

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.



Washington 25, D.C.

FOR RELEASE

July 9, 1957

## Securities Exchange Act Release No. 5542

The Securities and Exchange Commission today announced the issuance of a decision revoking the broker-dealer registration of Stein, Botwinick & Company, Inc. ("Stein-Botwinick"), of New York. The decision was based upon a state court injunction and false statements in connection with the purchase and sale of securities. The action has the effect of terminating the company's membership in the National Association of Securities Dealers, Inc.

According to the Commission's decision, Stein-Botwinick, together with Benjamin Botwinick and Leonard Stein, president and vice-president, respectively, and co-owners of Stein-Botwinick stock, were permanently enjoined on July 25, 1956, by the Supreme Court of the State of New York, County of New York, from engaging in the securities business in that state. The court decree, entered upon consent, was based upon a complaint which alleged, among other things, that Stein-Botwinick, Botwinick and Stein engaged in securities transactions while the company was insolvent, and that they made false statements in the purchase and sale of securities. Though consenting to the decree, Botwinick and Stein denied participation in the alleged fraudulent practices.

In the administrative proceedings before the Commission, Stein asserted that he had learned of the Stein-Botwinick's insolvency only after an audit of its books and that the company had continued in business on advice of counsel pending consummation of certain proposals (later withdrawn) for additional financing. The Commission ruled, however, that the company failed to carry out its important responsibility to be informed at all times of its financial condition and to refrain from engaging in any dealings with customers while insolvent. Stein also had asserted that no loss had been suffered by customers as a result of the misconduct involved in the injunction proceeding. According to the Commission's decision, however, the record of its administrative proceedings shows that Stein-Botwinick failed to remit to two customers the \$4,000 proceeds of the sale of securities, effected pursuant to orders placed after Stein had learned of the insolvency.

Under the circumstances, the Commission concluded that, in view of the nature of the violations alleged in the complaint in the injunctive action and the consent of the parties to the issuance of the injunction, it was necessary and appropriate in the public interest to revoke the broker-dealer registration of Stein-Botwinick. The Commission also ruled that Stein and Botwinick are each a cause of the revocation order.

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

Securities Act Release No. 3809

The Securities and Exchange Commission has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of securities by Interstate Holding Corporation, of Memphis, Tenn. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

Regulation A provides a conditional exemption from registration under the Securities Act with respect to public offerings of securities not exceeding \$300,000 in amount. In a Regulation A notification filed with the Commission on March 8, 1957, Interstate proposed the public offering, pursuant to such an exemption, of 12,400 shares of its non-voting Class A stock, \$5 par, and 12,400 shares of its voting Class B stock, 1¢ par, in units consisting of 100 Class A and 100 Class B shares and at an offering price of \$1,501 per unit.

In its suspension order, the Commission asserts that an affiliated issuer of Interstate has filed a registration statement with the Commission under the Securities Act and that said registration statement is the subject of an examination under Section 8 of said Act. Under Regulation A, such an examination may be the basis for suspension of a Regulation A exemption for an affiliated issuer.

Securities Act Release No. 3810

The Securities and Exchange Commission today announced that the registration statement filed by American Investors Corporation, Nashville, Tennessee, had been amended in accordance with the Commission's stop order of April 5, 1957 and that the stop order had been lifted.

The registration statement relates to a proposed public offering of 4,000,000 shares of common stock (par value \$1 per share) at \$2 a share. The company proposes to engage in the life insurance business through a wholly owned subsidiary. It is a new enterprise with no operating experience. Frank Poole is listed as one of the company's promoters and its president. Shares of the company are to be offered through Poole and four other promoters and officers of the company on a "best efforts" basis, for which they will receive a selling commission of 20¢ per share (some of which will be payable to salesmen).

In its stop order decision (Securities Act Release No. 3771), the Commission found that the registration statement as originally filed contained materially misleading statements with respect to the plan of distribution of the securities offered, proposed use of the proceeds of the offering, description of the business and management of the company, transactions with promoters and management, and the experience of the company's officers and directors.

