

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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DECISIONS IN ADMINISTRATIVE PROCEEDINGS

KLEINER, BELL REVOKED. The SEC today announced a decision under the Securities Exchange Act (Release 34-9031) in which it ordered revocation of the broker-dealer registration of Kleiner, Bell & Co., Incorporated ("the firm"), of Beverly Hills, Calif., for various violations of the Federal securities laws. The Commission also barred Burt Kleiner (president) and Ralph J. Shapiro (vice president) from further association with any broker, dealer or investment adviser. These sanctions were based upon an offer of the respondents for settlement of proceedings in which securities violations were alleged; in the offer they consented to the findings of securities violations and to imposition of the indicated sanctions, without admitting the violations. Sanctions are concurrently being imposed by the New York and American Stock Exchanges and by the California Securities Commissioner.

The securities violations found by the Commission involved (among other things) the offer and sale of stock of Mountain States Development Company in 1968 by the firm and Shapiro in violation of the Securities Act registration requirement, as well as similar violations by all three respondents in the offer and sale of securities of Omega Equities Corporation in 1968 and of securities of Performance Systems, Inc. (formerly Minnie Pearl Chicken Systems, Inc.) in 1969.

Respondents also violated the antifraud provisions of the securities laws in connection with their transactions in Omega shares. Among other things, they recommended the purchase of Omega securities, which were speculative and unseasoned, and the firm lent support to the trading market therefor by entering quotations in the "pink sheets," without having made reasonable inquiry as to Omega's products, acquisitions, officers, principals and past and present financial condition, and in disregard of adverse and unfavorable information with respect thereto. The respondents bid for and effected purchases of Omega stock at increasingly higher prices and omitted to disclose to customers that the retail price of the shares had not been determined in a free and open market; and the firm failed to disclose that it and others had arranged to participate in the purchase of substantial blocks of Omega shares at prices as much as 50% or more below the then current retail market price thereof. Respondents also made "misleading and deceptive" representations concerning anticipated earnings of Omega and the market price of its shares.

In addition, the firm, together with and aided and abetted by Kleiner and Shapiro, violated the Exchange Act by effecting transactions in securities on behalf of customers of the firm while effecting "sham transactions" to conceal the firm's true financial condition; engaged in business when the firm was not in compliance with the financial requirements of the NYSE; and did not accurately reflect its financial condition in its books and records. According to the Commission, the firm made "false entries" in its books to temporarily eliminate a \$5,500,000 past due debit balance in a customer's cash account (the entries were thereafter reversed and the account was subsequently liquidated with a \$2,000,000 loss to the firm). The firm also filed two false and misleading financial reports with the Commission which included, as marketable securities, over \$3,400,000 and over \$1,000,000 of securities whose resale was restricted under the Securities Act; and it also violated the Commission's hypothecation rule and Federal Reserve Board rules governing the extension of credit.

In April 1970, Kleiner, Shapiro and another undertook personally to guarantee the repayment or return of all cash and securities due from the firm to customers, and the respondents represented that such repayment of cash has been made and such securities have been delivered or transferred out for delivery to customers.

FINANCIAL PROGRAMS SUSPENDED. The SEC today announced a decision under the Securities Exchange Act and Investment Advisers Act (Release 34-9030) in which it ordered the suspension for 30 and 15 calendar days, respectively, effective December 1, of the broker-dealer and investment adviser registrations of Financial Programs, Inc., of Denver. Thomas J. Herbert, who until his resignation in May 1970 had for several years been president of Financial Programs as well as president and chief executive officer of three mutual funds for which Financial Programs serves as principal underwriter and investment adviser, was suspended from association with any broker-dealer, investment adviser or investment company for 30 business days, also effective December 1. The sanctions were imposed pursuant to an offer of settlement accepted by the Commission, in which the respondents, without admitting the alleged misconduct, consented to certain findings and to the imposition of the above sanctions. During the suspension periods as to Financial Programs, it (a) may continue to perform its functions as principal underwriter for the Funds and as sponsor-distributor for related unit trusts, but may not retain underwriting discounts remaining after required allotments to sales personnel and selling broker-dealers, and (b) may continue to act as investment adviser under existing agreements for such services, but no investment supervisory fees are to be accrued or paid to it by the Funds.

