

# sec news digest

a daily summary from the securities and exchange commission

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October 25, 1973

## COMMISSIONER SOMMER CALLS FOR GREATER DISCLOSURE IN ANNUAL REPORTS

Commissioner A. A. Sommer, Jr., speaking before the National Investor Relations Institute in Washington yesterday, proposed the Commission take the following action regarding annual reports:

1. That the Commission adopt substantially all, if not all, of the recommendations of the Advisory Committee on Industrial Issuers and mandate the inclusion in annual reports of the information suggested by that group. That Committee, appointed in 1972 by former Chairman Casey, had called for inclusion in annual reports of the following:

- A brief description of the business which would indicate, in the opinion of management, the general nature and scope of the business;
- line of business disclosures consistent with those in Form 10-K;
- a five-year summary of earnings consistent with Item 2 of Form 10-K;
- explanatory comment on material changes in financial condition and results of operations in the past year, as well as on material non-recurring items;
- identification of principal executive officers and directors and, in the case of "outside" directors, the principal business or professional affiliation of each; comment on significant changes in management or control;
- If not adequately covered in footnotes to the financial statements, disclosure in the text of the report of principal accounting policies and changes in those policies.

2. That the Commission staff make a greater effort to examine annual reports after they are submitted to the Commission to determine their quality, the extent to which they are being upgraded, their reliability, and their effectiveness as communicators of corporate information.

3. That cases where it appears management has sought to mislead its shareholders and the investment community should be referred to the Commission's Division of Enforcement for appropriate action.

4. That the Commission consider the adoption of a rule which would require issuers announce to their shareholders the availability of copies of Forms 10-K and 8-K and furnish them without charge to such shareholders who request them. That it also consider the possibility of requiring that copies of such forms be furnished to persons other than shareholders upon payment of a charge sufficient to defray the expense of reproduction and mailing.

Commissioner Sommers urged all those involved in the preparation of annual reports to step back and take a fresh look at the documents. "Judge them not by whether they are artistically attractive, whether the pictures are pretty or the text colorful, but judge them as to whether as a whole they convey honestly and candidly the truth about the issuer - the optimistic and the pessimistic, the good and the bad. To the extent that businessmen and their advisors accomplish an effective and honest job of disclosure voluntarily, the less heavy will be the hand of regulation," Commissioner Sommer concluded.

## **COMMISSION ANNOUNCEMENTS**

### REGULATION B EXEMPTION OF COOPERATIVE OIL INVESTMENTS, INC. PERMANENTLY SUSPENDED.

Administrative Law Judge Ralph Hunter Tracy has filed an Initial Decision ordering that the exemption of Cooperative Oil Investments, Inc. under Regulation B be permanently suspended. The decision is subject to appeal to the Commission.

The Administrative Law Judge found, among other things, that Cooperative Oil Investments, Inc., in connection with its offering of fractional undivided non-producing working interests in an oil and gas lease pursuant to an exemption from the registration requirements of the Securities Act of 1933 provided by Regulation B, used certain sales literature in violation of the Commission's rules regulating the use of such material; that the material used contained untrue statements of material facts and omitted facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and that the offering was made in violation of the anti-fraud provisions of Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934.

TRADING SUSPENDED IN U.S. NATIONAL BANK OF SAN DIEGO AND WESTGATE CALIFORNIA CORP  
Over-the-counter trading has been suspended in all securities of United States National Bank of San Diego (USNB) of San Diego, Cal., and in all securities of Westgate California Corporation, also of San Diego, for a ten-day period beginning October 24 and terminating at midnight (EDT) on November 2, 1973.

The suspensions were initiated at the request of the two companies. The Commission initiated the suspensions to allow the public time to evaluate information on the relationship between USNB and Westgate and the circumstances surrounding the purchase of certain assets and liabilities of USNB by Crocker National Bank on October 18, 1973.

