

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.

(In ordering full text of Releases from Publications Unit, cite number)



Washington 25, D.C.

FOR RELEASE January 29, 1959

TWO ACCOUNTANTS DISCIPLINED FOR IMPROPER PROFESSIONAL CONDUCT

The SEC today announced the issuance of a decision (Release A-82) in which it ruled that the accounting firm of Bolt and Shapiro of Silver Spring, Maryland, and one of its partners, Theodore Bolt, "engaged in unethical and improper professional conduct" and should not be permitted to practice before the Commission in the future "until they obtain our approval." The other member of the firm, Bernard L. Shapiro, was found to have "engaged in improper professional conduct"; and he was "denied the privilege of practicing" before the Commission for a period of 30 days.

The decision followed private hearings conducted by the Commission with respect to Shapiro's certification of a balance sheet included in a registration statement under the Securities Act of 1933 filed in January 1958 by Motel Corporation of Italy (and later withdrawn). This statement had proposed the public offering of approximately \$1,000,000 of stock by Motel Corporation, whose address was the same as that of the Bolt and Shapiro firm. The statement listed Bolt as principal promoter, president, treasurer, a director, and owner of a majority of the company's outstanding voting stock.

In view of Bolt's relationship to Motel Corporation, the Commission ruled that Shapiro's relationship as a partner of Bolt rendered him not independent with respect to Motel Corporation, and, accordingly, disqualified him from certifying its financial statement. The requirement of independence is prescribed by the Securities Act; and the Commission observed that the disqualification of Shapiro under these circumstances was clear not only from a reading of its rules and decisions but also under the Rules of Professional Conduct of the American Institute of Certified Public Accountants and published interpretations thereof by the Institute.

"The requirement in the Act that certification be by an independent accountant," the Commission stated, "is a basic one and reflects the importance to investors and the public of an audit by accountants not connected with the company or its management." Moreover, the Commission observed, even apart from the requirements of the Act, "it is firmly established under generally accepted accounting standards that independence is the keynote of the public accounting profession. Authorities in the profession have repeatedly stressed that the public accountant's primary asset is his independence and integrity, and that he is impelled not only by enlightened self-interest, but also by rules of professional conduct, to maintain his independence at all costs."

The Commission concluded that Bolt, who as principal officer had signed the Motel Corporation registration statement and caused it to be filed with the Commission, had caused his partner Shapiro to certify the company's balance sheet as an independent accountant and that he attempted to conceal his relationship with Shapiro. It noted that nowhere in the registration statement was any mention or disclosure made of the fact that Bolt and Shapiro were partners, although such information was required in response to one item in the registration statement and this fact or the fact that they had a common business address could have been reasonably expected to be mentioned in two other places. For example, the biographical description of Bolt lists his business activities and membership in fraternal and civic and professional groups, but omitted any reference to his partnership with Shapiro. Moreover, Shapiro's certificate was not on the partnership's printed letterhead but on a blank sheet of paper upon which Shapiro's home address had been typed, without his knowledge.

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

Various mitigating circumstances were urged in behalf of Bolt, Shapiro and their firm, including unfamiliarity with the Commission's rules on independence and the interpretation by the Institute of its rules, as well as reliance upon the advice of counsel that Shapiro was independent. Observing that these assertions were not persuasive, the Commission stated that it was "convinced that Bolt recognized Shapiro was not qualified to furnish an independent certification and sought to conceal this from us." The record did not establish, however, that Shapiro sought to conceal his relationship with Bolt.

MAGNOLIA PARK REORGANIZATION PLAN CONFIRMED

The U. S. District Court in New Orleans, La., on January 22, 1959, confirmed the plan for reorganization of Magnolia Park, Inc., of New Orleans, debtor in reorganization proceedings under Chapter X of the Bankruptcy Act. Court confirmation came after a hearing in which the court disqualified the negative vote upon the plan of one of the principal creditors. The Trustee and the Commission had urged disqualification on the ground that this vote was not in good faith by reason of the fact that the creditor's primary interest in the proceedings was to receive a concession from the operator of Magnolia's race track. Under the plan, creditors and security holders will receive either cash, trustee certificates, or new securities of the reorganized company, namely, participating certificates and common stock. It is anticipated that the Trustee will proceed to carry out the plan; and it is expected that the track will resume operations on March 9, 1959. (For details, see Release 111).

