

SECURITIES AND EXCHANGE COMMISSION



NEWS DIGEST

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

Washington 25, D.C.

FOR RELEASE August 31, 1956

HCA Release No. 13251

The Columbia Gas System, Inc., has joined with two of its subsidiaries, Central Kentucky Natural Gas Company and Kentucky Gas Transmission Corporation, in the filing of an application with respect to a proposed transfer of certain properties by Central Kentucky to Kentucky Gas; and the Commission has issued an order giving interested persons until September 17, 1956, to request a hearing thereon.

Central Kentucky is engaged in the purchase, storage, transmission and sale of natural gas within the State of Kentucky. It proposes to transfer to Kentucky Gas those of its assets and properties used in wholesale operations for the transmission and storage of natural gas, together with the reserves, liabilities and obligations applicable thereto, plus approximately \$300,000 of cash for Kentucky Gas' working capital requirements. Central Kentucky will retain only those assets and properties used for the retail distribution of natural gas within the State of Kentucky.

In payment for the assets and properties transferred, Kentucky Gas will issue and deliver to Central Kentucky 4,000 shares of its \$25 par Common Stock, having a book value of \$8,269,021, and Installment Promissory Notes in the amount of \$8,270,000, as of December 31, 1955. Central Kentucky will then deliver to Columbia Gas the said Installment Promissory Notes in prepayment of an equal amount of its notes held by Columbia Gas.

Upon consummation of the transfer of properties, Kentucky Gas will become the principal supplier of natural gas to Central Kentucky. The proposal is a step in a program evolved by Columbia Gas to realign the System properties in such manner that all production, storage and transmission properties used in wholesale operations and subject to Federal Power Commission jurisdiction, will eventually be owned by a single operating company, and the retail distribution facilities in each State will be owned by a single company subject to the appropriate State Commission.

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ICA Release No. 2404

The SEC has issued an exemption order under the Investment Company Act of 1940 with respect to certain transactions between American Research and Development Corporation, Boston investment company, and Synco Resins, Incorporated, of Bethel, Conn. Synco, which is engaged in the production

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of acid catalyzed phenolic adhesives, phenolic, urea and alkyd resins and molding powders, has proposed a plan for the exchange of common stock for outstanding notes, debentures and preferred stock. The basis of such exchange is one common share for each \$2 principal amount of debt or par value of preferred stock. Certain holders of such securities, including American, have agreed to accept the exchange. American's holdings consist of \$50,000 of \$100,000 outstanding 5% notes; \$8,640 of \$50,000 of 3% debentures; and 50,000 of 154,290 outstanding 5% preferred stock, together with 21,600 of 141,513 outstanding common shares. Such holders also have agreed to waive accrued and unpaid interest and dividends aggregating \$54,181.

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Anheuser-Busch, Incorporated, St. Louis, filed a registration statement (File 2-12750) with the SEC on August 30, 1956, seeking registration of 328,723 shares of its outstanding \$4 par Common Stock. The entire 328,723 shares are presently outstanding shares, and are to be offered for public sale by the Estate of Edmee B. Greenough, deceased. The public offering price and underwriting terms are to be supplied by amendment. Lee Higginson Corporation is named as the principal underwriter. The company has outstanding 3,816,218 shares. The Estate is selling all of its holdings of 328,723 shares.

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HCA Release No. 13252

The SEC has issued an order permitting Home Gas Company, Pittsburgh, subsidiary of The Columbia Gas System, Inc., to acquire certain gas properties in the Wayne natural gas field, located in portions of Schuyler, Yates and Steuben counties, New York, for a cash consideration of \$131,500. The properties are being acquired from Harley E. Crandall, Roy S. Crandall, and Lillian A. Wilkinson, doing business as Wayne Gas Company. An application with respect to a related purchase by The Keystone Gas Company, Inc., for \$16,500 was dismissed by the Commission for lack of jurisdiction.

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Century Food Markets Company, Youngstown, O., filed a registration statement (File 2-12752) with the SEC on August 30, 1956, seeking registration of \$2,000,000 of Convertible Subordinated Debentures and 40,000 shares of its \$1 par Common Stock. The company proposes to offer these securities for public sale in units, each unit represented by \$50 principal amount of debentures and one share of common stock. The public offering price of the units and underwriting terms are to be supplied by amendment. H. M. Byllesby and Company, Inc., is named as the principal underwriter.

Of the net proceeds, Century proposes that \$700,000 be applied to the retirement of a \$550,000 bank loan and \$150,000 of notes. The Bank loan was incurred within the last year in connection with the acquisition of the merchandise and property of Cook's Grocery Company, Inc.; and the

notes were issued in connection with the same acquisition. The balance of the proceeds will go into the company's general funds to replenish working capital for expenditures in the approximate amount of \$700,000 made in the current fiscal year for fixtures, equipment and leasehold improvements for four new stores opened in the past months; to similar expenditures for four additional stores planned to be opened by the end of the current fiscal year; for expanded inventories, warehouse equipment and trailer trucks; and towards temporary financing of the enlargement of the warehouse. The company also has received a tentative commitment for a fifteen year loan of \$1,500,000 from the Massachusetts Mutual Life Insurance Company, of which amount \$850,000 would be used to retire the reduced principal amount of the bank note above mentioned and the balance applied to the contemplated expenditures under the expansion program.

