

# 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 July 6, 1960

**BARNETT & CO., INC. REGISTRATION SUSPENDED.** The SEC today announced the issuance of a decision (Release 34-6310) suspending the broker-dealer registration of Barnett & Co., Inc., 40 Exchange Place, New York City, pending final decision on the ultimate question whether to revoke said registration.

According to the decision, Barnett & Co., which has been registered since January 1958, offered and sold more than 108,000 shares of stock of Steuben Electronics Corporation, Inc., during the period June-August 1959 at prices of \$4 and \$4.25 per share. The stock was sold by the company and its salesmen to numerous public investors in many states, all the sales being solicited by means of long distance telephone calls. The stock had been acquired at \$2.75 per share, more than 106,000 shares from one firm. Four investor witnesses from Missouri, Ohio, Michigan and Minnesota testified that they had purchased Steuben stock from Barnett & Co. after being solicited by long distance telephone and the company's salesmen represented that Steuben stock would go up, would double or triple in price, and would increase to \$20 or \$25 per share; that the stock would soon be listed on an exchange; and that Steuben had a contract for 40,000 pay TV antennas. According to the evidence adduced at the hearing, all of these representations, if made, were false. Steuben's president testified that at the time of the stock sales in question Steuben had no income and no earnings, was operating on borrowed capital and was indebted to the extent of \$150,000, had no contracts for pay TV antennas, and that its stock had a book value of not more than 5¢ per share.

Although Barnett disputed the testimony of the investors, the Commission stated that their testimony indicates "that registrant made false and misleading representations to customers in violation of the anti-fraud provisions of the Securities Acts. The hearing examiner, on the basis of his observation of the demeanor of the investor witnesses, gave credence to their versions of the telephone conversations with registrant's salesmen. The literature used by registrant tends to fortify this conclusion, particularly in the context of registrant's technique of using numerous salesmen to sell a large volume of shares of one issuer exclusively by long distance telephone, without any knowledge of the financial condition of the issuer or any effort to obtain such information, and without disclosure to prospective purchasers of the issuer's lack of income and capital, and the absence of any reasonable basis for expecting a substantial increase in the price of the stock. We have had occasion in the past to point out that such a 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."

Accordingly, the Commission ruled that the record "contains a sufficient showing of misconduct to make it necessary and appropriate in the public interest and for the protection of investors to suspend registrant's registration pending final determination of the revocation issue."

**KEN-LAB INC. ENJOINED.** The SEC Chicago Regional Office announced June 30th (LR-1725) entry of a Federal court order (USDC, ND Ill.) permanently enjoining Ken-Lab, Inc., William H. Wood and Walter E. Herr from violating the Securities Act registration requirements in the offer and sale of Ken-Lab stock. The defendants consented to the injunction.

**N.J. POWER PROPOSES SALE.** New Jersey Power & Light Company, Denville, N. J., has filed a proposal with the SEC under the Holding Company Act for the sale to The Singer Manufacturing Company, for \$751,000, of the land and its present office and service building thereon located at 400 East Main Street in Denville; and the Commission has issued an order giving interested persons until July 19, 1960, to request a hearing thereon. The company is in the process of transferring its general office to a building in Convent, N. J., being built for it and an affiliate, Jersey Central Power & Light Company.

**DELISTING OF SERRICK STOCK PROPOSED.** The SEC has issued an order (Release 34-6313) giving interested persons until July 22, 1960, to request a hearing upon an application of the Board of Trade of the City of Chicago to delist the Class A common stock of Serrick Corporation because the amount of outstanding stock has become so reduced as to make inadvisable further dealings thereon on the Exchange.

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

**BOSTON EXCHANGE SEEKS ORDER.** The Boston Stock Exchange has applied to the SEC for unlisted trading privileges in the common stocks of Transitron Electronic Corporation, Underwood Corporation, and S. D. Warren Company; and the Commission has issued an order giving interested persons until July 22, 1960, to request a hearing thereon.

**ORDER ON INSTITUTIONAL INVESTORS FUND MODIFIED.** At the request of Institutional Investors Mutual Fund, Inc., New York City investment company, the SEC has issued an order under the Investment Company Act (Release 40-3065) modifying previous orders of the Commission with respect to the sale of the Fund's shares to trustees of pension funds for savings bank employees. The modification was requested when the New York Banking Law permitted the Fund's shares to be owned by trustees, other than savings banks, of pension funds for saving bank employees.

