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RULES AND RELATED MATTERS

U.S. SECURITIES AND EXCHANGE COMMISSION

RULE 206(3)-2 ADOPTED

The Commission announced the adoption of Rule 206(3)-2 under the Investment Advisers Act of 1940 to provide a method of compliance with Section 206(3) of the Act with respect to effecting agency cross transactions for advisory accounts. (Rel. IA-589)

COMMISSION ANNOUNCEMENTS

IOS, LTD., OTHERS

The Commission has announced that on May 19 the four IOS "Dollar Funds" settled litigation in the Supreme Court of Ontario, Canada against Bahamas Commonwealth Bank and others, recovering some \$123,800,000 in cash. The "Dollar Funds", so named because these former IOS funds valued their portfolio securities in U.S. Dollars, include: Fund of Funds, Limited; Venture Fund (International) N.V.; IIT, an International Investment Trust and IOS Growth Fund.

The \$123,800,000 was included in moneys held at the Bank of Montreal. The Dollar Funds alleged that these moneys were improperly and illegally converted by Robert L. Vesco and his associates from Dollar Fund assets held in European banks. These moneys were transferred by Vesco and others from Overseas Development Bank (Luxembourg) to Bahamas Commonwealth Bank and then to the Bank of Montreal. The Funds were frozen at the Bank of Montreal after the initiation of the SEC's complaint against Vesco and some 41 other defendants on November 27, 1972.

Subsequent to the SEC action, liquidators were appointed for each of the four Dollar Funds. These liquidators have assembled and collected assets of the Dollar Funds which assets were scattered and concealed around the world by Vesco and his associates. The \$123,800,000 cash recovery for the four funds represents a significant milestone in the recovery of assets and liquidation of the Funds.

From this money, IIT fundholders will receive a payment of some \$3.75 per share in October 1977. It is expected that Fund of Fund shareholders will receive a payment of some \$1.50 per unit in July 1977 and that Venture Fund fundholders will also receive a distribution of \$1.50 per share.

The allocation of funds recovered among the four Dollar Funds is as follows:

<u>FUND</u>	<u>AMOUNT</u>
IIT, an International Investment Trust	\$99,950,000
Fund of Funds	18,800,000
IOS Growth Fund	380,000
Venture Fund (International) N.V.	4,670,000
	<u>\$123,800,000</u>

REGISTRATION OF CLEARING AGENCIES

The SEC requested comment on proposed Commission standards for making the determinations required by paragraph 17A(b)(3) of the Securities Exchange Act of 1934 in connection with the registration of clearing agencies. The Commission also issued an order, pursuant to paragraph (c) of Rule 17Ab2-1 under the Act, extending until September 1, the existing registrations of The Depository Trust Company, Bradford Securities Processing Services, Inc., Stock Clearing Corporation of Philadelphia, Boston Stock Exchange Clearing Corporation, Midwest Securities Trust Company, The Options Clearing Corporation, Midwest Clearing Corporation, Pacific Securities Depository Trust Company, Pacific Clearing Corporation and TAD Depository Corporation which were granted registration on December 1, 1975, and announced that the Commission had extended to September 1 the time for concluding proceedings, pursuant to Sections 17A and 19 of the Act and Rule 17Ab2-1 thereunder, to determine whether to grant or deny registration to those registered clearing agencies at the expiration of their existing registrations. (Rel. 34-13584)

COURT ENFORCEMENT ACTIONS

FRANK R. WEST ENJOINED

The Denver Regional Office announced that on May 4 following a trial, the Honorable Warren K. Urbom, Chief Judge of the U.S. District Court, District of Nebraska, entered an order, in substance, permanently enjoining Frank R. West of Elkhorn, Nebraska from (1) assuming any position as officer or director of American Beef Packers, Inc. or any successor or subsidiary of American Beef Packers, Inc., except upon a showing to the court that procedures have been instituted to prevent a recurrence of violations of the securities laws of the U.S. and (2) filing with the Commission or using on behalf of any company any proxy material or annual report of that company which contains statements which are false or misleading with respect to any material fact or 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.

The Court dismissed with prejudice all claims against Gayle S. Tate and William D. Cairney, former directors of American Beef Packers, Inc.

