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U.S. SECURITIES AND

December 23, 1976

## RULES AND RELATED MATTERS

EXCHANGE COMMISSION

### PROPOSED AMENDMENT OF FOCUS REPORTING SYSTEM

On December 17, 1975 the Commission adopted the Financial and Operational Combined Uniform Single (FOCUS) Report. In the adopting release, the Commission stated the intent to continually review and update the reporting system to keep pace with the changing securities industry. A number of comments have been submitted suggesting refinements to the reporting system, and therefore the Commission has proposed certain modifications to the FOCUS Report and accompanying Rules 17a-4, 17a-5, 17a-10, 17a-11, 17a-13, 17a-18, 17a-19, 17a-20 and 15c3-3. The proposed amendments are designed to facilitate the application of a streamlined system of financial and operational reporting, and to achieve a further reduction in the quantity and frequency of reports which must be filed by brokers and dealers.

The more significant amendments to Rule 17a-5 would effect certain minor modifications to the filing requirements now applicable in the area of customer statements, reports to be filed upon termination of membership interest, designation of accountant notices, and audit objectives. The amendments would also provide a revised method of ensuring a broker's or dealer's compliance with the possession or control requirements of Rule 15c3-3. (Rel. 34-13100)

## COMMISSION ANNOUNCEMENTS

### NATIONAL MARKET ADVISORY BOARD MEETING ANNOUNCED

The National Market Advisory Board will conduct open meetings on January 17 and 18, 1977 in Room 776, 500 North Capitol Street, Washington, D.C. Initial notice of this meeting was published in the Federal Register on November 24, 1976.

The Board will also conduct open meetings on February 14 and 15, 1977 in Los Angeles, California. The summarized agenda and exact location for these meetings will be published in the Federal Register at a later date.

The summarized agenda for the January meeting is as follows: (1) discussion of the Board's report to Congress pursuant to Section 11A(d)(3)(B) of the Securities Exchange Act of 1934; (2) discussion of the Board's report to the Securities and Exchange Commission regarding the establishment of a composite limit order book; (3) discussion of the Board's report to the Securities and Exchange Commission regarding off-board principal transactions in listed securities by exchange members; (4) discussion of the submission of Institutional Networks Corporation; and (5) discussion of such other matters as may properly be brought before the Board.

Further information may be obtained by writing Martin L. Budd, Executive Director, National Market Advisory Board Staff, Securities and Exchange Commission, Washington, D.C. 20549.

## COURT ENFORCEMENT ACTIONS

### RICHARD M. HIRSCHFELD, WILLIAM H. CHAPMAN ENJOINED

The Washington Regional Office announced that on December 21 the U.S. District Court for the Eastern District of Pennsylvania entered orders of permanent injunction against Richard M. Hirschfeld and William H. Chapman, both of Virginia Beach, Virginia. The injunctions permanently enjoin Hirschfeld and Chapman from violations of the anti-fraud and reporting provisions of the securities laws with respect to the securities of Atlantic General Corporation (formerly National Mini-Theatres, Inc.) or any other securities.

The defendants consented to the entry of these injunctions without admitting or denying the allegations of the Commission's complaint. That complaint, filed on December 17, charged that Hirschfeld and Chapman fraudulently obtained control of National Mini-Theatres, Inc., a public company based in Philadelphia, Pennsylvania, and thereafter engaged in a scheme to "loot" its assets. The Commission further charged that as part of their fraudulent actions, Chapman and Hirschfeld filed false reports with the Commission and made material misstatements and omissions to National Mini-Theatres' stockholders. (SEC v. Richard M. Hirschfeld, William H. Chapman, E.D. Pa.). (LR- 7700)

#### ROBERT J. LAX ENJOINED

The Chicago Regional Office announced that on December 15 Judge William K. Thomas, U.S. District Court for the Northern District of Ohio, Eastern Division, signed an order of permanent injunction against Robert J. Lax, a resident of Chagrin Falls, Ohio, enjoining him from violations of the registration and antifraud provisions of the securities laws in the offer and sale of securities, namely, investment contracts in the form of limited partnership interests. Mr. Lax consented to the entry of the order of permanent injunction without admitting or denying the allegations of the Commission's complaint. (SEC v. Edward Ginsberg, et al., N.D. Ohio, Civil Action No. C-76-1116). (LR-7701)

#### TEMPORARY RESTRAINING ORDER ENTERED AGAINST HJH, INC., OTHERS

The Fort Worth Regional Office announced that Federal District Judge Robert B. Porter at Dallas, Texas on December 15 entered a temporary restraining order against HJH, Inc., Cappetro, Inc. and Fossil Petroleum Corporation, all of Dallas. The temporary restraining order prevents further violations of the registration and antifraud provisions of the securities laws in the offer and sale of more than \$27 million in fractional undivided working interests in oil and gas wells issued by Cappetro, Inc.

