

sec news digest

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U.S. SECURITIES & EXCHANGE COMMISSION, 1974

RECEIVED

COMMISSIONER SPEAKS

MAY 6 1974

COMMISSIONER EVANS EXPRESSES VIEWS ON REGULATION
OF BANK SECURITIES ACTIVITIES

LIBRARY

On May 2, 1974, Commissioner Evans addressed the Ninth Annual Banking Law Institute in New York City regarding various approaches to regulate bank securities activities. The Commissioner observed that the recent, aggressive development by banks of the one-stop, full financial service concept and the increasing bank activity in such areas as advisory services, trust services, municipal bond underwriting and trading, dividend reinvestment services, mini-accounts, and automatic stock purchase plans make banks one of the more significant participants in the securities markets notwithstanding Glass-Steagall limitations. However, as there are various exemptions for banks from the securities laws, the Commission is not able to utilize its broad range of regulatory tools to assure that bank securities activities comply with investor protection standards applicable to other participants in the securities markets. Unequal regulation, of course, leads to competitive advantages, and the Commissioner stated that this imbalance should be redressed in view of present market developments.

Commissioner Evans discussed six general approaches to resolve the regulatory differences and noted two approaches that should be particularly considered. One approach would be to subject all persons offering securities services to SEC rules and regulations with compliance and enforcement for banks by bank regulatory agencies and for others by the SEC. The Commissioner noted that there is a significant difference between the responsibilities and regulatory approaches of the SEC and the banking agencies which may prevent such a resolution.

An alternative would be to give the SEC complete jurisdiction including enforcement over bank securities activities. The Commissioner added that banks should expect to be prohibited from engaging in securities activities or for bank securities activities to come under SEC jurisdiction. Commissioner Evans indicated that he believed the latter would occur, and if it does occur, it will not be based on any Commission desire to expand its jurisdiction but will occur because it is fair and logical.

RULES AND RELATED MATTERS

COMMENT PERIOD EXTENDED ON PROPOSED AMENDMENTS TO
RULES MODIFYING EXISTING REGULATION OF SHORT SALES

The period of time to submit comments of proposed amendments to Securities Act Rule 3b-3, Rule 10a-1 and Rule 10a-2 (Rel. 34-10668) has been extended from May 1 to June 1, 1974. The proposed amendment would modify existing regulation of short sales in response to contemplated changes in the manner of reporting transactions in listed securities, namely the implementation of a "composite transaction reporting system." (Rel. 34-10774)

COURT ENFORCEMENT ACTIONS

COMPLAINT NAMES PENN CENTRAL, GOLDMAN SACHS, OTHERS

The Commission announced on May 2 the filing of civil injunctive complaints in the Federal district courts for Pennsylvania and New York alleging violations of the

Federal securities laws in events relating to the financial collapse of the Penn Central railroad in 1970.

The complaint filed in Pennsylvania names as defendants Penn Central Company, its wholly-owned subsidiary, Penn Central Transportation Company (Transportation Co.), Pennsylvania Company (Pennco) and Great Southwest Corporation (Great Southwest).

Transportation Co. operates the Penn Central railroad system and is presently in re-organization under the bankruptcy laws. Pennco is a subsidiary of Transportation Co. and owns investments including majority ownership of Great Southwest, a real estate development company. Also named were Stuart T. Saunders, of Ardmore, Pennsylvania, formerly chief executive officer of Penn Central Co., Transportation Co., and Pennco; David C. Bevan, of Gladwyn, Pennsylvania, formerly chief financial officer of Penn Central Co. and Transportation Co.; Robert C. Baker of Newport Beach, California, formerly president of Great Southwest; Peat, Marwick, Mitchell & Co. (Peat Marwick), formerly independent auditors for Penn Central Co., Transportation Co., and Great Southwest; Edward J. Hanley of Allison Park, Pennsylvania; Franklin J. Lunding of Willamette, Illinois, and R. Stewart Rauch of Villanova, Pennsylvania, who were formerly directors of Penn Central Co. and Transportation Co.; Angus G. Wynne, Jr. of Dallas, Texas, William Ray of Newport Beach, California and H. L. Caldwell of Newport Beach, California, formerly officers of Great Southwest. Also named were Fidel Goetz of Ravenburg/Wurtz, West Germany, Joseph Rosenbaum of McLean, Virginia and Francis Rosenbaum of Lewisburg, Pennsylvania, who were involved in matters relating to Executive Jet Aviation, a former subsidiary of Transportation Co.

