

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.



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FOR RELEASE June 2, 1971

## COMMISSION ANNOUNCEMENTS

**TRADING IN AMERICAN RACEWAY SUSPENDED.** The SEC has ordered the temporary suspension of over-the-counter trading in the securities of American Raceway, Inc., 2990 West Grand Blvd., Detroit, Mich. 48202 for a ten-day period commencing June 2, 1971 at 10:00 a.m. The suspension will terminate at the close of business on June 11, 1971. The suspension was ordered because of the lack of current information concerning the financial condition and business operations of American Raceway, Inc. One of American Raceway's subsidiaries, Texas International Speedway, Inc., is delinquent in filing its annual report on 10-K for the year ended November 30, 1970. In addition, American Raceway is delinquent in filing its annual report on 10-K for the year ended November 30, 1970. Texas International and another subsidiary of American Raceway, Atlanta International Raceway, Inc. are currently involved in reorganization proceedings under Chapter X of the United States Bankruptcy Act. (Release 34-9197)

**COMMISSION CITES C. D. MAHONEY & CO.** The SEC has ordered administrative proceedings involving C. D. Mahoney and Company, Inc., registered broker-dealer, of Minneapolis, and its president, Joseph C. Mahoney. The proceedings are based on staff allegations that during the period April 1970 to present the firm and Mahoney (1) failed promptly to file an amendment to Form BD reflecting information required to be filed, (2) hypothecated securities carried for the accounts of customers and permitted such securities to be commingled with securities carried for the account of persons other than a bona fide customer of the Registrant under a lien for a loan made to Registrant; in connection with offer and sale of securities, made false and misleading statements which (a) induced customers to purchase securities and sold securities to customers without disclosing that Registrant intended to and did pledge customers fully paid for securities as collateral for loans to Registrant, and (b) induced customers to purchase securities and sold securities to customers without disclosing to the customers that Registrant intended to and did use customers fully paid for securities to cover Registrant's short positions with other broker-dealers. In addition, respondents failed to keep accurate books and records and violated the net capital provisions of the Federal securities laws.

**BUSINESS TRIMS PLANS FOR 1971 CAPITAL SPENDING.** Business investment in new plant and equipment is expected to total \$81.8 billion during 1971, according to the survey conducted in late April and May by the Office of Business Economics of the Department of Commerce and the SEC. The projected 2.7 percent rise in 1971 capital spending compares with increases of 5.5 percent in 1970 and 11.5 percent in 1969. (For further details, see Stat. Release No. 2522.)

**COMMISSION RECEIVES SAFETY AWARD.** The SEC has been notified by Secretary of Labor James Hodgson that it has been selected as a winner in the President's Safety Award competition. The selection was made by a panel of judges chosen from outside the Government, after a careful review of its accident prevention program. The awards to the agencies in the other two categories were won by the Department of the Air Force and the Atomic Energy Commission. Arrangements for presentation of the awards at a ceremony to be held during June are being made by the Federal Safety Council.

**TECH-EC SUSPENSION PERMANENT.** The Commission made permanent its order of June 28, 1971 temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a 1969 offering of stock by Tech-Ec Systems Inc. of New York. In a Regulation A notification filed on June 17, 1969, Tech-Ec proposed the offering of 60,000 shares of common stock at \$5 per share through officers and directors without use of an underwriter. On October 28, 1969 a post-effective amendment was filed adding TDA Securities Inc. as underwriter and providing that Tech-Ec would offer 100,000 shares of common stock at \$3 per share on a best efforts "one-fifth (20,000 shares) or none" basis; if the minimum number of shares was not sold within 90 days of the amended effective date, all funds were to be returned to subscribers. According to its offering circular, Tech-Ec was organized "for the purpose of offering a broad range of management, consulting, investment and financial services."

