

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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DECISION IN ADMINISTRATIVE PROCEEDING

FIRST AMERICAN SECURITIES REVOKED. The SEC today announced a decision under the Securities Exchange Act (Release 34-8928) revoking the broker-dealer registration of First American Securities Corporation ("registrant"), of Springfield, Ill., for violations of provisions of the Federal securities laws. Robert R. Martin, its president was barred from association with any securities firm, except that after one year he may seek permission to associate with such a firm in a non-supervisory capacity, subject to a showing that he will be adequately supervised. Both registrant and Martin waived a hearing and, without admitting or denying the violations, consented to imposition of the indicated sanctions.

According to the Commission's decision, registrant and Martin violated the anti-fraud provisions of the securities laws, in that between August 1969 and March 1970 registrant pledged as collateral for a loan to registrant shares of Reeves Telecom Corporation and Cavitron Corporation owned by First Investors of Illinois, Inc. without the latter's consent, and offered and sold the common stock of First Investors through the use of sales literature which reported as assets the above described shares of Reeves and Cavitron without disclosing that such securities had been pledged. In addition, while participating in a distribution of certificates of beneficial interest of First Illinois Trust between October 1967 and June 1968, respondents bid for and purchased such securities. And between May 1969 and March 1970 respondents induced purchases and, as principal, offered to sell First Illinois certificates at prices which were excessive and unreasonable, and simultaneously effected purchases and sales of such securities at arbitrarily determined prices thereby assuring registrant a riskless and excessive profit.

Moreover, registrant, aided and abetted by Martin, violated the Commission's confirmation, net capital and record-keeping rules.

RULE PROPOSAL

RULE ON STOCK REACQUISITIONS PROPOSED. The SEC today announced a proposal for the adoption of a new Rule 13e-2 under the Securities Exchange Act (Release 34-8930) which would specify the conditions under which issuers covered by the rule may repurchase their own securities. A related proposal for the amendment of Rule 10b-6 would provide an exemption from the prohibitions of that rule for purchases by an issuer, if the prohibition applies only because of outstanding convertible securities, if Rule 13e-2 is complied with. Views and comments are due not later than August 15.

With certain exceptions, an issuer's repurchase activities would be governed under proposed Rule 13e-2 by specified price and volume limitations and related conditions. If the principal market for the securities is a national securities exchange and the transactions are effected on such exchange, the bids and purchases would have to be under the supervision and control of only one broker on any given day, and no bid or purchase would be permitted until after the opening transaction or within 1/2 hour before the close of trading on such exchange. The price paid for such security could be no higher than the highest current independent bid price, or the last sale price on such exchange, whichever is higher; and the amount of securities purchased on any one day could not exceed 15% of the average daily volume in such security on such exchange in the four calendar weeks preceding the week in which the purchases are made.

If the principal market for the security is otherwise than on a national securities exchange, bids and purchases could be made at a total cost no higher than the mean between the highest current independent bid price and the lowest current independent asked price for such security, plus an amount equal to a minimum stock exchange commission. The volume of purchases of such securities would be limited to an amount per week which does not exceed 1/25 of 1% of the number of units of the security issued and outstanding at the time of the purchases, with the proviso that at least one trading unit of the security may be purchased on any one day.

For further details, see Release No. 34-8930.

INVESTMENT COMPANY ACT RELEASES

ENGELHARD HANOVIA SEEKS ORDER. The SEC has issued an order under the Investment Company Act (Release IC-6110) giving interested persons (a) until July 20 to request a hearing upon a request of Engelhard Hanovia, Inc. ("Engelhard"), New York, for a conditional exemption from provisions of the Act until the entry of a final order with respect to its application for an order declaring that it is not an investment company as defined in the Act and (b) until July 29 to request a hearing upon Engelhard's request for an order declaring that it is not an investment company as defined in the Act. Engelhard's principal asset consists of its holdings of 11,260,006 shares (some 44%) of the outstanding common stock of Engelhard Minerals & Chemical Corporation ("EM&C") and 176,773 shares (23%) of its \$4.25 cumulative convertible preferred. EM&C is principally engaged in the refining and marketing of precious metals, in mining and marketing kaolin and other clays, in marketing a wide variety of ferrous and non-ferrous ores and in mining, processing and marketing non-metallic minerals. In December 1969, HD Development Limited, a Luxembourg corporation, acquired a total of 1,866,130 common shares (some 70.06% of the outstanding common) of Engelhard. Prior to December 1969, Engelhard was controlled by Charles W. Engelhard, board chairman, members of his family, family trusts and related interests; they now own 19.94% of the common and 83.22% of the preferred shares of Engelhard.

OVER

STANDARD RESOURCES RECEIVES ORDER. The SEC has issued an order under the Investment Company Act (Release IC-6116) declaring that Standard Resources Corporation, New York, has ceased to be an investment company as defined in the Act.

