

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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

(In ordering full text of Releases from Publications Unit, cite number)



Washington 25, D.C.

FOR RELEASE November 22, 1960

**VIOLATIONS CHARGED TO BATTEN & CO - MUTUAL FUNDS OF AMERICA.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Batten & Co., Inc., 1835 "K" Street, N. W., Washington, D. C., Mutual Funds of America, Inc., 1835 "K" Street, N. W., Washington, D. C., and Frank L. Batten, an officer in both corporations, have violated the anti-fraud and other provisions of the federal securities laws and, if so, whether it is in the public interest to revoke the broker-dealer registrations of the two corporations and/or to suspend or expel them from membership in the National Association of Securities Dealers, Inc. The Commission has also ordered that a hearing be held on November 28, 1960, at 10:00 A. M., in its offices at 425 Second Street, N. W., on the question whether to suspend the registrations of the said corporations pending final determination of the question of revocation.

According to the Commission's order, Batten & Co., Inc., has been registered with the Commission as a broker-dealer since October 23, 1959. Frank L. Batten is president, treasurer, director, and the owner of 99% of the common stock of Batten & Co., Inc. Mutual Funds of America, Inc., has been registered with the Commission as a broker-dealer since May 30, 1958. Batten is president, treasurer, director, and the owner of 90.9% of the common stock and of 100% of the preferred stock of Mutual.

Batten & Co., Inc., acted as underwriter for a public offering of Saber Boat, Inc., Class A voting stock and Class B non-voting stock commencing on or about February 25, 1960. The offering, involving 102,000 shares of Class B non-voting stock at a price of \$2.00 per share for Saber and 2,500 shares of Class A voting stock and 4,875 shares of Class B non-voting stock at market for the benefit of the underwriter, was made pursuant to a Regulation A exemption from registration under the Securities Act of 1933. A report filed with the Commission by Saber and Batten & Co. stated that the offering had been completed on May 2, 1960.

The Commission's order asserts that information developed in an investigation conducted by its staff tends, if true, to show that the said stock offering by Batten & Co., Inc., violated the registration and anti-fraud provisions of the Securities Act, in that prior to May 2, 1960, Batten & Co. placed a substantial portion of the Class B non-voting stock in accounts controlled and dominated by Batten & Co. and/or Batten individually. On or after May 9, 1960, Batten & Co. bid for and purchased for its own trading account a large portion of said shares from the aforementioned controlled and dominated accounts and until about June 30, 1960, distributed them to the public at prices in excess of the public offering price stated in the letter of notification and offering circular. It is further asserted that, in the offering and sale of Saber stock during the period from March 25, 1960, to about June 30, 1960, Batten & Co. engaged in fraud and deceit upon purchasers of the stock by its failure to disclose the actual plan of distribution and the marketing arrangements for such offering, by misrepresenting the assets of Saber, by representing that the offering had been completed when, in fact, Batten & Co. continued to engage actively in the stock distribution, and by representing that the shares were being sold "at the market" when, in fact, Batten & Co. knew and omitted to state that the prices paid by purchasers were not prices established by a free, open, and competitive market but were prices artificially established by it. Batten is said to have caused Batten & Co. to engage in certain of these activities.

The Commission's order also charged that Batten & Co. made false and misleading entries in its books and records.

**SEC PROPOSES AMENDMENT OF CERTAIN REGISTRATION AND REPORTING FORMS.** The SEC has issued a notice that it has under consideration certain proposed amendments to Form S-8 and Form S-12 under the Securities Act of 1933 and to Form 10-K under the Securities Exchange Act of 1934, and the Commission has invited all interested persons to submit their views and comments on the proposed amendments on or before December 23, 1960.

Form S-8 is used for registration under the Securities Act of certain equity securities offered pursuant to unincorporated stock purchase or other similar plans, and of the interests in such plans, for the benefit of employees of the issuer of such equity securities. Form S-12 is used for registration under that Act of certain American Depositary Receipts against outstanding foreign securities. Form 10-K is used for annual reports pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934.

Forms S-8 and S-12 require the inclusion in the registration statement of undertakings to furnish to the Commission copies of annual and other periodic reports, proxy statements and other communications distributed to security holders by the issuer. Where the issuer is otherwise required to transmit such material to the Commission, the furnishing of such material pursuant to these undertakings is unnecessary. Accordingly, it is

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For further details, call WOrth 3-5526

proposed to amend the form of undertaking in the above-mentioned forms to call only for the furnishing of such information in cases where it is not otherwise transmitted to the Commission.

