

# 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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**RULES PROPOSED ON AUTOMATED TRADING SYSTEMS.** The SEC today invited comments (not later than August 26) upon proposed new Rule 15c2-10 under the Securities Exchange Act which would provide a "regulatory framework" for automated trading information systems for securities which are not within the existing scope of regulation of exchanges and the NASD (Release 34-8665).

These systems generally involve the use of time-shared computers to transmit, among persons having access to them, indications of interest and, in some cases, firm offers and acceptances to purchase or sell securities; consequently, they can be programmed to facilitate various steps in the process of trading in securities, up to and including the actual execution of transactions. The Exchange Act envisions that all persons regularly engaged in the securities business shall be classified as brokers, dealers, securities exchanges or national securities associations and (unless expressly exempted) shall register with the Commission as such and be subject to the pertinent regulatory provisions. But the technology that has led to the development of automated trading information systems was not envisioned when Congress passed the Act; and these systems differ from traditional communications devices used to facilitate securities transactions. It is apparent, however, that such systems have special capabilities for widespread dissemination of current trading interests among subscribers, and these create special need for preventing this new technology from being used to facilitate fictitious or misleading quotations or for other manipulative or deceptive purposes. Such systems may also have an opposite potential, for improve monitoring and recording of trading information.

The Commission is aware of at least four such systems, and its staff has consulted with their sponsors on the subject of their regulatory status under the Act. These are the NASD's Automated Quotations System ("NASDAQ"), a system being proposed by Institutional Networks Corporation, another sponsored by Autex Service Corporation, and the Block Automation System to be sponsored by the NYSE.

The Commission's proposed rule would provide that no broker or dealer shall operate or participate in such an automated trading information system unless a plan describing the system, detailing specific rules of operation designed to prevent abuse of the system and providing for adequate recordkeeping, has been submitted to and declared effective by the Commission.

**NEVA JACKSON CITED.** The SEC Fort Worth Regional Office announced July 28 (LR-4384) the filing of two Informations charging Neva J. Jackson (a/k/a Neva J. Stewart) of Phoenix, Ariz., with "criminal contempt" of prior Federal court orders directing the production of records of United Australian Oil, Inc., and enjoining the sale of that company's stock in violation of the Securities Act registration provisions.

**SEC ACTION CITES NORSUL OIL.** The SEC New York Regional Office announced August 1 (LR-4385) the filing of a complaint in the U. S. District Court in New York City, seeking to enjoin violations of the registration and antifraud provisions of the Federal securities laws by Norsul Oil and Mining Limited, of Calgary, Alberta, Canada, and Howard Steven Strouth, of Quito, Ecuador, Norsul's managing director, in the offer and sale of Norsul common shares.

**ATLANTIC CAPITAL RECEIVES ORDER.** The SEC has issued an order under the Investment Company Act (Release IC-5759) declaring that Atlantic Capital Corporation, New York closed-end management investment company, has ceased to be an investment company as defined in the Act. The company no longer intends to operate as a small business investment company and does not intend to make a public offering of its securities.

**OHIO EDISON SEEKS ORDER.** The SEC has issued an order under the Holding Company Act (Release 35-16441) giving interested persons until August 29 to request a hearing upon a proposal of Ohio Edison Company, Akron holding company, to issue and sell, at competitive bidding, \$40,000,000 of first mortgage bonds, due 1999. Ohio Edison will use the net proceeds of its bond sale for the acquisition of property, the construction, completion, extension, renewal or improvement of its facilities or for the improvement of its services, or for discharge of its obligations incurred, or for the reimbursement of its treasury for expenditures made, for such purposes. Construction expenditures for 1969 are estimated at \$65,949,000. Ohio Edison also proposes to issue an additional \$889,000 of first mortgage bonds 3- $\frac{1}{4}$ % Series of 1955 due 1985, and to surrender such bonds to the Trustee in accordance with sinking fund provisions.

**COLUMBIA GAS RECEIVES ORDER.** The SEC has issued a supplemental order under the Holding Company Act (Release 35-16443) authorizing the acquisition by Columbia Gas System, Inc. ("Columbia"), New York holding company, of installment notes from three subsidiaries, in the following amounts: Columbia Gas of Pennsylvania, Inc., \$4,700,000; Columbia Gas of New York, Inc., \$850,000; and Home Gas Company, \$1,700,000. Columbia proposes to make open account advances to such subsidiaries in like amounts, to be used for construction purposes. These transactions supplement those authorized by the Commission in June (Release 35-16395).

