

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

SEC ORDER CITES ADAMS ASSOCIATES. The SEC has ordered proceedings under the Securities Exchange Act of 1934 involving the broker dealer firm of Louis B. Adams, doing business as Adams Associates, of Wallingford, Conn. The proceedings are based on allegations of the Commission's staff that from about January 1967 to date registrant (1) failed to keep current certain books and records including ledgers, memoranda of brokerage orders and securities position record, (2) effected transactions in and induced the purchase of sale of securities while in violation of the net capital rules, (3) failed to file with the Commission an acceptable report of financial condition for the year 1967 as required, (4) failed and refused despite repeated demands of a customer therefore to complete purchases and deliveries of securities fully paid for and belonging to such customer, and (5) made false and misleading statements respecting, among other things, the financial condition of registrant, use of funds and securities received from investors and dates on which investments for customers were actually made.

A hearing will be scheduled by further order to take evidence on staff allegations and to afford the respondents an opportunity to offer any defenses thereto, for the purpose of determining whether the allegations are true, and if so, whether any action of a remedial nature should be ordered by the Commission.

DATACON INTERNATIONAL 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 the proposed public offering of stock of Datacon International, Inc., of Lansing, Ill. 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 \$500,000 (\$300,000 at the time of this filing). In a notification filed on June 30, 1970 Data proposed to rescind the sale of 58,933 shares of its \$1 par value common stock for the purpose of obtaining an exemption from the registration requirements of the Securities Act.

In its suspension order the Commission asserts that it has "reasonable cause" to believe that the terms and conditions of Regulation A have not been complied with and that the offering circular is materially deficient in that financial statements included therein dated March 31, 1970 exceed the six month period established by Regulation A, the balance sheet and accompanying notes fail to disclose the method of valuing inventory, include arbitrary dollar values assigned to fixed assets and omit to disclose the material fact that a material contingent liability exists. In addition, the operating statement contains material omissions relating to sources of income and charges against income, and the issuer through its officers and directors failed to cooperate with the Commission as required.

DECISIONS IN ADMINISTRATIVE PROCEEDINGS

PACIFIC SECURITIES CANCELLED, DEAL BARRED. The SEC today announced a decision under the Securities Exchange Act of 1934 in which it ordered that the broker dealer registration of Pacific Securities Company ("registrant"), of Salem, Oregon be cancelled. The Commission's order further provided that James Richard Deal, registrant's president, be barred from engaging in business as a broker-dealer and from association with a broker-dealer in a managerial or supervisory capacity, and suspended him from any such association for six months. After that period, Deal may not become associated with a broker-dealer except under such supervision as the Commission deems appropriate, and may apply to become associated in a managerial or supervisory capacity on Commission approved terms. The trustee in bankruptcy for Pacific filed a stipulation asserting that there is no present intention of continuing or resuming registrant's securities business.

According to the Commission's decision, at various times in 1968 and 1969, Deal (1) effected securities transactions without disclosing to customers and others that registrant was insolvent, (2) improperly extended and arranged for the extension of credit to customers, (3) aided and abetted violations of the Commission's net capital rules and failed to maintain required books and records, (4) in connection with distributions of stock of Datatronics Leasing Corp., and Pixieland Corporation, failed to transmit sales proceeds promptly to the persons entitled thereto, and (5) failed to exercise reasonable supervision with a view to preventing violations of the securities laws and rules thereunder by others.

In an offer of settlement submitted by Deal solely for purposes of the Commission's proceedings, he admitted certain of the allegations made against him, and consented to findings of willful violations and to the imposition of the indicated sanction. (Release 34-9136)

MANJIRA MUTUAL REGISTRATION WITHDRAWN, BERMAN SUSPENDED. The SEC today announced a decision under the Securities Exchange Act of 1934 in which it permitted the withdrawal of the registration as a broker dealer of Manjira Mutual Funds, Inc., of New York, censured the firm and suspended Myron P. Berman, its treasurer and sole stockholder, from being associated from any registered broker or dealer for 30 days and ordered that he may not thereafter become a registered broker dealer or a principal thereof without prior approval of the Commission.

