

# 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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FOR RELEASE August 24, 1964

**HARMON CO. SUSPENSION PERMANENT.** The SEC today announced a decision under the Securities Act (Release 33-4715) making permanent its January 1962 order temporarily suspending a Regulation A exemption from registration with respect to a public offering of stock of George Harmon Company, Inc., of 18141 Napa St., Northridge, Calif. After the hearing and prior to the filing of the recommended decision in this matter by the hearing examiner, the company went into bankruptcy.

The company was organized under Nevada law in 1961 and owns all the stock of a California company of the same name which was engaged as a manufacturer in the electronics field. Pursuant to a Regulation A notification, the company in 1961 made a public offering of 62,500 common shares at \$4 per share. Its offering circular stated that the subsidiary as of July 10, 1961, had a backlog of orders approximating \$130,000. Following the sale of its shares, the company in December 1961 filed an amended circular reciting that the offering was being continued on behalf of the underwriter and finders, as to 10,000 shares underlying warrants received by them in connection with the company's financing. The amended circular stated that as of December 20, 1961, the company's backlog amounted to about \$4,314,349, including orders of \$4,130,000 for telephone answering devices, and also stating that a further order approximating \$1,540,000 for inertia switches was assured.

These representations, the Commission ruled, were "materially false and misleading." While the company had an order for the telephone answering devices, it failed to disclose various factors "which made performance pursuant to the order doubtful at best." There was a failure to disclose, among other things, that the prospective purchaser was a newly organized company with no employees and virtually no assets and that no commercial model of the device had as yet been manufactured; nor was the commercial feasibility of the device established. Moreover, the assurances with respect to the contract for inertia switches lacked substance by reason of the undisclosed fact, among others, that the order was to be awarded on the basis of competitive bids and was subject to other contingencies.

**CAPITAL FUNDS DENIED REGISTRATION.** In a decision under the Securities Exchange Act announced today (Release 34-7398), the SEC denied an application for broker-dealer registration filed by Capital Funds, Inc., of Muldrow, Oklahoma. Austin E. Gatlin and his wife Erma, officers, directors and principal stockholders, were each found to be a cause of the denial order. A request for withdrawal of the registration application was denied.

According to the decision, Capital Funds in 1962 served as underwriter in a best-efforts public offering at \$5 per share of 60,000 shares of stock of Peoples Loan and Investment Co., Inc., of Ft. Smith, Ark. Gatlin was general manager of Peoples, in which he and his wife through Capital Funds had a controlling interest. Such offering was made under a claimed intra-state exemption from Securities Act registration. However, after discussion with Gatlin and being unable to pay for 1,000 shares for which he had subscribed, a salesman arranged to sell the shares to two non-residents. Upon the basis of the evidence, the Commission ruled that the salesman had not become the bona fide owner of the shares and that their resale to non-residents vitiated the exemption. A further claimed exemption based on the contention that Peoples was a banking institution also was rejected by the Commission.

The Commission also ruled that Capital Funds, which was organized in Oklahoma in March 1961, engaged in the conduct of a securities business which was not exclusively intrastate and therefore violated the SEC registration requirements. Moreover, in 1957 the Gatlins while residing in Florida violated the Securities Act registration and anti-fraud provisions in the sale of stock of Anchorage Mortgage Company, of which Mrs. Gatlin (then Erma Shuler) was secretary-treasurer and a director and Gatlin was general manager. In addition, the Capital Funds registration application listed as a principal stockholder a person who had sold his stock holdings a month before the application was filed.

