

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.



Washington, D.C. 20549

(In ordering full text of Releases from SEC Publications Unit cite number)

(Issue No. 70-249)

FOR RELEASE December 28, 1970

DECISION IN ADMINISTRATIVE PROCEEDING

SENTINEL SECURITIES REVOKED. In a decision announced today (Release 34-9047), the Commission revoked the broker-dealer registration of Sentinel Securities, Inc. ("Sentinel"), of Wichita, Kansas, for (among other things) violations of the registration, anti-manipulation and antifraud provisions of the Federal securities laws in the offer and sale of stock of its parent, Investment Centers, Inc. ("ICI"), also of Wichita. ICI and Leroy Warner Gilliland, who was president of Sentinel, were barred from further association with any broker-dealer; and Don F. Reed, president of ICI, was suspended from any such association for twelve months, commencing December 28. Without admitting or denying the violations, Sentinel, ICI and Reed consented to Commission findings of violation and to imposition of the indicated sanctions; as to Gilliland, the sanction was based upon his default (failure to answer the allegations of the order for proceedings).

According to the Commission's decision, Sentinel, ICI, Gilliland and Reed, in connection with the offer and sale of unregistered stock of ICI during the period December 11, 1969, to June 5, 1970, engaged in manipulative activities which regularly raised the market price of the stock, arranged for the publication in a local newspaper of quotations for the stock at prices fixed by them, and effected transactions in ICI stock with customers at unfair prices. They engaged in an "intensive high-pressure campaign" to sell ICI stock (which was speculative and unseasoned) through inexperienced salesmen who were not properly trained and had virtually no supervision; and, in the course of such campaign, they made "fraudulent representations" to customers to the effect that they would be getting in on the ground floor, that only a few shares were left, that people were screaming for the stock and there would be no problem in reselling the stock because of the demand therefor, that there was no risk involved, that ICI owned a bank, and that the price of the stock would double in one year. Respondents failed to give purchasers notice of Sentinel's interest in the ICI distribution, to file the certain forms and pay fees required of non-NASD members, to have Sentinel employees take the required securities examination, to amend Sentinel's registration application to reflect changes in management officials, and to keep certain books and records, as required.

COMMISSION ANNOUNCEMENTS

FOREIGN RESTRICTED LIST. The SEC has added Northern Survey, of Montreal, Canada, as well as Nebilla Mining Corporation and Cia. Rio Banano, S.A., both of Costa Rica, to its Foreign Restricted List. The list is comprised of the names of foreign companies whose securities the Commission has reason to believe recently have been or currently are being offered for public sale in the United States in violation of the Securities Act registration requirement. Failure to register deprives investors of the financial and other information which would be provided through the registration process.

CORPORATE WORKING CAPITAL REPORTED. The SEC today reported that the net working capital of U. S. corporations increased \$400 million in the third quarter of 1970. Working capital, which represents business investment in current assets in excess of current liabilities, totaled \$214.0 billion at the end of September. The third quarter rise in working capital compares with an increase of \$300 million in the second quarter and a decline of \$1.8 billion in the corresponding quarter of 1969. For additional details, see Stat. Release No. 2490.

HOLDING COMPANY ACT RELEASES

NATIONAL UTILITIES EXEMPT STATUS QUESTIONED. The SEC on December 18 sent a letter to National Utilities & Industries Corporation, of Elizabeth, N. J., advising pursuant to Rule 6 under the Holding Company Act that a question exists whether National's exemption from registration as a holding company under the Act is in the public interest.

National was organized in 1969. It appears to be a "holding company" as defined in Section 2(a) of the Act by reason of its ownership of all the outstanding common stock of Elizabethtown Gas Company, acquired in 1969 in an exchange of National stock for stock of the Gas Company. In its annual report to shareholders for the fiscal year ended September 30, 1969, National outlined changes in the company's business and activities which had occurred during the year and discussed the company's "goal of expansion and diversification"; and in a statement filed February 26, 1970, pursuant to Rule USA-2, National reported its ownership of all the outstanding capital stock of National Computer Utility Company, National Exploration Company and National Energy Leasing Company. In that statement, National claimed exemption from the Holding Company Act. On April 7, 1970, National entered into an agreement to acquire a 51% stock interest in Executive Airlines, Inc., a Nevada corporation, subject to any necessary approval by the Civil Aeronautics Board.

The Commission's notice to National states that its exemption from registration as a holding company will terminate thirty days from the receipt thereof in accordance with the provisions of Rule 6. However, this is without prejudice to the right of National to file an exemption application pursuant to any applicable provision of the Act. Such an application, if filed in "good faith," provides a temporary exemption from registration pending the Commission's decision upon the exemption application.

