

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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KIDDER PEABODY FIRM CENSURED. The SEC today announced a decision under the Investment Advisers Act censuring Kidder, Peabody & Co., a New York investment advisory and broker-dealer firm, for activities involving an advisory service operated during the period April 1962 to February 1967 under the name Kidder, Peabody Special Investment Advisory Service ("Special Service"). Also censured was Edward B. Goodnow, former vice president of the Kidder, Peabody firm, who was one of the persons responsible for the day-to-day operation of the Special Service. Both the Kidder, Peabody firm and Goodnow consented to the Commission's action, which was based upon a stipulation of facts by and between them and the Commission's Division of Trading and Markets and upon their offer of settlement.

Based upon an inquiry conducted by its staff, the Division was of the view that the operation of the Special Service failed to comply with certain provisions of the Advisers Act and the Securities Exchange Act, more particularly: (a) that in principal transactions with clients of the Special Service, no disclosure was made to the clients of the cost of securities to the firm or of the current market price thereof; (b) that the firm sold unlisted securities to, or purchased such securities from, advisory clients in riskless or substantially riskless principal transactions, charging the clients mark-ups or mark-downs greater (by some 1.73 times) than the normal commissions that would have been charged had such purchase and sale transactions been executed on an agency basis; (c) that Goodnow executed certain transactions in a manner that resulted in preference to his own account and those of certain relatives, without disclosure of such preference to his other clients; and (d) that Goodnow arranged substantial purpose loans at a bank secured by unlisted securities, to finance his personal Special Service transactions, without compliance with applicable provisions of Regulation T.

In determining to accept the respondents' settlement offer, the Commission took into account various mitigating circumstances including (1) the discontinuance of the Special Service; (2) repayment of some \$42,994 to the Special Service clients, representing the difference between the mark-ups and mark-downs on principal transactions and the normal agency commission thereon; and (3) the adoption of revised pricing practices and supervisory procedures designed to avoid a recurrence of the activities involved. However, the Commission commented: "An investment adviser is a fiduciary who is required to serve the interests of his client with undivided loyalty. As a result, an investment adviser may not sell securities to his advisory clients in principal transactions unless he makes full disclosure of any adverse interest he may have and obtains the informed consent of his clients. The disclosure must include an explicit statement of the cost of the security to the adviser and the market price when more favorable. Neither a general or advance consent can be adequate because it is not based on knowledge of the specific facts in the transactions, and neither a waiver in an advisory contract nor any other circumstances will justify a departure from or a relaxation of these requirements."

"One of the basic duties of a fiduciary," the Commission continued, "is the duty to execute securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. This duty encompasses not only obtaining 'best execution' in the marketplace, but encompasses the obligation of an investment adviser, who is a fiduciary, to execute transactions for advisory clients on an agency rather than a principal basis in instances where similar transactions for non-advisory clients normally would be executed on an agency basis at a commission less than the mark-up imposed when executing the transaction on a principal basis." (Release IA-232)

SEC SUIT NAMES RUSH, DeVEERS CONSOLIDATED MINING, OTHERS. The SEC today announced the filing of a complaint in the U. S. District Court in Peoria, Ill. charging 13 foreign corporations and 23 individuals with violations of the registration and anti-fraud provisions of the Federal securities laws in the offer and sale to American investors of various securities of a group of Panamanian, Bahamian and European corporations. Among the defendants are De Veers Consolidated Mining Corporation, S. A., a Panamanian corporation, and Michael Myer Rush (a/k/a Michael Myer Russ), of Toronto. The individual defendants include 6 Canadians, 4 U. S. residents, 2 residents of London, 2 of Panama, and 1 of South Africa; the nationalities of 8 are unknown. Of the companies 11 are Panamanian, 1 Bahamian and 1 European. The charges involve offers to exchange purportedly valuable securities of the defendant companies for shares of dormant mining companies, and fraudulently soliciting the payment of transfer fees and allegedly due Interest Equalization Tax. (LR-4134)

