

sec news digest

Issue 75-31

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U.S. SECURITIES & EXCHANGE COMMISSION

February 13, 1975

RECEIVED

RULES AND RELATED MATTERS

FEB 14 1975

NOTICE OF PROPOSAL TO AMEND RULE 70 TO CLARIFY THE
STATUTORY DISTINCTION BETWEEN INVESTMENT BANKING
AND THE INSURANCE BUSINESS

LIBRARY.

The Commission has issued a proposal pursuant to the Public Utility Holding Company Act of 1935 to amend Rule 70(c)(4). Rule 70 contains the exemptions from the prohibition of Section 17(c) of the Act against common directors between registered holding company systems and investment bankers, among others. The proposed amendment would declare that an insurance company, which is not covered by Section 17(c), is not an investment banker solely because of certain securities activities related to its business as an insurance company. The amendment would also eliminate an obsolete exemption from subsection (c)(3) of Rule 70. Public comments are requested on or before March 24, 1975. (Rel. 35-18811)

COMMISSION ANNOUNCEMENTS

SEC URGES TIMELY DISSEMINATION OF PROXY MATERIAL
AND OTHER ISSUER COMMUNICATIONS TO BENEFICIAL OWNERS

The Commission announced today its concern that proxy materials and other issuer communications reach beneficial owners in a timely manner. Broker-dealers are reminded of their obligation to comply with applicable self-regulatory requirements in order to facilitate the timely flow of communications.

The Commission further requests issuers, brokers, banks, proxy soliciting agents and the public to report to the Commission or to the appropriate securities exchange or to the National Association of Securities Dealers, Inc. (with a copy to the Commission) any specific problems in the issuer-shareholder communication process, including specific instances where a participant in the process may appear to impede the timely flow of information.

All such communications may be addressed to Mr. Lee A. Pickard, Director, Division of Market Regulation, Securities and Exchange Commission, 500 North Capitol Street, Washington, D.C. 20549. All such communications should bear the File No. S7-552 and will be available for public inspection. (Rel. 34-11243)

INITIAL DECISION SUSPENDS ROBERT HERKO

Administrative Law Judge Max O. Regensteiner has issued an initial decision suspending Robert W. Herko from association with a broker or dealer for three months. According to the decision, which is subject to Commission review on petition of a party or on the Commission's own initiative, Herko violated antifraud provisions of the securities laws in 1971, when he was associated with the Union, New Jersey broker-dealer firm of Ferruggia, Lippman & Coyle (whose registration the Commission recently revoked).

The Administrative Law Judge found that Herko, who was a trader for and later vice-president of the firm, participated in the sale of stock of International Hydrolines, Inc. at excessive prices and recommended its purchase to customers without having made diligent inquiry as to the company's financial condition and business operations. While noting that the violations were serious, the Administrative Law Judge, in determining the sanction, considered among other things the fact that Herko had not been shown to be more than a relatively subsidiary participant in the pricing violations.

DECISIONS IN ADMINISTRATIVE PROCEEDINGS

DECISION SUSPENDING RICHARD J. McDERMOTT FINAL

An administrative law judge's initial decision suspending Richard J. McDermott of Wayland, Massachusetts, from association with any registered broker or dealer for a period of 30 business days has become final. The suspension period began at the opening of business on February 4, 1975.

The administrative law judge found that McDermott participated in a 1971 offering of securities by Develco, Inc. made through A. J. White & Co., a broker-dealer with which McDermott was then associated, and that the Develco offering was made in willful violation of the antifraud provisions of the securities statutes as well as the Securities Act's registration and prospectus-delivery requirements. However, the administrative law judge found McDermott's involvement in the wrongful scheme limited and peripheral. (Rel. 34-11222)

ASSOCIATED UNDERWRITERS, INC. REVOKED

The Commission has revoked the broker-dealer registration of Associated Underwriters, Inc. of Salt Lake City. The sanction was based on findings that, during the period from about July 1972 to September 1973, the firm violated antifraud provisions of the securities acts by participating in a fraudulent and manipulative scheme involving the common stock of Epoch Corporation. The firm published bids for the stock and purchased it at successively higher prices in order to create the appearance of a market and raise the stock's price. In addition, it induced other broker-dealers to enter bid and ask quotations, and made material misstatements to purchasers concerning the safety of an investment and the existence of a bona fide independent market for Epoch stock.

