

# 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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SEC

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**CANADIAN FORECASTER REGISTRATION REVOKED.** The SEC today announced that the investment adviser registration of Southern Brokerage & Holding Co., Inc., doing business as The Canadian Forecaster ("Forecaster"), of Toronto, Ontario, Canada, has been revoked pursuant to provisions of the Investment Advisers Act of 1940. After a hearing in administrative proceedings, the Commission's hearing examiner issued an initial decision in which he found that Forecaster and its president, Alan McDonald Munro, had willfully violated provisions of the Investment Company Act and ordered revocation of Forecaster's registration. Both filed petitions for Commission review of the Examiner's decision and order but thereafter withdrew their review petitions. Accordingly, the decision and revocation order were made effective.

In his decision, the Examiner had found that Forecaster, which published a "market letter" of which Munro was editor, engaged in "practices and a course of business which operated as a fraud and deceit upon clients," many of whom were U. S. residents, by publishing recommendations for the purchase of stock of Victoria Algoma Mineral Co., Ltd., containing false and misleading representations concerning that company's properties, operations and purported discoveries. He also found violations in that Forecaster's reports to the Commission did not disclose that Peter Jeffery, another respondent in the proceedings, was a controlled person or employee; and they falsely stated that no such person had been found to have violated the Act, whereas Jeffery had previously been so found.

Jeffery failed to appear at the hearing and advised the Commission that he intended to default. Upon the basis of his default, the Commission found that he participated in the preparation of the market letter and the making of the misrepresentations therein and willfully aided and abetted the violations by Forecaster and Munro.

**LOS ANGELES LAND FILES UNDER CHAPTER X.** The SEC San Francisco Regional Office announced November 3 (LR-3847) that Los Angeles Land and Investments, Ltd., had filed a Chapter X petition for reorganization in the U. S. District Court in Honolulu, following which the Commission withdrew its motion in an injunctive action for the appointment of a receiver. In a prior court order enjoining the said corporation and James R. Light from violating the Securities Act registration requirements in the sale of investment contracts relating to fractional undivided interests in certain land situated in Los Angeles County, Calif., the order incorporated a stipulation in which the defendants agreed to safeguard the equities of investors by establishing a trust account for their benefit and depositing therein all funds received or to be received from investors. In its motion seeking the appointment of a receiver, the Commission charged that the trust account arrangement was being violated. The Chapter X reorganization petition was thereafter filed with and approved by the court, which named Ralph S. Aoki of Honolulu as trustee. This placed the properties and affairs of the defendant corporation under the jurisdiction of the court; thereupon the Commission withdrew its request for the appointment of a receiver.

**SEC RULE 427 AMENDED.** The SEC has amended its Rule 427 under the Securities Act of 1933 (Release 33-4884). That rule relates to the content of prospectuses used more than 9 months after the effective date of the registration statement. The amendment provides that where the registration statement has been filed on Form S-1 but, at the time of updating the prospectus for use more than 9 months after the effective date, another form, such as Form S-8 or Form S-9, could be used for registration of the securities covered by the prospectus, the prospectus need only meet the requirements of such other form. The amendment incorporates into the rule the current administrative practice with respect to such prospectuses.

**KATY R.R., MADISON FUND, AXE FUNDS, SEEK ORDER.** The Missouri-Kansas-Texas Railroad Company ("Katy") has joined with the following in the filing of an application for an exemption order under the Investment Company Act with respect, among other things, to the redemption and/or conversion of Katy's convertible bonds: Katy Industries, Inc. ("Industries"), Madison Fund, Inc. ("Madison"), Axe-Houghton Fund A, Inc., Axe-Houghton Fund B, Inc., Axe-Houghton Stock Fund, Inc., and Axe Science Corporation ("Axe Funds"); and the Commission has issued an order (Release IC-5159) giving interested persons until November 30 to request a hearing thereon.

