

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A 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. 67-138)

FOR RELEASE July 20, 1967

SEC ISSUES DELAWARE MANAGEMENT "INTERPOSITIONING" OPINION. The SEC today announced the issuance of its opinion supporting its May 1 order imposing sanctions upon various respondents for violations of the anti-fraud provisions of the Federal securities laws in connection with transactions in portfolio securities of two Philadelphia mutual funds, Delaware Fund, Inc. ("Delaware"), and Decatur Income Fund, Inc. ("Decatur"). Those against whom sanctions were imposed were: (a) Delaware Management Company, Inc. ("Management"), investment adviser to and principal underwriter for the two Funds, W. Linton Nelson, its president, James P. Schellenger, vice-president, R. Wallace Bowman, investment vice-president, and Arnold M. Ganz, who succeeded Bowman; and (b) Mutual Funds Associates, Inc. ("Associates"), a dealer in shares of the two funds which also executed portfolio transactions for them, Martin Malin, its president, and Max Fischer, secretary-treasurer. In addition, the Commission issued orders suspending Securities Act registration statements of the two funds (later lifted). For details of the sanctions, to which the respondents agreed as part of a settlement proposal, see SEC News Digest of May 1, 1967.

The sanctions were based upon Commission findings that Delaware Management, in placing orders for the purchase and sale of portfolio securities on behalf of the two funds, caused them to incur unnecessary brokerage costs and charges by interposing Associates between the funds and the best market for such securities. In addition, Delaware Management caused Delaware Fund to sell one large block of stock through a broker-dealer firm although a better offer had been made for such shares by another firm. The interpositioning involved some 400 orders executed between October 1961 and September 1966.

"It is clear," the Commission commented, "that the officers of the Funds had a fiduciary responsibility to the Funds and their shareholders to seek the most favorable execution of portfolio transactions. In handling the Funds' portfolio transactions those officers, who as stated were also Management's officers, disregarded that responsibility by engaging in the practice of interposing Associates between the Funds and the best market. Moreover, Management, which undertook the placement of portfolio transactions for the Funds, violated its own responsibility to the Funds to secure the best execution. Associates was interposed, despite the fact that the Funds maintained their own trading department, in order to compensate it for selling the Funds' shares and to stimulate further sales. Under the circumstances, we are of the opinion that such practice was largely motivated by the Management respondents' desire to increase Management's underwriting concessions on sales of the Funds' shares and its advisory fees which would increase as Associates' sales increased the size of the Funds. We find that the course of conduct engaged in here, which involved the use of a broker-dealer to execute transactions on behalf of the Funds in securities in which such broker-dealer did not make a market, constituted a fraud upon the Funds and their shareholders."

The execution of portfolio transactions of investment companies through some broker-dealer who sell their shares "has become a well-established practice in the investment company industry," the Commission observed. Implicit in any consideration of the propriety of a reciprocal practice of this nature, however, is the overriding requirement that the investment company and its shareholders benefit and certainly that they not be injured. Where transactions are effected in a manner calculated to promote the sale of investment company shares, as in the case before us, at the cost of sacrificing the best executions on portfolio transactions, the ultimate effect of such trades is to increase the cost of securities purchased by investment companies and reduce the amount the investment companies receive for portfolio securities sold as compared with the costs of purchase and proceeds of sale they might reasonably have expected to realize had a bona fide effort been made to execute transactions at the lowest cost. The growth in size of the investment company so induced operates primarily to increase the profits of the principal underwriter and investment adviser, and at the same time dilutes the interest of the fund shareholder in terms of asset value per share. While we recognize there may be certain economies of size, it should be emphasized that such growth cannot be promoted at the expense of shareholders. (Release 34-8128)

DECISION ANNOUNCED IN HADSON OIL PROCEEDINGS. The SEC today announced a decision permitting withdrawal of a Securities Act registration statement filed in January 1965 by Hadson Ohio Oil Management Company "OMC" of Columbus, and discontinuing "stop order" proceedings which challenged informational disclosures contained in the statement and accompanying prospectus. The statement had not become effective, and none of the interests in an Oil Exploration Program covered by the statement had been sold. The Commission's action was taken as part of a settlement agreement with OMC and Hadson Ohio Oil Company ("Hadson"), its parent, whose Form 10 registration of its stock under the Securities Exchange Act also was in dispute. Under the settlement agreement, corrected disclosures have been filed by OMC and Hadson; and a narrative summary of the charges underlying these proceedings, the issues involved and their resolution, is to be mailed to all Hadson shareholders as well as persons known to have received a copy of the OMC prospectus. Proceedings against Hadson's Form 10 registration also was discontinued.

