

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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U.S. SECURITIES & EXCHANGE COMMISSION

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FOR RELEASE April 19, 1971

THE WHITE HOUSE
Washington

April 13, 1971

Dear Commissioner Owens:

During the months before Chairman Casey was confirmed by the Senate, I know that the job of presiding over the Securities and Exchange Commission was a particularly difficult as well as delicate one. You performed it with great distinction, and I wanted to express my personal appreciation to you.

With every good wish,

Sincerely,

/s/Richard Nixon

COMMISSION ANNOUNCEMENTS

SEC, STAFF, INDUSTRY LEADERS MEET ON INDUSTRY PROBLEMS. A member of the SEC, several top staff members, representatives of the Federal Reserve Board, and leaders of the securities industry met at Commission headquarters today to explore a wide spectrum of problems facing the industry. The meeting focused principally on three areas: (1) appropriate measures to deal with problem firms, (2) current problems in the industry's operation system, and (3) planning for a major conference of all industry working groups to deal with medium and long-range issues in the financial and operations areas.

Specifically discussion included, among other things, (a) additional measures which may be appropriate until systems changes can be effected, and additional criteria or indices which may be helpful in detecting and monitoring operational difficulties, (b) intermediate and long-term solutions to operational problems (focusing on studies made by RAND, North American Rockwell, Lybrand, and Arthur D. Little), and (c) SEC Study on unsafe and unsound brokerage practices, mandated by Section 11(h) of the Securities Investor Protection Act of 1970.

Attached is the list of industry representatives who will participate in the all-day meeting. American Stock Exchange - Richard M. Burdge, Robert T. Eckenrode; Boston Stock Exchange - Joseph J. Sproules, Robert E. Hallagan, Elmer C. Herskind; Cincinnati Stock Exchange - Richard Taberling; Detroit Stock Exchange - Peter McPherson, Edward Denny; Midwest Stock Exchange - John G. Weithers, Phillips Montross, Bryan P. Coughlin; National Association of Securities Dealers - Lloyd J. Derrickson, Edward R. Gilleran; Stimson S. T. Lee, David H. Morgan, John S. R. Schoenfeld; New York Stock Exchange - Richard Howland, Lee Arning, Fred Stock, Sam Lyons; Pacific Coast Stock Exchange - Peter Siberell, Kimborough Bassett; Philadelphia-Baltimore-Washington Stock Exchange - Michael Finnegan, J. Gordon Yocum, George Hunder.

SEC ORDERS HEARING ON PERFORMANCE SYSTEMS, INC. The SEC has ordered a public hearing to determine whether a stop order should issue with respect to a registration statement filed on May 2, 1969 by Performance Systems, Inc., of Nashville, Tenn. (PSI) seeking registration of \$15 million of debentures and an undetermined amount of common stock by shareholders. The statement has not been declared effective.

The Commission's Division of Corporation Finance alleges that the registration statement and PSI's annual report on Form 10-K for its fiscal year ended December 29, 1968 are false and misleading, particularly with reference to the recognition of income from the sales of certain franchises. Additionally, the Division alleges that the registration statement does not disclose the relationship between the management of registrant and West America Foods, Inc., a franchise which had purchased a material number of franchises. A hearing has been scheduled for 10:00 a.m. on April 22, 1971 at the offices of the Commission in Washington, D. C. (LR-4972)

BROKERAGE DATA PROCESSING SUSPENDED. The SEC today ordered the suspension of the over-the-counter trading in the securities of the Brokerage Data Processing Corporation for a ten day period beginning the opening of business Monday, April 19, and ending April 28, 1971. Brokerage Data Processing Corporation is a New York corporation with main offices in New York City. The suspension was ordered because of the unavailability of adequate and accurate information concerning the present financial condition of the company. The Commission has been informed that there may be substantial shortages in the company's accounts, and the company is presently unable to accurately ascertain its financial condition. The company has also been delinquent in filing with the Commission its annual report on Form 10-K. The Commission has requested the company to furnish information which would be helpful in clarifying the company's present financial status. The company and its auditors are now in the process of determining that status. Accordingly, the Commission finds it to be in the public interest to temporarily suspend trading in these securities. (Release 34-9153)

OVER

FANTONIX ENTERPRISES 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 proposed public offering of stock of Fantonix Enterprises, Inc., of New York. 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 with respect to public offerings of securities not exceeding \$500,000 (\$300,000 at the time the offering was proposed). In a notification filed on September 29, 1969, Fantonix proposed an offering of 60,000 shares of common stock at \$5 per share.

