

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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



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FOR RELEASE November 10, 1969

MUTUAL FUND BROKERAGE, "RECIPROCAL PRACTICES" DISCUSSED. The SEC today released a letter of its General Counsel, Philip A. Loomis, Jr., in response to an inquiry concerning certain aspects of the obligations of mutual fund managements and brokers with respect to commissions on portfolio brokerage of mutual funds. He expressed the view (1) that mutual fund management is not obliged to acquire a stock-exchange seat in order to utilize such means to recapture brokerage which in turn will be offset against management charges, "if in the exercise of its best business judgment management determines that it is not in the best interest of the fund" to do so; (2) that abolition by the NYSE of customer-directed give-ups did not, and was not intended to terminate the existing arrangements which a few mutual fund organizations have made for the indirect recapture of a portion of their commissions primarily by "reciprocal practices," and if these reciprocal practices are available to fund managements, it did not seem appropriate to foreclose their use to benefit the fund itself; and (3) that if a mutual fund management acquires a seat on a regional stock exchange whose rules permit the recapture of commissions paid by the fund through the use of that seat, there may be circumstances under which such recapture could be required and that the management may not be free to simply retain for itself revenues derived from this source. (Release 34-8746)

SEC ORDER CITES STOCK INVESTORS. The SEC has ordered administrative proceedings under the Securities Exchange Act of 1934 involving the broker-dealer firm of Stock Investors, Inc., of Kansas City, Mo. Also named as a respondent is Walter Eugene Lumby, its president.

The proceedings are based upon allegations of the Commission's staff that since about August 5, 1968, the said firm and Lumby have offered and sold stock of Franchise Investors, Inc. and Spray Matic Equipment, Inc., in violation of the Securities Act registration requirements; also, that in the sale of the stock of the two companies and of Jake Edwards Southern Pit Systems, Inc., they made false and misleading representations and omitted material facts in violation of the anti-fraud provisions of the Federal securities laws. Violations of the Commission's record-keeping and reporting rules also are alleged.

A hearing will be held pursuant to further order to take evidence on the staff allegations and afford the respondents an opportunity to offer any defenses thereto, for the purpose of determining whether the allegations are true and, if so, whether any action of a remedial nature is necessary or appropriate in the public interest.

SEC COMPLAINT NAMES W D ANDERSON. The SEC Chicago Regional Office announced November 5 (LR-4466) the filing of an action in the Federal court in Detroit seeking to enjoin Walter D. Anderson of Farmington, Mich., from violations of the Securities Act registration provisions in the sale of stock and investment contracts.

NPG GROWTH FUND SEEKS ORDER. The SEC has issued an order under the Investment Company Act (Release IC-5783) giving interested persons until November 28 to request a hearing upon an application of NPG Growth Fund, Inc. ("Fund"), for exemption from Rule 22c-1 of the Act to the extent that said Rule requires that Fund shares be priced for sale on the day orders for the purchase of such shares are received. The Fund presently computes net asset value twice a month, as of the close of business on the 5th and 20th day, and offers its shares for sale at net asset value next computed following receipt of a subscription order. The Fund proposes to offer its shares at net asset value per share computed as of the close of business on Thursday next succeeding the receipt of a subscription order or on the day of such receipt if it is received on Thursday.

TRADING IN ARKANSAS VALLEY INDUSTRIES SUSPENDED. The SEC today ordered temporary suspension of over-the-counter trading in the securities of Arkansas Valley Industries, Inc., Little Rock, Ark., for the ten-day period November 10 through November 19, 1969. Trading may resume at the opening of business on November 20, 1969.

