

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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PROPOSED REGISTRATION GUIDES ANNOUNCED. The SEC today published proposed guides for the preparation and filing of registration statements under the Securities Act of 1933. These guides include those published February 7, 1964 in Release No. 4666, with certain revisions therein, and additional guides not previously published. The proposed guides represent for the most part policies and practices presently followed by the Commission's Division of Corporation Finance in the administration of the registration and disclosure provisions of the Securities Act. Comments and suggestions with respect to the proposed guides are invited; and it is requested that these be submitted by February 1, 1968.

HARTFORD ELECTRIC SEEKS ORDER. The Hartford Electric Light Company ("HELCO"), Wethersfield, Conn., subsidiary of Northeast Utilities, has filed a proposal with the SEC under the Holding Company Act for the issuance and sale of competitive bidding of \$10,000,000 of first mortgage bonds, due 1998, and 200,000 shares of \$50 par preferred stock; and the Commission has issued an order (Release 35-15920) giving interested persons until January 18 to request a hearing thereon. Net proceeds of this financing will be used by HELCO to pay some \$18,500,000 of bank borrowings incurred to finance, in part, the company's construction program, to pay \$2,197,750 of bonds which matured on August 1, 1967, and to supply funds for investment in Connecticut Yankee Atomic Power Company and other nuclear generating companies. The company's 1968 construction program is estimated at \$37,000,000.

MILTON M. MENDELSON, OTHERS, INDICTED. The SEC Washington Regional Office announced December 15 (LR-3886) that a Federal grand jury in Baltimore, Maryland, had returned a 30-count indictment charging Milton M. Mendelsohn of Miami, Florida, William H. Blum of Baltimore, Maryland, and Meyer S. Jolson of Covington, Kentucky, with violations of the registration and antifraud provisions of the Securities Act and of the mail fraud and conspiracy statutes in connection with the offer and sale of unregistered securities of All-State Development Corporation and All-State Surety Corporation, a Florida land development corporation and its subsidiary. All three of the defendants were at various times officers and/or directors of both of the corporations.

TRADING IN PAKCO & PENROSE INDUSTRIES TO RESUME. The SEC today announced that trading in securities of Penrose Industries Corporation, Philadelphia, Pa., and Pakco Companies, Inc., Hammonton, N.J., may be resumed at the opening of business on Friday, December 22 (Release Nos. 34-8214 and 34-8215, respectively). The Commission cautioned, however, that broker-dealers and investors should consider the facts and circumstances set forth below in connection with future transactions in Penrose securities. Broker-dealers should be particularly mindful of their obligations under the Federal securities laws in recommending the purchase and sale of such securities.

The suspension of trading in Penrose securities was first ordered by the Commission on July 28. Subsequently, the Commission instituted injunctive action against the company to require it to make all filings for which it was delinquent, including its Form 10-K annual report for the year ended January 31, 1967, and its Form 9-K semi-annual report; and pursuant to court order these reports have been filed. The company also sent its shareholders copies of its annual report. These reports disclose that the company has been sustaining substantial losses from operations. This has resulted in a material decrease in assets and the accumulation of a large deficit in shareholders' equity. There are also pending, at this time, numerous law suits against the company which, if successful, could result in further reductions in the company's assets.

In its Form 10-K annual report the company disclosed that it sustained a consolidated net loss of \$6,927,636 for the period which included a loss from operations of \$753,698. As of January 31, 1967, the company had an accumulated deficit of \$7,083,284 and a negative stockholders' equity of \$5,942,522. During the fiscal year the company sustained certain non-recurring losses, the largest of which is a loss resulting from the forfeiture of the common stock of Consolidated International Trading Corporation. This was caused by Penrose's default in its obligations under an agreement to purchase the stock of that company. The company's auditors have stated that the continuation of the company's operations appeared to be dependent upon the company's obtaining additional financing or its making suitable arrangements of merger or sale. The auditors also noted that because of the continuing losses and the company's accumulating deficit, substantial questions existed as to whether the carrying value of the company's assets could properly be determined on a going concern basis. Because of this and certain other questions, the auditors stated that they were unable to express an opinion on the company's financial statements. For further details, see Release 34-8214.

