

SEC OFFICER TESTIFIES

LL&T Probe Data Bared

The Securities and Exchange Commission accepted the statement of State Banking Commissioner E. Clayton James that the Louisiana Loan and Thrift Corp. was operating as a bank and would be so supervised, a federal judge was told here today.

John M. Kelly returned to the witness stand before Judge Frederick J. R. Heebe to give dates and specific details of two SEC investigations, one of which resulted in the indictment of state Atty. Gen. Jack P. F. Gremillion and four others. Kelly is the SEC's chief enforcement officer.

The quintet is accused of conspiracy, mail fraud and fraud in the sale of securities in connection with bankrupt LL&T. The five defendants are seeking to have the indictment dismissed in one of 79 preliminary motions being argued before Judge Heebe.

THE OTHER defendants include state Rep. Salvador Anzelmo, a former attorney for the corporation; Ernest A. Bartlett, Fort Smith, Ark.; Joseph H. Kavanaugh, Baton Rouge attorney, and Charles H. Ritchey, former president of the corporation.

Kelly testified that the SEC "closed its file" in the first investigation of the corporation on Nov. 8, 1966, following a recommendation made five days earlier.

"You found no element of fraud?" Kelly was asked by Edward Barnes, attorney for the Justice Department. This drew an immediate objection from Walter F. Gemeinhardt, counsel for Anzelmo, who said

the question called for a conclusion.

THE OBJECTION was overruled, and Kelly said, "We would not have closed the file if we had had a sufficient element of fraud." Kelly then explained that fraud cas-

es "are built by bits of evidence."

Asked what bits of information had been found, Kelly said "we saw a check from Louisiana Loan and Thrift for \$7,500 payable to Jack P. F. Gremillion and deposited by

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him in his personal account."

Kelly said that Gremillion was attorney general and as such had given an official opinion on the status of LL&T.

"**WE ALSO** were aware of very high organizational expenses," said Kelly, and referred to attorney fees of \$45,000 payable to William A. Glennon, also a former LL&T attorney and Anzelmo, and \$60,000 of bank deposits in the Arkansas Loan and Thrift Corp.

"Mr. Anzelmo assured us," said the SEC official, "that the money (\$60,000) would be returned to the Louisiana Loan and Thrift Corp."

Kelly later testified that he learned on Feb. 21, 1968,

that the money not only had not been returned, but that the amount had increased to \$112,000.

Kelly also testified to a "possible insolvency" of the LL&T Corp. by \$224,000, and stated that Glennon had said this amount, plus a "cushion" could be raised "very easily."