SEC OUTLINES PLANS FOR ADDITIONAL INFORMATION ON LEASE ACCOUNTING

"The steady shrinkage of domestic natural gas reserves has confronted the gas industry with new and larger capital requirements," Leonard H. Rossen, Associate Director of the SEC San Francisco Branch Office, told the Financial Forum of the American Gas Association yesterday. Delivering a speech prepared for presentation by Chairman Cook, Mr. Rossen addressed himself to two areas: the problems and issues raised by mounting capital demands of registered holding companies and a review of the Commission involvement in and concern over reporting practices for lease accounting.

Mr. Rossen pointed out that the large gas utility holding companies are putting an intense effort into supplementing their traditional sources of supply through exploration and development programs of their own. In addition, the gas systems are contracting for liquefied gas from abroad involving construction of storage and regeneration plants, they are conducting intensive research into obtaining natural gas from coal and they are actively engaged in exploring the commercial feasibility of synthetic gas. "All of this puts large amounts of capital at risk" and intensifies the financing problem, Mr. Rossen said.

"Under the Holding Company Act, activities of (this) type are not embraced within the meaning of the 'gas utility business,' which is defined simply as the retail distribution of gas," Mr. Rossen said. Exploration and development of the gas systems are generally conducted through non-utility subsidiaries, which, in turn, incur sizeable tax losses in the early years of their activities. Under the Holding Company Act, the savings from tax losses are distributed among other subsidiaries of the system having taxable income. The gas holding companies stress that these subsidiaries do not assume any of the risks or provide any capital for the exploration and development which produce these tax benefits. "A number of those systems have recently requested permission to deviate from the rate," Mr. Rossen said. They propose to allocate consolidated taxes so as to give the cash equivalent of the tax savings to the exploratory companies and thereby aid their programs for the development of gas reserves.

The Commission, recognizing the urgent need for developing new sources of gas supply, has granted some exemptions from the rule so that internally generated funds may be available for that purpose, Mr. Rossen noted. "I think an approach to such requests on a 'case-by-case' basis preserves the regulatory intent of the law," he added.

In the area of lease accounting, Mr. Rossen said the accounting profession has probably failed to keep up with the phenomenal growth and complexity of lease arrangements. "Despite what some critics have said, the Commission is not anti-leasing," Mr. Rossen averred. "Unfortunately the burgeoning growth of lease activity during the past decade is partly a result of the fact that lease financing is not shown on the balance sheet," Mr. Rossen continued. "This has made such financing more attractive simply because its existence is hidden from investors."

A meaningful comparison of companies who use different methods of financing the purchase of similar operating assets is virtually impossible, Mr. Rossen said. In addition, accounting for a transaction such as a lease (in substance, an installment purchase) artificially increases income in the early years of the arrangement because aggregate interest expense is combined with all depreciation and charged to income on a level basis over the life of the asset rather than starting high and then declining as the outstanding debt is reduced. "I believe the accounting profession should be concentrating on building new account principle bridges while reinforcing old bridges with additional disclosure," Mr. Rossen concluded.

COMMISSION ANNOUNCEMENTS

SEC CITES PROJECT SECURITIES & CO., INC. The SEC has issued an order for administrative proceedings against Project Securities & Co., Inc. and William C. Miller. The proceedings are based on allegations of the Commission's staff that Project failed promptly to amend its registration statement, violated the net Capital provisions and supplemental notification and financial reporting provisions of the Exchange Act and that Miller aided and abetted the latter two violations. The order further alleged that in December 1972, Project had been permanently enjoined from violating the said net Capital and supplemental notification and financial reporting provisions and that a trustee had been appointed for Project pursuant to the Securities Investor Protection Act of 1970.

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. (Rel. 34-10154)
TRADING SUSPENDED IN DELICIAS INTERNATIONAL, INC. SECURITIES. The SEC has ordered the temporary suspension of over-the-counter trading in the securities of Delicias International, Inc., Lakewood, New Jersey for one ten-day period commencing on May 17, 1973 and terminating at midnight EST on May 26, 1973.

The Commission initiated the suspension because of the lack of adequate and accurate public information concerning the company which has failed to timely and properly file certain annual and quarterly reports with the Commission on Forms 10-K and 10-Q. (Rel. 34-10153)

TRADING SUSPENSION IN CRYSTALOGRAPHY CORP. LIFTED. The SEC has announced the lifting of suspension of trading in the securities of Crystalography Corporation located in Piscataway, New Jersey, effective at midnight (EDT) May 18, 1973.

