

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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RULES AND RULE PROPOSALS

INVESTMENT COMPANY ACCOUNTING DISCUSSED. The SEC today announced its views on accounting for and auditing of investment securities by registered investment companies (Release IC-6295). It states that when questions exist whether purchases or sales of securities have been consummated, an opinion of legal counsel should be obtained by the company. Such opinion should be examined by the company's independent accountant for audit purposes. At the audit date securities held by the company should be substantiated by inspection or confirmation.

Valuation of securities is required by the Investment Co. Act of 1940. The release sets out standards to be used as guidelines in making such valuations. Where market values are not readily available, the board of directors must value the securities in "good faith." The procedures used and information considered by the board should be documented and made available to the independent accountant for audit purposes. The release recognizes that in some situations the independent accountant may not be in a position to form an opinion as to the fairness of the specific values determined by the board of directors. It makes clear, however, that the independent accountant is required to satisfy himself that the procedures used by the directors and information available to them are adequate for the purpose of determining value. The accountant's opinion should clearly state these conclusions.

The release also discusses the requirement for disclosure of affiliations and states that where necessary the company should obtain an opinion of legal counsel. Attached to the release is a copy of a letter to the American Institute of Certified Public Accountants containing standard language for an accountant's report when a qualified opinion is appropriate in the circumstances specified in the letter.

SHORT-FORM REGISTRATION ADOPTED. The SEC today announced the adoption of a new Form S-16 (Rel. 33-5119) for the registration of certain types of offerings under the Securities Act by companies which are now eligible to use Form S-7. The new short form may be used for registering securities to be sold in the following types of offerings by such companies:

Securities which are to be offered by persons other than the registrant in the regular way on a national securities exchange, if securities of the same class are registered on the same or another such exchange.

Securities to be offered by an issuer to holders of convertible securities of an affiliate of the issuer which are convertible into securities of the issuer, where no commission or other remuneration is paid or payable by anyone for soliciting such conversion.

Securities to be issued upon the exercise of outstanding publicly-held warrants where no commission or other remuneration is paid for soliciting the exercise of the warrants.

HOLDING COMPANY ACT RELEASES

TWO CAROLINA BANKS SEEK ORDER. The SEC has issued an order under the Holding Company Act (Release 35-16942) giving interested persons until January 20 to request a hearing upon an application filed by North Carolina National Bank (Charlotte) and Bankers Trust of South Carolina (Columbia). The two banks have entered into an agreement with Duke Power Company, related to the latter's agreements with various manufacturers to supply to Duke Power dual-fuel combustion turbines and related facilities ("equipment") having an aggregate installed cost to Duke Power of about \$65,500,000. Duke Power proposes to transfer all such equipment to the two banks, as "owners." The owners will lease the equipment back to Duke Power under separate net leases each having a basic term of about 26 years with an option to Duke Power to renew each such lease for three successive extended terms of three years each. Each owner (bank) will acquire the equipment transferred to it for its own account, and will obtain all required funds by issuing certificates of interest to DPC Equipment Inc. The latter is a Delaware corporation organized by Goldman, Sachs & Co., a NYSE firm; it will obtain the funds by issuing self-liquidating, fixed interest-bearing notes to institutional lenders in the aggregate principal amount of \$65,500,000. The two banks seek an order declaring that neither will become "an electric utility company" within the meaning of Section 2(a)(3) of the Holding Company Act by reason of the foregoing transactions.

INVESTMENT COMPANY ACT RELEASES

PAN-AMERICAN SULPHUR SEEKS ORDER. The SEC has issued an order under the Investment Company Act (Release IC-6302) scheduling a hearing for January 13, 1971, upon application filed by Pan American Sulphur Co., Houston, Tex. Pan-American seeks an order pursuant to Section 3(b)(2) that it is not an investment company or an exemption under Section 6(c) from all provisions of the Act. In the alternative, Pan-American seeks an exemption from certain provisions of the Act with respect to a proposed secured loan to the Susquehanna Corporation of Alexandria, Va.

OVER

Pan American is actively engaged in the mining and sale of sulphur and the manufacture of phosphate fertiliser through three Mexican affiliates. By Commission order of November 1, 1967, Pan-American is treated as an investment company within the meaning of the Act except that transactions between the company and its Mexican affiliates and subsidiaries were exempted from the applicable provisions of the Act. Susquehanna now owns over 50% of Pan-American common stock and the two companies have a number of common directors and officers. Pan-American has offered to loan Susquehanna \$36,000,000 at a rate of interest of 1-3/4% above the prime rate per annum, with an option to purchase Susquehanna-Western, Inc., a wholly-owned subsidiary of Susquehanna. Pan-American urges that it is not properly to be considered an investment company. In the event its requested exemption from the Act is not granted by the Commission, Pan-American seeks an exemption from provisions of the Act which would otherwise prohibit the \$36,000,000 loan to Susquehanna.

