge Emmett C. Choate, who appointed G. E. Shingledecker as trustee. The Debtor owns a 101-room luxury resort hotel and a 329-acre land development at Duck Key, Florida, one of the Florida Keys located about 95 miles southwest of Miami. It also owns a 50-year lease to approximately 330,000 acres of mining and timber lands located in the Republic of Colombia, which has not yet been developed. In an unaudited balance sheet filed with the petition, the Debtor listed assets of \$5,974,971 at April 30, 1962, including land and improvements at Duck Key carried at \$5,578,000 and an investment in the Colombian land at \$251,697. Total liabilities were reported at \$2,737,056, including mortgages aggregating \$1,742,394 and notes totalling \$740,148. The Debtor has outstanding 6,843,917 shares of common stock held by approximately 2,500 persons.

**FOREIGN ISSUER RULE PROPOSED.** The SEC has invited the submission of comments not later than August 27th (Release 33-4511) upon a proposed New Rule 402A under the Securities Act of 1933 requiring that, where a registrant is a foreign person, its registration statement shall be signed by its duly authorized representative in the United States. This signature is in addition to the signatures required where the registrant is a domestic issuer. Under Section 11 of the Act, an authorized representative may be liable to persons purchasing the securities offered pursuant to the registration statement. In order for this provision to operate effectively for the protection of investors, it is essential that the authorized representative be a person having a reasonable degree of responsibility. In the past, efforts have been made to meet the requirement that the registration statement be signed by an authorized representative in the United States by organizing a dummy corporation solely for that purpose. The proposed new rule would require that where the registrant is a foreign person other than a foreign government, the authorized representative in the United States shall meet certain qualifications designed to insure that there may be in this country a person against whom investors may have recourse in appropriate cases.

Another proposed new Rule 440 would require that where the registrant, any of its directors or officers, any selling security holder or any underwriter is a nonresident (other than a foreign government or a political subdivision thereof) it shall furnish to the Commission a consent and power of attorney authorizing the Commission to accept service of process in connection with civil actions arising out of the offering or sale of the registered securities. The purpose of this rule is to make it easier for purchasers of the registered securities to obtain service of process upon foreign issuers and their insiders in connection with civil actions instituted in the courts in this country.

**SOUTHWELL CO. ENJOINED.** The SEC New York Regional Office announced July 13th (Lit-2311) the entry of a Federal court order (USDC NJ) permanently enjoining Robert J. Southwell, doing business as R. J. Southwell Co., of Montclair, N. J., from the conduct of a securities business until his registration application is amended to provide current information, and directing Southwell to make his records available for inspection by SEC representatives.

**WHITE PHOTO OFFSET FILES FOR STOCK OFFERING.** White Photo Offset, Inc., 142 West 26th Street, New York, filed a registration statement (File 2-20581) with the SEC on July 13th seeking registration of 100,000 shares of common stock, to be offered for public sale at \$3.50 per share on a best efforts all or none basis by K-Pac Securities Corp., 80 Wall St., N.Y., which will receive a 40 $\frac{1}{4}$ ¢ per share commission and \$10,500 for expenses. A \$15,000 finder's fee is payable to V. Restaino. The underwriter own 5,000 shares purchased for an aggregate of \$5.

The company is engaged in the photo offset business. The net proceeds from the stock sale, estimated at \$269,490, will be used to pay current liabilities, to purchase new equipment, for drawing accounts and expenses of additional salesmen and for working capital. The company has outstanding 110,002 shares of common stock (after giving effect to a recent recapitalization), of which Edward P. White, president, and Ruth White, a director, own 60.9% and 39.1%, respectively. As a result of the stock sale to the public, the book value of the stock owned by principal stockholders will increase from \$.298 to \$1.35 per share and their equity from \$29,823.83 to \$134,745, while the public will receive a diluted equity interest amounting to \$134,745 for its investment of \$350,000.

**SECURITIES ACT REGISTRATIONS.** Effective July 16: Baltimore Gas and Electric Co. (File 2-20495); General Bancshares Corp. (File 2-20392).  
Withdrawn July 16: Four Star Television (File 2-19961); Lee Fashions, Inc. (File 2-19534); Thunderbird International Hotel Corp. (File 2-19593); United Packaging Co., Inc. (File 2-19385); World Scope Publishers, Inc. (File 2-18609).

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