In addition to other securities, Katy has outstanding \$3,728,000 of 7% convertible collateral trust bonds, due January 1, 1977, convertible into Katy common at the rate of \$9 per share (against the conversion of which 414,226 common shares are reserved). Katy proposes to call the said bonds for redemption, and certain holders thereof propose to convert their holdings into common stock; and Industries proposes to offer its shares on a share-for-share basis for shares of Katy common. The application also seeks an exemption order with respect to a plan whereby (a) Madison, Axe Funds, St. Louis and Kansas City Land Company (a subsidiary of the Chicago, Burlington & Quincy Railroad Company), Banque de Paris et des Pays-Bas Succursale Geneve, and Banca della Svizzera Italiana will, pursuant to contracts, sell a portion of their holdings of common stock of Katy to Bangor Punta Operations, Inc. ("Bangor Punta"), a subsidiary of Bangor Punta Corporation, (b) Industries, pursuant to an option contract, will sell shares of its common stock to Bangor Punta, (c) Madison, Axe-Houghton Fund B, and St. Louis and Kansas City Land Company will convert their Katy convertible bonds and (d) Katy stockholders (including some of the name applicants) will be offered the opportunity to exchange their Katy common stock for common stock of Industries.

OVER

Madison owns 200,000 shares (13%) of the outstanding Katy common as well as \$1,158,300 of convertible bonds and \$3,513,000 of subordinated income debentures of Katy; its president, who also is board chairman of Katy, owns 20,710 shares of Katy common. The Axe Funds own an aggregate of 221,000 shares of Katy common as well as \$342,000 of convertible bonds and \$440,000 of subordinated income debentures of Katy. The other named companies own varying amounts of Katy's common stock and/or convertible bonds, and one also owns some of the subordinated income debentures.

The exchange offer and other related transactions (including the organization of Industries) are part of Katy's program of diversification through the acquisition of non-railroad businesses which under ICC regulations would be severely restricted. To assist Industries in carrying out the proposed diversification program, Katy entered into a contract with Bangor Punta Operations, Inc., a subsidiary of Bangor Punta Corporation (formerly Punta Alegre Sugar Corp.), whereby Bangor is granted a ten-year option to acquire 10% of the common stock of Industries at a price of \$12 per share, dependent upon the generation of earnings of new businesses acquired by Industries; and Madison and three of the Axe Funds have agreed to sell some 15% of their holdings of Katy common to Bangor at \$12 per share.

SEC COMPLAINT NAMES WILMAR OIL AND ZUHONE. The SEC Chicago Regional Office announced November 8 (LR-3848) the filing of a complaint in the Federal court in Danville, Ill. seeking to enjoin Wilmar Oil Company, Inc., and William ZuHone, Jr., both of Mattoon, Ill., from further violations of the registration provisions of the Securities Act in the offer and sale of fractional undivided interests in oil and gas leases on properties located in Illinois, Oklahoma and Texas.

DELISTING GRANTED. The SEC has issued an order under the Securities Exchange Act (Release 34-8191) granting an application of the New York Stock Exchange to strike from listing and registration the common stock of The Pittsburgh & West Virginia Railway Company, effective at the opening of business on November 8, 1967. The application states that less than 300,000 common shares of the company are publicly held after the surrender of common stock under the company's offer to exchange such shares for trust shares of beneficial interest in Pittsburgh & West Virginia Railroad, a business trust. The trust shares were admitted to trading on the American Stock Exchange on October 23, 1967.

BANDAG FILES FOR OFFERING AND SECONDARY. Bandag, Incorporated, 1056 Hershey Ave., Muscatine, Iowa 52761, filed a registration statement (File 2-27644) with the SEC on November 8 seeking registration of 140,000 shares of common stock. Of this stock, 80,000 shares are to be offered for public sale by the company and 60,000 (being outstanding shares) by the present holder thereof. The offering is to be made through underwriters headed by Bacon, Whipple & Co., 135 S. LaSalle St., Chicago, Ill. 60603; the offering price (\$13.00 per share maximum\*) and underwriting terms are to be supplied by amendment.