In addition, it was found that the firm failed to comply with recordkeeping provisions and requirements governing the extension of credit to customers. The firm failed to answer the charges against it and was deemed in default. (Rel. 34-11225)

TRADING SUSPENSIONS

SUSPENSION OF NICOA CORPORATION TERMINATED

The SEC announced that the suspension of trading in the securities of Nicoa Corporation (Nicoa) terminated at midnight (EST) February 12, 1975.

The Commission initiated the trading suspension on June 18, 1974, because of questions which have been raised concerning the recent after market trading activities in the common stock of Nicoa.

On February 6 the New York Regional Office announced the filing of a complaint on that date in the U.S. District Court for the Southern District of New York charging Nicoa of Jersey City, New Jersey, Stevens Lithographers, Inc. (Stevens), of New York City, David Budin (D. Budin), Philip Budin (P. Budin), Melvyn Haber (Haber), David Treherne-Thomas (Thomas), all of New York, New York, Donald Fedorchak (Fedorchak) of Canfield, Ohio and Neil Rogen (Rogen) president of Nicoa, of Upper Saddle River, New Jersey, with violations of the antifraud provisions of the securities laws. Nicoa, D. Budin, P. Budin, Fedorchak, Thomas and Rogen were also charged with violations of the registration provisions of the Securities Act of 1933, in connection with the offering of Nicoa's common stock pursuant to a Regulation A exemption. (See Litigation Release No. 6730 for further information). (Rel. 34-11242)

BEKLAND RESOURCES CORP. SUSPENDED

Over-the-counter trading has been suspended in the common stock of Bekland Resources Corporation, a Delaware corporation located in Fort Worth, Texas, for the ten-day period beginning on February 12 and terminating at midnight (EST) on February 21, 1975. The suspension was ordered because of the unavailability of adequate and accurate information about the corporation's financial condition. There are no current financial statements for Bekland. In addition, Bekland has not filed certain periodic reports by Section 13 of the Securities Exchange Act of 1934. (Rel. 34-11241)

ADDITIONAL ACTION ON ONE TRADING SUSPENSION

The SEC has announced the suspension of exchange and over-the-counter trading in the securities of BBI, Inc., for the further ten-day period February 13 - 22, inclusive.

COURT ENFORCEMENT ACTIONS

COMPLAINT NAMES ELEVEN BROKER-DEALERS RE DISTRIBUTION OF OTC QUOTATION MEDIUM

Jack B. Bookey, Administrator of the Seattle Regional Office of the Securities and Exchange Commission, has announced that the Commission filed a complaint February 12, 1975 in the federal court in Spokane, Washington seeking injunctive relief against future deceptive and manipulative acts and practices by eleven Spokane broker-dealers, their principals and some employees, in connection with the publication and dissemination of a securities quotation medium, known as the Spokane Over-The-Counter Quotations, in a manner which allegedly constitutes violation of certain antifraud statutes and rules administered by the Commission. The broker-dealer firms named in the action were: G. C. George Securities, Inc., Jerry T. O'Brien, Inc., d/b/a Pennaluna & Company, J. R. Dillon & Co., Inc., R. E. Nelson Co., McCartney Co., Inc., First Western Securities Company, McNeice Securities Corp., Spokane Securities Corp., L. E. Nicholls Co., Parsons Securities, Inc. and P. L. Sandberg & Co., Inc.

The complaint alleged, among other things, that the defendants used the mails and instrumentalities of interstate commerce to cause a daily price quotation sheet for the securities of approximately 80 local mining companies to be prepared and distributed on a nationwide basis without disclosing material facts concerning the source of the prices quoted, the manner in which such prices were selected for quotation, disparities between the published quotations and the prices at which contemporaneous transactions in the same security were being effected by the broker-dealers who supplied such quotations, and the limited extent to which such broker-dealers considered themselves bound by such quotations. (SEC v. G. C. George Securities, Inc., et al., E.D. Wash. Civil Action No. C-75-28). (LR-6734)

JOHN R. RAUCH ENJOINED

The Los Angeles Regional Office announced that on February 3 the Honorable Albert Lee Stephens, Jr., Chief Judge of the U. S. District Court for the Central District of California, permanently enjoined by consent John R. Rauch from violations of the registration and antifraud provisions of the securities laws in the offer and sale of the common stock of Beverly Hills Bancorp. (SEC v. Beverly Hills Bancorp, et al., Civil Action No. 74-2348-ALS, U.S.D.C., CD, CA.). (LR-6728)

