

RECEIVED

JAN 31 1974
LIBRARY

sec news digest

a daily summary from the securities and exchange commission

Issue 74-20

(SEC Docket, Vol. 3, No. 13 - Feb 12)

January 29, 1974

CHAIRMAN GARRETT VIEWS INSTITUTIONAL INVESTORS AND THE SECURITIES MARKETS

Speaking before the New School for Social Research in New York on January 26th, Chairman Ray Garrett noted that "...the welfare of the institutional investor at large is dependent upon healthy capital markets and in order to keep our capital markets healthy, institutional investors may have to do their share....As one man put it recently, the institutional investor is part of the problem and he must become part of the solution."

Some of the complaints raised about institutional investors in recent years were cited by Mr. Garrett. He said institutional investors are accused of: (1) concentrating their investments in a relative handful of stocks. These are then grossly overpriced and ordinary issues are neglected. Sources of equity capital for many businesses, especially smaller ones, are dried up and the prices of other stocks are depressed, so that raising of new equity capital is unattractive if not impossible. (2) a herd instinct which causes them all to move in and out of the same stocks at approximately the same time. The price of a stock may decline sharply and individual investors may suffer severe losses. (3) better and possibly illegitimate sources of inside information not made available to the ordinary investor and (4) being involved in a game of mutual protection in keeping up prices of the limited number of stocks in which they have invested their portfolios. This has been referred to as the self-fulfilling prophecy. An institutional money manager predicts that a stock is going to go up, invests in it, other institutions follow his lead. The result is that indeed the price does go up, and there they must all sit -- afraid to sell, lest the price will then go down to everybody's mutual disadvantage.

The Chairman pointed out that it is in the institution's interest not only that there be many individuals trading directly in the market, but also that the broker-dealer industry remain healthy and vigorous. "If this is true," he said, "then it is not in the institutional investor's interest to bargain the broker-dealer into working for nothing, or for less than a fair return, even if the institutional investor has the muscle to do so."

"Accepting the premise that the trading by many individuals is good for the institutional investor, certain measures seem desirable, among other reasons, for the purpose of reducing the current suspicion with respect to the market effect of the activities of institutional investors, a suspicion apparently entertained by a substantial number of individuals," Chairman Garrett stated. Two bills affecting institutional investors are now before Congress: The Commission's Institutional Disclosure Act, which would require investment managers of funds to make periodic disclosures of the contents of their portfolios and on transactions involving more than \$500,000 and Senator Bentsen's bill which would impose a portfolio diversification requirement upon pension funds by imposing unfavorable tax consequences upon a fund that did not meet its standards. The Commission has not testified or developed an official position on the latter bill.

In closing, Chairman Garrett said, "Having recognized the problem, it remains for us to continue the search for solutions with goodwill and not in an antagonistic or punitive frame of mind....We hope to further the welfare of institutional investors and that of the persons for whom they hold funds in trust, by measures which will restore and retain our capital markets in the healthy condition that we so very much need."

DECISIONS IN ADMINISTRATIVE PROCEEDING

CHARLES D. ERB BARRED. An order has been issued barring Charles D. Erb, of Short Hills, New Jersey, from association with any broker or dealer. Erb was a partner of Baerwald & DeBoer, formerly a broker-dealer in New York City. The order provides that, after December 1, 1975, Erb may apply for permission to become associated with a broker-dealer in a non-supervisory capacity.

The sanction imposed was based on findings that Erb sold into the public market Leasco Data Processing warrants which had been stolen, made or caused to be made false entries in his firm's books and records, failed to comply with the requirements governing the hypothecation of securities carried for customers' accounts, and failed to exercise proper supervision with a view to preventing violations of antifraud and antimanipulative provisions of the securities acts in two public stock offerings.

The Commission's action was based on an offer of settlement in which Erb, without admitting or denying the charges against him, consented to the above findings and the indicated sanction. (Rel. 34-10607)

ADVANCED ANALYSIS REVOKED, STUART A. SCHWALBE BARRED. An order has been issued revoking the investment adviser registration of Advanced Analysis, Inc., of San Rafael, California, and barring its president and sole shareholder, Stuart Alan Schwalbe, from association with any investment adviser. After one year, Schwalbe may apply to the Commission to become associated with an investment adviser in an adequately supervised capacity, and, after three years of such employment, may apply to become associated with an investment adviser as a principal.

