

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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LIFE INSURANCE INVESTORS SEEKS ORDER. Life Insurance Investors, Inc., 10 South LaSalle St., Chicago, has joined with various individuals in the filing of application under the Investment Company Act with respect to their proposal to sell stock of The Old Line Life Insurance Company ("Old Line"), through underwriters; and the Commission has issued an order (Release IC-3935) scheduling the application for hearing on April 22, 1964.

According to the application, Old Line has 600,000 common shares outstanding. Life Investors owns 27,996 shares; three of its directors 33,600 shares (including 27,996 shares held by J. C. Bradford); six of the partners of the investment banking firm of J. C. Bradford and Company 22,410 shares; and five employees of the Bradford firm 19,212 shares - a total of 75,222. These shares were acquired in 1961 at an average cost of \$17.86 per share, 167,610 by a syndicate organized by Bradford and the 27,996 by Life Investors. The application states that Life Investors could have acquired some 100,000 shares, but limited its purchase to the 27,996 shares because there was then an element of risk involved since the issuer's management was comparatively new and was not well known.

It is now proposed that the Bradford firm form an underwriting group to distribute the Old Line stock acquired in 1961. This group would invite all applicants herein and the other purchasers to sell their holdings; and it is indicated that all of them, with the exception of Bradford and Life Investors, will sell all of their holdings. Bradford does not propose to sell any of his holdings, and Life Investors will decide to sell all or any part of its holdings at any time prior to the signing of the underwriting agreement.

TWO STOCKS DELISTED. The SEC has issued orders under the Securities Exchange Act (Release 34-7273) granting an application of the Midwest Stock Exchange to delist the common stock and warrants of Lynch Corporation from listing and registration, effective at the opening of business March 23d, and a similar application of the San Francisco Mining Exchange to delist the common stock of U. S. Milling & Minerals Corporation, effective at the opening of business March 25th.

UNLISTED TRADING GRANTED. The SEC has issued an order under the Securities Exchange Act (Release 34-7273) granting an application of the Philadelphia-Baltimore-Washington Stock Exchange for unlisted trading privileges in the common stock of Tektronix, Inc.

ST. JOSEPH LEAD FILES PLAN. St. Joseph Lead Company, 250 Park Ave., New York, N. Y. 10017, filed a registration statement (File 2-22163) with the SEC on March 18 seeking registration of 141,460 shares of capital stock, to be offered under the company's Stock Option Incentive Plan.

NORTH AMERICAN CAR FILES FOR SECONDARY. North American Car Corporation, 77 S. Wacker Dr., Chicago, filed a registration statement (File 2-22164) with the SEC on March 18 seeking registration of 80,000 outstanding shares of common stock. The holder thereof, The Alonzo Mather Foundation, proposes to make a public offering of the 80,000 shares through an underwriting group headed by Glore, Forgan & Co., 135 S. LaSalle St., Chicago. William J. Hagenah and Rudolph E. Vogel, Directors of North American Car, serve on the Board of Trustees of The Alonzo Mather Foundation, which will retain 49,500 common shares. The public offering price (\$33 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is primarily engaged in the business of leasing specialized types of railway cars to shippers and railroads throughout the United States and, to a minor extent, in Canada. It also owns and operates a chemical division and a fuel oil blending and marketing division, though such divisions do not constitute significant factors in the business. In addition to indebtedness, the company has outstanding 3,057,858 shares, of which the management officials own 3%. E. C. R. Lasher is President.

DEVELOPERS SBIC FILES FOR OFFERING AND SECONDARY. Developers Small Business Investment Corporation, 121 Cedar Lane, Teaneck, N. J., filed a registration statement (File 2-22165) with the SEC on March 18 seeking registration of 335,000 common shares. It is proposed to offer the shares for subscription by common stockholders at the rate of one share for each two shares held. The public offering price (\$4 per share maximum*) is to be supplied by amendment. Underwriters headed by Rittmaster, Voisin & Co., 40 Exchange Place, New York, will serve as agent to find purchasers (including existing stockholders) for at least 200,000 shares; and they will receive a selling commission of 6% on all subscriptions by shareholders and 8% on shares sold to others.

