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## CHAIRMAN SPEAKS

A COMMISSION DILEMMA: DIRECTORS' GUIDELINES REVISITED

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Chairman Ray Garrett, Jr. outlined some of the problems the SEC has faced in writing guidelines on the responsibilities and liabilities of corporate directors. Speaking before the Conference Board in San Francisco, California Tuesday, he cited other priorities in addition to differences of opinion among those dealing with the drafting of the guidelines.

Key questions which have arisen include: what form should the position paper take? Should specific guidelines to outside directors designed as much as possible to provide a protective umbrella from civil damage suits be provided in the hope that the courts and private litigants will follow our advice? Should we simply issue a law review-type discussion of the existing state of the law or should we take a hard line and assert that outside directors have serious responsibilities and face grave risks of being held liable in civil actions for failing to live up to those responsibilities "in hopes that do-nothing directors will tremble in fear and disappear from the boardroom." "Whatever we may do," Mr. Garrett said, "we must take care not to restrict unduly our ability, at a later date, to take enforcement action in a case where we believe the facts and circumstances to be particularly egregious."

"I am inclined to the view that an outside director (one who has a full-time job elsewhere), who does not directly participate either in his individual or official capacity, in violations of the antifraud provisions of the federal securities laws, except perhaps by voting to approve a particular transaction, should not be held liable for those violations unless he knew or had reasonable cause to believe that the unlawful activity was occurring or was about to occur and, in addition, failed to take adequate steps to prevent it," Mr. Garrett stated. Questions that then arise, Mr. Garrett noted, are (a) under what circumstances should an outside director be held to have had constructive knowledge of unlawful activities, that is reasonable cause to believe that the corporation, its officers or employees or his fellow directors were violating or about to violate the law, and (b) what type of action, an outside director can reasonably be expected to take to prevent unlawful activity which he knows or has reasonable cause to believe is taking place.

Where an outside director has been conscientious in performing his duties, diligent in his efforts to keep well informed about the corporation and an active participant in corporate affairs, Chairman Garrett said he believed that the director should have no independent obligation to investigate the details of each and every corporate transaction in order to assure that no violations of the securities law have occurred, except where there is a specific statutory requirement that he do so, such as under Section 11 of the Securities Act. Similarly, where an outside director has not conscientiously performed his duties and has failed to make good faith efforts to keep himself adequately informed, and has avoided placing himself in a position where he would receive notice of unlawful activities, then, Mr. Garrett said he believed it appropriate that the director be held legally responsible for any unlawful activities which he would have known were it not for his failure to perform his responsibilities.

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## DECISIONS IN ADMINISTRATIVE PROCEEDINGS

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### NORMAN H. SHULTZ BARRED

An order has been issued barring Norman H. Shultz, of Northbrook, Illinois, from association with any broker-dealer. According to the decision, Shultz aided and abetted violations of the net capital, recordkeeping, credit-extension, and reporting provisions of the securities laws. It was also found that in September 1973 a U.S. District Court (S.D.N.Y.) permanently enjoined him from aiding and abetting violations of various provisions of the securities laws. Shultz failed to file an answer to the charges against him and was deemed in default. (Rel. 34-10767)

### SUSPENSION OF REGULATION A EXEMPTION OF ROBERT MANUFACTURING CORPORATION MADE PERMANENT

The Commission's order temporarily suspending the Regulation A exemption from the Securities Act's registration requirements claimed by Robert Manufacturing Corporation (Robert), of Newton, Massachusetts, with respect to a proposed public offering of its common stock has been made permanent. The temporary order alleged, and an administrative law judge found, that (1) the offering circular was never amended to disclose the post-filing foreclosure sale of substantially all of Robert's assets, and (2) the circular failed to disclose the fact that a director of Robert, who was also a controlling person of the underwriter, had received half of the real estate brokerage commission generated by a transaction to which Robert was a party.

