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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PROPOSAL WOULD MODIFY "NET CAPITAL" RULE. The SEC today invited comments upon a proposal to amend its Rule 15c3-1 under the Securities Exchange Act (Release 34-8218), which rule imposes specified financial responsibility requirements on brokers and dealers. The comments are due not later than February 2, 1968. The rule provides that, in the computation of "net capital," certain adjustments must be made to "net worth." Among these are deductions of specified percentages of market values of securities which are either carried in the capital, proprietary, and other accounts of a broker or dealer, or which are the subject of open contractual commitments in any such accounts, to the extent of each net long or net short position contemplated by the commitments. The proposed amendment would modify and, to some extent, reduce the amounts to be deducted from net worth with respect to convertible debt securities which are carried in such accounts or are the subject of such open contractual commitments.

Under the present rule, the amounts to be deducted in the case of nonconvertible debt securities differ in many respects quite widely from the flat 30% deduction applicable in connection with common stocks. As pointed out in the Report of the Special Study of Securities Markets, however, when convertible debt securities sell at a price in excess of face value they are really selling in part as stock, whereas when "the price of the underlying stock is below the conversion price it is probable that there is a greater tendency for the bonds to sell as debt securities and not on the basis of their conversion price." To the extent that the price of a convertible debt security indicates that it is being treated essentially as an equity security, it appears appropriate that the prescribed deduction from net worth should be similar to that applicable to stock. On the other hand, if the price of the convertible debt security shows it is being regarded in the market as primarily a debt security with little or no value given for the conversion right, it appears appropriate that the deduction should be the same as that prescribed for nonconvertible debt securities. When a convertible debt security becomes in essence a straight debt security, its market price is generally subject to the same general influences which affect straight debt securities, such as changes in interest rates and business conditions generally. Under the proposed amendment of Rule 15c3-1, a convertible debt security would be regarded as a straight debt security (without the speculative element of the conversion right) when its market value is below 90% of face value.

On the basis of the foregoing considerations, the Commission deems it appropriate to amend Rule 15c3-1 by effecting modifications of deductions from net worth with regard to convertible debt securities of a broker or dealer which are carried in the capital, proprietary, and other accounts. In the case of open contractual commitments, which include firm commitment underwritings, the proposed rule would provide that the deductions from net worth in respect of convertible debt securities which are the subject of such commitments would be similar to the deductions applicable to convertible debt securities carried in the capital, proprietary, or other accounts of a broker or dealer. However, the Commission will continue to study this matter and would welcome comments on whether the deductions should be different in the case of firm commitment underwritings of such securities.

THREE TRADING BANS CONTINUED. The SEC has issued orders under the Securities Exchange Act suspending exchange and/or over-the-counter trading in securities of Fastline, Inc., Continental Vending Machine Corporation, and Westec Corporation, for the further ten-day period December 29, 1967 through January 7, 1968, inclusive.

NEW JERSEY P&L SEEKS ORDER. New Jersey Power & Light Company ("NJP&L"), Morristown, N. J. subsidiary of General Public Utilities Corporation, has applied to the SEC for an order under the Holding Company Act authorizing it to issue and sell, from time to time not later than February 28, 1969, up to $7,900,000 of unsecured promissory notes to banks; and the Commission has issued an order (Release 35-15931) giving interested persons until January 19 to request a hearing thereon. The proceeds from the sale of the notes will be used by NJP&L for construction expenditures and/or to repay other short-term borrowings incurred therefor.

DELMARVA P&L RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-15933) authorizing Delmarva Power & Light Company, Wilmington, Del. holding company, to issue and sell up to $15,000,000 of short-term notes (including commercial paper) to banks and up to $8,000,000 of commercial paper in the form of promissory notes to A. G. Becker & Co., Inc. Net proceeds of the financing will be used by Delmarva to finance the 1967-1968 construction program of Delmarva and of its subsidiary companies, Delmarva Power & Light Company of Maryland and Delmarva Power & Light Company of Virginia, which program is estimated at approximately $76,436,000, including expenditures of $29,696,000 made during the nine months ended September 30, 1967.

