

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

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FOR RELEASE December 7, 1967

STOP ORDER SUSPENDS OFFERING. The SEC today announced the issuance of a decision and stop order under the Securities Act (Release 33-4887) suspending the effectiveness of a registration statement filed by North American Petroleum Corporation ("NAPC"), of Denver. The Commission also denied effectiveness to post-effective amendments to the statement, which related to a proposed public offering of \$375,000 of commitments to NAPC's oil and gas exploration fund. NAPC consented to the issuance of the stop order.

Upon the basis of the stipulated facts (NAPC waived an evidentiary hearing), the Commission ruled that NAPC's registration statement and the amendments were materially incomplete and inaccurate as to the past activities of Ernest L. Fundingsland, promoter, president and sole stockholder of NAPC, particularly with respect to his past sales of leasehold interests in oil or gas wells to, and the management thereof for, investors during the period 1961-1965; as to the pendency of a Commission investigation concerning NAPC and of certain litigation against Fundingsland and affiliates; and as to the relationship of Ernest S. Baker, an officer and director of NAPC, to Fundingsland and his affiliated companies. The deficiencies as to prior sales included the failure to disclose the portion of the total mineral interest owned by Fundingsland, the net cost of those interests, the exact interests sold to investors and those retained by Fundingsland, the lack of ownership of certain acreage in which Fundingsland sold interests, the investors' applicable share of costs for drilling and completing wells and the amounts, totalling \$950,134, that were charged investors in excess of such share, and the returns to investors from some of the wells. In addition, no facts were disclosed in regard to certain leasehold interests in which Fundingsland sold participations during the 1961-1965 period, as to some of which no wells were drilled or drilling produced dry holes or wells which showed a net return to investors substantially less than their purchase price.

The Commission's orders have the effect of barring the public offering and sale of interests in the NAPC program until the deficiencies in the company's statement have been corrected and the stop order is lifted.

BURLINGTON INTERNATIONAL SEEKS ORDER. Burlington International, Inc. ("applicant"), Greensboro, N. C., subsidiary of Burlington Industries, Inc. ("Burlington"), has applied to the SEC for an order under the Investment Company Act exempting it from all provisions of the Act; and the Commission has issued an order (Release IC-5183) giving interested persons until December 21 to request a hearing thereon.

Applicant was organized to raise funds abroad for financing the expansion and development of its parent's foreign operations, while at the same time providing assistance in improving the balance of payments position of the United States in compliance with the voluntary cooperation program instituted by the President in February 1965. All of the 1,000 outstanding common shares of applicant have been issued to Burlington for \$100,000 in cash and 2,000 shares of capital stock of Stoffel AG, a Swiss textile concern and fully-owned subsidiary of Burlington. In addition to capital to be supplied by its parent, applicant intends to sell Swiss Franc Bonds in the aggregate amount of 50,000,000 Swiss francs (approximately \$11,600,000). The bonds are to be sold to a group of underwriters for offering and sale only outside the United States. The parent will guarantee the principal, interest, and premium, if any, on the bonds. Applicant also intends to offer its 4-1/2% convertible debentures in an aggregate principal amount of 55,500,000 Swiss francs (approximately \$12,876,000) to the stockholders of a textile company organized under Switzerland law in exchange for stock of that company. Applicant's funds will be invested in or loaned to foreign companies in which the parent has a substantial interest so as to provide funds for their foreign operations. Burlington is principally engaged in the production and marketing of textiles and related products.

TRAVELERS INSURANCE SEEKS ORDER. The Travelers Insurance Company ("Company") and The Travelers Fund for Variable Annuities ("Fund"), Hartford, Conn., have applied to the SEC for exemption from certain provisions of the Investment Company Act; and the Commission has issued an order (Release IC-5185) giving interested persons until December 27 to request a hearing thereon. Fund is an open-end diversified management investment company registered under the Act. Company established Fund in order (1) to offer contracts designed for annuity purchase plans adopted by public school systems and certain tax exempt organizations which contracts qualify as tax deferred annuities under Section 403(b) of the Internal Revenue Code of 1954, and (2) to offer contracts which are to be issued with respect to plans established by persons entitled to the benefits of the Self-Employed Individuals Tax Retirement Act of 1962, as amended ("H.R. 10").

