

# 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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## COMMISSION ANNOUNCEMENTS

**S.L. STAMM & CO. SUSPENDED, STAMMS RESTRICTED.** The Commission has ordered the suspension for 30 days of the registration as a broker and dealer of A. L. Stamm & Co., New York, with the proviso that the firm will thereafter be permitted to withdraw such registration. In addition, the Commission ordered that, except with its prior approval, Alfred L. Stamm, a partner in the firm, shall not participate in the securities business except as a limited partner and Everard M. C. Stamm, another firm partner, shall not manage or supervise the operations of a broker dealer. The suspension was imposed on the firm for violations of the record-keeping and reporting provisions of the Federal securities laws, and the sanctions on its partners for their failure to exercise reasonable supervision over persons under their control with a view to preventing those violations.

Under the terms of an offer of settlement, the respondents, solely for purpose of settling the proceedings and without admitting or denying the allegations against them, consented to the above findings being made with respect to them and to the imposition of the indicated sanctions. (Release 34-9177)

**GRAY INVESTMENTS REVOKED; GRAY BARRED.** The SEC has ordered that the broker-dealer registration of M. V. Gray Investments, Inc., of Midland, Michigan, be revoked, that registrant be expelled from membership in the National Association of Securities Dealers, Inc., and that Maxel V. Gray be barred from association with any broker or dealer, except that after six months he may become so associated in a supervised capacity upon an appropriate showing that he will be adequately supervised. The sanctions were imposed for violations of, among other things, the registration, antifraud, record-keeping and net capital provisions of the Federal securities laws.

According to the Commission's decision, around August 1967 Gray agreed with three officers of American Monitor Corporation, who owned most of its 30,000 authorized Class B shares, to buy from 400 to 2,000 of their shares at \$100 per share, and that it was understood that at least some of the additional shares would be sold to a number of Gray's customers. The Commission found that by early October Gray and registrant both purchased some shares, and in October Gray sold shares to over 65 persons; that as sales were effected the Monitor officers in turn purchased from Monitor an equivalent number of new shares at \$100 per share, and that in December 1967 Gray sold some of the shares previously purchased by him. It held a willful violation is established since Gray knew he was selling and delivering unregistered securities; and pointed out that Gray did not himself consult counsel for advise although the facts known to him at the least called for further and more direct inquiry, and that under the circumstances he was not entitled to rely on the self-serving statements of the Monitor officers and their recital of their counsel's opinion as to the legality of the transaction. It held that the resale a few months later of some of the shares bought by Gray at a profit of \$75 per share is inconsistent with his assertion that he bought the shares for investment rather than distribution.

In addition, the Commission found that in connection with his sales of Monitor stock in October and December 1967, Gray told customers that he thought the stock would be a good investment which would probably eventually make money for the customer, that Monitor was probably breaking even, and that he thought the company would "go places" and its stock would go up in price over a period of time and had good possibility if kept from 3 to 5 years. It stated that Gray had no reasonable basis for his optimistic representations and predictions, and he knew in August 1967, but did not tell customers to whom he recommended the stock, that Monitor had been losing money; and that in the case of one customer with whom Gray had a relationship of trust and confidence, he realized profits which were not disclosed to her of \$4,000 on the sale to her of 200 shares in a riskless transaction. (Release 34-9180)

## COURT ENFORCEMENT ACTIONS

**COMPLAINT CITES TRANS-GULF PETROLEUM.** The SEC Fort Worth Regional Office announced the filing of a civil injunctive complaint in Federal court in Shreveport against Trans-Gulf Petroleum Corporation of Bossier City, La., and Hugh M. Sneed, William J. Sneed, Eugene Ducharme and Clarence Leslie Apple, all of Shreveport, seeking to enjoin them from violating the registration and antifraud provisions of the Federal securities laws in the offer and sale of fractional undivided working interests in oil and gas leases of Trans-Gulf. (Release LR-5012)

