In a "stop order" decision announced today, the SEC suspended the effectiveness of a registration statement filed by Beta Frozen Food Storage, Inc., of Baltimore, which proposed the public offering of $1,750,000 of convertible debentures.

The Commission found that the registration statement filed by the company, which proposes to construct and operate a frozen food storage warehouse near Baltimore, contains materially misleading statements and omits to state material facts with respect, among other things, to the proposed use of the proceeds of the offering; the proposed business of and property to be acquired by the company; competitive conditions in the industry; and the experience of the management. The company consented to the entry of stop order.

The Commission found that disclosures with respect to the proposed use of the proceeds of the financing were materially deficient in failing to specify that the company was dependent entirely upon the proceeds of the financing for carrying out its proposed program, that there was no firm commitment by any person for the purchase of the debentures and therefore no assurance that all or any part of the proceeds would be realized, that the company had no other plans or prospects for securing the funds required and that no arrangements were in effect for the return to investors of all or any part of their purchase money in the event sufficient proceeds were not realized to complete the program.

The description of the company's business also was found inadequate and misleading. Among other things, there was no disclosure regarding the competitive conditions of the cold storage industry in the area to be served; nor was it disclosed that the company had no contracts or arrangements for construction of the warehouse or for the purchase and installation of machinery and equipment. Gross profit potentialities listed by the company were held to be "extremely misleading."

The Commission also found that the company's description of the experience of its management officials was "grossly inadequate and misleading." William H. Burton, president and director, was said to have worked since 1939 "along all of the allied lines" in the cold storage industry and to hold "the highest license issued" in this field. In its decision, the Commission stated that he has been employed as a machine specialist for the past 1½ years; that, although he does not have a degree in engineering, he holds a license as a refrigeration engineer issued by New Jersey; and that the license has no validity in Maryland and Burton has had
no experience in the management of a cold storage warehouse. Ralph E. Burton, director and treasurer, was represented to have had considerable experience in the sales field; and the Commission found that he is an employee of a company which sells storm windows and storm doors and his duties relate to the installation of these products. He has been a carpenter with various construction companies, and his sales experience has been limited to being a door-to-door salesman of vacuum sweepers. The third director, William J. Henning, Jr., who also serves as secretary, also was represented as having had considerable sales experience and having served as a representative-agent for an insurance company. He is presently in the Armed Services, according to the Commission's decision, and formerly was an insurance salesman and was associated with his brother in an ice cream drive-in where he sold ice cream.

In addition, the Commission held that the registration statement was deficient for failure to disclose, with respect to the debentures, that there was no sinking fund for the debentures, that there was no provision restricting the payment of dividends on the common stock, and that the company proposed to redeem the debentures from accumulated earnings, if any, or to obtain the necessary funds from borrowings. Nor was there disclosure that all of the company's 2,500 shares of $1 par common stock would be issued to officers and directors for an amount not in excess of the $2,500 par value thereof, and that public investors were being asked to provide substantially all the monies necessary for the enterprise and to assume substantially all of the risk, although as owners of debentures their participation in the net assets and earnings of the enterprise, if any, would be fixed and limited.

(Note: The Securities Act provides, with respect to stop orders: "When such registration statement has been amended in accordance with such stop order the Commission shall so declare and thereupon the stop order shall cease to be effective.")