

# 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

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**B/D REGISTRATION OF HARRY ROYSTER REVOKED.** The SEC announced a decision under the Securities Exchange Act (Release 34-8164) revoking the broker-dealer registration of Harry Norman Royster, of Reno, Nevada. The decision was based upon staff charges that since April 1966 Royster engaged in various activities violative of provisions of the Federal securities laws, including the conduct of business while insolvent and making false representations to induce customers and prospective customers to pay advance fees in connection with purported loan arrangements for them.

**SEC IMPOSES SANCTION ON <sup>National Municipal</sup> WALSTON FIRM.** In a decision under the Securities Exchange Act announced today (Release 34-8165), the SEC censured the New York broker-dealer firm of Walston & Co., Inc., and suspended operations of its bond department for 30 days, effective October 9. The sanction was based upon Commission findings that the firm had violated the anti-fraud provisions of Federal securities laws in the 1963 sale through Walston's San Francisco office of securities of the Rio Ramaza Community District, Sutter County, Calif. Gregory I. Harrington, former vice president of Walston and former manager of the Municipal Bond Department of the firm's Western Division, in San Francisco, was suspended from association with a broker-dealer for six months, effective October 2. Walston and Harrington, without admitting the violations charged against them and found by the Commission, submitted an offer of settlement, accompanied by a stipulation of facts, in which they consented to the Commission's findings of violation and to the sanctions imposed by the Commission.

Walston through Harrington purchased \$250,000 principal amount of a \$555,000 issue of 5½% bonds of the Rio Ramaza District. These bonds were sold to 34 Walston customers residing in California, Washington, Oregon, Nebraska and Hawaii. According to the Commission's decision, recommendations and representations made to the purchasers were "highly misleading" in view of the failure to disclose material facts concerning the nature of the District and its ability to meet its obligations and service the bonds. Contrary to express and implied representations made to customers, the bonds were "highly speculative and of the most dubious investment quality." The bonds had been issued pursuant to the California Improvement Bond Act of 1915; and the District comprised some 171 acres adjacent to the Sacramento River 15 miles north of Sacramento. Representations were made that the bonds were "high grade" or "secure" tax-free municipal bonds; and some purchasers got the impression that the bonds were issued by a district in a rapidly growing part of the country, or for the expansion of an established community, or by an established district already developed. On the contrary, the entire tract was owned by one individual, who was a farmer and a candy vendor at county fairs who had no real estate experience or the financial ability to service the bonds himself; the District was formed by the vote of such owner and the five other eligible voters on the tract; the tract was 12 miles from a shopping center and 13 miles from existing schools, with no public transportation; the tract was within the vicinity of and under the pattern of approach to a metropolitan airport and within a zone of "intense noise;" the entire tract of land then had an assessed value of only \$15,560 (25% of fair market value); and service of the bonds depended entirely on the sale of lots in the district. No disclosure of these factors was made.

Walston's municipal bond department in San Francisco had been established just prior to the offering when Harrington joined its employment. In connection with its offer of settlement, Walston noted that the firm has taken various actions and instituted procedures intended to correct the shortcomings in its review and control of underwritings of tax-exempt issues and to prevent reoccurrence of any situation resembling the Rio Ramaza offering. Moreover, Walston has been active in efforts to protect the bondholders through organization of a bondholders' committee and otherwise, as a result of which possession of the property has been obtained and some progress made in the sale of lots in the District; and Walston has offered to repurchase all bonds sold by it at prices paid by the customers plus interest.

In its decision the Commission stressed that it is incumbent on dealers offering and recommending "municipal" bonds to make diligent inquiry and disclosure as to material facts relating to the issuer of the securities and bearing on its ability to service the securities. That duty includes the use of an offering circular which accurately reflects all material facts which a prudent investor should know in order to evaluate the securities.

