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SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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A Daily Summary of
S.E.C. Activities

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DECISION IN ADMINISTRATIVE PROCEEDINGS

RABIN SANCTIONED. The SEC has censured Ray K. Rabin, Portland, Oregon, and suspended him from association with any broker-dealer as a securities salesman for 30 days, commencing April 17, following which he may become so associated only under a supervisory program approved in advance by the Commission.

According to the decision, Rabin aided and abetted violations of the credit provisions of the Securities Exchange Act and Regulation T in which the broker-dealer with which he was associated, extended and arranged for credit to and for customers on securities in contravention of those provisions.

The Commission's action was taken pursuant to an offer of settlement in which Rabin, without admitting the charges, consented to the findings and sanction. (Rel. 34-9561)

EXEMPTION GRANTED FOR PROPOSED MODIFICATION OF CADENCE INDUSTRIES WARRANTS. The Commission has granted the application of Pathe Industries, Inc., Manhasset, New York, a registered investment company, for an exemption from the prohibition in Section 17(a) of the Investment Company Act of a proposed agreement between it, Perfect Film & Chemical Corporation (now Cadence Industries Corporation), an affiliate, and Pathe Laboratories, Inc., a subsidiary of Pathe, providing for modification of the terms of warrants which were previously issued by Perfect to Laboratories in partial consideration for the purchase of Laboratories' assets.

Pursuant to the terms of the original agreement in October 1967, the warrants were to be distributed to Pathe's stockholders and be exercisable within 14 months from their registration with the Commission or by December 31, 1969, whichever occurred first. Although it was contemplated by the parties that registration would be effected by Perfect in sufficient time to give the stockholders a 14-month exercise period, it became apparent that registration would be substantially delayed because of certain acquisitions by Perfect for which financial statements required for registration had to be obtained. The parties accordingly agreed to delete the December 31, 1969 limitation on the exercise period.

The Commission concluded that the proposed modification was reasonable and fair and did not involve overreaching. It stated that the modification was "an equitable readjustment made necessary by Perfect's inability to secure an effective and timely registration statement because of its . . . acquisitions" and that "to permit the expiration of the warrants before they could be distributed to Pathe's stockholders would have frustrated the intentions of the parties and caused a substantial loss to those stockholders." (Rel. IC-7054)

COMMISSION ANNOUNCEMENT

SURVEY OF INVESTMENT COMPANY INCENTIVE FEE ARRANGEMENTS. The Commission today published a Survey of Investment Company Incentive Fee Arrangements prepared by its Division of Corporate Regulation. It contains information about the investment advisory contracts of the 103 investment companies which had incentive fee arrangements in effect as of January 3, 1972. Publication of the Survey at this time is intended to assist those persons who must consider the fairness of investment company incentive fee contracts in meeting their fiduciary duties. (Rel. IC-7130)

COURT ENFORCEMENT ACTION

HARWYN SPIN-OFFS VIOLATE SECURITIES REGISTRATION PROVISIONS. The SEC New York Regional Office announced April 11 that the Federal court in New York had ordered the permanent discontinuance with respect to SEC v. Harwyn Industries Corporation. The Commission instituted this action to enjoin, as a violation of the Federal securities laws, the practice of "spinning-off" privately owned corporations of a public parent corporation with a view toward creating an "instant public" corporation without benefit of resort to the registration requirements. The court, while denying, the application for injunction, in part based upon its finding that the securities' bar had been laboring under the belief that Harwyn type transactions were legal and the Commission had, until recently, not expressed a definitive position as to the illegality of such transactions, found that Harwyn type transactions violate the registration provisions unless a registration statement is filed and in effect as to such transactions. The court in finding that "the Harwyn spin-offs violated the spirit and purpose of the registration requirements, noted that "the registration provisions are designed not only to protect immediate recipients of distributed securities... but also subsequent purchasers from them.

Discussing the defendants' contention that the distributions by Harwyn were not a "sale" within the meaning of Section 2(3) of the 1933 Act, as no "value" flowed from Harwyn's shareholders, but rather a stock dividend exempt under Section 5, Judge Mansfield, while noting the defendants' interpretation was "neither frivolous nor wholly unreasonable" expressed the opinion that courts must look to the Act's "overall purpose. . . rather than engage in strangulating literalism," and concluded that the "value" requiring registration need not flow from the immediate parties who received the stock. He further noted the so-called dividends "were not isolated transactions but were intimately bound up with, and in the last three instances mandated by the agreements which required the outside defendants to infuse new value into the subsidiaries and which contemplated that upon distribution of the "dividend" shares to existing Harwyn stockholders, public trading would occur as the result of some selling their shares to new purchasers." The entire transaction must be viewed as a whole. (LR-5375)

