

**NEWS DIGEST**

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



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FOR RELEASE July 2, 1964

**RULE PROPOSED ON "NET ASSET VALUE" COMPUTATION.** The SEC today announced a proposal new Rule 2a-4 under the Investment Company Act (Release IC-4006) relating to the manner in which the net asset value of a redeemable security issued by a registered investment company is to be computed for purposes of the distribution, redemption, and repurchase of the security. Views and comments thereon are invited on or before July 31st. The Commission's experience in the administration of the Act and its analysis of data provided by the periodic inspection of books and records maintained by registered investment companies pursuant to Section 31 of the Act indicate that the adoption of uniform procedures with respect to the calculation of net asset value of redeemable securities issued by registered investment companies would be in the public interest and in the interest of investors.

Under the proposed rule, the periodic calculation of the net asset value of any redeemable security shall include calculations made substantially in accordance with the following, with estimates used where necessary or appropriate: (1) Portfolio securities with respect to which market quotations are readily available shall be valued at market value, and other securities and assets shall be valued at fair value as determined in good faith by the board of directors of the registered company. (2) Changes in holdings of portfolio securities shall be reflected no later than in the first calculation on the first business day following the trade date. (3) Changes in the number of outstanding shares of the registered company resulting from distributions, redemptions, and repurchases shall be reflected no later than in the first calculation on the first business day following such change. (4) Expenses, including any investment advisory fees, shall be reflected daily. (5) Dividends receivable shall be reflected daily either at exdividend dates or record dates, as appropriate. (6) Interest income and other income shall be reflected daily.

Notwithstanding the foregoing, interim determinations of net asset value between calculations made as of the close of the New York Stock Exchange on the preceding business day and the current business day may be estimated so as to reflect any change in net asset value since the closing calculation on the preceding business day.

**GROUP ANNUITY CONTRACT RULE ADOPTED.** The SEC today announced the adoption of an amendment to its Rule 3c-3 under the Investment Company Act relating to certain group annuity contracts providing for the administration of funds held by an insurance company in a segregated account in order to permit variable benefits. The amendment (Release IC-4007) is immediately effective.

The existing Rule 3c-3 exempts from provisions of the Act transactions of insurance companies with respect to certain group annuity contracts which provide for the administration of funds held by an insurance company in a separate account established and maintained pursuant to legislation which permits the income, gains and losses whether or not realized, from assets allocated to such account to be credited to or charged against such account without regard to other income, gains or losses of the insurance company. Moreover, Rule 156 under the Securities Act of 1933 brought such transactions within the Section 4(1) exemption from that Act.

In order to qualify for the exemption under Rule 3c-3 the group contract, among other things, must provide that the retirement benefits for covered employees be payable in fixed dollar amounts. The group contract may not permit retirement benefits payable to employees which are measured by the investment results of the assets allocated to the separate account. The effect of the amendment would be to modify Rule 3c-3 in order to permit group contracts otherwise meeting the conditions thereof to provide for retirement benefits payable to employees to vary to the extent, and only to the extent, of the employer's contributions thereto. No variable benefits would be permitted in respect of employee contributions, and all other restrictions and conditions of Rule 3c-3 would remain intact.

**SALE OF EMPRESAS CABALLERO SECURITIES ENJOINED.** The SEC San Francisco Regional Office announced June 29th (LR-2974) the entry of a Federal court order (USDC, Phoenix) permanently enjoining violations of the Securities Act registration requirements by Mortgage & Trust International Corporation, Aftab ("Ace") Ahmed, dba AKCO Mortgage Company, and Otto J. Krauss, in the sale of securities of Empresas Caballero S.A. de C.V., a Mexico corporation. These defendants consented to the court order. The action is still pending against Empresas Caballero and Rafael Caballero.

**ARNOLD KIMMES & JAMES KAYSBIER SENTENCED.** The SEC Denver Regional Office announced June 26th (LR-2975) that, following pleas of nolo contendere to one count of indictment charging Arnold L. Kimmes and James O. Kaysbier (among others) with conspiracy to violate the Securities Act registration and anti-fraud provisions in the sale of stock of Douglas Corp. through Anglo-American Securities, Inc., of New York, Kimmes received a 3½-year sentence and a \$5,000 fine and Kaysbier a one-year sentence. The execution of the confinement against Kimmes was suspended as was all but \$2,000 of the fine and he was placed on probation for 3½ years; and the sentence against Kaysbier was suspended and he was placed on probation for two years. Co-defendants Howard P. Carroll and Mervyn Fischman tendered nolo pleas as to one count of indictment charging sale of unregistered securities; and the court accepted Carroll's plea but deferred sentencing of Carroll as well as action on Fischman's plea.

OVER

**APACHE CORP. PROPOSES OFFERING.** Apache Corporation, 1800 Foshay Tower, Minneapolis, Minn., filed a registration statement (File 2-22579) with the SEC on June 30 seeking registration of 100 units in its Oil and Gas Program 1964-2, to be offered for public sale at \$10,000 per unit. Investors may be liable for sums in excess of the subscription price. The offering will be made on a best-efforts basis by the company and its wholly owned subsidiary, Apache Oil Programs, Inc., as underwriter and managing agent of a selling group. The company will absorb a selling commission of \$600 for each unit subscribed through the underwriter.