In its suspension order, the Commission asserts that it "has reason to believe" that the notification and offering circular is false and misleading respecting, among other things, the operations of its two subsidiaries, Fantastic Crates Canal Corp., and The House of Onix, the proposed use of proceeds of the offering, in particular that \$67,000 will be used to promote the business of Fantastic and Onix through the use of advertising and trade shows, and for assembly facilities for Onix. In addition the terms and conditions of Regulation A have not been complied with in that the issuer failed to file a Form 2-A report as required, and that the underwriter sold securities of the issuer in violation of that rule which requires the offering circular to be delivered concurrently with the confirmation of sale.

The suspension order also asserted that the underwriter (Fox Securities Company) engaged in practices designed to defraud purchasers by means of false and misleading statements.

SEC REPORTS RISE IN WORKING CAPITAL. The net working capital of U. S. corporations rose \$3.0 billion in the fourth quarter of 1970, according to estimates made public by the SEC. This advance in working capital compares with an increase of \$0.4 billion in the third quarter and a decline of \$0.6 billion in the corresponding period of 1969. Net working capital represents the excess of business investment in current assets over current liabilities and at the end of 1970 totaled \$217 billion. For the full year 1970, working capital increased \$3.8 billion compared with gains of \$1.2 billion in 1969 and \$13.0 billion in 1968. The data exclude banks, insurance companies, savings and loan associations and investment companies. For further details, see Stat. Release No. 2512.

RULES AND RULE PROPOSALS

PROPOSED RULE WOULD ESTABLISH MINIMUM SECURITIES RECORDS CONTROLS. The SEC has given notice that it has under consideration a proposal to adopt Rule 17a-13, amend Form X-17A-5, and amend Rule 17a-3 under the Securities Exchange Act of 1934. Proposed Rule 17a-13 would apply to all members of national securities exchanges who do business with or for others than members of national securities exchanges, and to all brokers and dealers except broker-dealers who limit their business to the sale and redemption of securities of registered investment companies and those who solicit accounts for federally insured savings and loan associations, promptly transmit all funds and securities and hold no customer funds and securities.

One proposed amendment to Rule 17a-3, a new clause (a)(4)(F), would create a security difference account to which the unresolved long and short differences would have to be posted after each examination, count, verification and comparison, by date, showing the security, number and dollar value of long and short differences. All subsequent adjustments to the differences posted would also have to be posted to this account. The other proposed amendment to Rule 17a-3, a change in existing clause (a)(5), would require that the securities record which reflects all long and short securities positions also reflect the unresolved differences remaining from each of the proposed required examinations, counts, verifications and comparisons, and all subsequent adjustments thereto. It would also require the retention of the supporting documentation. The securities record, being the main accounting record for the location and movement of securities, should reflect these unresolved stock differences and the subsequent adjustments. Retention of the supporting documentation is necessary so that the auditors will have adequate documentation for their review required under the proposed amendments to the audit requirements of Form X-17A-5. (Rule 17a-4(a) under the Act requires that the securities record be retained for not less than six years, the first two years in an easily accessible place.) Pending distribution to the appropriate mailing lists, interested persons should consult the Federal Register for full details of the application. All interested persons are invited to submit their views and comments on these proposals in writing to the SEC, 500 North Capitol Street, Washington, D.C. 20549, on or before May 28, 1971. (Release 34-9140)

DECISIONS IN ADMINISTRATIVE PROCEEDINGS

ERENBERG SUSPENDED. The SEC today ordered the suspension of Donald Erenberg of Hartsdale, N. Y., former partner of a registered broker dealer, for violations of the antifraud provisions of the Federal securities laws. The 3-month suspension from association with any broker or dealer will commence with the opening of business on April 19, 1971.

According to the Commission's decision, Erenberg, in the offer and sale of stock of Waltham Industries Corporation, from about August 1968 to July 1969, made false and misleading representations concerning a substantial short-term increase in the market price of Waltham stock. Waltham's past and present financial condition and business operations and its future earnings and prospects, and the substantial debt incurred by Waltham in order to acquire a smaller company in September 1968. In addition, Erenberg recommended and sold Waltham stock without having made reasonable and diligent inquiry and in disregard of information as to the past and present financial condition and business operations of the company.

