

# sec news digest

Issue 77-180

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## RULES AND RELATED MATTERS

### U.S. SECURITIES AND EXCHANGE COMMISSION

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#### AMENDMENT OF BROKER-DEALER RECORDKEEPING RULES TO REQUIRE THE FILING OF AN UNDERTAKING BY OUTSIDE SERVICE BUREAUS

The Commission announced it has amended its rules to require outside service bureaus used by broker-dealer for the preparation or maintenance of records to file with the Commission an undertaking that broker-dealer records that they prepare or maintain are subject to examination by the Commission and acknowledging that such records are the property of the broker-dealer. The Commission has found that, in situations where a broker-dealer or its outside service bureau is experiencing financial difficulty, the records of the broker-dealer have not always been available to the broker-dealer or to the Commission. The amendment, which will become effective January 1, 1978, is intended to assure that such records are available for examination. (Rel. 34-13962)

#### INTERPRETATIVE POSITION RE RIGHTS OFFERINGS BY CLOSED-END INVESTMENT COMPANIES BELOW NET ASSET VALUE

The Commission has published an interpretative position taken by its Division of Investment Management to provide guidance for directors of closed-end investment companies contemplating rights offerings below net asset value. The Division sets forth certain considerations which it deems important for directors in this connection, and also sets forth an interpretation of a statutory exception in the Act allowing offerings at below net asset value. (Rel. IC-9932)

#### RE-EXAMINATION OF THE STATEMENT OF POLICY RELATING TO THE SALES LITERATURE OF INVESTMENT COMPANIES

The Commission has announced that its Division of Investment Management was beginning a re-evaluation and re-examination of the Statement of Policy relating to investment company sales literature with a view towards making it more workable and effective. All interested persons are invited to submit written statements making comments or suggestions concerning this proposed study in triplicate to George A. Fitzsimmons, Secretary, Securities and Exchange Commission, 500 North Capitol Street, N.W., Washington, D.C. 20549 on or before December 15, 1977. Such communications should refer to File No. S7-716 and will be available for public inspection. (Rel. 33-5864)

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## COURT ENFORCEMENT ACTIONS

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#### GERALD W. KEENUM AND JULIAN F. MARTIN ENJOINED

The Fort Worth Regional Office announced that on August 30 Federal District Judge Tom Stagg at Shreveport, Louisiana, entered an order of permanent injunction by summary judgment against Gerald W. Keenum, Gulfport, Mississippi, and an order of permanent injunction by consent against Julian F. Martin, a Shreveport, Louisiana certified public accountant, enjoining them from further violations of the registration and anti-fraud provisions of the securities laws. Martin consented to the entry of the order without admitting or denying the allegations in the Commission's complaint. Judge Stagg, in entering his order against Keenum, found that there was no dispute that Keenum had violated the law in the sale of fractional, undivided working interests issued by Blair & Associates, Inc. (SEC v. Blair & Associates, Inc., et al., W.D. La., Civil Action No. CI-77-0059). (LR-8114)

#### ROBERT BLAIR BOWEN, JR. CONVICTED

The Atlanta Regional Office announced that on September 7 Robert Blair Bowen, Jr. of Atlanta, Georgia, formerly doing business as Bowen and Bowen and Associates, a registered investment adviser, was convicted on his plea of guilty to two counts of violations of the mail fraud statute and one count of violations of the bookkeeping provisions of the Investment Advisers Act of 1940. Bowen had been indicted by a federal grand jury on charges, among other things, of fraudulently obtaining money and property from persons desirous of receiving investment counseling and management

of their funds and of converting these proceeds to his own use. The indictment further charged that Bowen, as an investment adviser, unlawfully, wilfully and knowingly failed to make and keep true, accurate and current books and records relating to his investment advisory business. Sentencing has been set for October 14 before the Honorable Newell Edenfield, U.S. District Judge. (U.S. v. Robert Blair Bowen, Jr., N.D. Ga., No. CR. 77-178A). (LR-8115)

