

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



Washington, D.C. 20549

A brief summary of financial proposals filed with and actions by the S.E.C.

(In ordering full text of Releases from SEC Publications Unit cite number)

(Issue No. 70-125)

FOR RELEASE June 29, 1970

## DECISIONS IN ADMINISTRATIVE PROCEEDINGS

**BELLAHMAH, NEUHAUSER CENSURED.** The SEC today announced a decision under the Securities Exchange Act (Release 34-8911) in which it censured Bellamah, Neuhauser & Barrett, Inc., of Washington, D. C., for violations of the Commission's record-keeping rules during the period February 1968 to January 1969, and for failure to make a timely filing of a financial report in 1968. Frederick J. Bellamah, president, and Joseph A. Barrett, vice president-treasurer, were censured for failure to exercise supervision of employees with a view to preventing such violations. Without admitting or denying the violations, the respondents consented to Commission findings of violations, as indicated, and to the imposition of censure. They further undertook, among other things, to file each month through May 1971 a financial report and an affidavit of compliance with the said requirements. The firm's back office problems were attributed to an inability to hire trained personnel and the introduction of a computerized system which was attended by errors in the introduction of data. As a result of the hiring of additional personnel, its books and records are now on a current basis.

**COASTAL SECURITIES SUSPENDED.** The SEC today announced a decision under the Securities Exchange Act (Release 34-8912) suspending for six months the broker-dealer registration of Coastal Securities, Inc., of Houston, for violations of the registration anti-fraud and other provisions of the Federal securities laws. Wilfred M. McKenzie, president, was suspended from association with any securities firm for the same period. In an offer of settlement, which the Commission accepted, the respondents, without admitting or denying the violations, consented to Commission findings of violations and to the indicated sanctions.

According to the Commission's decision, the respondents during 1967-69, in connection with the issuance of repurchase agreements to investors in certain church bonds, and in the offer and sale of Independent Trustee Sinking Fund bonds, failed to disclose that the churches named on such bonds were in poor financial condition and could not repay loans made to them by McKenzie, the trustee, and that part of the proceeds of the issue would be used to repay such loans. Moreover, in early 1969 they offered and sold Independent Trustee Sinking Fund bonds in violation of the Securities Act registration provisions; and during April-October 1969 they failed to comply with the Commission's record-keeping requirements. The respondents urged in mitigation that the firm used portions of its capital to assist financially troubled churches and that it suspended all retail operations in September 1969.

## COMMISSION ANNOUNCEMENTS

**O/C EXAMINATION PROCEDURES.** The National Association of Insurance Commissioners has notified the SEC that it wishes to withdraw Part I of its "variable annuities examination" as an alternative to the examination prescribed by SEC Rule 15b8-1 under the Securities Exchange Act, as applied to associated persons of brokers and dealers engaged solely in the sale of variable annuity contracts. Accordingly, after June 30 the Commission will no longer consider the NAIC examination an acceptable alternative under the Rule. This action, of course, will have no effect on those persons who by successful completion of the NAIC examination have previously qualified to sell variable annuity contracts (see Release 34-8915).

**PRE-SELLING RESERVED SHARES QUESTIONED.** The SEC today cautioned that the collection by underwriters from employees or other designees of the issuer, of advance payments on securities reserved for such persons out of public offerings by the issuer, raise questions of compliance with the registration requirements of the Securities Act (Release 33-5071). While offerings may be made to and indications of interest obtained from such persons in advance of the effective date of the registration statement, the purchase price may not be paid by them, directly or indirectly, nor may any broker-dealer participating in the distribution receive any consideration from the prospective purchaser in advance of the effective date, by way of deposit or otherwise. The Commission cited two examples wherein employees and designees of the issuer for whom shares were reserved, as disclosed in the prospectus, were asked for a deposit against the purchase price of the shares reserved. The Commission's staff took the position that these arrangements were improper and the monies were refunded prior to the effective date of the registration statement.

## HOLDING COMPANY ACT RELEASES

**CONSOLIDATED NATURAL GAS RECEIVES ORDER.** The SEC has issued an order under the Holding Company Act (Release 35-16768) authorizing Consolidated Natural Gas Company, New York holding company, to issue and sell \$40,000,000 of debentures, due 1995, at competitive bidding. Net proceeds will be used to finance, in part, the 1970 construction program of Consolidated's subsidiaries, estimated at \$114,000,000.

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**GPU RECEIVES ORDER.** The SEC has issued an order under the Holding Company Act (Release 35-16770) authorizing General Public Utilities Corporation, New York holding company (a) to issue and sell up to \$100,000,000 of commercial paper notes, (b) to enter into a credit agreement with a group of banks pursuant to which GPU may issue and sell up to \$85,000,000 of promissory notes at any one time for the purpose of meeting commercial paper note maturities and (c) to issue and sell up to \$43,375,000 of unsecured promissory notes to banks.

#### COURT ENFORCEMENT ACTION

**LOWTHER ENTERS GUILTY PLEA.** The SEC Seattle Regional Office announced June 22 (LR-4648) that Harold Allen Lowther, Jr., of Riverside, Calif., entered a plea of guilty before the Federal court in Seattle, to an indictment charging Lowther with causing the interstate transportation of counterfeit securities with intent to defraud.

