

# sec news digest

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November 2, 1973

## COMMISSION ANNOUNCEMENTS

PUBLIC REFERENCE ROOM TO RELOCATE. Beginning Monday, November 12, the Public Reference Room will be located in Room 6101 at 1100 L Street, N.W., Washington, D.C. The visiting hours will remain 9:00 - 4:30. Though the reference room will not be closed at all during this period, the timeliness of service may be impaired the week before and the week after relocating.

Written requests for documents should still be addressed to the Public Reference Room, Securities and Exchange Commission 500 North Capitol Street, Washington, D.C. 20549.

FIRST LEISURE SUSPENSION TERMINATED. The suspension of over-the-counter trading in the securities of First Leisure Corporation (FLC), Beverly Hills, California terminated midnight (EST) on November 1, 1973.

The Commission initiated the trading suspension on September 28, 1972 because of questions on the accuracy and reliability of First Leisure's statement of operations and financial condition and because of the absence of reliable, current information about the method of operation and financial condition of FLC's only operating subsidiary, Goldstein, Samuelson, Inc. (GSI), a commodities put and call option dealer. Additional questions were raised about the applicability of the registration and anti-fraud provisions of the securities laws in the offering of commodities option contracts by GSI.

On March 5, 1973, First Leisure, GS Financial Corporation dba Goldstein, Samuelson, Inc., Harry Goldstein (Chairman of GSI and FLC), Steven Powers, Kenneth Hartford, Harry Hope, Wayne Mosely and Andrew de Rosa, were permanently enjoined from violations of the registration and antifraud provisions of the securities laws in the sale of securities of First Leisure and "Planned Commodity Option Accounts" guaranteed by GSI. On October 29, 1973, Harold Goldstein and GSI were permanently enjoined, by consent, from violations of the antifraud and registration provisions of the securities laws in the offer and sale of investment contracts which purported to be commodity options, and for conducting business as a broker-dealer without registering with the Commission. Later Goldstein plead guilty to three counts of an indictment of mail fraud in the offer and sale by GSI of options on unregistered commodities.

On February 27, 1973, the Los Angeles Federal Court placed GSI in receivership at the request of the Commission because, among other things, the financial condition of GSI and Harold Goldstein's alleged conversion of customer funds. GSI was adjudged an involuntary bankrupt on April 30, 1973. On July 30, 1973, Curtis B. Danning was appointed trustee for GSI. Danning has informed creditors that GSI's main assets were \$5.9 million cash plus \$888,076 on deposit but attached; about \$30 million was also owed the company by its customers, but there was little likelihood of recovery of these funds; and that an initial report based on highly tentative data indicated that GSI's liabilities to customers, if they exercise their open options, were estimated at possibly \$76 million as of February 27, 1973. It is not known if an audit of GSI will be conducted. (Rel. 34-10474)

## COURT ENFORCEMENT ACTIONS

LIGGETT & MYERS, INCORPORATED, DANIEL EDWARD PROVOST, III ENJOINED. On November 1 U.S. District Judge for New York, signed an order of permanent injunction against Liggett & Myers, Incorporated (L&M) and Daniel Edward Provost, III. The order enjoins L&M and Provost from violations of antifraud provisions of the securities laws in the use of material non-public information about L&M by any person and orders L&M to implement and hereafter supervise employees' compliance with a written statement of policy on disclosure of material non-public information. The defendants consented to the injunction without admitting or denying the allegations of the Commission's complaint filed on June 25, 1973.

The complaint alleged that Provost informed various security analysts, financial institutions and other persons of a Liggett & Myers news announcement on July 18, 1972 prior to release of such information to the public. L&M announced on July 18, 1972 that preliminary net earnings for the first six months of 1972 were between \$1.40 and \$1.50 per share versus \$1.80 for the same period in 1971. (LR-6124)

GRAND JURY INDICTS 22 IN EQUITY FUNDING CASE. The Los Angeles Regional Office announced that on November 1, a Federal Grand Jury in Los Angeles, California, returned a 105-count indictment against 22 individuals on charges arising out of alleged fraudulent activities relating to EQUITY FUNDING CORPORATION OF AMERICA (EFCA), a financial services corporation based in Century City, California, formerly traded on the New York Stock Exchange.

