

# 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 October 18, 1960

**H. G. STOLLE & CO. REGISTRATION REVOKED.** In a decision announced today (Release 34-6389), the SEC revoked the broker-dealer registration of H. G. Stolle & Co., 40 Exchange Place, New York, because of fraudulent misrepresentations in the sale of Belmont Oil Corporation stock and other violations of the Federal securities laws. Myron Rosenthal, a partner, was found to have participated in these violations and to be a cause of the revocation order. Both the company and Rosenthal consented to entry of the order.

According to the decision, Stolle & Co. and Rosenthal induced investors to buy Belmont stock by predictions of future price increases in the stock from \$3 to \$35 and \$50, an increase in income of Belmont, the listing of Belmont stock on an exchange, and an imminent merger between Belmont and a major oil company. In fact, there was no basis for expecting any increase in the market value of Belmont stock, Belmont had an operating deficit, Belmont never contemplated application for listing on an exchange in the United States, and it did not contemplate a merger. They also falsely represented the existence of proven oil resources of Belmont valued at \$5,000,000, whereas its only interest in oil or gas properties were minor participations in leases and overriding oil and gas royalties and Belmont had no oil resources whatever. The company and Rosenthal also defrauded investors by selling Belmont stock to them at \$1 or more per share while withholding information from them of the prevailing market price for the stock, which was between 25¢ or 50¢ per share.

In addition, Stolle & Co. and Rosenthal offered and sold Belmont stock during the period December 1958 to August 1959 in violation of the registration requirements of the Securities Act. They and nine others were preliminarily enjoined by a Federal court order in December 1959 from further offer and sale of Belmont stock in violation of the said registration requirements; and Stolle & Co. failed to amend its registration application to correct a disclaimer therein that no such injunction had been issued.

**SECURITIES VIOLATION CHARGED TO R. J. SOUTHWELL CO.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether the broker-dealer registration of Robert J. Southwell, doing business as R. J. Southwell Co., 880 Bergen Avenue, Jersey City, N. J., should be revoked and/or whether Southwell should be suspended or expelled from membership in the National Association of Securities Dealers, Inc.

Southwell has been registered with the Commission as a broker-dealer since January 1954. In its order, the Commission asserts that he failed to file a report of financial condition for 1959; that during the period March 2, to June 7, 1960, he refused to make his books and records available for examination by the Commission; and that his registration application became inaccurate in August 1959 when he vacated the premises at the Bergen Avenue address and that he failed to file an amendment correcting the inaccuracy.

A hearing will be held, at a time and place later to be announced, to inquire into the foregoing matters.

**AMERICAN ART METALS SEEKS ORDER.** American Art Metals Company, has applied to the SEC for an order under the Trust Indenture Act of 1939 permitting Citizens & Southern National Bank to serve as trustee under an indenture pursuant to which the company proposes to issue \$500,000 of debentures; and the Commission has issued an order giving interested persons until October 29, 1960, to request a hearing thereon.

The company has outstanding \$1,250,000 of 6% Convertible Subordinated Debentures due December 1, 1968, and issued under a 1958 indenture. The Bank serves as trustee under the said 1958 indenture. It now proposes to issue \$500,000 of 6% Convertible Subordinated Debentures due in 1970 under an indenture to be dated September 1, 1960. The new debentures are to be sold to a limited number of institutional or professional type investors. The Bank is to serve as trustee under the 1960 indenture; and the company seeks an order of the Commission determining that the Bank's trusteeship under both indentures will not involve a material conflict of interest.

**SEC CLEARS EMPLOYMENT OF GARRETT.** In a decision announced today (Release 34-6395) the SEC granted an application of the National Association of Securities Dealers, Inc., for permission to continue Perkins & Co., Inc., of Dallas, Texas in membership while the said company has William J. Garrett in its employ.

According to the decision, Garrett Bros., Inc., was expelled from NASD membership in 1956 for failure to perform on a firm commitment as a principal underwriter. Garrett has resigned from Garrett Bros. before the expulsion, he had been president and a director at the time of the company's failure to perform its obligation. In connection with his present employment, the president of Perkins & Co. has undertaken to supervise Garrett's activities as a securities salesman. In view thereof and the lapse of time since the Garrett Bros. expulsion, the Commission concluded that the NASD application should be approved.

