



# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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## CASEY SEES GREATER MARKET ROLE FOR LIFE INSURANCE COMPANIES

SEC Chairman William J. Casey told a meeting of the Association of Advanced Life Underwriters in Washington yesterday that "when life insurance protection has built-in inflation protection, life insurance companies will become an enormous factor in the equity markets."

"I believe that where you start selling equity or variable life insurance policies, we will get another huge infusion of institutional equity money alongside that of pension plans," Casey said, "but we must have the individual investor to absorb increased institutional trading and to take up the slack as pension plans mature. We have a very different market than we had ten years ago, then, a large block of 10,000 shares or more would be traded about every hour -- 5 or 6 times a day. Today we see this kind of trade every 3 minutes -- 100 times a day."

Casey told the group that during the first half of 1971, block transactions on the NYSE ran 7,000 a month and accounted for 18% of the total volume. Meanwhile from 1968 to 1971 odd lot volume fell from 10% of the total volume to 5% and all trades of 200 shares or less fell from 41% of total volume to 24%.

"This comes not so much from new savings coming into our institutions, although that is impressive too," Casey declared, "but from pension funds and life insurance companies putting a larger portion of their portfolios into stocks and from more active trading by institutions."

"One of the important decisions made in our policy statement on the structure of the markets is that the road should be left open for brokerage firms which have the talent and the experience to provide money management services. This is something which will stabilize brokerage income and will provide much needed guidance for the public. At the same time, we left the road open for institutions willing to serve the public in a brokerage capacity to commit needed capital to that business. In all of this, our work, and that of the self-regulatory bodies, provides only a framework," Casey added.

## DECISIONS IN ADMINISTRATIVE PROCEEDINGS

T. L. NORTH, NORTH'S NEWS LETTER AND SPECIAL REPORTS, REVOKED. The SEC has issued an order revoking the registration of Thomas Love North, doing business as North's News Letter and Special Reports, Tiburon, Calif. as an investment adviser, effective on February 15, 1972.

The order was based on findings that registrant willfully violated antifraud provisions of the securities laws from October 1969 to August 1971 by publishing material relating to securities without disclosing the receipt of consideration from the issuers of such securities; by misrepresenting that in-depth independent investigation was made of companies that were subjects of its reports; by publishing reports and advertisements containing misleading statements concerning the business operations, assets, and value of Crestline Uranium and Mining Co., Eastern Dynamic Industries, Inc. and Progressive Investment Corp., payments made to registrant for publishing reports on those companies, actions taken by the Commission against Crestline Uranium and Mining Company, and the market prices of shares of certain subsidiaries of Progressive Investment Corp.; and by failing to disclose that it had been paid by various companies to tout their stocks in advertisements in a financial publication. North had previously been permanently enjoined from violating certain of those anti-fraud provisions. It was also found that from January 1965 to August 1970 registrant failed to prepare and maintain various required books and records.

The Commission's action was taken pursuant to an offer of settlement in which registrant, without admitting or denying the charges, consented to the findings and revocation order. (Rel. IA-307)

SALLY E. LANG SUSPENDED. The SEC has issued an order that Sally E. Lang, Edmonds, Washington, be suspended from association with any broker or dealer for 30 days and that she thereafter not be so associated except under such supervision as the Commission shall have deemed adequate.

The order was based on findings that Lang, an officer and stockholder of a registered broker-dealer, aided and abetted violations of antifraud provisions in that from January to March 1971 she made false and misleading statements concerning said broker-dealer's financial condition, its violations of the Commission's net capital rule, its books and records, and the risk of its business being seriously affected by disciplinary actions that might be taken against it. The Commission also found that between July 1970 and March 1971, Lang aided and abetted registrant in violating the net capital and record-keeping provisions of the Exchange Act, and that she had been permanently enjoined from violating or aiding and abetting violations of the various cited provisions.

