

**NEWS DIGEST**

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



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FOR RELEASE June 7, 1961

MYRON SWARTZ BARRED FROM SEC ACCOUNTING PRACTICE. The SEC today announced a decision in which it denied Myron Swartz, of Pittsburgh, Pa., the privilege of practicing before the Commission as an accountant because of "unethical and unprofessional conduct."

Swartz is a certified public accountant and a member of the American Institute of Certified Public Accountants and the Pennsylvania Institute of Certified Public Accountants. In private proceedings instituted against him pursuant to the Commission's Rules of Practice, he was charged with professional misconduct in connection with the preparation and use of certain financial statements of Eastern Investment and Development Corporation and Cornucopia Gold Mines during the period 1957 and 1958. He was also charged with having given false testimony in prior Commission proceedings. During the period involved, Eastern was a substantial stockholder in Cornucopia; and both companies were under control of Earl Belle, Murray and Burton Talenfeld and their father, Edward Talenfeld. Swartz's testimony was taken under oath in a July 1958 investigation conducted by the Commission, which testimony became part of the record upon the basis of which the Commission ordered withdrawal of the registration of Cornucopia's common stock on the American Stock Exchange in August 1960 because Cornucopia had violated the reporting and disclosure requirements of the Securities Exchange Act by failing to disclose pertinent and accurate information regarding its condition and affairs and by filing reports, including financial statements, which contained false and misleading information.

According to the August 1960 decision, Cornucopia and Eastern had obtained substantial bank loans after bank officials had discussed with Belle and the Talenfeld brothers certain financial statements of Eastern as of July 31, 1957 and December 31, 1957. These statements were false and misleading; and the certificates accompanying the earlier statements were admittedly on Swartz' office stationery and bore his signature. In the earlier investigation Swartz had testified that he had made an examination of Eastern's books and provided Belle with ten copies of his letterhead stationery signed in blank so that Belle could have the statements and certificates typed, but that Belle had the certificates typed over Swartz's signature and attached them to false and misleading financial statements. Swartz further testified that he later learned of this but nevertheless continued to perform various services for Belle, including the certification, for inclusion in Cornucopia's annual report and proxy statement, of financial statements which he now admits were false and misleading.

Moreover, as Swartz later admitted in a voluntary statement in February 1960, he testified falsely in the Commission's investigation with respect to various activities for and in behalf of Belle and Eastern and, in fact, certified financial statements of Eastern at Belle's request although he never saw its books and records. It seems clear, the Commission stated, that Swartz's conduct throughout his connection with the affairs of Eastern and Cornucopia "was manifestly unethical, improper and unprofessional."

Although he conceded that he had engaged in unethical and improper professional conduct, Swartz urged various considerations in extenuation, including his youth (then 27), his belief in the integrity of Belle (who was being publicly hailed as a financial genius), and the fact that he voluntarily corrected his earlier testimony. "We have given consideration to all these factors," the Commission stated; "but in our opinion these considerations do not detract significantly from the serious nature of the misconduct in which he did engage. In addition, even if credence is given to Swartz's assertions that he was intimidated by Belle and did not make proper disclosure for fear of the personal consequences described by Belle, there is no evidence or claim that Swartz was coerced into continuing to work for Belle and his companies. On the contrary, the indications are that Swartz in continuing to perform services was motivated by the hope of compensation not only for past unpaid work but also for potential future business. His conduct in this respect, particularly in certifying financial statements for filing with the Commission and his communications in connection therewith with our staff and with an inquiring bank, without disclosing what he knew of the improprieties involved, is especially to be condemned. In view of the gravity of the misconduct here involved and in view of the high standard of honesty and professional conduct we must demand of accountants and others practicing before this Commission if we are to fulfill our responsibility to protect the public interest, we must conclude that Swartz should be denied the privilege of practicing before us in the future."

VIOLATIONS CHARGED TO ELIZABETH HARRIS. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether to revoke the broker-dealer registration of Elizabeth Harris, doing business as Investaservice, of 11 West 42d Street, New York City.

The proceedings have been consolidated with similar proceedings ordered by the Commission on November 22, 1960, to determine whether the broker-dealer registration of Albert Harris, doing business as Investor-service, of the same 42d Street address, should be revoked. The time and place of the hearing in the consolidated proceedings will be announced later.