UNITED CONTROL CORP. FILES FOR OFFERING

United Control Corporation, 4540 Union Bay Place, Seattle, Wash., filed a registration statement (File 2-14707) with the SEC on January 28, 1959, seeking registration of 200,000 shares of Common Stock, to be offered for public sale through an underwriting group headed by Blyth & Co., Inc. The public offering price and underwriting terms are to be supplied by amendment.

The company is engaged primarily in the design, manufacture and sale of electronic control systems, electronic equipment and accessory devices for military and commercial aircraft, missiles and industrial uses. Of the net proceeds of the sale of its common shares, the company proposes to use \$1,500,000 for reduction of bank loan indebtedness. The balance will be added to the general funds of the company and will be available for its general corporate purposes, including working capital for inventories and accounts receivable, and costs of equipment and of research and development incurred in the ordinary course of business. The reduction in bank loan indebtedness is expected to be temporary.

CANAL-RANDOLPH CORP. FILES FOR EXCHANGE OFFER

Canal-Randolph Corporation, 165 North Canal St., Chicago, Ill., filed a registration statement (File 2-14708) with the SEC on January 28, 1959, seeking registration of 816,721 shares of its \$1 par Common Stock.

According to the prospectus, the company proposes to offer to purchase shares of Common and Preferred Stock of United Stockyards Corporation (at a price to be supplied by amendment), and/or, at the option of the holder, to exchange shares of United for shares of Canal-Randolph. The rate of exchange also is to be supplied by amendment. The Canal-Randolph offer is subject to various conditions, including certain limitations on the number of shares which Canal-Randolph shall be required to issue under varying conditions. The prospectus lists New York Hanseatic Corporation and Rea Brothers, Limited, as underwriters. Under agreements with these underwriters, New York Hanseatic has agreed to acquire, under certain circumstances, not in excess of 162,500 shares of Canal-Randolph common; and Rea Brothers has agreed to purchase a maximum of 110,500 shares.

The purpose of the purchase and exchange offer is to acquire an interest in United. In the event the offer is consummated, it is the present intention of Canal-Randolph to operate United

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as a subsidiary. The businesses of the two companies are said to be related. United and its subsidiaries own substantial amounts of real estate which are not used in connection with their businesses and are available for development. It is intended that the real estate experience of Canal-Randolph be used in development thereof. Canal-Randolph is engaged in the real estate investment and development business. United, also of Chicago, and its subsidiary corporations operate 12 public stockyards which facilities are maintained for the reception of livestock for sale and shipment.

UNITED TOURIST ENTERPRISES PROPOSES STOCK OFFERING

United Tourist Enterprises, Inc., 330 South 39th St., Boulder, Colo., filed a registration statement (File 2-14709) with the SEC on January 28, 1959, seeking registration of 4,500,000 shares of Class A Common Stock. The company proposes to offer the stock for public sale at \$2 per share. The offering is to be made on a best efforts basis by Mid-West Securities Corporation, Littleton, Colo., for which a selling commission of 30¢ per share is to be paid.

United Tourist was organized under Colorado law in July 1958, and proposes to engage in the amusement and entertainment business, transportation business, and to purchase, acquire, and develop real estate of all kinds, and to generally engage in the hotel, motel and tourist business, with primary emphasis in the Estes Park, Colorado, region. The company's president, G. L. Stanley, has contracted to purchase a 150-acre tract five miles south of the City of Estes Park, and has assigned his interest in the contract to the company for 50,000 shares of its Class B common. A portion of the proceeds of the stock sale are to be utilized to pay for this property and subsequently to develop it into a "Western Village."

The company also has contracted to purchase all the outstanding stock of the Estes Park Chalet, Inc., and Colorado Transportation Company for \$1,000,000 and 255,000 Class B common shares. The primary asset of Estes Park Chalet is a hotel in Larimer County, some 5 miles south of the City of Estes Park. The Transportation Company consists of franchises with respect to touring guides throughout the Rocky Mountain National Park, together with the Grey Line Bus System, Grand Lake Lodge, and the tourist rest stop, restaurant and tourist shop at the top of Trail Ridge Road at the height of Rocky Mountain National Park. Principal expenditures from the proceeds of this financing are \$2,500,000 for development and construction of Western Village and \$3,350,000 for construction of a Grand Estes Hotel and Convention Hall, to be constructed in the immediate area of the Chalet.

