

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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SEC APPROVES FINANCIAL GENERAL ACQUISITION. The SEC today announced the issuance of a decision under the Investment Company Act (Release IC-3698) exempting from the provisions of Section 17(a) of the Act the proposed acquisition by Financial General Corporation ("FGC"), a Virginia company, from International Bank ("IB"), an Arizona company (both with principal offices in Washington, D.C.) of all of the capital stocks of Hawkeye Interests Corporation and United Interests Corporation in exchange for 373,228 common shares of FGC. The proposed exchange has been approved by the stockholders of IB and FGC, respectively.

According to the decision, FGC's assets consist primarily of interests in majority-owned subsidiaries and other companies engaged in the banking and insurance businesses. In addition to its 17.14% interest in FGC, IB also owns all of the outstanding stocks of Hawkeye Interests and United Interests. The only significant assets of Hawkeye Interests consists of about 36% of the outstanding common stock of Hawkeye-Security Insurance Company, of Des Moines; and the only significant asset of United Interests consists of about 4.7% of United Service Life Insurance Company, of Washington, D. C. (and the former insurance company owns 6.4% of the latter). Majority-owned subsidiaries of FGC also own about 27% and 14.7%, respectively of the two insurance companies.

The Commission found that the terms of the proposed transactions, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any persons concerned, and that the proposed transactions are consistent with the policy of IB and with the general purposes of the Act. Proceedings are now pending on an application previously filed by IB for a Commission determination that IB is primarily engaged in business other than that of an investment company.

THREE COMPANIES EXEMPTED. The SEC has issued orders under the Investment Company Act (Releases IC-3694, IC-3695 and IC-3696) declaring that Mayflower Fund, Incorporated (Des Moines), Texas Technical Capital, Inc. (Houston), and Marine Investors, Inc. (Topeka, Kansas), have ceased to be investment companies.

COMMERCE TRUST SEEKS ORDER. Commerce Trust Company, Kansas City, Mo., trustee of the United Fund Income Series TI Trust, a registered unit investment trust, has applied to the SEC for an order under the Investment Company Act declaring that the trust has ceased to be an investment company; and the Commission has issued an order (Release IC-3697) giving interested persons until June 5, 1963 to request a hearing thereon. According to the application, in June 1962 the Trust Committee adopted a resolution authorizing the liquidation and termination of the trust and the distribution of the assets to the certificate holders (at December 1962 there were 225 certificates outstanding representing 271,904.102 units of participation). Beginning in January 1963 the Trustee redeemed certificates presented to it at the rate of \$.656 per unit of participation. The application further states that the trust has taken all necessary steps to effect termination, has liquidated all investments and now holds its remaining assets in the form of cash for distribution to the outstanding certificate holders.

NEW ENGLAND ELECTRIC SYSTEM SEEKS ORDER. New England Electric System, Boston registered holding company, and 14 subsidiaries, have applied to the SEC for an order under the Holding Company Act authorizing a method of allocating the group's consolidated income tax liabilities which will give to each of the companies included in the consolidated tax returns the full investment credit each company contributes to the total investment credit allowed on the consolidated returns; and the Commission has issued an order (Release 35-14876) giving interested persons until June 6, 1963 to request a hearing thereon.

SEC ENTERS PRUDENTIAL DIVERSIFIED SERVICES PROCEEDING. The SEC today announced that it has entered an appearance in the proceedings under Chapter X of the Bankruptcy Act in the Federal Court in Butte, Montana, for the reorganization of Prudential Diversified Services, a Montana company, and its four subsidiaries, Prudential Diversified Services, Inc., Medical Arts Drug, Inc., New Placer Hotel Corporation, and Continental Underwriters, Inc. Joseph J. McCaffery is Trustee of each Debtor. (Release CR-201)

The companies are engaged in the real estate business and in the operation of the New Placer Hotel in Helena, Montana. Financial statements of the Debtors (as of February 28, 1963) reflected consolidated assets of \$5,510,000 and liabilities of \$5,243,000. For the period May 1, 1962 through February 28, 1963 there were gross revenues of \$867,000 and a net loss of \$70,000. Shortly prior to filing of the Chapter X petitions, the Commission obtained a Federal court order enjoining the sale of debentures of the parent Debtor in violation of the Securities Act anti-fraud provisions.

DATE FOR RULE 156 COMMENTS EXTENDED. The SEC has extended to July 1, 1963, the due date for submission of comments upon its proposed Rule 156 under the Securities Act of 1933 relating to transactions involving certain group annuity contracts.

OVER

ACTION DISMISSED AGAINST NATIONAL CAPITAL. The SEC announced today (LR-2624) the entry of a Federal court order (USDC, DC) granting the motion of National Capital Corporation, of Miami, Fla., for summary judgment in an action brought by the Commission to compel the filing of proper and timely annual reports of National. Earlier, the Court had denied the Commission's motion for summary judgment against National on the grounds that National's undertaking to file reports was not operative during 1960 and that National had filed its 1961 annual report subsequent to the institution of the action.

