

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 8, 1960

DODGE WIRE FILES FOR OFFERING. Dodge Wire Corporation, Industrial Boulevard, Covington, Georgia, filed a registration statement (File 2-17367) with the SEC on December 7, 1960, seeking registration of 100,000 shares of common stock, to be offered for public sale at \$6.00 per share on a best efforts basis through Plymouth Securities Corporation. The underwriter will receive 15¢ per share sold for expenses and 75¢ per share sold as selling commission. In addition, the company has granted to the underwriter an option to purchase up to 14,290 shares of common stock at \$1.00 per share. The company will pay \$10,000 to Murray Rothenberg as a finder's fee and has granted to him an option to purchase 3,500 shares of common stock at \$1.00 per share.

The company is engaged in the manufacture of woven aluminum screen cloth for sale to manufacturers of window and door screens and to hardware and building material wholesalers. Of the \$472,800 net proceeds from the stock sale, \$281,000 will be used to satisfy all indebtedness to Mill Factors Corporation representing advances to the company on and secured by its accounts receivable and inventories, and the balance of \$191,800 will be added to general corporate funds and used to increase cash working capital or to satisfy current obligations as they mature.

In addition to indebtedness, the company has outstanding 171,454 shares of common stock, of which Wilmer B. Thompson, president, owns 114,296 shares, John W. Thompson, vice president, owns 30,942 shares, and management officials as a group own 153,737 shares. Pursuant to a plan of recapitalization effected in October 1960, the 36,316 common shares then outstanding were cancelled and 4,721 shares of new common stock were or are to be issued for each such old share. According to the prospectus, all of the 171,454 new shares have not yet actually been issued.

SEC GRANTS BOND & SHARE EXEMPTION REQUEST. In a decision announced today (Release 35-14326), the SEC granted an application of Electric Bond and Share Company for exemption from the principal provisions of the Holding Company Act as an incident to that company's conversion into a registered investment company. The exemption was conditioned upon the taking of various steps by Bond and Share to limit its existing relationships with United Gas Corporation and with public utility companies which were formerly associated with the Bond and Share system and upon the listing of Bond and Share stock upon a national securities exchange.

One of the conditions requires that Bond and Share's stock interest in United Gas be reduced from 640,498 shares (4.9%) to 500,000 shares (3.88%), that it terminate its service relationship with that company, that the present common directorship between the companies which is held by George Walker, president and board chairman of Bond and Share, be eliminated, and that no director, officer or employee of Bond and Share or any other subsidiary be eligible to service as a director of United Gas in the future. However, the Commission relieved Bond and Share of a previous commitment to dispose of its entire holdings of United Gas stock. Pursuant to that commitment, which was made when Bond and Share was permitted to acquire 27% of the United Gas stock in connection with the 1949 dissolution of Electric Power & Light Company, a former subholding company of Bond and Share, Bond and Share has made a series of dispositions which reduced its interest to 4.9%. The Commission found that, with these changes required by the conditions, Bond and Share would not hold a position as an affiliate of United Gas within the contemplation of the Holding Company Act and that, in light of Bond and Share's proposal to become an investment company, it was appropriate to relieve Bond and Share of its commitment to dispose of all of the United Gas stock. The Commission further concluded that the joint ownership by Bond and Share and United Gas of Escambia Chemical Corporation, a petrochemical venture, did not involve a relationship between the companies of a nature to require denial of the exemption.

The Commission also examined into the services rendered by Ebasco Services Inc., a wholly-owned subsidiary of Bond and Share, to its public utility clients, including particularly former associates of Bond and Share. This revealed in the case of some former associates "certain practices which might be construed to reflect a laxity and casualness in certain procedures," that such companies received more extensive services than non-associate clients, and that certain terms and arrangements with former associates were not found in situations involving non-associates. Accordingly, as a further condition to the granting of the exemption application, the Commission imposed numerous restrictions upon the practices and procedures of Ebasco in the servicing of its utility company clients.

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For further details, call WOrth 3-5526

CITIES SERVICE - ARKANSAS FUEL OIL SKEK ORDERS. Cities Service Company, New York, has made application to the SEC under the Holding Company Act for an order declaring that it has ceased to be a holding company, and its subsidiary, Arkansas Fuel Oil Corporation, has requested release of jurisdiction under 1952 and 1953 orders of the Commission; and the Commission has issued an order (Release 35-14327) giving interested persons until December 22, 1960, to request a hearing thereon.

