

# sec news digest

a daily summary from the securities and exchange commission

Issue 73-105

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May 31, 1973

## OWENS DISCUSSES PROPOSED NET CAPITAL RULE IN ATLANTA SPEECH

In an address before the Cooperative Securities Enforcement Conference in Atlanta today, Senior Commissioner Hugh F. Owens noted that the Commission staff is now in the process of reviewing public comments on a proposed uniform and comprehensive net capital rule which revises the existing rule and applies to all broker-dealers and exchange members, except specialists having no public customers. "Historically net capital requirements have been fragmented in their application since members of major securities exchanges have operated under one set of capital requirements while firms not members of an exchange have been subject to the Commission's net capital rule," Mr. Owens noted. "The proposed rule is designed to subject all broker-dealers to minimum standards of financial responsibility promulgated under one net capital rule. Two important features of the new capital proposal were cited by Commissioner Owens: "First," he said, "the proposal defines six minimum net capital classifications which are tailored to meet the various needs of broker-dealers engaged in different segments of the securities business or in a general securities business; and secondly, there would be a requirement for the first time that broker-dealers have a minimum equity base equal to 30% of the total capital base from which net capital is determined." In order to increase the permanence of subordinated debt, he added, these provisions would require that such capital be committed to the firm for minimum periods of time and locked-in if withdrawal would cause the firm's aggregate indebtedness to exceed a 12 to 1 ratio. "We feel that the proposed rule is another step toward implementing the objective of a central market place which will retain the confidence of individual investors and provide liquidity for their investments," Mr. Owens said.

In the past, he said, "minimum net capital requirements have contributed to the comparatively easy entry into the securities industry," and, he noted that a large percentage of firms in liquidation by the Securities Investor Protection Corporation were in business four years and a sizable number were two years old or less when they went into liquidation.

Commissioner Owens in his address to the conference, sponsored by the SEC's regional office for SEC and State securities regulatory personnel covered a wide range of problems facing the securities industry and the regulatory initiatives taken by the Commission and the industry to meet these problems.

## **RULE PROPOSALS AND ADOPTIONS**

RULE 7(d) ADOPTED. The SEC today announced adoption of Rule 7(d) under the Public Utility Holding Company Act of 1935, and a related amendment of Rule 106 under the same Act. Both are effective May 31, 1973. Rule 7(d) declares holders of certain kinds of essentially passive interests in electric or gas utility facilities, created by standard types of net leases to operate public utility companies not to be utility companies under the Act. The amendment to Rule 106 reduces the applicable filing fees for the simple certificate required by Rule 7(d).

The rule, as originally proposed (Rel. 35-17843) has been modified in light of the many comments and suggestions received. A provision has been added to provide a specific and broader exclusion for nuclear fuel leases and contracts. The "grandfather clause" has been enlarged to cover all leases executed prior to or within 30 days after May 31, 1973, upon filing of the prescribed certificate. The rule continues to require the express approval or authorization of the terms of the lease by a regulatory authority.

(Rel. 35-~~10000~~ 17980)

## **COMMISSION ANNOUNCEMENTS**

PUBLIC HEARING IN CALIFORNIA TIME PETROLEUM, INC. The Commission has ordered a public hearing pursuant to Section 15(c)(4) of the Securities Exchange Act of 1934, as amended, to determine whether California Time Petroleum, Inc.'s annual report on Form 10-K for the fiscal year ended December 31, 1971 complied with Section 13 of said Act. The Commission's Division of Enforcement alleges in its Statement of Matters to be considered at the hearing that the annual report contains misleading statements of material fact and omits to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading, with respect to a report evaluating oil, gas and mining properties, with respect to management's comments regarding the report, and with respect to a description of the registrant's properties.

A public hearing in this matter has been scheduled for 10:00 a.m. on June 13, 1973 at the offices of the Securities and Exchange Commission in Washington, D.C. (Rel. 34-10185) (Full Text)

SEC CITES THORNTON D. MORRIS & CO. The Securities and Exchange Commission has ordered public administrative proceedings under the Securities Exchange Act of 1934 involving Thornton D. Morris & Co. ("Registrant"), a registered broker-dealer of Salt Lake City, Utah. Also named as respondent is Thornton D. Morris ("Morris"), managing partner.

The proceedings are based upon allegations of the Commission's staff that Registrant, aided and abetted by Morris, violated provisions of the Securities Exchange Act of 1934 and the rules thereunder by failing to timely file annual financial reports with the Commission.

A hearing will be scheduled by further order to take evidence on the staff allegations and to 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 should be ordered by the Commission. (Rel. 34-10179) (Full Text)

SEC CITES DEVELOPMENT SECURITIES CORP. AND JOHN C. WORMAN. The SEC has ordered public proceedings under the Securities Exchange Act of 1934 against Development Securities Corporation, applicant for broker-dealer registration, and John C. Worman, its president, both of Des Moines, Iowa. The proceedings are based on allegations of violations by Worman of the registration provisions of the Securities Act of 1933 in connection with the offer and sale of various securities of Lake Havasu Estates (an Arizona corporation) and Real-Text Enterprises, Inc. It is also alleged that Worman aided and abetted violations of the broker-dealer registration provisions of the Securities Exchange Act of 1934.