With respect to Pakco, the Commission initially ordered the suspension of trading in its securities on December 20, 1966, shortly after Crescent Corporation ("Crescent") announced that a December 1965 agreement by which Pakco received 600,000 shares of Crescent's common stock in exchange for all of the common stock of two Pakco subsidiaries, Hammonton Investment and Mortgage Company ("HIMCO") and Elliott and Evans, Inc. ("E & E") would lapse by its terms on December 31, 1966. The Commission was of the view that public investors did not have available sufficient information upon which to make an informed judgment in evaluating Pakco's securities in light of the possible effect of the foregoing on the financial condition of Pakco.

OVER

Pakco has been a party to public administrative proceedings instituted by the Commission on January 30, 1967, pursuant to Section 15(C)(4) of the Exchange Act. This proceeding, brought to determine the adequacy and accuracy of the information contained in certain reports filed by Pakco with the Commission, was consolidated with a similar proceeding involving Crescent, and public hearings commenced on April 10, 1967. The hearings were terminated on August 14, 1967 when the Commission accepted offers for settlement of the proceeding submitted by both Pakco and Crescent. As part of its offer of settlement, Pakco filed correcting information on Form 8 and supplied additional information not previously filed. On October 30, 1967, following a reexamination of its accounts, Pakco filed with the Commission revised financial statements for 1965. These statements reflected that Pakco incurred a net loss for 1965 of \$685,837, as contrasted with the consolidated net earnings of \$5,441,992 originally reported to the Commission. In addition, the revised statements showed that as of December 31, 1965 consolidated assets totaled \$9,963,063 instead of the \$15,427,467 originally reported, and that there was a retained earnings deficit of \$162,562 in contrast to retained earnings of \$4,877,690 as originally reported. Pakco further states in its Form 8 report that the certified public accountant who performed the audit of its original 1965 financial statements was not independent as required by the Exchange Act and the rules and regulations thereunder. Pakco's Form 8 as amended contains financial statements for its fiscal year ended December 31, 1966. These statements, which include the operations of HIMCO and E & E, show a consolidated net loss of \$102,025, a retained earnings deficit of \$264,587, and consolidated net assets of \$22,438,978 for this period. For further details, see Release 34-8215.

UNLISTED TRADING GRANTED. The SEC has issued orders under the Securities Exchange Act (Release 34-8216) granting applications of (1) the Pittsburgh Stock Exchange for unlisted trading privileges in the common stock of Mid-America Pipelines Co., (2) the Philadelphia-Baltimore-Washington Stock Exchange for such privileges in the common stocks of Foremost-McKesson, Inc., and Warner Bros. Seven Arts Limited, and (3) the Boston Stock Exchange for such privileges in the common stocks of Amp Incorporated, Amphenol Corporation (Delaware), Arizona Public Service Company, Automatic Sprinkler Corporation of America, Continental Air Lines, Incorporated, Crown Zellerbach Corporation, Eastern Utilities Associates, Manpower, Incorporated, Monogram Industries, Incorporated, Research-Cottrell, Incorporated, Scudder Duo-Vest, Incorporated, Signal Oil and Gas Company, L. S. Starrett Company, United Industrial Corporation, White Consolidated Industries, Inc., and Wilson & Company, Incorporated.

DELISTING GRANTED. The SEC has issued an order under the Securities Exchange Act (Release 34-8216) granting an application of the New York Stock Exchange to strike from listing and registration the capital stock of Great American Insurance Company, effective at the opening of business on December 19, 1967. The application states that there are only 162,262 shares publicly held exclusive of concentrated ownership by Great American Holding Corporation.