COURT ENFORCEMENT ACTION

FIRST WM. ST. SECURITIES ENJOINED. The SEC New York Regional Office announced July 7 (LR-4671) that the Federal court in New York signed a temporary restraining order against First William Street Securities, Inc., a New York broker-dealer, and Jack M. Portney, its president and board chairman, restraining violations of the record-keeping, net capital and anti-fraud provisions of the Securities Exchange Act. The order also freezes the assets of the said firm pending determination of the Commission's motion for a preliminary injunction and appointment of a receiver.

SECURITIES ACT REGISTRATIONS

ADRS FOR KOBE BANK FILED. Chemical Bank, 20 Pine St., New York 10015, depositary for the Chemical Bank American Depositary Receipts for Dollar Validated common stock of The Bank of Kobe, Ltd., filed a registration statement (File 2-37901) with the SEC on July 1 seeking registration of 100,000 of such ADRs.

PHILADELPHIA ELECTRIC TO SELL PREFERRED. Philadelphia Electric Company, 1000 Chestnut St., Philadelphia, Pa. 19105, filed a registration statement (File 2-37902) with the SEC on July 1 seeking registration of 600,000 shares of \$100 par preferred stock, to be offered for public sale through underwriters headed by Drexel Harriman Ripley, Inc., 60 Broad St., and The First Boston Corp., 20 Exchange Pl., both of New York. The dividend rate, offering price and underwriting terms are to be supplied by amendment. The company is an operating utility serving electricity, gas and steam to the public in southeastern Pennsylvania. The net proceeds of its preferred stock sale will be used to provide part of the permanent financing of its construction and expansion program, estimated at \$1.5 billion for the five years 1970-74.

SYSTEM DEVELOPMENT SHARES IN REGISTRATION. System Development Corporation, 2500 Colorado Ave., Santa Monica, Calif. 90406, filed a registration statement (File 2-37903) with the SEC on July 1 seeking registration of 137,000 shares of Class A common stock. These shares are reserved for issuance at \$5 per share under the company's Qualified Stock Option Plan.

NATIONAL OIL FILES OFFERING PROPOSAL. The National Oil Company, 200 West Douglas, Wichita, Kansas 67202, filed a registration statement (File 2-37904) with the SEC on July 1 seeking registration of \$3,000,000 of pre-organization subscriptions to and interests in three limited partnerships, to be offered at \$1,000 per unit (minimum subscription, 5 units). Proceeds will be used in exploration for oil and gas and related activities. James J. Simmons is president of the company.

AMBAC INDUSTRIES SHARES IN REGISTRATION. AMBAC Industries, Inc., 900 Old Country Road, Garden City, N.Y. 11530, filed a registration statement (File 2-37905) with the SEC on July 1 seeking registration of 12,361 shares of common stock, reserved for issuance upon conversion of outstanding debentures of AMBAC International Corporation.

FOLLIES CO. PROPOSES OFFERING. Follies Company, 1 Rockefeller Plaza, New York, filed a registration statement (File 2-37906) with the SEC on July 1 seeking registration of \$700,000 of pre-formation limited partnership interests, to be offered in \$14,000 units by Sonjud Theatrical Enterprises, Inc., as general partner, for the purpose of participating in the production of the dramatico-musical play presently entitled "FOLLIES", an original musical comedy with book by James Goldman and music and lyrics by Stephen Sondheim. It concerns a reunion of Follies girls which plays in the past, present and future. The general partner and producer is controlled by Harold Prince.

ORIGINAL CONEY ISLAND TO SELL STOCK. Original Coney Island, Inc., 18770 Framington Rd., Livonia, Mich. 48152, filed a registration statement (File 2-37907) with the SEC on July 1 seeking registration of 500,000 shares of common stock, to be offered for public sale at \$2 per share. The offering is to be made on an agency, best efforts basis by Morrison, McKeown & Young, Inc., 18429 West 8 Mild Road, Detroit, Mich. 48219, for which it will receive an 18c per share selling commission and be entitled to receive 15,000 shares.

Organized in November 1969, the company proposes to operate limited menu, fast service restaurants under the name "Original Coney Island" from leased premises located primarily in shopping centers. It plans to open from 5 to 7 restaurants in 1970 and 12 in 1971. The net proceeds of its stock sale will be used primarily to equip and decorate leased premises. The company now has outstanding 173,000 common shares (with a 65c per share net tangible book value), of which Robert R. Thompson, board chairman and chief executive officer, and Steve M. Tomen, president, own 50,000 shares each.

SECURITIES ACT REGISTRATIONS. Effective July 10: Airpax Electronics, Inc., 2-37913; The Bank of Kobe, Ltd., 2-37901; Consolidated Production Corp., 2-36257; Craddock-Terry Shoe Corp., 2-37569 (40 days); Crosby Plans Corp., 2-34100; Dynasil Corp. of America, 2-35742 (90 days); Ferronics Inc., 2-37192 (40 days); Fidelity Destiny Fund, Inc., 2-34099; Minbanco 1970 Minerals Corp., 2-37039 (90 days); New York and Honduras Rosario Mining Co., 2-37272; Pet Air Petroleum, Inc., 2-36062 (90 days); United Record & Tape Industries, Inc., 2-36263 (90 days); Wallace-Murray Corp., 2-37281 (40 days); Weyenberg Shoe Manufacturing Co., 2-37786.

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.