SECURITIES AND EXCHANGE COMMISSION

# NEWS DIGEST

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

Washington 25, D.C.

(In ordering full text of Releases from Publications Unit, cite number)

(Issue No. 63-8-14) FOR RELEASE August 20, 1963

SEC ORDER CITES OLD COLONY SECURITIES. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Old Colony Securities Corporation, 321 Broadway, Malden, Mass., 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") is registered with the Commission as a broker-dealer, and Martin Stone is president and principal stockholder. In its order, the Commission recites charges of its staff that in the offer and sale of common stock and notes of Elm Instrument Corporation in October-December 1962, registrant and Stone "engaged in transactions, acts, 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 (1) placed customers in a position where they were asked to make hasty decisions to buy Elm's securities upon the basis of unsubstantiated representations and without having disclosed material facts concerning the true nature and worth of the securities, and (2) made false and misleading statements of material facts. The alleged misrepresentations include the source of Elm securities; the amount of Stone's investment in Elm; the present and future market value of Elm securities; the existence, size and potential value of orders presently held by Elm; the size of the backlog of orders and number of contracts held by Elm; and the proposed merger of Elm with another company which would result in Elm's securities increasing in value. Violations of the Securities Act registration requirements are also charged. According to the order, in March 1963, registrant was permanently enjoined (upon consent) by a Federal court in Massachusetts from further violations of the Commission's net capital rule.

A hearing has been scheduled on September 10, 1963, at the Commission's Boston Regional Office, 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.

KALIKO DEVELOPMENT OFFERING SUSPENDED. The SEC has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a stock offering by Kaliko Development Corporation, 1328 Thirteenth St., Columbus, Ga. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding $300,000 in amount. In a notification filed on February 7, 1962, Kaliko proposed the public offering of 23,825 common shares at $10 per share; and the offering commenced on April 27, 1962. According to the order, the company offered 7,945 of the shares in an offer of rescission to persons who had purchased its unregistered common stock previously sold in violation of the Securities Act registration provisions. The Commission asserts in its suspension order that it has reasonable cause to believe (1) that the company's offering circular was false and misleading in respect of certain material facts in that it failed to disclose that purchasers who elected to rescind their transactions would be given promissory notes instead of cash refunds, and (2) that certain terms and conditions of the Regulation were not complied with in that the company failed to revise its offering circular at the expiration of nine months from the date of the original offering, as required, even though the offering appears to be continuing. It is also alleged that the company failed to cooperate with the Commission in that it has not revised its offering circular as required nor has the offering been terminated as requested, and that the company has violated the Securities Act anti-fraud provisions.

MAURICE R. KARKOWSKI SENTENCED. The SEC Fort Worth Regional Office announced August 15 (LR-2717) that Maurice R. Karkowski, of Houston, Texas, received a suspended seven-year prison sentence and was placed on probation for five years following his guilty plea (USDC, Galveston) to charges of violating the Exchange Act anti-fraud provisions.

EUROFUND SEEKS ORDER. Eurofund, Inc., New York registered closed-end investment company, has applied to the SEC for an order under the Investment Company Act modifying an existing Commission order to permit the Fund to maintain part of its assets in the custody of Banco Urquijo, a Spanish bank, rather than Banco de Viscaya (which was one of five European Banks previously authorized for such purpose by the Commission); and the Commission has issued an order (Release IC-3755) giving interested persons until September 4, 1963 to request a hearing thereon. According to the application, the Fund believes that Banco Urquijo is more qualified than Banco de Viscaya to perform the functions and duties required under the standard sub-custodian agreement used by the Fund's custodian, Bankers Trust Company.

OVER

MIDDLE SOUTH UTILITIES RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-14927) authorizing Arkansas Power & Light Company, utility subsidiary of Middle South Utilities, Inc., New York registered holding company, to transfer a portion of its restricted earned surplus to its common stock account and thereafter sell to Middle South (which owns all of its outstanding stock) an additional 240,000 shares aggregating $3,000,000. At April 30, 1963, the earned surplus of Arkansas Power amounted to $19,077,056, of which $9,039,043 was restricted against the payment of cash dividends on common stock. Arkansas Power proposes to transfer $3,000,000 of such restricted surplus and credit such amount to its common stock capital account. According to the order, the issuance of the additional common stock to Middle South will permit the subsidiary to convert into capital a portion of its restricted earned surplus which has been permanently invested in betterments and improvements to its physical properties.