OVER

**PENN DUTCH COOKIE TO SELL STOCK.** The Penn Dutch Cookie Corp., West Poplar St. and Franklin St., Fleetwood Pa., filed a registration statement (File 2-34155) with the SEC on July 29 seeking registration of 200,000 shares of common stock, to be offered for public sale at \$3 per share. The offering is to be made on a "best efforts, all or none" basis through Kelly, Andrews & Bradley, Inc., 111 John St., New York, N. Y., which will receive a 30¢ per share commission plus \$15,000 for expenses. The company has agreed to pay \$25,000 to Management Counselors Corporation as compensation for its services as finder and to sell the underwriter up to 20,000 shares at 50¢ per share, nontransferable for one year.

Organized in November 1966, the company is engaged in the business of manufacturing and distributing a variety of cookies. Of the net proceeds of its stock sale, \$115,000 will be used to repay a bank loan and \$170,000 for new machinery; the balance will be added to the company's working capital and used for general corporate purposes. The company has outstanding 400,000 common shares, (with a negative book value of \$.053 per share), of which Charles B. Friediger, president, owns 15.139% and management officials as a group 48.7%. Purchasers of the shares being registered will sustain an immediate dilution of \$1.98 in per share book value from the offering price.

**NATIONAL HERITAGE FUNDING PROPOSES OFFERING.** National Heritage Funding Corporation, 709 Enterprise Drive, Oak Brook, Ill. 60521, filed a registration statement (File 2-34175) with the SEC on July 29 seeking registration of \$2,000,000 of Programs for the Purchase of Mutual Fund Shares and Individual Life Insurance. The Programs propose that participants will acquire mutual fund shares and life insurance policies.

Organized in February, the company is primarily engaged in the sale, either separately or in the Program, of mutual fund shares and insurance. Shares of three mutual funds managed by Keystone Custodian Funds are offered in the Programs. Life insurance policies available in the Program are written by National Heritage Life Insurance Company, for which the company is general agent. All of the company's outstanding shares are owned by National Heritage Life Insurance Company. Richard B. Schuurman is president of the company and secretary-treasurer of National Heritage Life. Richard Evenhouse, a director of the company owns 20.6% of the outstanding stock of National Heritage Life and management officials of the company as a group 26.7%.

**MUNICIPAL INVESTMENT TRUST FUND PROPOSES OFFERING.** Municipal Investment Trust Fund, Series Q, filed a registration statement (File 2-34158) with the SEC on July 29 seeking registration of \$9,450,000 of units, to be offered for public sale in 6,000 units. The Fund is one of a series of similar investment companies created by a trust agreement under which Bache & Co. Incorporated, Goodbody & Co. and Walston & Co., Inc., act as sponsors, United States Trust Company of New York as trustee, and Standard & Poor's Corporation's wholly-owned valuing subsidiary, Standard Statistics Co. acts as evaluator. The Fund consists of the diversified tax exempt bond portfolio of interest-bearing obligations issued by or on behalf of states, counties, territories or municipalities of the United States and authorities and political subdivisions thereof, the interest on which is, in the opinion of recognized bond counsel, exempt from all Federal income tax under existing law.

**RECORD SHACK TO SELL STOCK.** Record Shack Corp., 2132 Second Ave., New York, N. Y., filed a registration statement (File 2-34159) with the SEC on July 29 seeking registration of 135,000 shares of common stock and 67,500 shares of Series A preferred stock (50¢ par), to be offered for public sale in units, each consisting of two common shares and one preferred share, to be offered for public sale through Gardner Securities Corporation, 15 William St., New York, N. Y. The offering price (\$12 per unit maximum\*) and underwriting terms are to be supplied by amendment. The company has agreed to pay the underwriter \$20,000 for expenses, to sell it 6,250 preferred shares for \$3,125, and 12,500 common shares for \$125; also to retain it as financial consultant for three years at \$10,000 per year.

