

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



Washington, D.C. 20549

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)
SEC

(Issue No. 68-202)

FOR RELEASE October 15, 1968

APPROVAL OF EXCHANGE OFFER DENIED. The SEC today announced a decision under the Investment Company Act (Release IC-5509) which denied an application by Lexington Corporate Leaders Fund, Inc. ("Fund"), a registered open-end management investment company, and Corporate Leaders of America, Inc., sponsor of Corporate Leaders Trust Fund, Series B ("Trust"), a registered unit investment trust, for approval of a proposed exchange offer under the principal terms of which Trust certificate holders would redeem their interests and have the proceeds applied to the acquisition of Fund shares without a sales load. The Commission ruled that the proposed offer did not meet the standard requisite for its approval under Section 11 of the Act, namely, that such offer shall cause no inequitable results to the security holders of the investment companies concerned.

Organized in 1935, Trust is a so-called "fixed trust," whose portfolio is required to be invested in the stock of 28 named corporations. Fund was organized in 1965 and has a managed portfolio. Both are part of a group of companies which are managed or advised by, or whose securities are distributed by, Lexington Research and Management Corp. and its subsidiaries. The applicant companies argued that, although a Trust certificate holder accepting the offer would incur redemption charges and possible capital gains taxes, and his Fund interest would be subjected to an annual advisory fee of 1/2 of 1% of the Fund's net assets, the proposed exchange would be beneficial because of the Fund's portfolio management feature and because of various "archaic, uneconomic and wasteful" provisions in the Trust's indenture and its assertedly inferior investment performance. Those provisions included the requirement that shares received in stock splits or as stock dividends be sold, and the arrangement under which the trustee bank held substantial amounts, received as dividends and interest by Trust, uninvested and unproductive for period up to six months.

The Commission observed that, despite the fact that Trust's indenture contained provisions permitting its amendment, no attempt had been made to eliminate the archaic features except as part of efforts to convert Trust into a management company. It also referred to testimony of Fund's president that although Trust had performed "relatively poorly" in the last few years, investors in it had made money and were basically pleased.

The Commission concluded that the submission of the proposed offer to certificate holders of Trust would be inequitable since it would require them to choose between retaining their interests in Trust as presently constituted, without modifications which applicants themselves recognized to be desirable, and transferring to a new investment vehicle with attendant costs and continuing management fees. It pointed out that if appropriate efforts were first made to achieve curative changes in the indenture and all or some of them were effected, a Trust investor offered an exchange into Fund shares would be able to make an evaluation different from that entailed in the present offer under which he would likely be influenced by the archaic features of Trust. The Commission stated that its denial of the application would not preclude the submission to it of a new proposal which would overcome the deficiencies it found. It also noted that such a proposal could embody both proposed changes in the Trust and a proposed offer to make an exchange into Fund shares.

OHIO POWER RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-16184) granting Ohio Power Company, Canton subsidiary of American Electric Power Company, Inc., authorization to issue up to \$68,400,000 of short-term notes to banks and/or to commercial paper dealers during the period ending December 31, 1969. Net proceeds of its borrowings will be used to reimburse its treasury for past construction expenditures, to pay part of the cost of its future construction program (estimated at \$100,000,000 during the next five quarters) and for other corporate purposes.

MICHIGAN CONSOLIDATED GAS SEEKS ORDER. The SEC has issued an order under the Holding Company Act (Release 35-16185) giving interested persons until November 5 to request a hearing upon an application of Michigan Consolidated Gas Company, a Detroit subsidiary of American Natural Gas Company, to issue and sell \$31,000,000 principal amount of first mortgage bonds, due 1993, at competitive bidding. Net proceeds of its bond sale will be used for the redemption of its outstanding \$30,837,000 principal amount of first mortgage bonds of the 3-1/2%, 2-7/8% and 3-3/8% Series, due 1969, and the balance to pay construction costs.

CONSOLIDATED NATURAL GAS SEEKS ORDER. The SEC has issued an order under the Holding Company Act (Release 35-16186) giving interested persons until November 8 to request a hearing upon an application of Consolidated Natural Gas Company ("Consolidated"), with respect to the proposed increase of \$10,000,000 in the amount of short-term notes Consolidated may issue and sell up to May 15, 1969 (from the presently authorized 14% to 15% of the principal amount and par value of the other securities of Consolidated outstanding). Net proceeds of its borrowings will be used to finance construction, gas storage inventories, and other corporate expenditures of subsidiary companies, and to reimburse its treasury in part for construction advances to subsidiary companies made in 1968 in excess of related borrowings by Consolidated.