The Commission found (among other things) that during the years 1961-68 Financial Programs caused the three funds (Financial Industrial Fund, Inc., Financial Industrial Income Fund, Inc., and Financial Dynamics Fund, Inc.) to allocate brokerage and give-ups to another broker-dealer or his designees, pursuant to an arrangement whereby companies affiliated with such broker-dealer in return paid certain expenses of Financial Programs related to its distribution of the Funds' shares. The benefits so obtained by Financial Programs had a total value of about \$107,990. The Commission held that these and related activities by

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Financial Programs, including the failure to make proper disclosures thereof in the Funds' prospectuses and other filings with the Commission, were violative of antifraud and other provisions of the Federal securities laws, and that Herbert aided and abetted the violations and failed to exercise proper supervision of employees to prevent the violations.

The respondents urged in mitigation (among other things) that Financial Programs has agreed to pay \$107,990 to the Funds in six equal monthly installments, beginning December 1, that such payments, together with the anticipated loss of about \$150,000 of income during the suspensions, will impose a substantial financial hardship on the company, and that the practices complained of were terminated in 1968 and at no time involved more than 3% of the brokerage of the Funds or any direct cash payments to Financial Programs. As to Herbert, it was urged that he has sustained substantial financial hardship as a result of the proceedings, that he resigned his positions with the firms for reasons unrelated to the proceedings, and that he has no present plans to become associated with any broker-dealer or investment adviser.

COMMISSION ANNOUNCEMENT

FIRST GENERAL CORP. OFFERING SUSPENDED. The SEC has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by First General Corporation, of Tulsa, Okla. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

Regulation A provides a conditional exemption from registration for public offerings of securities not exceeding \$300,000 in amount. In a notification filed in January 1969, First General proposed the public offering of 320,000 common shares at 30¢ per share. In its suspension order, the Commission asserts that it has "reason to believe" that the company's offering circular was false and misleading in respect of certain material facts, particularly with respect to the proposed method by which its shares were to be offered, the company's declared intention not to engage as principal in the purchase of securities and, if securities were acquired, to dispose of them at the close of each week, the percentage of gross commissions to be paid to salesmen, the company's market-making activities in various publicly-held corporations on behalf of control persons, and the failure to disclose a change in trading policy pursuant to which the company acted as principal in the trading of securities of publicly-held corporations on behalf of control persons in violation of the registration and antifraud provisions of the Federal securities laws.

HOLDING COMPANY ACT RELEASE

CONSOLIDATED NATURAL GAS RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-16917) authorizing Consolidated Natural Gas Company, New York holding company, to issue and sell \$45,000,000 of debentures, due 1995, at competitive bidding. Consolidated will use \$10,000,000 of the net proceeds of its debenture sale to replenish the general corporate funds for the repayment of a construction bank loan, due October 25, 1970, and the balance to finance, in part, the 1970 capital expenditures of subsidiaries, estimated at \$106,000,000.

INVESTMENT COMPANY ACT RELEASES

HAYDEN, STONE SEEKS ORDER. The SEC has issued an order under the Investment Company Act (Release IC-6259) giving interested persons until December 18 to request a hearing upon an application filed by Hayden, Stone Incorporated (now HS Equities, Inc.), and Haywood Management Corporation, both of New York. Prior to September 11, 1970, Hayden, Stone, a registered broker-dealer, owned all of the voting stock and 69% of the total equity of Haywood, which has served as investment adviser to three mutual fund companies, Tudor Hedge Fund, Tudor Capital Fund and American DualVest Fund. On September 11, subordinated lenders of Hayden, Stone became holders of more than 99% of the outstanding voting stock of Equities (formerly Hayden, Stone) by accepting stock for their holdings of debt securities. Under provisions of the Investment Company Act, this change in control resulted in the automatic termination ("assignment") of the investment advisory agreements between Haywood and the Funds.

