

# 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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VIOLETIONS CHARGED TO BROWN, BARTON & ENGEL. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether the anti-fraud provisions of the Federal securities laws were violated by Brown, Barton and Engel, 24 Commerce Street, Newark, N. J., in the offer and sale of stock of Federated Holding Co., Inc., and, if so, whether its broker-dealer registration should be revoked. The proceedings also involve the question whether the said company ("Registrant") should be suspended or expelled from membership in the National Association of Securities Dealers, Inc.; and a hearing will be held in the Commission's New York Regional Office on May 14, 1962, on the initial question whether Registrant's broker-dealer registration should be suspended pending determination of the ultimate question of revocation.

Registrant has been registered with the Commission as a broker-dealer since March 1956. George Phillip Barton is president. On March 9, 1962, the Commission suspended Registrant from NASD membership for 30 days beginning March 19, 1962; and Barton was found to be a cause of such suspension. Previously, in April 1958, the Commission obtained a Federal court order (affirmed on appeal) enjoining Registrant and Barton from violations of the Securities Act registration requirement in the offer and sale of stock of Micro Moisture Controls, Inc. More recently, on April 30, 1962, the Commission obtained an order of preliminary injunction against Registrant and Barton from further offer and sale of American Quicksilver Corporation stock in violation of the anti-fraud provisions of that Act.

The Commission's present order recites charges by its staff that information developed in an investigation tends to show that during February and March 1962, in the offer and sale of stock of Federated Holding Co., Inc., Registrant and Barton made false and misleading representations in violation of the Securities Act anti-fraud provisions and engaged in practices and a course of business "which would and did operate as a fraud and deceit" upon the purchasers. As a part of such alleged course of conduct, according to the order, Registrant and Barton, as underwriter for the offering of Federated stock, "engaged in the distribution and sale of Federated's unseasoned and speculative securities without first having made such reasonable and diligent inquiry as to the true nature and worth of these securities, as would have revealed the background of the issuer, the circumstances surrounding its organization and its acquisition of an option to purchase 85% of the stock of Federated Cleaners and Dyers, Inc. ("Cleaners"). . . and the history of Federated and Cleaners as to their operations, earnings, dividends, current financial conditions and similar matters." The staff further charges that Registrant and Barton (1) engaged in the distribution and sale of Federated stock without disclosing their failure to make such inquiries, as aforesaid; (2) engaged in the distribution and sale of such stock to customers "with whom they were unacquainted, by means of an intensive telephone and direct mail and newspaper advertising campaign, including flamboyant and misleading brochures and advertisements, and without any knowledge of the individual needs and circumstances of such customers or of the suitability of these securities to such customers' needs;" (3) endeavored to place customers in a position "where they were asked to make hasty decisions to buy" the Federated stock upon the basis of unsubstantiated representations and without having disclosed material facts concerning the true nature and worth of these securities; and (4) failed to disclose that Fred Hesse, an associate of Barton and principal promoter of Federated, was convicted in 1961 on pleas of nolo contendere for violations of the Securities Act registration and anti-fraud provisions and was indicted in January 1962 in connection with a larceny involving securities obtained from an elderly woman.

The alleged misrepresentations related, among other things, to the earnings and financial condition of Federated, dividends to be paid on and an anticipated rise in the price of Federated stock, and the amount of Federated stock available for sale, as well as the earnings and financial condition of Cleaners, the investment of Federated in Cleaners and the extent of the interest Federated would thereby obtain in the business of Cleaners, the stock interest public investors would hold in Federated stock (and the cost thereof) as compared to the stock interest which would be held by insiders (and the cost thereof), and other material facts relating to the operations and financial condition of Federated and Cleaners.

SEC COMPLAINT NAMES BROWN, BARTON & ENGEL, OTHERS. In an action filed by the Commission on May 2d in the U. S. District Court in Newark (Lit Release 2260) the Commission seeks an injunction against further offering and sale of Federated stock by Registrant, Barton and Federated (see above) Peter Davis, Alfred Walsky, Samuel Rubenstein and Edward Stavitsky, officials of Federated (with offices in Newark), Herbert Rapp also known as Ralph Rapp also known as Ralph Price, the "Administrator" of Federated, and Fred Hesse, the promoter of Federated.

