

# sec news digest

Issue 85-195

OCT 9 1985

October 8, 1985

U.S. SECURITIES AND  
EXCHANGE COMMISSION

## ADMINISTRATIVE PROCEEDINGS

### PROCEEDINGS INSTITUTED AGAINST SCHOENFELD & MENDELSONN AND HARVEY H. MENDELSONN

The Commission issued an Order Instituting Proceedings and Findings and Order Imposing Remedial Sanctions against the accounting firm of Schoenfeld & Mendelsohn, located in Hicksville, New York, and Harvey H. Mendelsohn, a certified public accountant practicing in New York, under Rule 2(e) of the Commission's Rules of Practice. The Commission found that Mendelsohn and the firm engaged in improper professional conduct because the firm issued audit reports containing unqualified opinions as to the financial statements of Rynco Scientific Corporation and represented that their audits were conducted in accordance with generally accepted auditing standards when such was not the case. Mendelsohn was suspended from the privilege of practicing before the Commission, provided however, that after two years, he may apply to appear and practice before the Commission upon a proper showing that he has met certain conditions set forth in the Order. The firm was censured and is required to have all future examinations of public companies reviewed by another accounting firm until it meets the conditions set forth in the Order. Mendelsohn and the firm consented to the Order without admitting or denying the facts, findings or conclusions contained in the Order. (Rel. 34-22467)

### PROCEEDING INSTITUTED AGAINST JAMES MITCHELL NEWMAN

The Commission instituted public administrative proceedings against James Mitchell Newman alleging violations of the antifraud provisions of the securities laws for insider trading. It is further alleged that those violations, if proved, and Newman's prior conviction for conspiracy, securities and mail in the Southern District of New York, subject to him to sanctions under the Securities Exchange Act of 1934.

Newman, of Demarest, New Jersey, was convicted of participating in a scheme from 1973 to 1978 involving misappropriation from Morgan Stanley & Co. and Kuhn Loeb & Co. of confidential, non-public information about pending corporate mergers or acquisitions for use in securities transactions. The information, obtained from employees of the investment banking firms, enabled him to make timely securities purchases. Profits, obtained when the price of target companies rose, were divided among the members of the conspiracy. Newman was sentenced to one year and one day.

A hearing will be scheduled to take evidence on the allegations against Newman. The purpose of the hearing is to determine whether or not the allegations against Newman are true, and if so, what, if any, remedial action is necessary in the public interest. (Rel. 34-22488)

## CIVIL PROCEEDINGS

### PRELIMINARY INJUNCTION ENTERED AND RECEIVER APPOINTED FOR JERRY HOLLEY

The Fort Worth Regional Office announced that on September 19 in the U.S. District Court for the Northern District of Texas, Lubbock Division, Judge Halbert Woodward issued an Order of Preliminary Injunction against Jerry Holley of Lubbock, Texas. The Order preliminarily enjoins Holley from further violations of the registration and antifraud provisions of the securities laws. In addition, Judge Woodward issued an Order appointing Robert Wilson, Esq., of Lubbock, Texas, as receiver for Holley's assets. The Orders were entered following the consent of Holley who neither admitted nor denied the complaint's allegations.

The September 12 complaint alleges that Holley violated the registration provisions of the Securities Act of 1933 through the offer and sale of securities in the form of investment contracts. Specifically, Holley solicited the public to invest in bail bonds in return for a portion of the fees generated by the issuance of the bail bonds. The complaint also alleges that Holley engaged in a "Ponzi" scheme by converting the monies raised for his own benefit and use. (SEC v. Jerry Holley, USDC/ND/TX, Lubbock Division, CA 5-85-240). (LR-10897)

## TERRY DEAN JOHNSON ENJOINED

The Denver Regional Office announced that on September 17 the U.S. District Court for the District of Nebraska entered a Final Order of Permanent Injunction against Terry Dean Johnson of Omaha, Nebraska. Johnson consented to the Final Order without admitting or denying the complaint's allegations. The Order enjoined Johnson from violating the antifraud provisions of the Securities Act of 1934 and the registration and antifraud provisions of the Investment Advisers Act. The complaint alleges, among other things, that from about June 1983 to about January 1985 Johnson, while failing to register with the Commission as an investment adviser, induced at least 100 investors to give him at least \$400,000 which he would manage and invest and that he failed to invest and/or account for these funds. (SEC v. Terry Dean Johnson, Civil Action No. 85-D-852, Omaha, Nebraska). (LR-10898)