The Commission ruled that disclosures in the OMC prospectus and the Hadson Form 10 registration were "materially deficient," particularly with respect to Hadson's use in a previous offering of a misleading prospectus and the possible resulting liability to purchasers of that offering, as well as the oil exploration experience of Hadson, which was to explore for oil and natural gas with proceeds of the public offering of securities by OMC, factors surrounding recoveries from the primary area of Hadson's drilling activities, and the value of its assets. These deficiencies having been corrected in amended filings by the two companies,
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with an undertaking to disseminate the corrected facts to Hadson shareholders and those persons who had received the OMC prospectus, the Commission determined to discontinue the proceedings and permit OMC to withdraw its registration statement.

DANTE L. CAPAS ENJOINED. The SEC New York Regional Office announced July 18 (LR-3771) that the Federal court in New York City had issued an order permanently enjoining Dante L. Capas, individually and d/b/a D. L. Capas Company, from further violations of the Commission's record-keeping and net capital rules, as well as the anti-fraud provisions of the Act (by reason of engaging in the securities business while insolvent).

SOUTHPORT INSTRUMENTS, OTHER, ENJOINED. The SEC Boston Regional Office announced July 18 (LR-3772) that the Federal court in Hartford, Conn. had issued an order permanently enjoining Southport Instruments, Inc., of Fairfield, Conn., and Dr. David L. Hill, its president and principal stockholders, from further violations of the registration and anti-fraud provisions of the Securities Act in the offer and sale of the common stock of Southport. The defendants consented to the entry of the decree.

PUBLIC SERVICE CO. (OKLAHOMA) SEEKS ORDER. The Public Service Company of Oklahoma, Tulsa, Okla. electric utility subsidiary company of Central and South West Corporation, has applied to the SEC for an order under the Holding Company Act authorizing the amendment of its Indenture of Mortgage to increase from \$125,000,000 to \$225,000,000 the principal amount of bonds of all series that may be outstanding at any one time; and the Commission has issued an order (Release 35-15793) giving interested persons until August 9 to request a hearing thereon.

IDS RECEIVES ORDER. The SEC has issued an exemption order under the Investment Company Act (Release IC-5037) approving an application by Investors Diversified Services, Inc., Investors Variable Payment Fund, Inc. ("Variable"), and Investors Selective Fund, Inc. ("Selective") with respect to a proposed offer of exchange involving the transfer of shares between Variable and Selective. (For further details, see News Digest of June 28, 1967.)

WELDED TUBE CO. PROPOSES DEBENTURE OFFERING. Welded Tube Co. of America, 2001 S. Water St., Philadelphia, Pa. 19148, filed a registration statement (File 2-26941) with the SEC on July 18 seeking registration of \$3,200,000 of convertible subordinated debentures, due 1987. The debentures are to be offered for public sale through underwriters headed by the New York Hanseatic Corporation, 60 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 manufacture and sale of electric resistance structural steel tubing. Net proceeds received from this financing will be applied, in part, to the acquisition of production equipment and machinery, and handling and auxiliary equipment, to be used in the company's proposed mid-west production facility; \$206,250 will be applied to the repayment of the remaining principal amount of the company's 6-3/8% note held by Berkshire Life Insurance Company and \$59,561 to the repurchase by the company of warrants held by the said Insurance Company. In addition to indebtedness and preferred stock, the issuing company has outstanding 993,248 shares of common stock, of which management officials own 72.5%. Louis Bailis is president and Philip Bailis is board chairman.

NIAGARA MOHAWK PROPOSES OFFERING. Niagara Mohawk Power Corporation, 300 Erie Blvd. West, Syracuse, N.Y. 13202, filed a registration statement (File 2-26942) with the SEC on July 18 seeking registration of 250,000 shares of \$100 par preferred stock. The shares are to be offered for public sale through underwriters headed by Drexel Harriman Ripley, Inc., 60 Broad St., and While, Weld & Co., 20 Broad St., both of New York. The dividend rate, public offering price (\$103 per share maximum*) and underwriting terms are to be supplied by amendment.