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According to the decision, respondents failed to file with the Commission a report of financial condition for the calendar year 1969 as required. In an offer of settlement in which respondents admitted the accuracy of the allegations and consented to findings and to imposition of the sanctions, the firm also agreed to submit its report of financial condition for the calendar year 1970. (Release 34-9139)

COURT ENFORCEMENT ACTIONS

GARFF AND HACKETT ENJOINED. The SEC Denver Regional Office today announced that on March 24 the Federal court in Salt Lake City permanently enjoined Wayne B. Garff and George L. Hackett from violating the registration provisions of the Federal securities laws in the offer and sale of securities of Unirex, Inc. (LR-4968)

ENJOINED IN SALE OF SLENT COMPUTER STOCK. The SEC Fort Worth Regional Office today announced that on April 6 the Federal court in Houston permanently enjoined Al Willard of New York from offering for sale or selling the stock of Slent Computer Corporation. The defendant consented to the entry of the injunction without admitting the allegations in the complaint. (LR-4969)

INVESTMENT COMPANY ACT RELEASES

FIRST NATIONAL CITY BANK. The SEC has issued an order under the Investment Company Act suspending the right of termination of units of participation of Commingled Investment Account of First National City Bank and suspending payment to any participating customer who has given notice of termination of participation in the Account which is received on or after April 5, 1971 the date of the application and the date of the Supreme Court decision in Investment Company Institute v. Camp.

In support of the application First National states, among other things, that there is a high probability that when news of the Supreme Court decision is widely disseminated, many participants will immediately give notice of termination of their participation resulting in demands for liquidation, and that such demands for liquidation may cause the costs of liquidating the account to be distributed unfairly among existing participants. (Release IC-6446)

CHILE EXPLORATION & CHILE COPPER. The SEC has issued an order under the Investment Company Act giving interested persons until April 28 to request a hearing on an application by Chile Exploration Company (Chilex) and Chile Copper Company (Chilco) for a temporary exemption from certain provisions of the Act. The Anaconda Company owns 99.81% of the outstanding shares of Chilco which in turn owns all the outstanding shares of Chilex excepting 10 shares owned by Anaconda. Chilex has filed an application for an order declaring that it is not an investment company, and a temporary exemption expired on December 6, 1971. Chilex which has not registered under the Act requests temporary exemption from the Act until the Commission acts on the request for permanent exemption. ^{1/} (Release IC-6449)

COWLES COMMUNICATIONS. The SEC has issued an order under the Investment Company Act giving interested persons until April 30 to request a hearing on an application by Cowles Communications, Inc., of New York. Cowles filed an application on December 30, 1970 for an order declaring that it is primarily engaged in a business other than that of investing, reinvesting, owning, holding or trading in securities, the sixty day exemption period having expired on March 1, 1971. Cowles states that it has not consummated the acquisition of 2,600,000 shares of Class A common stock of the New York Times Company which would result in more than 40% of its total assets consisting of investment securities and it will not acquire any portion of such securities prior to April 1, 1971. Because there are various conditions precedent to the consummation of the agreement to acquire the shares, Cowles states that it may never acquire the full 2,600,000 shares, or possibly any shares of Times Class A common in which case it would not be an investment company within any interpretation of Section 3(b)(2) of the Act.

Accordingly Cowles seeks an order extending the period during which it is exempt from all provisions of the Act from March 1, 1971 when the application was filed until such time as the Commission acts on its request for the order described herein. ^{1/} (Release IC-6450)

NUVEEN TAX-EXEMPT BOND FUND. The SEC has issued an order under the Investment Company Act granting confidential treatment to the profit and loss statements of John Nuveen & Co., Inc., of Chicago, submitted by Nuveen Tax-Exempt Bond Fund in connection with filings under the Securities Act of 1933. (Release IC-6452)