The Commission first initiated the trading suspension on October 11, 1972 because of the precipitous price decline of Crystal's common stock from $10-1/2 bid on October 6, 1972 to $2 bid on October 9, 1972. There were also rumors circulating in the financial community regarding deficiencies in the net capital positions of some broker-dealers holding positions in Crystal securities.

Crystal initially offered to the public, in July 26, 150,000 shares at $4 per share through Provident Securities, Inc.

Crystal has filed with the Commission all required reports. Crystal recently filed its delinquent Special Report, required pursuant to Rule 15d-2 of the Securities Exchange Act of 1934, which consists of certified financials for the fiscal year ended June 30, 1972. The report stated that as of June 30, 1972, Crystal had total assets of $186,269 (of which $30,122 is allocated as current assets), total liabilities of $252,686 (of which $206,786 is allocated as current liabilities), and a net deficit of $68,417.

Several of the broker-dealers making a market in Crystal stock, including Provident Securities, Inc., have ceased doing business and are being liquidated; thus a substantial amount of the company's stock is tied up in the liquidations.


Crystal's release also stated, "The company has seen several news items that appeared in the Wall Street Journal that concerned the company's common stock. Crystalography Corporation had nothing to do with their publication. The articles indicated that Mr. Ronald Martini, an officer of Provident Securities, Inc., had initiated certain stock transactions 'that gave every appearance of being part and parcel of a scheme to manipulate the price' of several stocks including that of Crystalography Corporation. The company had nothing to do with, nor was it involved in any of these activities and has no knowledge of the truth or merit of the suits involving Mr. Martini or Provident Securities, Inc".

The Commission also noted that there are unconsumated trades in Crystal stock. In view of the allegation presented in the Crystalography release, broker-dealers should take the necessary measures to assure themselves that they are not unknowingly effecting a consummation of open contracts which may be in furtherance of a scheme to manipulate the price of the securities of Crystalography or would otherwise violate the Federal securities laws. (Rel. 34-10156)

TRADING SUSPENDED IN CANCER DETECTION STOCK. The SEC has ordered the suspension of trading in the common stock of Cancer Detection, Inc., of Salt Lake City, Utah, for a ten-day period commencing on May 17 and terminating at midnight (EDT) on May 26, 1973.

The suspension was initiated because of the unavailability of adequate and accurate public information concerning CD's operations and questions raised concerning market activity in CDI stock. CDI stock was originally issued under a Regulation A offering in mid-1972 at $1 per share. In September 1972, after a 3:1 stock split, CDI began trading in the 99-11 range and at approximately that price since. The Form 10 filed by CDI on March 13, 1973, reveals that CDI's only asset is an agreement with the Intermountain Cancer Institute, a non-profit corporation, to conduct laboratory experimental research to develop a simplified, kit-type, standardized test for identifying individuals with genetic susceptibility to develop cancer. To date, CDI has not marketed such a test and has no income from operations. CDI has also failed to file a Form 2-A with the Commission disclosing use of unallocated funds. (Rel. 34-10153)

COURT ENFORCEMENT ACTIONS

SIPC TRUSTEE APPOINTED FOR SCHREIBER BOSSE & CO. The SEC Chicago Regional Office announced that on May 7 the Securities Investor Protection Corporation Office announced that James Sheedy, Esq. was appointed as SIPC trustee for the purpose of liquidating Schreiber Bosse & Co. Inc. Schreiber Bosse consented to the appointment without admitting or denying the allegations. (LR-5892)

SILBER AND FEIFFER PLEAD GUILTY. The SEC New York Regional Office announced that on May 4 Harry Silber of Brooklyn, New York and Albert Feiffer of Miami Beach, Florida each pleaded guilty to one count to an information charging them with filing false affidavits in Federal court in Manhattan. The affidavits were submitted in opposition to the Commission's application for a preliminary injunction in 1970 in SEC v. Radio Hill Mines Co., Ltd.

