

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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



Washington, D.C. 20549

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

(Issue No. 66-71)

FOR RELEASE April 13, 1966

**MISSISSIPPI POWER RECEIVES ORDER.** The SEC has issued an order under the Holding Company Act (Release 35-15443) authorizing Mississippi Power Co., Gulfport, Miss., public-utility subsidiary of the Southern Co., to issue \$750,000 of its first mortgage bonds (due 1987) for sinking fund purposes.

**GULF POWER RECEIVES ORDER.** The SEC has issued an order under the Holding Company Act (Release 35-15444) authorizing Gulf Power Co., Pensacola, Fla., public-utility subsidiary of The Southern Co., to issue \$620,000 principal amount of its first mortgage bonds (due 1984) for sinking fund purposes.

**UNITED INDUSTRIAL SHARES IN REGISTRATION.** United Industrial Corporation, 660 Madison Ave., New York, filed a registration statement (File 2-24836) with the SEC on April 11 seeking registration of 1,194 shares of common stock. The stock is subject to additional warrants which the company may issue in connection with the 1959 merger of United Industrial Corporation and the company (formerly Topp Industries Corp.).

**THREE STOCK PLANS FILED.** Form S-8 registration statements have been filed with the SEC by the following companies, seeking registration of securities for offering under employee and/or officer stock plans:

Emhart Corporation, 950 Cottage Grove Rd., Bloomfield, Conn. (File 2-24838) (142,625 shares)  
Northeast Airlines, Inc., Logan International Airport, Boston, Mass. 02128 (File 2-24834),  
(225,750 shares)

The Peoples Gas Light and Coke Company, 122 S. Michigan Ave., Chicago, Ill. 60603 (File 2-24833) (327,833 shares)

**SANCTION PROPOSED FOR COSTELLO, RUSSOTTO CO.** In an initial decision filed by SEC Hearing Examiner Sidney Gross, the Examiner ruled that Costello, Russotto & Co. of Beverly Hills, Calif., had violated the anti-fraud provisions of the Federal securities laws and that its broker-dealer registration should be revoked. The Examiner also held that the firm's president, Frank A. Costello, and four salesmen participated in the violations; that Costello, Joseph Baron and Floyd Earl O'Gorman should be barred from further association with any broker-dealer firm; and that Bernard Livingston and Jerold Irwin Kantor should be suspended from such association for six months. A fifth salesman, Martin A. Fleischman, also was barred from association with any broker-dealer firm by reason of default (he did not file an answer or appear at the hearing).

The respondents have fifteen days within which to petition the Commission for review of the Examiner's ruling.

According to the Examiner's decision, the Costello, Russotto firm, Costello and the salesmen made fraudulent representations and omitted to state material facts in connection with the sale to customers in early 1964 of shares of three companies: Device Seals, Inc., Lou Kornhandler, Inc., and Tabach Industries, Inc. The Examiner also held that the firm sold stock of the three companies "at prices not reasonably related to the prevailing market price" of the securities. The prices charged for these securities were "grossly unfair" and represented mark-ups ranging from 17.9% to 111.1% in the sale of Device Seals stock; 23% to 35% in the sale of Kornhandler stock; and 13.2% to 52% in the sale of Tabach Industries stock.

**CROW, BROURMAN & CHATKIN REHEARING DENIED.** The SEC today announced the issuance of an order (Release 34-7860) denying a petition of Gordon E. Whiteman for rehearing with respect to the Commission's order of March 15 revoking the broker-dealer registration of Crow, Brouman & Chatkin, Inc., 30 Broad St., New York. Whiteman (together with 19 other respondents) had been found a cause of the revocation order. The Commission found that Whiteman's contentions for a rehearing were without merit.

**POTOMAC EDISON RECEIVES ORDER.** The SEC has issued an order under the Holding Company Act (Release 35-15442) authorizing The Potomac Edison Company, an electric utility subsidiary of Allegheny Power System, Inc., to sell at competitive bidding \$18,000,000 of first mortgage and collateral trust bonds (due 1996) and to sell to the parent company 250,000 additional shares of its common stock for \$5,000,000. Potomac proposes to use the net proceeds of this financing for construction expenditures, estimated at \$70,000,000 for 1966-1968, and to repay \$5,000,000 of borrowings from the parent company.

**INDIVIDUALS' SAVING UP.** The SEC announces (for April 14th Newspapers) that individuals' saving in financial form amounted to \$34 billion in 1965, \$2 1/2 billion more than in 1964. This was the highest total in the postwar period and reflected the continued strong growth in the economy. At the end of 1965 the value of the individuals' equity in financial assets, net of liabilities, totaled \$1,100 billion, an increase of 8 percent from the previous year-end. (For further details, see Statistical Release 2117.)

OVER

**MICHIGAN CONSOLIDATED GAS PROPOSES OFFERING.** Michigan Consolidated Gas Company, One Woodward Ave., Detroit, Mich. 48226, filed a registration statement (File 2-24841) with the SEC on April 12 seeking registration of \$30,000,000 of first mortgage bonds, (due 1991). The bonds are to be offered for public sale at competitive bidding. A subsidiary of American Natural Gas Co., the company will use the net proceeds of its bond sale (together with \$5,040,000 from the sale of 360,000 shares of its common stock to the parent company) in connection with its construction program. Its 1966 construction expenditures are estimated at \$42,000,000.

