

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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PENNALUNA CO. REVOKED. The SEC today announced a decision under the Securities Exchange Act (Release 34-8063) revoking the broker-dealer registration of Pennaluna & Company, Inc. ("registrant"), of Spokane, Wash., for violations of the registration anti-fraud, anti-manipulative and other provisions of the Federal securities laws by its two principals, Benjamin A. Harrison and Harry F. Magnuson, while they were partners of registrant's predecessor, Pennaluna & Company ("Pennaluna").

The Commission found, among other things, that Magnuson and Dr. Frank E. Scott, president of Silver Buckle Mining Company, arranged for the purchase of two large blocks of unregistered Silver Buckle stock by Pennaluna, Magnuson and others. Pennaluna resold the shares it acquired to retail customers and other dealers and Magnuson resold a large number of shares to dealers, which in turn resold at least some of the shares to public investors. The Commission rejected the contention that the sales by Pennaluna were exempt from the registration requirements of the Securities Act. It found that Magnuson and Scott were in effective control of Silver Buckle and that Magnuson, as a member of Silver Buckle's control group, caused accounts which he controlled and the facilities of Pennaluna to be employed to buy and resell to the public large amounts of Silver Buckle stock. Pennaluna thus sold for or on behalf of a controlling person of Silver Buckle and having thus become an "underwriter" within the meaning of the Securities Act, its sales violated the registration requirement. With respect to Harrison, who, as the firm's trader, effected the sales for Pennaluna, the Commission found that he was aware of facts which put him on notice that distributions of control stock might be involved, and consequently was a participant in the violations.

On the question of fraud and manipulation, the Commission found that, following an agreement by Pennaluna to purchase 200,000 shares of Silver Buckle stock at 20¢ per share, its trading volume in that stock took a "dramatic upsurge" and it was the consistent leader in bid quotations which rose almost steadily from 16¢ to \$1.40 per share. "Pennaluna's bidding and trading in the stock and its obvious motive for raising the price level," the Commission stated, "coupled with misrepresentations by Harrison to other dealers relating to the Silver Buckle stock and bullish predictions as to its future market price . . . , make it clear that Pennaluna and Harrison engaged in a manipulative scheme in the sale of the stock." The Commission rejected the argument that Harrison's statements to the trader for another dealer were merely permissible "chatter" between traders, pointing out that Harrison purported to have and was looked to as a source of specific information regarding the condition and prospects of Silver Buckle. Although Magnuson did not himself engage in the trading activities or make misrepresentations, the Commission held that as an active major partner he had a duty to know of the nature and scope of the firm's activities, and being chargeable with knowledge, "he must be held to have at least a shared responsibility for the violations which occurred." Moreover, Magnuson, at a time when he was a director and controlling person of West Coast Engineering, Inc., sold large amounts of that company's stock to Pennaluna and others without disclosing its adverse financial condition. This conduct, the Commission held, violated the anti-fraud provisions of the securities acts.

JARRELL-ASH PROPOSES OFFERING. Jarrell-Ash Company, 590 Lincoln St., Waltham, Mass. 02154, filed a registration statement (File 2-26450) with the SEC on April 28 seeking registration of \$1,500,000 of convertible subordinated debentures, to be offered for public sale through underwriters headed by Clayton Securities Corporation, 147 Milk St., Boston. The interest rate on the debentures, the public offering price and underwriting terms are to be supplied by amendment. Also included in the registration statement are 37,500 outstanding shares of Class A common stock, to be offered for sale by the holder thereof (at \$15 per share maximum*).

The company initially engaged solely in the sale of scientific optical instruments; in 1942, it began manufacturing operations. Its primary field is the manufacture and sale of optical instrumentation used in scientific research and production control. Of the net proceeds of its debenture sale, \$661,500 will be used to retire an outstanding note due 1978 and held by Prudential Insurance Company of America, and \$500,000 to retire short-term indebtedness incurred to enable the company to carry accounts receivable and inventories. The remainder of the proceeds will be used to meet current working capital requirements. In addition to indebtedness and preferred stock, the company now has outstanding 458,888 shares of Class A and 208,058 shares of Class B common stock; management officials own 2.8% of the Class A and 1.8% of the Class B. Richard F. Jarrell is president and board chairman. Anderson New England Capital Corporation proposes to sell the 37,500 Class A shares.

