

# sec news digest

U.S. SECURITIES AND  
EXCHANGE COMMISSION

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## RULES AND RELATED MATTERS

## LIBRARY

### AMENDMENTS TO RULES 242, 252 AND 30-1

The Commission has adopted amendments to Rule 242 and to Rule 252 of Regulation A. Rule 242 and Regulation A provide limited offering exemptions from registration under Section 3(b) of the Securities Act of 1933. If a disqualification exists under Rule 242 or Rule 252, no Rule 242 or Regulation A exemption will be available, unless the Commission grants relief from the disqualification upon application. The amendments make most disqualifications which now last indefinitely terminate automatically after a specified period of time. They also modify the list of disqualifications and the persons to whom the disqualifications apply. In addition, the Commission has adopted amendments to Rule 30-1 of the Commission's rules relating to general organization. These amendments delegate authority to the Director of the Division of Corporation Finance to grant applications for relief under Rules 242 and 252. (Rel. 33-6289)

FOR FURTHER INFORMATION CONTACT: Michael J. Eizelman at (202) 272-2644

### ADOPTION OF RULE 11Aa2-1 AND AMENDMENTS TO RULE 11Aa3-1

The Commission has announced the adoption of Rule 11Aa2-1 under the Securities Exchange Act of 1934. As adopted, Rule 11Aa2-1 sets forth two sets of criteria by which securities may be designated as national market system (NMS) securities (NMS Securities).

Under the tier 1 criteria, a limited number of actively traded over-the-counter (OTC) securities, approximately 40, will be required to be designated as NMS Securities. The tier 1 criteria include the following requirements: (1) the issuer of the security must have \$2 million in net tangible assets; (2) the issuer must have \$1 million in capital and surplus; (3) 500,000 shares of the security must be publicly-held; (4) the publicly-held shares of the security must have a market value of \$5 million; (5) the security must have a price per share of \$10; (6) the average monthly trading volume of the security must be 600,000 shares; (7) the security must be held by 1,200 record holders; and (8) the security must be traded by four or more OTC market makers.

Under the tier 2 criteria, approximately 450 OTC securities will be eligible for designation as NMS Securities, subject to application by the issuer. If the issuer of an OTC security seeks to have its security designated as an NMS Security, it will be so designated if it substantially meets the following requirements: (1) the issuer of the security must have \$2 million in net tangible assets; (2) the issuer must have \$1 million in capital and surplus; (3) 250,000 shares of the security must be publicly-held; (4) the publicly-held shares of the security must have a market value of \$3 million; (5) the security must have a price per share of \$5; (6) the average monthly trading volume of the security must be 100,000 shares; (7) the security must be held by 400 record holders; and (8) the security must be traded by four or more OTC market makers.

In addition, the Commission has adopted amendments to Rule 11Aa3-1 under the Exchange Act. These amendments, which will become effective February 1, 1982, will require, among other things, that OTC securities designated as NMS Securities be subject, for the first time, to real-time transaction reporting and firm quotations. (Rel. 34-17549)

FOR FURTHER INFORMATION CONTACT: Brandon Becker at (202) 272-2886

## ADMINISTRATIVE PROCEEDINGS

### ADMINISTRATIVE PROCEEDINGS INSTITUTED AND FINDINGS AND ORDER ENTERED AGAINST DONALDSON, LUFKIN AND JENRETTE, INC.

The Commission announced today the issuance of an Order Instituting Proceedings pursuant to Section 15(c)(4) of the Securities Exchange Act of 1934 and Findings and Order of the Commission against Donaldson, Lufkin & Jenrette, Inc., a Delaware corporation headquartered in New York City, to determine whether certain of DLJ's filings with the Commission since December 31, 1973, contained adequate and accurate disclosure concerning the nature and amount of its earnings resulting from appreciation or depreciation of certain long term investments and, since March 1975, concerning a plan adopted by DLJ to dispose of its investment in Meridian Investing and Development Corporation. DLJ submitted an Offer of Settlement without admitting or denying the Commission's findings, and the Commission determined to accept the Offer of Settlement and, accordingly, issued the Order.