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Aluminum Company of America (Pittsburgh) filed a registration statement (File 2-12753) with the SEC on August 30, 1956, seeking registration of 150,000 shares of its outstanding \$1 par Common Stock. These shares are to be offered for public sale by Arthur V. Davis, Board Chairman; and upon consummation of the sale, he will own 1,186,824 shares, or approximately 6% of the outstanding common stock of the company. The offering is to be made through an underwriting group headed by The First Boston Corporation. The initial public offering price will be a fixed price related to the then current market price for the stock on the New York Stock Exchange. Underwriting terms are to be supplied by amendment.

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Allegheny Ludlum Steel Corporation (Pittsburgh) today filed a registration statement with the SEC seeking registration of approximately \$16,377,000 of % Convertible Subordinated Debentures, due 1981. The company proposes to offer to the holders of its outstanding Common Stock of record at the close of business on September 19, 1956, rights to subscribe for the above Debentures in the ratio of \$100 in principal amount of Debentures for each 23 shares of Common Stock then held of record. The interest rate, subscription price, and underwriting terms are to be supplied by amendment. The First Boston Corporation and Smith, Barney & Co. are named as the principal underwriters. Of the proceeds from the sale of the Debentures, \$10,750,000 will be used to prepay outstanding obligations of the corporation, and the balance will be available for general corporate purposes, including the continuing improvement and rehabilitation of the plants and facilities of the corporation and subsidiaries.

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Summary of Holding Company Act Release No. 13254

In an opinion issued today the Securities and Exchange Commission denied an application for an exemption from the Public Utility Holding Company Act filed by Cities Service Company in behalf of itself and its subsidiaries, and held that Cities Service and Arkansas Fuel Oil Corporation,

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a Cities subsidiary, must within a reasonable time submit a program of compliance with that Act to effect either the elimination of the 48.5% minority public stockholder interest in Fuel Oil or the disposition of Cities' 51.5% interest.

The Commission held that the existence of the public minority interest constitutes a complexity and results in an inequitable distribution of voting power which, under the Act, requires rectification. It rejected arguments advanced by the companies that earlier system reorganizations whereby all of Cities' important utility holdings were divested in compliance with the Act, had resolved all questions under the Act and left the Commission without any basis for denying an exemption or requiring further action by Cities or Fuel Oil.

Fuel Oil and its subsidiaries are engaged principally in the production, transportation and sale of crude oil, the production, processing, and wholesale sale of natural gas, and the purchase and sale of refined petroleum products and automobile accessories through some 6100 retail outlets carrying the Cities name in 11 southern and southeastern states. Fuel Oil sells crude oil and various products to the Cities system and obtains from it other products and facilities and participates in Cities' oil and gas lease development, advertising, and research programs. Fuel Oil purchases refined products from Cities Service Refining Corporation, a Cities subsidiary, under a refinery contract arrangement entered into in 1945 when Fuel Oil's own refinery at Bossier City, Louisiana was shut down.

The Commission found that Fuel Oil is intimately tied to the Cities System by a multiplicity of affiliations and intrasystem transactions which have assimilated its operation-wise into the Cities system so that it is for all practical purposes a part of Cities' oil and gas system. It found that inherent conflicts of interest were involved which were detrimental to the minority stockholders, irrespective of any showing of spoliation or abuse, because they resulted in such holders being "deprived of a management conducting Fuel Oil's affairs with an eye single to its own advantage."

The Commission refused to pass on the claims raised by various minority stockholders based on asserted mismanagement of Fuel Oil by Cities, principally in connection with the administration of the refinery contract, which determines Fuel Oil's cost of refined products according to a formula which assumes the hypothetical continuation of the Bossier City refinery. While observing that the refinery contract was an inadequate attempt to reconcile the conflicts of interest between Fuel Oil and Cities with respect to the intercompany dealings in refined products, the Commission stated with respect to such claims, to which Cities had raised defenses: "in our view, it is not appropriate for us to undertake to examine or adjudicate any possible intercompany claims at this stage of the proceedings. Our jurisdiction under the Act to consider claims of this type arises in connection with our passing on the fairness of a plan filed under Section 11(d) or 11(e) of the Act, and we would reach such consideration only in the event there is hereafter presented to us a form of compliance with Section 11(b)(2) which makes such consideration relevant to a determination of its fairness."

Copies of the Commission's decision (Release No. 13254) may be obtained upon request.