

# 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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U.S. SECURITIES & EXCHANGE COMMISSION

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FOR RELEASE June 7, 1971

## NEW RULES AND RULE PROPOSALS

SEC ISSUES NEW RULES ON IMPENDING DISTRIBUTIONS. The Commission has adopted a new Rule, effective July 12, 1971, which will require issuers of publicly traded securities to furnish specified advance information concerning impending dividends or other distributions in cash or in kind; planned splits or reverse splits; and rights or other subscription offerings to the National Association of Securities Dealers, Inc. or an exchange on which the securities are registered and which has substantially comparable procedures to those set forth herein. Presently the New York, American, Philadelphia-Baltimore-Washington, Midwest, Pacific Coast, Boston, Cincinnati, Detroit, and National Stock Exchanges have substantially comparable requirements.

The reports for issuers of over-the-counter securities will be required at least ten days prior to the record date set by the issuer for determining the identity of the security holders to whom the rights to these distributions accrue. In the case of a rights offering or other offerings requiring a registration statement under the Securities Act of 1933, where such 10 days advance notice of the record date may not be practicable, the information will be required on or before the record date and in no event later than the day on which the registration statement to which the offering relates becomes or is declared effective by the Commission. (Release 33-9192)

## DECISION IN ADMINISTRATIVE PROCEEDING

KEY SECURITIES REVOKED, WHORTON CONDITIONALLY BARRED. The Commission has issued an order revoking the broker-dealer registration of Key Securities, Inc., Wichita, Kansas, and barring its president, Bill G. Whorton, from being associated with any broker or dealer for one year following which he may be associated with a broker-dealer upon a showing of proper supervision. The sanctions were based upon violations of, among other things, the registration and antifraud provisions of the Federal securities laws.

According to the Commission's decision, respondents among other things, controlled and manipulated the market for and arbitrarily and regularly raised the prices of securities of Agricultural & Industrial Development, Inc. ("AID"), Hi-Plains Enterprise, Inc., and Hays Land and Cattle Company, created the appearance of a bona fide market for such securities when in fact no other market for such securities existed other than that maintained by Key Securities, and effected transactions in such securities at unreasonable mark-ups and markdowns. In addition, they made untrue and misleading statements concerning, among other things, the registration of such securities, and the price, value, prospective stock exchange listing and increase in the prices of such securities, failed to disclose to customers before entering into contracts with and for them for the purchase and sale of AID securities that Key Securities was then owned and controlled by AID, offered and sold unregistered AID stock, and failed reasonably to supervise other persons under their supervision with a view to preventing the above violations.

Respondents consented to the findings and sanctions in an offer of settlement without admitting or denying the charges. (Release 34-9190)

## COMMISSION ANNOUNCEMENTS

GROVE STUDIO REG A EXEMPTION SUSPENDED. The Commission has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a proposed public offering of stock by Grove Studio, Inc., of Miami. 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 condition exemption from registration with respect to public offering of securities not exceeding \$500,000 in amount.

In a notification filed on September 18, 1970, Grove proposed an offering of 48,000 shares of common stock at \$1 per share; by amendment filed December 9, 1970 the offering was reduced to 47,000 shares at \$1 per share. In its suspension order the Commission asserts that it has "reasonable cause to believe" that, no exemption is available to Grove in that (1) Joseph Garofalo, a principal security holder of the issuer and an unnamed affiliate, is subject to a court order of permanent injunction for securities laws violations, (2) prior to the clearance of the Regulation A filing and the commencement date of the offering Garofalo, doing business as Josephson Company, sold 21,600 shares of the issuer's unregistered stock for an aggregate of \$21,600 in violation of the registration provisions of the securities laws which caused the \$50,000 ceiling to be exceeded; (3) the issuer's notification and Rule 257 Statement contains false and misleading statements and omit material facts, specifically the Garofalo transaction noted above and the Rule 247 Statement also contains a number of false and misleading statements and fails to disclose other essential facts.

