

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 March 23, 1960

TWO OFFERINGS SUSPENDED. The SEC has issued orders temporarily suspending Regulation A exemptions from registration under the Securities Act of 1933 with respect to public offerings of securities by the following:

- a) Mutual Employees Trademart, Inc., 1055 Hialeah Drive, Hialeah, Florida
Proposed offering of 200,000 common shares at \$1.50 per share pursuant to a notification filed February 25, 1960.
- b) Shumway Broken Arrow Uranium Co., Inc., Moab, Utah
Offering of 300,000 common shares at \$1 per share pursuant to a notification filed November 7, 1955.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. The Commission's suspension orders assert that each of the named companies failed to comply with certain conditions of the Regulation; and, with respect to Mutual Employees Trademart, the order further asserts that that company's offering circular is false and misleading in respect of certain material facts and that its use in the offer and sale of stock would violate Section 17 (the anti-fraud provision) of the Act. The orders provide an opportunity for hearing, upon request, on the question whether the suspensions should be vacated or made permanent.

With respect to Mutual Employees Trademart, the Commission's order states that its notification fails to list a corporation and an individual as affiliates and that its offering circular fails to disclose adequately material transactions between the issuer and insiders as well as the terms of the underwriting agreement. Misrepresentations in its offering circular relate to the manner and extent to which the stock being sold will be diluted due to the issuer's insolvency and its issuance of shares to an affiliate, as well as the effect of the stock offering on the holdings of insiders and the relative control of the issuer by insiders.

Similarly, in the case of the Uranium Co., the Commission's order states that its shares were sold prior to the expiration of the "waiting period" provided in the Regulation and in jurisdictions (states) other than those set forth in the company's notification.

VIOLATIONS CHARGED TO MAKRIS INVESTMENT. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Makris Investment Brokers ("Respondent") and its partners, Michael Angel Socrates Makris and Clyde Livingston, of 1061 Dade Boulevard, Miami Beach, Fla., defrauded customers and otherwise violated provisions of the Federal securities laws and, if so, whether Respondent's broker-dealer registration should be revoked and whether it should be suspended or expelled from membership in the National Association of Securities Dealers, Inc.

According to the Commission's order, information developed in an investigation conducted by its Staff tends to show that, in the offer and sale of common stock of Real Estate Discount Corporation and Class A common stock of Inter-City Finance Corporation in mid-1959, Respondent, Makris and Livingston "engaged in acts, practices, and a course of business which would and did operate as a fraud and deceit" upon certain persons, in that they made false and misleading representations: (a) with respect to the Discount Corporation, concerning the registration of its stock with the Commission, the business of said company, the value of its stock, the price at which the stock could be sold in November 1959 and the future offering price of the stock, the escrowing of the proceeds of the stock sale until \$500,000 had been obtained or until Commission approval of the release of funds, and the repurchase of stock by Makris from an investor; and (b) with respect to Inter-City, concerning Makris' plan to invest \$10 million in Inter-City, the present and future value of its securities and the earnings to be realized by shareholders, the company's participation in the business of factoring "commercial paper," the laws of Florida relative to the payment of interest to Inter-City note holders, the payment by Makris of \$15,000 to an investor for his Inter-City stock, the ownership by Inter-City of 60,000 shares of Discount Corporation stock, and the assignment by Makris to Inter-City of 100,000 shares of Texas International Sulphur Corporation stock having a value of \$180,000. It was further alleged that the Discount Corporation stock was offered and sold in violation of the Securities Act registration requirement.

The Commission's order also asserts (1) that Respondent converted the funds and securities of certain customers to its own use and benefit; (2) that it failed to correct its registration application to show that on or about September 1, 1959, its principal place of business was moved from 4730 North Bay Road to 1061 Dade

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Boulevard, Miami Beach, Fla.; and (3) that it failed to amend its registration application to correct a disclaimer that no salesman or employee had been enjoined from engaging in or continuing any practice or had been found by the Commission to have violated any provision of the Federal securities laws, despite the fact that Respondent employed George T. Argeros on or about August 1, 1959, that Argeros was enjoined by Federal court order on June 30, 1958, from engaging in or continuing certain conduct and practices in connection with the sale of securities, and that, in an order of September 1, 1959, revoking the broker-dealer registration of Universal Securities of Buffalo, the Commission found that said company was aided and abetted by Argeros in violating Section 15(b) of the Securities Exchange Act and Rule 17 thereunder.

