

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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FOR RELEASE June 24, 1970

DECISION IN ADMINISTRATIVE PROCEEDINGS

JAMES CHEATHAM SUSPENDED. The SEC today announced a decision under the Securities Exchange Act (Release 34-8908) in which it ordered the suspension of James Cheatham, of Endicott, N. Y., from acting as or being employed by or associated with a broker-dealer, investment adviser or investment company for 30 days, commencing July 13; also, that effective that date he be suspended from being a principal of or being employed in a managerial or supervisory capacity by any broker-dealer, investment adviser or investment company. The action was taken in proceedings in which Cheatham (among others) was charged with violations of the registration and anti-fraud provisions of the Federal securities laws in the offer and sale of stock of North American Research and Development Corporation ("NARD"). He waived a hearing and consented to imposition of the sanctions and to a Federal order of permanent injunction against future violations (LR-4645) without admitting the allegations.

According to the Commission's decision, Cheatham offered and sold NARD stock in violation of the registration provisions of the Securities Act. He also violated the anti-fraud provisions of the Securities Act and Exchange Act by recommending the speculative, unseasoned NARD stock to customers without proper inquiry and in disregard of information concerning the company's financial condition and business operations. He also made materially false and misleading representations and omitted to state material facts concerning, among other things, the state of development of a coking process owned by NARD; the need for and cost of testing the process and the cost of building a plant to utilize it; NARD's pilot plant for the process, in-operative since 1964, and the engineer in charge of such process; the acquisition by control persons, insiders and others of NARD stock at about 1¢ per share and its distribution to investors at from \$2 to \$7 per share; and efforts by such control persons and insiders to influence the market for such shares.

COMMISSION ANNOUNCEMENTS

NYSE REQUESTS SURCHARGE EXTENSION. President Robert W. Haack of the New York Stock Exchange, in a letter dated June 18 to SEC Chairman Hamer H. Budge, has requested an additional three month extension of the interim service charge which became effective April 6. The letter states that "the need for an extension of the surcharge is currently as great, if not greater, than it was earlier this year." Throughout 1970, the letter indicated, there has been a progressive and serious deterioration in the overall profitability of member firms. Of the 76 firms reporting -- which number includes the 50 largest firms and 26 others selected by the SEC staff as adequately representing regional and other firms -- 62% earned an overall profit during the quarter ended December, 1969. In the first quarter of 1970, only 42% of the same firms were profitable. And in the month of April, a meager 29% recorded a profit. To put it differently, 71% of the firms suffered losses on their total operations in April. Not only were there progressively fewer firms in the black, but there has been a steady shrinkage in the dollar amount of their profits. In the fourth quarter of 1969, the firms under study earned a net of \$81.5 million; in the first quarter of 1970, \$20.7 million; and in the month of April, they lost \$30.2 million. It may be more instructive to consider these figures on an annual basis. If the fourth quarter 1969 profits had continued a full year, these firms would have had an annual net of \$326 million. The first quarter profits annualized come to \$83 million. By comparison, the April deficit totals \$362 million at an annual rate.

The NYSE letter further urges that the financial well-being of the securities industry requires an extension of the interim charge until a new commission schedule is adopted and made effective. As a practical matter, it is not presently possible to implement a new commission schedule by July 6. The amendment process under Article XX of the Exchange's Constitution requires a minimum period of 4 weeks after a new schedule is submitted to the Board of Governors. Further, after a new schedule is submitted to the Board, we would expect that it will take several weeks, if not longer, for the Commission to conduct its review of the proposals. On this basis, a ninety-day extension of the interim service charge from July 5 is a minimal period as the existing interim minimum service charge should be extended until a new minimum commission structure becomes effective. If, however, a new commission schedule is arrived at prior to the expiration of ninety days, the interim charge could be repealed upon the effectiveness of the new schedule. For further details, see Release 34-8914.

HEARING SET IN "LOCKHEED" INQUIRY. The SEC has set July 6, 1970, as the date for commencement of the hearing at which an inquiry will be conducted into the questions of disclosure with respect to costs incurred in major defense contracts, of which the Lockheed Aircraft "C-5A" contract is a notable example. The initial hearing will be held in Room 776 of the Commission's Washington office; Assistant General Counsel Paul Gonson will preside. Procedures to be followed in the conduct of the proceedings will be announced at the opening of the hearing, at which exhibits relating to the C-5A contract will be offered for the record.

