



Washington, D.C. 20549

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A Daily Summary of
S.E.C. Activities

(Prepared by the SEC Office of Public Information)

(Issue No. 72-198)

FOR RELEASE October 17, 1972

PROPOSED OIL AND GAS INVESTMENT LEGISLATION WILL LESSEN INVESTOR RISK, SAYS OWENS

SEC Commissioner Hugh F. Owens told an oil industry group yesterday that the Commission's proposed legislation involving oil and gas investment programs which was introduced in the Congress earlier this year, will subject programs within its jurisdiction to a variety of limitations and restrictions relating to management practices, marketing and sales techniques and the treatment accorded investors in the programs themselves.

Speaking to the annual meeting of the Independent Petroleum Association of America in Dallas, Commissioner Owens said that, "Investor experience with the oil program investments has been marked by so many distressing episodes, the conflicts of interest have been so sharp and pervasive, and the rational appraisals of the oil program securities have been so difficult for the ordinary investor to make, it was felt that disclosure must be supplemented by regulation."

With these factors paramount in the Commission's thinking, a bill was drafted which both requires the registration of oil programs with the SEC and subjects such programs to a comprehensive pattern of regulation he said.

Mr. Owens stated, however, that the proposed Oil and Gas Investment Act of 1972 is not intended to cover the type of private venture offering envisioned by the exemptive provisions of Section 4(2) of the Securities Act; rather, this legislation is "designed primarily to deal with oil and gas programs or drilling funds which offer their securities or participations to the general public and which provide pass-through tax treatment to their investors."

Speaking about the specific provisions of the bill, Mr. Owens emphasized, among others, those sections which would prescribe certain kinds of dealings between the program and its managers or controlling persons and which would provide for program participants' approval of changes in the oil program's fundamental policies and management contract. Mr. Owens also mentioned the authorization in the pending legislation for NASD rule-making in areas of sales charges, sales literature and suitability of an oil program participation for an investor.

He concluded by stressing that while the bill as proposed "would have very little impact on the traditional ventures operated by small independent oil producers," it would "require many independent oil operators who sponsor public oil programs to make substantial adjustments in their business operations to provide investors much needed protection." These adjustments with their orientation toward protection "could confer a substantial economic benefit upon the oil and gas industry in terms of increased public investor confidence and investment dollars" he added.

COMMISSION ANNOUNCEMENTS

REAL ESTATE COMMITTEE CALLS FOR FULL DISCLOSURE. The Real Estate Advisory Committee established by the Commission on May 3, 1972 to examine disclosure procedures and policy objectives in the area of real estate security interests reported last week that the proper investor protection can best be achieved through informative, understandable and uniform economic disclosure in real estate security offerings. Such a process, the report said, should result in more competition between various types of real estate securities and between real estate security and all other securities in our nation's equity markets.

"If, however, improved disclosure and enforcement does not achieve this end," the Report stated, "a regulatory approach, perhaps one similar to the Oil and Gas Investment Bill of 1972 (which was introduced to the Congress in August 1972), may be necessary."

The Committee said it believes it "imperative to establish uniformity in regulating the distribution of real estate securities. It is this Committee's view that the various regulatory agencies involved in regulating the offer and sale of such securities should act in such a manner so as to facilitate an equitable, competitive flow of funds from the investing public into real estate securities."

In releasing the Report, Chairman Casey said: "I express my own gratitude and that of my colleagues on the Commission to Raymond R. Dickey, who served as Chairman of the Real Estate Advisory Committee and to his distinguished colleagues Francis J. Grey, CPA, Ralph Hocker of the Commission's Division of Corporation Finance, David L. Schwartz and Milton Young."

OVER

FREEDMAN NAMED SEC CONSULTANT ON OECD MATTERS. SEC Chairman William J. Casey announced the appointment of Solomon Freedman as a Consultant to the Commission. Mr. Freedman recently retired as Director of the Commission's Division of Corporate Regulation. He will work intermittently with the Organization for Economic Cooperation and Development in Paris on its program for establishing uniform standards for listing stocks on the securities exchanges in the various countries throughout the world.

