

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 October 30, 1958

SEC PROPOSES MODIFICATION OF "CONSENT TO SERVICE" RULE

The SEC today announced a proposal (34-5810) to modify its rule requiring non-resident brokers or dealers, and non-resident general partners or managing agents of brokers or dealers, to file consents to service of process, pleadings and other papers in connection with their registrations with the Commission as brokers and dealers. Interested persons may file views and comments thereon on or before November 20, 1958.

The proposed amendment would make the consent to service of process applicable only to causes of action which accrue during the period beginning when the broker-dealer becomes registered with the Commission and ending either when the registration is terminated or the broker-dealer files notice of withdrawal of his registration, whichever is earlier.

For some time the Commission has been discussing with the Saskatchewan Securities Commission proposed arrangement under which the Saskatchewan Securities Commission would require brokers and dealers in that Province who sell securities into the United States to register with this Commission pursuant to Section 15 of the Securities Exchange Act of 1934. The arrangement would further contemplate that if the Securities and Exchange Commission should determine that any Saskatchewan broker-dealer so registered has wilfully violated the federal securities laws, and if by reason of such violation this Commission revokes the registration of such Saskatchewan broker-dealer in proceedings pursuant to Section 15(b) of the Securities Exchange Act of 1934, the Saskatchewan Securities Commission would take appropriate disciplinary action with respect to such broker-dealer in Saskatchewan. One effect of this proposal would be that any Saskatchewan broker-dealer who proposes to sell in the United States securities not exempt from registration under the Securities Act of 1933 would have to comply with the registration requirements of that Act.

In the course of these discussions, representatives of brokers and dealers in Saskatchewan objected with the Saskatchewan Securities Commission objections to the scope of the consent to service of process required to be filed under the above-mentioned rules, primarily upon the ground that broker-dealers in Saskatchewan cooperating with the Securities and Exchange Commission under the terms of the arrangements above described would be placed at a disadvantage, as compared with broker-dealers not so cooperating, if the required consents to service of process were made applicable to causes of action arising either before the broker-dealer became registered with the Securities and Exchange Commission, or arising after the broker-dealer had withdrawn his registration or his registration had been terminated. In that connection it was represented to the Saskatchewan Securities Commission that Saskatchewan broker-dealers who had purported to withdraw their registration could no longer continue trading in the United States without committing a breach of the arrangements between the Securities and Exchange Commission and the Saskatchewan Securities Commission and thus incurring disciplinary measures from the Saskatchewan Securities Commission.

Representatives of the Saskatchewan Securities Commission indicated to this Commission that their opinion there was some justification for the objection taken and requested this Commission consider the matter further and to advise whether or not relief may be granted.

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Founders Mutual Depositor Corp., Denver, Colo. investment company, filed an amendment on September 29, 1958, to its registration statement (File 2-10883) seeking registration of an additional 1,000 Systematic Payment Plan Certificates and 800 Accumulative Plan Certificates.

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

BELLECHASSE MINING PROPOSES STOCK OFFERING

Bellechasse Mining Corporation Limited, Montreal, filed a registration statement (File 2-14477) with the SEC on October 29, 1958, seeking registration of 800,000 shares of its common stock. According to the prospectus, Forget & Forget holds an exclusive option, as agent for Oscar Bidner of Montreal, to subscribe for and purchase all or any part of the 800,000 shares, at an exercise price ranging from 35¢ for the first 200,000 shares to 50¢ for the last 200,000 shares. It is proposed to offer the stock for public sale, the offering to be made on a best efforts basis by Nicholas Modinos & Company (of Washington, D. C.) in the United States and by Forget & Forget in Canada. The public offering price will be related to the market price for the outstanding common shares on the Canadian Stock Exchange at that time.

The prospectus further indicates that Forget & Forget, on behalf of Bidner, has agreed to pay Modinos & Co. (a) \$.005 per share with respect to all shares purchased from the company by Forget & Forget pursuant to its options and (b) 10% of the purchase price of all such shares purchased by Modinos & Co. Bidner has agreed to pay Forget & Forget the commissions prescribed by the Canadian Stock Exchange with respect to all shares sold by it through the Exchange.

Organized in 1952, the company is said to have no operating history. Its activities to date have been limited to prospecting for, acquiring and undertaking preliminary exploration work on certain mining claims. It holds 64 mining claims in the region of Mount Wright in the Province of Quebec, and an additional 217 mining claims in the Province of Quebec and New Brunswick. Net proceeds of this financing are to be applied over the balance of 1958 and the next three years as follows: \$140,000 for annual assessment work on the company's properties (other than Mining Claims in the Mt. Wright area); \$72,000 for general prospecting costs; and \$110,000 for general administration expenses.

