

# 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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## LATIMER & CO. REGISTRATION REVOKED

The Securities and Exchange Commission today announced the issuance of a decision revoking the broker-dealer registration of J. A. Latimer & Co., Inc., ("Latimer Co."), 37 Wall Street, New York, for wilful violations of the anti-manipulative and other provisions of the Securities Exchange Act of 1934 in connection with its transactions in the common stocks of U. S. Hoffman Machinery Company ("Hoffman") and Artloom Carpet Company ("Artloom"). Latimer Co. also was expelled from membership in the National Association of Securities Dealers, Inc.

The Commission also ruled that John Albert Latimer, president of Latimer Co., and Hyman Marcus, while board chairman of Hoffman and Artloom, also participated in these violations. Latimer Co. as well as Latimer and Marcus admitted the violations and consented to issuance of the order of revocation and expulsion.

According to the Commission's decision, Latimer Co. effected a number of "wash sale" transactions in the Hoffman and Artloom stocks during the period from May 29 to July 25, 1958, "admittedly for the purpose of creating a false or misleading appearance of active trading in and with respect to the market for" such stocks. These wash sale transactions, which involved no change in beneficial ownership, were effected by Latimer Co. both as seller and buyer through two different brokers, and they violated specific prohibitions of the law against wash sales.

Futhermore, Latimer Co. made purchases of Hoffman and Artloom stock while engaged in over-the-counter distributions of shares of such stocks, in violation of the anti-manipulative provisions of the law. In July 1958, during the course of its over-the-counter distribution of 163,600 shares of Hoffman stock at prices ranging from 11-1/8 to 12-1/2, Latimer & Co. purchased 87,700 shares of such stock on the New York Stock Exchange, its purchases representing about 33% of the Exchange volume therein. These purchases were effected at prices ranging from 12 1/4 to 13 1/4 on 14 of the 16 trading days in question, and on 10 of those days Latimer Co. was the purchaser in the closing transaction for the day, each raising the price of the stock 1/8 point. Similarly, with respect to an over-the-counter distribution by Latimer Co. of 28,500 shares of Artloom stock in July 1958 at prices ranging from 10-3/4 to 11-1/2, Latimer Co. made purchases on the Exchange of 24,100 shares of such stock, representing 42.7% of the exchange trading volume therein. On each of the 9 trading days in question, Latimer was the purchaser in the closing transaction on the Exchange, each raising the price of the stock 1/8 point.

The Latimer Co. broker-dealer registration became effective on December 5, 1957. Latimer was listed as president and as the beneficial owner of 100% of its common stock; and its total assets were listed as \$100,000 in cash with no liabilities. The application for registration further stated that no person not named therein directly or indirectly controlled the company's business. In fact, however, the Commission ruled, Marcus who was not named in the application had supplied the \$100,000 by causing his wife to issue a check to a certain bank official who in turn issued his check for \$100,000 to Latimer Co. Subsequently, between December 23, 1957, and 26, 1958, Marcus supplied an additional \$151,000 in order further to finance the business of Latimer Co., whose books failed to show that the funds came from Marcus or the bank official. The Commission held that the application thereby wilfully concealed and misrepresented the facts pertaining to control of the business of Latimer Co.

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Moreover, during August 1958 Latimer Co. borrowed additional sums aggregating \$290,000 from two corporations and pledged as collateral therefor shares of Hoffman and Artloom stocks and other listed securities. Neither lending corporation qualified under the Securities Exchange Act and Regulation T as the type of institution from which Latimer Co. could borrow money on the securities pledged, and the borrowings were violative of that Regulation.

Under all the circumstances, the Commission concluded that it is necessary in the public interest and for the protection of investors that the broker-dealer registration of Latimer Co. be revoked.

#### SEC REVOKES LEDERER CO. REGISTRATION

In a decision announced today, the Securities and Exchange Commission revoked the broker-dealer registration of J. H. Lederer Co. Inc. for fraud in the sale of Continental Mining Exploration Ltd. stock and for wilful violation of the Securities Act registration requirements in the sale of such stock. The Lederer firm also was expelled from membership in the National Association of Securities Dealers, Inc.