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

VIOLATIONS CHARGED TO ALDRICH, SCOTT & CO. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Aldrich, Scott & Co., Inc. ("Respondent"), 80 Wall Street, New York, engaged in a course of business "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.

According to the Commission's order, Respondent's registration application was filed in July 1959 and has not been amended. Edward L. Benedict, Jr., is listed as president and 80% stock owner and Walter Scott Aldrich as vice president and 20% stock owner. The Commission's order further recites that Respondent, Benedict and Aldrich were enjoined by Federal court order on December 23, 1959, from violating the anti-fraud provisions of the Federal securities laws and certain rules of the Commission thereunder, and by order of the Supreme Court of New York in and for the County of New York on December 16, 1959, from engaging in securities transactions within the State of New York. Respondent failed to amend its registration application to correct a disclaimer therein that any such restraining orders had been issued.

The Commission's order further asserts that during the period September 20 to November 30, 1959, Respondent, aided and abetted by Benedict and Aldrich, (a) induced certain persons to purchase certain securities and to deposit money and property in payment therefor, which securities were not delivered to the customers but were converted to Respondent's own use and benefit; and (b) induced the purchase of securities by certain persons and the deposit of monies and securities in payment therefor and represented in connection therewith that Respondent was solvent and ready and able to discharge its liabilities to such persons, when in fact its liabilities exceeded its assets and it was unable to meet its current liabilities in the ordinary course of business. The order charges that these transactions violated the anti-fraud provisions of the Federal securities laws and the Commission's net capital rule thereunder.

A hearing will be held, at a time and place later to be announced, to take evidence on the foregoing.

FIVE CLAIM INVESTMENT COMPANY EXEMPTION. The SEC has issued orders giving interested persons until March 31, 1960, to request a hearing upon applications of the following companies for exemption from the Investment Company Act of 1940:

The Citizens and Southern Small Business Investment Company (Release 40-2988), of Atlanta, Ga.

Franklin Small Business Investment Corp. (Release 40-2989), of Nassau County, N. Y.

First Wisconsin Investment Corporation (Release 40-2990), of Milwaukee, Wis.

First Small Business Investment Corporation of New England (Release 40-2991), of Boston, Mass.

Thorp Small Business Investment Corporation (Release 40-2992), of Thorp, Wis.

Each of the companies seeks an order declaring that it has ceased to be an investment company as defined in the Investment Company Act, for the reason that it is not now making and does not presently propose to make a public offering of its securities and its voting securities are not held by more than 100 persons.

TOURIST INDUSTRY DEVELOPMENT PROPOSES DEBENTURE OFFERING. Tourist Industry Development Corporation Ltd., 100 King George St., Jerusalem, Israel, filed a registration statement (File 2-16293) with the SEC on March 22, 1960 seeking registration of \$2,250,000 of 7% subordinated debenture stock due July 1, 1978, to be offered for public sale in denominations of \$500 and \$1,000 and multiples of \$1,000. The offering price is 100%. No underwriter is involved. The company may pay a maximum of 5% in commissions to dealers assisting in the sale of the debentures. The interest rate includes 6% fixed interest (guaranteed by the State of Israel until maturity) and 1% additional interest if such interest has been earned by the Corporation in the preceding calendar year. Interest paid on the Debenture stock is subject to a 25% withholding tax imposed by the State of Israel, although, according to the prospectus, holders may take a credit against their Federal Income taxes in the amount of Israel taxes withheld, or may deduct the amount of such taxes in computing their taxable net income. The debenture stock is convertible between May 1, 1960, and May 1, 1963, into shares of Class B Ordinary stock of the corporation at a conversion price of \$55.56 representing the par value of the stock.

