

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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FOR RELEASE February 7, 1961

SEC DENIES REGISTRATION TO R. B. MICHAELS & CO. In a decision under the Securities Exchange Act announced today (Release 34-6461), the SEC denied an application for broker-dealer registration filed by the firm of R. B. Michaels & Co., of 24 Commerce St., Newark, N. J., of which Michael Eckert and Ronald Marozzi are general partners.

Denial of registration was based upon Commission findings that false and misleading statements had been made by Eckert and Marozzi in the offer and sale of stock of Doman Helicopters, Inc., in May 1959, and by Eckert in the offer and sale of stock of Collier Acres, Inc. in September 1959, in violation of the anti-fraud provisions of the Federal securities laws. They were then employed by another firm (whose registration later was revoked on other grounds). According to the decision, Eckert and Marozzi, in the offer and sale of 1,000 shares of Doman stock to two customers at about 1-3/8, recommended the stock as a good investment and underpriced, without disclosing that Doman had been operating at a loss. Eckert was aware that the issuer had operated at a loss for some time, and Marozzi knew that it had not made a profit in any one of the eleven years since its formation but apparently made no effort to check its financial condition and did not examine any financial statements of Doman (the company's reports to stockholders had shown substantial losses in the years 1955-58, resulting in an accumulated deficit of \$2,988,921 as of September 30, 1958). Eckert and Marozzi asserted that they had relied, in part, upon newspaper articles reprinted by their employer; but the Commission concluded that such articles did not justify the representations made.

With respect to the stock of Collier Acres, a Florida real estate venture whose shares were offered at \$1 per share, the Commission found that Eckert, in the offer and sale of 1,000 shares, had falsely represented, among other things, that the stock was a "very safe investment" despite the fact that the offering circular with respect to the stock stated that it was speculative, and predicted without adequate basis that the price of the stock might rise to "at least" \$9 or \$10 a share in about one year.

In view of these violations, the Commission concluded that it would not be in the public interest to permit Eckert and Marozzi to conduct their own securities business; and, accordingly, it denied the Michaels & Co. registration application. The Commission indicated, however, that such denial would not foreclose their employment under appropriate supervision by another registered firm upon a proper showing to and approval by the Commission.

MAC ROBBINS & CO. REGISTRATION REVOKED. In a decision announced today (Release 34-6462), the SEC revoked the broker-dealer registration of Mac Robbins & Co., Inc., 26 Journal Square, Jersey City, N. J., for fraud in the offer and sale of securities and the sale of such securities in violation of the Securities Act registration requirement. The company's president, Mac Robbins, and nine salesmen were each found to be a cause of the revocation order. The Commission's decision was based in part on a stipulation by Mac Robbins & Co. and Robbins in which, for purposes of these proceedings, they admitted the violations and consented to the revocation order and the finding that Robbins is a cause thereof.

According to the Commission's decision, Mac Robbins & Co. and Robbins offered and sold stock of Sports Arenas (Delaware) Inc. during the period October 1957 to November 1958 in violation of the registration requirement and by means of false and misleading statements concerning, among other things, the future market price and the availability of Sports Arenas stock, its prospective listing on an exchange, a prospective stock split, profits and earnings, dividends, and an extension of credit to the issuer by American Machine & Foundry Co., which leases pin-spotting equipment to bowling arenas. The evidence further showed that certain of the salesmen, in the offer and sale of Sports Arenas stock during such period, made false and misleading statements of material facts over the long-distance telephone (over 100,000 shares were sold at 2 to 7½ during the period by seven of the nine salesmen). This telephone solicitation generally followed the mailing by Mac Robbins & Co. to prospective customers of brochures concerning the stock which stressed the "phenomenal" growth of Sports Arenas and its earnings potential, despite net operating losses which were not disclosed. The salesmen variously represented, among other things, that the earnings were increasing, that the price of the stock would rise to \$12, \$15, \$25, or \$30 per share within the near future, that the company's growth potential was tremendous, that the stock would be listed on an exchange, and that the stock was in short supply.

Observing that it had previously condemned the technique of using numerous salesmen to sell a large volume of shares of an issuer by long-distance telephone without any knowledge of the financial condition of the issuer or any effort to obtain such information, without disclosure to prospective purchasers of adverse financial information, or without any reasonable basis for the optimistic statements and predictions made, the Commission reiterated: "such method of engaging in the securities business is not indicative of a responsible relationship between securities dealer and customer and is not conducive to the fulfillment of a broker-dealer's obligation to treat customers fairly."

The persons in addition to Robbins found to be a cause of the revocation order were John Argos, Irwin Berko, Ralph Fink, Stuart Fischer, Howard Ross, Harold Raymond, Jules Salaganik, Leonard A. Kahn and Michael Somer.

NEW ORLEANS PUBLIC SERVICE ADJUSTMENT APPROVED. The SEC has issued an order under the Holding Company Act (Release 35-14365) authorizing New Orleans Public Service Inc., a subsidiary of Middle South Utility, Inc. to transfer from its earned surplus account to its capital surplus account as of December 31, 1960, an aggregate of \$355,132.45, which is equivalent to 25 cents per share on its outstanding no par value common stock.