The program, a partnership organized under Minnesota law, will engage in the acquisition of gas and oil leases, test drilling and, to the extent that commercial reserves indicate, initial developmental drilling. Its activities will be conducted by the company as managing partner. For such services, the managing partner will receive (a) 6% of all program funds originally subscribed and 4% of all additionally invested funds, spent for other than leasing of equipment, (b) an overriding royalty interest which will bear the same relationship to 1/16th of the total gas and oil produced and saved from each program lease as to the program's working interest bears to the total working interest and (c) 25% of the program's net profit from each lease after the program has recovered its entire investment in the lease. Raymond Plank is president of the company.

**APACHE CORP. FILES STOCK PLANS.** Apache Corporation, 1800 Foshay Tower, Minneapolis, Minn., filed a registration statement (File 2-22580) with the SEC on June 30 seeking registration of 60,860 shares of common stock, to be offered under its Restricted Stock Options and Qualified Stock Options.

**DENVER NATIONAL INS. PROPOSES RIGHTS OFFERING.** The Denver National Life Insurance Company, 1330 Leyden St., Denver, filed a registration statement (File 2-22581) with the SEC on June 26 seeking registration of shares of its Class B common stock, to be offered to certain of its shareholders. The number of shares to be offered and subscription price are to be supplied by amendment. No underwriting is involved.

The company (formerly Falcon National Life Insurance Company) offers various types of life insurance, including the customary forms of term, ordinary life and endowment policies in the form of both participating and non-participating policies. Net proceeds from its stock sale will be added to capital and surplus and used in the conduct of the company's insurance business. The company has outstanding 909,118 shares of common stock, of which management officials as a group own 13.54%. William M. White is board chairman and Nelson J. Oppenheim is president.

**COBURN CREDIT FILES FINANCING PROPOSAL.** Coburn Credit Co., Inc., the Coburn Bldg., Rockville Centre, N. Y., filed a registration statement (File 2-22587) with the SEC on July 1 seeking registration of \$5,400,000 of 6% subordinated debentures (due 1979) and warrants to purchase 270,000 shares of common stock. The securities are to be offered to the public in units consisting of \$1,000 principal amount of debentures and warrants to purchase 50 shares of common stock. Walston & Co., Inc., 74 Wall St., New York, is the principal underwriter. The public offering price and underwriting terms are to be supplied by amendment. Of the units being registered, 650 are being purchased from the company by The Value Line Income Fund, Inc., in exchange for a 5 1/2% subordinated debenture of the company in the principal amount of \$650,000 and warrants to purchase 26,000 shares of common stock which were purchased by Value Line in October 1963 for \$650,000.

The company is engaged primarily in the consumer sales finance business. Net proceeds from the sale of its securities (together with \$10,000,000 to be derived from the proposed issuance of notes to insurance companies and \$15,000,000 from anticipated bank borrowings) will be used to repay in full the company's indebtedness of approximately \$23,000,000 to A. J. Armstrong Co. Inc. and used for working capital and general corporate purposes. In addition to indebtedness and preferred stock, the company has outstanding 1,510,517 shares of common stock, of which management officials as a group own 32.5%. Harold Grossman is board chairman and Irving L. Bernstein is president.

**ABACUS FUND SEEKS ORDER.** Abacus Fund, 654 Madison Ave., New York, 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-4008) giving interested persons until July 17 to request a hearing thereon. According to the application, the company was merged into Abacus Fund, Inc., a Delaware corporation, and has no separate legal existence.

**ROBERTSON CO. FILES STOCK PLAN.** H. H. Robertson Company, 2400 Farmers Bank Bldg., Pittsburgh, filed a registration statement (File 2-22586) with the SEC on July 1 seeking registration of 85,960 shares of common stock, to be offered under its Restricted Stock Option Plan. Of this stock, options to purchase 77,673 shares have been granted.

**GODDARD & CO. SUSPENDED.** The SEC today announced the issuance of an order under the Securities Exchange Act (Release 34-7361), with the consent of the respondents, suspending J. H. Goddard & Co., Inc., of Boston, from membership in the National Association of Securities Dealers, Inc., for a period of 45 days (July 3 through August 16, 1964, inclusive), and further suspending the firm from membership in the Boston Stock Exchange for a period of 90 days thereafter (August 17 through November 14, 1964, inclusive). James H. Goddard Sr., George C. Mirageas and Carleton Davenport were each found to be a cause of the suspensions. The Commission's action was based upon an offer of settlement and stipulation of facts in which the respondents waived a hearing, consented to the action and, without admitting or denying the charges, agreed that the Commission at a later date may (upon the basis of the factual stipulation) issue its definite findings and opinion in support of the suspensions.