**SEC REVOKES AND DENIES REGISTRATIONS.** The SEC today announced a decision under the Securities Exchange Act (Release 34-7399) revoking the broker-dealer registration of Armstrong & Co., Inc., of 15 William St., New York, for violations of the anti-fraud provisions of the Federal securities laws in the sale of stock of Triangle Instrument Co., Inc., and Precision Metal Products, Inc. The Armstrong firm and Robert B. Edens, president, consented to the revocation order and to a finding that Edens was a cause thereof. The Commission also found each of the following a cause: Martin Lasher, an officer, and Benjamin Saporta, Howard S. Cohen, Eugene Freiman, Herbert Patlis, Irving Rubin, Frederick Weiss, Stanley Weiss, Albert Wasserman and Philip Weiner, former salesmen. In addition, the Commission denied an application for broker-dealer registration filed by Benjamin Saporta (d/b/a Benjamin Saporta & Co.).

According to the Commission's decision, the Armstrong firm and the individual respondents made false and misleading representations in the offer and sale of Triangle stock commencing in September 1961 and Precision stock commencing in November 1961. These included false and misleading recommendations and statements with respect to prospective increases in the prices of such securities and the earnings, dividends and contracts of the issuing companies. There was "no reasonable basis for the extravagant and unwarranted predictions and statements," the Commission stated. The predictions of substantial, short-term increases in the prices of the securities, the Commission observed, "clearly were not justified by the facts disclosed in the offering circulars, which showed both issuers to be relatively new companies with modest assets and income. They did not have the contracts and earnings attributed to them."

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The Commission also ruled that the Armstrong firm violated SEC record-keeping requirements; and in 1962 a Federal court enjoined the firm, Edens and Lasher from violating such requirements and appointed a receiver for the firm.

**COLUMBIA GAS SEEKS ORDER.** The Columbia Gas System, Inc., New York, has filed a proposal with the SEC under the Holding Company Act for the issuance and sale at competitive bidding of \$40,000,000 of debentures due 1989; and the Commission has issued an order (Release 35-15117) giving interested persons until September 21 to request a hearing thereon. As reported in the SEC News Digest of August 17, the net proceeds from the debenture sale will be applied to the systems 1964 construction program, estimated at \$144,000,000.

**INVESTORS MUTUAL AND INVESTORS STOCK FUND SEEK ORDER.** Investors Mutual, Inc. ("Mutual"), and Investors Stock Fund, Inc. ("Stock"), Minneapolis, Minn., registered open-end investment companies, have applied to the SEC for an exemption order under the Investment Company Act with respect to the proposed sale by Stock to Mutual of 100,000 shares of common stock of Denver & Rio Grande Western Railroad Company; and the Commission has issued an order (Release IC-4037) giving interested persons until September 10 to request a hearing thereon. According to the application, Mutual presently owns 175,000 (2.73%) of the Railroad Company's common shares and Stock's holdings amount to 100,000 shares.

**ARIZONA LIFE INS. FILES FOR OFFERING.** Arizona Life Insurance Company, Phoenix, Ariz., filed a registration statement (File 2-22704) with the SEC on August 20 seeking registration of 750,000 shares of common stock, to be offered for public sale at \$2 per share through company officials and employees, or registered dealers. A selling commission of 30¢ per share will be paid on stock sold through employees or dealers. Also included in the registration statement are 46,000 shares which are reserved for issuance at \$1.60 per share upon exercise of outstanding stock options. In addition, 16,383 common shares are being offered to Emerald Investment Company at \$2 per share, pursuant to an outstanding capital contribution certificate convertible into common stock.

Organized under Arizona law in 1963, the company is engaged in writing life, and accident and health insurance in that State. Net proceeds derived from its stock sale will be added to capital and surplus and used in the conduct of its insurance business. In addition to indebtedness, the company has outstanding 136,000 shares of capital stock, of which management officials as a group own 56.8%. Upon completion of this offering, the original investors will own 19.5% of the outstanding common stock of the company for which they will have paid an average of 68¢. Richard J. Lakoduk is company president.

