

sec news digest

a daily summary from the securities and exchange commission

Issue 73-215

(SEC Docket, Vol. 2, No. 21 - Nov. 20)

November 7, 1973

DECISIONS IN ADMINISTRATIVE PROCEEDING

EXEMPTION FOR FORFEITURES SOUGHT BY PACIFIC SCHOLARSHIP TRUST DENIED. The SEC has issued a decision denying an exemption from provisions of the Investment Company Act, which require that certain investment companies issue only fully redeemable securities sought by Pacific Scholarship Trust of Seattle. The Trust is a registered investment company sponsored by Pacific Scholarship Fund, Seattle. It proposes to sell periodic payment plans which could involve forfeitures by some investors. The plans are designed to provide funds to be applied toward expenses of post-high school education and vocational training for students in the State of Washington. To participate, an investor agrees to pay either a lump sum or monthly deposits into a savings account and further agrees that the earnings on the account will be transferred annually to the trust. The savings account balance will be available to be applied to expenses of the named beneficiary's first year of post-high school study, and the balance in the investor's trust account will be available for the second and succeeding years. The trust assets will include amounts forfeited by the failure of investors to carry out their plans or by the failure of beneficiaries to enter or continue their post-high school education, and such forfeitures will be divided among the successful planholders' beneficiaries.

In denying the exemption, the Commission held that forfeitures were inconsistent with the purposes of the Act. It observed that the inherent appeal of the plans to an investor - that many other planholders will forfeit but he will not -- will limit the efficacy of disclosure of the plan provisions and that, in any event, disclosure alone did not meet the special problems presented by investment companies. In so holding, the Commission overruled its decision in *The Trust Fund Sponsored by the Scholarship Club, Inc.*, (Rel. IC-5524 of October 25, 1968) which granted an exemption to a similar plan in Florida.

Although the exemption for forfeitures was represented as essential to the fund's operations, the Commission did rule on the fund's other exemption requests. The Commission refused exemption from provisions of the Act, which forbid sale of the plans below net asset value. In doing so, the Commission noted that sale of plans to all investors at the same price, regardless of their chance of success, may involve sales below a plan's value for a particular investor, and like the forfeiture feature, was inconsistent with the Act's purposes. The Commission granted exemptions from certain provisions of the Act to permit sale of the plans when the trust's capital is less than \$100,000 and to permit allocation of voting rights of one vote per plan, in view of the facts that the trust's investment policy would be conservative and the variation in amounts invested in different plans would not be substantial. (Rel. IC-8065)

H. TOM KIGHT III BARRED. An order has been issued barring H. Tom Kight III, of Oklahoma City, who was a registered representative of Don D. Anderson & Co., Inc., formerly a registered broker-dealer, from association with any broker-dealer. After one year, Kight may apply to the Commission for permission to become so associated in a supervised capacity.

The sanction was based on findings that during February 1970 to February 1972, Kight violated the registration provisions of the securities laws in the offer and sale of stock of Four Seasons Nursing Centers of America, Inc.

The Commission's order was issued pursuant to an offer of settlement in which Kight, without admitting or denying the charges against him, consented to the findings and the sanction. (Rel. 34-10469)

FOX SECURITIES, PRESIDENT SANCTIONED. The SEC has revoked the broker-dealer registration of Fox Securities Co., Inc., New York City, and barred its president, Morris Fox, from association with any broker or dealer in a supervisory capacity. The action was based on findings of violations during 1969-1970 of the net capital, record-keeping, reporting and underwriting escrow requirements of the Securities Exchange Act. The firm had executed an assignment for the benefit of creditors in September 1970. (Rel. 34-10475)

COMMISSION ANNOUNCEMENTS

PUBLIC REFERENCE ROOM TO RELOCATE. Beginning Monday, November 12, the Public Reference Room will be located in Room 6101 at 1100 L Street, N.W., Washington, D. C. The visiting hours will remain 9:00 - 4:30. Though the reference room will not be closed at all during this period, the timeliness of service may be impaired the week before and the week after relocating.

