

sec news digest

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RULES AND RELATED MATTERS

U.S. SECURITIES AND EXCHANGE COMMISSION

ADVANCE NOTICE OF PROPOSED RULEMAKING RE:
BEARING OF DISTRIBUTION EXPENSES BY MUTUAL FUNDS

The Commission is requesting public comment with respect to the question of whether there might be conditions under which mutual funds could be permitted to use their assets to pay expenses incurred in connection with the distribution of their shares. This action is being taken so the Commission can explore whether the use of mutual fund assets to pay distribution expenses could benefit fund shareholders under some circumstances, and, if so, what conditions could be designed to protect the interests of investors. The Commission has not decided whether this should be done, but, in order to provide structure to the comment process, the release suggests a variety of possible approaches. Comments should be sent in triplicate to George A. Fitzsimmons, Secretary, Securities and Exchange Commission, 500 North Capitol Street, Washington, D.C. 20549 on or before August 22, 1978, and should refer to File No. S7-743. All submissions will be made available for public inspection. (Rel. IC-10252)

FOR FURTHER INFORMATION CONTACT: Richard W. Grant at (202) 755-0242 or Dianne E. O'Donnell at (202) 755-1796.

ADMINISTRATIVE PROCEEDINGS

SANCTIONS IMPOSED AGAINST BURKE, LAWTON
& COMPANY, OTHERS

The Commission announced that public administrative proceedings have been instituted under the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940 against Burke, Lawton & Company (Burke Lawton), a registered broker-dealer, Venture Securities Corporation (Venture Securities), a registered investment adviser, and Franklin A. Burke (Burke), a partner at Burke Lawton, and president, director, and sole shareholder of Venture Securities.

Contemporaneous with the institution of proceedings, the Commission accepted offers of settlement submitted by respondents, without admitting or denying the allegations. Based on the offers, the Commission has found that from about January 1971 until about April 1977, respondents willfully violated the antifraud provisions of the Exchange Act and Advisers Act concerning, among other things, their failure to disclose the existence and size of the concentration of the securities of Allied Supermarkets, Inc., amassed by respondents and their customers. Additionally, three week suspension periods were, by consent, imposed upon all respondents, subject to certain specified conditions, namely (1) with respect to non-discretionary accounts, respondents Burke Lawton and Burke may continue to execute unsolicited transactions from existing customers during the period of suspension, and (2) with respect to discretionary or advised accounts, all respondents may sell any securities where the sale is deemed essential for the customer's protection, but in such case the proceeds can only be invested in U.S. Government securities until the end of the period of suspension. (Rel. 34-14759)

NYSE BAR OF HAROLD C. ALLAN AFFIRMED

The Commission has affirmed action by the New York Stock Exchange barring Harold C. Allan, of Highland Park, Illinois, from employment in any capacity with an Exchange member or member organization. Allan was formerly a vice president of the Chicago office of Dean Witter & Co., Incorporated.

Allan admitted misappropriating certain bonds and funds from a customer's account and forging the customer's signature on a check issued by Dean Witter. The Commission rejected various procedural arguments raised by Allan. In refusing to reduce the sanction imposed, it stated that Allan's "misconduct could hardly be more serious," and that it was not "as sanguine as he about his future conduct in a business which is rife with opportunities for abuse of and overreaching." (Rel. 34-14763)

TRADING SUSPENSIONS

TRADING SUSPENDED IN CONTINENTAL MORTGAGE INVESTORS

The SEC announced the single ten day suspension of exchange and over-the-counter trading in the securities of Continental Mortgage Investors, located in Boston, Massachusetts, for the period beginning on May 24 and terminating at midnight (EDT) on June 2, 1978. On May 15, 1978, an Order was entered by the Bankruptcy Court in the U.S. District Court of Massachusetts which: (1) terminated the good faith hearing of the debtor; (2) dismissed the debtors' Chapter X Petition as not being filed in good faith; and (3) directed that bankruptcy proceed. The Commission and other parties moved for a stay of the May 15th order. After oral argument on May 23 the motion for a stay was denied. The Commission and others are scheduled to appear before the U.S. District Court in Massachusetts with motions for a stay of the May 15th order at 9:30 a.m. on May 25, 1978. The Commission has suspended trading in the securities of CMI for a single ten-day period because of the presently uncertain nature of the company's bankruptcy status. (Rel. 34-14799).

COURT ENFORCEMENT ACTIONS

JOSEPH J. ROSTAN AND FRED PENNINGTON PLEAD GUILTY

The Atlanta Regional Office announced that on May 9, Joseph J. Rostan, of Jackson, Mississippi, and Fred Pennington, of Vernon, Alabama, pled guilty in the Circuit Court of Lamar County, Alabama to attempting to violate the antifraud provisions of the Alabama Securities Act. Following the guilty pleas, the Circuit Judge sentenced Rostan and Pennington to six months imprisonment and fined them \$500 each. The six months sentences were suspended, and Rostan and Pennington were placed on two years probation.