**LIQUID OPTICS, McMAHON SENTENCED.** The SEC New York Regional Office announced June 24 (LR-4649) that the Federal court in New York City imposed a four-month prison sentence upon Bernard F. McMahon and a \$5,000 fine (suspended) upon Liquid Optics Corporation, for criminal contempt of a prior court order restraining sales of Liquid Optics stock.

**COMPLAINT CITES BERNHARD & CO., OTHERS.** The SEC New York Regional Office announced June 25 (LR-4647) the filing of a complaint in Federal court in New York, seeking to enjoin violations of the anti-fraud and other provisions of the Federal securities laws by the following, arising out of the failure to disclose in the investment advisory publications of Arnold Bernhard & Co. and the prospectuses of certain mutual funds, certain facts about the activities of Arnold Bernhard & Co. as a finder of mergers, acquisitions and financing: Arnold Bernhard & Co., Inc., Value Line Appraisals, Inc., Value Line Securities, Inc., Arnold Bernhard, David Bruce Huxley and Harold Benjamin.

#### SECURITIES ACT REGISTRATIONS

**SEA-SPACE TO SELL STOCK.** Sea-Space Corporation, 15 Berryhill Rd., Oyster Bay, N. Y. 11771, filed a registration statement (File 2-37739) with the SEC on June 25 seeking registration of 200,000 shares of common stock, to be offered for public sale at \$2.50 per share. The offering is to be made on a "best efforts-100,000 shares or none" basis by R. Basile & Co., Inc., 45 Middle Neck Rd., Great Neck, N. Y., which will receive a 25c per share selling commission plus up to \$50,000 for expenses. The company has agreed to sell the underwriter, at 1c per warrant, six-year warrants to purchase 20,000 shares, exercisable after one year at \$3 per share.

Organized in March 1969, the company is engaged in the final design and development of a trailerable boat with folding deck. Net proceeds of its stock sale will be added to the company's working capital and used for general corporate purposes. The company has outstanding 464,000 common shares (with a \$.053 per share net tangible book value), of which Robert D. Hawkins, president, owns 63.8% and management officials as a group 71.4%. Purchasers of the shares being registered will acquire a 30% stock interest in the company for their investment of \$500,000 (they will sustain an immediate dilution of \$1.853 in per share book value from the offering price); present shareholders will then own 70%, for which they paid \$134,414.

**CINCINNATI FINANCIAL PROPOSES EXCHANGE OFFER.** Cincinnati Financial Corporation, 2934 Central Parkway, Cincinnati, Ohio 45225, filed a registration statement (File 2-37740) with the SEC on June 25 seeking registration of \$3,200,000 of 5.625% 15-year convertible debentures. It is proposed to offer these debentures in exchange for the common stock of The American Druggists' Insurance Co., at the rate of one \$16 debenture for each share of American Druggists. Effectiveness of the exchange offer is contingent upon acceptance by holders of at least 80% of the outstanding stock of American Druggists. Also included in this statement are \$275,600 of 5.625% convertible debentures and 32,500 shares of common stock. The debentures and 7,800 shares are to be issued to CFC Investment Company, wholly-owned subsidiary of the company, in exchange for shares of the subsidiary's common stock. The subsidiary will use the debentures and stock in partial payment of the purchase price in connection with a real estate investment. The remaining 24,700 shares are reserved for issuance under the company's Stock Option Plan.

The company (C.F.C.) was organized in September 1968 for the purpose of becoming a holding company for Cincinnati Insurance Company and, in addition, for the purpose of acquiring other companies. American Druggists conducts a multiple line insurance underwriting business. C.F.C. has outstanding 1,682,999 common shares, of which Harry M. Turner, board chairman, owns 8.5%, John J. Schiff, president, 11.8%, Robert C. Schiff, vice president, 12.4% and management officials as a group 43%.

**PLESSEY SHARES IN REGISTRATION.** The Plessey Company Limited (an English corporation--"the company"), 2-60 Vicarage Lane, Ilford, Essex, England, filed a registration statement (File 2-37741) with the SEC on June 25 seeking registration of 5,585,042.5 dollar ordinary shares underlying American Depositary Receipts (ADRs) to be issued to a Plan and Agreement of Merger and Reorganization of March 10, 1970, whereby Plessey Alloys Corporation, a Delaware corporation and a wholly-owned subsidiary of Plessey Incorporated, a Delaware corporation and subsidiary of the company, is to be merged into Alloys Unlimited, Inc. ("Alloys"). Upon effectiveness of the merger, ADRs representing dollar shares are to be issued to holders of common stock and Series B (\$4) cumulative preferred stock of Alloys, at the rate of ADRs representing  $6\frac{1}{2}$  dollar shares and 16.6791 dollar shares, respectively, for each outstanding share of Alloys common stock and each outstanding share of Alloys Series B preferred stock. Of the shares being registered, 257,758 are issuable upon conversion of Alloys Series A convertible preferred stock, at the rate of 3.68225 shares for each Alloys

