

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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DECISIONS IN ADMINISTRATIVE PROCEEDINGS

MICHIGAN CONSOLIDATED HOUSING PROPOSAL DENIED. The SEC today announced a decision under the Public Utility Holding Company Act (Release 35-16763) denying an application by Michigan Consolidated Gas Company, **Detroit** gas utility subsidiary of American Natural Gas Company, a registered holding company, to provide financing for two additional housing projects through investments in and loans to its subsidiary, Michigan Consolidated Homes Corporation. A majority of the Commission concluded that the ownership and management of a housing corporation, however desirable in the context of other statutes, does not meet either the "other business" test under Section 11 of the Holding Company Act requiring an operating or functional relationship to the operations of the utility system, or the exemptive test under Section 9(c)(3) of being "appropriate in the ordinary course of business" of a utility subsidiary of a registered public utility holding company. The majority opinion, while conceding the meritorious policy in the National Housing Act to assist private industry in providing programs to rehabilitate urban areas, nevertheless concluded that the Housing Act does not authorize the Commission to ignore the express prohibitions in the Public Utility Holding Company Act against acquisitions of interests in non-utility businesses that bear no functional relation to utility operations.

Commissioner Owens, while concurring with the majority opinion that ownership of a housing corporation by a public utility subsidiary of a registered holding company does not meet the "other business" standard under Section 11 of the Holding Company Act, dissented from the denial of the pending application. In his opinion the scope of the Section 9(c)(3) exemption is broad enough, applied on an ad hoc basis to justify granting the application for Michigan Consolidated to finance construction of the two specific housing projects involved. In arriving at this conclusion, Commissioner Owens takes note of the special circumstances present, including the facts that the proposal calls for a relatively small investment, is a response to important adverse developments in a major gas service area, is part of a Federal program under the National Housing Act, and will be subject to an over-riding system of regulation by the Federal Housing Administration.

Commissioner Smith also dissented, believing that the application presented an ample basis for exercise of the Commission's authority to approve acquisitions which are not "detrimental to the carrying out" of the simplification and integration provisions of the Holding Company Act, either under the "other business" standards of Section 11 or as an exemption under Section 9(c)(3). He held that the Holding Company Act did not preclude an administrative accommodation of its policies with the policies of the Housing Act, noting that the two local housing projects are desperately needed by the community which applicants are committed to serve, that they are promoted and regulated by the federal government as a high national priority, that they require only a relatively small commitment of capital, and that they are in keeping with the broader notions of corporate social responsibility.

BABCOCK CO. REVOKED. The SEC today announced a decision under the Securities Exchange Act (Release 34-8905) in which it ordered revocation of the broker-dealer registration of Babcock & Co. (a Salt Lake City firm, not to be confused with L. D. Babcock & Co. of New York), and the firm's expulsion from the NASD, for violations of the registration and other provisions of the Federal securities laws. Louis W. Babcock, the firm's only active partner, and Robert T. Stead, a salesman and trader, were barred from further association with any securities firm; but Babcock after six months and Stead after three may become employed by such a firm in a supervised capacity upon an appropriate showing.

According to the Commission's decision, the Babcock firm, Babcock and Stead offered and sold stock of Triumph Corporation in 1967 in violation of the Securities Act registration requirements; and the firm also violated such requirements in the 1967 offer and sale of stock of Silver Shield Corporation. The Commission also held (a) that the Babcock firm, aided and abetted by Babcock and Stead, failed to make and keep current and accurate certain required books and records, in violation of the Commission's record-keeping requirements; (b) that the firm, aided and abetted by Babcock, filed an inaccurate report of financial condition in July 1967; and (c) that the firm violated the credit requirements of Regulation T. The Commission found that the firm failed promptly to cancel or liquidate certain purchases by customers in cash accounts in which full payment was not made within seven business days, and permitted customers to purchase securities in cash accounts which did not contain sufficient funds for such purchases and in which during the preceding 90 days securities were purchased and, without full payment being made, were sold.

NEW RULES AND RULE PROPOSALS

GUIDELINES ON FOREIGN MUTUAL FUND SALES. The SEC today announced guidelines concerning the applicability of the Federal securities laws to the offer and sale outside the United States of shares of registered open-end investment companies (Release IC-6082). The guidelines are designed to provide foreign investors who purchase such shares with substantially the same disclosure as provided by those laws to American investors. Such disclosure, the Commission observed, will protect the U.S. securities market as a whole by insuring that foreign investors will not seek redemptions because of later realization that they had been inadequately informed about their investment; and it also noted in this connection that a loss of confidence in the integrity of American registered investment companies could trigger widespread redemptions resulting in losses to foreign and domestic investors and damage to the U. S. securities markets.

