

sec news digest

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November 11, 1975

COMMISSIONER SPEAKS

TWO PROBLEMS FOR LAWYERS

In a speech entitled "Two Problems for Lawyers" given to the Dallas Bar Association on November 4 Commissioner A. A. Sommer, Jr. discussed two areas of current concern for members of the Bar. As to the first concern, the obligations of counsel to report violations of the securities laws to the Commission, the Commissioner, after discussing the resolutions adopted by the American Bar Association House of Delegates in August, concluded: "My conclusion from all this is simply that the "gulf" that separates the Commission - or at least this Commissioner - from the responsible spokesmen of the Bar is one of rhetoric and not substance. I consider it most unfortunate that the actual resolution adopted by the ABA House of Delegates and the accompanying report did not reflect the cool, logical approach taken by the Committee on Counsel Responsibility and Liability in reporting to the Section on Corporation, Banking and Business Law. The form of that resolution and report may have been effective in securing House of Delegates' approval, but, unfortunately, those documents have obscured the real basis of accord which, if it exists at all, is contained in the full Committee report."

The second problem discussed by the Commissioner was the question of auditors' responses to inquiries by auditors at the time of an audit and particularly, the question of the attorneys' knowledge concerning litigation and other contingent liabilities.

RULES AND RELATED MATTERS

COMPANIES IN THE DEVELOPMENT STAGE

The Commission adopts amendments of Regulation S-X and filing forms which revise the financial reporting requirements for companies in the development stage. (Rel. AS-181)

NOTICE OF FILING OF PROPOSED RULE CHANGE BY SELF-REGULATORY ORGANIZATIONS

The Options Clearing Corporation (OCC) has filed, pursuant to Rule 19b-4 under the Securities Exchange Act of 1934, proposed changes in OCC's rules. Publication of the submission is expected to be made in the Federal Register during the week of November 10. (Rel. 34-11810, 34-11811, & 34-11812)

The American Stock Exchange, Inc. submitted a proposed rule change under Rule 19b-4 to treat registered traders of options as specialists with respect to options transactions initiated and effected by such registered traders on the floor of the Exchange. (Rel. 34-11813)

The New York Stock Exchange has filed a proposed rule change under Rule 19b-4 to modify the conditions under which members may effect transactions otherwise than on an exchange. Publication of the proposal is expected to be made in the Federal Register during the week of November 10. (Rel. 34-11815)

NOTICE OF CONSENT TO DEFERRAL OF COMMISSION ACTION ON CERTAIN RULE CHANGES OF THE NASD

The NASD has consented to a further extension of time within which the Commission is required, under Section 19(b)(2) of the Act, either to approve certain rule changes proposed by the NASD, concerning (a) the proper reporting of transactions to the consolidated transaction reporting system, (b) allocation of changes to cover the costs of such reporting, and (c) certain antimanipulative rules, or institute proceedings to determine whether they should be disapproved, to February 2, 1976. (Rel. 34-11816)

COURT ENFORCEMENT ACTIONS

FIRST NATIONAL CITY TRUST COMPANY (BAHAMAS) LIMITED CONSENTS TO INJUNCTION

The Commission announced the entry of a judgment of permanent injunction against the First National City Trust Company (Bahamas) Limited (FNCT) in SEC v. Everest Management Corporation, et al. (71 Civil Action No. 4932). The judgment of permanent injunction was entered in the Southern District of New York by order of Chief Judge David N. Edelstein pursuant to a consent submitted by FNCT.

The complaint, filed on November 11, 1971 against 44 defendants, alleged that FNCT participated in the dissemination of false and misleading information in connection with the sales of shares of Armstrong Investors S.A., an "off-shore" mutual fund, and false and misleading periodic reports to the shareholders of the fund and that it failed to supervise the activities of the fund's investment manager. FNCT has also represented to the Court that it has adopted certain policies and procedures with respect to the acceptance of business of "off-shore" mutual funds not registered with the Commission. (LR-7154)

RICHARDSON AND FOUR OTHERS INDICTED

The Los Angeles Regional Office announced that on October 23 a federal grand jury for the Central District of California returned a forty-six count indictment against Thomas P. Richardson, Los Angeles, California, president and majority shareholder of T.P. Richardson & Co., Inc., Thomas C. Thomas, Jr., Los Angeles, California, treasurer of T.P. Richardson & Co., Inc., Kevin Kelley, West Newton, Massachusetts, and John E. Kelley, Newport Beach, California, both of whom were vice-presidents and traders for T.P. Richardson & Co., Inc., and Joseph C. Werba, Waldwick, New Jersey, formerly president of Wells Fargo Security Clearance Corporation, a wholly-owned subsidiary of Wells Fargo Company. T.P. Richardson & Co., Inc. a now defunct Century City, California brokerage firm, was a "third market" broker which arranged for purchase and sale of large blocks negotiated directly between major financial institutions without using the national stock exchanges.

