

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



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

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**CORPORATE WORKING CAPITAL UP.** The SEC reports (for December 23 newspapers) that the net working capital of U. S. Corporations, excluding certain financial intermediaries increased \$1.1 billion in the third quarter of 1966 and at the end of September totaled \$191.5 billion. The third quarter rise was considerably smaller than the gains in the second quarter of this year and the third quarter of 1965 -- \$4.4 billion and \$3.1 billion, respectively -- probably reflecting pressures on business firms to utilize more fully their available funds as a result of the tighter conditions in the money and capital markets after June. The more liquid assets, cash and short-term investments, declined in the third quarter and the ratios customarily used as measures of corporate liquidity fell correspondingly. The third quarter gain in working capital resulted from an increase of \$7.8 billion in current assets partly offset by an increase of \$6.8 billion in current liabilities. Inventories rose \$4.9 billion in the third quarter, to a level of \$139.4 billion, compared with a gain of \$3.7 billion in the third quarter of last year. Trade notes and accounts receivable increased \$4.4 billion in the latest quarter as against an increase of \$5.3 billion in the corresponding period of last year. (For further details, see Statistical Release 2173.)

**R. R. HOWARD CO. DENIED REGISTRATION.** The SEC today announced a decision and order under the Securities Exchange Act (Release 34-8009) denying an application of R. R. Howard & Co., Inc., Beverly Hills, Calif., for registration as a broker-dealer and barring Ronald R. Howard, its president, from further association with any broker or dealer. Without admitting or denying the allegations against them, both the firm and Howard consented to entry of the Commission's order.

Upon the basis of the allegations and respondents' consents, the Commission found that during 1965 and 1966 Howard offered and sold stock of Video Corporation in violation of the Securities Act registration requirement; that during 1965 and 1966 he violated the anti-fraud provisions of the Federal securities laws in connection with his transactions in the stock of Tama Packing Company; and that during the years 1961-1966 he violated said anti-fraud provisions in the offer and sale of stocks of Technicolor, Inc., National Video Corporation and Royal Dutch Petroleum Co.

According to the Commission's decision, Howard purchased stock of Tama Packing in another's name without prior authorization; failed to pay for Tama stock which he purchased; unlawfully retained a customer's funds; and, in the offer and sale of Video stock, made false and misleading representations concerning the unregistered and restricted nature of such stock, the mark-ups charged, and the identity of the seller. He also made false and misleading representations in the offer and sale of Technicolor, National Video and Royal Dutch stocks concerning the future market prices of those securities and the risks involved in purchasing them on margin; purchased and sold securities without prior authorization; and induced transactions in the account of a customer which were excessive in light of the customer's financial resources and investment needs and objectives. Moreover, Howard violated provisions of Regulation T and made a false statement in the report of financial statement included in the firm's registration application.

**COLUMBIA GAS SEEKS ORDER.** The Columbia Gas System, Inc., New York, and its gas-utility subsidiary, The Inland Gas Company, Inc., have applied to the SEC for an order under the Holding Company Act authorizing Columbia to acquire the subsidiary's unsecured, installment promissory note in the principal amount of \$2,200,000; and the Commission has issued an order (Release 35-15631) giving interested persons until January 12 to request a hearing thereon. The application states that in exchange for the note Columbia will surrender to Inland 220,000 shares of Inland's common stock for cancellation.

**HARTFORD ELECTRIC RECEIVES ORDER.** The SEC has issued an order under the Holding Company Act (Release 35-15628) authorizing certain financing transactions by The Hartford Electric Light Company, subsidiary of Northeast Utilities. The application states that Hartford presently has outstanding \$25,000,000 of notes, due between March 30, 1967, and June 28, 1967, all incurred before Northeast became a holding company. Hartford proposes to extend the maximum maturity dates of such notes to June 30, 1967, or to refund the notes with other similar notes due June 30, 1967. It also proposes to sell to banks by June 30, 1967, additional short-term notes aggregating \$13,000,000. Hartford's construction program contemplates gross construction expenditures of \$28,000,000 for 1966 and \$32,000,000 for 1967. Funds to be derived from the new loans will be applied to such expenditures.

