

# sec news digest

a daily summary from the securities and exchange commission

Issue 73-122

(SEC Docket, Vol. 2, No. 2 - July 10)

June 25, 1973

## COMPOSITE TAPE PLAN TO BECOME EFFECTIVE SOON, COMMISSIONER LOOMIS STATES

The Commission will declare the composite tape plan for reporting last sale information -- the first element of the central market system -- effective once it receives a response from the AMEX and the NYSE to Commission comments on the plan and once the Commission makes whatever changes appear necessary, Commissioner Philip A. Loomis told the Securities Industry Association at its meeting in Santa Barbara today. He said that a composite tape plan should be in operation following a 40-week implementation period. "Before the tape starts operation, the Commission will propose for comment and adopt a revised uniform rule to govern short selling in all markets, including the third market, where short sales now are unregulated," Mr. Loomis said.

The final timetable for the quotation system -- the second element of the central market system -- is not as clear, Mr. Loomis said; but he suggested the two programs will have to proceed to a considerable degree in tandem. The central market system involves linking together existing market centers for listed securities and would enable a broker with an order for a listed security to quickly find and go to the best market. "The quotation system will not be implemented until after the composite tape has been in operation for some reasonable pilot period," Mr. Loomis stated.

Some regulatory changes that might be necessary prior to implementing the quotation system to assure that the privilege of entering quotations in the system will carry with it a responsibility for fairness and orderliness of the market in the securities quoted were outlined by Commissioner Loomis. He noted that:

-- The SEC's Policy Statement on the Central Market System would rescind exemption of regional exchanges from Rule 11b-1 and the NASD would be asked to provide for further regulation of third market makers "in a manner as nearly comparable to the regulation of the specialist on the primary exchanges as circumstances permit," he said. "This would make it necessary to adopt the trading rules referred to in our Policy Statement prior to implementation of the composite quotation system," Mr. Loomis stated.

-- The composite quotation system would end Rule 394 of the NYSE, which bans exchange members from taking orders off the exchanges and thus acts as a barrier to the flow of orders between markets. He added: "The Commission will seek a substantial increase in the professional discount now given broker-dealers taking orders to exchanges on which they are not members, so these brokers can truly seek best execution without making a financial sacrifice."

-- Once the composite quotation system is in operation and the impact of the regulatory changes can be discerned, consideration will be given of continued regulatory justification for rules of the NYSE and AMEX which now bar direct dealing between specialists and financial institutions in those stocks handled by the specialists.

Commissioner Loomis emphasized that the central market system would probably not require any significant investment in equipment not already contemplated, but probably would involve substantial programming costs.

## COURT ENFORCEMENT ACTIONS

COMPLAINT NAMES LIGGETT & MYERS, OTHERS. The SEC today announced the filing of a complaint in the Federal court in New York against Liggett & Myers, Inc. and Daniel Edward Provost, III, Dir. of Corporate Communications and Asst. Vice Pres. of Corporate Marketing. The complaint seeks a permanent injunction and alleges violations of the antifraud provisions of the Federal securities laws. The complaint alleges that Provost informed various security analysts, financial institutions and other persons of a forthcoming Liggett & Myers news announcement on July 18, 1972 prior to such information being released to the public. L&M announced on July 18, 1972 that preliminary net earnings for the first six months of 1972 were between \$1.40 and \$1.50 per share versus \$1.80 for the same period in 1971. (LR-5943)

## COMMISSION ANNOUNCEMENTS

SEC CITES MERRILL LYNCH, OTHERS. The SEC has announced that it has ordered administrative proceedings based on charges by its Division of Enforcement that during 1968 and 1969 Merrill Lynch, Pierce, Fenner and Smith, Inc., a registered broker-dealer, persons in its Research Department, and 47 account executives (salesmen) employed by Merrill Lynch violated the antifraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934, and rules promulgated thereunder in connection with the sale of shares of Scientific Control Corporation ("Scientific") to their customers. Approximately 4,000 Merrill Lynch customers purchased more than 400,000 shares of Scientific stock.

The proceedings are based upon staff allegations that Merrill Lynch prepared research reports and wire flashes recommending the purchase of shares of Scientific to members of the investing public which were misleading and without a reasonable basis. Much of the information on which the recommendations were based was

allegedly communicated by the management of Scientific to Merrill Lynch and not verified through independent analysis or inquiry. Additionally, much of this information was alleged to be false and misleading. The order alleges that Merrill Lynch failed to conduct a diligent analysis of, among other things, the financial condition, business activities and prospects of Scientific.

