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Issue 79-146

July 30, 1979

U.S. SECURITIES AND
EXCHANGE COMMISSION

COMMISSION ANNOUNCEMENTS

STAFF REPORT ON THE SECURITIES INDUSTRY IN 1979

Overall profits in the securities industry increased significantly for NYSE-member firms in 1978, while they declined for regional and OTC broker-dealers, according to a staff report prepared by the Commission's Directorate of Economic and Policy Research, which was released today.

One of the most profitable and rapidly growing segments of the securities industry was found to be the discount brokerage business, which now accounts for about 4.2% of retail share volume, the report said. Established discount firms (those in business at least two years) operated with higher profit margins and saw their commission revenues increase more than 80%--from \$16.9 million in 1977 to \$30.4 million in 1978. This compares with the 35% increase over the same period for all NYSE firms.

Like the staff report of the securities industry in 1977, the report for 1978 continues the study of the experience of the industry with competitive rates, which was mandated by Congress following the unfixing of commission rates in May 1975. (The Commission completed the fifth and final report required by Congress on the effect of the absence of fixed commission rates on May 26, 1977.)

Comments from readers of the report, particularly from those whose analyses or interpretations have led them to different conclusions, were invited. Comments or questions may be referred to Stephen E. Levy, Director of the Directorate of Economic and Policy Research, 376-3214. Copies may be obtained by writing to the Directorate of Economic and Policy Research, Securities and Exchange Commission, 500 North Capitol Street, Washington, D.C. 20549.

ADMINISTRATIVE PROCEEDINGS

UNIVERSITY SECURITIES CORPORATION, OTHERS CITED

The Commission announced that on July 10 it instituted administrative proceedings against University Securities Corporation (Registrant) of San Francisco, California; Gordon D. William and Richard C. Smith, both of Novato, California; Ray E. Hummel of San Rafael, California; and Charles A. Black of Tiburon, California. Simultaneously, pursuant to an Offer of Settlement submitted by the respondents, the Commission made findings of fact and imposed remedial sanctions against the subjects. Without admitting or denying the findings to be made, the respondents consented to findings by the Commission that: (1) Registrant, Williams, Hummel, Smith and Black wilfully aided and abetted violations of the broker-dealer registration provisions of the Securities Exchange Act of 1934 by certain of Registrant's registered representatives who were characterized by Registrant as "independent contractors" and who effected securities transactions under circumstances which required that they be separately registered as broker-dealers, when they were not so registered; (2) Registrant wilfully violated and Williams, Hummel, Smith and Black wilfully aided and abetted violations of the recordkeeping provisions of the Exchange Act in that they failed to reflect certain transactions effected by Registrant's registered representatives in the home office books and records of Registrant; and (3) Registrant, Williams and Black failed reasonably to supervise Registrant's registered representatives with a view to preventing violations of the recordkeeping provisions of the Exchange Act.

Based upon the Commission's findings of these violations, the Commission suspended Registrant for a period of 30 days from the offer and sale of all "Rule 146 securities" (except securities that represent an interest in an issuer as to which another University Group of companies has or shares in the responsibility of management). Further, within 30 days, Registrant is to comply with certain undertakings intended to prevent a recurrence of violations of the securities laws. In addition, the Commission suspended Williams, Hummel and Smith for a period of 30 days and suspended

Black for a period of 15 days from association with any broker or dealer, and each has been suspended for an additional period of 180 days from acting in a supervisory capacity for any broker or dealer. (Rel. 34-16041)

HOLDING COMPANY ACT RELEASES

THE COLUMBIA GAS SYSTEM, INC.

A notice has been issued giving interested persons until August 20 to request a hearing on a proposal of The Columbia Gas System, Inc., a registered holding company, to issue and sell up to \$270 million of short-term notes outstanding at any one time to banks and to dealers in commercial paper. (Rel. 35-21164 - July 27)

SELF-REGULATORY ORGANIZATIONS

NOTICE OF PROPOSED RULE CHANGE

The New England Securities Depository Trust Company has filed a proposed rule change under Rule 19b-4 (SR-NESDTC-79-1) to amend its rule governing the investment of contributions to its Participants Fund. Publication of the proposal is expected to be made in the Federal Register during the week of July 30. (Rel. 34-16048)

NOTICE OF EFFECTIVENESS OF PROPOSED RULE CHANGE

The Pacific Stock Exchange Inc. has filed a proposed rule change which became effective under Section 19(b)(3)(A) of the Securities Exchange Act of 1934 (SR-PSE-79-11) to provide a fair procedure for the disciplining of members and persons associated with members for failure to attend trade comparison sessions. Publication of the proposal is expected to be made in the Federal Register during the week of July 30. (Rel. 34-16050)

