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COMMISSIONER SPEAKS

TRUTH OR CONSEQUENCES

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On May 15, 1975, in Denver, Colorado, Commissioner Evans addressed the Securities Cooperative Enforcement Conference concerning the Commission's recent enforcement efforts with respect to management fraud conduct relating primarily to the nondisclosure of the use of corporate funds for improper or illegal purposes such as campaign contributions, bribes, kickbacks, and other similar payoffs. The Commissioner observed that, in his opinion, there is no question that such misuse of corporate funds is material to investors, not only in terms of management integrity, but also in connection with investors' determinations as to whether management conduct results in substantial risks so that an investment in a particular company is not justified. These risks may include, among other things, large judgments against corporations for civil liability, individual and corporate blackmail, and the possibility that a company's prospects would be adversely affected if certain payoff demands are not met or are discovered in the future. The Commissioner asserted that disclosure concerning these matters is consistent with the philosophy of the securities laws, and that the Commission was determined to ensure that companies subject to disclosure requirement are in compliance.

Commissioner Evans observed also that the failure of management of some public companies to recognize their disclosure responsibilities was disturbing and somewhat disillusioning. In response to the attitude that bribes and payoffs are necessary in reaching agreements concerning business affairs and that the refusal to engage in such activity competitively disadvantages a company, the Commissioner stated that such an attitude results in a situation where "the most unethical or immoral conduct thereby sets the business standard at the lowest common denominator. Moreover, to the extent business decisions are made on the basis of a kickback, payoff or bribe, and not on the fundamental economic forces of price and quality of goods and services, graft and dishonesty are rewarded, and the very essence of a competitive free system, which is to promote efficiency, fair dealing, low prices, and quality goods and services, is frustrated and destroyed." Given the legal, ethical, and moral implication of this attitude, the Commissioner submitted that the SEC has a responsibility to use its powers in this area, and that the Commission need not be apologetic or defensive about its actions. Furthermore, SEC actions would provide "an economic and legal incentive to resist the temptation, and a basis on which to refuse requests, to use corporate funds for" illegal and improper purposes. While we have been the recipients of a great American heritage including a high standard of living and an impressive economic capability, the Commissioner submitted that the "most important element of American greatness is the moral integrity of a free people," and that we must do our part to give this heritage to future generations.

RULES AND RELATED MATTERS

NEW FORM BD AND FORM U-4 ADOPTED;
RULE 15b3-1 AND 15b8-1 AMENDED

The Commission announced today the adoption of new Form BD (previously proposed as Form U-3, Rel. 34-11135, December 13, 1974), a uniform application for registration as a broker-dealer. New Form BD, which replaces present Form BD, will be effective August 1, 1975. The Commission also announced adoption of Form U-4, a uniform application for registration of associated persons. Form U-4, which replaces Form SECO-2, will be effective July 15, 1975. Finally, the Commission adopted related rule changes to Rule 15b3-1 and Rule 15b8-1 under the Securities Exchange Act of 1934.

These forms have received widespread support. The Commission has been advised that approximately forty-five states and the NASD have approved new Form BD for their own use. Similarly, the Commission has been advised that Form U-4 has been accepted by all national securities exchanges, the NASD and approximately forty-five states in lieu of their individual applications for registration of representatives, principals, and agents.

Under Rule 15b3-1, each registered broker-dealer would be required to file a new Form BD to replace the Form BD currently on file the first time (after August 1, 1975) an amendment is required but in any case within 120 days after August 1, 1975. Under Rule 15b8-1, Form U-4 would have to be filed by a nonmember broker-dealer (SECO broker-dealer) to replace any Form SECO-2 currently on file on behalf of any associated person the first time (after July 15, 1975) that the information contained in Form SECO-2 becomes inaccurate or incomplete for any reason. (Rel. 34-11124)

SECO FEES AND ASSESSMENTS

The Commission announced the adoption of Form SECO-4-75 which sets forth the annual schedule under which registered broker-dealers who are not members of the NASD ("SECO" broker-dealers) will be assessed for fiscal year 1975 and the amendment of Form SECO-2 which sets forth the initial fees for new associated persons of SECO broker-dealers. This year's assessment as set forth on Form SECO-4-75 includes a base levy of \$250 per firm and an assessment of \$15 for each associated person. Form SECO-2 will be amended so as to increase the initial assessment for new SECO associated persons from \$35 to \$50. Form SECO-4-75 will be due on or before June 20, 1974 and the new Form SECO-2 fee will be in effect as of that date. (Rel. 34-11425)

COMMISSION ANNOUNCEMENTS

PBW STOCK EXCHANGE OPTION PLAN

The Commission announced on May 15 its decision to declare effective the PBW Stock Exchange, Inc. plan regulating transactions in options on the Exchange filed under Exchange Act Rule 9b-1. PBW intends initially to limit its operation to call options on 10 underlying stocks registered and listed on the New York Stock Exchange. As experience is gained and the system enlarged, the Exchange expects, with Commission authorization, to increase the number of underlying stocks for option trading. PBW options will generally be traded in a manner very similar to that of other securities traded on the PBW. The plan also provides that PBW will be a participant with Chicago Board Options Exchange and American Stock Exchange in the Options Clearing Corporation and the Option Price Reporting Authority.

