

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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

(In ordering full text of Releases from Publications Unit, cite number)



Washington 25, D.C.

FOR RELEASE July 14, 1960

MANTHOS, MOSS & CO. HEARING POSTPONED. At the request of counsel for Manthos, Moss & Co., Inc. Houston, Texas, the SEC has authorized a postponement to August 29, 1960, of the hearing scheduled for July 26th in the Commission's Houston Branch Office to determine whether that company's broker-dealer registration should be revoked and whether it should be suspended or expelled from the NASD.

BROAD STREET INVESTING ACQUISITIONS CLEARED. The SEC has issued exemption orders under the Investment Company Act (Release 40-3072 and 40-3073) permitting Broad Street Investing Corporation to issue its shares at their net asset value for substantially all the cash and securities of Morey, Humm & Warwick, Inc., and of M. E. W. Corporation.

INC. INCOME FUND RECEIVES ORDERS. The SEC has issued an exemption order under the Investment Company Act (Release 40-3074) permitting Incorporated Income Fund to issue its shares at net asset value for substantially all the cash and securities of A. E. Dick Contracting Company.

TRADING IN SKIATRON ELECTRONICS SUSPENDED. The SEC has ordered the further suspension of trading in the common stock of Skiatron Electronics and Television Corporation on the American Stock Exchange and over-the-counter markets for the period July 15 to 24, 1960, inclusive. (Release 34-6321)

GENERAL AEROMATION MOTIONS DENIED. The SEC has issued a decision (Release 33-4251) denying certain motions filed by General Aeromation, Inc., of Cincinnati, in the proceedings under the Securities Act of 1933 to determine whether to vacate, or make permanent, an order of the Commission temporarily suspending a Regulation A exemption from registration with respect to a public offering of stock by that company. The motions sought to amend the hearing order and to strike therefrom certain allegations, the production of certain documents from the Commission's files, and a pre-hearing conference with respect to these matters and to clarify the issues and expedite the hearing.

SEC APPROVES ELIMINATION MINORITY INTEREST IN ARK. FUEL. The SEC today issued a decision under the Holding Company Act in which it approved a plan providing for the elimination of the 1,843,346 common shares (48.49%) held by some 20,000 public stockholders of Arkansas Fuel Oil Corporation, a subsidiary of Cities Service Company, a registered holding company, by the cash payment to them of \$41 per share, or a total of \$75,577,186.

In finding the plan fair and reasonable, the Commission first arrived at a value of \$40 per share for all the assets, less liabilities, of Arkansas, based in part on an outside offer for the assets of Arkansas which would have netted \$40 per share to its stockholders and in part on the fact that a production payment is available upon the oil and gas producing properties of Arkansas, as a result of which the Arkansas stock has a value greater than it would have if no production payment were available. The additional \$1 per share was awarded on the basis of a settlement with respect to certain alleged causes of action for mismanagement asserted on behalf of the public holders of the common stock of Arkansas against Cities Service and certain of its other subsidiaries.

The Commission disapproved a plan filed by Cities Service in February 1959 which proposed the exchange of common stock of Cities Service for the publicly-held common stock of Arkansas on the basis of one share of Cities Service stock for each 2.4 shares of Arkansas stock. Based on the June 30, 1960, closing market price of the Cities Service stock, \$41.75 per share, under the plan filed by Cities Service each public shareholder of Arkansas would have received \$17.40 in market value of Cities Service stock for each share of Arkansas stock. The difference between the amount of cash to be received by the public stockholders under the plan approved by the Commission as against the market value of the Cities Service stock which they would have received under the exchange-of-stock plan is approximately \$43,500,000.

The plan is subject to the approval of, and enforcement by, a United States District Court to which the Commission will apply for approval and enforcement. A limited supply of copies of the full text of the decision (Release 35-14260) is available on request.

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For further details, call WORTH 3-5526

SEC ISSUES REVISED PROPOSAL ON CONVERTIBLES. The SEC today announced a revised proposal for the adoption of a new Rule 155 under the Securities Act of 1933 defining the term "Transaction by an issuer not involving any public offering" in Section 4(1) of the Act as applied to the question of the necessity for registration with respect to a public offering of convertible securities by or on behalf of any person who purchased the convertible security directly or indirectly from the issuer in a non-public transaction, or to a public offering of the underlying securities received upon conversion of the securities so placed. Further comments upon the revised proposal may be filed not later than September 1, 1960.

The initial proposal was published on December 2, 1959, and was based upon conclusions and recommendations of the Commission's staff that, "For purposes of the provisions of Sections 2(11), 4(1) and 5 of the Securities Act, the transaction involved in a private placement by an issuer of a convertible security is not completed until the disposition of the underlying securities is determined" and that, in consequence, no exemption from the registration and prospectus provisions of the Act is available for a public offering of an immediately convertible security so issued, or for the underlying security received upon conversion unless the circumstances of acquisition, retention and disposition of the underlying security are such that the persons offering the underlying security are not underwriters within the meaning of Section 2(11) of the Act.

The Commission has received helpful letters of comment; and a number of the suggestions made have been incorporated in the revised rule proposal. Several of the letters also raised questions as to the application of the proposed rule to various situations and requested that the Commission publish, prior to any final action upon the proposed rule, a further release treating with these questions. Accompanying the revised proposal is a discussion of the more important of these questions and the reasons advanced by the staff for the additional provisions reflected therein.

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