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DECISIONS IN ADMINISTRATIVE PROCEEDINGS

U.S. SECURITIES AND EXCHANGE COMMISSION

CHARLES W. STEADMAN BARRED

Charles W. Steadman, a Washington, D.C. mutual fund manager, will be barred from association with any investment adviser. He will also be prohibited from affiliating himself with any registered investment company. In addition, Steadman will be suspended from association with any broker or dealer for one year. These sanctions, which will not take effect until Oct. 3, 1977, were based on the Commission's findings that (1) Steadman systematically concealed material facts from actual and prospective investors in the group of investment companies managed by his organization. The facts in question concerned Steadman's practice of borrowing heavily and of soliciting portfolio brokerage business from the very same banks in which he caused his investment company clients to deposit large sums in non-interest bearing accounts. The Commission found that disclosure was required because "reasonable investors could reasonably have deemed the relationships corrupting;" (2) Steadman's advisory organization received compensation from the investment companies that was not disclosed in the funds' advisory contracts; (3) Steadman caused the investment company complex under his control to breach its reporting obligations to the Commission. The reports were more than a year late. The Commission noted in this connection that the record suggests that "Steadman was more concerned with keeping costs down than with maintaining the kind of an organization that was needed to do the job."

With respect to Steadman's concealed banking relationships, the Commission said: "Steadman had a self-interest in cultivating and mollifying the banks from which he borrowed. That self-interest could have led him to keep unduly large sums unnecessarily idle in checking accounts to the banks' benefit but to the funds' detriment. Whether this actually happened or not is unimportant.

"The heart of the matter is that Steadman had disabled himself from looking at the funds' checking account balances in a wholly disinterested way, with an eye single to the funds' best interests. Investors had a right to know this. So Steadman had a duty to reveal his collateral banking relationships, which were such that a reasonable investor or prospective investor could reasonably have drawn adverse inferences about the character of the funds' management."

The Commission concluded that "So egregiously faithless a fiduciary as Steadman cannot be permitted to meddle further with other people's money."

But the effective date of the sanctions was postponed for approximately 90 days. That was done because: "Steadman is the active operating head of the management organization. To oust him at once might leave the funds in difficult straits, albeit temporarily. We think it better to permit him to remain on board for 90 days. That should give the funds' directors adequate opportunity to make appropriate arrangements for their beneficiaries' post-Steadman future.

"Another factor that leads us to deem a 90-day stay appropriate is our wish to be fair to Steadman himself. His ... stock may well be of substantial economic value. We see no need to divest him of that value. The 90-day transitional period gives him abundant time to find a buyer."

The Commission took no action against the various Steadman-controlled corporations against which proceedings had been brought. It explained that if Steadman's organization "were ... liberated from Steadman's influence and were control over it to pass to clean hands, the continued existence of the ... organization would be perfectly compatible with the public interest." The Commission also observed that "the imposition of sanctions on the corporate respondents at this time would be inconsistent with our decision to give Steadman a reasonable time within which to dispose of his ... stock, if he can." The Commission then noted that if it were to put the Steadman organization "out of business now, Steadman would be left with nothing to sell."

Accordingly, the Commission gave Steadman Security Corporation (SSC), the parent company of the Steadman complex, until October 3, 1977, to liberate itself from Steadman's influence. The opinion concluded: "If an adequate showing is made within those 90 days that all links between SSC and Steadman have in fact been severed and that SSC is in new and responsible hands, we shall dismiss as to it and its subsidiaries. SSC's failure to make such a showing will necessitate a reassessment of the situation at the end of the 90-day period. Hence the order we enter this day will reserve jurisdiction over the corporate respondents." (Rel. 34-13695)

COMMISSION ANNOUNCEMENTS

FILES ON CORPORATE PAYMENTS MADE PUBLIC

The Commission, pursuant to requests under the Freedom of Information Act, has made available to the public certain previously non-public files in its possession relating to questionable corporate payments. Files concerning the following corporation are made available beginning today: Allied Chemical Corp.

These files, and others made available previously, may be inspected at the Commission's Public Reference Room, Room 6101, 1100 L Street, N.W., Washington, D.C., between the hours of 9 a.m. and 5 p.m. Persons wishing further information may call the Public Reference Room at (202) 523-5360.

COURT ENFORCEMENT ACTIONS

SHAUGHNESSY & CO., INC., LAWRENCE SHAUGHNESSY, SR. ENJOINED

The Chicago Regional Office announced that on June 2 a final judgment of permanent injunction was entered by the Honorable Miles W. Lord, U.S. District Judge for the District of Minnesota, against Shaughnessy & Co., Inc. and Lawrence Shaughnessy, Sr. enjoining them from further violations of the net capital and reporting provisions of the securities laws. (SEC v. Shaughnessy & Co., Inc., et al., D. Minnesota, Civil Action No. 3-77-243). (LR-8003)

