

# 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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**KANEK GRANTED CONDITIONAL EXEMPTION.** In a decision under the Holding Company Act announced today (Release 35-16250), the Securities and Exchange Commission granted conditional approval of an application filed by Kaneb Pipe Line Company, of Houston, Texas, to be declared not to be a holding company with respect to Kansas-Nebraska Natural Gas Company, Inc. ("K-N"), of Phillipsburg, Kansas. The application was opposed by K-N, which urged among other things that Kaneb should be required to divest itself of its K-N stock and refrain from exercising any rights of stockholder pending such divestiture.

Kaneb owns and operates a common carrier pipeline for the transportation throughout the midwestern United States of liquid petroleum products owned by others. It was organized in 1953 by Pipe Line Technologists, Inc., which furnishes management and other professional services to Kaneb. In the period July-November, 1967, largely pursuant to a published cash tender offer, Kaneb acquired a total of 510,619 shares of K-N stock, representing 19.48% of its outstanding voting stock, at an aggregate cost of about \$16.8 million. K-N produces, transmits and sells natural gas at wholesale and retail in Kansas, Nebraska, Wyoming and Colorado.

It was undisputed that Kaneb does not control K-N--evidence in the record clearly demonstrated that there is an active and real opposition between the managements of the two companies, including the successful resistance by K-N's management of Kaneb's efforts to effect a merger of the two companies. Accordingly, the question before the Commission was whether Kaneb exercised such a "controlling influence" over the management and policies of K-N as to make its registration as a holding company necessary and appropriate in the public interest. While Kaneb's efforts to achieve a controlling position have been thwarted by K-N's management, the Commission observed that this does not preclude Kaneb from exercising a controlling influence on K-N's management in view of Kaneb's large minority interest and its avowed and continuing objective of effecting a merger with K-N. Moreover, if Kaneb should either acquire sufficient additional stock to force a merger or succeed in persuading the K-N management to agree to it, questions would be presented (1) as to compliance with the integration and corporate simplification requirements of Section 11 of the Act (under the integration requirements, a serious question would arise whether Kaneb's non-utility properties could be retained in the same system with the utility properties of K-N); and (2) under other provisions of the Act, including those intended to protect utility companies against excessive charges under management or service contracts.

In recognition of these problems, and notwithstanding its contention that such "influence" as it may have is not the type that would justify the imposition of these and other regulatory provisions of the Act, Kaneb agreed that any order granting its application may be subject to certain conditions designed to prevent the abuses at which the Act was directed. In view of its "continuing review" over the relationships between the two companies, and subject to the conditions imposed upon its granting of Kaneb's application, the Commission concluded that it is not necessary to subject Kaneb to all the regulatory provisions of the Act and that its application might be granted. Among other things, the conditions will require that Kaneb shall register as a holding company before seeking stockholder approval of any merger agreement with K-N; that there shall be no service or other contracts between Kaneb and K-N; that Kaneb shall not purchase any additional K-N shares without advance notice to the Commission's staff (and without Commission approval if the staff objects to such purchase); and that the Commission will receive advance notice of any proposal of Kaneb to sell its holdings of K-N shares, of any solicitation of proxies from other K-N stockholders, and of any inter-corporate affiliation between the two companies. This will enable the Commission, under express provisions of the Act, to reconsider Kaneb's exemption application in view of any such changed facts and circumstances.

Commissioner Budge joined in the result of the Commission's decision but observed that in his view the record supported the specific finding that Kaneb is in a position to exercise a "controlling influence" on K-N as that term is defined in the Act.

**GREAT NORTHERN MANAGEMENT STOCK OFFERING SUSPENDED.** The SEC today announced the issuance of a stop order under the Securities Act (Release 33-8475) suspending a registration statement filed in 1965 by Great Northern Management Company, Inc., of Mineola, N. Y., which related to a public offering of 1,680,500 shares of common stock. In its decision supporting the stop order, the Commission found that the registration statement contained misstatements and omissions of material fact. The company ("registrant") waived a hearing, conceded the disclosure deficiencies in its registration statement and prospectus, consented to the issuance of the stop order, and agreed to mail to all its past and present shareholders a copy of the Commission's decision.

The statement became effective on November 17, 1965. Of the 1,680,400 shares included therein, 520,000 were offered and sold by the company and 264,500 on behalf of two shareholders, all at \$3 per share. In addition, 600,000 shares were offered by registrant (some at \$3 and some at \$2 per share) to insurance agents of Consumers Life Insurance Company, a wholly-owned subsidiary, and 296,000 shares were reserved for issuance pursuant to an option plan for agents of Consumers; 58,998 of the 600,000 shares were sold.