OVER

SEC ORDER CITES J. E. HINTON & CO. The Commission has ordered administrative proceedings involving J. E. Hinton & Co., Inc., registered broker dealer, and John Edward Hinton its president, both of Columbus, Ohio.

The proceedings are based on staff allegations that from about April 1, 1970 to date, respondents (1) effected transactions in and induced the purchase and sale of securities otherwise than on a national exchange with registrant's aggregate indebtedness exceeded 2,000 percent of its net capital, (2) failed to file with the Commission report of financial condition for calendar year 1970 and 1971 within the time required by Commission rules, and (3) failed reasonably to supervise, with a view to preventing those violations, persons who were subject to their supervision and who committed such violations.

A public hearing will be scheduled by further order to afford respondents an opportunity to establish any defenses to such allegations and to determine, what, if any, remedial action is appropriate in the public interest.

GRAY INVESTMENTS STAY EXTENDED. The Commission extended to the close of business on June 11, 1971 the stay previously granted to M. V. Gray Investments, Inc., of the Commission's order of May 20, imposing remedial sanctions on the Gray firm.

#### COURT ENFORCEMENT ACTIONS

STEIN/SECURITY UNDERWRITING FOUND GUILTY. The SEC New York Regional Office announced that on May 27 a Federal court jury in New York returned a verdict against Sidney Stein and Security Underwriting Consultants, Inc. a corporation controlled by Stein, of guilty of conspiracy to violate the Federal securities laws. Stein was also found guilty of violating the anti-manipulative provisions of the securities laws in the stock of The Buckeye Corp. in 1960 and 1961; he was found not guilty of violating the anti-fraud provisions. Two other defendants, Matthew Naphtali and Bernard Rotter were found not guilty of all charges. (LR-5025)

J. W. THOMPSON SENTENCED IN KANSAS. The SEC Fort Worth Regional Office announced that on May 25 the Federal judge in Topeka, Kansas sentenced James W. Thompson of Augusta, Kansas to three years probation and a fine of \$1,000 on a plea of guilty to violating the registration provisions of the Federal securities laws in the offer and sale of undivided interests in oil and gas leases of Petroleum Explorations, Inc., of Topeka, Kansas. (LR-5026)

SENTENCES OF FIVE UPHELD. The SEC Chicago Regional Office announced that the U. S. Court of Appeals for the Eighth Circuit affirmed the convictions of the following defendants who had been convicted in 1968 in St. Louis of violations of various provisions of the Federal securities laws in the offer and sale of stock of Presidential Investment Company, Inc.: Sidney E. Porter, John M. Harrison, Henry F. Harrison, John R. Schaefer and Carl F. Newland. (LR-5027)

#### INVESTMENT COMPANY ACT RELEASES

COMRESS INC. The Commission has issued an order under the Investment Company Act declaring that Comress Inc., of Rockville, Md. is primarily engaged in a business other than that of investing, reinvesting, owning, etc. or trading in securities directly and through majority owned subsidiaries and through controlled companies conducting similar types of businesses. (Release IC-6554)

GREAT NORTHWEST INDUSTRIES, INC. The Commission has issued an order under the Investment Company Act declaring that Great Northwest Industries, Inc., Great Falls, Montana is primarily engaged, through a controlled company, in a business other than that of investing, reinvesting, owning, holding or trading in securities. (Release IC-6555)

#### HOLDING COMPANY ACT RELEASES

AMERICAN ELECTRIC POWER CO. The Commission has issued an order giving interested persons until June 28 to request a hearing on an application of American Electric Power Company to issue and sell from time to time prior to June 30, 1973, short-term notes, including commercial paper not exceeding \$150 million. The proceeds from the sale of the notes are to be applied to make additional investments in certain of its subsidiaries to assist them in financing the costs of their respective construction programs and for other corporate purposes. AEP also proposes to issue and sell commercial paper notes in denominations of not less than \$50,000 and not more than \$5 million, and request an exemption from the competitive bidding requirements for such sales as it is not practical to invite competitive bids for commercial paper and the current rates for commercial paper for such prime borrowers as AEP are published daily in financial publications.1/ (Release 35-17152)

