

# SECURITIES AND EXCHANGE COMMISSION

# NEWS DIGEST



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

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FOR RELEASE November 8, 1963

**SALT LAKE FIRM REVOKED.** In a decision announced today (Release 34-7165), the SEC revoked the broker-dealer registration of Whitney & Company, 16 Exchange Place, Salt Lake City, for sale of securities in violation of the registration and prospectus requirements of the Securities Act as well as violations of the record-keeping and margin requirements of the Securities Exchange Act. Frank M. and Richard E. Whitney, officers of the firm, and John R. Davis, manager of its Provo branch office, were each found to be a cause of the revocation order.

According to the Commission's decision, the Whitney firm and the Whitneys violated the Securities Act registration requirement in the 1959 offering and sale of 350,000 shares of Petroleum Recovery Corporation stock without prior registration thereof with the Commission. These shares were part of a larger block of outstanding shares which the company's president and other shareholders had contributed to the issuer for the purpose of raising needed funds for that company. They were promptly turned over to the Whitney firm and sold to its customers, both on a principal and agency basis. The funds were all remitted directly or indirectly to the issuer. The Commission ruled that no exemption was available for such distribution of shares for the issuer.

Davis, who also was an officer of Seven Mountain Corp., was involved in a 1961 offering of 3,500,000 shares of Seven Mountain stock at \$1 per share made by the Whitney firm on a best efforts basis following registration of the stock with the Commission. At a time when the offering was making little progress (only 47,000 shares had been sold by June 1961 when the offering was terminated), Davis distributed a form letter to some 4500 residents of California and Utah which purportedly sought to encourage "participation in the selling effort" by recipients thereof. In rejecting Davis' assertion that the letter was merely intended for the recruitment of a sales force, the Commission stated: "The nature of the material and the extent of its distribution suggest to us that the invitation to participate in the selling effort was nothing more than a 'gimmick' intended to create an interest in Seven Mountain stock and to procure orders for such stock. Accordingly, the Commission sustained the finding of its Hearing Examiner that the material mailed out constituted a prospectus, that it did not meet the prospectus requirements of the Securities Act, and that it violated such requirements. The Whitneys participated in this violation by reason of their failure to exercise adequate supervision of Davis' activities.

**EVANS PRODUCTS COMPANY FILES STOCK PLAN.** Evans Products Company, 1121 S.W. Salmon St., Portland, Oregon, filed a registration statement (File 2-21864) with the SEC on November 4 seeking registration of 34,885 common shares, to be offered pursuant to restricted stock options.

**TENNESSEE GAS FILES FINANCING PROPOSAL.** Tennessee Gas Transmission Company, Houston, Texas, filed a registration statement (File 2-21863) with the SEC on November 7 seeking registration of \$35,000,000 of 20 year first mortgage bonds and 150,000 shares of cumulative preferred stock, \$100 par, to be offered for public sale through underwriters headed by Stone & Webster Securities Corporation, 90 Broad Street, New York, and two other firms. The offering prices of the bonds and preferred stock (maximum \$102 per share\*) as well as the underwriting terms are to be supplied by amendment. The company and subsidiaries own and operate pipe line systems for the transmission and sale or delivery of natural gas for resale. The proceeds of this financing will be used in part to retire outstanding short term notes, and the remainder will be used for expansion of business operations. Gardiner Symonds is chairman of the board and Harold Burrow president. Management officials own approximately 1.13% of the outstanding common stock.

**XEROX SHARES IN REGISTRATION.** Xerox Corporation, 1250 Midtown Tower, Rochester, N. Y. 14603, filed a registration statement (File 2-21865) with the SEC on November 7 seeking registration of 4,787 shares of common stock. These shares are to be offered for public sale by Aerojet-General Corporation, Akron, upon its receipt thereof in exchange for its 203,000 shares of common stock (about 25%) of Electro-Optical Systems, Inc., of Pasadena. According to the prospectus, Xerox expects to acquire an additional 563,325 shares, subject to the conditions of an agreement with certain other principal EOS stockholders, in exchange for about 35,208 shares of Xerox common. Xerox will also offer to exchange its common shares for the remaining outstanding shares of EOS common held by others on the same 1 for 16 basis. However, only Xerox shares to be received by Aerojet-General are included in this registration statement. Aerojet-General will offer the shares for sale on the New York Stock Exchange or in the over-the-counter market at market prices then prevailing (maximum \$376 per share\*).

Xerox is engaged in the manufacture and marketing of products for xerographic and photocopy reproduction and for photographic use. In addition to indebtedness, it had outstanding 3,881,440 shares of common stock on October 1, 1963, of which management officials owned 3.6%. Sol M. Linowitz is board chairman and Joseph C. Wilson president.