The Commission's action was taken pursuant to an offer of settlement in which Lang, without admitting the charges, consented to the findings and the specified sanction. (Rel. 34-9489)

OVER

COMMISSION ANNOUNCEMENT

SEC SETS HEARING ON VARIABLE INSURANCE CONTRACTS. The SEC today announced that it will hold public hearings starting on April 10, 1972 at its offices in Washington, D. C. as part of a rulemaking proceeding with respect to a Petition for issuance and amendment of rules requesting exemption of certain variable life insurance contracts and their issuers from the Federal securities laws. The Petition was filed with the Commission by the American Life Convention and the Life Insurance Association of America. The proceeding will be conducted by the Division of Corporate Regulation.

Petitioners propose the issuance and amendment of definitional and exemptive rules which would afford exemptions from the Federal securities laws for variable life insurance contracts possessing certain specified characteristics, for related interests and participations therein, and for the issuers and related persons thereof.

Variable life insurance, as discussed in the Petition, refers to insurance contracts in which the death benefit and other benefits vary to reflect the investment experience of a separate account maintained by a life insurance company. Petitioners anticipate that the usual form of variable life insurance will provide for fixed premiums. The variable feature of the policy, Petitioners alleged, will not relieve the insurance company of any of the mortality and expense risks it normally bears under a life insurance contract.

The proposed rules would exempt from the Federal securities laws variable life insurance contracts which possess the following specified characteristics which Petitioners contend are designed to assure that the basic and predominant purpose and function of variable life insurance is to provide protection against death: (1) provision for life insurance coverage for the whole of life and assumption by the insurance company of the mortality and expense risks thereunder, (2) provision for an initial stated amount of death benefit and guaranteed payment of a death benefit at least equal to such amount, (3) provision that the amount payable upon the death of the insured under the policy in any year will be no less than a specified minimum multiple of the gross premium payable in that year by a person who meets standard underwriting requirements, and (4) the contract is, in the entirety, a life insurance contract subject to regulation under the state insurance laws of any state in which the contract is offered, including all required approvals by the insurance commissioner of such state.

The Commission invites all interested persons to submit their views and comments in writing for inclusion in the proceeding or to appear in person at such proceeding. Written statements of views and comments in respect of the proposed rules should be submitted to the Secretary, Securities and Exchange Commission, Washington, D. C. 20549, on or before March 24, 1972. Persons wishing to appear in person should file with the Commission on or before March 24, 1972 a brief description in writing of the comments they intend to make and a summary of the evidence they wish to present. All such communications will be made available for public inspection.

Interested persons are referred to the Notice of Proposed Rulemaking (Rel. 33-5234, February 15, 1972) and to the Petition on file with the Commission for the text of the proposed rules and amendment and for a description of variable life insurance, sample contracts and a statement of the reasons advanced in support of the proposed rules and amendment.

NEW RULES AND RULE PROPOSALS

NEW YORK STOCK EXCHANGE PLAN CLEARED. The SEC today announced that it had declared effective a plan filed by the New York Stock Exchange ("NYSE") pursuant to Rule 17a-10 under the Securities Exchange Act which plan provides that each individual member not affiliated with any member organization and each member organization of the NYSE may file with the Exchange, rather than the Commission, their annual reports of income and expenses and related financial and other information prescribed by SEC Form X-17A-10. The plan provides that the NYSE (1) will adopt and implement appropriate internal procedures for review of the reports submitted by members and member organizations, (2) will review all reports filed for reasonableness and accuracy, (3) will submit edited reports to the Commission (excluding the names and addresses of the respective firms), (4) will maintain and preserve a copy of all information furnished it by any member or member organization and of related correspondence, memoranda, etc., for a period of six years, and (5) will undertake certain other obligations. (Rel. 34-9495)

PROPOSAL TO AMEND RULE 17a-10. The SEC today invited the submission of views and comments not later than April 10, 1972 upon a proposal to amend Rule 17a-10 under the Securities Exchange Act. Rule 17a-10 requires every member of a national securities exchange and every broker or dealer registered pursuant to Section 15 of the Exchange Act to file each year with the Commission a report of his income and expenses and related financial and other information on Form X-17A-10. Paragraph (b) of the rule presently provides that a national securities exchange or a registered national securities association may submit to the Commission a plan providing for reports from its members on forms consistent with Form X-17A-10, and for the transmission to the Commission of copies of such reports. Such a plan, among other things, may also provide that, in transmitting copies of such records to the Commission, the names and addresses of members whose information is transmitted may be omitted. Upon Commission approval of such a plan, the members of the exchange or association which submitted the plan are to file their reports directly with the association or exchange in accordance with the plan and not with the Commission.

