

sec news digest

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DECISIONS IN ADMINISTRATIVE PROCEEDINGS

PROPOSED NEW ENGLAND ELECTRICITY COMBINE DISAPPROVED

The Commission has rejected a proposal to combine three New England electric utility systems. The Public Utility Holding Company Act of 1935 makes such amalgamations unlawful unless approved by the Commission. In this case New England Electric System, Eastern Utilities Associates and Boston Edison Company wished to join in a single holding company to be called Eastern Electric Energy System.

Observing that the proposed new holding company "would be by far the largest electric system in New England ... and occupy a dominant position in the New England Power Pool," the Commission concluded that "the showing of economies and efficiencies needed to justify an affiliation of this magnitude has not been made." The Commission was mindful of recent sweeping changes in energy economics and said in its opinion that: (1) "It may be that under today's conditions, including the present financial climate, applicants could file a new application and make the requisite showing of resultant economies." (2) After giving some thought to the size of the proposed system, it did not read the Act as necessarily precluding approval. (3) It was holding only that, on the record before it, the required showing of economies had not been made. (Rel. 35-18801)

RULES AND RELATED MATTERS

RULE 3a12-5 ADOPTED; RULE 15c2-5 AMENDED

The SEC on Jan. 31 announced the adoption of Rule 3a12-5 under the Securities Exchange Act of 1934. Rule 3a12-5 exempts certain investment contract securities involving the direct ownership of specified residential real property offered by broker-dealers from Sections 7(c) and 11(d)(1) of the Act, subject to certain conditions. The Commission also announced today the adoption of amendments to Rule 15c2-5 under the Act which have the effect of liberalizing the disclosure and suitability requirements for broker-dealers in the offer or sale of a security involving an extension or arrangement of credit not subject to Regulation T (12 CFR 220). The amendments permit the disclosure requirements of subparagraph (a)(1) of Rule 15c2-5 to be satisfied by the delivery of the information required by that subparagraph in another document, e.g., a prospectus, and permit the broker-dealer to retain in his files the written basis for his suitability determination rather than delivering this statement to the customer, provided that the broker-dealer make such statement available upon request by the customer.

Rule 3a12-5 and the amendments to Rule 15c2-5 are being adopted pursuant to Sections 3(a)(12), 7(c), 11(d)(1), 15(c), and 23(a) of the Act. The effective date for Rule 3a12-5 and the amendments to Rule 15c2-5 is March 3, 1975. (Rel. 34-11220)

COMMISSION ANNOUNCEMENTS

REGULATION A EXEMPTION OF MINCOMP CORPORATION SUSPENDED

The SEC has issued an order temporarily suspending the Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of securities of Mincomp Corporation of Denver, Colorado. Edward R. Mellicker, Jr., a former vice-president and director of the Mincomp, acted as underwriter without commissions of any kind.

Pursuant to a notification filed on July 13, 1973, Mincomp offered 300,000 shares of common stock at \$1 per share for an aggregate of \$300,000. According to the order, the Commission has reason to believe that: (a) the offering circular of Mincomp contains untrue statements of material facts and omits to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, particularly with respect to, among other things, the failure to disclose the existence of repurchase agreements between insiders and various persons purchasing pursuant to the offering and the failure to disclose that securities would be placed in a nominee account; (b) the terms and conditions of Regulation A have not been complied with, particularly with respect to the failure to accurately state the financial condition of the Mincomp; and (c) the offering was made in violation of the antifraud provisions of the securities laws. (Rel. 33-5565)

COURT ENFORCEMENT ACTIONS

ORDER CITES CONTINENTAL FINANCE CORP.

The Chicago Regional Office announced the entry, on January 21, 1975, of an order by Judge Harold Kalina of the District Court, Fourth Judicial District, County of Hennepin, State of Minnesota, in the matter of Warren Spannus, Attorney General, State of Minnesota and Edward J. Driscoll, Securities Commissioner, State of Minnesota v. the Continental Finance Corporation, et al. The order, which was consented to by Continental, provided that Continental would not terminate margin accounts regarding customer coin or bullion account agreements until April 13, 1975; that customers would be notified of this by mail-o-gram; and that any future margin calls would be consistent with Continental's present business practices. The order also provided that the Commissioner of Securities will retain, at Continental's expense, a certified public accountant to monitor Continental's daily operations' who will have full and complete access to Continental's books and records and will review Continental's records with a view to the preparation of weekly financial statements. The accountant will also supervise Continental's pricing system in regard to voluntary liquidation of customers margin accounts in an attempt to insure the best price available in the independent market and will immediately report to the Commissioner any extraordinary withdrawals or disbursements from Continental. Continental agreed to process any customer complaints arising from its January 13, 1975 notice of termination of margin accounts and to notify the Commissioner of the disposition of such complaints.