HACKENSACK WATER FILES FOR RIGHTS OFFERING. Hackensack Water Company, 4100 Park Ave., Weehawken, N.J. 07087, filed a registration statement (File 2-26451) with the SEC on April 28 seeking registration of 108,106 shares of common stock. The shares are to be offered for subscription by holders of outstanding stock at the rate of one share for each eight shares held of record at the close of business on May 31. The subscription price (\$45 per share maximum*) and underwriting terms are to be supplied by amendment. The underwriting group is headed by The First Boston Corporation, 20 Exchange Place, and White Weld & Co., Inc., 20 Broad Street, both of New York, N.Y. 10005.

The company serves about 152,000 customers in 59 municipalities in the northern part of Hudson County, N.J., and in Bergen County, N.J.; a subsidiary serves about 33,000 customers in Rockland County, N.Y. Net proceeds of the sale of additional stock, together with the proceeds of the sale of some \$9,000,000 of bonds by the company and its subsidiary and bank borrowings of \$2,800,000 by the company, are to

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be used to pay outstanding bank loans (\$12,500,000 at March 31) incurred to meet construction costs and to finance further construction expenditures, estimated at \$6,500,000 through December 31, 1967. In addition to indebtedness and preferred stock, the company has outstanding 864,844 common shares, of which management officials own 4.3%. George H. Buck is president.

HI-G INC. PROPOSES OFFERING. HI-G, Incorporated, Windsor Locks, Conn. 06096, filed a registration statement (File 2-26452) with the SEC on April 28 seeking registration of \$2,200,000 of 6½% convertible subordinated debentures due 1982, to be offered for public sale at 100% of principal amount. The offering is to be made by underwriters headed by Stanley Heller & Co., 44 Wall St., New York, which will receive an 8% commission.

The company is principally engaged in the design, manufacture and sale of miniature and microminiature, high-performance, hermetically sealed electro-mechanical relays; and it also designs and manufactures a range of related products, utilizing both electromechanical and electronic components, such as voltage sensors, phase detectors and time relays. The products are used primarily in aircraft and missile and space programs. Of the net proceeds of its debenture sale, some \$575,000 will be used to retire a 6½% bank note and 8% debenture; \$110,500 for redemption of outstanding preferred shares; and the balance for general corporate purposes and future expansion of the company's business (including \$150,000 to be invested in the general corporate funds of a company to be acquired). In addition to indebtedness and preferred stock, the company has outstanding 575,000 common shares, of which Alvin Lukash, president, owns 37.04% and Leslie I. Lukash 9.03%. Management officials as a group own 50.37% of the outstanding stock.

ADRS FOR STEYN GOLD MINING FILED. Morgan Guaranty Trust Company of New York filed a registration statement (File 2-26453) on April 27 seeking registration of 100,000 American depositary receipts for ordinary registered shares of President Steyn Gold Mining Company Limited, of the Republic of South Africa.

ILLINOIS CENTRAL INDUSTRIES FILES EXCHANGE PLAN. Illinois Central Industries, Inc., 135 East Eleventh Place, Chicago, Ill. 60605, filed a registration statement (File 2-26456) with the SEC on April 27 seeking registration of 40,000 shares of common stock. It is proposed to offer these shares in exchange for all the shares of stock (10,000 shares of \$100 par common and 2,910 shares of 7% noncumulative preferred stock, \$100 par) of Chicago & Illinois Western Railroad. The Railroad stock is owned directly or indirectly one-half each by Peoples Gas, Light & Coke Company and Mississippi Valley Corporation. Illinois Central Industries owns directly or indirectly 97.40% of the outstanding common stock of Illinois Central Railroad Company and 100% of the outstanding common stock of Chandeysson Electric Company.

BARDEN CORP. FILES FOR SECONDARY. The Barden Corporation, 200 Park Ave., Danbury, Conn. 06810, filed a registration statement (File 2-26455) with the SEC on April 28 seeking registration of 50,000 outstanding shares of common stock. The shares are to be offered for public sale by The Theodore H. Barth Foundation, Inc., which now owns 103,751 shares (13%) of the outstanding stock. The offering is to be made by White Weld & Co., 20 Broad St., New York, N.Y. 10005, and Shearson, Hammill & Co., Inc., 14 Wall St., New York, N.Y. 10005; and the offering price (\$44.875 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is engaged principally in the design, development and manufacture of high quality precision ball bearings "of extremely close dimensional and functional tolerances" and used principally in guidance systems for aircraft, missiles, ships and submarines, flight control equipment, general instrumentation, accessories, and computers, most of which have both commercial and military application. In addition to indebtedness, it has outstanding 797,952 common shares of which management officials own 18.5%, Carl F. Norden 15.7% and Sigler & Co., 19.7%. J. Robert Tomlinson is president.