MASSACHUSETTS INVESTORS GROWTH SEEKS ORDER. Massachusetts Investors Growth Stock Fund, Inc., Boston, has applied to the SEC for an order under the Investment Company Act extending the period during which a vacancy on the board of directors may be filled; and the Commission has issued an order (Release IC-5187) giving interested persons until December 26 to request a hearing thereon. Prior to November 8, 1967, applicant's board of directors consisted of twelve persons, of whom five were unaffiliated persons. On that date, one of the unaffiliated directors met accidental death, which reduced the membership of the board of directors to eleven, thereby increasing the percentage represented by the seven affiliated directors from 58.3% to 63.6%. The Act provides that not more than 60% of the board of directors of a registered investment company may be composed of persons who are officers or employees of such company and if by reason of the death of any director such requirement can not be met, such provision may be suspended for a period of

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30 days or such longer period as the Commission may by order prescribe as not inconsistent with the protection of investors. Applicant requests an extension to February 20, 1968 which is the date of its annual meeting of shareholders, at which time shareholders will be voting for directors.

NORTHEAST INVESTORS SEEKS ORDER. Northeast Investors Trust, Boston, Mass., has applied to the SEC for an order under the Investment Company Act with respect to its proposed purchase of the assets of the Alsace Corporation ("Alsace"); and the Commission has issued an order (Release IC-5189) giving interested persons until December 21 to request a hearing thereon. Alsace's principal business has been the management of its portfolio securities; its assets approximated \$2,605,339 on September 30. If the valuation under the agreement had taken place on September 30, 1967, Alsace would have received approximately 144,667 shares of Applicant. Applicant proposes to acquire substantially all of Alsace's assets through the issuance of its shares at their net asset value. Hollis P. Nichols (chairman of the Trustees of applicant and president and a director of Alsace) owns beneficially 3.48% of the shares of applicant and holds 16.69% of record as trustee of various trusts in which neither he nor his family has any beneficial interest. He and his family own beneficially approximately 67% of the stock of Alsace. Mr. Ernest C. Monrad, a trustee of applicant, who holds of record 27% of the stock of Alsace, is a vice president, director and the clerk of Alsace. Applicant contends that the terms of the proposed acquisition by applicant are reasonable and fair and do not involve overreaching on the part of any person and that the proposed transaction is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

UNITED GAS RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-15913) authorizing an extension of time to August 31, 1968, within which United Gas Corporation, Shreveport gas utility subsidiary company of Pennzoil Company, may issue and sell up to \$35,000,000 of promissory notes to Lehman Commercial Paper, Incorporated. Sale of the notes was authorized by the Commission on August 22, 1967 (see News Digest of August 22).

MIDDLE SOUTH RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-15914) approving an application filed by Middle South Utilities, Inc. ("Middle South") and its subsidiary, Louisiana Power & Light Co. ("Louisiana"). The order authorizes (1) Middle South to borrow \$31,000,000 from banks and (2) Louisiana to issue to its parent 2,500,000 additional shares of common stock for \$15,000,000. Concurrently with such sale, Louisiana proposes to transfer \$2,172,921 from its earned surplus account to its common capital stock account. Upon completion of these transactions Louisiana will have 15,368,000 common shares outstanding with a stated value of \$6.00 per share. Middle South will use \$15,000,000 of the proceeds of its note sale for purchase of the stock of Louisiana, \$8,000,000 for a similar purchase from another subsidiary (for which an application will be filed later), and \$8,000,000 to pay short-term notes held by banks. Louisiana will use the proceeds of its stock sale to pay short-term notes issued for the purpose of providing funds for its 1967 construction program (estimated at \$69,900,000). Any of such proceeds remaining will be used by Louisiana to reimburse its treasury for monies expended for construction purposes.