The Commission found that DLJ's practice of combining its valuation for marketable and non-marketable securities in its financial statement disclosure has made it more difficult for DLJ's shareholders to determine the nature of each of the two distinct securities positions involved, the respective effects on DLJ's earnings of increases or decreases in the values of the securities in the two positions, and the ability or inability of DLJ readily to convert any unrealized increase in its earnings resulting from the separate securities positions into realized earnings.

The Commission also found that between 1974 and 1977, there was inadequate discussion in Management's Discussion and Analysis of the Summary of Operations in DLJ's Annual Reports on Form 10-K, concerning the effect on DLJ's net income of increases or decreases in the value of DLJ's long term corporate development (LTCD) investments.

In addition, the Commission found that DLJ's disclosure concerning its adoption in 1975 and subsequent implementation of a formal plan under Accounting Board Principle No. 30 (APB 30) to dispose of Meridian was inadequate.

The Commission ordered DLJ, among other things, to comply with the reporting requirements of the Exchange Act; to amend its reports currently on file with the Commission by disclosing certain specific information concerning the nature of DLJ's LTCD investments and the separate amounts of unrealized appreciation periodically resulting from LTCD investments and marketable securities and certain matters concerning DLJ's plan to dispose of its investment in Meridian; and to adopt, implement and maintain procedures to insure compliance with the Order. (Rel. 34-17554)

### INSTITUTION AND SETTLEMENT OF ADMINISTRATIVE PROCEEDINGS AGAINST RICHARD M. KULAK

The Commission announced that it has instituted public administrative proceedings pursuant to Sections 15(b) and 19(h) of the Securities Exchange Act of 1934 against Richard M. Kulak of Fairfax, Virginia. Kulak, under the terms of his Offer of Settlement, consented to the entry of Commission Findings that he was convicted of violating Section 5 of the Securities Act of 1933 on March 9, 1979, in the matter of U.S. v. Richard M. Kulak, Criminal No. 79-40-A, U.S.D.C. E.D. Va., following a plea of nolo contendere to a criminal information charging him with the sale and delivery after sale of the common stock of Research Homes, Inc.

In support of his Offer of Settlement, Kulak stated that he was sentenced to two years probation following his conviction and that one of the conditions of his probation was that he refrain, for the two year period, from any dealings in securities other than those owned by himself or his family. In March 1980, upon recommendation of Kulak's probation officer, the Court released Kulak from the second year of his sentence. Since that time, Kulak has not attempted to become associated with a broker-dealer while awaiting resolution of the Commission's administrative proceedings. Kulak stated that, in total, he has been out of the securities business for almost two years as a direct result of the activities that led to the institution of the Commission's administrative proceedings.

In view of the foregoing, the Commission accepted Kulak's Offer of Settlement and ordered that Kulak be suspended from associating in any capacity with any broker or dealer for a period of six months, and thereafter that Kulak's activities in connection with any broker or dealer be limited to a supervised, non-supervisory, non-proprietary capacity, provided that he may apply to the Commission to remove such limitations after a period of two years. (Rel. 34-17523)

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## COMMISSION ANNOUNCEMENTS

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### WEEKLY CALENDAR

The following is a schedule of speaking engagements, Congressional testimony, Commission hearings and other public events involving the Commission for the week of February 22, 1981. (Commission Meetings are announced separately in the News Digest)

#### Wednesday, February 25

- \* Commissioner Friedman will be featured in the distinguished speaker series at the University of Kentucky in Lexington. Speaking to the Department of Accounting the subject of his talk will be the accounting provisions of the Foreign Corrupt Practices Act.

#### Thursday, February 26

- \* Commissioner Evans will be the luncheon speaker at the Utah Securities Regulation Seminar in Salt Lake City, Utah.