In its January 22d order for proceedings in this matter, the Commission recited charges of its staff that the Goddard firm and named individuals, in the offer and sale of stock of United Security Life Insurance Co., had engaged in activities violative of the registration, anti-fraud and anti-manipulative provisions of the Federal securities laws. Upon the basis of the stipulated record, the Commission determined that the named respondents had violated such provisions of the law. It concluded, however, that revocation of the firm's broker-dealer registration was not necessary in the public interest or for the protection of investors.

CONTINUED

HAPPY SEC ANNIVERSARY!

The Securities and Exchange Commission today commences the 31st year of its administration of the Federal securities laws. During the past 30 years, 22,953 registration statements were filed with the Commission under the Securities Act of 1933, proposing the public offering of securities in the aggregate amount of \$257.3 billion (including additional offering proposals of investment companies filed as amendments to previous statements). This law was administered by the Federal Trade Commission for fourteen months prior to September 1934; and an additional 1,093 statements were filed with that Commission, proposing the offering of \$1.4 billion of securities, for a combined total of 24,046 statements proposing the offering of \$258.7 billion of securities. For the entire period since enactment of the Securities Act, 20,830 statements have become effective, relating to \$247.5 billion of securities.

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. Copies thereof may be ordered from the Commission's Public Reference Section (please give News Digest's "Issue No." in ordering). Invoice will be included with photocopy material when mailed. An index of the caption of the several items of the form was included in the July 1 News Digest.

American Heritage Publishing Co, Inc Oct. 1963 ( 11)	Ling Temco Vought Inc May 1964 ( 13)
Philippine Long Distance Tel Co Feb. 1964 ( 7)	Oak Electro-Netics Corp April 1964 ( 11,13)
Smith Industries International Inc May 1964 ( 12) April 1964( 12)	Weiss Bros. Stores, Inc Dec. 1963 ( 11) Dec. 1962 ( 11)
Washington Natural Gas Co May 1964 ( 3,7, 11)	Combined Locks Paper Co June 1964 ( 11)
Amco Industries Inc May 1964 ( 3)	Great American Insur. Co Mar. 1963 ( 11) June 1963 ( 11) Mar. 1964 ( 11)
Alaska Airlines Inc June 1964 ( 12)	Allied Paper Corp May 1964 ( 2,10,11, 13)
Ripley Ind, Inc May 1964 ( 11)	Atlas Sewing Centers Inc May 1964 ( 6,13)
Croese-United Corp April 1964 ( 11,12)	King Louie International Inc Amend #1 to 8K for April 1964 ( 2,13)
Kennesaw Life & Casualty Insurance Co May 1964 ( 2,7,13)	United States Lines Co N.J. Amend #1 to 8K for April 1964 ( 13)
Magnasync Corp May 1964 ( 7,12,13) Feb. 1964 ( 1,3,7,9,12,13)	Western Empire Life Insur. Co Amend #1 to 8K for Sept. 1963 ( 2,7,13)
Southern Gas & Water Co Mar. 1962 ( 7,13)	The Pep Boys - Manny, Moe & Jack Amend #1 to 8K for March 1964 ( 13)
American Mail Line Ltd May 1964 ( 11)	Detroit Mobile Homes, Inc Amend #1 to 8K for Nov. 1963 ( 2,7,13)
Michigan Seamless Tube Co Feb. 1964 ( 11,12)	Borden Co Amend #1 to 8K for April 1964 ( 11)
Yuba Consolidated Ind, Inc April 1964 ( 13)	General Tel. & Electronics Corp Amend #1 to 8K for April 1964 ( 11)
Global Construction Devices, Inc May 1964 ( 12)	Ludlow Typograph Co Amend #1 to 8K for Feb. 1964 ( 11)
Raytheon Co May 1964 ( 11,13)	Travelers Express Co Inc Amend #1 to 8K for March 1964 ( 13)
Cerind Corp April 1964 ( 2,8,11,12,13)	Trans-World Financial Co May 1964 ( 7)
Electric Storage Battery Co Oct. 1963 ( 7,13)	General Devices Inc May 1964 ( 7) ERT Corp May 1964 ( 2,12)
Florida East Coast Railway Co May 1964 ( 11)	Harvard Ind, Inc May 1964 ( 7,13)
Glass Tite Ind, Inc May 1964 ( 8,12)	Washington Terminal Co June 1964 ( 11)
The North Central Co April 1964 ( 2,7,11,13)	
Revlon Inc May 1964 ( 3)	
J.Weingarten, Inc May 1964 ( 2,8, 12,13)	
Pathe News, Inc July 1963 ( 3)	
Pueblo Supermarkets, Inc May 1964 ( 7,11)	

SECURITIES ACT REGISTRATIONS. Effective July 2: Consolidation Coal Co. (File 2-22479); National Distillers and Chemical Corp. (File 2-22458).

ORAL ARGUMENTS, COMING WEEK. July 9, 2:30 P.M., Nassau Securities Service  
3:30 P.M., Southern Brokerage Company, Inc.