OVER

FIDUCIARY EQUITY SHARES/FIDUCIARY INCOME SHARES SEEK ORDER. The SEC has issued an order under the Investment Company Act (Release IC-5514) giving interested persons until November 5 to request a hearing upon an application of Fiduciary Equity Shares, Inc., and Fiduciary Income Shares, Inc., Columbus open-end diversified investment companies, for exemption from the \$100,000 minimum net worth and certain other provisions of the Act. Both funds were organized under Ohio law as fiduciary investment companies to provide an investment medium for banks and trust companies whose trust assets are not large enough to permit them to form common trust funds, although other banks and trust companies may acquire their shares. Each intends to offer its shares at \$20 per share to banks and trust companies in Ohio. Each has also engaged First National Bank of Cincinnati as custodian and investment adviser.

TENDER OF ARROWHEAD, PURITAS WATERS SHARES INVITED. Allegheny Beverage Corporation, 2216 N. Charles St., Baltimore, Md., filed a Schedule 13D with the SEC on October 14 with respect to its invitation for the tender of shares of Arrowhead and Puritas Waters, Inc., of Los Angeles. If at least 315,000 shares are tendered prior to the October 29 expiration date (which may be extended), Allegheny will purchase 315,000 shares at \$50 per share and may elect to purchase some or all of the shares tendered in excess of 315,000. Allegheny, which will own approximately 47% of the outstanding Arrowhead shares if 315,000 shares are purchased pursuant to this offer, intends to propose, at some unspecified future date and on undetermined terms, a merger of the two companies.

THREE SENTENCED. The SEC Fort Worth Regional Office announced October 7 (LR-4132) that Jerry C. Stedman, Jr., of Beaumont, and Gerald Rushing and Louis J. Frederick, both of Houston, had been sentenced on their pleas of guilty to securities and commodities frauds. Stedman received a two-year prison sentence and was fined \$5,000 on the securities fraud; he received a two-year sentence and \$10,000 fine on the commodities fraud, such latter sentence being suspended and Stedman being placed on probation for five years following termination of his prison sentence. Rushing and Frederick received 30-day prison sentences and \$1,000 fines each on the securities fraud; they also received a two-year sentence and \$5,000 fine each, which latter sentences were suspended and they were placed on probation for five years following termination of their prison sentence.

FORMER AIRCRAFT OFFICIALS INDICTED. The SEC Atlanta Regional Office on October 11 joined with the local State Solicitor in announcing (LR-4133) the indictment of four former officers of Olson Aircraft Corporation, a North Carolina corporation, by a grand jury of Richmond County, N. Car. Willard Olson, John D. Schroeder, Keith N. Morrison and Robert M. Sebring were charged in a state action with violations of North Carolina registration provisions in the sale of Olson Aircraft stock.

AMERICAN MICRO-SYSTEMS PROPOSES OFFERING. American Micro-systems, Inc., 3800 Homestead Road, Santa Clara, Calif. 95051, filed a registration statement (File 2-30452) with the SEC on October 11 seeking registration of 215,500 shares of common stock, to be offered for sale (at \$12.50 per share) to a limited number of institutional and individual investors and to company employees. No underwriting is involved, but Blyth & Co., Inc., 14 Wall St., New York 10005, will act as the company's agent in connection with the offering to institutional and individual investors (other than company employees), for which it will receive the lesser of \$40,000 or 25¢ per share sold to such investors. In September 1968 the company sold 104,500 shares and Howard Bobb, president and board chairman, and three other company officials, sold 55,500 common shares to The Garrett Corporation at \$12.50 per share. The proceeds of such sales were used, in part, to purchase (upon exercise of options) a total of 489,500 common shares at \$1 per share.