Charged were: Stanley Goldblum of Beverly Hills, California, former EFCA president and Chairman; Samuel B. Lowell of Pacific Palisades, California, a former EFCA executive vice president; Fred Levin of Malibu, California, former EFCA executive vice president; Jerome H. Evans, Michael E. Sultan, and Julian S. H. Weiner, all of Beverly Hills, Cal.; James Cyrus Smith, Jr., of Marina del Rey, Cal.; Arthur Stanley Lewis of Toluca Lake, Cal.; David Jack Caop of Sherman Oaks, Cal.; Lloyd Douglas Edens of Santa Monica, Cal.; Lawrence Grey Collins of Sini, Cal.; James Howard Banks of Encino, Cal.; William Mercado and Donald McClellan of Northridge, Cal.; William Edward Symonds, of Mar Vista, Cal.; Lester M. Keller of Canoga Park, Cal.; Marvin Al Lichtig of Woodland Hills, Cal.; Solomon Block of Granada Hills, Cal.; Alan Lewis Green, Gary Stanley Beckerman, and Richard Gardinier, all of Los Angeles, Cal.; and Mark Charles Lewis of Van Nuys, Cal.

All of the defendants were formerly employed at EFCA with the exception of Julian Weiner, former partner, and Solomon Block, former principal of the accounting firm of Wolfson, Weiner, Ratoff & Lapin (later merged with Seidman & Seidman), independent public accountants for EFCA and most of its subsidiaries. Marvin Lichtig, former partner of the accounting firm, later became an executive vice president of EFCA.

The indictment charges all the individuals with conspiring, during January 1965 through the beginning of April 1973 to commit several federal violations including fraud in the sale of securities, filing of fraudulent registration statements, filing fraudulent reports, mail fraud, bank fraud, interstate transportation of securities taken by fraud, interstate transportation of counterfeit securities and electronic eavesdropping. In addition, the defendants are charged in various substantive counts with having actually committed the offenses which were the objects of the conspiracy, with the exception of the interstate transportation of counterfeit securities.

According to the allegations in the indictment, Goldblum would set periodic goals for EFCA's earnings and growth, which he knew would not be achieved through legitimate business operations. The indictment also charges that Goldblum would arrange with various officers and employees of EFCA and its subsidiaries to make fictitious entries to various accounts on the books and records of the corporation and its subsidiaries so as falsely to portray the income and assets of EFCA.

The indictment also alleges that to provide back-up documents for fictitious insurance policies and assets of both EFCA and EPLIC, various defendants assisted in manufacturing fictitious insurance policy files; in counterfeiting bank documents, bank stationery, securities purchase confirmation and bonds; and in mailing fictitious documents to various auditors.

The independent accountants charged in the indictment are alleged to have intentionally conducted incomplete and insufficient audits of EFCA, which resulted in the acceptance of certain fictitious items for auditing purposes and the issuance of unqualified CPA certifications of EFCA's yearly financial statements.

According to the charges in the indictment, the effect of the false financial statements was to fraudulently increase the market price of EFCA stock and support investor confidence in EFCA, thereby enabling EFCA to borrow money from banks, make successful debenture offerings and conclude mergers. It also allegedly enabled various of the defendants to sell personally held EFCA stock at artificially inflated levels.

