

**NEWS DIGEST**

A brief summary of financial proposals filed with and actions by the S.E.C.

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Washington 25, D.C.

FOR RELEASE December 20, 1961

**SEC PROPOSES RULE ON STOCK DISTRIBUTIONS.** The SEC today announced a proposal (Release 34-6689) to adopt a new Rule 15c2-4 under the Securities Exchange Act which would make it a "fraudulent, deceptive or manipulative act or practice" within the meaning of Section 15(c)(2) of the Act for any broker-dealer participating in a best-efforts underwriting to accept any part of the sale price of any security being distributed unless (1) it is promptly transmitted to the persons entitled thereto, or (2) if the distribution is being made on an "all-or-none" basis, or on any other contingent basis, the money is put into a trust account or delivered to an escrow bank until the event or contingency has occurred and then promptly transmitted or returned to the persons entitled thereto.

The staff has reported that there have been instances in which underwriters and other brokers participating in best-efforts underwritings have sold securities, collected the amount due, and then have failed to remit it to the issuer or other person entitled thereto. In some of these situations insolvency of the broker made it impossible for the issuer to receive the proceeds of the sale.

A best efforts underwriter acts as an agent for the person on whose behalf the distribution is being made; and he and any other brokers participating in the distribution generally receive payment for the securities as agent for such person. Frequently, the issuer on whose behalf the distribution is being made is a comparatively new company and is making the public offering to raise the capital necessary to begin or expand its activities. The failure to receive it will substantially impair its ability to continue in business or to conduct necessary operations. In some cases the "sale" becomes final only if all the securities are sold within a specified period of time; and the arrangement contemplates that the payments made by customers will be returned to them if the distribution is not completed within the required time. The failure of the underwriter or a participating broker to transmit the funds or to maintain them so that they will be insulated from and not be jeopardized by his unlawful activities or financial reverses could involve a fraud either upon the person on whose behalf the distribution is being made or upon the customer to whom the payment is to be returned if the distribution is not completed. The proposed rule is designed to prevent this by requiring that the payment received by the underwriter and any other broker participating in the distribution be promptly transmitted or, in the event that it is not to be transmitted until some further event occurs (e.g. all the securities have been sold), that the funds be properly segregated in a separate trust account, or be deposited with an escrow, until the contingency occurs, so that thereafter it can be properly transmitted or returned to the person entitled to it.

Interested persons are invited to submit their views and comments upon the rule proposal not later than January 26, 1962.

**CORPORATE WORKING CAPITAL INCREASES.** In an announcement for release in Newspapers of December 21st (Stat Release 1798), the SEC reports that the net working capital of U. S. Corporations increased \$1.4 billion in the third quarter of 1961 and at September 30th totalled \$139.3 billion, the increase being less than half the record increase of the previous quarter and about the same as the gain in the third quarter last year (for details, see release).

**MISS. VALLEY GENERATING SALE CLEARED.** The SEC has issued an order under the Holding Company Act (Release 35-14548) authorizing Mississippi Valley Generating Company, subsidiary of Middle South Utilities, Inc., and The Southern Company, to transfer to Arkansas Power & Light Company, another Middle South subsidiary, of the following: (a) land (located in Arkansas's service area and stated to be appropriate for the future use by Arkansas as a power plant site) at the stated cost of \$254,102.77 to MVG, (b) pertinent engineering and development work useful to Arkansas in the utilization of the land at the stated cost of \$235,158.31 to MVG, and (c) 100,000 yards of sand, dirt or soil underlying a deed from Jackson Life Insurance Company at \$2,500, the value thereof to the owner of the plant site found by the Court of Claims, or an aggregate cash consideration of \$491,761.08. After consummation of the proposed sale and as soon as the corporate and other actions required by State law to effectuate the dissolution of MVG can be taken, Middle South and Southern will surrender and MVG will acquire for cancellation, as heretofore authorized, the 11,000 outstanding shares of the common stock of MVG, and any MVG assets, which remain after provision for any tax liabilities and expenses incidental to its dissolution, will be distributed to Middle South and Southern in the respective proportions of 79% and 21%.

