

# sec news digest

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## DECISIONS IN ADMINISTRATIVE PROCEEDINGS

## U.S. SECURITIES AND EXCHANGE COMMISSION

### JANUS MANAGEMENT CORPORATION, OTHERS SANCTIONED

The Commission has announced the institution of administrative proceedings against Janus Management Corporation (Management), Bailey, Goldstein & Griffiths, (The Partnership), a partnership, Bailey & Griffiths, a partnership, all registered as investment advisers, and Thomas H. Bailey, Richard C. Goldstein, Peter J. Griffiths and William C. Mangus. Management is investment adviser to Janus Fund (Fund). The Commission has issued an order imposing remedial sanctions against Management, The Partnership, Bailey & Griffiths, Bailey, Griffiths and Mangus, who, without admitting or denying the allegations against them, consented to certain findings and sanctions. While specific findings were not consented to with respect to the partnership Bailey & Griffiths sanctions as to it are deemed applicable.

Based upon the offer of settlement, the Commission found that Management and The Partnership wilfully violated and that Bailey and Mangus wilfully aided and abetted violations of the Investment Advisers Act and Rules thereunder, including the provisions relating to antifraud, recordkeeping, and making material misstatements in applications and reports, and violations of the Investment Company Act and Rules thereunder relating to joint and several transactions of affiliated persons and investment companies, recordkeeping and material misstatements in reports.

As part of the settlement, Management and The Partnership have undertaken to reimburse Fund and the advisory clients, respectively, for advantageous prices favorable to respondents in contemporaneous trading of the same securities; Management will further reimburse the Fund for advisory fees for the months of December 1975 and January 1976 and for expenses incurred by the Fund in connection with this matter. The Partnership will also waive its advisory fees for April and May 1976 to clients existing on April 1st. Management and The Partnership each undertake to refrain from soliciting new clients for a period of two months and take steps to adopt specific procedures to assure compliance with Rule 204 of the Advisers Act and effect certain reporting measures to the Commission's Denver office. Management will further take specified steps to prevent joint transactions occurring between the Fund and certain advisory representatives. Bailey and Mangus have been suspended for two week periods, respectively.

The Commission has ordered respondents to do all they have undertaken to do in their offer of settlement. The Commission has retained jurisdiction pending completion of all terms, conditions and undertakings. (Rel. IA-551 and IC-9536)

## ORDERS FOR PUBLIC PROCEEDINGS

### HILL, CURTIN & ACKROYD, INC.

Public administrative proceedings have been ordered under the Securities Exchange Act of 1934 against Hill, Curtin & Ackroyd, Inc., a registered broker-dealer formerly of Framingham, Massachusetts, Walter R. Curtin, its president and David W. White, a person associated with the Registrant. The proceedings are based on allegations of the Commission's staff that Hill, Curtin & Ackroyd, aided and abetted by Curtin, violated the bookkeeping, confirmation, financial responsibility and antifraud provisions of the Exchange Act.

The Commission order also states that the Registrant and Curtin were permanently enjoined on July 30, 1973 by the U.S. District Court for the District of Massachusetts for the acts and practices hereinabove set forth and that the Court entered a decree with the consent of the Registrant and Curtin adjudicating the customers of Registrant to be in need of protection under the provisions of the Securities Investor Protection Act of 1970 and appointed a trustee for Registrant pursuant to said act. Proceedings against White are based upon violations of the bookkeeping requirements of the Exchange Act. (Rel. 34-12985)

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## COMMISSION ANNOUNCEMENTS

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### SUSPENSION OF REGULATION A EXEMPTION OF MEDICAL EXPLORATION, INC. MADE PERMANENT

An order has been issued permanently suspending the Regulation A exemption from registration under the Securities Act of 1933, as amended, with respect to the offering of securities of Medical Exploration, Inc.

According to the order, the Commission has reason to believe that: the notification and offering circular of the issuer contain untrue statements of material facts and omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading; the issuer failed to cooperate with the Commission in its attempts to assist the issuer in complying with the requirements of Regulation A; and the offering, if made, would be in violation of Section 17 of the Securities Act of 1933, as amended.