AMERICAN RESEARCH RECEIVES ORDER. The SEC has issued an order under the Investment Company Act (Release IC-6301) authorizing American Research and Development Corporation, Boston, Mass., Harold E. McGowan, Jr., Sam W. Pearce, and Paul Mills, all of Houston, Texas., to sell shares of common stock of Camco, Inc., as part of a proposed public offering by Camco.

COURT ENFORCEMENT ACTIONS

RECEIVER NAMED FOR WANDERON CO. The SEC New York Regional Office announced December 17 (LR-4852) that the Federal court in New Jersey had appointed Mark F. Hughes, Jr., of the law firm of Crummy and O'Neil, Newark, N.J., as receiver for the assets of Wanderon & Company, Inc., a registered broker-dealer. The receiver was appointed in a Commission action filed September 9 to enjoin the firm and Thomas Wanderon from violating the net capital and antifraud provisions of the Securities Exchange Act.

SECURITIES ACT REGISTRATIONS

ADRS FOR MAKITA ELECTRIC WORKS FILED. Chemical Bank Company, 20 Pine St., New York, N. Y. 10015, filed a registration statement (File 2-39056) with the SEC on December 21 seeking registration of 100,000 American Depositary Receipts evidencing common stock of Makita Electric Works, Ltd., a Japanese concern.

MAYFLOWER INVESTORS TO SELL DEBENTURES. Mayflower Investors, Inc., 208 South LaSalle St., Chicago, Ill., 60604, filed a registration statement (File 2-39058) with the SEC on December 22 seeking registration of \$3,500,000 of convertible subordinated debentures, due 1978. The debentures are to be offered for public sale on a "best efforts, all or none" basis through participating broker-dealers. The interest rate, offering price and selling commission are to be supplied by amendment.

The company is a diversified enterprise engaged, through two subsidiaries, in a general commercial banking business in Chicago (through Chicago City Bancorporation, Inc.) and in a Florida land development business (through Florida Vanderbilt Development Corporation). The net proceeds of its debenture sale will be applied to reduction of outstanding notes and other indebtedness. In addition to indebtedness, the company has outstanding 3,593,199 common shares, of which Harold J. Baker, board chairman, owns 9.5% and management officials as a group 29.5%. David L. Smith is president.

DATA TRENDS SHARES IN REGISTRATION. Data Trends, Inc., 20 Intervale Rd., Parsippany, N. J. 07054, filed a registration statement (File 2-39059) with the SEC on December 21 seeking registration of 466,623 shares of common stock. Of these shares, 108,500 are issuable pursuant to stock options and 358,123 (being outstanding shares) may be offered for sale from time to time by the holders thereof, at prices current at the time of sale (\$16.50 per share maximum*).

The company designs, develops and manufactures peripheral computer equipment. It has outstanding 929,048 common shares, of which Robert W. Hughes, board chairman, owns 20% and management officials as a group 30%. Hughes may sell 148,040 of 181,789 shares held, Donald C. McMillion, a director, 71,315 and 16 others the remaining shares being registered.

LOWE'S COMPANIES FILES FOR SECONDARY. Lowe's Companies, Inc., N.C. Highway 268 East, North Wilkesboro, North Carolina 28659, filed a registration statement (File 2-39060) with the SEC on December 21 seeking registration of 400,000 shares of common stock, to be offered for public sale through underwriters headed by G. H. Walker & Co., Inc., 45 Wall St., New York, N. Y. 10005. The offering price (\$40 per share maximum*) and underwriting terms are to be supplied by amendment.

The company operates a total of 66 retail store outlets selling building materials and supplies, fixtures, appliances and other durable goods. In addition to indebtedness, it has outstanding 4,207,428 common shares, of which the company's Profit-Sharing Plan and Trust owns 45.4% (it proposes to sell 400,000 of 1,910,529 shares held) and management officials as a group own 6.4%. Edwin Duncan, Sr., is board chairman and president.

BROWNING-FERRIS FILES FOR OFFERING AND SECONDARY. Browning-Ferris Industries, Inc., 1603 Fannin Bank Bldg., Houston, Tex. 77025, filed a registration statement (File 2-39062) with the SEC on December 21 seeking registration of 750,000 shares of common stock, of which 500,000 shares are to be offered for public sale by the company and 250,000 (being outstanding shares) by the holders thereof. The offering is to be made through underwriters headed by E. F. Hutton & Co., Inc. The offering price (\$25 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is engaged primarily in providing solid waste management services (the collection, processing and disposal of solid waste) to commercial and industrial customers in fourteen metropolitan areas of the country. Of the net proceeds of its stock sale, \$2,090,000 will be used to repay short-term bank debt incurred for working capital, \$529,000 to repay other short-term debt incurred for purchase of equipment and acquisition of another company, and \$1,000,000 to repay long term debt. Approximately \$2,000,000 will be used to acquire additional solid waste disposal sites and the balance will be added to the company's working capital. In addition to indebtedness and preferred stock, the company has outstanding 2,311,586 common shares, of which ARS, Inc., owns 44% and management officials as a group 19.3% (they also own 50.7% of the outstanding ARS shares). ARS intends to sell 250,000 of 1,013,182 shares owned. Louis A. Waters is board chairman and Harry J. Philips is president.