Written requests for documents should still be addressed to the Public Reference Room, Securities and Exchange Commission, 500 North Capitol Street, Washington, D. C. 20549

MARKET REGULATION PERSONNEL CHANGES ANNOUNCED. Lee A. Pickard, Director of the Division of Market Regulation, announced several changes that have taken place within the Division in the last few months. During the summer, Kenneth S. Spirer was named Special Counsel in the Office of Trading Practices; Andrew M. Klein joined the Commission as Special Counsel in the Office of Market Structure and Barry S. Levine was named Branch Chief, Over-the-Counter Regulation in the Office of Self-Regulatory Oversight.

On October 28, 1973, the Office of Broker-Dealer Financial Responsibility and Securities Transactions established two positions of Special Counsel and a Branch of Rules and Interpretation. Robert J. Millstone was appointed Special Counsel, Anthony C. J. Nuland joined the Commission as a Special Counsel, and Marc L. Berman was designated Acting Branch Chief of the newly established branch. (U-447)

OMEGA ALPHA TRADING HALTED. Exchange and over-the-counter trading in all securities of Omega Alpha, Inc., of Dallas, Texas, has been suspended for a ten-day period beginning November 7 and continuing through November 16, 1973.

The Commission initiated the trading suspension pending clarification of the results of the company's operations for the year ended June 30, 1973 and clarification of its financial condition. The company is delinquent in filing its report on Form 10-K for the year ended June 30, 1973. (Rel. 34-10479)

TRADING SUSPENDED IN TOTH ALUMINUM CORP. Over-the-counter trading in the common stock of Toth Aluminum Corporation (formerly Applied Aluminum Research Corporation), a Louisiana corporation with offices located in New Orleans, has been suspended beginning November 6 and terminated November 15, 1973.

The suspension was initiated because of the unavailability of current adequate and accurate information about the company, its operations and financial condition, and because of questions about sources of financing including government funding which did not materialize and which questions were alluded to in certain public announcements and letters to shareholders. It was also announced on July 4, 1973 in London, England and on July 10, 1973 in New Orleans, that Bremar Holdings, a London merchant bank, and Toth had reached an agreement for Bremar Holdings to raise up to \$25,000,000 to finance the building of the first preproduction plant to utilize the "Toth Process" to produce aluminum; however, Toth has no agreement with Bremar Holdings with respect to any financing; it has not engaged in production and has never realized earnings. Toth common stock rose from \$50 bid in July 1971 (following the termination of a Regulation A offering) to \$73 bid in August 1971, when the stock split 5 for 1, and from \$10 following the split to \$44 bid on August 24, 1973, shortly after which the stock split 4 for 1. Following the split, the stock rose from \$12-3/4 bid to \$16 bid on October 3, 1973. Questions have been raised with respect to this market activity in Toth stock.

The Commission has also been informed that Llorens Associates, Inc., New York broker-dealer which made a market in Toth stock commencing February 12, 1973, was the subject of a permanent cease and desist order issued by the Securities Administrator of Louisiana on April 10, 1973 for soliciting offers to buy and sell Toth stock in an advertisement in a Louisiana newspaper while such firm was not registered as a broker-dealer in Louisiana. Llorens has been prohibited from selling securities in that state. (Rel. 34-10477)

COURT ENFORCEMENT ACTIONS

FIVE INDICTED FOR STOCK FRAUD. The Seattle Regional Office announced that on October 31 a Federal Grand Jury sitting in Portland, Oregon returned a sixteen count indictment against Fletcher D. Fisher, also known as Fletcher De Fisher, and Alfred V. Fisher, both of Clayton, Idaho; Loren W. Schlafke of Mackey, Idaho; Ronald F. Johnston of Sheridan, Oregon, and Deryl R. Christiansen of Salem, Oregon. The alleged criminal violations arise out of the sale of unregistered securities of Silver Star Mines, Inc., an Oregon corporation; Clayton Silver Star Mines, Inc., an Idaho corporation; and Fisher International, Inc., a Washington corporation, in violation of the registration and antifraud provisions of the securities laws, the mail fraud statute, and the conspiracy statute. (LR-6136)

