

sec news digest

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RULES AND RELATED MATTERS

PROPOSAL TO MODIFY FEES FOR SECO BROKER-DEALERS

LIBRARY

The SEC has announced a proposal to modify the fees and assessments payable to the Commission by SECO broker-dealers.

The proposal would amend present Form SECO-2, which sets initial fees to be paid by SECO broker-dealers on behalf of new associated persons, so as to increase the fee from \$35 to \$50 for each new associated person. In addition, the proposal would adopt new Form SECO-4-75, setting forth the annual assessment of SECO broker-dealers for the current fiscal year. This year's assessment would include a base charge of \$250 and an assessment of \$15 for each associated person.

All interested persons may submit written comments with respect to the proposed amendments on or before April 16, 1975 to the Secretary, Securities and Exchange Commission, 500 North Capitol Street, Washington, D.C. 20549 and should refer to File No. S7-558. These comments will be available for public inspection. (Rel. 34-11308)

COMMISSION ANNOUNCEMENTS

WILLIAM NORTMAN NAMED ASSO. REGIONAL ADMINISTRATOR;
MICHAEL J. STEWART APPOINTED ASS'T GENERAL COUNSEL

Ray Garrett, Jr., Chairman, announced the appointment of William Nortman as Associate Regional Administrator of the Atlanta Regional Office with primary responsibility for the Miami Branch Office. Mr. Nortman will replace Michael J. Stewart who is joining the Office of General Counsel in Washington, D.C. as an Assistant General Counsel.

Mr. Nortman joined the New York Regional Office in June 1968 as a Trial Attorney. In March 1970, he was selected as a Branch Chief (Enforcement) and in August 1972, he was appointed Assistant Regional Administrator (Enforcement). He received his A.B. degree in 1964 from Brooklyn College, Brooklyn, New York, and in 1967 he received his J.D. degree with honors from George Washington University School of Law. Mr. Nortman and his wife, Diane, and their two children reside in Roslyn, New York.

Mr. Stewart joined the Washington Regional Office in July 1963 as a Trial Attorney. In November 1968, he was promoted to Special Counsel, and in March 1969, he was appointed Chief Enforcement Attorney. He was promoted to Assistant Regional Administrator of the Washington Regional Office in March 1972, and in September 1972, he was appointed Associate Regional Administrator for the Miami Branch Office, Atlanta Regional Office. Mr. Stewart received his B.S. degree from Georgetown University in 1956 and his LL.B. from Georgetown University School of Law in 1962.

CAUTION RE OXFORD INVESTMENT TRUST, INC.

The staff has received information which indicates that an offering of securities (in the form of "units" of fractional undivided interests in a tax-exempt bond fund) is being made through an apparently false prospectus and otherwise, to the public, particularly in the Southwest part of the country, by a company called Oxford Investment Trust, Inc. (hereinafter referred to as OIT). Neither the offering nor the company is registered with the Commission.

The accounting firm of Arthur Andersen & Co. first brought the offering to the staff's attention. Arthur Andersen & Co. which appears as the certifying auditor in the prospectus has advised the staff that it has not participated in the audit and that OIT is not a client of the accounting firm. The law firm appearing in the prospectus also denies having any knowledge of the company. The staff has been unable to establish the existence or whereabouts of the company, the trustee (Life Investors Trust, Inc.) for the fund or any of the officials of the company or the trustee.

Anyone having any information concerning Oxford Investment Trust or Life Investors Trust please contact either Gerald Boltz, Regional Administrator of the Commission's Los Angeles Regional Office (213) 688-5858 or Alfred E. T. Rusch of the Commission's Home Office in Washington, D.C. (202) 755-1196. (Rel. 34-11307)

ORDERS FOR PUBLIC PROCEEDINGS

X FINANCIAL PROGRAMS, INC. AND 5 FORMER EMPLOYEES
CITED; SETTLEMENT OFFERS BY FIRM, 2 INDIVIDUALS
ACCEPTED

The Commission instituted remedial administrative proceedings under the Securities Exchange, Investment Company, and Investment Advisers Acts with respect to Financial Programs, Inc. (Programs), a mutual fund manager based in Denver, Colorado, Thomas J. Herbert, Programs's former president and during the relevant period a member of its Board of Directors, and John R. Hurley, James R. Frankenthaler, Robert E. Anton, and Lambert Hirsheimer, each a former Programs employee.

The proceedings are based on staff allegations about the investment practices of the four Programs-managed mutual funds--Financial Industrial Fund, Inc., Financial Industrial Income Fund, Inc., Financial Dynamics Fund, Inc., and Financial Venture Fund, Inc.