ATLANTIC RICHFIELD PROPOSES OFFERING. Atlantic Richfield Company, 260 South Broad St., Philadelphia, Pa. 19101, filed a registration statement (File 2-26457) with the SEC on April 28 seeking registration of \$150,000,000 of 30-year debentures due 1997, to be offered for public sale through underwriters headed by Smith, Barney & Co., Inc., 20 Broad Street, New York, N. Y. 10005. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company and its subsidiaries are engaged in the exploration for, and development, production, purchase, transportation and sale of, crude petroleum and natural gas, and in the manufacture, transportation and marketing of petroleum products derived from crude oil, including petrochemicals, predominantly on the East and West Coasts of the United States. Net proceeds of its debentures sale will be applied in part to the retirement as they become due of short-term notes payable, which amounted to \$104,860,000 on April 1; and the remainder will be added to the company's general funds to be available for capital expenditures, including the acquisition and development of additional crude oil production and expansion and improvement of manufacturing, marketing and transportation facilities. The company's capital expenditures were \$191 million in 1965 and \$274 million in 1966; and they are estimated at \$271,000 for 1967. In addition to debentures and preferred stock, the company has outstanding some 11,540,000 common shares, of which management officials own 553,013 shares. Robert O. Anderson is board chairman and T. F. Bradshaw president.

MOHAWK DATA SCIENCES FILES FOR OFFERING. Mohawk Data Sciences Corp., Herkimer, N.Y. 13350, filed a registration statement (File 2-26454) with the SEC on April 28 seeking registration of 115,000 shares of common stock. The stock is to be offered for public sale through underwriters headed by A. C. Becker & Co., Inc., 120 South LaSalle St., Chicago, Ill. 60603; the public offering price (\$80 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is engaged in the development, manufacture and sale or rental of electronic data processing equipment for a variety of business uses. Its principal products are a line of DATA-RECORDERS used to transcribe information from source documents and other media directly to standard magnetic tape and also in

conjunction with telephone and other devices to facilitate the collection of data from various locations. Some \$500,000 of the net proceeds of the stock sale will be used to repay borrowings under a credit agreement used to finance equipment rented to customers; the balance will be added to working capital for use in connection with the expansion of the company's operations. In addition to indebtedness, the company has outstanding 1,919,692 common shares, of which management officials own about 25%. Virgil E. Johnson is president.

RENWELL INDUSTRIES FILES FOR SECONDARY. Renwell Industries, Inc., Bristol, Pa., filed a registration statement (File 2-26458) with the SEC on April 28 seeking registration of 73,450 outstanding shares of common stock. All or part of these shares may be offered for public sale by the present holders thereof from time to time on the over-the-counter market at such prices as may prevail at the time of sale (\$8.22 per share maximum*).

The company is in the business of manufacturing wire harnesses and cable assemblies; piezo-electric quartz crystals; capacitors, metal cabinets, racks, consoles, chassis and panels for the electronics industry; and radio components and devices used with electronic communications systems. According to the prospectus, due to financial reverses the company had a deficit as of January 31, 1967, of \$5,061,091 and a "stockholders' deficiency" of \$697,455; the company has not paid any cash dividends since its incorporation and will not be in a position to pay cash dividends in the foreseeable future under the provisions of an outstanding \$6,000,000 bank loan. The shares may be offered by David B. M. Zaretsky, Stelio A. Motti and others; and most of the shares are being registered pursuant to the settlement of litigation with Zaretsky, Motti and two others based on the alleged breach of agreements to register their stock under the Securities Act. In addition to indebtedness, the company has outstanding 1,124,958 common shares. Peter N. Bohn is president and Herman Shall is board chairman.

SOUTH CAROLINA ELECTRIC PROPOSES OFFERING. South Carolina Electric & Gas Company, 328 Main St., Columbia, S.C. 29201, filed a registration statement (File 2-26459) with the SEC on April 28 seeking registration of \$15,000,000 of first and refunding mortgage bonds, due June 1, 1997, to be offered for public sale through underwriters headed by Kidder, Peabody & Co., Inc., 20 Exchange Place, New York, N.Y. 10005. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

An electric utility, the company owns all the outstanding stock of South Carolina Natural Gas Company. Net proceeds of its bond sale will be used to finance in part the company's construction program, including the retirement of some \$9,000,000 of bank notes. The construction program of the company and its subsidiary is estimated at \$35,504,000 for 1967 and \$148,900,000 for the period 1967 through 1970.

