

**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)



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FOR RELEASE July 24, 1962

**VIOLATIONS CHARGED TO KEYSTONE SECURITIES.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Keystone Securities Corp., of 826 South Main Street, Salt Lake City, violated prohibitions of that Act and the Securities Act of 1933 against manipulation and fraud and, if so, whether its broker-dealer registration should be revoked.

Keystone has been registered with the Commission as a broker-dealer since July 12, 1961, and M. R. (Russell) Ballard, Jr., is its president. In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that certain activities of Keystone and Ballard with respect to Shasta Minerals and Chemical Company violated the said provisions of the Federal securities laws. Shasta filed a registration statement with the Commission in April 1961 proposing the public offering of 500,000 shares of Shasta common at \$2.50 per share. That statement, as amended, names Keystone as underwriter. The staff charges that the Shasta registration statement (against which "stop order" proceedings are pending under the Securities Act) contains false and misleading information and omits material facts with respect to the following, and that Keystone and Ballard aided and abetted Shasta in its filing: (a) prior sales of Shasta stock in violation of Section 17 of the Securities Act and the true facts surrounding a January and February 1961 rescission offer by Shasta; (b) financial statements and the financial condition of Shasta; (c) the relationship of Shasta, its promoters and management officials, with Keystone and Ballard; (d) the activities of Shasta, Kay L. Stoker and others in the offer and sale of Shasta stock in violation of Sections 5 and 17(a) of the Securities Act; and (e) the fact that Phelps-Dodge Corporation withdrew from its joint-venture with Shasta because the results were unfavorable from the standpoint of Phelps-Dodge.

The Staff further charges that, in the offer and sale of Shasta common during the period January to November 1961, Keystone and Ballard engaged in activities which operated as a "fraud and deceit" upon certain persons in that (1) in addition to the foregoing, and for the purpose of conditioning and inducing investors to purchase Shasta stock to be offered under the said registration statement, they offered and sold Shasta shares at prices ranging from \$1.50 to \$1.60 per share to certain members of the Shasta-Stoker group, which prices were in excess of those previously charged public investors; and (2) distributed a letter to Shasta shareholders for the purpose of inducing their purchase of Shasta shares to be offered under the registration statement, and included therein certain false and misleading information, including that with respect to the stage of development, nature of and potential value of Shasta's mining properties. The filing of a false financial statement by Keystone and its violation of the Commission's record-keeping requirements also are charged by the staff.

A hearing will be held, at a time and place to be announced, for the purpose of taking evidence to determine whether the staff charges are true, and, if so, whether Keystone's broker-dealer registration should be revoked.

**INVESTMENT BROKERS (N.J.) HEARING SCHEDULED.** The Commission has issued an order scheduling a hearing for August 8th in its New York Regional Office in proceedings to determine whether to revoke the broker-dealer registration of Investment Brokers of New Jersey, Inc., 744 Broad Street, Newark, N. J. The Commission's order of March 6, 1962, authorizing these proceedings recited charges of its staff that the respondent violated the bookkeeping, net capital and certain other provisions of the Securities Exchange Act.

**AMERICAN BERYLLIUM OFFERING SUSPENDED.** The SEC has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a stock offering by American Beryllium & Oil Corp., Salt Lake Stock Exchange Bldg., Salt Lake City, Utah.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. In a notification filed on October 11, 1957, the company proposed the public offering of 300,000 common shares at \$1 per share. The Commission asserts in its suspensory order that it has reasonable cause to believe that certain terms and conditions of the Regulation were not complied with and that the company's offering circular was false and misleading in respect of certain material facts. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

The alleged misrepresentations relate to the company's failure to disclose that Elmer K. Aagaard, president and promoter of the company and its underwriter, had been expelled from the National Association of Securities Dealers, Inc. for conduct contrary to high standards of commercial honor and just and equitable principles of trade.

**THREE REGULATION A HEARINGS SCHEDULED.** The Commission also has issued orders scheduling hearings, as indicated, with respect to the question whether prior temporary suspension orders with respect to the following should be vacated or made permanent:

OVER

<u>Issuer</u>	<u>Time and Place of Hearing</u>
Trail-Aire, Inc., Long Beach, Calif.	August 23, 1962, SEC Los Angeles Office
Fred Harvey Associates, Inc., Mineral County, Nev.	August 27, 1962, SEC Los Angeles Office
Glas Foam Corporation, Hialeah, Fla.	August 28, 1962, SEC Atlanta (Ga.) Office

**TITAN MINES ENJOINED.** The SEC Denver Regional Office announced July 19th (Lit-2318) the entry of a Federal court order (USDC Colo.) permanently enjoining Titan Mines, Inc., Henry Oren Aaberg and Stella R. Aaberg from further violations of the registration and anti-fraud provisions of the Securities Act in connection with the offer and sale of common stock of Titan Mines. The defendants were also enjoined from dissipating and disbursing certain assets until the Commission's motion for a receiver has been determined. The defendants consented to the entry of the decree.