VIOLETIONS CHARGED TO SUMMIT INVESTMENT. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Summit Investment Corporation, 1500 Massachusetts Ave., N. W., Washington, D. C., engaged in practices which "would and did operate as a fraud and deceit" upon its customers or otherwise violated provisions of the Federal securities laws and, if so, whether its broker-dealer registration should be revoked.

Summit has been registered with the Commission as a broker-dealer since July 1959. In an amendment filed in January 1961 it was reported that John Starinchuck, Jr., was president and a director and Theodore L. Reed treasurer and a director. The Commission's order recites charges of its staff that information developed in an

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investigation tends to show (a) that many changes occurred in the officers and directors of Summit which were not duly reported, as required, including that Starinchuck ceased to be president and Reed became president in August 1961, and Reed ceased to be president and William G. Karras became president in November 1961; and (b) that Summit changed its principal business address and failed to report such change. The staff further asserts that from about January 11 to February 16, 1961, Summit and Starinchuck violated the Securities Act anti-fraud provisions by inducing the purchase of various securities at prices "far in excess" of the prevailing market prices therefor, withholding information as to the prevailing market prices and thereby "obtaining unreasonable and excessive profits." Moreover, the staff charges that during specified periods of 1961 Summit violated the Commission's net capital and record-keeping rules and that it failed to file a report of financial condition for 1961. Starinchuck and Karras are said to have aided and abetted the net capital rule violations and Karras the record-keeping and reporting violations.

A hearing for the purpose of taking evidence on the foregoing will be held later, at a time and place to be announced.

SEC CITES SELECTED SECURITIES. The Commission also has ordered proceedings to determine whether to revoke the broker-dealer registration of Selected Securities, Incorporated, of 1025 Connecticut Avenue, N.W., Washington, D. C.

Selected Securities became registered in June 1961. Everell Kenneth Burgess is president and B. Guerry Moore secretary-treasurer. The Commission's staff charges that information developed in an investigation tends to show that Selected Securities (a) violated the Commission's record-keeping rules by failing to make and keep current certain books and records, namely, ledgers or other records reflecting all assets and liabilities, and income and expense and capital accounts; (b) failed to report a change of business address; and (c) failed to file a report of financial condition in 1961. Burgess and Moore are said to have caused these violations.

A hearing for the purpose of taking evidence will be announced later. A request of the company for withdrawal of its registration will not become effective pending a determination of the issues in the foregoing proceedings.

ALABAMA POWER BOND FINANCING PROPOSED. The SEC has issued an order under the Holding Company Act (Release 35-14631) giving interested persons until May 21st to request a hearing upon the bond financing proposal of Alabama Power Company (Birmingham). Alabama Power proposes to issue and sell at competitive bidding \$17,000,000 of first mortgage bonds due 1992. Alabama Power also proposes to issue and sell an additional \$8,000,000 of its stock to its parent, The Southern Company. Net proceeds of the sale of the bonds and stock will be used for property additions and improvements and for the payment of short-term bank loans of \$20,500,000 made for such purposes. Construction expenditures for 1962 are estimated at \$55,051,000.

PROCEDURE REVISED IN THREE FUND CASES. The SEC has revised the schedule for the submission of briefs and for oral argument on certain legal issues the subject of petition under the Investment Company Act filed in behalf of certain stockholders of Fundamental Investors, Inc., Investors Mutual, Inc., and Television-Electronics Fund, Inc., which petitions challenge the independence of the "independent" directors of said companies. Under the revised procedure, briefs shall be filed by May 22, 1962 and reply briefs by June 8, 1962; and oral argument before the Commission has been scheduled for June 14, 1962, at 2:00 P.M.

SEC COMPLAINT NAMES LLOYD, MILLER & CO. The SEC New York Regional Office announced May 1st (Lit-2261) the filing of a Federal court action (USDC SDNY) seeking to enjoin Lloyd, Miller & Co., 44 Beaver St., New York, (formerly of Washington, D. C.), from further violating the SEC record-keeping requirements and the requirement for reporting changes in the business address of registered broker-dealer firms. Also named as defendants were Howard Mallek and Martin Clare, officers, and Virginia A. Wood Mallek, director and bookkeeper.