Judge Porter also appointed William B. West, III, First National Bank Building, Dallas, as temporary receiver for HJH, Inc., Cappetro, Inc. and Fossil Petroleum Corporation.

The Commission, in a civil injunctive complaint filed the same day, alleged HJH, Inc., Cappetro, Inc., Fossil Petroleum Corporation, Heinz Jurgen Hesse, Lawrence N. Cook and John P. Poulos, all of Dallas, and Wyane Michael Luter, Mesquite, Texas, violated the registration and antifraud provisions of the securities laws in the operation of a Ponzi scheme involving the offer and sale of fractional undivided working interests in more than 130 oil and gas wells located in West Virginia, Ohio, Kentucky and Texas to approximately 1,000 European investors, primarily residents of Germany, Switzerland and Italy. Also on December 15 Hesse was arrested by federal authorities pursuant to a federal criminal complaint alleging violations of the antifraud provisions of the securities laws. Bond was set by the Dallas federal magistrate at \$200,000. (SEC v. HJH, Inc., et al., N.D. Tex., CA3-76-1611-F). (LR-7702)

#### JAMES G. MCCOLLOM, OTHERS SENTENCED

The Fort Worth Regional Office announced that Federal District Judge Robert M. Hill at Dallas, Texas on December 17 sentenced James G. McCollom and Kyle G. Bretz, both of Dallas, to 25 years imprisonment each, and James L. Cockrell, Dallas, Troy E. Becker of Seattle, Washington and Theodore M. Dunkle, San Diego, California, to 15 years imprisonment each following their conviction after trial on a total of 16 counts each of mail fraud, wire fraud, interstate transportation of stolen property and conspiracy.

McCollom, Bretz, Cockrell, Becker and Dunkle were indicted in the offer and sale of purported call options for silver bullion and refining contracts issued by Tex-A-Chief, Inc. and Kyle Bretz Enterprises. (U.S. v. James G. McCollom, et al., CR-3-76-132, N.D. Tex.). (LR-7703)

#### NORMAN C. CROSS ACQUITTED

The Fort Worth Regional Office announced that on December 15 Federal District Judge Allen E. Barrow at Tulsa, Oklahoma after a 13-week trial acquitted Norman C. Cross, Tulsa, on all 10 counts of an indictment charging mail fraud and conspiracy in the certification of financial statements of Home-Stake Production Company, Tulsa. Judge Barrow granted the defendant's motion for a directed verdict. (U.S. v. Norman C. Cross, et al., U.S.D.C., N.D. Okla., 76-CR-23). (LR-7704)

COMPLAINT NAMING FEDERAL INVESTMENT  
CORP. DISMISSED WITH PREJUDICE

The Fort Worth Regional Office announced that on December 13 Federal District Judge Woodrow Seals at Houston, Texas, entered an order dismissing, with prejudice, its complaint as to defendant Federal Investment Corporation. The Commission on November 16, had filed a motion to dismiss, with prejudice, the complaint as to the single defendant. The complaint which was originally filed on January 10, 1973, alleged that Federal Investment Corporation had violated the antifraud provisions of the securities laws. (SEC v. First National Corp., et al., S.D. TX, CA File No. 76-H-39). (LR-7705)

P & A SALVAGE CORP., OTHERS ENJOINED

The Fort Worth Regional Office announced the entry of orders of permanent injunction by consent on December 13 in Federal District Court, Houston, Texas, enjoining P & A Salvage Corp., doing business as Pasco Operating Company, Bernell A. Becker, Emanuel N. Bender, Robert S. Bender and Robert S. Trasin, all of Houston, from violations of the registration and antifraud provisions of the securities laws in the offer and sale of the securities, namely, limited partnership interests and fractional undivided interests in oil and gas leases issued by P & A Salvage Corp. or any other securities. The defendants consented to the entry of the orders without admitting or denying the allegations contained in the Commission's complaint. (SEC v. P & A Salvage Corp., S.D. Tex., Civil Action No. 76-H-1898). (LR-7706)

COMPLAINT NAMES RESOURCE EXPLORATION, INC.,  
OTHERS

The Commission announced the filing on December 14 of a civil injunctive complaint in Federal District Court at Shreveport, Louisiana, against Resource Exploration, Inc., Lafayette Funds, Inc., Oil & Gas Funds, Inc., all of Canton, Ohio, formerly of Shreveport, J. C. Trahan and Walter T. Pfeiffer, both of Shreveport, Bobby J. May of Benton, Louisiana, First National Bank (of Ruston, Louisiana), Sam M. Thomas, Jr. and James H. Hall, all of Ruston, Louisiana, alleging violations of the antifraud provisions of the securities laws in the offer, sale and management of oil and gas drilling funds organized by Lafayette Funds, Inc. and Oil & Gas Funds, Inc.