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In summary, the guidelines provide for the following: (a) compliance by the investment company and its U. S. distributor with provisions of the Investment Company Act; (b) registration of the shares under the Securities Act and use of a prospectus in a language readily understandable by that segment of the foreign public being solicited; and (c) substantial compliance with the Commission's Statement of Policy governing the sale of investment company securities. Moreover, dealer agreements with foreign broker-dealers should provide for prospectus delivery to all known purchasers; and the issuer and its U. S. distributor should maintain control over foreign advertisements and supplemental sales literature, reserving the right to cancel the dealer agreement where non-compliance is demonstrated.

Under the new guidelines, the Commission does not propose to require registration of foreign broker-dealers who buy shares issued by a mutual fund from the issuer or its principal underwriter for sale in a foreign country, if (a) such shares are sold only to foreign nationals outside the United States, its territories and possessions and (b) such foreign broker-dealer is not directly or indirectly selling such shares to or acting for the account of an unregistered investment company the portfolio of which contains shares issued by registered open-end investment companies.

COMMISSION ANNOUNCEMENT

UNITED BERYLLIUM OFFERING SUSPENDED. The SEC has ordered the temporary suspension of a Regulation A exemption from registration under the Securities Act of 1933 with respect to a proposed stock offering by United Beryllium Industries ("United"), of Salt Lake City, Utah. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. In a notification filed in April 1970, United proposed the public offering of 3,000,000 common shares at 10¢ per share; on June 1, the company requested withdrawal of the notification and offering proposal. In its suspension order, the Commission asserts that it has "reasonable cause to believe" that certain terms and conditions of Regulation A were not complied with and that United's notification and offering circular are false and misleading by reason of the failure to disclose the defective title to 187 of the 215 claims leased by United in Teller and El Paso Counties, Colo.; that, despite representations to the contrary, the company has not exercised an option to lease 25 claims in El Paso County; that not all shares were to be sold for cash but would be issued for services rendered and to be rendered; and some shareholders who had purportedly signed "investment letters" when purchasing securities had not done so and that a contingent liability had arisen by reason of the sale of unregistered securities.

HOLDING COMPANY ACT RELEASE

DELMARVA POWER RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-16762) authorizing Delmarva Power and Light Company, Wilmington, Del., to issue and sell 597,909 shares of common stock at an offering price which will not exceed, nor be less than, 85% of the last reported sale price of the NYSE prior to the determination of the offering price (to be determined no later than 12:00 noon on July 6), and to issue and sell 130,000 shares of cumulative preferred stock (\$100 par) at competitive bidding. The company will use the net proceeds of its stock sale to finance, in part, the cost of its 1970 construction program, estimated at \$90,078,000, and to pay all or a portion of unsecured short-term loans incurred prior to the sale of stock.

INVESTMENT COMPANY ACT RELEASE

PIONEER FUND SEEKS ORDER. The SEC has issued an order under the Investment Company Act (Release IC-6085) giving interested persons until July 17 to request a hearing upon an application of Pioneer Fund, Inc., a Massachusetts corporation ("Pioneer-Mass.") on behalf of Pioneer Fund, Inc., a Delaware corporation ("Pioneer-Del.") for an order declaring that Pioneer-Del. has ceased to be an investment company as defined in the Act. In March 1967, Pioneer-Mass. acquired all the assets of Pioneer-Del. Upon completion of the merger, Pioneer-Del. ceased its separate existence and no longer had any stockholders or assets.

COURT ENFORCEMENT ACTIONS

CHARLES SNODGRASS ENJOINED. The SEC New York Regional Office announced June 16 (LR-4640) that, without admitting or denying the violations alleged, Charles Snodgrass consented to a court order of permanent injunction (SDNY) enjoining violations of the registration and anti-fraud provisions of the Federal securities laws in the offer and sale of stock of North American Research and Development Corp.

RACHAL & HUNNICUTT INDICTED. The SEC Fort Worth Regional Office announced June 17 (LR-4641) that a Federal grand jury in San Antonio had returned an indictment charging Hal Francis Rachal of Midland and Edward Barhan Hunnicutt of Kerrville, Tex., with violations of the registration and anti-fraud provisions of the Federal securities laws in the offer and sale of stock of Mooney Aircraft, Inc., and Mooney Corporation.

COMPLAINT NAMES SECURITY PLANNERS. The SEC Boston Regional Office announced June 18 (LR-4642) the filing of a complaint in Federal court in Boston, seeking to enjoin Security Planners Associates, Inc., a Boston registered broker-dealer, and its president, Howard Smolar, from violations of the SEC net capital rule.

