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# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A Daily Summary of  
S.E.C. Activities

(Prepared by the SEC Office of Public Information)

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## COMMISSION ANNOUNCEMENTS

**ANNOUNCE HEARINGS ON MUTUAL FUND DISTRIBUTION AND IMPACT OF SECTION 22(d) REPEAL.** The Commission will commence public hearings on December 11, 1972 on mutual fund distribution and the potential impact of the repeal of the Investment Company Act's resale price maintenance provisions. Those provisions are in Section 22(d) of the Act and require that mutual fund shares and other redeemable investment company securities be sold only at a price set forth in the prospectus.

As a result of its review of the Study of the Potential Economic Impact of the Repeal of Section 22(d) conducted by the Commission's Office of Policy Research, and the Economic Study of the Distribution of Mutual Funds and Variable Annuities conducted for the National Association of Securities Dealers by Booz, Allen and Hamilton, Inc. the Commission has decided to seek a wide range of viewpoints on the repeal of Section 22(d) and to re-examine some of its traditional administrative positions that bear on mutual fund distribution.

The Section 22(d) Study will be released in the near future. It is an economic analysis dealing with, among other things, the cost of distributing mutual fund shares, the earnings of those who sell mutual funds, brokerage firms' mutual fund sales revenue, and the significance of mutual fund sales to the securities markets. The NASD study is a survey of mutual fund distribution as it has existed and its rule proposals are premised on the continuation of that system and the existing regulatory framework.

Among the issues to be considered in addition to the desirability of repealing Section 22(d) of the Act will be the possibility of rules under Section 22(b) and other provisions of the Act increasing the present discounts for larger purchases including proportionately lower sales charges as quantities purchased increase, regulation of that portion of the sales charge retained by dealers, further liberalization of mutual fund advertising rules, group sales, interpretations as to charges by brokers for recommending no-load funds and other topics in mutual fund distribution.

The hearings will be policy making proceedings. Because of the scope of the inquiry the Commission solicits written submissions in the first instance. Persons wishing to comment should submit their views in triplicate to Allen S. Mostoff, Director, Division of Investment Company Regulation, Washington, D. C. 20549 no later than December 6, 1972; all such material should be designated "Mutual Fund Distribution Hearings" File No. 4-164. After the Commission has had a chance to review it, brief oral statements will be invited from those who have made submissions and asked to be heard. (Rel. IC-7475)

**TRADING SUSPENDED IN MONARCH GENERAL.** The SEC has ordered the temporary suspension of trading in the securities of Monarch General, Inc. of Mineola, N. Y., for a ten-day period beginning November 2, 1972. The suspension will terminate on November 11, 1972. On September 28, 1972, a registration statement became effective with respect to 200,000 shares of common stock of Monarch General, Inc., to be offered to the public at \$5 per share. The initial offering by the underwriter was purportedly completed on October 19, 1972. Over-the-counter trading commenced on October 26, 1972, and has continued since that date. The Commission has ordered a suspension of such trading on the basis of information which tends to show that the market price of the securities since the date of the offering has been artificially inflated and certain current quotations in the over-the-counter market may not be bona fide. (Rel. 34-9846)

**SEC ORDER CITES COMAC CO., OTHERS.** The SEC has ordered administrative proceedings under the Federal securities laws against Donald H. Parsons, James C. Holmes, George B. Kilborne, Gerald H. Daugherty, and Milton D. Stewart (Comac respondents) and Comac Company. Comac, a co-partnership organized under Michigan law, served until at least July 13, 1970 as the investment adviser of Creative Capital Corporation (Creative) a closed-end investment company and a licensed small business investment company. Creative is not a party in these proceedings. The respondents, other than Comac, were all officers and/or directors of Creative during the period relevant to these proceedings.

The Commission's staff alleges that during the period from June 12, 1969 to May 1972, Comac, aided and abetted by Comac respondents, willfully participated in or effected joint enterprises or other joint arrangements involving a lease by Creative of office space at No. One New York Plaza, New York, for a term of 20 years, and a loan by Creative of \$285,000 to American Mobile Home Towns, Inc. in violation of provisions of the Investment Company Act which prohibit joint transactions with affiliates, and false proxy materials and filings with the Commission. In addition, the staff alleges that the acts and practices of the respondents constituted gross misconduct or gross abuse of trust or breach of fiduciary duty involving personal misconduct.

In addition to the above, the staff alleges that from approximately September 1968 to October 1969, Comac, aided and abetted by the Comac respondents, served or acted as investment adviser to Creative without a written contract in compliance with the Investment Company Act.