No hearing having been requested by the issuer within thirty days after the entry of the order of temporary suspension, the Commission ordered, pursuant to Rule 261, that the exemption of the issuer under Regulation A be permanently suspended. (Rel. 33-5766)

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## COURT ENFORCEMENT ACTIONS

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### CARL E. ROYSE AND GEORGE E. CARR ENJOINED

The Chicago Regional Office announced that on November 10 U.S. District Judge Wendell A. Miles, Grand Rapids, Michigan, entered an order permanently enjoining Carl E. Royse, individually and doing business as C.E.R. Production Company, Olney, Illinois; Royse Drilling Company, Inc., an Illinois corporation; and George E. Carr, Stone Mountain, Georgia, from violations of the registration and antifraud provisions of the securities laws in the offer and sale of fractional interests in oil and gas leaseholds. The defendants consented to the entry of the permanent injunction without admitting or denying the allegations in the Commission's complaint. (SEC v. Carl E. Royse, et al., W.D. Mich., S. Div., C-76-533). (LR-7648)

### DENNIS H. MARSHALL AND WALLACE G. DICKSON INDICTED

The Washington Regional Office announced that on November 1 indictments were returned against Dennis H. Marshall of Greenbelt, Maryland, and Wallace G. Dickson of Arlington, Virginia, by the Circuit Court Grand Jury in Alexandria, Virginia. Marshall was formerly a Maryland state legislator and Dickson, an attorney, was formerly a Virginia state legislator. The indictments charge the defendants with violations of the anti-fraud provisions of Virginia securities laws in connection with their offer and sale of common stock and bonds in an Alexandria, Virginia retail cooperative. The indictments allege the defendants converted investors' monies, contrary to representations to and without approval by investors. The indictments are based on information obtained in a joint investigation of this matter by the Commonwealth's Attorney of Alexandria, Virginia, the Virginia State Corporation Commission and the Securities and Exchange Commission. (Commonwealth v. Dennis H. Marshall and Wallace G. Dickson, Circuit Court of Alexandria, Virginia, Criminal Docket No. F-3095). (LR-7649)

### COMPLAINT NAMES DIVERSIFIED INDUSTRIES, INC. OTHERS

The Commission announced the filing on November 15 of a complaint in the U.S. District Court for the District of Columbia seeking to enjoin Diversified Industries, Inc. (Diversified), Ben Fixman, Sam Fox, Morris, Lefton, Jack Kootman and E. Allen Payne, all present or former officers and/or directors of Diversified or its subsidiaries, from future violations of the antifraud, reporting and proxy provisions of the Exchange Act and certain rules thereunder. The complaint also seeks certain ancillary relief.

The complaint alleges, among other things, that since at least 1968 Diversified, through certain of its subsidiaries, engaged in a course of business whereby its customers were underpaid and were delivered materials of lower quality or quantity than actually due. The complaint further alleges that since 1971 Diversified, again through certain of its subsidiaries, falsified corporate records to generate over \$400,000 in cash which was used, in part, to make payments to representatives of companies doing business with Diversified. The complaint alleges that the individual defendants participated in certain of these activities, knew of others, and should have known if they did not know of still others.

Without admitting or denying the allegations contained in the Commission's complaint, Diversified consented to the entry of a final judgment of permanent injunction enjoining the company from future violations of the above mentioned sections of the Exchange Act. In addition, the judgment provides for certain ancillary relief, including provisions requiring Diversified to appoint a Special Review Committee and Special Counsel to, among other things, investigate and report on the allegations contained in the Commission's complaint. Morris Lefton and E. Allen Payne also consented, without admitting or denying the allegations contained in the Commission's complaint, to final judgments of permanent injunction.

In other counts, the complaint seeks to enjoin Penn-Dixie Industries, Inc. (Penn-Dixie) Jerome Castle, its chairman and president, Arnold Y. Aronoff, a Detroit businessman, and the JDL Trust, a Cayman Island trust allegedly created and controlled by Aronoff, from future violations of the antifraud provisions of the Exchange Act. The complaint also seeks to enjoin Penn-Dixie, Castle and Aronoff from future violations of the reporting provisions, and Penn-Dixie and Castle from future violations of the proxy provisions of the Exchange Act.

The complaint alleges, among other things, that the defendants by fraud and deceit caused Penn-Dixie in October of 1973 to purchase a parcel of Florida land for approximately \$5.9 million which parcel was less than fifty percent of a larger parcel of land which JDL trust had purchased the previous day for approximately \$5.8 million.

The complaint asks the court to impress a trust on the entire tract of land with a view toward causing appropriate restitution to Penn-Dixie and depriving the non-corporate defendants of unlawfully or improperly obtained benefits, money or property.

Finally, in still another count, the complaint seeks to enjoin Castle, Ben Fixman, and Penn-Dixie from future violations of Section 13(d) of the Exchange Act and Rule 13d-1 thereunder in connection with their alleged efforts during 1974 and 1975 to take over control of Diversified.

