

NEWS DIGEST

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



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BARNETT & CO., INC. REGISTRATION REVOKED. The SEC today announced the revocation of the broker-dealer registration of Barnett & Co., Inc., 40 Exchange Place, New York, for fraud in the sale of securities in violation of the Federal securities laws (Release 34-6466). The company also was expelled from membership in the National Association of Securities Dealers, Inc.; and Stanley Barnett, president and sole stockholder, Maurice Lieber and Murray Libman, formerly salesmen of the company, were each found to be a cause of the order of revocation and expulsion.

In a unanimous decision written by Commissioner McCauley, the Commission ruled that Barnett & Co. and the three individuals, employing well known "boiler room" techniques, made false and misleading representations in connection with the offer and sale of stock of Steuben Electronics Corporation, Inc., in 1959. The company's operations, the Commission stated, included "the use of numerous salesmen to sell a large block of securities of one issuer exclusively by long distance telephone calls through the means of inaccurate, highly exaggerated and misleading representations concerning the issuer's financial condition, its income and capital, and the prospective market price of its stock, without any reasonable basis therefor and without any effort having been made to obtain information concerning such matters. These practices violate the basic minimum standards of fair and honest dealing expected and required of a broker and dealer."

According to the decision, during the period June through August 1959, Barnett & Co. sold more than 108,000 shares of Steuben stock to numerous public investors at a price of \$4 and \$4.25 per share. These shares were offered and sold by the company and its salesmen to members of the public in many states, all the sales being solicited by means of long distance telephone calls. During that period no other securities were sold by the company. In connection with the offer and sale of Steuben stock, registrant and the other respondents admittedly represented that such stock would go up to as much as \$20 to \$25 per share; that the stock would soon be listed on the New York Stock Exchange or the American Stock Exchange; that Steuben had government contracts; and that Steuben had a contract for the manufacture of 40,000 television antennas. All these representations were false or misleading, the Commission stated. For example, at the time of the sales in question, Steuben had no income and no earnings, was operating on borrowed capital and was indebted to the extent of \$150,000, and its stock had a book value of not more than five cents per share, none of which facts was disclosed to purchasers.

Barnett & Co. and the three individuals admitted the violations and consented to the Commission's order of revocation and expulsion.

AUTOMATIC CANTEN SHARES IN REGISTRATION. Automatic Canteen Company of America, Merchandise Mart Plaza, Chicago, Ill., filed a registration statement (File 2-17574) with the SEC on February 7, 1961, seeking registration of (1) 210,228 common shares to be offered by the company pursuant to certain stock option plans, (2) 10,023 common shares to be offered in exchange for all of the outstanding capital shares of Helmut Rehbock, GmbH, of Hamburg, Germany, (3) 56,350 common shares to be offered for all of the outstanding common stock of Trimount Coin Machine Company, Trimount Enterprises, Inc., and Automatic Music Service, Inc., (4) 500,000 common shares to be offered for the acquisition of additional businesses and properties, and (5) 127,725 outstanding common shares to be offered for public sale by the present holders thereof who received such shares in exchange for stock of Nationwide Food Service, Inc., and certain Ohio distributors.

The company is engaged in various phases of the automatic merchandising business including the development, manufacture and sale of vending machines, the leasing of such machines to independent franchised distributors, the purchase and sale of merchandise to such distributors, the operation and servicing of vending machines in certain territories and the manufacture, sale and lease of coin-operated automatic phonographs and accessories. By its recent acquisition of Nationwide Food, the company has expanded its business into the field of food service management and contract catering. As an aid to financing the sale of products manufactured by its subsidiaries, the company has recently acquired all of the outstanding common stock of Commercial Discount Corporation and in excess of 99% of the capital stock of Hubshman Factors Corporation. These companies are engaged in financing the operations of business firms. Through the acquisition of A.B.T. Manufacturing Corp., the company has entered the field of manufacturing coin and bill changers and slug rejectors. The net proceeds from the stock sale upon exercise of the stock options which have been or will be granted under the company's stock option plans will be added to the general funds to be available for corporate purposes which may include the acquisition of additional equipment, the reduction of long term debt, and the augmenting of working capital.

In addition to certain indebtedness, the company has outstanding 6,240,613 shares of common stock. Frederick L. Schuster is listed as board chairman and John W. Cox as president. The prospectus lists 42 selling stockholders including stockholders who received shares of the company in the Nationwide Food acquisition and those who will receive shares in the Helmut Rehbock and Trimount Coin acquisitions. Included in such list are David S. Bond (54,874 shares) and Ben Regan (31,837 shares).

NEES SYSTEM BORROWINGS PROPOSED. New England Electric System, Boston holding company, has joined with sixteen of its subsidiaries in the filing of an application with the SEC under the Holding Company Act proposing borrowings by the subsidiaries during 1961, from banks and NEES, in the maximum aggregate amount of \$64,225,000 of notes to be outstanding at any one time; and the Commission has issued an order (Release 35-14370) giving interested persons until February 23, 1961, to request a hearing thereon. The proposal

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contemplates borrowings of \$44,130,000 from seventeen banks, \$7,785,000 from NEES, and \$12,310,000 from the banks or NEES. The funds will be used to pay some \$37,900,000 of outstanding notes due to the banks and/or NEES and to provide new money for construction expenditures or to reimburse the companies therefor.