**GEORGIA POWER FILES FINANCING PROPOSAL.** Georgia Power Company, 270 Peachtree St., Atlanta, filed a registration statement (File 2-22705) with the SEC on August 21 seeking registration of \$28,000,000 of first mortgage bonds (due 1994) and 50,000 shares of cumulative preferred stock, to be offered for public sale at competitive bidding. The company is engaged in the generation and purchase of electric energy and the distribution and sale of such energy within the State of Georgia. Net proceeds from this financing proposal, together with \$8,000,000 received in 1964 from the sale of common stock to its parent, The Southern Company, will be applied to the company's 1964 construction program and to pay short-term bank loans. Construction expenditures through 1966 are estimated at \$245,518,000. In addition to indebtedness and preferred stock, the company has outstanding 6,131,500 common shares. J. J. McDonough is board chairman and Edwin I. Hatch is president.

**ISRAEL DEVELOPMENT PROPOSES DEBENTURE OFFERING.** Israel Development Corporation, 17 E. 71st St., New York, filed a registration statement (File 2-22706) with the SEC on August 21 seeking registration of \$3,000,000 of 5½% convertible sinking fund debentures, Series B, due 1979, to be offered for public sale. The offering is to be made on a best-efforts basis through Israel Securities Corporation (of the New York address) in units of \$5,000, \$1,000 and \$500, for which it will receive selling commissions of \$375, \$75 and \$37.50, respectively. The price is payable in cash or in State of Israel Independence Issue or Development Issue Bonds.

The company is a closed-end non-diversified investment firm. Its purpose is to make funds available for Israel's economic development by establishing industrial, mineral, transportation and other enterprises in Israel and by investing in existing Israeli enterprises. Net proceeds from its debenture sale will be added to general funds and will be available as required from time to time for corporate purposes. In addition to indebtedness, the company has outstanding 465,650 shares of common stock, of which management officials as a group own 6.5%. Rudolf G. Sonneborn is board chairman and Abraham Dickenstein is president.

**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. Copies thereof may be ordered from the Commission's Public Reference Section (please give News Digest's "Issue No." in ordering). Invoice will be included with photocopy material when mailed. An index of the caption of the several items of the form was included in the August 3 News Digest.

General Cable Corp, Amend #1 for Jan 64, (7,13)

Nedick's Stores, Inc, Amend #1 for May 64, (4,8)

Founders Life Assurance Co of Florida, Amend #1 for March 64, (2,13)

CONTINUED

Anderson, Clayton & Co, July 64, (12,13)  
 Pacific Northwest Bell Telephone Company,  
 July 64, (3)  
 Thompson-Starrett Company, Inc, July 64, (12)

Brockton Taunton Gas Co, July 64, (7,11,13)  
 Ohio Power Co, July 64, (11)

Bell Intercontinental Corp, July 64, (6)  
 Hammermill Paper Co, July 64, (8)

Gulf Sulphur Corp, July 64, (12)

The First Republic Corp of America, July 64,  
 (2,7,8,13)

Arkansas Louisiana Gas Company, July 64, (12)  
 United Industrial Corp, July 64, (2,13)

Ansonia Wire & Cable Co, Feb 64, (4,7,13)  
 Dunlap & Associates, Inc, July 64, (11,13)  
 Eastern Air Lines, Inc, July 64, (7)  
 The Greater Nebraska Corporation, July 64, (7)  
 Kellwood Company, July 64, (13)  
 I B Kleinert Rubber Co, July 64, (11)  
 Knox Glass, Inc, July 64, (12)  
 Nighie Mfg. Co, July 64, (7)  
 Pittsburgh Coke & Chemical Co, July 64, (2,8)  
 Thrift Plan of Reda Pump Co, July 64, (7)

Nevada Power Co, July 64, (7,8,13)  
 Novo Industrial Corp, July 64, (2,13)

Grocery Store Products Co, July 64, (4,7,11,13)  
 Hooker Chemical Corp, July 64, (4,7,13)  
 Sawyer's Inc, July 64, (11,13)

Clopay Corp, July 64, (2,13)  
 Oak Electro/netics Corp. (Formerly:- Oak Mfg Co.)  
 July 64, (12,13)  
 Remco Industries, Inc, July 64, (7)

