

sec news digest

a daily summary from the securities and exchange commission

Issue No. 73-49

(SEC Docket, Vol. 1, No. 7 - March 27)

March 13, 1973

RULE PROPOSALS AND ADOPTIONS

STAY OF EFFECTIVENESS OF SECURITIES EXCHANGE ACT RULE 19b-2. On January 16, 1973, the Commission promulgated Rule 19b-2 under the Securities Exchange Act (Rel. 34-9950), requiring all national securities exchanges registered with the Commission pursuant to Section 6 of the Securities Exchange Act to make their memberships available to any broker-dealer otherwise qualified, provided the member utilizes its membership to conduct a predominantly public securities business.

Since that time, several petitions, seeking review of the Commission's Rule, have been filed in the Courts of Appeal for the Third and District of Columbia Circuits. In one such action, instituted by the PBW Stock Exchange, Inc., the Court of Appeals for the Third Circuit has granted an application for a stay of the Rule that previously had been denied by the Commission. It is not clear how broad the stay granted by the court is or whether it is intended to apply solely to the PBW Stock Exchange. The court's order granting a stay was entered prior to the Commission's receipt of the PBW's moving papers and prior to the submission by the Commission of any responsive papers.

The Commission is concerned that, as a result of this litigation, attempts to achieve uniform exchange rules governing membership, as an essential first step in the restructuring of the nation's securities markets, may be delayed. Many of the exchanges presently are preparing for submission, or already have submitted, proposed rules embodying the requirements of Rule 19b-2.

Accordingly, the Commission will move promptly before the Court of Appeals for the Third Circuit for reconsideration of that court's determination to grant a stay of Rule 19b-2. On reconsideration, the Commission believes it can demonstrate the lack of merit in the PBW Stock Exchange's stay application. In the event, however, that some form of stay ultimately is granted by the court, the need for uniformity in exchange rules on this matter as well as the inherent unfairness to the other exchanges and their members engendered by the grant of any stay limited solely to the PBW Stock Exchange suggests that it would be appropriate for the Commission to extend a comparable stay to all exchanges pending the disposition of this litigation. The precise terms of a stay of the Rule, should it become necessary for the Commission to do so, will be announced promptly after the Court of Appeals for the Third Circuit has ruled on the Commission's motion. If the stay presently ordered by the Court of Appeals is not rescinded or modified by March 15, 1973, the Commission will defer the effective date of its Rule.

The Commission wishes to make clear, however, that the need for the immediate implementation of Rule 19b-2 remains of paramount concern. Assuming, as we do, that the Commission's Rule will be upheld upon the termination of this litigation no additional phase-in period within which to comply with Rule 19b-2 will be permitted for any new exchange members that may have been accepted during the pendency of this litigation. In addition, the Commission has no intention of departing from the prescribed phase-in dates embodied in Rule 19b-2(c), unless any judicially imposed stay should extend beyond the various reporting dates set forth in that subsection of the Rule. (Rel. 34-10038)

COMMISSION ANNOUNCEMENTS

SEC ORDER NAMES ROBERT F. KISFALUSI. The SEC has ordered administrative proceedings under the Investment Advisers Act of 1940 (Advisers Act), the Investment Company Act of 1940 and the Securities Exchange Act of 1934, involving Robert F. Kisfalusi, d/b/a American Equity Counseling Service, Chicago, a registered investment adviser.

The proceedings, among other things, are based upon allegations of the Commission's staff that Kisfalusi during the period from September 1, 1972 to date, in violation of the antifraud provisions of the Advisers Act, gave false and misleading material information about himself and his investment advisory service to newspaper reporters, causing certain newspapers to publish articles containing such information, which information was reasonably calculated to influence members of the public to become or remain clients of Kisfalusi.

In the order the Commission's staff also alleged that during the period January 1, 1972 to date Kisfalusi violated the bookkeeping rule of the Advisers Act by failing to make and keep current certain books and records.

A hearing will be scheduled by further order to take evidence on the staff allegations and to afford the respondent an opportunity to offer any defenses thereto, 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. IA-366)

NOVA EQUITIES TRADING SUSPENSION TERMINATED. The SEC announced the termination of the suspension of trading in the securities of Nova Equity Ventures Inc. effective at 12:00 midnight (EST) on March 13, 1973.