**AMERICAN GAS SEEKS ORDER.** The American Gas Company of Wisconsin, Inc., public-utility subsidiary of American Gas Company, has applied to the SEC for an order under the Holding Company Act authorizing it to renew or extend \$420,000 of outstanding promissory notes for 366 days from June 30, 1967, and to sell an additional \$370,000 of its promissory notes to banks; and the Commission has issued an order (Release 35-15857) giving interested persons until October 16 to request a hearing thereon. The additional notes are to provide funds required for property additions, current operating expenses, and the payment of interest on outstanding debt.

**AMERICAN ELECTRIC POWER SEEKS ORDER.** Michigan Gas and Electric Company ("MG&E"), subsidiary of American Electric Power Company, Inc. ("AEP"), has joined with its parent in an application to the SEC for an order under the Holding Company Act authorizing MG&E to issue and sell up to \$850,000 of promissory notes to a bank during the period ending June 30, 1968; and the Commission has issued an order (Release 35-15858) giving interested persons until October 13 to request a hearing thereon. AEP proposes to make up to

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\$4,500,000 of open account advances to MG&E, from time to time during the same period. The proceeds from the proposed issue and sale of notes and from the open account advances will be used by MG&E to reimburse its treasury for past expenditures in connection with its construction program, to pay part of the cost of its future construction program (estimated at \$2,800,000 for the remainder of 1967), and for other corporate purposes, including a refund to MG&E customers pursuant to an outstanding order of the Michigan Public Service Commission.

**ALABAMA POWER RECEIVES ORDER.** The SEC has issued an order under the Holding Company Act (Release 35-15859) authorizing Alabama Power Company, Birmingham subsidiary of The Southern Company, to issue and sell, at competitive bidding, \$28,000,000 of first mortgage bonds, due 1997. Net proceeds from the sale of the bonds will be applied by Alabama Power, together with the proceeds from the proposed sale of 20,000 shares of its common stock to Southern and other available funds, to finance its 1967 construction program (estimated at \$80,834,000), to reimburse its treasury for the retirement of previously outstanding bonds, to pay short-term bank loans, and for other corporate purposes.

**MORTGAGE TRUST CORP. SEEKS ORDER.** The Mortgage Trust Corporation, Memphis, Tenn., has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company; and the Commission has issued an order (Release IC-5099) giving interested persons until October 17 to request a hearing thereon. On September 3, 1965, applicant's assets totalling \$112,685 in cash held by the First National Bank of Memphis, as custodian, were distributed in liquidation to its one shareholder, Mortgage Trust Systematic Investment Plan to Acquire Shares of Mortgage Trust Corporation, a registered unit investment trust, which, in turn, immediately made a similar distribution in liquidation to its one shareholder, Mortgage Management Corporation. Mortgage Management Corporation had no public shareholders. Applicant represents that it has no shareholders, has no intention of engaging in operations of any nature, and has no intention of making a public offering of its securities. It further represents that it will surrender its charter in the near future.

In a separate application, the SEC has issued an order under the Investment Company Act (Release IC-5101) giving interested persons until October 17 to request a hearing upon the application of Mortgage Trust Systematic Investment Plan to Acquire Shares of Mortgage Trust Corporation, Memphis, Tenn., for an order declaring that it has ceased to be an investment company. On September 3, 1965, applicant received \$112,685 as a distribution in liquidation of Mortgage Trust Corporation, an open-end, non-diversified investment company. Such assets were distributed in liquidation by applicant to its one shareholder, Mortgage Management Corporation. Applicant represents that it has never had any public shareholders, conducts no business of any nature, and has no intention of making a public offering of its securities.

**TAX EXEMPT BOND SEEKS ORDER.** The Tax Exempt Bond Fund, Inc., Washington, D. C., has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company, and the Commission has issued an order (Release IC-5100) giving interested persons until October 17 to request a hearing thereon. Applicant was organized in March 1955, as a closed-end investment company. It has never owned any assets, has never issued any securities, and has surrendered its charter and does not intend to operate as an investment company.