The sanctions were based on findings that, during the period from October 1972 to April 1973, the firm and Schwalbe distributed advertisements for the firm's advisory services which contravened specific prohibitions of the Investment Advisers Act. The advertisements referred to a testimonial concerning the firm and its services, and to specific past recommendations by the firm which had been profitable without setting out or offering to furnish a list of all of its recommendations within the preceding year and without including a cautionary legend as to future recommendations. The advertisements also represented that Schwalbe's powers of extrasensory perception (ESP) could in and of themselves be used to determine which securities to buy or sell, promised that the firm's services would produce imminent profits and substantial success, and falsely stated that ESP was an established and reliable means of security analysis and that Schwalbe had been very successful in employing it to predict stock values.

The Commission also found that the firm engaged in business from October to December 1972 without being registered as required, that it failed to disclose in its application for registration that Schwalbe had been suspended by the New York Stock Exchange for a two-month period in 1960, and that the firm and Schwalbe had improperly represented that their qualifications and methods of security analysis had been passed upon by the Commission.

The Commission's action was based upon an offer of settlement in which the firm and Schwalbe, without admitting or denying the charges against them, consented to the above findings and the indicated sanctions. (Rel. IA-397)

COURT ENFORCEMENT ACTIONS

MOUNT EVEREST CORPORATION, OTHERS, ENJOINED. The Washington Regional and the Philadelphia Branch Offices announced that on January 23 the Federal court in Philadelphia, Pennsylvania, permanently enjoined Mount Everest Corporation, a Pennsylvania corporation, and The Mount Everest Mint, Inc. and Mount Everest Financial Corporation, both wholly owned subsidiaries of Mount Everest Corporation, from violating the antifraud provisions of the securities laws. The defendants consented to the court order without admitting or denying the allegations in the Commission's complaint. (LR-6221)

HOLDING COMPANY ACT RELEASES

EASTERN UTILITIES ASSOCIATES. An order has been issued authorizing the extension of the maturity of a short term note issued by Eastern Utilities Associates (EUA) a registered holding company, and authorizing the extension of the period of an open account advance from EUA to an EUA subsidiary. (Rel. 35-18264)

INVESTMENT COMPANY ACT RELEASES

THE FIRST UTILITIES EXCHANGE FUND. A notice has been issued giving interested persons until February 22 to request a hearing on a proposal to declare that The First Utilities Exchange Fund, Inc., an open-end, diversified management investment company, has ceased to be an investment company. (IC-8200)

MISCELLANEOUS

UNLISTED TRADING SOUGHT. A notice has been issued giving interested persons until February 10 to request a hearing on an application of the PBW Stock Exchange Inc. for unlisted trading privileges in the common stocks of the following companies: W. T. Grant Company and Houston Natural Gas Corporation. (Rel. 34-10619)

TRADING SUSPENSIONS. The SEC has announced the suspension of exchange and over-the-counter trading in the securities of BBI, Inc., and over-the-counter trading in the securities of U. S. Financial, Inc. for the further ten-day period January 29-February 7, inclusive.

SECURITIES ACT REGISTRATIONS. Effective January 28: Dreyfus Liquid Assets, Inc., 2-49073; Dyco Petroleum Corporation, 2-48877 (90 days); The Goodyear Tire & Rubber Company, 2-49921.

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.

RECENT FORM 8-K FILINGS

Form 8K is a report which must be filed with the SEC by the 10th of the month after any of the following important events or changes: changes in control of the registrant; acquisition or disposition of assets; legal proceedings; changes in securities (*i.e.*, collateral for registered securities); defaults upon senior securities; increase or decrease in the amount of securities outstanding; options to purchase securities; revaluation of assets; submission of matters to a vote of security holders.

The companies listed below have filed Form 8-K reports for the month indicated, responding to the item of the form specified. Photocopies may be purchased from the Commission's Public Reference Section (*in ordering, please give month and year of report*). An index of the captions of the items of the form was included in Monday's News Digest.

COMPANY	ITEM NO.	MONTH
COMPUSAMP INC	3,13,14	12/73
CLNRAC CORP	7,14	12/73
CONROCK CO	3	12/73
CONTINENTAL LAKE CENTERS INC	8	12/73
CONTRAN CORP	3,13	12/73
COOPER INDUSTRIES INC	7,13,14	12/73
DATA DESIGN LABORATORIES	3	12/73
DATA RESEARCH CORP	13	12/73
DAYTONA BEACH GENERAL HOSPITAL INC	3,13,14	12/73
DELTA AIR LINES INC	7	12/73
DENNYS INC	14	12/73
DIAMOND STATE TELEPHONE CO	7,14	12/73
DILLINGHAM CORP	10	12/73
DIPLOMAT ELECTRONICS CORP	3,4,7,12,14	12/73
DOMESTIC AIR EXPRESS INC	7,12	10/73
DONALDSON LUFKIN & JENRETTE INC	13	12/73
DOWNE COMMUNICATIONS INC	2,14	12/73
DREW NATIONAL LEASING CORP	13	12/73
DUDDYS INC	13	12/73
EAGLE GENERAL CORP	3	12/73
EASTERN FREIGHT WAYS INC	3,14	12/73
ECHLIN MANUFACTURING CO	4,11	12/73
ELDON INDUSTRIES INC	3	12/73
EMERSONS LTD	4,7,8,14	10/73
EMONS INDUSTRIES INC	13	12/73
EXOLON CO	7	10/73
FARMLAND INDUSTRIES INC	8	12/73
FEDERAL CO	7	12/73
FINANCIEKA METROPOLITANA S A	7	12/73
FIRST AT URLANDD CORP	13	12/73
FIRST MORTGAGE INVESTORS	8,13	12/73
FIRST NATIONAL CITY CORP	7,14	12/73
FIRST NATIONAL OF NEBRASKA INC	7,13,14	12/73
FMIC CORP	2,7,11,14	12/73
FOOD INDUSTRIES INC	3,14	12/73