For further details, call WOrth 3-5526

OVER

**KINGSBURY TINGLE & BLANKENSHIP REGISTRATION REVOKED.** In a decision announced today (Release 34-6392), the SEC revoked the broker-dealer registration of Kingsbury, Tingle & Blankenship, Inc., 612 DuPont Circle Bldg., Washington, D. C., for violations of the Commission's net capital rule and record-keeping requirements.

The company has been registered with the Commission as a broker-dealer since January 1958. Roger Atkinson Kingsbury III initially served as president but became vice president in October 1959 and was succeeded as president by S. Murray Tingle. Marguerite Blankenship is secretary-treasurer and controlling stockholder. Kingsbury and Tingle directed the company's affairs and were regularly present at its office, while Blankenship was there only occasionally.

According to the Commission's decision, inspections of the company's books and records made in December 1958 and January 1959 disclosed that from November 30, 1958, to January 27, 1959, the company engaged in the conduct of a securities business in violation of the Commission's net capital rule and its rules governing the maintenance of books and records. The deficiency in net capital ranged from \$840 to \$2,269. As of November 30, 1958, the company's books were incorrect in various respects, including stated balances of zero, \$603 and \$3 in the accounts of creditors to whom it owed, respectively, \$460, \$1,475 and \$298.

Kingsbury and Tingle, who agreed that the company's registration should be revoked, contended that they should not be found to be causes of such revocation. They urged various extenuating circumstances, including assertions that they made extensive attempts to correct the "chaotic condition" of the company's books as soon as they became aware thereof but were prevented from so doing by Blankenship, who had control of certain records to which she refused them access. They also state that Kingsbury is presently employed by another firm in a supervised capacity and that Tingle is not now employed in the securities business and has no intention of engaging in that business in the foreseeable future. The Commission concluded, however, that Kingsbury and Tingle could not avoid responsibility for the violations and that they, as well as Blankenship, who impeded rectification of the company's affairs, should each be held to be a cause of the order revoking the company's registration.

**VIOLATIONS CHARGED TO QUINN, NEU & CO., INC.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether its rules with respect to record-keeping by registered broker-dealer firms have been violated by Quinn, Neu and Co., Inc., of 40 Exchange Place, New York, and, if so, whether the broker-dealer registration of the said "Respondent" should be revoked.

Respondent has been registered as a broker-dealer since January 1959. Kevin Quinn is listed as president and owner of more than 10% of its outstanding stock. The Commission's order asserts that during the period January 15, 1960, to date, Respondent failed to make and keep current various books and records in accordance with the record keeping requirements of the Commission, including an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities, all receipts and disbursements of cash and all other debits and credits; ledgers reflecting all assets and liabilities, income and expense and capital accounts; ledger accounts itemizing separately as to each cash and margin account of every customer, all purchases, sales, receipts and deliveries of securities, and all other debits and credits to such account; a record or ledger reflecting all "long" or "short" positions, including securities in safekeeping, carried for Respondent's own account or for the account of customers; and a record of the proof of money balances of all ledger accounts in the form of trial balances prepared currently at least once a month.

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

**SEC COMPLAINT NAMES BANNER SECURITIES.** The SEC New York Regional Office announced October 14th (LR 1812) the filing of court action (USDC SDNY) seeking to enjoin Banner Securities, Inc., of 26 Broadway, New York, and Frank Ebner and Matthew Naphtali, president and vice-president, respectively, from further violating the SEC net capital rule.

**TRADING SUSPENDED IN CONSOLIDATED DEVELOPMENT (CUBA) STOCK.** The SEC has ordered the further suspension of trading on the American Stock Exchange and in the over-the-counter market, in the common stock of Consolidated Development Corporation (formerly Consolidated Cuban Petroleum Corporation), of Havana, Cuba, for the ten-day period October 19 to 28, 1960, inclusive, (Release 34-6397).