The indictment charges, among other things, that Richardson, Thomas, Kevin Kelley and John Kelley engaged in a massive short selling operation totalling at various times in excess of twenty-five million dollars. In effecting these massive short sales, the defendants misrepresented to various stock brokerage firms that T.P. Richardson & Co., Inc., owned the stocks it purported to be selling through these brokerage firms. The indictment further alleges that T.P. Richardson & Co., Inc. borrowed in excess of twenty-five million dollars worth of stock from various institutional lenders of stock to make delivery on its short sales. The indictment also alleges that the defendants created false and fictitious entries on the firm's books and records to conceal the short sales and stock borrowings and that the defendants filed materially false financial statements with the SEC, NASD and federally insured banks. (U.S. v. Thomas P. Richardson, et al., C.D. California Ct. No. CR-75-1656). (LR-7155)

HOLDING COMPANY ACT RELEASES

THE SOUTHERN COMPANY

An order has been issued authorizing Southern Services, Inc., a subsidiary of The Southern Company, to issue and sell \$9,300,000 of secured notes and authorizing The Southern Company to guarantee payment of said notes. (Rel. 35-19238 - Nov. 10)

THE COLUMBIA GAS SYSTEM

An order has been issued approving a proposal of The Columbia Gas System, Inc., a registered holding company, to issue and sell at competitive bidding up to \$75 million of debentures. The proceeds of the sale will be used to finance, in part, Columbia's 1975 and 1976 capital expenditures programs. (Rel. 35-19239 - Nov. 10)

TRUST INDENTURE ACT RELEASES

CONSUMERS POWERS COMPANY

A notice has been issued giving interested persons until December 1 to request a hearing on an application by Consumers Power Company, a Michigan corporation, pursuant to Section 310(b)(1)(ii) of the Trust Indenture Act of 1939 declaring that the trusteeship of First National City Bank under an indenture heretofore qualified under the Act and one not to be so qualified, is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify First National City Bank from acting as trustee under the qualified indenture. (Rel. TI-416)

SECURITIES ACT REGISTRATIONS

(S-5) TRINWALL BOND FUND, INC.

61 Broadway, New York, N. Y. 10006 - 2,000,000 shares of capital stock, to be offered and sold by the Fund's Distributor, F. Eberstadt & Co., Managers & Distributors, Inc., 61 Broadway, New York, N. Y. 10006, which will act as the Fund's exclusive agent to sell and arrange for the sale of its shares through qualified dealers. The Fund intends its primary business to be that of an open-end diversified investment company investing primarily in high quality corporate and government debt securities. (File 2-54713 - Sept. 30)

In a separate statement TRINWALL CASH RESERVE, Inc. is offering 4,000,000 shares of capital stock by the same Distributor and terms as stated above. (File 2-54712-Sept.30)

(S-1) NEW BEDFORD GAS AND EDISON LIGHT COMPANY

675 Massachusetts Ave., Cambridge, Mass. 02139 - \$15 million of notes, Series G, due 2000, to be offered for sale through underwriters headed by The First Boston Corp., 20 Exchange Pl., New York, N. Y. 10005. The company is a public utility. (File 2-54955 - Nov. 7)

(S-1) ASSOCIATES CORPORATION OF NORTH AMERICA

1 Gulf & Western Plaza, New York, N. Y. 10023 - \$50 million of senior notes, due 1982 and \$50 million of senior debentures, due 1995, to be offered for sale by underwriters headed by Kidder, Peabody & Co. Inc., 10 Hanover Sq., New York, N. Y. 10005. The company is engaged primarily in consumer finance, commercial finance and casualty and life insurance. (File 2-54956 - Nov. 7)

(S-7) ALLEGHENY POWER SYSTEM, INC.