The indictment is a product of a joint seven-month investigation conducted by the Securities and Exchange Commission, the Federal Bureau of Investigation, the Postal Inspection Service, the Illinois and California Departments of Insurance and the United States Attorney's office, together with the Illinois Attorney General's office. (LR-6122)

BADALAMENTI, POLLACK, FORSYTH, NELL AND PEDLEY INDICTED. The New York Regional Office announced that on October 25 a federal grand jury in Newark, New Jersey returned an indictment charging Salvatore "Sammy" Badalamenti, Fort Lee, New Jersey, Seymour "Sy" Pollack, Fort Lee, New Jersey, Norman Forsyth, Park Ridge, New Jersey, Don Nell, Wallingford, Pa., and David Pedley, Los Angeles, Cal., with conspiring to violate various provisions of the securities laws and for violating tax laws. The indictment which contained seven counts charges the five defendants with conspiring to defraud purchasers of the stock of Dumont Corporation, Fort Lee, New Jersey by fraudulent stock market transactions, issuance of false financial statements and inaccurate representations of the company's business and future prospects. Four of the defendants were charged with failing to file tax returns and/or make false declarations on their tax returns for the year during which the stock sales took place. (LR-6121)

## HOLDING COMPANY ACT RELEASES

NEW ENGLAND ELECTRIC SYSTEM. A memorandum opinion and order has been issued approving a plan by New England Electric System (NEES), Westborough, Mass. holding company, to sell its stock interest in Lawrence Gas Company, a NEES subsidiary, to Springfield Gas Light Company, an exempt holding company. Under the plan the minority interest in Lawrence will be eliminated at a price per share equal to that to be paid to NEES for its stock interest. The plan also provides for the liquidation of Mass Gas System, a subholding company of NEES. The plan was filed under provisions of the 1935 Act in compliance with the Commission order to NEES under the Act requiring it to divest its interests in its gas utility properties. (Rel. 35-18149)

## INVESTMENT COMPANY ACT RELEASES

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY. An order has been issued on an application by Massachusetts Mutual Life Insurance Company, of Springfield, Mass., the investment adviser of MassMutual Corporate Investors, Inc. (Fund), a non-diversified, closed-end management investment company registered under the Act, permitting Insurance Company to purchase at direct placement \$3 million of a new issue of 9-3/8% subordinated notes due 1990 of Warnaco, Inc. Insurance Company and Fund had invested in securities of Warnaco under an arrangement that prohibits, without order of the Commission, further investments in that company by either Insurance Company or Fund unless such investments are identical. (Rel. IC-8064)

## SECURITIES ACT REGISTRATIONS FILED

MASSACHUSETTS FUND FOR INCOME, 100 Federal St., Boston, Mass. 02110 - 1,505,000 shares of beneficial interest, to be offered for sale at \$17.50 per share through underwriters headed by Bache & Co. Inc., 100 Gold St., New York, N.Y. The Fund will operate as an open-end diversified management investment company in the form of a Massachusetts business trust, with the investment objective of obtaining as high a level of current income as is consistent with prudent investment risk. The Travelers Investment Management Company is investment adviser. (File 2-49309 - Oct. 12)

(S-11) COMMERCIAL NON-LEVERAGED INCOME PROPERTIES, LTD. (the Partnership), 6380 Wilshire Blvd., Los Angeles, Cal. 90048 - \$40 million of partnership interests, to be offered for sale at \$100 per unit with a minimum investment of \$1000. The Partnership will invest in income-producing real estate projects. Interfinancial Commercial Corporation and T. Dwight Webb are the general partners. (File 2-49310 - Oct. 12)

(S-1) CALDERONE-CURRAN RANCHES, INC., 4749 Willis Rd., Grass Lake, Mich. 49240 - 170,000 shares of common stock. It is proposed to offer these shares for subscription by common stockholders, at the rate of one new share for each 6.8 shares held, and at \$7.50 per share. The company sells purebred polled hereford cattle and maintains and breeds such cattle under maintenance contracts. (File 2-49311 - Oct. 12)

(S-1) METROPOLITAN EDISON COMPANY, 2800 Pottsville Pike, Muhlenberg Township, Berks County, Pa. 19605 - \$20 million of first mortgage bonds, due 2003, and \$20 million of debentures, due 1998, to be offered for sale at competitive bidding. (File 2-49312 - Oct. 12)

