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VTR AIDES NAMED IN A DEFALCATION

S.E.C. Suspends Trading in the Company's Shares—Court Order Is Sought

By VARTANIG G. VARTAN

The Securities and Exchange Commission charged yesterday that certain top officials of VTR, Inc.—now a tire and soft-drink franchise business—had misappropriated company funds over the last seven years to finance personal ventures.

In one action, the commission suspended all trading in VTR stock, which is listed on the American Stock Exchange. The stock had closed last week at 4 after touching its 1965 low of 3⅞. In former years it sold as high as 23½.

The commission also moved into Federal court and obtained a temporary restraining order prohibiting the defendants from further alleged violations of registration and antifraud provisions of the securities laws.

United States District Judge John F. X. McGohey signed the order and set 10:30 A.M. on Tuesday, Sept. 7, as the date for a hearing on a preliminary injunction and the appointment of a special receiver.

The S.E.C. said the chief defendants were a group owning 62 per cent of the outstanding stock of VTR and consisting of three Leitman brothers, their brother-in-law, Milton Rubin, and the Leitman Company, a private partnership made up of these four men.

Defendants Are Named

The defendants included the following:

Harold Leitman of Scarsdale, N. Y., president and chairman since 1954 of VTR and its predecessor corporations; Donald Leitman of 80 Park Avenue, a vice president and director; Alvin Leitman of Jacksonville, Fla., a vice president and director for nine years until 1963 and Milton Rubin of Jacksonville, Fla., formerly associated with VTR in various managerial positions.

The S.E.C. charged that this control group appropriated without authorization from VTR funds in excess of $500,000 a year during the period from 1958 to the present.

Certain monies were replaced, according to the S.E.C., but the misappropriated funds outstanding as of July 31, 1965, amounted to about $656,000.

Generally, the funds misappropriated from VTR were used to finance personal investments of the control group, the S.E.C. stated, and some of the investments financed by the loans purportedly have appreciated in value.

Other Charges

The Leitman group used some of the money obtained from VTR to purchase a controlling interest in the Central National Bank of Jacksonville, Fla., in 1963, according to the complaint.

Alvin Leitman is listed in the Government's complaint as the present chairman of this bank.

VTR has headquarters at 404 Fifth Avenue and as of the end of last year had 1,023 stockholders.

There are about 1.3 million shares outstanding. Reported earnings last year totaled 32 cents a common share.

In recent years, VTR has gone through a series of corporate name changes and varied business operations.

It was incorporated in 1924 as Adam Hat Stores, Inc., an enterprise remembered for its radio sponsorship of boxing matches broadcast at Madison Square Garden.

In 1956 the company's name

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1959 to Vanderbilt Tire & Rubber Corp. The present telescoped name was adopted in 1961.

Over the last decade, company operations ranged from manufacturing watchbands to producing insulated wire.

At present, its main business is operating under royalty arrangement with Goodyear Tire & Rubber Co. and a profit sharing arrangement with Mansfield Tire & Rubber Company, according to the 1965 edition of Moody's Industrial Manual. It is also franchised to bottle and sell soft-drinks in West Germany and Japan.

By coincidence, the Aug. 27 issue of Life Magazine catalogues another business activity of VTR in the days when it was called Adam Consolidated Industries.

Life Magazine Report

The magazine said this company was the successful bidder for a contract of old army rifles sold by the Italian Government, and later imported the weapons to the United States. Among this shipment, according to Life, was the rifle believed to have been used by Lee Harvey Oswald to assassinate President Kennedy.

S.E.C. lawyers said yesterday they became aware of this facet of VTR's past only upon reading the magazine account.

While misappropriation of VTR funds is the first basic charge levied by the Securities and Exchange Commission, the second main charge deals with the distribution of unregistered shares.

The S.E.C. said that from 1961 to as recently as last week the Leitman group made distributions of VTR stock in violation of the registration and antifraud provisions of the Federal security laws.

In yesterday's hearing before Judge McGohey, S.E.C. lawyers repeatedly alluded to certain defendants as "links in a chain of distribution of this stock."

Through a series of complicated transactions, the S.E.C. charged, blocks of VTR found their way to certain European banks and later were resold to public investors in the United States.

Additional Defendants

Other defendants listed in the S.E.C. complaint included the following:

Samuel Friedlander of Jamaica, N. Y., an employe of VTR; Joseph Saik of New York, an officer and general counsel of VTR; Leon Braudy of New York, a certified public accountant who audited the company's financial statements; Joseph Lann of White Plains, president of the Wall Street securities firm bearing his name.

Although Mr. Lann remains a defendant in the case, his name was stricken by Judge McGohey in the temporary restraining order.

Additional defendants included the following:

Banque Hassan, S. A., a Swiss bank with its main office in Geneva; Jacques Hassan, a resident of Geneva; Bankhaus Schneider & Munzing, a German bank in Munich; Klaus Fischer, a director of this German bank; Financiere Du Mont Blanc, another Swiss bank in Geneva, and Alfred Laurence, also known as Alfred Parker, a resident of Miami, Fla., and a former broker-dealer.

S.E.C. officials said the VTR matter came to light during an investigation of unusual trading patterns in the stock on the American exchange.

Broker Is Censured

WASHINGTON, Aug. 30 (AP) — The Securities and Exchange Commission revoked a Spokane, Wash., broker's registration today, accusing Russell L. Irish of persuading his customers to change their mutual fund holdings frequently so he could collect more commissions.

The S.E.C. commission also named Mr. Irish's son, Russell Lawson Irish, in the order.

The commission said one of

the brokerage concern's customers would have been $32,162 richer if switches in mutual fund holdings had not been carried out.

In a study of nine of the accounts, the commission said