Erenberg submitted an offer of settlement and, solely for the purposes of these proceedings, and without admitting or denying the allegations against him, consented to findings of violation and to imposition of the indicated sanction. (Release 34-9141)

ARTHUR S. MILLER SUSPENDED. The SEC today ordered that Arthur S. Miller, who during the pertinent period was president and later a vice president of Ling & Company, Inc. ("registrant"), of Dallas, be suspended from being associated with any broker or dealer for a period of 90 days, effective at the opening of business on April 19, and that after expiration of such suspension he shall limit his association with any broker or dealer to that of a registered representative in a supervised capacity unless and until such time as the Commission determines that he may be employed in a supervisory capacity. Registrant's broker-dealer registration had been revoked in December 1970.

According to the Commission's decision, from about January 1968 to August 1970 Miller violated anti-fraud provisions of the Federal securities laws in the purchase and sale of securities of Carterfone Communications Corporation, Furr's Cafeterias, Elkins Institute, Williamscraft, Inc., Wilson Sinclair, Wilson Beef, Wilson Laurel and Wilson Certified. While engaged in effecting such transactions with customers having discretionary accounts with registrant, Miller charged excessive markups and failed to disclose the nature and extent of registrant's adverse interest in such transactions. In addition, while participating in distributions of the above securities, he bid for and purchased such securities in accounts in which he had a beneficial interest and induced others to purchase and recommend the purchase of such securities prior to completing such distributions.

In an offer of settlement submitted by Miller, he consented, without admitting allegations in the order for proceedings, to findings of violations and to the sanctions imposed. (Release 34-9142)

KINGS MINERAL REG A EXEMPTION SUSPENDED PERMANENTLY. The SEC has made permanent its February 19 temporary suspension of a Regulation A exemption from registration under the Securities Act with respect to a public offering by Kings River Mineral Company, Salt Lake City, of 7 million shares of its \$.005 common stock at \$.03 per share. Kings River had filed a reply and a request for hearing, and the underwriter, Bonneville Securities, Inc., of Salt Lake City, had filed a notice of appearance. Thereafter Kings River withdrew its reply and request for a hearing, stating that it did so "with full knowledge" that such withdrawal would cause the order temporarily suspending the exemption to become permanent. The underwriter also withdrew its notice of appearance.

In the February 19 order temporarily suspending the exemption, it was alleged that the offering circular contained misleading statements, in that it failed to disclose, among other things, that a substantial portion of the proceeds of the offering would be paid to undisclosed affiliates of the issuer as a result of a non-arms-length transaction in which the issuer purportedly acquired interests in unpatented mining properties obtained by such affiliates at an undisclosed cost; that insiders of the issuer purchased in excess of 2 million shares of the offering to create a false impression that there was genuine public interest in the securities; and that the market in issuer's stock was created by insiders through the use of false or misleading press releases, newspaper advertisements and stockholder reports to give insiders and others an opportunity to make substantial profits at the expense of the public. The order also alleged that the aggregate amount of securities offered to the public exceeded the \$300,000 limitation prescribed by Regulation A, and that the offering was made in violation of the antifraud provisions of the Securities Act. (Release 33-5139)

SECURITIES ACT REGISTRATIONS

MUNICIPAL TRUST FUND PROPOSES OFFERING. Municipal Investment Trust Fund, First New York Series, filed a registration statement with the SEC on April 8 seeking registration of \$15,750,000 of units. The Fund was created by a trust agreement under which Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bache & Co. Incorporated and Walston & Co., Inc., act as Sponsors, United States Trust Company of New York acts as Trustee and Standard & Poor's Corporation acts as Evaluator. The objectives of the Fund are tax exempt income and conservation of capital through a diversified investment in revenue and general municipal bonds rated "BBB" or better by Standard & Poor's Corporation or "Baa" or better by Moody's Investors Service. The Fund consists of the diversified tax exempt bond portfolio of interest-bearing obligations issued by the State of New York, counties, municipalities, authorities or political subdivisions thereof, or of certain U. S. territories or possessions, the interest on which, in the opinion of recognized bond counsel, is exempt from all Federal, New York State and New York City income taxes under existing law. (File 2-40000).

GAC FINANCE TO SELL NOTES. GAC Finance Inc, 1105 Hamilton St., Allentown, Pa., filed a registration statement with the SEC on April 9 seeking registration of \$25 million of Series A capital notes, due after from 3 to 10 years, to be offered for public sale at 100% of principal amount. No underwriting is involved; GAC Securities Inc. will solicit purchases of the notes.

A wholly-owned subsidiary of GAC Corporation, the company engages primarily in making instalment loans, in retail and wholesale financing and in receivables rediscounting. Net proceeds of its financing will be added to the company's general funds and used primarily to repay short-term debt. S. H. Wills is board chairman and J. H. Trombley president. (File 2-40001).