#### BASIC FOOD INDUSTRIES, INC. FORMER CHAIRMAN AND HAITIAN NATIONALS CHARGED

The SEC announced the filing of a civil complaint for injunctive and other relief in the U.S. District Court for the District of Columbia against Basic Food Industries Inc. (BFI), a Delaware corporation primarily engaged in the sale of chickens and chicken parts; Allan H. Applestein, BFI's former Chairman of the Board and Chief Executive Officer; Gilbert Pasquet (G. Pasquet), formerly a director of BFI; Alex Pasquet (A. Pasquet) and Haitian Equities, S.A. The complaint alleges violations of the antifraud, reporting, proxy solicitation and stock ownership reporting provisions of the securities laws. The complaint charges that, since about 1971, Applestein caused BFI to make cash advances and other payments aggregating in excess of \$217,000 for his personal benefit, including travel, entertainment, legal and other personal expenses. The Commission also charges Applestein with engaging in undisclosed transactions with G. Pasquet, A. Pasquet and Haitian Equities, S.A., a Haitian company controlled at the time of the transactions by the Pasquets. It further alleges that Applestein, with the assistance of G. Pasquet, caused BFI to authorize advances to Haitian Equities approximating \$97,000 without disclosing to BFI's Board of Directors the nature and extent of Applestein's personal business relationship with Haitian Equities, the Pasquets and affiliates thereof. The Commission further alleges that the defendants concealed material aspects of the underlying transactions in materials filed with the Commission and disseminated to the public.

The Commission also alleged that false statements were made in reports concerning the purported sale of his control block of BFI stock to Haitian Equities and purported recussion of the sale; the Commission alleged that the transactions were shares. (SEC v. Basic Food Industries, Inc., et al., U.S.D.C., Civil Action No. 77-1587). (LR-8116)

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## INVESTMENT COMPANY ACT RELEASES

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### THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

An order has been issued on an application of The Variable Annuity Life Insurance Company (VALIC), a Texas stock life insurance company, and Separate Account One of VALIC, a separate account of VALIC registered under the Investment Company Act of 1940 as an open-end diversified management company (hereinafter collectively referred to as Applicants), pursuant to Section 6(c) of the Act granting exemption from Sections 22(e), 27(c)(1) and 27(d) to the extent necessary to permit compliance by Applicants with certain provisions of the Education Code of the State of Texas as it would apply to payments made on variable annuity contracts subsequent to the date of the requested order. (Rel. IC-9926 - Sept. 13)

### E.I. DU PONT DE NEMOURS AND COMPANY

An order has been issued on an application of E.I. du Pont de Nemours and Company (Applicant), exempting from the provisions of Section 17(a) of the Act Applicant's proposed grant to Mitsui Fluorochemicals Company, Ltd., a Japanese corporation, of an exclusive license, with the right to grant sublicenses, to certain patent rights and technical information. Applicant and Mitsui are companies presumed to be controlled by Christiana Securities Company, a registered non-diversified, closed-end management investment company. (Rel. IC-9928 - Sept. 13)

### CONSOLIDATED INVESTORS TRUST

An order has been issued declaring that Consolidated Investors Trust, formerly Consolidated Investors Real Estate Trust, has ceased to be an investment company. (Rel. IC-9929 - Sept. 14)

### TRUST FUND SPONSORED BY THE SCHOLARSHIP CLUB

An order has been issued pursuant to Section 8(f) of the Investment Company Act of 1940, declaring that Trust Fund Sponsored by the Scholarship Club, Inc., has ceased to be an investment company. (Rel. IC-9930 - Sept. 14)

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## HOLDING COMPANY ACT RELEASES

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### EASTERN UTILITIES ASSOCIATES

A notice has been issued giving interested persons until October 7 to request a hearing on a proposal of Eastern Utilities Associates, a registered holding company, that it issue and sell up to 150,000 shares of common stock pursuant to an Employee Stock Ownership Plan and that it be granted an exemption from competitive bidding in connection therewith. (Rel. 35-20172 - Sept. 14)

### NEW ENGLAND ELECTRIC SYSTEM

An order has been issued authorizing New England Electric System, a registered holding company, to issue and sell up to 300,000 shares of common stock pursuant to an Employees' Share Ownership Plan and granting an exemption from competitive bidding in connection therewith. (Rel. 35-20173 - Sept. 14)