COLUMBIA GAS RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-15934) approving a proposal of The Columbia Gas System, Inc., and its subsidiaries, whereby the subsidiaries (seventeen) will from time to time prepay with notes held by Columbia with cash generated in excess of current requirements, and in amounts not exceeding $166,800,000 in the aggregate. As any such subsidiary requires funds for construction and other corporate purposes after repayment, the funds will be advanced by Columbia on open account (and at a rate of interest related to the notes retired). The proposed transactions

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are designed to utilize effectively aggregate system funds and to achieve the following: (1) prepayment of inventory loans with commercial banks at an earlier date, (2) deferment of outside financing until aggregate system funds approach a minimum balance, and (3) facilitation of the internal financing of emergency requirements. In addition, operating subsidiaries having excess funds will be able, through the prepayment of installment promissory notes, to decrease their own net corporate interest expense during the period such funds are not required.

YULETIDE ENTERPRISES TO SELL STOCK. Yuletide Enterprises, Inc., 53 W. 23d St., New York, filed a registration statement (File 2-27924) with the SEC on December 26 seeking registration of 100,000 shares of common stock, to be offered for public sale at $7 per share. The offering is to be made through Milton D. Blauner & Co., Inc., 115 Broadway, New York 10006, which will receive a 70¢ per share commission plus $4,000 for expenses. Blauner has agreed to pay Magnus & Co., Inc., one-half of its profit from this offering; and the company will grant to Blauner and Magnus five-year warrants to purchase 10,000 common shares at $7 per share. An additional 5,000 warrants are to be granted Howard Stamer and Robert J. Haft for services as counsel to the company.

The company engages in the importation and sale at wholesale levels of decorations, novelties, toys and similar items, all having a Christmas motif; it is contemplating an expansion to include toys and novelties not specifically related to particular holidays. Net proceeds of its stock sale will be used as follows: $200,000 for expansion of the company's Christmas line by the purchase and carrying of additional inventory; $200,000 for the purchase and carrying, through a subsidiary, of general lines of toys and novelties; and the balance for working capital and other corporate purposes, including the possible expansion referred to. The company now has outstanding 233,334 common shares; Perry Feuer, president, owns 57.1% and Leonard Ruderman, vice president, 42.9%.

TRESCO PROPOSES DEBENTURE OFFERING. Tresco, Inc., 3824 Terrace St., Philadelphia, Pa. 19128, filed a registration statement (File 2-27926) with the SEC on December 26 seeking registration of $800,000 of 6-3/4% convertible subordinated debentures due 1983, to be offered for public sale through underwriters headed by Ferris & Co., 611 - 15th St., N. W., Washington, D. C. The offering price and underwriting terms are to be supplied by amendment.

The company is engaged in the design, manufacture and sale of a broad range of transformers, inductors and other electronic components. Net proceeds of its debenture sale will be applied to the reduction of accounts payable, to payment of the balance of a 10% note payable to a bank (outstanding in the amount of $450,000 on October 31), and for general corporate purposes. In addition to indebtedness, the company has outstanding 409,663 common shares, of which Edward J. Fisher, president, owns 19.48% and management officials as a group 58.78%.

CONNREX CORP. PROPOSES OFFERING. The Connrex Corporation, P. O. Box 326, Plantsville, Conn. 06479, filed a registration statement (File 2-27927) with the SEC on December 27 seeking registration of 100,000 shares of common stock. The shares are to be offered for public sale through underwriters headed by Joseph, Mellen & Miller, Inc., 1400 E. Ohio Bldg., Cleveland, Ohio, and Schwabacher & Co., 100 Montgomery St., San Francisco, Calif. 94104. The public offering price ($12.00 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is engaged in the business of precision forging and other treatment of metals, compounding and distributing industrial chemicals and solvents, and the production and sale of screw machine products and small machined parts. Of the net proceeds of its stock sale, $550,000 will be used to liquidate short-term indebtedness incurred primarily to finance the acquisition of the assets of The Lake Manufacturing Corporation; the balance will be added to working capital for general corporate purposes. In addition to indebtedness, the company has outstanding 233,394 common shares, of which management officials own 47.37% (including 8.43% owned by Ralph Crispino, president, 7.42% owned by Charles Rubenstein, board chairman, and 9.62% owned by Frederic R. Kellogg, a director).

FIRST HOME INVESTMENT (KANSAS) PROPOSES OFFERING. First Home Investment Corporation of Kansas, Inc. ("FHI"), 113 S. Hydraulic, Wichita, Kansas 67211, filed a registration statement (File 2-27932) with the SEC on December 26 seeking registration of $1,000,000 of Series 27 face-amount certificates, $10,000 of Series 20 face-amount certificates, and 12,000 shares of common stock. Series 27 certificates will be issued in minimum denominations of $1,000 for which the purchaser will pay $425 per $1,000, from which is deducted a sales commission of $29.75. The $1,000 face amount represents the net amount paid plus accumulations thereon at the rate of 3½% per annum, compounded annually for 27 years. The purchaser thereof may, at his option, purchase at $5.75 per share up to 100 shares of common stock of the company per $1,000 face-amount certificate. Series 20 certificates will be issued in minimum denominations of $1,000, for which the purchaser will pay $762 annually (or $801.60 if payments are made on a monthly basis).