An electric and gas utility, the company will use the net proceeds to be received from its stock sale, together with the proceeds from a separate offering of \$40,000,000 of bonds (see News Digest of July 14), to reimburse its treasury, to pay some \$38,000,000 of outstanding bank borrowings incurred to meet construction costs and to finance in part its construction program (estimated at \$101,000,000 in each of the years 1967 and 1968). In addition to indebtedness and preferred stock, the company has outstanding 28,802,430 common shares, of which management officials own 0.2%. Earle J. Machold is president.

DIAMOND CRYSTAL FILES STOCK PLAN. Diamond Crystal Salt Company, 916 S. Riverside Ave., St. Clair, Mich., filed a registration statement (File 2-26943) with the SEC on July 19 seeking registration of 85,610 shares of common stock, which have been or are to be issued upon the exercise of options by officers and key employees of the company.

POWER INDUSTRIAL PRODUCTS PROPOSES OFFERING. Power Industrial Products Co., Rt. 3 at Meadow Road, Rutherford, N. J., filed a registration statement (File 2-26944) with the SEC on July 19 seeking registration of \$2,200,000 of convertible subordinated debentures, due 1987. The debentures are to be offered for public sale through underwriters headed by Scheinman, Hochstin & Trotta, Inc., 111 Broadway, New York 10006. The interest rate, public offering price and underwriting terms are to be supplied by amendment. Lester M. Entin, brother of two of the principal stockholders of the company, has agreed to sell to the underwriter 25,000 Class A common stock purchase warrants to purchase a like number of Class A common shares, exercisable for five years.

The company is engaged in distributing an extensive line of components for process flow systems, industrial fasteners, production equipment, replacement parts, supplies and hardware for industrial use. Of the net proceeds received from its debenture sale, (1) \$1,403,181 will be used for the repayment of (a) \$170,797

of the company's 6% notes issued in connection with the acquisition of Morris Abrams, Inc., a New York mill supply distributor, (b) \$1,032,384 of sundry indebtedness, of which \$200,000 was borrowed from banks during the past year for additional working capital, and (c) \$200,000 for the partial prepayment of the company's 6% subordinate debenture, due 1975; (2) \$400,000 will be used to establish distribution centers in Atlanta, Ga. and Baltimore; and (3) the balance will be used for additional working capital. In addition to indebtedness, the company has outstanding 329,047 shares of Class A and 97,947 shares of Class B common stock, of which management officials own 40.20% and 84.13%, respectively. Philip Rosenthal is board chairman and Edmund Entin is president.

ZURN INDUSTRIES FILES FOR OFFERING AND SECONDARY. Zurn Industries, Inc., 2214 W. Eighth St., Erie, Pa., 16512, today filed a registration statement (File 2-26946) with the SEC seeking registration of 600,000 shares of common stock. Of this stock, 300,000 shares are to be offered for public sale by the company and 300,000 shares (being outstanding stock) by the holders thereof. The offering is to be made through underwriters headed by Merrill Lynch, Pierce, Fenner & Smith, 70 Pine St., New York 10005. The public offering price (\$35.00 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is engaged in the design, development, manufacture and marketing of a diversified line of products mainly in the environmental control equipment fields, including water supply control and other fluid supply control products; water waste control products; water pollution control systems; steam generating systems and related air and land pollution control systems; and fire protection systems. It also produces precision injection-molded plastic components and assemblies and compression-molded plastic and polyester glass laminates and mechanical power transmission drives. Of the net proceeds from the company's sale of additional stock, \$4,650,000 will be used to repay bank loans, \$303,978 to pay other long-term debt, and \$300,000 to retire all of the remaining Class A 6% cumulative preferred stock; the balance will be added to working capital to be available for general corporate purposes. The company's construction program for the period ending March 31, 1968 is estimated at \$3,500,000. In addition to indebtedness and preferred stock, it has outstanding 2,211,560 common shares, of which management officials own 51%. The three selling shareholders are Melvin A. Zurn (executive committee chairman) and Everett F. Zurn (board chairman), each of whom proposes to sell 132,000 of his holdings of 383,584 and 383,784 shares, respectively, and the Zurn Foundation, which proposes to sell 36,000 of its holdings of 37,600 shares. Frank W. Zurn is president.

