

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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VAN ALSTYNE NOEL FIRM SUSPENDED. The SEC today announced a decision under the Securities Exchange Act (Release 34-8511) invoking sanctions on the New York broker-dealer firm of Van Alstyne, Noel & Co., and certain partners and salesmen for misuse of non-public information about Spiral Metal Company, Inc. ("Spiral"), obtained by the firm during the period November 1967 to April 1968 while acting as prospective underwriter of a proposed public stock offering by that company and acting as prospective purchaser and in purchasing and privately placing \$1 million of its convertible subordinated debentures. Their activities were held to have violated the anti-fraud provisions of the Exchange Act. Pursuant to an offer of settlement accepted by the SEC, the respondents, without admitting the violations, consented to the findings of violations and to the suspension of their activities for varying periods.

According to the Commission's decision, respondents learned that Spiral's financial position and prospects had changed significantly for the better between November 1967 and April 1968. Their information indicated that the company's pre-tax earnings for the nine months ended December 31, 1967, approximated \$442,000, nearly five times the reported earnings for the full fiscal year ended March 31, 1967, and that for the months of January and February 1968, pre-tax earnings amounted to \$122,310 as contrasted with \$90,019 for fiscal year 1967. Non-public projections over a five-year period (based in part upon the addition of equity capital and additional bank lines of credit) showed sales for the first year of over \$30 million and pre-tax earnings of \$2,442,000 as compared with previously reported sales of \$3,200,000 and pre-tax earnings of \$90,000 for fiscal 1967.

Prior to public disclosure of the favorable information showing a significant up-trend in Spiral's earnings, which respondents knew was not known or available to other investors, they purchased and recommended to certain of registrant's customers the purchase of Spiral Metal's stock in the open market. These purchases were effected on various dates between April 4 and June 4, 1968, and in varying amounts. The prices paid ranged from a low of 11 to a high of 30½. David Van Alstyne, Jr., senior partner, purchased a total of 12,500 shares for his family and family trusts and a total of 37,000 for his customers; James A. Russell, managing partner, purchased 500 shares for a personal charitable foundation and 3,000 shares for customers. The other three respondents, registered representatives, purchased stock as follows: Melvin Solomon, 400 shares for himself and 2,700 for his customers; William J. Butler, Jr., 800 for himself and 6,700 for customers; and Dominick A. Fitzpatrick 4,200 shares for customers.

The sharp improvement in Spiral's financial condition was not made known to Spiral's stockholders and the investing public until its filing of a registration statement with the Commission on June 7, 1968, proposing a public offering of stock through the Van Alstyne firm as underwriter and the release on June 15 of that company's annual report for the fiscal year ended March 31, 1968. Following the June 7th filing, the bid and asked prices for the stock generally rose from 29 - 30½ on that date to 36 - 37½ on July 8; on January 7, 1969, the stock was quoted at 44 bid, 45 asked.

The Commission ordered the suspension of registrant's retail sales department, its over-the-counter market-making activities, and the activities of its underwriting department, for 20, 20 and 15 business days, respectively, commencing February 3 (except that the firm's market-making activities may be continued in those securities for which there are less than six market-makers and in which the firm has traditionally made a market). Van Alstyne was dissociated from registrant for 90 calendar days, and the other four respondents for 20 business days, all commencing February 3 (but after 15 business days Russell may resume his services solely in connection with the firm's underwriting department, but without compensation).

CITY ASSOCIATES SETTLEMENT OFFER ACCEPTED. The SEC today announced the issuance of an order under the Securities Exchange Act (Release 34-8509) accepting an offer of City Associates, of New York City, for settlement as to it of the issues in administrative proceedings involving transactions in the stock of Douglas Aircraft Co., Inc. in 1966. As indicated below, City Associates, which waived a hearing, admitted certain facts "solely for the purpose of these proceedings" and, without admitting the violations charged in the order for proceedings (which also involved the Merrill Lynch firm, several individuals, institutional investors, and others, consented that the Commission could make such findings, conclusions and order as may be permitted by law, provided that they were not inconsistent with its admissions and that the maximum sanction, if any, imposed upon the said respondent did not exceed censure.