Rostan was charged with defrauding public investors in connection with the promissory notes of National Accounts Service Association, Inc., a new bankrupt Huntsville, Alabama corporation. Pennington was charged with defrauding public investors in connection with the offer and sale of the promissory notes of Collateral Accounts, Inc., a related bankrupt Huntsville, Alabama company. (State of Alabama v. Joseph J. Rostan and State of Alabama v. Fred Pennington). (LR-8418)

FINAL ORDER ENTERED AGAINST GEORGE THOMAS AND WILLIAM C. W. MOW

On March 7, 1978, Judge William Matthew Byrne, Jr. of the U.S. District Court in Los Angeles, California, entered a final order against George Thomas, Jr., of Elm Grove, Wisconsin, and an employee of Cutler-Hammer, Inc., ordering Mr. Thomas, in connection with the offer, sale, or purchase of Macrodata stock or any other securities, not to fail to disclose material facts regarding the issuer's financial condition. On January 16, 1978, Judge Byrne also entered an order against the defendant William C. W. Mow also requiring full disclosure in making statements regarding the issuer's financial condition. Both defendants stipulated to the entry of these final orders without admitting or denying the allegations of the complaint. (SEC v. Macrodata Corp., et al., Central District of California, Civil Action No. 77-1319-WMB). (LR-8416)

INVESTMENT COMPANY ACT RELEASES

INCOME TRUST FOR GOVERNMENT SECURITIES

An order has been issued on an application of Income Trust for Government Securities, First Series (and Subsequent Series), a registered unit investment trust, and its sponsor, Prescott, Ball & Turben, exempting the trust and the sponsor from the initial net worth requirements of Section 14(a) and from the limitations on the distributions of capital gains contained in Rule 19b-1 and exempting from Rule 22c-1 the proposed secondary market operation of the sponsor and underwriters. (Rel. IC-10253 - May 24)

HOLDING COMPANY ACT RELEASES

AMERICAN ELECTRIC POWER SERVICE CORPORATION

A notice has been issued giving interested persons until June 20 to request a hearing on a proposal by American Electric Power Company, Inc. (AEP) and its service company

subsidiary, American Electric Power Service Corporation (Service Company) that Service Company issue a note and procure letters of credit in connection with a casualty insurance program and that AEP guarantee said letters of credit. (Rel. 35-20554 - May 24)

SELF-REGULATORY ORGANIZATIONS

NOTICE OF PROPOSED RULE CHANGE

The Pacific Stock Exchange Incorporated (PSE) has filed a proposed rule change under Rule 19b-4 (SR-PSE-78-9) to amend PSE Rule VI by adding Section 86 to provide a definitive date wherein payment of floor brokerage charges for trading of options contracts must be paid. Publication of the proposal is expected to be made in the Federal Register during the week of May 22, 1978. (Rel. 34-14794)

NOTICE OF EFFECTIVENESS OF A RULE CHANGE

A rule change filed by The Depository Trust Company (DTC) pursuant to Rule 19b-4 (SR-DTC-78-8) has become effective in accordance with Section 19(b)(3)(A) of the Securities Exchange Act of 1934. The proposed rule change concerns a modification of DTC's procedures for record date deposits. Publication of the proposal is expected to be made in the Federal Register during the week of May 29. (Rel. 34-14796)

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-16) CENTRAL MAINE POWER COMPANY, Edison Dr., Augusta, Maine 04336 (207-623-3521) - 300,000 shares of common stock. The shares are offered pursuant to a Dividend Reinvestment and Common Stock Purchase Plan. (File 2-61705 - May 23)
- (S-8) MINNESOTA POWER & LIGHT COMPANY 30 West Superior St., Duluth, Minn. 55802 (218) 722-2641 - 600,000 shares of common stock. (File 2-61706 - May 23)
- (S-8) MCDONALD'S CORPORATION, One McDonald's Plaza, Oak Brook, Ill. 60521 - 30,000 stock option exchange rights and 60,000 performance units. (File 2-61707 - May 24)
- (S-7) INTERNATIONAL DAIRY QUEEN, INC., 5701 Green Valley Dr., Minneapolis, Minn. 55437 (612) 830-0200 - \$7 million of subordinated capital notes, due 1988. Underwriter: Offerman & Co., Inc., 5100 Gamble Dr., Minneapolis, Minn. 55481 (612) 374-6397. The company is engaged in the business of developing, licensing and servicing a system of retail stores. (File 2-61711 - May 24)
- (S-8) THE CLEVELAND ELECTRIC ILLUMINATING COMPANY, 55 Public Sq., P.O. Box 5000, Cleveland, Ohio 44101 (216) 623-1350 - 600,000 shares of common stock. (File 2-61712 - May 24)

REGISTRATIONS EFFECTIVE

Apr. 26: Wisconsin Public Service Corp., 2-60994.
May 3: John H. Harland Co., 2-61226; Tenderfoot International, Inc., 2-60180 (90 days).
May 4: EG&G, Inc., 2-61241; San Diego Gas & Electric Co., 2-61166.
May 5: W. A. Krueger Co., 2-61131.
May 8: Atlantic Richfield Co., 2-61402; Crum and Forster, 2-61282; E. C. Ernst, Inc., 2-61172; Executone, Inc., 2-60643; McDonald's Corp., 2-61294; Municipal Investment Trust Fund, Eighty-Fifth Monthly Payment Series, 2-61097; Public Storage Properties IV, Ltd., 2-60530; Rollins Burdick Hunter Co., 2-61302; Western Marine Electronics Co., 2-61250; Cooper Industries, Inc., 2-61142 & 2-61143.
May 9: Alanand Corp., 2-60797; Amfac, Inc., 2-61379; Anchor Hocking Corp., 2-61343; Crown Zellerbach Corp., 2-61340; Duke Power Co., 2-61436; Eaton Corp., 2-61381; G. D. Searle and Co., 2-61229; Illinois Power Co., 2-61316; Mallinckrodt, Inc., 2-61342; Moraga Corp., 2-60798; Our Own Hardware Co., 2-60991; Panhandle Eastern Pipe Line Co., 2-61225; Public Service Co. of New Hampshire, 2-61287; Roberts & Porter, Inc., 2-61169; Ticor, 2-61297; Vermont American Corp., 2-61263; Wylain, Inc., 2-61167; Xerox Corp., 2-61403.

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 on request. All other reference material is available in the SEC Docket.

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