The form of undertaking in Form S-8 places upon the "employer" the duty of transmitting material to participants in the plan. Where a plan covers the employees of the issuer and its subsidiaries, the employer may be a company other than the issuer. In order that the duty to comply with the undertaking may be placed upon the company which normally prepares and distributes the material, the proposed amendment to the undertaking in Form S-8 would require the undertaking to be made by the issuer.

It is contemplated that issuers which have previously filed registration statements on Form S-8 or Form S-12 and are subject to the existing form of undertaking in these forms may, if they wish, comply only with the requirements of the amended forms of undertakings.

The proposed amendment to Form 10-K would require registrants which are not subject to the Commission's proxy rules to furnish to the Commission for its information copies of their proxy solicitation material in the same manner as they are required to furnish copies of their annual reports to stockholders.

SEC CLEARS OHIO EDISON PROXY SOLICITATION CONCERNING PENSION PLAN. The SEC has issued an order under the Holding Company Act (Release 35-14312) authorizing Ohio Edison Company, Akron, Ohio, to solicit proxies in connection with a proposal to amend its pension plan for its employees.

INTERNATIONAL UTILITIES CORP. SEEKS EXEMPTION ORDER. International Utilities Corporation, New York holding company, has applied to the SEC for a modification of its exemption from the provisions of the Holding Company Act to include additional subsidiaries, and the Commission has issued an order (Release 35-14313) giving interested persons until December 5, 1960, to request a hearing on the application.

International Utilities, together with its then subsidiaries, as such, was granted exemption from the provisions of the Holding Company Act by an order of the Commission issued on November 1, 1945 (21 S.E.C. 283; Holding Company Act Release No. 6181). Since that time it has acquired two additional subsidiaries, Brown Brothers Contractors, Inc., and B & B Carriers, Inc., which two companies are non-utility companies organized under the laws of the State of Pennsylvania and transacting their business in that state. International Utilities has nine other direct and indirect subsidiaries which are Canadian corporations and which conduct all of their business in Canada and have no interest in or affiliation with any company which is a public-utility company operating in the United States. The company is also in the process of acquiring up to 400,000 common shares of Canadian Industrial Gas Limited, an Ontario corporation.

MISSILES-JETS & AUTOMATION FUND EXEMPTED. The SEC has issued an order (Release 40-3142) declaring Missiles-Jets & Automation Fund, Inc., Washington, D. C. to have ceased to be an investment company within the meaning of the Investment Company Act.

MCCULLOCH OIL MANAGEMENT FILES FOR OFFERING. McCulloch Oil Management Company of California, Inc., 1270 Hartford Building, Dallas, Texas, filed a registration statement (File 2-17316) with the SEC on November 21, 1960, seeking registration of \$4,000,000 of Interests in the 1961 McCulloch Oil Exploration Program, to be offered for public sale in minimum commitments of \$10,000 through the company's management officials and employees.

The company ("management company") has entered into an agreement under which McCulloch Oil Corporation of California ("operating agent") will explore on behalf of the management company for oil and gas, using funds supplied pursuant to the participants' commitments. The operating agent, as compensation for its services, will earn and receive a 1/3 "carried interest" in all properties acquired under the exploration program. The management company will collect from each participant an annual fee of \$10, and each participant will pay a share, proportionate to his interest in the exploration fund, of all costs incurred by the management company in performing the duties required of it in the joint venture agreement, as well as its expenses of the offering. In addition, each participant will agree to indemnify the management company against any loss or liability resulting from claims asserted against it by reason of its performance of such duties not arising from its wilful gross negligence. Since 1956, Robert P. McCulloch, president of both the management company and the operating agent, has been instrumental in the operation of joint ventures which were similar to this exploration program, except that the participants were limited to friends, relatives, and business associates of McCulloch and his wife. In such programs from 1956 through 1959, the commitments were paid directly to McCulloch Oil Exploration Company of California, Inc., owned wholly by McCulloch, but title to producing properties was conveyed by it to the management company which, as agent for the participants, held record title to their interests. In a 1960 program, interests in a joint venture were offered by the management company, which in turn contracted with the operating agent to carry on the exploration for the joint venturers and, to the extent successful, operate their producing properties.

As of January 1960, McCulloch and some 75 other persons who had participated in one or more of the prior joint ventures contributed substantially all the properties they had acquired therefrom to the operating agent and were issued stock of that company. According to the prospectus, in November 1960, the operating agent will merge with and into Cuban American Oil Company, a Delaware corporation, and the name of the surviving Delaware corporation will be changed to McCulloch Oil Corporation of California. The surviving corporation will assume the duties of the operating agent under the 1960 program and will be the operating agent of the 1961 program. The proceeds from the sale of interests will be used as follows: (1) screening oil and gas prospects, (2) acquiring prospective oil and gas properties, (3) examining title, (4) making geological and geophysical surveys

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and dry-hole and bottom hole contributions, (5) drilling, testing, completing, equipping or abandoning exploratory wells, (6) preserving or maintaining property interests during the period prior to the completion of an exploratory well thereon, including paying delay rentals, and (7) administering the property interests during said period.