The corporation originally offered the debenture stock under a registration statement which was filed with the SEC and became effective in February, 1958. The stock, at that time had no maturity date, carried 4% fixed interest with an additional 3% contingent on earnings and the interest was not guaranteed by the State of Israel. At July 31, 1958, only \$47,000 of such debenture stock had been issued. A subsequent

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supplemental indenture entered into with Bankers Trust Company, as trustee, provided for the 1978 maturity date, increased the fixed interest to 6%, pledged the faith of the State of Israel to its payment, reduced the interest contingent on earnings to 1%, and changed the title of the security to 7% Subordinated Debenture Stock. As of December 31, 1959, \$1,015,000 of the debenture stock had been issued.

The company was organized in October, 1957, by the government of the State of Israel for the purpose of financing tourist enterprises in Israel. The tourist industry is second only to the citrus industry as a source of dollar credits in Israel. About 85% in amount of the loans presently held by the corporation are for hotels, with most of the balance for restaurants and souvenir shops. Of the net proceeds from the sale of the debentures, \$1,500,000 will be allocated for hotel and restaurant loans secured by mortgages on real estate; \$200,000 for loans for furnishings and related merchandise in the enlargement of hotels and restaurants; \$150,000 for loans to be used for the acquisition of vessels and building of piers; \$100,000 for loans for souvenir shop enterprises; \$50,000 to repay advances from the State of Israel, and \$64,500 for other loans and investments and general corporate purposes. A portion of such expenditures have already been made.

In addition to the debenture stock already issued, the Corporation at present has 1,500 outstanding shares of ordinary A stock and 15,000 shares of ordinary B stock. The prospectus lists Theodore Kollek, Director General, Prime Minister's Office, Israel, as board chairman, and Lawrence G. Laskey as board chairman of American section.

DELTOWN FOODS FILES FOR SECONDARY. Deltown Foods, Incorporated, 170 Saw Mill River Rd., Yonkers, N.Y., filed a registration statement (File 2-16294) with the SEC on March 22, 1960, seeking registration of 115,000 shares of outstanding common stock, to be offered for public sale by the holders thereof through an underwriting group headed by A. G. Becker & Co.

The company is principally engaged in the processing, bottling and distributing of milk and other dairy products. It has outstanding 3,312 shares of 6% preferred stock (\$100 par) and 332,685 shares of common stock. The selling stockholders include three trusts under the will of A. H. Rubenfeld which will sell 61,410 of 80,910 shares held; Robert L. Popper, vice president, 15,000 of 39,280 shares; Nathan Wedeen, board chairman, 13,000 of 34,025; Lawrence D. Marks, all of his 15,000 shares; Beatrice Kern, 9,195 of 11,555; and George Kaye, 1,395 of 5,395. Through this offering the holdings of all officers and directors will be reduced from 26% to 13%.

BIG LAUREL FILES FOR OFFERING. Big Laurel, Inc., Bryson City, N. Car., filed a registration statement (File 2-16295) with the SEC on March 22, 1960, seeking registration of 400,000 shares of 7% Cumulative Preferred Stock (\$2.80 par) and 400,000 common shares (10¢ par), to be offered for public sale in units of one preferred and one common share and at \$3.00 per unit. The offering is to be made on a best efforts basis by Pearson, Murphy & Co., Inc., and Mackay & Company, for which a \$.54 per share selling commission is to be paid (plus \$17,500 for expenses). The company has further agreed to sell the underwriters at 10¢ per share, an aggregate of 30,000 common shares (which are also included in the registration statement but are not presently being offered for sale to the public).

The company was organized under Delaware law in May 1959 for the purpose of acquiring and developing real property, principally in North Carolina in the vicinity of the Great Smoky Mountains National Park. It now owns a 2100 acre unimproved tract in Swain County, N. Car., and an adjacent 160-acre tract. The property was acquired in part directly from the owners thereof and in part by assignment from members of the organizing group or promoters, at a cost of about \$33.50 per acre. In addition, in connection with the acquisition of one tract one of the promoters sold 18,000 shares held by him to Vern L. Cope for \$5,000.