NEW JERSEY P&L CO./JERSEY CENTRAL P&L CO. The Commission has issued an order giving interested persons until June 30 to request a hearing on application of New Jersey Power & Light Company and Jersey Central Power & Light Company (subsidiary companies of General Public Utilities). NJP&L proposes to sell and JCP&L proposes to acquire certain utility assets now owned by JCP&L consisting of transformers and related equipment, and which are no longer needed by NJP&L.1/ (Release 35-17153)

JERSEY CENTRAL POWER & LIGHT/NEW JERSEY POWER & LIGHT. The Commission has issued an order giving interested persons until June 30 to request a hearing on application of Jersey Central Power & Light Company and New Jersey Power and Light, subsidiaries of General Public Utilities Corporation. JCP&L proposes to sell to NJP&L certain utility assets primarily transformer equipment and related equipment declared not essential to JCP&L's operations and necessary for NJP&L's operation.1/ (Release 35-17154)

CONTINUED

SECURITIES ACT REGISTRATIONS

**CUSTOM ALLOY TO SELL STOCK.** Custom Alloy Corporation, Route 513, Califon, N. J. 07830, filed a registration statement on May 27 seeking registration of 150,000 shares of common stock, to be offered for public sale (\*\* at \$4 per share maximum). The offering is to be made through underwriters headed by Austin, James & Co. Inc., 11 Broadway, New York 10004, and I. R. E. Investors Corp., 111 Old Country Rd., Hicksville, New York 11801.

Organized in January 1968, the company is engaged in manufacture of stainless steel and alloy butt welding fittings and their distribution. Of the net proceeds of its stock sale, \$100,000 will be used to repay a demand note and the balance for working capital and other corporate purposes. In addition to indebtedness, the company has outstanding 502,500 common shares (with a \$1.09 per share tangible book value), of which Adam F. Ambielli, board chairman and president, and John M. Ambielli, executive vice president, own 23.9% each and management officials as a group 61.8%. (File 2-40567)

**\*PHELPS DODGE PROPOSES FINANCING.** Phelps Dodge Corporation, 300 Park Ave., New York 10022, filed a registration statement on May 27 seeking registration of \$100 million of sinking fund debentures, due 1996, and \$50 million of notes, due 1978, to be offered for public sale through underwriters headed by Morgan Stanley & Company, Inc., 140 Broadway, New York 10005.

The company is engaged in the production of copper from mines, the sale of the greater part of such copper as refinery shapes or as rod, and the fabrication of the remainder of such copper for sale as wire, cable and tubular products. Net proceeds of the company's financing will be added to its general funds and will be available for its corporate purposes, including capital outlays, and to repay bank borrowings presently outstanding in the amount of \$35 million. (File 2-40566)

**CHESA INTERNATIONAL TO SELL STOCK.** Chesa International, Ltd., 10 E. 34th St., New York 10016, filed a registration statement on May 27 seeking registration of 100,000 shares of common stock, to be offered for public sale (\*\* at \$8 per share maximum). The offering is to be made through underwriters headed by Philips, Appel & Walden, Inc., 111 Broadway, New York 10006.

Organized in 1969, the company is principally engaged in the design, manufacture through subcontractors and sale of men's dress and sport shirts bearing the Givenchy label. Of the net proceeds of its stock sale, \$200,000 will be used for the diversification of the product line to include other items of men's furnishing and the balance for working capital and other corporate purposes. The company has outstanding 210,000 common shares (with a 67¢ per share net tangible book value), of which Seymour Zimberg, board chairman and president, own 59.6% and management officials as a group 83.4%. (File 2-40565)

**STERN METALS SHARES IN REGISTRATION.** The Stern Metals Corporation, 320 Washington Street, Mount Vernon, N.Y. 10553, filed a registration statement on May 27 seeking registration of 102,552 outstanding shares of common stock. These shares (which represent 8.5% of the company's outstanding stock) may be offered for sale from time to time by the holders thereof (Bear, Stearns & Co.) at prices current at the time of sale (\*\* \$11 per share maximum). The company is engaged in the manufacture and distribution of dental equipment, materials and supplies and the manufacture and sale of precious metal products for the jewelry, electrical and electronic industries. (File 2-40564)

**SOUTHERTON TO SELL STOCK.** Southerton Corporation, 214 9th St., Honesdale, Pa. 18431, filed a registration on May 27 seeking registration of 250,000 shares of common stock, to be offered for public sale at 6¢ per share. The offering is to be made by Leyner, Dreskin & Company, 26 Beaver St., New York 10004.