SOUTHERN CO. PROPOSES TAX ALLOCATIONS. The Southern Company, Atlanta holding company, has joined with seven of its subsidiaries in the filing of a proposal with the SEC under the Holding Company Act for the allocation among such companies of their consolidated Federal income tax liabilities for the years 1960 through 1966; and the Commission has issued an order (Release 35-14371) giving interested persons until February 28, 1961, to request a hearing thereon.

IDS SEEKS MODIFIED ORDER. Investors Diversified Services, Inc., Minneapolis investment company, has filed an application with the SEC under the Investment Company Act for modification of prior Commission orders relating to transactions between IDS and persons engaged in the offering and sale of securities for which IDS is the underwriter; and the Commission has issued an order (Release 40-3188) giving interested persons until February 23, 1961, to request a hearing thereon. The application related to SEC exemption orders permitting IDS to make loans to its divisional managers, district managers, and sales representatives whose income is derived from the sale of securities for which IDS is the underwriter.

SEC COMPLAINT NAMES BEVERLY HILLS SECURITY INVESTMENTS ET AL. The SEC San Francisco Regional Office announced February 6th (LR-1907) the filing of Federal court action (USDC, Los Angeles) seeking to enjoin Beverly Hills Security Investments, Howard S. Miller, Gloria Miller, Mitchell J. Grossman and George Jessell from further violations of the registration and anti-fraud provisions of the Federal securities laws in the sale of investment contracts and related securities issued in connection with an investment plan designated as the company's 10% Investment Program and based on the sale of discounted trust deeds and mortgages and contracts relating to real estate situated in California, Arizona and New Mexico, and other securities.

INDICTMENT NAMES FREDERICK L. CHAPMAN. The SEC New York Regional Office announced February 6th (LR-1908) the return of an indictment (USDC SDNY) charging fraud by Frederick L. Chapman, president of Barrett, Herrick & Co., Inc., in the sale of securities of Investment Company of America Fund, American Mutual Fund, International Resources Fund, The Dreyfus Fund and Washington Mutual Investors Fund.

SEC COMPLAINT NAMES VICKERS CHRISTY & CO., INC. The SEC New York Regional Office announced February 6th (LR-1909) the filing of Federal court action (USDC SDNY) seeking to enjoin Vickers Christy & Co., Inc., Sidney G. Vickers, Jr., and William J. Christy, from further violations of the Commission's net capital and record-keeping rules.

NORTHWEST BANCORPORATION FILES STOCK PLAN. Northwest Bancorporation, 1215 Northwestern Bank Building, Minneapolis, Minn., filed a registration statement (File 2-17575) with the SEC on February 8, 1961, seeking registration of 250,000 shares of common stock, to be offered to employees pursuant to the company's 1961 Stock Ownership Plan.

TWO DELISTINGS PROPOSED. The New York Stock Exchange has applied to the SEC to delist the common stock of Bangor and Aroostook Railroad Company and the American Preferred Shares representing 6% cumulative preferred stock (and underlying shares) of La Consolidada, S. A.; and the Commission has issued orders (Release 34-6470) giving interested persons until February 24, 1961, to request hearings thereon. According to the applications, there are only 158 holders of 22,473 shares of Bangor stock exclusive of the holdings of Bangor & Aroostook Corporation; and the deposit agreement for the La Consolidada shares has been terminated and transfer facilities in New York City are no longer available.

UNLISTED TRADING SOUGHT. The SEC has issued orders (Release 34-6470) giving interested persons until February 24, 1961, to request a hearing on applications of the Philadelphia-Baltimore Stock Exchange for unlisted trading privileges in the common stocks of Lukens Steel Company and National Can Corporation.

REINSURANCE INVESTMENT CORP. SEEKS ORDER. Reinsurance Investment Corporation, of Jersey City, N. J., has applied to the SEC for an order under the Investment Company Act exempting it from all provisions of that Act; and the Commission has issued an order giving interested persons until February 24, 1961, to request a hearing thereon. The applicant's assets as of September 30, 1960, were valued at \$5,596,722 and consisted of 1,152,000 shares of Loyal American Life Insurance Co., Inc., valued at \$3,312,000 and 189,495 shares of American Income Life Insurance Co. valued at \$1,184,950, with the balance of the assets consisting in the main of government securities and cash. Applicant asserts in support of its application that it is primarily engaged, through the subsidiary companies, in the insurance business and, accordingly, is entitled to the requested exemption.

CANADIAN RESTRICTED LIST ADDITIONS. The SEC has added Genex Mines Ltd., March Minerals Ltd., and St. Anthony Mines Ltd., to its Canadian Restricted List. The list now comprises the names of 241 Canadian companies whose securities recently have been or currently are being distributed in the United States in violation of the registration requirements of the Securities Act of 1933, thus depriving investors of the financial and other information essential to an informed and realistic evaluation of the worth of the securities which registration would provide.

EFFECTIVE SECURITIES ACT REGISTRATIONS: February 9: General Bowling Corp. (File 2-17299); Screen Gems, Inc. (File 2-17368); Seeman Brothers, Inc. (File 2-17400). **Registration withdrawn:** February 9: All American Engineering Company (File 2-17107).