**AMERICAN LIFE FUND EXEMPTED.** The SEC has issued an order under the Investment Company Act (Release 40-3066) granting an application of American Life Fund Inc., of Oakland, Calif., to be declared no longer an investment company as defined in the Act. The company has no assets and none of its shares are outstanding, and it has abandoned its plan to make a public offering of stock.

**EAST-CENTRAL RACING PROPOSES OFFERING.** East-Central Racing and Breeders Association, Incorporated, Randall, Montgomery County, N. Y., filed a registration statement (File 2-16784) with the SEC on July 5, 1960, seeking registration of 200,000 units of 200,000 shares of capital stock and 200,000 warrants to purchase capital stock. Each unit will consist of one share and one warrant for the purchase of an additional share exercisable within 12 months. The units will be offered for public sale at \$3.50 per unit. No underwriting is involved.

The company was organized under New York law in January 1959 for the purpose of constructing and operating training and racing facilities for harness horses at a plant to be known as "Trotterdale" at Randall, in the Town of Root, about 36 miles northwesterly from Albany. Management intends to develop "Trotterdale" into a facility for harness horse training and racing which will supply area demands of professional and amateur sportsmen and the general public, with training facilities available on a year round basis. Certain preliminary grading and other work on the property has been commenced. The first step in the management's program, if this financing is successful and after allocating \$10,000 to finishing a training track surface and \$25,000 to property improvement and maintenance, is the construction of about 15 stables to accommodate 32 horses each, at an estimated cost of \$22,500 each. An additional \$200,000 has been allocated for construction of a building covering an indoor training track, and \$74,400 for working capital.

The prospectus lists Frank J. Campagna as president and record owner of 266,875 shares (62%) of the outstanding stock. He and other promoters and officials now own or control a total of 286,295 shares, or 67%; and six of the promoters, three of whom are officers, own options expiring on January 26, 1964, to purchase an additional 60,000 shares at \$1 each. If said options are exercised, the management-promoter group will own 346,295 shares at a cost of \$89,052.50. During the 12-month period ending February 11, 1960, the company sold 103,715 shares to about 1100 shareholders at \$1 per share under an assumed intra-state exemption from the registration requirements of the Securities Act. However, by reason of "certain inadvertent sales" of part thereof to 23 non-residents of New York, the company may have a contingent liability with respect to the sale of the 103,715 shares.

**TAMARACK COUNTRY CLUB PROPOSES OFFERING.** Tamarack Country Club, Inc., 2813 Peregoy Drive, Kensington Heights, Md., filed a registration statement (File 2-16785) with the SEC on July 5, 1960, seeking registration of \$3,067,500 of Thirty Year Non-interest Bearing Subordinated Debentures, due June 1, 1990, to be offered for sale in \$100 units. The debentures are to be offered to persons approved for membership in the Club in the principal amounts equal to the initiation fee for the particular Class and Group of membership for which the approved applicant has applied. Initiation fees vary from \$500 to \$2,500; thus, debentures may be offered in amounts between these limits. No underwriting is involved, the offering to be made by officers and directors of the Club to those approved for membership. They will receive no commissions; but certain employees of the Club will receive a 2% commission on each membership application which is ultimately approved by the Club.

The Club was organized under Maryland law on May 4, 1960, and proposes to construct, develop and operate a private country club on River Road, Seneca, Md. Its only operations to date have consisted of negotiations and arrangements directed toward achievement of that purpose. It has contracted to purchase a 250-acre tract some ten miles north of Potomac, Md., and working plans for the clubhouse are now being completed. Of the net proceeds of the debenture sale, \$139,000 will be applied to the purchase of land; \$1,716,150 for the club house; \$140,000 for decorations and furnishings; \$220,000 for golf courses; and other lesser amounts for various other related purposes.

According to the prospectus, John J. Bender, president, and James M. Spittel, treasurer, are promoters of the Club. Bender owns 750 shares (23.8%) and Spittel 500 shares (15.4%) of the outstanding stock; and Paul S. Shanholz, vice president, also owns 500 shares. Prior to organization of the Club, another corporation, Tamarack Estates, Inc., was organized by the same persons; and the two companies have identical directors, officers and stockholders. Bender and Spittel purchased their combined total of 1,250 shares of Estates for 10¢ per share and the other stockholders purchased the remaining 2,000 shares at \$1 per share. Estates has contracted to purchase a 531-acre tract for a total purchase price of \$560,000; and it has contracted to sell about 250 acres to the Club for the erection of its facilities and construction of the golf course. The remaining land is to be subdivided into lots of two acres or more for sale by Estates only to members of the Club or to persons approved for membership in the Club.