NATIONAL EXHIBITION TO REGISTER. The SEC has issued an order terminating the proceedings upon an application of National Exhibition Company, New York City, for exemption from the registration provisions of Section 12(g) of the Securities Exchange Act of 1934. National is the owner of the San Francisco Giants Baseball Team. Under a settlement agreement accepted by the Commission, it has agreed to file a Form 10 registration application not later than February 1, 1968, which will include financial statements as of the close of its fiscal year ended October 31, 1967. Pursuant to the reporting requirements of Section 13 of the Act, National will file Form 10-K annual and Form 8-K monthly reports, but under the agreement it will not be required to file a Form 9-K semi-annual earnings report unless the Commission so directs. The first Form 10-K report will cover the year ending October 31, 1968. Commencing with its 1968 Annual Meeting, National will be subject to the Commission's proxy rules; and the initial reports of officers, directors and ten-percent owners pursuant to Section 16(a) of the Act will be filed within 60 days of the filing of the Form 10 registration.

NEES SEEKS ORDER. New England Electric System ("NEES"), Boston holding company, and New England Power Company ("NEPCO"), one of its electric utility subsidiaries, have applied to the SEC for an order under the Holding Company Act authorizing certain financial transactions; and the Commission has issued an order (Release 35-15922) giving interested persons until January 11 to request a hearing thereon. NEPCO proposes to issue, from time to time through December 31, 1968, unsecured short-term promissory notes to a bank and/or to NEES in the maximum aggregate amount of \$29,000,000 to be outstanding at any one time. The proceeds of the proposed borrowings are to be used to pay certain outstanding notes and for construction purposes.

AMERICAN GENERAL INSURANCE SEEKS ORDER. The SEC has issued an order giving interested persons until 1:00 P.M. on December 29 to request a hearing upon an application pursuant to Section 17(b) of the Investment Company Act filed by American General Insurance Company, Houston, Texas, seeking an order of exemption with respect to certain transactions incident to the proposed merger of Life and Casualty Insurance Company of Tennessee ("Casualty Insurance") into American General.

The merger proposal provides for the issuance by American General of two-tenths of a share of its convertible preferred stock and eight-tenths of a share of its common stock for each outstanding share of its capital stock of Casualty Insurance. According to the application, Insurance Securities Trust Fund ("ISTF"), a registered investment company, owns 933,748 shares (6.91%) of the outstanding common stock of American General and 709,493 shares (9.48%) of the outstanding capital stock of Casualty Insurance. Maryland Casualty Company, a 98.6%-owned subsidiary of American General, owns 969,600 shares (12.96%) of the outstanding capital stock of Casualty Insurance. The plan has been approved by the Commissioner of Insurance and Banking of Tennessee; final approval of the plan by the Insurance Commissioner of Texas has not yet been obtained; and holders of each class of the outstanding stock of American General and holders of Casualty Insurance capital stock have approved the plan. In view of the inter-company affiliations created by ISTF holdings in American General and Casualty Insurance, the exchange of its holdings of Casualty Insurance for common and preferred shares of American General under the plan is prohibited by Section 17(a) of the Act

unless the Commission grants an exemption from such prohibition upon a showing by American General that the terms of the proposed transaction are fair and reasonable and that no overreaching on the part of any person is involved.

CODITRON CORP. SHARES IN REGISTRATION. Coditron Corp., 405 Lexington Ave., New York, N.Y., filed a registration statement (File 2-27857) with the SEC on December 15 seeking registration of 200,000 shares of common stock. The company is offering to reacquire, from the original purchasers thereof, up to 176,398 of the 199,798 common shares sold pursuant to its offering circular of June 9, 1967. It proposes to reoffer such shares for public sale at \$3.00 per share, through company representatives, without commission; shares may also be offered by NASD members, who will receive a 30c per share commission.

The company was organized under New York law on April 27, 1967, for the purpose of acquiring the patent and all other rights to a pulse time decoder (the Bodin-Zinn Decoder), and for the research on and development thereof. The Commission ordered a temporary suspension in the over-the-counter trading of the company's stock on August 14, 1967, based upon information coming to its attention and upon the request of the company, by which date 199,798 shares had been sold; and the trading ban has been continued. On August 30, 1967, the Commission filed a civil action in the District Court in New York City, which alleged that the company had violated the registration provisions of the Securities Act; and the company, without admitting or denying the allegations, consented to the entry of a permanent injunction. A stipulation was entered into between the company and the Commission whereby the company agreed to file this registration statement and to repurchase its shares. Net proceeds of the stock sale will be used as working capital. Milton Bodin is president.