**READING & BATES OFFSHORE PROPOSES OFFERING.** Reading & Bates Offshore Drilling Company, 1100 Philtower Bldg., Tulsa, Okla. 74103, filed a registration statement (File 2-25826) with the SEC on December 20 seeking registration of 280,000 shares of cumulative convertible preferred stock, First Series, \$1 par. The stock is to be offered for public sale through underwriters headed by Shields & Co. Inc., 44 Wall St., New York 10005, and Hulme, Applegate & Humphrey, Inc., Union Trust Bldg., Pittsburgh, Pa. 15219. The dividend rate, public offering price (\$25 per share maximum\*) and underwriting terms are to be supplied by amendment.

The company is principally engaged in contract drilling operations on continental shelf areas in the Gulf of Mexico, in the North Sea offshore England, in the Persian Gulf and other areas. Net proceeds of its stock sale (together with \$7,000,000 from a proposed loan) will be used to improve its working capital position and to implement its long-term capital improvements program. The company has plans to convert two of its present drilling tenders to non-self-propelled, flume stabilized floating drill ships, at a cost of approximately

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\$2,000,000 each, and to construct and equip an additional heavy drilling ship, planned to be self-propelled, at an estimated cost of \$7,000,000. In addition to indebtedness, the company has outstanding 1,966,639 common shares. The outstanding common shares reflect the issuance of 169,367 shares in connection with the company's acquisition of Rodman Petroleum Corporation, Rodman Oil Company and certain of the properties of Basin Drilling, Inc. Management officials of the company own 13.9% of its outstanding common. J. W. Bates, Jr., is president.

**HOUSTON LIGHTING PROPOSES BOND OFFERING.** Houston Lighting & Power Company, 900 Fannin St., Houston, Tex. 77002, filed a registration statement (File 2-25829) with the SEC on December 21 seeking registration of \$40,000,000 of first mortgage bonds, due 1997, to be offered for public sale at competitive bidding. The company will use the net proceeds of its bond sale in connection with its construction program (estimated to cost \$109,000,000 in 1967) and for other corporate purposes.

**NEW ENGLAND FUND RECEIVES ORDER.** The SEC has issued an order under the Investment Company Act (Release IC-4794) authorizing New England Fund, Boston investment company, to issue its shares at net asset value for substantially all of the assets of Franklin Research and Development Corp. According to the application, Henry E. Kingman, board chairman of New England Fund, owns more than 5% of the outstanding voting securities of Franklin Research; as a result the two companies are affiliated. The assets of Franklin Research, which is a personal holding company having 71 stockholders, amounted to \$2,845,424 on June 30, 1966, and the net assets of New England Fund on that date amounted to \$24,202,054.

**HARPER & ROW PROPOSES OFFERING.** Harper & Row, Publishers, Incorporated, 49 E. 33rd St., New York 10016, filed a registration statement (File 2-25828) with the SEC on December 21 seeking registration of \$4,000,000 of convertible subordinated debentures (due 1987). The debentures are to be offered for public sale through Kidder, Peabody & Co. Inc., 20 Exchange Place, New York 10005. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company is engaged in the book publishing business. Net proceeds of its debenture sale will be used for general corporate purposes. In addition to indebtedness, the company has outstanding 1,092,279 common shares, of which management officials and members of their immediate families own 28.6%. Gordon M. Jones is board chairman and Raymond C. Harwood is president.

**W. R. GRACE & CO. FILES FOR SECONDARY.** W. R. Grace & Co., 7 Hanover Sq., New York 10005, filed a registration statement (File 2-25830) with the SEC on December 21 seeking registration of 192,251 shares of common stock. Of such stock, 154,534 shares have been issued in connection with the company's acquisition of certain businesses and the balance of 37,717 shares are to be issued in December 1966 for the same purpose. The holders and recipients of such shares may offer them for public sale from time to time at prices prevailing at the time of sale (\$46-3/4 per share maximum\*).

The company's business consists of chemicals, food and consumer products, Latin American manufacturing and commercial operations, steamship operations, and petroleum and other activities. The stock being registered was and is to be issued in connection with its acquisition of Southbridge Plastic Products Inc., Hellerup Field Is A/S, and Transparent Paper Products, Ltd., and 6.2% of the stock of International Mining Co. In addition to indebtedness and preferred stock, the company has outstanding 17,265,000 (not including the 37,717 unissued shares covered by this registration statement). Management officials and members of their immediate families own 3.40% of the outstanding common stock. J. Peter Grace is president and Allen S. Rupley is board chairman.