Organized in June, the company acquired a predecessor corporation known as Record Shack 2nd Avenue Corp., which was organized in 1963. It is engaged in the distribution and sale of phonograph records, stereo tapes and tape cassettes, 8 track cartridges, blank tape and related merchandise to various retail outlets. Of the net proceeds of its stock sale, \$300,000 will be used to expand and increase its inventory of phonograph records, tapes and other merchandise and \$100,000 as first year salaries for additional personnel; the balance will be added to the company's working capital and will be available for general corporate purposes. The company has outstanding 230,000 common shares, of which Edward Portnoy, president, owns 97.8%.

**TIFS TO SELL STOCK.** Tifs, Inc., Santa Barbara Municipal Airport, Santa Barbara, Calif. 93102, filed a registration statement (File 2-34160) with the SEC on July 29 seeking registration of 435,000 shares of common stock, to be offered for public sale at \$15 per share. The offering is to be made through underwriters headed by Newburger, Loeb & Co., 5 Hanover Square New York, N. Y. 10004, which will receive a \$1.20 per share commission. Unexcelled, Inc., sole stockholder of TIFS, has agreed to grant the Newburger firm, for \$350, a five-year option to purchase 35,000 shares, exercisable after one year at \$15 per share.

Organized in October 1967, the company is engaged in developing specialized aircraft which are designed to simulate flight characteristics of other aircraft. Such aircraft are intended to be used primarily for the training or qualifying of flight crews. Of the net proceeds of its stock sale, \$3,400,000 will be used to retire short term bank indebtedness and \$2,528,000 will be applied toward completion of the company's prototype in-flight simulator and its working capital requirements. The company has outstanding 1,750,000 common shares (with a \$5.71 per share book value), M. "Tex" Johnston is board chairman and William C. Lawrence president. Purchasers of the shares being registered will acquire a 19.9% stock interest in the company for their investment of \$6,525,000 (they will sustain an immediate dilution of \$7.68 in per share book value from the offering price); Unexcelled will then own 80.1%, for which it issued 26,300 Unexcelled common shares and cancelled indebtedness owed to it by the company for cash advances totaling \$9,999,000 for an aggregate of \$10,998,400.

REPUBLIC ALUMINUM FILES RIGHTS OFFERING PROPOSAL. Republic Aluminum Company, 100 West Spring Valley Rd., Richardson, Texas 75080, filed a registration statement (File 2-34170) with the SEC on July 30 seeking registration of 574,458 shares of common stock. The stock is to be offered for subscription on a share for share basis by holders of outstanding stock, and at \$1 per share. The record date is to be supplied by amendment.

The company manufactures and sells aluminum extrusions to fabricators and manufacturers who produce a wide variety of end products. Since its emergence from Chapter X reorganization proceedings in December 1967 according to the prospectus, the company "has encountered substantial production and financial problems." Phase One of its proposed financial reorganization consists of this rights offering proposal. If a minimum gross amount of \$320,000 is raised pursuant thereto, substantially all of such amount is to be used to retire on a negotiated basis existing indebtedness represented by outstanding debentures in the principal amount of \$1,246,330; the balance of the proceeds would be used for general corporate purposes. Phase Two, not covered by this filing, would involve a public offering of an additional 800,000 shares and would also contemplate moving the company's production facilities "to a locale with a plentiful labor supply and, in so doing, structure an efficient operation including the construction of a new plant and purchase of numerous labor-saving, efficiency-improving devices." John A. McDorman is president.

FUND OF HEDGE FUNDS FILES FOR OFFERING. Fund of Hedge Funds, Inc., 110 Sutter St., San Francisco, Calif., filed a registration statement (File 2-34172) with the SEC on July 28 seeking registration of 500,000 shares of capital stock. The Fund is a diversified closed-end investment company which seeks long term growth of capital by investing in interests in private investment limited partnerships and securities of public hedge funds and other mutual funds which management believes will best serve that objective. Its shares are to be offered for public sale at \$10 per share. An 85¢ per share discount will be allowed to the underwriters (whose names are to be supplied by amendment. FHF Management Company, of the Sutter Street address, will serve as Manager of the Fund and its investment adviser. Steven M. Mizel, president of the Fund, is president and board chairman of the manager and adviser. His stock interest in the manager and adviser is to be supplied by amendment.

