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U.S. SECURITIES & EXCHANGE COMMISSION
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COMMISSIONER SPEAKS

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DIRECTORS AND THE FEDERAL SECURITIES LAWS

In a speech before the Colorado Association of Corporate Counsel in Denver on Thursday evening, February 21, Commissioner A. A. Sommer, Jr. discussed the role of the director and the developing law under the Federal securities acts relating to that role. After discussing the decision in Lanza v. Drexel, Commissioner Sommer noted: "I would respectfully suggest that the considerations which motivated the minority judges in the Lanza case will, in the long run, be better guides as to the responsibility of directors in publicly-held companies than the discussions of scienter, negligence and recklessness contained in the majority opinion. It seems clear to me that in any situation in which the liability of directors under Federal securities law is of moment, there should be a very careful effort made to determine which of the directors, because of experience, knowledge, relationship to the corporation and its officers, intimacy of involvement in its affairs, awareness of the consequences of the complaints of corporate acts, should reasonably have been expected to sound the tocsin. I would suggest that this is not an excessive or unduly harsh standard. Just as I think it would be completely unfair to suggest that in every case where a corporation has violated the Federal securities laws all of the directors, simply because of their position, have liability, so I would suggest that it is equally unrealistic and unfair to contend that no outside director has any affirmative duties to investigate or monitor or inquire about the conduct of officers of the corporation with respect to compliance with federal securities laws."

Commissioner Sommer suggested that corporations consider the possibility of elaborating their own guidelines with respect to the conduct of directors and that corporations furnish their directors on a regular, ongoing basis all the information they need to acquire an intimate familiarity with the business of the corporation.

Commissioner Sommer said that directors should be discerning and selective with regard to serving on boards of directors and suggested that any person invited to serve on a board first "make discreet inquiries as to the policies of the corporation with regard to the board." According to Commissioner Sommer, a "skepticism, an alertness to the possibility of wrongdoing on the part of corporate officers, should be the stock in trade of every director."

In conclusion, Commissioner Sommer noted that the Commission would carefully avoid judging by unrealistic standards the conduct of directors but noted that the Commission would also "recognize that shareholders and investors are entitled to the benefits of the wisdom, the judgment, the skills of those who impliedly represent that they are faithfully serving those whose resources sustain the corporation's activity."

DECISIONS IN ADMINISTRATIVE PROCEEDINGS

OFFER OF SETTLEMENT ACCEPTED IN U.S. FINANCIAL CASE

The Commission announced today that it had accepted an offer of settlement from Touche Ross & Co. consenting to the entry of an order censuring the firm for its professional conduct in its 1970 and 1971 audits of U.S. Financial, Inc. (USF) and providing for a number of steps designed to improve its professional practice.

The order requires Touche to adopt procedures to prevent future violations, including a specific review designed to determine management's direct or indirect involvement in material transactions and office review procedures requiring a periodic review of audit quality of all offices by Touche's national staff at least once every two years. Touche has also agreed to an investigation under the jurisdiction of the Commission by outside professional accountants who will report to the Commission as to Touche's compliance with its adopted procedures after one year of audits has been completed. The order also prohibits the San Diego office of Touche from accepting any new professional engagements for twelve months and prohibits the firm from accepting any new client in the real estate development field until the Chief Accountant of the Commission is satisfied that the firm has adopted adequate audit guides and programs for this type of client. The order also includes the Commission's findings in regard to Touche's actions which the Commission concluded did not meet the necessary professional standards and hence contributed to the filing of false and misleading financial statements, even though the Commission recognized that USF and certain officers intentionally deceived Touche by furnishing false information in connection with these audits. (Rel. 33-5459)

COURT ENFORCEMENT ACTIONS

COMPLAINT NAMES U. S. FINANCIAL, FORMER OFFICERS.