The decision stated in part:

"Sufficient facts are not disclosed to enable an investor to appreciate that registrant has no definite plans for the use of the proceeds, that no one in registrant's organization has any experience in the type of insurance enterprise in which registrant proposes to engage, and that a primary purpose of registrant's program is to enable the promoters to profit from the sale of a large amount of stock to the public."

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The registration statement has been revised to increase the minimum number of shares to be sold from 150,000 shares to 500,000 shares. If the minimum number of shares is not sold within one year, \$1.80 per share will be returned to purchasers. The company has determined that shares will be offered during a period of not more than twelve months and that the sale of shares will be terminated before sale of insurance is commenced. The registration statement now discloses the arrangements for the issuance of options to promoters, officers and others. A basis for application of proceeds from the sale of securities has been adopted under which proceeds from the sale of the first 500,000 shares will be invested in the insurance company subsidiary and at least 83% of the proceeds from sales in addition to the 500,000 shares will be invested in the insurance company. The amended registration statement identifies the promoters, discloses the lack of insurance experience of the promoters and officers, and sets forth their previous activities as securities salesmen.

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Sears Roebuck Acceptance Corp., Chicago, today filed a registration statement (File 2-13468) with the SEC seeking registration of \$50,000,000 of Debentures due July 15, 1982. The company proposes to offer the debentures for public sale through an underwriting group headed by Goldman, Sachs & Co., Halsey, Stuart & Co., Inc., and Lehman Brothers. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company was organized under Delaware law in November, 1956, to deal in installment receivables arising out of the retail and mail order business of Sears, Roebuck and Co. The latter formed the company with a capital stock investment of \$35,000,000 and on March 29, 1957, made a capital contribution to the company of \$15,000,000. Sears intends to keep the company as a wholly owned subsidiary. At May 31, 1957, the company had lines of unsecured credit with banks aggregating \$139,850,000. On that date it had outstanding short-term bank loans against these lines of credit in the aggregate amount of \$50,000,000, the interest rate on which was 4%. The company, at May 31, 1957, also had outstanding \$13,065,000 of commercial paper.

Net proceeds of the sale of debentures are to be added to the general funds of the company and will be applied to the purchase of installment receivables from Sears. The company expects to incur additional indebtedness, but the amount and nature thereof has not yet been determined and will depend upon the volume of the company's business and general market conditions.

#### Investment Company Act Release No. 2554

The SEC has issued an order granting an exemption from prohibitions of the Investment Company Act of 1940 with respect to American Research and Development Corporation, Boston investment company, and Airborne Instruments Laboratory, Inc., of Mineola, N. Y.

Airborne's business is the design, development and production of technically advanced electronic gear and the development of electronics products. Airborne has outstanding 199,322 shares of capital common stock, of which Research owns 31,500 shares, or 15.8%. In order to provide for a building and expansion program, Airborne proposes to add \$1,000,000 of long-term capital by the sale of \$1,000,000

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principal amount of 15 year 5-3/4% unsecured notes convertible on or after July 1, 1958 into common shares of Airborne at \$48 per share and callable after one and one half years at descending premium rates beginning at 105.75% during the twelve months ending December 31, 1959. The common stock of Airborne was quoted in the over-the-counter quotations of the National Daily Quotation Service of June 28, 1957, at 47½ bid, 49 asked.

The notes will be offered to a small group of purchasers for investment under circumstances which are stated not to involve a public offering. It is proposed that Research purchase up to \$130,000 principal amount of such notes at principal amount and on the same terms as those offered to others.

Because of intercompany affiliations arising from the ownership of Airborne stock by American Research, the transaction is prohibited by the Investment Company Act unless an exemption order is issued by the Commission.

Securities Exchange Act Release No. 5544

The Securities and Exchange Commission has amended its order of April 24, 1957, authorizing proceedings under the Securities Exchange Act of 1934 with respect to Bellanca Corporation, of New Castle, Del., so as to challenge the accuracy and adequacy of various information contained in Bellanca's annual report for the year 1956.