#### Friday, February 27

- \* The Commission will receive a portrait of former Chairman Manuel F. Cohen in ceremony scheduled for Friday, February 27, at 3:30 p.m. in the Commission Meeting Room. All interested persons are invited to attend.

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## CIVIL PROCEEDINGS

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### ORDER ENTERED RE: AMERICAN NATIONAL BANK & TRUST OF NEW JERSEY

The Division of Enforcement announced that on February 10 a final order was entered in the U.S. District Court for the District of New Jersey whereby American National Bank & Trust of New Jersey (ANBT) was ordered to fully disclose to its customers all material facts concerning the use of brokerage commissions arising from executions of securities transactions in accounts for which ANBT provides investment management or advice.

It was further ordered that for the next five years, ANBT would review existing procedures concerning its use of brokerage commissions arising from execution of securities transactions in accounts for which ANBT provides investment management or advice and implement and maintain any necessary new procedures to comply with the securities laws.

In addition, ANBT undertook that for the next five years it would, in connection with the direction of brokerage commissions generated by the purchase or sale of the securities for its trust accounts, do business only with registered broker-dealers (not third-party vendors or others) to obtain goods, services or other benefits, unless it shall have notified the Commission in writing at least 30 days prior to the institution of such practice.

In addition, ANBT undertook that for the next five years it would comply with the guidelines for disclosure of trust brokerage practices proposed or adopted by the Office of the Comptroller of the Currency. (SEC v. American National Bank & Trust of New Jersey, D.W.J., Civil Action No. 80-745). (LR-9298)

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## CRIMINAL PROCEEDINGS

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### SECOND CIRCUIT AFFIRMS CONVICTIONS OF RUSSELL REED, OTHERS

The New York Regional Office announced that on January 27 the U.S. Court of Appeals for the Second Circuit affirmed the convictions against appellants Russell Reed, also known as Stephen Whitney (Reed) of Clinton Corners, New York, James S. Doyle of Brentwood, New York, and Thomas Francis Ryan of Kings Park, New York. Each of the three appellants were convicted by a jury of five counts of conspiracy, securities fraud, and mail fraud in connection with the purchase of approximately \$2 million in securities at the Huntington, New York branch office of what is now known as Shearson Loeb Rhoades, Inc., where appellants Doyle and Ryan were then employed.

In a related civil injunctive action, Final Judgments of Permanent Injunction by Consent were issued by the Honorable Henry R. Werker against Reed, Doyle and Ryan in SEC v. Russell Reed, et al., 78 Civil 5581 (S.D.N.Y.). (U.S. v. Russell Reed, also known as "Stephen Whitney", James S. Doyle and Thomas Francis Ryan, 79 Crim. 515(S), E.D.N.Y.). (LR-9294)

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## INVESTMENT COMPANY ACT RELEASES

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### INA TAX-FREE RESERVE FUND, INC.

A notice has been issued giving interested persons until March 13 to request a hearing on an application filed by INA Tax-Free Reserve Fund, Inc. (Applicant), for an order conditionally exempting Applicant from the provisions of Section 2(a)(41) of the Investment Company Act of 1940 and Rules 2a-4 and 22c-1 thereunder, to the extent necessary to permit Applicant to value its portfolio securities using the amortized cost method of valuation. (Rel. IC-11625 - Feb. 18)

### DELAWARE TAX-FREE MONEY FUND, INC.

An order has been issued on an application of Delaware Tax-Free Money Fund, Inc. (Applicant), a "money market" fund registered under the Investment Company Act of 1940 as an open-end, diversified, management investment company, pursuant to Section 6(c) of the Act, exempting Applicant, subject to conditions, from the provisions of Section 2(a)(41) of the Act and Rules 2a-4 and 22c-1 thereunder, to the extent necessary to permit it to use the amortized cost valuation method for the purpose of pricing its shares for sale, repurchase and redemption. (Rel. IC-11626 - Feb. 18)

### AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS MORTGAGE INVESTMENT TRUST

An order has been issued by the Commission on an application filed by American Federation of Labor and Congress of Industrial Organizations Mortgage Investment Trust (Trust), registered under the Investment Company Act of 1940 as an open-end, non-diversified, management investment company, pursuant to Section 22(e)(3) of the Act, permitting the partial suspension of payment for securities tendered to the Trust for redemption. This order grants relief on a permanent basis that had been granted on a temporary basis in a prior Commission order dated January 21, 1981 (Rel. IC-11575). (Rel. IC-11627 - Feb. 18)

### MERRILL LYNCH READY ASSETS TRUST

A notice has been issued giving interested persons until March 16 to request a hearing on an application of Merrill Lynch Ready Assets Trust, CMA Money Trust, Merrill Lynch Institutional Fund, Inc., and Merrill Lynch Government Fund, Inc. (the Funds), and Merrill Lynch Asset Management, Inc., and Fund Asset Management, Inc. (the Advisers), and Merrill Lynch Government Securities, Inc., and Merrill Lynch Money Markets Inc. (the Dealers), pursuant to Sections 6(c) and 17(b) of the Investment Company Act of 1940, to permit the Funds and the Advisers to engage in certain principal transactions with the Dealers. (Rel. IC-11628 - Feb. 19)

### 399 FUND

A notice has been issued giving interested persons until March 16 to request a hearing on an application filed by 399 Fund for an order declaring that it has ceased to be an investment company. (Rel. IC-11629 - Feb. 18)

## MCDONALD MONEY MARKET FUND, INC.

An order has been issued on an application of McDonald Money Market Fund, Inc. (Applicant), conditionally exempting Applicant from the provisions of Section 2(a)(41) of the Investment Company Act of 1940 and Rules 2a-4 and 22c-1 thereunder, to the extent necessary to permit Applicant to use amortized cost valuation in pricing its shares for sale and redemption. (Rel. IC-11630 - Feb. 18)

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## HOLDING COMPANY ACT RELEASES

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### CEDAR COAL COMPANY

An order has been issued authorizing Cedar Coal Company, Central Appalachian Coal Company, Southern Appalachian Coal Company, Central Ohio Coal Company, Southern Ohio Coal Company and Windsor Power House Coal Company, which are either coal mining subsidiaries of Appalachian Power Company or of Ohio Power Company, which like Appalachian is an electric utility subsidiary of American Electric Power Company, Inc., to include Windsor Power House Coal Company (WPHCCo) as an applicant to the application and amendments filed in this proceeding. Applicants sought authorization to enter into a separate leasing agreement with certain trustees for the Bank of New York pursuant to which the trustees will commence to lease to such companies coal mining equipment with a total cost to trustees not exceeding \$25 million. The leased equipment is expected to contribute to maintaining and improving the efficiency and capacity of Appalachian's and Ohio's fuel supply operations. (Rel. 35-21921 - Feb. 18)

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## LISTING, DELISTING AND UNLISTED TRADING ACTIONS

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### DELISTING GRANTED

An order has been issued granting the application of the Pacific Stock Exchange to strike the common stock (no par value) of Behavioral Research Laboratories, Inc. from listing and registration thereon. (Rel. 34-17548)

### UNLISTED TRADING GRANTED

An order has been issued granting the applications of the Philadelphia Stock Exchange for unlisted trading privileges in the common stock (\$.12-1/2 par value) of International Flavors & Fragrances, Inc. and the common stock (no par value) of Cominco Ltd. which are listed and registered on one or more other national securities exchanges and are reported in the consolidated transaction reporting system. (Rel. 34-17552)

### WITHDRAWAL SOUGHT

A notice has been issued giving interested persons until March 10 to comment on the application of Sysco Corporation to withdraw its common stock (\$1 par value) from listing and registration on the American Stock Exchange. (Rel. 34-17553)

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## SELF-REGULATORY ORGANIZATIONS

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### APPROVAL OF PROPOSED RULE CHANGES