In its order making the suspension permanent, the Commission found, among other things, that the offering circular contained false and misleading statements in that (1) the minimum number of shares required to be sold within a 90 day designated period was never reached yet the offering was continued and no funds were ever returned to subscribers as conditioned in the offering circular; (2) funds received from the public were deposited in the "special account" described in the offering circular, after the 90 day period had expired; additionally, the offering circular failed to state that one Michael Hellerman would participate as an underwriter and further that he had been enjoined by a Federal court for securities laws violations and was the subject of a restraining action.

OVER

**FANTONIX SUSPENSION PERMANENT.** The Commission has made permanent its order of April 14, 1971 temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a 1969 offering of stock by Fantonix Enterprises of New York. In a Regulation A notification filed on September 29, 1969 Fantonix proposed the public offering of 60,000 shares of common stock at \$5 per share. The offering was to be conducted through Fox Securities Company as underwriter. According to its offering circular Fantonix was organized "for the purposes of engaging in the business (through wholly owned subsidiaries) of importing, wholesaling and retailing merchandise."

On its order making the suspension permanent, the Commission found among other things, that Fantonix offering circular contained false and misleading statements concerning (1) the business of Fantonix, notably the operations of its two subsidiaries, Fantastic Crates Canal Corp. and The House of Onix, Inc., (2) the proposed use of the proceeds, in particular that \$67,000 of the proceeds would be used to promote the business of Fantastic and Onix, and (3) failure to state material facts concerning the operation of a "Rock" magazine. In addition the terms and conditions of Regulation A were not complied with in that necessary reports were not filed, and the underwriter sold securities of the issuer in violation of that rule requiring the offering circular to be delivered concurrently with, or prior to the confirmation of the sale.

#### DECISION IN ADMINISTRATIVE PROCEEDING

**HEARING EXAMINER RULES ON NASD ABROGATION PROCEEDING.** SEC Hearing Examiner David J. Markun has filed an initial decision in an administrative proceeding brought by the Commission under Section 15A(k) of the Securities Exchange Act of 1934 to determine whether Rule 25(b)(2) of the Rules of Fair Practice of the National Association of Securities Dealers, Inc. should be revoked or other relief afforded in connection with the NASD's application of the Rule in various situations. The decision, which is subject to review by the Commission either on its own motion or on petition of a party, concludes that the NASD's Rule 25(b)(2), which provides that no member of the Association may join with any nonmember broker or dealer in any syndicate or group contemplating the distribution to the public of any issue of securities, is being validly applied so as to forbid the receiving of commissions, discounts, allowances and the like by NASD members as well as the giving of commission etc. by such members. However, the decision concludes that under the revocation criteria set forth in Section 15A(k)(1) and Section 15A(b)(8) of the Exchange Act a limited revocation of Rule 25(b)(2) is necessary and appropriate; the NASD is therefore ordered to issue an exception to its rule to permit NASD-member affiliates of insurance-brokerage firms to join in distributions involving group sales of mutual funds and variable annuities whose principal underwriters are SECO regulated.

The decision further concludes that certain other applications by the NASD of its Rule 25(b)(2) are not authorized by the rule itself or its underlying statutory authority, most notably its application of the rule as precluding participation by its members as principal underwriters in parallel distributions of securities.

Besides respondent NASD the parties to the proceeding are the Commission's Division of Trading and Markets and Aetna Life and Casualty Company and two of its affiliates.

#### COURT ENFORCEMENT ACTIONS

**PHILIP S. BUDIN ENJOINED.** The SEC New York Regional Office announced that on May 7 the Federal District Court in Newark permanently enjoined Philip S. Budin & Co., Inc., New York broker-dealer, and its president, Philip S. Budin, for violating the Commission's net capital rule and appointed David N. Ravin of Newark as a Special Fiscal Agent to advise the court within 30 days whether a receiver should be appointed to liquidate Budin Company. (Release LR-5020)