**E. F. KEMP SENTENCED.** The SEC Fort Worth Regional Office announced September 22 (LR-3811) that E. F. Kemp had received a two-year sentence on each of three counts, the sentences to run concurrently (USDC, Shreveport), following his plea of guilty to theft arising out of his operation of the Edgar Fortson Kemp Investment Company, a registered broker-dealer of Shreveport, Louisiana.

**TRAVELERS FUND FOR VARIABLE ANNUITIES FILES PLAN.** The Travelers Fund for Variable Annuities, One Tower Square, Hartford, Conn. 06115, filed a registration statement (File 2-27330) with the SEC on September 25 seeking registration of \$20,000,000 of "Group Variable Annuity Contracts" to be offered and sold by The Travelers Insurance Company.

**ABERCROMBIE & FITCH PROPOSES RIGHTS OFFERING.** Abercrombie & Fitch Company, 45th St. and Madison Ave., New York, filed a registration statement (File 2-27321) with the SEC on September 22 seeking registration of 16,127 shares of common stock. The shares are to be offered for subscription by common stockholders at the rate of 1 new share for each 17 shares held. The record date and subscription price (\$16 per share maximum\*) are to be supplied by amendment. No underwriting is involved.

Organized in 1892 as a sporting goods business, the company has expanded such that it now carries a general retail department store line of gifts, sporting goods and clothing, together with a broad specialized inventory of sporting apparel and sporting goods. Of the net proceeds of its stock sale, \$93,820 will be used to repay short-term loans made to complete the redemption in July of all the 2,997 outstanding shares of the company's 6% cumulative preferred stock, \$75 par, at a redemption price of \$106.50 per share plus \$3 accrued dividends; the balance will be added to the company's working capital. In addition to indebtedness, the company has outstanding 274,177 common shares, of which Harry G. Haskell, Jr., a director, owns 29.7% and holds of record an additional 20.2%; management officials as a group own 64.3%. Earle K. Angstadt, Jr., is president and board chairman.

**GENERAL REED PROPOSES OFFERING.** General Reed Company, 19 Walnut St., Clark, N. J., filed a registration statement (File 2-27324) with the SEC on September 25 seeking registration of 100,000 shares of common stock. The shares are to be offered for public sale at \$5.00 per share through underwriters headed by Doft & Co., Inc., 40 Wall St., New York 10005, which will receive a 50¢ per share selling commission. The company has agreed to sell for \$2,000 to the underwriter and for \$400 to S. David Leibowitz, a "Finder," 10,000 and 2,000 five-year common stock purchase warrants, respectively, exercisable at the public offering price; and it will pay \$14,000 to the underwriter for expenses.

The company is engaged in the manufacture and sale of miniature magnetic reed switch capsules and reed relays which are used in computers, satellites, alarm systems, data processing equipment, automated machine tools, simulators, teaching machines, aircraft and control devices. It also produces reed relays to customers' specifications. Of the net proceeds of its stock sale, \$232,500 will be utilized to pay the balance of the purchase price of shares of stock to be purchased by the company from shareholders; \$25,000 will be utilized to pay and discharge a promissory note to a bank; \$90,000 will be utilized for expanded machinery, equipment and tool facilities; \$25,000 will be utilized for research and development; and the balance will be added to working capital and used for general corporate purposes. In addition to indebtedness, the company has outstanding 207,500 common shares, of which management officials own 48.5% (including 42.4% owned by Michael J. Sakatos, president).

**KOLLMORGEN CORP. FILES FOR OFFERING AND SECONDARY.** Kollmorgen Corporation, 104 Lower Westfield Rd., Holyoke, Mass., 01040, filed a registration statement (File 2-27327) with the SEC on September 25 seeking registration of 126,800 shares of common stock. Of this stock, 45,000 shares are to be offered for public sale by the company and 81,800 (being outstanding shares) by the present holders thereof. The public offering price (\$37.00 per share maximum\*) and underwriting terms are to be supplied by amendment. White, Weld & Co., 20 Broad St., New York 10005 and Putnam, Coffin & Burr, 6 Central Row, Hartford, Conn. 06103 are listed as the principal underwriters.