The Commission has announced the filing of a complaint on February 25 in Federal District Court, San Diego, seeking to enjoin U. S. Financial (USF), Robert H. Walter, former board chairman, John B. Halverson, former president, all of San Diego, and Charles D. Prutzman, former special securities counsel, of Manhasset, New York, from violation of the antifraud, reporting, and proxy solicitation provisions of the securities laws. The complaint also seeks to enjoin Robert H. Walter from violations of the manipulation and margin provisions, and USF's nominees, Richard W. Arneson, Dennis P. Hill, A. H. Properties, and Bayview Investments, all of San Diego, Walter P. Gribben and William L. O'Bryon, both of Newport Beach, California, from violations of the antifraud provisions in the offer and sale of the securities of USF. All the defendants participated in a scheme to fraudulently manufacture the revenues and profits of USF for the years 1969, 1970, 1971, and 1972. (LR-)

RULES AND RELATED MATTERS

AMENDMENT TO RULE 17d-1 PROPOSED

The SEC announced a proposal to amend Rule 17d-1 under the Investment Company Act of 1940 to remove any question of the legality under Section 17(d) and Rule 17d-1 of service agreements between affiliated persons or principal underwriters, or affiliated persons thereof, of registered investment companies and such companies which meet certain specified standards. Such an agreement must be approved and renewed in the manner required for investment advisory contracts by Sections 15(a) and 15(c). A majority of the non-interested directors of the investment company must determine that the agreement is in the best interest of the company and its shareholders, that the services are required, that the affiliated person or principal underwriter can provide services the nature and quality of which are at least equal to those provided by others offering the same or similar services, and that the fees for such services are fair and reasonable in the light of customary charges for such services.

Interested persons are invited to submit comments on the proposal to George A. Fitzsimmons, Secretary, Securities and Exchange Commission, Washington, D.C. 20549, on or before April 30, 1974. All communications should refer to File No. S7-513. (IC-8245)

COMMISSION ANNOUNCEMENTS

IRWIN BOROWSKI AND WALLACE TIMMENY NAMED ASSOCIATE DIRECTORS

The Commission announced the appointment of Irwin Borowski and Wallace L. Timmeny as Associate Directors of the Division of Enforcement. Mr. Borowski joined the Commission staff in 1965 as an attorney and since has been employed in positions of ever increasing responsibility. Most recently he was Chief Enforcement Attorney in the Division of Enforcement and was in charge of the joint SEC-NASD Task Force inquiring into abuses in the over-the-counter market which uncovered many cases of manipulation and other abuses in the over-the-counter market, particularly in situations involving so-called hot issues. Mr. Borowski, 38, was raised in Brooklyn, New York, where he graduated from Brooklyn College with a B.A. degree. In 1960 he graduated from New York University School of Law with an LL.B. degree.

Mr. Timmeny joined the staff of the Commission in November 1965. After serving as a trial attorney in the Division of Trading and Markets and in the Division of Corporate Regulation, he became legal assistant to Commissioner Hugh F. Owens in 1969. In 1970, he became an Assistant Director in the Division of Trading and Markets in charge of the Office of Criminal Reference and Special Proceedings. Mr. Timmeny received a B.B.A. degree, cum laude, from Fairfield University in 1961 and an LL.B. degree from New York University School of Law in 1964. Prior to joining the Commission's staff, he engaged in the practice of law in New York City. Mr. Timmeny was born in North Tarrytown, New York.

PAMCO CAPITAL CORP. REGULATION A EXEMPTION SUSPENDED

An order has been issued suspending the Regulation A exemption from registration with respect to a public offering of securities of Pamco Capital Corporation of New York, New York. Under a notification filed March 28, 1973, Pamco offered 100,000 shares of common stock at \$.50 per share for \$50,000. According to the order, the Commission has reason to believe that: (a) the offering circular of Pamco contains untrue statements of material facts and omits to state material facts necessary to make the statements made not misleading, particularly with respect to the failure to disclose the identity of an undisclosed underwriter and the failure to accurately state the terms of the offering and the plan of distribution; (b) the terms and conditions of Regulation A have not been met, particularly with respect to the failure to accurately identify the directors of the issuer; and (c) the offering was made in violation of the antifraud provisions of the securities laws. (Rel. 33-5460)