**HERMAN W. MCCUNE CONVICTED.** The SEC Seattle Regional Office announced the conviction on July 19th (Lit-2319) of Herman W. McCune (USDC, Tacoma, Wash.) on charges of violating the anti-fraud provisions of the Securities Act and the mail fraud statute in connection with the offer and sale of stock of Estates, Inc. (Nevada) and Estates Life of Washington. John H. Edwards, Lyle R. Dedmore and Gerald G. Dedmore, were also found guilty of various counts of mail fraud and fraud in the sale of securities. James E. Caine had previously pleaded guilty to similar counts and to conspiracy to violate the statutes involved in such counts. and J. Ashton Cosby was acquitted on all counts.

**NORMAN GRADSKY, OTHERS CONVICTED.** The SEC Atlanta Regional Office announced the conviction on July 19th (Lit-2320) of Norman Gradsky, Mrs. B. J. Gradsky, Robert Grene, George Levine, Leonard L. Glaser, Howard W. Meadors, Robert B. Roberts, alias Robert B. Shoemaker, Alfred Schiff, alias Alford Schiff, E. E. Gibbons and Mrs. Gertrude Hogue, on charges of violating the fraud provisions of the Securities Act, the Mail Fraud Statute and the Conspiracy Act (USDC, Orlando, Fla.). Another defendant, Harry Kalb, has not been apprehended and therefore was not tried with said defendants.

**FILOSA SENTENCED.** The SEC Denver Regional Office announced July 20th (Lit-2321) that Frank Robert Filosa received a two year prison sentence, with all but 60 days being suspended, following his guilty plea (USDC Colo.) to charges of violating the anti-fraud provisions of the Securities Act of 1933. In addition, Filosa Securities Company was fined \$2,500 on the same charge.

**COMPLAINT FILED AGAINST NATIONAL CAPITAL CORP.** The SEC announced July 20th (Lit-2322) the filing of a court action (USDC, DC) seeking to compel the filing of proper and timely annual reports by National Capital Corporation, 350 Lincoln Road, Miami Beach, Fla., and seeking a permanent injunction enjoining it and its management officials from future violations of the Commission's reporting requirements. The complaint seeks to compel the filing of an annual report for National's 1961 fiscal year and an amendment, containing properly certified financial statements, to its 1960 annual report.

**VERNON EVANS BERGMAN, OTHERS CONVICTED.** The SEC Fort Worth Regional Office announced (Lit Release 2323) the conviction on July 20th, of Vernon Evans Bergman (also known as Soll Evans, Sol Evans, Sonny Evans), Henry Madison Myrick (also known as Mike Myrick) and Mike Mayer on charges of violating the anti-fraud provisions of the Securities Act of 1933 and the Mail Fraud Statute. Bergman was also found guilty of a charge of transporting in interstate commerce money obtained by fraud. Sentencing was deferred until August 2nd.

**GORDON HENDERSON NAMED SPECIAL COUNSEL.** SEC Chairman Cary today announced that Gordon D. Henderson, who has served on the Commission's staff since March 1962, has been given the additional assignment of serving as Special Counsel to the Commission on Investment Company Act matters. A native of Oakland, Calif., where he was born on May 25, 1930, Mr. Henderson was associated with the Washington law firm of Covington & Burling for some four and one-half years prior to joining the Commission's staff. While with that firm he engaged in the general practice of law with primary emphasis on Federal taxation and general corporate work, including the Federal securities laws. He graduated magna cum laude from Harvard College (A.B.) in 1951, where he was a member of Phi Beta Kappa, and from Harvard Law School (LL.B.) in 1957, where he was an editor of the Harvard Law Review. He is a member of the D.C. Bar Association of the District of Columbia. For three years ending June 1954, Mr. Henderson served in the United States Navy as an officer aboard a destroyer in the Atlantic Fleet.

**SECOND QUARTER SECURITIES OFFERINGS.** The SEC announces (for newspapers of Wednesday, July 25th) that new corporate securities offered for cash sale during the second quarter of 1962 totalled \$3.1 billion. The dollar volume of both debt and equity issues continued at a high level through June, although the number of common stock issues decreased sharply following the break in the stock market at the end of May. The total volume of all offerings in the second quarter was about 30 percent larger than the preceding quarter but only 60 percent as large as the record flotations during the second quarter of 1961. For details, see Stat. Release No. 1842.

**TRADING IN APEX MINERALS SUSPENDED.** The SEC has issued an order under the Securities Exchange Act suspending trading in the common stock of Apex Minerals Corporation on the San Francisco Mining Exchange and over-the-counter market for a further ten-day period July 25 to August 3, 1962, inclusive.

