

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



Washington 25, D.C.

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)

FOR RELEASE February 5, 1959

SEC ORDER CITES REYNOLDS & CLEEK-TINDELL FIRMS

The Securities and Exchange Commission today announced that a public hearing would be held in its San Francisco Regional Office, commencing Tuesday, February 10, 1959, to determine whether the broker-dealer registrations of the following should be revoked and whether they should be suspended from membership in the National Association of Securities Dealers, Inc., and/or from membership in stock exchanges of which they are members:

Reynolds & Co., New York, N.Y. (the "Reynolds partnership")

Reynolds & Co., Incorporated, New York, N.Y. ("Reynolds Inc.", 100% of whose common and preferred stock is held by the Reynolds partnership)

Cleek-Tindell Co., Inc., Spokane, Wash.

In its orders authorizing the proceedings, which are consolidated for purposes of hearing, the Commission asserts that information developed in an investigation conducted by its Staff tends to show that, in the offering and sale of securities of the following companies during the period December 1953 to June 1955, the Reynolds partnership (through certain of its California Offices) and Cleek-Tindell "engaged in acts, practices and a course of business which operated as a fraud and deceit upon certain persons," in that they induced such persons to purchase and sell such securities by means of false and misleading representations of material fact:

Caledonia Silver Lead Mining Company
Coeur d'Alene Silver Giant, Inc.
Nancy Lee Mines, Inc.

New Era Mines, Inc.
Signal Mining Company
Silver Bowl, Inc.

These six companies purportedly owned U & I Uranium Inc. The misrepresentations related, among other things, to the value of U & I Uranium, Inc. properties; the number of shares of U & I Uranium stock issued and outstanding; the ownership of the securities being offered and sold; and the market for the securities being offered and sold. Upon the basis of the foregoing misrepresentations, the Reynolds partnership and Cleek-Tindell are said to have employed a scheme to defraud in the sale of securities of the six companies; and it is further asserted that Wesley I. Roland, Jack Cooper, Douglas Reed, William Rice, and Wilson M. Dodd, all of the Reynolds partnership, and M. A. Cleek and A. L. Osborne, of Cleek-Tindell, caused them so to do.

It also is alleged in the order with respect to the Reynolds partnership that, in the sale of the securities of the six companies, the partnership represented (and Roland, Cooper, Reed, Rice, Cleek, Osborne and Dodd caused it to represent) that the securities would be purchased at the best possible price when, in fact, the partnership withheld purchase orders until the price of the securities had advanced.

Moreover, according to the allegations of the Reynolds order, the Reynolds partnership conducted transactions for customers' accounts in its Chicago office without consent or authoriza-

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

tion of such customers, in that it affixed to certain documents signatures purporting to be customers' signatures, which purported signatures were not authorized by such customers. Jordan Rothbart is alleged to have caused the Reynolds partnership to engage in these activities, as did Elmer J. Stefany, Robert B. Whittaker and John G. White by reason of their failure to exercise proper supervision. Violations of Regulation T by the Reynolds partnership, caused by Jordan Rothbart, Elmer J. Stefany, Robert B. Whittaker and John G. White, also are charged.

In addition, according to the order with respect to the Reynolds partnership, that firm, contrary to the best interests of certain of the customers of its Carmel (Calif.) office and in violation of the trust and confidence reposed in it, and for its own gain and benefit, induced such customers to purchase and sell securities pursuant to its recommendations which were excessive in size and frequency in the light of the character of the customers' accounts. Partick H. Coleman, Jr., Wilfred C. Aldous and William R. Rice are said to have caused the partnership to so do.

The Reynolds partnership, through the lack of supervision and internal control, is said to have permitted the foregoing activities to occur in its San Francisco, Berkeley, Oakland, Carmel and Chicago branch offices. Similarly, through the lack of supervision and internal control, the said partnership is said to have permitted a salesman in its Minneapolis branch office (1) to have issued to certain customers checks in their names, which in turn he endorsed in the customers' names and his own name, and deposited said checks in his personal account; and (2) to issue his personal checks to the partnership, which were credited on its books to an account in a name other than that of such salesman, which account was in a fictitious name.

The order with respect to Cleek-Tindell also charges that that company, M. A. Cleek and J. Russell Tindell offered and sold Dawn Uranium & Oil Co. stock in violation of the registration and anti-fraud provisions of the Securities Act and "engaged in acts, practices and a course of business which operated as a fraud and deceit" upon the purchasers of the stock, in that they made false representations concerning among other things, the value and quantity of ore on Dawn Uranium properties, the extent of exploration and development work on such properties, the status of the public offering of Dawn Uranium stock, the public demand for the stock, and the market for such stock.

Because of the control relationship between the Reynolds partnership and Reynolds Inc., the latter also is named as a respondent in the consolidated proceedings.