**DUDLEY PERMANENTLY ENJOINED.** The SEC New York Regional Office announced that on May 14 the Federal District court in New York permanently enjoined Orin R. Dudley, individually, and doing business as Orin R. Dudley, Co., broker-dealer, from violating the bookkeeping and net capital provisions of the Federal securities laws. Previously, J. Lincoln Morris, had been appointed trustee for the assets of both Dudley and Dudley Co. (Release LR-5021)

**INDICTMENTS RETURNED IN BELMONT FRANCHISE MANIPULATIONS.** The SEC New York Regional Office announced that on May 27 the Grand Jury returned indictments against the following charging conspiracy to violate the anti-fraud provisions of the securities laws and mail fraud and wire fraud provisions of the U. S. Code in connection with transactions in stock of Belmont Franchising Corporation of New York: Anthony Soldano, Jackson Hts., N.Y., John Dioguardi, Point Lookout, N. Y., Gary Fredericks, Brooklyn, N. Y., Michael Hellerman, Bayside, N.Y. and Miami Beach, Fla., Michael Caricato, Brooklyn, N. Y., Fred Goodman, New York, N. Y., Richard Greenberg, Massapequa, N. Y., Louis Ostrer, Kings Pt., N. Y. and Morris Winter, New York, N. Y.

Each of the defendants was also charged with violating and aiding and abetting violations of the anti-fraud provisions of the securities laws and the mail fraud provisions of the U. S. Code. The first indictment named as co-conspirators: Anthony Di Lorenzo, Closter, N. J., George A. Drykerman, New York, N. Y., Stephen Schoengold, Tarrytown, N. Y., John M. Kelsey, Metuchen, N. J., Murray Levine, Douglaston, N. Y., Edward N. Palermo, Huntington, N. Y., Matthew Russo, Howard Beach, N. Y. Bruce Halpern, New York, N. Y., Harvey Bertram Pollak, New York, N. Y., William Kilroy, Queens, N. Y., and Walter Tepper, Matawon, N. J. Drykerman, Palermo and Pollak were also named in separate indictments. (Release LR-5022)

CONTINUED

SECURITIES ACT REGISTRATIONS

NATIONAL MEDICAL ENTERPRISES TO SKILL DEBENTURES. National Medical Enterprises, Inc., 9247 Alden Dr., Beverly Hills, Calif. 90210, filed a registration statement on May 25 seeking registration of \$15 million of convertible subordinated debentures, to be offered for public sale through underwriters headed by E. F. Hutton & Co. Inc., 623 South Spring St., Los Angeles, Calif. 90014.

Organized in June 1968, the company operates six general hospitals, four extended care facilities, two medical office buildings and provides related services. Net proceeds of its debenture sale will be used in the development and expansion of general hospitals and adjacent medical buildings and for other corporate purposes. In addition to indebtedness, the company has outstanding 1,207,353 Class A and 3,469 Class B common shares. Richard K. Eamer is president and board chairman. (File 2-40512)

TOLCHIN INSTRUMENTS FILES FOR OFFERING AND SECONDARY. Tolchin Instruments, Inc., 147 Scranton Ave., Lynbrook, N.Y. 11563, filed a registration statement on May 25 seeking registration of 514,800 shares of common stock, of which 300,000 are to be offered for public sale by the company and 214,800 (being outstanding shares) by the holders thereof. The offering is to be made (\*\* at \$10 per share maximum) through underwriters, headed by Riter, Pynes, Kendall & Hollister.

The company is principally engaged in the manufacture, sale and lease of musical instruments and their accessories. Of the net proceeds of its stock sale, \$800,000 will be used to partially retire indebtedness to insurance companies incurred in connection with an acquisition, \$500,000 to partially retire bank indebtedness incurred for working capital and in connection with an acquisition and the balance for working capital and other corporate purposes. In addition to indebtedness, the company has outstanding 715,200 common shares, of which Martin Tolchin, board chairman and president, owns 35% and management officials as a group 45%. Tolchin proposes to sell 30,000 of 303,000 shares held, Wanzel Schreiber (of West Germany) all of 60,000, The Hanover Insurance Company all of 46,875 and seven others the remaining shares being registered. (File 2-40513)

