

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.

FOR RELEASE November 26, 1958

GILL-HARKNESS BROKER-DEALER REGISTRATION REVOKED

In a decision announced today, the Securities and Exchange Commission revoked the broker-dealer registration of Gill-Harkness & Co., ("Respondent"), 704 South Spring Street, Los Angeles, California, for fraudulent transactions in securities and other violations of the Federal Securities Laws. Respondent also was expelled from membership in the National Association of Securities Dealers, Inc.

The Commission also ruled that Bruce A. Johnston, president and controlling stockholder of Respondent, and Alan D. Selditch, a salesman and general manager of its securities department, were each a "cause" of its order of revocation and expulsion.

According to the Commission's decision, Respondent was organized September 11, 1956 and discontinued business on November 13, 1957, at which time it was insolvent. During the period Respondent had continuous financial difficulties, Johnston managing to continue it in operation largely through the use of funds and securities he obtained from customers and one of his salesmen, most of whom suffered losses as a result. One such customer, for example, an elderly lady inexperienced in securities and financial matters, was induced by Johnston to convert investment securities into funds for his use in operating Respondent's business and to lend him a substantial amount of money and additional securities for such purpose. Johnston concealed Respondent's precarious financial condition from her (its operating losses amounted to \$20,308 at one point and \$33,958 at a later date during this period). In view particularly of the fact that Johnston occupied "a relationship of trust and confidence" with respect to this customer, his failure "to make full and meticulous disclosure of all pertinent information" constituted fraudulent conduct, the Commission ruled. The decision states that this customer was never repaid the \$40,000 she lent to Johnston, and in addition 350 of her investment fund shares were sold to liquidate an indebtedness of Johnston of \$17,700.

The Commission also ruled that Johnston and Selditch sold 4,000 shares of Respondent's stock owned by Johnston to three customers for \$4,000 without disclosing Respondent's operating losses and insolvent condition. Furthermore, Selditch made false and misleading representations to two of the customers concerning Respondent's financial condition and its prospects for paying dividends. Moreover, the purchasers were not informed that the shares were owned by Johnston and did not represent newly-issued stock.

In addition, the Commission ruled that Respondent violated the Commission's record-keeping and net capital rules and also failed to amend its registration application to reveal the names of persons owning 10% or more of its stock, as required by Commission rules.

Note to Press: Foregoing also available SEC Los Angeles Branch Office)

DELISTING PROCEEDINGS INSTITUTED AGAINST SILVER SHIELD MINING

The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Silver Shield Mining and Milling Company, of Salt Lake City, Utah, has failed to comply with the reporting and disclosure requirements of that Act and, if so, whether its common stock should be suspended or withdrawn from listing and registration on the Salt Lake Stock Exchange. A

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hearing for the purpose of taking evidence therein has been scheduled for December 16, 1958, in the Salt Lake Branch Office of the Commission.

According to the Commission's order, information developed in an investigation conducted by its Staff tends to show that Silver Shield Mining:

- 1) failed to report that one D. E. Kivett, acting along or in concert with others, secured control of the company in 1956;
- 2) falsely reported in its 1956 and 1957 annual reports that it had no parent or other person in control whereas in fact Kivett acting alone or in concert with others was then in control of the company;
- 3) falsely reported in four monthly reports filed during the past three years that various sales of Silver Shield Mining stock were exempt from the registration requirements of the Securities Act of 1933, whereas in fact registration was required;
- 4) falsely stated in a March 1957 report that its common stock was non-assessable when in fact said stock was assessable and was so reported in a subsequent report;
- 5) failed to disclose in a January 1958 report (a) the transactions by which a person who had been a parent of the company ceased to be such and (b) a description of a all matters voted upon at a January 7, 1958 stockholders' meeting (including a stock assessment levied and subsequently recalled); and
- 6) violated Section 14 of the Act and the Commission's proxy rules thereunder, in that Silver Shield Mining solicited proxies for the January 1958 meeting of stockholders and failed to file with the Commission the proxy material required by said proxy rules

NORTH STAR OIL OFFERING PERMANENTLY SUSPENDED

In a further decision announced today, the SEC permanently suspended a Regulation A exemption from Securities Act registration with respect to a public offering of stock by North Star Oil & Uranium Corporation, Hamilton, N. Y.

