

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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INVESTMENT COMPANY RULES PROPOSED. The SEC announced proposals to adopt a new Rule 11a-1 (Release IC-4950) and a new Rule 11b-1 (Release IC-4951) under the Investment Company Act; and it invited the submission of views and comments thereon not later than June 12.

Certain open-end investment companies have been issuing redeemable securities which, by their terms, mature or terminate, or are cancelled after having been outstanding for a certain period of time. The proposed Rule 11a-1 would make clear that, with respect to the proceeds of such terminable redeemable securities issued after the effective date of the rule, the issuance of a new security will be considered an "exchange" within the meaning of Section 11 of the Act so as to preclude the imposition of a new sales load. Section 11(a) of the Act generally provides that a registered open-end company or its principal underwriter may not make an offer to any holder of the company's securities to exchange his security for a security in the same or another such company on any basis other than the relative net asset values of the respective securities to be exchanged, unless the Commission by rule permits the exchange to be made on such other basis. The proposed rule would make it clear that on and after its effective date a mutual fund may not apply the proceeds of any terminable redeemable security to the purchase of a new security and impose a new sales load thereon.

Section 11(b)(2) of the Act provides an exemption from the prohibitions of Section 11(a) and permits the charge of an additional sales load in connection with an exchange from one class or series into another class or series of securities issued by the same company. The proposed Rule 11b-1 would specify that the exemption provided by Section 11(b)(2) is available only to securities of the type described in Section 18(f)(2), i.e., securities issued by a registered open-end investment company which are preferred over all other classes or series in respect of assets specifically allocated to that class or series, and not to the issuer of terminable redeemable securities.

STEEL CREST HOMES STOCK SUSPENDED. The SEC announced May 11 (Release 34-8077) the temporary suspension of over-the-counter trading in the common stock and other securities of Steel Crest Homes, Inc., King of Prussia, Pa., for the ten-day period May 12 to 21, 1967, inclusive. The action followed advice by the company that it was unable to furnish financial reports as required by Commission rules. Accordingly, the suspension was ordered pending clarification of the facts with respect to the company's financial condition and other related matters.

TRADING BAN IN SEVEN STOCKS CONTINUED. The SEC has issued orders temporarily suspending exchange and/or over-the-counter trading in securities of the following companies for the further 10-day period May 13-22, inclusive: Continental Vending Machine Corporation, Lincoln Printing Company, Pakco Companies, Inc., Pinal County Development Association, Sports Arenas, Inc., Underwater Storage, Inc., and Westec Corporation.

SHAW AND SMITH ENJOINED. The SEC Fort Worth Regional Office announced May 8 (LR-3710) that T. G. Shaw, individually and dba T. G. Shaw Oil and Gas Producers, and Clyde H. Smith, had been permanently enjoined, with their consent, from further violations of the Securities Act registration provisions in the offer and sale of unregistered fractional undivided interests in oil and gas leases on land situated in Maverick and Val Verde Counties, Texas.

COURT ENJOINS WEST VUE MINES, OTHERS. The SEC Seattle Regional Office announced May 9 (LR-3711) that the Federal court at Boise, Idaho, entered an order of preliminary injunction against West Vue Mines, Inc., Kanthackit Mines, Inc., Joseph L. Baker, the executive vice president of both corporations, all of Boise, Idaho, and Norman Robertson, president of both corporations, of Ferndale, Wash., prohibiting further violations of Sections 5(a), 5(c), and 17(a) of the Securities Act in connection with offer and sale of pre-incorporation interests of West Vue Mines, Inc. and common stock of Kanthackit Mines, Inc.

ALFRED DALLAGO CONVICTED. On May 9, Alfred Dallago of Long Island, N. Y., former officer and director of Lancer Industries, Inc., was convicted (USDC DC) of conspiring to violate the anti-fraud and false statement provisions of the Securities Act and of violating the false statement provisions of the Securities Exchange Act in connection with Lancer Industries' filings with the Commission. (LR-3712)

POWER AND LEX SENTENCED. The SEC Washington Regional Office announced May 10 (LR-3713) that George E. Powell, Jr., and Joseph T. Lex, former employees of a Norfolk, Va. broker-dealer firm, received five year prison sentences after each entered a plea of guilty to one count of an 11-count indictment charging them with interstate transportation of stolen property in violation of Title 18, U.S.C. Section 2314.

LIFE INSURANCE INVESTORS RECEIVES ORDER. The SEC has issued an exemption order under the Investment Company Act (Release IC-4954) authorizing Life Insurance Investors, Inc., Chicago, to issue its shares at net asset value to holders of certain insurance policies issued by a predecessor of Consolidated American Life Insurance Company, Jackson, Miss.