PROFESSIONAL RESOURCES FILES. Professional Resources Fund, Inc., 815 Wichita Plaza Building, Wichita, Kansas 67202, filed a registration statement (File 2-27863) with the SEC on December 14 seeking registration of \$15,000,000 of interests in its oil and gas participation plans and pre-organization subscriptions in limited partnerships.

The Fund was organized under Kansas law in 1967 by Leben Drilling Inc. It proposes to offer single participation plans and monthly participation plans for investments in limited partnerships which will invest in proven and semi-proven oil and gas leases and producing and other oil properties and projects. Net proceeds from this offering will be applied to such venture. Theodore I. Leben is board chairman and sole stockholder of the management company.

DPA, INC. FILES FOR SECONDARY. DPA, Inc., 2636 Farrington St., Dallas, Texas 75207, filed a registration statement (File 2-27865) with the SEC on December 15 seeking registration of \$2,718,000 of 6-1/2% subordinated convertible debentures, due 1980. These debentures are to be issued in exchange for certain of the company's convertible debentures which were issued and privately sold in January 1966. The recipients may from time to time sell such debentures in the over-the-counter market, or otherwise, at prices current at the time of sale.

The company (formerly Data Processing Associates, Incorporated) is engaged in the business of renting to its customers data processing equipment principally utilized to maintain financial and accounting records. In addition to indebtedness, it has outstanding 1,372,333 common shares, of which management officials own 14.9%. John B. Tuthill is president.

EQUITABLE LIFE ASSURANCE FILES. The Equitable Life Assurance Society of the United States, 1285 Avenue of the Americas, New York, N.Y. 10019, filed a registration statement (File 2-27867) with the SEC on December 18 seeking registration of \$2,000,000 of group annuity contract (variable) and related units in pooled separate account. The American Optometric Association has established the American Optometric Association Members Retirement Trust, the trustees of which have entered into a group annuity contract with Equitable. According to the prospectus, such contract will "provide annuity benefits for self-employed optometrists (and their employees) who adopt the form of Retirement Plan qualified by the American Optometric Association Members Retirement Trust under Section 401 of the Internal Revenue Code of 1954, as amended, for members of the American Optometric Association." The investment objectives of the separate account are to achieve increasing dividend income and long-term appreciation of capital, consistent with investment quality. James F. Oates, Jr. is board chairman and J. Henry Smith is president of Equitable.

TELEPHONE UTILITIES PROPOSES OFFERING. Telephone Utilities, Inc., Ilwaco, Washington 98624, filed a registration statement (File 2-27868) with the SEC on December 18 seeking registration of 250,000 shares of common stock. The shares are to be offered for public sale through underwriters headed by Schwabacher & Co., 100 Montgomery St., San Francisco, Cal. 94104. The public offering price (\$18.00 per share maximum*) and underwriting terms are to be supplied by amendment.

Of the net proceeds of the company's stock sale, \$2,110,000 will be used to repay short-term bank loans, \$292,000 will be contributed to the company's subsidiaries to retire additional short-term notes (the proceeds from which were used to finance telephone plant additions and improvements), and \$1,000,000 will be used to partially pay the purchase price of a telephone property under option to the company; the balance will be used to reduce the amounts due under contracts for the purchase of telephone subsidiaries. In addition to indebtedness, the company has outstanding 600,414 common shares, of which management officials own 24.3% (including 10.4% owned by Norman A. Howerton, president, and 11% owned by Lewis C. Neace, senior vice president).

HOLIDAY INNS SHARES IN REGISTRATION. Holiday Inns of America, Inc., 3742 Lamar Ave., Memphis, Tenn. 38118, filed a registration statement (File 2-27869) with the SEC on December 18 seeking registration of 879,154 common shares issued and to be issued under the company's employee stock option and related plans.