**FOUR SENTENCED IN MID-CITY BAPTIST CASE.** The SEC Fort Worth Regional Office announced that the Federal court in New Orleans on May 19 sentenced the following in connection with the offer and sale of securities of Mid-City Baptist Church between 1961 and 1967: J. Paul Driscoll, New Orleans, three years, sentence suspended and placed on three years probation, Clyde L. Rabun, Dallas, four years imprisonment, Paul D. McMillan, Houston, four years imprisonment, and Jessie M. Ray, also known as Jimmy Ray, Houston, two years imprisonment. (Release LR-5013)

OVER

**WHITE PLEADS GUILTY IN SECURITIES FRAUD.** The SEC Chicago Regional Office announced that on May 18, James J. White of Kenilworth, Ill. pleaded guilty in Federal court in Chicago to one count (mail fraud in connection with the purchase of securities) of a 20-count indictment which includes charges of violation of the antifraud provisions of the Federal securities laws, mail fraud, and transporting stolen securities across state lines. (Release LR-5014)

**COMPLAINT CITES AIRCRAFT INSTRUMENT & DEVELOPMENT, OTHERS.** The SEC Fort Worth Regional Office announced the filing on May 19 of a civil injunctive complaint in Federal court in Wichita, Kansas, charging Aircraft Instrument & Development, Inc., Donald J. Lynch, John F. Slater and Patrick Donoghue, all of Wichita, with violating the registration and antifraud provisions of the Federal securities laws in the offer and sale of stock of Aircraft Instrument. (Release LR-5015)

#### INVESTMENT COMPANY ACT RELEASES

**MUTUAL INCOME FUND.** The Commission has issued an order giving interested persons until June 21 to request a hearing on the application of Mutual Income Fund of Houston for an order declaring that it has ceased to be an investment company as defined in the Investment Company Act. On September 20, 1968, its Board of Directors approved the dissolution and liquidation of the company and its investment portfolio, and in March 1969 distributed the net proceeds to the stockholders of the company. (Release IC-6534) 1/

**UNITED FUNDS HEARING SCHEDULED.** The Commission has scheduled a hearing on the application of United Funds, Inc., United Vanguard Fund, Inc., United Continental Growth Fund, Inc., United Continental Income Fund, Inc., and Waddell & Reed, Inc. of Kansas City, Mo., in connection with an application for exemption from Section 22(d) of the Investment Company Act. Applicants request exemption to enable each of the Funds to sell its shares at the net asset value per share to persons who have caused their shares to be redeemed within the previous 15 days and which, if granted, would permit a shareholder who had made a hasty or uninformed decision to redeem his shares, and who has changed his mind, to re-establish his investment without paying an additional sales charge. The hearing is scheduled for the 21st of June, 1971, at the Commission. Persons, other than applicants desiring to be heard are directed to file with the Commission on or before the 16th of June. (Release IC-6535)

**AMERICAN VARIABLE ANNUITY LIFE ASSURANCE COMPANY.** The Commission has issued an order giving interested persons until June 10 to request a hearing on the application of American Variable Annuity Life Assurance Company and American Variable Annuity Fund for an exemption from a provision of the Investment Company Act in order to permit the application of amounts payable under insurance and annuity contracts written by State Mutual Life Assurance Company of America and Hanover Life Insurance Company such as death benefits, maturities under contract endowments and surrender values, to purchase individual single payment variable annuity contracts offered by the applicants with a reduced charge for sales and administrative expense. Variable Annuity Life is a wholly-owned subsidiary of State Mutual and Hanover Life is 99% owned by State Mutual. (Release IC-6536) 1/

#### HOLDING COMPANY ACT RELEASES

**ILLINOIS POWER COMPANY.** The Commission has issued an order dismissing an application by Illinois Power Company to acquire the common stock of Central Illinois Public Service Company common stock which the Commission had approved, in view of an announcement by Illinois Power that it would not accede to the Commission's condition to its approval that both Illinois Power and Central Illinois dispose of their gas properties. The Commission also released certain jurisdiction it had reserved. (Release 35-17137)