The Commission has approved proposed rule changes filed by the New York Stock Exchange, Inc. (SR-NYSE-80-45) which amends NYSE Rule 91 to exempt orders in the Automated Designated Order Turnaround System from the requirement that a Floor member confirm (accept) each transaction in which the specialist takes or supplies securities named in the order. (Rel. 34-17550); and (SR-NYSE-80-42) which limits the personal financial interest of specialists in stocks in which they are the registered specialist. (Rel. 34-17551)

## SECURITIES ACT REGISTRATIONS

The following registration statements have been filed with the SEC pursuant to the Securities Act of 1933. The information noted below has been taken from the cover page and the facing sheet of the prospectus and registration statement and will appear as follows: Form; Name, address and phone number (if available) of the issuer of the security; Title and the number or face amount of the securities being offered; Name of the managing underwriter (if applicable); Whether the offering is a rights offering; File number and date filed; Assigned Branch; and whether the registration statement is a New Issue.

- (S-1) EMULEX CORPORATION, 2001 East Deere Ave., Santa Ana, CA 92705 (714) 557-7580 - 742,869 shares of common stock. Underwriters: L.F. Rothschild, Unterberg, Towbin and Robertson, Colman, Stephens & Woodman. The company designs, manufactures and markets a line of disk and tape controllers and communications multiplexers. (File 2-70915 - Feb. 17) (Br. 10 - New Issue)
- (S-8) THE NARDA MICROWAVE CORPORATION, 75 Commercial St., Plainview, NY 11803 (516) 364-3190 - 150,000 shares of common stock. (File 2-70918 - Feb. 17) (Br. 7)
- (S-1) INFOTRON SYSTEMS CORPORATION, Cherry Hill Industrial Center, Cherry Hill, NJ 08003 - 1,000,000 shares of common stock. Underwriters: Alex. Brown & Sons and Merrill Lynch White Weld Capital Markets Group. The company designs, manufactures, markets and services a wide range of data communications equipment. (File 2-70921 - Feb. 17) (Br. 9 - New Issue)
- (S-1) VIKING RESOURCES 1981 DRILLING PROGRAM, 11237 Cornell Park Dr., Cincinnati, OH 45242 - 10,000 units at \$1,000 per unit. (File 2-70922 - Feb. 17) (Br. 3 - New Issue)
- (S-1) MEDIQ INCORPORATED, 60 E. Township Line, Elkins Park, PA 19117 - 1,569,830 shares of common stock. (File 2-70927 - Feb. 17) (Br. 8 - New Issue)
- (S-2) MOUNTAIN STATES OVERTHURST OIL & GAS, INC., 6440 Coldwater Canyon Ave., North Hollywood, CA 91606 - 25,000,000 shares of common stock. Underwriter: Cannon Securities, Inc. (File 2-70929 - Feb. 18) (Br. 4 - New Issue)
- (S-16) WELLS FARGO MORTGAGE AND EQUITY TRUST, 475 Sansome St., San Francisco, CA 94111 (415) 396-2887 - 500,000 common shares of beneficial interest. (File 2-70930 - Feb. 18) (Br. 2)
- (S-16) DATAPRODUCTS CORPORATION, 6200 Canoga Ave., Woodland Hills, CA 91365 (213) 887-8000 - 1,000,000 shares of common stock. Underwriter: Kidder, Peabody & Co. Incorporated. The company designs, develops, manufactures and markets a broad range of printers and associated products. (File 2-70931 - Feb. 18) (Br. 10)
- (S-8) THE SOUTHLAND CORPORATION, 2828 North Haskell Ave., Dallas, TX 75204 (214) 828-7253 - 206,000 shares of common stock. (File 2-70932 - Feb. 18) (Br. 3)
- (S-1) MALLON OIL COMPANY, Suite 2750, 1616 Glenarm Pl., Denver, CO 80202 (303) 572-1511 - \$10 million in preformation partnership units. (File 2-70933 - Feb. 18) (Br. 4 - New Issue)
- (S-1) MANAGEMENT SCIENCE AMERICA, INC., 3445 Peachtree Rd. N.E., Atlanta, GA 30326 - 1,650,000 shares of common stock. Underwriters: Alex. Brown & Sons and The Robinson-Humphrey Company, Inc. The company develops, markets and supports an integrated line of standard computer applications software packages. (File 2-70934 - Feb. 18) (Br. 10 - New Issue)
- (S-8) ACME-CLEVELAND CORPORATION, P.O. Box 5617, 802 Bond Court Bldg., Cleveland, OH 44101 (216) 566-5500 - 250,000 shares of common stock. (File 2-70935 - Feb. 18) (Br. 6)
- (S-16) FISHER SCIENTIFIC COMPANY, 711 Forbes Ave., Pittsburgh, PA 15219 (412) 562-8300 - \$30 million of convertible subordinated debentures, due 2006. Underwriter: The First Boston Corporation. The company is engaged in the manufacture, distribution, sale and service of apparatus, instruments, equipment, furniture, diagnostics and reagent chemicals for use in laboratories. (File 2-70936 - Feb. 18) (Br. 8)

