

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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DISCLOSURE RULE MODIFICATION PROPOSED. The SEC today invited the submission of comments not later than October 4 upon a proposal (Release 33-4922) for the revision of its disclosure requirements under three registration forms, namely, Forms S-1 and S-7 for the registration of securities under the Securities Act, and Form 10 for the registration of securities under Section 12 of the Securities Exchange Act. In view of the increasing number of companies which are engaged in more than one line of business, the Commission has for several years been studying the necessity for clarification of its requirements for disclosure of the importance of the various lines of business to companies' end results. The proposed amendments would supply information on the basis of which existing security holders and new investors may be able to determine the approximate contribution which the various lines of business make to a company's overall profitability, or lack of it.

Item 9 of Form S-1, Item 5 of Form S-7 and Item 3 of Form 10 require a brief description of the business done and intended to be done by the registrant and its subsidiaries. Where the registrant is engaged in different lines of business, the item also requires an indication, insofar as practicable, of the relative importance of each class of similar products or services, which contributed 15 percent or more to the gross volume of business done during the last fiscal year. It is proposed to amend these items to require that a registrant shall state for each of the past five years the approximate amount or percentage of sales or operating revenues and contribution to net income attributable to each class of related or similar products or services, which contributed 10 percent or more to total sales and operating revenues, or to income before extraordinary items and income taxes, during either of the last two fiscal years. However, if it is not practicable to indicate the contribution to net income, then disclosure is to be provided as to the contribution most closely approaching net income or loss. To the extent practicable, the approximate amount of assets employed in each segment of the business is to be reported. Comparable data on revenues and earnings received from foreign sources and from government procurement or any single customer are also to be reported. The Commission believes that such disclosure with respect to a single customer merits consideration and invites comments thereon.

TWO ADVISERS CENSURED. In a decision announced today (Release IA-228), the SEC censured Stanford Investment Management, Inc., Los Altos, and Lawrence Ronald Ross, of Sunnyvale, Calif., registered investment advisers, for using misleading advertisements concerning Stanford's investment service with respect to the sale of put and call options by subscribers.

The Commission found that an advertising brochure distributed by respondents and soliciting persons to use their management service failed to meet the standards of the Investment Advisers Act, in that it gave a misleading impression of the probability of gains to be achieved in the sale of put and call options and the unlikelihood of loss under respondents' guidance. While noting that respondents' brochure did not have the flamboyant and highly exaggerated character of certain advertisements recently found violative of the Act, the Commission emphasized that advertising and sale practices which may or may not be suitable for products which are subject to actual inspection and testing clearly have no place in the sale of securities. It stressed that put and call option contracts are securities of an especially complex and speculative nature and that adherence to standards of fair and accurate advertising is particularly important in such field.

Respondents' brochure described a number of hypothetical transactions which it purported to explore from "all possible angles" as well as various actual transactions, all of which showed outcomes with profits or "at the worst" break-even results, or emphasized the ranges within which it was impossible to suffer any loss. According to the Commission, these examples created an implication of an almost mathematical certainty of gains or no losses whereas under certain circumstances substantial losses could be sustained. It found that the brochure failed to give adequate recognition to the possibility of adverse results, and the impact of margin requirements, commission costs and the payment of dividends during the option period.

The Commission in imposing only a censure noted that this was the first administrative proceeding to deal with the adequacy of advertising literature relating to puts and calls, that respondents' brochure was patterned in part upon existing publications dealing with put and call options, and that respondents had discontinued use of the brochure prior to the institution of the proceedings. The Commission, however, stated that it shall expect the industry to undertake a careful review of materials made available to investors relating to put and call options and that it would consider any future breach of the standards of the Act, in connection with literature relating to such options, to constitute the basis for the imposition of more severe sanctions.