It is the intention of the company to develop the acreage into a high calibre resort community. Net proceeds of the sale of the units will be applied to such purpose, including \$119,000 for improvement of roads, \$165,000 for installation of water system, \$510,000 for construction of a golf course, clubhouse and resort motel, and \$100,000 for working capital.

The promoters include James Benjamin Fraser, Jr., president, and Arthur W. Dixon Sr., board chairman, J. Robert Varner, James W. McLaughlin, Edwin B. Whitaker and Charles P. Clayton. The company's initial capital of \$165,000 was furnished by the promoters and business associates who received 850,000 common shares.

ALL-STATE PROPERTIES PROPOSES RIGHTS OFFERING. All-State Properties, Inc., 30 Verbena Ave., Floral Park, N. Y., filed a registration statement (File 2-16269) with the SEC on March 17, 1960, seeking registration of 870,132 shares of capital stock. The company proposes to offer the stock for subscription by holders of outstanding stock. The record date, rate of subscription and subscription price are to be supplied by amendment. Bear, Stearns & Co. and Allen & Company are listed as the principal underwriters. The company will pay the underwriters a commission of 5% of the subscription price in respect of all the stock being offered and an additional commission of 5% in respect of unsubscribed stock acquired by the underwriters.

The company is engaged in real estate development. Early in 1958 it began the construction of single-family houses on Long Island and more recently near Louisville, Ky., Fort Lauderdale, Fla., and Washington, D. C. It acquired land subject to large mortgages, paying for the land only as mortgage releases are obtained for actual construction, which is financed by building loans. The company also plans to engage in commercial construction, including shopping centers and apartment buildings. In addition to various indebtedness, the

company now has outstanding 1,740,263 shares of stock. Of the net proceeds of the sale of the additional stock, about two million dollars will be applied to the reduction of current indebtedness to banks and the balance will be added to working capital for present and future operations.

The prospectus lists Herbert Sadkin as board chairman and president. Management officials own 388,920 shares (23%) of the outstanding stock.

SUPERIOR ELECTRIC PROPOSES STOCK OFFERING. The Superior Electric Company, 83 Laurel Street, Bristol, Conn., filed a registration statement (File 2-16270) with the SEC on March 17, 1960, seeking registration of 150,000 shares of common stock, to be offered for public sale through a group of underwriters headed by Lee Higginson Corporation. The public offering price and underwriting terms will be supplied by amendment.

The company is engaged in designing, developing, manufacturing and selling various lines of electronic and electric controls. Net proceeds from the sale of the stock will be used to finance in part the construction of a new plant to consolidate all of the company's manufacturing activities. The balance of the funds necessary to finance the construction will be obtained by the private sale of \$1,500,000 of first mortgage bonds. The cost of the construction is estimated at \$3,000,000.

In addition to certain indebtedness the company has outstanding 6,906 shares of 5% non-cumulative preferred stock (\$25 par), 403,800 shares of Class A and 169,875 shares of common stock. Management officials (including Alfred B. Nelson, president) own all of the Class A stock and 63% of the common stock.

COURT ORDER ENJOINS PLATTALLOY-NELSON ASSOCIATES. The SEC San Francisco Regional Office announced March 15, 1960 (Lit. Release 1624) entry of a Federal court order (USDC, Los Angeles) preliminarily enjoining Plattalloy Corp., J. B. Nelson & Associates, and certain individuals from further violations of the Securities Act registration requirement in the sale of securities of Plattalloy, Mineral Conversion Corp., and J.B. Nelson & Associates.

READ, EVANS ENJOINED. The SEC San Francisco Regional Office announced March 17, 1960 (Lit. Release 1625) entry of a Federal court order (USDC, Los Angeles) permanently enjoining Read, Evans & Company (formerly Glore, Evans & Co.) and Benjamin Franklin Evans, Jr., of Los Angeles, from further violation of Regulation T and of the SEC net capital and record-keeping rules.

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