JERSEY CENTRAL P&L FILES FOR OFFERING. Jersey Central Power & Light Company, Madison Ave. at Punch Bowl Rd., Morristown, N. J., today filed a registration statement (File 2-26947) with the SEC seeking registration of \$30,000,000 of first mortgage bonds, due 1997, to be offered for public sale at competitive bidding.

Net proceeds from the bond sale will be employed for the purpose of financing the company's business as a public utility, including the payment of some \$28,300,000 of outstanding bank borrowings. The company's 1967 construction program is estimated at \$70,000,000. W. H. McElwain is president.

DELISTING GRANTED. The SEC has issued an order under the Securities Exchange Act (Release 34-8130) granting an application of the New York Stock Exchange to strike from listing and registration the common stock of Mosler Safe Company, effective at the opening of business on July 18, 1967. According to the application, less than 100,000 shares of the stock are publicly held exclusive of the holdings of American Standard, Inc.

THREE TRADING BANS CONTINUED. The SEC has issued orders under the Securities Exchange Act suspending over-the-counter trading in securities of Steel Crest Homes, Inc., S & P National Corp., and Northern Instrument Corporation, for a further 10-day period July 21 through July 30, 1967, inclusive.

TRADING IN NORTH AMERICAN RESEARCH AND DEVELOPMENT SUSPENDED. The SEC today announced the temporary suspension of over-the-counter trading in the common stock of North American Research and Development Corporation ("North American," formerly Utah Fortuna Gold Company), of Salt Lake City, for the ten-day period July 20-29, 1967, inclusive.

The price of the stock has risen sharply from about \$2.50 per share on June 12, 1967 (the first day it appeared in the "Pink Sheets" of the National Daily Quotation Service), to a current price of about \$6.00 per share. Interest in the stock, as indicated by the number of dealers placing quotations in the Pink Sheets, also has risen sharply during this period.

The Commission's action was based upon the total absence of current financial information concerning North American and the fact that information concerning certain material transactions in stock of North American by its officers, directors and controlling persons has not been disclosed.

Accordingly, the Commission is of the view that North American securities cannot be evaluated by present holders and prospective purchasers thereof on an informed and realistic basis.

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 July 7 News Digest.

Gilbert Systems Inc June 67 (11)	1-5330-2	Globe Assurance Co	
M R B Inc June 67 (8)	0-1895-2	June 67 (2,7,13)	2-22808-2
Glen Gery Shale Brick Corp		Graphic Controls Corp	
June 67 (4,13)	1-5010-2	June 67 (7,12,13)	0-2349-2
Glidden Co June 67 (7,8,12)	1-531-2	Great Atlantic & Pacific Tea Co Inc	
		June 67 (11,13)	1-4141-2