The Commission also announced that the suspension of trading in Diversified stock which expires at midnight, November 16, would not be renewed. (SEC v. Diversified Industries Inc., et al., Civil Action No. 76-2114, U.S.D.C. D.C.). (LR-7650)

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## INVESTMENT COMPANY ACT RELEASES

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### MINNESOTA TAX-EXEMPT INCOME TRUST

An order has been issued on an application of Minnesota Tax-Exempt Income Trust, Series 1 (and Subsequent Series) (Fund), a registered unit investment trust, and its sponsor, Dain, Kalman & Quail Incorporated, exempting the Fund from the initial net worth requirement of Section 14(a) and from the limitations on the distribution of capital gains contained in Section 19(b) and Rule 19b-1 thereunder, and exempting the secondary market operations of the sponsor from the requirements of Section 22(c) and Rule 22c-1 thereunder. (Rel. IC-9529 - Nov. 15)

### AMERICAN BIRTHRIGHT TRUST

An order has been issued on an application of American Birthright Trust, a registered open-end investment company, exempting from Sections 22(c) and 22(d) of the Investment Company Act, and Rules 22c-1 thereunder the proposed exchange of its shares at net asset value without a sales charge for substantially all the assets of All American Fund, Inc., a Maryland corporation in receivership. (Rel. IC-9530 - Nov. 15)

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## SELF-REGULATORY ORGANIZATIONS

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### APPROVAL OF PROPOSED RULE CHANGE

The Commission has approved a proposed rule change filed by the Pacific Stock Exchange. The rule change (SR-PSE-76-20) modifies Exchange Rule XI with respect to the margining of transactions in options. (Rel. 34-12977)

### NOTICE OF PROPOSED RULE CHANGE

The Options Clearing Corporation has filed a proposed rule change pursuant to Rule 19b-4 (SR-OCC-76-10) to implement an automatic exercise procedure for certain expiring in-the-money options. Publication of the proposal is expected to be made in the Federal Register during the week of November 15. (Rel. 34-12979)

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## LISTING, DELISTING AND UNLISTED TRADING ACTIONS

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### LISTING ACTIONS

The SEC has issued orders pursuant to Section 12(d) of the Securities Exchange Act of 1934 granting the applications of the following companies to list the specified securities on the following exchanges: American Stock Exchange - Curtice Burns, Inc., Class A common stock, par value \$5.00; Logicon, Inc., common stock, \$10 par value (both effective as of November 8, 1976); and American Broadcasting Companies, Inc., warrants to purchase shares of common stock expiring 1/2/82 (effective as of October 29, 1976). New York Stock Exchange - Gambles Credit Corp., 9-3/8% senior notes, due July 15, 1986 (effective as of October 19, 1976); New Jersey Bell Telephone Co., 8% 40 year debentures, due September 15, 2016 (effective as of October 28, 1976); Baltimore Gas and Electric Co., 8-3/8% first refunding mortgage bonds, series due September 15, 2006; Eaton Corp., 8-3/4% debentures, due July 15, 2001, and 8-1/2% notes, due July 15, 1984 (both effective as of November 1, 1976); Kubota Ltd., American Depositary Shares representing common stock, par value 50 Yen shares; National Can Corp., 7% convertible subordinated debentures, due 2001 (both effective as of November 4, 1976); and Public Service Electric and Gas Co., 8.45% first and refunding mortgage bonds, Series G, due 2006 and 8.70% cumulative preferred stock, \$25 par (effective as of November 8, 1976). (Rel. 34-12986)

### DELISTING GRANTED

An order has been issued granting the application of the New York Stock Exchange, Inc. to strike from listing and registration the common stock of Youngstown Steel Door Company. As of September 20, 1976 there were fewer than 120,000 shares of the company remaining in public hands as a result of a tender offer made by Lamson & Sessions Company. (Rel. 34-12987)

### UNLISTED TRADING GRANTED

An order has been issued granting the applications of the Philadelphia Stock Exchange Inc. for unlisted trading privileges in the common stock of Mobile Oil Corporation, Richmond Corporation and Rucker Company. (Rel. 34-12988)

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## SECURITIES ACT REGISTRATIONS

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### (S-14) AMERICAN CONSOLIDATED CORPORATION

4211 Norbourne Blvd., Louisville, Ky. 40207 - 1,720,979 shares of common stock. It is proposed to offer these shares in exchange for the outstanding common stock of TSI, Inc. and the outstanding common and preferred stock of American Pyramid Companies, Inc. both of Louisville, Ky. in the following manner: (1) one share of common stock of American Consolidated Corporation for six shares of common stock of TSI, Inc., and (2) one share of common stock of American Consolidated Corporation for 4.85 shares and 3.925 shares of common and preferred stock of American Pyramid Companies, Inc., respectively. In addition to being a life insurance holding company, American Consolidated will also be engaged in real estate activities. (File 2-57696 - Nov. 4)

#### 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 10¢ per page plus postage (7 days) (\$3.50 minimum); 20¢ per page plus postage for expedited service (4 days) (\$5.00 minimum) and 30¢ per page plus postage for priority service overnight (\$5.00 minimum). Cost estimates are given on request. All other reference material is available in the SEC Docket.

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