

# 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 November 23, 1960

**PEERLESS TUBE PROPOSES OFFERING.** Peerless Tube Company, 58-76 Locust Avenue, Bloomfield, N. J., filed a registration statement (File 2-17322) with the SEC on November 22, 1960, seeking registration of 150,000 shares of capital stock to be offered for public sale through an underwriting group headed by Winslow, Cohe & Stetson, Inc. The public offering price and underwriting terms are to be supplied by amendment. In addition to the underwriting commissions, the company has agreed to pay the out-of-pocket expenses of Winslow, Cohe & Stetson, including legal fees of counsel for the underwriters, in an amount not in excess of \$10,000. The company has also agreed to sell to Winslow, Cohe & Stetson, Inc., for \$150, options to purchase 15,000 shares of capital stock of the company at the offering price for a period of three years. The registration statement includes these options and the underlying shares of capital stock.

The company is principally engaged in the manufacture and sale of collapsible metal tubes and aluminum aerosol containers. Of the net proceeds of the stock offering the company intends to apply approximately \$125,000 to increase automation of production lines; approximately \$100,000 toward product research and development; and the balance to working capital. In addition to indebtedness, the company has outstanding 300,000 shares of capital stock, of which Frederick Remington, president and director, owns 152,400 shares (50.80%) and all officers and directors as a group own 187,740 shares (62.58%).

**PROCEEDINGS ORDERED AGAINST ALBERT HARRIS, INVESTORSERVICE.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether the broker-dealer registration of Albert Harris, doing business as Investorservice, New York City, should be revoked and/or whether the said registrant should be suspended or expelled from membership in the National Association of Securities Dealers, Inc. The registrant filed with the Commission on October 24, 1960, a notice of withdrawal of registration, which withdrawal has not become effective. The proceedings ordered by the Commission will also be directed to the question whether, if registration is permitted to be withdrawn, it is necessary in the public interest or for the protection of investors to impose terms and conditions upon such withdrawal. The Commission's order asserts that the registrant is permanently enjoined by a final judgment entered in the Supreme Court of the State of New York on October 10, 1960, from engaging in the securities business in the State of New York. A hearing will be held for the purpose of taking evidence with respect to the foregoing matters, at a time and place to be announced.

**TWO ISSUES DELISTED.** The SEC has granted applications (Release 34-6425) of the New York Stock Exchange to delist the capital stocks of Central Violeta Sugar Company, S. A., and The Charles E. Hires Company, effective at the close of the trading session on December 7, 1960. According to the applications, transfer facilities in New York City are no longer available for the stock of Central Violeta and, in the case of Hires, over 90 percent of the stock of Hires has been acquired by Consolidated Foods Corporation.

**UNLISTED TRADING GRANTED IN FOUR STOCKS.** The SEC has granted the following applications of national securities exchanges for unlisted trading privileges (Release 34-6425): (1) application of the Midwest Stock Exchange for unlisted trading privileges in the common stock of Ling-Temco Electronics, Inc., (2) application of the Philadelphia-Baltimore Stock Exchange for unlisted trading privileges in the common stock of Philadelphia & Reading Corp. (New York), and (3) applications of the Pacific Coast Stock Exchange for unlisted trading privileges in the common stocks of Bell Intercontinental Corporation and Fairchild Camera and Instrument Corp.

**TWO DELISTINGS PROPOSED.** The SEC has issued orders (Release 34-6425) giving interested persons until December 9, 1960, to request hearings upon the applications of the New York Stock Exchange to delist the 6% Cumulative Preferred Stock of Consolidated Railroads of Cuba and the 6% Non-Cumulative Preferred Stock of The Cuba Railroad Company. The applications state that transfer agents for the said securities are no longer available in New York City.

OVER

For further details, call WOrth 3-5526

**SEC DISQUALIFIES MORRIS MAC SCHWEBEL FROM PRACTICE BEFORE COMMISSION.** In a decision announced today (Securities Act Release 33-4304 and Securities Exchange Act Release 34-6424) the SEC permanently disqualified Morris Mac Schwebel, a New York attorney, from further appearance or practice before the Commission after finding that he had engaged in unethical and improper professional conduct. The Commission's findings and order were made on the basis of the record and upon Schwebel's consent that the Commission, for the purposes only of the proceedings before it, might deem established ten of the eleven charges against him and permanently disqualify him from practice before it.

Schwebel was American counsel for Great Sweet Grass Oils, Limited, and Kroy Oils Limited, affiliated Canadian companies, and was authorized to receive on behalf of Great Sweet Grass notices and communications from the Commission with respect to its filings under the Securities Act of 1933 and the Securities Exchange Act of 1934. He was advised by the Commission that public reports filed by him on behalf of those companies were deficient and considered misleading with respect to estimated oil reserves on properties acquired by the companies. However, Schwebel did not attempt to obtain certain clarifying or correcting information requested by the Commission and directed Great Sweet Grass' petroleum engineer to supply other information on a basis different than that requested by the Commission. Although Schwebel was informed by the engineer that information in the report filed with the Commission was deficient, out-of-date, and inaccurate, Schwebel failed to advise the Commission or withdraw or revise the information filed and subsequently filed material including the same information.

