

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 February 11, 1960

ANDERSON COMPANY BROKER-DEALER REGISTRATION REVOKED. In a decision announced today (Release 34-6177), the SEC revoked the broker-dealer registration of W. T. Anderson Company, Inc., West 909 Sprague Ave., Spokane, Wash., for "fraud and deceit" in transactions with its customers. W. T. Anderson, general manager and controlling stockholder, and Louis Payne, the company's sole salesman, were each held to be a cause of the revocation of the company's registration.

The activities in question involved transactions by Anderson Company ("registrant") in the stocks of Hayden Hill Consolidated Mining Company, Hunter Creek Mining Company, Silverore Mines, Inc., Mines Management Inc., and Inspiration Lead Company, Inc., commencing in January 1956 and running into 1957.

"During the period involved," according to the Commission's decision, "registrant followed the practice of making purchases from one group of customers and simultaneously or contemporaneously selling shares of the same stock to other customers at substantial mark-ups, usually 100% over the prices registrant was paying. Payne gave inconsistent advice to different customers, urging one customer to sell certain shares to registrant at a price approximately half the price which he was simultaneously urging another customer to pay for the same shares, telling the first customer, who in a number of instances had shortly prior thereto purchased the shares from registrant at a higher price on Payne's recommendation, that the securities were a poor investment and representing to the second customer that they were a good investment. Throughout this period Payne strenuously urged customers to repose confidence in him and represented that he was acting in their best interests. None of the customers was informed that the advice being given to him was inconsistent with the advice contemporaneously being given to others, or that the prices paid and received had no reasonable relation to registrant's contemporaneous costs or resale prices and generally represented mark-ups or mark-downs of 100%.

As an example, the Commission cites a transaction on June 12, 1956, with a Washington rancher who was persuaded by Payne to purchase 5,150 shares of Inspiration stock at 15¢ per share, while it was simultaneously acquiring shares of the same stock from other customers at 7½¢ per share. At the same time the rancher was induced to sell to registrant, at 2¢ per share, 25,000 shares of Hayden Hill stock which he had purchased from registrant on Payne's advice four months previously for 3¢ per share, although registrant was still selling Hayden Hill stock to other customers at 3¢ per share. In addition, Payne persuaded the rancher to sell to registrant at 6¢ per share 4,600 shares of Hunter Creek stock which stock registrant was selling to other customers on that day at 10¢ per share.

According to the Commission's decision, the properties of the five mining companies were largely dormant and no dividends were ever paid by any of the companies, yet "highly optimistic" representations were made to customers to whom stock sales were being made regarding the properties and the securities and the prospects for substantial increases in the price of the securities.

Although Anderson contended that he was not aware of Payne's misconduct, the Commission stated that the record showed that he played "an active role" in registrant's trading activities.

INTERMOUNTAIN SECURITIES REGISTRATION REVOKED. In a decision announced today (Release 34-6178), the Securities and Exchange Commission revoked the broker-dealer registration of Intermountain Securities, Inc., 309 Columbine St., Denver, Colo., for violations of provisions of the Securities Exchange Act of 1934 and rules of the Commission thereunder.

The violations consisted of Intermountain's failure to amend its registration application to disclose changes in stock ownership, management officials, and its place of business; failure to keep required books and records in an easily accessible place; and failure to file a financial report for 1957. The Commission further ruled that Lamarr Carlisle Bailey, Sr., and Lamarr Carlisle Bailey, Jr., "aided and abetted" Intermountain in these violations and were each a cause of the revocation order. Bailey, Sr., was said to have "directed" the company's affairs, and Bailey, Jr., was listed as its secretary-treasurer.

According to the Commission's decision, Bailey, Sr., acquired control of Intermountain in February 1957, purchasing over 40,000 of the 50,000 outstanding shares of its stock for \$4,060. At that time he designated Bailey, Jr., as secretary-treasurer with sole authority to sign checks for the company, his brother as vice-president, and another person as president. He promised the former officers that he would cause an amendment to be filed with the Commission disclosing the changes in officers and stock ownership. No such amendment was filed.