SPARTAN FOOD SYSTEMS FILES FOR OFFERING AND SECONDARY. Spartan Food Systems, Inc., Interstate Highway 85 (P.O. Box 3168), Spartanburg, S.C. 29302, filed a registration statement on May 25 seeking registration of 170,000 shares of common stock, of which 100,000 are to be offered for public sale by the company and 70,000 (being outstanding shares) by the holders thereof. The offering is to be made (\*\* at \$16 per share maximum) through J.C. Bradford & Co., Inc., 170 Fourth Ave., North, Nashville, Tenn. 37219, and Frost, Johnson, Read & Smith, Inc., 49 Broad St., Charleston, S.C. 29402.

The company operates 42 limited-menu, fast-service food outlets. Net proceeds of its stock sale will be used for financing of additional restaurant units and for working capital and other corporate purposes. In addition to indebtedness, the company has outstanding 451,610 common shares, of which Charles J. Bradshaw, board chairman, owns 28.4% and Jerome J. Richardson, president, 20.2%. They propose to sell 28,954 and 13,954 shares, respectively, Rosalind S. Richardson 15,000 of 21,428 and five others the remaining shares being registered. (File 2-40516)

USF INVESTORS PROPOSES OFFERING. USF Investors (the Trust), Suite 3300, First National Bank Tower, Atlanta, Ga. 30303, filed a registration statement on May 25 seeking registration of 2,000,000 shares of beneficial interest with warrants to purchase 2,000,000 shares, to be offered for public sale in units, each consisting of one share and one warrant, and at \$25 per unit. The offering is to be made through underwriters headed by Goldman, Sachs & Co., 55 Broad St., and Shearson, Hammill & Co., 14 Wall St., both of New York.

The Trust will invest primarily in development and construction first mortgage land development and construction loans on residential and commercial properties. USF Investment Managers, Inc. will serve as investment adviser. R. H. Walter is chairman and Ernest C. Hickson is president of the Trust and the adviser. (File 2-40517)

EQUITABLE GAS TO SELL DEBENTURES. Equitable Gas Company, 420 Boulevard of the Allies, Pittsburgh, Pa. filed a registration statement on May 25 seeking registration of \$17.5 million of debentures, due 1996, to be offered for public sale through underwriters headed by The First Boston Corporation, 20 Exchange Place, New York 10005.

The company is engaged in the production, transmission and sale of natural gas. Net proceeds of its debenture sale will be used to prepay a term loan note in the amount of \$13.6 million and to finance a portion of its 1971 construction program. Construction expenditures are estimated at \$17,562,000 for 1971. (File 2-40518)

CUBIC CORP. SHARES IN REGISTRATION. Cubic Corporation, 9233 Balboa Ave., San Diego, Calif. 92123, filed a registration statement on May 24 seeking registration of 72,480 outstanding shares of common stock. These shares may be offered for sale from time to time by the holders thereof (\*\* at \$25 per share maximum). (File 2-40519)

RLI CORP. FILES FOR OFFERING AND SECONDARY. RLI Corp., 804 Lehmann Bldg., Peoria, Ill. 61602, filed a registration statement on May 25 seeking registration of 215,000 shares of common stock, of which 200,000 are to be offered for public sale by the company and 15,000 (being outstanding shares) by the holders thereof. The offering is to be made (\*\* at \$30 per share maximum) through underwriters headed by Doft & Co., Inc., 70 Pine St., New York, N. Y. 10005.