The proceedings, the hearings in which are scheduled to commence July 10, 1957, concern the question whether Bellanca has failed to comply with the disclosure and reporting requirements of Section 13 of the Act and the disclosure requirements of the Commission's proxy rules, as well as its failure to file the 1956 annual report, due not later than April 30, 1957; and, if so, whether Bellanca's \$1 par Capital Stock should be suspended for a period of not exceeding 12 months, or withdrawn, from listing and registration on the American Stock Exchange, pursuant to Section 19(a)(2) of the Act. Through a series of ten-day suspension orders issued pursuant to Section 19(a)(4) of the Act, the stock has been temporarily suspended from trading on the Exchange and the over-the-counter market since these proceedings were first instituted, April 24, 1957.

In its amended order, issued today, the Commission asserts that Bellanca's Form 10-K annual report for 1956, filed June 21, 1957, is false and misleading in the following respects:

(a) Registrant failed to disclose that Sydney L. Albert is the parent of the registrant as required by Item 3.

(b) Registrant failed to disclose as required by Item 4 of Form 10-K that the sale of assets to Piasecki Aircraft Corporation resulted in the withdrawal by the registrant from the aircraft parts manufacturing business, a former principal activity.

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(c) Registrant failed to disclose, as required by Item 6 of Form 10-K, material facts with respect to the shares of stock of registrant reported to be owned by an officer and director of the registrant.

(d) Information reported under Item 9 of Form 10-K is false and misleading and registrant has failed to disclose material facts required to be reported therein, more particularly concerning the interest of officers, directors and their associates in the following transactions:

(i) The sale by registrant of its shares of common stock of N. O. Nelson Company to Automatic Washer Company.

(ii) The exchange of 100,000 shares of the common stock of registrant for 262,500 shares of Automatic Washer common stock.

(iii) The acquisition of Big Tankers Corporation and North-Western Tanker Corporation by registrant's subsidiary, Oleum-Atlantic Corporation, from a director of the registrant.

(iv) The acquisition and disposition of shares of common stock of the Selby Shoe Corporation.

(v) The transaction whereby H. M. Reedall is stated to have earned \$95,500 as a commission for his services in connection with the acquisition of N. O. Nelson Company.

(vi) Registrant failed to disclose material facts with respect to its contract with Bankers Life and Casualty Co., and the interest of officers, directors and their associates in that transaction.

(vii) Registrant failed to disclose the interest of officers, directors and their associates in the distribution of the proceeds from the sale of assets of the registrant to Piasecki Aircraft Corporation.

(viii) Registrant failed to disclose the interest of officers, directors and their associates in Big Tankers Corporation and North-Western Tanker Corporation and the extent of the liability incurred as a result of the

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purchase of said companies by registrant.

(ix) Registrant failed to disclose that personal use had been made of registrant's securities by officers and directors of the registrant, more particularly in the following instances: (a) the shares of the common stock of Pierce-Governor Company involved in the contract for the exchange of shares of Waltham Watch Company common stock for shares of the common stock of Pierce-Governor Company were personally used by Sydney L. Albert; (b) the shares of common stock of Automatic Washer owned by registrant; (c) 50,000 shares of the common stock of the registrant issued to its wholly owned subsidiary, Oleum-Atlantic Corporation, were personally used by Sydney L. Albert; (d) 20,000 shares of Automatic Washer owned by registrant were pledged by Sydney L. Albert as collateral for a personal loan made in April, 1956.

(x) Registrant failed to disclose that at the time of the various loans alleged to have been made to it, and for its benefit, by Sydney L. Albert, the said Sydney L. Albert owned in excess of 75 per cent of registrant's common stock.

(e) The financial statements and notes thereto are inaccurate and inadequate with respect to the amounts at which major assets are shown in the balance sheet, the reported net income of registrant, and with respect to the inability of the certified public accountants, who examined the consolidated financial statements of the registrant and subsidiaries, to express an overall opinion of the financial statements."

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