Equities' sole business is to liquidate its assets over a period of time in an orderly manner. One of its assets, received from Hayden, Stone, was the latter's stock interest in Haywood; and Equities has negotiated the sale of this interest to Weiss, Peck & Greer, a NYSE member, conditioned upon the approval by shareholders of the three Funds of a new investment advisory agreement with the Weiss firm as the investment adviser. The present application seeks an exemption, subject to certain conditions, from various provisions of the Act so as to permit Haywood, despite the assignment of its advisory contract with the three Funds resulting from the change in control of Hayden, Stone, to continue to serve at the lesser of cost or existing compensation, as advisor to the Funds until their shareholders, at meetings to be held soon, can approve new investment advisory contracts (anticipated within 150 days of the September 11 assignment of the present contracts).

E. F. HUTTON SEEKS ORDER. The SEC has issued an order under the Investment Company Act (Release IC-6260) giving interested persons until December 17 to request a hearing upon an application of E. F. Hutton Tax-Exempt Fund, (California Series 1, New York Series 1 and subsequent series) for an order granting confidential treatment to the statements of earnings of E. F. Hutton & Company, Inc., the Fund sponsor, which the Fund has filed or may be required to file from time to time with the Commission. The Fund is a unit investment trust to be organized under New York law. All stockholders of the Sponsor are officers, directors or, in one case, a salaried consultant of the Sponsor. Investors in the Fund are not being offered an opportunity to acquire any interest in the Sponsor; and the Fund urges that there is no investor interest in the Sponsor such as to require disclosure of statements of its earnings.

MUTUAL BENEFIT VARIABLE CONTRACT ACCOUNT SEEKS ORDER. The SEC has issued an order under the Investment Company Act (Release IC-6261) giving interested persons until December 14 to request a hearing upon an application of Mutual Benefit Variable Contract Account - 2, a unit investment trust, The Mutual Benefit Life Insurance Company, sponsor and depositor of Account 2 and Mutual Benefit Financial Service Company, principal underwriter for Account 2 for an order exempting them from certain provisions of the Act. Mutual Benefit Life, a mutual life insurance company, established Mutual Benefit Variable Contract Account - 2 as a separate account to serve as a funding medium for variable annuity contracts to be issued and administered by the insurance company, including group tax-qualified variable annuity contracts. The contracts provide for retirement payments and other benefits for employees and self-employed persons covered under plans qualified under Section 401 or 403 of the Internal Revenue Code.

COURT ENFORCEMENT ACTIONS

SEC COMPLAINT NAMES PROGRESSIVE INVESTMENT, OTHERS. The SEC San Francisco Regional Office announced November 23 (LR-4827) the filing of a complaint in Federal court in Phoenix, seeking to enjoin Progressive Investment Corporation (of Phoenix) and the following 24 additional defendants from violating the Securities Act registration provisions of Progressive Investment, P.I.C. Research and Development Corporation (also of Phoenix) and twelve other corporate defendants: P.I.C. Research and Development Corporation, Al Sprenger, Roger Sherer, Charles Layton, Claude Knight, Mericle Oil Company, Diversitron, Advance Resources, Inc., Educational Career Systems, Inc., Texas Equities and Financial, Data Scope Financial, Data Tech of America, Inc., United Greenwater Copper Company, Inc., W. Michael Hammer, Oceanography, Inc., Kona Hai Corporation, Star Development Corporation, El Gran Motors Corporation, Thayer C. Lindauer, Walter W. Cruttenden, Jr., Dale Stewart, Vince Talley, John L. St. Clair, Harold Clinton McClintock. The Commission's complaint also charges violations of the antifraud provisions of the Federal securities laws by defendants Progressive Investment, P.I.C. Research, Sprenger, Sherer, Layton and Knight.

GEYSER MINERALS, OTHERS ENJOINED. The SEC Denver Regional Office announced November 23 (LR-4828) that the Federal court in Denver had preliminarily enjoined violations of the registration and anti-fraud provisions of the Federal securities laws in the offer and sale of securities of Geyser Minerals Corporation and Mineral Aggregates Corporation by the two defendant corporations and C. George Swallow, of Aurora, Colo. The defendants consented to the court order without admitting or denying the violations complained of.