The company manufactures and sellstread rubber and equipment and supplies for recapping tires under a patented process. Of the net proceeds of its sale of additional stock, \$500,000 will be used to retire a note and the balance (together with other funds) to pay the full purchase price for a Canadian plant. In addition to indebtedness, the company has outstanding 512,000 common shares. Roy J. Carver (board chairman) proposes to sell 60,000 of his holdings of 500,000 shares. Carver proposes to advance \$240,000 of the proceeds to Carver Pump Company, to be used by it to retire certain indebtedness to the company. Carver is the principal stockholder and board chairman of Carver Pump Company. Stephen A. Keller is president of Bandag.

J. I. CASE FILES RIGHTS OFFERING PROPOSAL. J. I. Case Company, 700 State St., Racine, Wisc. 53404, filed a registration statement (File 2-27648) with the SEC on November 9 seeking registration of a maximum of 1,370,000 shares of common stock, to be offered for subscription by common stockholders. The record date, subscription ratio and price (\$17.00 per share maximum\*) are to be supplied by amendment. No underwriting is involved, except that the company has entered into an agreement with Kern County Land Co. ("KCL") and Tenneco Corp. under which such companies will purchase all shares for which the former is entitled to subscribe as a stockholder and in addition they will purchase at the subscription price any other shares<sup>offered but not subscribed for</sup>.

The company produces farm machinery and construction equipment. KCL, which is a wholly-owned indirect subsidiary of Tenneco Inc., owns 53.6% of the outstanding common stock of the company (together with preferred shares and debentures). The company obtained from Tenneco Corp., a \$10,000,000 loan, due 1968, to add to its working capital. Net proceeds of its stock sale will be used to prepay this loan; the balance will be added initially to working capital (of which a portion will be invested in J. I. Case Credit Corporation, a wholly-owned subsidiary, to provide for the increased financing of receivables by Case Credit in line with current sales levels); and the remainder will be available to the company for capital expenditures and for other corporate purposes. In addition to indebtedness and preferred stock, the company has outstanding 4,413,370 common shares, of which management officials and their families own 1.9%. Merritt D. Hill is board chairman and Charles A. Anderson is president.

BTTES GAS & OIL PROPOSES DEBENTURE OFFERING. Buttes Gas & Oil Co., 2150 Franklin St., Oakland, Calif. 94612, filed a registration statement (File 2-27649) with the SEC on November 9 seeking registration of \$4,000,000 of convertible subordinated debentures, due 1987. The debentures are to be offered for public sale through underwriters headed by Walston & Co. Inc., 74 Wall St., New York 10005. The interest rate, public offering price, and underwriting terms are to be supplied by amendment.

The company is engaged in the exploration for and development of gas and oil properties, and the production and sale of natural gas, crude oil, mercury and gypsum. Of the net proceeds of the debenture sale, \$2,700,000 will be used to purchase the assets of Juniper Oil & Gas Company, and \$800,000 to repay short-term bank indebtedness which was incurred for working capital purposes; the balance will be added to working capital to be available for general corporate purposes, including repayment of indebtedness and development of properties. In the event the Juniper transaction is

not consummated, the company will use \$1,500,000 to repay a 6-1/4% note secured by deed of trust on certain producing properties, which was issued in refinancing short-term indebtedness arising from the acquisition and development of properties and the balance as above. In addition to indebtedness, it has outstanding 2,759,121 common shares, of which management officials own 2%. John M. Kinard is board chairman and John Boretta is president.

**RANDOLPH COMPUTER FILES FOR OFFERING AND SECONDARY.** Randolph Computer Corporation, 200 Park Ave., New York 10017, filed a registration statement (File 2-27646) with the SEC on November 8 seeking registration of 350,000 shares of common stock. Of this stock, 250,000 shares are to be offered for public sale by the company and 100,000 (being outstanding shares) are to be issued upon the exercise of warrants held by Massachusetts Mutual Life Insurance Company and State Mutual Life Assurance Company of America. The public offering price (\$45.00 per share maximum\*) and underwriting terms are to be supplied by amendment. Wertheim & Co., 1 Chase Manhattan Plaza, New York 10005 is listed as the principal underwriter.