BOETTCHER FIRM CENSURED. The SEC today announced a decision under the Securities Exchange Act (Release 34-8393) censuring Boettcher and Company, Denver broker-dealer firm, for failure to exercise "reasonable supervision" to prevent overcharging the Adams County District No. 50 in connection with a 1963 transaction. Boettcher as manager of an underwriting syndicate had entered into agreements for the "advance refunding" of outstanding bonds of two Colorado school districts, Adams and of Jefferson County District No. R-1. Both transactions involved the investment in U. S. Government bonds of the proceeds of the sale of new bonds issued by the District and the placing of the Governments in escrow as security for payment of the old bonds when they mature, with a resulting net saving in interest charges to the Districts. In the Adams transaction,

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Boettcher undertook to acquire the Governments "at the best possible price" and sell them to the school districts at that price. The Governments were acquired from a subsidiary of Boettcher for \$7,760,100 and sold to Adams for the same price. However, unknown to Adams, that price included a markup of \$1.25 per \$1,000 bond, or a total of \$9,031, taken by the subsidiary. Upon discovering the markup after the closing date Adams claimed it was an improper charge, and around April 1966 Boettcher repaid the full amount. The Commission concluded (as Boettcher had asserted) that the markup was charged Adams through inadvertence. However, it held that Boettcher had failed to carry out its responsibility to review the transaction and make certain that no unauthorized or undisclosed charges were imposed.

With respect to the Jefferson County transaction, involving the issuance of \$38,873,000 of refunding bonds in which the Jefferson district achieved savings of around \$2,500,000, the prices paid the Syndicate for the Governments included a markup of \$394,469 over the prices paid for such securities by Boettcher's subsidiary. The County later instituted a recovery action and the case was thereafter settled by a payment of \$200,000 to the county. Upon the basis of the evidentiary record, the Commission found that, as recognized by the parties in settling the civil action, a "mutual misunderstanding" had arisen with respect to Boettcher's compensation, engendered by the "complicated nature" of the negotiations and transactions. The Commission noted that the original agreement between the parties had been modified after market changes had taken place to exclude the provision barring a profit by the syndicate on the Governments, that the County was experienced in financial matters and had been represented by counsel in the negotiations, and that the savings to the County and the overall compensation to the syndicate and Boettcher were substantially as had been estimated from the outset. The Commission concluded that it was unable to find that Boettcher had failed in its duty to make full and clear disclosure to the County.

AMERICAN-HAWAIIAN STEAMSHIP SEEKS ORDER. American-Hawaiian Steamship Company, New York investment company, has applied to the SEC for an exemption order under the Investment Company Act with respect to the proposed sale of its holdings of stock of Glens Falls Insurance Company to Continental Insurance Company; and the Commission has issued an order (Release IC-5485) giving interested persons until September 20 to request a hearing thereon. According to the application, Glens Falls on December 31 had outstanding 1,400,000 shares of capital stock, of which the said Steamship Company owns 91,002 shares (6.5%). It proposes to sell these shares to Continental at a price of \$60 per share. Continental acquired about 84.4% of the outstanding capital stock of Glens Falls pursuant to an offer inviting tenders of all shares of Glens Falls at a price of \$60 a share, which offer commenced June 3 and terminated June 24, 1968.

GULF LIFE HOLDING SEEKS ORDER. Gulf Life Holding Company, Jacksonville, Fla., has applied to the SEC for an exemption order under the Investment Company Act with respect to the proposed participation by the said Holding Company with ISI Trust Fund ("Fund") in the sale to underwriters of common stock of the Holding Company, as well as the purchase of Holding Company shares from the Fund by Goldman, Sachs & Co. and Lehman Brothers. Pursuant to a Securities Act registration statement, the Holding Company proposes to sell 1,000,000 shares of newly-issued common stock to the underwriters for public sale; and the Fund proposes to sell the underwriters 251,829 outstanding shares of Holding Company stock. Interested persons may request a hearing upon the Holding Company application not later than September 16. (Release IC-5486)

CONSOLIDATED NATURAL GAS SEEKS ORDER. Consolidated Natural Gas Company, New York holding company, has filed an application with the SEC under the Holding Company Act involving proposals of its subsidiaries, Consolidated Gas Supply Corporation, Clarksburg, W. Va., and The East Ohio Gas Company, Cleveland, Ohio; and the Commission has issued an order (Release 35-16153) giving interested persons until September 30 to request a hearing thereon. In order to take an additional long-term supply of natural gas from Texas Gas Transmission Corporation beginning November 1, 1968, Supply Corporation (1) proposes to construct and operate a 243-mile pipeline extending between Lebanon, Ohio and Beaver, Pa. and (2) acquire certain transmission facilities from East Ohio consisting of approximately 34.9 miles of 24-inch pipeline located in Noble, Guernsey and Tuscarawas Counties, Ohio, and 0.9 miles of parallel 20-inch, 26-inch pipelines in Mahoning County, Ohio. The transfer date of the East Ohio facilities will be the date Supply Corporation certifies that the 243-mile pipeline is completed. It is represented that on such date, transmission facilities to be transferred to Supply Corporation will no longer be required by East Ohio. The estimated cost to Supply Corporation of the facilities to be transferred by East Ohio is \$1,986,666.