In its Memorandum Decision, in reference to the 1975 proxy material and annual report, the Court in part wrote, "For purposes of proxy material and annual reports, the president's knowledge is imputed to the corporation. Both acted in the preparation and distribution of the proxy materials with intent to deceive." With further reference to the company the Court concluded, in substance, that since the present management was not involved in any of the violations of the securities laws, there was no need to enjoin the company. (SEC v. American Beef Packers, Inc., et al., USDC, District of Nebraska, Civil Action No. 76-0-68). (LR-7948)

INVESTMENT COMPANY ACT RELEASES

INVESTORS SYNDICATE OF AMERICA

A notice has been issued giving interested persons until June 27 to request a hearing on an application of Investors Syndicate of America, Inc. (Investors), a registered face-amount certificate company and a wholly-owned subsidiary of Investors Diversified Services, Inc. (IDS); and IDS Properties, Inc. (Properties), also a wholly-owned subsidiary of IDS, for an order of the Commission permitting Investors to consent to the sale of certain real estate by Properties and the assumption of certain mortgages and notes by the buyer. (Rel. IC-9788 - June 1)

THE JAPAN FUND

A notice has been issued giving interested persons until June 26 to request a hearing on an application of The Japan Fund, Inc., for an order of the Commission pursuant to Section 10(f) of the Act to permit it to purchase securities from underwriting syndicates in Japan of which an affiliated person of its sub-adviser is a member. (Rel. IC-9789 - June 1)

MASSMUTUAL CORPORATE INVESTORS

An order has been issued pursuant to Section 17(b) of the Act exempting from the provisions of Section 17(a) of the Act a proposed sale of \$1,095,000 of an issue of 10-1/2% subordinated notes, due 1987, and \$405,000 of an issue of 10-1/2% convertible subordinated notes, due 1989, of WellTech, Inc. to MassMutual Corporate Investors, Inc. (Fund), a registered closed-end, non-diversified, management investment company, by the Fund's investment adviser, Massachusetts Mutual Life Insurance Company. (Rel. IC-9790 - June 1)

HOLDING COMPANY ACT RELEASES

NEW ENGLAND ELECTRIC SYSTEM

A notice has been issued giving interested persons until June 27 to request a hearing on a proposal of New England Electric System, a registered holding company, that it issue and sell at competitive bidding up to 1,250,000 shares of common stock. (Rel. 35-20056 - May 31)

APPALACHIAN POWER COMPANY

An order has been issued authorizing Appalachian Power Company, subsidiary of American Electric Power Company, Inc., to amend its Charter to convert authorized \$100 par preferred shares into shares with no par value and to increase the authorized preferred stock from 3,000,000 to 8,000,000 shares. (Rel. 35-20057 - June 1)

SELF-REGULATORY ORGANIZATIONS

NOTICE OF PROPOSED RULE CHANGE

The Chicago Board Options Exchange, Incorporated has filed a proposed rule change under Rule 19b-4 (SR-CBOE-77-10) to require that options be restricted on that exchange only when such options are restricted on all exchanges which list such options; and to provide an exception to the restricted options rule for those spread orders in which both sides of the spread are not executed simultaneously. Publication of the proposal is expected to be made in the Federal Register during the week of June 6. (Rel. 34-13585)

The American Stock Exchange, Inc. has filed a proposed rule change under Rule 19b-4 (SR-Amex-77-10) to require that options be restricted on that exchange only when such options are required to be restricted on all exchanges. Publication of the proposal is expected to be made in the Federal Register during the week of June 6. (Rel. 34-13586)

SECURITIES ACT REGISTRATIONS

(S-1) THE CONESTOGA TELEPHONE AND TELEGRAPH COMPANY

202 East First St., Birdsboro, Pa. 19508 - 55,876 shares of common stock. It is proposed to offer these shares for subscription by common shareholders of record June 1 at the rate of one share for each five shares held, and at \$21 per share. The company is an independent telephone company. (File 2-59000 - May 12)

(S-1) CONSOLIDATED OIL & GAS, INC.

1860 Lincoln St., Denver, Colo. 80295 - 1,108,548 shares of common stock and 84,200 common stock purchase warrants, Series 1976 of which common stock (a) 231,108 shares are reserved by the company to be issued upon conversion of \$3,851,800 principal amount Series B 8% convertible sinking fund debentures, due 1986 (Series B debentures); (b) 392,400 shares are reserved by the company to be issued upon exercise of 392,400 common stock purchase warrants, Series 1974, which are outstanding, and (c) 485,040 shares are reserved by the company to be issued upon exercise of 485,040 common stock purchase warrants, Series 1976, which are outstanding, and 84,200 common stock purchase warrants, Series, 1976, which are being offered by selling warrant holders. (File 2-59019 - May 16)

(S-16) LOWE'S COMPANIES, INC.

P.O. Box 1111, North Wilkesboro, N.C. 28656 - 174,851 shares of common stock, to be distributed by Lowe's Companies Profit Sharing Plan and Trust to retiring employees at values determined as of December 31, 1976. The company operates a chain of lumber and building material stores. (File 2-59050 - May 16)

(S-5) FEDERATED OPTION INCOME FUND, INC.

421 Seventh Ave., Pittsburgh, Pa. 15219 - 2,000,000 shares of capital stock, to be offered for sale through underwriters represented by E. F. Hutton & Company Inc., One Battery Park Plaza, New York, N.Y. 10004. The Fund is a newly organized open-end, diversified management investment company whose objective is to seek a high current return by investing primarily in high quality, dividend paying common stocks, selling covered call options on such stocks and entering into closing purchase transactions with respect to certain of such call options. (File 2-59051 - May 18)

(S-14) WARNER COMMUNICATIONS INC.

