

sec news digest

Issue 78-19

January 27, 1978

RULES AND RELATED MATTERS

COMMISSION EXTENDS COMMENT PERIOD ON PROPOSED AMENDMENT TO RULE 2-01

In Release No. 33-5888 (34-14263, 35-20134, IC-10060) dated December 13, 1977, the Commission published for comment a proposed amendment to Rule 2-01 of Regulation S-X, Qualifications of accountants, that specifies situations involving litigation that would adversely affect the independence of the public accountant involved in the litigation. The Commission stated at that time the public comment would expire on January 31, 1978. The Commission extended the period for public comment on the proposals in Release No. 33-5888 from January 31 to March 3, 1978. (Rel. 33-5901, File S7-733)

FOR FURTHER INFORMATION CONTACT: Edward R. Cheramy at (202) 376-8020

COMMISSION ADOPTS RULE 11Ac1-1 (COMPOSITE QUOTE RULE)

The Commission announced adoption of Rule 11Ac1-1 under the Securities Exchange Act of 1934. The rule is designed to facilitate the prompt development of a composite quotation system for equity securities as to which last sale information is reported in the consolidated transaction reporting system contemplated by Rule 17a-15 under the Act. Pursuant to the rule, each national securities exchange or association will be required to establish procedures for the collection of bids, offers and quotation sizes of their members and for making such quotation information available to vendors. Bids, offers and quotation sizes made available to vendors will be "firm", subject to exceptions for revised quotations and unusual or active market conditions. The rule will become effective May 1, 1978. (Rel. 34-14415)

FOR FURTHER INFORMATION CONTACT: John W. Osborn at (202) 755-8961

COMMISSION ANNOUNCEMENTS

COMMISSION ISSUES STATEMENT ON NATIONAL MARKET SYSTEM

The Commission has issued a release setting forth its views as to those initiatives which it believes must be taken over the next year to facilitate the establishment of a national market system. In addition to discussing the background of the concept of a national market system, the release discusses developments in several areas, including a composite quotation system, market linkage and order routing systems, nationwide limit order protection, off-board trading restrictions, the consolidated transaction reporting system, and the definition of qualified securities. (Rel. 34-14416)

(Note: In accordance with usual practice, this release will be published in the Federal Register and SEC Docket. Individual copies may be ordered from the Public Reference Room at the usual fee for duplication. In addition, it is expected that printed copies of the national market system statement will be available in the near future, and further notice will be published in the News Digest at that time.)

FOR FURTHER INFORMATION CONTACT: John W. Osborn at (202) 755-8961

DELEGATION OF AUTHORITY TO DIRECTOR OF DIVISION OF CORPORATE FINANCE

The SEC has issued an order delegating authority to the Director of the Division of Corporation Finance to grant exemptive orders pursuant to Section 12(h) of the Securities Exchange Act of 1934. (Rel. 34-14417)

COURT ENFORCEMENT ACTIONS

COMPLAINT NAMES BATES MANUFACTURING COMPANY, INC., OTHERS

The Commission announced the filing of a complaint in the U.S. District Court for the District of Columbia on January 25 seeking injunctive and other equitable relief against Bates Manufacturing Company, Incorporated; Arcs Equities Corp. a 38% stockholder of Bates; Philip S. Sassower of New York, New York, President and Director of Bates and a Director and controlling stockholder of Arcs; Lawrence I. Schneider of Greenwich, Connecticut, Chairman of the Board of Directors of Bates and President and a Director and controlling stockholder of Arcs; Adolf Marcus of Geneva, Switzerland, a Director of Bates and a former Director and controlling stockholder of Arcs; Alexander Goren of Tel Aviv, Israel, a controlling stockholder of Arcs; Avram Goldstein of Milan, Italy; Marcel Gani of Paris, France; Dora International, Ltd., a Liberian entity controlled by Marcus; Neufinanz A. G., a Liechtenstein entity controlled by Goren, Steuerman, a Romanian and acquaintance of Gani; and Establishment TIT, Establishment Centin and Establishment Finas, three Liechtenstein entities managed by Gani.

The Commission's complaint alleges various violations of the securities laws arising in connection with efforts by Sassower and Schneider, joined later by Marcus and Goren, to acquire, through Arcs, majority control of Bates. During the course of these efforts, Sassower, Schneider, Marcus and Goren omitted to disclose and caused Arcs and Bates to omit to disclose to Arcs and Bates shareholders, the Commission and the investing public material information concerning both the control intentions of the aforementioned four individuals and the existence, nature and conclusions of three outside evaluations of Bates' coal reserves.

The Commission also alleges that Gani learned in August, 1975 of material inside information respecting a possible tender offer for Bates by the Great Western United Corporation (GWU). Thereafter, he purchased and caused Centin, Finas and TIT to purchase 42,583 Bates shares on the basis of this material inside information, which stock was later resold to Marcus at a profit. The complaint also alleges that Gani, Steuerman, Centin, Finas and TIT violated the securities ownership reporting requirements by failing to report their holdings of more than five percent of Bates and Arcs securities.