FHI (formerly Namoco Mortgage Company, Inc.) was organized under Kansas law in September 1961. It originates first-mortgage loans upon residential properties for sale ultimately to institutional investors. Dave Bush is president.

INTERNATIONAL INDUSTRIES FILES FOR OFFERING AND SECONDARY. International Industries, Inc., 6837 Lankershim Blvd., North Hollywood, Calif. 91605, filed a registration statement (File 2-27933) with the SEC on December 27 seeking registration of 250,000 shares of common stock. Of this stock, 150,000 shares are to be offered for public sale by the company and 100,000 (being outstanding shares) by the present holders thereof. The offering is to be made by underwriters headed by Goldman, Sachs & Co., 20 Broad St., New York 10005; and the public offering price and underwriting terms are to be supplied by amendment.

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The company is a national franchising company providing products and services primarily through the franchise method of distribution. Its present principal activity continues to be in the food service field. The company is also engaged in the equipment rental business and the specialized retail women's apparel business and has recently entered the field of educational training and services. In September it purchased all of the stock of Orange Julius of America, a fast food service business; and in October it purchased the stock and assets of two businesses engaged in educational training and services. Net proceeds of the company's sale of additional stock will be used to retire some $3,492,500 of bank debt (incurred in part to make the acquisitions referred to) and the balance will be added to the company's general funds. In addition to indebtedness and preferred stock, the company has outstanding 1,787,580 common shares, of which Al Lapin, Jr., president and board chairman, owns 24.1% and management officials as a group 32.7%, and Allstate Insurance Company 18.6%. Lapin proposes to sell 25,000 of his holdings of 431,499 shares; Allstate Insurance 50,000 of 332,724; and Albert J. Kallis, a director, 25,000 of 115,104.

HF IMAGE SYSTEMS PROPOSES OFFERING. HF Image Systems, Inc., 11244 Playa Court, Culver City, Calif. 90230, filed a registration statement (File 2-27934) with the SEC on December 27 seeking registration of 350,000 shares of common stock with attached warrants for the purchase of 350,000 additional shares at a price of $15 per share for a period of two years commencing January 1, 1971. It is proposed to offer the securities for public sale in units, each consisting of 1 share and 1 warrant; the offering is to be made at $15 per unit through underwriters headed by Dempsey-Tegeler & Co., Inc., 1000 Locust St., St. Louis, Mo. 63101, which will receive a $1.20 per unit commission. The Dempsey-Tegeler firm also will receive warrants to purchase 17,500 common shares at 120% of the public offering price.

The company was organized in September 1967 by Houston Fearless Corporation ("HFC") for the purpose of production, marketing and further development of products in the micrographic systems industry. Its products consist of a microfiche automatic retrieval display device and accessory products developed by HFC and known as the "CARD system," the rights to which were transferred to the company by HFC in return for 1,400,000 shares of the company's stock. Net proceeds of this financing will be added to the company's general funds, as working capital, to finance start-up costs, production, continued development and marketing of its products, including repayment of borrowings from a bank and HFC. Fred C. Mahner, board chairman, is president, board chairman and chief executive officer of HFC and Donald E. Chelew, president, is executive vice president of HFC.

TRICO MANAGEMENT FILES. Trico Management Company, 811 W. 7th St., Los Angeles, Calif. 90017, filed a registration statement (File 2-27935) with the SEC on December 27 seeking registration of $1,000,000 of interest in its 1968 oil and gas exploration program, to be offered for public sale at $5,000 per unit. The offering is to be made by company representatives, without commission.

Trico Management has entered into a joint venture agreement with Trico Oil and Gas Company under which Trico Oil and Gas will be engaged to explore on its behalf for oil and gas using funds from this offering. Trico Management has outstanding 1,000 capital shares. Roger A. Chaffin is president. Trico Oil and Gas will also become a participant, on the same basis as any other participant, by subscribing to a participation equal to one-third of the commitments of all other participants (the equivalent of 25% of the exploration fund, e.g., if the entire offering is subscribed there will be a $1,000,000 exploration fund, of which $250,000 will be contributed by Trico Oil and Gas and $750,000 by other participants).