STESSA RECEIVES EXEMPTION. The SEC has issued an order under the Securities Exchange Act of 1934 exempting Stessa, Inc., a Wisconsin company, from the duty to file annual and other periodic reports with the Commission. In 1961 the shareholders of the company approved a plan of reorganization whereby a wholly-owned subsidiary of Gimbel Brothers, Inc., would acquire substantially all of the property and business of the company in exchange for common shares of Gimbel Brothers; and the transfer contemplated by the plan was accomplished in April 1962. The company's only activities since consummation of the plan have consisted of paying bills incidental to consummation of the plan, filing tax returns and preparing to dissolve.

LIFE INSURANCE OF FLORIDA FILES FOR STOCK OFFERING. Life Insurance Company of Florida, 2960 Coral Way, Miami, filed a registration statement (File 2-21647) with the SEC on August 16 seeking registration of 400,000 shares of common stock, to be offered for public sale through underwriters headed by Pierce, Wulbern, Murphy, Inc., 222 West Adams St., Jacksonville, Fla. The public offering price (maximum $6 per share*) and underwriting terms are to be supplied by amendment.

The company is presently engaged predominantly in the business of writing industrial life and industrial accident and health insurance. It also writes ordinary life insurance. The net proceeds from the stock sale will be added to general funds and initially invested in income producing securities. The company anticipates that the proceeds will enable it to expand its ordinary life insurance business through the expansion of sales force and territory, and to absorb the resulting acquisition costs. In addition to certain indebtedness, the company has outstanding 326,239 shares of common stock, of which management officials as a group own 82,312 shares. Alec S. Wallace is board chairman and William P. Mooty is president.

AUTOMATIC CANTEEN FILES FOR SECONDARY. Automatic Canteen Company of America, Merchandise Mart Plaza, Chicago, filed a registration statement (File 2-21648) with the SEC on August 19 seeking registration of 130,000 outstanding shares of common stock, to be offered for public sale by the holders thereof in regular-way transactions (maximum $13.875 per share*) on exchanges on which the company is listed at regular brokerage commissions. Such shares are to be issued by the company in exchange for all of the outstanding stock of New York Automatic Canteen Corporation, a New York company which has operated as an independent franchised distributor of the company in the New York City area. 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. It is also engaged in food service management and contract catering. In addition to various indebtedness, the company has outstanding 6,827,981 shares of common stock, of which management officials as a group own 15.4%. Nathaniel Leverone is board chairman and Patrick L. O'Malley is president. John T. Collins and Emily M. Duliby will receive 102,570 and 13,000 shares of the company in exchange for their holdings of New York Automatic Canteen, and Collins and Marianna Collins Tostanoski, as trustees, will receive an aggregate of 14,430 shares. They propose to sell all such shares.

PIEDMONT NATURAL GAS FILES FOR RIGHTS OFFERING. Piedmont Natural Gas Company, Inc., 4301 Yancey Road, Charlotte, N. C., filed a registration statement (File 2-21649) with the SEC on August 19 seeking registration of 139,940 shares of common stock. It is proposed to offer such stock for subscription by common stockholders at the rate of one share for each ten shares held. The subscription price (maximum $18 per share*) and record date are to be supplied by amendment. Unsubscribed shares are to be offered for public sale through underwriters headed by White, Weld & Co., Inc., 20 Broad St., New York. The underwriting terms also are to be supplied by amendment.

The company is engaged in the distribution of natural gas in 23 communities located in the Piedmont area of North and South Carolina. It also promotes the sale of house heating, water heating, air conditioning and other gas appliances (in connection with its distribution business). The net proceeds from the stock sale will be applied to the company's 1963 construction program (estimated at $5,500,000). In addition to various indebtedness and preferred stock, the company has outstanding 1,396,413 shares of common stock, of which management officials as a group own 2.7%. Buell G. Duncan is president.

TEXAS UTILITIES FILES STOCK PLAN. Texas Utilities Company, 1506 Commerce St., Dallas, today filed a registration statement (File 2-21650) with the SEC seeking registration of 150,000 shares of common stock, to be offered pursuant to its Stock Purchase Plan for Supervisory Employees.

SECURITIES ACT REGISTRATIONS. Effective August 19: Lone Star Gas Co. (File 2-21614). Effective August 20: Coastal Chemical Corp. (File 2-21529).

*As estimated for purposes of computing the registration fee.

---oooOooo---