SALE OF MT. STATES PETROLEUM STOCK ENJOINED. The SEC Denver Regional Office announced April 30th (Lit-2262) the entry of a Federal court order (USDC U.) permanently enjoining further violations of the Securities Act registration requirement in the offer and sale of Mountain States Petroleum Corp. stock by Arthur J. Bandy, Joseph M. Landino, Frank C. Holman of Los Angeles, and South West Land Corp., a Nevada corporation. Previously, the issuer and three other individuals had consented to a similar injunction.

SEC COMPLAINT NAMES COLORADO CO. INC. The SEC Denver Regional Office announced May 2 (Lit-2263) the filing of a Federal court complaint (USDC Denver) seeking to enjoin The Colorado Company, Inc., from further violating the anti-fraud, net capital and record-keeping provisions of the Securities Exchange Act and SEC rules thereunder, and seeking appointment of a receiver for the firm. Also named as defendants were Raymond T. Sweeney, also known as Philip J. Sweeney.

TRADING BAN IN THREE STOCKS CONTINUED. The Commission has issued orders under the Securities Exchange Act suspending trading in the Class A stock of Automated Procedures Corp. and the common stock of Industrial Enterprises for an additional ten-day period May 5-14, 1962, inclusive, and in the common stock of Apex Minerals Corp. for an additional ten-day period May 6-15, 1962, inclusive. The trading ban in Automated Procedures stock applies to the National Stock Exchange and with respect to Industrial Enterprises and Apex Minerals to the San Francisco Mining Exchange (as well as the over-the-counter market).

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**ORR ENTERPRISES FILES FOR STOCK OFFERING.** J. Herbert Orr Enterprises, Inc., Opelika, Alabama, filed a registration statement (File 2-20327) with the SEC on May 1st seeking registration of 285,000 shares of common stock, to be offered for public sale (without underwriting) at \$10.50 per share. Any dealers whom the company may employ to sell shares will receive up to a 10% commission on such sale.

The company was organized under Alabama law in March 1961. It operates an OrrTronics Division which proposes to engage in the manufacture and distribution of cartridge tape recorders and programs therefor, and it also operates a subsidiary, Champ Trousers Company, which is engaged in the manufacture of men's and boys' dress trousers. The company has had no earnings to date. Of the net proceeds from the stock sale, \$773,000 will be applied to Champ Trousers Company to retire certain loans (\$205,000), for advertising (\$170,000), to finance accounts receivable (\$250,000) and for other working capital purposes (\$100,000) and advance commissions to salesmen. In addition, \$1,920,250 will be applied to the OrrTronics Division for a finished goods inventory (\$206,000), for a 6 weeks' supply of raw materials (\$350,000), for advertising (\$250,000), for capital equipment (\$505,750), to finance accounts receivable (\$300,000) and for other working capital purposes (\$140,000), and to retire outstanding bank loans and for research and development.

In addition to certain indebtedness, the company has outstanding 250,000 shares of common stock (acquired at \$4 per share), of which J. Herbert Orr, president, and William H. Orr, vice president, own 59.57% and 10.49%, respectively, and management officials as a group 82.18%. The prospectus reflects a net loss for the nine months ended January 31, 1962 of \$238,128.30 and an earned-surplus deficit at the end of said period of \$440,733.46.

**TRANSPORTATION FOR THE HANDICAPPED FILES FOR STOCK OFFERING.** Transportation for the Handicapped, Inc., 2079 Wantagh Avenue, Wantagh, New York, filed a registration statement (File 2-20329) with the SEC on May 2nd seeking registration of 80,000 shares of common stock, to be offered for public sale at \$2 per share. The offering will be made on a best efforts basis by Weisel, Kleinman & Co., Inc., 600 Old Country Road, Garden City, New York, which will receive a 24¢ per share selling commission and \$11,000 for expenses. The statement also includes 9,000 shares underlying 5-year warrants to be sold to the underwriter at 1¢ each, exercisable at \$2 per share, and 3,000 shares underlying like warrants to be sold to Richard S. Sturtz, the finder.