#### SECURITIES ACT REGISTRATIONS

**MEDENCO FILES FOR OFFERING AND SECONDARY.** Medenco, Inc., One Greenway Plaza East, Houston, Texas 77027, filed a registration statement with the SEC on May 18 seeking registration of 368,400 shares of common stock, of which 250,000 are to be offered for public sale by the company and 118,400 (being outstanding shares) by the holders thereof. The offering is to be made (\*\*at \$17 per share maximum) through underwriters headed by Dominick & Dominick Inc., 14 Wall St., New York 10005. Also included in this statement are 1,000,000 shares of common stock and 50,000 shares of \$1 par serial preferred stock reserved for issuance on the acquisition of businesses and properties and 19,279 shares of common stock reserved for issuance on conversion of shares of the company's outstanding serial preferred stock.

The company owns and operates general hospitals and dental laboratories. Of the net proceeds of its stock sale, some \$1.8 million will be used to retire bank borrowings, a portion of which were incurred in connection with recent acquisitions, and the balance for working capital and other corporate purposes. In addition to indebtedness and preferred stock, the company has outstanding 1,531,792 common shares, of which management officials as a group own 20%. William S. Mackey, Jr. is board chairman and president. (File 2-40448)

**BIG THREE INDUSTRIES SHARES IN REGISTRATION.** Big Three Industries, Inc. 3602 W. 11th St., Houston, Tex. 77008, filed a registration statement with the SEC on May 18 seeking registration of 58,444 outstanding shares of common stock. These shares may be offered for sale from time to time by the holders thereof at prices current at the time of sale. (File 2-40450)

**PROPERTY CAPITAL PROPOSES OFFERING.** Property Capital Trust (the Trust), Three Center Plaza, Boston, Mass. 02108, filed a registration statement with the SEC on May 18 seeking registration of 750,000 shares of beneficial interest, to be offered for public sale (\*\* \$23 per share maximum) through underwriters headed by White, Weld & Co., 20 Broad St., New York, N.Y. 10005.

The Trust's principal emphasis is on long-term investments in income producing real properties. Property Capital Advisors, Inc., organized by John A. Cervieri, Jr. is the investment adviser. Cervieri is managing trustee and president of the adviser. (File 2-40453)

**SOUTHWEST LEASING FILES FOR OFFERING AND SECONDARY.** Southwest Leasing Corporation, 350 North Canon Dr., Beverly Hills, Calif. filed a registration statement with the SEC on May 19 seeking registration of 300,000 shares of common stock, of which 200,000 are to be offered for public sale by the company and 100,000 (being outstanding shares) by the holders thereof. The offering is to be made (\*\* at \$12 per share maximum) through underwriters headed by Mitchum, Jones & Templeton, Inc., 510 S. Spring St., Los Angeles, Calif. 90013.

The company is independent automobile leasing company. Of the net proceeds of its stock sale, some \$150,000 will be used for leasehold improvements and service equipment and the balance for working capital and other corporate purposes. The company has outstanding 775,996 common shares, of which Warren D. Axelrod, board chairman, and Jerrold M. Axelrod, president, own 26.9% each and Louis Axelrod, a director, 22.9%. Louis Axelrod proposes to sell 50,000 shares and Warren and Jerrold Axelrod 22,500 shares each and one other official 5,000. (File 2-40454)

**\*CARRIERS & GENERAL PROPOSES RIGHTS OFFERING.** Carriers & General Corporation, One Wall St., New York 10005, filed a registration statement with the SEC on May 19 seeking registration of 567,558 shares of common stock. It is proposed to offer these shares for subscription by common stockholders of record July 16, at the rate of one new share for each two shares held (\*\* and at \$19 per share maximum). Any unsubscribed shares may be offered for public sale through underwriters headed by Paine, Webber, Jackson & Curtis Inc., 140 Broadway, New York 10005.