A hearing will be scheduled by further order to take evidence on the staff charges and afford respondents an opportunity to offer any defenses thereto, for the purpose of determining whether the allegations are true and, if so, whether any action of a remedial nature is necessary or appropriate in the public interest.

OVER

**ANNOUNCE POSITIONS IN WASHINGTON REGIONAL OFFICE.** The SEC announced the following personnel changes in the Washington Regional Office: Lionel E. Pashkoff, formerly Special Counsel, has been named Chief Enforcement Attorney; Edward A. Kwalwasser, formerly Supervisory Attorney in the Branch of Corporation Finance, was named Chief Regulatory Attorney, Dennis R. Surprenant, who had been serving as Trial Attorney was named Chief, Enforcement Branch No. 1, and James C. Kennedy, also Trial Attorney has been appointed Acting Branch Chief, Enforcement Branch No. 2.

The Washington Regional Office Administrator is William R. Schief.

#### DECISION IN ADMINISTRATIVE PROCEEDING

**PRELIMINARY SUSPENSION PROCEEDING AGAINST ANDREW A. PILATO DISCONTINUED ON CONDITIONS.** The SEC has issued an order, subject to certain undertakings and agreements, discontinuing a preliminary proceeding to determine whether the broker-dealer registration of Andrew A. Pilato, of Ridgewood, N. Y., should be suspended pending final determination of the issues as to him, and permitting withdrawal of the application for broker-dealer registration of Andrew A. Pilato & Company, Inc., of which Pilato is the principal officer and stockholder.

According to the order instituting the proceedings in April 1972, Pilato, under the name of Andrew A. Pilato & Company, Inc., succeeded to the business of a Las Vegas firm, which in other proceedings had consented to revocation of its broker-dealer registration, and opened a branch office in that firm's premises. Pilato is charged with violations between 1969 and 1972 of the net capital, broker-dealer filing, antifraud, registration, and recordkeeping provisions of the securities laws.

The Commission's action was taken pursuant to an offer of settlement in which Pilato, without admitting or denying the charges, agreed among other things to close the Las Vegas branch office permanently, maintain a specified minimum net capital, and make certain reports to the Commission staff. He further agreed, pending final determination, to open no new branch offices, cease all retail business at his remaining office in Ridgewood, liquidate all customer accounts, and restrict his wholesale business. (Rel. 34-9833)

#### COURT ENFORCEMENT ACTIONS

**COMPLAINT CITES KAISER RESOURCES, OTHERS.** The SEC Los Angeles Regional Office announced that on November 2 the Commission filed a complaint in the U. S. District Court for the Northern District of California seeking permanent injunctions against Kaiser Resources, Ltd. (Resources), Kaiser Steel Corporation (Steel), and KRL Investments, Ltd. (KRL) enjoining them from violations of the registration, anti-fraud, reporting and proxy provisions of the securities laws. The violations alleged arose out of transactions in Resources stock in 1969 and 1970, which were effected through KRL, a Canadian company owned by certain officers, directors and employees of Resources and Steel. Resources and Steel have filed with the Court consents to the issuance of injunctions against them, without admitting or denying the Commission's allegations, and have agreed to use their best efforts to cause KRL's liquidation.

The Office further announced that on November 2, permanent injunctions were issued against Resources and Steel on their consents enjoining them from violations of the registration, anti-fraud, reporting and proxy provisions of the securities laws. The Commission's complaint, which was filed the same day in the Federal District Court in San Francisco, alleged violations of the above provisions with respect to transactions in Resources stock in 1969 and 1970 effected through KRL, a Canadian company owned by certain officers, directors and employees of Resources and Steel. KRL was also named as a defendant in the action, but no injunction was ordered against it on the basis of the other defendants' undertaking to cause its liquidation. (LR-5604)

**WORLD TIMBERLAND, OTHERS ENJOINED.** The SEC Washington Regional Office announced November 1 that the Federal court in the District of Maryland permanently enjoined World Timberland Financial Corporation, a New Jersey corporation, and Francis Peter Crosby, the corporation's vice-president, formerly of East Orange, N. J. from violating the registration provisions of the Securities Act of 1933 in the offer and sale of the common stock of American Continental Industries, Inc. (LR-5597)

**C. I. OREN & CO., INC., RESTRAINED.** The SEC New York Regional Office announced that on October 13 the Federal court in New York City temporarily restrained C. I. Oren & Co., Inc., of New York City, Irving Orenstein, its president, and William Rodman, a registered representative, from violations of the net capital and bookkeeping rules of the Securities Exchange Act. Martin R. Gold was appointed temporary receiver. A hearing for a preliminary injunction was set down for October 26, 1972. (LR-5598)