MORTON WEIMAN PLEADS NOLO CONTENDERE. The Washington Regional Office announced that on October 24 before the Federal court in Maryland, Morton Weiman pleaded nolo contendere to a criminal information charging him in a single count with violating the antifraud provisions of the securities laws in the sale of the unregistered stock of American Continental Industries, Inc. (LR-6135)

LANDBANK CORPORATION, OTHERS ENJOINED. The Denver Regional Office announced that on November 1 the U.S. District Court at Denver, Colorado permanently enjoined Landbank Corporation, John K. Gibbs, and Barry M. Brownstein from violations of the registration and antifraud provisions of the securities laws. The defendants consented to the court order without admitting or denying the allegations in the Commission's complaint. (LR-6134)

SIX DAVENPORT, IOWA FIRMS ENJOINED. The SEC has announced that the Federal Court in the District of Columbia has permanently enjoined, by consent, six corporations of Davenport, Iowa from violations of the registration and periodic reporting provisions of the securities laws: American Home Investment Company (LR-6133); Hynes & Howes Insurance Counselors, Inc. (LR-6132); Hynes & Howes Real Estate, Inc. (LR-6131); Hynes & Howes Securities Company (LR-6128); Security Investing Co., Ltd. (LR-6130); and Steel Valley, Inc. (LR-6129).

HOLDING COMPANY ACT RELEASES

INDIANA GAS COMPANY, INC. A notice has been issued giving interested persons until December 3 to request a hearing on a proposal of Indiana Gas Company, Inc., an exempt holding company, to purchase all of the outstanding common stock of Central Indiana Gas Company, wholly-owned subsidiary of American Natural Gas Company, for \$ 20.5 million. As a part of the notice, the SEC has authorized Indiana Gas to solicit the consent of common stockholders for the proposed transaction. Earlier American Natural and its subsidiaries filed a declaration, and amendments, seeking authority to sell the Central Indiana common stock (Rel. 35-18134). (Rel. 35-18156)

INVESTMENT COMPANY ACT RELEASES

GENERAL FOODS OVERSEAS DEVELOPMENT CORPORATION. A notice has been issued giving interested persons until November 26 to request a hearing on an application of General Foods Overseas Development Corporation, for an order (i) rescinding the Commission's order (Rel. IC-4450) issued on December 16, 1965, exempting Overseas Corp. from all the provisions of the Act and (ii) permitting it to exclude investments in and loans to General Foods Corporation and its domestic subsidiaries from Overseas Corp.'s assets for purposes of determining whether Overseas Corp. meets the conditions of paragraphs (b)(6) and (7) of Rule 6c-1 under the Act. (Rel. IC-8067)

ANCHOR SPECTRUM FUND. A notice has been issued giving interested persons until November 30 to request a hearing on an application of Anchor Spectrum Fund, Inc. (Spectrum) Anchor Capital Fund, Inc. (Capital), and Anchor Venture Fund, Inc. (Venture), all registered mutual funds, for an order exempting from certain provisions of the Act the proposed merger of Capital into Spectrum and the proposed merger of Venture into Spectrum. (Rel. IC-8074)

SECURITIES ACT REGISTRATIONS FILED

(S-1) MCCULLOCH OIL CORPORATION, 10880 Wilshire Boulevard, Los Angeles, Cal. 90024 - \$16,500,000 of convertible subordinated debentures, due 1999, (new debentures) to be offered in exchange for \$30,000,000 out outstanding 5% convertible subordinated debentures, due 1997, (old debentures) on the basis of a proposed maximum exchange ratio of \$550 principal amount of new debentures for each \$1,000 principal amount of outstanding old debentures. The Company is primarily engaged in oil and gas exploration and production and in land development. It also operates gas extraction plants, gas transmission pipelines, and coal production facilities. (File 2-49384 - Oct. 19)