Organized in 1971, the company will engage in the construction and development of modular communities and mobile home rental communities and related activities. Net proceeds of its stock sale will be used in connection with the acquisition and development of property and for working capital and other corporate purposes. The company has outstanding 375,000 common shares, of which Gerald J. Southerton, president, and John F. Southerton, board chairman, own 42.5% each. (File 2-40562)

**TYLER CORP. SHARES IN REGISTRATION.** Tyler Corporation, 3121 Southland Center, Dallas, Tex. 75201, filed a registration statement on May 27 seeking registration of 169,187 shares of common stock. Of these shares, 125,000 have been issued or are issuable upon exercise of outstanding common stock purchase warrants and 44,187 are outstanding shares. The recipients or holders of such shares may offer them for sale from time to time at prices current at the time of sale. (\*\* \$19.125 per share maximum). (File 2-40561)

**FUNDING CORPORATION OF AMERICA TO SELL STOCK.** Funding Corporation of America, Inc., 5400 Diplomat Circle, Orlando, Fla. 32810, filed a registration statement on May 27 seeking registration of 250,000 shares of common stock and 25,000 common stock purchase warrants, to be offered for public sale (with one warrant at no cost for each 10 shares) and at \$3 per share. The offering is to be made through Du-Tel Investment Co., Inc., 3396 Coral Way, Miami, Fla.

Organized in 1969, the company is primarily engaged in the sale of mutual funds and life insurance, either separately or in Programs. In the Programs, the mutual fund shares are purchased through a wholly-owned subsidiary of the company, FCA Securities, Inc., and through independent mutual fund distributors who act as dealers only. Life insurance is sold through FCA Insurance, Inc., also a wholly-owned subsidiary of the company, and through independent insurance agencies. Richard C. Hassberger is president and board chairman of Funding Corp. (File 2-40560)

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**\*PAPERCRAFT SHARES IN REGISTRATION.** Papercraft Corporation, Papercraft Pk., Pittsburgh, Pa. 15236, filed a registration statement on May 27 seeking registration of 87,289 outstanding shares of common stock and 2,970 outstanding shares of \$5 non-cumulative convertible preferred stock (\$1 par). These shares may be offered for sale from time to time by the holders thereof at prices current at the time of sale (\*\* \$45.75 per common and \$70 per preferred share maximum) or may be hypothecated to secure loans. (File 2-40569)

#### MISCELLANEOUS

**FAS TRADING SUSPENSION CONTINUED.** The SEC has ordered the suspension of exchange and over-the-counter trading of securities of FAS International, Inc. for the further ten-day period June 6-15, 1971, inclusive.

**SECURITIES ACT REGISTRATIONS.** Effective June 4: Comten, Inc., 2-40212; Depositors Corp., 2-39885; Fibreboard Corp., 2-40317; The Flying Tiger Corp., 2-40148; Harcourt Brace Jovanovich, Inc., 2-40244; Mercantile Bancorporation Inc., 2-40008; Presidio Oil Funds, Inc., 2-39420 (90 days); Radiation Dynamics, Inc., 2-38889 (40 days); Sears, Roebuck & Co., 2-40460; Skil Corp., 2-39961; Wenner Oil and Gas, Inc., 2-38697 (90 days); White Shield Corp., 2-39346).

**WITHDRAWN:** March 25: Dutch Inns of America, Inc. 2-29996.

**April 5:** Society Brand Industries, Inc., 2-35524; Chester Properties, 2-38506.

**April 6:** Amico Properties, 2-39221.

**April 7:** Samson Intl. Corporation, 2-31205; The Exotic Plant Corp., 2-36814; Telemodem, Inc., 2-36496; First Real Estate Investment Trust, 2-34671; Fish & Chips of New England, Inc., 2-35528.