**SEC RESEARCH ACTIVITIES REALIGNED.** SEC Chairman Manuel F. Cohen today announced that the Branch of Market Analysis of the Division of Trading and Markets has been transferred to the Office of Policy Research, to be consolidated with the Commission's economic and statistical studies and the compilation of data on program activities. In addition, the staff and functions of the Chief Counsel to the Office of Policy Research have been transferred to the Division of Trading and Markets, to assist directly in that Division's responsibilities for the regulation of the securities markets.

Eugene H. Rotberg, who served as Chief Counsel, has been promoted to the position of Associate Director (Markets and Regulation) in the Division of Trading and Markets. He has served the Commission in various capacities since joining the Commission's staff in 1957.

Thomas W. Rae also has been named Associate Director (Enforcement) in the Division of Trading and Markets. He joined the SEC staff in 1957 and has served as an Assistant Director in that Division since July 1963.

Roger S. Foster, who resigned as SEC General Counsel in 1953 to become associated with Westinghouse Air Brake Company, has been appointed to the position of Special Counsel to the Office of Policy Research. He served on the Commission's staff from 1935 until his resignation in 1953.

**MAGUIRE-MOKAN EXCHANGE PROPOSED.** The Estate of William G. Maguire, of New York City, which owns 74,359 shares (24%) of the common stock and 146,037 shares (49%) of the Class B stock of Missouri-Kansas Pipe Line Company (Mokan), has applied to the SEC for an exemption order under the Investment Company Act; and the Commission has issued an order (Release IC-4565) giving interested persons until April 27th to request a hearing thereon. Mokan is a registered non-diversified closed-end management investment company.

According to the application, since 1949 Mokan has offered to repurchase its own common stock and Class B stock in exchange for its holdings of stock of Panhandle Eastern Pipe Line Company (Panhandle) and Hugoton Production Company (Hugoton). The present exchange offer consists of 9 shares of Mokan common or 180 shares of Mokan Class B for 34.85 shares of Panhandle common and 4-1/2 shares of Hugoton common. The Maguire Estate proposes to accept the exchange offer to the extent of 36,189 shares of Mokan common and 41,400 shares of Mokan Class B stock. The Estate desires to raise funds for administrative purposes. Because Mokan common and Class B stock have a limited market, the Estate proposes to raise such funds through a registered secondary offering of the Panhandle stock to be received in the exchange.

**SPARROW FOUND GUILTY.** The SEC Denver Regional Office announced April 8 (LR-3481) that Robert Dahle Sparrow (of Phoenix, Ariz., and formerly of Preston, Ida., and Salt Lake City) was found guilty (USDC, Colo.) of violating the anti-fraud provisions of the Federal securities laws in the sale of securities of United Security Co. Inc., United Security Real Estate Investment Trust, Coast Wide Mobile Parks, Inc., and Coast Wide Mobile Parks Real Estate Trust.

**COLT INDUSTRIES SHARES IN REGISTRATION.** Colt Industries, Inc., 1290 Avenue of the Americas, New York 10019, filed a registration statement (File 2-24840) with the SEC on April 12 seeking registration of 297,024 shares of common stock, to be issued upon the conversion of 5-3/4% convertible debentures (due 1972) of Fairbanks, Morse & Co. All obligations under an indenture covering the debentures were assumed by the company in connection with the 1964 acquisition of assets of Fairbanks, Morse & Co. by Fairbanks Morse Inc., a wholly-owned subsidiary of the company. The registration statement also covers 260,005 common shares, which are to be offered pursuant to the company's Restricted Stock Option Plan and Qualified Stock Option Plan. In addition, the company is registering \$5,000,000 of participations in its Retirement-Savings Plan for Salaried Employees, together with common stock which may be acquired thereunder.

The company is engaged primarily in the production and sale of gas turbine control systems and other components for the aerospace industry, power systems, weighing equipment, and firearms. In addition to indebtedness and preferred stock, it has outstanding 2,853,502 common shares. George A. Strichman is board chairman and president.

**SECURITIES ACT REGISTRATIONS.** Effective April 12: American Natural Gas Co., 2-24678; Baltimore Gas and Electric Co., 2-24800; Max Factor & Co., 2-24674 (40 days); Woodward & Lothrop Inc., 2-24606 (May 24); Zurn Industries, Inc., 2-24579 (May 23). Effective April 13: Country Capital Investment Fund, Inc., 2-24221; Foster-Forbes Glass Co., 2-24611 (40 days); Mid-American Investors Life Insurance Co., 2-24336 (90 days); Simplex Wire and Cable Co., 2-24575 (May 24); Southeastern Timberland Trust, 2-24549 (90 days); The Potomac Edison Co., 2-24568; Time Insurance Co., 2-24603 (July 12); Western Oil Shale Corp., 2-23959 (90 days).

**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.