

SECURITIES AND EXCHANGE COMMISSION 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 31, 1959

NEES SERVICE COMPANY ARRANGEMENT MODIFIED. The SEC has issued an order under the Holding Company Act (Release 35-14128) authorizing modifications in the organization of and conduct of business by New England Power Service Company, a service-company subsidiary of New England Electric System.

EASTERN UTILITIES BORROWINGS CLEARED. The SEC has issued an order under the Holding Company Act (Release 35-14129) authorizing the issuance of bank notes by Eastern Utilities and its subsidiary, Montaup Electric Company. EUA has outstanding bank loan indebtedness of \$2,775,000 which it proposes to pay through periodic issuance and sale of promissory notes to The First National Bank of Boston in amounts not exceeding \$2,775,000 in the aggregate. Montaup proposes to pay its outstanding bank loans and meet its cash requirements for construction purposes in 1960 through the issuance and sale of notes to First National in the maximum amount of \$3,600,000 to be outstanding at any one time.

SEC ORDER PERMITS SHARE EXCHANGE. The SEC has issued an exemption order under the Investment Company Act (Release 40-2958) permitting the acquisition of 77,395 shares of common stock of Anemostat Corporation of America by Dynamics Corporation of America. The transaction is to be effected by (a) the purchase by Dynamics of 56,195 shares of Anemostat stock in exchange for the transfer by Dynamics to Securities Corporation General (SCG), a registered investment company, of a total of 4,757 shares of SCG preferred stocks (consisting of 1,219 shares of \$7 preferred and 3,538 shares of \$6 preferred of SCG), and (b) the proposed purchase of 21,200 shares of Anemostat common in consideration of a cash payment of \$155,820 by Dynamics to SCG.

According to the application, the \$7 and \$6 preferred shares of SCG stock held by Dynamics represent 66.14% and 74.78%, respectively, of such outstanding preferred. SCG's assets consist largely of 131,355 shares (4.95%) of the common stock of Dynamics and 77,395 shares (51.25%) of the common stock of Anemostat. Dynamics owns 49,636 shares (32.87%) of the Anemostat common.

SCG has undertaken to invite the holders of its \$6 and \$7 preferred shares remaining outstanding after consummation of the proposed transaction to tender such shares for repurchase by SCG at \$93 per share for the \$6 preferred and \$99 for the \$7 preferred. It thereafter intends to pay accrued dividend arrears on any shares not tendered.

DEVELOPMENT CORP. STOCK ACQUISITION CLEARED. The SEC has issued an exemption order under the Investment Company Act (Release 40-2959) permitting the acquisition by Development Corporation of America, principally from companies controlled by The Equity Corporation, its parent, of 75.8% of the common stock of United Security Life Company in exchange for common stock of Financial General Corporation.

ST. LOUIS HEARING POSTPONED. The hearing in proceedings under the Securities Exchange Act to determine whether to revoke the broker-dealer registrations of Mutual Fund Distributors, Inc., and T. C. A. Associates, Inc., of St. Louis, has been postponed from January 4 to January 18, 1960, at the request of counsel for the respondents. The hearing is now scheduled for 10:00 A. M. on January 18, 1960, in the U. S. Court and Customhouse in St. Louis.

COURT ORDER ENJOINS ALDRICH SCOTT & CO. The SEC New York Regional Office announced December 23, 1959, that a court order of permanent injunction had been issued (USDC, SDNY) enjoining Aldrich, Scott & Co., Inc., 80 Wall St., New York, and Edward L. Benedict and Walter Scott Aldrich, president and vice president, respectively, from further violations of anti-fraud provisions of Federal securities laws and SEC net capital rule.

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For further details, call ST. 3-7600, ext. 5526

CAROLINA NATURAL GAS FILES FOR STOCK OFFERING. Carolina Natural Gas Corporation, 256 First Ave., N. W., Hickory, N. Car., filed a registration statement (File 2-15989) with the SEC on December 30, 1959, seeking registration of 120,000 shares of common stock, to be offered for public sale through an underwriting group headed by Cruttenden, Podesta & Co. and Odess-Martin, Inc. The public offering price and underwriting terms are to be supplied by amendment.

The company's current financing also includes the sale to institutional investors of \$2,200,000 of First Mortgage 6% Bonds due 1980. Net proceeds of the sale of the stock and bonds are to be applied as follows: to the retirement of outstanding first mortgage bonds - \$1,609,272; to the retirement of bank loans - \$250,000; to the retirement of a short-term note - \$25,000; to provide a portion of funds required for 1960 construction - \$409,000; and for working capital.

PREFERRED INSURANCE SHARES IN EXCHANGE. Preferred Insurance Company, 126 Ottawa Ave., N. W., Grand Rapids, Mich., filed a registration statement (File 2-15990) with the SEC on December 30, 1959, seeking registration of 59,364 outstanding shares of common stock. These shares, constituting 29.1% of the outstanding common, are held by Wendell Berman, board chairman, Donald Clegg and W. Clarence Beets, trustees, subject to a voting trust. The said shares are subject to an agreement between Preferred Automobile Underwriters Company and certain shareholders of Preferred Insurance Company under the terms of which the said shareholders have the right to purchase the said shares of stock at any time within five years from October 15, 1959, at \$10.50 a share during the year ended October 14, 1960, with the option price increasing 50¢ a share per year thereafter. The shares are being registered for use by the said shareholders in event of their purchase and resale of the shares.

DESOTO CHEMICAL COATINGS SHARES IN REGISTRATION. DeSoto Chemical Coatings, Inc., 1350 South Kostner Ave., Chicago, filed a registration statement (File 2-15991) with the SEC on December 30, 1959, seeking registration of 150,000 shares of common stock. These shares have been or will be issued upon the exercise of options granted or to be granted to employees or officers of the company or its subsidiaries under the company's Employees' Stock Purchase Plan of 1956.

KAVANAGH-SMITH FILES FOR OFFERING AND SECONDARY. Kavanagh-Smith & Company, 114 North Greene St., Greensboro, N. Car., today filed a registration statement (File 2-15992) with the SEC seeking registration of 145,000 shares of common stock. Of this stock, the company will make a public offering of 115,000 shares and two stockholders will offer 30,000 shares (subject to a reservation of 20,000 for company officials and employees). The 20,000 shares are to be offered initially to officials and employees at \$4.50 per share. Public offering of the shares will be made at \$5 per share with a 50¢ per share commission to the underwriters, headed by United Securities Company.

The company (directly and through subsidiaries) is engaged in the building and construction business. Net proceeds of its stock sale will be added to general funds of the company and will be available for any corporate purpose, including particularly the acquisition and development of land and the construction of houses for sale. The company also expects to retire \$166,850 of bank indebtedness.

Of the presently outstanding stock (336,742 shares), 123,676 shares are owned by Roger P. Kavanagh, Jr., president, and 112,056 shares by Griswold Smith & Company all of whose stock is owned by W. Griswold Smith, board chairman. Each proposes to offer 15,000 shares for public sale.

A. R. RHINE RECEIVERSHIP TERMINATES. The SEC Denver Regional Office announced December 28, 1959, that the receivership for A. R. Rhine, doing business as Rhine Petroleum Industries, and A. R. Rhine, doing business as Majestic Petroleum Company, was terminated following adjudication of Rhine a bankrupt and the appointment of a receiver in bankruptcy. Preliminary injunction (USDC, Colo.) against Securities Act violations remains in effect.

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