The company is closed-end diversified investment company. Net proceeds will be used for general corporate purposes. (File 2-40455)

**SPECTRA McINTOSH FILES FOR OFFERING AND SECONDARY.** Spectra McIntosh Corp., 69 W. Washington St., Chicago, Ill. 60602, filed a registration statement with the SEC on May 19 seeking registration of 550,000 shares of common stock, of which 150,000 are to be offered for public sale by the company and 400,000 (being outstanding shares) by the holders thereof. The offering is to be made (\*\* at \$10.25 per share maximum) through underwriters headed by Walston & Co., Inc. 77 Water St., New York, 10005, and Woolard & Company, Inc. 135 S. LaSalle St., Chicago 60603.

The company is engaged in the manufacture and sale of specialty building products and of metal components for the transportation and agricultural industries. Of the net proceeds of its stock sale, \$1,000,000 will be used to reduce a \$4,250,000 bank loan partly incurred in connection with an acquisition and the balance will be used for working capital purposes. In addition to indebtedness and preferred stock, the company has outstanding 1,562,198 common shares, of which management officials as a group own 27%. Jack K. Strobel, board chairman, proposes to sell 13,650 shares of 23,750 shares held and a large number of others the remaining shares being registered. Thomas N. McGowen, Jr., is president. (File 2-40457)

**STOCK PLANS FILED.** The following have filed Form S-8 registration statements with the SEC seeking registration of securities to be offered pursuant to employee stock and related plans:

Investment Annuity, Inc. and First Investment Annuity Company of America, Philadelphia, Pa.  
(File 2-40409) - 130,140 shares  
Southern Pacific Company, San Francisco, Calif. (File 2-40443) - 500,000 shares  
Trans World Airlines, Inc., New York, N.Y. (File 2-40446) - 367,647 shares and (File 2-40447)  
235,235 shares  
Burdny Corporation, Norwalk, Conn. (File 2-40449) - 100,000 shares  
Emenee Corporation, Bryan, Ohio (File 2-40451) - 29,000 shares  
Hexcel Corporation, Dublin, Calif. (File 2-40456) - 50,000 shares

**\*AT&T PROPOSES RIGHTS OFFERING.** American Telephone and Telegraph Company, 195 Broadway, New York, N.Y. 10007, filed a registration statement with the SEC on May 19 seeking registration of 29,032,529 shares of \$1 par convertible preferred stock. These shares are to be offered for subscription by common stockholders of record June 3, at the rate of one preferred share for each 20 common shares held, and at \$50 per share. Morgan Stanley & Co. Inc., 140 Broadway New York 10005, has agreed to arrange for NASD members to solicit subscriptions of the preferred shares. Net proceeds of the company's stock sale will be used for investments in and advances to subsidiary and associated companies, and for general corporate purposes. Construction expenditures are estimated at \$7.5 billion for 1971 and higher for 1972. (File 2-40458)

**R. P. SCHERER CORP. FILES FOR SECONDARY.** R. P. Scherer Corporation 9425 Grinnell Ave., Detroit, Mich. 48213, filed a registration statement with the SEC on May 19 seeking registration of 450,000 outstanding shares of common stock, to be offered for public sale by the holders thereof. The offering is to be made (\*\* at \$26 per share maximum) through underwriters headed by Goldman, Sach & Co., 55 Broad St., New York 10005.