320 Park Ave., New York, N. Y. 10022 - 3,500,000 shares of common stock, to be offered for sale at competitive bidding. Allegheny Power System is a public utility holding company. (File 2-54957 - Nov. 7)

(S-6) CORPORATE INVESTMENT TRUST FUND, FIFTEENTH MONTHLY PAYMENT SERIES

\$12.1 million of units. The Trust will be created under a trust agreement under which Bache & Co. Inc. will act as Sponsor, New England Merchants National Bank as Trustee and Telstat Advisory Service, Inc. as Evaluator. It will consist of a diversified portfolio of intermediate-term debt obligations rated "BBB" or better by Standard & Poor's Corporation or Fitch Investors Services, Inc. or "Baa" or better by Moody's Investors Service, Inc. (File 2-54958 - Nov. 7)

(S-7) GENERAL TELEPHONE COMPANY OF THE SOUTHWEST

2701 S. Johnson St., San Angelo, Tex. 76901 - \$45 million of first mortgage bonds, due 2005, and 150,000 shares of cumulative preferred stock, to be offered for sale at competitive bidding. The company provides telephone service. (File 2-54959 and 2-54960 - Nov. 7)

(S-6) THE MUNICIPAL BOND FUND, SERIES 24

c/o Paine, Webber, Jackson & Curtis Inc., 140 Broadway, New York, N. Y. 10005 and Hornblower & Weeks-Hemphill, Noyes Inc., 8 Hanover St., New York, N. Y. 10005 - \$5 million of units. The Fund will be created under a trust indenture among Paine, Webber, Jackson & Curtis Inc. and Hornblower & Weeks-Hemphill, Noyes Inc. as sponsors, United States Trust Company of New York, as trustee, and Standard & Poor's Corporation, as evaluator. The Fund will consist of interest bearing obligations issued by or on behalf of states, counties, municipalities and territorial possessions of the United States and authorities, agencies and other political subdivisions thereof, the interest on which is, in the opinion of counsel to the issuers of such obligations, exempt from Federal income tax. (File 2-54961 - Nov. 7)

(S-6) THE DEAN WITTER TAX-EXEMPT TRUST,
TWELFTH SERIES

c/o Dean Witter & Co. Inc., 45 Montgomery St., San Francisco, Cal. 94106 - \$8 million of units. The Trust will be created under a trust indenture among Dean Witter & Co. Inc., 45 Montgomery St., San Francisco, Cal. 94106, as sponsor, United States Trust Company of New York, as trustee, and Standard & Poor's Corporation, as evaluator. The Trust will consist of interest bearing obligations issued by or on behalf of states, counties, municipalities and territorial possessions of the United States and authorities, agencies and other political subdivisions thereof, the interest on which is, in the opinion of counsel to the issuers of such obligations, exempt from Federal income tax. (File 2-54962 - Nov. 7)

(S-7) OHIO EDISON COMPANY

47 N. Main St., Akron, Ohio 44308 - 400,000 shares of preferred stock (\$100 par), to be offered for sale at competitive bidding. The company is an operating electric utility. (File 2-54963 - Nov. 7)

(S-7) PENNSYLVANIA POWER & LIGHT COMPANY

Two North Ninth St., Allentown, Pa. 18101 - 900,000 shares of common stock, to be offered under the company's Dividend Reinvestment Plan. The company is engaged in the electric utility business. (File 2-54968 - Nov. 7)

REGISTRATIONS EFFECTIVE

Nov. 6: Applied Devices Corp., 2-54212; Central Hudson Gas & Electric Corp., 2-54690; Central Illinois Light Co., 2-54835; Clark Equipment Credit Corp., 2-54820; Combustion Equipment Associates Inc., 2-54841; European Investment Bank, 2-54826; Municipal Investment Trust Fund, Forty Sixth Monthly Payment Series, 2-54623; National Paragon Corp., 2-54747; Pacific Gas & Electric Co., 2-54810; Pacific Lighting Service Co., 2-54830; Sentry Life Insurance Co., 2-52777.

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.

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 15¢ per page plus postage (\$2 minimum) and 30¢ per page plus postage for expedited handling (\$5 minimum). Cost estimates are given on request. All other referenced material is available in the SEC Docket.

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