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



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HEARING SCHEDULED ON PENNZOIL-UNITED GAS SALE PROPOSAL. The SEC has issued an order under the Holding Company Act (Release 35-15547) scheduling for hearing on September 19 the proposal of Pennzoil Company (Houston) and its subsidiary, United Gas Corporation (Shreveport), for the sale of United's retail gas distribution system, franchise and related properties (Distribution Division).

Pursuant to Commission order of June 27 authorizing the sale subject to a reassertion of jurisdiction as to the price to be paid therefor, United invited bids for the purchase of Distribution Division; and it accepted a proposal made by System Distribution, Inc. (a recently organized Texas company), for the purchase thereof (other than the facilities located in the State of Florida and in Monroe, La., from which United derives about 2.71% and 1.91%, respectively of its gas distribution revenues and which the Purchaser will operate on United's behalf). The purchase price is \$140,000,000, subject to certain adjustments. At its election, the Purchaser may pay up to \$80,000,000 of the purchase price by delivery to United for cancellation of an equivalent amount of United's outstanding bonds, and up to \$20,000,000 by delivery of an equivalent amount of its outstanding debentures.

The proposal is contingent upon the successful completion of financing arrangements by the Purchaser, which proposes to offer \$80,000,000 of its bonds and \$20,000,000 of its debentures in exchange for a like amount of United's outstanding bonds and debentures, respectively. Any bonds and debentures of the Purchaser not so exchanged will be sold for cash; and the Purchaser also proposes to offer its common stock for public sale through underwriters for an aggregate net cash consideration of \$40,500,000. If the net cash proceeds to the Purchaser from the public offering of its stock (less certain expenses) exceeds \$40,000,000, one-half of such excess will be added to the purchase price; if less than \$40,000,000, then the difference (up to but not exceeding \$5,000,000) will be deducted from the purchase price. The proposal also is contingent upon an extension, for the benefit of the purchaser and for a period of not less than 20 years, of the terms of existing gas supply contracts between United and its subsidiary, United Gas Pipe Line Company; and it further provides for the continuance of the employment of the present employees of the "Distribution Division" comprising the retail gas distribution system.

Petitions for intervention in these proceedings and for modification and revocation of the Commission's order of June 27 have been filed by the following cities in Louisiana: Lake Charles, Crowley, Sulphur, Church Point, DeQuincy, Kinder, Oberlin, Opelousas, St. Martinville, West Lake, and Abbeville; and the following cities in Mississippi: Biloxi, Ocean Springs, Pass Christian, McComb City, and Laurel.

STOCK OPTION PLANS FOR TWO COMPANIES DENIED. The SEC today announced decisions under the Investment Company Act, denying exemption applications which proposed the issuance of stock under and pursuant to stock option plans by State Bond & Mortgage Company, New Ulm, Minn. ("SB&M") (Release IC-4685) and by Variable Annuity Life Insurance Company of America ("Valic") (Release IC-4686), of Washington, D. C.

In the case of SB&M, the Commission ruled that stock options are securities within the meaning of Sections 18(j)(1) and (3) of the Act and that their presence in a face-amount certificate company's capital structure would be contrary to the statutory scheme. In view of various prohibitions in the statute against the issuance of stock options, an exemption from the Act could be authorized only if unusual or unanticipated circumstances are shown "where compliance with such provisions is not necessary to accomplish the objectives and policies of the Act." But the grant of stock options to key employees of SB&M, the Commission held "entails various consequences that militate against the interests of investors which the Act seeks to protect, and also runs counter to the policy of the Act to prevent favored treatment to insiders as against security holders as a whole." Among such consequences were the potential dilution of the equity of SB&M stockholders; a tendency to encourage speculative portfolio investments at the instance of the option holders, who as its key employees are or may be in a position to influence SB&M's investment decisions, so as to increase the possibility of a rise in the market price of the stock from which they may benefit; and the resulting complexity and uncertainty in the company's structure might impede the later sale of stock for necessary corporate purposes.

The Commission stated that its approval of a stock option plan filed by Middle South Utilities, Inc., under the Holding Company Act is not authority for a contrary conclusion, observed that the case presented different considerations, and commented: "The question of whether or to what extent the Middle South case should be applied in future situations under that Act is not involved in this case and we therefore do not consider it appropriate to express a view on that issue here."

In a separate concurring opinion, Commissioner Owens commented that he saw no basis for distinguishing the issuance of stock options by a company subject to the Holding Company Act and stated: "I consider stock options to be inconsistent with the statutory objective and not permissible under either Act." Commissioner Wheat also issued a separate statement concurring in the denial of the exemption sought by SB&M but indicating that there may be circumstances under which it would be appropriate to permit the issuance of employee stock options by a face-amount certificate company.

