



# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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## COMMISSION ANNOUNCEMENT

William J. Casey, Chairman of the Securities and Exchange Commission, announced on May 30 that the Commission had sent a letter to the presidents of all national securities exchanges requesting adoption of rules on institutional membership. These rules would effectively require that any member or member organization of an exchange have as its principal purpose the conduct of a public securities business. Barred from membership would be persons or organizations whose primary function is to rebate, recapture or redirect commission, or otherwise execute portfolio transactions, for affiliated persons.

The Commission, acting under Section 19(b) of the Securities Exchange Act of 1934, requested that the rules be adopted no later than July 31, 1972. (Rel. 34-9623)

## DECISION IN ADMINISTRATIVE PROCEEDING

SEC CITES EXECUTIVE SECURITIES AND OTHERS; SUSPENDS B/D REGISTRATION, BAR OFFICERS. The SEC has ordered public administrative proceedings under the Securities Exchange Act of 1934 involving Executive Securities Corp., a North Miami, Florida broker-dealer, Henry H. Winkler, Jr., former president of Executive, Joseph A. Lugo, Jr., Elliot I. Eiseman, and Edward W. Stewart, officers and directors of Executive, Milton J. Wallace, a Florida attorney, and former general counsel to the Florida Securities Commission, Joshua L. Becker, who is associated with the Florida Securities Commission, Jordan Metzger, a New York attorney and Martin Blumenthal and Seymour Vigman.

The proceedings are based upon allegations of the Commission's staff that the respondents violated and aided and abetted violations of the registration and anti-fraud provisions of the Securities Acts in connection with transactions in the stock of Aero Tech, Inc., Instrument Technology, Corp., Audio Visual International Corporation, Hydro Tech Corp., Micro Tenna Corp., Plastic Universal International, Bunnington Corp., Resort Car Rental Systems, Inc., Aero Systems, Osrow Products, Inc., Executive Securities Corp., Hill Brothers, Inc., Shell's City, Inc., and Development Corporation of America. In addition, it is alleged that Executive aided and abetted by certain individual respondents violated record keeping, remuneration, notification, and credit-extension requirements under the Federal securities laws.

Simultaneously with the announcement of the institution of the public administrative proceedings, the Commission issued an order suspending the broker-dealer registration of Executive Securities Corp. for 10 business days subject to certain limitations; has barred Winkler, and Lugo from association with any broker dealer or investment adviser with the proviso that Lugo may after one year become so associated in a back office capacity and after three years in any capacity and that Winkler may apply to become so associated in a non-supervisory capacity after one year upon such terms as have been determined by the Commission's staff; and suspended Eiseman and Stewart, from such association for six months. The suspensions of Executive and Eiseman commence on the effective date of the Commission's order, and the suspension of Stewart begins 10 days after the expiration of Eiseman's suspension. In addition, Metzger has been barred from association with any broker, dealer or investment adviser and effective June 12, is disqualified from practicing as an attorney before the Commission for two years with the right, however, to apply for reinstatement after one year.

The Commission's action was taken pursuant to offers of settlement in which respondents, without admitting the charge, consented to the sanctions described above and finding of willful violations as alleged in the order for proceedings. In addition as part of their offer of settlement, Executive, Winkler, Lugo, Eiseman and Stewart have consented to the entry by the United States District Court in the District of Columbia of a judgment of permanent injunction enjoining them from the violations of the Federal securities laws as alleged in the Commission's complaint filed with the consents. The defendants consented without admitting the allegations in the Commission's complaint.

As to the remaining defendants in the administrative proceedings, a hearing will be scheduled by further order to take evidence on the staff's allegations and to afford the respondents an opportunity to offer any defense thereof 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.

UNITED FUNDS GROUP GRANTED EXEMPTION UNDER INVESTMENT COMPANY ACT. The SEC has issued an order granting the application of United Funds, Inc., a registered investment company, certain other mutual funds in the United group, and Waddell & Reed, Inc., a registered broker-dealer and the Funds' principal underwriter and investment adviser, for an exemption from the price-maintenance provisions of the Investment Company Act. The Funds currently offer their shares at net asset value plus a sales load. The exemption will permit Fund shareholders who redeem their shares to repurchase shares with the redemption proceeds without payment of a sales load, provided the repurchase is made within 15 days after redemption was requested.

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The Commission found the requested exemption to be in the public interest and consistent with the protection of investors and the purposes of the Investment Company Act. It stated that where a shareholder redeems his shares and then wishes to reinstate his investment within a period of some two weeks, it may reasonably be presumed that his original decision to redeem was either ill considered or resulted from a misunderstanding as to his rights or as to the characteristics of the security. The Commission therefore considered it equitable to permit a redeeming shareholder to rectify the mistake without paying another sales load.

