

C-2

sec news digest

Issue 78-235

DEC 7 1978

December 6, 1978

U.S. SECURITIES AND EXCHANGE COMMISSION

RULES AND RELATED MATTERS

COMMISSION ADOPTS PROXY RULE AMENDMENTS RELATING TO STRUCTURE, COMPOSITION AND FUNCTIONING OF ISSUERS' BOARD OF DIRECTORS

The Commission has approved the adoption of proposed rule, form and schedule amendments to provide shareholders with information to assist their more informed assessment of the structure, composition and functioning of issuers' boards of directors. The Commission also is adopting rules which afford shareholder-proponents an opportunity to review the accuracy of management statements in opposition to shareholder proposals prior to the mailing of issuers' proxy soliciting materials and which provide information about the terms of settlement of proxy contests. The amendments to the proxy rules are effective for fiscal years ending on or after December 25, 1978 for initial filings on or after January 15, 1979. Related amendments to forms 8-K, 10-Q and N-1Q are effective for all issuers for filings made on or after January 15, 1979 for periods ending on or after December 25, 1978. (Rel. 34-15384)

In a related action, the Commission withdrew a rule proposal to require institutional investors which are subject to the Commission's proxy rules to disclose their proxy voting policies and procedures. These rules were proposed for public comment on July 18, 1978 and represent the first stage of the Commission's response to the issues raised in its ongoing proceeding relating to shareholder communications, shareholder participation in the corporate electoral process and corporate governance generally. (Rel. 34-15385)

FOR FURTHER INFORMATION CONTACT: Barbara L. Leventhal at (202) 755-1750

ADMINISTRATIVE PROCEEDINGS

INITIAL DECISION REJECTS VANGUARD GROUP'S PROPOSED INTERNALIZED DISTRIBUTION ARRANGEMENTS

Administrative Law Judge Max Regensteiner has issued an initial decision denying an application by the Vanguard Group of Investment Companies for approval under the Investment Company Act of certain internalized distribution arrangements. The Vanguard Group comprises 14 funds, which have the same directors and whose jointly owned service company provides corporate management and administrative services. After they filed the present application in 1977, the Commission authorized them to proceed with internalized distribution on a temporary basis (pending hearings and final determination of the application). Since October 1977, the funds have distributed their shares through the service company, sharing distribution expenditures on the basis of relative net assets. However, the initial decision concludes that the asset-related method for allocating those expenditures is unfair at least to Wellington Fund, the largest of the Vanguard funds. In order to give the Vanguard Group a reasonable opportunity to amend the application so as to bring distribution arrangements into conformance with the findings made in the initial decision, that decision extends the temporary authorization to February 1, 1979.

The initial decision is subject to Commission review on petition of a party or participant or on the Commission's own initiative.

VICTOR TOSTADO BARRED

The Commission announced that it entered an Order barring Victor Tostado, a former registered representative, from association with any broker, dealer, investment company or investment advisor registered or required to be registered with the Commission. The Order was entered in previously announced administrative proceedings, in which Tostado had been charged with churning and suitability violations in connection with listed option activity in customers accounts. The Commission made findings

that Tostado wilfully violated and wilfully aided and abetted violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder. The Order provides that after forty-two months from its effective date, Tostado may apply to become reassociated in a non-supervisory capacity upon a showing that he will be adequately supervised. In an offer of settlement submitted by Tostado, he neither admitted nor denied the allegations contained in the Order for Proceedings. (Rel. 34-15357)

GOLDMAN, SACHS & CO. SANCTIONED

Goldman, Sachs & Co. was censured by the Commission and ordered to send to certain of its customers a letter, describing certain practices that the Commission's Order for Public Administrative Proceedings had charged them with engaging in and the fact that it would not, in the future, engage in these practices. The sanctions imposed were consistent with those contained in an Offer of Settlement which Goldman, Sachs & Co. submitted to the Commission. In the Offer of Settlement, Goldman, Sachs & Co., while neither admitting nor denying the allegations of the Order for Proceedings, consented to the entry of findings that they wilfully violated the bookkeeping and antifraud provisions of the Securities Exchange Act of 1934 and failed to supervise an employee with a view towards preventing the alleged violations.

The Commission's Order for Public Administrative Proceedings had alleged that Goldman, Sachs & Co. had engaged in a series of trades with American City Bank & Trust Co., N.A. of Milwaukee, Wisconsin, in which Goldman, Sachs & Co. purchased certain securities from the bank at prices that were higher than their then current market price while selling other securities back to the bank at prices which were also higher than their then current market price. It was alleged that these trades were effected to enable the bank to conceal losses in its portfolio accounts, thereby enabling its parent holding company, American Bankshares Corp., to misstate its financial condition in reports filed with the Commission. (Rel. 34-15359)

INVESTMENT COMPANY ACT RELEASES

PUTNAM MARINER FUND, INC.

An order has been issued on an application of Putnam Mariner Fund, Inc. declaring that it has ceased to be an investment company. (Rel. IC-10508 - Dec. 4)

HOLDING COMPANY ACT RELEASES

PHILADELPHIA ELECTRIC POWER COMPANY

A notice has been issued giving interested persons until December 26 to request a hearing on a proposal of Philadelphia Electric Power Company (PEPCo), a registered holding company, and The Susquehanna Power Company (SPCo), a public utility company, seeking authorization to permit PEPCo and SPCo to issue up to \$4.25 million and \$4 million, respectively, of short term notes to banks. (Rel. 35-20805 - Dec. 1)

MIDDLE SOUTH UTILITIES, INC.

