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CHAIRMAN SPEAKS

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THE ANALYSTS AND THE SEC

Perhaps of the most significance for our future formal espousal is what we call "differential disclosure," Chairman Ray Garrett told the New York Society of Security Analysts in an address on May 3rd. Differential disclosure is one of the proposed future steps the SEC is taking toward an improved continuous disclosure process. It refers to requirements, actual and proposed, for providing summary and more graphic information which will be meaningful to ordinary investors and more detailed data of interest primarily to the professional analyst. In addition, Chairman Garrett enumerated four steps the Commission has already taken toward an improved continuous disclosure process: (1) the filing on Form 8-K of timely information regarding unusual charges and credits to the income account, (2) the disclosure not only of substantial additional details as to cash outflows in connection with leases, but also the present value of noncapitalized financing leases, in a single figure, to enable analysts to appraise debt equivalencies, and to compare, in a meaningful way, companies using lease financing with those using more conventional debt techniques, (3) requirement for disclosure of income tax expense and (4) increased disclosure of short-term financing costs and policies.

Noting the central role played by securities analysts in the total disclosure process and the Commission's articulated policy of requiring disclosures expressly for utilization by analysts, Mr. Garrett turned to the question of professionalization of securities analysts. "For a variety of reasons, including other priorities, we (the SEC) have not taken the initiative in the professionalization movement There is no reason why we should oppose the Financial Analysts current professionalization program and every reason why we should wish it great success. Chairman Garrett indicated that the staff was working on possible regulatory and legislative approaches. Once one considers what form any federal legislative proposal should take, Mr. Garrett observed that certain questions arise: (a) should there be direct government regulation or government sanctioned self-regulation, (b) should the regulation take the form of publishing with attribution--the public practice of securities analysis--or anyone doing such work, even though not disclosed to the public?

"We wish to encourage the movement toward more effective professionalization of securities analysis," Mr. Garrett concluded, "and . . . we hope the FAF's proposed program is approved and gets going."

ORDERS FOR PUBLIC PROCEEDINGS

M. L. FALLICK & CO., INC., OTHERS

Public administrative proceedings have been ordered under the Securities Exchange Act of 1934 against M. L. Fallick & Co., Inc. (Fallick), Martin L. Fallick, Judith R. Fallick, Stanley M. Giffis, all of Salt Lake City, Utah, and Leroy J. Moritz, Wilfred H. Williams, Western Funding, Inc. (Western), and Ralph M. Nordstrom, all of Minneapolis, Minnesota. Fallick and Western are registered with the Commission as broker-dealers. The proceedings are based on allegations by the staff that the respondents violated and aided and abetted violation of the registration, book-keeping and antifraud provisions of the securities laws. In addition, violations of Regulation T and the failure to supervise are charged. Information leading to

the institution of these proceedings was developed by the joint SEC-NASD Task Force inquiring into abuses in the over-the-counter market. A hearing will be scheduled by further order on the charges against the respondents. (Rel. 34-10777)

COURT ENFORCEMENT ACTIONS

DEFENDANTS IN FLEURETTE CASE SENTENCED

The New York Regional Office announced that the U. S. District Court for New York had sentenced the following defendants who had pleaded guilty to violations of the securities laws in the offer and sale of the common stock of Fleurette, Inc., a Florida corporation. The defendants and the sentences imposed are as follows: Dennis Carroll, Silver Spring, Maryland - three years probation and a \$2,000 fine; Lawrence Gilbert, Miami, Florida - two year suspended sentence and a \$2,500 fine; Albert Sprung, New York City - three years probation; James Morse - one month jail sentence and a 23 month term of probation; Norman Rubinson, Miami, Florida - 6 month jail sentence, probation for a period of 18 months and a fine of \$10,000. During the 18 month period of probation, he is prohibited from dealing in securities; and Equity Financial Trading Corporation of Florida - \$10,000 fine.

