



SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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BACKGROUND RELEASE

74-4

Re: SEC v. Ira S. Rosenberg
SEC v. Sorg Printing Co., Inc. }

Both filed August 21, 1974
USDC, SDNY

The Securities and Exchange Commission today filed two actions seeking injunctions for the allegedly illegal use of inside information, in violation of Section 10(b) of the Securities Act of 1934 and Rule 10b-5, thereunder. One of the cases, SEC v. Sorg Printing Co., Inc., concerns the use of so-called "market information."

"Market" information may be defined as information about events or circumstances which affect the market for a company's securities, but which do not affect the company's assets or earning power. Cf. Fleischer, Mundheim and Murphy, "An Initial Inquiry into the Responsibility to Disclose Market Information," 121 U of P L Rev. 800, 801 (1973). Heretofore, Commission injunctive actions have concerned traditional inside information, that is, information concerning the value of a company's assets and earning power. Perhaps the most widely known such case is SEC v. Texas Gulf Sulphur Co., 401 F. 2d 833 (2d Cir. 1968), which concerned the company's discovery of significant new mineral deposits.

"Market" information, on the other hand, frequently concerns trading activity in a company's stock that is not directly related to its assets or earning power. For example, the decision of an institutional investor to purchase or sell a large block of a company's securities, the fact that a prominent analyst will soon make a significant recommendation concerning a company's securities, or the fact that a company will soon announce a split in its securities all constitute "market" information that may tend to influence the purchase or sale of the company's securities.

SEC v. Sorg Printing

Sorg Printing Co., Inc. is located in New York City and is one of the leading financial and corporate printers in the United States. It employs approximately 400 employees in its New York plant. Since October 30, 1973, Sorg has printed materials for at least ten tender offers.

The complaint alleges that on May 14, 1971, the Commission advised Sorg of "possible abuses by its employees of material non-public information concerning a tender offer being printed at Sorg" and "advised that it was imperative that Sorg adopt and implement procedures to safeguard the confidentiality of material non-public information."

The complaint further alleges that three employees of Sorg, Nunzio Meringolo and Meyer Saroff, both composers, and Irving Kramer, a linotype operator, made purchases of securities of proposed target companies in seven tender offers, or passed information to others who also made purchases, without disclosing the information. The seven companies are: Airco, Inc. (NYSE); Funk Seeds International (NASDAQ); Elco Corporation (Amex); CF&I Steel Corporation (PCX); Scurry-Rainbow Oil, Ltd. (Amex); Intercontinental Diversified Corporation (NYSE); and Airwick Industries, Inc. (Amex). Attached is a chart illustrating the following: Target Company; Offeror; Date Sorg began work on tender materials; Date offer announced and bid price; and purchases by three Sorg employees (including number of shares, price and dates of purchases).

In this case, the Commission is seeking an injunction to halt violations of Section 10(b) and Rule 10b-5, and an order directing Sorg to implement an effective system which would reasonably be expected to prevent and detect further abuses.

SEC v. Rosenberg

In SEC v. Rosenberg, it is alleged that Mr. Rosenberg, while acting as resident counsel and assistant secretary of Barbara Lynn Stores (BLS), on July 3, 1974, was furnished draft proxy material indicating that Lynbar Corp., a new privately owned company, would purchase all BLS' outstanding stock somewhere between market price (\$2.50/share) and book value (\$8.50/share) in order to merge BLS into Lynbar Corp., therefore becoming a "private company." Between July 3 and July 11, it is alleged that Mr. Rosenberg purchased 2,000 shares of BLS at approximately \$2.50 per share.

Subsequently, on July 15, 1974, Mr. Rosenberg allegedly saw an appraiser's report recommending that Lynbar purchase BLS stock at between \$3.75 and \$4.00 per share. On July 15 and 16, 1974, Mr. Rosenberg is alleged to have purchased 1,300 additional shares of BLS at approximately \$2.50 per share. The Commission alleges that these transactions violated Section 10(b) and Rule 10b-5 since they constituted purchases of BLS while Rosenberg was in possession of material non-public information concerning the proposed merger and its terms. It seeks an injunction to halt such violations.