The order further alleged that the 47 account executives named as respondents by the staff, in offering and selling Scientific stock to the Merrill Lynch customers, made a series of untrue statements of material facts and omitted to state material facts. The misrepresentations and omissions concerned, among other things, projections of the future price of shares of Scientific, the likelihood of the listing of shares of Scientific on a national securities exchange and comparisons of Scientific in growth potential to highly successful and well established companies in the computer industry. The order also alleges that Merrill Lynch, and personnel in its Research Department, violated the anti-fraud provisions involving use of inside information concerning Scientific in connection with their recommendations.

It is further alleged that Merrill Lynch failed to reasonably supervise those persons subject to its supervision with a view toward preventing the cited violations of the Federal securities laws.

A hearing will be scheduled by further order to take evidence on the staff allegations and to afford the respondents an opportunity to offer any defenses thereto, and for the purpose of determining whether the allegations are true and, if so, whether any action of a remedial nature should be ordered by the Commission. (Rel. 34-10233) (FULL TEXT)

**TRADING SUSPENDED IN SEVEN COMPANIES.** The SEC has announced the temporary suspension of over-the-counter and exchange trading for a ten-day period commencing on June 22 and terminating at midnight (EDT) on July 1, 1973 of the over-the-counter securities of C E C Corporation located in Cocoa, Florida; Monmouth Industries, Inc. located in Neptune, New Jersey; and Apollo Industries, Inc. incorporated in Maine and located in North Miami, Florida and the exchange listed securities of Apollo Industries, Inc. and over-the-counter trading in the securities of Crown Drug Company located in Seattle, Washington; El Camino Financial Corporation located in San Mateo, California; Landmark-Townes, Inc. located in Salem, Oregon; and PMC-Powdered Metals Corporation located in Phoenix, Arizona.

The Commission initiated the suspensions because the companies failed to comply with the reporting provisions of the Exchange Act resulting in the lack of current and accurate information available to the public. (Rel. 34-10235 and 34-10236)

#### DECISIONS IN ADMINISTRATIVE PROCEEDING

**LOIS AND JACK NERENBERG BARRED.** The SEC announced the issuance of an order barring Lois and Jack Nerenberg, of Colts Neck, New Jersey, president and secretary-treasurer, respectively, of Funds for People, Inc., formerly a registered broker-dealer, from association with any broker-dealer, registered investment company or investment adviser.

The sanctions imposed were based on findings that the Nerenbergs violated or aided and abetted violations of the antifraud, net capital, record-keeping and reporting provisions of the securities acts. On August 12, 1971, a permanent injunction was entered against them, with their consent, enjoining them from further violations of those provisions.

The respondents, without admitting or denying the charges against them, consented to the above findings and the sanctions imposed. (Rel. 34-10224)

**DECISION REVOKING NAFTALIN & CO. AND BARRING NEIL T. NAFTALIN FINAL.** The SEC announced that the decision of an administrative law judge revoking the broker-dealer registration of Naftalin & Co. Inc., of Minneapolis, and barring Neil T. Naftalin, president and majority stockholder of the firm, from association with any broker-dealer, has become final.

According to the decision, respondents, in 1969, engaged in a fraudulent scheme in which the firm sold about \$8,634,000 worth of securities which it did not own through "special cash accounts" with various broker-dealers, although "short sales" are forbidden in such accounts. Respondents either concealed the fact that the firm did not own the securities or, if questioned, falsely represented that it did. By their deception, they were able to gamble without using any funds, hoping to profit by purchasing the securities in question at lower prices before delivery was required by the selling brokers. However, the prices of the securities rose, and, when the firm notified the selling brokers that it could not make delivery, the brokers were forced to "buy-in" the securities, suffering losses totaling about \$1,285,000.