OVER

NEW RULES AND RULE PROPOSALS

QUOTING "SHELL" COMPANY STOCKS. The SEC today announced a proposal for adoption of a new Rule 15c2-11 under the Securities Exchange Act (Release 34-8909) which would curb the practice of placing market quotations for stock of "shell" corporations by a broker or dealer who lacks minimum financial and other information concerning the security and the issuer thereof. Interested persons are invited to submit their views and comments upon the rule proposal not later than July 24.

The Commission has previously expressed its concern with recent activities of certain types of promoters who acquire and utilize "shell" companies to effectuate public distributions of securities through the "spin off" device, which have raised questions of possible violation of the registration and anti-fraud provisions of the Federal securities laws. Such conduct has included the hasty submission of quotations in the daily sheets of the National Quotation Service, Inc., in the absence of any information about the security or the issuer thereof and before any opportunity is afforded to public investors to acquire such information in order to make an informed investment judgment. In many cases, the Commission observed, this practice has resulted in an irresponsible "numbers" game which, apart from having the effect of foisting unseasoned securities on the investing public, is not only disruptive of the market but fraught with manipulative potential.

To safeguard against these occurrences, the proposed rule would provide that a broker-dealer may not submit quotations for a particular stock if the stock has not been the subject of bid and ask quotations on a regular basis within 30 days of his quotation, unless the stock is registered with the Commission under the Securities Act or Securities Exchange Act (or qualified for exemption from Securities Act registration pursuant to SEC Regulation A) or, in the absence of such registration or exemption, the broker-dealer has in his possession at the time and submits to the quotation service (and agrees to make copies available on demand to other interested persons) certain specified financial and other timely information about the company, its operations and financial condition. There also would have to be disclosed whether the quotation is being furnished on request of another broker or dealer or on behalf of any director or officer of the company or any person owning more than 10% of the outstanding stock of the issuer, as well as the identity of such person.

INVESTMENT COMPANY ACT RELEASE

ISI TRUST FUND RECEIVES ORDER. The SEC has issued an exemption order under the Investment Company Act (Release IC-6086) with respect to certain revisions of the voting rights, investment advisory fee, and sales load arrangements of ISI Trust Fund, San Francisco mutual fund, occasioned by a proposed change in the form of securities to be issued by the Fund from 10-year participating agreements to Trust Fund shares.

COURT ENFORCEMENT ACTION

INDICTMENT RETURNED IN FEDERAL SHOPPING WAY CASE. The SEC Seattle Regional Office announced June 19 (LR-4644) the return of an indictment by a Federal grand jury in Seattle, charging violations by the following, all of Seattle, of the Securities Act anti-fraud provisions in the sale by Federal Shopping Way, Inc., of interests in a proposed recreational development called "Recre-Plex": J. R. Cissna, board chairman and principal executive officer, Charles H. Anderson, Richard Gronning, Franklin Schulz and Robert Riley.

SECURITIES ACT REGISTRATIONS

EMERGING MARKETS TO SELL STOCK. Emerging Markets Incorporated, 875 Sixth Ave., New York, N. Y., filed a registration statement (File 2-37708) with the SEC on June 19 seeking registration of 125,000 shares of common stock, to be offered for public sale at \$4 per share. The offering is to be made on a "best efforts, all or none" basis by Robert Cea & Company, Inc., 160 Broadway, New York, N. Y., which will receive a 40¢ per share selling commission plus \$20,000 for expenses. The company has agreed to sell the underwriters 12,500 shares for \$125.

Organized in June 1969, the company proposes to engage in licensing apparel manufacturers in the tradename "Galah," and in franchising retail boutiques selling merchandise carrying the Galah tradename. Of the net proceeds of its stock sale, \$125,000 will be applied to the development, promotion and advertising and licensing program for the tradename "Galah" and \$65,000 for the design and construction of a pilot boutique; the balance will be added to the company's working capital and used for general corporate purposes. The company has outstanding 250,000 common shares (with a 20¢ per share book value), of which Norman H. Liebman, Jr., president, owns 61% and management officials as a group 91%. Purchasers of the shares being registered will sustain an immediate dilution of \$2.81 in per share book value from the offering price.

GENERAL HOST SHARES IN REGISTRATION. General Host Corporation, 245 Park Ave., New York, N. Y. 10017, filed a registration statement (File 2-37709) with the SEC on June 19 seeking registration of \$47,400,000 of outstanding 5% convertible subordinated debentures, due 1988, up to 176,625 outstanding shares of common stock and 437,700 outstanding shares of common stock presently owned by The Goldfield Corporation (but which are (a) pledged to the company to secure indebtedness of Goldfield held by the company, (b) re-pledged by the company to Union Bank to secure indebtedness of the company to Union Bank and (c) subject to an option giving the company the right to purchase such shares until January 31, 1971 at the market price at the time of exercise of the option.

