

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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)  
SEC

(Issue No. 67-146)

FOR RELEASE August 1, 1967

**NASD CENSURE & FINE AFFIRMED.** The SEC today announced a decision under the Securities Exchange Act (Release 34-8134) affirming a \$500 fine and censure imposed by the NASD upon Rentz & Company, Inc., of Birmingham, Ala., for violation of its conduct rules. An assessment of costs was reduced by \$250 to \$750.

The Commission sustained findings by the NASD that the Rentz firm had violated Article III, Section 1 of its Rules of Fair Practice, requiring members to observe "high standards of commercial honor and just and equitable principles of trade." More particularly, the NASD had found that Rentz failed to make a bona fide public offering of all of a 5,800-share allotment of stock in a 342,000-share public offering by Allied Life Insurance Company in 1964 (the stock sold at an immediate premium in the after-market). Rentz sold 750 shares to four insurance company executives and the son of one of them. This was found by the NASD to have been contrary to its published "free-riding" interpretation which, among other things, prohibited a member participating in a distribution who had failed to make a bona fide public offering from selling shares to persons in the securities department of, or whose activities involved or were "related to the function of buying or selling securities for banks, insurance companies or other institutional type accounts, or to a member of the immediate family of such persons." This prohibition did not apply where the purchasers acquired the securities for investment in accordance with their normal investment practice with the member and the sales to them were in the aggregate insubstantial and not disproportionate in comparison with sales to "other members of the public."

The Commission pointed out that the limitations on "free-riding" and "withholding" imposed by the NASD interpretation reflect a concern with sales practices which contribute to artificial increases in the price of securities by restricting the supply available for distribution to the public, force customers who want to purchase the securities to acquire them in the market at prices above the offering price, and give the member participating in the distribution and its insiders an unfair advantage. The particular restriction involved in this case was designed to eliminate the practice of members promoting securities business from institutional investors through the allocation of "hot issues" to persons connected with the purchase of securities by the institutions.

The Commission concluded that the record of the proceedings before the NASD supported the NASD's finding that the sale of the 750 shares to the five individuals fell within the prohibition. The Commission also sustained an NASD finding that Rentz & Co. violated the NASD's rules by filing a misleading report in response to an NASD free-riding questionnaire in that it failed to disclose therein the sales of 350 shares to three of the five purchasers.

**TRADING IN JADE OIL TO RESUME AUGUST 3.** The SEC today announced that its suspension of trading in the securities of Jade Oil and Gas Company will terminate at the close of business on August 2, 1967. Accordingly, over-the-counter trading in the common stock, 6-1/2% convertible subordinated debentures and stock warrants of Jade Oil may be resumed at the opening of business on Thursday, August 3, 1967. The Pacific Coast Stock Exchange is considering whether it will permit resumption of trading in the shares on that Exchange, and will shortly announce its determination.

The Commission cautioned, however, that broker-dealers and investors should consider the facts and circumstances set forth below in connection with any transactions in such securities. As stated below, these include the fact that the company has filed a voluntary petition in bankruptcy, and had a total loss, including extraordinary items, of \$4,122,596 in 1966. Under these circumstances, brokers and dealers should be particularly mindful of their obligation under the Federal securities laws in recommending the purchase and sale of securities of Jade Oil in the future.

On June 28, Jade Oil consented to a Federal court order permanently enjoining it from violating the Securities Act registration provisions; and on the same day the company filed a voluntary petition for reorganization pursuant to Chapter X of the Bankruptcy Act. In a letter to shareholders dated June 28 the company outlined its financial position as of December 31, 1966; and on July 26 it filed its Form 10-K annual report with the Exchange and the Commission for the year ending December 31, 1966.

For further details, reference is made to the said Form 10-K annual report and to Release 34-8138.

**NATIONAL AVIATION RECEIVES ORDER.** The SEC has issued an order under the Investment Company Act (Release IC-5046) authorizing National Aviation Corporation, New York closed-end, non-diversified management investment company, to purchase up to \$2,000,000 of convertible subordinated debentures, due 1987, of Northrop Corporation. Northrop has filed a registration statement proposing the public offering of \$30,000,000 of such debentures. The application states that Howard A. Buhse, a director of National Aviation, is a partner of Hornblower & Weeks-Hemphill, Noyes, one of the principal underwriters of the public offering. In view thereof, any purchase of said debentures by the said investment company is prohibited by the Act absent the issuance of an exemption order by the Commission.

**IDS RECEIVES ORDER.** The SEC has issued an exemption order under the Investment Company Act (Release IC-5047), with respect to an application by Investors Mutual, Inc. ("Mutual"), Investors Selective Fund, Inc. ("Selective"), Investors Stock Fund, Inc. ("Stock"), Investors Variable Payment Fund, Inc. ("Variable"), all open-end investment companies, and their investment adviser, Investors Diversified Services, Inc. ("IDS")

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and Alleghany Corporation ("Alleghany"), a controlling person of IDS, to permit IDS to act as investment adviser of the funds pursuant to re-executed advisory contracts between IDS and the funds without stockholder approval.