With respect to Valic, the Commission ruled that the presence of stock options in the company's capital structure would be contrary to the statutory scheme and interests of investors sought to be protected by the Act. It observed that it was "concerned with the interests of all investors in the registered investment company entity" that Valic constituted. It pointed out that although the variable account maintained as a

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fund separate from Valic assets relating to its other activities in which its stockholders have the exclusive interest, various material interrelationships are present." The Commission cited the provisions of the Investment Company Act proscribing the issuance of stock options of the type proposed by Valic and noted that such issuance entails adverse consequences, and it determined that its decision in the Middle South case was not controlling.

Commissioner Owens filed a concurring opinion reiterating his view that stock options are inconsistent with the statutory objectives of both the Investment Company Act and the Holding Company Act. Commissioner Wheat dissented from the Commission's denial of the exemption sought by Valic. He concluded, among other things, that "any danger that the proposed option holders would subject the assets in the variable account to undue risk in order to maximize Valic's annual fee (and thus to enhance the value of their options) is hypothetical at best," and he was not persuaded that the other adverse consequences which the Commission foresaw were a basis for concern in the case of Valic.

DAVIS, ENGELMAN, BABAT BARRED. The SEC has issued an order under the Securities Exchange Act (Release 34-7943) barring Stuart Davis, Frank Engelman, and Norman B. Babat (former employees of Waldman & Co., New York) from further association with a broker or dealer. The respondents failed to file answers as directed in the order for proceedings. Thus, under the Commission's rules they may be considered in default and the allegations against them as set forth in the order for proceedings may be deemed to be true. Accordingly, the Commission found that in 1964 and 1965 the respondents violated the anti-fraud provisions of the Federal securities laws in the sale of "unseasoned and speculative" common stocks of Development Corporation of America and United Utilities Corp. of Florida, in that, among other things, they engaged in high-pressure sales efforts and made materially false and misleading statements concerning the issuers' business activities and prospects, earnings, dividend policies and merger and acquisition plans. The three respondents also "reloaded" investors with such stocks, induced purchases at excessive prices, sent confirmations of sales to persons who had not agreed to purchase, made inconsistent contemporaneous recommendations with respect to purchase and sale, and improperly switched customers from one to the other of those stocks.

(The administrative hearing involving the Waldman firm and other respondents is now in progress.)

CONSOLIDATED NATURAL GAS RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-15548) making permanent its previous authorization for the organization of and conduct of business by Consolidated Natural Gas Service Co., Inc. (formerly Con-Gas Service Corp.), as a subsidiary service company in the holding company system of Consolidated Natural Gas Co., New York.

CABOT INTERNATIONAL RECEIVES ORDER. The SEC has issued an order under the Investment Company Act (Release IC-4684) exempting Cabot International Capital Corp., Boston, Mass., subsidiary of Cabot Corp., from certain provisions of the Act. The application states that the subsidiary has been organized to raise funds abroad for financing the parent's expanding foreign operations; and it proposes to sell \$10,000,000 of its guaranteed notes (due 1971) to a group of underwriters for offering outside the United States. The parent will guarantee the principal and interest payments on the notes. The parent company's activities include the production of carbon black and of natural gas, condensate and crude oil, the operation of gas products plants, and the manufacture of plastic piping systems.

TWO TRADING BANS CONTINUED. The SEC has issued orders under the Securities Exchange Act suspending exchange and over-the-counter trading in securities of Great American Industries, Inc., for the ten-day period, August 27-September 5, 1966, inclusive, and over-the-counter trading in bonds of Pinal County Development Association for the same period.

COLUMBIA GAS RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-15549) authorizing The Preston Oil Company, subsidiary of The Columbia Gas System, Inc., to sell 50,000 of its common shares and \$3,300,000 of unsecured installment promissory notes to the parent company. Preston will use the net proceeds of this financing in connection with its construction program (presently estimated to cost \$15,955,000 through March 31, 1967) and to meet installment payments on its outstanding promissory notes.

AMERICAN-IDEAL STANDARD SEEKS ORDER. American-Ideal Standard International, Inc., New York, subsidiary of American Radiator & Standard Sanitary Corp., has applied to the SEC for an order under the Investment Company Act modifying a previous Commission order which granted it a conditional exemption from the Investment Company Act; and the Commission has issued an order (Release IC-4689) giving interested persons until September 14 to request a hearing thereon. The subsidiary requests that it be relieved of the duty to file various reports with the Commission at the close of each fiscal year as called for in the previous order, until such time as it issues securities other than equity securities to the parent company or to another wholly-owned subsidiary of the parent.