(S-11) BUILDERS INVESTMENT GROUP (the Trust), 750 East Swedesford Rd., P. O. Box 860, Valley Forge, Pa. 19482 - 450,000 shares of beneficial interest to be offered for sale through underwriters headed by Shearson, Hammill & Co. Inc. The Trust, organized in 1971 by Certain-teed Products Corporation is a real estate investment trust which provides a broad range of financing services for real estate developers. Housing Securities, Inc., is investment adviser. (File 2-49316 - Oct. 15)

(S-10) COMANCHE OIL CORPORATION, 521 North 5th St., Springfield, Ill. - \$80,000 of fractional undivided interests in oil and gas leases in Branham Lease #1, to be offered for sale in minimum amounts of \$2500. (File 2-49318 - Oct. 15)

(S-14) FIRST ARKANSAS BANKSTOCK CORPORATION, Worthen Bank Bldg., Little Rock, Ark. 72201 - 20,756 shares of common stock. It is proposed to offer these shares in exchange for the outstanding shares of common stock of National Credit Corporation, at the rate of 3.257 shares for each National Credit share. Bankstock is a bank holding company. National Credit is primarily a consumer loan company. (File 2-49319 - Oct. 15)

(S-10) NRM PETROLEUM CORPORATION, 1901 Kanawha Valley Bldg., Charleston, W. Va. 25301 - \$415,000 of fractional undivided interests in oil and gas leases in The Gilmer County Prospect, to be offered for sale in minimum amounts of \$5,000. (File 2-49320 - Oct. 15)

STOCK PLANS FILED. The following have filed Form S-8 registration statements with the SEC seeking registration of securities to be offered pursuant to employee stock and related plans:

Kallestad Laboratories, Inc., Chaska, Minn. (File 2-49313) - 316,000 shares  
 Creative Management Associates, Inc., New York, N. Y. (File 2-49314) - 100,000 shares  
 International Timesharing Corporation, Chaska, Minn. (File 2-49315) - 50,000 shares  
 American International Pictures, Inc., Beverly Hills, Cal. (File 2-49317) - 125,000 shares

SECURITIES ACT REGISTRATIONS. Effective November 1: Alza Corp., 2-49164; Amfac Cattle Co., 2-48991; Best Products Co., Inc., 2-49233; Chamberlain Manufacturing Corp., 2-49172; Exeter & Hampton Electric Co., 2-49218; First Pennsylvania Corp., 2-49271; Gulfpoint Associates, 2-48001 (90 days); Jackson National Life Insurance Co., 2-49425; Mercantile Bancorporation Inc., 2-49198; Mortgage Investors of Washington, 2-49248; Multivest Funding Programs, Inc., 2-47865; Public Service Company of Indiana, Inc., 2-49253; Saga Administrative Corp., 2-49257; Scotch Whisky Investment Co., 2-46902; Security New York State Corp., 2-49215 and 2-49216; Signetics Corp., 2-49345; Texas International Co., 2-49212; Weil-McLain Company, Inc., 2-48845.

#### MISCELLANEOUS

TRADING SUSPENSIONS CONTINUED. The SEC has announced the suspension of exchange and over-the-counter trading in the securities of Equity Funding Corp., Giant Stores Corp. and Sanitas Corp, and over-the-counter trading in the securities of Industries International Inc. and Autobale America Corp. for the further ten-day period November 3-12, inclusive.

#### BANKERS TRUST NEW YORK CORPORATION.

The SEC has granted the application of Bankers Trust New York Corporation for a finding that the trusteeships of The Bank of New York under two existing indentures, dated as of May 31, 1966 and March 1, 1971 respectively, qualified under Trust Indenture Act of 1939 and one existing indenture, dated December 15, 1963, not so qualified are not so likely to involve a material conflict of interest as to make it necessary in the public interest or for protection of investors to disqualify The Bank of New York from acting as trustee under these indentures. (TI- 347)

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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 (\$33.00 a year, first class mail, \$8.25 additional for foreign mailing, \$25.00 additional for air mail) and the SEC Docket (\$17.00 a year, first class mail, \$4.25 additional for foreign mailing) are for sale by the Superintendent of Documents, Government Printing Office, Washington, D. C. 20402.