**THE SIEGLER CORP. SHARES IN REGISTRATION.** The Siegler Corporation, 610 South Harvard Boulevard, Los Angeles, filed a registration statement (File 2-17317) with the SEC on November 21, 1960, seeking registration of 410,000 shares of common stock and 105,000 shares of no par Cumulative Convertible Preferred Stock, to be offered to stockholders of Jack & Heintz, Inc., upon consummation of a proposed merger of Jack & Heintz into Siegler, if such merger is approved by stockholders of both companies. The stockholders of Jack & Heintz will receive common shares of Siegler at the rate of 0.55 shares of Siegler stock for each outstanding share of Jack & Heintz common unless, in lieu of common stock, they elect to receive shares of preferred stock of Siegler. The rate of exchange of the Siegler preferred stock for the Jack & Heintz common stock is to be supplied by amendment. No underwriting is involved and no discounts or commissions will be paid.

The proposed merger will combine the company and Jack & Heintz into a single corporation which will continue under the name of The Siegler Corporation. Siegler is a diversified manufacturing company engaged in the fields of military electronics, commercial and industrial electronics, heating and cooling, aero-space components and specialized machinery. Jack & Heintz is engaged primarily in the design, development and manufacture of electric power generating systems and equipment, and accessory and support equipment. Such systems are used for military and commercial aircraft, ordnance vehicles and, in recent years, for missiles and related ground support equipment.

Siegler has outstanding certain indebtedness and 1,872,466 shares of common stock. John G. Brooks is listed as president and chairman of the board.

**SPEEDEE MART FILES FOR OFFERING.** Speedee Mart, Inc., 7988 Normal Avenue, La Mesa, Calif., filed a registration statement (File 2-17318) with the SEC on November 21, 1960, seeking registration of 90,000 shares of common stock, to be offered for public sale through J. A. Hogle & Co. The public offering price and underwriting terms are to be supplied by amendment. The underwriter is to receive an option to purchase 9,000 shares of common stock of the company at a price of \$.60 per share less than the public offering price, such option to be exercisable at any time during the six months beginning one year after the date of the effective prospectus.

The company was incorporated in California in 1956 and is engaged in the business of enfranchising others to manage and operate retail food stores under the name "Speedee Mart." The net proceeds from the sale of stock will be used as working capital, in order to expand the number of franchisee-operated "Speedee Mart" stores, and more specifically will be applied to the acquisition of additional retail outlets, equipping new outlets with the necessary fixtures and stocking them with initial inventories.

In addition to indebtedness, the company had outstanding as of October 2, 1960, 52,733 shares of common stock, of which Henry A. Boney, president, owns 30,300 shares, J. Algert Baukus, a vice president, owns 7,600 shares, and management officials as a group own 46,900 shares (62.3%). The company proposes to change its authorized capital stock from 120,000 shares to 500,000 shares of common stock, without par value, and to split the outstanding 52,733 shares, on a four for one basis, into 210,932 shares.

**WINN-DIXIE STORES FILES FOR SECONDARY.** Winn-Dixie Stores, Inc., 5050 Edgewood Court, Jacksonville, Fla., filed a registration statement (File 2-17319) with the SEC on November 21, 1960, seeking registration of 406,000 outstanding shares of common stock, of which 350,000 shares are to be offered for public sale by Diversified Locations, Inc., through a group of underwriters headed by Merrill Lynch, Pierce, Fenner & Smith. The additional 56,000 shares are to be offered to key employees of the company directly by the selling stockholder. The public offering price and underwriting terms are to be supplied by amendment.

The company operates 521 retail self-service, cash-and-carry food stores in the South and 9 wholesale cash-and-carry units in Florida and Georgia. In addition to indebtedness, the company has outstanding 12,710,000 shares of common stock, of which A. D. Davis, president, James E. Davis, board chairman, M. Austin Davis and Tine W. Davis, executive vice presidents, and their relatives and affiliates own an aggregate of 3,990,544 shares (31.4%). The four Davis brothers own all of the shares of Diversified Locations, Inc., the selling stockholder, such shares being sold pursuant to a plan of complete liquidation of Diversified.

**ISRAEL DEVELOPMENT FILES DEBENTURE OFFERING.** Israel Development Corporation, 17 East 71st Street, New York, filed a registration statement (File 2-17320) with the SEC on November 21, 1960, seeking registration of \$3,000,000 of 5½% Convertible Sinking Fund Debentures, Series A, 1975 (and 100,000 shares of common stock underlying such debentures), to be offered for public sale in denominations of \$500, \$1,000 and \$5,000 of debentures. The debentures will be convertible into common stock at \$30 per share. According to the prospectus the price will be payable in cash or in State of Israel Independence Issue or Development Issue Bonds. No underwriting is involved.

