

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



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

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**INSIDER TRADING RULES CLARIFIED.** The SEC today announced a clarification of the meaning of "beneficial ownership of securities" under the laws its administers. The clarification applies not only to the insider trading provisions of Section 16 of the Securities Exchange Act but also to registration statements, annual reports and proxy statements as well as applications for registration of broker-dealer and investment adviser firms. The statement points out that, while "the final determination of the existence of beneficial ownership . . . is, of course, a question to be determined in the light of the facts of the particular case," a person generally is to be regarded as the beneficial owner of securities held in the name of his or her spouse and their minor children. "Absent special circumstances," the statement continued, "such relationship ordinarily results in such person obtaining benefits substantially equivalent to ownership, e.g., application of the income derived from such securities to maintain a common home, to meet expenses which such person otherwise would meet from other sources, or voting of such securities."

A person also may be regarded as the beneficial owner of securities held in the name of another person "if by reason of any contract, understanding, relationship, agreement, or other arrangement, he obtains therefrom benefits substantially equivalent to those of ownership. Accordingly, where such benefits are present such securities should be reported as being beneficially owned by the reporting person. Moreover, the fact that the person is a relative or relative of a spouse and sharing the same home as the reporting person may in itself indicate that the reporting person would obtain benefits substantially equivalent to those of ownership from securities held in the name of such relative. Thus, absent countervailing facts, it is expected that securities held by relatives who share the same home as the reporting person will be reported as being beneficially owned by such person."

A person also is regarded as the beneficial owner of securities held in the name of a spouse, minor children or other person, even though he does not obtain therefrom the aforementioned benefits of ownership, if he can vest or re-vest title in himself at once, or at some future time.

The Commission's statement also codifies existing practice in those situations in which individual members of a family hold less than 10% of a class of registered equity security, but when combined in accordance with the standards herein discussed, such holdings exceed 10%. A single filing by the head of the family group as the beneficial owner of more than 10% of a class of registered equity security will suffice in these situations.

**REHEARING DENIED.** The SEC today issued an order under the Securities Exchange Act (Release 34-7797) denying a request of Henry and Marvita Sandkuhl for a rehearing upon the Commission's September 10, 1965, order revoking the broker-dealer registration of Sandkuhl & Co., 1180 Raymond Blvd., Newark, N. J., and finding the Sandkuhls, as well as certain other persons, each to be a cause of the revocation order. The Commission found the arguments presented in the petition for rehearing "to be without merit."

**EXETER FUND RECEIVES EXEMPTION ORDER.** The SEC has issued an order under the Investment Company Act (Release IC-4490) granting an application of the Exeter Fund, Inc., Claymont, Del., for exemption from the minimum net capital and other requirements of the Act. According to the application, the Fund proposes to exchange 1,000,000 shares of its common stock for securities which the management deems suitable for exchange as indicated in a list of "Representative Securities" in the prospectus. Prior to the effective date of the registration statement covering such stock, the Fund intends to enter into an investment advisory agreement with Wellington Management Co. Since it will not have any outstanding voting securities until after the effective date of its registration statement, the Fund is requesting an exemption with respect to shareholder approval of the investment advisory agreement, the election of directors by shareholders, and shareholder ratification of the selection of an independent public accountant, until a special shareholders' meeting can be held not more than 60 days after the exchange of shares between the Fund and investors has been effected.

**PINAL COUNTY DEVELOPMENT SUSPENSION CONTINUED.** The SEC has issued an order suspending over-the-counter trading in bonds of Pinal County Development Association for a further ten-day period, January 20-29, 1966, inclusive.

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**TRADING IN ASSOCIATED OIL & GAS SUSPENDED.** The SEC today announced the issuance of an order under the Securities Exchange Act of 1934 suspending exchange and over-the-counter trading in securities of Associated Oil & Gas Co. ("Associated"), of Houston, Texas, for the ten-day period, January 19-28, 1966, inclusive.

The 1¢ par value common stock of Associated is listed and registered on the American Stock Exchange; and it also is admitted to unlisted trading privileges on the Detroit Stock Exchange. Two issues of 6% convertible subordinated debentures (due 1975 and 1977, respectively), also are listed and registered on the American Stock Exchange. The Commission's suspension order suspends exchange as well as over-the-counter trading in these securities.

Because of a significant increase in the volume of trading in Associated common on the American Stock Exchange, the Exchange requested the company to issue a statement with respect to recent developments which may have caused the increase, if any. Associated announced on January 18, 1966, that it had acquired about a 37% interest in Salmon River Mining Co., "which has rights to over 40,000 acres of mineral leases in the Riggins Area of Western Idaho." The statement continued: "For some months, a pilot plant has been operated utilizing a new gold-recovery process to extract gold from ores which have heretofore been deemed too complex or difficult to treat on a commercially recoverable basis. The Salmon River leases are indicated to contain very high tonnages of these complex ores. The recovery process pilot plant has to date primarily recovered gold from the ores treated although the presence of other metals has been indicated."

Work on the process "admittedly has been experimental," the statement observes, "and while results on many different occasions and on ores from many different locations in the area have indicated high gold recovery values per ton of ore processed, considerable research in metallurgy and engineering remains to be carried out before the process can be confirmed and evaluated as being commercially feasible."

The Commission has directed its staff promptly to develop all pertinent facts with respect to the foregoing; and it has ordered suspension of trading in the company's securities pending a clarification of the facts.

**SECURITIES ACT REGISTRATIONS.** Effective January 18: Belden & Blake and Company Limited Partnership No. 13, 2-24393; Municipal Investment Trust Fund, Second Florida Series, 2-24334; Sharon Steel Corp., 2-24403 (Feb 28); Texas Power & Light Co., 2-24326; The Western Union Telegraph Co., 2-24347 (40 days).

**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.

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