The company has outstanding 2,575,005 common shares. The aggregate consideration received therefor was \$871,255 (of which \$740,005 was paid in cash). If all the 800,000 new shares are sold, the purchasers will have paid approximately \$340,000 and will hold approximately 23.8% of the then outstanding shares. Lawrence T. Porter of Montreal is listed as company president and as owner of 485,001 of the outstanding shares.

PACIFIC PETROLEUMS SEEKS REGISTRATION OF SHARES

Pacific Petroleum Ltd., Calgary, Alberta, Canada, filed a registration statement (File 2-14478) with the SEC on October 29, 1958, seeking registration of 521,149 shares of its Common Stock.

To the extent of 210,257 shares, this stock has been issued in connection with the company's acquisition of properties from G. M. Bell and associates; and, to the extent of 286,890 shares and 24,002 shares, respectively, the stock is issuable in connection with voluntary exchange offers made by Pacific to the shareholders of Humber Oils Limited and Catalina Oils Limited.

The offer to Humber stockholders is on the basis of one share of Pacific common for each nine outstanding shares of Humber common; and the offer to Catalina shareholders is on the basis of four shares of Pacific common for each thirty-one shares of Catalina stock. The exchange offer with respect to Humber stock is subject to the condition that Pacific acquire at least 80% of the 2,582,015 outstanding shares of Humber stock; and the proposal with respect to Catalina stock is subject to the condition that Pacific acquire at least 90% of the 186,016 outstanding shares of Catalina stock (after exercise of outstanding options for 90,000 shares of the latter). Humber is said to be engaged in the business of exploring for and developing oil and natural gas reserves in western Canada; and Catalina is also engaged in similar activities.

The 210,257 balance of the shares were issued in September to G. M. Bell and eight associates in connection with the company's acquisition of certain interests in oil properties in the Pembina and Keystone fields in Alberta. The 210,257 common shares were issued to Bell and associates in consideration therefor, at a valuation of \$19 per share, or \$3,994,883.

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GENERAL PUBLIC SERVICE PROPOSES RIGHTS OFFERING

General Public Service Corporation, New York investment company, filed a registration statement (File 2-14479) with the SEC on October 29, 1958, seeking registration of 2,478,264 shares of Common Stock. The company proposes to offer these shares for subscription by common stockholders at the rate of one new share for each two shares held. The record date, public offering price and underwriting terms are to be supplied by amendment. Stone & Webster Securities Corp. is listed as principal underwriter. Net proceeds of the stock sale will be used by the company to add investments to its portfolio as and when determined by the management.

LAKE ONTARIO PORTLAND CEMENT FILES FOR STOCK OFFERING

Lake Ontario Portland Cement Company Limited, Picton, Ontario, filed a registration statement (File 2-14480) with the SEC on October 29, 1958, seeking registration of 671,376 shares of common stock and warrants for the purchase of an additional 671,376 shares. The company proposes to offer common stockholders the right to subscribe to the additional shares and warrants at the rate of one unit (consisting of one common share and one warrant) for each two shares held. The record date and subscription price are to be supplied by amendment.

The company owns and operates at Picton a Portland cement manufacturing plant and a commercial aggregate (crushed limestone) production plant; and it also owns and operates storage and distribution facilities at the Picton plant site, at Toronto, and at Rochester, New York. Net proceeds of the sale of the units will be added to the general funds of the company and will be available for any corporate purpose. It is intended that such general funds will be applied, among other things, to the payment, when due, to the contractors of the unpaid balance of \$250,000 payable under a contract for the construction of its plants and facilities; and to the payment of \$344,929 interest maturing on December 31, 1958, on outstanding bonds and debentures; to the payment of capital expenditures estimated at \$60,000; and to the repayment of the company's outstanding demand notes in an amount of not less than \$300,000. (Proceeds of the prior sale of securities aggregated \$6,357,554. The contract price for the plant and facilities was \$15,309,800; and the company has paid to the contractors all but \$250,000 which remains to be paid upon the satisfaction of certain conditions. The prospectus indicates that the total costs to the contractors, H. J. McFarland Construction Company Limited, an Ontario company, and Johnson, Drake & Piper, Inc., of Minnesota amounted to \$1,340,056 in excess of the guaranteed maximum price. Certain claims and counterclaims between the company and the contractors have been settled by further agreement.)

CONSUMERS COOPERATIVE (KC) FILES FINANCING PROPOSAL

The Consumers Cooperative Association, Kansas City, Mo., filed a registration statement (File 2-14481) with the SEC on October 29, 1958, seeking registration of \$6,000,000 of Subordinated Certificates of Indebtedness, 5½%, Twenty-five years, and 60,000 shares of 5½% Preferred Stock (cumulative to extent earned before patronage refunds). The Certificates are to be offered for public sale at \$100 per unit and the preferred stock at \$25 per share. No underwriting is involved.