The complaint alleged that the defendants, among other things, misrepresented to investors in the drilling funds that the investors could obtain income tax deductions of up to twice the amount of their investments by virtue of purported non-recourse loans obtained on behalf of the drilling funds at the First National Bank (of Ruston, Louisiana). The complaint further alleged that Resource Exploration, Inc., Lafayette Funds, Inc., Oil & Gas Funds, Inc., Trahan, May and Pfeiffer misrepresented certain material facts to investors concerning, among other things, the status of an Internal Revenue Service audit of drilling funds sponsored by Lafayette Funds, Inc., and Oil & Gas Funds, Inc., the length of time before investors could receive income from the drilling funds, and the use of the proceeds derived from the sale of interests in the drilling funds to investors.

The complaint requested injunctions against all defendants, disgorgement by First National Bank of approximately \$70,000 in "loan fees" paid in connection with the purported non-recourse loans, and ancillary relief relating to Resource Exploration, Inc., Lafayette Funds, Inc. and Oil & Gas Funds, Inc. (SEC v. Resource Exploration, Inc., et al., W.D. La., Civil Action No. CI-76-1328). (LR-7707)

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## INVESTMENT COMPANY ACT RELEASES

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### THE CARDINAL FUND

A notice has been issued giving interested persons until January 17 to request a hearing on an application of The Cardinal Fund, Inc. (Cardinal), a registered open-end investment company, for an order exempting a proposed sale by Cardinal of 53,000 shares of Brodhead-Garrett Co. to The Ohio Company, the investment adviser for Cardinal. (Rel. IC-9579 - Dec. 22)

### WARNER BROS., INC.

An order has been issued on an amended application by Warner Bros., Inc. temporarily exempting it from Section 7 and certain other provisions of the Investment Company Act from September 3, 1976 and until such time as its status under the Act has been determined. (Rel. IC-9580 - Dec. 22)

THE CASH MANAGEMENT TRUST OF AMERICA

A notice has been issued giving interested persons until January 17 to request a hearing on an application by The Cash Management Trust of America, a registered open-end investment company, for an order permitting the distribution of long-term capital gains more often than once in any one taxable year. (Rel. IC-9581 - Dec. 22)

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## HOLDING COMPANY ACT RELEASES

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### AMERICAN ELECTRIC POWER COMPANY, INC.

A notice has been issued giving interested persons until January 13 to request a hearing on a proposal of American Electric Power Company, Inc., a registered holding company, to issue from time to time through April 30, 1978, up to 2,000,000 shares of its authorized but unissued common stock, par value \$6.50 per share, pursuant to a dividend reinvestment plan and stock purchase plan. (Rel. 35-19816 - Dec. 21)

### GENERAL PUBLIC UTILITIES CORPORATION

An order has been issued authorizing a proposal by General Public Utilities Corporation (GPU), a registered holding company, and two of its subsidiaries, Pennsylvania Electric Company (Penelec) and Waterford Electric Light Company (Waterford), that GPU make a capital contribution of all Waterford's capital stock to Penelec and that subsequently Waterford merge into Penelec. (Rel. 35-19817 - Dec. 22)

### NORTHEAST UTILITIES

An order has been issued authorizing Northeast Utilities, a registered holding company, to issue and sell up to 500,000 shares of its common stock pursuant to a dividend reinvestment and stock purchase plan. (Rel. 35-19818 - Dec. 22)

#### NOTICE

*Many requests for copies of documents referred to in the SEC News Digest have erroneously been directed to the Government Printing Office. Copies of such documents and of registration statements may be ordered from the Public Reference Section, Securities and Exchange Commission, Washington, D.C. 20549. The reproduction cost is 10¢ per page plus postage (7 days) (\$3.50 minimum); 20¢ per page plus postage for expedited service (4 days) (\$5.00 minimum) and 30¢ per page plus postage for priority service overnight (\$5.00 minimum). Cost estimates are given on request. All other reference material is available in the SEC Docket.*

*SEC NEWS DIGEST is published daily. Subscription rates: 64.45/yr in U.S. first class mail; \$80.60 elsewhere.*

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