In February Silber and Feiffer consented to permanent injunctions which also contain reporting provisions requiring them to file reports of their securities transactions with the Commission for the next five years. (LR-5893)
COMPLAINT NAMES GOTEK, OTHERS. The SEC Los Angeles Regional Office, and the SEC San Francisco Branch Office announced that on May 17, a complaint was filed in the Federal court in California seeking the appointment of a receiver and an injunction restraining violations of certain provisions of the Federal securities laws by the following defendants: GeoTek Resources Fund, Inc.; GTR Management Company, Inc.; Charter Street Corporation; GeoTek Resources Funds 69-1, 70-1, 70-2, 71-1 and 71-2; J. B. Oil Company; Petroleum 2000 Corporation; Petroforce Corporation; Citrix Oil Company; Washington Oil Investors, Inc.; The Fundamental Oil Corporation of California; Jack P. Burke; Otis Chandler; Arthur J. Lempert; Jacqueline Chambers; Robert G. Mount; Percy E. Goodwin; Robert E. Burke; Arthur Young and Company; Douglas F. Page; Kenneth L. Kost; Thomas W. Orr; and George Steven Burrill.

The complaint alleges that from January 1964 through January 1972 about $30,000,000 was obtained in violation of the Federal securities laws from more than 2,000 public investors in the various oil and gas programs of defendant J. Burke. Included in this amount is about $12,500,000 from the sale of interests in the J. B. Oil Exploration Programs for 1964 through 1968; about $1,030,000 from the sale of interests in Petro Development Associates, Ltd. (Petro) and of hydrocarbon associates, Ltd. (Hydro); and about $17,000,000 from the sale of interests in the GeoTek funds in 1969, 1970 and 1971.

The complaint seeks to enjoin (a) violations of the registration provisions by defendants Fundamental, J. B. Oil, Citrix, J. Burke, Chandler, Lempert, Mount and Goodwin, and (b) violations of the anti-fraud provisions by defendants GeoTek Resources, GTR Management, GTR Resources, Charter Street, Fundamental, J. B. Oil, Petroleum 2000, Petroforce, Citrix, Washington Oil, J. Burke, Chandler, Lempert, Chambers, Mount, Goodwin, R. Burke, Arthur Young, Page, Kost, Orr and Burrill, and (c) violations of the reporting provisions by GeoTek Resources, GTR Management, Fundamental, J. Burke, Chambers, Arthur Young, Orr, Burrill, Page and Kost.

A receiver is sought to take immediate control and possession of all monies and properties of the corporate entities and GeoTek funds, to conserve their assets, to undertake an independent inquiry and investigation to ascertain the true financial condition of the defendants, and to report to the court the existence and value of assets of these defendants with the receiver's opinion as to the solvency or insolvency of these defendants. (LR-5898)

HAROLD GOLDSTEIN INDICTED FOR MAIL FRAUD AND PERJURY. The SEC Los Angeles Regional Office, announced May 10, the return of a 16 count indictment against Harold Goldstein of Beverly Hills, California, the former President of Goldstein, Samuelson, Inc., a major Commodity Dealer and former Chairman of the Board of First Leisure Corporation. The indictments for mail fraud and perjury arise out of an intricate scheme to defraud the public of millions of dollars in the sale of options on unregulated commodities throughout the United States and abroad. Goldstein was arrested May 10, 1973. Bond has been set at $7,000,000. If convicted, he faces a possible sentence of 60 years and/or $65,000. Goldstein, Samuelson, Inc., was adjudged an involuntary bankrupt on March 30, 1973 with a liability to customers of approximately 80 million dollars. (LR-5894)

GARY L. JONES AND ASSOCIATES ENJOINED. The SEC Denver Regional Office announced that on May 8 the Federal Court in Salt Lake City, Utah issued a temporary restraining order enjoining Gary L. Jones and Associates, a Salt Lake City, Utah broker, and its president, Gary L. Jones, from violating the net capital provisions of Federal securities laws. Lindsey Kessler was appointed temporary receiver for Gary L. Jones and Associates. The broker-dealer firm and Gary L. Jones consented to the entry of the injunction and the appointment of the temporary receiver. (LR-5895)

VAUGHN V. MOORE PLEADS NOLO CONTENDERE AND DUANE DUERMEIER SENTENCED UPON PLEA OF GUILT. The SEC Chicago Regional Office announced that on May 11 Vaughn V. Moore entered a plea on nolo contendere to twelve counts of violations of the anti-fraud provisions of the Federal securities laws, one count of mail fraud, and one count of conspiracy in connection with the sale of securities of Greater Illinois Investment Company and securities of other companies. On November 6, 1972 Duane Duermier was given a three year suspended sentence and placed on probation upon entering a plea of guilty to conspiracy in the aforesaid matter. (LR-5896)

