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# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

(Prepared by the SEC Office of Public Information)

A Daily Summary of  
S.E.C. Activities

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## COMMISSION ANNOUNCEMENTS

SEC ISSUES REPORT ON DISCLOSURE PRACTICES OF DEFENSE CONTRACTORS. The Commission 6/22 declared that registrants involved in defense production industries have an obligation to make every effort to assure that progress on material contracts -- such as earnings, losses, anticipated losses or material cost overruns, is properly reflected in the registrants' financial statements and, where necessary, to a full understanding, discussed in appropriate textual disclosure.

The Commission in emphasizing its concern about adequate disclosure in these areas has taken into account the report of the SEC staff, released today, on disclosure practices of companies engaged in defense contracting and the problems encountered by certain defense contractors as illustrated by brief case studies contained in the report.

The defense contracting investigation was instituted following the public release of an investigative staff report on the Lockheed Aircraft Corporation in May 1970 in connection with problems encountered by the firm with its C5A contract. Incident thereto, the Commission directed the staff to conduct an inquiry for the primary purpose of gathering information concerning disclosure of defense contracting and determining whether the Commission's rules and forms were adequate or whether they could or should be revised to provide a basis for improved disclosures in the future by such companies.

The report has concluded that the Commission's present rules and disclosure forms are generally adequate and no amendments appear necessary. The staff noted, however, that the application of the present requirements by some defense contractors could be improved. Among other things, it was noted that disclosures vary in quantity and quality from company to company and to some extent according to the nature of the document in which they are contained -- for example between the Form 10-K and Annual Report to Stockholders. In view of the fact that of these two documents, only the Annual Report to Stockholders receives wide public dissemination, the Commission urges issuers to make every effort to assure that disclosures contained therein are as complete and accurate as those contained in documents filed with the Commission. In this connection, the Commission has published for comment and is presently considering adoption of an amendment to Form 10-K which would require specification by all reporting companies of items of information supplied in Form 10-K but omitted from the Annual Report to Stockholders.

Corporate managers are urged to review their policies with respect to corporate disclosure on defense and other long-term contracting and ensure that adequate disclosure policies are followed with respect to reports filed with the Commission or distributed to investors. The Commission further emphasizes that the responsibility for prompt and adequate disclosure rests with registrants and their professional advisors. The Commission also wishes to reiterate the statements made in its 1970 release regarding "Timely Disclosure of Material Corporate Developments. (Securities Act of 1933, Release No. 5092 (October 15, 1970)). (Rel. 33-5263)

FIRST QUARTER WORKING CAPITAL OF U. S. CORPORATIONS REPORTED. The SEC today reported that net working capital of U. S. corporations increased \$5.3 billion in the first quarter of 1972. The data exclude banks, insurance companies, savings and loan associations and investment companies. This gain in working capital compares with increases of \$4.0 billion in the final quarter of 1971 and \$3.4 billion a year earlier, and represents the second largest quarterly increase since the first quarter of 1968. Net working capital which represents the excess of business investment in current assets over current liabilities totaled \$240.6 billion at the end of March 1972.

The first quarter increase in working capital resulted from a rise of \$10.3 billion in current assets which was only partially offset by a \$5.0 billion rise in current liabilities. Trade notes and accounts receivables increased \$5.1 billion and inventories rose \$4.1 billion from the fourth quarter of 1971. An increase of \$2.2 billion was recorded in the "other current assets" category. For further details, see Statistical Release No. 2597.

DECEMBER 1971 DIRECTORY OF COMPANIES FILING ANNUAL REPORTS PUBLISHED. The SEC announced June 21 the publication of the December 1971 directory of companies filing annual reports with the Commission. The list of companies is presented alphabetically and classified by industry groups.

Copies are available from the Superintendent of Documents, U. S. Government Printing Office, Washington, D.C. at \$3 per copy. In addition, copies of the directory are available for public inspection at the Central Office and the Regional and Branch Offices of the Commission. (Rel. 34-9649)

## NEW RULES AND RULE PROPOSALS

REGULATION S-X AMENDMENTS ADOPTED. The Commission today announced the adoption of amendments of Articles 1, 2, 3, 4, 5 and 11 and Rules 12-01 to 12-16 (exclusive of Rule 12-06A) to effect the first general revision of these sections of Regulation S-X since 1950.