This order was entered as a result of a joint investigation and effort by the Commissioner of Securities of the State of Minnesota and the Chicago Regional Office of the Securities and Exchange Commission. (LR-6712)

COMPLAINT NAMES LAMB BROTHERS, INC., C. C. LAMB, JR.

The Seattle Regional Office announced that on January 28 a complaint was filed in the U.S. District Court for Oregon, seeking to enjoin Lamb Brothers, Inc., a registered broker and dealer, and its president, Clyde C. Lamb, Jr., both of Portland, Oregon, from further violations of the securities laws and rules of the Commission pertaining to minimum net capital and financial reporting requirements for brokers and dealers. (SEC v. Lamb Brothers, Inc., and Clyde C. Lamb, Jr., U.S.D.C., Oregon, Civil Action No. 75-77). (LR-6713)

INTERNATIONAL CHEMICAL DEVELOPMENT CORP., OTHERS ENJOINED

The New York Regional Office announced that on January 7 U.S. District Judge John T. Curtin in Buffalo, New York, signed orders of permanent injunction against defendants International Chemical Development Corp. (ICDC), Louis G. Meurer, III (Meurer), and EPC Securities, Inc. (EPC). The orders, to which the defendants consented without admitting or denying the allegations of the complaint, enjoin ICDC, Meurer and EPC from violations of the registration provisions of the Securities Act and enjoin ICDC and Meurer from violations of the antifraud provisions of the securities laws as alleged as to any securities of any issuer. EPC, a broker-dealer in Dunkirk, New York, was alleged to have violated only registration provisions of the Securities Act. All of EPC's shares are owned by defendant Castle Sam, who died December 13, 1974. The action against Mr. Sam was dismissed upon the Commission's motion on January 7, 1975.

Judge Curtin, by a decision and order dated December 20, 1974, denied the application of counsel for defendants International Scanning Devices, its president, Louis P. Mirando, and Columbia Security & Transfer, Inc. to withdraw from further representation of these parties. The Court noted that counsel had recognized that preparation and trial of the action would take some time, and that withdrawal would prejudice other defendants and delay the trial, which commenced on January 7, 1975. (SEC v. Inter-

national Scanning Devices, Inc., U.S.D.C., W.D.N.Y., Civil Action No. 74-351).
(LR-6714)

CHRISTOS NETELKOS PERMANENTLY ENJOINED

The New York Regional Office announced that on November 26 the Honorable Walter J. Bruchhausen of the U.S. District Court for the Eastern District of New York, after having granted the Commission's application for summary judgment, permanently enjoined Christos Netelkos of Clifton, New Jersey from violating the antifraud provisions of the securities laws in the offer and sale of the common stock of Coatings Unlimited, Inc., now known as Americas Productions, Inc. All of the other defendants had been permanently enjoined. The complaint was filed on March 20, 1974. (SEC v. Coatings Unlimited, Inc., et al., U.S.D.C., E.D.N.Y. Civil Action No. 72-359). (LR-6715)

RAYMOND D'ONOFRIO AND JOANNE DALY ENJOINED

The New York Regional Office announced that on November 6 the Honorable Edward Weinfeld, U.S. District Court Judge for the Southern District of New York, permanently enjoined Raymond D'Onofrio of St. Petersburg, Florida, and Joanne Daly of Lindenhurst, New York from violations of the registration and antifraud provisions of the securities laws in the offer and sale of the common stock of Meridian Fast Foods Services, Inc., now known as Radiation Services Associates, Inc. The Commission's complaint, filed on June 7, 1973, alleged that D'Onofrio, Daly and others participated in an elaborate scheme to defraud the investing public by, among other things, placing all publicly offered shares of Meridian with a selective group of nominee accounts and then manipulating the over-the-counter trading in the stock. (SEC v. Leonard Cooper, et al., U.S.D.C., S.D.N.Y., Civ. Action 73-2508(EW)). (LR-6716)