Since March 1970, Mr. Freedman has served as U.S. representative on a working group created by the Committee on Financial Markets of the OECD. In announcing the appointment Chairman Casey said: "We are delighted to again have the benefit of Sol Freedman's expertise in this important undertaking of the OECD which has as its objective uniformity in international stock listing requirements and a broadening of investor protection."

FOSTER NAMED DIRECTOR, REGISTRATIONS AND REPORTS. Effective October 29, 1972, a new Office of Registrations and Reports will be established and James C. Foster, currently the Special Assistant to the Director of the Division of Enforcement, will become its Director. This office will have full responsibility for receiving all documents filed at SEC headquarters, extracting data for EDP input, calculating fees and making initial ledger entries, making branch assignments, conducting examination of certain forms (i.e., Broker-Dealers and Investment Adviser filings), and writing delinquency letters for the latter filings.

More than 150,000 public filings are made annually, many of which are submitted in multiples of eight, twelve, or more copies. Eight different offices in the Commission are directly involved in the initial handling stages of these filings, and more than 100 people work in the eight processing units. As many as three units may be involved in the handling of a single document under the present organization, and there is no central receiving room for all filings. A number of benefits will be realized by the consolidation of these activities in one office including the establishment of a one-stop filing service as well as a central point to which the public can direct questions on the progress of a filing, or filing requirements; and the elimination of considerable manual record-keeping.

WARN OF VIOLATION POTENTIAL OF CERTAIN SHORT-SELLING PRACTICES. The Commission's staff today made known its concern that certain trading practices surrounding registered offerings of securities in which there is an existing trading market may be in violation of the federal securities laws, including the anti-fraud and anti-manipulative provisions of the Securities Exchange Act of 1934 and the anti-fraud and registration provisions of the Securities Act of 1933. Although the following fact patterns are by no means exclusive, they are examples of the kinds of practices which may be violative of the federal securities laws.

It has come to the attention of the staff that, prior to the effective date of a registered offering of securities, certain investors sell short the securities that are the subject of the registered offering and cover their short positions on the effective date of the offering or shortly thereafter with securities obtained in the offering or in the open market.

It has also been brought to the staff's attention that underwriters employ certain distribution techniques (particularly in firm commitment underwritings) when they are confronted with a "sticky" or "cold" issue. It appears that certain investors and broker-dealers have been utilized by underwriters and have acted in concert with the underwriters in an undisclosed manner in an effort to facilitate the distribution. It is the opinion of the staff that the above described activities involve possible violations of the anti-fraud and anti-manipulative provisions of the federal securities laws, specifically Sections 9(a)(2) (or 15(c)(1)) and 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder, Section 17(a) of the Securities Act and the registration and prospectus delivery requirements of Section 5 of the Securities Act. (Rel. 33-5323)

COMMENT PERIOD ON PROPOSED RULE 15c3-3 EXTENDED. In Securities Exchange Act of 1934 Release No. 9775, dated September 14, 1972, the SEC republished proposed Rule 15c3-3 in a revised form. The time for submitting such comments has been extended from October 14, 1972 to October 24, 1972. (Rel. 34-9821)

HEARING SET ON PROPOSED RULES OF FINANCIAL ACCOUNTING STANDARDS BOARD. The Commission on October 13 received the draft rules of procedure for the new Financial Accounting Standards Board from the Financial Accounting Foundation. The Foundation has scheduled a public hearing for December 15 to begin at 9:00 a.m. in the Beekman Room of the New York Hilton Hotel. Persons who wish to present their views should notify the Financial Accounting Foundation, 666 Fifth Ave., New York, N. Y. 10019, and submit a position paper or outline by November 20. All other comments should be submitted in writing by December 15. Free copies of the exposure draft are available upon written request from the Foundation.