On December 4, 1972 the Commission temporarily suspended over-the-counter trading in Nova, a New York corporation, because of the lack of adequate and accurate public information concerning the financial condition of the company. Nova became a publicly held corporation about January 26, 1971 pursuant to a 75,000 share Regulation A offering. The company's principal operating subsidiary is Horizon Securities, Inc., a registered broker-dealer 90% owned by Nova.

On December 1, 1972, the Federal court in New York permanently enjoined Horizon from violating and Nova and others from aiding and abetting violations of the net capital and bookkeeping provisions of the Securities Exchange Act of 1934. The Court also appointed an SIPC trustee to supervise liquidation of Horizon.

The staff has been informed by Nova's President and attorney that the company's books and records continue to be in such a state of disarray and poor condition that it is impossible to determine its financial condition. It thus appears that Nova will be unable to supply its stockholders or the public with a statement of its financial condition. (Rel. 34-10036)

DECISIONS IN ADMINISTRATIVE PROCEEDING

NASD ACTION AGAINST ROBERT E. MEYERS & CO. UPHELD. The SEC has issued an order dismissing the application of Robert E. Meyers, sole proprietor of Robert E. Meyers & Co., a Fort Wayne, Indiana broker-dealer, for review of an NASD decision censuring Meyers and fining him \$3,500.

The Commission found, as had the NASD, that Meyers violated the NASD's Rules of Fair Practice in that, in 1968-9, he improperly withheld from public sale and retained for himself stock in four public offerings of securities in which he participated, in contravention of the NASD's "interpretation with respect to free-riding and withholding." That interpretation is designed to assure that NASD members make a bona fide offering of a securities issue to the public at the offering price, and do not take unfair advantage of their inside position to the detriment of investors.

In rejecting Meyers' claim that the fine imposed by the NASD was excessive, the Commission pointed out that it was less than Meyers' profit from his improper activities. (Rel. 34-10033)

FRONTIER SECURITIES REVOKED. The SEC has announced the issuance of an order revoking the broker-dealer registration of Frontier Securities, Inc., (now Frontier Commodities, Inc.), Nashville, Tenn., and expelling it from the National Association of Securities Dealers, Inc. According to the decision, respondent at various times between May 1971 and February 1972 violated net capital, bookkeeping, financial reporting, and credit provisions of the securities laws, and used free credit balances of customers without the written notice required by those laws.

The respondent consented to the findings and sanctions without admitting or denying the allegations of the order for proceedings. (Rel. 34-10034)

COURT ENFORCEMENT ACTIONS

STEWART SECURITIES CORP., OTHERS RESTRAINED. The SEC Fort Worth Regional Office announced that Stewart Securities Corporation, its principal officer, Stewart L. Whitman, and its parent organization, Income Financial Services, Inc., were temporarily restrained on March 2 from net capital and record keeping violations of the Federal securities laws by the Federal court in Dallas, Texas. The Securities Investor Protection Corporation contemporaneously applied for appointment of a trustee to liquidate Stewart Securities Corporation for the protection of its customers. (LR-5782)

JAMES BREWER SENTENCED. The SEC Fort Worth Regional Office announced that James Brewer, Coral Gables, Florida (more recently, London, England), was sentenced on March 8 to four months imprisonment on a conviction of criminal contempt in Federal court in Kansas City, Missouri. Brewer had been charged in an information with violating a previous order of permanent injunction prohibiting violations of the securities laws by engaging in the offer and sale of unregistered Continental Investment Corporation stock. He was convicted on February 13, 1973, on a plea of guilty. In a related matter, he was also convicted to two years imprisonment on December 7, 1972, in Federal court in Oklahoma City, Oklahoma, on income tax charges stemming from the same transactions. (LR-5784)

SECURITIES ACT REGISTRATIONS. Effective March 12: Advanced Medical Sciences, Inc., 2-46162 (90 days); Fort Dearborn Income Securities, Inc., 2-47040; Orbanco, Inc., 2-47002; Public Service Electric and Gas Co., 2-47080; Southwest Petro-Chem, Inc., 2-46777; Thermo Electron Corporation, 2-46699.

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.

Copies of registration statements may be ordered from the Commission's Public Reference Section. All other referenced material is available in the issue of the SEC Docket indicated in parentheses below the News Digest Issue No. Both the News Digest and the SEC Docket are for sale by the Superintendent of Documents, Government Printing Office, Washington, D. C. 20402.