In a Regulation A filing in October 1953, North Star Oil proposed the public offering of 600,000 shares of stock at 50¢ per share (of which all but 50,000 shares were sold). The Regulation A exemption from registration for such offering was temporarily suspended by the Commission on March 27, 1957, because of an alleged failure to comply with the SEC disclosure requirements. After a subsequent hearing, requested by the company, the Commission on August 7, 1958, gave the company 30 days within which to submit documentary evidence supporting its title to certain mining claims, failing which an order of permanent suspension would be issued.

In the August 7th decision, the Commission found that the two groups of mining claims, which North Star Oil's offering circular dated September 10, 1954, indicated were owned by its subsidiary, had in fact lapsed prior to the date of such revised offering circular. However, an opportunity to submit proof that the claims had been restaked was afforded by that decision. The offering circular had stated that assessment work was required on the claims and, in the event such work was not performed on any claim in any year, the claim would revert to the Canadian Government. It further stated: "All claims have had all necessary work done to date," followed by the statement with respect to the so-called Eileen claims that assessment work was required by August 4, 1954, with the parenthetical statement "(work not completed as of September 10, 1954)."

Although at the prior hearing North Star Oil took the position that it had title to the claims as of the date of the offering circular, its statement submitted pursuant to the Commission's August 7th decision admitted that the Eileen claims were not restaked. However, it was contended that prior to September 10, 1954, an engineer in Canada had been directed to do the assessment on the claims, which would lapse on September 5th if such work were not done; that on September 10, 1954 the company was out of communication with this engineer and did not know whether the assessment work had been done; and that, therefore, the statement was included in the offering circular that the assessment work on the Eileen claims had not been done by the date of the circular. It was urged that such statement disclosed to any prudent person the possibility that these claims had been forfeited if in fact the assessment work had not been done.

The Commission rejected these arguments. It observed that: "The significance of the fact that assessment work on the Eileen claims had not been completed was not expressed and, in view of the flat statement that all necessary work had been done, there was no adequate disclosure that any of the claims had lapsed." Accordingly, the Commission ruled that the revised offering circular was "materially false and misleading" and that the temporary suspension should be made permanent.

FORT PIERCE PORT & TERMINAL PROPOSES STOCK OFFERING

Fort Pierce Port & Terminal Company, 202 South Indian River Drive, Fort Pierce, Fla., filed a registration statement (File 2-14560) with the SEC on November 25, 1958 seeking registration of 2,138,500 shares of \$1 par Common Stock. The stock is to be offered for public sale at \$1.25 per share. The offering is to be made on a "best efforts" basis by Frank B. Bateman, Ltd., of Palm Beach, who will receive a selling commission of \$0.1875 per share.

The company owns 3,000 feet of harborfront property at the City of Fort Pierce, with an area of approximately 49 acres, together with 64.4 acres of submerged lands adjacent thereto acquired from the State of Florida. It is proposed to develop this port property in three phases. Organizers of the company purchased the property for \$155,000 cash and assumed debt of \$608,750 with "certain moral and legal obligations to create port and terminal facilities." They then sold the property to the company, which assumed the debt and issued to the group for their equity in the real estate 2,229,500 common shares. The promoters of the company include Joseph C. Mackey, of Fort Lauderdale, board chairman, M. A. Ramsey, of Fort Pierce, president, and M. E. Murphy, of West Palm Beach, secretary-treasurer.

Of the net proceeds of the stock sale, \$105,000 will be used to pay short-term loans, the proceeds of which were used to pay installments on mortgage debt which matured May 1, 1958; some \$1,590,216 will be used to complete phase 1 of the company's port development plan; and the remaining proceeds, amounting to \$544,440, will be added to general funds and could be used for part of the cost of construction of phase 2 of the port development. Phase 1 contemplates the filling in and bulkheading of the 64.4 acres of submerged land and dredging the waters beyond the bulkhead besides the construction of related port facilities. Phase 2 provides for increasing port facilities, depending upon economic conditions and more specifically tonnage development; but the time when the company is likely to proceed, if it does proceed, with the construction of phase 2 "is too far in the future to permit of any reliable estimate at this time of the probable cost thereof except that such costs will probably be well in excess of \$1,000,000." Phase 3 has no well defined plan at the present time.