Schwebel was also found to have furnished legal opinions to the American Stock Exchange stating that blocks totalling 2,750,000 shares of Great Sweet Grass stock were exempt from registration under the Securities Act, and failed to inquire whether those opinions, and public reports on file with the Commission based on them, required revision after he learned or should have learned of the public sale of those shares in the United States. Schwebel also made arrangements for a broker-client, M. J. Shuck & Company, to purchase more than 500,000 shares of Great Sweet Grass stock from Canadian holders for sale in the over-the-counter market in this country, without sufficient inquiry as to the source of those shares to be able to determine whether or not they should be registered under the Securities Act, and received a finder's fee of \$5,000 in connection with Shuck's purchase from one of the Canadian vendors. The Commission found that Schwebel also advised another broker-client that sale of unregistered Great Sweet Grass shares in this country was legally permissible, without first making sufficient investigation of relevant facts. (In 1957 the Commission found that 4,250,000 shares of Great Sweet Grass and Kroy stocks had been illegally distributed in this country.)

In noting Schwebel's extensive connection with Great Sweet Grass, the Commission said that his conduct "did not involve merely an isolated failure to respond to requests for information or an isolated opinion furnished a client by a stranger to transactions on the basis of a prepared statement of facts presented by the client," and that "His activities in the Great Sweet Grass transactions contributed to defeating the objectives of the Securities Act and the Exchange Act to protect the public interest by making available to the public reliable information about publicly offered and publicly traded securities."

The Commission found on two further charges that Schwebel furnished legal opinions to Basic Atomics, Inc. and Soil Builders International Corporation, two Delaware Corporations, as well as to other persons, that a total of 1,200,000 shares of stock issued by those companies had been sold abroad and were not required to be registered under the Securities Act, and continued to issue legal opinions to the same effect after he knew or should have known that the shares were being distributed in the United States. Pursuant to authority obtained from each issuing corporation, Schwebel had arranged for the sale of 750,000 shares of Basic Atomics to an entity designated as the Huttenwerk Trust and 450,000 shares of Soil Builders to another trust, each trust purportedly representing foreign investors. Each trust was represented in the transactions by the Swiss-Israel Trade Bank of Geneva, Switzerland and by J. H. Greenberg, a Toronto attorney. Schwebel obtained assurances from the trusts and the bank that the shares were being acquired by foreign investors and that none were being resold in the United States, and issued opinions to Basic Atomics, Soil Builders and various New York brokers that the shares were exempt from registration under the Securities Act. In each case, starting about two weeks after original issue, most of the shares were resold in the United States by the Swiss-Israel Trade Bank at prices about double the original sale price. Schwebel continued to advise the companies and brokers through whom the shares were being distributed in this country that sale of the unregistered shares in the United States was legal after instances of large-scale transfers of the shares to this country had come to his attention. The Commission stated, in connection with the Basic Atomics transactions, "The facts surrounding the distribution of Basic Atomics stock in this country show a patent scheme to evade the Securities Act by creating the color of an exemption through the pretext of a sale to European investors. Whether or not respondent knew all the facts surrounding this scheme, his knowledge was sufficient to cast serious doubt on the validity of his opinions that resales in this country were legal. It is incredible that he could imagine that within a matter of days after the completion of a distribution by Huttenwerk to bona fide European investors, all of such investors would simultaneously decide to resell their shares in the United States through the same agent, Swiss-Israel . . ." "Under the circumstances, for respondent merely to repeat the perfunctory and self-serving statements by Swiss-Israel and Greenberg that Huttenwerk had distributed the shares exclusively to European investors, without any further supporting facts and in disregard of all the facts to the contrary, constituted at the least a reckless indifference to his duty not only to his client and the others who solicited his opinions as counsel to the company, but also to his obligations to the public interest as a member of the bar."

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**ELECTRIC BOND AND SHARE PROPOSES SALE OF SHARES OF UNITED GAS.** Electric Bond and Share Company, New York holding company, has applied to the SEC for an order authorizing the sale by the company, at competitive bidding, of 140,498 shares of its holdings of common stock of United Gas Corporation, and the Commission has issued an order (Release No. 35-14315) giving interested persons until December 8, 1960, to request a hearing on the application. The sale of the 140,498 shares will reduce Bond and Share's holdings of United Gas stock to 500,000 shares.