It was also found that, during the period August-October 1969, the firm, aided and abetted by Naftalin, failed to comply with the Commission's record-keeping requirements. Among other things, fictitious entries were made on the firm's books reflecting the purported receipt and disbursement of a \$27,000 state income tax refund. (Rel. 34-10229)

**SANFORD SECURITIES REVOKED, IRWIN EINIGER BARRED.** The SEC announced the issuance of an order revoking the broker-dealer registration of Sanford Securities, Inc., of New York, and barring Irwin Einiger, president of the firm, from association with any broker-dealer. After two years, Einiger may apply for permission to re-enter the securities business in a nonsupervisory capacity upon a showing of adequate supervision. The revocation of Sanford's registration will not affect the activities of its court-appointed receiver in winding up its affairs.

The sanctions imposed by the Commission were based on findings that, during the period October to December 1970, the firm, aided and abetted by Einiger, conducted business while insolvent without disclosure of that fact, and failed to comply with the net capital and record-keeping requirements.

The Commission's order was issued pursuant to the firm's consent and Einiger's offer of settlement. Without admitting or denying the charges against them, the firm and Einiger consented to the above findings and the indicated sanctions. (Rel. 34-10225)

## MISCELLANEOUS

## IMPORTANT NOTICE

Many requests for copies of documents referred to in the daily SEC News Digest have erroneously been directed to the Government Printing Office. They should be addressed: Public Reference Section, Securities and Exchange Commission, Washington, D. C. 20549. The reproduction cost will approximate 12¢ per page, plus postage, for mailing within four days, to 25¢ per page, plus postage, for overnight mailing. Cost estimates given on request.

**RECENT FORM 8-K FILINGS.** Form 8-K is used by companies to file current reports on the following events:

Item 1. Changes in Control of Registrant.	Item 9. Options to Purchase Securities.
Item 2. Acquisition or Disposition of Assets.	Item 10. Revaluation of Assets or Restatement of Capital Share Account.
Item 3. Legal Proceedings.	Item 11. Submission of Matters to a Vote of Security Holders.
Item 4. Changes in Securities.	Item 12. Changes in Registrant's Certifying Accountant.
Item 5. Changes in Security for Registered Securities.	Item 13. Other Materially Important Events.
Item 6. Defaults upon Senior Securities.	Item 14. Financial Statements and Exhibits.
Item 7. Increase in Amount of Securities Outstanding.	
Item 8. Decrease in Amount of Securities Outstanding.	

The companies listed below have filed 8-K reports for the month indicated and/or amendments to 8-K reports previously filed, responding to the item(s) of the form specified. Copies of the reports may be purchased from the Commission's Public Reference Section (in ordering, please give month and year of report). An invoice will be included with the requested material when mailed.

COMPANY	ITEM NO.	MONTH
TRI SOUTH MORTGAGE INVESTORS	13, 14	05/73
UNIFI INC	13, 14	05/73
UNION CAMP CORP	13	05/73
UNION ELECTRIC CO	3	05/73
UNION LIGHT HEAT & POWER CO	11	05/73
UNITED BRANDS CO	10	04/73
UNITED JERSEY BANKS	13	05/73
UNITED STATES NATURAL RESOURCES INC	11	05/73
UNIVERSAL CIGAR CORP	11, 13	05/73
WAGNER MINING EQUIPMENT INC	13, 14	05/73
WASHINGTON GEORGE CORP	11, 14	05/73
WASHINGTON NATIONAL CORP	7	05/73
WASHINGTON PUST CO	11	05/73
WELBILT CORP	3, 7, 13	05/73
WELLCO ENTERPRISES INC	13	05/73
WEST KNITTING CORP	8	05/73
WESTERN MORTGAGE INVESTORS	13	03/73
WINNEBAGO INDUSTRIES INC	3	05/73
WISCONSIN ELECTRIC POWER CO	11, 14	05/73
WOODS COMMUNICATION CORP	11, 14	05/73
WORK WEAR CORP	3	05/73
WYNN OIL CO	13	05/73
AMERICAN BIOCULTURE INC	2, 6, 9, 13	05/73
AMERICAN NATIONAL HOLDING CO	11	05/73
AMERICAN RESOURCES MANAGEMENT CORP	7, 13	04/73
AMERICAN STERILIZER CO	11, 14	05/73
APEXCO INC	7, 11, 14	05/73
ASAMERA OIL CORP LTD	13	05/73
AUTO TRAIN CORP	13	05/73
BALL CORP	4, 14	05/73
BATES MANUFACTURING CO INC	3, 14	05/73
BROOKS INTERNATIONAL INC	2, 8, 10, 14	05/73
BRYN MAWR CAMP RESORTS INC	8, 9, 11	05/73
CANADIAN JAVELIN LTD	11, 13, 14	05/73
CENTRAL COLORADO BANCORP INC	2, 7	06/73