On May 31, 1973, the Commission filed an action in the U.S. District Court in Cal., alleging, in part, violations of the anti-fraud and reporting requirements of the Federal securities laws against Westgate and others. Certain of the other defendants have consented to the issuance of an injunction which was ordered by the court. (Rel. 34-10451)

TRADING SUSPENSION IN PENNSYLVANIA LIFE AND PENN GENERAL AGENCIES TERMINATED. The suspension of trading in the securities of Pennsylvania Life Company and its majority-owned subsidiary, Penn General Agencies, Inc. (PGA) both of Santa Monica, Cal., will terminate at 9:45 a.m. EDT on October 25, 1973.

The suspensions were initiated on October 10 and October 11, 1973 respectively, pending clarification and dissemination by Pennsylvania of information about its operations, including information on transactions between subsidiaries of Pennsylvania and subsidiaries of Equity Funding Corporation of America. On October 20, 1973, Pennsylvania disseminated a letter and report to its shareholders and to the news media about the foregoing matters. (Rel. 34-10452)

AUTOBALE TRADING HALTED. Over-the-counter trading has been suspended in the securities of Autobale America Corp., of San Leandro, Cal., for a ten-day period beginning October 24, 1973 and continuing through November 2, 1973.

The suspension was ordered because of the unavailability of adequate and accurate information about the business operations of Autobale. In addition, certain questions have been raised on recent developments about the management and control of Autobale. The company has informed the Commission that it placed a stop order prohibiting the transfer of the company's common stock. (Rel. 34-10453)

#### COURT ENFORCEMENT ACTIONS

CORRECTION RE SITOMER, SITOMER & PORGES. The SEC on October 19 filed a complaint in the U.S. District Court for New York seeking to enjoin the law firm of Sitomer, Sitomer and Porges, Alvin Lester Sitomer, Stephen Joel Sitomer, Robert E. Porges, Empire Fire and Marine Insurance Co., Gary O. Gross and Yale Kaplan from violations of the antifraud and registration provisions of the Federal securities laws. Sitomer, Sitomer & Porges, and others were not enjoined as inadvertently reported in the caption of the article appearing in the October 23 News Digest. The Commission regrets the error.

#### HOLDING COMPANY ACT RELEASES

NEW ENGLAND ELECTRIC SYSTEM. A Memorandum Opinion and Order has been issued approving a plan by New England Electric System (NEES), a registered holding company, to sell its stock interests in Lynn Gas Company, Mystic Valley Gas Company and North Shore Gas Company, all NEES subsidiaries, and Massachusetts LNG, Inc., a NEES subsidiary business corporation, to Eastern Gas and Fuel Associates, an exempt holding company. Under the plan, the minority interests in the three gas companies will be eliminated at a price per share equal to that to be paid to NEES for its respective interests. The plan also provides for the liquidation of Massachusetts Gas System, a subholding company of NEES. The plan was filed in compliance with a Commission order to NEES requiring it to divest its interests in its gas utility properties. (Rel. 35-18133)

AMERICAN NATURAL GAS COMPANY. A notice has been issued giving interested persons until November 20 to request a hearing on a proposal of American Natural Gas Company, New York holding company, and its subsidiaries to sell, under an agreement with Indiana Gas Company, Inc., a non-affiliated exempt holding company, 63,219 shares of common stock (\$100 par) of Central Indiana Gas Company, representing all its outstanding common stock for \$20.5 million. Central Indiana is a wholly-owned subsidiary of American Natural. The Commission previously granted an exception from the competitive bidding requirements in connection with the proposed sale. (Rel. 35-18134)

**ARKANSAS POWER & LIGHT COMPANY.** A notice has been issued giving interested persons until November 19 to request a hearing on a proposal of Arkansas Power & Light Company, subsidiary of Middle South Utilities, Inc., to sell \$40 million of first mortgage bonds and 150,000 shares of preferred stock (\$100 par) at competitive bidding, and to sell to Middle South 2,800,000 shares of common stock for \$35 million. Arkansas will use the proceeds to retire short-term debt and to finance its construction program (estimated at \$160,200,000 for 1973). (Rel. 35-18135)