The company is a closed-end, non-diversified investment company whose stated purpose is to make funds available for the economic development of Israel by establishing industrial, mineral, transportation and other productive enterprises in Israel alone and in participation with others, and by investing in existing such enterprises. The net proceeds from the sale of debentures will be used in establishing new enterprises and investing

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in existing enterprises, and may be used to finance the purchase of equipment for such enterprises.

The company has outstanding 408,486 shares of common stock, of which management officials as a group own 44,398 shares and Ampal-American Israel Corporation owns 31,224 shares. The prospectus lists Rudolf G. Sonnenborn as board chairman and Abraham Dickenstein as president.

PNEUMODYNAMICS FILES FOR OFFERING. Pneumodynamics Corporation, 3781 East 77th Street, Cleveland, Ohio, today filed a registration statement (File 2-17321) with the SEC, seeking registration of 175,000 shares of common stock, to be offered for public sale through a group of underwriters headed by Hemphill, Noyes & Co. and Estabrook & Co. The company has agreed to pay up to \$10,000 in partial reimbursement of the expenses of the underwriters. The public offering price and underwriting terms are to be supplied by amendment.

Organized under Delaware law in August 1959, the company was inactive until September 1960, when it acquired the assets of four divisions and one subsidiary of Cleveland Pneumatic Industries, Inc., of Ohio. In exchange for such properties and businesses the company assumed certain liabilities of the acquired divisions and \$1,891,000 of CPI's V-Loan indebtedness and issued to CPI 375,000 shares of common stock and its 6% ten year debenture in the principal amount of \$1,500,000. According to the prospectus, approximately 80% of the company's business is with the Government, primarily as a defense contractor supplying products and services involving advanced technology and requiring, in many instances, micro-precision manufacturing facilities capable of production to tolerances of one-millionth of an inch or less. The net proceeds from the stock sale will be used to pay the unpaid balance of the V-Loan indebtedness of CPI, and the balance will be added to working capital.

In addition to certain indebtedness, the company has outstanding the 375,000 shares of common stock which are owned by CPI. The 77th Street Trust, a profit-sharing trust for salaried employees of CPI, owns 51% of the outstanding stock of CPI. The prospectus lists Sam S. Mullin as board chairman and Ted Stanwick as president.

COURT ORDER RESTRAINS CAPITAL GAINS RESEARCH BUREAU, INC. The SEC New York Regional Office announced November 17, 1960 (LR-1836) that Judge Alexander Bicks of the United States District Court for the Southern District of New York had signed a temporary restraining order enjoining Capital Gains Research Bureau, Inc., and its president and sole owner Harry P. Schwarzmann, from further violating the anti-fraud provisions of the Investment Advisers Act of 1940. Judge Bicks scheduled the hearing on the motion for a preliminary injunction for Tuesday, November 22, 1960.

SEC COMPLAINT NAMES ASTRA. The SEC Chicago Regional Office announced on November 17, 1960 (LR-1837) the filing of a complaint in the United States District Court for the Northern District of Illinois, Eastern Division, seeking to enjoin American Sales Training Research Associates, Inc., also known as ASTRA, 1030 W. Chicago Ave., Chicago, Illinois, and William O. Gillentine and Walter Herr from violating the registration requirements of the Securities Act of 1933.

F. PAYSON TODD PLEADS NOLO CONTENDERE. The SEC Boston Regional Office announced on November 17, 1960, (LR-1838) that F. Payson Todd, doing business as The New England Counsellor, had entered a plea of nolo contendere in the United States District Court for the District of Massachusetts to a ten-count indictment charging violations of the anti-fraud provisions of the Securities Act and the Investment Advisers Act in connection with the common stock of Canadian Javelin Limited. Chief Judge George C. Sweeney accepted the plea and continued the case until November 28, 1960, for disposition.

ROBERT TALLEY ALEXANDER PLEADS GUILTY. The SEC Atlanta Regional Office announced on November 17, 1960, (LR-1839) that Robert Talley Alexander had entered a plea of guilty, in the United States District Court for the Eastern District of Oklahoma, at Muskogee, Oklahoma, to the following three counts of a 30-count indictment: violation of the anti-fraud provisions of the Securities Act, violation of the registration provisions of the Securities Act, and violation of the Mail Fraud Statute. After the plea of guilty the remaining counts in the indictment were dismissed by the court on motion of the United States Attorney. The court deferred imposition of sentence until December 1, 1960.

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