CENTRAL VERMONT PUBLIC SERVICE CORP	7,11,14	05/73
CHEMICAL EXPRESS CO	7	03/73
CMI INVESTMENT CORP	11,14	04/73
COLGATE PALMOLIVE CO	7,10,13	05/73
COMMONWEALTH INDUSTRIES INC	12	05/73
COMPUTER POWER INTERNATIONAL CORP	2,9,14	04/73
CONSUMERS WATER CO	2,14	05/73
COUNTY NATIONAL BANKCORPORATION	7	05/73
DENTAL EZ INC	11,13,14	05/73
DETECTO SCALES INC	7,14	03/73
DETROITBANK CORP	1,2,3,4,7,11,14	05/73
EDISON BROTHERS STORES INC	2	05/73
EVANS & MITCHELL INDUSTRIES INC	2,7,14	05/73
FAIRBANKS INDUSTRIES INC	2,14	05/73
FINANCIAL CORP OF ARIZONA	10,11,14	05/73
FIRST NATIONAL BANKCORPORATION INC	7	06/73
FIRST OF MICHIGAN CORP	11,14	01/73
FLYING TIGER CORP	11,14	05/73
FOUNDERS SECURITY LIFE INSURANCE CO	11	04/73
FRIENDLY ICE CREAM CORP	3	05/73
GALBREATH FIRST MORTGAGE INVESTMENTS	13	05/73
GATES LEARJET CORP	13,14	04/73
GENERAL PRECISION CORP	13,14	04/73
GOKIN STORES INC	13,14	05/73
GREAT LAKES FINANCIAL CORP	1,2,3,7,14	03/73
GREAT SOUTHERN CORP	11	05/73
HEKS APPAREL INDUSTRIES INC	1,13	04/73
HMW INDUSTRIES INC	1,2,4,14	05/73
IDEAL BASIC INDUSTRIES INC	8,13,14	05/73
IDS REALTY TRUST	7,11,13,14	05/73
INTERNATIONAL BANKNOTE CO INC	10,13,14	05/73
JAMESWAY CORP	11,13,14	06/73
JERVIS CORP	3	05/73
LANDMARK BANKING CORP OF FLORIDA	11,14	05/73
LEXIFRON CORP	4,7,14	05/73
LIFESTYLE COMPANIES INC	10	02/73
LITCO CORP OF NEW YORK	3,13,14	05/73
LUBY CORP	4,7,8,13,14	05/73
MACK SHIRT CORP	11	04/73
MARCOR INC	11	05/73
MAULE INDUSTRIES INC	10,11,12,13	04/73
MEMUREX CORP	11,14	05/73
MISSION EQUITIES CORP	11,14	05/73
MISSOURI KANSAS TEXAS RAILROAD CO	11	05/73
MONARCH INDUSTRIES INC	8,10,14	05/73
MONRGE GROUP INC	13,14	05/73

**TRADING SUSPENSIONS CONTINUED.** The SEC has ordered the suspension of over-the-counter trading in the securities of Accurate Calculator Corporation for the further ten-day period June 24 through July 3, inclusive and exchange and over-the-counter trading in the securities of Coastal States Gas Corporation for the further ten-day period June 25 through July 4, inclusive.

**SECURITIES ACT REGISTRATIONS.** Effective June 22: Airwick Industries, Inc., 2-47398; Bally Manufacturing Corp., 2-48277; Bowne & Co., Inc., 2-48113; Diamond International Corp., 2-48230; Dow Jones & Co., 2-48171; Florida-California Properties, Ltd., 2-45751 (90 days); Interdata, Inc., 2-48173; Planned Marketing Associates, Inc., 2-47276; S-G Securities, Inc., 2-47838 (Sept 20); TDA Industries, Inc., 2-46628; Weyenberg Shoe Manufacturing Co., 2-48343; Winkelman Stores, Inc., 2-48276.

**NOTE TO DEALERS.** The period of time dealers are required to use the prospectus in trading transactions is shown in parentheses after the name of the issuer.

---ooo0ooo---