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 September 5, 1956

Corporate Reorganization Release No. 103

The Securities and Exchange Commission today announced the filing with the United States District Court for the Northern District of Illinois, Eastern Division, of an Advisory Report of the Commission, pursuant to Sections 172 and 173 of Chapter X of the National Bankruptcy Act, on a proposed plan of reorganization for Columbus Venetian Stevens Buildings, Inc. which owns and operates three commercial buildings in the city of Chicago, Illinois. The plan of reorganization, proposed by John E. Sullivan and Morris E. Feiwell, Trustees, provides for the sale of the principal assets of the company at public auction for not less than an aggregate up-set price of $5,100,000.

It is proposed that the properties, consisting of the Columbus Memorial Building, a 14 story structure at the southeast corner of State and Washington Streets, Chicago, the Venetian Building, a 14 story structure located on Washington Street, Chicago, between State Street and Wabash Avenue, and the Stevens Building, a 19 story building, extending from State Street to Wabash Avenue, Chicago, be sold at public auction. Seven floors of the Stevens Building are occupied by Charles A. Stevens & Co., a well known Chicago department store.

The debtor corporation is the successor to Stevens Brothers Corporation which went through a reorganization in 1932 under Section 77 B of the Bankruptcy Act. Columbus Venetian Stevens Buildings, Inc. issued to the security holders of Stevens Brothers Corporation first mortgage income bonds, which are now outstanding in the aggregate principal amount of $7,019,600. Common stock totaling 58,057 shares was issued to trustees of a stock trust which in turn issued an equal number of Units of Beneficial Interest to the security holders of Stevens Brothers Corporation. Interest on the bonds has been in default since September 1, 1954. The present reorganization proceeding was instituted by a voluntary petition filed under Chapter X of the Bankruptcy Act on August 30, 1955.

Under the plan, the properties will be sold free and clear of the claims of the bondholders whose claims will attach to the proceeds of the sale and other assets of the debtor. Claims of the bondholders will be paid to the extent there is cash available in the hands of the Trustees after payment of tax claims, costs of administration, and fees and allowances. No participation is proposed for the stockholders. The Commission's report concludes that the Trustees' plan is not fair and equitable unless it be amended to (1) eliminate certain limitations and conditions proposed in connection with the bidding procedure pursuant to which the properties will be offered for sale (2) include a provision for the equitable

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sharing of a stand-by commitment fee paid by the Trustees in connection with a loan commitment previously secured by one of the company's bondholders and (3) recognize the claim of the bondholders for interest accruing on the outstanding bonds during the pendency of the proceedings under Chapter X.

As to feasibility, the Commission concludes that no question is presented since the plan contemplates a sale of the debtor's properties and distribution of the proceeds.

Copies of the text of the Commission's report (Corporate Reorganization Release No. 103) may be obtained upon request.

Securities Exchange Act Release No. 5359

The Securities and Exchange Commission today announced the issuance of a decision granting applications of the New York Stock Exchange to strike from listing and registration the capital stocks of Atlas Tack Corporation and Exchange Buffet Corporation, effective at the close of business September 14, 1956.

Under the provision of the Securities Exchange Act of 1934 under which the applications were filed, the Commission stated, an application to strike a security from listing cannot be denied if the rules of the Exchange have been complied with; but the Commission may impose "such terms as we find necessary for the protection of investors." The Commission concluded "that the record establishes that the Exchange's rules have been complied with and that the applications should be granted without the imposition of any terms or conditions."

According to the Commission's decision, Atlas Tack had outstanding at the time of the hearing in April 1956, 93,651 shares of capital stock owned by 312 stockholders. The beneficial ownership of 74,238 shares (79%) was held by two pension funds created by two Springfield, Massachusetts, newspapers for their employees. As of November 11, 1955, the approximate market value of the outstanding shares was $1,334,500. The volume of trading therein was 10,300 shares in 1953, 5,400 shares in 1954, and 3,300 shares for an eleven month period ending November 14, 1955. Atlas Tack's net tangible assets at September 30, 1955, were $1,342,397. Its net earnings, after federal taxes, have not exceeded $200,000 in any of the past ten years, with the exception of 1955, when, as a result of a carry-over of previous losses, it had a net profit of about $261,000. Exchange Buffet had outstanding as of September 30, 1955, 246,889 shares of capital stock. The two pension funds above mentioned were the beneficial owners of 173,341 shares (70%); and on April 30, 1955, shareholders numbered approximately 695. As of November 14, 1955, the approximate market value of the outstanding shares was $493,778. Net assets of Exchange Buffet as of April 30, 1955 were $266,516; and its earnings deficits ranged from $37,000 to $311,758 for the fiscal years ended April 30, 1953, 1954 and 1955. The volume of trading was 11,200 shares in 1953, 9,300 shares in 1954, and 30,800 shares in the eleven months ended November 14, 1955.