The company (formerly Kollmorgen Optical Corporation) is primarily engaged in the design, manufacture and sale of a variety of electro-optical instruments, and direct drive motor and control devices and systems. Net proceeds of its sale of additional stock, together with the proceeds from the contemplated private placement of \$1,500,000 of 6-1/4% promissory notes, will be applied to the reduction of some \$3,036,000 of outstanding short-term bank loans incurred to provide working capital and inventories. In addition to indebtedness, the company has outstanding 383,734 common shares, of which management officials own 129,970 shares. Richard Rachals is president and Norman Macbeth is board chairman. The prospectus lists five selling stockholders. Edith M. Kollmorgen, as Executrix of the Estate of Frederick L. G. Kollmorgen, proposes to sell all of the Estate holdings of 34,800 shares, E. O. Kollmorgen, Herbert A. Tighe and William King Mapp, as Trustees of a trust under the Will of Frederick L. G. Kollmorgen, 10,000 of 45,000 shares, E. O. Kollmorgen, 5,000 of 15,450 shares, Dorothy M. Kollmorgen, 2,000 of 6,000 shares, and Dr. E. Louise Gaudet, 30,000 of 66,495 shares.

**TEXACO SHARES IN REGISTRATION.** Texaco Inc., 135 E. 42d St., New York 10017, filed registration statements with the SEC on September 25, as follows: (1) File 2-27331, seeking registration of 243,565 outstanding shares of capital stock which may be offered for sale from time to time by the five holders thereof, at prices current at the time of sale (\$75.375 per share maximum\*); and (2) 2-27332, seeking registration of 2,246,861 shares of stock, issuable by Texaco upon conversion of 5% guaranteed debentures, due 1986, of Deutsche Texaco Ltd. (a wholly-owned subsidiary of Texaco), convertible on and after November 1, 1967 and prior to April 15, 1986 (at a price of about \$85 per share).

Texaco is said to be "one of the leading integrated organizations in the petroleum industry..." As of April 30 it had issued and outstanding 137,132,300 shares. M. J. Epley, Jr., is president and J. Howard Rambin, Jr., board chairman. The 243,565 shares are owned of record by CORPTRUST & CO., of Chicago; the beneficial owners are Petrofrance S.A. (73,182 shares) and four individuals, all of France. The Deutsche Texaco debentures, in the amount of \$190,979,800, were issued and exchanged outside the United States by Texaco for over 97% of the capital stock of Deutsche Erdol A.G.

**PACIFIC SOUTHWEST AIRLINES PROPOSES OFFERING.** Pacific Southwest Airlines, 3100 Goddard Way, San Diego, Calif., filed a registration statement (File 2-27326) with the SEC on September 25 seeking registration of \$50,000,000 of subordinated debentures, due 1987, with warrants to purchase common stock. The debentures (with warrants) are to be offered for public sale through underwriters headed by E. F. Hutton & Co., Inc., 623 S. Spring St., Los Angeles, Calif. 90014. The interest rate on the debentures, the number of warrants issuable with each \$1,000 of debentures, public offering price per unit, and underwriting terms are to be supplied by amendment.

The company operates an airline in California serving the metropolitan areas of Los Angeles, San Francisco, San Diego, and Sacramento. Net proceeds of the financing will be used to pay the balance of the purchase price for aircraft and spare engines to be delivered in 1968, and the remainder for the purchase of additional aircraft and equipment. In addition to indebtedness, the company has outstanding 2,931,672 common shares, of which management officials own 11%. J. Floyd Andrews is president.

**SECURITIES ACT REGISTRATIONS.** Effective September 25: The Golden Rainbow Co., 2-26910 (90 days).  
Effective September 26: Montreal Catholic School Commission, 2-27216; Portland General Electric Co., 2-27179 (40 days).  
Withdrawn September 25: The Goldfield Corp., 2-25941; Southwestern Livestock Insurance Co., 2-23308.

**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.

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