CONTINUED

**LINCOLN FUND SEEKS ORDER.** The Lincoln Fund, Incorporated, New Britain, Conn., has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company; and the Commission has issued an order (Release IC-3505) giving interested persons until August 6, 1962 to request a hearing thereon. According to the application, the Fund has withdrawn its registration statement under the Securities Act and does not presently propose to make a public offering of its securities. It has not more than 28 beneficial owners of its common stock.

**COLUMBIA GAS SYSTEM FINANCING CLEARED.** The SEC has issued an order under the Holding Company Act (Release 35-14672) authorizing The Columbia Gas System, New York holding company, to issue and sell at competitive bidding \$20,000,000 of debentures due 1987. The proceeds from the debenture sale will be used to redeem, about September 10, 1962, \$17,560,000 of 5½% debentures (series H) due 1982 (including a premium of \$957,020), and the balance will be added to general funds to be available for financing in part the system's 1962 construction program.

**SEC ORDER APPROVES FEES IN STANDARD GAS CASE.** The SEC has issued an order under the Holding Company Act (Release 35-14671) authorizing the payment of about \$295,000 of legal and other fees and expenses in connection with proceedings culminating in the January 1961 order of the Commission approving Step V of a plan providing for the liquidation of Standard Gas and Electric Company, holding company, and its wholly-owned subsidiary, Philadelphia Company, also a registered holding company. Step V also provided for the satisfaction of all possible claims against each company and the distribution to the shareholders of Standard Gas of the portfolio securities and cash held by the companies.

**GENESCO FILES FOR EXCHANGE PLAN.** Genesco Inc., 111 Seventh Avenue, North, Nashville, Tenn., filed a registration statement (File 2-20589) with the SEC on July 20th seeking registration of 354,495 shares of common stock. It is proposed to offer such stock in exchange for the 527,205 outstanding common shares of Flagg-Utica Corporation, of New York, at the rate of 35 shares for each 100 shares of Flagg-Utica (plus additional shares depending upon net profits of Flagg-Utica). The prospectus states that the company has agreed to exchange a minimum of 184,522 shares and a maximum of 326,867 shares (depending upon the average net earnings of Flagg-Utica during the three years ended January 2, 1965). The statement also includes 32,071 shares for offering by selling stockholders.

The company and its subsidiaries are engaged principally in the manufacture of men's, women's and children's apparel and footwear, and the sale of these products through both wholesale and retail outlets. Flagg-Utica and its subsidiaries are engaged in the manufacture and distribution of knitted fabrics, yarns, knitted underwear and outerwear in the United States. In addition to certain indebtedness and preferred stock, the company has outstanding 3,795,141 shares of common stock, of which management officials as a group own 5.12%. W. M. Jarman is board chairman and B. H. Willingham is president. According to the prospectus, Jewett T. Flagg, president of Flagg-Utica, has agreed to exchange 443,500 shares of Flagg-Utica owned by him for common stock of the company.

**INVESTORS REAL ESTATE TRUST FILES FOR OFFERING.** Investors Real Estate Trust, 30 State Street, Boston, filed a registration statement (File 2-20590) with the SEC on July 23rd seeking registration of 300,000 shares of beneficial interest in the Trust, to be offered for public sale at \$10 per share. The offering will be made on a best efforts basis by Empire Planning Corporation, 570 7th Ave., New York. The underwriting terms are to be supplied by amendment.

The Trust is a business trust organized under Massachusetts law in April 1962. It intends to invest in real estate and mortgages on developed real estate on the Eastern seaboard, and to operate as a real estate investment trust under the Internal Revenue Code. The net proceeds from the sale of shares will be applied to such investments. Selected Realty Associates, Inc. will serve as the investment advisor and consultant to the Trustees in connection with all investments made or proposed to be made, and Hunneman and Co. will be exclusive agent for the management, acquisition and disposition of the Trust's real estate interests (exclusive of mortgages).

Samuel E. Neel is chairman of the trustees, and he and the other trustees are directors and stockholders of the Advisor. Gerald S. Jeremias, president and principal stockholder of the Advisor, is also president and sole stockholder of the underwriter. None of the Trustees (or any person associated with any of them) has any interest in Hunneman.

**SECURITIES ACT REGISTRATIONS.** Effective July 24: The Cincinnati and Suburban Bell Telephone Co. (File 2-20566); Cine-Dyne, Inc. (File 2-20409); Florida Power & Light Co. (File 2-20501); Houston Lighting & Power Co. (File 2-20568); Maradel Products, Inc. (File 2-19926); Kingdom of Norway (File 2-20418); Putnam Investment Programs (File 2-19462); Roblin-Seaway Industries, Inc. (File 2-20107).  
Withdrawn July 24: Mayflower Fund, Inc. (File 2-19598); Superior Baker, Inc. (File 2-19862); Zeckendorf Property Corp. (File 2-20123).