OVER

MICHIGAN CONSOLIDATED GAS RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-15733) authorizing Michigan Consolidated Gas Company, New York subsidiary of American Natural Gas Company, to issue and sell \$35,000,000 principal amount of first mortgage bonds at competitive bidding, increase its authorized shares of common stock from 9,700,000 shares to 10,060,000 shares, and issue and sell 360,000 shares of such common stock to its parent for a cash consideration of \$5,040,000. The subsidiary will use the net proceeds of this financing to pay its construction-loan notes to banks, which are expected to be outstanding in the amount of \$17,000,000, and to retire a maturity \$16,500,000 of its 3-7/8% Sinking Fund Debentures due July 1, 1967. The balance will be used to finance, in part, its 1967 construction program, estimated at \$29,500,000.

LOUISIANA POWER & LIGHT RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-15734) authorizing Louisiana Power & Light Company, New Orleans subsidiary of Middle South Utilities, Inc., to borrow not to exceed \$17,000,000 from The Chase Manhattan Bank, N.A. The funds will be used to finance temporarily the company's construction program and for other corporate purposes.

GEORGIA POWER SEEKS ORDER. Georgia Power Company, Atlanta, Ga. 30303, subsidiary of The Southern Company, has applied to the SEC for authorization under the Holding Company Act to acquire and retire up to \$10,000,000 principal amount of its outstanding First Mortgage Bonds, due March 1, 1971; and the Commission has issued an order (Release 35-15735) giving interested persons until June 6 to request a hearing thereon. Georgia Power now has outstanding first mortgage indebtedness in the amount of \$426,605,000.

CONNECTICUT L & P SEEKS ORDER. Connecticut Light and Power Company, Berlin, Conn., subsidiary company of Northeast Utilities, has applied to the SEC for approval under the Holding Company Act of certain amendments to its Certificate of Incorporation (1) to bring it into conformity with the requirements of this Commission's Statement of Policy regarding preferred stock subject to the Act; (2) to make other miscellaneous changes in the preferred stock provisions; (3) to change the preferred stock from shares without par value to shares of a par value of \$50 per share, and (4) to increase its authorized preferred stock from 2,000,000 shares to 3,000,000 shares. The Commission has issued an order (Release 35-15736) giving interested persons until June 12 to request a hearing thereon.

KENTUCKY POWER RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-15737) authorizing Kentucky Power Company, Ashland, Ky. subsidiary of American Electric Power Company, Inc., to amend its Articles of Incorporation to increase the number of shares of common stock it is authorized to issue from 700,000 to 2,000,000 common shares and to issue and sell to its parent an additional 400,000 shares of Kentucky common stock. Previously, American was authorized to make a \$20,000,000 cash capital contribution to Kentucky; issuance of the 400,000 shares will make such cash capital contribution a more permanent part of Kentucky's equity capital and result in transferring \$20,000,000 from capital surplus to capital stock.

NINE STOCK PLANS FILED. Form S-8 registration statements have been filed with the SEC proposing the offering of securities under employee savings, stock option and other plans, as follows:

American Smelting and Refining Company, New York 10005 (File 2-26533) - 300,000 common shares
 Helme Products, Inc., New York 10020 (File 2-26536) - 126,400 common shares
 McGraw-Edison Company, Elgin, Ill. (File 2-26537) - 15,000 participations in employees' profit-sharing plan and 233,333 common shares
 Revco D. S., Inc., Cleveland, Ohio 44113 (File 2-26538) - \$335,400 of participations in employees' thrift plan and 16,770 common shares which may be purchased under the plan
 Sears, Roebuck and Co., Chicago, Ill. 60607 (File 2-26539) - 40,000 memberships in employees' savings and profit sharing fund and 3,500,000 common shares
 Transamerica Corporation, San Francisco, Calif. 94111 (File 2-26541) - 575,941 common shares
 General Electric Company, Schenectady, New York 12035 (File 2-26544) - 250,000 common shares (includes shares previously registered under 2-23358) and 2,500,000 units of participation in the General Electric Savings and Security Program Mutual Fund
 Abbott Laboratories, North Chicago, Ill. (File 2-26545) - 6,000 of participations in employees' stock retirement plan and 70,000 common shares
 Santa Fe Drilling Company, Santa Fe Springs, Calif. 90670 (File 2-26540) - \$1,600,000 of participations in employees' stock bonus plan and an unspecified number of underlying common shares

STATE LOAN AND FINANCE PROPOSES OFFERING. State Loan and Finance Corporation, 1100 Wilmington Trust Bldg., Wilmington, Del., 19801, filed a registration statement (File 2-26542) with the SEC on May 11 seeking registration of \$35,000,000 of sinking fund debentures, due 1987, to be offered for public sale through underwriters headed by Johnston, Lemon & Co., Southern Bldg., Washington, D. C. 20005, and Eastman Dillon, Union Securities & Co., One Chase Manhattan Plaza, New York 10005. The interest rate, offering price and underwriting terms are to be supplied by amendment.