75 Rockefeller Plaza, New York, N.Y. 10019 - \$29,011,000 of 9-1/8% subordinated sinking fund debentures, due 1996, to be offered in exchange for all the outstanding common shares of Knickerbocker Toy Co. Inc., on the basis of \$10.00 principal amount of debentures and cash in an amount equal to \$9.00 less the interest accrued on \$10.00 principal amount of debentures to the date of the merger for each share of Knickerbocker common stock. Warner Communications is engaged primarily in the entertainment and communications business. (File 2-59075 - May 20)

(S-14) FARMERS GROUP, INC.

4680 Wilshire Blvd., Los Angeles, Cal. 90010 - 156,085 shares of common stock. Farmers Group, Inc. (Farmers) proposes to offer these shares in connection with its proposed acquisition of all publicly held shares of Investors Guaranty Life Insurance Company (Investors) at the rate of one Farmers share for each publicly held share of Investors common stock. The proposed acquisition is to be accomplished by merging a wholly-owned subsidiary of Farmers into Investors. Farmers presently owns 71.8 percent of Investors common stock. Farmers is a management and insurance holding company, which is primarily engaged in the management of property and casualty insurance companies. (File 2-59096 - May 24)

(S-1) GRACER ENERGY 1977 DRILLING PROGRAM, LTD.

580 Sylvan Ave., Englewood Cliffs, N.J. 07632 - 2,000 preformation limited partnership interests (\$10 million program subscription), to be offered for sale at \$5,000 per interest (minimum subscription: two interests) through selected NASD members as selling agents, on a "best efforts" basis. The Partnership will be formed to invest and serve as joint venturer in two joint ventures to be formed to acquire leases and to explore for, develop and produce oil and gas. (File 2-59109 - May 25)

(S-1) CHASE MANHATTAN MORTGAGE AND REALTY TRUST

One Pennsylvania Plaza, New York, N.Y. 10001 - \$50 million of convertible subordinated debentures, due 1997, and 20,000,000 common shares. It is proposed that these securities be exchanged for the Trust's outstanding 7-1/2% subordinated notes, due 1983, 6-3/4% convertible subordinated debentures, due 1990, and 6-1/2% convertible subordinated debentures, due 1996, at a rate to be determined. Lehman Brothers Inc. and Lazard Freres & Co. have agreed to act as dealer managers of the proposed exchange offer. Chase Manhattan Mortgage and Realty Trust is engaged in the business of managing its portfolio of diversified real property investments, which include equity interests in real estate and mortgage loans secured by real estate. (File 2-59138 - May 27)

(S-1) TRANS WORLD AIRLINES, INC.

605 Third Ave., New York, N.Y. 10016 - 5,000,000 shares of Series B cumulative preferred stock and up to 2,000,000 shares of common stock, to be offered for sale in 5,000,000 units, each consisting of one share of Series B cumulative preferred stock and an as yet undetermined fraction of one share of common stock, and at \$20.00 per unit through underwriters headed by Dillon, Read & Co. Inc., 46 William St., New York, N.Y. 10005; E. F. Hutton & Company, Inc., One Battery Park Plaza, New York, N.Y. 10004; and Smith Barney, Harris Upham & Co. Inc., 1345 Avenue of the Americas, New York, N.Y. 10019. The company is engaged primarily in commercial air transportation. (File 2-59152 - May 27)

(S-11) BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

Bank of America Center, 555 California St., San Francisco, Cal. 94104 - 1,500 mortgage backed certificates evidencing undivided interests in a pool of conventional single-family 8-3/4% mortgage loans originated and serviced by Bank of America National Trust and Savings Association (the Bank) and having aggregate principal balances of approximately \$150 million. The certificates, in minimum denominations of approximately \$100,000, are to be offered for sale through an underwriting group managed by Salomon Brothers, One New York Plaza, New York, N.Y. 10004, Blyth Eastman Dillon & Co. Inc., One Chase Manhattan Plaza, New York, N.Y. 10005, Merrill Lynch, Pierce, Fenner & Smith Inc., One Liberty Plaza, 165 Broadway, New York, N.Y. 10006, Paine, Webber, Jackson & Curtis Inc., 140 Broadway, New York, N.Y. 10005 and Dean Witter & Co. Inc., 14 Wall St., New York, N.Y. 10005. (File 2-59154 - May 31)

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 10¢ per page plus postage (7 days) (\$3.50 minimum); 20¢ per page plus postage for expedited service (4 days) (\$5.00 minimum) and 30¢ per page plus postage for priority service overnight (\$5.00 minimum). Cost estimates are given on request. All other reference material is available in the SEC Docket.

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