OVER

STERLING INVESTMENT FUND PROPOSES ACQUISITION. Sterling Investment Fund, Inc., Charlotte, N. C., has applied to the SEC for an exemption order under the Investment Company Act with respect to its proposal to purchase substantially all the assets of J. T. Beaty Company; and the Commission has issued an order (Release 40-3186) giving interested persons until February 28, 1961, to request a hearing thereon.

Under the proposal, Sterling proposes to issue its shares at their net asset value in exchange for the assets of Beaty Company, consisting of cash and cash items having a value of about \$87,981 as of August 9, 1960. The shares will then be distributed to Sterling's stockholder.

DIVESTMENT OF GEORGIA POWER TRANSPORTATION PROPERTIES PROPOSED. The SEC has scheduled a hearing for March 21, 1961, under the Holding Company Act on a plan filed by its Division of Corporate Regulation which proposes the divestment from The Southern Company holding company system of the Rome, Ga., transportation properties and business of Georgia Power Company, a subsidiary of Southern Co. (Release 35-14364).

In a 1947 order of the Commission pursuant to Section 11(b)(1) of the Act, Southern Co. was directed to cease to own, operate, control or have any interest, direct or indirect, in the said transportation properties and business. The purpose of the hearing is to determine whether the plan complies with the said order and, if not, whether it should be modified or what other type of plan is required; whether the plan, as filed or as modified, is fair and equitable to persons affected thereby and, if not, in what respects it should be modified to make it fair and equitable; and whether, if the plan is not approved as filed or modified, the Commission shall approve any plan proposed by any person having a bona fide interest.

If any such plan is approved by the Commission, it will apply to a Federal court for its approval and enforcement. The court will take exclusive jurisdiction and possession of all the buses and related facilities now owned and operated by Georgia and appoint a trustee to hold and administer such assets; and the trustee will, after due public notice, hold a public sale of said assets. Subject to court confirmation, the proceeds from the sale of the assets will be transferred to Georgia Power for use in its electric operations.

MOTHER'S COOKIE FILES FOR SECONDARY. Mother's Cookie Company, 2287 Ralph Ave., Louisville, Ky., filed a registration statement (File 2-17569) with the SEC on February 6, 1961, seeking registration of 135,000 outstanding shares of common stock, to be offered for public sale by Robert O. Denham, president and principal stockholder. The offering is to be made on an all or none basis through underwriters headed by Drexel & Co. The public offering price and underwriting terms are to be supplied by amendment.

The company is engaged in the manufacture and sale of packaged cookies which are said to be produced in accordance with confidential recipes. It has outstanding 366,000 shares of common stock, of which Denham owns 358,200 shares and proposes to sell the 135,000 shares.

CHURCH BUILDERS PROPOSES OFFERING. Church Builders, Inc., 501 Bailey Ave., Fort Worth, Texas, filed a registration statement (File 2-17570) with the SEC on February 6, 1961, seeking registration of 50,000 shares of common stock, Series 2, to be offered for public sale at \$5.50 per share. The offering will be made on a best efforts basis through Associates Management, Inc., the company's investment adviser, for which it will receive \$0.4675 per share selling commission.

The company is a closed-end diversified investment company of the management type. It initially operated as a specialized lending institution providing interim and permanent financing for construction, improvement and furnishing of buildings for the Churches of Christ. Investments were limited to loans secured by real estate mortgages or chattel mortgages until about January 23, 1960, at which time the corporate policy was changed to permit other investments. The net proceeds from the stock sale will be added to general funds and used for investment.

The company has 106,787 shares of common stock outstanding, of which management officials as a group own 5.88%. Jack E. Burton is listed as president of the company and vice president of the investment adviser, and J. H. Richards, Sr. as board chairman of the company and a director of the investment adviser.

BRUNSWICK CORP. SHARES IN REGISTRATION. Brunswick Corporation, 623 South Wabash Avenue, Chicago, Ill., filed a registration statement (File 2-17572) with the SEC on February 6, 1961, seeking registration of 8,214 shares of common stock which are issuable upon exercise of stock purchase warrants of Larson Boat Works, Inc. Such warrants initially entitled the holder to purchase common shares of Larson at \$10.00 per share; and, pursuant to the acquisition of Larson by Brunswick in June 1960, will entitle the holder to purchase, upon payment of \$10.00, .6844 common shares of Brunswick for each share of Larson originally purchasable under a Larson warrant. No underwriting is involved.

EFFECTIVE SECURITIES ACT REGISTRATIONS: February 7: Gulf Sulphur Corp. (File 2-17208); Midland Guardian Company (File 2-17247); National Equipment Rental, Ltd. (File 2-17395); The Southern Company (File 2-17453); Exploration Funds, Inc. (File 2-17458); West Texas Utilities Company (File 2-17473); The Chesapeake and Potomac Telephone Company (File 2-17501). Registration withdrawn: February 7: WonderBowl, Inc. (File 2-16464).