The Commission's opinion pointed out that the facts were undisputed and that Robert did not object to a permanent suspension. Noting that there was nothing in the record to suggest wrongdoing, that the facts in question were unknown to Robert at the time of the filing, and that it had voluntarily brought the facts to its staff's attention, the Commission held that its concern "is not with the purity of the issuer's motives but with the accuracy of its filing." (Rel. 33-5489)

### DECISION PERMANENTLY SUSPENDING REGULATION A EXEMPTION OF SPENCE & GREEN CHEMICAL COMPANY AFFIRMED

An order has been issued affirming an administrative law judge's initial decision which concluded that a claimed Regulation A exemption from the Securities Act's registration requirements for an offering of common stock of Spence & Green Chemical Company, of Crosby, Texas, should be permanently suspended.

According to the decision, Spence & Green's filing was materially deficient in that it failed to disclose essential information about the company's history, business, processes and patents, and omitted required disclosures about prior sales of the company's unregistered securities. In addition, the offering exceeded the statutory limit of \$500,000 for offerings under Regulation A. (Rel. 33-5490)

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## ORDERS FOR PUBLIC PROCEEDINGS

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### JOHN J. O'KANE JR. & CO.

Public administrative proceedings have been ordered under the Securities Exchange Act of 1934 against John J. O'Kane Jr. & Co. (Registrant), New York City, Robert N. Kullman, its general partner and managing partner, Robert M. Tanney, (Registrant), Jersey City, New Jersey, and Robert M. Tanney, its sole proprietor.

The proceedings are based upon allegations of the Commission's staff that registrants and the individual respondents published and submitted for publication in the National Daily Quotation Service quotations in the securities of Custer Channel Wing Corporation, Enid, Oklahoma, from May 18, 1973 through February 28, 1974, in violation of the securities laws.

A hearing will be scheduled by further order on the charges against the individual respondents and Registrants. (Rel. 34-10785)

#### INSERCO CORPORATION

Public administrative proceedings under the Investment Advisers Act of 1940 have been ordered against The Inserco Corporation (Inserco) of Washington, D.C. and John C. Carruthers of Potomac, Maryland, president and chief executive officer of Inserco. The order is based upon allegations that Inserco and Carruthers violated the anti-fraud and books and records provisions of the securities laws. The order alleges that Inserco and Carruthers made unauthorized withdrawals of funds of clients while failing to notify said clients of the withdrawals; drew checks payable to clients and affixed endorsements purporting to be those of clients without authority from the clients or notice to them and prepared and disseminated monthly statements to clients not reflecting the unauthorized transactions while maintaining a separate set of monthly statements in Inserco's office which did reflect the unauthorized transactions.

A hearing will be scheduled by further order on the charges against Inserco and Carruthers. (Rel. IA-412)

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### COURT ENFORCEMENT ACTIONS

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#### RICHARD TREIBICK, OTHERS ENJOINED

The SEC announced that Richard Treibick, M. William Grossman, Frederic Gregg, Jr., and entities which these persons were associated, were enjoined by consent from among other things, violating the registration provisions of the securities laws. (LR-6360)

#### ROYAL AIRLINE, INC., OTHERS ENJOINED

The Denver Regional Office announced that on May 2 a complaint was filed in the U.S. District Court in San Diego seeking to enjoin Royal Airline, Inc., International Registrar and Transfer Agency, Ted A. England, and Benny Lipson, all of Las Vegas, Robert M. Bryson and John F. McCarthy of La Jolla, California, Gerard F. Lewis of Rancho Santa Fe, California, Harry Margulies and Marvabelle M. Wimmer of Murray, Utah, Michael J. Orme, Richard E. Shores, Karl Stock Smith, Michael F. Steed and John E. Worthen, also known as John Walton of Salt Lake City, Utah, Roger H. Quast of El Cajon, California, Herbert Segaloff of Los Alamitos, California, Stephen B. Walker of Portland, Oregon and Curtis W. Wilken of Ogden, Utah from violations of the registration and antifraud provisions of the securities laws. In addition, an injunction is being sought against David E. Lobato of Salt Lake City from violating the antifraud provisions of the securities laws. A motion for a preliminary injunction has been set for May 28, 1974. (LR-6361)