SENTINEL DEVELOPMENT FUND FILES FOR OFFERING. Sentinel Development Fund - 1969, Series B, of 600 Madison Avenue, New York, N.Y. 10022, filed a registration statement (File 2-34173) with the SEC on July 30 seeking registration of 500 units of partnership interest in the Fund, to be offered for sale at \$5,000 per unit. The offering is to be made by Pressman, Frohlich & Frost, Inc., 140 Broadway, New York, N.Y., as agent for the Fund, and through NASD members who shall receive a 6% selling commission. Sentinel Resources Corporation the general partner of the Fund will receive 6% of each unit sold as compensation for its administrative, management and other services to the Fund. The objectives of the Fund are to drill wells primarily for oil and gas; it contemplates the drilling of both development wells and exploratory wells with emphasis on development wells. Net proceeds of the offering will be used for such purposes. Of the general partner's 49,000 outstanding shares, 30,000 are owned by stockholders of Sentinel Development Corporation. Edward M. Bigler is board chairman and Eddie J. Hudson is president of the general partner; Bigler is president of Sentinel Development Corporation.

GOVERNMENT EMPLOYEES GROUP FILES EXCHANGE PLAN. Government Employees Group, Inc., 5260 Western Avenue, Chevy Chase, Md. 20015, filed a registration statement (File 2-34174) with the SEC on July 30 seeking registration of 9,408,922 shares of convertible preferred stock and 15,407,006 shares of common stock. It is proposed to offer these preferred and common shares in exchange for the outstanding shares of capital stock of the following: Government Employees Insurance Company, Government Employees Life Insurance Company, Government Employees Corporation, Criterion Insurance Company, Government Employees Financial Corporation, and The Putnam Management Company, Inc. According to the prospectus, the management of the GEICO Group and of Putnam believe that their combination into a single holding company owning all or substantially all of the stock of the operating companies would be advantageous to the shareholders of the GEICO Group and of Putnam. Lorimer A. Davidson, board chairman and chief executive officer of the GEICO Group, will serve as board chairman, president and chief executive officer of the new company.

GYROJET CORP. PROPOSES OFFERING. Gyrojet Corporation, 10 East 52d St., New York, N.Y. 10022, filed a registration statement (File 2-34175) with the SEC on July 30 seeking registration of 300,000 common shares and 300,000 callable warrants. It is proposed to offer these securities for public sale in units, each consisting of one share and one warrant, and at \$7 per unit. The offering is to be made on a best efforts basis by First Monroe Corp., of 17 Clinton Avenue South, Rochester, N.Y. 14604, which is to receive a 70¢ per share selling commission plus certain expense reimbursement. The underwriter will be entitled to purchase, for \$300, five-year warrants for the purchase of 30,000 shares, exercisable initially (after one year) at \$6 per share plus 7%.

The company's objective since 1960 has been to develop and market a four-place gyroplane having a free wheeling helicopter-like rotor system instead of a wing for a lift, powered by a pusher engine and two bladed propellers. It is still in the promotional and development stage. Net proceeds of its stock sale are to be used for engineering, development, construction and certification of three prototype gyroplanes (\$1,500,000) and for administrative and other expenses (\$400,000). The company has outstanding 712,117 common shares (with a 24¢ per share book value deficit), of which Michael P. Walker, president, owns 34% and Peter A. Rubel 42%. Purchasers of the shares being registered will sustain an immediate dilution of \$5.09 in per share book value from the offering price.

**COMPUTER-ASSISTED INSTRUCTION INSTITUTE TO SELL STOCK.** Institute for Computer Assisted Instruction, Inc., 42 East Court St., Doylestown, Pa. 18901, filed a registration statement (File 2-34161) with the SEC on July 29 seeking registration of 200,000 shares of common stock, to be offered for public sale at \$10 per share. The offering is to be made through Lomasney & Co., 67 Broad St., New York, N. Y. 10004, which will receive a \$1 per share commission plus \$20,000 for expenses. The company has agreed to sell 20,000 shares to the underwriter at \$2.50 per share.