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Greatamerica Corp June 67 (4,7,12,13)	0-976-2	Kaiser Steel Corp June 67 (7,8,13)	0-433-2
Gruen Industries Inc June 67 (7,8)	1-5252-2	Kansas Power & Light Co June 67 (7)	1-3523-2
Gulf States Land & Industries Inc June 67 (11,13)	1-621-2	Keebler Co June 67 (12,13)	1-236-2
Gulf Resources & Chemical Corp FORMERLY: Gulf Sulphur Corp June 67 (2,3,7,9,13)	1-4815-2	Walter Kidde & Co Inc June 67 (7,10)	1-3226-2
Hardlines Distributors Inc June 67 (8)	0-2158-2	Knappe & Vogt Mfg Co June 67 (4,7,12,13)	0-1859-2
Hartfield Zody's Inc June 67 (7,8,13)	1-4091-2	Knudsen Creamery Co Of Cal June 67 (11,13)	0-1584-2
Hazeltine Corp June 67 (4,12)	1-230-2	L'Aiglon Apparel Inc June 67 (1,9,12,13)	1-3497-2
Edward Himes Lumber Co May 67 (11)	0-1209-2	Leeds Shoes Inc June 67 (7,12,13)	0-2216-2
Houston Fearless Corp June 67 (11,13)	0-1347-2	Levitt & Sons Inc June 67(7,13)	1-4770-2
Howell International Inc June 67 (7,12)	1-3450-2	Lincoln Liberty Life Ins Co June 67 (3)	2-18894-2
Illinois Central RR Co June 67 (12)	1-2148-2	Londontown Mfg Co June 67(11,13)	1-5269-2
Indianapolis Power & Light Co June 67 (13)	1-3132-2	Louisiana Gas Service Co June 67 (7)	1-4335-2
Interco Inc June 67 (4)	1-91-2	Louisiana Power & Light Co June 67 (7)	0-1236-2
International Book Co May 67 (7,13)	2-25439-2	Mem Co Inc June 67 (8)	1-5292-2
International Pipe & Ceramics Corp June 67 (3)	1-4669-2	Magic Marker Corp Jun 67(2,4,13)	1-4428-2
Intramerican Life Corp & Intramerica Life Insurance Co June 67 (11)	2-23642-2	MC Culloch Oil Corp of Calif June 67 (7,13)	1-3924-2
Iowa Southern Utilities Co June 67 (7,12,13)	0-849-2	Mcquay Inc June 67 (7)	0-1034-2
Irving Air Chute Co Inc June 67 (11,12)	1-149-2	Mead Corp June 67 (4,7,13)	1-2267-2
Itek Corp June 67 (12)	1-5255-2	Medical Investment Corp June 67 (2)	0-1467-2
Huntington Bancshares Inc June 67 (7,12)	0-2525-2	Fred Meyer Inc June 67 (7)	0-995-2
Charles Jacquin Et Cie Inc June 67 (11,13)	0-120-2	Microdot Ind June 67 (7,12,13)	1-4873-2
Jewel Companies Inc June 67 (11,12,13)	1-385-2	Miller & Rhoads Inc June 67(11,13)	1-3424-2
Johnson & Johnson June 67 (7)	1-3215-2	MPB Corp June 67 (11,13)	0-1544-2
Joslyn Mfg & Supply Co June 67 (4,7)	0-1252-2	Mite Corp June 67 (11)	0-1512-2
Joy Mfg Co June 67 (12)	1-3156-2	Molybdenum Corp Of America June 67 (12,13)	1-1344-2
K & M Electronics Co June 67 (11)	2-24411-2	Monsanto International Finance Co June 67 (12)	1-5181-2
Kaiser Cement & Gypsum Corp June 67 (7,8)	1-4598-2	NRM Corp June 67 (11)	1-2503-2
		National Equipment Rental Ltd June 67 (9,13)	1-4358-2
		Midwestern National Life Insur Co Of Ohio May 67 (12)	2-22686-2
		National Shoes Inc June 67 (11,12)	0-219-2
		Networks Electronic Corp June 67(3)	0-1817-2
		Nevada Power Co June 67 (7,13)	1-4698-2
		New England Electric System June 67 (3)	1-3446-2

SECURITIES ACT REGISTRATIONS. Effective July 18: Pennsylvania Life Co., 2-26855 (Aug 27).

Effective July 19: Charter New York Corp., 2-26777 (40 days); Crowell Collier and MacMillan, Inc., 2-26719 (40 days); Del Laboratories, Inc., 2-26740 (Aug 30); Discon Corp., 2-26575 (90 days); Global Marine Inc., 2-26749; Government of New Zealand, 2-26882; Gulf & Western Industries, Inc., 2-26865 (40 days); Jostens, Inc., 2-26787; MacMillan Bloedel Ltd., 2-26753; Massachusetts Variable Annuity Insurance Co. Separate Account A, 2-26018; Mates Investment Fund, Inc., 2-26011; Occidental Petroleum Corp., 2-26757 (40 days); Rotodyne Manufacturing Corp., 2-26604 (90 days); Sheller-Globe Corp., 2-26229; Sterling Movies U.S.A., Inc., 2-26577 (40 days); Superior Coach Corp., 2-26696 (90 days).

Effective July 20: Lincoln Consolidated, Inc., 2-26669 (Oct 19); Management Control Corp., 2-26012 (90 days).

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.