OVER

NORTHEAST UTILITIES RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-16943) authorizing Northeast Utilities, West Springfield, Mass., to renew and extend \$33,600,000 of outstanding short-term promissory notes to banks and to dealers in commercial paper, and to sell up to an additional \$66,400,000 of short term notes and to renew such notes from time to time. Northeast intends to utilize the proceeds to make capital contributions to the Connecticut Light & Power Co., Hartford Electric Light Co., and Western Massachusetts Electric Co., all electric utility subsidiaries, and to supply funds as needed to other subsidiaries, all if, as and when authorized by the Commission.

SOUTHERN CO. SEEKS ORDER. The SEC has issued an order under the Holding Company Act (Release 35-16944) giving interested persons until January 18, 1971, to request a hearing upon an application by The Southern Company (of Atlanta) and four of its electric utility subsidiary companies, Alabama Power Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company. The companies propose to issue and sell, during 1971, unsecured notes to banks and to dealers in commercial paper up to an aggregate principal amount of \$120,000,000 outstanding at any one time in the case of Southern, and \$85,000,000, \$125,000,000, \$18,000,000 and \$16,000,000, respectively, in the cases of Alabama, Georgia, Gulf and Mississippi. The subsidiaries also propose to issue additional stock to the parent.

Southern will use the proceeds of its borrowings, together with treasury funds, to pay bank loans and commercial paper, when due, and for other corporate purposes, including particularly additional equity investments in the subsidiaries, as follows: Alabama, \$47 million; Georgia, \$75 million; Gulf, \$8 million; and Mississippi, \$7 million. The subsidiaries will use the borrowed funds and proceeds of the sale of additional stock to the parent, to reimburse their treasury for construction expenditures, to finance partially their 1971 construction programs, to pay bank and commercial paper notes incurred for such purposes, and for other corporate purposes.

KINGSFORT POWER RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-16947) on application of Kingsfort Power Company, Roanoke, Va., extending through 1971 the period within which it may issue and sell two notes totalling \$3,500,000. The proceeds will be used to renew bank loans and the proceeds of which were used for past construction expenditures, to pay, in part, for future construction, and for other corporate purposes. The company's 1971 construction program is estimated at \$1,600,000.

INVESTMENT COMPANY ACT RELEASE

ADVANCED ANALYSIS FUND RECEIVES ORDER. The SEC has issued an order under the Investment Company Act (Release IC-6304), declaring that Advanced Analysis Fund, Inc., Kansas City, Mo., mutual fund, has ceased to be an investment company.

COURT ENFORCEMENT ACTION

KOFFLER AND ENGELHARDT SENTENCED. The SEC Denver Regional Office announced December 21 (LR-4853) that Matt G. Koffler, of Mandan, N. Dak., and Edward E. Engelhardt, of Dickinson, N. Dak., received prison sentences of three years and one year, respectively, upon their pleas to an indictment charging fraud in the sale of securities of State Acceptance Corporation.

DUNHILL SECURITIES MOTION DENIED. The SEC New York Regional Office announced December 11 (LR-4854) that the Federal court in New York City had denied the motion of Dunhill Securities Corporation and Patrick R. Reynaud to vacate a June 1969 default order of permanent injunction enjoining violations of the Commission's bookkeeping and net capital rules.

SECURITIES ACT REGISTRATIONS

GRACE & CO. SHARES IN REGISTRATION. W. R. Grace & Co., 3 Hanover Sq., New York 10004, filed a registration statement (File 2-39074) with the SEC on November 23 seeking registration of 115,255 outstanding shares of common stock. The shares were issued by the company in connection with the acquisition of other companies; they may be offered for sale by the holders thereof, at prices current at the time of sale (\$28 7/8 per share maximum*).

The company is engaged in various business operations including chemicals, agricultural chemicals, consumer foods, petroleum and extractive industries, steamship operations and other activities. In addition to indebtedness, the company has outstanding 21,672,620 common shares, of which management officials as a group own 2.20%. Allen S. Rupley is board chairman and J. Peter Grace is president.

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:

American Air Filter Company, Inc., Louisville, Ky. 40208 (File 2-39072) - 40,000 shares

Damon Creations, Inc., New York (File 2-39085) - 96,734 shares

New Idria Mining and Chemical Company, Fresno, Calif. 93745 (File 2-39091) - 100,000 shares

Agway Inc., Town of De Witt, N. Y. (File 2-39090) - 10,000 shares of 6% cumulative preferred stock (\$100 par) and \$1,000,000 of 6 1/2% subordinated debentures, due 1987

