

# 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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## COMMISSION ANNOUNCEMENTS

**"INVESTOR PROTECTION" LAW DISCUSSED.** The SEC today issued a reminder to brokers and dealers and exchange members that on December 30, 1970, the Securities Investor Protection Corporation Act of 1970 was signed into law (Release 34-9064). The Act established the Securities Investor Protection Corporation (SIPC), which will provide protection for the accounts of customers of brokers and dealers and exchange members who get into financial difficulty.

SIPC will provide protection of up to \$50,000 per account on customer claims for cash and securities in the event of the liquidation of a SIPC member. However, no more than \$20,000 of this coverage may be for claims for cash. SIPC will be funded through assessments on its members. The fund is required to amount to \$75 million within 120 days of enactment, that is by April 29, 1971. This start up fund will be composed of a combination of assessments, monies to be transferred from existing trust funds and confirmed bank lines of credit. The fund thus raised will gradually be expanded by assessments to \$150 million and lines of credit will be phased out.

All brokers and dealers and members of national securities exchanges who are not exempt are required to pay an initial assessment of 1/8 of 1% of gross 1969 revenues from the securities business. Assessments thereafter will be set at a minimum of 1/2 of 1% per annum until the fund totals \$150 million of which not more than \$50 million may be represented by bank lines of credit. The Act permits assessments of up to 1% per annum if it is necessary to build or maintain the fund and SIPC determines that such assessment will not materially harm SIPC members or their customers. With respect to the initial assessment, under Section 4(c) (1) of the Act, the Commission is empowered to establish a lesser percentage than 1/8 of 1% for any class or classes of members taking into account certain relevant factors.

Broker-dealers who are members of SIPC will be subject to financial responsibility inspections, the filing of certain reports, and the payment of assessments. Assessments will be collected and inspections done through the presently constituted self-regulatory organizations. They will be notified by the appropriate self-regulatory organization of the time and method of payment of assessments, the filing of reports and other pertinent information.

The Commission observed that Congress in passing this Act expressed the gravest concern with the financial responsibility standards of the industry. While it is expected that the Commission and the self-regulatory organizations will take action in this area, it is incumbent upon each broker-dealer to examine its own practices to determine if they meet the high standards expected in the securities industry.

**BATTLE MOUNTAIN OFFERING SUSPENDED.** The SEC has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by Battle Mountain Wild Cat, Inc. (BMWC), of Reno, Nev. The order provides an opportunity for hearing upon request on the question whether the suspension should be vacated or made permanent.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. In a notification filed on October 27, 1969, BMWC proposed the public offering of 6,000,000 common shares at 5c per share pursuant to such an exemption. In its suspension order, the Commission asserts that it has "reasonable cause to believe" that the company's notification and offering circular were false and misleading in respect of certain material facts, in that there was a failure (1) to identify James Schasre, its counsel, as an affiliate of BMWC and that he would assume operational control of the company, including the receipt and disbursement of corporate funds through his personal bank "trust account," (2) to disclose the material family relationship of uncle and nephew existing between the company's original president and the assignor of its oil and gas leases and general manager of field operations, (3) to reveal that the company would invest in securities of other companies and that its stock would be purchased by other companies, and (4) to disclose the prior sale of unregistered stock for which an exemption from registration was not available.

## COURT ENFORCEMENT ACTION

**SEC COMPLAINT NAMES NATIONAL BANKERS LIFE, MASTER CONTROL, OTHERS.** The SEC Fort Worth Regional Office announced January 19 (LR-4879) the filing of a complaint in Federal court in Dallas, seeking to enjoin violations of the registration and anti-fraud provisions of the Federal securities laws by the following, in connection with their transactions in stock of National Bankers Life Insurance Co., Olympic Life Insurance Company and Master Control, Inc.: National Bankers Life Insurance Company, National Bankers Life Insurance Co. Employees Retirement Plan, Master Control, Inc., Nashwood Corporation, FLAP, Inc., South Atlantic Company, Dallas Bank & Trust Company, City Bank & Trust Company, J. Quincy Adams, Joseph P. Novotny, Tom Max Thomas, Sam Stock, Michael F. Ling, Donald S. Akins, Phillip I. Proctor, William B. Strange, James Farha, David Hoover, Audy Byram and H. E. McCain, all of Dallas, Olympic Life Insurance Company, of Fort Worth, Sharpstown Realty Company, Oak Forest Realty Company, Oak Forest Investment Company, Sharpstown State Bank and Frank W. Sharp, all of Houston, John Osorio of Austin (Spicewood), and Waggoner Carr of Austin.

OVER

SECURITIES ACT REGISTRATIONS

RELiance ELECTRIC TO SELL DEBENTURES. Reliance Electric Company, 24701 Euclid Ave., Cleveland, Ohio, filed a registration statement (File 2-39252) with the SEC on January 20 seeking registration of \$30,000,000 of debentures, due 1996, to be offered for public sale through underwriters headed by Smith, Barney & Co. Incorporated, 20 Broad St., and Lehman Brothers Incorporated, One William St., both of New York. The interest rate, offering price and underwriting terms are to be supplied by amendment.