Arkansas Valley Industries, Inc. is reported to have issued and outstanding as of June 9, 1969 636,403 shares of common stock which are traded in the over-the-counter market. On November 5, 1969 Arkansas Valley Industries, Inc. was quoted in the pink sheets at 11 7/8 and 12 1/2 bid and 12 3/8 to 12 5/8 offered. The management of the company requested the suspension of trading and expects to shortly be able to issue a statement which will clarify the impact of a November 7 release of the Department of Agriculture announcing the finding of pesticide residues in turkeys produced by the company and prohibiting the marketing of turkeys and turkey products either known or suspected to have this pesticide. (For details, see Release 34-8747)

OVER

REVCOD. S. SHARES IN REGISTRATION. Revco D. S., Inc., 3030 Quigley Road, Cleveland, Ohio, filed a registration statement (File 2-35280) with the SEC on November 5 seeking registration of 74,000 shares of common stock. These shares are issuable upon exercise of outstanding warrants held by State Mutual Life Assurance Company of America. Kidder, Peabody & Co., Inc., proposes to purchase the warrants from State Mutual Life, exercise the warrants, and offer the shares for public sale (at \$28 per share maximum*). Revco now has outstanding 3,225,466 common shares.

COMPUTER PRODUCTS TO SELL STOCK. Computer Products, Inc., 2709 North Dixie Highway, Fort Lauderdale, Fla. filed a registration statement (File 2-35281) with the SEC on November 5 seeking registration of 277,000 shares of common stock, to be offered for public sale at \$3.25 per share. The offering is to be made through underwriters headed by Baroody & Co., 4040 Galt Ocean Drive, Fort. Lauderdale, Fla., and Consolidated Securities Corp., 920 North Federal Highway, Pompano Beach, Fla., which will receive a \$.325 per share commission. The company has agreed to pay the underwriters \$10,000 for expenses; and David C. Yoder, president and Daniel S. Wiper, vice president, principal stockholders of the company, have agreed to sell the Baroody and Consolidated Securities firms and to Gordon Schreck (a registered representative of the Baroody firm and finder), five-year warrants to purchase common shares after 11 months at \$3.25 per share; the number of such shares is to be supplied by amendment. Pursuant to an earlier registration, the company between July 23 and October 5 sold 48,978 shares ("Prior Registered Shares") at \$6 per share. After considering the results of its sale of shares offered July 23, the company determined to make the present offer of 277,000 shares at \$3.25 per share and to offer to rescind the \$6 purchase price to holders of the original 48,978 shares who requested it, or issue an additional 11/13th of a share for each share retained, thus adjusting the purchase to \$3.25 per share.

Organized in March 1968, the company is primarily engaged in the design, development, manufacture and sale of standard products which are intended to solve certain routinely encountered instrumentation or interfacing (connection of a digital computer to an analog process) problems in process control and real time test system applications. Part of the net proceeds of its stock sale will be used to redeem Prior Registered Shares from holders electing to rescind their purchase thereof, \$245,000 for the purchase and installation of new equipment and for certain salaries and \$110,000 to meet the cash flow operating requirements; the balance will be added to the company's working capital and used for general corporate purposes. The company has outstanding 890,028 common shares (with a 26¢ per share net tangible book value), of which Yoder and Wiper own 387 each.

KATHOL PETROLEUM PROPOSES OFFERING. Kathol Petroleum, Inc. ("Kathol") 900 Sutton Place, Wichita, Kansas 67202, filed a registration statement (File 2-35282) with the SEC on November 6 seeking registration of \$3,200,000 of units of participation representing limited partnership interests in Kathol Joint Venture No. 3 ("Partnership") to be offered for public sale at \$5,000 per unit. No underwriting is involved; participating NASD members will receive a \$300 per unit selling commission. The partnership is to be organized for the exploration for and production of oil and gas. Kathol will manage the partnership. Kathol has outstanding 800,352 common shares, of which Gerald J. Kathol (president) and members of his immediate family own 101,192.