#### ROLAND A. MAYOTTE PLEADS NOLO CONTENDERE

The Los Angeles and Boston Regional Offices announced that on April 29 Roland A. Mayotte entered a plea of nolo contendere to two counts charging him with violations of the antifraud provisions of the securities laws. On April 24, 1974 a Federal grand jury in Los Angeles charged him with violating those provisions. The indictment stems out of a series of transactions from December 1971 to March 1972 wherein Mayotte, as board chairman of the Mutual Securities Fund of Boston (Fund), caused the Fund to purchase certain stocks in which he and a financial interest and received \$30,000 for doing so. Mayotte was fined \$5,000 and placed on two and one-half years probation by the Court. (LR-6362)

## COMPLAINT NAMES FINANCIAL FUND

The Seattle Regional Office has announced the filing of a complaint on May 3 in the U.S. District Court for Washington alleging that Financial Fund, Inc. of Seattle, among other things, maintained a board of directors more than 60 percent of whom were interested persons, failed to redeem investors redeemable shares, deviated from its stated investment policy without shareholder authorization, and failed to file accurate and timely reports with the Commission. The complaint seeks an injunction against Financial Fund, Inc. from violations of such provisions and the appointment of a receiver. (LR-6363)

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## TRADING SUSPENSIONS

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### TRADING SUSPENDED IN COOK INDUSTRIES AND COOK TREADWELL & HARRY, AMERICAN EXPORT INDUSTRIES AND AMERICAN EXPORT LINES

Trading has been suspended in all the securities of Cook Industries, Inc., and Cook Treadwell & Harry Inc., a subsidiary, both of Memphis (Rel. 34-10783), and American Export Industries, Inc., and American Export Lines, Inc. (formerly known as American Export Isbrandtsen Lines, Inc.), both of New York City (Rel. 34-10784), for a ten-day period beginning on May 8 and terminating at midnight (EDT) on May 17, 1974. Cook Industries is traded on the American Stock Exchange and the Cook subsidiary and American Export companies are traded over-the-counter.

The Commission initiated the suspension in Cook Industries and subsidiary because questions were raised about the adequacy and accuracy of the financial statements of Cook Treadwell & Harry, Inc. Cook Industries requested the Commission to suspend trading in the subsidiary's securities. The suspension in the American Export companies was initiated because of the lack of current and accurate information available to the public and the failure of the companies to comply with the reporting provisions of the securities laws. Both American Export companies failed to file 10-K annual reports for the fiscal year ended December 31, 1973. (Rel. 34-10783 and 34-10784)

### ADDITIONAL ACTION ON TWO TRADING SUSPENSIONS

The SEC has announced the suspension of exchange and over-the-counter trading in the securities of BBI, Inc., and over-the-counter trading in the securities of U.S. Financial, Inc., for the further ten-day period May 9-18, inclusive.

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## INVESTMENT COMPANY ACT RELEASES

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### TEMPORARY INVESTMENT FUND

A notice has been issued giving interested persons until June 3 to request a hearing on an application of Temporary Investment Fund, Inc., a mutual fund, for an order permitting the distribution of any capital gains immediately after their realization, rather than once annually. (Rel. IC-8344)

### GENERAL ELECTRIC OVERSEAS CAPITAL CORPORATION

A notice has been issued giving interested persons until June 3 to request a hearing on an application of General Electric Overseas Capital Corporation, of New York, New York, for an exemption from certain provisions of the Act to permit it to invest or lend up to 40% of its assets to suppliers or customers of General Electric Corporation which are not at least 10% owned by General Electric. (Rel. IC-8345)

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## HOLDING COMPANY ACT RELEASES

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### GENERAL PUBLIC UTILITIES CORPORATION

A notice has been issued giving interested persons until May 31 to request a hearing on a proposal of General Public Utilities Corporation (GPU), to offer 4,340,000 shares of common stock for subscription by its common stockholders. The net proceeds will be used for additional investment in its subsidiaries and to repay all or a portion of its short-term indebtedness. (Rel. 35-18405)