OVER

INVESTMENT COMPANY ACT RELEASE

ASTRONICS CORP. The SEC has issued an order permitting Astronics Corporation, of Buffalo, N.Y., and Thomas L. Robinson, Sr., Bessie A. Robinson, Thomas L. Robinson, Jr., Roy Robinson, Kevin T. Keane and Kurt Berman, shareholders of Astronics, to sell the public common stock of Astronics jointly with Rand Capital Corporation, Buffalo non-diversified, closed-end investment company, also a shareholder of Astronics. (Rel. IC-7128)

MASSACHUSETTS MUTUAL VARIABLE FUND. The SEC has issued an order upon an application of Massachusetts Mutual Life Insurance Company (Mass Mutual) and Massachusetts Mutual Variable Annuity Fund 2, Springfield, Mass., exempting them from certain provisions of the Act. Mass Mutual established Fund 2 as a separate account offer single payment immediate variable annuity contracts. (Rel. IC-7122)

HOLDING COMPANY ACT RELEASE

VERMONT YANKEE. The SEC has issued an order authorizing Vermont Yankee Nuclear Power Corporation, Rutland, Vermont subsidiary of both Northeast Utilities and New England Electric System, to extend the maturity on up to \$21 million of notes it may issue and sell to a bank to December 31, 1972, or five business days after an operating license to Vermont Yankee under the Atomic Energy Act becomes effective, whichever is earlier. (Rel. 35-17539)

VERMONT YANKEE. The SEC has issued an order authorizing Vermont Yankee Nuclear Power Corporation, Rutland, Vt. subsidiary of Northeast Utilities and New England Electric System, to issue up to \$21 million of replacement notes to refund \$19,868,033 of outstanding notes issued and sold to a bank. The outstanding notes were issued to obtain interim financing for the company's initial nuclear fuel inventory. (Rel. 35-17541)

SECURITIES ACT REGISTRATIONS

STANDARD FABRICS, INC., 700 Washington Ave. North, Minneapolis, Minn. 55401, filed a registration statement on April 5 seeking registration of up to 60,000 shares of common stock and \$300,000 of 8% convertible subordinated debentures, due 1980, to be offered for public sale in units, each consisting of up to 50 shares and a \$250 debenture. The offering is to be made at \$500 per unit by Margolis & Co., Inc., 316 WCCO Bldg., Minneapolis, Minn. The company is engaged in the design and sale, at wholesale, of fashion fabrics for the home sewing market. Of the net proceeds of its stock sale, \$333,500 will be used to replace short-term borrowings from banks which is secured by collateral pledged by Walter Baum, a director and principal shareholder, and the balance for working capital and other corporate purposes. (File 2-43719)

UNITED STATES LEASING INTERNATIONAL, INC., 633 Battery St., San Francisco, Calif. 94111, filed a registration statement on April 12 seeking registration of 45,000 outstanding shares of common stock, which may be offered for sale from time to time by the holders thereof (30,000 shares by Aetna Life Insurance Company and 15,000 shares by Connecticut General Life Insurance Company) at prices current at the time of sale (*\$45 per share maximum). (File 2-43794)

MISCELLANEOUS

TRADING SUSPENSIONS CONTINUED. The SEC has ordered the suspension of over-the-counter trading in the securities of Continental Vending Machine Corporation for the further ten-day period April 15-24, 1972, inclusive, and the suspension of exchange and over-the-counter trading in the securities of Canadian Javelin Limited and over-the-counter trading in the common stocks of First Fidelity Company and Meridian Fast Food Services, Inc., for the further ten-day period April 16-25, 1972, inclusive.

SECURITIES ACT REGISTRATIONS. Effective April 13: Allergan Pharmaceuticals, 2-43335; Bank Building & Equipment Co., 2-43728; Beck/Arnley Corp., 2-43210 (90 days); Burroughs Corp., 2-43780; C. I. Realty & Mortgage Investors, 2-42542 (90 days); Circle F. Industries, Inc., 2-43375 (90 days); Deluxe Check Printers, Inc., 2-43449; Drexel Utility Shares, Inc., 2-42379 (90 days); Gino's Inc., 2-43320; Hartz Mountain Pet Foods, Inc., 2-43231 (90 days); Walter E. Heller & Co., 2-43436; Inexo Oil Co., 2-42780; Kampgrounds of America, Inc., 2-43331; Laneco, Inc., 2-42725 (90 days); McGraw-Edison Co., 2-43601 (40 days); Natomas Co., 2-43359; Needham, Harper & Steers, Inc., 2-43378 (90 days); Pic "N" Save Corp., 2-42601 (90 days); Rollins Burdick Hunter Co., 2-43373; Shoney's Big Boy Enterprises, Inc., 2-43055; Standard Oil Co., 2-43687 and 2-43688; Texas Gas Transmission Corp., 2-43552; United Aircraft Corp., 2-43677.

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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