RULE WOULD EXEMPT CERTAIN SUBSIDIARIES. The SEC today announced a proposal to adopt a new Rule 6c-1 under the Investment Company Act to provide an exemption from all provisions of that act for certain subsidiaries of United States corporations organized primarily for the purpose of financing the foreign operations of their parent companies through the sale of debt securities to foreign investors. Interested persons are invited to submit comments not later than January 2, 1968. These subsidiaries are designed and created to comply with the voluntary cooperation program instituted by President Johnson in February 1965 by raising capital for the foreign operations of United States corporations in a manner which would not adversely affect the balance of payments position of the United States.

Since 1965 when the program was instituted, finance subsidiaries have offered and sold over \$900,000,000 principal amount of securities outside of the United States. These securities have been sold under conditions designed to assure that they would not be purchased by nationals or residents of the United States, its territories or possessions. The Interest Equalization Tax would have been applicable to the acquisition of these securities by United States nationals and residents, thus further deterring their purchase by such persons.

In order to clarify the status of any finance subsidiary under the Investment Company Act of 1940, it has been necessary for the company and its parent to file a request for exemption from the Act in each case. After processing the applications of some 39 finance subsidiaries and reviewing the reports they have been required to make, the Commission is of the view that it is no longer necessary to follow this application procedure. With the experience gained in processing the 39 applications, it now appears appropriate to codify existing procedures. Accordingly, the Commission proposes to adopt a Rule under Section 6 of the Act which would provide a complete exemption from that statute for all such finance subsidiaries without need for application.

With certain exceptions, finance subsidiaries which qualify for an exemption under Rule 6c-1 need not be concerned as to the application of the Securities Act of 1933 or the Trust Indenture Act of 1939. (Release IC-5186)

QUARTERLY REPORT FORM ADOPTED. The SEC today announced the adoption of a revision of its quarterly report form (under the Investment Company Act) for all management investment companies. The new Form N-1Q replaces Form N-30B-1 (Release IC-5180).

The first report on Form N-1Q will be for the calendar quarter ending December 31, 1967; and it will be due within 30 days thereafter. In announcing its adoption, the Commission observed that it "would provide the public with valuable information about securities transactions by management investment companies.

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Moreover, it would materially aid the Commission and others in conducting studies of these transactions and their impact in the market place and would provide the Commission with information necessary to carry out its regulatory responsibilities."

New Form N-1Q includes a new Item 1 which requires management investment companies to report the number of shares (or other unit) or principal amount of debt securities acquired or disposed of for their portfolios during the preceding calendar quarter and the holdings of such securities and cash at the end of the quarter. No report pursuant to Item 1 would be required, however, if there were no changes in holdings of portfolio securities during the quarter. The amount of each security owned would be required on the first report filed pursuant to the new Item and on the first report filed pursuant to the new Item after the end of a calendar year.

ROTO AMERICAN TRADING BAN CONTINUED. The SEC has issued an order under the Securities Exchange Act suspending exchange and over-the-counter trading in securities of Roto American Corp., for the further ten-day period December 8-17, 1967, inclusive.

SEC COMPLAINT NAMES DELFONT MINERALS, OTHERS. The SEC Seattle Regional Office announced December 1 (IR-3880) the filing of a complaint in the Federal court in Boise, Idaho, seeking to enjoin Delfont Minerals, Inc., an Oklahoma corporation, and Willis A. White, Charles F. Gorman, George S. Sanford and William H. Sanford, all of Boise, from violations of the anti-fraud provisions of the Securities Act in the offer and sale of common stock of Delfont Minerals, Inc. and Silver Bullion, Inc. (an Idaho corporation which merged into Delfont Minerals, Inc. in August 1967), as well as various securities issued by predecessors in interest with respect to the mining venture which was promoted by the individual defendants in various non-corporate forms prior to the existence of Silver Bullion, Inc.

DELISTING GRANTED. The SEC has issued an order under the Securities Exchange Act (Release 34-8199) granting an application of the Midwest Stock Exchange to strike from listing and registration the Class A stock of Keystone Railway Equipment Company, effective at the opening of business on December 8, 1967. The application states that the issuer requested the Exchange to seek the delisting due to the small amount of trading of its stock on the Exchange. The company's stock is listed on the American Stock Exchange.