The complaint filed in Pennsylvania seeks to enjoin the defendants from further violative conduct and seeks, as to certain defendants, ancillary relief. Among other things, the complaint alleges that Penn Central Co., Transportation Co., Saunders and Bevan violated and aided and abetted violations of the antifraud provisions of the securities laws in that the financial statements of Penn Central Co. and Transportation Co. for the fiscal years 1968 and 1969 and the financial results for the interim periods were false and misleading in that among other things, the earnings of the companies were improperly inflated. Peat Marwick is alleged to have violated the securities laws by rendering false and misleading reports with respect to the financial statements of Penn Central Co. and Transportation Co. for the fiscal years 1968 and 1969. Penn Central Co., Saunders, Bevan and Peat Marwick are also alleged to have violated and aided and abetted violations of the reporting provisions in the filing of false and misleading financial statements of Penn Central Co. for the fiscal year 1969 with the Commission.

The complaint filed in New York names Goldman, Sachs & Co. as defendant and alleges that Goldman Sachs violated the antifraud provisions in the sale of the commercial paper of the Transportation Co. Goldman Sachs was the dealer for the commercial paper of Transportation Co. from August 1968 through May 1970. Goldman Sachs has consented, without admitting or denying the allegations, to the court order restraining certain violations of the securities laws. Goldman Sachs has also undertaken as part of the injunction to implement certain procedures to obtain and disseminate to purchasers of commercial paper information about the issuers of commercial paper. The Commission has issued an order granting Goldman Sachs a temporary exemption from Section 9(a) of the Investment Company Act insofar as any ineligibility to serve or act in the capacities enumerated therein arises out of the entry of the consent injunction, pending final determination of the application. (LR-6349)

MARVIN S. BERNSTEIN, OTHERS ENJOINED

The SEC announced that the U. S. District Court for New Jersey permanently enjoined Marvin S. Bernstein, Union, New Jersey from violations of the registration and antifraud provisions of the securities laws. The Court also ordered an accounting of Bernstein's holding in the securities of Star-Glo Industries, Inc. In addition, the Court permanently enjoined M. Bernstein Securities, Inc., Jersey City, New Jersey (MBS), Marlow B. Yost and Paul R. Millard both of Salt Lake City, Utah from violations of the antifraud provisions. Bernstein, MBS, Yost and Millard consented to the court orders without admitting or denying the allegations of the complaint. (LR-6348)

DECISIONS IN ADMINISTRATIVE PROCEEDINGS

L. E. CRANFORD SANCTIONED

An order has been issued suspending the broker-dealer registration of L. E. Cranford, doing business as Nashville Securities Company, of Nashville, Tenn., for ninety days, and suspending Cranford from association with any broker-dealer for the same period. The suspensions are effective May 6.

The sanctions were based on findings that, from about January 1972 to October 1973, Cranford failed to comply with net capital, recordkeeping and reporting requirements, and failed to send customers written confirmations correctly disclosing the capacity in which he was acting.

The Commission's order was issued pursuant to an offer of settlement in which Cranford, without admitting or denying the charges against him, consented to the findings and sanctions. (Rel. 34-10753)

ORDERS FOR PUBLIC PROCEEDINGS

HORIZON SECURITIES, INC., OTHERS

Administrative proceedings under the Securities Exchange Act of 1934 and the Securities Investor Protection Act of 1940 (SIPA), have been ordered against Horizon Securities, Inc. (Horizon), of New York, New York, Nova Equity Ventures, Inc. which is Horizon's parent company, Joseph DeFilippo who is president of Horizon, Thomas DeFilippo who is vice-president of Horizon, Jerry Richman who is vice-president of Horizon, Norma Pittman who was an employee of Horizon, and Michael Schorr who was Horizon's accountant. The proceedings are based on staff allegations that the respondents violated the antifraud, net capital, bookkeeping and margin provisions under the Exchange Act. The proceedings are also based on an injunction issued against Horizon, Nova, J. DeFilippo, and T. DeFilippo by the Federal court in New York City on December 1, 1972, permanently enjoining them from violations of the net capital and bookkeeping requirements of the securities laws. The proceedings are further based on an order entered by the Federal court on December 1, 1972 adjudging Horizon's customers to be in need of the protection afforded by SIPA, the appointment of a Trustee to liquidate Horizon. A hearing will be scheduled by further order on the charges against the respondents. (Rel. 34-10772)

EQUITABLE EQUITIES INC.

An order has been issued amending the order for public proceedings dated October 11, 1973 which instituted public administrative proceedings in the matter of Equitable Equities, Inc., Donald Quest and Henry Goldfarb. The amended order noted that Equitable Equities Inc. had been registered as an investment adviser on March 26, 1970 and the amended order provided that the proceedings be brought pursuant to the Investment Advisers Act of 1940. (Rel. 34-10771)

TRADING SUSPENSIONS

TRADING SUSPENDED IN ZENITH DEVELOPMENT CORP.