The original indictment in this case named 18 defendants, six of whom already have been sentenced. Four of the original defendants -- Gunther Hermann of West Germany, Nigel Hollings of Toronto, Canada, J. David Crosby of Montreal, Canada and Alex Alexander of Dallas, Texas -- are fugitives from justice. The case as to the defendant, Arthur Tortorella of New York City has been disposed of by a plea and sentence in connection with another matter as has that of another defendant Raymond Monacelli. Charges were dismissed as to George Cohen of Miami, Florida, Leonard Kozman of Cleveland, Ohio and Andrew Pilato of Queens, New York and the trial as to another defendant, Henry C. Percevault ended in a hung jury. Two remaining defendants, Louis Kaye and Murray Taylor of New York City are awaiting sentence. (LR-6354)

CANUSA HOLDINGS LTD. (Canada), OTHERS, ENJOINED

The New York Regional Office announced that at various times between January 18 and April 18 the U. S. District Court for New York permanently enjoined Canusa Holdings Ltd. (Canada) Fort Erie, Ontario; Canusa Holdings Ltd. (Delaware), Sparks, Nevada; Edward H. Miller Jr., Fort Erie, Ontario; Robert Gooding, Roselle, New Jersey; STA Investors Inc., Bronx, New York; Transfers Unlimited, Inc., and Gertrude Sabatino, both of New Rochelle, New York; Michael Weinstein, New York City; Norman Gomberg, Great Neck, New York; Howard Lawrence & Co., Inc., Newark, New Jersey; Allen Gorer, Edgewater, New Jersey; Samuel Rosengarten, Clifton, New Jersey; Michael Mastrangelo, Livingston, New Jersey; and Erwin Gerstenzang, Little Neck, New York, from violations of the registration and antifraud provisions of the securities laws. All of the defendants except Canusa (Delaware), Gooding and STA consented to the court orders without admitting or denying the allegations in the Commission's complaint. Default judgments were entered against Canusa (Delaware), Gooding and STA. The case involved the unlawful distribution of approximately 850,000 shares of Canusa (Canada) and Canusa (Delaware) facilitated by the use of various fraudulent devices. (LR-6353)

TRADING SUSPENSIONS

TRADING SUSPENDED IN SERVISCO

Trading in the securities of Servisco, of Hillside, N. J., has been suspended for a ten-day period beginning on May 6 and terminating on May 15, 1974. Servisco securities are traded on the American and Pacific Stock Exchanges and over-the-counter. Servisco failed to file its Form 10-K annual report for 1973 on time. The Commission initiated the suspension because of a lack of current and accurate information concerning the company. (Rel. 34-10776)

INVESTMENT COMPANY ACT RELEASES

QUAKER STATE FUND, PENNSYLVANIA MUNICIPAL TAX-EXEMPT TRUST

An order has been issued on an application of Quaker State Fund, Pennsylvania Municipal Tax-Exempt Trust (First Series and Subsequent Series), a unit investment trust. The order exempts the fund from the Act's initial net worth requirements, the dividend distribution limitations and the pricing requirements with respect to secondary market operations of the fund's sponsor. (IC-8343)

HOLDING COMPANY ACT RELEASES

PENNSYLVANIA ELECTRIC COMPANY

A notice has been issued giving interested persons until May 29 to request a hearing on a proposal of Pennsylvania Electric Company (Penelec), subsidiary of General Public Utilities Corporation, to sell \$50 million of first mortgage bonds at competitive bidding. Jersey Central will use the net proceeds for construction purposes, for sinking fund purposes, and to refund at maturity Northern Pennsylvania Power Company first mortgage bonds, due 1975. (Rel. 35-18403)

MONONGAHELA POWER COMPANY

An order has been issued authorizing Monongahela Power Company, The Potomac Edison Company and West Penn Power Company, subsidiary companies of Allegheny Power System, Inc., to sell short-term notes to banks in amounts up to \$35 million, \$40 million and \$60 million respectively. (Rel. 35-18404)