FIVE ADDED TO FOREIGN RESTRICTED LIST. Five of the defendant corporations referred to above have been added to the Commission's Foreign Restricted List, namely:

Security Capital Fiscal & Guaranty Corp., S.A. (of Panama)	
Global Explorations, Inc.	"
Crossroads Corporation, S.A.	"
Continental and Southern Industries, S.A.	"
Central and Southern Industries	(European)

The following defendant companies previously were added to the list: British Overseas Mutual Fund Corporation, Cerro Azul Coffee Plantation, Darien Exploration Company, S.A., DeVeers Consolidated Mining Corporation, S.A. and Victoria Oriente, Inc. The list is comprised of the names of foreign companies whose securities the Commission has reason to believe have been or are being distributed in the United States in violation of the Securities Act registration requirement. (Release 33-4930)

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STOCK ACQUISITION STATEMENTS FILED. Recent reports of the acquisition of more than a 10% stock interest in the following issuers have been filed with the SEC:

<u>Issuer</u>	<u>Acquiring Firm or Individual</u>
Consolidated Water Co.	Apache Corp.
Pacific Vegetable Oil Corp.	Sidney Hoffman
General Alloys Co.	Paul Hood Associates
Jones Motor Co.	Alleghany Corp.
Electronic Specialty Co.	International Controls Corp.
Computerized Automotive Reporting Service, Inc.	Industrial International Corp.
Zapata Off-Shore Co.	O. W. Burton, Jr.
Thor Power Tool Co.	Stewart-Warner Corp.

CHARTER NEW YORK PROPOSES EXCHANGE. Charter New York Corporation, 1 Wall St., New York 10005, filed a registration statement (File 2-30476) with the SEC on October 16 seeking registration of 322,997 shares of \$4 convertible preferred stock. It is proposed to offer these shares in exchange for all of the 430,662 outstanding capital shares of Central Trust Company Rochester, N. Y., at the rate of .75 share of Charter preferred for each Central capital share. Effectiveness of the exchange is contingent upon acceptance of the offer by holders of at least two-thirds of outstanding shares of Central stock. Central is primarily a retail bank and provides banking service to individuals and small and medium-sized businesses with 16 banking offices in Rochester and the surrounding metropolitan area.

Organized under New York law in March 1965 as a bank holding company, Charter functions primarily as the holder of stock of its constituent banks and as a service organization and coordinating body for the banks. Irving Trust Company, The Merchants National Bank & Trust Company, Endicott Trust Company and Dutchess Bank & Trust Company are its constituent banks. Charter has outstanding 6,539,696 common shares. George A. Murphy is board chairman and Oren Root president.

PRUDENTIAL FUNDS PROPOSES OFFERING. Prudential Funds, Inc., 90 Broad St., New York 10004, filed a registration statement (File 2-30477) with the SEC on October 16 seeking registration of 250,000 shares of common stock, to be offered for public sale through underwriters headed by Bacon, Whipple & Co., 135 S. LaSalle St., Chicago, Ill. The offering price (\$10 per share maximum*) and underwriting terms are to be supplied by amendment.

The company (formerly Prudential Drilling Funds, Inc.) has organized and managed 17 public Programs wherein means are provided for participants to spread their risk by participation and co-ownership in a number of oil and gas drilling ventures. Of the net proceeds of its stock sale, the company will use \$1,600,000 to repay certain bank and other indebtedness; the balance will be employed for future development of the company's oil and gas properties and for other general corporate purposes. In addition to indebtedness, the company has outstanding 1,000,000 common shares, all owned by Prudential Equities Corp. Nathan M. Shippee, president, owns 32.7% and management officials as a group 53.4% of Prudential Equities.