The Commission also ruled that Joseph Herbert Lederer, president and principal stockholder in the Lederer firm, also participated in or aided and abetted the firm in these law violations and that he was a cause of the order of revocation and expulsion.

According to the Commission, the stock of Continental (an Ontario corporation) was distributed by the Lederer firm in all sections of the United States by means of false and misleading long-distance telephone solicitations which constituted "a device or scheme to defraud and a practice which would operate as a fraud upon the purchasers." The false and misleading representations related to dividends to be paid by Continental in the near future, future increases in the market price of Continental stock, the excellent financial condition of Continental, registration of the shares, the experience of the Lederer firm, and Lederer's connection with the management of Continental.

Between November 1, 1957 and April 30, 1958, the Lederer firm purchased at least 1,210,000 shares of Continental stock, of which 75,000 shares were acquired from or through Canadian broker-dealers and the balance of 1,135,000 shares were ostensibly purchased for \$2,644,347 from a group of 26 Cuban individuals. Between November 1957 and June 1958, the Lederer firm sold in excess of 1,000,000 shares to the public at prices ranging from \$2.85 to \$3.70 per share. The Lederer firm stipulated that at least part of the stock acquired from the alleged Cuban group came from the 24 controlling stockholders of the company who in 1956 held 2,617,114 shares of Continental stock (as of December 31, 1957, there were outstanding 3,216,870 shares). "It is also significant," the Commission observed, "that certified checks drawn by registrant to the order of the Cubans in payment for the shares were endorsed to four other persons who ostensibly had no transactions with the registrant and at least twenty-nine of these checks were deposited in a bank in Toronto. Under all these circumstances Lederer, who is experienced in the securities business, should have been on notice that he was confronted with a scheme to evade compliance with the registration requirements of the Securities Act." Since at least part of the stock came from persons controlling Continental, the Lederer firm was in the position of an underwriter with respect to the offering and the transaction was not entitled to exemption from registration. Accordingly, the Commission concluded that the stock was sold in wilful violation of the registration requirements.

#### JAMES GRAYE BROKER-DEALER REGISTRATION REVOKED

The SEC today announced the issuance of a decision (Release 34-5838) revoking the broker-dealer registration of James C. Graye, doing business as J. C. Graye Co., 15 Maiden Lane New York. Graye consented to the revocation of his registration.

According to the decision, Graye was enjoined on February 17, 1958, by the Supreme Court of New York and on April 3, 1958, by the U. S. District Court for the Southern District of

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New York. The state court decree permanently enjoined Graye from engaging in securities transactions in New York.

Two District Court decrees were entered April 3, 1958, upon Graye's consent in proceedings based upon SEC complaints alleging violations of the anti-fraud provisions of the Securities Act and the Commission's net capital rule under the Securities Exchange Act. One of these decrees enjoins Graye from employing any devices or schemes to defraud or engaging in any fraud or deceit in the sale of common stock of Atlas Gypsum Corporation Limited, including the use of false statements and misleading omissions concerning the current market price of Atlas stock, plans to merge Atlas with other corporations, the purchase of and price paid for Atlas or its shares, and the listing or proposed listing of Atlas shares on an exchange. The other decree enjoins him from effecting securities transactions when his aggregate indebtedness exceeds 2000% of his net capital in violation of the net capital rule.

Graye also failed to amend his registration to disclose the injunction decrees; and he also failed to file a report of his financial condition for the year 1957.

#### MONARCH ASBESTOS ADDED TO RESTRICTED LIST

The Securities and Exchange Commission today announced the addition of the common stock of Monarch Asbestos Company, Ltd., a Quebec corporation, to its Canadian Restricted List.