Levine's, Inc, July 64, (12)  
 Pittsburgh Railways Company, July 64,  
 (2,13)

Cousins Properties Incorporated, June 64,  
 (7)

Gulf States Land & Industries, Inc,  
 July 64, (11,13)

Deere & Co, July 64, (4,7,13)  
 McKesson & Robbins Inc, July 64, (11)  
 Richardson-Merrell Inc, July 64, (3)

Gulf Life Insurance Co, Aug 64, (7)  
 Liberty Fabrics of New York, Inc, July 64,  
 (12,13)

Inter-County Tel & Tel Co, June 64,  
 (7,13)

Evans Products Co, July 64, (12,13)

First Investors Corporation, July 64,  
 (11,13)

Lindberg Steel Treating Co, Inc, Apr 64,  
 (11)

Nalco Chemical Co, July 64, (7,11,13)

General Telephone Co of Florida, July 64,  
 (8)

Macke Vending Company, July 64, (4,7,13)

Berns Air King Corp, July 64, (11,12)  
 Norfolk and Western Ry Co, July 64, (8,13)

Bulova Watch Co, Inc, July 64, (11)  
 Madison Life Insurance Co, July 64, (7,11)

Husky Oil Canada Ltd, July 64, (12,13)

**DYCAP RECEIVES ORDER.** The SEC has issued an order under the Investment Company Act (Release IC-4038) declaring that Dycap Inc., 50 Broad St., Columbus, Ohio, has ceased to be an investment company.

**SECURITIES ACT REGISTRATION STATEMENTS.** During the week ended August 20, 1964, 23 registration statements were filed, 23 became effective, 1 was withdrawn, and 253 were pending at the week-end.

**JOHN ARTHUR ALLEN SENTENCED.** The SEC Seattle Regional Office announced August 18 (LR-3003) that John Arthur Allen received a 15-year prison sentence following his plea of guilty to one count of grand larceny of 21-count indictment charging fraud upon investors in the stock of Yakima Industrial Park Development Corp. and Northern Development Co., Inc. (both Washington corporations).

**STANDARD PRUDENTIAL PROPOSES RIGHTS OFFERING.** Standard Prudential Corporation, 277 Park Ave., New York, filed a registration statement (File 2-22707) with the SEC on August 21 seeking registration of 3,220,000 shares of Class A stock, to be offered at \$3 per share to its stockholders at the rate of twelve Class A shares for each Class B share held. Unsubscribed shares will be offered to officials of the company and Standard Financial Corporation, to certain agents, brokers and investment bankers, and to the general public, through a group of soliciting dealers. Francis I. duPont, A. C. Allyn, Inc., 1 Wall Street, New York, will serve as the dealer manager. In addition to a maximum selling commission of 25¢ per share, the company has agreed to pay the dealer manager (a) basic compensation of \$25,000 and an additional \$5,000 (up to \$25,000) for each 100,000 shares sold to the public by the soliciting dealers in excess of 500,000 shares and (b) up to \$6,000 of the legal fees incurred by the dealer manager in connection with this offering.

Organized under New York law in April 1964, the company proposes to engage in the acquisition of domestic and foreign commercial and industrial businesses. Net proceeds derived from its stock sale will be used, together with the portion of the company's present capital not needed for initial working capital, in the conduct of its business activities. The company has outstanding 80,000 Class A shares (purchased by Standard Financial Corporation (SFC) and four officials of SFC at \$3 per share) and 275,000 Class B shares (also purchased by SFC at 10¢ per share; and SFC subsequently distributed 252,110 shares to its common stockholders as a dividend). Theodore H. Silbert is board chairman and president.

**SECURITIES ACT REGISTRATIONS.** Effective August 24: Components, Inc. (File 2-22567); Doyle Dane Bernbach Inc. (File 2-22617).