## STEVEN J. TIERNEY PERMANENTLY ENJOINED

The Fort Worth Regional Office announced that on September 25 Judge Jerry Buchmeyer, Northern District of Texas, Dallas Division, entered an Order of Permanent Injunction against Steven G. Tierney of Dallas, Texas, President of Mid-Continental Energy, Inc. The Order permanently enjoined Tierney from further violations of the registration and antifraud provisions of the securities laws. The defendant consented to the Order without admitting or denying the allegations in the June 20 complaint.

The complaint alleged that Tierney violated the registration and antifraud provisions of the securities laws by selling unregistered securities in the form of fractional undivided interests in oil and gas wells, raising in excess of \$4,100,000 from over 300 investors during 1983-1984. The complaint also alleged that Tierney omitted to state material facts and misrepresented material facts to investors. The omissions and misrepresentations concerned, among other things, the financial condition and operating history of the issuer, the return an investor could receive on his investment, the defendant's past history in the oil and gas business, and the risks inherent in oil and gas investments. (SEC v. Mid-Continental Energy, Inc., et al., USDC/ND/TX, CA3-85-1169R, September 25, 1985). (LR-10899)

---

## INVESTMENT COMPANY ACT RELEASES

---

### CAPITAL PRESERVATION FUND, INC.

A notice has been issued giving interested persons until October 29 to request a hearing on an application filed by Capital Preservation Fund, Inc., Capital Preservation Fund II, Inc., Capital Preservation Treasury Note Trust, Benham California Tax-Free Trust, Benham National Tax-Free Trust, Benham Target Maturities Trust, Benham Government Income Trust, Benham Financial Services, Inc., Benham Management International, Inc., and Benham Management Corporation requesting an order in connection with a proposed externalization of administrative and transfer services. (Rel. IC-14745 - Oct. 4)

---

## HOLDING COMPANY ACT RELEASES

---

### EMPIRE EXPLORATION, INC.

A supplemental order has been issued authorizing Empire Exploration, Inc., subsidiary of National Fuel Gas Company, to acquire certain oil and gas properties held by affiliates, Seneca Resources Corporation and National Fuel Gas Supply Corporation, at a dollar amount conforming to the date, September 30, 1984, as of which valuations were authorized by this Commission. (Rel. 35-23856 - Oct. 4)

### THE SOUTHERN COMPANY

A notice has been issued giving interested persons until October 28 to request a hearing on a proposal by The Southern Company, a registered holding company, and its new subsidiary, Southern Electric Investments, Inc., for Southern to provide up to \$10 million of financing for a joint venture of the new subsidiary and a non-associate company, Chronar Corporation, to manufacture and sell photovoltaic cells. (Rel. 35-23857 - Oct. 4)

---

## SELF-REGULATORY ORGANIZATIONS

---

### APPROVAL OF PROPOSED RULE CHANGE

The Commission approved a proposed rule change filed by the Philadelphia Stock Exchange, Inc. (SR-Phlx-85-22) to increase position and exercise limits for foreign currency options to 50,000 contracts. Position and exercise limits for foreign currency were set at 25,000 contracts. (Rel. 34-22479)

### IMMEDIATE EFFECTIVENESS OF AMENDMENT TO ITS PLAN

The Operating Committee of the Intermarket Trading System (ITS) filed an amendment to the ITS Plan to change the normal operating hours of ITS to comport with the decision of each ITS participant to open its market for trading at 9:30 a. . eastern time, which began September 30, 1985. The amendment has become effective under paragraph (C) (3)(iii) of Rule 11Aa3-2 under the Securities Exchange Act of 1934. (Rel. 34-22500)

### NOTICE OF PROPOSED RULE CHANGE

The National Association of Securities Dealers, Inc. filed a proposed rule change under Rule 19b-4 (SR-NASD-85-30) to amend its Rules of Fair Practice and Code of Procedure. The new section of the Rules of Fair Practice, Section 39, will require a broker-dealer firm that wishes to change its status under the Commission's net capital rule (17 CFR §240.15c3-3) to request and receive approval from the NASD before making the change. The amendment to the Code of Procedure establishes the procedures a firm must follow to acquire NASD approval. (Rel. 34-22501)