The list is composed of the stocks of Canadian companies which the Commission has reason to believe, based upon information obtained in its investigations and otherwise, recently have been or currently are being distributed in the United States in violation of the registration requirements of the Securities Act of 1933. Evasion of the registration requirements deprives United States investors of the financial and other information about the issuing companies and the securities being offered for public sale which registration would provide. The list now comprises 199 of such securities.

With respect to Monarch Asbestos shares, the Commission has information which indicates that the shares are being distributed in the United States through Philip Newman Associates, Newark, N. J., by means of a long-distance telephone sales campaign. The shares have not been registered with the Commission under the Securities Act; and no exemption from registration appears available.

#### SEC PROPOSES ACCOUNTING POLICY ON DEFERRED TAX CREDITS

The SEC today announced a proposed administrative policy regarding balance sheet treatment of credit equivalent to reduction of income taxes; and it invited the submission of views and comments thereon not later than January 31, 1959.

The proposed administrative policy provides that any financial statement which designates as earned surplus or its equivalent or includes as a part of equity capital (even though accompanied by words of limitation such as "restricted" or "appropriated") the accumulated credit arising from accounting for reductions in income taxes for various items including those under sections 167 and 168 of the Internal Revenue Code of 1954, filed with this Commission dated as of December 31, 1958, or thereafter, will pursuant to the administrative policy on financial statements announced in Accounting Series Release No. 4, be presumed by this Commission "to be misleading or inaccurate despite disclosure contained in the certificate of the accountant or in footnotes to the statements provided the matters involved are material."

The Commission considers that this proposed action is consistent with the intent of Congress, as expressed in section 167 (liberalized depreciation) and section 168 (accelerated amortization) of the Internal Revenue Code of 1954. The effect of these sections is to permit the tax-free recovery from operations of capital invested in plant at a faster rate than would be possible by depreciation methods previously permitted for income tax purposes. The cash working capital is thus temporarily increased by an amount equal to the current tax reduction resulting from the excess depreciation deductions taken for tax purposes in earlier years. This pro-

cedure will result in reduced depreciation deductions in future years for tax purposes on the related plant with a resulting increase in income taxes over the amount of taxes which otherwise would be payable.

In order that the net income from operations of a corporation which deducts liberalized depreciation or accelerated amortization for tax purposes but only normal depreciation in its books of account be not overstated in the earlier years and understated in the later years, it is necessary, except in rare cases, to charge current income with an amount equal to the tax reduction. The exception to this procedure is found in those cases described in paragraph 8 of Accounting Research Bulletin No. 44 (Revised), Declining-Balance Depreciation, issued in July 1958 by the Committee on Accounting Procedure of the American Institute of Certified Public Accountants. The contra credit should be accumulated in an appropriately captioned balance sheet account and returned to income proportionately in later years when the depreciation then allowed for tax purposes is less than the normal depreciation charged to income in the books of account.

It is not contemplated that the portion returned to income will offset exactly the actual tax to be paid in future years, as it is made only for the purpose of allocating to future periods the effect on income of the tax reduction taken. These tax reductions therefore enter into the determination of income and to the increase of equity capital only through the passage of time.

#### BLOSSMAN HYDRATANE GAS FILES FINANCING PROPOSAL

Blossman Hydratane Gas, Inc., Covington, La., filed a registration statement (File 2-14641) with the SEC on December 29, 1958, seeking registration of \$1,200,000 of 5% Subordinated Convertible Debentures due December 31, 1978, and 120,000 shares of Common Stock, \$1 par. It is proposed to offer these securities for public sale in units, each unit consisting of \$500 of debentures and 50 shares of common stock. The public offering price and underwriting terms are to be supplied by amendment. S. D. Fuller & Co. is listed as the principal underwriter. The company will pay \$5,000 of the expenses of the underwriters, and will also issue warrants to the underwriters, at 1¢ per warrant, to purchase 30,000 shares of common stock at \$4 per share. The company also will pay \$15,000 to Orin T. Leach of New York for advice and financial services rendered over the past five years and in securing and arranging of the current offering.