DAVID E. DUNCAN CHARGED WITH CRIMINAL CONTEMPT. The SEC Denver Regional Office announced that on May 4, a Federal Grand Jury, Denver, Colorado returned a three count indictment charging David Eugene Duncan with criminal contempt of a permanent injunction entered on November 1971 by the Federal court in Colorado, permanently enjoining Duncan et al. from further violating the registration and anti-fraud provisions of the federal securities laws. (LR-5897)

HOLDING COMPANY ACT RELEASES

PENNSYLVANIA ELECTRIC COMPANY. The SEC has issued a notice giving interested persons until June 8 to request a hearing upon a proposal of Pennsylvania Electric Company (Penelec), subsidiary of General Public Utilities Corporation, to effect two changes in its First Mortgage Indenture and Deed of Trust. The first would eliminate the covenant which provides that Penelec will duly observe and conform to all valid requirements of any governmental authority relative to any mortgaged property. The second would include as bondable property additions property for which Penelec does not have all necessary permission from governmental authorities to operate, but which otherwise would constitute bondable property additions. The proposed amendment requires the approval of the holders of seventy-five percent in principal amount of Penelec outstanding first mortgage bonds. Penelec has also requested authorization to solicit Bondholders consent. (Rel. 35-17966)
INVESTMENT COMPANY ACT RELEASES

LOEB, RHOADES & CO. The SEC has issued an order on an application of Loeb, Rhoades & Co. exempting it and its co-underwriters from Section 30(f) of the Act in respect of their transactions incident to the proposed distribution of shares of common stock of Bond Shares of America, Inc., a registered closed-end investment company. (Rel. IC-7818)

PMT TAX-EXEMPT BOND FUND, FIRST NEW YORK SERIES (AND SUBSEQUENT SERIES). The SEC has issued a notice giving interested persons until June 1 to request a hearing on an application by PMT Tax-Exempt Bond Fund, First New York Series, a unit investment trust, and its sponsors, Prescott, Merrill, Turben & Co. and Cohen, Simonsen & Rea, Inc., for an order of exemption from certain provisions of the Act, so as to permit (a) applicants to offer units of the Fund (and units of any subsequent series), subsequent to the exchange by the sponsors of bonds in the amount of $3 million for units of the Fund (or for units of any subsequent series), without having made provisions for the sale of units in the amount of $100,000 to not more than 25 investors (b) Fund (and any subsequent series) to make distributions including distributions of capital gains more than once a year, and (c) Sponsors, under certain circumstances, to purchase and sell units of the Fund (and any subsequent series) determined at previous prices. (Rel. IC-7819)

GOLDMAN, SACHS & CO. The SEC has issued a notice giving interested persons until June 1 to request a hearing on an application by Goldman, Sachs & Co., New York broker-dealer and one of the prospective representatives of a group of underwriters to be formed in connection with a proposed public offering of shares of the common stock of Circle Income Shares, Inc. (Company), a new, closed-end, diversified management investment company, for an order exempting Goldman Sachs and its co-underwriters from Section 30(f) of the Act (which incorporates the provisions of Section 16 of the Securities Exchange Act of 1934 that deal with insider trading) in respect of their transactions incident to the distribution of the Company's shares. (Rel. IC-7820)

MISCELLANEOUS

TRADING SUSPENSIONS CONTINUED. The SEC has ordered the suspension of (a) exchange and over-the-counter trading in the securities of Goodway, Inc., and the over-the-counter trading in the securities of Aaden Corp., for the further ten-day period May 18-27, inclusive, and over-the-counter trading in the securities of (b) Continental Vending Machine for the further 10-day period May 20-29, inclusive, and (c) Radiation Services, Inc. for the further 10-day period May 21-30, inclusive.

SECURITIES ACT REGISTRATIONS. Effective May 17: Dalin Pharmaceuticals, Inc., 2-45909 (Aug 30); E. P. Mutton & Company, Inc., 2-47514 and 2-47279; First Union, Inc., 2-47454; IDS Realty Trust, 2-47208 (40 days); Interpublic Group of Companies, Inc., 2-47863; UV Industries, Inc., 2-47771.

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.

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Copies of registration statements may be ordered from the Commission's Public Reference Section. All other referenced material is available in the issue of the SEC Docket indicated in parentheses below the News Digest Issue No. Both the News Digest ($35.00 a year, first class mail; $8.25 additional for foreign mailing; $25.00 additional for air mail) and the SEC Docket ($17.00 a year, first class mail; $4.25 additional for foreign mailing) are for sale by the Superintendent of Documents, Government Printing Office, Washington, D. C. 20402.