A hearing will be scheduled by further order to take evidence on the staff allegations and to afford the 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 should be ordered by the Commission. (Rel. 34-10182) (Full Text)

#### COURT ENFORCEMENT ACTIONS

COMPLAINT NAMES AMERICAN SOUTHWEST DEVELOPMENT CORP., OTHERS. The SEC Fort Worth Regional Office announced the filing of a complaint on May 22 in Federal District Court at Dallas seeking to enjoin American Southwest Development Corporation, William M. Reese, Sr., William M. Reese, Jr., all of Dallas, Texas, and Vernon Frances Brungardt of Colorado Springs, Colorado, formerly of Dallas, from violations of the securities registration and antifraud provisions of the Federal securities laws in the offer and sale of common stock of American Southwest Development Corporation. (LR-5911)

NORMAN RUBINSON FINED. The SEC New York Regional Office, announced that the Federal court in Manhattan ordered Norman Rubinson, Hibiscus Island, Miami Beach, Florida, to pay a \$1,000 fine to the Order of the Commission by October 15, 1973 as compensation for the Commission's expenses in prosecuting Rubinson's civil contempt of a 1970 Preliminary Injunction and not as costs. The Injunction required Rubinson to file an inventory of his security holdings and quarterly reports thereafter. (LR-5912)

#### INVESTMENT COMPANY ACT RELEASES

MUTUAL BENEFIT LIFE INSURANCE COMPANY et al. The SEC has issued a notice giving interested persons until June 22 to request a hearing on an application of Mutual Benefit Life Insurance Company, Mutual Benefit Variable Contract Account - 3, Mutual Benefit Variable Contract Account -2, and Mutual Benefit Financial Service Company, all of Newark, N. J., for an order of exemption (a) from Section 22(d) to permit, among other things, variable annuity contracts participating in Account -3 to be sold with sales charges reduced or eliminated under various circumstances where similar charges have previously been paid in relation to other contracts offered by the insurance company or its affiliates; (b) from the requirements of Sections 26(a) and 27(c)(2) that the proceeds of all payments be deposited with a qualified bank custodian; and (c) pursuant to Section 11 to permit the elimination of sales charges upon the crediting of any purchase payment under an Account -2 Contract with moneys accumulated under contracts funded through Account -3. (Rel. IC-7834)

7837)

THE GARRISON GROWTH FUND. The SEC has issued a notice giving interested persons until June 25, 1973 to request a hearing on an application filed by the Garrison Growth Fund, of New York, for an order of the Commission declaring that the Fund has ceased to be an investment company. (Rel. IC-7835)

ARAGON FUND. The SEC has issued a notice giving interested persons until June 25 to request a hearing on an application of Aragon, Fund, Inc., of Baltimore, Maryland, for an order of the Commission declaring that the Fund has ceased to be an investment company. (Rel. IC-7836)

## RECENT FORM 8-K FILINGS

Form 8K is a report which must be filed with the SEC by the 10th of the month after any of the following important events or changes: changes in control of the registrant; acquisition or disposition of assets; legal proceedings; changes in securities (i.e., collateral for registered securities); defaults upon senior securities; increase or decrease in the amount of securities outstanding; options to purchase securities; revaluation of assets; submission of matters to a vote of security holders; and any newly enacted requirements effecting registrant's business.

The companies listed below have filed Form 8-K reports for the month indicated, responding to the item of the form specified. Photocopies may be purchased from the Commission's Public Reference Section (in ordering, please give month and year of report). An index of the captions of the items of the form was included in Monday's News Digest.