**BROAD STREET INVESTING SEEKS ORDER.** Broad Street Investing Corporation, New York City, has applied to the SEC for an exemption order under the ICA with respect to its proposed purchase of substantially all the cash and securities of Hall Investment Company, and the Commission has issued an order (Release 40-3128) giving interested persons until October 31, 1960, to request a hearing thereon.

Hall Investment is an investment company having seven stockholders. Under an agreement between the two companies, substantially all the cash and securities owned by Hall Investment, with a value of about \$1,028,597 as of September 28, 1960, will be transferred to Broad Street Investing in exchange for shares of the latter's capital stock at their net asset value. Such shares will be distributed to the stockholders of Hall Investment, who intend to hold them for investment.

**KERN COUNTY LAND FILES STOCK PLAN.** Kern County Land Company, 600 California St., San Francisco, filed a registration statement (File 2-17186) with the SEC on October 17, 1960, seeking registration of 75,000 shares of capital stock, to be offered under and pursuant to the company's Incentive Stock Option Plan for Officers and Key Employees.

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**MORTGAGE GUARANTY INSURANCE PROPOSES OFFERING.** Mortgage Guaranty Insurance Corporation, 606 West Wisconsin Ave., Milwaukee, filed a registration statement (File 2-17187) with the SEC on October 17, 1960, seeking registration of 155,000 shares of common stock, to be offered for public sale through underwriters headed by Bache & Co. The public offering price and underwriting terms are to be supplied by amendment.

The company is engaged in the business of insuring lenders from loss on residential first mortgage loans, principally on single family nonfarm homes. As of October 1, 1960 it acquired the assets and assumed the liabilities of Guaranty Insurance Agency, Inc., to which it issued 165,414 shares of its common stock. Agency's principal functions are selling insurance issued by the company and financing the payment of commissions due agents. Another subsidiary will carry on certain functions previously performed by Agency. A Florida guaranty insurance company organized by the company in 1959 was merged into the company on June 30, 1960.

According to the prospectus, the company now has outstanding 1,265,118 common shares. Net proceeds of the sale of additional stock will be added to capital and surplus for the additional protection of lenders insured by the company. The prospectus lists Henry A. Bubb as board chairman and Max H. Karl as president. No person owns more than 10% of the outstanding stock, but management officials as a group own 21.9% of the outstanding stock.

**UNITED MERCHANTS AND MFG. FILES STOCK PLAN.** United Merchants and Manufacturers, Inc., 1407 Broadway, New York, today filed a registration statement (File 2-17188) with the SEC seeking registration of \$3,000,000 of interests in its Employee Stock Purchase Plan (together with 150,000 common shares reserved for issuance under said Plan), as well as 40,485 common shares for issuance under its Executive Employees Restricted Stock Option Plan of 1951 and 100,000 common shares for issuance under its Executive Employees Restricted Stock Option Plan of 1959.

**MAREMONT AUTOMOTIVE PRODUCTS FILES EXCHANGE OFFER.** Maremont Automotive Products, Inc., 168 N. Michigan Ave., Chicago, today filed a registration statement (File 2-17189) with the SEC seeking registration of 271,191 common shares and 27,119 preferred shares, \$100 par, 6% Series of 1960. The Company proposes to offer these shares in exchange for common stock of Saco-Lowell Shops, of Boston. For each share of Saco-Lowell common, Maremont will issue one share of its common stock and preferred shares of a par amount to be supplied by amendment. Maremont will pay each qualified broker 65¢ commission for each share of Saco-Lowell common purchased through him under this offer.

According to the prospectus, Maremont has purchased over a period of several months from a large number of scattered stockholders an aggregate of 290,509 shares of Saco-Lowell of the par value of \$2.50 per share out of an aggregate of 561,700 issued and outstanding shares, or 51.72% of the outstanding shares. The shares were acquired at an aggregate cost of \$6,544,006.75, being somewhat in excess of the price of such shares on the over-the-counter market.

Maremont is engaged in the manufacture and sale of mufflers, clutch products and other auto parts. Saco-Lowell's principal products are a complete line of preparatory and spinning machinery for use in textile mills; and it also manufactures a line of repair and replacement parts for that machinery as well as certain replacement parts for automobiles and some original equipment for some of the cars produced by one motor company and a small line of parts for farm equipment.