The Commission also announced that the Court entered final judgments enjoining Bates, Arcs, Sassower, Schneider, Marcus, Goren and Goldstein from violations of the cited provisions, respectively, and ordering compliance with certain undertakings. Such defendants consented to the entry of these judgments without admitting or denying the allegations in the Commission's complaint. Further, Judge Louis F. Oberdorfer, U.S. District Judge for the District of Columbia, issued a temporary restraining order on January 25 enjoining Centin, Finas and TIT and others from disposing of or voting any Bates securities or dividends paid thereon owned by them and from acquiring any additional Bates securities. (SEC v. Bates Manufacturing Company, Incorporated, et al., U.S.D.C. D.C., Civil Action No. 78-0130). (LR-8272)

HOLDING COMPANY ACT RELEASES

GULF POWER COMPANY

An order has been issued releasing jurisdiction over the issuance of first mortgage bonds by Gulf Power Company, subsidiary of The Southern Company. The bonds will be issued to the trustees under Gulf's indenture for the purpose of satisfying the sinking fund requirements thereunder for 1978. (Rel. 35-20395 - Jan. 26)

INDIANA & MICHIGAN ELECTRIC COMPANY

A supplemental notice has been issued giving interested persons until February 17 to request a hearing on a proposal of Indiana & Michigan Electric Company, subsidiary of American Electric Power Company, Inc., that it make certain mortgage amendments related to the proposed issuance and sale at competitive bidding of up to \$100 million of first mortgage bonds. (Rel. 35-20396 - Jan. 26)

INDIANA & MICHIGAN POWER COMPANY

A notice has been issued giving interested persons until February 17 to request a hearing on a proposal of Indiana & Michigan Power Company (Power), subsidiary of Indiana & Michigan Electric Company and of American Electric Power Company, Inc. Authorization

is sought for Power to issue and sell up to \$300 million of first mortgage bonds to institutional investors. Power has also requested an exemption from competitive bidding in connection therewith. (Rel. 35-20397 - Jan. 24)

SELF-REGULATORY ORGANIZATIONS

EXTENSION OF TIME PERIOD ON RULE PROPOSALS

The Commission has extended the time period within which the Commission is required to act, until March 20, on rule proposals filed by the Chicago Board Options Exchange, Inc. (SR-CBOE-77-28) and the Pacific Stock Exchange Inc. (SR-PSE-77-36)

APPROVAL OF PROPOSED RULE CHANGE

The Commission has approved a proposed rule change filed by the New York Stock Exchange, Inc. (NYSE). The rule change (SR-NYSE-77-29) conforms the NYSE's treatment of convertible or exchangeable securities with Regulation T for purposes of options margin requirements and permits its members to establish non-purpose loan accounts to the extent allowed by Regulation T. (Rel. 34-14414)

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) **TEXLAND DRILLING PROGRAM-1978**, 3402 Fort Worth National Bank Bldg., Fort Worth, Tex. 76102 - 350 units of participation of preformation limited partnership interests. Underwriter: McDonald & Company, 2100 Central National Bank Bldg., Cleveland, Ohio 44114 (216) 623-2000. The company is engaged in purchasing producing oil and gas properties and drilling for oil and gas on exploratory and development acreage. (File 2-60668 - Jan. 26)
- (S-6) **CALIFORNIA TAX-EXEMPT INCOME TRUST, SERIES 1**, 700 South Flower St., Los Angeles, Cal. 90017 - 5,000 units. Depositor: Bateman Eichler, Hill Richards Inc. (File 2-60669 - Jan. 26)
- (S-6) **THE CORPORATE INCOME FUND, NINTH SHORT TERM SERIES**, One Liberty Plaza, 165 Broadway, New York, N.Y. 10080 - 25,000 units of beneficial interest. Depositors: Merrill Lynch, Pierce, Fenner & Smith Inc., One Liberty Plaza, 165 Broadway, New York, N.Y. 10080; Bache Halsey Stuart Shields Inc. and Dean Witter Reynolds Inc. (File 2-60670 - Jan. 26)
- (S-6) **MUNICIPAL INVESTMENT TRUST FUND, NINTH NEW YORK SERIES**, One Liberty Plaza, 165 Broadway, New York, N.Y. 10080 - 25,000 units of beneficial interest. Depositors: Merrill Lynch, Pierce, Fenner & Smith Inc., One Liberty Plaza, 165 Broadway, New York, N.Y. 10080, Bache Halsey Stuart Shields Inc. and Dean Witter Reynolds Inc. (File 2-60671 - Jan. 26)
- (S-14) **NATIONAL DISTILLERS AND CHEMICAL CORPORATION**, 99 Park Avenue, New York, N.Y. 10016 (212) 949-5000 - 8,510,000 of \$2.08 preference stock. (File 2-60672 - Jan. 26)

REGISTRATIONS EFFECTIVE

Jan. 20: Convest Energy Corp., 2-60012 (90 days).
Jan. 23: Algorex Corp., 2-60298; Publicker Industries, Inc., 2-60234; Putnam High Yield Trust, 2-60492; Wheelabrator Frye, Inc., 2-60658.
Jan. 24: American Income Trust, Series 5, 2-60422; Bally Manufacturing Corp., 2-60563 & 2-60586; Commonwealth Edison Co., 2-60525 & 2-60526; Compugraphic Corp., 2-60620; The Corporate Income Fund, Sixty-Eighth Monthly Payment Series, 2-60517; Patrick Petroleum Co. 1978 Drilling Program, 2-60113.

NOTE TO DEALERS. When applicable the 90-day period of time dealers are required to use the prospectus is noted above in parentheses after the name of the issuer. As to the other issuers, there may be no such requirement to use a prospectus, or the requirement may be for a period of only 40 days; see Section 4(3) of the Securities Act of 1933 and Rule 174 (17 CFR 230.174) thereunder.

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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.

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