DELISTING AND UNLISTED TRADING ACTIONS

UNLISTED TRADING SOUGHT

A notice has been issued giving interested persons until May 18 to request a hearing on applications of the Boston Stock Exchange for unlisted trading privileges in the common stocks of the following companies: Cyclops Corporation, Dayco Corporation, Development Corp. of America (Delaware), Gamble-Skogmo, Inc., Gardner-Denver Co., International Mining Corp., Kansas City Southern Industries, Inc., Leaseway Transportation Corp., Ludlow Corporation, L.V.O. Corporation, Reeves Brothers, Inc. and World Airways, Inc. (Rel. 34-10778)

SECURITIES ACT REGISTRATIONS

(S-6) THE CORPORATE INCOME FUND, SECOND SHORT TERM SERIES

\$75 million of units of beneficial interest, to be offered for sale through underwriters headed by Merrill Lynch, Pierce, Fenner & Smith Incorporated, One Liberty Plaza, 165 Broadway, New York, N. Y. 10006. The Fund, a unit investment trust, is to be created by a trust agreement among Merrill Lynch, as sponsor, The Bank of New York, as trustee, and Interactive Data Services, Inc., as evaluator. The Fund's primary objective is to provide a high level of current income through investment in a fixed portfolio of short-term debt obligations, with maturities of approximately one year from the date of deposit. (File 2-50928 - May 2)

(S-1) MANAGEMENT ASSISTANCE INC. (MAI)

300 East 44th St., New York, N. Y. 10017 - 900,967 shares of Series C preferred stock, and 13,514,505 shares of common stock. MAI proposes to offer these shares in exchange for all outstanding shares of Series A preferred stock and Series B preferred stock, at the rate of one share of Series C preferred stock and 15 shares of common stock for each share of Series A preferred stock or Series B preferred

stock. MAI markets and services its own small business computer and data processing equipment manufactured by others. (File 2-50929 - May 2)

(S-6) HARRIS, UPHAM TAX-EXEMPT FUND, FOURTH SERIES

120 Broadway, New York, N. Y. 10005 - \$7,500,000 of units. The Fund is one of a series of unit investment trusts created under a trust indenture and agreement among Harris, Upham & Co. Incorporated, as sponsor, United States Trust Company of New York, as trustee and Standard & Poor's Corporation, as evaluator. The Fund consists of interest-bearing obligations of states, counties, territories, possessions and municipalities of the United States and authorities or political subdivisions thereof, the interest on which is, in the opinion of bond counsel, exempt from all Federal income tax under existing law. (File 2-50930 - May 2)

(S-1) KAY CORPORATION

320 King St., Alexandria, Va. 22314 - 500,000 shares of common stock, which may be offered in future acquisitions of the company. Kay, through subsidiaries, primarily exports and imports various goods and commodities and operates retail fine jewelry stores. (File 2-50732 - Apr. 11)

(S-7) PENNSYLVANIA ELECTRIC COMPANY

1001 Broad St., Johnstown, Pa. 15907 - \$50 million of first mortgage bonds, due 2004, to be offered for sale at competitive bidding. The company is a public utility supplying electric service. (File 2-50934 - May 1)

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:

American Seating Company, Grand Rapids, Mich. (File 2-50923 - Apr. 29) - 60,000 shares
Angelica Corp., St. Louis, Mo. (File 2-50924 - Apr. 29) - 100,000 shares
Servicemaster Industries Inc., Downers Grove, Ill. (File 2-50925 - Apr. 30) - 186,960 shares
The Fleming Companies, Inc., Oklahoma City, Okla. (File 2-50926 - Apr. 29) - 250,000 shares
Pacific Lighting Corp., Los Angeles, Cal. (File 2-50932 - May 1) - 200,000 shares
Inmont Corp., New York, N. Y. (File 2-50933 - May 1) - 451,893 shares

REGISTRATIONS EFFECTIVE

May 6: Elba Systems Corp., 2-50159; Signetics Corp., 2-50851.

REGISTRATIONS WITHDRAWN

April 30: National Micronetics, Inc., 2-45053.

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 15¢ per page plus postage for mailing within four days (\$2 minimum) and 30¢ per page plus postage for over-night mailing (\$5 minimum). Cost estimates are given on request. All other referenced material is available in the SEC Docket.

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