INVESTORS INSTITUTE NAMED IN SEC COMPLAINT. The SEC Fort Worth Regional Office announced June 19 (LR-4643) the filing of a complaint in Federal court in Tulsa, Okla., seeking to enjoin the conduct of an investment advisory business by Investors Institute, Inc., and George W. Beck, III, both of Miami, Okla., in violation of the registration provisions of the Investment Advisers Act.

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SECURITIES ACT REGISTRATIONS

IDS-McCULLOCH PROPOSES OFFERING. IDS/McCulloch Oil Exploration Program 1970-1 (the "Partnership"), 6151 West Century Blvd., Los Angeles, Calif. 90045, filed a registration statement (File 2-37690) with the SEC on June 19 seeking registration of \$5,000,000 of limited partnership interests, to be offered for public sale at \$5,000 per unit. The Partnership will engage primarily in the exploration for and production of oil and gas. McCulloch Oil Corporation ("McCulloch") and IDS Oil Programs, Inc. are the general partners. The offering is to be made on a best efforts basis by Investors Diversified Services, Inc. ("IDS"); units will also be offered by McCulloch company officials who will receive no commission and by broker dealers selected by McCulloch who will receive a 5% selling commission. IDS Oil is a wholly-owned subsidiary of IDS. Marlin M. Witte is executive vice president and general manager of McCulloch and Charles R. Dodson is president of IDS Oil.

ENERGY CONVERSION DEVICES FILES FOR SECONDARY. Energy Conversion Devices, Inc., 1675 West Maple Rd., Troy, Mich., filed a registration statement (File 2-37697) with the SEC on June 19 seeking registration of 10,000 outstanding shares of common stock. These shares may be offered for sale from time to time by the holders thereof at prices current at the time of sale (\$23.50 per share maximum*). The company is engaged in the research and development of solid state semiconductor electronic switches which control and direct the flow of electrical current through a circuit. In addition to indebtedness, it has outstanding 281,613 Class A common shares and 792,725 common shares. Hedge Fund of America may sell 7,500 shares and Liquidonics Industries, Inc. 2,500.

GENERAL INTERIORS FILES FOR SECONDARY. General Interiors Corporation, 215 Lexington Ave., New York 10016, filed a registration statement (File 2-37702) with the SEC on June 19 seeking registration of 50,000 outstanding shares of common stock. These shares may be offered for sale from time to time by the holders thereof at prices current at the time of sale (\$5.50 per share maximum*). The company manufactures and sells various styles of high quality wood, metal and upholstered furniture of traditional American, 18th Century English, modern and casual design. In addition to indebtedness, it has outstanding 810,678 common shares. A. W. Jones Associates may sell all of 30,000 shares held and two others the remaining shares being registered.

TROPICANA PRODUCTS FILES FOR SECONDARY. Tropicana Products, Inc., Bradenton, Fla. 33505, filed a registration statement (File 2-37703) with the SEC on June 19 seeking registration of 450,000 outstanding shares of common stock, to be offered for public sale by the holders thereof. The offering is to be made through underwriters headed by Eastman Dillon, Union Securities & Co., 1 Chase Manhattan Plaza, New York 10005; the offering price (\$30 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is engaged primarily in the production and sale of chilled orange and grapefruit juices and fruit-based drinks. Certain of the selling stockholders have agreed to loan \$4,000,000 to the company out of the proceeds realized from the sale of shares held by them. In addition to indebtedness, the company has outstanding 2,347,100 common shares, of which Anthony T. Rossi, president and board chairman, owns 32%. Elena Duke Benedict proposes to sell 326,000 of 626,000 shares held, Edward E. Benedict 100,000 of 150,000 and five others the remaining shares being registered.

ESTHER MILLER CREATIONS FILES FOR OFFERING AND SECONDARY. Esther Miller Creations, Inc., 36-46 33rd St., Long Island City, N. Y., filed a registration statement (File 2-37704) with the SEC on June 19 seeking registration of 150,000 shares of common stock, of which 120,000 are to be offered for public sale by the company and 30,000 (being outstanding shares) by the holder thereof. The offering is to be made on a best efforts basis by Morgan-Townsend Company, Inc.; the offering price (\$5 per share maximum*) and underwriting terms are to be supplied by amendment. The company and selling stockholder have agreed to pay the underwriter up to \$15,000 for expenses and to sell it, for \$15, five-year warrants to purchase up to 15,000 shares.

The company designs, manufactures, and sells stuffed plush toys, pillows and other novelty items. Net proceeds of its sale of additional stock will be used to pay a \$375,000 bank loan incurred for working capital purposes, including ordinary operating expenses. The company has outstanding 270,400 common shares (with a \$2.17 per share book value), of which Harold Miller, president, and the Philip Miller Estate own 30.5% each. Harold Miller proposes to sell 30,000 of 82,500 shares held. Purchasers of the shares being registered will acquire a 38% stock interest in the company for their investment of \$750,000*; company officials and certain employees will then own 36%, for which they will have contributed an aggregate equity in the company of \$210,779 or \$2.17 per share.

