

# 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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**EXEMPTION PROPOSED FOR CERTAIN INVESTMENT COMPANY TRANSACTIONS.** The SEC has issued a proposal for the adoption of a new Rule 17a-7 under the Investment Company Act (Release IC-4604) which would provide an exemption for certain transactions between affiliated registered investment companies; and it invited the submission of views and comments thereon not later than June 17.

Section 17(a) of the Act prohibits transactions between a registered investment company and an affiliated person (or an affiliate of such a person), unless the Commission by order exempts the transaction from such prohibition. An exemption may be granted, upon application, if the Commission finds that the proposed transaction is reasonable and fair and does not involve overreaching on the part of any person concerned, and that it is consistent with the policy of each registered investment company concerned and with the general purposes of the Act.

The proposed new rule would, under certain circumstances, provide an exemption for a purchase or sale transaction between affiliated registered investment companies if the transaction involves a security traded upon a national securities exchange and is effected for no consideration other than cash payment against prompt delivery of the security. In addition, the proposed rule would require that the transaction be effected at a price equal to the average of the independent closing price of the security upon the national securities exchange which is the primary exchange market for the security, on each of the five trading sessions immediately prior to the date of the transaction.

The exemption would be available only under circumstances where the transaction is consistent with the policy of each registered investment company, as recited in its registration statement and reports filed under the Act, and where no brokerage commission, fee or other remuneration is paid in connection with the transaction, except for customary transfer fees.

**CITIES SERVICE INTERNATIONAL RECEIVES ORDER.** The SEC has issued an order under the Investment Company Act (Release IC-4607) exempting Cities Service International Capital Corp., New York, subsidiary of Cities Service Co., from all provisions of the Act, subject to certain conditions. According to the application, the subsidiary proposes to issue and sell an aggregate of \$20,000,000 principal amount of its guaranteed notes (due 1971), under conditions which are intended to assure that the notes will not be offered or sold in the United States. It is intended that the proceeds thereof will be invested in or loaned to foreign companies which are primarily engaged in a business other than investing, reinvesting, owning, holding or trading in securities and which are subsidiaries or affiliates of the parent company. The parent company operates in the natural resources fields.

**LMC DATA PROPOSES OFFERING.** LMC Data, Inc., 116 E. 27th St., New York 10016, filed a registration statement (File 2-25021) with the SEC on May 18 seeking registration of \$990,000 of 6½% convertible subordinated debentures (due 1973) and 180,000 shares of common stock. The securities are to be offered for public sale in units consisting of \$50 principal amount of debentures and 10 shares, at \$100 per unit. The offering is to be made through underwriters headed by Scheinman, Hochstin & Trotta, Inc., 111 Broadway, New York 10006, and McDonnell & Co., Inc., 120 Broadway, New York 10005, which will receive a \$10-per-unit commission. The company has agreed to pay the underwriters \$22,500 for expenses. In addition, it has agreed to sell to the underwriting group (for \$300) five-year warrants to purchase 30,000 shares of common stock, exercisable at \$5 per share for the first two years and \$6 per share for the remaining three years.

Organized under New York law in 1961, the company is engaged in the business of leasing used data processing equipment of the unit record type, generally referred to as punch card equipment. Net proceeds of this financing will be used for corporate purposes, principally for the purchase of additional punch card equipment. In addition to indebtedness, the company has outstanding 643,000 common shares, of which management officials own 48.1%. Pursuant to a financing agreement between the company and Intermediate Credit Corp. (ICC), a wholly-owned subsidiary of Financial General Corporation, ICC in November 1965 purchased 260,000 common shares of the company for \$300,000. In January 1966 ICC also purchased \$200,000 of the company's 7% convertible subordinated debentures due 1972, convertible at \$5 per share into 40,000 shares (ICC proposes to effect such conversion shortly). The prospectus states that one of the purposes of this offering is to permit increased borrowings from ICC under the financing agreement. Seymour Silver is president of the company.

**GULF POWER FILES FINANCING PROPOSAL.** Gulf Power Company, 75 N. Pace Blvd., Pensacola, Fla. 32502, filed a registration statement (File 2-25022) with the SEC on May 19 seeking registration of \$15,000,000 of first mortgage bonds, due 1996, and 50,000 shares of cumulative preferred stock, \$100 par. The bonds and stock are to be offered for public sale at competitive bidding. A subsidiary of The Southern Co., the company will use the net proceeds of this financing in connection with its construction program and for other purposes. It contemplates expenditures of \$43,299,000 during 1966-68 for the construction or acquisition of property.