Net proceeds of the sale of these securities will be added to the general funds of the Association and will be used for general corporate purposes including: retirement of maturing Certificates of Indebtedness, redemptions on request of Certificates of Indebtedness prior to maturity and of 5½% preferred stock, the possible improvement and expansion of present facilities, and the acquisition of manufacturing plants and crude oil properties if favorable opportunities therefore arise.

BRADCO 1959 ASSOCIATES PROPOSES OFFERING

Bradco 1959 Associates, Inc., Houston, Texas, today filed a registration statement (File 2-14482) with the SEC seeking registration of \$2,500,000 of Participating Interests under Participating Interests in its 1959 Oil and Gas Exploration Program. The interests are to be offered in units of \$1,000. The offering will be made by Associates, acting through its officers and by 2338 Sales, Inc., and by W. H. Hendrickson, as underwriters. 2338 Sales, Inc., will receive a commission from Associates cash equal to 2½% of the dollar amount of any participating interests sold by it "and 1/4 carried interest out of the 1/4 carried interest received by Associates with respect to such

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participating interests . . . Commissions are payable to Hendrickson on the same basis except that the rates are 2% of cash and a 4/64 carried interest."

Proceeds of the offering will be used for the acquisition and exploration of undeveloped oil and gas properties.

INDIANA & MICHIGAN ELECTRIC BOND FINANCING CLEARED

The SEC has issued an order (35-13854) permitting Indiana & Michigan Electric Company, Ft. Wayne, Ind., subsidiary of American Electric Power Company, Inc., to issue and sell at competitive bidding \$20,000,000 of First Mortgage Bonds, Series due 1988. The order authorizes the parent company to make cash capital contributions to Indiana in the aggregate amount of \$13,500,000. Proceeds from the sale of the bonds and the cash contributions are to be applied by Indiana, to the extent necessary, to the prepayment of outstanding bank notes of not to exceed \$21,000,000. The remaining proceeds will be added to the company's treasury and will be applied to property additions and improvements.

PUBLIC OFFERING OF HINSDALE RACEWAY STOCK ENJOINED

The SEC Boston Regional Office announced on October 28, 1958 (LR-1354) that a permanent injunction had been obtained (USDC, NH), on consent of the defendants, enjoining Hinsdale Raceway Inc., Alf Halvorson, Russell DeFonce, Joseph T. Cristiano, and William Cassaro, from further offerings and sales of Hinsdale Raceway stock in violation of the Securities Act registration requirement.

OHIO OIL FILES THRIFT PLAN

The Ohio Oil Company, Findlay, O., today filed a registration statement (File 2-14483) with the SEC seeking registration of \$11,250,000 of Participations in The Ohio Oil Company Thrift Plan, together with 267,062 shares of Ohio Oil common stock which may be purchased pursuant thereto.

PORTO RICO GAS BOND OFFERING CLEARED

The Securities and Exchange Commission has issued a decision (35-13855) permitting Porto Rico Gas & Coke Company, a Puerto Rican subsidiary of Central Public Utility Corporation, to issue and sell \$600,000 principal amount of 5% First Mortgage Bonds, maturing September 1, 1973. The bonds are to be sold to State Mutual Life Assurance Company of America. Proceeds thereof will be used to pay an outstanding unsecured note of \$600,000 due October 31, 1958, and payable to the San Juan, Puerto Rico, branch of the Chase Manhattan Bank. The Commission ruled that the financing complied with the applicable requirements of the Holding Company Act.

In authorizing the sale of the bonds by Porto Rico Gas (which is exempt from provisions of the Holding Company Act except, among other things, with respect to its sale of securities within the United States), the Commission made particular reference to a provision of the bond indenture under which the bonds of Porto Rico Gas are to be non-redeemable for refunding at a lower interest rate for a period of some 7½ years. Such provision, the Commission stated, "is contrary to our Statement of Policy Regarding First Mortgage Bonds which provides that first mortgage bonds of public-utility companies issued pursuant to Section 6(b) and 7 of the Act must be redeemable at any time upon reasonable notice and with reasonable redemption premiums, if any. This policy has been construed by us as requiring, generally, that the initial redemption price shall not exceed the initial public offering price, plus the interest rate."

Under the circumstances here involved, however, the Commission concluded that its policy as to refundability need not be applied to the proposed issue and sale of the Porto Rico Gas bonds. It observed particularly that the policy as to redeemability is designed to eliminate the evil of "lack of economies in the raising of capital" and that this evil adversely affects the interest of consumers of the issuing public utility company or the interest of the parent company's security holders. Provisions of the law indicate, the Commission stated, that the Congress did not intend to legislate with respect to the impact on consumers of transactions entered into by public-utility

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subsidiaries operating outside the United States. Furthermore, its prior retention of jurisdiction over sales of Porto Rico Gas securities in the United States was designed for the protection of the purchasers thereof, and the limitation on the redemption of the Porto Rico Gas bonds is favorable to the purchaser.