WELSH CORP. FILES FOR RIGHTS OFFERING AND SECONDARY. The Welsh Corporation, P. O. Box 1218--Panel Way, Longview, Wash. 98632, filed a registration statement (File 2-37705) with the SEC on June 19 seeking registration of 125,740 shares of common stock, to be offered for subscription by common stockholders at the rate of one share for each five shares held. The offering is to be made through underwriters headed by Robert L. Ferman & Co., Inc., 7630 Biscayne Blvd., Miami, Fla.; the subscription price (\$2.56 per share maximum*) and underwriting terms are to be supplied by amendment. Also included in this statement are 263,900 outstanding shares of common stock which may be offered for sale from time to time by the holders thereof at prices current at the time of sale, and 5,500 common shares issuable upon exercise of warrants.

The company is primarily engaged in processing plywood sheets into factory-finished wall paneling for sale under its trade names, and the custom processing of wall panels furnished by other manufacturers for distribution under their own trade names. Of the net proceeds of its sale of additional stock, \$150,000 will be used to make certain improvements in production facilities and \$75,000 for the development and introduction of additional electrical devices to compliment its solid-state limit switch; the balance will be added to the company's working capital and used for general corporate purposes. In addition to indebtedness, the company has outstanding 628,699 common shares. Saulkeld & Co. may sell all of 53,900 shares held, Milton Schwartz all of 42,500, Tepe & Co. all of 38,000 and 19 others the remaining shares being registered.

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BOWLES FLUIDICS TO SELL STOCK. Bowles Fluidics Corporation, 9347 Fraser Ave., Silver Spring, Md. 20910, filed a registration statement (File 2-37706) with the SEC on June 19 seeking registration of 220,000 shares of common stock, to be offered for public sale through underwriters headed by Mackall & Coe, Inc., 738 15th St., N. W., Washington, D. C. The offering price (\$10 per share maximum*) and underwriting terms are to be supplied by amendment. The company has agreed to grant the Mackall firm five-year warrants to purchase up to 12,100 shares, exercisable after one year at 110% of the offering price.

The company is engaged in performing research, development and engineering services in the field of fluidics and in research, development, manufacture and marketing of fluidic components, hardware and equipment. Of the net proceeds of its stock sale, \$800,000 will be used to expand production and marketing of industrial and consumer products, \$600,000 to continue development of industrial and consumer products and new products and \$600,000 to increase working capital. In addition to preferred stock, the company has outstanding 569,560 common shares (with a 41¢ per share book value), of which Ronald E. Bowles, board chairman and president, owns 21.5% and management officials as a group 32%.

DELCHESTER MUTUAL FUND PROPOSES OFFERING. Delchester Mutual Fund, Inc., 901 Market St., Wilmington, Del., filed a registration statement (File 2-37707) with the SEC on June 19 seeking registration of 2,000,000 shares of common stock, to be offered for public sale at net asset value (\$10 per share maximum*) plus a sales charge of 8.5% on purchases of less than \$10,000. The Fund is an open-end, diversified investment company, whose objective is maximum income and stability of principal. Delaware Management Co. will serve as underwriter and investment adviser. All of the outstanding voting shares of the investment adviser are owned by Delaware Company, a partnership in which W. Linton Nelson, president of the Fund and of the adviser, has a 75% interest.

STOCK PLANS FILED. The following have filed Form S-8 registration statements with the SEC seeking registration of securities to be offered pursuant to employee stock and related plans:

CBT Corporation, Hartford, Conn. 06115 (File 2-37694) - 85,000 shares

Atlantic Richfield Company, New York, N. Y. 10022 (File 2-37699) - \$30,000,000 of participations in the company's Thrift Plan

Globe-Union Inc., Milwaukee, Wis. 53201 (File 2-37700) - 121,025 shares

Inland Container Corporation, Indianapolis, Ind. 46206 (File 2-37701) - 6,600 shares

MISCELLANEOUS

SECURITIES ACT REGISTRATIONS. Effective June 22: A D L Planning Corp., 2-34450; Columbia Life Insurance Co. of Ill., 2-30964 (90 days); Equity Resources Corp., 2-36290 (90 days); Foremost-McKesson, Inc., 2-37575; 1970 Great Basins Exploration and Development Program, 2-35981 (90 days); Kawasaki Steel Corp., 2-37573; National Industries, Inc., 2-36543; Pro Sound Productions Inc., 2-34478 (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.

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