Also included in the statement are an additional 64,222 outstanding common shares which the holders thereof may sell (commencing 90 days after the company's offering). These shares will be offered in the over-the-counter market at prices prevailing at the time of sale.

Organized in 1961, the company furnishes long-term loans, equity capital and management services to small business located throughout the United States, but principally in the New York and New Jersey areas. The proceeds from its sale of additional stock will be added to the general funds of the company and may be used to furnish equity capital and to make long-term loans to small business concerns. In addition to indebtedness, the company presently has outstanding 669,333 shares. The prospectus lists 20 selling stockholders, including 10 company officials. George Rothman (president and board chairman) may sell 4,000 of his holdings of 9,643 shares, and Bernard Grossman (vice president) 13,334 of 23,534 shares held. The remaining stock may be offered in blocks ranging from 555 to 4,000 shares.

OVER

NEES DIVESTMENT OF GAS PROPERTIES ORDERED.

The Securities and Exchange Commission has issued a decision and order under the Holding Company Act directing New England Electric System ("NEES"), a Boston holding company, to divest itself of its eight gas utility subsidiaries. The subsidiaries, which provide retail gas service in Massachusetts, are Central Massachusetts Gas Company, Lawrence Gas Company, Lynn Gas Company, Mystic Valley Gas Company, North Shore Gas Company, Northampton Gas Light Company, Norwood Gas Company, and Wachusett Gas Company. Most of these gas properties were acquired by NEES in the period from 1926 to 1931. The Commission's action was taken in the final phase of proceedings under said Act to determine the extent to which the electric, gas, and other operations of the NEES system could be retained under common control. The Commission has previously found that NEES could retain, as its principal system, its seven electric utility subsidiaries which provide electric service in New Hampshire, Massachusetts, Rhode Island and Connecticut.

In its decision, written by Commissioner Whitney, the Commission found that NEES had failed to meet its burden of showing that the gas properties could not be operated as an independent system without the loss of "substantial economies" obtaining under NEES control. A basic requirement of the Act, the Commission observed, is to limit the operations of holding companies and their subsidiaries to a single integrated public utility system and any other businesses reasonably incidental or economically necessary or appropriate to its operations, except where "clearly overriding considerations" are present. The "loss of substantial economies" test was imposed by Congress to permit retention of additional integrated systems which were "so small that they were incapable of independent economic operation" and had a "real economic need" for management together with the principal system.

NEES relied principally upon a study made by Ebasco Services Incorporated which estimated that severance of the gas subsidiaries from the NEES system would result in an increase of \$1,165,600 in the annual operating costs of the gas system. The Commission found that the Ebasco estimate "is inadequately supported in a number of important respects and leaves considerable doubts which respondents have not satisfactorily overcome in the record." The largest single item of estimated increase, \$415,600 for customer accounting, was found to be overstated. That amount had been estimated by Ebasco on the assumption, which the Commission rejected, that the gas companies would be operated separately after their severance from NEES operations. It also assumed that severed gas companies would have separate billing operations; and the Commission found that no satisfactory reason had been given why some form of "combined billing procedure could not be employed advantageously by the gas companies, in light of the fact that the aggregate of 237,000 customers is located in a relatively compact area." The Ebasco estimate also attributed disproportionately large increases in customer accounting costs to the gas companies as compared to the electric companies, and the Commission held that such disparity was inadequately explained.

These factors were found to "substantially impair the credibility and preclude the acceptance" of the Ebasco estimates. But the Commission further held that even on the Ebasco figure the loss of economies from severance were not "substantial" within the meaning of the Act and in light of prior Commission divestment decisions.