SEC COMPLAINT NAMES CONGLOMERATES INC. The SEC New York Regional Office announced August 30 (IR-4101) the filing of a complaint in the U. S. District Court in New York City seeking to enjoin violations of the anti-fraud provisions of the Federal securities laws by Conglomerates, Inc., Donald E. Liederman, Gunsite Oil and Gas Corporation, John C. Kirkham and Jack Pennell, and to enjoin the voting of proxies on a proposal to exchange Gunsite's assets for Conglomerates stock.

TRADING SUSPENSION CONTINUED. The SEC has ordered the further suspension of trading in securities of Paramount General Corp. for the period September 5-14, 1968, inclusive.

IFC COLLATERAL CORP. TO SELL DEBENTURES. IFC Collateral Corporation, 630 Fifth Ave., New York 10020, filed a registration statement (File 2-29999) with the SEC on August 29 seeking registration of \$1,500,000 of 6% registered subordinated debentures (\$500,000 due 1979, 1981 and 1983), and \$500,000 of 9% registered subordinated debentures (series due 1974). IFC Securities Corporation, of the Fifth Avenue address, an affiliated corporation, will offer the securities for public sale on a best efforts basis, and will receive a selling commission of 7½% on the 6% debentures. Up to \$1,100,000 of the debentures may be offered in exchange for presently outstanding 9% and 10% registered debentures due 1969 and 1970. Also included in the statement are \$600,000 of 6%, 9% and 10% registered subordinated debentures previously sold, which may be offered for resale by the holders thereof.

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The company is a wholly-owned subsidiary of Investors Funding Corporation of New York and is engaged primarily in the real estate second mortgage business. Net proceeds of its debenture sale will be used primarily for the purchase and placing of mortgage notes and bonds and to provide funds when required to meet obligations when they mature and fulfill commitments under standby agreements. Jerome Dansker is president of the company and its parent.

ELECTRO-CATHETER PROPOSES OFFERING. Electro-Catheter Corporation, 249 Wescott Drive, Rahway, N. J. 07065, filed a registration statement (File 2-30011) with the SEC on August 29 seeking registration of 100,000 shares of common stock, to be offered for public sale through underwriters headed by Weis, Voisin, Cannon, Inc., 111 Broadway, New York. The offering price (\$7.50 per share maximum*) and underwriting terms are to be supplied by amendment. The company has agreed to pay the Weis-Voisin firm \$15,000 for expenses and to sell to the underwriters, for \$150, warrants to purchase 15,000 common shares.

The company is engaged in the development, manufacture and sale of cardiovascular catheters and related products used in the treatment and diagnosis of heart disorders. Of the net proceeds of its stock sale, the company will use \$275,000 to pay obligations assumed in connection with its acquisition of Garden State Optical Laboratories, Inc., and \$110,000 to pay an amount owing by Garden State to Sanford Schwartzman, its principal pre-acquisition stockholder; the balance will be added to working capital and be available for general corporate purposes (and acquisitions, if available). The company has outstanding 352,469 common shares (with a \$.259 per share book value), of which Joseph Grayzel, a director, owns 12.2%, the Weis-Voisin firm 11.1% and management officials as a group 40.4%.

DEWEY CORP. FILES FOR OFFERING AND SECONDARY. The G. C. Dewey Corporation, 331 East 38th St., New York, filed a registration statement (File 2-30012) with the SEC on August 29 seeking registration of 177,500 shares of common stock. Of this stock, 150,000 shares are to be offered for public sale by the company and 27,500 (being outstanding shares) by the present holders thereof. The offering is to be made through underwriters headed by Auchincloss, Parker & Redpath, 2 Broadway, New York 10004; the offering price (\$11.75 per share maximum*) and underwriting terms are to be supplied by amendment.