Under an Exchange delisting policy adopted in July 1955, the Exchange determined it would consider delisting any common stock issue of a company whose size has been so reduced as to make inadvisable further dealings therein. In applying this

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policy, the Exchange stated that it would consider delisting where "the size of /the issuer/ has been reduced, as a result of liquidation or otherwise, to below $2,000,000 in net tangible assets or aggregate market value of the common stock and the average net earnings after taxes for the last three years is below $200,000." A committee of the Exchange's Board of Governors held public hearings in November 1955, on the question whether the stocks of Atlas Tack and Exchange Buffet should be delisted; and, on December 15, 1955, the Board of Governors determined to delist the two stocks for the reason that the two companies failed to meet the Exchange's standards for continued listing. Pursuant to the Securities Exchange Act, the Exchange thereupon applied to the Commission to strike the stocks from listing and registration. The two companies, supported by the two pension funds and most of their other stockholders, opposed the applications.

Among other things, Atlas Tack and Exchange Buffet contended that the Exchange's delisting standards, being based in part on earnings for prior years, were retroactive in nature and as such were arbitrary and unreasonable, and claimed that delisting would entail harmful consequences to their stockholders. They urged that the applications be denied or at least that the revised standards not become effective until three years from the date of their adoption. The Commission found no objectionable retroactive feature in the Exchange's delisting standards; nor did it consider that the imposition of terms was required because of the consequences which the two companies claimed would flow from the delisting. The Commission stated that the record did not establish that the market value of the two stocks would be adversely affected by the delisting; and with respect to other claimed consequences, such as the deprivation of protection afforded by the disclosure and information requirements of the Securities Exchange Act and the supervision imposed by the Exchange and the Commission, it was observed by the Commission that, while they might have an adverse effect on present investors, "they are inherent in any delisting and do not constitute a basis for the imposition of conditions." With respect to the protection afforded by the information requirements of the Act, it was further noted that both companies are controlled by the pension funds which have it within their power, notwithstanding delisting, to give the same, or greater, information to minority stockholders as is required of companies whose securities are listed.

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Chinook Plywood Inc., Rainier, Oregon, filed a registration statement (File 2-12759) with the SEC on September 4, 1956, seeking registration of 200 shares of its Common Capital Stock, $3,000 par value per share. The shares are to be offered for sale at $3,000 per share. The offering is to be made by Industry Developers, Inc., recently organized by two officials of Chinook and another individual, for which it will receive a 10% selling commission.

Chinook is a new venture being organized for the purpose of constructing and operating a plywood plant at or near Rainier. It is not a cooperative association, although many of its shareholders are expected to be employed by the company. Joe F. Walker of Rainier is listed as president. Net proceeds of the financing, estimated at $540,000, are to be used for the acquisition of a plant site, construction of a mill building, purchase and installation of machinery and equipment, and as operating capital. The maximum estimated cost of the completed plant is $681,500.

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Peabody Coal Company, Kansas City, Mo., filed a registration statement (File 2-12760) with the SEC on September 4, 1956, seeking registration of $35,000,000 of Sinking Fund Debentures due 1976, to be offered for public sale through an underwriting group headed by The First Boston Corporation. The interest rate, public offering price and underwriting terms are to be supplied by amendment. Of the net proceeds of the financing, approximately $28,180,000 will be applied to the payment of the principal and premium on $27,714,891 of outstanding funded debt of the company. The remainder of such proceeds will be added to general funds of the company and will be available for general corporate purposes. The company estimates that expenditures for property developments and additions, including the acquisition of additional coal reserves, the development of new mines and the purchase or extension of related transportation facilities, will aggregate $38,600,000 for the period 1956 through 1959 (including $25,000,000 for 1956, of which $15,300,000 had been expended at June 30).