(S-1) VETCO OFFSHORE INDUSTRIES, INC., 5808 Telephone Rd., Ventura, Cal. 93003 - 270,000 shares of common stock to be offered for sale through underwriters headed by Merrill Lynch, Pierce, Fenner & Smith, Securities Underwriter Limited. The company manufactures and designs offshore oil drilling and production equipment, inspects and coats tubular products used in the petroleum industry and engages in related activities. (File 2-49385 - Oct. 23)

(S-14) APPLIED MATERIALS, INC., 2999 San Ysidro Way, Santa Clara, Cal. 95051 - 262,521 shares of common stock. It is proposed to offer these shares in exchange for the outstanding common stock of Galamar Industries Incorporated, on a share-for-share basis. Applied manufactures and sells equipment, instrumentation and materials to manufacturers of products utilizing thin film technology, primarily in the semiconductor industry. Galamar manufactures and sells thin slices of polished silicon to manufactures of large scale integrated circuits. (File 2-49386 - Oct. 23)

(S-7) NABISCO, INC., 425 Park Ave., New York, N.Y. 10022 - \$75 million of sinking fund debentures, due 2003, to be offered for sale through underwriters headed by Lazard Freres & Co. The company manufactures, processes and sells food products. (File 2-49387 - Oct. 23)

(S-14) CENTRAL UNITED CORPORATION, 417 Commerce Bldg., Sioux City, Iowa 51101 - 405,416 shares of common stock. It is proposed to offer these shares in exchange for the outstanding shares of Kansas Security Life Insurance Company, Inc. and the outstanding stock of Central United Life Insurance Company at the rate of 10.40 shares for each Central Life share and 2.84 shares for each Kansas Security share. Central United, through subsidiaries, is engaged in the life insurance and mortgage banking businesses. Central Life and Kansas Security both write life, term, retirement income and annuity insurance policies. (File 2-49391 - Oct. 23)

(S-7) KENTUCKY UTILITIES COMPANY, 120 South Limestone St., Lexington, Ky. 40507 - 695,649 shares of common stock, to be offered for sale through underwriters headed by Blyth Eastman Dillon & Co., Inc. (File 2-49393 - Oct. 23)

(S-14) AMERICAN GENERAL CONVERTIBLE SECURITIES, INC. (AGS), 3910 Keswick Rd., Baltimore, Md. 21211 - 1,500,000 shares of common stock. It is proposed to offer these shares in exchange for the outstanding shares of Mosher, Inc. AGS is a closed-end diversified management investment company, which invests at least 80% of its assets in securities convertible into common stock or having other equity features. Mosher has been engaged in liquidating its two subsidiaries. While carrying out these activities. Mosher has held its assets in short-term U.S. government securities and bank certificates of deposit. (File 2-49394 - Oct. 23)

SECURITIES ACT REGISTRATIONS. Effective November 6: Amstar Corp., 2-49407; The Coca-Cola Bottling Co. of New York, Inc., 2-49230; The Echlin Manufacturing Co., 2-49499; ADR's for Kloof Gold Mining Company Limited, 2-49295; Lin Broadcasting Corp., 2-48060; National Ann Arbor Corp., 2-49176; Servomation Corp., 2-49398; Sunbeam Corp., 2-49474. Effective November 7: Southland Financial Corporation, 2-49422.

MISCELLANEOUS

TRADING SUSPENSIONS CONTINUED. The SEC has announced the suspension of (a) exchange and over-the-counter trading in the securities of Stratton Group Ltd., TelePrompTer Corp. and Koracorp Industries, and over-the-counter trading in the securities of Home-Stake Production Co. and Continental Vending Machines Inc. for the further ten-day period November 6-15, inclusive; and (b) over-the-counter trading in the securities of Seaboard Corp. for the further ten-day period November 7-16, inclusive.

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