The amendments reflect changes in accounting and auditing terminology, procedures and practices that have occurred over the years, as well as changes to clarify, simplify and strengthen the rules and instructions contained in these parts of the regulation. Highlights of the major revisions are given in the adopting release. (Rel. 33-5261 and A-125)

OVER

DECISION IN ADMINISTRATIVE PROCEEDINGS

FISCHL PLANNING CO., ITS PRESIDENT, AND OTHERS SANCTIONED. The SEC announced the issuance of an order suspending the over-the-counter activities of Fischl Planning Co., a registered broker-dealer in New York City, for 30 calendar days, and suspending Gabor Fischl, its president, from association with any broker-dealer for a like period, except that during such period they may engage in certain limited transactions without commissions or profit. The order further suspended William Weiner, Fort Lee, N. J., from association with any broker-dealer for 20 business days, and Robert Cea, Englewood, N. J., from such association for 10 business days. Werner was a registered representative of another securities firm, and Cea was president of a registered securities firm which has since withdrawn its registration. The suspensions are to begin on July 3.

The order was based on findings that between October 1969 and September 1971, the Fischl respondents and Cea sold unregistered common stock of Spectrum, Ltd., and that Weiner made certain untrue and misleading statements in the sale of Spectrum stock.

The remedial action was taken pursuant to offers of settlement in which the respondents, without admitting or denying the charges, consented to the findings and sanctions. (Rel. 34-9641)

COURT ENFORCEMENT ACTION

D. R. TUGWELL, D. M. DOUGLASS AND L. SEIFERT PLEAD NOLO CONTENDERE. The SEC Los Angeles Regional Office announced June 14 that Donald Ray Tugwell, Donald Maurice Douglass and Lylian Seifert each pleaded nolo contendere to one felony count of an indictment charging them with conspiracy to sell unqualified stock of American Mobile Telephone & Tape Company, Ltd., a Canadian corporation, to California residents. (LR-5437)

SEC COMPLAINT NAMES TEXAS WESTERN LAND DEVELOPMENT & E R REED. The SEC Fort Worth Regional Office announced June 21 the filing of a complaint in the Federal court in Dallas, Texas seeking to enjoin Texas Western Land Development Corporation and Edward R. Reed, both of Dallas, Texas., from violations of the registration and anti-fraud provisions of the Federal securities laws in connection with the offer and sale of investment contracts evidenced by assignments of contracts for deed issued by Texas Western Land. (LR-5438)

HOLDING COMPANY ACT RELEASE

GEORGIA POWER COMPANY. The SEC has issued an order authorizing Georgia Power Company, Atlanta subsidiary of The Southern Company, to issue and sell at competitive bidding \$75,000,000 principal amount of first mortgage bonds (reduced from the originally-proposed \$100,000,000) to mature not less than 5 years and not more than 30 years from the second day of the calendar month within which the bonds are issued. The proceeds, along with capital contributions by The Southern Company and other cash on hand, will be applied toward Georgia's 1972 construction program (estimated at about \$457,000,000), to pay short-term promissory notes and for other lawful purposes. (Rel. 35-17615)

INVESTMENT COMPANY ACT RELEASES

SPRING STREET CAPITAL CO. The SEC has issued a notice giving interested persons until July 28 to request a hearing upon an application of Spring Street Capital Company, Los Angeles, closed-end investment company, for an order declaring that it has ceased to be an investment company. On April 7, 1972, Spring Street was dissolved under California law; it has no assets and no stockholders. Wheeler, Munger & Co., its former majority shareholder, has assumed and agreed to pay any remaining liabilities of Spring Street. (Rel. IC-7240)

E. F. HUTTON. The SEC has issued an order exempting E. F. Hutton of New York City and Alex Brown and Sons of Baltimore and their co-underwriters from the provisions of Section 30(f) of the Act in connection with an underwriting of American General Convertible Securities Inc. (Rel. IC-7237)

SECURITIES ACT REGISTRATIONS

CONTINENTAL TELEPHONE CORPORATION, Dulles International Airport, Chantilly, Va. filed a registration statement on June 14 seeking registration of 852,240 shares of common stock, of which 750,000 may be issued in connection with the company's continuing acquisition program, 100,000 are issuable pursuant to its Employee's Stock Incentive Program and 2,240 are issuable pursuant to the exercise of stock options of a subsidiary.

In a separate statement, the company seeks registration of 270,000 shares of common stock issuable upon conversion of outstanding 7% convertible subordinated debentures, due 1979, of Tidewater Telephone Company, a wholly-owned subsidiary of Continental Telephone. Continental is an independent telephone holding company. (File 2-44626 and 2-44627)

ADVANCE INVESTORS CORPORATION, 626 Lexington Ave., New York 10022, filed a registration statement on June 15 seeking registration of 7,000,000 shares of common stock, to be offered for public sale at \$15 per share through underwriters headed by White, Weld & Co. Inc., 20 Broad St., and Eastman Dillon, Union Securities & Co. Inc., One Chase Manhattan Plaza, both of New York. The company is a new, closed-end, diversified management investment company whose primary objective is long-term capital appreciation of its portfolio securities. First National City Bank is investment adviser. (File 2-44643)