At the time that it instituted the proceedings, the Commission also accepted offers of settlement from Programs, Hurley and Frankenthaler. In so doing the Commission noted that three new directors, each of whom is to be satisfactory to the Commission's staff and independent of Programs, will be added to the funds' boards. Note was also taken of various mitigating factors urged by Programs.

Programs's offer of settlement obligates it to:

- (A) Refrain for 180 days from performing any investment advisory function for any new clients (this will not impair Programs's ability to continue to act for the funds and for other existing clients);
- (B) Offer of funds \$2.5 million in settlement of claims against Programs based on the allegations in the order for proceedings and on other grounds (that offer is to be passed on by a special committee of each board consisting of the three new independent directors just referred to and one other person); and
- (C) Pay half of that \$2.5 million to the funds in accordance with their respective losses even if their boards decide to reject Programs's offer (the \$1.25 million needed for this has already been deposited in escrow).

Programs also undertakes to refrain the future from causing more than two persons associated with it from serving as directors of the funds. In addition, Programs will employ a special compliance officer. That person, who must be satisfactory to the Commission, will review Programs's procedures for managing the funds and may recommend changes in and/or additions to Programs's present procedures. Moreover, the special compliance officer will monitor Programs's compliance with the comprehensive manual of procedures that will be prepared on the basis of his report. Finally, Programs undertakes to submit itself to the Commission's jurisdiction should questions arise about its compliance with its undertakings. (Rel. 34-11312) X

DECISIONS IN ADMINISTRATIVE PROCEEDINGS

MOORE, KELLOGG AND SPARKS, INC. REVOKED;
OFFICERS AND SALESMEN SANCTIONED

The Commission has revoked the broker-dealer registration of Moore, Kellogg and Sparks, Inc., of Omaha, Nebraska. It also barred Roland Stewart Moore, Donald William Sparks, Kenneth Howard Kellogg and Elary Rinehart, who were officers of the firm, and Van Joseph Vopat, a firm salesman, from association with any broker-dealer; and suspended Edward Joseph Serpan, who was an officer, and C. Michael Holt and Kermit O. Pearson, who were salesmen for the firm, from such association for respective periods of 120, 90 and 120 days. Sparks, Kellogg and Rinehart, after 2-1/2 years, Moore, after 15 months, and Vopat, after 1 year, may apply to the Commission to become so associated in a non-supervisory capacity.

The sanctions were based on findings that, during the period from about March 28 to August 24, 1972, respondents unlawfully offered and sold unregistered promissory notes and evidences of indebtedness of New Life Trust, Inc. (all respondents), Corona &

Tucson, Inc. (the firm, Sparks, Kellogg and Rinehart), and Arizona-Florida Equities Corporation (the firm, Moore, Sparks, Rinehart, Vopat and Holt), and, in connection with such offers and sales, made material misstatements with respect to the soundness of an investment and the unusually high degree of risk involved, the sales charges and compensation they were receiving, the issuers' financial conditions, the value of the land covered by the mortgages purportedly securing the promissory notes and evidences of indebtedness and the priority of the mortgage liens, and the payment of costs and attorneys' fees in the event suit were necessary to collect on a note. In addition, it was found that the firm effected transactions in the above securities without furnishing customers timely written notification disclosing the capacity in which it acted, and that Vopat was permanently enjoined, with his consent, from further violations of the registration and antifraud provisions of the securities laws.

Respondents consented to the above findings and sanctions, without admitting or denying the charges against them. (Rel. 34-11295)

COURT ENFORCEMENT ACTIONS

WESTERN DIVERSIFIED EQUITIES ENJOINED

The Los Angeles Regional Office announced that on March 17 Federal District Judge Albert Lee Stephens, Jr., Chief Judge of the Central District of California, entered an order of permanent injunction by consent against Western Diversified Equities of Los Angeles, California, from violations of the securities laws. The defendant consented to the final judgment without admitting or denying the allegations of the Commission's complaint. (SEC v. Beverly Hills Bancorp., et al., D.C. CA 74-2348-ALS). (LR-6796)

HOLDING COMPANY ACT RELEASES

PENN FUEL GAS

The Commission has issued a notice of filing and order for hearing to commence on April 23 on a Section 11(e) plan filed in connection with an application by Penn Fuel Gas, Inc., an exempt holding company, and Mr. John H. Ware, an affiliate of Penn Fuel, to retire the minority interest in North Penn Gas Company, a utility company also controlled by Ware. (Rel. 35-18879 - Mar. 19)

APPALACHIAN POWER COMPANY

A notice has been issued giving interested persons until April 17 to request a hearing on a proposal of Appalachian Power Company (Appalachian) subsidiary of American Electric Power Company, Inc., to issue and sell up to \$40 million of first mortgage bonds at competitive bidding. Appalachian will use the net proceeds for the payment of unsecured short-term indebtedness including the financing of part of Appalachian's construction program for the year 1975. (Rel. 35-18880 - Mar. 21)

MIDDLE SOUTH UTILITIES, INC.