8K REPORTS CONT.

FROSTIE ENTERPRISES	8	11/73
FRUEHAUF CORP	2,14	10/73
GENERAL AMERICAN TRANSPORTATION CORP	10,14	12/73
GENERAL INSTRUMENT CORP	7,8,14	12/73
GENERAL TELEPHONE CO OF INDIANA INC	7,14	12/73
GENIMAR INC	8	12/73
GOLCCONDA CORP	3	12/73
GRACE W R & CO	3	12/73
GREAT AMERICAN CHEMICAL CORP	13,14	12/73
GREAT NORTHERN IRON ORE PROPERTIES	3,14	11/73
HALLIBURTON CO	NU ITEMS	12/73
HART SCHAFFNER & MARX	3,14	12/73
HARVEY R J INSTRUMENT CORP	11,13,14	12/73
HASTINGS MANUFACTURING CO	13	12/73
HAVEN INDUSTRIES INC	12,14	12/73
HELMET PETROLEUM CORP	13	12/73
HERITAGE ENTERPRISES INC	13	12/73
HERSHBERGER ENTERPRISES INC	7	12/73
HEUBLEIN INC	2	12/73
HOUSE OF ADLER INC	2,14	12/73
HOWMET CORP	13,14	12/73
HYDRO NUCLEAR CORP	7	12/73
HYDRAMATION FILTER CO	3,8,11,14	12/73
IDEAL BASIC INDUSTRIES INC	3,13,14	12/73
IMPERIAL INDUSTRIES INC	7,12,14	12/73
INSYTE CORP	8,14	12/73
INTECON CORP	13,14	12/73
INTERNATIONAL PAPER CO	3,7,8,14	12/73
INVESTMENT CORP OF FLORIDA	13	12/73
IOWA SOUTHERN UTILITIES CO	7,14	12/73
ISI CORP	11	12/73
ITT CONTINENTAL BAKING CO	3	12/73
KEEN INDUSTRIES LTD	1,7,14	12/73
KELTEC INC	12	12/73
KILLEARN PROPERTIES INC	10,14	12/73
KINGS ELECTRONICS CO INC	8	12/73
KV PHARMACEUTICAL CO	13	12/73
LEADERSHIP HOUSING INC	1,4,8,14	12/73
LIGGETT & MYERS INC	13	12/73
LINCOLN AMERICAN CORP	8,13	12/73
LINDSEY GEORGE INTERNATIONAL INC	2	12/73
LITTON INDUSTRIES INC	7,8,11,14	12/73
LRC INC	2,11,13,14	12/73
LUBY CORP	13	12/73
M&S BANCORP	7	12/73
MADISON SQUARE GARDEN CORP	3,13	12/73
MAKLINE OIL CORP	2,14	12/73
MARKICTT CORP	7,13,14	12/73
MARSHALL INDUSTRIES	13,14	12/73
MARTIN MAKIETTA ALUMINUM INC	3,14	12/73
MEDIATRICS INC	2,14	06/73
MEM CO INC	8	12/73
METRO GULOWYN MAYER INC	13,14	12/73
METRUPOLITAN ECISON CO	7,14	12/73
MID AMERICA LIFE ASSURANCE CO	9,14	12/73
MIDTEX INC	7,13	11/73
MONARCH CEMENT CO	7,8,14	12/73
MOTOROLA INC	4,7,14	12/73
MRI PROPERTIES INC	7,14	12/73
MYERS L E CO	13,14	12/73
MYSTIC VALLEY GAS CO	1,2,8,11,13,14	12/73

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 (\$35.45 a year, first class mail; \$8.90 additional for foreign mailing) and the SEC Docket (\$21.35 a year, first class mail; \$5.35 additional for foreign mailing) are for sale by the Superintendent of Documents, Government Printing Office, Washington, D. C. 20402.