INVESTMENT COMPANY ACT RELEASES

AVIATION GROWTH INVESTMENTS

An order has been issued declaring that Aviation Growth Investments, Inc. has ceased to be an investment company as defined in the Act. (IC-8241)

SECURITIES ACT REGISTRATIONS

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Effective February 22: Applied Power, Inc., 2-49771; Capital Holding Corp., 2-50116; First City Bancorporation Of Texas, Inc., 2-49902; Hanover Planning Company, Inc., 2-49905 (90 days); Logicon, Inc., 2-50138; Metro-Goldwyn-Mayer Inc., 2-50078; Orange And Rockland Utilities, Inc., 2-50094; The Scott & Fetzer Company, 2-50140.

RECENT 8K FILINGS

Form 8-K is used by companies to file current reports on the following events:

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| <i>Item 1. Changes in Control of Registrant</i> | <i>Item 9. Options to Purchase Securities</i> |
| <i>Item 2. Acquisition or Disposition of Assets</i> | <i>Item 10. Revaluation of Assets or Restatement of Capital Share Account</i> |
| <i>Item 3. Legal Proceedings</i> | <i>Item 11. Submission of Matters to a Vote of Security Holders</i> |
| <i>Item 4. Changes in Securities</i> | <i>Item 12. Changes in Registrant's Certifying Accountant</i> |
| <i>Item 5. Changes in Security for Registered Securities</i> | <i>Item 13. Other Materially Important Events</i> |
| <i>Item 6. Defaults upon Senior Securities</i> | <i>Item 14. Financial Statements and Exhibits</i> |
| <i>Item 7. Increase in Amount of Securities Outstanding</i> | |
| <i>Item 8. Decrease in Amount of Securities Outstanding</i> | |

The companies listed below have filed 8-K reports for the month indicated and/or amendments to 8-K reports previously filed, responding to the item(s) of the form specified. Copies of the reports may be purchased from the Commission's Public Reference Section (in ordering, please give month and year of report). An invoice will be included with the requested material when mailed.

COMPANY	ITEM NO.	MONTH
RANCO INC	11	01/74
RED FOOD STORES INC	7,8,14	01/74
REDWOOD BANCORP	13,14	01/74
RELIANCE GROUP INC	7	01/74
REPUBLIC CORP	13,14	01/74
RESISTOFLEX CORP	2,14	01/74
RICHARDSON CU	3	01/74
ROBERTS JOHN INC	NO ITEMS	01/74
ROUSE CO	10,13,14	01/74
RPS PRDCTS INC	11	01/74
SEAPORT CORP	2,7,14	01/74
SERVICE CORP INTERNATIONAL	7,13,14	01/74
SHAREHOLDERS CAPITAL CORP	9,14	01/74
SHIRE NATIONAL CORP	13	01/74
SIMON NORTGN INC	3	01/74
STANDARD PRUDENTIAL CORP	7,14	01/74
STERLING PRECISION CORP	7,14	01/74
STRUTHERS WELLS CORP	7,8,13,14	01/74
TAX CORP OF AMERICA	3,7,8,12,14	01/74
TECH SYM CORP	7,14	01/74
TECHNITROL INC	2,13,14	01/74
TELEDYNE INC	7,8	01/74
TELEPRO INDUSTRIES INC	2,13,14	01/74
TENNECO INC	3	01/74
TERRAMAR CORP	7	01/74
TEXAS COMMERCE BANCSHARES INC	14	01/74
TEXAS COMMERCE BANCSHARES INC	NO ITEMS	01/74
TEXAS POWER & LIGHT CO	3	01/74
TEXAS UTILITIES CO	3	01/74
THIOKOL CORP	3,10,14	01/74

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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