**EQUITABLE EQUITIES ENJOINED.** The SEC announced that on October 13 the Federal court in New York City, upon the consent of all parties, permanently enjoined Equitable Equities, Inc. of New York City, Donald Richard Quest, its president and Henry Goldfarb, its vice-president, from further violations of the net capital rule of the Securities Exchange Act. The defendants consented to the entry of the court orders. Herbert S. Comitta was appointed as SIPC trustee. (LR-5599)

**HAVENER SECURITIES CORP, RESTRAINED.** The SEC New York Regional Office announced that on October 13 the Federal court for New York City temporarily restrained Havener Securities Corporation of New York City, Martin Feuer, its president, Meyer Lang and Joel L. Halpern, its vice-presidents, and James R. Dunne, its secretary-treasurer, from violations of the net capital rule of the Securities Exchange Act. Ezra G. Levin was appointed temporary receiver. A hearing for a preliminary injunction was set down for October 24, 1972. (LR-5600)

CONTINUED

COMPLAINT NAMES JAY P. GREEN, OTHERS. The SEC Chicago Regional Office announced the filing on October 20 of a complaint in the Federal court in Grand Rapids, Mich., seeking to enjoin Jay P. Green, Sr., of Grand Rapids, Mich., individually and d/b/a Sovereign Grace Publishers; Religious Book Discount House, Inc.; and Associated Authors and Publishers, Inc., from further violations of the registration and anti-fraud provisions of the Federal securities laws in connection with the offer and sale of various types of securities issued by the defendants. Green is president of Religious Book and Associated Publishers. The complaint also asked that a receiver be appointed for the defendant concerns. (LR-5603)

#### INVESTMENT COMPANY ACT RELEASES

NARRAGANSETT CAPITAL CORPORATION. The SEC has issued an order permitting the issuance by Bevis Industries, Inc., of 500,000 shares of its common stock to Bernhardt Denmark in connection with his employment by Bevis, an undertaking by Narragansett Capital Corporation, of Providence, R. I., not to sell a portion of its holdings of Bevis common stock during the term of Denmark's employment, and certain other undertakings. (Rel. IC-7466)

BACHE & CO. INC. The SEC has issued a notice giving interested persons until November 20 to request a hearing on an application by Bache & Co. Incorporated for an order of the Commission exempting Bache and its co-underwriters from a provision of the Act which adopts the short-term insider trading provisions of the Securities Exchange Act of 1934, to the extent that such insider trading provisions would be applicable to their transactions as underwriters in connection with a proposed public offering of shares of common stock of Vestaur Securities, Inc., a registered closed-end investment company. (Rel. IC-7468)

BOSTON PERSONAL PROPERTY TRUST. The SEC has issued a notice giving interested persons until November 24 to request a hearing on an application of Boston Personal Property Trust, Boston business trust, for an order declaring that the Trust has ceased to be an investment company. (Rel. IC-7467)

GIANT MASCOT MINES LIMITED. The SEC has issued a notice giving interested persons until November 24 to request a hearing upon an application of Giant Mascot Mines Limited, a British Columbia Corporation, for an order declaring that it is not an investment company or, alternatively, exempting it from all provisions of the Act. (Rel. IC-7470)

#### HOLDING COMPANY ACT RELEASE

THE SOUTHERN COMPANY. The SEC has issued a notice giving interested persons until November 27 to request a hearing upon the proposal of Georgia Power Company of Atlanta, Ga. subsidiary company of The Southern Company, to issue and sell at competitive bidding, up to \$150,000,000 of first mortgage bonds. The net proceeds of the sale, together with other funds, will be used to reduce short-term notes and borrowings, to finance Georgia's 1972 construction program, and for other corporate purposes. (Rel. 35-17749)

#### TRUST INDENTURE ACT RELEASE

DART INDUSTRIES, INC. The SEC has issued a notice giving interested persons until November 23 to request a hearing upon an application by Dart Industries, Inc. under the Trust Indenture Act of 1939 for an order determining that the trusteeship of Morgan Guaranty Trust Company under two 1972 indentures is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify Morgan Guaranty Trust Company from acting as trustee under these indentures.