Over-the-counter trading in all securities of Zenith Development Corp. (formerly Electronic Agricultural Machinery Development Corp.), of Salt Lake City, Utah, has been suspended for a ten-day period beginning on May 2 and continuing through May 11, 1974.

The Commission initiated the suspension because of questions which have been raised about the recent price movement in the common stock of Zenith. (Rel. 34-10773)

ADDITIONAL ACTION ON FIVE TRADING SUSPENSIONS

The SEC has announced the suspension of (a) exchange and over-the-counter trading in the securities of Stratton Group, Ltd., and over-the-counter trading in the securities of Home-Stake Production Co. and Continental Vending Machines, Inc. for the further ten-day period May 5 - 14, inclusive; (b) exchange and over-the-counter trading in the securities of National Alfalfa Dehydrating & Milling Co. for the further ten-day period May 6 - 15, inclusive; and (c) over-the-counter trading in the securities of Technical Resources, Inc. for the further ten-day period May 7 - 16, inclusive.

CORRECTION RE RELEASE NUMBER FOR GEON TERMINATION

The release number for the report of the termination of the trading suspension in the securities of Geon Industries, Inc., which appeared in the News Digest of April 30, was incorrect. The correct release number is Rel. 34-10770.

INVESTMENT COMPANY ACT RELEASES

GOLDMAN, SACHS & CO.

An order has been issued giving interested persons until May 31 to request a hearing on an application of Goldman, Sachs & Co. for exemption from Section 9(a) of the Investment Company Act. See complaint naming Penn Central Company, Others (LR-6349) reported in this issue of the News Digest under Court Enforcement Actions. (Rel. IC-8342)

TECHNOLOGY FUND

An order has been issued permitting the withdrawal of an application of Supervised Investors Services, Inc., and four funds for which it acts as the principal underwriter. The application sought an order permitting reinvestment of proceeds without a sales charge within 15 days from the date shares in the Funds were redeemed. The requested relief was granted by Rule 22d-2 under the Act, which became effective on March 29, 1974. (IC-8340)

E. I. DU PONT DE NEMOURS AND COMPANY

A notice has been issued giving interested persons until May 28 to request a hearing on an application for an exemption from Section 17(a) filed by E. I. du Pont de Nemours and Company, 28% of whose stock is owned by Christiana Securities Company, a registered closed-end investment company, for an order exempting the sale of 540,000 shares of common stock of Block Engineering, Inc. owned by du Pont to Block for an aggregate price of \$1,350,000. (IC-8341)

HOLDING COMPANY ACT RELEASES

INDIANA AND MICHIGAN ELECTRIC COMPANY

A notice has been issued giving interested persons until May 29 to request a hearing on a proposal of Indiana and Michigan Electric Company, subsidiary of American Electric Power Company, Inc. to sell \$70 million of first mortgage bonds and 300,000 shares of cumulative preferred stock at competitive bidding. Net proceeds will be used for the payment of short-term indebtedness. (Rel. 35-18400)

OHIO EDISON COMPANY

A notice has been issued giving interested persons until May 29 to request a hearing on a proposal of Ohio Edison Company (Ohio Edison), and Pennsylvania Power Company (Pennsylvania), its subsidiary, for Ohio Edison to sell 3,000,000 shares of common stock and for Pennsylvania to sell to Ohio Edison 340,000 shares of its common stock. Ohio Edison and Pennsylvania will use the net proceeds for the construction and acquisition of their respective new facilities. (Rel. 35-18401)

SECURITIES ACT REGISTRATIONS

REGISTRATIONS EFFECTIVE

May 2: Bancshares of North Carolina Inc., 2-50264; Brook-Scanlon, Inc., 2-50892; Industrial National Corp., 2-50800; Mann Manufacturing, Inc., 2-50527; Reliance Group, Inc., 2-50525; The Municipal Bond Fund Series II, 2-50633; United Telephone Company Of Indiana, Inc., 2-50645; Ryder System, Inc., 2-50458.

