

# 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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**SEC ANNOUNCES CORNUCOPIA GOLD MINES DECISION.** In a decision announced today (Release 34-6339), the SEC ordered withdrawal of the common stock of Cornucopia Gold Mines, Pittsburgh, from listing and registration on the American Stock Exchange, because of numerous violations of the reporting and disclosure requirements of the Securities Exchange Act of 1934.

The Exchange suspended trading in Cornucopia stock on May 20, 1958, by reason of the company's failure to distribute its 1957 annual report to stockholders; and during the period July 25, 1958, to November 11, 1958, trading on the Exchange and the over-the-counter market was suspended by Commission orders to prevent fraudulent, deceptive or manipulative practices in connection with such trading. Cornucopia was adjudicated a bankrupt in October 1958.

A dormant mining company from 1941 until May 1957, Cornucopia had outstanding 3,978,800 common shares as of the latter date, of which 2,001,600 shares were owned by A. A. Franks of Boston. In that month Franks sold 1,000,000 shares to Eastern Investment and Development Corporation, the latter agreeing to pay \$150,000 in cash and \$90,000 by promissory note. The cash payment was made in part from the proceeds of a later loan of \$100,000 which Eastern obtained in May 1957 from Union Bank and Trust Company of McKeesport, Pa. At this time Franks also placed another 1,000,000 shares in a ten-year voting trust, the voting trustees being Franks, Murray and Burton Talenfeld, their father, Edward Talenfeld, and Earl Belle. All the stock of Eastern, a real estate company organized in July 1956, was owned and controlled by the Talenfelds and Belle.

The latter had been introduced to Franks by Kalman Greenhill, representing Frank Proctor and Associates, Inc., which was owned by Greenhill, John Murray and Frank Proctor. Subsequently, in October 1957, Greenhill, acting on behalf of himself, Proctor Associates, Alabama Acceptance Corporation, and Allen Capital Corporation, granted Cornucopia an option to purchase their stock interests (ranging from 29.9% to 100%) in five companies; and the next month Cornucopia exercised this option and assumed management of the five subsidiaries. Under the agreement, the Greenhill group was to receive 1,900,000 shares of Cornucopia stock and was to place such shares in a voting trust to be controlled by Eastern, Belle, and the Talenfeld brothers.

The Greenhill group had experienced difficulties in the fall of 1957 in financing the operations of the five subsidiaries and had obtained substantial loans from the Security National Bank of Huntington, N. Y., for the benefit of two of the subsidiaries. Security National was to receive 600,000 of the 1,900,000 shares to be issued to the Greenhill group. Cornucopia also agreed to issue another 355,000 shares in order to free the shares of certain of the subsidiaries from claims of former owners thereof. In January 1958 Cornucopia contracted to purchase a majority interest in another company and to pay therefor cash, notes and 405,000 common shares (plus 10,000 shares as a commission to Proctor Associates).

Both Eastern and Cornucopia, as well as the subsidiaries, being in financial difficulty during the period of these acquisitions, Belle and the Talenfeld brothers arranged in November 1957 for Cornucopia to borrow \$200,000 from Security National, the loan being guaranteed by Eastern. Part of the loan was used to repay a loan from the bank to one of the subsidiaries, and the remainder was advanced to Eastern, to Belle, and used as operating capital for Cornucopia and the subsidiaries. In December 1957, a company wholly-owned by one of the subsidiaries filed a petition under Chapter XI of the Bankruptcy Act; and in January 1958 a plan was confirmed whereby unsecured creditors would receive 20% of their claims in promissory notes guaranteed by Cornucopia. In the same month Belle and the Talenfeld brothers arranged for another loan by Security National Bank of \$225,000 to Eastern; and the next month Eastern obtained a further loan of \$200,000 from the Union Bank of McKeesport. Financial statements of Eastern upon the basis of which these bank loans were made had been falsified. Subsequently, in April 1958, Security National Bank agreed to make a further loan of \$250,000 to Cornucopia upon the basis of a purported underwriting agreement for the sale of stock which was to yield \$1,250,000 to Cornucopia, despite the fact that the underwriting discussions had never gone beyond preliminary stages.

In April or May 1958, a disagreement between the Talenfelds and Belle resulted in Belle gaining sole control of Cornucopia and Eastern, including agreements by the Talenfelds to relinquish their voting trusteeships over the 2,900,000 common shares. In April 1958 Belle gained control of the Manufacturers Bank of Edgewater, N. J., through Mitchell Ostwind, following which he obtained nine loans of \$12,500 each from that bank, represented by notes of certain of the subsidiaries and others; and the proceeds of seven of these loans in the total amount of \$87,500 were deposited with Peoples National Bank in Cornucopia's name and eventually \$50,000 from

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this account was used for Belle's personal benefit. In May 1958, Belle obtained two additional loans of \$25,000 each from the Edgewater Bank in the names of Eastern and Belle, each secured by a deposit of 200,000 shares of Cornucopia stock.

