

# 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 January 11, 1961

**LAKE ARROWHEAD DEVELOPMENT FILES FOR OFFERING.** Lake Arrowhead Development Co., Administration Bldg., Lake Arrowhead, Calif., filed a registration statement (File 2-17459) with the SEC on January 10, 1961, seeking registration of 300,000 shares of common stock, to be offered for public sale at \$10.00 per share through a group of underwriters headed by Van Alstyne, Noel & Co. and Sutro & Co. The underwriters will receive a \$1 per share commission, and Brown, Sterling & Company will receive \$27,500 for its services as a finder.

The company was organized under California law in October 1960 for the purpose of acquiring, developing, managing and selling real property. It is presently engaged in managing and developing the Arrowhead Property, which is situated in the San Bernardino Mountains approximately 23 miles from San Bernardino and 85 miles from Los Angeles. The company acquired the Arrowhead Property from the Los Angeles Turf Club, Inc. (commonly known as "Santa Anita") in October 1960 for a total purchase price of \$6,500,000. Of this amount, \$1,000,000 was paid in cash and the balance is represented by a note secured by a Trust Indenture on all of the properties acquired. The properties so acquired include, among other items, Lake Arrowhead a shopping center, cottages and a hotel, all of the outstanding stock of the corporation which owns and operates the public utility water system in the area, 582 subdivided lots in communities surrounding the area, and 2,600 acres of vacant land said to be suitable for subdivision and development.

The \$1,000,000 cash payment was made available to the company by six individuals and two corporations and such amount is represented by a non-interest bearing promissory note due July 1961. This note will be paid from a portion of the net proceeds from the stock sale, and the balance of such proceeds will be added to general funds and will be available for development of properties and for use as working capital.

In addition to the two notes, the company has outstanding 300,000 shares of common stock, of which Jules Berman, president, owns 87,100 shares; William E. Newell owns 40,000 shares; Joe D. Brown, a director, owns 35,000 shares; and Leonard Friedman owns 34,600 shares. According to the prospectus, upon completion of this offering the public investors will own 50% of the outstanding common stock for which they will have paid \$3,000,000 or 91% of the cash invested in the company after payment of the \$1,000,000 note; and the remaining 50% will be owned by the company's promoters with a cost to them of \$300,000 (\$1 per share) or 9% of the cash invested.

**MESABI IRON PROPOSES RIGHTS OFFERING.** Mesabi Iron Company, 452 Fifth Ave., New York, filed a registration statement (File 2-17460) with the SEC on January 10, 1961, seeking registration of 180,000 shares of capital stock, to be offered for subscription by its stockholders. The record date, rate of subscription and subscription price are to be supplied by amendment. No underwriting is involved.

The company intends to apply the proceeds of the stock sale to the payment, or a reserve for payment, of possible federal and state income taxes which might be payable by the company for the calendar year 1960. The company does not concede that its income tax liability for 1960 will be in such amount as to require such funds. However, according to the prospectus, the company in 1960 received from Reserve Mining Company 163,570 shares of its own capital stock and it may be claimed that its 1960 income tax liability includes taxable income equal to the value of said shares at the highest price obtaining on all possible pertinent dates between the date a settlement agreement with Reserve Mining was first negotiated until it is finally consummated. The company intends to assert that the receipt of said shares does not constitute taxable income and in any event not in the maximum amount indicated above.

Since the settlement of the Reserve Mining litigation and the royalty arrangements reduced to a simple formula, the management of the company has decided that the protection and conservation of its royalty rights no longer require the continuance of a corporate establishment and that these functions can be satisfactorily performed by trustees. Accordingly the Board of Directors of the company has determined to dissolve the Mesabi Iron Company and establish two trusts to hold the royalty rights. This will relieve the present stockholders, who will become the beneficial owners of these royalty rights, of the burden of the federal income tax on corporations. A meeting of stockholders will be called for the purpose of adopting a plan for transfer of the company's assets to the two trusts, in which event the company will be liquidated. The company's rights offering is subject to its prior receipt of favorable federal income tax rulings.

**UNLISTED TRADING SOUGHT.** The Philadelphia-Baltimore Stock Exchange has applied to the SEC for unlisted trading privileges in the common stocks of H. J. Heinz Company, Singer Manufacturing Company and Varian Associates; and the Commission has issued an order (Release 34-6448) giving interested persons until January 27, 1961, to request a hearing thereon.

**DELISTING GRANTED.** The SEC has issued an order (Release 34-6448) granting an application of the Philadelphia-Baltimore Stock Exchange to delist the capital stock of The Real Estate Title Insurance Company, effective at the close of the trading session on January 25, 1961, 94% of the stock having been acquired by American Title Insurance Company.

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VIOLATIONS CHARGED TO BARCLAY SECURITIES CORP. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether to revoke the broker-dealer registration of Barclay Securities Corporation, 40 Exchange Place, New York.

The proceedings are based upon a final judgment of the Supreme Court of the State of New York, entered December 1, 1960, permanently enjoining Barclay Securities and its president, William Rosenblatt, from engaging in the securities business in the State of New York.

The proceedings also involve the question whether Barclay Securities should be suspended or expelled from membership in the National Association of Securities Dealers, Inc. A hearing will be held, at a date to be announced, for the purpose of taking evidence on the issues presented.

SEC COMPLAINT NAMES H. S. SIMMONS & CO. The SEC New York Regional Office announced January 9th (LR-1878) the filing of Federal court action (USDC SDNY) seeking to enjoin H. S. Simmons & Co., and its president, Harry Simmons, from further violating the anti-fraud and anti-manipulative provisions of the Securities Exchange Act and the SEC net capital rule thereunder.

EFFECTIVE SECURITIES ACT REGISTRATIONS: January 10: American Texas Company, (File 2-17025), January 11: King-Stevenson Associates, Inc. (File 2-16982); Lake Central Airlines, Inc. (File 2-17284); Brunswick Corporation, (File 2-17359); Otter Tail Power Company, (File 2-17381). Registrations withdrawn, January 11: American & St. Lawrence Seaway Land Co., Inc. (File 2-16059).

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