ROYAL INNS PROPOSES OFFERING. Royal Inns of America, Inc., 4855 North Harbor Dr., San Diego, Cal. 92106, filed a registration statement (File 2-39065) with the SEC on December 22 seeking registration of \$15,000,000 of "percentage interests" in individual hotels. The company plans to offer from time to time during the period ending April 30, 1972, percentage interests in not to exceed 40 hotels. Purchasers of the percentage interests will receive undivided interests in individual hotels which will be constructed by the company on leased sites and which will be subject to mortgage financing obligations. The percentage interests will be sold pursuant to contracts under which the purchaser agrees that upon completion of construction he will contribute his percentage interest to a limited partnership in which he will receive a limited partnership interest entitling him to a share of profits and losses proportionate to the percentage of the hotel represented by his percentage interest.

Since 1965 the company has been engaged in the development, construction and operation of "Royal Inns," primarily in the far western states; it plans to locate a higher proportion of new hotels in other areas of the country. Earl Gagorian is president and board chairman.

PACIFIC GAS TRANSMISSION TO SELL BONDS. Pacific Gas Transmission Company, 245 Market St., San Francisco, Calif. 94106, filed a registration statement (File 2-39066) with the SEC on December 22 seeking registration of \$40,000,000 of first mortgage pipeline bonds, due 1990, to be offered for public sale through underwriters headed by Blyth & Co., Inc., 14 Wall St., New York, N. Y. 10005, and Dean Witter & Co., Inc., 45 Montgomery St., San Francisco, Cal. 94106. The interest rate, offering price and underwriting terms are to be supplied by amendment.

A natural gas transmission pipeline operator, the company will apply the net proceeds of its bond sale to retire long term notes in the amount of \$17,000,000 and short-term notes in the amount of \$23,000,000, both issued for temporary financing of plant additions. It is estimated that capital expenditures will amount to \$5,000,000 in 1971.

VENEKO PRODUCTS TO SELL STOCK. Veneko Products, Inc., 110 East First St., Jamestown, N. Y., filed a registration statement (File 2-39067) with the SEC on December 21 seeking registration of 350,000 shares of common stock, to be offered for public sale at \$2 per share. No underwriting is involved; Robert E. Page, a director and NASD member, will receive a 20¢ per share selling commission as will other participating NASD dealers.

The company proposes upon completion of its manufacturing equipment setup, to manufacture, sell and distribute fiberglass snow skis, to be marketed through sporting goods stores and ski specialty shops. Of the net proceeds of its stock sale, \$457,500 will be used for working capital and reserve and the balance will be used for salaries, equipment, personnel, hiring and facilities, etc. The company has outstanding 746,000 common shares, of which Leo J. Veneko, president, owns 80.4% and management officials as a group own 90.7%. Purchasers of the shares being registered will acquire a 32% stock interest in the company for their investment of \$700,000 (they will sustain an immediate dilution of \$1.30 in per share book value from the offering price); present shareholders will then own 68%, for which the company received \$30,577.

SUN GROWTH FUND PROPOSES OFFERING. Sun Growth Fund, 131 State St., Boston, Mass., filed a registration statement (File 2-39068) with the SEC on December 22 seeking registration of 3,000,000 shares of common stock, to be offered for public sale at net asset value plus an 8% sales charge on purchases of less than \$10,000. Suncan Investment Services Company will serve as the Fund's manager and investment adviser. The Fund was organized as an open-end investment company with the object of long-term growth of capital. Anthony R. Nicks is president of the Fund and of the manager.

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:

U.S. Plywood-Champion Papers Inc., New York, N. Y. 10017 (File 2-39051) - 100,000 shares
 Litton Industries, Inc., Beverly Hills, Calif. 90210 (File 2-39053) - 100,000 shares
 Extencicare, Inc., Louisville, Ky. 40202 (File 2-39061) - 100,000 shares
 DHJ Industries Inc., New York, N. Y. 10016 (File 2-39063) - 90,000 shares
 Petrolite Corporation, St. Louis, Mo. 63102 (File 2-39064) - 10,000 shares
 Curtice-Burns, Inc., Rochester, N. Y. 14604 (File 2-39069) - 27,537 shares

SECURITIES ACT REGISTRATIONS. Effective December 22: Abex Corp., 2-38764 (90 days); Berkay Photo, Inc., 2-37860; Camco, Inc., 2-38706 (40 days); Dukor Modular Systems, Inc., 2-38446 (90 days); Eastern Bancorporation 2-37929 (90 days); GRT Corp., 2-38848; Gilbert Flexi-Van Corp., 2-35867 (40 days); Kalvar Corp., 2-37866 (40 days); Kaufman and Broad, Inc., 2-38947; Sedco, Inc., 2-38913 (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.

*As estimated for purposes of computing the registration fee.

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