#### INVESTMENT COMPANY ACT RELEASES

**GNMA SECURITY FUND.** An order has been issued granting an application of GNMA Mortgaged-Backed Security Fund, Series 1 (and subsequent series)(the Fund), Paine, Webber, Jackson & Curtis, Incorporated, Dean Witter & Co., Incorporated and Reynolds Securities, Inc. exempting, among others, the frequency of the Fund's capital gains distributions and the secondary market operations of the sponsors from certain provisions of the Act and granting confidential treatment to profit and loss statements supplied by the sponsor in connection with certain registration statements filed with the Commission from time to time. (Rel. IC-8042)

#### MISCELLANEOUS

**UNLISTED TRADING SOUGHT.** Notices have been issued giving interested persons until November 4 to request a hearing on applications of the following exchanges for unlisted trading privileges in the common stocks of the specified companies:

Detroit Stock Exchange: Southern Natural Resources, Inc.

Midwest Stock Exchange, Inc.: Chessie System, Inc.

PEW Stock Exchange, Inc.: Chessie System, Inc.; Merrill Lynch & Co., Inc.

(Rel. 34-10459)

**SECURITIES ACT REGISTRATIONS. Effective October 24:** Apache Grove Land Program 1973, Limited, 2-48878; BBDO International, Inc., 2-49209 (Jan 22); Bancohio Corp., 2-48952; City Stores Co., 2-48245; Bob Evans Farms, Inc., 2-49127; First National Cincinnati Corp., 2-49193; Harbor Resources, Inc., 2-48896; Intoterm Corp., 2-48077 (Jan 23); Macrodyn Industries, Inc., 2-49015; McCormick Mortgage Investors of Florida, 2-48463 (Jan 22); Peabody Galion Corp., 2-49281; Rite Aid Corp., 2-48529; Rochester Gas and Electric Corp., 2-49138; Rubbermaid Inc., 2-49170; Urban Improvement Fund Limited-1973-II, 2-48955 (90 days); United Tennessee Bancshares Corp., 2-48699.

**Effective October 25:** C/P Realty Trust, 2-48027 (90 days); Creative Management Associates, Inc., 2-49314; Dover Corp., 2-49293; J. P. Morgan & Co. Inc., 2-49280; Newberry Energy Corp., 2-48953.

**NOTE TO DEALERS:** The period of time dealers are required to use the prospectus in trading transactions is shown in parentheses after the name of the issuer.

#### RECENT FORM 8-K FILINGS

Form 8K is a report which must be filed with the SEC by the 10th of the month after any of the following important events or changes changes in control of the registrant; acquisition or disposition of assets, legal proceedings, changes in securities (i.e., collateral for registered securities); defaults upon senior securities, increase or decrease in the amount of securities outstanding, options to purchase securities; revaluation of assets; submission of matters to a vote of security holders, and any newly enacted requirements effecting registrant's business.

The companies listed below have filed Form 8-K reports for the month indicated, responding to the item of the form specified. Photocopies may be purchased from the Commission's Public Reference Section (in ordering, please give month and year of report). An index of the captions of the items of the form was included in Monday's News Digest.

COMPANY	ITEM NO.	MONTH
CUMMINS ENGINE CO INC	7,13	09/73
CUNEO PRESS INC	12,14	09/73
CURTICE BURNS INC	7,8	09/73
CYBERMATICS INC	2,11,14	09/73
DATA ARCHITECTS INC	13,14	09/73
DATA LEASE FINANCIAL CORP	13	09/73
DATATYPE CORP	9,14	09/73
DELSTAR CORP	9,13,14	09/73

8K REPORTS CONT.