Cities Service now owns common stocks and other securities of companies engaged in the oil and gas business, having disposed of all of its interests in public-utility companies since it registered under the Act as a public-utility holding company in 1941. Its wholly-owned subsidiary, Arkansas Fuel Oil, is engaged in the marketing of petroleum products. The Commission previously declared the subsidiary not to be a holding company, subject to a reservation of jurisdiction with respect to problems presented by the continued existence of a minority public interest in its common stock, which was eliminated by a recently-consummated plan approved by the Commission and a Federal district court.

INSTITUTIONAL SHARES PROPOSES ACQUISITION. Institutional Shares, Ltd., New York City, has applied to the SEC for an exemption order under the Investment Company Act with respect to the proposed issuance of shares of Institutional Foundation Fund class of voting stock of Institutional Shares at their net asset value for substantially all of the cash and securities of Burton Pierce Company; and the Commission has issued an order (Release 40-3150) giving interested persons until December 21, 1960, to request a hearing thereon.

Burton Pierce is an investment company with two stockholders. Substantially all of its cash and securities, with a value of about \$1,037,647 as of October 7, 1960, are to be transferred to Institutional Shares in exchange for shares of the Foundation Fund, the number of which will be based on the new asset value per share of Foundation Fund on the date of closing. Such shares will then be distributed to the two stockholders. Based upon October 7th figures, and giving effect to certain adjustments for unrealized appreciation in the assets to be acquired, the Burton Pierce shareholders would have received about 93,422 shares of Foundation Fund stock.

ORDER EXEMPTS INTERNATIONAL UTILITIES. The SEC has issued an order granting an application of International Utilities Corporation, New York, for exemption from the Holding Company Act. International has fifteen direct and indirect subsidiaries. Twelve of such subsidiaries are Canadian corporations, conduct all of their business in Canada, and have no interest in or affiliation with any company which is a public-utility company operating in the United States. Two subsidiaries are non-utility companies organized under the laws of, and transact their business in, the State of Pennsylvania. One subsidiary, a Delaware corporation, is a non-utility company engaged in the production of oil in Oklahoma and of natural gas in Ohio. International also owns and operates an asphalt manufacturing plant in Pennsylvania. In addition, it owns a portfolio of diversified marketable securities, in many instances representing more than 5% but less than 10% of the voting stock, of various United States and Canadian corporations. At June 30, 1960, such investments were carried on the books of International at about \$16,700,000 and had a quoted market value of about \$17,800,000. On the same date International's consolidated assets, per books, were approximately \$168,000,000.

EXEMPTION RULES REVISED ON FIRST LIEN NOTES AND COOPERATIVE HOUSING ISSUES. The SEC today announced the adoption of a new rule (Rule 234) governing exemptions from the Securities Act registration requirements for certain notes secured by a first lien on real estate (Release 33-4305). The new rule supersedes Regulation A-R, which has been rescinded.

The new rule makes clear what has been the Commission's long standing interpretation, that the exemption is available only for notes directly secured by a first lien on real estate, and hence is unavailable for collateral trust notes or participations in an underlying note, even though such underlying note is secured by a first lien on real estate, or for investment contracts involved in the offering of first lien notes. The new rule also provides that the amount of first lien indebtedness for which an exemption is available shall not exceed 75% of the appraised value of the property securing the notes. This is a liberalization of the previous requirement that all indebtedness against the property, whether secured by senior or junior liens, shall not exceed 75% of the appraised value of the property.

The Commission has also adopted a new rule, designated Rule 235, which provides an exemption from registration under the Act for securities of certain cooperative housing corporations. This rule provides an exemption for stock or other securities representing membership in a cooperative housing corporation where the securities are issued only in connection with the sale or lease of dwelling units in the housing project and are transferable by the purchaser only in connection with the transfer of such dwelling units.

CONSOLIDATED DEVELOPMENT HEARING POSTPONED. On request of counsel for Consolidated Development Corporation, of Havana, Cuba, the SEC has authorized a further postponement from December 12, 1960, to January 12, 1961, of the hearing in proceedings under the Securities Exchange Act to determine whether to order withdrawal of Consolidated Development stock from listing and registration on the American Stock Exchange.