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preferred share, 1,940,296 shares are issuable upon conversion of the 4½% convertible subordinated debentures, due 1993, of Alloys (issued in 1968) at the rate of 129,353 shares per \$1,000 debenture, 257,836 shares are issuable in exchange for the 5½% convertible subordinated debentures, due 1981, of Alloys issued in 1966, at the initial rate of 251.057 shares for each \$1,000 debenture, 21,931 shares are issuable in exchange for the 5½% subordinated convertible debentures, due 1979, issued by a subsidiary of Alloys, at the rate of 6.47 shares for each \$50 debenture, 1,295,534.5 shares are issuable upon exercise of stock options granted to officers and key employees of Alloys under terms of certain stock option plans, and an unspecified number of shares as may from time to time become issuable by operation of the antidilution provisions.

The company is engaged in the manufacture and sale throughout the world of telecommunication and transmission equipment; radio communication, engineering, scientific and electronic equipment; aerospace equipment and industrial hydraulic products; and electronic components. Alloys is engaged in the manufacture and sale of components, sub-components and materials, for use in products of the semi-conductor, aerospace, computer, aircraft, oceanographic, electronic and construction industries. The Right Honourable Lord Harding of Petherton is board chairman and John A. Clark deputy chairman of the company.

**RICHWOOD INDUSTRIES FILES RESCISSION OFFER.** Richwood Industries Ltd., 704-535 Thurlow St., Vancouver 1, British Columbia, Canada, filed a registration statement (File 2-37742) with the SEC on June 25 seeking registration of 500,000 shares of common stock. The company will offer to repurchase from each stockholder at \$1 per share (Canadian) plus interest at the rate of 6%, the 500,000 common shares originally purchased by the shareholders from the company in December 1969. The offer is being made because these shares may have been sold in violation of securities laws.

The company was organized in August 1967 and proposes to produce and sell through its wholly-owned subsidiary, FWR Systems, Inc., a newly-developed concept for manufacturing all purpose building panel components under the trade name "Structuralcomb." As part of a Plan and Agreement of Reorganization of December 1969 between the company and shareholders of the subsidiary, the company agreed to furnish the subsidiary by way of loan, capital of at least \$500,000 for use by the subsidiary as working capital, to be used in connection with the construction of the prototype of the mobile plant for the manufacture of Structuralcomb building panels and to meet capital requirements of three contemplated housing projects. The company has outstanding 2,775,005 common shares (with a 68¢ per share book value), of which Frank J. Wald, board chairman, owns 23.8% and management officials as a group 27.4%. Lewis Dillman is president.

#### MISCELLANEOUS

**SECURITIES ACT REGISTRATIONS.** Effective June 26: Belco Petroleum Corp., 2-37488 (40 days); Communications Systems of America, Inc., 2-36400 (90 days); The Detroit Edison Co., 2-37584; Delmarva Power & Light Co., 2-37563 (40 days); First Union National Bancorp. Inc., 2-35640; Fred S. James & Co., Inc., 2-37680; Magness Petroleum Corp., 2-34899; Seaboard Coast Line Industries, Inc., 2-37218; Studebaker-Worthington, Inc., 2-37620.

#### Withdrawals

6-9-70	Kitty Kelly Shoe Corp.	2-33670	6-17-70	Chickasha Mobile Homes Inc.	2-35423
	Cinema V Ltd.	2-36654		Intercontinental Industries	2-28187
	Atlantic Franchise Corp.	2-32754		(wdn 1-29-70 by the Commission)	
	Veeco Instruments Inc.	2-36906		G&G Shops, Inc.	2-35143
5-18-70	Mort Bassett & Co., Inc.	2-33587		Caldwell Computer Corp.	2-34627
				Service Computer Forms Industries	2-34685
6-10-70	JSR Sportswear Inc.	2-32515	6-18-70	Advanced Management Institute	2-35145
	Fantasticks Industries, Inc.	2-33281		Inter Island First Mortgage Investments	
	Household Finance Corp.	2-36487		IIM Mortgage Investment Corp. of the Caribbean	2-34080
6-11-70	Founders Mortgage Investors	2-34528		American Family Life Assurance Co. of Columbus	2-32298
6-12-70	Aloha Airlines Inc.	2-36081		Moran Brothers, Inc.	2-31732
	Linear Motion Technology Inc.	2-34145		Windsor Industries	2-35463
6-15-70	Leisure Bags, Inc.	2-34333		Giant Paper & Film Corp.	33996
	Standard Educational Leasing Corp.	2-30775		Burris Industries, Inc.	2-35161
	Int'l Computer Services Inc.	2-33541	6-19-70	Fidelity Union Life Insurance Co. Mortgage & Equity Investors	2-36796 2-33370
6-16-70	Opto/Graphics Inc.	2-36130	6-22-70	Professional Oil Management	2-33800
	United Markets Inc.	2-31472		American Mobile Home Communities	2-35012
	Pacific Asbestos Corp.	2-24782		Educational Communications Corp.	2-34738
	Cinevideo Industries Inc.	2-31175		Agri-Basic Corp.	2-34812
				Antiques Growth Inc.	2-35270

**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.