The proceedings with respect to Albert Harris, which also concern the question whether he should be suspended or expelled from membership in the National Association of Securities Dealers, Inc., were based upon an October 1960 decree of the Supreme Court of the State of New York enjoining him from engaging in or continuing certain conduct and practices in connection with the purchase and sale of securities. The Commission has amended the order authorizing such proceedings to charge Harris with violations of its record-keeping requirements and a refusal to make his books and records available for inspection by the Commission's staff.

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In its order with respect to Elizabeth Harris, the Commission charges that her registration application falsely represented that no other person directly or indirectly controlled her business when, in fact, Albert Harris was in control; and he and Mrs. Harris failed to cause an amendment to be filed to correct the disclaimer. This order also charged violations of the Commission's record-keeping requirements by Elizabeth Harris and a failure to make her books and records available for inspection by its staff; and it further charges that Albert Harris caused her so to do.

**SPELLMAN ENGINEERING FILES FOR STOCK OFFERING.** Spellman Engineering, Inc., 722-32 Brookhaven Drive, Orlando, Fla., filed a registration statement (File 2-18251) with the SEC on June 6th seeking registration of 150,000 shares of common stock, to be offered for public sale through underwriters headed by Pierce, Carrison, Wulbern, Inc. The public offering price and underwriting terms are to be supplied by amendment. The registration statement also includes (1) 50,000 outstanding common shares which the previous holders thereof sold to the principal underwriter for 1¢ each, and (2) 26,000 common shares which underlie 10-year warrants which were issued by the company to Paul J. Spellman, president and principal stockholder (as part of an aggregate of 52,000 warrants sold to Spellman), which warrants were re-sold to the principal underwriter for 1¢ each, exercisable at the public offering price.

The company, through its Engineering Contractors Division, performs services which are primarily involved with governmental contracts for missile programs in the areas of precision temperature control, cryogenic systems and structural modification and repair of existing missile service towers and complexes; through its Ground Support Equipment and Maintenance Division, in the precision cleaning and testing of missile parts, ground support equipment associated with propellant loading and handling and hydraulically operated release mechanisms; and through its Fabrication Division, in producing custom metal and plastic duct assemblies, mobile and stationary equipment enclosures, light and medium metal decking used on missile service towers, and other custom metal and plastic fabrications. The net proceeds from the stock sale will be used to repay Small Business Administration loans in the amount of \$360,811, and the balance will be added to general funds and used as working capital.

In addition to certain indebtedness, the company has outstanding 375,000 shares of common stock, of which Paul J. Spellman owns 50.8% and management officials as a group 62.3%.

**WILLIAM GETZ FILES FOR OFFERING AND SECONDARY.** The William Getz Corporation, 7512 South Greenwood Ave., Chicago, filed a registration statement (File 2-18252) with the SEC on June 6th seeking registration of 105,000 shares of common stock, of which 80,000 shares are to be offered for public sale by the company and 25,000 shares, being outstanding stock, by William Getz, president and principal stockholder. The offering will be made through Bacon, Whipple & Co. The public offering price and underwriting terms are to be supplied by amendment.

The company compounds, formulates and manufactures consumable dental supplies for sale through dental supply retailers to dentists, dental schools and dental laboratories. In addition, it manufactures and, in some cases, wholesales minor items of dental equipment. According to the prospectus, a number of the products are manufactured under patents or exclusive formulas and are unique with the company, and certain are of the type which may also be sold to the public through retail drug outlets. In March 1961 the company purchased for \$605,669 all of the outstanding capital stock of Hanau Engineering Company, Inc., a manufacturer of dental equipment and special dental instruments. Of the net proceeds from the company's sale of additional stock, \$550,000 will be applied to discharge in full a short-term bank loan incurred to finance the purchase of Hanau, and the balance will be added to general funds and will be available for any corporate purpose.

The company has outstanding 170,170 shares of common stock, of which William Getz owns 158,188 shares and proposes to sell the 25,000 shares. Management officials as a group own 100% of the outstanding stock.