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Venture Securities Fund, Inc., Boston investment company, filed a registration statement (File 2-12761) with the SEC on September 4, 1956, seeking registration of 200,000 shares of its $1 par Capital Stock. The company was organized under Delaware law on June 29, 1956. Its shares are to be offered for public sale at an initial offering price of $25 per share. Venture Securities Corporation is the principal underwriter; and it will receive an underwriting commission of $1.25 per share. Arden Yinkey, Jr., is president of the Fund; and he owns 60% of the outstanding securities of the underwriter.

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Allentown Portland Cement Company, Allentown, Pa., today filed a registration statement (File 2-12762) with the SEC seeking registration of 200,000 shares of its outstanding Class A Common Stock ($1.25 par). The shares of Class A common are being acquired by the underwriters (headed by Kuhn, Loeb & Co.) upon conversion of an equal number of shares of Class B Common Stock which the underwriters are purchasing from two stockholders of the company; and the underwriters propose to offer the Class A shares for public sale. The public offering price and underwriting terms are to be supplied by amendment. No part of the net proceeds of the offering will be received by the company.

Messrs. C. Thomas Fuller and James W. Fuller, of Allentown, vice presidents and directors of the company, are listed as the selling stockholders. They now hold 602,520 shares (52.09%) and 448,680 shares (38.79%), respectively, of the outstanding Class B common. Each is selling 100,000 Class B shares to the underwriters. Such sales will reduce their respective holdings of Class B shares to 52.52% and 36.45%, respectively. None of the Class A shares is presently outstanding.

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## STUDY OF CAPITALIZATION RATIOS

Chairman J. Sinclair Armstrong of the Securities and Exchange Commission today announced that the Division of Corporate Regulation of the Commission is conducting a study of capitalization ratio standards for registered public utility holding companies and their operating subsidiaries whose financing proposals are subject to the Commission's jurisdiction under the Public Utility Holding Company Act of 1935.

The study will concern itself with the question of the appropriate proportions of the capital structures of these companies, both on an over-all consolidated basis and on an individual operating company basis, which may properly be represented by long-term debt, preferred stock, and common stock and surplus. Consideration also will be given to the appropriate limitations in the relative amount of short-term bank borrowings

To aid in this study, Ray Garrett, Jr., Division Director, has addressed a letter questionnaire to several hundred other Federal and state regulatory agencies, utility companies, insurance companies, investment companies, banks, underwriters, text book writers, educators in finance, security analysts, and others. Replies to the questionnaire are due not later than November 1, 1956. Based upon its review and analysis of the replies, the Division will report its views and recommendations to the Commission with respect to whether the Commission should promulgate and distribute for public comment a proposed statement of policy on capitalization ratios.

Any such statement of policy, if and when adopted by the Commission, would be applicable to financing proposals of registered public utility holding companies and their operating subsidiaries under the Holding Company Act. Furthermore, it would serve as a guide to the development of financing proposals most likely to find acceptance by the Commission under the applicable provisions of the Act. Generally speaking, the Act seeks, among other things, to promote economies in the raising of capital by holding companies and their subsidiaries. Section 7 thereof provides, for example, that the Commission shall permit a financing declaration to become effective unless it finds that the security is not reasonably adapted to the security structure of the issuing company and other companies in the same holding company system. Where a financing is entitled to an exemption under Section 6(b) of the Act by reason of its approval by a state regulatory commission, the SEC may impose such terms and conditions as it deems appropriate in the public interest or for the protection of investors or consumers.

The Commission is keenly aware of the direct effect of the over-all cost of raising capital on the rates charged consumers of utility service, on the rate of return allowed to the utility company, and on the ultimate return to investors. Any lack of economies in the raising of capital inevitably affects adversely both consumers and the general public; and, in the long run, investors also suffer. The over-all cost of raising capital, in turn, is affected, among other things, by the type of capital structure of the utility company or utility system, including the relative proportions thereof represented by debt securities versus equity securities; and these factors also affect the stability of the market for such securities. In the light of expanding and continuing growth of the public utility industry, with its enormous demands for new capital, it is of the utmost importance that public utility holding companies and their operating subsidiaries subject to the Act raise their new capital requirements in a manner designed to achieve the greatest economies possible.

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