Among the facts admitted by respondent City Associates were that it received certain non-public material information of an adverse nature concerning Douglas from Merrill Lynch, that the said respondent sold short 12,300 shares of Douglas stock during the period June 21-23, 1966, following the receipt of but prior to the public dissemination of such information, and at a time when it was aware that the Merrill Lynch firm was the prospective managing underwriter of a proposed public offering of Douglas securities; that respondent did not disclose such information to the purchasers; and that respondent directed give-ups to the Merrill Lynch firm, the amount of which may have reflected the consideration given by respondent to the information regarding Douglas, as well as other services.

In accepting the settlement offer of City Associates, the Commission stated that its definitive findings, opinion and order, which will be issued in due course, will describe and discuss the activities involved and the respects, if any, in which they violated the anti-fraud provisions of the Federal securities laws.

SCHRODERS RECEIVES ORDER. The SEC has issued an exemption order under the Investment Company Act (Release IC-5603) with respect to Schroders Incorporated of New York, which proposes to acquire the investment advisory business of Naess & Thomas ("N&T"), which serves as investment advisor to six funds. The order permits Schroders to act as investment advisor to the Funds until shareholder approval of the advisory contracts between Schroders and the Funds; meetings of shareholders are to be held between February-April to vote upon the new contracts.

NEES SEEKS ORDER. The SEC has issued an order under the Holding Company Act (Release 35-16276) giving interested persons until February 24 to request a hearing upon an application of New England Electric System ("NEES") with respect to the proposal of ten subsidiary companies to issue some \$47,710,000 of short-term notes to banks and/or to NEES. Net proceeds of the subsidiaries' borrowings will be used by each company to pay its then outstanding notes payable to banks and/or to NEES (aggregating some \$39,685,000 at January 1) at or prior to maturity thereof, and to provide new money for capital expenditures or reimburse its treasury therefor.

GENERAL PUBLIC UTILITIES SEEKS ORDER. The SEC has issued an order under the Holding Company Act (Release 35-16278) giving interested persons until February 24 to request an order with respect to the proposal of General Public Utilities Corporation ("GPU"), New York holding company, to make cash capital contributions from time to time during 1969, to its subsidiary companies, as follows: \$30,000,000,000 to Metropolitan Edison Company, \$23,000,000 to Jersey Central Power & Light Company, \$4,500,000 to New Jersey Power & Light Company and \$20,000,000 to Pennsylvania Electric Company. The funds will be utilized by the subsidiaries to finance their business as public-utility companies, including construction of new facilities and an increase of working capital.

PENNZOIL RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-16279) with respect to the proposal of Pennzoil United, Inc., Houston holding company, to sell 864 miles of underground mains and service lines and related facilities and properties of its retail gas distribution system, serving approximately 17,100 customers in the Penellas County, Fla. area (Florida Distribution System), to Florida Gas Company, a nonassociate company, for \$2,700,000 plus (1) an amount equal to the cost of Pennzoil of materials and supplies used and useful in the Florida Distribution Systems and (2) an amount equal to accounts receivable as specified in the proposed purchase price.

TRADING BANS CONTINUED. The SEC has suspended trading in securities of BSF Company, Capital Holding Corporation and Mountain States Development Company for the further, ten-day period February 4-13, 1969, inclusive.

WILLOW INDUSTRIES PROPOSES OFFERING. Willow Industries, Inc., 71 Grace Ave., Lynbrook, N. Y., filed a registration statement (File 2-31502) with the SEC on January 28 seeking registration of 275,000 shares of common stock, to be offered for public sale at \$4 per share. The offering is to be made on a "best efforts, all or none" basis by A. J. Carno Co., Inc., 42 Broadway, New York, which will receive a 40¢ per share commission plus \$10,000 for expenses. The company will sell to the Carno firm, for \$27.50, five-year warrants to purchase 27,500 shares, exercisable after one year at prices ranging from \$4.28 to \$5.12 per share.