The company was organized under New York law in June 1961 and is said to have developed a specialized method for the transportation of aged and handicapped individuals, and is engaged in the sale of franchises to conduct such operations under the name "Mobile Care". No franchises have been sold to date, but a pilot unit has been established in Nassau County, New York to conduct operations as a demonstration model for prospective franchises. The net proceeds from the stock sale will be used for advertising and sales promotion, for a down payment on the purchase of 34 specially equipped buses, and to purchase ramps for vehicles, wheelchairs and related equipment and for working capital.

In addition to certain indebtedness, the company has outstanding 122,100 shares of common stock (after giving effect to a recent 1,100-for-1 stock split), of which Louis Goldberg, president and board chairman, Seymour Tankleff, vice president, Norman Tankleff, secretary and Martin Tankleff, treasurer, own 20.7% each. If all the stock is sold, management officials as a group will own 51.66% of the outstanding stock for a total investment of \$25,500, other private investors will own 8.76% for \$22,650, and the public will own 39.58% for an investment of \$160,000.

**REVLON FILES STOCK PLAN.** Revlon, Inc., 666 Fifth Avenue, New York, filed a registration statement (File 2-20330) with the SEC on May 1st seeking registration of 414,557 shares of common stock, to be offered pursuant to its Executive Stock Option Plan.

**GIBRALTAR FINANCIAL CORP. FILES STOCK PLANS.** Gibraltar Financial Corporation of California, 9111 Wilshire Boulevard, Beverly Hills, Calif., filed a registration statement (File 2-20331) with the SEC on May 2nd seeking registration of 86,655 shares of capital stock, to be offered pursuant to its Stock Option Plan for Employees and its 1962 Stock Option Plan.

**MARIN COUNTY FINANCIAL CORP. FILES FOR OFFERING AND SECONDARY.** Marin County Financial Corporation, 990 Fifth Avenue at Court, San Rafael, Calif., filed a registration statement (File 2-20332) with the SEC on May 2nd seeking registration of 102,050 shares of capital stock, of which 27,790 shares are to be offered for public sale by the company and 74,260 shares, being outstanding stock, by the holders thereof. Dean Witter & Co. 45 Montgomery Street, San Francisco, heads the list of underwriters. The public offering price (maximum \$18 per share\*) and underwriting terms are to be supplied by amendment.

The company was organized under California law in March 1962 for the purpose of acquiring all of the outstanding guarantee stock of Marin County Savings and Loan Association, of San Rafael. The sole business of the company will consist of owning such stock of the Association and rendering management service to it. The net proceeds from the company's sale of additional stock will be invested in additional stock of the Association (2,322 shares) in order to raise the ratio of the Association's reserves to its savings accounts from 6.3% to about 8.2% (statutory minimum being 5%). The company has outstanding 240,210 capital shares (issued for the stock of the Association), of which Fred F. Enemark, executive vice president, and his wife, own 10.5%, and John F. Ryan, a vice president, and his wife, 10.1%. The prospectus lists 105 selling stockholders (out of an aggregate of 110 shareholders), including Enemark and Ryan (and their wives) who propose to sell 8,694 and 7,317 shares, respectively, and Jordan L. Martinelli, president, and Genevieve C. Martinelli who propose to sell 4,815 shares each of 16,050 shares owned by each. Others propose to sell amounts ranging from 9 to 3,600 shares. \*As estimated for purposes of computing the registration fee.

**SECURITIES ACT REGISTRATIONS.** Effective May 4: A.D.R.'s for Western Deep Levels Limited (File Nos. 2-20288 and 2-20289); Allegheny Ludlum Steel Corp. (File 2-20255); Carrols, Inc. (File 2-19816); Kogel, Inc. (File 2-19433); Milwaukee Gas Light Co. (File 2-20230); Sun Oil Co. (File 2-20239); Symington Wayne Corp. (File 2-19824). Withdrawn May 3: Occidental Petroleum Corp. (File 2-20154). Withdrawn May 4: Sonic Development Corp. of America (File 2-19231); Stardust Motel Associates (File 2-19151).