VALIC SEEKS ORDER. Variable Annuity Life Insurance Company of America, Washington, D. C., has applied to the SEC for a modification of its February 1960 order so as to relieve it from certain restrictions on its participation in the insurance business and from the requirement that it maintain reserves equal to 125% of the regular reserves required for variable annuity contracts in the pay-out period; and the Commission has issued

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an order (Release 40-3149) giving interested persons until December 20, 1960, to request a hearing thereon.

At the time of the earlier order, it was not possible for Valic to differentiate between assets available in the first instance for the satisfaction of claimants under variable annuity contracts and those available for claimants under policies of conventional insurance. Both classes of claimants looked to all of Valic's assets for the satisfaction of their claims and their claims were deemed to be of equal rank. Subsequently, Section 41 of the Life Insurance Act of the District of Columbia was amended to provide for the establishing of separate accounts in connection with the issuance of variable annuity contracts. Among other things, the new law provides that "the assets of any such separate account shall not be chargeable with liabilities arising out of any other business the company may conduct."

Accordingly, Valic proposes to establish a separate variable annuity account with respect to its existing variable annuity contracts. Valic intends to allocate to such separate account assets equal to the contract liabilities and regular reserves applicable to its existing contracts. After the necessary steps have been taken, Valic proposes to issue new series of variable annuity contracts which will provide that the net investment rate applicable to such contracts will be determined on the basis of the investment experience of the equity investments allocated to a separate variable annuity account or accounts for such contracts.

In view of the substantially changed circumstances brought about by enactment of the separate accounts bill, Valic requests modification of the Commission's order to the extent necessary to enable it to offer its variable annuity contracts on the basis set forth herein without reference to certain of the aforementioned undertakings and certain of the conditions contained in such order. Valic requests that the order be modified to eliminate, as a condition of offering variable annuity contracts, the reinsuring or coinsuring of life and disability insurance risks. In addition, Valic now proposes to eliminate the present requirement of its charter that life and disability insurance be written only in combination with variable annuity contracts, thus enabling it to write any and all forms of life and disability insurance permitted by the Life Insurance Act. In its application, Valic states that it does not propose to reinsure or coinsure the risks attending such insurance beyond limits determined in its business judgment or required by local insurance regulatory authorities. Valic also proposes to the extent deemed feasible to reacquire the life and disability insurance risks currently reinsured or coinsured. Valic contends that under the provision of the separate accounts law, there appears to be no possibility that the interests of variable annuity contract owners could be subjected to liabilities which might arise out of the life insurance or other business it may conduct and therefore no justification exists for obligating it to continue reinsuring or coinsuring either existing or future life and disability insurance risks.

The application also requests modification of the Commission's order so that Valic will be relieved of its undertaking to maintain reserves with respect to variable annuity contracts in the pay-out period in an amount equal to 125% of the regular reserves for such contracts. The Commission's Opinion of February 25, 1960 referred to the 125% reserve requirement as one of the substantial protections which exist to minimize the possibility that the risks involved in selling and administering the variable annuity and insurance contracts and the mortality risks inherent in the variable annuity contracts will not devolve upon the variable annuity contract holders. Valic contends that the added margin of protection provided by the 125% reserve is not necessary. In this connection, it points out that the separate accounts law provides that any surplus or deficit which may arise in any separate account by virtue of mortality experience shall be adjusted by withdrawals from or additions to such account so that "the assets of such account shall always equal the assets required to satisfy the company's obligations for such variable payments."

ROBERT TALLEY ALEXANDER SENTENCED. The SEC Fort Worth Regional Office announced December 1st (LR-1851) that Robert Talley Alexander received a two-year imprisonment sentence in the U. S. District Court in Muskogee, Okla., following his plea of guilty to an indictment charging fraud in the offer and sale of securities of American Reserve Life Insurance Company and American Reserve Life and Casualty Company.

INDICTMENT NAMES HARRY WM. ALBRECHT. The SEC Fort Worth Regional Office announced December 5th (LR-1852) the return of an indictment (USDC, Oklahoma City), charging Harry William Albrecht with violations of anti-fraud provisions of Securities Act in the sale of securities of Polar King Industries, Inc.

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