In May 1958 Alabama Acceptance (one of the Greenhill group) was adjudged a bankrupt and in June 1958 the trustee filed an action against Greenhill, Proctor, Murray and Proctor Associates which challenged the right of Greenhill to negotiate the sale of the subsidiaries in exchange for Cornucopia stock. At about the same time the New Jersey state banking examiners requested the Edgewater Bank to remove the loans to Belle, Ostwind, Eastern and the subsidiary companies. Early in July, Belle arranged to cash checks for \$42,000 at the First National Bank of Saltsburg, Pa., which he controlled, and left the United States. Later, in July 1958, creditors petitioned to have both Cornucopia and Eastern declared bankrupt and both were subsequently so adjudicated. In March 1960 an indictment was returned against Belle and the Talenfelds in the U. S. District Court at Pittsburgh charging them among other things with violating the anti-manipulative provisions of the Securities Exchange Act and the false statements, mail fraud and conspiracy provisions of the Criminal Code in connection with their transactions and dealings in Cornucopia stock and the filing of proxy soliciting and other material with the Commission, as well as violating other federal statutes in connection with transactions with the Peoples Union Bank and the Security National Bank.

The Commission concluded that in view of the serious nature of the false and misleading disclosures contained in Cornucopia's annual report and proxy statement with respect to many of the above and other developments in the affairs of the company, as well as the company's failure to file required current reports disclosing the events as they occurred, it was necessary in the public interest and for the protection of investors that Cornucopia's stock be withdrawn from listing and registration on the Exchange.

ADRS FOR MEXICO TELEFONOS FILED. Morgan Guaranty Trust Company of New York filed a registration statement (File 2-16900) with the SEC on August 11, 1960, seeking registration of American Depositary Receipts for 50,000 Bearer Shares of Telefonos De Mexico, S.A.

KEYSTONE PIPE & SUPPLY EXEMPTED. The SEC has issued an order under the Holding Company Act (Release 35-14268) declaring that Keystone Pipe and Supply Company, of Butler, Pa., has ceased to be a holding company. The action followed the recent distribution by Keystone, to its stockholders, of its stock interest in Public Service Corporation of Texas.

COLUMBIA GAS PROPOSES SURETY BOND. The Columbia Gas System, Inc., New York holding company, has applied to the SEC for an order under the Holding Company Act permitting it to act as surety on a \$100,000 bond required by the Public Service Commission of West Virginia of Columbia Gas' subsidiary, Amere Gas Utilities Company, which has applied to the West Virginia Commission for a rate increase.

COURT ORDER ENJOINS DIROMA, ALEXIK & CO. The SEC Boston Regional Office announced August 10th (LR-1751) the entry of a Federal court order (USDC, Mass.) preliminarily enjoining DiRoma, Alexik & Company of Springfield, Mass., Agostino DiRoma, Jr. and Edward F. Alexik, partners, and Rey Vayer, a salesman, from further violations of anti-fraud provisions of Securities Act in offer and sale of stock of Formula 409, Inc.

CARLTON SECURITIES HEARING SCHEDULED. The SEC has scheduled a hearing for August 29, 1960, in its New York Regional Office in the proceedings under the Securities Exchange Act of 1934 to determine whether to revoke the broker-dealer registration of Carlton Securities, Inc., One Exchange Place, Jersey City, N. J.

In its order of September 24, 1959, authorizing these proceedings, the Commission charged that Carlton Securities defrauded investors in the offer and sale of Belmont Oil Corporation stock.

STANLEY BROWN HEARING SCHEDULED. The Commission has scheduled a hearing for September 2, 1960, in its New York Regional Office in proceedings to determine whether to revoke the broker-dealer registration of Stanley Brown, 315 Fifth Ave., New York.

The Commission's order of October 8, 1959, authorizing these proceedings charged that Brown defrauded investors in the offer and sale of General Oil & Industries Co., Inc., stock.

TRADING IN SKIATRON ELECTRONICS SUSPENDED. The SEC has suspended trading in the common stock of Skiatron Electronic and Television Corporation, New York, on the American Stock Exchange and the over-the-counter market, for a further ten-day period August 14 to August 23, 1960, inclusive (Release 34-6347).

COURT ORDER ENJOINS SALE OF RESOURCES CORP. OF AMERICA STOCK. The SEC Seattle Regional Office announced August 9th (LR-1752) the entry of a Federal court order (SDC, Boise, Idaho) preliminarily enjoining Andrew L. Rhubottom of St. Petersburg, Fla., and Belmont Trust, an Idaho trust, from offering and selling stock of Resources Corporation of America and units and fractional units of Belmont Trust in violation of Securities Act registration requirements. Case continued as to Resources Corp.