**WEST COAST AIRLINES PROPOSES DEBENTURE OFFERING.** West Coast Airlines, Inc., Boeing Field, Seattle, Wash., filed a registration statement (File 2-25023) with the SEC on May 19 seeking registration of \$3,000,000 of 5½% convertible subordinated debentures, due 1986. The debentures are to be offered for public sale through underwriters headed by Auchincloss, Parker & Redpath, Two Broadway, New York 10004. The public offering price and underwriting terms are to be supplied by amendment.

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The company is engaged primarily in scheduled, local service air transportation of persons, property and mail. Net proceeds of its debenture sale will be used in connection with the company's introduction of new Douglas DC-9 jet aircraft (estimated at \$1,372,000) and expanded operations. In addition to indebtedness, the company has outstanding 1,001,776 common shares, of which management officials own 43%. Nick Bez is president.

**TELEVISION-ELECTRONICS - ATLANTIC RESEARCH ORDER.** The SEC has issued an order under the Investment Company Act (Release IC-4608) authorizing Atlantic Research Corp. (Atlantic), Alexandria, Va., to issue to Television-Electronics Fund, Inc. (Television), Chicago, Ill., 37,500 shares of its common stock and to pay Television \$163,000, pursuant to the settlement of certain litigation. In the litigation, Television sought rescission of an August 1961 contract to purchase 115,000 shares of Atlantic stock. Recently, the two companies reached an agreement for the settlement of the suit which provided for the payment of Atlantic of \$163,000 to cover the expenses incurred by Television for the conduct of the litigation, and for Atlantic to deliver an additional 37,500 shares of its common stock to Television. The settlement also provided for the release of all claims between Atlantic and Television. The original 115,000 shares were delivered to Television under the contract and are still held by that company. Accordingly, the two companies may be affiliated by virtue of Television's present ownership of the 115,000 (5.98%) of Atlantic shares.

**GPU SUBSIDIARIES RECEIVE ORDER.** The SEC has issued an order under the Holding Company Act (Release 35-15481) authorizing Jersey Central Power & Light Co., Metropolitan Edison Co., New Jersey Power & Light Co., and Pennsylvania Electric Co. (the Utility Companies), public-utility subsidiaries of General Public Utilities Corp., to increase their cash payments to Saxton Nuclear Experimental Corp. to \$10,000,000. By previous Commission order, the Utility Companies were authorized to acquire all of the capital stock of Saxton and to make payments thereto, from time to time, aggregating \$8,500,000. Saxton was organized as a nonprofit stock corporation to construct, operate, and maintain a small experimental nuclear reactor and the cash payments were to be used for such purposes. It is stated that the completion of certain of the research and experimental programs in which Saxton is presently engaged requires the increased payments and that the period of Saxton's operations (other than those incident to the winding up of its affairs) will in any event be completed prior to May 4, 1969, the date of the expiration of its corporate charter.

**CONTINENTAL VENDING MACHINE TRADING BAN CONTINUED.** The SEC has issued an order suspending exchange and over-the-counter trading in securities of Continental Vending Machine Corporation for a further ten-day period, May 22-31, 1966, inclusive.

**UNITED SECURITY LIFE SUSPENSION CONTINUED.** The SEC has issued an order suspending exchange and over-the-counter trading in securities of United Security Life Insurance Company for a further ten-day period, May 23-June 1, 1966, inclusive.

**PENNZOIL SEEKS ORDER.** Pennzoil Company, Houston, Tex., and nine of its subsidiaries, Wolf's Head Oil Refining Co., Inc., Elk Refining Co., Triad Oil Co., South Penn Oil Co., Pennzoil Del Caribe, S. A., Pennzoil De Quebec Limitee, United Gas Pipe Line Co., Union Producing Co., and Duval Corp. (the latter three being subsidiaries of United Gas Corp., a subsidiary of Pennzoil) have applied to the SEC for an order under the Holding Company Act authorizing the companies to enter into various transactions and agreements in connection with their acquisition or disposition of petroleum, natural gas, and mining properties, or leases or interests therein, and to enter into agreements for the joint ownership and operation of plants for the processing and extraction of liquid hydrocarbons and minerals. The Commission has issued an order (Release 35-15482) giving interested persons until June 9 to request a hearing thereon. Pennzoil and United Gas Corp. previously proposed the sale by the latter of its gas-utility properties and the consolidation of Pennzoil and United Gas Corp. into a single company which will not engage in the business of a public-utility (see SEC News Digest of May 18).

**SECURITIES ACT REGISTRATIONS.** Effective May 19: El Paso Real Estate Investment Trust, 2-24183 (90 days); The Paul Revere Variable Annuity Contract Accumulation Fund, 2-24380; The Proctor-Silex Corp., 2-24903 (June 28); Thorp Finance Corp., 2-24102 (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.

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