COCHRANE FURNITURE FILES FOR OFFERING AND SECONDARY. Cochrane Furniture Company, Inc., Lincolnton, N.C. 28092, filed a registration statement (File 2-35283) with the SEC on November 6 seeking registration of 186,000 shares of common stock, of which 150,000 are to be offered for public sale by the company and 36,000 (being outstanding shares) by the present holder thereof. The offering is to be made through underwriters headed by Powell Kistler & Co., 110 Old St., Fayetteville, N.C. 28302; the offering price (\$9 per share maximum*) and underwriting terms are to be supplied by amendment.

The company specializes in the manufacture and sale of Early American dining room furniture of hard rock maple construction. Of the net proceeds of its sale of additional stock, \$442,000 will be used (together with \$85,000 previously expended) to construct and equip a manufacturing plant in Warrenton, N.C. and \$400,000 for initial working capital at the plant; the balance will be added to the company's general funds and will be available for working capital and other corporate purposes. In addition to indebtedness, the company has outstanding 502,300 common shares, of which Ralph E. Cochrane, Jr., secretary-treasurer, owns 38%, T.E. Cochrane, president, 16% and management officials as a group 71%. Mrs. Ethel G. Cochrane proposes to sell 36,000 shares of 61,314 shares held.

INTERNATIONAL DATA SYSTEMS TO SELL STOCK. International Data Systems Corporation 311 Baronne St., New Orleans, La. 70112, filed a registration statement (File 2-35285) with the SEC on November 6 seeking registration of 200,000 shares of common stock, to be offered for public sale through underwriters headed by Russ & Company, Incorporated, Alamo National Building, San Antonio, Texas 78205. The offering price (\$10 per share maximum*) and underwriting terms are to be supplied by amendment. The company has agreed to sell the Russ firm, for \$200, five-year warrants to purchase 20,000 shares, exercisable after one year at prices ranging from 107 to 128 of the offering price.

Organized in January, the company is principally engaged in the computer services business, providing facilities management and other professional services related to the use of computer equipment to commercial, industrial and educational institutions. Of the net proceeds of its stock sale, \$250,000 will be used to purchase additional data processing equipment and \$500,000 for research and development of computer systems and programs; the balance will be added to the company's working capital and used for possible acquisitions of enterprises in related fields of business. The company has outstanding 1,249,501 common shares (with a 38¢ per share net tangible book value), of which James W. Mills, Jr., board chairman, owns 19.5%, management officials as a group 64% and Royal Street Investment Corporation 17.1%.

WALL STREET CORP. TO SELL STOCK. Wall Street Corporation, 711 Main St., Avon, N.J., filed a registration statement (File 2-35286) with the SEC on November 6 seeking registration of 250,000 shares of common stock, to be offered for public sale at \$2 per share. The offering is to be made on a "best efforts" basis through Du-Rel Investment Company, Inc., 8415 Southwest 44th St., Miami, Fla., which will receive a 20¢ per share 11114

commission plus \$6,000 for expenses. The company has agreed to sell 10,000 shares to the underwriter at 1¢ per share; such shares are nontransferable for one year.

Organized in May 1967, the company plans to act as a "wholesaling general agent" for Bankers National Life Insurance Company, supplying "pre-natal leads" to Bankers and receiving a percentage of commission as a result of sales pursuant to such leads of a combination insurance and mutual fund plan, known as the College Accumulation Plan. Net proceeds of its stock sale will be added to the company's working capital and used for corporate purposes. The company has outstanding 375,000 common shares (with a 6¢ per share net tangible book value), of which LeRoy W. Lawn, president, owns 50% and management officials as a group 100%. Purchasers of the shares being registered will acquire a 40% stock interest in the company for their investment of \$500,000 (they will sustain an immediate dilution of \$1.30 in per share book value from the offering price); the present shareholders will then own 60%, for which they will have paid \$23,000.