The Commission proposes to amend paragraph (b) of Rule 17a-10 by deleting the wording in that paragraph which permits a plan to provide that in transmitting copies of Form X-17A-10 reports to the Commission, a self-regulatory organization may omit the names and addresses of members as to whom such information is transmitted. If this proposal is adopted, it will be necessary for all self-regulatory organizations that have qualified plans with the Commission pursuant to paragraph (b) of Rule 17a-10 to amend their respective plans to delete the provisions of this nature. (Rel. 34-9496)

COURT ENFORCEMENT ACTION

S. J. SALMON & CO. ENJOINED. The SEC New York Regional Office announced February 8 that the Federal court in New York permanently enjoined S. J. Salmon & Co., Inc., of New York, N. Y., Sheldon J. Salmon, its president, and William A. Helman, its vice-president, from violating the net capital provisions of the Federal securities laws and appointed John C. Fontaine as SIPC trustee. The defendants consented to the court order and appointment of the trustee. (LR-5316)

INVESTMENT COMPANY ACT RELEASE

INTERNATIONAL UTILITIES OVERSEAS CAPITAL CORPORATION. The SEC has issued a notice giving interested persons until February 22 to request a hearing upon an application of International Utilities Overseas Capital Corporation (Overseas), wholly-owned subsidiary of International Utilities Corporation (International), for an order exempting it from all provisions of the Act (subject to certain specified conditions). Overseas has a paid-in capital of \$300,000 represented by 3,000 outstanding shares of common stock, all held by International. Overseas proposes to issue up to \$25 million of fifteen-year bonds, to be guaranteed by Gotaas Larsen Shipping Corporation (a company incorporated in Delaware and wholly-owned by International), or alternatively, by International. The bonds are to be distributed outside the United States or its territories or possessions and to persons other than U. S. nationals or residents. According to the application, the proposed issue of bonds is consistent with the conditions set forth in Rule 6c-1 in all respects, except that the bonds will initially be guaranteed by Gotaas-Larsen, rather than by International, the parent. (Rel. IC-6997)

HOLDING COMPANY ACT RELEASE

OHIO EDISON COMPANY. The SEC has issued a notice giving interested persons until March 3 to request a hearing upon an application of Ohio Edison Company, Akron, Ohio, to issue and sell 363,700 shares of preferred stock (\$100 par) at competitive bidding. Net proceeds will be used for construction and related purposes, or for improvement of its service (including advances in connection with the development of a new coal mine), or for repayment of unsecured short-term debt, (estimated at \$25 million) or for the reimbursement of its treasury for expenditures made for such purposes. Ohio Edison also proposes to issue \$7,066,000 of first mortgage bonds, 3½% Series of 1955, due 1985, under provisions of its Twelfth Supplemental Indenture dated May 1, 1955, and to surrender such bonds to the trustee in accordance with the sinking fund provisions. In addition, Ohio Edison proposes to amend its charter to increase from 1,000,000 (636,300 of which are outstanding) to 1,800,000 the number of its cumulative preferred shares (\$100 par), so as to be in a position to issue and sell preferred stock from time to time to facilitate the financing of its construction program. Construction expenditures are estimated at \$121,720,000 for 1972. (Rel. 35-17453)

SECURITIES ACT REGISTRATIONS

AMERICAN BUILDING MAINTENANCE INDUSTRIES, 333 Fell St., San Francisco, Calif., 94102, filed a registration statement on February 10 seeking registration of 5,000 outstanding shares of common stock which may be offered for public sale by the holders thereof (\*at \$50 per share maximum). (File 2-43057)

RESEARCH-COTTRELL, INC., P. O. Box 750, Bound Brook, N. J. 08805, filed a registration statement on February 10 seeking registration of 149,500 outstanding shares of capital stock which may be offered for sale from time to time by the holders thereof (\*at \$59.125 per share maximum). (File 2-43056)