The application states that Mr. Allan P. Kirby, Sr., beneficial owner of approximately 60.63% of the outstanding common stock of Alleghany, has been incapacitated by illness and on June 8, his sons, Messrs. Allan P. Kirby, Jr. and Fred M. Kirby, filed an application for appointment of themselves as guardians of the property of their father. An assignment of the existing contracts will be occasioned by the transfer from Kirby, Sr. to his sons of 60.63% of the outstanding common stock of Alleghany, which owns 46.76% of the outstanding voting stock of IDS. IDS proposes to act as investment adviser to the Funds pursuant to the re-executed advisory contracts between IDS and the Funds, in accordance with resolutions of the boards of the Funds adopted on June 15, 1967. The application states that the advisory contracts will be submitted to the stockholders of the Funds at their next annual meetings to be held on May 15, 1968.

**GREEN GIANT PROPOSES DEBENTURE OFFERING.** Green Giant Company, Le Sueur, Minn. 56058, filed a registration statement (File 2-27004) with the SEC on July 28 seeking registration of \$12,000,000 of convertible subordinated debentures, due 1992. The debentures are to be offered for public sale through underwriters headed by Paine, Webber, Jackson & Curtis, 25 Broad St., New York 10004. The interest rate, public offering price, and underwriting terms are to be supplied by amendment.

The company is engaged in the business of growing, processing and marketing a variety of canned and frozen vegetables. Of the net proceeds to be received from its debenture sale, the company will apply approximately \$9,535,000 to the retirement of loans incurred under its revolving credit agreement and the balance to the reduction of short-term bank loans incurred to finance product inventories and increased capital expenditures. In addition to indebtedness and preference stock, the company has outstanding 2,854,216 common shares, of which management officials own 5%. L. E. Felton is board chairman and Robert C. Cosgrove is president.

**BALTIMORE GAS AND ELECTRIC FILES FOR OFFERING.** Baltimore Gas and Electric Company, Gas and Electric Bldg., Charles Center, Baltimore, Md. 21203, filed a registration statement (File 2-27005) with the SEC on July 28 seeking registration of \$30,000,000 of first refunding mortgage sinking fund bonds, due 1997, to be offered for public sale at competitive bidding.

Net proceeds received by the company from its bond sale will be used for general corporate purposes, including proposed construction expenditures. The company's 1967 construction program is estimated at \$70,000,000; and construction expenditures for the five-year period 1967-1981 are estimated at \$400,000,000. A. E. Penn is board chairman and president.

**PHOENIX STEEL PROPOSES DEBENTURE OFFERING.** Phoenix Steel Corporation, 4001 Philadelphia Pike, Claymont, Del. 19703, filed a registration statement (File 2-27006) with the SEC on July 31 seeking registration of \$12,500,000 of subordinated convertible debentures, due 1987, to be offered for public sale at \$1,000 per debenture. The offering is to be made through underwriters headed by Allen & Company, Inc., 30 Broad St., and Goodbody & Co., 2 Broadway, both of New York; and the interest rate and underwriting terms are to be supplied by amendment.

The company is engaged in the steel business. It has entered into a contract (to become effective on the date of issuance of the debentures) for the construction at its Claymont plant by Swindell-Dressler Company, a division of Pullman Incorporated, for \$18,244,000 of an electric furnace melt shop to contain two electric furnaces. Net proceeds from the debenture sale will be deposited with the indenture trustee and used (in part) to pay the interest due March 1 and September 1, 1968, on the debentures. The balance of such proceeds will be deposited with the trustee in a construction fund and applied to the payment of the cost of construction of the electric furnace melt shop. In addition to indebtedness, the company has outstanding 1,531,832 common shares, of which management officials own 18.9% (including 11.1% owned by Stanley Kirk, board chairman and president).

**COMPUTER SCIENCES FILES FOR OFFERING AND SECONDARY.** Computer Sciences Corporation, 650 N. Sepulveda Blvd., El Segundo, Calif. 90245, filed a registration statement (File 2-27008) with the SEC on July 31 seeking registration of 300,000 shares of common stock. Of this stock, 100,000 shares are to be offered for public sale by the company and 200,000 (being outstanding stock) by the holders thereof. The offering is to be made through underwriters headed by Wygod, Weis, Florin, Inc., 50 Broadway, New York; and the public offering price (\$30 per share maximum\*) and underwriting terms are to be supplied by amendment.

The company is engaged in providing technical services in the field of the information sciences to customers in government, industry and commerce throughout the United States, in Western Canada and in Western Europe. It is also engaged in developing proprietary computer programs for sale and proprietary systems designed to provide new services to customers. Net proceeds to be received from its sale of additional stock, together with additional borrowings, will be used to retire all existing bank indebtedness. Such was incurred to repay prior short term debt, to provide working capital, and to purchase equipment. In addition to indebtedness, the company has outstanding 4,303,942 common shares, of which management officials own 56.9%. The prospectus lists three selling stockholders. Fletcher Jones (president) proposes to sell 90,000 of his holdings of 1,722,902 shares, Steadman Science & Growth Fund, Inc., all of its holdings of 93,750 shares, and Owen R. Mock (an employee of the company), 16,250 of 109,800 shares.