DELTEC INTERNATIONAL LTD	2,3,8,10,11,13,14	09/73
DETROIT EDISON CO	3,7,11,14	09/73
DIAMONDHEAD CORP	3,7	09/73
DIGIORGIO CORP	10,14	09/73
DIGITAL EQUIPMENT CORP	7,14	09/73
DIVERSIFIED INDUSTRIES INC	3	09/73
DOCKTOR PET CENTERS INC	13,14	09/73
DOWNE COMMUNICATIONS INC	3,13,14	09/73
DYNASCIENCES CORP	12,14	09/73
DYNELL ELECTRONICS CORP	3	09/73
EASTERN AIR LINES INC	8	09/73
EATON CORP	7,8,14	09/73
ED TECH CORP	11,13,14	09/73
ELECTRONIC DATA CONTROLS CORP	11	09/73
ELECTRONIC DATA SYSTEMS CORP	11,14	09/73
ENERGY CONVERSION DEVICES INC	10,14	09/73
EQUIMARK CORP	13	09/73
EVANS & MITCHELL INDUSTRIES INC	7,14	09/73
EVERGREEN LAND PROGRAM PETROSEARCH	13	09/73
EXXON CORP	3	09/73
FABERGE INC	3	09/73
FAIRCHILD INDUSTRIES INC	3,13	09/73
FAIRMONT FOODS CO	10,14	09/73
FARADAY INC	13,14	09/73
FARAH MANUFACTURING CO INC	3	09/73
FARMLAND INDUSTRIES INC	8	09/73
FEDERAL CO	11,14	09/73
FEDERATED DEVELOPMENT CO	13	09/73
FINANCIERA METROPOLITANA S A	7	09/73
FIRST AMERICAN FINANCIAL CORP	3,14	09/73
FIRST ARTISTS PRODUCTION CO LTD	3	09/73
FIRST REALTY INVESTMENT CORP	4,7,14	09/73
FOODWAYS NATIONAL INC	3,14	09/73
FORD MOTOR CO	3,8	09/73
FORD MOTOR CREDIT CO	7	09/73
FRANKLIN CORP	13	09/73
FRENCH FRED F INVESTING CO INC	7	09/73
GABLE INDUSTRIES INC	8	09/73
GAF CORP	4,7,14	09/73
GALVESTON HOUSTON CO	13,14	09/73
GENERAL AMERICAN TRANSPORTATION CORP	3,7,14	09/73
GENERAL AUTOMOTIVE PARTS CORP	14	07/73
GENERAL DEVELOPMENT CORP	8,13,14	09/73
GENERAL MILLS INC	7,8,11	09/73
GENERAL REFRACTORIES CO	8	09/73
GEORGIA POWER CO	3	09/73
GETTY OIL CO	3,14	09/73
GIBSON GAY INC	7,14	09/73
GIFFEN INDUSTRIES INC	7,8,13	09/73
GIFFORD HILL & CO INC	4,14	09/73
GREAT MIDWEST CORP	11	09/73
GULF & WESTERN INDUSTRIES INC	3	09/73
HARVEY GROUP INC	8,14	09/73
HAYDEN STONE INC	11	09/73
HEINICKE INSTRUMENTS CO	13	09/73
HINES EDWARD LUMBER CO	13	09/73
HYDRAULIC PRESS BRICK CO	13	09/73
HYDRU FLAME CORP	13	09/73
HYGRADE FOOD PRODUCTS CORP	8,14	09/73

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Copies of registration statements may be ordered from the Commission's Public Reference Section. All other referenced material is available in the issue of the SEC Docket indicated in parentheses below the News Digest Issue No. Both the News Digest (\$33.00 a year, first class mail, \$8.25 additional for foreign mailing; \$25.00 additional for air mail) and the SEC Docket (\$17.00 a year, first class mail, \$4.25 additional for foreign mailing) are for sale by the Superintendent of Documents, Government Printing Office, Washington, D. C. 20402.