The company is engaged primarily in the business of purchasing, for lease to others, computers and related equipment and in the data processing service bureau business. Net proceeds of the stock sale and that received from the exercise of the warrants will be used to finance the purchase of computer equipment. In addition to indebtedness, the company has outstanding 1,372,428 shares, of which the Wertheim firm holds 24.4% and management officials own 9.1%. John M. Randolph is board chairman and president. State Mutual now owns 84,000 common shares. It and Massachusetts Mutual will exercise options to acquire a total of 210,000 common shares at \$5 per share (the offering price of stock sold by the company in 1965), of which each will sell 50,000 and retain 55,000 shares.

**SOFTWARE SYSTEMS PROPOSES OFFERING.** Software Systems, Incorporated, 5810 Seminary Road, Falls Church, Va. 22041, filed a registration statement (File 2-27650) with the SEC on November 9 seeking registration of 166,600 shares of common stock. The shares are to be offered for public sale through underwriters headed by McDonnell & Co., 120 Broadway, New York 10005. The public offering price (\$6.00 per share maximum\*) and underwriting terms are to be supplied by amendment. The company has agreed to issue to the underwriter 20,000 five-year common stock purchase warrants, exercisable at 108% of the public offering price, and to pay to the underwriter \$10,000 for expenses. The underwriter proposes to pay to William J. McDonnell (one of its employees) 3,000 common stock purchase warrants and 15% of the net cash profit realized by it in connection with this offering.

The company is engaged in providing systems analysis and computer programming services to users and potential users of electronic data processing equipment, including government agencies and commercial customers. Of the net proceeds of its stock sale, \$300,000 will be used for the development of a franchise program, including possible investment in the companies participating in such program, and \$100,000 for an initial payment toward the purchase of electronic data processing equipment; the balance will be added to working capital to be available for general corporate purposes. In addition to indebtedness, the company has outstanding 116,612 common shares, of which management officials own 22.7% (including 8.0% owned by Harry J. Older, president, and 5.0% owned by John McGinley, executive vice-president).

**INLAND STEEL PROPOSES BOND OFFERING.** Inland Steel Company, 30 W. Monroe St., Chicago, Ill. 60603, filed a registration statement (File 2-27651) with the SEC on November 9 seeking registration of \$50,000,000 of first mortgage bonds, Series M, due 1992. The bonds are to be offered for public sale through underwriters headed by Kuhn, Loeb & Co., 40 Wall St., New York. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company is engaged in the production and sale of steel and related products, including coal chemicals, the mining of iron ore and the quarrying of limestone, principally for its own use, and the transportation for its own use of ore, limestone and coal on the Great Lakes. Net proceeds of its bond sale will be added to general funds to be available, together with other funds, for capital expenditures for additions to property, plant and equipment and investments in and advances to raw material ventures and associated companies and for other corporate purposes. Part of such proceeds may be applied to reduction of bank borrowings. Capital expenditures for 1967 are estimated at \$125,000,000. In addition to indebtedness, the company has outstanding 18,382,507 common shares. Philip D. Block, Jr. is board chairman and Frederick G. Jaicks is president.

**SECURITIES ACT REGISTRATIONS. Effective November 9:** Bro-Dart Industries, 2-27356 (40 days); Elcor Chemical Corp., 2-27479 (40 days); Fiduciary Equity Associates, Inc., 2-26978; Holiday Inns of America, Inc., 2-27403 (Dec 20); R. H. Macy & Co., Inc., 2-27536 (40 days); Pennsylvania Gas and Water Co., 2-27468; Pueblo Supermarkets, Inc., 2-27466 (40 days); Tele-Tape Productions, Inc., 2-27407 (90 days); United Merchants and Manufacturers, Inc., 2-27537; Wisconsin Electric Power Co., 2-27504.

**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.