The Commission retained jurisdiction to deal with any abuses that might arise such as undue speculation by Fund shareholders or improper pressures on shareholders to reinvest in the Funds. However, the Commission was of the opinion that such abuses were unlikely in view of the short period permitted for re-investment, the limitation of the privilege to a single exercise, and the denial of any compensation to salesmen in connection with repurchases.

#### NEW RULES AND RULE PROPOSALS

PROPOSAL TO AMEND RULE 17a-12 AND RELATED FORMS. Rule 17a-12 under the Securities Exchange Act of 1934 presently requires that all "OTC Market Makers", as defined in the rule, must file a notice on Form X-17A-12(1) for every OTC Margin Security in which they make a market. In addition, for each quarter in which they make a market in such securities, they are required to file quarterly reports on Form X-17A-12(2). The proposal amendments would eliminate the notice and quarterly reporting requirements of the rule for those OTC Market Makers who do not use "OTC Market Makers exempt credit" as provided for by Section 3(w) of Regulation U. Furthermore, it is proposed that Form X-17A-12(2) be revised to make it more useful for regulatory purposes.

The Commission has invited public comments on the proposed amendments and has requested that such comments be submitted in writing on or before June 30, 1972. (Rel. 34-9611)

PROPOSAL TO ADOPT RULES 17a-16 AND 17a-17 AND RELATED FORMS. Proposed Rules 17a-16 and 17a-17 would be adopted to provide for the filing of notices and quarterly reports by certain broker-dealers who are third market makers or block positioners, which notices and reports would serve as the basis, under proposed rules and regulations of the Board of Governors of the Federal Reserve System, for exemptions from specified margin requirements under Regulation U for loans by banks. A third market maker who intends to obtain exempt credit under Regulation U would have to file a notice on Form X-17A-16(1) for each registered security in which he makes a market at least five (5) business days before obtaining such credit. Thereafter, quarterly reports would have to be filed on Form X-17A-16(2) until the Commission is notified on Form X-17A-16(1) that the broker-dealer no longer intends to seek such credit. In a like manner, a broker-dealer who falls within the definition of a "block positioner", as set forth in Rule 17a-17, and who intends to obtain exempt credit under Regulation U would be required to file a notice of such intent five (5) days before obtaining such credit. No form has been proposed for such notice. Quarterly reports would thereafter have to be made on Form X-17A-17 until such notice is withdrawn in writing.

The Commission has invited public comments on the proposed rules and forms and has requested that such comments be submitted in writing on or before June 30, 1972. (Rel. 34-9612)

#### COURT ENFORCEMENT ACTIONS

TRULINE MFG. CORP., OTHERS ENJOINED. The SEC Denver Regional Office announced May 19 that the Federal court in Nevada had preliminarily enjoined Byron F. Handy, Sr. and his wife, Elizabeth R. Handy, of Westminster, Calif. (formerly of Las Vegas, Nev.), Truline Manufacturing Corporation, a Nevada corporation with offices in Las Vegas, Truline Manufacturing Corporation, an Oklahoma corporation with offices in Oklahoma City, and Apollo Industries, Inc. (formerly El Dorado Mining Company), a Utah corporation with offices in Dallas or Richardson, from violations of the registration and antifraud provisions of the Federal securities laws in connection with the offer and sale of stock of the three named defendant corporations. George Milton Butler, of Calgary, Alberta, Can. (formerly of Las Vegas, Nev.) in April was permanently enjoined by default from violations of the registration and antifraud provisions. (LR-5404)

COMPLAINT NAMES WALLA WALLA BUSINESS COLLEGE, OTHERS. The SEC Seattle Regional Office announced May 19 the filing of a complaint in the Federal court in Washington State, seeking to enjoin Walla Walla Business College, Inc., located near Walla Walla, Washington, Dean Corn, Roger Corn, Raymond L. Whittle and Norman Fronk from violations of the registration and antifraud provisions of the Federal securities laws in the offer and sale of securities of Walla Walla Business College. A hearing has been set for June 9 in Spokane. (LR-5405)

#### HOLDING COMPANY ACT RELEASES

PENNSYLVANIA ELECTRIC. The SEC has issued an order authorizing an extension of time from not later than June 30, 1972 to not later than December 30, 1972, in which Pennsylvania Electric Company (Penelec), Johnstown subsidiary of General Public Utilities Corporation, may acquire up to \$7,750,000 of notes from The Helen Mining Company, a coal mining company in which Penelec owns a 50% interest. (Rel. 35-17581)