PRUDENTIAL INVESTMENT, MOFFATT ENJOINED. The SEC Fort Worth Regional Office announced November 24 (LR-4829) that the Federal court in Phoenix had permanently enjoined violations of the antifraud and anti-manipulative provisions of the Federal securities laws by Prudential Investment Corporation and Wesley J. Moffatt, both of Miami, Fla., in connection with their transactions in the stock of Continental Investment Corporation.

CORRECTION RE PRELIMINARY INJUNCTION. In the SEC News Digest of November 20, reference was made to a Federal court order enjoining violations of the Federal securities laws by four named defendants in the offer and sale of stock of Radio Hill Mines Co., Ltd. The fourth defendant was Harry Silber, of Brooklyn (not Harry Silver).

SECURITIES ACT REGISTRATIONS

UNITED COMPUTING SYSTEMS FILES STOCK PLAN. United Computing Systems, Inc., 3130 Broadway, Kansas City, Mo. 64111, filed a registration statement (File 2-38890) with the SEC on November 24 seeking registration of 1,280,000 preferred shares issuable under its stock option plan.

UMPQUA PROPERTIES PROPOSES OFFERING. Umpqua Properties, Ltd., 222 Linden Rd., Birmingham, Mich. 48009, filed a registration statement (File 2-38891) with the SEC on November 24 seeking registration of 200 limited partnership interests in the Umpqua River League Number One. The 200 units represent a 50% interest in the limited partnership, to be formed for the purpose of investing in improved and unimproved real estate and to engage in the business of participating in operating livestock producing ranges, more particularly to participate in a certain sheep ranch known as the Umpqua River Ranch located in Douglas County, Oregon. The interests are to be offered on a best efforts basis, at \$1,000 per unit, by Garrard & Co., 1610 Ford Bldg., Detroit, Mich. 48116, which will receive a 10% selling commission. Umpqua Properties, the general partner, is contributing an undivided 1/10th interest in the real estate of the ranch in exchange for a 50% interest in the partnership. It will be responsible for the investment policies and direction of the partnership. Net proceeds of this offering will be used for the purchase of inventory (herds of sheep) and other personalty requisite to the operation of the ranch, and for future business needs. Robert-Sidney Phillips is president and board chairman of the general partner.

ADRS FOR WESTERN MINING FILED. Morgan Guaranty Trust Company of New York, 23 Wall St., New York, N. Y. 10015, filed a registration statement (File 2-38892) with the SEC on November 23 seeking registration of 100,000 American Depositary Receipts for ordinary shares of Western Mining Corporation Limited (an Australian company).

GALBREATH MORTGAGE PROPOSES OFFERING. Galbreath First Mortgage Investments (the Trust), 170 East Town St, Columbus, Ohio, filed a registration statement (2-38894) with the SEC on November 24 seeking registration of \$16,500,000 of 7% split coupon convertible subordinated debentures, due 1991, with warrants to purchase 600,000 shares of beneficial interest, to be offered for public sale in units, each consisting of \$250 principal amount of debentures and warrants to purchase 10 shares. The offering is to be made through underwriters headed by Stone & Webster Securities Corporation, 90 Broad St., New York, N. Y.; the offering price (\$250 per unit maximum*) and underwriting terms are to be supplied by amendment.

Organized in 1969, the Trust invests in a diversified portfolio of long and short-term first mortgage loans. It is the intention of the Trust to continue to hold substantially all of its capital available for investment in first mortgage loans, and to utilize borrowed capital primarily for investment in short-term construction and development first mortgages. It intends to continue to qualify as a real estate investment trust under the Internal Revenue Code. The Galbreath Mortgage Company is investment adviser. David S. Cook is president of the Trust as well as of the adviser.