ZSIGMOND L. SAGI ENJOINED

The New York Regional Office announced that on February 4 a final judgment of permanent injunction by consent was entered enjoining Zsigmond L. Sagi (Sagi), an officer and director of Bio-Medical Sciences, Inc. (BMS), from violations of the antifraud provisions of the securities laws. The judgment also provided that Sagi be enjoined from serving as a director of BMS for a period of one year with a proviso that such restriction terminate upon written application by Sagi. (SEC v. Bio-Medical Sciences, Inc., et al., S.D.N.Y., 75 Civil Action No. 226 TPG). (LR-6729)

COMPLAINT NAMES NICOA CORPORATION, OTHERS

The New York Regional Office announced the filing of a complaint in the U.S. District Court for the Southern District of New York in February preliminarily and permanently seeking to enjoin the Niccoa Corporation (Niccoa) of Jersey City, New Jersey, Stevens Lithographers, Inc. (Stevens), David Budin (D. Budin), Philip Budin (P. Budin), Melvyn Haber (Haber), David Treherne-Thomas (Thomas), all of New York, N.Y. Donald Fedorchak (Fedorchak) of Canfield, Ohio, and Neil Rogen (Rogen), president of Niccoa, of Upper Saddle River, New Jersey, from violations of the antifraud provisions of securities laws. Niccoa, D. Budin, P. Budin, Thomas, Fedorchak and Rogen were also charged with violations of the registration provisions of the securities laws.

The Commission's complaint alleges that the 1974 public offering of Niccoa's common stock under the Regulation A exemption from registration was deficient in that the offering circular and notification contained materially misleading statements of facts and omissions. The defendants were further charged with manipulating the market price of Niccoa's common stock in aftermarket trading.

On January 23, 1975, the Commission temporarily suspended Niccoa's Regulation A exemption. (SEC v. Niccoa Corporation, et al., S.D.N.Y., Civil Action No. 75-598-IBW). (LR-6730)

HOLDING COMPANY ACT RELEASES

GENERAL PUBLIC UTILITIES CORPORATION

A notice has been issued giving interested persons until March 11 to request a hearing on a proposal of General Public Utilities Corporation, a registered holding company, to issue and sell 2,300,000 shares of common stock in a negotiated public underwriting. (Rel. 35-18809 - Feb. 12)

NEW ENGLAND POWER COMPANY

A notice has been issued giving interested persons until March 7 to request a hearing on a proposal of New England Power Company, subsidiary of New England Electric System, to issue and sell up to \$80 million of first mortgage bonds at competitive bidding. (Rel. 35-18810 - Feb. 12)

SECURITIES ACT REGISTRATIONS

(S-6) E. F. HUTTON TAX-EXEMPT FUND, NEW YORK SERIES 6

One Battery Park Plaza, New York, N.Y. 10004 - \$4 million of units. The Fund is one of a series of unit investments trusts created under a trust indenture and agreement between E. F. Hutton & Company Inc., as sponsor, and United States Trust Company of New York, as trustee. The Fund consists of interest-bearing obligations of the State of New York, counties, municipalities, authorities or political subdivisions thereof or of certain territories or possessions of the United States, the interest on which is in the opinion of bond counsel, exempt from Federal and New York income tax under existing law. (File 2-52744 - Jan. 29)

(S-6) E. F. HUTTON TAX-EXEMPT FUND, NATIONAL SERIES 18

One Battery Park Plaza, New York, N.Y. 10004 - \$12 million of units. The Fund is one of a series of unit investment trusts created under a trust indenture and agreement among E. F. Hutton & Company Inc., as sponsor, United States Trust Company of New York, as trustee and Standard & Poor's Corporation, as evaluator. The Fund consists of interest-bearing obligations of states, counties, territories and municipalities of the United States and authorities or political subdivisions thereof, the interest on which is in the opinion of bond counsel, exempt from Federal income tax under existing law. (File 2-52745 - Jan. 29)

(S-11) MCKEE INCOME REALTY TRUST

431 Burgess Dr., Menlo Park, Cal. 94025 - \$7 million of shares of beneficial interest, to be offered for sale through C. S. McKee & Company, Incorporated, Pittsburgh, Pennsylvania. The Trust will invest in equity investments in income-producing real property. (File 2-52747 - Jan. 29)

NOTICE

Many requests for copies of documents referred to in the SEC News Digest have erroneously been directed to the Government Printing Office. Copies of such documents and of registration statements may be ordered from the Public Reference Section, Securities and Exchange Commission, Washington, D.C. 20549. The reproduction cost is 15¢ per page plus postage (\$2 minimum) and 30¢ per page plus postage for expedited handling (\$5 minimum). Cost estimates are given on request. All other referenced material is available in the SEC Docket.

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