

# sec news digest

Issue 77-110  
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## COMMISSION ANNOUNCEMENTS

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### DELEGATION OF AUTHORITY TO THE DIRECTOR OF THE DIVISION OF MARKET REGULATION

The Commission has announced the amendment of Section 200.30-3 of the Commission's Statement of "Organization; Conduct and Ethics; and Information and Requests" by adding new paragraph (a)(25) to Chapter II of Title 17 of the Code of Federal Regulations. The amendment delegates to the Director of the Division of Market Regulation authority to exchange with Federal bank regulatory agencies notices of examination, and copies of reports and related data resulting from examination, of a bank clearing agency, transfer agent, or municipal securities dealer. (Rel. 34-13605)

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## COURT ENFORCEMENT ACTIONS

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### COMPLAINT NAMES FOREST LABORATORIES, INC., OTHERS

The SEC announced the filing of a complaint in the U.S. District Court for the Southern District of New York against Forest Laboratories, Inc. (Forest), a New York based pharmaceutical company, Hans Lowey (Lowey), formerly Chairman of the Board and President of Forest, Ian Stewart (Stewart), a former Treasurer of Forest, Milton Dorison (Dorison), a former President of Forest, and Robert Sein (Sein), a manager of a Forest subsidiary in Puerto Rico. The complaint seeks to enjoin the defendants from violations of the antifraud provisions of the Securities Act of 1933 (Securities Act) and the antifraud, reporting and proxy provisions of the Securities Exchange Act of 1934 (Exchange Act) and seeks certain ancillary relief.

The Commission's complaint alleges violations of the securities laws in connection with Forest's falsely inflating revenues recorded on its books and records by approximately \$4 million in the aggregate in connection with sales and purported sales by Forest to three of its major European customers, Pharmax, Limited (Pharmax), a subsidiary of a large British public company, LRC International; Wenumia Trading Co. of Apeldoorn Holland (Wenumia), a company wholly-owned by Lowey's cousin, Alice Schaier; and Laboratoire Roger Bellon (Bellon), a French publicly held company. Such inflation of sales was accomplished, in part by the preparation and maintenance of two sets of invoices, one set for the customer and shipper which reflected the true price of the goods sold, and the other set for recordation on the books and records of Forest, which reflected an inflated price for the goods sold, in some cases inflated two, three or more times the true price. According to the Commission's complaint, the above schemes resulted (in most years from 1963 through 1973) in reported earnings of Forest being inflated to levels substantially higher than the true earnings of Forest for such years.

The Commission also announced that Forest consented to the entry of a final judgment of permanent injunction restraining and enjoining Forest from further violations of the antifraud provisions of the Securities Act and the antifraud, reporting and proxy provisions and requirements of the Exchange Act and ordering certain other relief. Forest consented to the entry of the final judgment without admitting or denying the allegations of the Commission's complaint. The Court's order provides that Forest's counsel and independent public accountants shall conduct an investigation of and prepare a report covering the period from April 1, 1963 to date encompassing the matters set forth in the complaint. Under terms of the Court's order, such investigation will be reviewed by a Special Review Counsel. (SEC v. Forest Laboratories, Inc., et al., U.S.D.C. S.D.N.Y., Civil Action No. 77-Civ-2745 MEL). (LR-7956)

VALEER INDUSTRIES, INC.,  
CLYDE R. JOHNSON ENJOINED

The Chicago Regional Office announced that on April 18 Judge John Powers Crowley of the U.S. District Court for the Northern District of Illinois, Eastern Division, entered a final judgment of permanent injunction against Valeer Industries, Inc. and its president, Clyde R. Johnson. The order enjoins Valeer and Johnson from further

violations of the registration and antifraud provisions of the securities laws. The defendants consented to the entry of the judgment of permanent injunction without admitting or denying the allegations in the Commission's complaint. (SEC v. Valeer Industries, Inc., ND Ill., 76-C-3753). (LR-7954)

#### CHARLES D. PRUTZMAN, JR. ENJOINED

The Commission announced that on May 28 an order of final judgment of permanent injunction was entered by U.S. District Court Judge Howard Turrentine against Charles D. Prutzman, Jr. Prutzman, who was charged with violations of the antifraud, reporting and proxy solicitation provisions of the securities laws while acting as U.S. Financial, Inc.'s special counsel in corporate and securities matters, consented to the entry of the order without admitting or denying the allegations in the Commission's complaint. In doing so, Prutzman has also agreed not to practice before the Commission for a period of 90 calendar days from the date of entry of the judgment. (SEC v. U.S. Financial, Inc., et al., S.D. Cal., Civil Action No. 74-92-T). (LR-7955)