**STEEL CREST HOMES SHARES IN REGISTRATION.** Steel Crest Homes, Inc., Route 202, Center Square, Pennsylvania, filed a registration statement (File 2-17323) with the SEC on November 22, 1960, seeking registration of the following securities: (1) 180,000 shares of common stock, (2) 45,000 8% Subordinated Sinking Fund Debentures, \$10 face amount, due September 1, 1981, and (3) 45,000 warrants to purchase 2 common shares and one 8% debenture for \$15, for which 90,000 underlying common shares and 45,000 underlying 8% debentures are also being registered. It is proposed to offer these securities for public sale in \$18 units, each unit consisting of four shares of common stock, one \$10 face amount 8% debenture and one warrant, through a group of underwriters headed by Marron, Sloss & Co., Inc. and Harrison & Co. In addition to an estimated \$15,000 for expenses, the underwriters may purchase for their own accounts up to 2,250 units. The company has agreed to issue to the principal underwriters warrants to purchase 37,500 common shares at \$2 per share.

The company (formerly Finish-it-Yourself Homes, Inc.) is engaged in the construction and sale of "buyer-completed" homes. In March and April 1960, respectively, All State Homes, Inc., a Pennsylvania corporation, and New Jersey Division, All State Homes, Inc., a New Jersey corporation, were organized by Stanley M. Baron, president of Steel Crest. All the outstanding shares of these companies were contributed by Baron to the company in October 1960. Also in October 1960 All State Homes of Delaware was organized by the company. The subsidiaries were organized for the stated purpose of constructing and selling a series of homes to be priced lower than the Steel Crest or United States Steel models presently being sold by the company. In November 1960 North American Bond and Mortgage Company was organized in Pennsylvania by the company as the entity to grant and service temporary construction loans and mortgages for the company's customers and its operating subsidiaries. According to the prospectus, the subsidiaries have not as yet been activated due to the lack of sufficient capital. Of the net proceeds from the sale of securities, \$500,000 will be allocated to the mortgage subsidiary for the purpose of financing the construction of homes sold by the company and its subsidiaries, \$100,000 will be allocated to the development and promotion of homes, and the balance of \$100,000 will be added to working capital and used for general corporate purposes.

On November 7, 1960, the company's former authorized common stock of 3,000 shares without par value but with a stated value of \$30,000, was recapitalized into 1,000,000 shares without par value having a stated value of \$100,000, and the 1,365,965 former common shares outstanding prior to recapitalization were exchanged for 330,000 shares at the rate of one outstanding share for 241.5876 new shares. In addition to certain indebtedness, the company has outstanding 330,000 common shares, of which Baron owns 280,000 shares and Joseph Halma, vice president, owns 50,000 shares.

**ASSOCIATED OIL & GAS FILES FOR SECONDARY.** Associated Oil & Gas Co., 1410 Bank of the Southwest Building, Houston, Texas, today filed a registration statement (File 2-17324) with the SEC, seeking registration of 107,317 outstanding shares of capital stock, to be offered for public sale by the present holders thereof at the market price. No underwriting is involved.

The company is engaged primarily in the acquisition, exploration and development of gas and oil properties and the production and sale of gas and oil therefrom. The company has recently concentrated on the production of gas rather than oil. According to the prospectus, the company has made an offer to exchange 606,434 shares of capital stock for all of the outstanding capital stock of Gulf States Development Corporation, which is engaged in the acquisition, exploration and development of gas and oil properties.

In addition to certain indebtedness, the company has outstanding 3,580,799 shares of capital stock, of which Walter N. Maguire, board chairman, owns 669,377 shares, H. J. Mosser, a director, owns 684,309 shares, and management officials own 1,593,129 shares. Walter L. Maguire is listed as president. The prospectus lists eight selling stockholders who are selling all of their shares, as follows: H. G. Sutton, 26,472 shares; H. G. Sutton, Jr., 13,593 shares; B. M. Sutton, 13,593 shares; J. E. Sutton, 13,594 shares; E. E. Grimes, 20,390 shares; Weaver Chessher, 10,195 shares; A. Darby, 4,114 shares; and A. N. Jones, 5,366 shares.

**DIVERSIFICATION FUND FILES FOR OFFERING.** Diversification Fund, Inc., 111 Devonshire Street, Boston, Mass., today filed a registration statement (File 2-17325) with the SEC, seeking registration of 1,335,000 shares of common stock, to be offered to prospective investors in exchange for certain securities and for public sale at \$22.50 per share through Vance, Sanders & Company, Inc., the Dealer-Manager and Investment Adviser. In addition to advisory services and the furnishing of office facilities, the investment adviser will pay the compensation of management officials and employees of the Fund, for which it will receive a quarterly fee equal to 1/8 of 1% of the average value of the net assets of the Fund computed on the average of each business day's closing valuations throughout the quarter. The adviser will also assume all expenses of organization of the Fund and of the initial offering of its shares.

Organized under Massachusetts law in November 1960, the Fund is an open-end diversified investment company whose stated objective is to seek possible long-term growth of capital and income. Henry T. Vance is listed as president.