APPROVAL OF PROPOSED RULE CHANGES

The Commission has issued a joint order approving, as amended, proposed rule changes filed by the New York Stock Exchange, Inc. (SR-NYSE-79-27) and the American Stock Exchange, Inc. (SR-Amex-79-9). The proposed rule changes authorize a nine-month extension of NYSE Rule 107 and Amex Rule 114 governing their respective classes of supplemental market makers in equity securities. By the term of the approval order, such rules will expire on April 30, 1980 unless the exchanges take certain steps specified by the Commission, and demonstrate with substantial evidence that their respective classes of market makers perform a bona fide market making function consistent with Section 11(a)(1)(A) of the Securities Exchange Act of 1934. (Rel. 34-16049)

SECURITIES ACT REGISTRATIONS

- (S-7) A. E. STALEY MANUFACTURING COMPANY, 2200 East Eldorado St., Decatur, Ill. 62525 (217) 423-4411 - 1,200,000 shares of common stock. Underwriter: Dillon, Read & Co. Inc. The company processes and merchandises agricultural products. (File 2-65105 0 July 27)
- (S-7) NORTHWESTERN BELL TELEPHONE COMPANY, 100 South 19th St., Omaha, Neb. 68102 (402) 422-2000 - \$300 million of thirty-seven year debentures, due August 15, 2016. Underwriters: Merrill Lynch White Weld Capital Markets Group, Bache Halsey Stuart Shields Inc., The First Boston Corporation, Kidder, Peabody & Co. Inc. and Salomon Brothers. (File 2-65106 - July 27)
- (S-1) AMERICAN LAUNDRY MACHINERY INC., 5050 Section Ave., Cincinnati, Ohio 45212 (513) 731-5500 - \$7,500,000 of 11% participating secured debentures, due 1994. Underwriter: Edward D. Jones & Co. The company is engaged in the manufacture and sale of a full line of commercial and industrial laundry and dry cleaning equipment. (File 2-65107 - July 27)
- (S-6) NUVEEN TAX-EXEMPT BOND FUND, SERIES 134, 209 South La Salle St., Chicago, Ill. 60604 - an indefinite number of units. Depositor: John Nuveen & Co. Inc. (File 2-65109 - July 27)

- (S-8) HONEYWELL INC., Honeywell Plaza, Minneapolis, Minn. 55408 (612) 870-2786 - 12,000 shares of common stock. (File 2-65110 - July 27)
- (S-1) GAMBLE-SKOGMO, INC., 5100 Gamble Dr., Minneapolis, Minn. 55481 - \$35 million of floating rate subordinated income capital notes, due 2009. Underwriter: Offerman & Co., Inc., 5100 Gamble Dr., Minneapolis, Minn. 55481 (612) 374-6397. The company merchandises a wide variety of consumer products. (File 2-65111 - July 27)
- (S-8) ROCHESTER GAS AND ELECTRIC CORPORATION, 89 East Ave., Rochester, N.Y. 14649 (716) 546-2700 - \$680,000 of interests. (File 2-65112 - July 27)
- (S-8) EL PASO ELECTRIC COMPANY, 303 North Oregon St., El Paso, Tex. 79901 (915) 543-5711 - 473,471 shares of common stock. (File 2-65113 - July 27)
- (S-16) UNION CARBIDE CORPORATION, 270 Park Ave., New York, N.Y. 10017 (212) 551-2345 - \$200 million of debentures, due 2009 and \$100 million of notes, due 1986. Underwriter: Morgan Stanley & Co. Inc. The company is a major industrial corporation. (File 2-65114 - July 27)
- (S-7) THE EQUITABLE LIFE MORTGAGE AND REALTY INVESTORS, One Federal St., Boston, Mass. 02110 (617) 542-0592 - \$50 million of floating rate notes, due 1987 and \$50 million of 9% debentures, due 1999. Underwriter: Goldman, Sachs & Co. The trust is a diversified real estate investment trust. (File 2-65115 - July 27)
- (S-1) PETROLEUM EXPLORATION & DEVELOPMENT FUNDS, INC., 200 Wall Towers East, Midland, Tex. 79701 - 1,000 units of preformation limited partnership interests. (File 2-65116 - July 27)

REGISTRATIONS EFFECTIVE

July 13: Beech Aircraft Corp., 2-64821.

July 19: The Dependable Insurance Group, Inc. of America, 2-64586.

July 20: American Financial Corp., 2-64562 & 2-64978; Avco Corp., 2-64758; Geosource Inc., 2-64926; National Fuel Gas Co., 2-64797; Republic of Texas Corp., 2-64550; Talley Industries, Inc., 2-63214; Trico Industries, Inc., 2-64858.

UNITED STATES
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