KANE-MILLER SHARES IN REGISTRATION. Kane-Miller Corp., Kane-Miller Lane, Yonkers, N. Y. 10710, filed a registration statement (File 2-30478) with the SEC on October 16 seeking registration of \$2,250,000 principal amount of 6% subordinated debentures (convertible into common stock at \$8 per share), due 1982 (and the 281,250 underlying common shares) and 212,500 outstanding shares of common stock. The debentures are to be issued in exchange for an equal principal amount of 6% convertible subordinated notes, due 1982. The debentures and the 212,500 outstanding shares may be offered for sale from time to time by the holders or recipients thereof at prices current at the time of sale (\$40 per share maximum*). No underwriting is involved.

The company is a wholesale distributor in the New York City metropolitan area of fresh, canned, frozen and other processed and packaged foods to institutional customers. It also distributes to such customers certain non-food products, such as soaps, detergents, cleaning agents and paper products. In September 1968, the company acquired all of the outstanding common stock of Sunnyland Refining Company, Incorporated, a margarine manufacturer, for \$10,000,000 and all of the outstanding common stock of G. L. Webster Company, Incorporated, a vegetable grower, processor and canner, for \$5,781,000 and a 10-year warrant to purchase 15,000 Kane-Miller shares at \$31.875 per share. In connection with the Sunnyland acquisition, the company paid a \$62,500 finder's fee and in connection with the Webster acquisition, a \$50,000 finder's fee. In September 1968 the company also acquired certain assets of the Restaurant Division of DCA Food Industries, Inc., including 56 restaurants (of which three are in planning or under construction) in 14 states and the District of Columbia. In addition to indebtedness, the company has outstanding 1,044,300 common shares, of which management officials as a group own 17.56%. Daniel Kane is president and Stanley B. Kane, board chairman. Massachusetts Mutual Life Insurance Company may sell \$1,500,000 of debentures (or the underlying 187,500 common shares) and five others the remaining debentures being registered. Fleschner Beck Associates may sell 187,500 common shares (to be issued upon conversion of \$1,500,000 of notes) and K. Bernard Weissman 25,000 (issued upon exercise of stock purchase warrants).

SCHOTT INDUSTRIES FILES FOR OFFERING AND SECONDARY. Schott Industries, Inc., 3 East Fourth St., Cincinnati, Ohio 45202, filed a registration statement (File 2-30479) with the SEC on October 17 seeking registration of 450,000 shares of common stock. Of this stock, 340,000 shares are to be offered for public sale by the company and 110,000 (being outstanding shares) by the present holders thereof. The offering is to be made through underwriters headed by Van Alstyne, Noel & Co., 4 Albany St., New York 10006; the offering price (\$12 per share maximum*) and underwriting terms are to be supplied by amendment. Upon consummation

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of this offering, the company will issue to the Van Alstyne firm five-year warrants to purchase 40,000 common shares. It has agreed to pay John J. Robinson a finder's fee of \$20,000 and has sold to him 20,000 common shares at 45¢ per share.

The company (formerly Consolidated Metals Products, Inc.) is engaged principally as a supplier of various steel and aluminum components to manufacturers of mobile homes, trucks, trailers, buses and recreational vehicles. Of the net proceeds of its sale of additional stock, \$900,000 will be used to construct, equip and provide inventories for additional steel and aluminum fabricating plants in three new locations, \$750,000 to expand, through the purchase of additional equipment, the production capacities at several existing plants, \$600,000 to construct, equip and provide inventories for a new Acrylonitrile Butadiene Styrene facility at Elkart, Ind., \$160,000 to provide additional equipment for fabricating and to market an improved mobile home sheet product, \$110,000 to purchase new equipment and \$75,000 to remodel, enlarge and equip the general administrative and executive offices; the balance will be added to working capital and used for general corporate purposes. The company has outstanding 1,578,900 common shares, of which Walter E. Schott, president, owns 72.8% and Norman W. Ready, executive vice president, 13.3%. Schott proposes to sell 100,000 shares of his holdings of 1,149,650 shares and Ready 10,000 of 210,000 shares.