For further details, call ST. 3-7600, ext. 5526

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For a short time after Bailey, Sr., acquired control, Intermountain continued to occupy an office at the address listed in its registration application. That office was found by a Commission investigator in March 1957 to have been vacated, but the registration application was not amended to show a new address. Intermountain left at that office certain miscellaneous papers which did not constitute a complete set of books and records and which were not sufficient to serve as a basis for a determination of its financial position or its activities. In addition, it failed, as indicated, to file a statement of financial condition for 1957, as required.

GERSHEN INC. REGISTRATION POSTPONED; HEARING CONTINUED. The SEC has issued an order postponing the effective date of an application for broker-dealer registration under the Securities Exchange Act of 1934 filed by R. I. Gershen & Co., Inc., 2331 Ocean Avenue, Brooklyn, N. Y., until final determination by the Commission on the question whether said application should be denied.

The consolidated hearing on the question of denial and on the question whether the broker-dealer registration of Ronald I. Gershen, doing business as R. I. Gershen Co., of the same Brooklyn address, should be revoked, has been postponed until 10:00 A. M., March 15, 1960, in the Commission's New York Regional Office. The Commission's original order authorizing the proceedings (Release 34-6179) alleges that, while employed by another firm, Gershen offered and sold Belmont Oil Corporation stock in violation of the fraud prohibitions of the Federal securities laws.

INVESTORS SYNDICATE REQUEST GRANTED. The SEC has issued an order under the Investment Company Act (Release 40-2973) authorizing Investors Syndicate of America, Inc., to make property improvement loans insured by the Federal Housing Commissioner under Title I of the National Housing Act.

J. L. McMICHAEL GUILTY, SENTENCED. The SEC Atlanta Regional Office announced February 9, 1960, that James Lamar McMichael had been found guilty by Federal jury in Mobile, Ala., of fraud in the sale of securities of United Security, Inc., and had been sentenced to four years imprisonment and to pay a fine of \$2,000. (Lit. Release 1581)

LOEW'S FILES STOCK PLAN. Loew's Theatres, Inc., 1540 Broadway, New York, filed a registration statement (File 2-16107) with the SEC on February 10, 1960, seeking registration of 130,000 shares of common stock, to be offered pursuant to the company's Restricted Stock Option Plan for Key Employees.

ARCS INDUSTRIES PROPOSES STOCK OFFERING. Arcs Industries, Inc., 2440 Merrick Rd., Belmore, N. Y., filed a registration statement (File 2-16108) with the SEC on February 10, 1960, seeking registration of 100,000 shares of common stock, to be offered for public sale at \$3.75 per share. The offering is to be made on an all or nothing basis by Myron A. Lomasney & Co., for which it will receive a commission of \$.5625 per share. The company recently sold to the underwriter and Edward Schoenhof each 10,000 common shares for 75¢ per share, or an aggregate of \$15,000.

The company is engaged in the manufacture of electronic, electrical, electro-mechanical and mechanical components, subassemblies and special devices for use in the missile and computer fields. A subsidiary is engaged in providing engineering, manufacturing and research services, primarily to agencies of the U. S. Government. According to the prospectus, 220,000 common shares are now outstanding, of which 66,667 shares each are held by Martin Kane, board chairman, Alexander Kahn, president, and Milton Schwartz, executive vice president. Net proceeds of the sale of additional stock will be used to discharge certain indebtedness (approximating \$50,300), for advances to the subsidiary (\$35,000), to purchase additional equipment (\$15,000), and for working capital.

RADIANT LAMP FILES FOR STOCK OFFERING. Radiant Lamp Corporation, 300 Jelliff Ave., Newark, N. J., filed a registration statement (File 2-16109) with the SEC on February 10, 1960, seeking registration of 120,000 shares of class A stock to be offered for public sale at \$5 per share through an underwriting group headed by Amos Treat & Co., Inc., which will receive a commission of \$.625 per share, plus expenses of \$5,000. Amos Treat & Co. has also purchased 7,500 shares of class A stock from Amos Treat, a director of the company and president of the underwriter, at one mil per share.