The company is engaged in the business of developing, designing and manufacturing MOS (metal-oxide-silicon) field effect transistors (semiconductor circuit elements) and MOS large scale integrated arrays (semiconductor circuits). Of the net proceeds of its stock sale, \$400,000 will be used for leasehold improvements to a new building which the company expects to occupy by spring of 1969, \$1,550,000 to acquire additional engineering and manufacturing equipment, and \$350,000 to pay, when due, installments maturing in March and June 1969 on \$1,050,000 of 7% subordinated notes; the balance will be used for general corporate purposes. The company has outstanding 1,066,800 common shares, of which Bobb and the three other officials own 64.1%.

PACIFIC GAS AND ELECTRIC TO SELL BONDS. Pacific Gas and Electric Company, 245 Market St., San Francisco, Calif. 94106, filed a registration statement (File 2-30453) with the SEC on October 11 seeking registration of \$60,000,000 of first and refunding mortgage bonds, Series RR, due 2000, to be offered for public sale at competitive bidding. The company will use the net proceeds of its bond sale for construction expenditures. Construction expenditures are estimated at \$275,000,000 for 1968 and \$1,458,000,000 for the period 1969 through 1972.

SPECTRA FUND PROPOSES OFFERING. Spectra Fund, Inc., 147 Milk St., Boston, Mass., filed a registration statement (File 2-30454) with the SEC on October 11 seeking registration of 100,000 shares of common stock, to be offered for public sale at net asset value (\$10 per share maximum*) plus a sales charge of 8-1/2% on purchases of less than \$10,000. The Fund was organized under Massachusetts law in September 1968 as a diversified, open-end investment company. Investors Management & Research Corporation is investment adviser to the Fund. James F. Coogan, president, Sumner Abramson, vice president, and Lawrence J. Marks, treasurer, own 42%, 18% and 18%, respectively, of the outstanding capital stock of and hold corresponding offices with the adviser.

E. P. G. COMPUTER SERVICES PROPOSES OFFERING. E. P. G. Computer Services, Inc., 369 Lexington Ave., New York 10017, filed a registration statement (File 2-30455) with the SEC on October 11 seeking registration of 185,000 shares of common stock, to be offered for public sale at \$6.50 per share. The offering is to be made through Myron A. Lomasney & Co., 67 Broad St., New York, which will receive a 65¢ per share commission plus \$15,000 for expenses. The company has agreed to sell to the underwriter, for \$85, six-year warrants

CONTINUED

to purchase 8,500 common shares, exercisable initially (after one year) at \$6.50 per share. In October 1968, Myron A. Lomasney, general partner of the underwriter, purchased 5,000 common shares for \$4 per share, payable on a deferred basis; on the same date and on the same terms, the company sold to Margaret Rooney, the nominee of the finder, 5,000 common shares and to Andrew Racz (in consideration for his services to the underwriter) 3,000 common shares and to Racz's designee, George Gribbin, 2,000 common shares.

Organized under New York law in 1966, the company is primarily engaged in the computer software and data processing field. Of the net proceeds of its stock sale, the company will use \$325,000 toward the installment purchase of an IBM 360-50 computer, \$175,000 to pay installation costs for the aforementioned computer and costs of setting up additional office space in connection therewith, \$150,000 to meet anticipated start-up costs of the computer service center and \$220,000 to expand the company's present operations in the fields of systems analysis-design and programming, proprietary programs, repetitive data processing and consulting/training; the balance will be added to the company's working capital and used for general corporate purposes. The company has outstanding 530,000 common shares, of which Erich P. Gurtner, president, owns 74.9% and Gene S. Rosenberg, secretary, 19.1%. Upon completion of this offering, the purchasers of the shares being registered will own 26% of the outstanding common stock, for which they will have paid \$1,202,500*, while the present shareholders will own 74%, for which they paid or will pay \$75,000.

QUEBEC-HYDRO-ELECTRIC COMMISSION TO SELL DEBENTURES. Quebec Hydro-Electric Commission (U.S. Agent: Charles Chartier, 17 West 50th St., Rockefeller Center, N. Y. 10020), filed a registration statement (File 2-30456) with the SEC on October 11 seeking registration of \$50,000,000 of debentures, Series BG, due 1991, guaranteed unconditionally by the Province of Quebec. The debentures are to be offered for public sale through underwriters headed by First Boston Corporation, 20 Exchange Place, New York 10005, and three others; the interest rate, offering price and underwriting terms are to be supplied by amendment. Net proceeds of its debenture sale will be added to the general funds of the Commission and will be applied toward the cost of its construction program. Construction expenditures are estimated at \$1,415 million for the five-year period ending December 31, 1972, of which \$297 million is expected to be spent in 1968.