GREENMAN BROS. FILES FOR OFFERING AND SECONDARY. Greenman Bros. Inc., 35 Engel St., Hicksville, N.Y. 11801, filed a registration statement (File 2-26461) with the SEC on April 28 seeking registration of \$1,000,000 of convertible subordinated debentures, due 1976, and 125,000 outstanding shares of common stock. The debentures and common shares are to be offered for public sale in units, each consisting of \$1,000 principal amount of debentures and 125 common shares. The shares are being offered for the account of the present holders thereof, and the company will not receive any of the proceeds of their sale. The units are to be offered by underwriters headed by Shaskan & Co., Inc., 67 Broad St., New York, N.Y. 10004; and the offering price (\$1,875 per unit maximum*) and underwriting terms are to be supplied by amendment.

The company and its subsidiaries are engaged in the wholesale and retail distribution of toys and related lines, such as hobbies, sporting equipment and juvenile furniture, conducted primarily through leased departments in discount department stores. Net proceeds of its sale of debentures will be used to pay off some \$650,000 of bank borrowings; to finance expansion of the company's wholesale operations in its expanded warehouse facilities; to purchase inventories in connection with both the wholesale and retail segments of the business; and for working capital. In addition to indebtedness, the company has outstanding 475,000 common shares, owned in equal amounts by Bernard Greenman and Nathan Greenman, president and executive vice-president, respectively. Each proposes to sell 62,500 shares.

RELIANCE OIL PROPOSES OFFERING. Reliance Oil Corporation, 2120 Angus Rd., Charlottesville, Va., filed a registration statement (File 2-26463) with the SEC on April 28 seeking registration of 100 "program units" in its 1967 Oil and Gas Program Number 1 (a limited partnership to be formed), which units are to be offered for public sale at \$1,400 per unit. Reliance Oil, as the general partner as well as manager of the Program, will use the funds for exploratory oil drilling in Ohio, Indiana, West Virginia, Pennsylvania, Kentucky, New York or wherever "opportunities appear." The president and principal stockholder of the company is James E. Carson. Terry W. Carson is board chairman.

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Associates' offer was joined in by Martin Mallin and Max Fisher, president and secretary-treasurer, respectively. Associates and the two individual respondents waived a hearing and consented to the entry of an order suspending the broker-dealer registration of Associates for fifteen business days, to commence May 15, 1967, and suspending the individual respondents from association with any broker-dealer for fifteen business days, also commencing May 15. All three agreed, for the purpose of these proceedings, that the Commission may find that they violated certain provisions of the Federal securities laws and consented to the imposition of sanctions, as indicated.

The Commission has determined to accept the settlement proposals, and has issued orders suspending the registration statements of the two Funds; denying effectiveness to the said amendment filed by Decatur; suspending the broker-dealer registrations of Management and Associates for the periods indicated; and suspending the six individual respondents from association with any broker-dealer firm for the respective periods indicated.

The Commission's detailed "Findings and Opinion" in support of the foregoing will be issued later.

RICHARD B. SMITH BECOMES SEC MEMBER

Richard B. Smith of New York today took his oath of office and entered on duty as a Member of the Securities and Exchange Commission. He was appointed to the vacancy created by the retirement on April 30 of Commissioner Byron D. Woodside, whose term ends June 5, and has been reappointed to a five-year term ending June 5, 1972.

Commissioner Smith has been associated with the New York law firm of Reavis & McGrath since 1953 (except for about 18 months in 1956-57 when he was with the Legal Department of W. R. Grace & Co.), becoming a partner of the firm in 1963; he engaged in the general practice of law, specializing in corporate finance and securities work. He is a member of The Association of the Bar of the City of New York (having served as Chairman, Committee on Aeronautics, 1963-66), New York State Bar Association (he served as a member of the Committee on State Legislation, 1962-64) and American Bar Association. In 1961-62 he was Counsel to the New York State Commission of Inquiry into labor questions in the thoroughbred racing industry.