RAGEN PRECISION INDUSTRIES, INC., 9 Porete Ave., North Arlington, N. J. 07032, filed a registration statement on February 10 seeking registration of 123,024 outstanding shares of common stock, to be offered for public sale by the holders thereof. The offering is to be made (\*at \$25 per share maximum) through underwriters headed by Bernard Aronson, Taeni Inc., 745 Fifth Ave., New York 10022. The company is primarily engaged in the manufacture of electronic components and microfilming services. (File 2-43058)

MIDLAND ENTERPRISES, INC., 1400 Provident Tower, Cincinnati, Ohio 45202, filed a registration statement on February 11 seeking registration of \$22,500,000 of first preferred ship mortgage bonds, due 1992, to be offered for public sale through underwriters headed by The First Boston Corp., 20 Exchange Pl., New York 10005. A wholly-owned subsidiary of Eastern Gas and Fuel Associates, the company is primarily engaged in barge transportation on inland waterways. Net proceeds from the bond sale will be used to finance Midland's purchase of floating equipment to be mortgaged. (File 2-43060)

THE MAPLE PRESS COMPANY, 210-234 East York St., York, Pa. 17403, filed a registration statement on February 11 seeking registration of 300,000 shares of common stock, of which 100,000 are to be offered for public sale by the company and 200,000 (being outstanding shares) by the holders thereof. The offering is to be made (\*at \$15 per share maximum) through underwriters headed by G. H. Walker & Co. Inc., 45 Wall St., New York 10005. The company is engaged primarily in the business of book manufacturing. Of the net proceeds of its stock sale, \$825,000 will be applied to payment of long-term debt and the balance for working capital and other corporate purposes. (File 2-43065)

OLD STONE MORTGAGE AND REALTY TRUST (the Trust), 86 S. Main St., Providence R. I. 02903, filed a registration statement on February 11 seeking registration of \$15 million of convertible subordinated debentures, due 1987, and 600,000 shares of beneficial interest, to be offered for public sale in units, each consisting of a \$1,000 debenture and 40 shares of beneficial interest. The offering is to be made at \$1,000 per unit through underwriters headed by G. H. Walker, Inc., 45 Wall St., New York 10005. The Trust is a real estate investment trust, with principal emphasis on long-term investments in income-producing real properties, including mortgage loans. Old Stone Management Corp. is investment advisor. (File 2-43066)

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:  
 Portland General Electric Company, Portland, Ore. (File 2-43059) - 86,000 shares  
 Berkey Photo, Inc., 842 Broadway, New York (File 2-43061) - 281,627 shares  
 Scot Lad Foods, Inc., Chicago, Ill. (File 2-43062) - 240,400 shares  
 International Harvester Company, Chicago, Ill. (File 2-43064) - 350,000 shares

#### MISCELLANEOUS

TRADING SUSPENSIONS CONTINUED. The SEC has ordered the suspension of over-the-counter trading in the securities of Continental Vending Machine Corporation and in the common stock of Coatings Unlimited, Inc., for the further ten-day period February 15-24, 1972, inclusive.

CORRECTION RE TRADING SUSPENSIONS. The SEC has ordered suspension of exchange and over-the-counter trading in the securities of Ecological Science Corporation and in the common stock of Applied Devices Corporation for the further ten-day period February 13-22, 1972, inclusive, not February 14-23, as reported in the February 11 News Digest.

SECURITIES ACT REGISTRATIONS. Effective February 11: Beatrice Foods Co., 2-42892; Commerce Bancshares, Inc., 2-42628; Cook Electric Co., 2-42688; Giffen Industries, Inc., 2-35472; Jim Walter Corp., 2-42895; Minnesota Power & Light Co., 2-42717; The Pacific Telephone and Telegraph Co., 2-42897; Scovill Manufacturing Co., 2-42927.

\*As estimated for purposes of computing the registration fee.

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ONLY the SEC News Digest is for sale by the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402. All other referenced material must be ordered by the Securities and Exchange Commission, Washington, D. C. 20549.