PACIFIC T&T TO SELL DEBENTURES. The Pacific Telephone and Telegraph Company, 104 New Montgomery St., San Francisco, Calif. 94105, filed a registration statement (File 2-35287) with the SEC on November 6 seeking registration of \$150,000,000 of debentures, due 2004, to be offered for public sale at competitive bidding. A subsidiary of AT&T, the company will apply the net proceeds of its debenture sale toward repayment of some \$144,000,000 of notes payable and to a reduction of some \$106,000,000 of advances from the parent. Such advances are obtained and notes issued to obtain short-term financing for general corporate purposes, including construction expenses. Construction expenditures are estimated at \$570,000,000 for 1969 and substantially higher for 1970.

WESTERN UNION COMPUTER UTILITIES TO SELL STOCK. Western Union Computer Utilities, Inc., 2455 East Sunrise, Blvd., Fort Lauderdale, Fla. 33304, filed a registration (File 2-35288) with the SEC on November 6 seeking registration of 300,000 shares of common stock, to be offered for public sale through underwriters headed by Shearson, Hammill & Co., Incorporated, 14 Wall Street, New York, N.Y. 10005. The offering price (\$12 per share maximum*) and underwriting terms are to be supplied by amendment.

Organized in November 1968, the company is engaged in developing a nation-wide system of computer service bureaus. Net proceeds of its stock sale will be added to the company's general funds and used primarily to support the development of a system of licensed computer service bureaus throughout the United States, including the establishment of at least three regional training and licensee service centers for the support of the individual bureaus. The company has outstanding 4,000,000 common shares, of which The Western Union Telegraph Company and Computer Utilities Corporation own 50% each. Purchasers of the shares being registered will acquire a 6.98% stock interest in the company for their investment of \$3,600,000*; the present stockholders will then own 93.02%, for which they will have paid \$600,000.

TOWN AND COUNTRY FINANCIAL TO SELL STOCK. Town and Country Financial Corporation, 444 Main St., Glen Ellyn, Ill., filed a registration statement (File 2-35289) with the SEC on November 6 seeking registration of 230,000 shares of common stock, to be offered for public sale through Edward A. Viner & Co., Inc. The offering price (\$8.50 per share maximum*) and underwriting terms are to be supplied by amendment. The company has agreed to sell the underwriter, for \$230, four-year warrants to purchase 23,000 shares.

The company was organized in September for the purpose of becoming a savings and loan holding company and to acquire the outstanding permanent reserve shares of Glenn Ellyn Savings and Loan Association ("Association") and the outstanding common stock of Suburban Security Insurance Agency, Inc. ("Agency"). Of the net proceeds of its stock sale, \$1,526,000 will be used to pay the balance of the purchase price due the selling stockholders of Association and any balance up to \$48,750 will be applied to the purchase of the 3% minority interest of the Association. The company has outstanding 94,600 common shares (with a \$2.91 per share book value), of which Joseph P. Sullivan, board chairman, owns 14%, Arnold F. Pins, Jr., president, 12% and management officials as a group 63%. Purchasers of the shares being registered will acquire 230,000 shares for their investment of \$1,955,000*; the present shareholders will then own 94,600 shares, of which 60,000 were issued to the original stockholders at \$2.70 per share for \$162,500 and 34,600 were issued in the acquisition of Association and Agency at a price equivalent to \$3.25 per share or \$112,450.

NATIONAL ENERGY SYSTEMS PROPOSES OFFERING. National Energy Systems Corporation, 150 Post St., San Francisco, Calif. 84104, filed a registration statement (File 2-35290) with the SEC on November 6 seeking registration of \$2,500,000 of convertible subordinated debentures, due 1990, and 250,000 shares of common stock. The debentures are to be offered for public sale by the company at 100% of principal amount and the stock at \$10 per share, through underwriters headed by New York Securities Co., One Whitehall St., New York, New York 10004; the underwriting terms are to be supplied by amendment.