**UNION ELECTRIC PROPOSES ACQUISITION.** Union Electric Company, St. Louis, Mo., has filed a proposal with the SEC under the Holding Company Act to purchase securities of a redevelopment company; and the Commission has issued an order (Release 35-14549) giving interested persons until January 18, 1962, to request a hearing thereon. Under the proposal, Union proposes to subscribe for 12,000 common shares and \$1,188,000 of income debentures of Civic Center Redevelopment Corporation for a total consideration of \$1,200,000. The Redevelopment Corporation was organized under the Urban Redevelopment Corporation Act of Missouri for the purpose of carrying out a plan for the complete redevelopment of an area of 31 blocks, comprising about 82 acres, located immediately south of the main business district of St. Louis.

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**WEST TEXAS STOCK SALE APPROVED.** The SEC has issued an order under the Holding Company Act (Release 35-14550) authorizing West Texas Utilities Company to amend its articles of incorporation to increase its authorized shares of common stock from 2,000,000 to 2,800,000 shares and to issue and sell the additional 800,000 shares to its parent, Central and South West Corporation, for \$8,000,000. Central will acquire the shares through use of the proceeds of a cash dividend in the amount of \$8,000,000 proposed to be declared and paid by West Texas on its common stock out of earned surplus. The purpose of the transactions is to reduce the earned surplus and increase the common stock capital of West Texas and to increase the earned surplus of Central.

**SEC ORDER CITES BANKERS SECURITIES.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether the broker-dealer registration of Bankers Securities Inc., of Lexington, Ky., should be revoked.

The proceedings are based upon advice from the Commission's staff that John C. Buckley, Jr., president and sole stockholder of Bankers Securities was (a) convicted in the U. S. District Court (Louisville) on July 24, 1961, for a felony involving the sale of securities; and (b) was indicted on March 22, 1961, in the same court on charges of conspiracy to violate and with violating the anti-fraud provisions of the Securities Act of 1933. The indictment related to transactions in the common stock of Cardinal Life Insurance Company. According to the Commission's staff, Buckley originally pleaded not guilty to the indictment, but during the course of the trial withdrew his plea of not guilty, entered a plea of nolo contendere, and on July 24, 1961, received a fine of \$15,000 on such latter plea.

A hearing will be held, at a date later to be announced, for the purpose of taking evidence to determine whether the information reported by the staff is true and, if so, whether it is in the public interest to revoke the broker-dealer registration of Bankers Securities.

**I. D. S. HEARING SCHEDULED.** The SEC has scheduled a hearing for January 10, 1962, upon the application of Investors Diversified Services, Inc., Minneapolis investment company, for an exemption order under the Investment Company Act with respect to its proposal for a ten-for-one split of its 879,181 shares of non-voting Common Stock, Class A (Release IC-3388). Allan P. Kirby, as a holder of IDS shares and the largest single stockholder of Alleghany Corporation, which owns some 47½% of the IDS voting common, objected to the stock split and requested a hearing thereon. In addition to the non-voting Class A shares, IDS has outstanding 574,540 shares of voting common stock which it also proposes to split ten-for-one.

**SECURITIES ACT REGISTRATIONS.** Effective December 19: Nation-Wide Real Estate Investment Trust (File 2-18651). Effective December 20: Avceno Pharmaceuticals, Inc. (File 2-19005); District Wholesale Drug Corporation of Washington (File 2-18917); Dunlap Electronics (File 2-19026); Executive House, Inc. (File 2-18790); Mon-Dak Feed Lot, Inc. (File 2-18515); Pako Corporation (File 2-18952); Quik-Chek Electronics & Photo Corp. (File 2-19024); Union Tank Car Co. (File 2-19422); United Exposition Service Co. (File 2-18943). Withdrawn December 20: Consolidated Vending Corp. (File 2-18799).

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