The company and its subsidiaries are engaged primarily in the sale and distribution of liquefied petroleum gas used as fuel for household and other purposes and in the sale and installation of L-P Gas consumer storage tanks and equipment, L-P Gas heating equipment and general household appliances. Of the net proceeds of this financing, estimated at \$987,633, the company plans to apply some \$500,000 to retire an equal face amount of short term bank notes evidencing loans in connection with the financing of consumer credit through the company's subsidiary, United States Finance & Recovery Service, Inc. The balance of the proceeds will be added to the cash funds of the company to be available for general corporate purposes, including acquisitions of additional L. P. Gas properties, of businesses similar to that of the company and its subsidiaries, and for general expansion and general working capital.

#### ALL-STATE PROPERTIES PROPOSES STOCK OFFERING

All-State Properties Inc., 30 Verbena Ave., Floral Park, N. Y., filed a registration statement (File 2-14640) with the SEC on December 29, 1958, seeking registration of 685,734 shares of its \$1 par Capital Stock. The company proposes to offer these shares for subscription at \$2 per share by holders of its outstanding capital stock, at the rate of 1½ new share for each share held of record on the effective date of the registration statement. The offering is not underwritten, but the company may pay commissions of 15¢ per share to dealers who render assistance in connection with the sale of the shares.

Organized in 1955, the company intends to purchase and hold land either for sale or for the construction of single-family and multi-family houses, apartment houses, or business and industrial buildings. It may also purchase and sell improved properties and hold title to rental properties, or act as a general contractor and real estate and mortgage broker. It will

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carry out its business primarily through subsidiaries. Late in 1956 it began to purchase, through subsidiaries, vacant land for sale or development; and commencing early in 1958 it built and sold a number of single-family houses. Net proceeds of the proposed stock sale will be used for additional working capital, considered necessary "for optimum development of present properties and for new acquisitions."

#### BARGAIN CITY FILES FOR STOCK OFFERING

Bargain City, U. S. A., Inc., 2210 Walnut St., Philadelphia, Pa., filed a registration statement (File 2-14642) with the SEC on December 29, 1958, seeking registration of 5,000,000 shares of Class A Common Stock, to be offered for public sale at \$3 per share. No underwriting is involved.

The company was organized under Pennsylvania law on December 10, 1958, as successor to a Delaware corporation of the same name and a joint venture known as Bargain City, U.S.A. It is engaged, directly or through subsidiaries, in owning, leasing, developing and operating a chain of discount retail stores. At the present time there are five Bargain City, U.S.A. stores; and the management contemplates that by the end of 1959 there will be approximately twelve stores. The company leases or purchases improved or unimproved store sites and then causes the construction of physical facilities necessary for each store. The stores sell a wide variety of popular priced merchandise.

Net proceeds of this financing will be used by the company for expansion purposes. New sites will be purchased or leased and will be improved as necessary. The company now has outstanding 216,400 shares of Class A common stock. The promoters and the parents of the company are Blauner's and Sun Ray Drug Co., both of Philadelphia, each of which owns 34.6% of the 216,400 outstanding Class A shares. They also own in equal amounts the 100,000 outstanding shares of Class B stock.

#### FEDERATED CORP. OF DEL. FILES FOR EXCHANGE OFFER

Federated Corporation of Delaware, 1 South Main St., Port Chester, New York, filed a registration statement (File 2-14643) with the SEC on December 29, 1958, seeking registration of \$918,000 of 6% Convertible Subordinated Debentures, due 1968. The company proposes to offer \$210,000 of the debentures to purchase the capital stock of Consumers Time Credit, Inc., a New York company; \$442,000 of the debentures in exchange for Consumers' debentures; and \$226,000 of the debentures in exchange for the outstanding 12% debentures of three subsidiaries of Federated. The prospectus indicates that the security holders who will receive the Federated debentures in consummation of this exchange are offering or may offer all or part of such debentures for public sale.

