

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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SEC ORDER CITES LILE & CO. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Lile & Co., Inc., 1001 East Green St., Pasadena, Calif., engaged in practices which operated as a "fraud and deceit" upon investors or otherwise violated the Federal securities laws and, if so, whether its broker-dealer registration should be revoked.

The said company ("registrant") has been registered with the Commission as a broker-dealer since February 19, 1960. Cooper Paul Matthews is president and sole stockholder. In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that in the offer and sale of \$40,000 of certain promissory notes from September 1962 through May 1963, registrant and Matthews "engaged in transactions, practices and a course of business which would and did operate as a fraud and deceit" upon investors in violation of the anti-fraud provisions of the Federal securities laws in that they made false and misleading statements of material facts concerning, among other things, the use of the proceeds of the notes; the value of collateral pledged to secure the notes; Matthews' personal ability to repay the notes; and the assets of registrant. Violations of the Commission's net capital, recordkeeping and financial reporting requirements are also charged.

A hearing will be held, at a time and place to be announced, for the purpose of taking evidence to determine whether the staff charges are true and, if so, whether registrant's broker-dealer registration should be revoked. Registrant is a member of the National Association of Securities Dealers, Inc.; and one of the issues in these proceedings is whether it also should be suspended or expelled from NASD membership.

REGISTRATION OF CAPITAL INVESTMENT REVOKED. In a decision announced today (Release 34-7129) the SEC revoked the broker-dealer registration of Fred L. Carvalho, doing business as Capital Investment Company, 24 Commerce Street, Newark, N. J., for violations of the Exchange Act anti-fraud provisions. Edward C. Pollock, salesman and public relations consultant for the firm, was found a cause of, and Carvalho consented to, the revocation order.

In its decision the Commission found that in the offer and sale of stock of Triumph Storecrafters Corporation at about \$6 per share between March and June 1961 Carvalho, aided and abetted by Pollock, violated the anti-fraud provisions of the Federal securities laws in that a brochure prepared by Pollock fraudulently projected, for 1961, sales at \$5,000,000, earnings at \$1.20 per share, and a value per share of \$12 to \$18 based on such projected earnings; predicted that the stock would double or triple in price; represented that the company had \$458,735 in the bank and anticipated paying dividends; and also represented that the stock would be listed on the New York, American and other stock exchanges. The Commission found that the respondents failed to disclose that for the five months ending April 1, 1961, Triumph's sales were about \$735,000 and it had sustained a loss, and that Triumph had only \$75,000 in the bank at March 1961, had current liabilities of about \$400,000 at April 1961, and was restricted from paying dividends except from earnings. The Commission further found that although Pollock attempted but was unable to obtain current information with respect to Triumph and was advised by its controller that no financial figures were available, he nevertheless used financial figures included in literature used in a 1960 offering by Triumph which were clearly designated "pro forma" without indicating that they were pro forma and about a year old.

The Commission rejected Pollock's claim that he was not acting in the capacity of an employee when performing public-relations functions for Carvalho (although he admittedly was employed as a salesman) and that in his capacity as a so-called "free lance" public-relations consultant he, in effect, was an independent contractor and not an employee. The Commission ruled that he had not only prepared the fraudulent literature but that he also had made suggestions as to persons to whom his brochure should be mailed and was actively involved in the mailing to at least 2,500 persons. The Commission also found that (1) Carvalho failed to amend his registration application to disclose that a salesman employed by him was permanently enjoined by the New York Supreme Court in August 1960 from engaging in securities transactions within that State, and (2) respondents violated the Securities Act registration requirements in the offer and sale of 20,000 shares of Aquafilter Corporation between January and May 1961.

COMPLAINT CITES CHAROLAIS CATTLE CO. The SEC Atlanta Regional Office announced August 27 (LR-2724) the filing of court action (USDC, Raleigh, N.C.) seeking to enjoin Charolais Cattle Company, a limited partnership, and Harry Ernest Woodson, the general partner, of Fairfield, N.C., from further violations of the Securities Act registration provisions in the offer and sale of investment contracts entitled "Production Agreements," which provide for the sale to investors of cattle which the defendants agree to manage and service.

INDICTMENT NAMES DIVERSIFIED INVESTMENT CORP. The SEC San Francisco Regional Office announced August 26 (LR-2725) the return of a nine count indictment (USDC, Las Vegas) charging J. Clinton Butler, of Huntsville, Ala., and Diversified Investment Corporation, a Nevada company which he organized, with violations of the Securities Act registration and anti-fraud provisions in the offer and sale of pre-organization subscriptions and common stock of Diversified Investment Corp.