The company is engaged in the development, manufacture, sale and service of systems and equipment used in the automation of industrial processes and commercial operations and marketed under such trade names as Reliance, Dodge, and Toledo Scale. Net proceeds of its debenture sale will be used to retire the amount outstanding under a term bank loan (which at December 31, 1970, aggregated some \$25,500,000, including \$6,000,000 of current maturities) and to reduce short-term debt or for other general corporate purposes. Such bank loan and other short-term debt were incurred to finance plant expansion and meet working capital requirements. In addition to indebtedness and preferred stock, the company has outstanding 6,195,276 common shares. Hugh D. Luke is president.

ARKANSAS POWER TO SELL BONDS. Arkansas Power & Light Company, Ninth and Louisiana Sts., Little Rock, Arkansas, filed a registration statement (File 2-39253) with the SEC on January 21 seeking registration of \$30,000,000 of first mortgage bonds, due 2001, to be offered for public sale at competitive bidding. A subsidiary of Middle South Utilities, Inc., the company will use the net proceeds of its bond sale for payment of bank loans and commercial paper indebtedness (estimated at \$6,000,000 at the time the proceeds are received) and for its construction program and other corporate purposes. Construction expenditures are estimated at \$124,050,000 for 1971, \$77,400,000 in 1972, \$99,400,000 in 1973, \$118,700,000 in 1974 and \$65,000,000 in 1975.

LEVI STRAUSS FILES FOR OFFERING AND SECONDARY. Levi Strauss & Co., 98 Battery St., San Francisco, Calif. 94106, filed a registration statement (File 2-39256) with the SEC on January 21 seeking registration of 1,250,000 shares of common stock, of which 1,050,000 are to be offered for public sale by the company and 200,000 (being outstanding shares) by the holders thereof. The offering is to be made through underwriters headed by Lehman Brothers Incorporated, One William St., New York, N. Y. 10004, and Dean Witter & Co. Incorporated, 45 Montgomery St., San Francisco, Calif. 94106; the offering price (\$45 per share maximum\*) and underwriting terms are to be supplied by amendment. Also included in this offering are 125,000 outstanding shares, which are to be offered for sale by the holders thereof to company employees.

The company manufactures LEVI's jeans, slacks and related apparel for men, women and boys. Part of the net proceeds of its sale of additional stock (together with \$10,000,000 to be borrowed from an insurance company) will be used to reduce short-term bank borrowings incurred for general working capital purposes and to finance capital expenditures; and \$32,000,000 will be used to finance the company's facility expansion program. In addition to indebtedness, the company has outstanding 9,744,132 common shares (following the January 15 two-for-one stock split), of which Walter A. Haas, honorary chairman, owns 11.5%, Walter A. Haas, Jr., board chairman and chief executive officer, 10.1%, Peter E. Haas, president, 10.9% and management officials as a group 42.6%. The Haases are the selling shareholders; the number of shares to be sold by each is to be supplied by amendment.

HOUSTON LIGHTING TO SELL BONDS. Houston Lighting & Power Company, 611 Walker Ave., Houston, Tex. 77002, filed a registration statement (File 2-39257) with the SEC on January 21 seeking registration of \$50,000,000 of first mortgage bonds, due 2001, to be offered for public sale at competitive bidding. A public utility, the company will use the net proceeds of its bond sale to repay an equal principal amount of outstanding short-term bank loans (estimated at \$57,000,000 at the time of the bond sale), the proceeds of which were used to defray the cost of its construction program and for other corporate purposes. Construction expenditures are estimated at \$136,000,000 in 1971 and \$468,000,000 for the years 1971 through 1973.

STOCK PLANS FILED. The following have filed Form S-8 registration statements with the SEC seeking registration of securities to be offered pursuant to employee stock and related plans:

Potter Instrument Company, Inc., Plainview, N. Y. 11803 (File 2-39254) - 35,000 shares  
Southwest Gas Corporation, Las Vegas, Nev. 89101 (File 2-39255) - 80,000 shares

SECURITIES ACT REGISTRATIONS. Effective January 21: Chesapeake Instrument Corp., 2-37918; Clevetrust Investors, 2-38989 (90 days); The Coca-Cola Bottling Co. of New York, Inc., 2-39008; Food Fair Stores, Inc., 2-39076; GAC Growth Fund, Inc., 2-39161; Mutual Benefit Fund, 2-36663 and Mutual Benefit Variable Contract Account 2, 2-36664; Mutual Benefit Growth Fund, 2-38175; Niagara Mohawk Power Corp., 2-39190; Northern Illinois Gas Co., 2-39055; Pacific Gas Transmission Co., 2-39066; Pacific Power & Light Co., 2-39149; Public Service Co. of Colorado, 2-39145; Raychem Corp., 2-38395 and 2-38396.

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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