GULTON INDUSTRIES FILES FOR OFFERING. Gulton Industries, Inc., 212 Durham Avenue, Mtuchen, New Jersey, filed a registration statement (File 2-16899) with the SEC on August 11, 1960, seeking registration of 100,000 shares of common stock, to be offered for public sale through a group of underwriters headed by Lehman Brothers and G. H. Walker & Co. The public offering price and underwriting terms are to be supplied by amendment.

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The company is engaged in the research, development and manufacture of electronic, electro-mechanical and electro-acoustic components, instruments and equipment which are sold to the military and to commercial manufacturers. The net proceeds from the stock sale will be added to the company's general funds and will be initially in large part invested in short term Government securities. They will thereafter be available as additional working capital for the carrying of inventories and accounts receivable. In addition, the company intends to apply a substantial portion of such proceeds to the acquisition of related and complementary businesses. The company recently acquired a 67% interest in Systems Research Group, Inc., of Mineola, N. Y. and has contracted to purchase the remaining 33% interest, the total purchase price being \$150,000 plus payments over the next three years in company stock.

In addition to indebtedness, the company has outstanding 924,642 shares of common stock. Leslie K. Gulton, president and board chairman, and members of his family own and Dr. Gulton is voting trustee of an aggregate of 602,581 shares, 65%. Glenn N. Howatt, vice president, owns 170,921, which are also subject to the voting trust.

ALADDIN OIL PROPOSES OFFERING. Aladdin Oil 1961 Inc., New Orleans, La., today filed a registration statement (File 2-16901) with the SEC seeking registration of \$1,000,000 of Oil Exploration Fund Agreements for 1961, to be offered in \$15,000 units. Under the terms of the agreements Alladin as Agent for the purchaser will conduct an exploration venture for oil and gas on a one-year basis. Solicitation of commitments from purchasers will be made only by its officers and employees and other persons designated by Alladin. Each agreement will designate Alladin as agent to engage in the exploration for oil and gas and to arrange primarily through Aladdin Drilling Company, Inc. (owned by the stockholders of Alladin) for the operation and development of properties which may be acquired through such exploration. The prospectus lists Robert M. Walmsley, III, as president of Aladdin Oil 1961 Inc., and Aladdin Oil Company, Inc., which owns all the stock of Aladdin Oil 1961 Inc. Walmsley owns 49% of the stock of Aladdin Oil Company, Inc.

MCKAY MACHINE FILES EXCHANGE PLAN. The McKay Machine Company, 825 West Federal Street, Youngstown, Ohio, today filed a registration statement (File 2-16902) with the SEC, seeking registration of 39,767 shares of common stock, to be offered in exchange for stock of Federal Machine and Welder Company, of Warren, Ohio, on the basis of one such share for each 19 shares of Federal.

McKay designs and builds diversified lines of special equipment, many of them automated, for the handling and processing of metals, principally ferrous. Federal's two principal lines of products are resistance welders and mechanical presses. Berkeley-Davis, Inc., its 51% owned subsidiary, is a manufacturer of automatic arc welding equipment and special machinery such as welding positioners. According to the prospectus, McKay believes that the personnel and manufacturing facilities of Federal will be advantageous in connection with McKay's expanding business and that the complementary products of Federal will enable the two companies to offer a broader and more attractive line of products and installations in the markets served by them.

In addition to preferred stock, McKay has outstanding 110,625 shares of common stock, of which R. J. Wean, Sr., board chairman, owns 11,617 shares, and The Wean Engineering Company, Inc., an associate of Wean, Sr. and R. J. Wean, Jr. owns 19,450 shares. The officers and directors of McKay own 40,372 shares of McKay common and 12,550 shares of Federal Common, and the officers and directors of Federal own 26,531 shares of Federal common and 13,735 shares of McKay common (such 13,735 shares being the aggregate individual ownerships of J. R. Barefoot, Jr., president of Federal, Wean and Wean). In addition, Wean Engineering owns 101,700 shares of Federal common. Wean, Sr. is a director of Federal, Barefoot is a director of McKay and Wean, Jr. is a director of both McKay and Federal.

COURT ORDER ENJOINS STANLEY I. YOUNGER. The SEC New York Regional Office announced August 11th (LR-1753) the entry of a Federal court order (USDC SDNY) preliminarily enjoining Stanley I. Younger from further violations of anti-fraud provisions of the Securities Exchange Act in connection with his transactions in the stock of a fictitious corporation, National Photocopy, Inc.

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