SAN FRANCISCO HELICOPTER FILES FOR OFFERING AND SECONDARY. San Francisco & Oakland Helicopter Airlines, Inc., Metropolitan Oakland International Airport, Oakland, Calif., filed a registration statement (File 2-30480) with the SEC on October 17 seeking registration of \$2,500,000 of convertible subordinated debentures, due 1978, to be offered for public sale at 100% of principal amount. The offering is to be made through underwriters headed by J. Barth & Co., 404 Montgomery St., and Birr, Wilson & Co., Inc., 155 Sansome St., both of San Francisco; the underwriting terms are to be supplied by amendment. The company has agreed to sell the Barth and Birr, Wilson firms, for \$2,500, five-year options to purchase 25,000 common shares. Also included in this registration statement are 42,505 outstanding common shares, which may be offered for public sale by the present holders thereof at prices current at the time of sale (\$7.50 per share maximum*).

The company is engaged primarily in the business of providing scheduled passenger, freight, mail and express helicopter transportation between the major airports and population centers of the San Francisco Bay area. Of the net proceeds of its debenture sale, \$595,000 will be applied to the reduction of bank indebtedness, \$475,000 will be used to liquidate the balance due Nishi Nippon Airlines, Ltd., on the acquisition of the fourth S-61 helicopter, and \$280,000 to purchase spare engines, dynamic components and other rotatable parts and assemblies; the balance will be used for general corporate purposes, including \$425,000 to be applied to accounts payable. In addition to indebtedness, the company has outstanding 1,082,151 common shares, of which management officials as a group own 7-1/2%. The Robert Dollar Co. proposes to sell all of 25,401 shares held and Dollar Associates, Inc., 17,104 of 109,619 shares held. M. F. Bagan is board chairman and president of the company.

BUNKER-RAMO SHARES IN REGISTRATION. The Bunker-Ramo Corporation, Oakbrook North, 1200 Harger Road, Oak Brook, Ill. 60521, filed a registration statement (File 2-30481) with the SEC on October 17 seeking registration of 133,333 shares of common stock, issuable upon exercise of warrants. The shares may be offered for sale from time to time by the recipients thereof at prices current at the time of sale (\$17.875 per share maximum*). In addition to indebtedness and preferred stock, the company has outstanding 15,860,562 common shares, of which Martin Marietta Corporation owns 34.7%. Milton E. Mohr is board chairman and William H. Rous president. F. William Harder (a director of the company and board chairman of Allen & Company Incorporated) proposes to sell 33,000 shares, Allen & Company Incorporated 50,333, and Allen & Company Pension Trust 50,000.

EASTERN UTILITIES RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-16191) authorizing bank borrowings by subsidiaries of Eastern Utilities Associates, as follows: Fall River Electric Light Company, \$1,900,000; and Brockton Edison Company, \$600,000. The borrowed funds will be used by the subsidiaries for property additions and improvements and for other corporate purposes.

TRADING IN MOONEY AIRCRAFT SUSPENDED. The SEC today announced the issuance of an order pursuant to the Securities Exchange Act of 1934 temporarily suspending over-the-counter trading in the common stock of Mooney Aircraft, Inc., of Kerville, Texas, for the ten-day period October 18, 1968 through October 27, 1968, inclusive.

The Commission's action was based upon the lack of accurate, complete financial information concerning Mooney Aircraft, Inc. and the fact that there is an active market in the company's common stock in spite of a corporate by-law restricting transferability of the shares.

Accordingly, the Commission deemed it necessary and appropriate in the public interest and for the protection of investors to suspend over-the-counter trading in the common stock of Mooney Aircraft, Inc. pending clarification of the financial condition of Mooney Aircraft, Inc. and of the transferability of its stock. The company has outstanding 927,185 common shares, being traded in the New York area at \$10 per share.

CLARIFICATION OF RULES RE SHAREHOLDER APPROVAL OF INVESTMENT ADVISORY CONTRACTS PROPOSED. The SEC today announced a proposal (Release IC-5517) to adopt a new Rule 15a-2 under the Investment Company Act prescribing a method which would regularize the procedure for the required annual approval of contracts between registered investment companies and their investment advisers and principal underwriters. Interested persons are invited to submit their views and comments thereon not later than November 18.