SUBSCRIPTION TV PROPOSES OFFERING. Subscription Television, Inc. (STV), 1499 Huntington Dr., South Pasadena, Calif. 91030, has joined with its wholly-owned subsidiary, Leach Corporation (Delaware), in the filing of a registration statement (File 2-38895) with the SEC on November 24 seeking registration of 735,544 shares of STV common stock and 735,544 shares of Leach common stock (of which 533,269.4 are outstanding and owned by STV). These securities are to be offered for subscription by STV shareholders in units, each consisting of 1 share of STV and 1 share of Leach, and at the rate of one unit for each STV share held. The subscription price is to be \$7.50 per unit; the record date for subscriptions is to be supplied by amendment. The pricing of the shares of the respective companies is such that, if all the units are sold, STV will receive gross proceeds of \$4,019,748 and Leach will receive gross proceeds of \$1,496,832 (from its sale of 202,274.6 new shares). Certain STV shareholders (including officials of the two companies) propose to offer for public sale, at the current market price then prevailing, up to 324,372 rights to subscribe to the units. A group of STV stockholders (including certain officials of the two companies) has agreed to purchase up to 400,000 units, if the subscription rights thereto are not exercised by other stockholders.

According to the prospectus, STV experienced significant losses in fiscal 1969 and 1970 and its financial condition is serious. As a result, it has become increasingly difficult for STV to finance its operations, to comply with certain limitations in the agreements relating to its indebtedness, and to obtain adequate financing. The sale of the company's stock interest in Leach and of additional STV shares was determined by management to be the most satisfactory means of meeting its commitments (including the repayment of \$2,150,000 of bank loans) and to provide additional working capital. Of the proceeds of Leach's sale of additional shares, Leach will apply a portion in repayment of a \$845,159 advance by STV and use the balance for working capital.

The prospectus lists William D. Tucker as president of STV and Kenneth F. Gulin and Robert L. Jannen as board chairman and president, respectively, of Leach. George L. and Richard R. Ohrstrom, officials of each company, are among the 34 holders of STV stock who propose to sell their subscription rights.

CENTURY TELEPHONE FILES FOR OFFERING AND SECONDARY. Century Telephone Enterprise, Inc., P. O. Box 4065, Monroe, La. 71201, filed a registration statement (File 2-38897) with the SEC on November 25 seeking registration of \$2,200,000 of convertible subordinated debentures, due 1991, and 400,000 shares of common stock (of which 40,000 are now outstanding), to be offered for public sale in units each consisting of a \$100 debenture and 20 shares. The offering is to be made through underwriters headed by Stephens Inc., 114 East Capitol Ave., Little Rock, Ark.; the offering price (\$300 per unit maximum*) and underwriting terms are to be supplied by amendment. The company has sold the Stephens firm, for \$320, five-year warrants to purchase 32,000 shares.

Century is an independent telephone holding company organized in 1968; it owns substantially all of the common stock of 13 operating telephone companies serving areas in Louisiana, Arkansas, Mississippi, Texas, and 3 community antenna television companies serving areas in Mississippi and Arkansas. Of the net proceeds of its sale of securities, \$2,541,000 will be allocated for repayment of long-term indebtedness and \$481,000 for repayment of short-term indebtedness; the balance will be used for capital improvements and possible future acquisitions. In addition to indebtedness, the company has outstanding 957,388 common shares, of which Clarke M. Williams, board chairman and president, owns 41.8%. He proposes to sell 40,000 of his holdings of 400,572 shares.

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:
 United Financial Corporation of California, Los Angeles, Calif. 90045 (File 2-38893) - 100,000 shares
 Hudson Leasing Corporation, Great Neck, N. Y. 11021 (File 2-38896) - 50,000 shares
 Weeden & Co., New York 10004 (File 2-38899) - 162,830 shares

SECURITIES ACT REGISTRATIONS. Effective November 25: Greenbelt Consumer Services, Inc., 2-38093 (40 days). Effective November 27: Automated Player Machines, Inc., 2-36003 (90 days); The Bank of New York Company, Inc., 2-38748; Public Loan Co., 2-37676 (90 days); Westrans Industries, Inc., 2-38684.

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.