WESTERN AIR LINES PROPOSES DEBENTURES OFFERING. Western Air Lines, Inc., 6060 Avion Drive, Los Angeles, Cal. 90009, filed a registration statement (File 2-27874) with the SEC on December 18 seeking registration of \$30,000,000 of convertible subordinated debentures, due 1993. The debentures are to be offered for public

sale through underwriters headed by Merrill Lynch, Pierce, Fenner & Smith Incorporated, 70 Pine St., New York, N.Y. 10005. The interest rate, public offering price, and underwriting terms are to be supplied by amendment.

The company is principally engaged in the commercial transportation of passengers, mail and property by aircraft from Acapulco, Mexico, to Anchorage, Alaska. Net proceeds of the sale of the debentures will be added to general funds and, together with moneys available under the company's existing loan agreements and internally generated funds, will be applied to pay the costs of acquisition of additional flight equipment and other equipment and building construction. In addition to indebtedness, the company has outstanding 4,893,244 capital shares, of which management officials own 3.8%. Terrell C. Drinkwater is president.

QUEBEC HYDRO-ELECTRIC PROPOSES OFFERING. Quebec Hydro-Electric Commission, Quebec, Canada, filed a registration statement (File 2-27880) with the SEC on December 19 seeking registration of \$50,000,000 of debentures, Series BD, due 1989, guaranteed as to principal and interest by the Province of Quebec (the Quebec Commission's authorized agent in the United States is: Charles Chartier, 17 West 50th Street, Rockefeller Center, New York, N.Y. 10020). The debentures are to be offered for public sale through underwriters headed by The First Boston Corp., 20 Exchange Place, New York, N.Y. 10005, and three other firms; and the interest rate, offering price and underwriting terms are to be supplied by amendment. Net proceeds of the debenture sale will be added to the general funds of the Quebec Commission and will be applied toward the cost of its construction program. Projected capital expenditures for the five-year period ending December 31, 1972 are estimated at \$1.415 billion.

STOCK PLANS FILED. The following companies have filed Form S-8 registration statements with the SEC proposing the issuance of stock under employee stock option and related plans:

Consolidated Foods Corporation, Chicago Ill. 60603 (File 2-27845) - 150,000 shares
 Kennametal Inc., Latrobe, Pa. (File 2-27846) - 50,000 shares
 Meredith Corporation, Des Moines, Iowa (File 2-27847) - \$1,296,914 of participations in the company's savings and investment plan and 58,287 shares
 Northrop Corporation, Beverly Hills, Cal. 90212 (File 2-27866) - 200,000 shares
 The Firestone Tire & Rubber Company, Akron, Ohio 44317 (File 2-27870) - \$25,375,000 of interests in the company's stock purchase and savings plan and 500,000 shares
 Standard International Corporation, Andover, Mass. 01810 (File 2-27872) - 325,000 shares
 Buffalo Forge Company, Buffalo, N.Y. 14204 (File 2-27873) - 50,000 shares
 Tasty Baking Company, Philadelphia, Pa. 19129 (File 2-27876) - 22,000 Class A common shares
 Computest Corporation, Cherry Hill, N.J. 08034 (File 2-27878) - 30,000 common shares

SECURITIES ACT REGISTRATIONS. Effective December 18: Gulf Resources & Chemical Corp., 2-27519 (40 days); Masonite Corp., 2-27702. **Effective December 19:** American Birthright Trust, 2-26136; Barnwell Industries, Inc., 2-27538 (40 days); Buttes Gas & Oil Co., 2-27649 (40 days); Damon Engineering, Inc., 2-27692 (90 days); Dearborn Computer Corp., 2-27679 (Mar. 18); Electronic Assistante Corp., 2-27497; General Telephone & Electronics Corp., 2-27752 (Jan. 29); Granite Equipment Leasing Corp., 2-27641 (40 days); Scott Paper Company, 2-27677.

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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