NICHOLAS STRONG FUND PROPOSES OFFERING. Nicholas Strong Fund, Inc., 312 East Wisconsin Ave., Milwaukee, Wisc. 53202, filed a registration statement (File 2-30447) with the SEC on October 10 seeking registration of 189,000 shares of common stock, to be offered for public sale at net asset value with no sales charge. Organized under Maryland law in July 1968 as a non-diversified, open-end investment company, the Fund is successor to Bradley Investment Club, a private investment partnership. The Fund's sponsor, Nicholas, Strong & Co., Inc., is also its investment adviser. The Fund has outstanding 11,000 capital shares, of which Albert O. Nicholas, president and Richard S. Strong, vice president, own 5,500 each. Nicholas and Strong are also officers and shareholders of the adviser.

STOCK PLANS FILED. The following companies have filed Form S-8 registration statements with the SEC proposing the offer of stock under employee stock option and similar plans:
Glen Alden Corporation, New York, N. Y. 10019 (File 2-30441) - 600,000 shares
Northwest Industries, Inc., Chicago, Ill. 60606 (File 2-30460) - 340,013 common and 53,350 \$4.20 convertible preferred shares

TRADING SUSPENDED IN TOP NOTCH URANIUM. The SEC today announced the temporary suspension of over-the-counter trading in the common stock of Top Notch Uranium and Mining Corporation ("Top Notch"), of Utah, for the ten-day period October 15-24, 1968, inclusive. The Commission's action was based upon the fact that false and misleading rumors and information concerning Top Notch's financial condition, its operations and its assets have been circulated in the financial community. The company has 1,761,708 shares of common stock issued and outstanding. From July 15, 1968 to August 9, 1968, approximately 500,000 shares were traded over-the-counter at prices ranging from \$.01 to \$.35 per share. Currently the stock is trading in the range of \$.15 to \$.20 per share. The company has no known assets; its liabilities are understood to approximate \$5,000.

STANWOOD OIL TRADING BAN CONTINUED. The SEC has ordered the suspension of over-the-counter trading in the common stock of Standwood Oil Corporation for the further ten-day period October 16-25, 1968, inclusive.

PROGRAMMED TAX SYSTEMS PROPOSES OFFERING. Programmed Tax Systems, Inc., 146-14 Hillside Avenue, Jamaica, N. Y., filed a registration statement (File 2-30457) with the SEC on October 11 seeking registration of 200,000 shares of common stock, to be offered for public sale at \$5 per share. The offering is to be made through underwriters headed by D. H. Blair Securities Corp., 66 Beaver St., New York 10004, which will receive a 40¢ per share commission plus up to \$10,000 for expenses. The company sold 16,000 shares to the Blair firm and 2,400 and 1,600 shares, respectively, to Arthur Rosenbloom, Louis Scherer (both Blair employees), at 25¢ per share.

Organized under New York law in May 1968, the company will engage in the processing of individual federal, state and city income tax returns by means of a computer. Of the net proceeds of its stock sale, \$100,000 will be used to finance and expand its franchising activities on a national basis, \$520,000 to establish regional data processing centers in new areas and to market the company's computerized tax return preparation service, and \$150,000 to develop and expand a computerized bookkeeping system and other related programs; the balance will be used for working capital and general corporate purposes. The company has outstanding 270,000 common shares (with a 33¢ per share book value), of which Edward C. Horowitz, president, owns 25.5%, Royce Kanofsky, vice president, 16.5%, Michael C. Pischel, secretary-treasurer, and Elliot M. Stark, 11.9% each and Gary Perlmutter 10.5%. Upon completion of this offering, company officials, the Blair firm and others will own 55% of the outstanding common shares, and the public shareholders will own 45%.

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 in parentheses. Photocopies thereof may be purchased from the Commission's Public Reference Section (please give News Digest "Issue No." in ordering). Invoice will be included with the requested material when mailed. An index of the captions of the several items of the form was included in the October 7 News Digest.