TRW INC. FILES EXCHANGE PLAN. TRW Inc., 23555 Euclid Ave., Cleveland, Ohio 44117, filed a registration statement (File 2-27792) with the SEC on December 4 seeking registration of 59,217 shares of common stock. TRW proposes to offer these shares in exchange for 234,695 issued and outstanding shares of common stock of Hazleton Laboratories Incorporated, at the rate of (a) .20259 shares of TRW common in the case of signatories to a certain agreement dated November 16, 1967, between the holders of 80% of the outstanding shares of Hazleton common and TRW, and (b) .21079 shares of TRW common in the case of all other shareholders of Hazleton.

TRW is a diversified, technically-oriented manufacturing company engaged in the manufacture and sale of products and the performance of systems engineering, research and technical services in the space, advanced systems and electronics field; the manufacture and sale of engine, chassis and other components for automobiles, trucks, tractors and other vehicles; and the manufacture and sale of aircraft component parts, largely for turbine engines. Hazleton is a Virginia corporation which engages in activities related to the life and environmental sciences. In addition to indebtedness, TRW has outstanding 9,947,808 common shares. J. D. Wright is board chairman and H. A. Shepard is president.

STAUFFER CHEMICAL FILES FOR SECONDARY. Stauffer Chemical Company, 299 Park Ave., New York 10017, filed a registration statement (File 2-27796) with the SEC on December 5 seeking registration of 71,146 shares of Series A \$1.80 partial participating convertible preference stock. According to the prospectus, these shares are to be issued to the stockholders of Cowles Chemical Company upon the merger on December 31, 1967 of Cowles into Stauffer. Pursuant to the merger, each common share of Cowles is to be exchanged for 9/10 of a share of Series A preference stock of Stauffer, each share of which is convertible into one common share of Stauffer. The 71,146 preference shares (or the common shares into which they are convertible) may be offered by the holders thereof from time to time on the New York Stock Exchange or the Pacific Coast Stock Exchange or otherwise at prices prevailing at the time of sale.

Stauffer is engaged in the manufacture of industrial chemicals, agricultural chemicals, specialty chemicals and plastics. In addition to indebtedness and preferred stock, it has outstanding 9,704,851 common shares. Christian de Guigne is board chairman and Roger W. Gunder is president. The prospectus lists 17 selling stockholders. Robert F. Huntley (president of Cowles) proposes to sell 16,921 preference shares, George Rieveschl, Jr., 10,800 shares, and Robert F. Young (a director of Cowles), 9,612 shares; the others propose to sell shares ranging in amount from 10 to 5,317 shares.

COMPUTER USAGE FILES FOR RIGHTS OFFERING. Computer Usage Company, 344 Main St., Mt. Kisco, New York 10549, filed a registration statement (File 2-27799) with the SEC on December 6 seeking registration of 150,034 shares of common stock. Of this stock, the company proposes to offer 120,034 shares for subscription by holders of outstanding common at the rate of one new share for each six shares held of record on January 2, 1968; the balance of 30,000 shares are outstanding shares which may be offered by the present holder thereof. Morgan Stanley & Co., 140 Broadway, New York 10005 is listed as the principal underwriter. The subscription price (\$57.00 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is primarily engaged in providing services which assist users of electronic computers. Net proceeds of its sale will be used in part to retire some \$2,000,000 of short-term bank loans incurred primarily to finance increased accounts receivable; the balance will be added to general funds to be available for working capital and other corporate purposes. In addition to indebtedness, the company has outstanding 714,279 common shares, of which management officials own 27.1% (including 9.7% owned by Cuthbert C. Hurd, board chairman, and 11.9% owned by Elmer C. Kubie, president). John W. Sheldon proposes to sell 30,000 of his holdings of 82,645 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. Photocopies thereof may be purchased from the Commission's Public Reference Section (please give News Digest's "Issue No." in ordering). Invoice will be included with the requested material when mailed. An index of the captions of the several items of the form was included in the December 4 News Digest.