PBW is the first exchange to propose trading on an option on the same exchange as the underlying security is traded. In its plan, PBW has therefore undertaken to take actions to lessen potential regulatory problems associated with such trading.. (Rel. 34-11423)

COURT ENFORCEMENT ACTIONS

EDWARD D. ZUBER SENTENCED

The SEC announced that on April 21 Federal District Court Judge Gordon Thompson, Jr., in San Diego, California, sentenced Edward D. Zuber to serve 5 years in prison upon his plea of guilty to one count of conspiracy to use fraud in the sale of the unregistered securities of Patterson Corporation. Zuber's guilty plea, which resulted from an indictment returned on November 21, 1974, was entered on March 20, 1975.

In early April 1975, Zuber was sentenced to serve 2-1/2 years following his conviction in New York of one count of mail fraud in connection with the sale and distribution of stock of Pioneer Development Corporation. On May 1, 1975, Zuber was sentenced to serve 5 years in prison upon his plea of guilty in Las Vegas, Nevada, to one count of conspiracy in the interstate transportation of stolen property arising out of a package tour fraud committed against the Alladin Hotel. All of these sentences are to run concurrently.

Trial of the remaining seven defendants in this matter has been set for August 26, 1975. (U.S. v. Dalton E. Smith, et al., S.D. CA., CR-74-2277-GT). (LR-6884)

COMPLAINT NAMES UNIVEST, INC., OTHERS

The Chicago Regional Office announced the filing on May 9 of a complaint in Federal District Court, Chicago, Illinois, seeking to enjoin Univest, Inc., John Chalupa, Jr., and Theodore Wynn, all of Chicago, from violations of the registration and antifraud provisions of the securities laws, in the offer and sale of commodity options and promissory notes of Univest, Inc. The complaint alleged that in the offer and sale of such securities, the defendants omitted to state material facts to purchasers and prospective purchasers concerning, among other things, that defendant Univest, Inc. was paying some, if not most investors, and that investor's funds were not always used to

acquire silver futures contracts but were converted to the use of defendants Chalupa and Wynn. The complaint further alleged that in the offer and sale of such securities, defendants Chalupa and Wynn made false and misleading statements of material facts to purchasers and prospective purchasers concerning, among other things, that investors were assured that the financial condition of defendant Univest, Inc. was always excellent when in fact on several different occasions Univest was overdrawn on its bank account. (SEC v. Univest, Inc., John Chalupa, Jr., and Theodore Wynn, N.D. Ill., Eastern Division, Civ. Action No. 75-C-1488). (LR-6885)

COMPLAINT NAMES THOMAS J. NORTON, OTHERS

The Chicago Regional Office announced the filing on May 9 of a complaint in Federal District Court, Chicago, Illinois, seeking to enjoin Thomas J. Norton, also known as Thomas Norton, of Missouri City, Texas, the president of Thomas J. Norton Co., Inc. (TJN); Gerard A. Reardon of Houston, Texas, the vice-president; and salespersons Paul V. Doyle of Chicago, Illinois, Zenon Dmytro Bojko of Rolling Meadows, Illinois and Robert E. Jonagan of Chicago, Illinois, from violations of the registration and anti-fraud provisions of the securities laws, in the offer and sale of purported commodity options contracts of TJN. The complaint alleged that in the offer and sale of such securities, the defendants omitted to state material facts to purchaser and prospective purchasers concerning, among other things, that TJN, through defendants Norton and Reardon, converted monies received from investors for their own personal speculative trading activities in the commodities markets. The complaint further alleged that in the offer and sale of such securities, the defendants made false and misleading statements of material facts to purchasers and prospective purchasers concerning, among other things, that TJN would hedge an investors commodity option, given certain underlying market movements, when in fact TJN never hedged any customer option, at any point in time. (SEC v. Thomas J. Norton, et al., N.D. Ill., Eastern Division, Civ. Action No. 75-C-1487). (LR-6886)

HOLDING COMPANY ACT RELEASES

APPALACHIAN POWER COMPANY

An order has been issued authorizing Appalachian Power Company, subsidiary of American Electric Power Company, Inc., to issue and sell \$50 million of first mortgage bonds at competitive bidding to refund first mortgage bonds previously issued and due June 1, 1975. (Rel. 35-18985 - May 14)

EASTERN UTILITIES ASSOCIATES

An order has been issued authorizing Eastern Utilities Associates, a registered holding company, to issue and sell up to 310,000 shares of common stock by negotiation. (Rel. 35-18986 - May 14)

OHIO POWER COMPANY

A notice has been issued giving interested persons until June 11 to request a hearing on a proposal by Ohio Power Company, subsidiary of American Electric Power Company, that it acquire coal cars by lease and that it sublease certain of those cars to two railroad companies. (Rel. 35-18987 - May 15)