The Commission rejected the contention that severance of the gas companies would result in additional losses not measurable in dollars, particularly in the form of loss of experienced personnel. It pointed out that the Ebasco study purportedly included estimated costs of appropriate organizations for the gas companies, and stated it was "unable to accept the suggestion that the NEES integrated gas system, the second largest gas utility operation in Massachusetts, would not be able to provide management and service comparable to that provided by other gas utilities in the state."

NEES and the Massachusetts Department of Public Utilities, which supported NEES' position, argued that an increase in operating costs would have an exceptionally adverse impact on the gas companies because of the highly competitive position of gas in relation to fuel oil in the Massachusetts area. The Commission observed that there was no evidence that those competitive factors do not affect similarly other independent gas utilities in that State "which have been able to conduct their operations and, apparently, earn a fair return," and that the NEES gas operations are larger than those of most of the independent companies and would even on the basis of the Ebasco estimates have a more favorable operating ratio than some of those companies. Because of these facts, the Commission stated, it "would be entering into the realm of speculation to assume /as had been argued/ that rate increases would ensue from severance." The Commission also did not agree with the claim that severance would have no offsetting advantages, stating "it is clear that the determinations respecting the basic interests of the gas companies are made by NEES officials who occupy a dual position in which they must weigh the needs and objectives both of those companies and of the electric companies which represent the principal and most profitable business of the NEES system. On the basis of the facts presented in this case we cannot conclude that a management solely interested in and devoted to the gas operations would not be able to advance them more effectively."

The Commission stated that it had given careful consideration to the views of the Massachusetts Department of Public Utilities but that such views were not controlling. It observed that it did not take the position that the Act expressed a federal policy against combined gas and electric operations as such. "The Act is concerned with interstate holding company activities and within that area it prescribes tests of retainability which must be met." It considered that the federal policy expressed in the integration provisions of the Act is clearly paramount and is not limited by considerations of state or local policy.

Copies of the text of the Commission's decision (Release 35-15035) may be obtained upon request.

CONTINUED

CONTINENTAL VENDING, TASTEE FREEZ TRADING BAN CONTINUED. The SEC has issued orders under the Securities Exchange Act suspending exchange and over-the-counter trading in securities of Continental Vending Machine Corporation and Tastee Freez Industries, Inc., for a further ten-day period March 23 to April 1, 1964, inclusive.

INTERNATIONAL TELEPHONE FILES STOCK PLAN. International Telephone and Telegraph Corporation, 320 Park Ave., New York, N. Y., filed a registration statement (File 2-22166) with the SEC on March 18 seeking registration of 17,675 shares of capital stock and 4,239 shares of cumulative preferred stock, 4% convertible series E, to be offered under the company's Stock Option Incentive Plans and Substitute Stock Options.

ALLEN INDUSTRIES FILES STOCK PLAN. Allen Industries, Inc., 1927 Leland Ave., Detroit, Mich., filed a registration statement (File 2-22167) with the SEC on March 19 seeking registration of 46,200 shares of common stock, to be offered under the company's Restricted Stock Option Incentive Plan.

LYTTON FINANCIAL PROPOSES OFFERING. Lytton Financial Corporation, 8150 Sunset Blvd., Los Angeles, Calif., filed a registration statement (File 2-22168) with the SEC on March 19 seeking registration of 500,000 shares of capital stock. The stock will be offered for public sale through an underwriting group headed by William R. Staats & Co., 640 S. Spring St., Los Angeles, and Schwabacher & Co., 100 Montgomery St., San Francisco. The offering price (\$30 per share maximum*) and underwriting terms are to be supplied by amendment.

The company owns all the guarantee stock of Lytton Savings and Loan Association (Los Angeles) and of Lytton Savings and Loan Association of Northern California (Palo Alto). It also operates an insurance agency which assists the Association in making fire and other insurance available to borrowings. Net proceeds of the company's sale of additional stock will be used to discharge some \$2,700,000 of indebtedness; \$6,000,000 will be used to increase the capital structure of the Associations; and the balance will be applied to working capital and other corporate purposes. In addition to indebtedness, the company has outstanding 1,884,544 common shares, of which Bart Lytton (president and board chairman) and his wife own 24.8%. Management officials as a group own 28.3% of the outstanding stock.