OVER

AMERICAN HEALTH SECURITIES, ET AL ENJOINED. The SEC Denver Regional Office announced August 27 (LR-2726) the entry of Federal court orders (USDC, Cheyenne) permanently enjoining (upon consent) William C. Joines and Douglas V. Halter, individually and doing business as American Health Securities, a partnership, C. Michael Daly, all of Cheyenne, and Elvin Gull, of Denver, from further violations of the Securities Act anti-fraud provisions in the offer and sale of common stock and option right certificates of American Health Credit Plan, Inc., of Wyoming. A preliminary injunction was also entered (on default) by the Court against American Health Credit Plan, Inc.

DELISTING APPROVED. The SEC has granted an application of the Philadelphia-Baltimore-Washington Stock Exchange to delist the common stock of The Lehigh Coal and Navigation Company, effective at the opening of business on September 16, 1963 (Release 34-7130).

SENTINEL PETROLEUM FILES FOR OFFERING. Sentinel Petroleum Corporation, Suite 517, 1700 Broadway, Denver, Colo., filed a registration statement (File 2-21670) with the SEC on August 28 seeking registration of \$1,500,000 of participation units in its Drilling Fund "A", to be offered for public sale at \$10,000 per unit. An additional \$2,000 per unit may be payable by participants for additional exploratory costs on properties of the program after its expiration. A \$600 per unit commission is payable to officers, employees and any dealers who sell or assist in the sale of the units.

The company will use program funds to acquire and explore oil, gas or other mineral leases, royalties or interests. It is expected that the exploratory activities of the Fund will be conducted primarily in Kansas, Oklahoma and the Rocky Mountain region. Participants will receive an 8 $\frac{1}{2}$ % interest in each of the Fund's properties and the company the remaining 12 $\frac{1}{2}$ % interest as a royalty. The company will also receive an administrative fee for its services which will equal 10% of all amounts expended for the Fund; and it may also receive additional benefits as a drilling contractor for the Fund and as operator. Charles F. Raymond is president of the company and George A. Bernat is executive vice president, and they are also principal stockholders.

FMC CORP. FILES STOCK PLAN. FMC Corporation, 1105 Coleman Ave., San Jose, Calif., filed a registration statement (File 2-21671) with the SEC on August 29 seeking registration of 52,796 shares of common stock, to be offered pursuant to its American Viscose-FMC Stock Option Plan.

MAREMONT CORP. SHARES IN REGISTRATION. Maremont Corporation, 168 N. Michigan Ave., Chicago, filed a registration statement (File 2-21672) with the SEC on August 28 seeking registration of 12,000 shares of 4 $\frac{1}{2}$ % cumulative convertible preferred shares (\$100 par), which are issuable upon the exercise of stock purchase warrants originally attached to 5-3/4% subordinated sinking fund debentures due 1974 of The Gabriel Company, a subsidiary which is to be merged into Maremont. The warrants, which expire in 1974, entitle the holder thereof to purchase \$20 in par amount of Maremont's preferred shares, and to receive \$3 in cash, for each common share of Gabriel to which he would have been entitled had he exercised prior to the merger. At present, a holder of a warrant for 20 Gabriel shares would be entitled to purchase 4.2 Maremont preferred shares for \$398.58, to receive \$3 in cash, and to receive a cash adjustment equal to the value of 7/100 of a fifth of a preferred share.

Maremont is engaged in the manufacture and sale of automotive replacement equipment. It owns 95.71% of the stock of Saco-Lowell Shops, which manufactures and sells a complete line of textile preparatory machinery and replacement parts and produces certain ordnance equipment for the United States Government; and it also owns 90.17% of Gabriel, which manufactures automotive shock absorbers, ballistically actuated devices and commercial microwave communications antennas. It is anticipated that the two subsidiaries will be merged into Maremont, and thereafter the corporate existence of the subsidiaries will cease and Maremont will continue as an Illinois corporation under its present name. In addition to certain indebtedness and preferred stock, the company has outstanding 1,558,172 shares of common stock, of which management officials as a group own about 17.45%. Howard E. Wolfson, board chairman, Arnold H. Maremont, president, and Jerome M. Comar, executive vice president, together with their respective families, own an aggregate of 36.43% of the company's outstanding common stock.

OXFORD MFG. FILES STOCK OPTIONS. Oxford Manufacturing Company, Inc., 151 Spring St., N. W., Atlanta, Ga., filed a registration statement (File 2-21673) with the SEC on August 28 seeking registration of 105,254 Class A common and 57,762 Class B common shares, to be offered pursuant to Employee Restricted Stock Options.

FEDERAL-MOGUL-BOWER BEARINGS FILES INVESTMENT PLAN. Federal-Mogul-Bower Bearings, Inc., 11031 Shoemaker Ave., Detroit, filed a registration statement (File 2-21674) with the SEC on August 29 seeking registration of \$700,000 of interests in its Salaried Employees' Investment Plan, and 22,000 shares of common stock which may be acquired pursuant thereto.

SECURITIES ACT REGISTRATIONS. Effective August 30: Enzyme Corporation of America (File 2-21099); Warwick Electronics Inc. (File 2-21499).