The company's three major areas of operations are: basic research; applied research conducted under specific contracts for development and manufacture of systems and products; and the actual manufacture of systems and products. Substantially all the company's sales have been derived from government contracts or from subcontracts with private industrial electronic and communications organizations engaged in government work. Of the net proceeds of its sale of additional stock, the company will use \$600,000 for plant purchase and improvements and purchase of equipment, \$800,000 to satisfy additional working capital requirements resulting from the anticipated institution of a program to reduce payment time to suppliers, and \$200,000 for applied research and development of new product lines and markets; the balance will be available for general corporate purposes. The company has outstanding 518,436 common shares, of which Gordon C. Dewey, president, owns 37.5%. Gordon Dewey and the Frederick Dewey Estate propose to sell 10,000 shares each of 194,412 and 19,100 shares held, respectively, and Peter Eustis, a director, 7,500 of 23,511.

NEW YORK TESTING LABORATORIES PROPOSES OFFERING. New York Testing Laboratories, Inc., 81 Urban Ave., Westbury, N. Y., filed a registration statement (File 2-30013) with the SEC on August 29 seeking registration of 100,000 shares of common stock, to be offered for public sale at \$4 per share. The offering is to be made on an "all or none" basis through T. H. Lehman & Co. Inc., 37 Wall St., New York, which will receive a 48¢ per share selling commission. Subject to the sale of all the shares, the company has agreed to pay the underwriter \$15,000 for expenses, to sell it, for \$75, five-year warrants to purchase 7,500 common shares, exercisable at \$4.40 per share, and to sell to Pressman, Frohlich & Frost, Inc., for \$25, like warrants to purchase 2,500 common shares and to pay said firm \$5,000 in consideration for its services as a finder.

The company is engaged in the business of testing and analyzing materials, manufactured items and structures, and recently entered the fields of pollution controls testing and instrumentation, as well as product manufacture and distribution. Of the net proceeds of its stock sale, the company will use \$100,000 to retire debt to Mercantile Financial Corporation, \$120,000 for a feasibility study and development of a prototype of a total energy unit for homes and small industry, and for additional test equipment and product development, and \$95,000 for working capital, expansion of advertising and the hiring of additional sales personnel. In addition to indebtedness, the company has outstanding 200,000 common shares (with a 35¢ per share book value), of which Gerald J. Horvitz, board chairman, owns 31.25%, Gerald J. Harvey, president, 37.5% and Roger Harvey 12.5%.

COMPUTEC PROPOSES OFFERING. Computec, Inc., First Federal Bldg., Indianapolis, Ind. 46204, filed a registration statement (File 2-30014) with the SEC on August 30 seeking registration of 130,000 shares of common stock, to be offered for public sale through underwriters headed by Wildman, Neal & DeBolt, Inc., 707 Merchants Bank Bldg., Indianapolis, Ind. 46204. The offering price (\$7 per share maximum*) and underwriting terms are to be supplied by amendment. The company has agreed to pay the underwriters up to \$30,000 for expenses and will sell the Wildman-Neal firm, for \$75, five-year warrants to purchase 7,500 common shares; it has also agreed to pay John Hopkins \$3,000 for his services as a finder.

Organized in April 1968, the company's planned activities are providing multi-disciplined consultant teams in combined fields of the sciences and social sciences, developing and implementing social, psychological and cultural programs for the "inner city", developing educational programs, and developing and implementing computerized management information systems. The company will use the net proceeds of its stock sale to establish six divisions: Civic Systems Division, Urban Analysis Division, Education Division, Computer Sciences Division, Financial Management Division and Research & Development Division; the balance will be added to working capital. The company has outstanding 64,400 common shares, of which Ronald D. Palamara, board chairman, owns 20.2%, Albert R. Sadaka, president, 17.9%, Thomas J. Kern, treasurer, 16.3% and management officials as a group own 93.3%. Upon completion of this offering, the present shareholders will own 33% of the outstanding common stock, for which the company received \$178,200, while the purchasers of the shares being registered will own 67%, for which they will have paid \$910,000*.