The company was organized as a Delaware corporation in July, 1959, to acquire the business and certain of the assets of Radiant Lamp Corporation (of New Jersey), manufacturer of special types of electric lamps. In addition to certain indebtedness the company has outstanding 25,000 shares of Class A stock and 175,000 shares of Class B stock. Proceeds from the sale of the new stock will be used to repay a bank loan in the amount of \$350,000. The balance will be added to working capital.

Principal holders of the outstanding stock are Amos Treat (34,000 Class B shares); Leslie Ricketts, a director (25,834 Class B shares); David A. Foxman, president (26,500 Class B shares); Eugene Van Meter, a director (23,333 Class B shares); and J. Arthur Russell, a director (24,000 Class B shares). Principal holders of the Class A shares are Irving B. Coe (5,600), Leo Weil (2,560), M. William Weil (2,560) and Amos Treat & Co., Inc. (7,500). Negotiations for acquisition of the properties of the New Jersey company were conducted by Amos Treat. Leo and M. William Weil were the principal officers and controlling stockholders of the New Jersey company. The purchase was consummated on January 15, 1960, the company paying

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\$600,000 in cash plus \$104,722 to cover taxes of the seller for 1959. In lieu of \$400,000 in bonds it issued \$300,000 in bonds, 10,000 Class A shares and 25,000 Class B shares.

CONTINENTAL ELECTRIC PROPOSES STOCK OFFERING. Continental Electric Co., 715 Hamilton St., Geneva, Ill., today filed a registration statement (File 2-16110) with the SEC seeking registration of 260,000 shares of common stock, to be offered for public sale through Old Colony Investment Company, "for which efforts" it will receive a commission of 15% of the offering price (to be supplied by amendment). As part of the commission, the underwriter will accept 3,000 of the shares.

The company was organized under Delaware law in October 1958 for the purpose of succeeding by merger to the business of Continental Electric Co. and the assets of Taylor Tubes, Inc., both Illinois corporations engaged in the manufacture and distribution of special purpose electronic tubes for industrial and military use. The company now has outstanding 381,290 common shares and certain indebtedness. Of the net proceeds of the sale of additional stock, \$280,000 will be used to retire outstanding bank loans; \$800,000 will be used to further the company's program of expansion and the development of new products; and the balance will be used to provide additional working capital.

Of the outstanding stock, 70% is owned by management officials, including Paul Wallins, president, of West Newton, Mass. (106,845 shares), and Jacob D. Waldman, of Brookline, Mass., treasurer (106,845). At the time of merger, Wallins and Waldman owned all the outstanding shares of Taylor Tubes. In addition, Biltmore Enterprises, Inc., a company with which Waldman was associated held a note from Taylor Tubes due January 1961 for a \$15,000 loan. Pursuant to the merger, all the shares of Taylor Tubes owned by Wallins and Waldman were cancelled, no company shares being issued therefor, and Taylor Tubes' liabilities, including the \$15,000 note, were assumed by the company. The present management of the company acquired control of the two predecessor companies in June 1958.

MISSISSIPPI POWER PROPOSES BOND OFFERING. Mississippi Power Company, 2500 14th Street, Gulfport, Miss., today filed a registration statement (File 2-16111) with the SEC today seeking registration of \$4,000,000 of first mortgage bonds, due 1990, to be offered for public sale at competitive bidding.

Proceeds from the sale of the bonds, together with \$2,500,000 to be received in March from the sale of additional shares of common stock to The Southern Company (parent), will be used for property additions and improvements. The company contemplates construction expenditures of approximately \$41,180,000 during 1960, 1961, and 1962.

TIME FOR COMMENTING ON RULE PROPOSAL EXTENDED. The SEC today announced a further extension of time from February 15, 1960 to March 15, 1960, within which comments on proposed Rule 155 under the Securities Act of 1933 may be submitted. The purpose of the proposed rule is to make clear that a public offering of convertible securities which, at the time, are immediately convertible into another security of the same issuer, by persons who purchased the convertible securities from the issuer in a private placement, or a public offering of the securities received by such persons in the conversion, may be subject to the registration provisions of the Securities Act.

The extension was granted at the request of persons who desire additional time to study the proposed rule and submit comments thereon.

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