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## INVESTMENT COMPANY ACT RELEASES

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#### AMERICAN GENERAL MUNICIPAL BOND FUND

A notice has been issued giving interested persons until June 30 to request a hearing on an application on behalf of American General Municipal Bond Fund, registered under the Act as an open-end investment company, for an order declaring that it has ceased to be an investment company. (Rel. IC-9802 - June 6)

#### LA SALLE FUND

A notice has been issued giving interested persons until July 1 to request a hearing on an application of La Salle Fund, Inc., for an order declaring that it has ceased to be an investment company. (Rel. IC-9803 - June 6)

#### LANDMARK GROWTH FUND

A notice has been issued giving interested persons until July 1 to request a hearing on an application of Landmark Growth Fund, Inc., for an order declaring that it has ceased to be an investment company. (Rel. IC-9804 - June 6)

#### MIDWEST SECURITIES INVESTMENT

A notice has been issued giving interested persons until July 1 to request a hearing on an application of Midwest Securities Investment, Inc. (the Fund), for an order pursuant to Section 8(f) of the Act declaring that the Fund has ceased to be an investment company. (Rel. IC-9805 - June 6)

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## HOLDING COMPANY ACT RELEASES

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#### NORTHEAST UTILITIES

A notice has been issued giving interested persons until June 28 to request a hearing on a proposal of Northeast Utilities and three of its subsidiaries, Western Massachusetts Electric Company, The Connecticut Light and Power Company and The Hartford Electric Light Company, whereby each company will issue notes to banks or dealers in commercial paper. The maximum amounts, at any one time outstanding, of such notes are as follows: Northeast, \$50 million; Connecticut Light and Power, \$110 million; Hartford Electric, \$40 million; and Western Massachusetts Electric, \$40 million. Northeast will use the proceeds of the sales to make capital contributions and open account advances to its subsidiaries. The subsidiaries will use the proceeds of their sales to finance their respective construction programs. (Rel. 35-20064 - June 6)

#### CONSOLIDATED NATURAL GAS COMPANY

An order has been issued authorizing proposals of Consolidated Natural Gas Company and certain of its subsidiaries to engage in intrasystem financing, and the issuance of commercial paper and notes to banks by the holding company. (Rel. 35-20065 - June 6)

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## SELF-REGULATORY ORGANIZATIONS

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### NOTICE OF PROPOSED RULE CHANGE

The Midwest Securities Trust Company has filed a proposed rule change pursuant to Rule 19b-4 (SR-MSTC-77-4) to establish, and to set fees for, a book-entry underwriting distribution service. Publication of the proposal is expected to be made in the Federal Register during the week of June 6. (Rel. 34-13601)

The Midwest Clearing Corporation and the Midwest Securities Trust Company have filed, pursuant to Rule 19b-4, proposed rule changes (SR-MCC-77-2 and SR-MSTC-77-6) to extend clearance and settlement and depository services to debt securities. Publication of the proposals is expected to be made in the Federal Register during the week of June 6. (Rel. 34-13602)

### APPROVAL OF PROPOSED RULE CHANGE

The Commission has approved a proposed rule change filed by the American Stock Exchange Inc. The rule change (SR-Amex-75-15) establishes a new class of memberships to be known as options principal members (OPM's) to trade solely in options for their own accounts with certain obligations. (Rel. 34-13593)

The Commission has approved a proposed rule change filed by the New England Securities Depository Trust Company under Rule 19b-4 (SR-NESDTCO-77-6) establishing a depository interface with the Midwest Securities Trust Company. (Rel. 34-13600)

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## MISCELLANEOUS

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### THE KANSAS CITY STAR COMPANY

A notice has been issued giving interested persons until June 27 to request a hearing on an application of The Kansas City Star Company (Applicant) pursuant to Section 12(h) of the Securities Exchange Act of 1934 for an order exempting Applicant from the reporting provisions of the Act. As the result of a cash tender offer, all of Applicant's voting securities are now owned by Capital Cities Communications, Inc. (Rel. 34-13607)

### CHANNEL COMPANIES, INC.

A notice has been issued giving interested persons until June 27 to request a hearing on an application of Channel Companies, Inc. pursuant to Section 12(h) of the Securities Exchange Act of 1934 for an order exempting Applicant from the provisions of Sections 13 and 15(d) of the Act based upon its claim that it is a wholly-owned subsidiary of W.R. Grace & Co., the only record holder of its common stock. Applicant is engaged primarily in the State of New Jersey in the retail sale of lumber, building materials, and related home improvement repairing and decorating items. (Rel. 34-13608)

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## SECURITIES ACT REGISTRATIONS

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### (S-14) KANEB SERVICES, INC.