**NORTHEAST UTILITIES.** The SEC has issued a notice giving interested persons until June 13 to request a hearing upon an application of The Connecticut Light & Power Company, The Hartford Electric Light Company, and Western Massachusetts Electric Company, electric utility subsidiaries of Northeast Utilities, Hartford, Conn., and The Millstone Point Company (Millstone), also a Northeast subsidiary, for an order authorizing an increase from \$5 million to \$12.5 million in the maximum amount of short-term subordinated notes to be issued and sold by the subsidiaries to Northeast. It is also requested that the period for completion by Millstone of satisfactory permanent financing arrangements with respect to its acquisition from the electric utility subsidiaries of their interests in a nuclear fuel contract be extended to October 2, 1972. (Rel. 35-17584)

#### INVESTMENT COMPANY ACT RELEASES

**NEW YORK LIFE FUND.** The SEC has issued a notice giving interested persons until June 16 to request a hearing upon an application of New York Life Fund, Inc., New York mutual fund, for an order modifying a prior Commission order (Rel. IC-6499) so as to exempt the Fund from certain provisions of the Act to the extent necessary to permit its investment adviser, directors and independent public accountant to act as such, without the approval of the Fund's shareholders, until the first shareholder meeting following the effective date of the post-effective amendment to its registration statement, provided that such meeting takes place within one year after such effective date unless the time for holding such a meeting is extended by the Commission. (Rel. IC-7197)

**WOOD, STRUTHERS & WINTHROP.** The SEC has issued a notice giving interested persons until June 16 to request a hearing upon an application of Wood, Struthers & Winthrop, Inc., New York broker-dealer, for an order exempting the firm from certain provisions of the Act in connection with a complaint filed by the Commission against Eliot J. Robinson, vice president and manager of its Boston office, seeking to enjoin Robinson, among others, from violations of the antifraud provisions of the Federal securities laws in connection with his purchases and sales of securities of Harvey's Stores, Inc. According to the application, Robinson, without admitting or denying the allegations, has consented to the court order requiring him to pay into the Registry of Aid Court a sum in full satisfaction of the Commission's request for ancillary relief. Wood, Struthers represents that all of its advisory functions are discharged through its New York City office, that Robinson has not had any connection with such activities, that it will supervise Robinson's activities, for at least two years, and that in the future it will not employ Robinson in any activity associated with its advisory or underwriting functions. Wood, Struthers contends that if it were unable to serve as investment adviser to Compass Growth Fund, Inc., Compass Income Fund, Inc., deVegh Mutual Fund, Inc., Pine Street Fund, Inc., and W. S & W Fund, Inc., all mutual funds, and as principal underwriter of W, S & W Fund as a result of the injunction against Robinson, the investment and administrative operations of the Funds would be disrupted to the detriment of the Funds and their shareholders. Pending determination of the application, the Commission has granted Wood, Struthers a temporary exemption from the applicable provisions of the Act. (Rel. IC-7199)

**ABERDEEN MANAGEMENT CORP.** The SEC has issued a notice giving interested persons until June 20 to request a hearing upon an application of Aberdeen Management Corporation (AMC) Income Estates of America, Steadman Fiduciary Investment Fund, Inc., and Steadman Security Corporation, all of Washington, D. C., for an order exemption from certain provisions of the Act certain transactions incident to a proposed combination of Aberdeen Fund (Aberdeen), and Steadman Fiduciary Investment Fund, Inc. (Fiduciary), both mutual funds, and approving substitution of Fiduciary shares for Aberdeen shares by certain unit investment trusts. Upon the consummation of the combination of the two funds, it is proposed that the investment policies will be identical to those of Fiduciary and that Fiduciary's name will be changed to Steadman Investment Fund, Inc. AMC serves as depositor, general manager and principal underwriter for Aberdeen, Steadman Security Corporation, which owns all AMC's outstanding capital stock, serves as investment counsel to Aberdeen. Steadman is retained by Fiduciary as its manager and investment adviser. Charles W. Steadman, board chairman and president of AMC and board chairman and president of Fiduciary, owns all of the voting and about 25% of the non-voting stock of Steadman. Because of the inter-company affiliation, Commission approval of the transactions is required. (Rel. IC-7201)