**FIRST CHURCH FINANCING OF AMERICA PROPOSES OFFERING.** First Church Financing Corporation of America, 215 N. Main St., West Bend, Wisc., filed a registration statement (File 2-25817) with the SEC on December 19 seeking registration of \$2,700,000 of 6 1/2% collateral trust bonds, series due 1977. The bonds are to be offered for public sale at 100% of the principal amount through B. C. Ziegler and Co., West Bend, Wisc., which will receive a 1% commission.

Organized under Delaware law in 1964, the company finances loans to churches, hospitals and other charitable, religious, eleemosynary and non-profit institutions. It is a wholly-owned subsidiary of The Security Company; both were organized by the underwriter (Ziegler & Co.). The net proceeds of its bond sale will be used to purchase from Ziegler & Co. the first mortgage bonds and direct obligation notes forming the collateral for this bond issue and the balance will be used to establish the 2% Reserve Fund for Interest Payments in the amount of \$54,000, which is additional security for the bonds. In addition to indebtedness, the company has outstanding 50,000 common shares. Thomas J. Kenny is president.

**AMERICAN AIR FILTER PROPOSES RIGHTS OFFERING.** American Air Filter Company, Inc., 215 Central Ave., Louisville, Ky. 40208, filed a registration statement (File 2-25827) with the SEC on December 21 seeking registration of \$6,095,300 of convertible subordinated debentures (due 1987). The debentures are to be offered for subscription by common stockholders at the rate of \$100 principal amount of debentures for each 30 shares held. Any unsubscribed debentures are to be offered for public sale through underwriters headed by Blyth & Co., Inc. 14 Wall St., New York 10005. The record date, interest rate, offering price and underwriting terms are to be supplied by amendment.

The company develops, manufactures and sells air filtration equipment, air handling devices for heating, cooling, humidity control and ventilating, and air pollution control equipment. The net proceeds of its debenture sale will be used to repay approximately \$5,000,000 of bank loans and for general corporate purposes. In addition to indebtedness, the company has outstanding 1,828,592 common shares, of which management officials and their associates own 17.9%. W. G. Frank is president.

**CONTINENTAL ASSURANCE REQUEST GRANTED: HEARING DENIED.** The SEC today announced the issuance of a decision under the Investment Company Act (Release IC-4798) granting an application of Continental Assurance Company Separate Account (B), of Chicago, for exemption from Sections 14(a), 15(a), 16(a), 22(d), 22(e), 27(c) and 32(a)(2) of that Act. The Commission denied petitions filed by Variable Annuity Life Insurance Company of America, Participating Annuity Life Insurance Company, and The Equity Annuity Life Insurance Company ("petitioners") requesting an evidentiary hearing upon the exemption application.

The Separate Account is sponsored by Continental Assurance Company. The Account proposes to engage in the sale of group variable annuity contracts in connection with annuity plans adopted on behalf of employees of public school systems and other organizations entitled to favorable tax treatment under such plans, pursuant to Section 403(b) of the Internal Revenue Code of 1954. It is understood that the Chicago Board of Education is considering entering into one or more contracts for the purpose of affording its teachers the opportunity to obtain variable annuities with the tax benefits. Four companies (including Separate Account and Variable Annuity Life Insurance Company of America) are being considered.

The exemptions granted were from the \$100,000 minimum initial net worth requirement of the Act and from certain voting requirements for the initial selection of a board of directors and approval of the investment-advisory contract, and with respect to the right of redemption of persons who have commenced to receive annuity payments, trustee or custodian arrangements as to the proceeds of sales, and the separate statement of sales charges in the prospectus.

The Commission, after hearing the arguments of the applicant and petitioners and upon a consideration of the papers and briefs filed, concluded that an evidentiary type hearing would not serve any useful purpose in the decision of the issues presented by the exemption application. It also concluded that it was appropriate to grant the exemptions requested.

**SECURITIES ACT REGISTRATIONS:** Effective December 21: Capital Bancorporation, 2-25729 (90 days); First Fund of Virginia, Inc., 2-25317; First Virginia Management and Research Corp., 2-25318; Marine Midland Corp., 2-25761 (40 days); National Connector Corp., 2-25661 (90 days); Walter E. Heller & Co., 2-25612. Withdrawn December 21: Walter E. Heller & Co., 2-22830.

**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.

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