Organized under New York law in December 1967, the company is engaged principally in the construction and sale of single-family homes in Long Island, N. Y. Of the net proceeds of its stock sale, \$100,000 will be used to repay bank debt incurred for working capital purposes, \$205,000 toward the \$900,000 purchase price of a 49-acre tract of land near Baltimore, Md., \$150,000 toward the \$1,015,000 cost of construction of homes being built by the company in Lawrence and Woodsburgh, N. Y., \$300,000 toward the total construction cost of \$8,736,000 of apartments the company plans to build near Baltimore, and \$125,000 as deposit with Baltimore County pursuant to a Public Works Agreement requiring certain offsite improvements; the balance will be added to the company's general funds. In addition to indebtedness, the company has outstanding 650,000 common shares (with a 16¢ per share book value), of which Robert Borne, president, owns 31.4% and Myron Friedman, secretary-treasurer, 56.4%. Upon completion of this offering, the present stockholders will own 70.3% of the then outstanding common stock, for which they will have invested and contributed \$103,500, and the purchasers of the shares being registered will own 29.7%, for which they will have invested and contributed \$1,100,000. Purchasers of the shares being registered will sustain an immediate dilution of \$2.88 per share in the book value of shares acquired.

BEKS CHARBROILERS TO SELL STOCK. Beks Charbroilers International, Inc., 1807 Commerce St., Dallas, Tex. 75201, filed a registration statement (File 2-31503) with the SEC on January 28 seeking registration of 240,000 shares of common stock and warrants to purchase an additional 240,000 shares. It is proposed to offer these securities in units, each consisting of one share and one warrant, and at \$5 per unit; the warrants will be exercisable for one year at \$6 per share. The offering is to be made through Charles Plohn & Co., 200 Park Ave., New York 10017, which will receive a 50¢ per share commission plus \$17,500 for expenses. The company has sold 24,000 shares to the underwriter at 10¢ per share, which shares may not be resold for two years.

The company was organized in August for the purpose of engaging in the business of owning and operating, franchising, selling and servicing a system of rapid, self-service restaurants which will feature a variety of char-broiled hamburgers, cheeseburgers and frankfurters. Of the net proceeds of its stock sale, \$550,000 will be applied toward the opening and operating of company-owned restaurants, \$50,000 for advertising and sales promotion, \$100,000 to secure financing of some ten proposed franchisees, \$130,000 for salaries, rental and other expenses, and \$200,000 for general working capital. The company now has outstanding 480,000 common shares (with a 10¢ per share book value), of which 28.54% each is owned by Ben F. Burch, board chairman, Jack A. Sosebee, president, and Bill N. Newman, vice president.

MICHIGAN ABRASIVE FILES FOR OFFERING AND SECONDARY. Michigan Abrasive Company, 11900 East Eight Mile Rd. Detroit, Mich. 48205, filed a registration statement (File 2-31504) with the SEC on January 28 seeking registration of 1,230,000 shares of common stock, of which 600,000 are to be offered for public sale by the company and 630,000 (being outstanding shares) by the present holders thereof. The offering is to be made through underwriters headed by Hornblower & Weeks-Hemphill, Noyes, 8 Hanover St., New York 10004; the offering price (\$18 per share maximum*) and underwriting terms are to be supplied by amendment.

The company (whose name is to be changed to Michigan General Corporation) is principally engaged in the manufacture and sale of coated abrasive products; through subsidiaries, the company also engages in the development, manufacture and sale of highway directional signs and guard rails, paints and allied products for the consumer market, precast and other concrete products and special purpose industrial rubber products. Of the net proceeds of the company's sale of additional stock, \$2,100,000 is to be used to prepay its outstanding 7½% senior subordinated debentures due July 31, 1971, issued in August 1968 to provide funds for use in connection with certain company acquisitions. The remaining proceeds will be used, to the extent available, to retire certain indebtedness incurred and to be incurred by the company in connection with the acquisition of Fosco Fabricators, Inc. In addition to indebtedness and preferred stock, the company will have outstanding (after sale of the 600,000 shares and certain conversions of debentures and preferred stock) a total of 3,230,254 common shares, of which Joseph P. Driscoll, board chairman, owns 10.4% and management officials as a group 32%. R. J. Foresman is president and chief executive officer. The prospectus lists 57 selling stockholders, who own in the aggregate 1,241,506 common shares and propose to sell 630,000. Morgan Guaranty Trust Company of New York, as Trustee, proposes to sell 147,857 of 316,607 shares held. Two directors, O. W. and A. W. Hubbell, propose to sell all of their holdings of 55,000 shares each.