A notice has been issued giving interested persons until April 14 to request a hearing on a proposal of Middle South Utilities, Inc. (MSU) and Middle South Energy, Inc. (MSEI), a subsidiary, whereby MSEI will issue and sell and MSU purchase, 20,000 additional shares of MSEI's common stock. The proceeds, \$20 million will be used for MSEI's construction program. (Rel. 35-18881 - Mar. 21)

THE PROVIDENCE GAS COMPANY

A notice has been issued giving interested persons until April 15 to request a hearing on an application for exemption filed by The Providence Gas Company. Providence, a holding company by virtue of its ownership of 45% of the capital stock of Tiverton Gas Company, claims an exemption under the Act under either Section 3(a)(1) or 3(a)(2). (Rel. 35-18882 - Mar. 21)

MICHIGAN CONSOLIDATED GAS COMPANY

A notice has been issued giving interested persons until April 16 to request a hearing on a proposal of Michigan Consolidated Gas Company, subsidiary of American Natural Gas Company, to issue and sell \$40 million of first mortgage bonds. The net proceeds of the sale of the bonds will be used to pay part of the company's 1975 construction and improvement of facilities costs. (Rel. 35-18883 - Mar. 21)

SECURITIES ACT REGISTRATIONS

(S-1) INVESTORS SYNDICATE OF AMERICA, INC.

IDA Tower, Minneapolis, Minn. 55402 - \$29,250,000 of certificates SP 75, to be offered for sale in 150,000 units with a minimum purchase of \$1000 through Investors Diversified Services, Inc. (ISA). ISA is a face-amount certificate investment company registered under the Investment Company Act of 1940. (File 2-52911 - Feb. 26)

(S-7) OHIO EDISON COMPANY

47 North Main St., Akron, Ohio 44308 - 4,000,000 shares of common stock, to be offered for sale through underwriters headed by Morgan Stanley & Co. Incorporated, 1251 Avenue of the Americas, New York, N.Y. 10020; Merrill Lynch, Pierce, Fenner & Smith Incorporated, One Liberty Plaza, New York, N.Y. 10006; and Kidder, Peabody & Co. Incorporated, 10 Hanover Square, New York, N.Y. 10005. The company is an electric utility which owns all the outstanding common stock of Pennsylvania Power Company, an electric utility. (File 2-53059 - Mar. 18)

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:

Cullum Companies, Inc., Dallas, Tex. (File 2-53036 - Mar. 17) - 100,000 shares
Tratec Incorporated, Los Angeles, Cal. (File 2-53037 - Mar. 17) - 25,000 shares
The Cornelius Co., Minneapolis, Minn. (File 2-53041 - Mar. 17) - 400,000 shares
National Medical Enterprises, Inc., Los Angeles, Cal. (File 2-53043 - Mar. 17) - 500,000 shares
Spartek Inc., Canton, Ohio (File 2-53045 - Mar. 17) - 50,000 shares
Lone Star Gas Co., Dallas, Tex. (File 2-53054 - Mar. 18) - \$1,609,533 of interest
Northeast Petroleum Industries, Inc., Chelsea, Mass. (File 2-53057 - Mar. 18) - 315,187 shares
Narco Scientific Industries, Inc., Fort Washington, Pa. (File 2-53060 - Mar. 18) - 64,000 shares

REGISTRATIONS EFFECTIVE

Mar. 21: Baker Oil Tools, Inc., 2-52787; Chemical New York Corp., 2-52922; The Diamond State Telephone Co., 2-52877; Ford Motor Credit Co., 2-52016; International Funeral Service, 2-52575; Long Island Lighting Co., 2-52976; R. G. Barry Corp., 2-52986; VPS Investment Co., 2-52562.

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 15¢ per page plus postage (\$2 minimum) and 30¢ per page plus postage for expedited handling (\$5 minimum). Cost estimates are given on request. All other referenced material is available in the SEC Docket.

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