These proceedings were first authorized on March 27, 1957. During the ensuing period, many discussions have been held between representatives of the respondent companies and counsel for the Commission in an endeavor to agree upon a factual stipulation which would obviate the necessity for protracted hearings for the production of evidence. These discussions are continuing with a view to shortening the time necessary for hearing. Furthermore, continuing investigations during the period developed additional evidence of violations, which were reflected in an amended order issued by the Commission on January 9, 1959. The additional evidence related primarily to the Chicago and Carmel offices of the Reynolds partnership.

FREEMAN SECURITIES BROKER-DEALER REGISTRATION POSTPONED

The SEC today announced the issuance of a decision (Release 34-5875) postponing the effective date of an application for broker-dealer registration under the Securities Exchange Act of 1934 filed by Freeman Securities Inc., 150 Broadway, New York, "until final determination of the question whether the application for registration should be denied."

The application was filed December 9, 1958. A hearing thereon was held on January 26, 1959, at which neither applicant's counsel nor Sam Freeman, its president, was present. The evidence tends to show, the Commission stated, that Freeman's wife beneficially owns 10% of the company's stock, but the application failed to list her as such owner, and that the "cash in banks" item of \$10,000 in applicant's statement of financial condition was a "gross over-statement" since applicant had only \$1,000 in the bank.

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Accordingly, the Commission ruled that there has been a sufficient showing that Freeman Securities "willfully made a false and misleading statement" in its application for registration and willfully violated the Act and SEC Rule 15b-8 thereunder, to make it necessary in the public interest and for the protection of investors to postpone the effective date of its registration pending final determination whether registration should be denied.

(NOTE TO PRESS: Foregoing also available SEC New York Regional Office)

MOTION TO DISMISS LOGAN & CO. PROCEEDING DENIED

In a decision announced today (Release 34-5867), the SEC denied a motion of J. Logan & Co., 721 East Union Street, Pasadena, Calif., to dismiss the Commission's administrative proceedings under the Securities Exchange Act of 1934 to determine whether that company violated the anti-fraud provisions of the Federal Securities Laws and, if so, whether its registration as a broker-dealer should be revoked and/or whether it should be suspended or expelled from NASD membership.

The Commission's order authorizing the proceedings charged that Logan & Co. had induced "excessive trading" in securities of eleven named companies "among others" in the accounts of customers, that it "stimulated trading in such accounts by advising one group of customers to buy certain securities while contemporaneously advising another group to sell the same securities without disclosing registrant's adverse interest in such transactions and the inconsistency of its advice.." Furthermore, the order alleged that Logan & Co. made false and misleading statements concerning eighteen specific matters in the purchase and sale of securities, and that it failed to preserve copies of teletype messages.

The Commission rejected assertions of Logan & Co. in support of its motion to dismiss that the order does not state facts justifying any action and ruled: "In our opinion, the order for proceedings states sufficient facts which, if proven, would support the allegations of willful violations and justify action by us . . . if in the public interest." The Commission also denied the company's motion for a bill of particulars, except with respect to any fraud allegations which relate to securities of issuers not named in the order, as to which it ruled that Logan & Co. should be apprised of the names of any such issuers.

(NOTE TO PRESS: Foregoing also available SEC Los Angeles Branch Office)

HEARING ON SUSPENSION OF VICKERS BROTHERS SCHEDULED

The Securities and Exchange Commission has scheduled a special hearing before the Commission on Tuesday, February 10, 1959, at 2:30 P.M., on the question whether, pursuant to Section 15(b) of the Securities Exchange Act of 1934, it is necessary or appropriate in the public interest or the protection of investors to suspend the broker-dealer registration of Vickers Brothers, 37 Wall Street, New York, pending final determination on the question whether such registration should be revoked.

The proceedings were ordered by the Commission on December 15, 1958 (See Release 34-5836). The original order alleged that the Vickers firm and its partners had "engaged in acts, practices and a course of business which operated as a fraud and deceit upon certain customers," including the conversion of customers' securities to the use and benefit of the firm and its partners without the knowledge and consent of the customers.

JAMAICA PROPOSES BOND OFFERING

The Government of Jamaica filed a registration statement (File 2-14727) with the SEC on February 4, 1959, seeking registration of \$10,000,000 of Sinking Fund External Loan Bonds due March 1, 1974, and \$2,500,000 of Serial External Loan Bonds due September 1, 1960 - March 1, 1964. The bonds are to be offered for public sale through an underwriting group headed by Kuhn, Loeb, & Co. The interest rates, public offering prices and underwriting terms are to be supplied by amendment.