**ALLEGHANY POWER SYSTEM OBTAINS ORDER.** The SEC today issued an order under the Holding Company Act (Release 35-14966) permitting Alleghany Power System, Inc., New York holding company, to organize Alleghany Public Service Corp., for the purpose of conducting business as a subsidiary service company.

**GREAT SOUTHWEST FILES FOR SECONDARY.** Great Southwest Corporation, P. O. Box 191, Arlington, Texas, filed a registration statement (File 2-21862) with the SEC on November 7 seeking registration of 275,000 outstanding shares of common stock to be offered for public sale by the holders thereof through underwriters headed by Glore, Forgan & Co., 45 Wall St., New York. The public offering price (maximum \$25 per share\*) and underwriting terms are to be supplied by amendment. The company and its subsidiaries are engaged in a program of industrial real estate development in Texas, particularly with respect to two tracts of land comprising some 5,700 acres between Dallas and Fort Worth. In addition to certain indebtedness, it now has outstanding 1,078,501 shares of common stock, of which management officials own some 158,000 shares. Rockefeller Center, Inc., 50 Rockefeller Plaza, proposes to sell 75,000 of its holdings of 220,851 shares; American Liberty Oil Company, 3417 Gillespie St., Dallas, 150,000 of its holdings of 222,271 shares; and Angus G. Wynne, Jr., a company officer, 50,000 of his holdings of 104,150 shares. The prospectus lists Toddie L. Wynne as board chairman and Angus G. Wynne, Jr. as president.

**PART FIVE OF SPECIAL STUDY REPORT AVAILABLE.** Part 5 of the Report of the Special Study of Securities Markets, Securities and Exchange Commission, may now be purchased at 55¢ per copy from the Superintendent of Documents, Government Printing Office, Washington, D. C., 20402. It consists of the texts of the summaries, conclusions and recommendations drawn from Parts 1 through 4 (Chapters I through XIII) of the said Report, plus the letters of transmittal from the Special Study to the Commission and from the Commission to the Congress.

Ordering copies of Part 5 from G.P.O., identify it as Part 5 of House Document No. 95 (88th Congress, 1st Session). Parts 1 through 4 (numbering 2994 pages) may be purchased for \$10 per set.

**MIDWESTERN GAS TRANSMISSION SHARES IN REGISTRATION.** Midwestern Gas Transmission Company, Tennessee Bldg., Houston, Texas, today filed a registration statement (File 2-21866) with the SEC seeking registration of 290,000 shares of common stock. According to the prospectus, Tennessee Gas Transmission Company, Houston, owns all of Midwestern's outstanding stock. On October 9th, the Tennessee Gas directors declared a dividend in shares of Midwestern common stock, payable to November 15th record holders of Tennessee Gas stock on the basis of one share of Midwestern common for each 200 shares of Tennessee Gas common owned of record that date. Tennessee Gas shareholders whose holdings are not evenly divisible by 200 will receive a cash payment in satisfaction of the fractional share interest arising on account of such dividend. Tennessee Bank and Trust Company, Houston transfer agent for the Midwestern stock, will sell for the account of such shareholders the number of shares of Midwestern common equal to the sum of the fractional share interests and pay the proceeds ratably to such stockholders. The prospectus includes 50,000 shares of Midwestern common to cover such stock sales.

An additional 240,000 shares of Midwestern common are initially issuable upon the exercise of common stock purchase warrants. Such warrants were issued by Midwestern in 1960 together with its first mortgage pipeline bonds, 5 3/4% series due 1980, warrants for the purchase of four shares of common stock of the company having been attached to each \$1,000 principal amount of such bonds. The warrants are in bearer form and are exercisable in whole or in part for a period of ten years from January 1, 1964, at an initial exercise price of \$15 per share of common stock purchased.

**UNITED FUNDS SHARES IN REGISTRATION.** United Funds, Inc., 20 West 9th St., Kansas City, Mo., today filed a registration statement (File 2-21867) with the SEC seeking registration of 3,000,000 shares of United Bond Fund, 100,000 shares of United Accumulative Fund, 100,000 shares of United Income Fund, and 100,000 shares of United Science Fund.

**SECURITIES ACT REGISTRATIONS.** Effective November 6: Diamond National Corp. (File 2-21766); Libbey Owens Ford Glass Co. (File 2-21814). Effective November 7: Donaldson Company, Inc. (File 2-21783); The Mosler Safe Co. (File 2-21801).

**ORAL ARGUMENT, COMING WEEK.** November 13, 2:30 P.M. - Merritt Vickers, Inc.

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

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