**April 12:** Costri Cattle Co., 2-38581; Smoke Quitters Intl. Inc., 2-35502.

**April 13:** General Energy Systems Corp., 2-36880; Demetrios Inc., 2-38886;

**April 14:** Howard Industries, Inc., 2-37771; Data Card Corp., 2-35785; Kap V Films Ltd., 2-36014; Days' Deli & Restaurants Inc., 2-35545.

**April 15:** Red Owl Stores, Inc., 2-20906; Holiday Inns Investors, 2-38013; Computer Micromation Systems, Inc., 2-36819; LTV Aerospace Corp., 2-37446; Cooke & Biebler Growth Fund, Inc., 2-29927.

**April 16:** Viking Snowmobiles, Inc., 2-37804.

**April 19:** National Indoor Tennis Ltd., 2-36035; Firelite Industries, Inc., 2-37503; Newport Center Industries, Inc., 2-37275.

**April 20:** Capital Management Corp., 2-36582; I.M.D. Associates, Inc., 2-36490; Capital Management Corp., 2-36623; Maverick Fund, Inc., 2-39539.

**April 21:** Life of America Insurance Corp of Boston., 2-36875; Guard Polymer & Chemical, Inc., 2-34788; K & F Enterprises, Inc., 2-35514; Leasequip Services, Inc., 2-35187.

**April 22:** Brandon Applied Systems, Inc. 2-35474;

**April 26:** Robel Beef Packers, Inc., 2-36799; Sea Pines, Co., 2-35527.

**April 27:** Honeywell, Inc., 2-39942; Contran Corp., 2-35811; Trans United Corp. 2-34083

**April 28:** Ultramar Minerals Corp., 2-35539.

**May 4:** American Capital Mortgage, 2-38885.

**May 7:** Hasco Industries, 2-32831.

**May 10:** Vivonex Corp., 2-37364.

**May 11:** Worldwide Education, 2-34279; Automated Instructions, 2-37761; Northern Financial 2-35123.

**May 12:** Coetman Franchises Intl. Inc., 2-36115.

**May 13:** Wm. J. Burns Detective Agency, 2-39770; Marmac Corp., 2-38072.

**May 17:** Deluxe Pictures Inc., 2-34424; United Mortgage Investors, 2-33481. **May 18:** Golden Bear Family Restaurant, 2-36503; John Stephens & Co. Inc., 2-36767; The Transcontinental Data Processing Corp., 2-38940;

Digital Development Corp. & National General Corp., 2-39418. **May 19:** Northwestern Investment Fund of Northwestern National Bank of Minneapolis, 2-35838; Giffen Recreation Ltd. - Recreation Giffen Ltd., 2-36742; Jim Walter Corp., 2-39492; Great Eastern Financial Corp., 2-35915; Astec Mining Corp., 2-39147.

**May 20:** International Bank, 2-37894; VLM Corp., 2-37665; Frye Industries Inc., 2-39824.

**May 21:** Solidtron Devices Inc., 2-37494; Modufab Inc., 2-37659. **May 24:** American Protection Industries Inc. 2-35876. **May 25:** First of Louisville Equity Fund, 2-38629; Multiphasic Systems, 2-38599.

**May 26:** Pacific Gulf Resources Inc., 2-35197; International Exploration Fund, 2-37317; Audubon Films, 2-34433; Twin Fair, 2-36486; Mediarts Inc., 2-37411; Burtonian Thorobred Breeding, 2-38758.

**May 27:** Recreation Affiliated International Inc., 2-36056; Clary Data-Comp Systems, 2-36711; Keyser Glass Container Co. Inc., 2-37668; Athletic Data Devices Inc., 2-35273. **May 28:** Computer Solutions, Inc., 2-36146.

**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 to the appropriate mailing lists, interested persons should consult the Federal Register for more details of the release.