NEW BRUNSWICK TO SELL DEBENTURES. Province of New Brunswick, Canada, filed a registration statement (File 2-30015) with the SEC on August 30 seeking registration of \$20,000,000 of sinking fund debentures, due 1991, to be offered for public sale through underwriters headed by Salomon Brothers & Hutzler, 60 Wall St., New York 10005, and two other firms. The interest rate, public offering price and underwriting terms are to be supplied by amendment. Net proceeds of the sale of debentures will be added to the Consolidated Fund of the Province.

ELDER-BEERMAN STORES FILES FOR OFFERING AND SECONDARY. The Elder-Beerman Stores Corp., 153 East Helena St., Dayton, Ohio 45405, filed a registration statement (File 2-30016) with the SEC on August 30 seeking registration of 250,000 shares of common stock. Of this stock, 169,236 shares are to be offered for public sale by the company and 80,764 (being outstanding shares) by the present holders thereof. The offering is to be made through underwriters headed by Walston & Co., Inc., 74 Wall St., New York 10005; the offering price (\$14 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is engaged in the retail business through the operation of nine Elder-Beerman department stores, a supermarket and certain ancillary outlets in the Dayton metropolitan area, and the Wilmur's Elder-Beerman department store and a supermarket in Hamilton, Ohio. Of the net proceeds of its sale of additional stock, the company will use \$500,000 to equip and transfer its general offices and its merchandise handling and warehouse facilities to a new service building to be constructed in Dayton, and \$440,000 will be applied to the payment of the balance of the purchase price of all the outstanding capital shares of Wilmur's, Inc., acquired in May 1967; the balance will be added to the company's general funds and will be available for use as working capital and for general corporate purposes. In addition to indebtedness, the company has outstanding 1,080,764 common shares, of which Arthur Beerman, board chairman and president, owns 33.5%, The Beerman Corporation, 36.5%, and other interests of Arthur Beerman and family members 9.6%. Beerman proposes to sell 50,764 shares of 362,000 shares held and Sites for Industry, Inc. all of 30,000 shares held.

JOSTENS FILES FOR OFFERING AND SECONDARY. Jostens, Inc., 148 East Broadway, Owatonna, Minn., filed a registration statement (File 2-30017) with the SEC on August 30 seeking registration of \$5,000,000 of convertible subordinated debentures, due 1988 and 120,000 shares of common stock. The debentures are to be offered for public sale by the company and the stock (being outstanding shares) by the present holders thereof. The offerings are to be made through underwriters headed by A. G. Becker & Co., Inc., 120 S. LaSalle St., Chicago, Ill. 60603; the interest rate, offering price (\$33 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is engaged principally in the sale of motivation and recognition products for the educational market. Its products include class rings, yearbooks, graduation announcements, awards, diplomas and photographs which are sold primarily to high school and college students. Net proceeds of its debenture sale will be added to the company's working capital to finance receivables and inventories and to reduce some \$6 million of short-term liabilities. In addition to indebtedness and preferred stock, the company has outstanding 2,833,105 common shares, of which Daniel C. Gainey, chairman-emeritus, owns 8.9% and Daniel J. Gainey, vice board chairman, 8.3%. Each proposes to sell 50,000 shares of 303,326 and 286,130 shares held, respectively, and Ted Vardalos proposes to sell 20,000 to 30,000.

CONNECTICUT LIGHT AND POWER TO SELL BONDS. The Connecticut Light and Power Company, Selden St., Berlin, Conn., filed a registration statement (File 2-30018) with the SEC on August 30 seeking registration of \$40,000,000 of first and refunding mortgage bonds, Series U, due 1998, to be offered for public sale at competitive bidding. A wholly-owned subsidiary of Northeast Utilities, the company will use the net proceeds of its bond sale to repay some \$40,000,000 of short-term borrowings incurred for construction expenditures; the balance will provide a portion of the company's funds needed for construction expenditures, estimated at \$156,600,000 for 1968-1969.

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended August 29, 1968, 70 registration statements were filed, 56 became effective, 2 were withdrawn, and 871 were pending at the week-end.

SECURITIES ACT REGISTRATIONS. Effective September 3: Dixilyn Corp., 2-29616 (40 days); The Drilling Fund, Inc., 2-28545 (90 days); Gale Industries, Inc., 2-28930 (40 days); Katy Industries, Inc., 2-29806; Lewis Business Forms, Inc., 2-29648.

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.