Organized in October, the company will engage primarily in the ownership and operation of various types of energy systems; it anticipates that it will establish a complete energy system capability, offering a full range of services and facilities to real estate developers and property owners. Net proceeds of the company's financing will be used for the purchase of equipment for new energy systems, the design and installation of such systems, general operating expenses, the purchase of existing systems and other corporate purposes. The company has outstanding 500,000 common shares (with a 10¢ per share book value) of which L. William Bro, board chairman, and W. Douglas Smith, president, own 36.03% each and management officials as a group 89.75%.

DETROIT EDISON TO SELL BONDS. The Detroit Edison Company, 2000 Second Avenue, Detroit, Mich. 48226, filed a registration statement (File 2-35291) with the SEC on November 7 seeking registration of \$75,000,000 of general and refunding mortgage bonds, Series T, due 1999, to be offered for public sale through underwriters headed by Morgan Stanley & Co., and two other firms. The interest rate, offering price and underwriting terms are to be supplied by amendment. An electric utility, the company will use the net proceeds of its bond sale in connection with its construction program and for the repayment of some \$60,000,000 of bank loans and commercial paper, incurred or to be incurred primarily in connection with the interim financing of construction. Construction expenditures are estimated at \$545,143,000 during 1969 and 1970.

PUTNAM ASSOCIATES FUND PROPOSES OFFERING. Putnam Associates Fund, Inc., 265 Franklin St., Boston, Mass., filed a registration statement (File 2-35294) with the SEC on November 6 seeking registration of 200,000 shares of common stock, to be offered for sale only to officers, directors and employees of The Putnam Company, Inc., and of its wholly-owned subsidiaries, at net asset value (\$10 per share maximum*). The Fund is a speculative mutual fund which has an investment objective of Capital appreciation. The Putnam Management Company, Inc., will serve as investment adviser and Putnam Fund Distributors, Inc., as distributor of Fund shares. George Putnam is president of the Fund and of the adviser and board chairman of the distributor.

CANCER DETECTION SERVICES TO SELL STOCK. Cancer Detection Services, Inc., 225 Broadway, New York, N.Y. 10007, filed a registration statement (File 2-35295) with the SEC on November 7 seeking registration of 210,000 shares of common stock, to be offered for public sale at \$10 per share. The offering is to be made through Shiepmann, Sharp & Co., Inc., Los Angeles, Calif., which will receive a \$1.05 per share commission. The company has agreed to sell the Shiepmann firm, for \$150, five-year warrants to purchase 15,000 shares, exercisable at \$12 per share; it has also agreed to pay \$9,000 to Bateman Eichler, Hill Richards Incorporated for its services as a finder.

The company was organized in February for the purpose of engaging in the field of mass population screening for early detection of cancer and other diseases. Of the net proceeds of its stock sale, \$280,000 will be used for two Mobile Health Units, \$210,000 for laboratory fixtures, equipment and supplies, \$175,000 for research and development, \$167,000 for general working capital and \$1,000,000 as a reserve for additional Mobile Health Units, laboratory equipment, medical support operations or other corporate purposes. The company has outstanding 210,000 common shares, of which Sheldon F. Deutsch, president and board chairman, owns 19.5% and management officials as a group 40.5%. Purchasers of the shares being registered will acquire a 50% stock interest in the company for their investment of \$2,100,000; the present stockholders will then own 50%, for which they paid \$105,000, or 50¢ per share.

SECURITIES ACT REGISTRATIONS. Effective November 7: Cascade Natural Gas Corp., 2-34398; Commerce Bancshares, Inc., 2-34831 (40 days); Everest & Jennings International, 2-34571; LMF Corp., 2-32247 (90 days); Management Data Corp., 2-35075; Manpower, Inc., 2-35062; Monroe Auto Equipment Co., 2-35185 (40 days); Springs Mills, Inc., 2-33762.
Withdrawn November 6: Property Research Corp., 2-31622; Tan Tex Industries Corp., 2-33386; Visual Information Products, Inc., 2-34687.

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

*As estimated for purposes of computing the registration fee.

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