HOLDING COMPANY ACT RELEASES

GIRARD TRUST BANK. The SEC has issued an order under the Holding Company Act declaring that neither Girard Trust Bank nor Edward C. Leber and Jane S. Kubiak all of Philadelphia will be come an electric utility company within the meaning of the Act as the result of a transaction involving the purchase of generating equipment from General Electric by the Pennsylvania Power and Light Company and assignment of the right to buy the equipment to the Trustees acting for the benefit of Girard and certain institutional investors. (Release 35-17094)

INDIANA & MICHIGAN ELECTRIC CO. The SEC has issued an order under the Holding Company Act giving interested persons until May 4 to request a hearing on an application of Indiana & Michigan Electric Company of Ft. Wayne, Ind. I&M proposes to acquire for \$70 million cash all of the common stock of Indiana & Michigan Power Company, a new company incorporated for the purposes of acquiring, completing the construction of, owning and operating the Donald C. Cook Nuclear Generating Plant which is being constructed at Bridgman, Mich. and selling, upon commencement of its operation, all of the electric power and energy generated by that plant to I&M. The proposed transactions will permit Power Company to provide a substantial portion of the necessary financing of the Nuclear Plant through the direct issuance of debt securities. ^{1/} (Release 35-17095)

SECURITIES ACT REGISTRATIONS

*CNA FINANCIAL SHARES IN REGISTRATION. CNA Financial Corporation, 310 South Michigan Ave., Chicago 60604, filed a registration statement with the SEC on March 31 seeking registration of 1,019,243 outstanding shares of common stock. These shares may be offered for sale from time to time by the holders thereof at prices current at the time of sale (**\$19.75 per share maximum). William Weinberg may sell 500,000 of 1,758,032 shares held and a large number of others the remaining shares being registered. (File 2-39921).

*KAYSER-ROTH TO SELL DEBENTURES. Kayser-Roth Corporation, 640 Fifth Avenue, New York 10019, filed a registration statement with the SEC on April 1 seeking registration of \$20 million of senior debentures due 1996, to be offered for public sale at 100% of principal amount through underwriters headed by Hornblower & Weeks-Hemphill, Noyes, 8 Hanover St., New York 10004.

The company manufactures and sells a wide variety of wearing apparel, as well as shoes and specialty textile products. Net proceeds of its debenture sale will be used to increase working capital, initially by repayment of short-term debt (which amounted to \$8,595,000 at December 31) and for general corporate purposes. (File 2-39922).

SOUTHWEST AIRLINES TO SELL STOCK. Southwest Airlines Co., International Airport, San Antonio, Texas 78216, filed a registration statement with the SEC on April 2 seeking registration of 650,000 shares of common stock, to be offered for public sale (**at \$12 per share maximum). The offering is to be made through underwriters headed by Thomson & McKinnon Auchincloss Inc., 2 Broadway, New York 10005.

Organized in March 1967, the company is a Texas intrastate airline which proposes to institute scheduled airline service between various Texas cities. Of the net proceeds of its stock sale, \$2,030,000 will be used to pay for certain start-up costs, up to \$1,280,000 to prepay unconverted convertible notes and the balance for working capital and other corporate purposes. The company has outstanding 382,404 common shares (with a 59¢ per share book value deficit), of which Rollin W. King, executive vice president, owns 34.8% and management officials as a group 59.4%. M. Lamar Muse is president. (File 2-39925).

*LUCKY STORES TO SELL DEBENTURES. Lucky Stores, Inc., 1701 Marina Blvd., San Leandro, Calif. 94577, filed a registration statement with the SEC on April 2 seeking registration of \$25 million of sinking fund debentures, due 1996, to be offered for public sale through underwriters headed by Goldman, Sachs & Co., 55 Broad St., New York.