A notice has been issued giving interested persons until December 26 to request a hearing on a proposal of Middle South Utilities, Inc., a registered holding company, to issue and sell at competitive bidding up to 8,500,000 shares of common stock. Middle South estimates the sale will result in net proceeds of \$127,500,000. The proceeds of the sale will be used to repay Middle South's outstanding bank loans. (Rel. 35-20806 - Dec. 1)

THE COLUMBIA GAS SYSTEM, INC.

A notice has been issued giving interested persons until December 26 to request a hearing on a proposal of The Columbia Gas System, Inc., a registered holding company, and 14 of its wholly-owned subsidiaries whereby Columbia will make open account advances to its subsidiaries and such subsidiaries will make intrasystem prepayments of promissory notes held by Columbia. The maximum amount of such prepayments is estimated at \$819,300,000 at any one time outstanding. (Rel. 35-20807 - Dec. 1)

TRUST INDENTURE ACT RELEASES

UNION TANK CAR COMPANY

An order has been issued under the Trust Indenture Act of 1939 on an application of Union Tank Car Company that the trusteeship of The Northern Trust Company under two equipment trust agreements is not so likely to involve a material conflict of interest as to make it necessary to disqualify The Northern Trust Company from acting as trustee. (Rel. TI-520)

SELF-REGULATORY ORGANIZATIONS

NOTICE OF PROPOSED RULE CHANGE

The National Association of Securities Dealers, Inc. has rescinded a rule change (SR-NASD-78-15) to increase the variable portion of its membership fees and has re-submitted the same rule under Rule 19b-4 (SR-NASD-78-18). The rule change became effective upon filing. Publication of the proposal is expected to be made in the Federal Register during the week of December 11. (Rel. 34-15382)

APPROVAL OF PROPOSED RULE CHANGE

The Commission, Commissioners Evans and Pollack dissenting, has approved two proposed rule changes filed by the American Stock Exchange, Inc. (SR-Amex-77-3 and SR-Amex-77-18), and withdrawn its previous disapproval order with respect to SR-Amex-77-3. The rule changes modify the Amex listing standards in order to permit certain domestic and foreign issuers to list, on the Amex, securities which currently are not eligible for listing thereon. Commissioners Evans and Pollack have issued a separate statement of views concerning the Amex rules proposals. (Rel. 34-15376)

SECURITIES ACT REGISTRATIONS

The following registration statements have been filed with the SEC pursuant to the Securities Act of 1933. The information noted below has been taken from the cover page and the facing sheet of the prospectus and registration statement and will appear as follows: Form; Name, address and phone number (if available) of the issuer of the security; Title and the number or face amount of the securities being offered; Name of the managing underwriter (if applicable); Whether the offering is a rights offering; and File number and date filed.

- (S-1) THE FUTURE FUND, 222 South Riverside Plaza, Chicago, Ill. 60606 - 10,000 units of limited partnership interest. (File 2-63160 - Dec. 4)
- (S-1) NATURAL RESOURCE MANAGEMENT CORPORATION, 900 Building of the Southwest, Midland, Tex. 79701 - 800 units of preformation limited partnership. (File 2-63162 - Dec. 5)
- (S-2) TEMP-STIK CORPORATION, 1599 Superior Ave., Suite B-6, Costa Mesa, Cal. 92627 - 10,000 shares of common stock. (File 2-63163 - Dec. 5)
- (S-1) USERS INCORPORATED, 1250 Drummers Lane, Valley Forge, Pa. 19481 - 1,000 shares of common stock. The company is engaged in providing data processing and automated accounting services to credit unions. (File 2-63164 - Dec. 5)

REGISTRATIONS EFFECTIVE

Dec. 1: Alagasco, Inc., 2-62942; Audiotronics Corp., 2-62847; Benjamin Moore & Co., 2-62626; CB&T Bancshares, Inc., 2-62957; Damson Oil Corp., 2-63070; Fidelity Asset Investment Trust, 2-61760; General Signal Corp., 2-62801; Georgia-Pacific Corp., 2-62702; Itel Corp., 2-63018; Johns-Manville Corp., 2-63147; Scientific-Atlanta, Inc., 2-62728; Wallace Business Forms, Inc., 2-63000.



U. S. SECURITIES AND EXCHANGE COMMISSION
POSTAGE AND FEES PAID

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FIRST CLASS MAIL

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

SEC NEWS DIGEST is published daily. Subscription rates: \$64.45/yr in U.S. first class mail; \$80.60 elsewhere.

SEC DOCKET is published weekly. Subscription rates: \$43.70/yr in U.S. first class mail; \$54.65 elsewhere.

SEC STATISTICAL BULLETIN is published monthly. Subscription rates: \$15.00/yr in U.S. first class mail; \$18.75 elsewhere.

The News Digest, the Docket, and the Statistical Bulletin are for sale by the superintendent of Documents, Government Printing Office, Washington, D.C. 20402.