Organized in May 1968, the company is engaged in providing education regarding computer-assisted instruction by means of seminars, instructional programming workshops and publications, to educational institutions, corporate and military training organizations and to companies which furnish computer-assisted instruction equipment. Of the net proceeds of its stock sale, \$1,230,000 will be used for the initial payment for all the outstanding stock of Sierra Colleges, Inc., \$150,000 for additional personnel, rent and other operating expenses to develop courses for use at Sierra's schools, \$100,000 to franchise learning centers in other cities and \$80,000 for proposed expansion of the present management education business and to provide additional services for educational institutions; the balance will be added to the company's general funds and will be available as working capital for the company's present and proposed business activities, including rental of larger quarters. The company has outstanding 168,198 common shares (with a negative book value of 15¢ per share), of which Alec B. Kyle, president, owns 28% and management officials as a group 50%. Purchasers of the shares being registered will acquire a 54% stock interest in the company for their investment of \$2,000,000 (they will sustain an immediate dilution of \$9.87 in per share book value from the offering price); the present shareholders will then own 46%, for which they will have paid \$322,000 or 19¢ per share.

**COMPUTER OUTPUT PROPOSES RIGHTS OFFERING.** Computer Output Systems Corporation, 10950 N. Tantau Ave., Cupertino, Calif. 95014, filed a registration statement (File 2-34163) with the SEC on July 30 seeking registration of 430,000 shares of common stock. Part of these shares are to be offered for subscription by stockholders of Mark Systems, Inc. ("MSI"), at the rate of one share for each three MSI shares held, and at \$5 per share. The remaining shares are to be offered for subscription by designees of the company (who may also be MSI stockholders or officials, or employees of the company).

The company was organized in May for the purpose of engaging in the research, development, manufacture and marketing of computer output microfilm systems for the recording, storage and retrieval of computer generated data on various reduced size media. Net proceeds of the company's stock sale will be used for equipment purchases, operating expenses and working capital. The company has outstanding 606,000 common shares, of which Mark Systems owns 500,000 and management officials as a group 100,000. Bernard P. Marcus is board chairman and Charles Askanas president.

**EASTERN UTILITIES SEEKS ORDER.** The SEC has issued an order under the Holding Company Act (Release 35-16442) giving interested persons until August 26 to request a hearing upon a proposal of Eastern Utilities Associates ("EUA") to increase the maximum amounts of promissory notes which EUA and four subsidiaries of EUA may have issued and outstanding at any one time. The maximum amounts proposed to be outstanding at any one time for construction and related purposes, will be increased from \$5,200,000 to \$5,300,000 in the case of EUA, from \$5,850,000 to \$6,300,000 in the case of Blackstone Valley Electric Company, from \$6,900,000 to \$8,475,000 in the case of Brockton Edison Company, from \$2,400,000 to \$2,900,000 in the case of Fall River Electric Light Company and from \$5,800,000 to \$8,700,000 in the case of Montaup Electric Company. Construction expenditures for these companies are estimated to aggregate \$16,000,000 for 1969.

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

- Penn Central Company, Philadelphia, Pa. 19104 (File 2-34147) - 100,000 shares and 10,000 Participations in Thrift Plan
- Penn Central Company, Philadelphia, Pa. 19104 (File 2-34148) - 743,184 shares
- Astrosystems, Inc., New Hyde Park, N. Y. (File 2-34149) - 50,000 shares
- Lerner Stores Corporation, Baltimore, Md. 21202 (File 2-34162) - 120,000 shares
- A. O. Smith Corporation, Milwaukee, Wisconsin 53216 (File 2-34166) - 129,688 shares
- The Deltona Corporation, Miami, Fla. 33129 (File 2-34169) - 364,000 shares

**SECURITIES ACT REGISTRATIONS.** Effective August 1: Allied Maintenance Corporation, 2-33970 (40 days). Effective August 4: Animal Nutrition, Inc., 2-31069; Beverage Cannery, Inc., 2-33536 (90 days); General Development Corporation, 2-33449; Lincoln National Capital Fund, 2-32099; Lucky Stores, Inc., 2-33976; The May Department Stores Company, 2-33956; The Midland National Corporation, 2-32483 (90 days); National Metal Converters, Inc., 2-33212 (90 days); Pro-Tech Program, Inc., 2-31326; Tennis Unlimited, Inc., 2-31471 (90 days); Sports Underwriters, Inc., 2-30907 (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.

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