HOLDING COMPANY ACT RELEASES

ALABAMA POWER COMPANY

A supplemental order has been issued regarding Alabama Power Company, an electric utility subsidiary company of The Southern Company, authorizing a proposed increase in the amount of Alabama's authorized short-term borrowings from \$135 million to \$235 million. (Rel. 35-18797 - Feb. 3)

GEORGIA POWER COMPANY

The SEC has issued a supplemental order authorizing Georgia Power Company, subsidiary of The Southern Company, to enter into a new credit agreement with a group of non-territorial banks. (Rel. 35-18798 - Feb. 3)

CONNECTICUT YANKEE ATOMIC POWER COMPANY

A notice has been issued giving interested persons until February 27 to request a hearing on a proposal of Connecticut Yankee Atomic Power Company, an electric utility subsidiary company of Northeast Utilities and of New England Electric System, both registered holding companies, to sell short-term notes to banks and/or commercial paper to a dealer in commercial paper in an aggregate amount not to exceed \$30 million outstanding at any one time. (Rel. 35-18799 - Feb. 3)

THE SOUTHERN COMPANY

A notice has been issued giving interested persons until February 28 to request a hearing on a proposal by The Southern Company, a registered holding company, to amend its certificate of incorporation to increase the authorized number of shares of common stock from 110 million to 150 million. Southern's common stockholders will be solicited for their necessary consent to the proposed amendment at Southern's annual meeting to be held on or about May 28, 1975. (Rel. 35-18802 - Feb. 4)

CENTRAL AND SOUTH WEST CORPORATION

A supplemental order has been issued with respect to the terms and conditions of a proposed issue of common stock by Central and South West Corporation, a registered holding company. (Rel. 35-18803 - Feb. 4)

TRADING SUSPENSIONS

ADDITIONAL ACTION ON TWO TRADING SUSPENSIONS

The SEC has ordered the suspension of exchange and over-the-counter trading in the securities of Equity Funding Corporation and over-the-counter trading in the securities of Zenith Development Corporation for the further ten-day period February 6 - 15, inclusive.

SECURITIES ACT REGISTRATIONS

(S-B) MONTREAL URBAN COMMUNITY

385 Sherbrooke Street East, Montreal, Quebec, Canada - \$50 million of sinking fund debentures, due 2000, to be offered for sale through underwriters headed by White, Weld & Co. Incorporated, One Liberty Plaza, 91 Liberty St., New York, N.Y. 10006. The Montreal Urban Community is a regional governmental body for the City of Montreal and 29 other municipalities and has the responsibility for certain municipal functions. (File 2-52754 - Jan. 30)

(S-12) FIRST NATIONAL CITY BANK

111 Wall St., New York, N.Y. 10015 - 100,000 American Depositary Receipts for bearer shares of Societe Nationale des Petroles D'Aquitaine. (File 2-52760 - Jan. 30)

(S-7) RALSTON PURINA COMPANY

Checkerboard Sq., St. Louis, Mo. 63188 - 718,000 shares of common stock, to be offered for sale by The National Life and Accident Insurance Company through underwriters headed by Goldman, Sachs & Co., Kidder, Peabody & Co. Incorporated, Blyth Eastman Dillon & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated, each located in New York, N.Y. The Company's principal business is the production of commercial feeds for livestock and poultry and of dry dog and cat food, and the company is a leading processor of soybeans in the United States. (File 2-52763 - Jan. 31)

REGISTRATIONS EFFECTIVE

Feb. 3: Bache Group, Inc., 2-52584; Ralston Purina Co., 2-52725; Voplex Corp., 2-52442.
Feb. 4: Central and South West Corp., 2-51631; Consolidated International, Inc., 2-49960; Litton Industries, Inc., 2-52355, 2-52592; Minnesota Mining and Manufacturing Co., 2-52408; Montgomery Ward Credit Corp., 2-52341; Municipal Trust Fund, Thirty-Third Monthly Payment Series, 2-52691; PPG Industries, Inc., 2-52690; Palmer Bank Corp., 2-52664; PepsiCo, Inc., 2-52659; Scovill Manufacturing Co., 2-52340.

NOTICE

Many requests for copies of documents referred to in the SEC News Digest have erroneously been directed to the Government Printing Office. Copies of such documents and of registration statements may be ordered from the Public Reference Section, Securities and Exchange Commission, Washington, D.C. 20549. The reproduction cost is 15¢ per page plus postage (\$2 minimum) and 30¢ per page plus postage for expedited handling (\$5 minimum). Cost estimates are given on request. All other referenced material is available in the SEC Docket.

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