The company is principally engaged in the consumer finance (small loan) business. Net proceeds from its debenture sale will be placed in the company's general funds and initially used to reduce outstanding short-term loans, the proceeds of which loans were placed in the company's general fund and used primarily to provide subsidiaries of the company with funds to carry on their respective businesses. In addition to indebtedness and preferred stock, the company has outstanding 3,914,690 Class A common shares and 321,300 Class B common shares, of which management officials own 74.61% of the Class B and 15.49% of Class A. Davis Weir is board chairman and L. J. Holroyd, president.

GRAPHIC CONTROLS PROPOSES OFFERING. Graphic Controls Corporation, 189 Van Rensselaer St., Buffalo, N. Y. 14210, filed a registration statement (File 2-26543) with the SEC on May 11 seeking registration of \$3,500,000 of convertible subordinated debentures, due 1987, to be offered for public sale through underwriters headed by Dominick & Dominick, Incorporated, 14 Wall St., New York 10005. The interest rate, offering price and underwriting terms are to be supplied by amendment.

The company's principal products are used for the visual presentation of information and data produced by recording instruments and computers. These products are classified into two basic lines, recording charts and continuous data processing forms. Net proceeds of its debenture sale will be applied to the purchase of a GE time-sharing computer system and equipment, machinery and equipment to produce recording charts and continuous data processing forms, to the retirement of short-term bank loans, and for general corporate purposes, including working capital. In addition to indebtedness, the company has outstanding 780,091 shares of common stock, of which management officials own 114,385 shares or 14.7%. Max B. E. Clarkson is president.

TRADING SUSPENDED IN S & P NATIONAL. The SEC today announced the temporary suspension of over-the-counter trading in the common and Class A stock of S & P National Corporation, of New York City, for the ten-day period May 12 to 21, 1967, inclusive.

On February 21, 1966, the Commission filed an action in the U. S. District Court (SDNY) against S & P National Corporation, two subsidiaries and two individuals, charging violations of certain provisions of the Investment Company Act of 1940 and the filing requirements of the Securities Exchange Act of 1934. The parties to that action, including Leslie Kirsch, the court-appointed Trustee of S & P National, have engaged in discussions with respect to the possible settlement of all prospective actions and claims of subordination by the Trustee against various controlling persons and insiders, as well as the pending injunctive action. In this connection, the Trustee has requested that the Commission suspend trading in S & P National stock pending the settlement negotiations which, he states, "may result in values to public holders of S & P stock substantially greater than market prices in recent years."

Under the circumstances, the Commission considers it necessary in the public interest and for the protection of investors to temporarily suspend trading in the common and Class A stock of S & P National Corporation pending clarification of these matters.

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 in parentheses. Photocopies thereof may be purchased from the Commission's Public Reference Section (please give News Digest's "Issue No." in ordering). Invoice will be included with the requested material when mailed. An index of the captions of the several items of the form was included in the May 2 News Digest.

Arizona Public Service Co. Apr67 (11,13)
1-4473-2
Bristol Dynamics, Inc. Mar67 (1) 0-1987-2
Bunker-Ramo Corp. Apr67 (11) 1-4468-2
Chatham Corporation Apr67 (11,13) 0-1540-2
Cincinnati Milling Machine Company Apr67 (11)
1-3306-2
Clary Corp. Apr67 (2) 1-3489-2
Crown Aluminum Inds Corp. Apr67 (11,13)
1-4584-2
Empire Life Insurance Co. Mar67 (7,9) 2-20749-2
General Telephone Co Of Ohio Apr67 (7) 0-445-2
Graniteville Company Apr67 (11) 1-4630-2
Great American Industries, Inc. Mar67 (2,12,13)
1-3782-2
H. M. Harper Company Mar67 (13) 0-384-2
Hartford Gas Co. Mar67 (11,13) 0-327-2
Independent Coal & Coke Co. Mar67 (11,13)
1-4985-2
John Deere Credit Co. Apr67 (11) 2-17065-2
Knapp-Monarch Company Apr67 (11) 1-3407-2

SECURITIES ACT REGISTRATIONS. Effective May 11: E G & G Inc., 2-26385 (June 21); Garden State Life Insurance Co., 2-26247 (June 20); General Host Corp., 2-26299 (June 20); Max Factor & Co., 2-26398.

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.