FOUR FOUND GUILTY IN AMERICAN EQUITIES CASE. The SEC New York Regional Office announced May 15 (LR-2625) that Martin Benjamin (Long Beach, L.I., N.Y.), and Milton Z. Mende (formerly of Los Angeles) were found guilty (USDC, SDNY) of conspiring to violate the Securities Act registration and anti-fraud provisions in the offer and sale of stock of American Equities Corporation. Also found guilty of conspiring to violate the Securities Act anti-fraud provisions in the sale of such stock were Bernard Howard (Eastchester, N.Y.) and Morris G. Reiss (Van Nuys, Calif.), transfer agent for American Equities. Mitchell Kovaleski (North Hollywood, Calif.), president of American Equities, was found not guilty. Sentencing was deferred until June 18, 1963 pending a pre-sentence investigation.

COMPLAINT CITES EDWARD H. STERN & CO. The SEC New York Regional Office announced May 15 (LR-2626) the filing of court action (USDC, SDNY) seeking to enjoin Edward H. Stern & Co., Inc., a New York broker-dealer, its president, Richard Litt (New York), and its bookkeeper and part-time cashier, Estelle Reitman (Brooklyn, N.Y.), from violating the Commission's net capital and bookkeeping rules, and the Exchange Act anti-fraud provisions requiring the prompt transmission of payments received in connection with an underwriting of Regal Factors, Inc. stock.

SUNSET INTERNATIONAL PETROLEUM FILES EXCHANGE OFFER. Sunset International Petroleum Corporation, 100 West Tenth St., Wilmington, Del., filed a registration statement (File 2-21424) with the SEC on May 16 seeking registration of \$2,025,000 of 5% subordinated debentures due 1983 and 135,000 shares of common stock. It is proposed to offer such securities in exchange for not more than 72% of the outstanding common stock of Sunac Petroleum Corporation, a Delaware company, at the rate of \$300 of debentures and 20 shares for each 1,000 shares of Sunac. No underwriting is involved.

The company is engaged in oil and gas producing operations in the Rocky Mountain, Texas and mid-continent areas and in real estate operations in California. According to the prospectus, Sunac is engaged in exploring for and producing crude oil and natural gas. In addition to various indebtedness and preferred stock, the company has outstanding 8,805,851 shares of common stock, of which American Eagle Corporation owns 18% and management officials as a group 7.8%. J. D. Sterling is board chairman and Morton A. Sterling is president; and they and other members of their families own 37% of the outstanding stock of American Eagle (management officials as a group own 42.9% of American Eagle).

XTRA FILES FOR PREFERRED STOCK OFFERING. Xtra, Inc., 150 Causeway St., Boston, filed a registration statement (File 2-21425) with the SEC on May 16 seeking registration of 80,000 shares of cumulative convertible preferred stock (\$25 par), to be offered for public sale through underwriters headed by Putnam & Co., 6 Central Row, Hartford, Conn. The dividend rate, public offering price (maximum \$27.50 per share*) and underwriting terms are to be supplied by amendment.

The company is engaged in renting trailers to railroads or customers of railroads in connection with trailer-on-flat-car or "piggyback" operations. It also leases transportable, reusable containers to railroads, transoceanic steamship companies and others. Of the net proceeds from the stock sale, \$325,000 will be used to repay a bank loan incurred to make down payments on equipment, \$275,000 to prepay equipment obligations incurred on a no down payment basis in 1962 to the limited extent necessary to convert them to a 20% down payment basis, and the balance, with available cash, will be used to finance about \$7,000,000 of additional equipment purchases. In addition to certain indebtedness, the company has outstanding 330,000 shares of common stock, of which management officials as a group own 36%. John F. Prendiville is board chairman and Carl P. Tomm is president.

MCDANIEL EQUIPMENT SUSPENSION MADE PERMANENT. McDaniel Equipment, Inc., 516 7th Ave., San Diego, Calif., has withdrawn its request for a hearing upon the Commission's order of March 13, 1963, temporarily suspending a Regulation A exemption from Securities Act registration with respect to a proposed public offering of stock by that company. Accordingly, the suspension order has become permanent; and the hearing scheduled for May 20, 1963 in Los Angeles has been cancelled. The suspension order was based upon false and misleading representations in the company's offering circular.

SECURITIES ACT REGISTRATIONS. Effective May 16: American Pacific Fund, Inc. (File 2-20574); Realty Equities Corp. of New York (File 2-21274); Stone Mountain Scenic Railroad, Inc. (File 2-21056); Sun Oil Co. - Olin Mathieson Chemical Corp. (File 2-21339); Tropical Gas Co., Inc. (File 2-21308). Effective May 17: Carlisle Corp. (File 2-21336); Pall Corp. (File 2-21282).

ORAL ARGUMENTS, COMING WEEK. May 22, 2:30 P.M., Reese, Scheftel & Co., Inc., et al.
May 22, 3:30 P.M., Jerome B. Howard, dba Howard Investment Co.

*As estimated for purposes of computing the registration fee.