

NEWS DIGEST

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

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Washington 25, D.C.

FOR RELEASE January 5, 1961

THOMPSON & SLOAN INC. REGISTRATION REVOKED. In a decision announced today (Release 34-6443), the SEC revoked the broker-dealer registration of Thompson & Sloan, Inc. ("Respondent"), 7805 Sunset Blvd., Hollywood, Calif., for fraud in the purchase and sale of securities and other violations of the Federal securities laws. Arnold I. Spatt, vice president, and Benjamin Michael Katz, general manager, were each found to be a cause of such revocation. The Respondent entered into a factual stipulation and consented to revocation of its registration; and Katz consented to the finding that he was a cause. A hearing was held on the question whether Spatt also should be found a cause.

Respondent became registered with the Commission as a broker-dealer in October 1957; and it thereafter continued the business previously conducted by the Securities Division of the Golden West Investment Corporation. In connection with its registration application, it filed a report of financial condition as of August 30, 1957, which stated that Respondent had \$12,800 in its bank account and no liabilities. This was admittedly false, since Respondent had only \$746 in its bank account and had liabilities of \$16,547 representing its assumption of Katz' responsibility for the losses of the Securities Division of Golden West. The report also falsely listed paid-in capital of \$15,000 and 15,000 shares of stock as outstanding, whereas in fact the paid-in capital amounted only to \$7,750 and the stock certificates for its shares were never issued.

Moreover, according to the Commission's decision, Respondent during the period October 1957 to February 1958 engaged in the securities business, thereby impliedly representing that it was solvent and able to discharge its liabilities, without disclosing that its liabilities exceeded its assets and that it was unable to meet its current liabilities in the ordinary course of business. During this period numerous checks drawn on Respondent's bank accounts payable to customers and others, were dishonored by the banks because of insufficient funds. Furthermore, respondent accepted customers' securities for safekeeping and, without the knowledge or consent of the customers, appropriated certain of such securities to its own use and benefit; and it also followed the practice of mailing confirmations of sales of securities to persons whose business Respondent had solicited but who had not in fact agreed to make such purchases. These activities were found by the Commission to be violative of the anti-fraud provisions of the securities laws.

The Commission also ruled that the Respondent engaged in the conduct of a securities business in violation of its net capital rule; made false entries in its books and records to reflect sales and payments not actually made and otherwise violated the Commission record-keeping rules; violated Regulation T by reason of its failure to cancel a customer's purchase of securities when timely payment therefor was not made; and failed to amend its registration application to reflect the fact that Katz sold 1,500 of his holdings of 7,500 shares of Respondent's stock to Donald T. Leahy, who was then elected a director. Respondent and Katz also were enjoined in March 1958 by a Federal court order, on complaint of the Commission, from violating the anti-fraud and record-keeping provisions of the Securities Exchange Act.

MODERN MATERIALS FILES FOR OFFERING AND SECONDARY. Modern Materials Corporation, 7018 South Street, Detroit, Mich., filed a registration statement (File 2-17444) with the SEC on January 4, 1961, seeking registration of 150,000 shares of common stock, of which 50,000 shares are to be offered for public sale by the company and 100,000 shares, being outstanding stock, by the present holder thereof. The public offering price and underwriting terms are to be supplied by amendment. Smith, Hague & Co. heads the list of underwriters.

The company manufactures and distributes aluminum and asphalt siding and related accessories. The net proceeds from the company's sale of additional stock will be applied toward the retirement of all the notes payable to Lucien Lamoureux, president, Alice Joyce MacWilliam, his niece, and Winston J. Fisher, secretary, in the aggregate principal sum of \$151,000; and the balance will be added to general funds and used for general corporate purposes.

In addition to the notes payable, the company has outstanding 230,000 shares of common stock, of which Lamoureux and Alice Joyce MacWilliam own 100,000 shares each and Fisher owns 30,000 shares. Alice Joyce MacWilliam proposes to sell all of her holdings.

MARKET STREET RY. FEE PAYMENTS CLEARED. The SEC has issued an order under the Holding Company Act (Release 35-14347) releasing jurisdiction over the payment of some \$1700 of fees and expenses incident to the final cash distribution to holders of the Prior Preference 6% Cumulative Stock of Market Street Railway Company under and pursuant to a previously-approved plan for its liquidation and dissolution. According to the application, funds totaling \$2,277,226 were received by the paying agent for distribution and that \$2,269,950 (99.68%) has been distributed to such holders.

MOTION FILED FOR EXEMPTION OF SOUTHERN INDEMNITY UNDERWRITERS. The SEC has issued a notice of its own motion to find and declare that Southern Indemnity Underwriters, Inc., of Louisville, Ky., has ceased to be an investment company; and it has given interested persons until January 15, 1961, to request a hearing thereon. Southern registered as a face amount certificate company in June 1941. However, sales of certificates ceased in late 1941; and the Trust assets consist of \$139.52, representing the liquidating value on 5 certificates outstanding.