**BROCKTON EDISON FILES FOR STOCK OFFERING.** Brockton Edison Company, 36 Main Street, Brockton, Mass., filed a registration statement (File 2-18253) with the SEC on June 6th seeking registration of 40,000 shares of \$100 par preferred stock, to be offered for public sale at competitive bidding.

Of the net proceeds from the stock sale, about \$3,264,000 will be used to retire the presently outstanding 6.40% preferred stock of the company. The balance will be used to prepay in full the company's short-term bank loans which amounted to \$570,000 at May 31, 1961, and for construction purposes. The proceeds of the bank loans were used to improve and expand the company's utility facilities or to reimburse its treasury for funds expended for such purposes. Construction expenditures for 1961 are estimated at \$1,500,000 of which \$900,000 is expected to be derived from operations.

**ABBEY AUTOMATION SYSTEMS FILES FOR STOCK OFFERING.** Abbey Automation Systems, Inc., 37-05 48th Avenue, Long Island City, N. Y., filed a registration statement (File 2-18254) with the SEC on June 6th seeking registration of 100,000 shares of common stock, to be offered for public sale at \$3 per share. The offering will be made on a best efforts basis through John Joshua & Co., Inc., which will receive a 45¢ per share selling commission and \$15,000 for expenses. The registration statement also includes 30,000 common shares which the company sold the underwriter at 1¢ each, and 20,000 common shares issued by the company for legal services.

The company was organized under Delaware law in April 1961 to engage in the business of designing, manufacturing and selling automation equipment for industry, under patents obtained by Harold G. Abbey, president and principal stockholder, and assigned by him to the company. Initially such equipment will be for use in the field of metal plating and subsequently in the field of materials handling. The company is engaged in soliciting orders and intends initially to conduct the major part of its manufacturing and assembly business by subcontracting to other existing facilities. The estimated net proceeds of \$225,000 will be used for new facilities, a sales program, a demonstration laboratory, and for general funds.

The company has outstanding 210,000 shares of common stock, having a book value of 24¢ per share, of

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which Abbey owns 76.2% and management officials as a group 96.4%. The shares owned by Abbey were issued to him in consideration of his transfer to the company of the patents having a cost to him of \$50,227.83.

**BALDWIN SECURITIES GRANTED EXEMPTION.** The SEC has issued an order under the Investment Company Act (Release IC-3266) declaring that Baldwin Securities Corporation, a Pennsylvania company, of Philadelphia, has ceased to be an investment company following its merger with and into a Delaware company of the same name, a wholly-owned subsidiary of the Pennsylvania company.

**CHAMPION INDUSTRIES GRANTED EXEMPTION.** The SEC has issued an order under the Investment Company Act (Release IC-3267) declaring that Champion Industries, Inc., St. Louis, has ceased to be an investment company. The company is in the process of liquidation and dissolution.

**OHIO FRANKLIN FUND ORDER ISSUED.** The SEC has issued an order under the Investment Company Act (Release IC-3268) granting an application of Ohio Franklin Fund, Inc., Columbus investment company, for exemption from the requirements of the Act that it must have a minimum net worth of \$100,000 before making a public offering of securities; and permitting its investment adviser, the Ohio Company, an investment banking firm, to receive commissions on the same basis as those received by non-affiliated brokers.

**AMERICAN MISSILTRONICS FILES FOR STOCK OFFERING.** American Missiltronics Corporation, 136 Orange St., Newark, N. J., filed a registration statement (File 2-18255) with the SEC on June 6th seeking registration of 125,000 shares of Class A common stock, to be offered for public sale at \$4 per share. The offering will be made on a "best-efforts all-or-nothing" basis through T. M. Kirsch Company, which will receive an 80¢ per share commission and \$20,000 for expenses. The registration statement also includes 25,000 Class A shares which the company will sell to the underwriter for 10¢ per share if all the shares being registered are sold. The underwriter also will be entitled to purchase 10,000 Class B shares at 10¢ per share.