RECENT 8K 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 |
|---------------------------------------|----------|-------|
| TELEDYNE INC | 8,13,14 | 03/74 |
| TERRAMAR CORP | 7,14 | 03/74 |
| THERMO NATIONAL INDUSTRIES INC | 11 | 03/74 |
| TRANS SONICS INC | 13,14 | 03/74 |
| TRANSCANADA PIPELINES LTD | 3,13 | 03/74 |
| TRANSIDYNE GENERAL CORP | 3 | 03/74 |
| UNITED FIRST FLORIDA BANKS INC | 3,7,11 | 04/74 |
| VIKING GENERAL CORP | 3,7 | 03/74 |
| WAGNER ELECTRIC CORP | 9,14 | 03/74 |
| WESTVACO CORP | 3 | 03/74 |
| YOUNKER BROTHERS INC | 8 | 03/74 |
| ZAPATA CORP | 3 | 03/74 |
| DETROITBANK CORP | 11 | 03/74 |
| ECOLOGICAL SCIENCE CORP | NO ITEMS | 03/74 |
| ELT INC | 7,14 | 03/74 |
| EXETER & HAMPTON ELECTRIC CO | 11 | 03/74 |
| NEW ENGLAND BANCORP INC | 2,13,14 | 11/73 |
| NORTHEAST UNITED BANCORP INC OF TEXAS | 4,11,14 | 03/74 |
| P&A INDUSTRIES INC | 2,3,4,14 | 03/74 |
| VANDORN CO | 4,7,14 | 03/74 |
| AMERICAN WESTERN LIFE INSURANCE CO | 1,11 | 04/73 |
| AMERICAN WESTERN LIFE INSURANCE CO | 1 | 10/73 |
| BACARDI CORP | 12 | 03/74 |
| DAXOR CORP | 2,13 | 03/74 |
| DAXOR CORP | 1 | 04/74 |
| FIRST FINANCIAL GROUP OF N H INC | 11 | 03/74 |
| FIRST WISCONSIN CORP | 11 | 03/74 |
| GENIMAR INC | 8 | 08/73 |
| HART SCHAFFNER & MARX | 3,14 | 03/74 |
| HOUSTON COMPLEX INC | 2,14 | 03/74 |

RECENT 8K FILINGS CONT.

| | | |
|--|-------------|-------|
| IBI SECURITY SERVICE INC | 9,14 | 09/72 |
| IBI SECURITY SERVICE INC | 12 | 10/73 |
| IBI SECURITY SERVICE INC | 3 | 12/73 |
| IBI SECURITY SERVICE INC | 13,14 | 04/74 |
| IDS MCCULLOCH OIL EXPLORATION 1970-1 | 13,14 | 03/74 |
| LEXTON ANCIRA REAL ESTATE FUND LTD 1972 | 3 | 03/74 |
| MULTIVEST REAL ESTATE INC | 13,14 | 03/74 |
| N TRIPLE C INC | 13 | 03/74 |
| NATIONAL TEA CO | 13 | 03/74 |
| NORD RESOURCES CORP | 7 | 02/74 |
| NORD RESOURCES CORP | 7 | 03/74 |
| NORTH LAWNDALE ECONOMIC DEVELOPMENT CORP | 7,13 | 03/74 |
| NORTHERN INVESTMENT PROPERTIES | 13 | 03/74 |
| OPTICO INC | 11 | 03/74 |
| PACIFIC UNITED SERVICES CORP INC | 11,13 | 03/74 |
| RANSBURG CORP | 3 | 03/74 |
| SEABOARD OIL & GAS CO | 3,4,7,8,10 | 01/74 |
| SEABOARD OIL & GAS CO | 3,4,7,8,10 | 02/74 |
| SPACERAYS INC | 2,13,14 | 03/74 |
| SPECTEX INDUSTRIES INC | 2,12,13,14 | 05/73 |
| SPECTEX INDUSTRIES INC | 11,13,14 | 09/73 |
| STANDARD OIL CO OF INDIANA | 3 | 03/74 |
| STEVENS ANN INC | 10 | 03/74 |
| STONE OIL CORP 1974 PARTICIPATING PROGRA | 7,14 | 01/74 |
| TENNECO OFFSHORE CO INC | 2 | 03/74 |
| TIMES MIRROR CO | 7 | 03/74 |
| UNITED COIN SERVICES INC | 1,6 | 03/74 |
| URS CORP | 11,13 | 03/74 |
| VISION CABLE COMMUNICATIONS INC | 1,8,14 | 03/74 |
| WEATHERHEAD CO | 13 | 03/74 |
| WESTERN MICROWAVE LABORATORIES INC | 11 | 03/74 |
| WILSON & CO INC | 12,14 | 03/74 |
| BARDEN CORP | 13 | 03/74 |
| BLOCK ENGINEERING INC | 3,14 | 10/73 |
| CGS SCIENTIFIC CORP | 9 | 03/74 |
| CHESAPEAKE & POTOMAC TELEPHONE CO OF MAR | 11 | 03/74 |
| CHESAPEAKE & POTOMAC TELEPHONE CO OF VIR | 11 | 03/74 |
| CHESAPEAKE & POTOMAC TELEPHONE CO OF WES | 11 | 03/74 |
| CLEVELAND CINCINNATI CHICAGO & SAINT LOU | 3 | 03/74 |
| COMPREHENSIVE COMMUNITIES CORP | 2 | 03/74 |
| DIAMOND STATE TELEPHONE CO | 3,11 | 03/74 |
| DOUBLE EAGLE PETROLEUM & MINING CO | 2 | 03/74 |
| EXCHANGE INTERNATIONAL CORP | 4 | 03/74 |
| FABRI TEK INC | 2,3,7,14 | 03/74 |
| GLASCO INC | 7 | 03/74 |
| GOLDEN STATE HEALTH CENTERS INC | 2,14 | 03/74 |
| HAWAIIAN ELECTRIC CO INC | 7 | 04/74 |
| HUMANA INC | 7 | 03/74 |
| ICN PHARMACEUTICALS INC | 3,11 | 03/74 |
| KAHLER CORP | 7,11 | 04/74 |
| LOBLAW INC | 2 | 03/74 |
| METRA ELECTRONICS CORP | 13 | 03/74 |
| MICHIGAN CENTRAL RAILROAD CO | 3 | 03/74 |
| MONTANA POWER CO | 13 | 04/74 |
| MORSE SHOE INC | 10,14 | 03/74 |
| NIAGARA FRONTIER SERVICES INC | 8,13 | 03/74 |
| NORTHERN CENTRAL RAILWAY CO | 3 | 03/74 |
| PHILADELPHIA-BALTIMORE & WASHINGTON RAIL | 3 | 03/74 |
| PITTSBURGH FORT WAYNE & CHICAGO RAILWAY | 3 | 03/74 |
| PITTSBURGH YOUNGSTOWN & ASHTABULA RAILWA | 3 | 03/74 |
| REMICO INC | 11 | 03/74 |
| ROYAL ATLAS CORP | 3 | 02/74 |
| STORAGE TECHNOLOGY CORP | 7,9,14 | 02/74 |
| SYSTEM CONTROL CO | 2,3,6 | 04/74 |
| TCR SERVICE INC | 11,12,13,14 | 04/74 |
| UNITED NEW JERSEY RAILROAD & CANAL CO | 3 | 03/74 |
| UNITED OVERTON CORP | 3,14 | 03/74 |
| WEIL MCLAIN CO INC | 7,14 | 03/74 |
| WEST VIRGINIA ACCEPTANCE CO | 4,11,13 | 03/74 |