BAC Liquidating Corp
Nov 67(2,13) 1-4525-2
Bankers Trust
Nov 67(3,13) 0-1610-2
City Finance Company Inc.
Nov 67(11) 2-19497-2
Equitable Real Estate Investment Trust
Nov 67(3,13) 0-1605-2
Fidelity Real Estate Investment Trust
Nov 67(3,13) 0-1929-2
Tandy Corporation
Oct 67(2,13) 1-2186-2

Nevada Power Co
Nov 67(7,8,13) 1-4698-2
Phoenix Gems Inc
Nov 67(7,13) 0-2000-2
Reece Folding Machine Co
Nov 67(11) 1-1786-2
Reliance Industries Inc
Amend #1 to 8K for Oct 67
(7) 0-2775-2
Saturn Industries Inc
Oct 67(2,7,13) 1-5409-2
Savin Business Machines Corp
Nov 67(7,8) 0-1666-2
Scot Lad Foods Inc
Nov 67(1,12,13) 1-5486-2
Scott Paper Company
Nov 67(13) 1-2300-2
Servomation Corp
Nov 67(11) 1-4775-2
Spendcor Electronics Inc
Nov 67(11,13) 0-647-2
Suburban Gas
Nov 67(12,13) 1-4279-2
Volt Technical Corp
Oct 67(7,8,12) 2-19724-2
Del E Webb Corp
Nov 67(3) 1-4785-2
Westinghouse Air Brake Co
Nov 67(4,7,13) 1-3626-2
Whitehall Electronics Corp
Nov 67(4,7,8,13) 1-5483-2

Aerosonic Corp
Oct 67(2,3,7,13) 0-1757-2
Allied Artists Pictures Corp
June 67(6,7,8,13) 1-2965-2
Berman Leasing Co
Amend #1 to 8K for Sept 67
(10) 1-4739-2
Campbell Soup Co
Nov 67(11) 1-3822-2
Cattlemen's Foundation Corp Inc
Nov 67(9) 0-2067-2
Chicago & North Western RY Co
Nov 67(3) 1-3211-2
Chief Consolidated Mining Co
Nov 67(4,11) 1-1761-2
Commonwealth Investors Group
Oct 67(12,13) 0-2577-2
Dashew Business Machines Inc
Dec 67(3,13) 0-142-2
Denson Company
Nov 67(11,12,13) 0-2427-2
Early and Daniel Co
Nov 67(2) 1-548-2
Emporium Capwell Co
Nov 67(12,13) 1-2786-2
First Iowa-Illinois Mortgage Co
Nov 67(3) 0-2100-2
General American Oil Co of Texas
Nov 67(11,13) 1-4056-2
Hamilton Watch Co
Nov 67(1) 1-181-2
Hitachi Ltd(6K)
Nov 67 2-21475-2
IRC Inc Nov 67(7,12,
13) 1-3768-2
Insurance Securities Inc
Nov 67(11,13) 0-1843-2
Keatney-National Inc
Amend #1 to 8K for
Aug 67(13) 0-2122-2
Mercantile-Safe Deposit and Trust Co
Nov 67(12,13) 0-388-2
Mitsui Bussan Kabushiki Kaisha
(6K) Sept 67 2-21087-2
Montana Power Co
Nov 67(8,10) 1-4566-2

SECURITIES ACT REGISTRATIONS. Effective December 5: Delta Western Co., 2-27506 (Jan 15).
Effective December 6: Automation Technology, Inc., 2-27363 (90 days); Christopher Properties, Inc., 2-27660;
Computing & Software, Inc., 2-27570 (40 days); E-H Research Laboratories, Inc., 2-27556 (90 days); Lancer
Pacific, Inc., 2-27426 (90 days); Lum's, Inc., 2-27510 (40 days); Mark Systems, Inc., 1/ 2-27475 (90 days);
Mattel, Inc., 2-26879; Statistics for Management Data Processing Corp., 2-27528 (90 days); White Electro-
magnetics, Inc., 2-27248 (90 days). (1/ - Erroneously listed in News Digest of 12/6 as effective 12/5)

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.