OHIO EDISON COMPANY

An order has been issued authorizing Ohio Edison Company (Ohio Edison), a registered holding company and an electric utility company, to reimburse Pennsylvania Power Company (Pennsylvania), its subsidiary, for Pennsylvania's costs allocable to Ohio Edison's interest in certain land. (Rel. 35-18988 - May 15)

TRADING SUSPENSIONS

ADDITIONAL ACTION ON SIX TRADING SUSPENSIONS

The SEC has announced the suspension of (a) exchange and over-the-counter trading in the securities of Equity Funding Corp., and over-the-counter trading in the securities of Zenith Development Corp., Industries International, Inc. and Westgate California Corp. for the further ten-day period May 17 - 26, inclusive; (b) exchange and over-the-counter trading in the securities of Canadian Javelin Ltd. for the further ten-day period May 19 - 28, inclusive; and (c) over-the-counter trading in the securities of Continental Vending Machine Corp. for the further ten-day period May 20 - 29, inclusive.

SECURITIES ACT REGISTRATIONS

(S-5) STEADMAN AMERICAN INDUSTRY FUND, INC.

919 18th St., N.W., Washington, D.C. 20006 - 200,000 shares of common stock, to be offered for sale by the company. No underwriting is involved. Steadman is a diversified, open-end investment company investing primarily in common stocks for possible capital appreciation. Steadman Security Corporation is investment adviser to the Fund. (File 2-53649 - May 9)

(S-7) CENTRAL ILLINOIS PUBLIC SERVICE COMPANY

607 East Adams St., Springfield, Ill. 62701 - 2,250,000 shares of common stock, to be offered for sale through underwriters represented by Kidder, Peabody & Co. Incorporated, 10 Hanover Square, New York, N.Y. 10005 and Halsey, Stuart & Co. Inc., 100 Gold St., New York, N.Y. 10038. The company is an electric and gas utility. (File 2-53671 - May 13)

(S-1) GRAPHIC CONTROLS CORPORATION

189 Van Rensselaer St., Buffalo, N.Y. 14210 - 150,000 shares of common stock, to be offered for sale by the company and 55,000 shares to be offered for sale by certain stockholders at a price current at the time of sale, through underwriters headed by C. E. Unterberg, Towbin Co., 61 Broadway, New York, N.Y. 10006. The company manufactures recording charts, data processing forms, and related products. (File 2-53673 - May 13)

(S-7) NORTHEAST UTILITIES

174 Brush Hill Ave., West Springfield, Mass. - 5,000,000 shares of common stock, to be offered for sale by underwriters managed by Morgan Stanley & Co., Incorporated, 1251 Avenue of the Americas, New York, N.Y. 10020 and The First Boston Corporation, 20 Exchange Place, New York, N.Y. 10005. Northeast Utilities is a registered holding company. (File 2-53674 - May 13)

REGISTRATIONS EFFECTIVE

May 8: Peoples Banking Corp., 2-53101.

May 9: Williams Companies, 2-53530.

May 14: Appalachian Power Co., 2-53570; Atlantic Richfield Co., 2-53539; Capital Cities Communications, Inc., 2-53200; Carborundum Co., 2-53468; The Corporate Income Fund, Twentieth Monthly Payment Series, 2-53498; Finnigan Corp., 2-53501; Georgia Pacific Corp., 2-53427; Hammermill Paper Co., 2-53321; Huntington Bancshares Inc., 2-53186; Kaman Corp., 2-53160; Lewis Business Forms Inc., 2-53227; Montara Oil and Gas Programs, 2-52280; Standard of America Financial Corp., 2-53425; Ryan Homes Inc., 2-53524; Tax-Exempt Municipal Trust First National Series, 2-52898; Tenneco Inc., 2-53402; TRW Inc., 2-53559.

May 15: C. Brewer & Co. Ltd., 2-53260; The Corporate Investment Trust Fund, Eleventh Payment Series, 2-53513; Crocker National Corp., 2-53315; Florida Power & Light Co., 2-53288; General Cigar Co., Inc., 2-53656; Industrial National Corp., 2-53303; Japan Fund, Inc., 2-53439; MacMillan Inc., 2-53584; McCulloch Oil Exploration Development Program 1975, 2-52332; Mark Controls Corp., 2-53228; The National Municipal Trust, Ninth Series, 2-53322; New England Gas & Electric Association, 2-53381; North American Car Corp., 2-53083; Pennwalt Corp., 2-53432; Scott & Fetzer Co., 2-52967; Snap on Tools Corp., 2-53578; Shell Oil Co., 2-53463; Stone & Webster Inc., 2-53477; Virginia Electric and Power Co., 2-53479 & 2-53393.

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 (\$2 minimum) and 30¢ per page plus postage for expedited handling (\$5 minimum). Cost estimates are given on request. All other referenced material is available in the SEC Docket.

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