The company is principally engaged in the manufacture of gelatin capsules containing drugs, medicinals and vitamins in liquid form. In addition to indebtedness, it has outstanding 3,264,840 common shares, of which R. P. Scherer, Jr., board chairman and president owns 20.2% and management officials as a group 80.6%. Josephine Scherer Beardslee proposes to sell 20,000 of 645,120 shares held, Margaret L. and John S. Scherer 100,000 each of 618,680 and 645,120 and one other the remaining shares being registered. (File 2-40459)

**\*WORK WEAR FILES.** Work Wear Corporation, 1768 East 25th St., Cleveland, Ohio 44114, filed a registration statement with the SEC on May 19 seeking registration of \$12.5 million of senior subordinated debentures, due 1991 with warrants to purchase 225,000 shares of common stock, to be offered for public sale in units, each consisting of a \$1000 debenture and warrants to purchase 18 shares. The offering is to be made through underwriters headed by Prescott, Merrill, Turben & Co., 900 National City Bank Building, Cleveland, Ohio 44114.

The company is engaged in the rental and laundering of industrial garments, service apparel and other items and in the manufacture of similar garments and of disposable products. Of the net proceeds of its financing, \$14.8 million will be used to retire a revolving loan from banks and \$6.5 million to reduce short-term indebtedness (such indebtedness incurred to provide working capital and to finance cash acquisitions of other businesses), and the balance for working capital purposes. (File 2-40461)

**WELLS TP SCIENCES TO SELL STOCK.** Wells TP Sciences, Inc., 1450 Broadway, New York 10018, filed a registration statement with the SEC on May 19 seeking registration of 180,000 shares of common stock, to be offered for public sale at \$5 per share. The offering is to be made through underwriters headed by Grimm & Davis, Inc., 15 William St., New York, N.Y. 10005.

Organized in February 1969, the company manufactures and sells a communication adapter and related software package which converts an IBM 1130 computer into a front-end/message switching unit. Of the net proceeds of its stock sale, \$200,000 will be used to repay short-term bank borrowings incurred in 1970 for working capital purposes and the balance for working capital and other corporate purposes. In addition to indebtedness, the company has outstanding 500,000 common shares (with a 73¢ per share book value), of which Wells Management Corporation own 68.8% and management officials as a group 96%. Edward F. Manning is board chairman and president. (File 2-40462)

**RECENT FORM 8-K FILINGS.** The companies listed below have filed Form 8-K reports for the month indicated and responding to the item of the Form specified in parentheses. Photocopies thereof may be purchased from the Commission's Public Reference Section (in ordering, please give month and year of report). Invoice will be included with the requested material when mailed. An index of the captions of the several items of the form was included in the May 10 News Digest.

Amdt 8K Reports

G T Corporation			Leadville Corporation
#1 for Dec 70 (2,13)	0-2676-2		Amended 8K for Jan 71 (8) 0-1519-2
Kearney First National Co			
#1 for Dec 70 (7)	2-34116-2		
National Compactor & Technology Systems, Inc			Geriatrics Inc
#1 for Nov 70 (3,7,12,13)	2-36808-2		#1 for Sept 70 (2,13) 0-5412-2
Magnetic Head Corporation			
#1 for Oct 70 (2,13)	0-4474-2		NBC Co
			#1 for Dec 70 (7) 0-4752-2
Great Western United Corp			General Corporation of Ohio
#1 for April 70	1-5443-2		#1 for Nov 70 (13) 0-264-2
#2 for May 70 (7,13)	1-5443-2		
#1 for June 70 (7,13)	1-5443-2		

**SECURITIES ACT REGISTRATIONS.** Effective May 21: Diamond International Corp., 2-40178; General Portland Cement Co., 2-40332; Kansas City Power & Light Co., 2-40239; Polychrome Corp., 2-40328; Provident Resources Management, Ltd., 2-38823 (90 days); G. D. Searle & Co., 2-40263; The Southern Connecticut Gas Co., 2-40206.

**NOTE TO DEALERS.** The period of time dealers are required to use the prospectus in trading transactions is shown above in parentheses after the name of the issuer.

\* This is a reporting company and further information with respect to its business and operations is available in the Commission's Public Reference files.

\*\* As estimated for purposes of computing the registration fee.

1/ Pending distribution of this Release by the Commission to the appropriate mailing lists, interested persons should consult the Federal Register for details of the release.