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The Commission found, among other things, that the company's registration statement failed adequately and accurately to disclose the identity of a controlling person; that registrant's initial capitalization had consisted in part of debt obligations which were to be repaid out of the proceeds of the sale of stock purportedly offered by selling stockholders; that registrant had made public offerings of unregistered stock and debt securities and incurred contingent liabilities thereby; that a purportedly unaffiliated company had been organized and dominated by registrant's promoters and used to sell registrant's stock; and that the proceeds of such sales had been withheld from registrant for a period of months during which they were used by another purportedly unaffiliated company, organized and controlled by registrant's promoters, to purchase shares of another issuer.

For similar reasons, the Commission declined to make effective an amendment filed on July 21, 1966, covering the 541,000 shares remaining of the 600,000 previously offered to agents of Consumers, of which 190,002 were to be offered again to said agents and 351,000 to the general public.

**THREE REHEARING PETITIONS DENIED IN BRUCE CASE.** The SEC today announced a decision under the Securities Exchange Act (Release 34-8476) denying requests of Melvyn Hiller, Stanley Gross and Aaron Fink for rehearing on sanctions imposed by the Commission in its decision of April 30, 1968, involving the broker-dealer firm of Richard Bruce & Co., Inc., of New York City.

**TRADING SUSPENSIONS CONTINUED.** The SEC has ordered the suspension of over-the-counter trading in the securities of Comstock-Keystone Mining Company n/k/a Memory Magnetics International, and Mooney Aircraft, Inc., for the further ten-day period December 27, 1968, through January 5, 1969, inclusive.

**DELAFIELD FIRM SUSPENDED.** The SEC today announced a decision under the Securities Exchange Act (Release 34-8480) suspending Delafield & Delafield, a New York securities firm, from executing transactions for ten calendar days and from executing transactions on the American Stock Exchange ("ASE") for an additional 20 days, effective at the opening of business December 30. However, the firm may accept unsolicited orders from existing customers. In addition, John M. Gates, Jr., a partner, was suspended from association with any broker-dealer for four months, commencing January 1, 1969, restricted during the next succeeding two months to association with the Delafield firm in a non-supervisory capacity, and thereafter permitted to resume supervisory responsibilities with said firm with the Commission's consent. Both respondents consented to Commission findings that the Delafield firm violated the Federal securities laws and it and Gates failed to exercise reasonable supervision with a view to preventing such violations, as alleged in the order for proceedings, but without admitting or denying such allegations. Proceedings are continuing with respect to an employee of the firm who was also named as a respondent but who did not join in the settlement and offer.

The Commission found that the anti-fraud and anti-manipulative provisions of the laws were violated by the Delafield firm (and that Gates failed to supervise) in transactions effected on January 9, 1968, in the Class A common stock of Mary Carter Paint Company (now Resorts International, Inc.), traded on the ASE. According to the decision, between 2:00 p.m. and the close of trading that day, sales of 17,600 shares of such stock, representing 83% of the market transactions in the stock during that period, were effected through the Delafield firm, and the price of the stock declined from 29-1/4 to 27-3/8. The purpose of those sales was to induce a large stockholder to sell 350,000 shares of such stock to registrant's customers at 25. Transactions were effected in the name of two foreign banks to conceal the identity of an employee of registrant for whom the transactions were in fact executed. In addition, in contravention of Rule 10a-1, the firm effected short sales of such stock on the ASE for the account of that employee and others below the price at which the last sale thereof, regular way, was effected on such exchange, or at the same price although such price was not higher than the next preceding different price at which a sale of such stock, regular way, was effected, and executed sell orders marked "long" when, in fact, such orders were "short."

The Commission also found that its record-keeping rules were violated by the Delafield firm between November 1967 and March 1968, in that it made false and fictitious entries with respect to the transactions effected for its employee and failed to record certain sales as "short"; also, that the firm improperly extended and arranged for the extension and maintenance of credit to and for customers in violation of Regulation T.

**WM. M. HITCHCOCK SUSPENDED.** The Commission also announced a decision (Release 34-8481) suspending William M. Hitchcock, who was a salesman of Delafield & Delafield, from association with a broker-dealer for ten days, commencing December 30. The Commission found that Hitchcock caused the Delafield firm to make false and fictitious entries on its books and records. Such entries were made with respect to orders placed with registrant by respondent's customers to effect transactions through accounts purportedly of a foreign bank when in fact the accounts were personal accounts of the customers and the transactions were for the customers' benefit. Hitchcock, without admitting or denying the allegations, consented to such finding and to the issuance of the suspension order.

**SECURITIES ACT REGISTRATIONS.** Effective December 24: The Bendix Corporation, 2-30960; Dillingham Corporation, 2-30875 (40 days); John Hancock Growth Fund, Inc., 2-29502; John Hancock Signature Fund, Inc., 2-29503; Logicon, Inc., 2-29812 (90 days); Three G Oil Company, 2-28384 (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.