(S-8) TRANSTECHNOLOGY CORPORATION, Suite 400, Union Bank Plaza, 15233 Ventura Blvd., Sherman Oaks, CA 91403 (213) 629-4824 - 141,507 shares of common stock. (File 2-70938 - Feb. 18) (Br. 6)

REGISTRATIONS EFFECTIVE

Jan. 23: Float-to-Relax, Inc., 2-69636-D.  
Feb. 3: Ivie Electronics, Inc., 2-70260-D.  
Feb. 4: Napco Industries, Inc., 2-70443.  
Feb. 5: The Municipal Bond Trust, Series 78, 2-69622; Tax Exempt Securities Trust, Multi-State Series D, 2-69413.  
Feb. 9: The Brooklyn Union Gas Co., 2-70391.  
Feb. 10: Scientific Leasing, Inc., 2-70324-B.  
Feb. 12: American Resources Management Corp., 2-70239; Arapaho Petroleum Inc., 2-68180; Clyde Industries, 2-70678; Credo Petroleum Corp., 2-70072; DBL Cash Fund, Inc., 2-69759; Georgia-Pacific Corp., 2-69754; IEA Marine Container Income Fund III, 2-70481; IMS Variable Leverage Fund, Ltd., 2-68964; J. M. Resources Inc., 2-69276; Waste Management, Inc., 2-70775.  
Feb. 13: Baltimore Cable TV, Inc., 2-68555; Citizens Bancorp, Inc., 2-70693; Comdial Corp., 2-70278; Danville Bancshares, Inc., 2-70694; Insured Municipals-Income Trust Series 47, 2-70566; Northern Indiana Bancshares, Inc., 2-70633.  
Feb. 17: High Voltage Engineering Corp., 2-70736.

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, registration statements, and other filings may be ordered by writing to the Public Reference Branch, Securities and Exchange Commission, Washington, D.C. 20549. When you are ordering more than one, we prefer that the documents be listed in alphabetical order by registrant name to expedite service. Cost estimates are given on request. Two types of service are available through the Public Reference Branch, one of which (priority service) is also available directly from the SEC's service contractor.

**REGULAR SERVICE** – The regular service reproduction cost is 10c per page, including applicable sales taxes, plus postage (\$5.00 minimum order). Regular service orders will be shipped within seven calendar days of the receipt by the SEC's service contractor of your request, forwarded from the Public Reference Branch. Slight delays may occur if the materials to be copied are not already in the contractor's master files.

**PRIORITY SERVICE** – Copies of documents may be ordered by telephone directly from the SEC's service contractor by calling 301/951-1350. The priority reproduction cost is 35¢ per page plus postage and applicable sales taxes (\$10.00 minimum order). Priority service orders will be shipped by 4:00 PM of the working day following the day of your telephoned request for materials already in the contractor's master files. Cost estimates are given on request.

All other reference material is available in the SEC Docket.

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