### CONSOLIDATED NATURAL GAS COMPANY

A supplemental order has been issued authorizing Consolidated Natural Gas Company to purchase for cash an aggregate of \$6,700,000 long-term notes and \$10,700,000 par amount of common stock from four of its wholly-owned subsidiaries. The latter will use the proceeds to meet capital expenditures. (Rel. 35-18406)

### ARKANSAS POWER & LIGHT COMPANY

A notice has been issued giving interested persons until June 5 to request a hearing on a proposal of Arkansas Power & Light Company, a subsidiary of Middle South Utilities, Inc., to sell \$40 million of first mortgage bonds at competitive bidding. (Rel. 35-18407)

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## SECURITIES ACT REGISTRATIONS

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### (S-14) G. D. SEARLE & CO.

P. O. Box 5110, Chicago, Ill. 60680 - 126,000 shares of common stock. It is proposed to offer these shares in exchange for the outstanding common shares of Tecna Corporation, Emeryville, California, at the rate of .50 Searle share for each Tecna share. Searle is a pharmaceutical company. (File 2-50900 - Apr 29)

### (S-16) BRENCO, INCORPORATED

P. O. Box 389, Petersburg, Va. 23803 - 100,000 shares of common stock, to be offered for sale by a selling shareholder. The offering will be made at a price to be determined through underwriters headed by Wheat, First Securities, Inc., 801 East Main St., Richmond, Va. 23219. Brenco manufactures and services roller bearings and manufactures bronze bearings for railroad cars and roller bearings and forgings for industrial markets. (File 2-50901 - Apr 29)

### (S-1) INTERNATIONAL DAIRY QUEEN, INC.

5701 Green Valley Dr., Minneapolis, Minn. 55437 - 300,000 shares of common stock, issued or issuable upon the exercise of options granted or to be granted under the company's Qualified Stock Option Plan of 1970. The company develops, licenses and services a system of retail stores which offer a limited menu of food items marketed under the Dairy Queen, Brazier and Mr. Misty trademarks. (File 2-50991 - May 6)

### (S-16) THE DREYFUS CORPORATION

767 Fifth Ave., New York, N. Y. 10022 - 52,134 shares of common stock, to be offered for sale on behalf of certain individual holders of such shares. No underwriting is involved. The company is a mutual fund management company. (File 2-50996 - May 7)

(S-16) THOMAS & BETTS CORPORATION

36 Butler St., Elizabeth, N. J. 07207 - 175,000 shares of common stock, which may be sold by the selling shareholder from time to time by block trading or customary brokerage transactions at negotiated or otherwise prevailing prices on the New York or Pacific Stock Exchange or otherwise through Kidder, Peabody & Co., Incorporated, 10 Hanover Square, New York, N. Y. 10005, as exclusive broker. Thomas & Betts manufactures and sells a broad line of connectors and accessory products for the electrical-electronic equipments industry. (File 2-50997 - May 7)

(S-14) COLONIAL BANCORP, INC.

81 West Main St., Waterbury, Conn. 06720 - 971,012 shares of common stock. It is proposed to offer these shares in exchange for the outstanding shares of Second New Haven Bank, New Haven, Connecticut, at the rate of one Bancorp share for each Second New Haven share. Bancorp is a bank holding company which has as its principal subsidiary The Colonial Bank and Trust Company, Waterbury, Connecticut. (File 2-50998 - May 7)

(S-7) AMERICAN HERITAGE LIFE INVESTMENT CORPORATION

Eleven East Forsyth St., Jacksonville, Fla. 32202 - 25,000 shares of common stock, to be offered pursuant to options granted or to be granted under its 1973 Qualified Stock Option Plan. American Heritage Life Investment Corporation is a holding company whose principal subsidiary is American Heritage Life Insurance Company. (File 2-50999 - May 7)

(S-7) F. W. WOOLWORTH CO.