The company is principally engaged in the retail sale of food and non-food items. Net proceeds of its debenture sale will be applied to its capital expenditure program for 1971 (estimated at \$38 million), including remodeling existing stores and equipping new stores; prior to such application, net proceeds may be used for interim construction financing and to repay short-term banks borrowings (\$10,410,000 at March 15). (File 2-39926)

ELECTRONIC MEMORIES & MAGNETICS SHARES IN REGISTRATION. Electronic Memories & Magnetics Corporation, 3435 Wilshire Blvd., Los Angeles, Calif. 90010, filed a registration statement with the SEC on April 2 seeking registration of 104,900 shares of common stock. Such shares are issuable pursuant to the company's Restricted Stock Purchase Plans No. I and No. II. (File 2-39927).

*ARA SERVICES SHARES IN REGISTRATION. ARA Services, Inc., 10889 Wilshire Blvd., Los Angeles, Calif. 90024, filed a registration statement with the SEC on April 2 seeking registration of 1,000,000 shares of common stock, ^{reserved} for use in connection with acquisitions and for issuance upon exercise of outstanding warrants. (File 2-39928).

*PEERLESS INSURANCE PROPOSES RIGHTS OFFERING. Peerless Insurance Company, 62 Maple Ave., Keene, N.H. filed a registration statement with the SEC on April 2 seeking registration of 113,043 shares of \$2.50 par preferred stock (convertible into common stock initially at the rate of two common shares for each preferred share), to be offered for subscription by common stockholders at the rate of one preferred share for each ten common shares held of record May 7, 1971, and at \$25 per share.

The company is engaged in a general casualty insurance, fire insurance and bonding business. Net proceeds will be used for general corporate purposes. (File 2-39929).

ANCO FILES. Anco Corporation, 810 Market St., Knoxville, Tenn. 37902, filed a registration statement with the SEC on March 31 seeking registration of 2,210,946 voting trust certificates for the same number of outstanding common shares. Such certificates will be issued only upon request of stockholders who affirmately seek to deposit and subject their stock to the Voting Trust and Option Agreement. It is contemplated that an aggregate of only 310,000 common shares will be deposited under the Voting Trust. (File 2-39923)

In a separate statement, the company seeks registration of 310,000 outstanding shares of common stock. Such shares are issuable pursuant to an option contained in the Voting Trust and Option Agreement. Pursuant to a merger agreement of October 1969, wherein Calhoun Investment Company would be merged into Anco, former shareholders of Calhoun were required to agree to deposit 310,000 shares of Anco stock in a voting trust. Such shares may be offered for sale from time to time for the benefit of the holders of the voting trust certificates at prices current at the time of sale, but the beneficial owners may decline to sell the shares at less than \$5 per share. (File 2-39924.)

FIRST DROVERS PROPOSES EXCHANGE OFFER. First Drovers Corporation, 47th & Ashland, Chicago 60609, filed a registration statement with the SEC on April 2 seeking registration of \$13,750,000 of \$3.75 convertible subordinated debentures, due 1986, and 825,000 shares of common stock. It is proposed to offer

these securities in exchange for the common stock of The Drovers National Bank of Chicago, at the rate of three shares for each Bank share, or, in the alternative, a \$60 debenture (convertible into 2.4 shares) for each Bank share. The exchange offer is contingent upon acceptance by holders (other than First Drovers) of at least 20% of Bank stock. First Drovers owns 60% of the outstanding Bank stock. Leonard B. Ettelson is board chairman of First Drovers and Michael J. Whelan is president of First Drovers and the Bank (File 2-39931).

***SALANT FILES FOR OFFERING AND SECONDARY.** Salant Corporation, 330 Fifth Avenue, New York 10001, filed a registration statement with the SEC on April 2 seeking registration of 600,000 shares of common stock, of which 400,000 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 Loeb, Rhodes & Co., 42 Wall St., New York 10005.

The company is primarily engaged in the design, manufacture and sale of men's, boys' and children's apparel. Net proceeds of its stock sale will be used to reduce short-term bank borrowings. Robert S. Salant, board chairman, proposes to sell 50,000 of 399,863 shares held, the Bessie L. Salant Trusts 139,596 of 235,898 and two others the remaining shares being registered (File 2-39933).