**SEC CHAIRMAN COHEN RECEIVES AWARD.** The SEC today presented its Chairman, Manuel F. Cohen, with an award in recognition of his twenty-five years of service as an employee and member of the Commission.

Chairman Cohen joined the Commission's staff on July 27, 1942, as an attorney on the staff of the Commission's Division of Corporation Finance. He served as Chief Counsel of the Division during the period 1952-59 and as Adviser to the Commission 1959-60. In September 1960 he was appointed Director of the Division of Corporation Finance, and on October 11, 1961, he was appointed as a Member of the Commission by President Kennedy. President Johnson reappointed him as a Member of the Commission in June 1963; and on August 20, 1964, he was named Chairman of the Commission by President Johnson.

Chairman Cohen has served continuously with the Commission since 1942 except that during 1956 he studied the capital markets in Europe following his receipt of a Rockefeller Public Service Award by the Trustees of Princeton University.

**INTERCOASTAL CAPITAL PROPOSES OFFERING.** Intercoastal Capital Corp., 18 East 48th St., New York 10017, filed a registration statement (File 2-27009) with the SEC on July 31 seeking registration of 50,000 shares of capital stock, to be offered for public sale at \$10 per share. For the first 60 days from the effective date of this prospectus, the shares of capital stock will be offered only to present shareholders of the company, thereafter, the shares are to be offered to the general public through company representatives.

The company, an SBI licensee, intends to operate as a closed-end non-diversified investment company. Its business consists of investing for income in debt securities of small business concerns. Net proceeds from the stock sale will be used (1) for new investments in debt securities of small business concerns; and (2) for general corporate purposes, including operating expenses, to the extent necessary. In addition to indebtedness, the company has outstanding 50,000 capital shares, of which management officials of the company and its investment adviser, Colony Financial Corporation, own 10.5%. Herbert Krasnow is president.

**CITIZENS-CAPITAL CORP. PROPOSES RIGHTS OFFERING.** The Citizens and Southern Capital Corporation, Mareitta and Broad Sts., Atlanta, Ga. 30303, filed a registration statement (File 2-27011) with the SEC on July 31 seeking registration of 390,000 shares of common stock. The shares are to be offered for subscription by common stockholders at the rate of one additional share for each share held. The record date, and subscription price (\$8.00 per share maximum\*) are to be supplied by amendment. The Citizens and Southern National Bank, the company's principal stockholder, has informed the company that it intends to exercise its warrants for the purchase of 141,365 shares and intends to purchase any unsubscribed shares.

The company is a closed-end non-diversified management investment company and is a licensee of the SBA. Net proceeds from the sale of the securities will be used to provide capital and technical assistance and services to small business concerns specializing in companies which in its judgment are engaged in businesses and industries of growth and further development. In addition to indebtedness, the company has outstanding 390,000 common shares, of which The Citizens and Southern National Bank, Atlanta, Ga., owns 36.2%. Mills B. Lane, Jr. is board chairman of the company and president of The Citizens and Southern National Bank; and S. D. Clark is company president and vice president of the Bank.

**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:

University Computing Company, Dallas, Tex. 75235 (File 2-26992) - 164,500 shares

LTV Electrosystems, Inc., Greenville, Tex. 75401 (File 2-26999) - 60,000 shares and \$1,500,000 of convertible subordinated debentures, due 1992

Jim Walter Corporation, Tampa, Fla. (File 2-27003) - 35,000 shares

Computer Applications Incorporated, New York 10022 (File 2-27010) - 133,039 shares

Data Products Corporation, Culver City, Calif. 90230 (File 2-27012) - 20,000 shares

Eastman Kodak Company, Rochester, N. Y. 14650 and Quinby & Co., Incorporated, Rochester, N. Y. 14604

(File 2-27013) - \$12,000,000 of planned payments and 83,189 shares

Emery Industries, Inc., Cincinnati, Ohio 45202 (File 2-27015) - 150,000 shares

An additional stock plan was filed on Form S-1, as follows:

DPA, Inc., Dallas, Tex. 75207 (File 2-27002) - 189,854 shares

**SEC COMPLAINT NAMES ROBERT V. EHRMAN.** The SEC Seattle Regional Office announced July 25 (LR-3779) the filing of a complaint in the Federal court for the Western District of Washington, Northern Division, seeking to enjoin Robert V. Ehrman of Lake Charles, La., from further violations of the registration provisions of the Securities Act in the offer and sale of oil and gas interests located in the State of Illinois.

**SECURITIES ACT REGISTRATIONS.** Effective July 30: National Fuel Gas Co., 2-26898.

Effective July 31: W. R. Grace & Co., 2-26741 & 2-26762 (40 days); The Higbee Co., 2-26928; The Reliance Electric and Engineering Co., 2-26823; Smith Kline & French Laboratories, 2-26930.

**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.

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