FIFTH AVENUE'S PROPOSED PURCHASE OF AUSTIN NICHOLS STOCK DISAPPROVED. The SEC today announced a decision under the Investment Company Act (Release IC-5214) denying an application for an exemption to permit Fifth Avenue Coach Lines, Inc., a New York company, to purchase 58,730 shares of stock of Austin Nichols & Co., Inc., a wine and liquor importer and distributor, held by Axe-Houghton Fund A, Inc., a registered investment company under the Act. The purchase is prohibited in the absence of an exemption because Fifth Avenue, by virtue of its present holdings of Austin Nichols stock, is an affiliate of that company, which is an affiliate of the Fund. The desired purchases from the Fund together with other proposed purchases from affiliates of the Fund would have given Fifth Avenue about 25.4% of Austin Nichols outstanding stock.

The Commission's denial of the exemption was based on applicants' failure to sustain their burden of establishing that the financing arrangements for the purchase of the Austin Nichols stock, at a price of $35 per share, which the Commission considered an integral part of the proposed transactions, did not involve overreaching of Fifth Avenue and its stockholders. Accordingly, the Commission did not reach the question whether the purchase price is fair and reasonable and does not involve overreaching on the part of any person concerned.

Fifth Avenue entered into the financing arrangement in question with Edward Krock, a financial consultant to and former officer and director of that company and for many years an associate of Fifth Avenue's former president who negotiated the proposed purchase. Under the terms of that arrangement, Krock committed himself until April 1, 1968, to loan Fifth Avenue $3-1/2 million upon delivery of 51% of Austin Nichols' outstanding stock as collateral, and Fifth Avenue promised to pay him immediately a commitment fee of $427,500, which included the advance payment of interest in an unspecified amount, whether or not the loan was made. Neither the time for repayment nor the interest rate was specified. The commitment fee was paid, but Krock has not as yet advanced any funds to Fifth Avenue.

At the hearings on the application, the president of Fifth Avenue testified that, as a result of various conversations, material provisions of the financing arrangement had been altered and various deficiencies remedied. The Commission concluded, however, that the full terms of "this peculiar financing arrangement" had not been established by the evidence and that "applicants' efforts to explain or explain away" the arrangement were "clearly inadequate."

In rejecting applicants' contention that the Commission was not authorized to consider the interests of shareholders other than those of the investment company, the Commission observed, "We cannot believe the Congress intended, after requiring an agency of the Government to examine a transaction such as this, to put that agency in the position of effectively authorizing the transaction when there are circumstances raising

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questions as to possible overreaching of a person concerned which has public investors."

In view of the Commission's denial of the exemption of the proposed purchase, it also denied approval of the proposed sales of Austin Nichols stock to Fifth Avenue on the same terms by Axe-Houghton Stock Fund, Inc., a registered investment company, Huntington Corporation and Emerak Corporation, which are under common control with the Fund's investment adviser, as inconsistent with the provisions of the Act.

STOCK PLANS FILED. The following companies have filed Form S-8 registration statements with the SEC proposing the issuance of stock under employee stock option and related plans:

Connelly Containers, Inc., Bala-Cynwyd, Pa. (File 2-27928) - 25,000 shares
Weyerhaeuser Company, Tacoma, Wash. 98402 (File 2-27929) - $9,600,000 of interests in the company's investment growth plan and 246,153 shares
Sav-A-Stop, Incorporated, Jacksonville, Fla. (File 2-27930) - 117,677 shares
The May Department Stores Company, St. Louis, Mo. 63101 (File 2-27931) - 300,000 shares

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 December 4 News Digest.