DANNER FOODS FILES FOR OFFERING AND SECONDARY. Danner Foods, Inc., 221 4th Ave., North, Nashville, Tenn., filed a registration statement (File 2-31505) with the SEC on January 28 seeking registration of 300,000 shares of common stock, of which 50,000 are to be offered for public sale by the company and 250,000 (being outstanding shares) by the present holders thereof. The offering is to be made through underwriters headed by J. C. Bradford & Co., Inc., 418 Union St., Nashville, Tenn. 37219; the offering price (\$13 per share maximum*) and underwriting terms are to be supplied by amendment.

The company and subsidiaries operate 13 retail food outlets in Middle Tennessee under the name of "Shoney's Big Boy" and eight fast food take-out stores in the Louisville, Ky., area serving "Colonel Sanders' Recipe Kentucky Fried Chicken;" and it also owns and operates a food processing and storage commissary located in Nashville which produces food items sold in the Big Boy outlets. Of the net proceeds of its sale of additional stock, the company will use \$240,000 to acquire land, construct and equip a Shoney's Big Boy Restaurant in Cookeville, Tenn.; the balance will be applied to the construction of new commissary and office facilities in Nashville. In addition to indebtedness, the company has outstanding 900,000 common shares, of which Raymond L. Danner, president, owns 93.22% and management officials as a group 98.95%. Danner proposes to sell 237,250 of 838,934 shares held, and three others proposes to sell the remaining shares being registered.

NUCLEAR COMPUTER SYSTEMS FILES. Nuclear Computer Systems, Inc., 9100 Markville Drive, Dallas, Tex. 75231, filed a registration statement (File 2-31506) with the SEC on January 28 seeking registration of 250,000 shares of common stock, of which 195,000 are to be offered for public sale by the company and 40,000 (being outstanding shares) by the present holders thereof. The offering is to be made through underwriters headed by Kohlmeyer & Co., 147 Carondelet St., New Orleans, La. 70130; the offering price (\$15 per share maximum*) and underwriting terms are to be supplied by amendment. An additional 15,000 shares are to be purchased by the Kohlmeyer firm at the offering price less the underwriting discount; these shares may not be resold for one year.

The company is engaged in the industrial application of nuclear radiography; the development, manufacture and sale of medical testing devices; the manufacture and sale of thermoelectric devices; and the manufacture and assembly of electronic products. Net proceeds of its sale of additional stock will be added to working capital of the company and used for general corporate purposes, including further development, marketing and manufacture of medical testing equipment, expansion of its nuclear radiograph business, and the financing of the possible acquisition of companies in related businesses. In addition to indebtedness, the company has outstanding 506,000 common shares, of which Harry D. Richardson, executive vice president, owns 328,500 shares (64.9%) and Hall-Mark Electronics Corp. 23%. Richardson, of Baton Rouge, owns 8% of the outstanding stock of Hall-Mark and Jack A. Turpin, another officer, 30%. In a merger of five predecessor companies into Nuclear Computer, Hall-Mark received 159,000 common shares and Richardson 347,500; Hall-Mark has a contingent right to receive up to an additional 350,000 shares for no additional consideration, under circumstances related to future earnings. Richardson proposes to sell 40,000 shares.

OCEANS GENERAL TO SELL STOCK. Oceans General, Inc., 615 Southwest Second Ave., Miami, Fla. 33130, filed a registration statement (File 2-31507) with the SEC on January 28 seeking registration of 205,000 shares of Class A common stock. The stock is to be offered for public sale through underwriters headed by Marantette & Co., 850 Penobscot Bldg., Detroit, Mich.; the offering price (\$12 per share maximum*) and underwriting terms are to be supplied by amendment. The company has agreed to pay the Marantette firm \$7,500 for expenses and to issue to it 5,000 Class A shares.

The company was organized in May 1968 to provide engineering and support operations services for business enterprises and governmental agencies engaged in oceanography and marine-related activities, and to develop and design surface and underwater equipment and facilities; in November it acquired Bay Tech Associates, Inc., an engineering consulting firm. Of the net proceeds of its stock sale, \$500,000 will be applied to operating expenses, including salaries, research and development and expenses of initial contracts, if obtained; the balance will be held in reserve for acquisition costs and working capital in connection with

possible acquisitions of enterprises engaged in marine service operations or related activities. The company now has outstanding 72,428 shares of Class A and 42,000 shares of Class B common stock. Initial capital in the amount of \$499,996 was raised in October through the sale of Class A stock at \$7 per share to a group of sixteen investors, including 5 associates of Marantette. John H. Clotworthy, president, owns 61% of the outstanding Class B stock; management officials as a group own 13% of the outstanding Class A.