SOUTHEASTERN EXPLORATION LTD. (the Partnership) (1972-B)), 620 Petroleum Bldg., Jackson, Miss. 39205, and Florida Gas Company, Orange and Orlando Aves., Winter Park, Fla. 32789, filed a registration statement on June 16 seeking registration of \$5 million of Class B-1 and B-2 limited partnership interests, to be offered for sale in minimum amounts of \$5,000. The offering will be made on a best efforts basis by Dean Witter & Co. Inc., and Thomson & McKinnon Auchincloss Inc. The Partnership will engage in the exploration for oil and gas. C & K Petroleum, Inc. and Southeastern Exploration Company, a wholly-owned subsidiary of Florida Gas, are the General Partners. (File 2-44656)

VELO-BIND, INCORPORATED, 650 Almanor Ave., Sunnyvale, Calif. 94086, filed a registration statement on June 16 seeking registration of 400,000 shares of common stock, to be offered for public sale (\* at \$30 per share maximum) through underwriters headed by G. H. Walker & Co. Inc., 45 Wall St., New York. Also included in this statement are 77,200 shares of common stock issuable pursuant to the company's Qualified Stock Option Plan. The Company is engaged in the business of developing and manufacturing equipment and supplies for use in binding books and documents. Of the net proceeds of its stock sale, \$2,500,000 will be applied to pay short-term debt, and the balance for working capital and other corporate purposes. (File 2-44657)

THE CLOROX COMPANY, 7901 Oakport St., Oakland, Calif. 94621, filed a registration statement on June 16 seeking registration of 200,000 outstanding shares of common stock, to be offered for public sale by the holders thereof. The offering is to be made (\* at \$80 per share maximum) through underwriters headed by Salomon Brothers, One New York Plaza, New York 10004, and Blyth & Co., Inc., 14 Wall St., New York 10005. The company is a diversified producer and marketer of liquid and dry bleach and other household products. (File 2-44658)

ROCHESTER GAS AND ELECTRIC CORPORATION, 89 East Avenue, Rochester, N. Y. 14649, filed a registration statement on June 16 seeking registration of 825,000 shares of common stock. It is proposed to offer these shares for subscription by common stockholders of record August 2, at the rate of one new share for each nine shares held (\* and at \$22.50 per share maximum). Any unsubscribed shares are to be offered for public sale through underwriters headed by The First Boston Corp., 20 Exchange Place, New York 10005. Net proceeds will be applied to the company's construction program, including payment of short-term obligations incurred therefor. Construction expenditures are estimated at \$48 million for 1972. (File 2-44659)

CONTINENTAL AIR LINES, INC., Los Angeles International Airport, Los Angeles, Calif. 90009, filed a registration statement on June 16 seeking registration of 1,500,000 shares of capital stock, to be offered for public sale (\* at \$23.375 per share maximum) through underwriters headed by Lehman Brothers Inc., 1 William St., New York 10004. The company is a trunk-line air carrier whose principal business is the regularly scheduled transportation of persons, property and mail. Net proceeds, together with other funds, will be used for the acquisition of flight equipment and ground facilities and equipment. (File 2-44660)

CORRECTION RE MARKS & SPENCER ADRs. First National City Bank, 111 Wall St., New York 10015, filed a registration statement on June 7 seeking registration of 100,000 American Depositary Receipts for ordinary shares of Marks & Spencer Limited, not 100,000 ADRs for dollar validated common stock of Marks & Spencer as reported in the June 15 News Digest. (File 2-44579)

#### MISCELLANEOUS

SECURITIES ACT REGISTRATIONS. Effective June 20: Alison Mortgage Investment Trust, 2-44320; Belden & Blake and Co., 2-44264 & 2-44265; Georgia Power Co., 2-44451; Gladding Corp., 2-44190; Hospital Corp. of America, 2-44139; Kalvex Inc., 2-37899; Child World, Inc., 2-44442; Norton Company, 2-44462; Effective June 21: Algorex Data Corp., 2-43653; Avis, Inc., 2-44372 (Sept. 20); Consumers Power Co., 2-44136; Digi-Log Systems, Inc., 2-42698 (Sept. 19); Economics Laboratory, Inc., 2-44485; Public Service Electric & Gas Co., 2-44370; Ragen Precision Industries, Inc., 2-43058 (Sept. 19); Shapell Industries, Inc., 2-43961; Sam Solomon Co., Inc., 2-43980 (90 days); Unicom Insurance Group, Inc., 2-43607 (Sept. 19); Waste Management, Inc., 2-44302.

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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