FIRST PARTICIPATING FUND PROPOSES OFFERING. First Participating Fund, Inc., 120 Water St., Boston, filed a registration statement (File 2-22169) with the SEC on March 19 seeking registration of 100,000 shares of common stock. The Fund was organized under Maryland law in 1964 as an open-end, fully-managed, diversified investment company and proposes to invest its assets primarily in common stocks of selected insurance companies. The underwriter and investment adviser is Tappan-Smith & Co., Inc. (The Fund's Managers). The shares are to be offered initially at \$19 per share. Shares may be purchased in amounts of \$50 or more by investment dealers authorized by the Managers to make offers at the public offering price, which will be determined daily and includes a sales charge on a graduated scale from 8.85% of the asked price on purchases in amounts less than \$5,000 to 2% on purchases in amounts of \$1,000,000 or more. The Fund has agreed to pay the Managers as investment adviser a monthly amount equivalent to 1/24 of 1% of the net asset value of the Fund. Under the agreement with the Managers, the latter "will rebate quarterly to the Fund, out of earnings received under the contracts, an amount ranging from 25% to 50% of the net pre-tax earnings of the Managers, computed in accordance with standard accounting practices after an allowance of six per cent per annum to the Managers' capital account." This rebate "will be allocated equally to each share of the Fund then outstanding. . ."

The prospectus lists Edwin E. Adams, of Hillsborough, Calif., as president. Certain Fund officers are also officers of the Managers.

WEHR CORP. FILES FOR OFFERING. Wehr Corporation, 2100 S. 54th St., Milwaukee, Wisc., filed a registration statement (File 2-22170) with the SEC on March 19 seeking registration of 192,170 shares of common stock. The stock will be offered for public sale through underwriters headed by F. Eberstadt & Co., 65 Broad, New York, N. Y. and Robert W. Baird & Co., Inc., 731 N. Water St., Milwaukee. The offering price (\$15 per share maximum*) and underwriting terms are to be supplied by amendment.

The company and its subsidiaries are engaged in the production of heat-treated carbon and alloyed steel castings, air-distribution and air-handling equipment, magnetic products, and mechanical presses for making dry-pressed refractory brick. The net proceeds of this offering will be applied to the payment of \$1,729,985 of indebtedness and the balance added to working capital. In addition to indebtedness, the company has outstanding 557,830 shares, of which management officials own 48.7%. The principal stockholders are Robert L. Manegold, president (36.2%), Mary Manegold Bode (17%) and Elizabeth Manegold Meyer (17%).

AMERICAN MOTORS SHARES IN REGISTRATION. American Motors Corporation, 14250 Plymouth Road, Detroit, Mich., filed a registration statement (File 2-22172) with the SEC on March 19 seeking registration of 426,348 shares of capital stock. These shares are to be offered by The Detroit Bank and Trust Company, as trustee, under American Motors Corporation's Progress Sharing Plans and are to be offered for the accounts of individual employees of the company, who have retired or for other reasons qualify and are entitled to receive distribution of stock or cash in lieu thereof. The prices for the shares will be the prevailing market prices on the New York Stock Exchange on the date of sale. There will be no underwriting discounts or commissions other than broker's fees normally paid in connection with normal broker's transactions effected on such securities exchange.

SECURITIES ACT REGISTRATIONS. Effective March 19: Reliance Universal Inc. (File 2-22086); Whitestone 1964 Program Corp. (File 2-22108). Effective March 20: The Trans World Life Insurance Co. of New York (File 2-22018). Withdrawn March 19: Nuclear Science & Engineering Corp. (File 2-22097).

*As estimated for purposes of computing the registration fee.

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