OVER

SWISS CHALET FILES FOR OFFERING. Swiss Chalet, Inc., 105 De Diego Avenue, San Juan, Puerto Rico, filed a registration statement (File 2-17446) with the SEC on January 4, 1961, seeking registration of 115,000 shares of 70¢ Cumulative First Preferred Stock, \$9 par, and 115,000 shares of common stock, to be offered for public sale in units at \$10 per unit. Each unit will consist of one share of preferred and one share of common. The offering is to be made through P. W. Brooks & Co., Inc. and Compania Financiera de Inversiones, Inc., of San Juan. The underwriters will receive a \$1 per unit commission and will purchase for \$450, five-year warrants to purchase 45,000 common shares at \$1.75 per share.

The company operates the Swiss Chalet Restaurant which occupies a modern air-conditioned building on De Diego Ave. in San Juan. According to the prospectus the current financing program is designed to provide primarily for the construction and furnishing of a seven-story hotel adjacent to the restaurant. The hotel, now under construction and to be known as the Hotel Pierre, will have 132 air-conditioned rooms, together with supporting facilities including lobby, cocktail lounge, swimming pool, and tourist shops. It will cater to both the tourist and business trades. The net proceeds from the sale of units and a first mortgage loan of up to \$1,150,000 will be used as follows: (a) \$470,570 to payment of interim financing loans from Rexach Construction Company, Inc. which had been applied to the redemption of the Company's 10% Preferred Stock, payment of outstanding mortgages on its properties, payment of architects' fees for design of the hotel and acquisition of additional land for the hotel site, (b) \$1,408,000 to cost of construction, architects' fees for supervision during construction and furniture and equipment for the hotel, including payment of interim financing loans to be obtained from The First National City Bank of New York for such purposes, (c) \$80,000 to cost of modifications to present restaurant facilities to adapt them to the requirements of the hotel, and (d) the balance to payment of pre-opening and other expenses incident to commencement of hotel operations and for working capital.

In addition to indebtedness, the company has outstanding 300,000 shares of common stock, of which Pierre U. Greber, president, John Lohner, vice president, Klaus Gyax, vice president, and Pierre F. Lohner, treasurer, own 75,000 shares each.

SABER BOATS GRANTED HEARING. At the request of Saber Boats, Inc., formerly of Accokeek, Md., the Securities and Exchange Commission has scheduled a hearing for January 16, 1961, on the question whether to vacate or make permanent the November 25, 1960, order of the Commission which temporarily suspended a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by Saber Boats.

The Commission's suspension order asserted that Saber Boats' offering circular and related material used in the offering and sale of its stock were false and misleading in respect of various material facts. The offering was underwritten by Batten and Company of Washington, D. C.

SEC TO PARTICIPATE IN DIXIE ALUMINUM PROCEEDING. The SEC has filed a notice of appearance in the proceedings for the reorganization of Dixie Aluminum Corporation, of Rome, Georgia, pending in the U. S. District Court in Rome, pursuant to Chapter X of the Bankruptcy Act. (Release CR-146). The business of the Debtor is the manufacture of aluminum extrusions, fabricated parts and tubing. As at August 31, 1960 the Debtor reported its assets to be \$1,816,970 and its liabilities to be \$1,900,413. The Debtor is reported to have outstanding 118,045 shares of \$4 par value preferred stock and 548,861 shares of \$1 par value common stock. There are approximately 410 preferred stockholders and 1,637 common stockholders. Robert A. Morgan has been named Trustee and Oscar M. Smith attorney for the Trustee.

JURY CONVICTS WENDELL RALPH LUTES. The SEC Chicago Regional Office announced December 30th (LR-1875) that Wendell Ralph Lutes was convicted by a Federal grand jury (USDC SD Ind.) under an indictment charging that he engaged in a scheme to defraud investors in the common stock of Brown County Mortgage Company, Inc.

SEARCH INVESTMENTS FILES FOR OFFERING. Search Investments Corp., 1620 Rand Tower, Minneapolis, Minn., filed a registration statement (File 2-17445) with the SEC on January 4, 1961, seeking registration of 1,000,000 shares of common stock, to be offered for public sale at \$1 per share. No underwriting is involved. The company was organized under Minnesota law in November 1960 and is registered under the Investment Company Act of 1940 as a non-diversified closed-end investment company. The net proceeds from the stock sale together with \$100,000 which has already been paid into the company will be used as follows: \$20,000 for working capital, to finance office space and salaries for one year; and \$1,074,000 for investments. The company has outstanding 100,000 shares of common stock. Newell O. Gaasedelen is listed as president. The stock is owned primarily by incorporators and management officials. The stock will be sold through efforts of the company's officers and directors and the board will assume full responsibility for the entire management of the company and no outside investment counsel will be employed. The company "will confine its investments principally to common stocks or similar vehicles of equity capital."

EFFECTIVE SECURITIES ACT REGISTRATIONS: January 5: Pocket Books, Inc. (File 2-17301); One Park Avenue Associates, (File 2-17310).