New Plan Rlty Corp Aug 68 (2,7,8,13)	2-19671-2	W T Grant Co Aug 68 (12) Great Eastern Management Corp Aug 68 (2,13)	1-3000-2 2-26770-2
Imoco-Gateway Corp Aug68 (12,13)	2-29339-2	McCandless Corp Aug 68 (2,3) Occidental Petroleum Corp Aug 68 (7,13)	2-6407-2 1-520-2
Kirby Inds Inc Aug 68 (7,13)	1-4035-2	Golden Nugget Inc Sept 68(11) Kennesaw Life & Accident Ins Co Aug 68 (8,10)	0-1413-2 2-15835-2
Universal American Corp Jan 68 (2,11,13)	1-4607-2	Leasing Consultants Inc Mar 68 (1)	2-27721-2 1-5335-2
Sundstrand Corp Amd #1 to 8K for Aug 68(7)	1-5358-2	Marley Co Aug 68 (2,7,13) McDonald's Corp Aug 68 (7,12) National Can Corp Aug68(7,13)	1-5231-2 1-2915-2
Exeter Oil Co Ltd Sept 68 (2) Jessop Steel Co Aug 68(4,13) Lafayette Funds Inc Aug68 (7,12) Microdot Inc Aug 68(7,12,13)	1-1877-2 1-5472-2 2-28620-2 1-4873-2	National Starch & Chemical Corp Jul 68 (13) Nippon Elec Co Ltd (6K) Jun 68	1-3582-2 2-20940-2
Integrated Container Serv Inc Aug 68 (7) Lyntex Corp Aug 68(2,7,13) Mid-West Abrasive Co Jun 68 (2,7,13)	2-28657-2 0-3015-2 1-1447-2	General Interiors Corp Aug 68 (2,7,13) General United Group Inc Aug 68 (1) Guidance Technology Inc Aug 68 (2,7,8) E F Johnson Co Aug 68(2,4,7,13) National Homes Corp Aug68(2,13) Opelika Mfg Corp Aug 68 (12,13) Hart Schaffner & Mark Aug 68 (4,7,8,13)	1-5038-2 0-2008-2 0-1768-2 0-316-2 1-4799-2 1-4160-2 1-3236-2
IPL Inc Aug 68 (7) Great Atlantic Life Ins Co Aug 68 (1) Greater Iowa Corp Apr 68(7) Aug 68 (12,13) Investors Equity Corp Aug68(1) Investors Equity Securities Inc Aug 68 (1) Investors Equity of the West Inc Aug 68 (1) Marshall Inds Aug 68 (7,8) National Invtrs Fire & Casualty Ins Co Aug 68 (1) Natl Invtrs Life Ins Co of Alabama Aug 68 (1) The Natl Invtrs Life Ins Co of Ga Aug 68 (1) Natl Home Prods Inc Jul 68 (12,13) Jun 68 (3,9,13)	1-3557-2 2-24070-2 0-1403-2 0-1403-2 0-1542-2 0-2005-2 0-7213-2 1-5441-2 2-26839-2 2-25425-2 2-23244-2 0-2062-2 0-2062-2	The Leisure Group Inc Aug 68(12) Magic Marker Corp Jul 68(7,12) National Computer Services Corp Sept 68 (7) National Radio Co Inc Aug 68 (9,12,13) Interstate Motor Freight System Sept 68 (1) Longines Wittnauer Watch Co Inc Sept 68 (7) J Ray McDermott & Co Inc Aug 68 (11,13)	2-28066-2 0-2911-2 2-27530-2 1-4369-2 1-4758-2 1-3386-2 1-4095-2

SECURITIES ACT REGISTRATIONS. Effective October 14: Austral Oil Co. Inc., 2-29968 (Jan 12); Chris-Craft Industries, Inc., 2-29899; The Connecticut Light and Power Co., 2-30018; Encoder Research & Development Corp., 2-29602 (Jan 12); Gilbert Flexi-Van Corp., 2-29838 (Nov 23); Pepsico, Inc., 2-29426; Pizza Hut, Inc., 2-29219 (90 days); Sunset International Management Co., 2-30160 (90 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.

*As estimated for purposes of computing the registration fee.

---ooo0ooo---