The company is engaged in the manufacture and sale of a complete line of bakery products, including bread, rolls, cakes, pies and sweet goods. In addition to indebtedness, the company has outstanding 2,610,336 common shares. Diversified Capital may sell \$5,000,000 of debentures and 35 others the remaining debentures being registered. Riedel Investments, Inc., and related investors may sell up to 131,625 common shares and a small number of others the remainder of the 176,625 shares being registered.

CONTINUED

RENEWAL GUARANTY TO SELL DEBENTURES. Renewal Guaranty Corporation, 1636 Welton St., Denver, Colo. 80202, filed a registration statement (File 2-37710) with the SEC on June 19 seeking registration of \$3,000,000 of 9% collateral trust debentures, Series A, due 1990, to be offered for public sale at 100% of principal amount. No underwriting is involved.

Organized in March as a wholly-owned subsidiary of Commercial Dynamics Corporation, the company will assume from its parent the existing business of making loans primarily to life insurance agents, but also to health and accident insurance agents, secured by assignments of the agent-borrowers' vested renewal commissions. Net proceeds of its debenture sale will be applied toward vested renewal commission loans which the company may initiate or which it may purchase as existing loans from the parent and for general corporate purposes. The company has outstanding 100,000 common shares, of which William F. Culbertson, vice president, owns 25.6%, management officials as a group 25.7% and James D. Asher 25.4%.

UNITED PUBLISHING PROPOSES OFFERING. United Publishing Corporation, 5530 Wisconsin Ave., Washington, D. C. 20015, filed a registration statement (File 2-37711) with the SEC on June 19 seeking registration of 445,356 shares of common stock. Of this stock, 150,178 shares (owned by Publishers Company, Inc. ("Publishers")) are being distributed by Publishers to its shareholders of record October 24, 1969 as a dividend, at the rate of one United Publishing share for each ten Publishers' common and Class B shares held. The remaining 295,178 common shares are to be offered by United Publishing (approximately 120 days after the date of the prospectus) for subscription by its shareholders of record on the date of the prospectus (excluding Publishers and certain other shareholders) at a price and rate to be supplied by amendment.

United Publishing is engaged in the business of writing, publishing and selling educational and reference source books. The company has outstanding 1,000,000 common and 2,000 Class B common shares. Publishers owns all of the Class B and 77.2% of the common shares. Charles W. Lockyer is board chairman and Leonard Klingsberg president of the company.

FAUNTLEROY CO. PROPOSES OFFERING. Fauntleroy Company (the "Partnership"), 1230 13th St., N. W., Washington, D. C. 20005, filed a registration statement (File 2-37712) with the SEC on June 19 seeking registration of \$750,000 of preformation limited partnership interests, to be offered for public sale at \$15,000 per unit. The Partnership was organized for the purpose of producing the dramatico-musical play presently entitled "Fauntleroy" and based upon the book "Little Lord Fauntleroy," by Frances Hodgson Burnett. The book of the play is by Richard H. Wade, with music by Cornelius R. Love and lyrics by Wade and Love. Frieda J. Arth, James D. Arth and Cornelius R. Love will be the general partners and producers of the play.

WILDWOOD PRODUCTIONS PROPOSES OFFERING. Wildwood Productions, Inc., 40 E. 49th St., New York 10017, filed a registration statement (File 2-37714) with the SEC on June 22 seeking registration of 140,000 shares of common stock and 140,000 limited partnership interests in Wildwood Associates (the "Partnership"), to be offered for public sale in units, each consisting of one share and one partnership interest. The offering is to be made at \$22.25 per unit by Knickerbocker Securities, Inc., 120 Cedar St., New York 10006, which will receive a \$2.23 per unit underwriting discount plus \$30,000 for expenses. The company has agreed to sell the underwriter 8,000 shares at 25¢ per share (nontransferable for one year) and, for \$60, five-year warrants to purchase 6,000 shares, exercisable after one year at from \$8.80 to \$11.20 per share.

Organized in 1967, the company is engaged primarily in the acquisition, development and packaging of literary properties and their production as full-length feature motion pictures. The company will serve as the general partner of the Partnership which will apply the net proceeds of its sale of partnership interests to finance all or a portion of the production of one or more films developed by the company. Net proceeds of the company's stock sale will be added to its working capital for general corporate purposes, including the acquisition, development and packaging of literary properties, for the co-production of feature films, for financing distribution activities and for exploitation of subsidiary rights in literary properties such as music, books and stage presentations. The company has outstanding 410,000 common shares, of which Robert Goldston, president, and Otto Plaschkes, vice president, own 46.3% each. Purchasers of the shares being registered will acquire a 25.17% stock interest in the company for their investment of \$1,120,000; present shareholders will then own 73.4%, for which they paid \$1,250 and the underwriter will own 1.43%, for which it will have paid \$2,000.