Born in July 1928 in Lancaster, Pa., where he graduated from the McCaskey High School in 1945, Commissioner Smith received his B.A. from Yale University in 1949 and his LL.B. from the University of Pennsylvania Law School in 1953 (he was Editor of the Law Review). He was president of the University of Pennsylvania Law Alumni Association of New York City (1965-67) and is a member of the Board of Managers of the Alumni Society of the University of Pennsylvania Law School. He married Mary Detwiler of Herndon, Va., in 1954 and they have four children.

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SEC ACCEPTS SETTLEMENT OF DELAWARE FUND ET AL PROCEEDINGS. The Securities and Exchange Commission today announced that it had accepted settlement proposals made by Delaware Fund, Inc. ("Delaware") and Decatur Income Fund, Inc. ("Decatur"), both of Philadelphia, for the resolution of issues in administrative proceedings under the Securities Act of 1933 involving registration statements filed by the two Funds. It also has accepted settlement proposals of Delaware Management Company, Inc. ("Management"), of Philadelphia, investment adviser to and principal underwriter for the shares of the two Funds, joined in by four individuals, and of Mutual Fund Associates, Inc. ("Associates"), joined in by two individuals, also of Philadelphia, for the resolution of issues in administrative proceedings under the Securities Exchange Act of 1934 involving Management, Associates and the six individual respondents.

In consolidated proceedings authorized by the Commission on March 27, 1967, the Commission's staff alleged that Management, Associates and the individual respondents violated certain provisions of the Federal securities laws in that since September 1961, contrary to representations contained in the prospectuses of Delaware and Decatur, the most favored prices were neither sought nor obtained in the execution of orders placed by Management for the purchase and sale of portfolio securities by the two Funds. Instead, according to the staff charges, Associates was "interposed" between the two Funds and other broker-dealers with which orders for the purchase and sale of over-the-counter securities for the Funds' portfolios were effected. Thus, according to the staff charges, Delaware and Decatur were caused to incur unnecessary brokerage costs and charges in connection with such portfolio transactions, and the representations above referred to were false and misleading. It also was charged that in March 1965 Management induced Delaware to sell some 202,000 shares of Libby, McNeill & Libby stock at a price which was substantially less than Delaware had been offered and could have obtained for said shares.

Delaware and Decatur have waived an evidentiary hearing and consented to the issuance of stop orders by the Commission suspending the effectiveness of their respective registration statements and denying effectiveness to an amendment to Decatur's statement filed on February 21, 1967, as amended on March 6, 1967. Each of the Funds has stipulated that its registration statement includes untrue statements of material facts and omits to state material facts required to be stated therein in order to make the statements therein, in light of the circumstances under which they were made, not misleading; and they have agreed that the Commission may so find.

Management's offer was joined in by W. Linton Nelson, its president (he also is the principal owner of Management and president of each of the two Funds); James P. Schellenger and Arnold M. Ganz, vice presidents of Management and of each of the two Funds; and R. Wallace Bowman, a vice president of each of the three companies until November 1965. Management and each of the four individual respondents have waived an evidentiary hearing; admitted for the purposes of these proceedings that they violated certain provisions of the Federal securities laws and agreed that the Commission may so find; and consented to the imposition of sanctions, as set forth below. As part of the settlement proposal, Management has agreed to reimburse Delaware (a) in the amount of \$214,210, in reimbursement of any excess costs which Delaware may have suffered as a consequence of executing certain over-the-counter portfolio transactions; and (b) in the sum of \$93,887.50, in reimbursement of any losses Delaware may have suffered as a consequence of the sale of the Libby, McNeill & Libby stock. Management also has agreed to reimburse Decatur in the amount of \$11,030 in reimbursement of any excess costs which that company may have suffered as a consequence of executing certain over-the-counter portfolio transactions.

Moreover, the settlement proposal of Management provides that the Commission may suspend Management's broker-dealer registration for a period of 45 days, commencing at 12:00 noon on March 29, 1967, as of which time Management discontinued the sale of shares of the two Funds pending resolution of the issues in these consolidated proceedings. Similarly, Nelson has consented to his suspension from association with any broker-dealer firm for a period of 60 days, Schellenger 30 days, Bowman 30 days, and Ganz 10 days, all effective as of 12:00 Noon on March 29. It is understood that during the period of their suspension, Nelson, Schellenger and Ganz shall be permitted to perform their duties as members of Management's Investment Committee, but any salary or compensation payable to them during that period shall be paid to Delaware and Decatur in proportion to their respective net assets on the day or days when such compensation becomes due and payable.

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