JOHNNY WEISSMULLER'S NATURAL FOODS TO SELL STOCK. Johnny Weissmuller's American Natural Foods, Inc., 127 South Central, Eureka, Mo. 63025, filed a registration statement with the SEC on April 2 seeking registration of 150,000 shares of common stock, to be offered for public sale at \$3 per share. No underwriting is involved; NASD members may participate in the offering.

The company was organized in April 1969 to engage in operating retail health food stores and in the sale of franchised retail health food stores. Of the net proceeds of its stock sale, \$300,000 will be used for the acquisition of existing retail health food stores and the balance for working capital and other corporate purposes. The company has outstanding 316,500 common shares (with a 13¢ per share book value deficit), of which Clary Pharmaceutical Corp. owns 63%. A.A. Morioka is president. Purchasers of the shares being registered will sustain an immediate dilution of \$1.92 in per share book value from the offering price. (File 2-39934).

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:
 Central Telephone & Utilities Corporation, Lincoln, Neb. (File 2-39917) - 30,000 shares
 Mountain Fuel Supply Company, Salt Lake City, Utah (File 2-39920) - 11,565 shares
 International Basic Economy Corporation, New York (File 2-39930) - 70,000 shares
 Inland Container Corporation, Indianapolis, Ind. (File 2-39932) - 50,000 shares
 Recognition Equipment Incorporated, Dallas, Tex. (File 2-39936) - 150,000 shares

MISCELLANEOUS

DELISTINGS GRANTED. The SEC has issued orders under the Securities Exchange Act granting applications of the American Stock Exchange to strike from listing and registration the securities of CBK Agronomics, Inc., Commonwealth United Corp. and Silicon Transistor Corporation, effective at the opening of business on April 12, 1971. CBK Agronomics fails to meet the Exchange's standards for continued listing with respect to earnings and net tangible assets. At December 31, 1969, it had a net tangible asset deficit of \$3,926,000 and net losses for its past three years ended on that date. Commonwealth United has been unable to publish and submit audited financial statement for the year ended December 31, 1969 to its shareholders and the Exchange. Unaudited financial statements for that period reflect a net tangible asset deficit of some \$6,217,000. The company joins the Exchange in the request for delisting. Silicon Transistor does not meet the Exchange's listing requirements with respect to earnings and net tangible assets. At December 31, 1969, the company had net tangible assets of only \$1,981,520, less than the Exchange's requirement of \$3,000,000, and had net losses for its past three years ended December 31, 1969. (Release 34-9101)

DELISTING SOUGHT. The SEC has issued an order under the Securities Exchange Act giving interested persons until April 26 to request a hearing upon an application of Federal Petroleum, Inc., to strike its Class A voting common stock from listing and registration on the National Stock Exchange, due to limited trading activity on the Exchange. (Release 34-9101)

UNLISTED TRADING SOUGHT. The SEC has issued an order under the Securities Exchange Act giving interested persons until April 27 to request a hearing upon an application of the Philadelphia-Baltimore-Washington Stock Exchange for unlisted trading privileges in the common stocks of the following companies: Faberge, Incorporated, Overseas Shipholding Group, Inc., and Rollins, Inc. (Release 34-9101)

SECURITIES ACT REGISTRATIONS. Effective April 12: Basic Sciences Inc., 2-33154 (90 days); Centura Petroleum Fund 1971, 2-38695 (90 days); Computer Image Corp., 2-38044; Elpaso Electric Co., 2-39693; Fibreboard Corp., 2-39625; Kinetic Science Corp., 2-38365 (90 days); Kraftco Corp., 2-39753 & 2-39754; Northern Indiana Public Service Co., 2-39647; Pennzoil United, Inc., 2-39958; Security Mortgage Investors, 2-37409; Supermarkets General Corp., 2-39293; Urban Computer Systems, Inc., 2-39229 (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.

* This is a reporting company and further information with respect to its business and operations is available in the Commission's Public Reference files.

** As estimated for purposes of computing the registration fee.

1/ Pending distribution of this Release by the Commission, interested persons should consult the Federal Register for full details of the application.