Tridair Industries Nov 67(10)	0-2780-2
udylite Corp Nov 67(13)	1-3095-2
Unarco Industries Inc Nov 67(2,3,13)	1-3296-2
United Air Lines Inc Nov 67(7,8)	1-2637-2
Universal Moulded Fiber Glass Corp Nov 67(12,13)	0-470-2
Uslife Holding Corporation Nov 67(11,12,13)	2-25711-2
Valley Metallurgical Processing Co Inc Nov 67(3,11,13)	1-5133-2
Volt Technical Corp Nov 67(7,8)	2-19724-2
Voss Engineering Co Dec 67(12)	2-24522-2
Washington Natural Gas Co Nov 67(3)	0-951-2
Western Investment Real Estate Trust Nov 67(2)	0-2809
Zenith Radio Corp Nov 67(12)	1-4115-2
Siboney Corp Amend #1 to 8K for Nov 67(1)	1-3952-2
Family Record Plan Inc Amend #1 to 8K for Oct 67(9)	1-4769-2
Tenneco Corp Amend #1 to 8K for Nov 67(7)	1-5398-2
Aberdeen Petroleum Corp Nov 67(2,7,13)	1-3989-2
Allied Properties Nov 67 (8)	0-1430-2
Alloys Unlimited Inc Nov 67 (2,7,13)	1-4479-2
Apache Corp Nov 67 (7,8,12)	1-4300-2
John Blair & Co Nov 67 (2,7,13)	0-2082-2
Colemen Cable & Wire Co Nov 67 (12,13)	2-19645-2
Commercial Filters Corp Nov 67 (11,13)	0-792-2
Cons Oil & Gas Inc Nov 67 (7,8,9)	1-4516-2
The Cosmodyne Corp Nov 67 (2,7,13)	1-5336-2
Crown Aluminum Corp Nov 67 (2,13)	1-4584-2
DC Internatl Inc Nov 67 (11,13)	0-914-2
Dekalb Agricultural Assoc Inc Nov 67 (11,13)	0-2886-2
Delta Steamship Lines Inc Nov 67 (1,12)	0-1346-2
Deseret Pharmaceutical Co Inc Nov 67 (2,7,9,11,13)	1-5322-2
Dunham-Bush Inc Nov 67 (8,11,13)	0-431-2
E & B Liquidating Co Inc Nov 67 (2,11,13)	0-2210-2
Educators Ind Inc Nov 67 (12)	0-1931-2
Emenee Corp Nov 67 (3,11,12)	1-4349-2
Ex-Cello Corp Nov 67 (4,7,10,13)	0-1334-2
Farmland Ind Inc Nov 67 (8,13)	2-7250-2
Federated Enterprises Corp Nov 67(2,13)	0-1706-2
Florida Downs Inc Nov 67 (8,13)	2-11273-2
General Mills Inc Nov 67 (13)	1-1185-2
Kalvar Corp Nov 67 (7,8,13)	0-2166-2
L'Aiglon Apparel Inc Nov 67 (11,12,13)	1-3497-2
Leeds Shoes Inc Nov 67 (7)	0-2216-2
Liberty Loan Corp Nov 67 (12)	1-5467-2
Loehmann's Inc Nov 67 (7,11,13)	1-4961-2
Louisiana Gas Service Co Nov 67 (3,7)	1-4335-2
Maine Sugar Ind Inc Nov 67 (7)	0-2426-2
Mangel Stores Corp Nov 67 (9,13)	1-1118-2
Natl Home Products Inc Nov 67 (2,13)	0-2062-2
Nuclear Data Inc Nov 67 (11,12,13)	0-1503-2
Philips Ind Philips N V & U S Philips Trust Sept 67 (6K)	2-20193-2
Pilot Radio-Television Corp Nov 67 (12)	1-4336-2
Scott & Fetzer Co Nov 67(2,4,7,11,13)	0-231-2
Southland Inv Corp Nov 67 (1,2,7)	0-1812-2
Spencer Packing Co Nov 67 (3,13)	0-2035-2
Transitron Electronic Corp Nov 67 (11)	1-4261-2
Ventron Corp Nov 67 (2,13)	2-9537-2
Weiss Bros Stores Inc Jun 67 (4,7)	2-19216-2
Nov 67 (11,13)	2-19216-2
Wellington Management Co Nov 67(3,12,13)	0-163-2
Xtra Inc Oct 67 (13)	1-4940-2
Hermetite Corp Amend #1 to 8K for Nov 67 (3)	0-555-2
Airlift Internatl Inc Nov 67(11,12,13)	0-1846-2
Amer Institutional Devel Inc Nov 67 (7)	2-25428-2
Anchor Corp Nov 67 (12,13)	0-215-2
Cebcon Corp Nov 67 (11,12)	1-3554-2
Chicago Pneumatic Tool Co Nov 67 (11)	1-1504-2
Cognitronics Corp Nov 67 (7,13)	2-27439-2

SECURITIES ACT REGISTRATIONS. Effective December 27: Applied Dynamics, Inc., 2-27683 (90 days); Day-Baldwin Inc., 2-27368 (90 days); Eastern Gas and Fuel Associates, 2-27781; Fundex, Inc., 2-27143; Meredith Corp., 2-27847; Ralston Purina Co., 2-27893 (40 days); Semicon, Inc., 2-27633 (40 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.

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