



BAPTIST PRESS
News Service of the Southern Baptist Convention

NATIONAL OFFICE
460 James Robertson Parkway
Nashville, Tennessee 37219
Telephone (615) 244-2355
W. C. Fields, Director
Jim Newton, Assistant Director

BUREAUS

ATLANTA Walker L. Knight, Chief, 1350 Spring St., N.W., Atlanta, Ga. 30309, Telephone (404) 873-4041
DALLAS Billy Keith, Chief, 103 Baptist Building, Dallas, Texas 75201, Telephone (214) 741-1996
NASHVILLE (Baptist Sunday School Board) Lynn M. Davis, Jr., Chief, 127 Ninth Ave., N., Nashville, Tenn. 37203, Telephone (615) 254-1631
RICHMOND Jesse C. Fletcher, Acting Chief, 3806 Monument Ave., Richmond, Va. 23230, Telephone (703) 353-0151
WASHINGTON W. Barry Garrett, Chief, 200 Maryland Ave., N.E., Washington, D.C. 20002, Telephone (202) 544-4226

June 22, 1970

**Securities Commission Suspends
Culbertson Co. for Bond Sales**

FORT WORTH (BP)--The U.S. Securities and Exchange Commission ordered the A. B. Culbertson and Co. here to suspend its operations for 30 days as part of a settlement of administrative proceedings the SEC began against the church bond firm for its role in selling bonds for Kansas Baptists.

The SEC began the administrative proceedings against A. B. Culbertson & Co., on October 17, 1969, ordering officials of the firm to answer detailed charges against the firm at a public hearing.

Culbertson & Co., however, agreed to settle out of court, and the public hearing was never held.

A. B. Culbertson & Co., was the trustee for the Church Loan Association of Southern Baptists, non-profit organization chartered in Texas primarily for the Kansas Convention of Southern Baptists. The SEC declared the Church Loan Association of Southern Baptists insolvent in 1968, with indebtedness estimated at \$1.6 million.

During a ten-year period (1958-68) the association, with Culbertson & Co., acting as trustee, issued bonds totalling \$4.7 million, and made 254 construction loans totalling more than \$4 million to 118 churches.

The action to suspend the Culbertson Co., from operation for 30 days by the SEC held the firm largely responsible for the Church Loan Association's insolvency, indicating Culbertson & Co., acted as its "fiscal agent and corporate trustee on all bonds issued by it" (the association).

The suspension by the SEC affected not only the Culbertson Co., but its chief executive William R. Sarsgard. The administrative proceedings initiated against the company in 1968 also named Dee S. Finley, vice president of the company who died after proceedings were initiated, and Howard H. Whatley, then executive vice president of the Kansas loan association, who has since resigned and barred for life by the SEC from being associated with any broker-dealer.

In the three-page ruling, the SEC outlined four major terms in the settlement: (1) the 30-day suspension, (2) the payment of \$197,500 by Culbertson & Co., to the Kansas Convention of Southern Baptists for settlement of all claims, (3) the resignation of Culbertson & Co., as trustee for the Church Loan Association of Southern Baptists and (4) the offer to waive trustee fees by Culbertson & Co., to the Church Loan Association.

The SEC charged that Culbertson & Co. violated the Securities Act of 1933 by selling securities employing "devices, schemes, and artifices to defraud, obtain money and property by means of untrue statements of material facts, and omissions of material facts...."

Specifically, the ruling charged Culbertson & Co., with causing the Kansas Church Loan Association to:

--Sell bonds to meet sinking fund requirements and overhead expenses;

--Renew delinquent church loans with new loans containing additional add-on interest and charges to conceal the delinquent state of the loans and the issuance \$358,682 worth of bonds in excess of that allowed by the trust indenture;

--Make loans to churches in excess of that allowed by the trust indenture, and for time periods extending beyond the maturity dates of the bonds (notes due in 15 years backed by bonds maturing in 10½ years);

--Make balloon note loans to churches with proceeds from bond issues with the knowledge that the churches could not meet their obligations at maturity;

-more-

--Guarantee repurchase of bonds prior to maturity knowing that the resources were not available to honor such guarantees;

--Make materially false and misleading statements concerning the use of the proceeds from the sale of bonds for sinking fund payments and overhead expenses, and concerning the inability of the organization to pay bondholders interest and principal on bonds from the proceeds received from church loan payments; and other "false and misleading" statements.

The statement outlining the "findings" in the administrative proceeding by the SEC said that Sarsgard, the president of Culbertson & Co., made an offer to settle waiving a public hearing and post-hearing procedures, and admitting "the allegations in the order for proceedings solely for the purpose of these proceedings, and consented to findings of violations of antifraud provisions of the Act...as alleged in such order."

Sarsgard's offer to settlement was accepted by the commission. Effective dates of the SEC's suspension were from June 15 until July 15, 1970.

In the statement issued by the SEC, Sarsgard asserted that his company's former president, A. B. Culbertson, was the primary participant on behalf of the company in the arrangements and negotiations with Kansas Baptists. Culbertson died in May, 1968. Before Culbertson's death, Sarsgard was executive vice president.

The settlement came after the Texas Securities Board previously had suspended Culbertson & Co., from transactions in Texas, with the company's consent.

-30-

SBC Home Missionary
Dies Following Surgery

6/22/70

SAN ANTONIO, Tex. (BP)--Mrs. Joshua Grijalva, a Southern Baptist home missionary since 1941, died at the age of 48 of complications following surgery.

Funeral services were held June 23 at First Baptist Church, San Antonio. Her husband is dean at the Mexican Baptist Bible Institute.

-30-

Guarantee repayment of bonds... not available to honor such guarantee.

...the proceeds received from church loan proceeds; and other "false and misleading" statements.

The statement outlined the "violation" of the administrative procedure by the SBC... made an order to cease selling...

Sargeant's offer to assist... the SBC's investigation was from June 12 until July 13, 1970.

In the statement... A. B. Robertson, was the primary defendant on behalf of the company...

The settlement was also... Robertson & Co., from Robertson's father, with the company's consent.

-2-

SBC files... also followed inquiry

0011111

...SAN ANTONIO, TEX. (AP) - First Avenue Building, a Southern Baptist home ministry...



BAPTIST PRESS

460 James Robertson Parkway
Nashville, Tennessee 37219

DAVIS C. WOOLLEY HO
HISTORICAL COMMISSION
127 NINTH AVE. N.
NASHVILLE, TENN. 37203

RECEIVED
JUN 23 1970
HISTORICAL COMMISSION, SBC