#### SECURITIES ACT REGISTRATIONS

LONG OIL VENTURES, INC., 1972 Annual Drilling Program, Limited Partnership No. 1, 103 S. Marion St., P. O. Box 158, Cardington, Ohio 43315, filed a registration statement on October 26 seeking registration of \$1 million of partnership interests, to be offered for public sale at \$5,000 per interest. No underwriting is involved. The Partnership is to engage in the search for, development, production and sale of oil and gas. Long Oil Ventures Inc. will act as general partner. (File 2-46132)

BUSINESS EXCHANGE, INC., 8271 Melrose Ave., Los Angeles, Calif. 90046, filed a registration statement on October 27 seeking registration of 165,000 shares of common stock, to be offered for public sale at \$4 per share by J. Shapiro Co., 1740 Midwest Plaza Bldg., Minneapolis, Minn. The company provides a barter service, utilizing a computerized accounting system, that enables businesses to exchange their goods or services for desired goods and services of others. Of the net proceeds of its stock sale, \$400,000 will be used for organizing, developing and opening the company's exchange business in new geographic market areas and the balance for working capital and other corporate purposes. (File 2-46135)

BTA OIL PRODUCERS (a general partnership), 104 S. Pecos, Midland, Tex. 79701, filed a registration statement on October 26 seeking registration of \$460,000 of fractional undivided interests in oil and gas leases, to be offered for public sale at \$4,600 per smallest fractional interest. No underwriting is involved. (File 2-46136)

OVER

SPACELABS, INC., 9000 Mason Ave., Chatsworth, Calif. 91311, filed a registration statement on October 27 seeking registration of 190,000 shares of capital stock, to be offered for public sale (\*at \$18 per share maximum) through underwriters headed by Hambrecht & Quist, 235 Montgomery St., San Francisco, Calif. 94104. The company is engaged in the manufacture and sale of patient monitoring equipment and associated medical electronic equipment. Of the net proceeds of its stock sale, \$1,025,000 will be used to retire debt and the balance for working capital and other corporate purposes. (File 2-46137)

PENNSYLVANIA FUND, TAX-EXEMPT MUNICIPAL INVESTMENT TRUST, First Series, filed a registration statement on October 26 seeking registration of \$8,250,000 of units. The Fund is the first of a proposed series of similar but separate trusts created by a trust indenture and agreement between E. F. Hutton & Co. Inc. and Butcher & Sherrerd, as sponsors, and United States Trust Company of New York, as trustee. The objectives of the Fund are income exempt from certain Pennsylvania taxes and all Federal income tax and conservation of capital through an investment in a diversified portfolio of municipal bonds. (File 2-46138)

MICHIGAN BELL TELEPHONE COMPANY, 1365 Cass Ave., Detroit, Mich. 48226, filed a registration statement on October 27 seeking registration of \$75 million of debentures, due 2012, to be offered for public sale at competitive bidding.

In a separate statement, the company seeks registration of \$50 million of notes, due 1978, also to be offered for public sale at competitive bidding. A subsidiary of AT&T, the company will apply the net proceeds of the financing to repayment of interim debt consisting of advances from the parent and notes payable. Construction expenditures are estimated at \$305 million in 1972 and to be higher in 1973. (File 2-46140)

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:

System Development Corporation, Santa Monica, Calif. (File 2-46127) - 318,183 shares  
Oxford Industries, Inc., Atlanta, Ga. (File 2-46133) - 35,000 shares  
Roosevelt National Investment Company, Springfield, Ill. (File 2-46134) - 41,317 shares  
Anderson, Clayton & Co., Houston, Tex. (File 2-46143) - 208,000 shares

TRADING SUSPENSIONS CONTINUED. The SEC has ordered the suspension of over-the-counter trading in the securities of Trans-East Air, Inc., First World Corporation, Accurate Calculator Corporation and Marketing Communications, Inc. for the further ten-day period November 6-15, inclusive.

SECURITIES ACT REGISTRATIONS. Effective November 2: Agway, Inc., 2-46099; American Western Corp., 2-45523 (90 days); Cassette-Matic, Inc., 2-45096 (90 days); The Glass Containers Corp. & Norton Simon, Inc., 2-46153; Fred S. James & Co., Inc., 2-45635; Leisure Technology Corp., 2-45975; Medco Jewelry Corp., 2-45395; The Municipal Bond Fund, Series 5, 2-45576; National Medical Care, Inc., 2-45725; Rixson-Firemark, Inc., 2-45200 (Feb 1); Scottex Corp., 2-45845; Tami, Inc., 2-40332 (90 days); Tampa Electric Co., 2-45988; Tensor Corp., 2-45496; Universal-Rundle Corp., 2-45785 (Jan 31).

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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