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FINANCIAL INDEPENDENCE FOUNDERS SEEKS ORDER. Financial Independence Founders Series D Periodic Payment and Fully Paid Plans, a trust created under Pennsylvania law and a unit investment trust, has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company; and the Commission has issued an order (Release IC-4687) giving interested persons until September 15 to request a hearing thereon. The application states that the shares underlying the plans were liquidated in 1960, and a final distribution of the proceeds of said liquidation was made in 1961. As of August 10, 1966, The First Pennsylvania Banking and Trust Co., the successor trustee, held \$44,294.39 for the account of 37 investors.

F-I-F PLAN SEEKS ORDER. The F-I-F Plan Corporation Series XD Periodic Payment and Fully Paid Plans, a trust created under Pennsylvania law and a unit investment trust, has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company; and the Commission has issued an order (Release IC-4688) giving interested persons until September 15 to request a hearing thereon. According to the application, the shares underlying the plans were liquidated in 1960 and a final distribution of the proceeds of said liquidation was made in 1961. As of August 10, 1966, the trustee held \$679.05 for the account of 8 investors.

RECENT FORM 8-K FILINGS. The companies listed below have filed Form 8-K reports for the month indicated and responding to the item of the Form specified in parentheses. Photocopies thereof may be purchased from the Commission's Public Reference Section (please give News Digest's "Issue No." in ordering). Invoice will be included with the requested material when mailed. An index of the captions of the several items of the form was included in the August 1 News Digest.

Revere Realty Inc Aug 65 (8)	2-11480-2	American Metal Climax Inc	
Southeastern Timberland Trust		Jul 66 (12)	1-229-2
Jul 66 (7)	0-1778-2	Angeles Crest Development Co Inc	
Cole Matl Corp		Jul 66 (2,10,13)	2-17651-2
Jul 66 (2,4,7,8,13)	1-5188-2	Commonwealth United Corp	
Chi Great Western Ry Co (Del)		Jul 66 (2,13)	1-4563-2
Jul 66 (12)	1-3937-2	Continental Can Co Inc	
Reeves Broadcasting Corp		Jul 66 (12)	1-489-2
Jul 66 (8)	1-4361-2	Far West Financial Corp	
Ansul Co Jul 66 (9,12,13)	1-4606-2	Jul 66 (12)	1-4923-2
Ferrine Inds Inc Jul 66 (3,13)	2-15771-2	Cessna Aircraft Co Jul 66 (12)	1-3145-2
Triumph Inds Inc (Tex) Jul 66 (2)	2-16599-2	DC International Inc Jul 66 (13)	0-914-2
Canadian Javelin Ltd		Edison Sault Electric Co	
Jul 66 (2,11,12,13)	1-4192-2	Jul 66 (11)	0-1158-2
Col Interstate Gas Co Jul 66 (7,13)	1-4874-2	Atchison Topeka & Santa Fe Ry Co	
Zale Corp Jul 66 (7,11,12)	1-4129-2	Jun 66 (7)	1-868-2
Big "C" Stores Inc Jul 66 (11)	0-14-2	Aztec Oil & Gas Co Jun 66 (7)	0-502-2
Briggs Mfg Co		Beaunit Corp Jul 66 (4,12,13)	1-2864-2
Jul 66 (1,7,12,13)	1-1399-2	Dragor Shipping Corp	
Brunswick Corp Jul 66 (3,13)	1-1043-2	Jul 66 (9)	0-191-2
Coleman Cable & Wire Co		Soundscriber Corp	
Jul 66 (12)	2-19645-2	Jul 66 (2,12,13)	2-15111-2
Fenestra Inc Jul 66 (12)	1-2466-2	Texota Oil Co Jun 66 (7,9,12)	0-892-2
Cle-Ware Inds Inc Jun 66 (12)	0-1683-2	Apr 66 (7,8,12,13)	0-892-2
Jul 66 (12,13)	0-1683-2	United Nuclear Corp	
Eastern Air Lines Inc		Jul 66 (11,12)	1-5119-2
Jul 66 (7,8)	1-3049-2	Farrington Mfg Co Jul 66 (2)	0-1530-2
Borden Co Jul 66 (3)	1-71-2	Varian Associates	
Palomar Mortgage Co		Jul 66 (7,8,11,13)	1-4213-2
Jul 66 (1)	0-1873-2	Texota Oil Co	
Vernitron Corp Jul 66 (7,9,13)	1-4909-2	Amd #1 to 8K for May 66 (11,13)	0-892-2
		Wayne Mfg Co	
		Amd #1 to 8K for June 66 (7,10)	0-1233-2

SECURITIES ACT REGISTRATIONS. Effective August 26: Combined Insurance Company of America, 2-25274; Eastman Kodak Co., 2-25391.

Withdrawn August 25: Preferred Life Insurance Co. of New York, 2-23990.

Withdrawn August 26: The Electric Storage Battery Co., 2-25315.