JOHN S. GLEASON, JR. INDICTED

The Chicago Regional Office announced the return of a 3 count indictment by a Federal Grand Jury in Chicago, Illinois, on June 14 charging John S. Gleason, Jr., of Evanston, Illinois, with misapplying bank funds and filing false and misleading proxy statements. Gleason was charged with misapplying approximately \$588,000 of the funds of Mercantile National Bank of Chicago and of failing to disclose the misapplication of funds in Chicago Helicopter Industries, Inc. proxy statement dated June 12, 1975. Chicago Helicopter, through one of its wholly owned subsidiaries, owns approximately 80.1% of the outstanding shares of Mercantile's common stock. (U.S. v. John S. Gleason, Jr., N.D. Ill. No. 77 CR 542). (LR-8004)

FRANCIS EUGENE MOONEY, JR. ENJOINED; APPOINTMENT OF TEMPORARY RECEIVER CONTINUED IN FORCE

The Atlanta Regional Office announced that on June 9 a Federal District Court at Knoxville, Tennessee entered a preliminary injunction against Francis Eugene Mooney, Jr., individually and doing business as Bach Planning Company, a registered broker-dealer in Knoxville, enjoining him from violations of the antifraud provisions of the securities laws, the net capital, bookkeeping, customer protection and reporting rules, and also from dissipating the assets or destroying the records relating to his business. The Court continued in force the appointment of Edward L. Summers, Esq. of Knoxville, as temporary receiver. The complaint was filed on May 25 in the Federal District Court at Knoxville, against Mooney. The complaint alleged violations of the antifraud provisions of the securities laws in the offer, sale and purchase of securities. Misrepresentations and omissions of material facts related to among other things the misuse of customers' funds and Mooney's financial condition. (SEC v. Francis Eugene Mooney, Jr., E.D. Tenn., Northern Division, Civil Action No. 3-77-191). (LR-8005)

COMPLAINT NAMES WILLIAM THOMAS SPELLER AND SPELLER OIL CORP.

The Fort Worth Regional Office announced that on June 27 a civil injunctive complaint was filed in Federal District Court at Midland, Texas, against William Thomas Speller, Oklahoma City, Oklahoma, and Speller Oil Corporation, Tyler, Texas. The complaint

alleged violations of the registration and antifraud provisions of the securities laws in the offer and sale of fractional undivided working interests in oil and gas leases located in Oklahoma. (SEC v. William Thomas Speller, et al., W.D. Tex., CA No. MO-77-CA-50). (LR-8006)

E.M. "MIKE" RIEBOLD INDICTED

The Chicago Regional Office announced that on June 9 a Federal Grand Jury in Kansas City, Missouri indicted E.M. "Mike" Riebold, of Albuquerque, New Mexico for six counts of securities fraud, three counts of wire fraud and five counts alleging sales of un-registered securities of Time-Western Corporation. Riebold was charged with making false and misleading statements regarding the assets of Time-Western, the nature of interests in oil and gas wells being sold to investors, the return on an investment an investor would receive and the use of the proceeds from the sale of Time-Western securities. The indictment also alleges Riebold concealed material facts that he had been convicted on several counts of securities fraud on December 19, 1975, that assets of Time-Western were inflated and that a well had been found to be commercially un-feasible after being tested by an expert. The indictment also alleged that Riebold converted substantial sums of funds received from investors to his own use and benefit. (U.S. v. E. M. "Mike" Riebold, W.D. Mo., Civil Action No. C-2095). (LR-8007)

INVESTMENT COMPANY ACT RELEASES

CALIFORNIA-WESTERN STATES LIFE INSURANCE COMPANY

An order has been issued on an application of California-Western States Life Insurance Company (Cal-Western), a California stock life insurance company, and Cal-Western Separate Account A, a separate account of Cal-Western registered under the Investment Company Act of 1940 as an open-end diversified management investment company, hereinafter collectively referred to as Applicants), pursuant to Section 6(c) of the Act granting exemption from Sections 22(e), 27(c)(1) and 27(d) to the extent necessary to permit compliance by Applicants with certain provisions of the Education Code of the State of Texas as it would apply to payments made on variable annuity contracts subsequent to the date of the requested order. (Rel. IC-9834 - June 30)

SECURITIES ACT REGISTRATIONS

REGISTRATIONS EFFECTIVE

June 23: Mohasco Corp., 2-58907.

June 27: Beker Industries Corp., 2-59114; FBT Bancorp Inc., 2-58524; General Signal Corp., 2-59341; Rosario Resources Corp., 2-59047; Texas American Bancshares Inc., 2-59223.

June 28: National Systems Corp., 2-58646.

June 29: Canadian National Railway Co., 2-59155; Delorean Motor Co., 2-58123; EG & G Inc., 2-59038; Empire/Equitec Petroleum Fund Ltd. 1977, 2-58159; European Economic Community, 2-59211; General Cinema Corp., 2-58506; Global Marine, Inc., 2-59373; Philadelphia Electric Co., 2-59177; Reynolds Metals Co., 2-59245; The Straton Corp., 2-57282; Trans Union Corp., 2-59333; UT Credit Corp., 2-59210.

NOTE TO DEALERS. When applicable the 90-day period of time dealers are required to use the prospectus is noted above in parentheses after the name of the issuer. As to the other issuers, there may be no such requirement to use a prospectus, or the requirement may be for a period of only 40 days; see Section 4(3) of the Securities Act of 1933 and Rule 174 (17 CFR 230.174) thereunder.

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 or request. All other reference material is available in the SEC Docket.

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