PLY-GEM INDUSTRIES FILES FOR SECONDARY. Ply-Gem Industries, Inc., 182-20 Liberty Ave., Jamaica, N. Y. 11412, filed a registration statement (File 2-37715) with the SEC on June 22 seeking registration of 23,978 outstanding shares of common stock and 8,341 outstanding common stock purchase warrants. These securities may be offered for sale from time to time by the holder thereof at prices current at the time of sale (\$6.12 per share maximum*).

The company is principally engaged in the design, manufacture, marketing and distribution of pre-finished plywood paneling and plywood products, vacuum cleaner bags and other dust control and air filter media and specialty containers. In addition to preferred stock, it has outstanding 840,255 common shares. D. H. Blair & Company, a partnership, may sell all of 23,978 shares held and the 8,341 warrants being registered.

ELECTRONIC DATA PREPARATION TO SELL STOCK. Electronic Data Preparation Corporation, 5315 14th St. West, Bradenton, Fla. 33505, filed a registration statement (File 2-37719) with the SEC on June 22 seeking registration of 140,000 shares of common stock. No underwriting is involved; participating broker-dealers will receive a 10% selling commission. The offering price (\$5 per share maximum*) is to be supplied by amendment.

Organized in 1968, the company provides data preparation and related services and markets data processing related equipment and generalized computer programs for sale or lease. Of the net proceeds of its stock sale, \$150,000 will be used for software product development, \$100,000 for the purchase of existing facilities and \$100,000 for a new facility down payment and related costs; the balance will be added to the company's working capital and used for general corporate purposes. The company has outstanding 887,800 common shares (with a 20¢ per share book value), of which David H. Jones, president and board chairman, owns 37.2% and management officials as a group 82.2%. Purchasers of the shares being registered will sustain an immediate dilution of \$4.17 in per share book value from the offering price.

BRUNEI OIL PROPOSES OFFERING. John B. Hastings--Edward Wilson, Brunei Overriding Oil Company, 655 Madison Ave., New York 10021, filed a registration statement (File 2-37720) with the SEC on June 22 seeking registration of \$600,000 of participations in a 5% overriding royalty on scheduled lands covering a 1455 square mile oil concession granted to Ashland Oil Company by the Brunei Government, to be offered for public sale at \$2,000 per unit. The concession was granted to Ashland in November 1968 and is for a primary period of 38 years. Ashland sold a 25% interest in the concession to Pennzoil United, Inc. and a 25% interest to Woods Petroleum Corporation. Ashland, Pennzoil and Woods will act as the "Operators". The overriding royalty is entitled to 5% of the value of all crude, casinghead petroleum spirits, natural gas and hydrocarbons recovered by the Operators of the concession less royalties, additional royalties, taxes and fixed annual payments due the Brunei Government.

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

The Chubb Corporation, New York, N. Y. 10038 (File 2-37713) - 75,000 shares
 Abbott Laboratories, North Chicago, Ill. (File 2-37716) - 54,000 shares
 Olin Corporation, New York, N. Y. 10022 (File 2-37717) - 600,000 shares
 Royal Coach, Incorporated, Dallas, Tex. 75235 (File 2-37718) - 200,000 shares

MISCELLANEOUS

CONTINENTAL VENDING BAN CONTINUED. The SEC has ordered the suspension of over-the-counter trading in the securities of Continental Vending Machine Corporation for the further ten-day period June 25 to July 4, 1970, inclusive.

SECURITIES ACT REGISTRATIONS. Effective June 23: Addressograph-Multigraph Corp., 2-37591; Armco Steel Corp., 2-37510 & 2-37511; Becton, Dickinson and Co., 2-37570; Belden & Blake & Co. Ltd. Partnership No. 39, 2-37453 and No. 40, 2-37545; Environmental Pollution Research Corp., 2-35521 (90 days); Fairmont Foods Co., 2-37580; General Foods Corp., 2-37567; T. H. Lehman & Co., Inc., 2-35200 (90 days); Multivest Real Estate, Inc., 2-36295; OKC Corp., 2-36658 (40 days); Oneida Ltd., 2-37609; Petrolite Corp., 2-37385; Sanitas Service Corp., 2-36477 (40 days); Sierra Silver Mining Co., 2-34373 (40 days); Technotrol, Inc., 2-36820 (90 days); The Duplan Corp., 2-36251.

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.

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