---

## TRUST INDENTURE ACT RELEASES

---

### STORAGE EQUITIES, INC.

An order has been issued under the Trust Indenture Act of 1939 on an application by Storage Equities, Inc. that the trusteeship of Trust Services of America, Inc. is not so likely to involve a material conflict of interest as to make it necessary to disqualify Trust Services from acting as trustee under a eighth supplemental indenture to an existing indenture qualified under the Act. (Rel. TI-1041)

---

## SECURITIES ACT REGISTRATIONS

---

The following registration statements have been filed with the SEC under the Securities Act of 1933. The reported information appears as follows: Form, Name, Address and Phone Number (if available) of the issuer of the security; Title and the number and/or face amount of the securities being offered; Name of the managing underwriter or depositor (if applicable); File number and date filed; Assigned Branch; and a designation if the statement is a New Issue.

- S-3 SOUTHWARK CORP /GA/, 1601 LBJ FWY PARK WEST STE 800, DALLAS, TX 75234 (214) 241-8787 - 15,700,000 (\$15,700,000) STRAIGHT BONDS. (FILE 33-521 - SEP. 30) (BR. 5)
- S-9 AUTODESK INC, 2320 MARINSHIP WAY, SAUSALITO, CA 94965 (415) 332-2344 - 994,520 (\$15,166,430) COMMON STOCK. 356,999 (\$5,444,234.75) COMMON STOCK. (FILE 33-523 - SEP. 30) (BR. 9)
- S-1 RENT A CENTER INC, 5920 E HARRY ST, WICHITA, KS 67207 (316) 689-4100 - 25,000,000 (\$25,000,000) CONVERTIBLE DEBENTURES AND NOTES. UNDERWRITER: KIDDER PEABODY & CO. (FILE 33-524 - SEP. 30) (BR. 5)
- N-1A CITIUS DELTA FUND INC, 19TH FL 745 FIFTH AVE, NEW YORK, NY 10151 (212) 888-6800 - INDEFINITE SHARES. (FILE 33-526 - SEP. 30) (BR. 18 - NEW ISSUE)
- N-1A CITIUS EPSILON FUND INC, 19TH FL 745 FIFTH AVE, NEW YORK, NY 10151 (212) 888-6800 - INDEFINITE SHARES. (FILE 33-527 - SEP. 30) (BR. 18 - NEW ISSUE)
- N-1A CITIUS BETA FUND INC, 19TH FL FIFTH AVE, NEW YORK, NY 10151 (212) 888-6800 - INDEFINITE SHARES. (FILE 33-528 - SEP. 30) (BR. 18 - NEW ISSUE)

S-3 FERRO CORP, ONE ERIEVIEW PLZ, CLEVELAND, OH 44114 (216) 641-8580 - 50,000,000  
(\$50,000,000) STRAIGHT BCNDS. UNDERWRITER: FIRST BOSTON CORP. (FILE 33-529 - SEP. 30)  
(BR. 2)

S-8 CN LINE SOFTWARE INTERNATIONAL INC, FORT LEE EXECUTIVE PARK, TWO EXECUTIVE DR,  
FORT LEE, NJ 07024 (201) 592-0009 - 100,000 (\$763,000) COMMON STCK. (FILE 33-531 -  
SEP. 30) (BR. 9)

REGISTRATIONS EFFECTIVE

Sept. 18: Fiduciary Valquest Fund, Inc., 2-98564.

Sept. 23: AOI Coal Company, 33-296-02; Adboe Oil & Gas Corporation, 33-296-01; Adboe  
Resources Corporation, 33-296-03; Asian Equities, Inc., 2-99012-B; Balcor/Colonial  
Storage Income Fund-85, 33-357; Benham Government Income Trust, 2-99222; Granada 4,  
2-98273; Hawaiian Telephone Company, 33-348; Leggett & Platt, Incorporated, 33-186;  
Madison Resources, Inc., 33-296; McLean Carriers Corporation, 2-99187; Textron, Inc.,  
2-99948.