AMENDMENTS TO REPORTS ON FORM 8-K

| | | |
|-------------------------------|-------------|-------|
| BON AIRE INDUSTRIES INC | 13,14 | 03/74 |
| COOPER LABORATORIES INC | 12,14 | 01/74 |
| CSE CORP | 14 | 02/74 |
| FIRST HARTFORD CORP | 13,14 | 10/73 |
| FROSTBANK CORP | 4,7,8,11,14 | 03/74 |
| GENERAL FOODS CORP | 7,14 | 03/74 |
| INVESTMENT CORP OF FLORIDA | 9 | 11/73 |
| INVESTMENT CORP OF FLORIDA | 9 | 01/74 |
| MAGNUS INTERNATIONAL INC | 11,14 | 01/74 |
| NUMERAX INC | 14 | 02/74 |
| PIONEER TEXAS CORP | 3 | 03/74 |
| PROCESS SYSTEMS INC | 7 | 11/73 |
| REDMAN INDUSTRIES INC | 10,14 | 03/74 |
| RESISTOFLEX CORP | 2 | 01/74 |
| TELEPRO INDUSTRIES INC | 14 | 01/74 |
| WESTINGHOUSE ELECTRIC CORP | 3,10,14 | 03/74 |
| WOMPROP INC | 14 | 12/72 |
| WOMPROP INC | 2 | 12/73 |
| ARTS WAY MANUFACTURING CO INC | 14 | 03/74 |
| CONSUMERS POWER CO | 3 | 03/74 |
| GRAY MANUFACTURING CO | 7 | 08/73 |
| SCANFAX SYSTEMS CORP | 14 | 02/74 |
| SCHAEFER F & M CORP | 13,14 | 12/73 |
| TIDEWATER MARINE SERVICE INC | 13 | 03/74 |

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 12¢ per page plus postage for mailing within four days (\$2 minimum) and 25¢ per page plus postage for over-night mailing (\$5 minimum). Cost estimates are given on request. All other referenced material is available in the SEC Docket.

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