Federated's subsidiaries are engaged principally in acquiring real estate mortgages arising from realty improvement work payable in monthly installments. Consumers' principal office is in Mount Vernon, N.Y.; and it is engaged in the consumer and commercial finance business.

#### ST. PAUL AMMONIA PRODUCTS PROPOSES STOCK OFFERING

St. Paul Ammonia Products, Inc., South St. Paul, Minn., filed a registration statement (File 2-14644) with the SEC on December 29, 1958, seeking registration of 250,000 shares of Common Stock, 2 $\frac{1}{2}$  par, to be offered for subscription at \$2.50 per share by holders of outstanding stock at the rate of one new share for each four shares held. The record date is to be supplied by amendment.

The company has already received proceeds aggregating \$373,750 in full payment for the subscription for stock made by certain stockholders, of which amount \$372,000 was applied in reduction of a bank note. Net proceeds of the sale of additional shares will be added to the working funds of the company and used to the extent available in partial payment for new construction and improvements.

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## ROHR AIRCRAFT FILES FOR STOCK OFFERING

Rohr Aircraft Corporation, Foot of H St., Chula Vista, Calif., filed a registration statement (File 2-14645) with the SEC on December 29, 1958, seeking registration of 300,000 shares of Common Stock, to be offered for public sale through an underwriting group headed by The First Boston Corporation and Lester, Ryons & Co. The initial public offering price will be a fixed price related to the current market quotations for outstanding shares on the New York Stock Exchange immediately prior to the offering. Underwriting terms are to be supplied by amendment.

Net proceeds of this financing will be added to the general funds of the company and initially will be applied to the extent of \$6,000,000 to reduce short-term bank loans. The funds thus made available to the company will be used to increase working capital required by the greater volume of commercial business obtained during the year as a result of the transition to jet aircraft by the major airlines.

## FURTHER COLUMBIA GAS ORDER ISSUED

The SEC has issued a further order (Release 35-13903) with respect to the acquisition by Columbia Gulf Transmission Company, a newly organized subsidiary of The Columbia Gas System, Inc., of the pipeline facilities of Gulf Interstate Gas Company (See Release 35-13893). The supplemental order releases jurisdiction with respect to the number of shares of Columbia Gas common stock to be issued to the underwriters of the Gulf Interstate preferred stock in exchange for such preferred and related matters.

## INTERNATIONAL BANK (ARIZ.) PROPOSES OFFERING

International Bank, Cafritz Building, 1625 Eye St., N. W., Washington, D. C., filed a registration statement (File 2-14646) with the SEC on December 29, 1958, seeking registration of \$5,000,000 of Notes (Series B, \$500,000, 2yr, 3% per unit, Series C, \$1,000,000, 4 yr. 4% per unit, and Series D, \$3,500,000, 6yr. 5% per unit). The notes are to be offered for public sale at 100% of principal amount. Johnston, Lemon & Co. of Washington is named as the principal underwriter; and the underwriting commission on the notes is to be 3/4%, 1% and 1-1/4%, respectively.

International Bank, an Arizona corporation, is not a commercial bank. According to the prospectus, it conducts a small loan business in Washington; and it is also engaged (directly or through subsidiaries) in the collection of ship registration fees and shipping tonnage taxes under contract with the Government of Liberia, trade financing by extending letters of credit, investment in securities of companies with holdings in banks and finance companies, conducting export-import trade, and engaging in automobile and insurance premium financing.

Proceeds of the sale of the notes will be added to working capital. It is the company's present intention to use the proceeds for making loans in connection with the Officers Finance Plan.

## ARCOA FILES FOR OFFERING

Arcoa Inc., 4707 S. E. Hawthorne Blvd., Portland, Oregon, filed a registration statement (File 2-14647) with the SEC on December 29, 1958, seeking registration of \$5,000,000 of U-Haul Fleet Owner Contracts. The contracts provide for the operation of fleets of automobile-type rental trailers in the U-Haul Trailer Rental System. The trailers are marketed under the name "U-Haul" and are leased to the public for local use and for one-way trips throughout the United States. The Fleet Owner receives 35% of the gross rental income from his trailers and pays certain trailer operation expenses. Prior to the recovery of the initial cost of his trailers, payments to a Fleet Owner reflect a return of capital. The excess of income over expenses is computed and paid to the Fleet Owner each month by Arcoa, Inc.