233 Broadway, New York, N. Y. 10007 - \$125 million of sinking fund debentures, due 1999, to be offered for sale through underwriters headed by Goldman, Sachs & Co., 55 Broad St., New York, N. Y. 10004. F. W. Woolworth operates retail stores under the names of Woolworth, Woolco, Richman Brothers and Kinney. (File 2-51000 - May 8)

(S-7) GENERAL ELECTRIC CREDIT CORPORATION

570 Lexington Ave., New York, N. Y. 10022 - \$100 million of notes, due 1982, to be offered for sale through Morgan Stanley & Co. Incorporated, 1251 Avenue of the Americas, New York, N. Y. 10020. General Electric Credit Corporation principally engages in consumer financing and commercial and industrial financing. (File 2-51002 - May 8)

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:

- General Dynamics Corporation, St. Louis, Mo. (File 2-50980 - May 6) - 450,000 shares
- Merrill Lynch & Co., Inc., New York, N. Y. (File 2-50981 - May 6) - 1,200,000 shares
- Skil Corporation, Chicago, Ill. (File 2-50985 - May 6) - 50,000 shares
- Standard-Thomson Corporation, Waltham, Mass. (File 2-50986 - May 6) - 20,000 shares
- Minnesota Mining and Manufacturing Company, St. Paul, Minn. (File 2-50987 - May 6) - 3,000,000 shares
- General American Transportation Corporation, Chicago, Ill. (File 2-50988 - May 6) - 35,000 shares
- Northwest Ohio Bancshares, Inc., Wilmington, Del. (File 2-50989 - May 7) - 5,526 shares
- New Jersey Life Company, Saddle Brook, N. J. (File 2-50990 - May 6) - 240,000 shares
- United Refining Company, Warren, Pa. (File 2-50992 - May 7) - 115,000 shares

STOCK PLANS CONT.

John H. Harland Company, Atlanta, Ga. (File 2-50993 - May 7) - 40,000 shares  
United States Tobacco Company, Greenwich, Conn. (File 2-50994 - May 7) -  
200,000 shares  
Pasco, Inc., New York, N. Y. (File 2-50995 - May 7) - 235,000 shares  
Altair Corporation, Chicago, Ill. (File 2-51001 - May 6) - 105,900 shares

REGISTRATIONS EFFECTIVE

May 1: American Metal Climax, Inc., 2-50822.

May 7: Baystate Corp., 2-50655; Bio-Rad Laboratories, 2-49540; Cities Service Co., 2-50743; Corning Glass Works, 2-50736; Emery Air Freight Corp., 2-50639; Fairchild Camera & Instrument Corp., 2-50526; Richmond Corp., 2-50898; Texas Instruments Inc., 2-50656; Tideway Oil Programs, Inc., 2-50336; Up-Right Inc., 2-50542; Utah Bancorporation, 2-50398; Zoller & Danneberg, Inc., 2-50576.

May 8: Allied Chemical Corp., 2-50658; American Medical Association, 2-50859; Dial-A-Diet, Inc., 2-49089; Dynell Electronics Corp., 2-50662; First National Corp., 2-49563 (40 days); Intel Corp., 2-50777; Interstate Power Co., 2-50685 and 2-50686; Lee Pharmaceuticals, 2-50839; McCormick 1974 Oil & Gas Program, 2-50057; Ryder System, Inc., 2-50766; Society Corp., 2-50496 and 2-50497; Southeast Banking Corp., 2-50447, 2-50448, 2-50449, 2-50450, 2-50451, 2-50453, and 2-50454; Tenneco Oil Co., 2-50609 and 2-50608; Warnaco, Inc., 2-50864.

NOTICE

Many requests for copies of documents referred to in the SEC News Digest have erroneously been directed to the Government Printing Office. Copies of such documents and of registration statements may be ordered from the Public Reference Section, Securities and Exchange Commission, Washington, D. C. 20549. The reproduction cost is 15¢ per page plus postage for mailing within four days (\$2 minimum) and 30¢ per page plus postage for over-night mailing (\$5 minimum). Cost estimates are given on request. All other referenced material is available in the SEC Docket.

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