***UNION TANK CAR PROPOSES FINANCING.** Union Tank Car Company, 111 W. Jackson Blvd., Chicago 60604, filed a registration statement with the SEC on April 9 seeking registration of \$25 million of equipment trust certificates, due 1991 (Series 7), to be offered for public sale through underwriters headed by Salomon Brothers, 60 Wall St., New York 10005.

The company is engaged in leasing railway tank cars owned and maintained by it to manufactures and other shippers of petroleum products, compressed gas, chemicals, fertilizers and food products. Net proceeds, together with treasury funds, will be used to retire \$25 million of the \$43,222,474 indebtedness outstanding at March 31 under the company's equipment trust notes, Series B, due August 1972. Proceeds of the Series B notes were used in connection with building railway cars. J. W. Van Gorkom is president. (File 2-4002).

***LTV AEROSPACE SHARES IN REGISTRATION.** LTV Aerospace Corporation, 1600 Pacific Ave., P. O. Box 5003, Dallas, Texas 75222, filed a registration statement with the SEC on April 9 seeking registration of 65,323 outstanding shares of common stock. These shares were issued in connection with the company's acquisition in 1969 of Mt. Werner, Inc. and Steamboat Land Company and may be offered for sale from time to time by the holders thereof at prices current at the time of sale (** \$10.50 per share maximum). (File 2-40005).

***DELMEDICS TO SELL STOCK.** Delmedics Company, Inc., 131 Lawn Ave., Stamford, Conn. 06902, filed a registration statement with the SEC on April 9 seeking registration of 300,000 shares of common stock, to be offered for public sale at \$5 per share. The offering is to be made on a "best efforts, 50% or none" basis by R. A. Wolk & Co., Inc., 405 Lexington Ave., New York 10017.

Organized in February 1970, the company seeks to develop, provide and apply computer technology and systems to medical and chemical laboratories and to leisure time and other industries. Of the net proceeds of its stock sale, \$370,000 will be used for lease of computer and peripherals and lease of analytical instruments, and the balance for other corporate purposes. The company has outstanding 583,000 common shares, of which Joe W. Johnson, president, owns 49.2%. Arthur A. Appert is board chairman. (File 2-40006).

***WILSON & CO. SHARES IN REGISTRATION.** Wilson & Co., Inc., 4545 North Lincoln Blvd., Oklahoma City, Okla. 73105, filed a registration statement with the SEC on April 9 seeking registration of 100,000 shares of common stock issuable pursuant to the company's 1969 Qualified Stock Option Plan and 100,000 shares of common stock issuable pursuant to the company's 1970 Nonqualified Stock Option Plan. (File 2-40010).

***NEW ENGLAND ELECTRIC SYSTEM TO SELL STOCK.** New England Electric System, 20 Turnpike Rd., Westborough, Mass. 01581, filed a registration statement with the SEC on April 9 seeking registration of 1,000,000 shares of common stock, to be offered for public sale at competitive bidding. Net proceeds of its stock sale will be added to the company's general funds and made available to its subsidiaries in furtherance of their construction programs and for other corporate needs; any balance will be used for general corporate purposes of the company. Construction expenditures of the subsidiaries are estimated at \$132 million for 1971, \$161 million in 1972 and \$133 million in 1973. (File 2-40011).

***REVLON SHARES IN REGISTRATION.** Revlon, Inc., 767 Fifth Ave., New York 10022, filed a registration statement with the SEC on April 9 seeking registration of 147,157 outstanding shares of common stock. These shares may be offered for sale from time to time by the holders thereof at prices current at the time of sale (**\$73.25 per share maximum). Charles Revson, board chairman, proposes to sell 75,000 of 1,106,031 shares held and 21 others the remaining shares being registered. (File 2-40013).

SECURITIES ACT REGISTRATIONS. Effective April 15: The Washington Water Power Co., 2-39651. **Effective April 16:** Barnett Banks of Florida, Inc., 2-39084; Caterpillar Tractor Co., 2-39685 & 2-39686; Computer Business Supplies, Inc., 2-35862 (90 days); Engelhard Minerals & Chemical Corp., 2-39998; International Flavors & Fragrances Inc., 2-39818; Marathon Oil Co., 2-39809; Mid-Ohio Banc-Shares, Inc., 2-39546.

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.

* This is a reporting company and further information with respect to its business and operations is available in the Commission's Public Reference files.

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

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