The contracts are offered to any person, group of persons or corporation having the legal ownership of a fleet of rental trailers each accompanied by a clamp-on bumper hitch. The contracts are being issued to increase the number of trailers available for rent in the System.

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## ALASKA JUNEAU FILES FOR SECONDARY

Alaska Juneau Gold Mining Company, 6327 Santa Monica Blvd., Los Angeles, filed a registration statement (File 2-14648) with the SEC on December 29, 1958, seeking registration of 640,660 outstanding shares of its Common Stock. These shares, representing 29% of the 2,173,393 shares outstanding, are to be offered for public sale by the holders thereof. 300,000 shares are to be offered currently and the remaining 340,660 shares may be offered in the future for the account of the selling stockholders. The public offering price and underwriting terms are to be supplied by amendment.

Alaska Juneau for many years was engaged in the business of mining gold at Juneau, Alaska; and it also conducted mining operations in the western part of the United States. It is presently engaged in the following major industrial fields: manufacture of heavy duty brake drums and tandems for trucks and trailers, structural steel fabrications, manufacture of aircraft component parts, development and sale of industrial real property and the production of electric power.

According to the prospectus, Alaska Juneau acquired the controlling stock interest in Fletcher Aviation Corporation on October 3, 1958. This acquisition was accomplished on the basis of a stock exchange for four shares of Alaska Juneau for three shares of Fletcher stock. The Fletcher Family and Executive Group, the "selling stockholders," delivered to Alaska Juneau 480,495 shares of Fletcher representing 94% of the issued and outstanding shares of that corporation; and in exchange therefor Alaska Juneau will issue a total of 640,660 shares of its stock to the selling stockholders.

The selling stockholders engaged the brokerage firm of Lester Ryons & Co. to represent them in the exchange of stock, and will receive 5% of the total shares to be issued for the account of the selling stockholders. Wendell S. Fletcher and Maurice C. Fletcher are listed as the owners of 221,057 and 145,067 shares respectively, of Fletcher stock, for which they will receive a total of 280,006 and 183,751 shares, respectively, of Alaska Juneau stock.

## ADRS FOR TUBE INVESTMENTS STOCK FILED

Guaranty Trust Company of New York, 140 Broadway, filed a registration statement (File 2-14649) with the SEC on December 29, 1958, seeking registration of 50,000 American Depositary Receipts for Ordinary Registered Stock of Tube Investments Limited (England).

## HINSDALE RACEWAY FILES FINANCING PROPOSAL

Hinsdale Raceway, Inc., Hinsdale, N. H., filed a registration statement (File 2-14650) with the SEC on December 29, 1958, seeking registration of Capital Trust Certificates evidencing 1,000,000 shares of its \$1 par Capital Stock, and 2,000 Debenture Notes (\$500 face value). The shares are to be offered for sale at \$1 per share and the notes at \$500 per unit. No underwriting is involved.

Hinsdale Raceway was organized in April 1958, for the purpose of conducting night harness racing with parimutuel betting. It is the owner of a race track located in Hinsdale, a southwestern New Hampshire town close to the Massachusetts and Vermont State boundaries. Net proceeds of this financing are to be used or have been used to pay for the construction of a Track, including land, grandstand, mutuel plant building, stables and paddock, dining hall, service building, administrative building, penthouse, tote board and clubhouse.

The prospectus lists Alf Halvorson of Berlin, N. H., as president, William Cassaro of Gloversville, N.Y., as vice president, and Russell DeFonce of Poughkeepsie, N.Y. as treasurer. / are members of the group of organizers of the company.