### MIDDLE SOUTH UTILITIES

A notice has been issued giving interested persons until October 11 to request a hearing on a proposal of Middle South Utilities, Inc., a registered holding company, and its wholly-owned subsidiary, Middle South Energy, Inc., whereby Middle South Energy will issue and sell to Middle South Utilities, from time to time through December 31 up to 4,000 shares of the subsidiary's no-par common stock at a price of \$1,000 per share. The proceeds of the sale will be used by Middle South Energy to finance, in part, its construction program. (Rel. 35-20174 - Sept. 15)

### LOUISIANA POWER & LIGHT COMPANY

A notice has been issued giving interested persons until October 12 to request a hearing on a proposal of Louisiana Power & Light Company, subsidiary of Middle South Utilities, Inc., to issue and sell 300,000 shares of a new series of cumulative preferred stock, \$100 par value per share, at competitive bidding. (Rel. 35-20175 - Sept. 15)

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## LISTING, DELISTING AND UNLISTED TRADING ACTIONS

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### DELISTING GRANTED

An amended order has been issued granting the application of the American Stock Exchange, Inc. to strike from listing and registration the common stock, \$1.00 par value, of AIC Photo, Inc. (Rel. 34-13956)

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## SELF-REGULATORY ORGANIZATIONS

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### NOTICE OF PROPOSED RULE CHANGE

The Philadelphia Stock Exchange, Inc. (PHLX) has filed a proposed rule change under Rule 19b-4 (SR-PHLX-77-12) to raise original listing fees for stocks and warrants from \$2,000 per issue to \$5,000. Publication of the proposal is expected to be made in the Federal Register during the week of September 19. (Rel. 34-13959)

The American Stock Exchange, Inc. (Amex) has filed a proposed rule change under Rule 19b-4 (SR-Amex-77-21) to amend Article V, Section 6 of its Constitution to expand its retention of disciplinary jurisdiction over former members. Publication of the proposal is expected to be made in the Federal Register during the week of September 19. (Rel. 34-13960)

The Amex has also filed a proposed rule change under Rule 19b-4 (SR-Amex-77-22) to amend its rules to expand retention of disciplinary jurisdiction over former officers and registered employees of member organizations. Publication of the proposal is expected to be made in the Federal Register during the week of September 19. (Rel. 34-13961)

### 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-77-10) would require that options be restricted on that exchange only when such options are required to be restricted on all exchanges which list such options. (Rel. 34-13957)

## 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-8) ROCKAWAY CORPORATION, 21 Pine St., Rockaway, N.J. 07866 - 50,353 shares of common stock. (File 2-59884 - Sept. 15)
- (S-8) AMERICAN TELECOMMUNICATIONS CORPORATION, 9620 Flair Dr., El Monte, Cal. 91731 - 71,000 shares of common stock. (File 2-59885 - Sept. 15)
- (S-7) CONSUMERS POWER COMPANY, 212 West Michigan Ave., Jackson, Mich. 49201 (517) 788-1030 - 2,000,000 shares of preference stock. Underwriter: Morgan Stanley & Co. Inc. (File 2-59886 - Sept. 15)
- (S-7) OKLAHOMA GAS AND ELECTRIC COMPANY, 321 North Harvey Ave., Oklahoma City, Okla. 73101 (405) 272-3000 - \$35 million of first mortgage bonds, due 2007. (File 2-59887 - Sept. 15)
- (S-14) ESMARK, INC., 55 East Monroe St., Chicago, Ill. 60603 (312) 431-3640 - 790,000 shares of common stock. (File 2-59888 - Sept. 15)

### REGISTRATIONS EFFECTIVE

Sept. 14: United Canso Oil & Gas Ltd., 2-58100.

Sept. 15: First United Bancorporation, Inc., 2-59704; Iowa Power and Light Co., 2-59752; The Journal Co., 2-59786; The Municipal Investment Trust Fund, Fourteenth Intermediate Term Series, 2-59381; Napco Industries, Inc., 2-58954; Pasta King, Inc., 2-58852; Rochester Telephone Corp. & Rotelcom, Inc., 2-59274; Smithkline Corp., 2-59346; Sun-Heet, Inc., 2-59404 (30 days); Wainoco Oil Corp., 2-59649; Winkelman Stores, Inc., 2-59720.

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

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