The company is engaged principally in marketing and underwriting contact lens insurance. Of the net proceeds of its stock sale, \$800,000 will be invested in computer equipment, \$700,000 to increase the capital and surplus of its stock insurance company subsidiary and the balance for working capital and other corporate purposes. The company has outstanding 316,671 common shares, of which Jerome B. Conlogue, president, owns 10.5%. He proposes to sell 15,000 shares. (File 2-40520)

MISCELLANEOUS

**RECENT FORM 8-K FILINGS.** The companies listed below have filed Form 8-K reports for the month indicated and responding to the item of the Form specified in parentheses. Photocopies thereof may be purchased from the Commission's Public Reference Section (in ordering, please give month and year of report). Invoice will be included with the requested material when mailed. An index of the captions of the several items of the form was included in the May 10 News Digest.

8K Reports for Feb 71

Central Telephone & Utilities Corp (7,13)	1-5734-2	Seaco Computer-Display Inc Jan 71 (2,3,7,13)	0-5212-2
Coastal States Gas Producing Co (7)	1-4718-2	Alphanumeric Inc (2,7,8,12,13)	0-2578-2
Computer Diode Corporation (7,13)	0-3156-2	Blue Bell, Inc (11)	1-5343-2
Computing & Software Inc (7,12,13)	1-5586-2	Cagle's Inc (12)	0-3832-2
Continued Care Facilities, Inc (2,7,12,13)	0-4100-2	Columbia Myematic Systems, Inc (3,12)	0-3283-2
Dorr Oliver Inc (4,11)	1-3870-2	Danalab, Inc (12)	0-5351-2
Jack Eckerd Corporation (13)	1-4844-2	Denny's Restaurants, Inc (7,13)	1-5124-2
Ford Motor Co (3)	1-3950-2	Homestead Minerals Corporation (1)	0-4055-2
GRT Corporation (8,10,12,13)	0-4114-2	Juness Industries, Inc March 71 (1,6,12,13)	1-6226-2
American Realty Trust (2)	1-5954-2	Kentucky Utilities Co March 71 (11)	1-3464-2
Amrep Corp (7,8)	1-4702-2	Palabora Mining Company Ltd. 6K	2-22241-2
Commercial Shearing & Stamping Co (7,10,11,13)	0-588-2	American Pacific Group, Inc (2,8)	0-1428-2
Detroit Edison Co (13)	1-2198-2	Anixter Bors Inc (4,7,13)	0-3326-2
Diversified Earth Sciences, Inc June 70 (11,13)	0-3474-2	Pacific Asbestors Corporation (6)	0-1144-2
Oct 70 (2,7,13)	0-3474-2	Profile Sports Corp (2,12,13)	0-4991-2
Eagle County Development Corp (12,13)	0-3778-2	"Shell" Transport & Trading Co., Ltd.	1-4039-2
Motek Corp (1,2,4,7,11,13)	2-34-743-2	Vernitron Corp June 70 (2,13)	1-5665-2
Vanguard Data Systems Jan 71 (3,12,13)	2-33191-2	Advanced Memory Systems, Inc (11,13)	1-6268-2
The Bali Company (7)	1-5378-2	Air King Corp June 70 (6)	0-2772-2
Bank Bldg. & Equipment Corp of America (11)	0-622-2	Angeles Crest Development Co., Inc (7,13)	0-2813-2
Canada Southern Petroleum Ltd (13)	1-3793-2	Bloomfield Bldg. Industries, Inc (9,12)	1-4608-2
Coburn Corp of America (3,12)	1-4730-2	Butler Aviation International, Inc (3,12)	1-5658-2
Dimode Industries, Inc (2,13)	0-4385-2		
Duke Power Co (7)	1-4928-2		
Kit Manufacturing Company March 71 (11,13)	1-6257-2		

**SECURITIES ACT REGISTRATIONS.** Effective June 1: Autotrol Corp., 2-39918 and 2-40024; Brunei Overriding Oil Co., 2-37720 (90 days); Huntington Bancshares Inc., 2-39637; Ohio Edison Co., 2-40379.

**NOTE TO DEALERS.** The period of time dealers are required to use the prospectus in trading transactions is shown above in parentheses after the name of the issuer.

\*\* As estimated for purposes of computing the registration fee.

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