COMPANY	ITEM NO.	MONTH
LADD MOUNTAIN MINING CO OF NEVADA	NO ITEMS	04/73
MACY R H & CO INC	8	04/73
MID CONTINENT TELEPHONE CORP	11,13	04/73
NATIONWIDE THOROUGHBREDS INC	13	04/73
NEW YORK STATE ELECTRIC & GAS CORP	7,8	04/73
NORIN CORP	3,14	04/73
OUTBOARD MARINE CORP	10	04/73
RECOGNITION EQUIPMENT INC	10,14	04/73
REDFERN FOODS CORP	9,11	04/73
REPUBLIC MORTGAGE INVESTORS	11	04/73
RETAIL CREDIT CO	3	04/73
RICOH TIME CORP	13	04/73
ROUSE CO	10	04/73
SAINT REGIS PAPER CO	11,13,14	04/73
SAMSCNITE CORP	13,14	04/73
SAN DIEGO GAS & ELECTRIC CO	7,11,14	04/73
SCHERR TUMICO INC	10,14	04/73
SCHULTZ HELICOPTER CORP	11	04/73
SCHILLER INDUSTRIES INC	7,14	04/73
SCIENTIFIC ATLANTA INC	13,14	04/73
SCOTS INN LAND CO	3,13	04/73
SCOTT FOKESMAN & CO	13	04/73
SERVICE MERCHANDISE CO INC	2	04/73
SERVO CORP OF AMERICA	7,8	04/73
SIGMOR CORP	13	04/73
SOUTHERN RAILWAY CO	7,14	04/73
SOUTHWEST FOREST INDUSTRIES INC	2,3,11,13,14	04/73
SOUTHWEST GAS CORP	3,7,14	04/73
SOUTHWESTERN BELL TELEPHONE CO	11	04/73
SOUTHWESTERN INVESTMENT CO	13	04/73
SPRINGS MILLS INC	9,11,14	04/73
STANDARD PRESSED STEEL CO	13	04/73
STANGE CO	11,14	04/73
STANLEY HOME PRODUCTS INC	11	04/73
STERLING COMMUNICATIONS INC	13	04/73
STP CORP	11,13	04/73
SUITOMAT CORP	7	04/73
SUNDSTRAND CORP	11,14	04/73
SWIFT & CO	1,4,8,14	04/73
SYNALLOY CORP	10	04/73
SYNERCON CORP	11,14	04/73
SYSTEM CONTROL CO	2,14	05/73
T BAR M INC	11	04/73
TAFT BROADCASTING CO	13	04/73
TALCOTT JAMES INC	11,13	04/73
TALCOTT NATIONAL CORP	13	04/73
TAMI INC	3	04/73
TELCO MARKETING SERVICES INC	7,8	04/73
TELEFLEX INC	11,14	04/73
TERMINAL EQUIPMENT CORP	11,14	04/73
TEXACO INC	14	04/73
TEXTURED PRODUCTS INC	3,13,14	04/73
THERMAL POWER CO	11	04/73
THOMAS INDUSTRIES INC	11	04/73

TIME INC	4,11	04/73
TRANS DELTA CORP	2,14	04/73
TRANSNET CORP	2,7,9,14	04/73
TRIANGLE CORP	7,14	04/73
UAL INC	3,11,14	04/73
UIP CORP	13	04/73
UNIMET CORP	2,7,14	04/73
UNITED AIR LINES INC	3,11,14	04/73
UNIVERSAL LIL PRODUCTS CO	10	04/73
UNIVERSITY COMPUTING CO	3	04/73
USP REAL ESTATE INVESTMENT TRUST	7,11	04/73
VADADYNE INDUSTRIES INC	3,7,14	04/73
VIACOM INTERNATIONAL INC	7,14	04/73
VIRGINIA CHEMICALS INC	7,8,14	04/73
WALTER JIM CORP	3,8,13	04/73
WAFNER & SWASEY CO	11,14	04/73
WASHINGTON TRUST CO OF WESTERLY	12,14	04/73
WEINGARTEN MARKETS REALTY CO	7,14	04/73
WELLS MANAGEMENT CORP	2,7,8,10,14	04/73
WESTERN AIR LINES INC	11	04/73
WESTERN ELECTRIC CO INC	11	04/73
WESTERN PUBLISHING CO INC	4,7,8,11,14	04/73
WESTERN UNION CORP	11,14	04/73
WHDH CORP	11,13,14	04/73
WHEELING PITTSBURGH STEEL CORP	11,14	04/73
WHITTAKER CORP	13	04/73
WITTER DEAN & CO INC	3,7,13,14	04/73
WOODS COMMUNICATION CORP	2,14	04/73
YUCCA LAND & CATTLE CORP	3,10	04/73

The following companies have previously been identified in the SEC NEWS DIGEST as filing 8-K reports containing information called for by Item 12. Such reports are now further identified as also containing a discussion of the disagreements with the former accountants.

COMPANY	FILE NO.
H. K. Porter Company, Inc., February 1973	1-4157
Lewron Television Inc., March 1973	0-3883

**TRADING SUSPENSIONS CONTINUED.** The SEC has ordered the suspension of (a) over-the-counter trading in the securities of Continental Vending Machine Co. for the further ten-day period May 30-June 8, inclusive, and (b) exchange and over-the-counter trading in the securities of Arlan's Department Stores and over-the-counter trading in the securities of Radiation Service Assoc., Air California, and Westgate-California Corp. for the further ten-day period May 31-June 9, inclusive.

**SECURITIES ACT REGISTRATIONS. Effective May 30:** Belden & Blake and Company Ltd., 2-47247, 2-47722, 2-47723, and 2-47703; Borden, Inc., 2-47820; Buckbee-Mears Co., 2-47892; Cobe Laboratories, Inc., 2-47951; Corning Glass Works, 2-47939; Dionics, Inc., 2-45103 (90 days); Electrospac Corp., 2-47949; Farmecology Corp., 2-46879 (Aug 28); First Illinois Corp., 2-47767; Geon Industries, Inc., 2-48104; John Hancock Variable Account C, 2-46170; Otter Tail Power Co., 2-47897; J. C. Penney Company, Inc., 2-48139; Ranco Inc., 2-43371; San Diego Gas Electric Co., 2-47996; United Virginia Bankshares Inc., 2-47646

**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.

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 (\$33.00 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.