CONTINUED

DECISIONS IN ADMINISTRATIVE PROCEEDINGS

ROBERT HOFFMAN BARRED. The SEC has issued an order barring Robert Hoffman, of Tacoma, Wash., from association with any broker or dealer. Hoffman did not respond to the charges against him and was deemed in default. According to the Commission's decision, Hoffman, while employed as a securities salesman in 1970, violated anti-fraud provisions of the securities laws by converting customers' funds and securities to his own use; effecting unauthorized securities transactions in customers' accounts; causing customers to believe their accounts were doing well without disclosing they were sustaining substantial losses as a result of his trading activity; and making false and misleading representations concerning his activities. He was also found to have caused a failure to designate orders as entered pursuant to his exercise of discretionary authority and to have signed or caused names of customers to be signed to agreements for margin accounts without their authority. (Rel. 34-9805)

DONALD H. AND DAVID A. ALLDRITT BARRED. The SEC has issued an order barring Donald H. and David A. Alldritt, Wichita, Ks., from association with a broker or dealer. According to the decision, respondents, who are officers of a registered broker-dealer, willfully violated the antifraud provisions of the securities laws by converting customers' funds and securities to their own use. In addition they were found to have aided and abetted violations of the securities laws entailing improper hypothecation, net capital deficiencies, failure to provide free credit balance notification, failure to keep accurate and current books and records, and filing a false financial report, and have been enjoined, with their consent, from violation of books and records provisions.

The respondents consented to the findings and sanctions without admitting or denying the allegations in the order for proceedings. (Rel. 34-9806)

NEW RULES AND RULE PROPOSALS

SOLICITATION OF COMMENTS ON WHETHER TO AMEND RULES PROMULGATED UNDER SECTION 14(a) OF EXCHANGE ACT. The SEC is seeking public comment concerning the merits of amending the Commission's rules under Section 14(a) of the Securities Exchange Act of 1934, 15 U.S.C. 78n(a), to require disclosure in proxy soliciting materials or in corporate annual reports of information required to be filed with the Congress or with the Comptroller of the Currency under the Federal Election Campaign Act of 1971, 86 Stat. 3, concerning the existence and operation of Corporate funds for political purposes in federal elections. The Commission is not now proposing the adoption of rules to require these disclosures, but it has received a petition that it do so, and this action is being undertaken to assist the Commission in its consideration of whether a rule requiring such disclosures would be appropriate in the public interest or for the protection of investors.

Interested persons are requested to submit their comments in writing to the Office of the Secretary, Securities and Exchange Commission, 500 N. Capitol St., Washington, D. C. 20549. All material submitted will be considered a matter of public record. The Commission requests that all comments be mailed in time to be received no later than November 17, 1972. (Rel. 34-9822)

COURT ENFORCEMENT ACTIONS

TRIO SECURITIES, INC. PERMANENTLY ENJOINED. The SEC New York Regional Office announced that on October 3 the Federal court in Brooklyn, N. Y. entered an order, on consent, permanently enjoining Trio Securities Inc., a Brooklyn broker-dealer, from further violations of the net capital, bookkeeping hypothecation and supplemental reporting requirements. Howard G. Michaelson, president, was also permanently enjoined from aiding and abetting violations. At the request of the Securities Investor Protection Corporation and with the consent of Trio and Michaelson, the Court ordered the appointment of Bernard L. Augen as trustee to liquidate Trio. (LR-5566)

COMPLAINT NAMES WESTERN OIL DEVELOPMENT, OTHERS. The Los Angeles Regional Office and San Francisco Branch Office announced the filing on October 10 of a complaint in the Federal district court in San Francisco seeking to enjoin Western Oil Development Corporation, Salvatore Tumminello and William S. Bennett, all of San Mateo, Calif., from further violations of the registration and anti-fraud provisions of the Federal securities laws and George L. Batis, Los Altos Hills, Calif., from further violations of the anti-fraud provisions, all with respect to the securities of Western Oil Development Corporation. (LR-5567)