VERNON CO. PROPOSES STOCK OFFERING

The Vernon Company, 604 West 4th St., North, Newton, Iowa, filed a registration statement (File 2-14561) with the SEC on November 25, 1958, seeking registration of 50,000 shares of Common Stock, to be offered for public sale at \$9.25 per share with a \$.925 per share commission to the underwriters, T. C. Henderson & Company, Inc. and Quail & Co., Inc.

The company manufactures and distributes advertising novelties and specialties personalized with the imprint of the customer's name and personal advertising message on each item. It also distributes so-called "executive" gifts and other advertising items made by other suppliers. In 1957 it entered the paper calendar field, adding to its products a full selection of paper calendars. It has outstanding 91,092 common shares.

Net proceeds of the sale of the 50,000 common shares will be added to the company's working capital to carry increased inventories and receivables "arising from the growth of its business," which increase in working capital will lessen the company's requirements for seasonal bank financing.

UNITED STATES GLASS FILES FOR SECONDARY

United States Glass & Chemical Corp., Tiffin, Ohio, today filed a registration statement (File 2-14559) with the SEC seeking registration of 708,750 outstanding shares of its Common Stock.

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The holders thereof propose to offer the shares at the current market prices at the time of such offers. They will be offered from time to time on the Pittsburgh Stock Exchange and in transactions off the Exchange which may be effected through registered brokers and dealers or by the selling shareholders individually. The selling shareholders will receive all of the proceeds from the sales of the 708,750 shares, but the first \$600,000 of the net proceeds received by Superior Minerals Company, one of the selling shareholders, will be paid to the company.

The 708,750 shares constitute approximately 71% of the outstanding common shares. 675,000 shares are owned by Superior and 33,750 shares by Nationwide Holdings Inc. Pursuant to a contract with Superior, United States Glass has purchased from Superior certain mining leases covering approximately 4,500 acres of land in Howard and Sevier Counties, Arkansas. The company intends to conduct on this land operations for the mining and milling of barite. As indicated, \$600,000 of the proceeds of the stock sale by Superior will be paid to the company, which intends to apply this sum to the construction of a plant for the beneficiation of barite ores. The purchase contract between the company and Superior provided for the issuance by the company to Superior of 675,000 common shares in consideration of \$750,000 cash and the transfer to the company of the mining leases. In addition, the company agreed to assume Superior's liabilities accruing after January 1, 1959 under another agreement, and to issue 33,750 shares to Nationwide Holdings as a brokerage commission.

COLONIAL SAND & STONE FILES FINANCING PROPOSAL

Colonial Sand & Stone Co., Inc., 1740 Broadway, New York, today filed a registration statement (File 2-14562) with the SEC seeking registration of 97,226 Warrants to purchase a like number of shares of common stock, and 97,226 shares of common stock. The warrants are exercisable at an adjusted price of \$6.912 per share of common stock. It is proposed that the underwriters, headed by Glore, Forgan & Co., will purchase warrants for 63,467 shares, exercise such warrants by purchasing the said shares from the company, and offer same for public sale. The public offering price and underwriting terms are to be supplied by amendment, as is the price at which the underwriters will acquire the warrants.

The warrants were acquired by institutional investors in connection with their purchase of senior notes and subordinated notes of the issuing company, now held by them in the respective amounts of \$5,675,000 and \$2,200,000. The balance of the warrants will be retained by the institutional investors for possible sale (or exercise) at a later date.

The company will receive the exercise price of the warrants to be purchased by the underwriters. Such proceeds will be added to the company's general working funds.

DIVERSIFIED INVESTMENT FUND SEEKS REGISTRATION OF ADDITIONAL SHARES

Diversified Investment Fund, Inc., Elizabeth, N. J., on November 25, 1958, filed an amendment to its registration statement (File 2-10730) seeking registration of an additional 2,000,000 shares of its common stock.

DIVERSIFIED GROWTH STOCK FUND SEEKS REGISTRATION OF ADDITIONAL SHARES

Diversified Growth Stock Fund, Inc., Elizabeth, N. J., on November 25, 1958, filed an amendment to its registration statement (File 2-10858) seeking registration of an additional 184,000 shares of its capital stock.

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