PLASTICS DEVELOPMENT PROPOSES OFFERING. Plastics Development Corporation of America, 2223 North 3rd St. Philadelphia, Pa. 19133, filed a registration statement (File 2-31508) with the SEC on January 28 seeking registration of 250,000 shares of common stock, to be offered for public sale at \$5 per share. The offering is to be made through Lomasney & Co., 67 Broad St., New York 10004, which will receive a 50¢ per share commission plus \$10,000 for expenses. The company also has agreed to sell to the underwriter, for \$90, six-year warrants to purchase 9,000 common shares, exercisable after one year at \$5.50 per share. The underwriter has agreed to pay \$15,000 and issue 1,800 warrants (at its cost) to First Franklin Company of Pa. as a finder's fee; and Earl M. Slosberg, company president, has agreed to sell 5,000 shares each (at \$1 per share) to Myron A. Lomasney to a partner of the underwriter's counsel, and to First Franklin Company.

Organized in May 1968, the company is in the developmental stage of operations. It markets and distributes equipment and chemicals, manufactured by others, and chemical compounds, some of which it formulates, to manufacturers of furniture and related products -- used in the production of molds and plastic furniture components produced from such molds. Of the net proceeds of its stock sale, \$600,000 will be used to construct or purchase an equipment manufacturing plant, \$75,000 to hire additional research chemists and technicians for expanded research and development laboratories, \$100,000 to establish facilities in certain foreign countries, and the balance for working capital and other corporate purposes. The company now has outstanding 400,000 common shares (with a 30¢ per share book value), of which Earl M. Slosberg, president, owns 50% and management officials as a group 67.5%. Purchasers of the shares being registered will acquire a 38.46% stock interest in the company for an investment of \$1,250,000; present stockholders will then own 61.54%, for which they paid \$150,100 (or 38¢ per share).

CORRECTION RE SCL INDUSTRIES. The January 23 News Digest account of the proposal of SCL Industries, Inc., to make an exchange offer to holders of Seaboard Coast Line Railroad Company common stock ("Railroad"), inadvertently reported Railroad as having 16,136 outstanding common shares; Railroad has 16,136 shareholders and 8,717,516 outstanding common shares.

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. The captions of the items are as follows:

- Item 1. Changes in Control of Registrant.
- Item 2. Acquisition or Disposition of Assets.
- Item 3. Legal Proceedings.
- Item 4. Changes in Securities
- Item 5. Changes in Security for Registered Securities.
- Item 6. Defaults upon Senior Securities.
- Item 7. Increase in Amount of Securities Outstanding.
- Item 8. Decrease in Amount of Securities Outstanding.
- Item 9. Options to Purchase Securities.
- Item 10. Revaluation of Assets or Restatement of Capital Share Account.
- Item 11. Submission of Matters to a Vote of Security Holders.
- Item 12. Other Materially Important Events.
- Item 13. Financial Statements and Exhibits.

Copies of the reports 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.

Carrier Corp (Jan. 1969 (3)	1-3220-2	Girard Ind. Corp (Dec. 1968 (12,13)	2-17773-2
City Investing Co(Dc. 1968) (2)	1-5651-2	Insur. Invst. Corp Dec. 1968(2)	0-2761-2
Filmways, Inc Dec. 1968 (11,12)	1-4159-2	Penn. Engineering Corp Dec. 1968(4,7,13)	0-3066-2
United Artists Theatre Circuit Unc(Dec. 1968) (3,11,12,13)	1-4159-2 0-2341-2	Frier Ind., Inc Dec. 1968 (2,13)	1-5556-2
		Thalhimer Bros., Inc Dec. 1968 (11)	0-1300-2

SECURITIES ACT REGISTRATIONS. Effective January 31: Amrep Corp., 2-31310 (40 days); The Duplan Corp., 2-31002; E-H Research Laboratories, Inc., 2-31199; Hayes-Albion Corp., 2-31262; The New York Times Co., 2-31192; Ralston Purina Co., 2-31454; Technology Inc., 2-30754; Tishman Realty & Construction Co., Inc., 2-31577. Effective January 29: Electronic Enterprises, Inc., 2-30378 (Apr 30).

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.