INVESTMENT COMPANY ACT RELEASES

STATE STREET INVESTMENT CORPORATION. The SEC has issued a notice giving interested persons until November 9 to request a hearing on an application for an order permitting the sale of shares of State Street Investment Corporation, of Boston, without a sales charge, in exchange for the assets of EPG Corp., a personal holding company. (Rel. IC-7420)

OVER

THE BANK OF NEW YORK. The SEC has issued a notice giving interested persons until November 6 to request a hearing upon the application of The Bank of New York, as Trustee of Corporate Leaders Trust Fund for an order permitting the Fund to distribute long term capital gains, if any, semi-annually. (Rel. IC-7425)

UNITED FUNDS CANADA-INTERNATIONAL LTD. The SEC has issued an order exempting from the certain provisions of the Act the sale of substantially all of the assets of United Funds Canada-International Ltd. to United Continental Growth Fund, Inc. in exchange for shares of Growth Fund which shares will then be distributed to the shareholders of International. (Rel. IC-7426)

HOLDING COMPANY ACT RELEASES

WISCONSIN GAS CO. The SEC has issued a notice giving interested persons until November 3 to request a hearing upon a proposal of Wisconsin Gas Company of Milwaukee, Wisc., Milwaukee subsidiary of American Natural Gas Company, to issue and sell up to \$22 million of unsecured promissory notes to banks. The proceeds will be applied by Wisconsin to repay notes outstanding on November 30, 1972 (estimated at \$17,000,000) and to partially finance its 1972 construction program (estimated at \$13,361,000). (Rel. 35-17726)

GRANITE STATE ELECTRIC COMPANY. The SEC has issued a notice giving interested persons until November 3 to request a hearing upon a proposal of Granite State Electric Company, subsidiary of New England Electric System, regarding the issue and sale of 10,000 shares of common stock at \$100 per share by the subsidiary company to the parent. Net proceeds will be applied to payment of short term notes. (Rel. 35-17729)

JERSEY CENTRAL POWER & LIGHT COMPANY. The SEC has issued a notice giving interested persons until November 6 to request a hearing upon an application of Jersey Central Power & Light Company and New Jersey Power & Light Company, Morristown subsidiaries of General Public Utilities Corporation, regarding the sale of certain utility assets by NJP&L to JCP&L for cash in the amount of approximately \$165,000. (Rel. 35-17731)

MISCELLANEOUS

TRADING SUSPENSIONS CONTINUED. The SEC has ordered the suspension of over-the-counter trading in the securities of Oceanography Mariculture Industries, Inc., Trans-East Air, Inc., First World Corporation and Accurate Calculator Corporation for the further ten-day period October 17-26, inclusive.

SECURITIES ACT REGISTRATIONS. Effective October 13: Albright Title & Trust Co., 2-45663 (40 days); Allied Maintenance Corp., 2-46010; First Texas Financial Corp., 2-45562 (90 days); L. S. Good & Co., 2-45747; Pelto Oil Co., 2-44722; Richardson-Merrell Inc., 2-45949; Sensomatic Electronics Corp., 2-42981; Shareholders Recreation Programs, Inc., 2-42863 (90 days); Standard Computer Corp., 2-43698.

CHAMPION HOME BUILDERS CO. The effective date of October 11 applies to Registration Statements File 2-44526 and 44527, but not to File 2-45527 as reported in the October 13 News Digest.

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.

---0000000---

ONLY the SEC News Digest is for sale by the Superintendent of Documents, Government Printing Office, Washington, D. C. 20402. All other referenced material must be ordered from the Securities and Exchange Commission, Washington, D. C. 20549. In ordering full text of releases from SEC Publications Unit cite number.