#### SECURITIES ACT REGISTRATIONS

**TANCO DEVELOPMENT CORPORATION,** 1104 E. 17th St., Santa Ana, Calif. 92701, filed a registration statement on May 25 seeking registration of 200,000 shares of common stock, to be offered for public sale (\* at \$9.50 per share maximum) through underwriters headed by Winkler/Scheid Securities, Inc., 1800 Century Park East, Los Angeles, Calif. 90067. The company is engaged in the construction and sale of single family homes. Of the net proceeds of its stock sale, \$630,000 will be applied to the reduction of existing indebtedness, and the balance for working capital and other corporate purposes. (File 2-44365)

**JOSHUA TREE MANUFACTURING, INC.,** 2425 Manhattan Beach Blvd., Redondo Beach, Calif. 90278, filed a registration statement on May 25 seeking registration of 320,000 shares of common stock, of which 100,000 are to be offered for public sale by the company and 220,000 (being outstanding shares) by the holders thereof. The offering is to be made (\* at \$14 per share maximum) through underwriters headed by Reynolds Securities Inc., 120 Broadway, New York 10005. The company designs, manufactures and sells medium priced junior apparel for the young women. Of the net proceeds of its stock sale, \$200,000 will be used for additional inventory, and the balance for working capital and other corporate purposes. (File 2-44367)

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AMERICAN INTERNATIONAL FOOD CORPORATION, 3830 W. Flagler St., Miami, Fla. 33134, filed a registration statement on May 23 seeking registration of investment contracts with respect to \$497,700 of 5-acre orange groves and \$2,859,508 of 10-acre orange groves, to be offered for public sale by American Agronomics Corporation at \$10,600 per 5-acre and \$19,900 per 10-acre grove. The offering is to be made on a best efforts basis by Farmers Equity Corporation, wholly-owned subsidiary of American Agronomics. American Agronomics is engaged in acquiring, developing and selling citrus groves; American International Food, its wholly-owned subsidiary, maintains virtually all of the orange groves and markets any oranges produced on them for their owners. Net proceeds will be used for working capital purposes. (File 2-44343)

AMPAL-AMERICAN ISRAEL CORPORATION, 30 East 42nd St., New York, N. Y. 10017, filed a registration statement on May 24 seeking registration of \$5,000,000 of 7% sinking fund debentures, Series R, due 1982, to be offered for public sale at 100% of principal amount. The offering is to be made on a best efforts basis by Israel Securities Corporation, 30 East 42nd St., New York, N. Y. 10017. The company is engaged in financing (through loans and equity investments) industrial, financial, commercial and agricultural enterprises in Israel, United States charitable organizations and Israeli governmental agencies concerned with the development of the Israeli economy. Net proceeds will be used for working capital and other corporate purposes. (File 2-44354)

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:

- Questor Corporation, Toledo, Ohio (File 2-44301) - 150,000 shares, (File 2-44362) - 30,000 shares and (File 2-44363) - 150,000 shares
- Texaco Inc., New York, N. Y. (File 2-44338) - estimated 5,092,403 shares
- Consultants & Designers Inc. (File 2-44347) - 55,000 shares
- The Clorax Company, Oakland, Calif. (File 2-44350) - 4,800 shares
- General Development Corporation, Miami, Fla. (File 2-44355) - 284,475 shares
- Neotec Corporation, Rockville, Md. (File 2-44357) - 70,000 shares
- Maremont Corporation, Chicago, Ill. (File 2-44358) - 688,191 shares
- Carl M. Freeman Associates, Inc., Silver Spring, Md. (File 2-44359) - 467,000 shares
- Equity Funding Corporation of America, Los Angeles, Calif. (File 2-44360) - 100,000 shares
- Market Facts, Inc., Chicago, Ill. (File 2-44364) - 35,000 shares
- The Stride Rite Corporation, Boston, Mass (File 2-44366) - 7,200 shares

#### MISCELLANEOUS

TRADING SUSPENSION CONTINUED. The SEC has ordered suspension of over-the-counter trading in the common stock of First World Corporation for the further ten-day period May 30 through June 8, inclusive.

SECURITIES ACT REGISTRATIONS. Effective May 26: Associated Mortgage, 2-43221; Bristol - Myers Co., 2-43888; Co Se Co, Inc., 2-42280 (90 days); Consumers Power Co., 2-44135; Florida Bancorp, Inc., 2-43315 (90 days); The Gillette Co., 2-44073; Nabis Fine Arts, Inc., 2-43108 (90 days); Texaco Inc., 2-44338; Texas International Drilling Funds, Inc., 2-43093; Womprop, Inc., 2-41702 (90 days); Woods International, Inc., 2-39507 (90 days).

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

\*As estimated for purposes of computing the registration fee.

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