5251 Westheimer, Houston, Tex. 77056 - 681,600 shares of common stock. It is proposed to offer these shares in connection with the merger of Intercomp Resource Development and Engineering, Inc., Houston, Texas, into a wholly-owned subsidiary of the company. The company is a diversified energy resource and financial service company. (File 2-58883 - May 3)

### (S-1) ENERGY CONVERSION DEVICES, INC.

1675 West Maple Rd., Troy, Mich. 48084 - 150,000 warrants (new warrants) to purchase common stock and 150,000 shares of common stock issuable upon exercise of such new warrants. The new warrants expire December 6, 1978 and are exercisable at \$20.14 per share. The new warrants are to be offered to holders of presently existing warrants (present warrants) of the Registration pursuant to a revised offering of its common stock. Energy Conversion Devices is engaged in the area of science and technology. (File 2-59100 - May 24)

(S-1) INTERMEDICS, INC.

240 Tarpon Inn Village, Freeport, Tex. 77541 - 2,750,807 shares of common stock, warrants to purchase 62,500 shares of common stock and options to purchase 780,500 shares of common stock. Of these shares, 1,343,307 shares are outstanding shares which are the subject of a rescission offer by the company and a shareholder of the company at various prices, 865,000 shares are reserved for issuance at various prices upon the exercise of outstanding options, 50,000 shares are reserved for issuance upon the exercise of options which may be granted in the future, 20,000 shares are being offered by shareholders of the company at \$5.00 per share, 10,000 shares are being registered by a shareholder of the company for sale at \$1.50 per share upon the exercise of an option granted by such shareholder, 62,500 shares are reserved for issuance upon the exercise of warrants, 400,000 shares are being offered at \$4.00 per share to certain investors by the company. The warrants are being offered to one investor for services. Of the options being registered, outstanding options for 720,500 shares are the subject of a rescission offer by the company, outstanding options for 10,000 shares are the subject of a rescission offer by a shareholder of the company, and options for 50,000 shares may be granted in the future for consideration. The company is a pace-maker manufacturer. (File 2-59189 - June 3)

(S-14) COMPANIA DE ALUMBRADO ELECTRICO DE  
SAN SALVADOR

S.A. Boulevard de los Heroes, San Salvador, El Salvador, C.A. - 3,510,835 nominative shares. It is proposed that indirect interests in these shares, representing current holdings by the Registrant's parent company, Canadian International Power Company Limited (CI Power), and shares which may be acquired by CI Power, be distributed to CI Power shareholders as part of a proposed plan to distribute the assets and surrender the charter of CI Power. Compania de Alumbrado Electrico de San Salvador, S.A., an El Salvador company, is a power company engaged in the generation, transmission, distribution and sale of electricity in El Salvador, C.A. (File 2-59192 - June 3)

(S-14) THE BARBADOS LIGHT AND POWER COMPANY LIMITED

P.O. Box 142, St. Michael, Barbados, W.I. - 2,402,558 ordinary shares (common shares). It is proposed that indirect interests in these shares, representing current holdings by the Registrant's parent company, Canadian International Power Company Limited (CI Power), be distributed to CI Power shareholders as part of a proposed plan to distribute the assets and surrender the charter of CI Power. The Barbados Light and Power Company Limited, incorporated under the laws of Barbados, is a power company engaged in the generation, transmission, distribution and sale of electricity in Barbados. (File 2-59194 - June 3)

(S-14) COMPANIA BOLIVIANA DE ENERGIA ELECTRICA, S.A.

Bolivian Power Company Limited, 250 Park Ave., New York, N.Y. 10017 - 2,938,195 common shares. It is proposed that these shares be distributed by the Registrant's parent company, Canadian International Power Company Limited (CI Power), to CI Power shareholders as part of a proposed plan to distribute the assets and surrender the charter of CI Power. Compania Boliviana de Energia Electrica, S.A. - Bolivian Power Company Limited, incorporated under the laws of Nova Scotia, Canada, is a power company engaged in the generation, transmission, distribution and sale of electricity in Bolivia. (File 2-59195 - June 3)

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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