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Net proceeds of the sale of the bonds will be applied to meet a portion of the expenditures for economic and social development contemplated under its program, "A National Plan for Jamaica 1957-67." The specific purposes to which such proceeds may be applied are those authorized by the Loan Law, 1956, namely, agricultural development, general development, communications, housing, water supplies, municipal and parochial works, and reloan to the Water Commission, a statutory body established by Jamaican law. The Plan involves an estimated total expenditure of about \$221,000,000 during the ten fiscal years ending March 31, 1967, and, for the three fiscal years ending March 31, 1960, an aggregate estimated expenditure of about \$70,000,000 is contemplated. Expenditures under the Plan are subject to annual budget appropriations. Approximately \$17,492,000 was spent under the Plan in the fiscal year ended March 31, 1958.

GROWTH FUND OF AMERICA FILES FOR STOCK OFFERING

The Growth Fund of American, Inc., a newly-organized investment company, 1825 Connecticut Avenue, Washington, D. C., filed a registration statement (File 2-14728) with the SEC on February 4, 1959, seeking registration of 250,000 shares of common stock. The company was organized October 31, 1958, under Delaware law. Jacob Skop of Silver Spring is listed as president and board chairman. Investment Advisory Service of Washington shall serve as investment adviser. It is a sole proprietorship, of which John C. Kahn is sole proprietor. Investment Management Associates, Inc., will act as Business Manager. Skop is president and Henry R. Geiger (Growth Fund's vice president) is vice president and treasurer of Associates; and they are owners of 44% and 4%, respectively, of the stock of Associates. Associates also will serve as principal underwriter for Growth Fund shares.

JAMES TALCOTT INC. PROPOSES STOCK OFFERING

James Talcott, Inc., 225 Fourth Ave., New York, filed a registration statement (File 2-14729) with the SEC on February 4, 1959, seeking registration of 150,000 shares of Common Stock, to be offered for public sale through an underwriting group headed by F. Eberstadt & Co. and White, Weld & Co. The public offering price and underwriting terms are to be supplied by amendment.

The company is engaged in the business of commercial financing and accounts receivable factoring. Net proceeds of its stock sale will be added to the general funds of the company and will be available for general corporate purposes. The resulting increase in capital is desirable in order to expend the capital base and consequently the overall borrowing power of the company, in connection with the increase in the company's regular business and absorption of the commercial finance business of three companies during the past year. This expansion will in addition permit the handling of a larger volume of business. Part of the proceeds may be used in the regular course of business temporarily to reduce bank borrowings.

RUSSELL McCONNELL PROPOSES OFFERING

Russell McConnell, Dorset, Ohio, filed a registration statement (File 2-14730) with the SEC on February 4, 1959, seeking registration of 3/2000ths participating interests, in the amount of \$125,000, in the oil recovered from the "English Well No. 1"; "Hall Well No. 1"; "Johns Well No. 1"; "LaMont - Garnett Well No. 1" and "Turner Well No. 1" or all or any of them that may be producers, and 1/500th of the net production of gas recovered from the said wells. The properties are located in Monroe Township, Ashtabula County, O. The offering is being made to finance the drilling of wells on the said properties.

SEC TO PARTICIPATE IN DE PAUL EDUCATIONAL AID SOCIETY REORGANIZATION

The Securities and Exchange Commission through its counsel has filed a notice of appearance in proceedings pursuant to Chapter X of the Bankruptcy Act for the reorganization of De Paul Educational Aid Society pending in the United States District Court in Chicago.

The Society is a non-profit corporation owning a 16-story office building at 64 East Lake Street, Chicago. De Paul University no longer uses space in the building. The Society has \$1,205,700 of first mortgage bonds outstanding, held by over 500 persons, which mature in 1960. It has paid only a small part of the interest accruing on these bonds since a prior reorganization in 1935; and it filed a voluntary petition for reorganization on January 5, 1959, because of its inability to pay the bonds on maturity.

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T. Rowe Price Growth Stock Fund, Inc., a Baltimore investment company, filed an amendment on February 3, 1959, to its registration statement (File 2-10780) seeking registration of an additional 50,000 shares of capital stock, \$1 par value.

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Minnesota Fund, Inc., Minneapolis investment company, filed an amendment on February 4, 1959, to its registration statement (File 2-11387) seeking registration of an additional 200,000 shares of common stock, 1¢ par value.

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Stein Roe & Farnham Stock Fund, Inc., Chicago investment company, filed an amendment on February 4, 1959 to its registration statement (File 2-14105) seeking registration of an additional 494,000 shares of capital stock \$1 par value.

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The Investment Company of America, Los Angeles investment company, filed an amendment on February 4, 1959, to its registration statement (File 2-10811) seeking registration of an additional 1,000,000 shares of common stock, \$1 par value.

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CORRECTION:

The January 26, 1959, News Digest reflected the filing of a registration statement by Harman-Kardon, Inc., proposing the public offering of 200,000 common shares. The item incorrectly stated that the offering, by Milton D. Blauner & Co., Inc., would be made "on a best efforts basis." The underwriter has a firm commitment to purchase the shares.

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