Management officials and promoters are to receive 4,150 shares (0.1%) of the Class A stock and 54,150 shares (67%) of the Class B stock, for which they transferred property to the company, rendered services, or contributed \$4,150 in cash. Other present stockholders will own 28,000 Class A shares (6%) for which they will have paid \$14,000 in cash, and 28,000 Class B shares (33%) for which they will have paid \$14,000 in cash. The foregoing does not include the 255,000 Class B shares issuable upon purchase of the two subsidiaries.

SEC COMPLAINT SEEKS TO ENJOIN SALE OF PERRY OIL (MARK) STOCK

The SEC New York Regional Office announced January 27, 1959 (Lit. Release 1396) the filing of a complaint (USDC, SDNY) to enjoin violations of anti-fraud provisions of Federal Securities Laws by Kimball Securities, Inc., its president, Frank S. Kimball, and certain other officials in offer and sale of common stock of Perry Oil Co., Inc. (formerly Mark, Inc.).

SOUTHERN CO. FINANCING CLEARED

The SEC has issued an order (Release 35-13911) authorizing The Southern Company, Wilmington, Delaware holding company, to issue and sell, at competitive bidding, up to 1,350,000 additional shares of its common stock. The precise number of shares has not been determined but is expected to be in an amount estimated to result in aggregate cash proceeds of approximately \$43,750,000.

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Proceeds of the stock sale together with treasury funds are to be used by Southern to pay off \$6,000,000 of short-term bank loans and for additional investments in the common stocks of subsidiaries, as follows: \$33,000,000 each in Alabama Power Company and Georgia Power Company, and \$5,000,000 for the purchase of 20,000 and 30,000 shares, respectively, of the common stocks of Gulf Power Company and Mississippi Power Company. The subsidiaries plan to use the funds for construction purposes, except that Alabama and Georgia propose to purchase 90,000 common shares of Southern Electric Generating Company for \$9,000,000 each. The latter will use the proceeds of its stock sale to pay a portion of its outstanding short-term bank loans and to continue the construction of its steam electric generating plant and its coal mining facilities, to acquire additional coal reserves, and for other corporate purposes.

ACCUMULATED SHARES LTD. SEEKS EXEMPTION

Accumulated Shares Limited, Inc., of Shreveport, La., has applied to the SEC for an order under the Investment Company Act of 1940 declaring that it has ceased to be an investment company; and the Commission has issued an order (Release 40-2823) giving interested persons until February 11, 1959, to request a hearing thereon. According to the application, the company was dissolved pursuant to stockholder approval as of January 27, 1958. At that time there were 200 common shares outstanding, all owned by a single stockholder. The company had no outstanding indebtedness at the time of dissolution.

HAMILTON OIL HEARING POSTPONED

The hearing in the stop order proceedings under the Securities Act of 1933 pending in respect of the registration statement filed by Hamilton Oil & Gas Corporation, of Denver, Colo., has been postponed at the request of company counsel from January 29, 1959, to February 26, 1959 (For details, see Release 33-4017).

WESTERN GAS SERVICE PROPOSES STOCK OFFERING

Western Gas Service Company, 9065 Alameda Ave., El Paso, Texas, today filed a registration statement (File 2-14710) with the SEC seeking registration of 104,500 shares of its Common Stock. The company proposes to offer 4,500 shares for subscription by certain employees, and the remaining 100,000 are to be offered for public sale through an underwriting group headed by Underwood, Neuhaus & Co. The offering price and underwriting terms are to be supplied by amendment.

The company (formerly Lea County Gas Company) will use the net proceeds, together with the proceeds of the sale to institutional investors of \$3,200,000 of 5-3/8% bonds due 1983 and 15,000 shares of 6% preferred stock, \$100 par, and other cash funds of the company, to pay a short-term bank loan of \$5,700,000. The proceeds of such loan, obtained in November 1958, were used (1) to pay substantially all of the purchase price of the gas and water properties acquired from Southwestern Public Service Company (2) to pay short-term bank loans of the company in the amount of \$404,736 principal and interest, incurred in connection with plant expansion and working capital requirements of the company, and (3) to increase working funds of the company by approximately \$395,000.

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