The Investment Company Act generally requires that the investment advisory and underwriting contracts shall not continue in effect for more than two years unless specifically approved at least annually by the board of directors or by a majority vote of shareholders of the investment company. In order to eliminate uncertainty as to when the required approval of the contract must be obtained, Rule 15a-2 would generally provide that the requirements of the Act would be deemed to be met if the vote of directors or shareholders

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were obtained no later than 15 days after, or no earlier than 60 days prior to, the first anniversary of the date of last such approval. A separate provision is made in the proposed rule for the first continuance of a contract after its initial two year term. Under this provision the first continuance of a contract would be deemed to have been approved annually if the board of directors or shareholders vote is obtained no later than 15 days after, or no earlier than 60 days prior to, the second anniversary of the date upon which the contract by its terms became effective or of the date upon which the public shareholders approved such contract, whichever is later.

It is believed that the adoption of such a rule would eliminate the undesirable practice of scheduling votes within successive calendar years so that there may be an interval of substantially more than 365 days between the dates of shareholder approval (e.g., in January of one year and December of the following year), or that of scheduling votes so far in advance of the date on which the continuance of the contract is to take effect that there is no meaningful information on which the vote may be based.

NIAGARA SHARE RECEIVES ORDER. The SEC has issued an exemption order under the Investment Company Act (Release IC-5520) with respect to the participation of Niagara Share Corporation, Buffalo investment company, in the proposed sale of Crescent Niagara Corporation to Cooper Industries, Inc. Cooper Industries has made an offer to purchase all the outstanding shares of Crescent stock tendered to it on or before September 30 at \$16 per share. Niagara Share owns about 21% of Crescent's outstanding stock; and certain officers and/or directors of both Niagara Share and Crescent also own shares of Crescent stock (in amounts ranging from .4% to 7.7%).

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 "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 October 7 News Digest.

Phillips Petroleum Co	
Sept 68 (13)	1-720-2
Rucker Co Sept 68(2,4,7,11,3)	1-5733-2
Taylor Instrument Companies	
Sept 68 (11,13)	1-5333-2
Extendicare Inc Sept 68 (2,13)	2-27662-2
Portland General Elec Co	
Sept 68 (13)	1-5532-2
Rath Packing Co Sept 68(12,13)	1-1285-2
Combustion Equipment Assocs Inc	
Amd #1 to 8K for Jul 68(7)	2-28137-2
United Artists Theatre Circuit Inc	
Amd #1 to 8K for Aug 68 (13)	0-2341-2
North Carolina Telephone Co	
Amd #1 to 8K for Mar68(4,7,13)	0-1130-2
Rockwell Mfg Co	
Amd #1 to 8K for Jul 68 (13)	1-5726-2

SECURITIES ACT REGISTRATIONS. Effective October 17: American Credit Corp., 2-29841 (Nov 26); Borman Foods Stores, Inc., 2-30003 (Nov 26); Central Data Systems, Inc., 2-29597 (Jan 15); Computer Communications, Inc., 2-29774 (Jan 15); Curtis Noll Corp., 2-29993 (Nov 26); Damon Creations, Inc., 2-30161; Datascan, Inc., 2-29801 (Jan 17); General American Transportation Corp., 2-30200 (Nov 27); Hercules Gallon Products, Inc., 2-30235; Horizon Corp., 2-29864 (Nov 27); Illustrated World Encyclopedia, Inc., 2-29584 (Jan 15); Katz Drug Co., 2-29746 (Nov 27); Sanitas Service Corp., 2-29882 (Jan 15); The Union Corp., 2-29702 (40 days); United States Finance Co., Inc., 2-29892 (Nov 26).
Withdrawn October 17: Plastic Dynamics Corp., 2-29189).

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.

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