(A copy of the text of the Commission's decision is available upon request)

SEC CITES LATIMER & CO. ON MANIPULATION CHARGE

The Securities and Exchange Commission today announced that it had ordered proceedings under the Securities Exchange Act of 1934 to determine whether J. A. Latimer & Co., Inc., 37 Wall Street, New York, N. Y., has violated the anti-manipulative and other provisions of the said Act and certain rules and regulations thereunder and, if so, whether its registration as a broker-dealer should be revoked and whether it should be suspended or expelled from membership in the National Association of Securities Dealers, Inc. (34-5811). A hearing for the purpose of taking evidence therein is scheduled for November 19, 1958, in the Commission's New York Regional Office.

In its order, the Commission charges that information developed in an investigation conducted by its Staff, it true, tends to show that Latimer & Co., together with John Albert Latimer, its president, and Hyman Marcus, board chairman of U. S. Hoffman Machinery Corporation and of Artloom Carpet Company, Inc.,

(a) effected transactions in the shares of Hoffman common stock on the New York Stock Exchange which involved no change in the beneficial ownership thereof (so-called "wash sales"), for the purpose of creating a false or misleading appearance of active trading in said stock or a false or misleading appearance with respect to the market for such security," in violation of the prohibitions of Section 9(a)(1) of the said Act; and

(b) "employed a manipulative or deceptive device or contrivance" in contravention of the Commission's Rule 10b-6 under Section 10(b) of the Act by bidding for and purchasing shares of the common stocks of both Hoffman and Artloom on the Exchange while Latimer & Co. was in the process of distributing blocks of the respective issuing companies' stocks.

More particularly, it is asserted by the Commission in respect of the charge of wash sales that during the period May 29, 1958 to July 25, 1958, "for the purpose of creating a false or misleading appearance of active trading in Hoffman common stock or a false or misleading appearance with respect to the market for said Hoffman common stock," Latimer & Co. "effected transactions in Hoffman common stock which involved no change in the beneficial ownership of such shares," and that Latimer and Marcus caused it to so do.

The order further asserts that on or about January 6, 1958, Herbert Sternberg, Max Roth and David Roth, who are respectively a cousin by marriage, the father, and a brother of Harold Roth (the latter being president of Hoffman), formed a joint venture to deal in securities. During the period from March 14, 1958, to June 30, 1958, according to the order, said joint venture purchased on the Exchange approximately 215,000 shares of Hoffman common at prices from about \$7.75 to about \$12.00 per share, which accounted for about one-third of the Exchange volume in this stock; in July 1958 said joint venture sold 75,000 shares of said Hoffman stock to Latimer & Co. at \$11 per share, which was below the prevailing market price on the Exchange; and during the period July 10 to July 31, 1958, Latimer & Co. distributed shares of Hoffman common to certain persons. While such distribution was in process, the order recites, Latimer & Co. purchased on the Exchange for its own account 87,700 shares of said Hoffman stock, said purchases representing about 33% of the Exchange volume therein. Latimer and Marcus are said to have caused Latimer & Co. to effect these transactions.

In the case of Artloom stock, the Commission's order asserts that during the period July 10 to July 31, 1958, Latimer & Co. distributed 28,500 shares of Artloom common to certain persons, and while such distribution was in process Latimer & Co. purchased on the Exchange for its own account 24,100 shares of Artloom common, said purchases representing 42.7% of the Exchange volume therein. Again, Latimer and Marcus are said to have caused Latimer & Co. to effect the transactions.

Moreover, according to the Commission's order: (1) although the application for broker-dealer registration filed by Latimer & Co. in October, 1957 (effective December 5, 1957), stated that no person not named therein directly or indirectly controlled the business of Latimer & Co., in fact the business of Latimer & Co. was directly or indirectly controlled by Marcus who directly or indirectly financed the operations of Latimer & Co. and directly or indirectly had a beneficial interest in said operations; (2) since March 1, 1958, the major portion of the securities business of Latimer & Co. has been the purchase and sale, for its own account, of shares of the common stock of Hoffman and Artloom; and (3) sometime prior to September 10, 1958, Latimer & Co., while transacting a business in securities through the medium of a member of a national securities exchange, borrowed money on securities listed on the Exchange from two financing corporations in contravention of Regulation T.

(NOTE: Foregoing also released in SEC New York Regional Office.)

PHILIP MORRIS FILES EMPLOYEE STOCK PLAN

Philip Morris Incorporated, New York, today filed a registration statement (File 2-14484) with the SEC seeking registration of 97,900 shares of its Common Stock, to be offered under the company's "Stock Option Plan" to employees of the company and its subsidiaries.

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