The company (formerly Marsan Industries, Inc.) was organized under New Jersey law in December 1960 as successor to Jersey Packing Company, American Missiltronics Corporation and United Packing Company. Through its American Missiltronics Division, the company proposes to engage in the development and manufacture of television camera tubes, equipment for closed circuit television systems and certain special purpose semiconductor devices. It has also designed and proposes to engage in the further development of additional products such as miniaturized television cameras, semiconductor devices and an aircraft transponder. This division has been engaged principally in research and development, no sales of products having been made. Through its Jersey Packing Company Division, the company is engaged in the wholesale and retail distribution of meat, meat products and other food products. The estimated \$350,000 net proceeds from the stock sale will be used to repay notes payable, to purchase equipment and machinery for, and to expand the facilities of the Missiltronics Division, for product refinement and research and development and advertising of new products of said division, for purchasing raw materials in that division, and for general working capital.

In addition to certain indebtedness, the company has outstanding 160,000 shares of Class B common stock, of which Sidney Martin, president, and Harold R. Walker, a vice president, own 75% and 10%, respectively, and management officials as a group 95%.

**FIRST NATIONAL REAL ESTATE TRUST FILES FOR OFFERING.** First National Real Estate Trust, 15 William St., New York, filed a registration statement (File 2-18256) with the SEC on June 6th seeking registration of 1,000,000 shares of beneficial interest in the Trust, to be offered for public sale on a best efforts basis through Aberdeen Investor Programs, Inc., the Trust's distributor. The public offering price and underwriting terms are to be supplied by amendment.

The Trust was organized under Massachusetts law in May 1961. Its formation was initiated by Charles L. Bailey, Donald S. Kennedy and Robert Ducas on behalf of the distributor, and by William F. Purcell, president and principal stockholder of Metropolitan Management, Inc., which will serve as the Trust's real estate manager. The stated purpose of the Trust is to provide investors with an opportunity to own, through transferable shares, an interest in diversified income-producing properties consisting primarily of real estate interests.

The Trust has outstanding 11,347 shares of beneficial interest, of which Ducas, Hodgdon & Co., Purcell and his wife, and W. Gardner Young own 24.21%, 14.54%, 22.92% and 14.54%, respectively. The prospectus lists the trustees of the Trust as H. Struve Hensel (chairman), John H. N. Potter and Wayne Chatfield Taylor.

**GEORGE ALEXANDER KERR SENTENCED.** The SEC Seattle Regional Office announced June 2d (LR-2038) that George Alexander Kerr (of Vancouver, B.C.) had been sentenced (USDC, Seattle) to three years' imprisonment on his plea of guilty to a charge of violating the mail fraud statute in the sale of Eagle Plains Developments Ltd. stock.

**PLATALLOY CORP., J B NELSON ASSOCIATES ENJOINED.** The SEC San Francisco Regional Office announced June 6th (LR-2039) the entry of a court order (USDC Los Angeles) permanently enjoining Platalloy Corporation, Douglas M. Todd and J. B. Nelson, individually and as co-partners in J. B. Nelson & Associates, M. Dell Lish and Don L. Calabria from the sale of securities in violation of the Securities Act registration requirement. Action dismissed as to Mineral Conversion Corporation, a defunct company.

**TEXAS EASTERN TRANSMISSION FILES FINANCING PLAN.** Texas Eastern Transmission Corporation, Memorial Professional Bldg., Houston, Texas, today filed a registration statement (File 2-18257) with the SEC seeking registration of \$30,000,000 of debentures due July 1, 1981 and 200,000 shares of \$100 par preferred stock, subordinate convertible series. Such securities are to be offered for public sale on an all or none basis through underwriters headed by Dillon, Read & Co., Inc. The interest rate on the debentures, dividend rate on the preferred stock, public offering prices and underwriting terms are to be supplied by amendment.

The net proceeds from the financing plan will be used to retire currently outstanding notes incurred for general corporate purposes including construction, and the balance in connection with construction in 1961, expenditures for which are estimated at \$89,000,000. Financing thereof has been provided in part by the sale of \$30,000,000 of First Mortgage Pipe Line Bonds and \$15,000,000 par value of preferred stock in January 1961.

SECURITIES ACT REGISTRATIONS, Effective June 7: Capital Investor Programs (File 2-16673); Gem International, Inc. (File 2-17919); The Hallicrafters Co. (File 2-18003); Southern Electric Generating Company (File 2-18084); Thor Power Tool Company (File 2-17982).

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