

# 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 6, 1957

## Holding Company Act Release No. 13525

The SEC today announced the institution of proceedings under the Holding Company Act to determine whether New England Electric System, of Boston, and its subsidiary companies conform to the "integration" requirements of that Act and, if not, what action may be necessary to limit the operations of the NEES system to those of a single integrated public-utility system, together with such additional utility systems or other businesses as may be retainable under the integration standards of Section 11(b)(1) of the Act.

The Commission's order schedules the matter for hearing in its Washington office on November 12, 1957; and NEES is given until September 30, 1957, to file its answer to the various specifications contained in the order.

According to the order, NEES had 32 subsidiaries on December 31, 1956, of which 16 were engaged exclusively in the electric business, one was engaged in the electric and gas business, one was in the process of constructing a nuclear power plant, eight were engaged exclusively in the gas business, one owns land, four were inactive and one was engaged in the business of rendering service to system companies. Subsequent to December 31, 1956, NEES acquired approximately 94% of the voting securities of an additional company, which also operates in Massachusetts. Taken together, these subsidiaries conduct their businesses in the State of Connecticut, Massachusetts, New Hampshire, Rhode Island and Vermont. The consolidated gross operating revenues of the NEES system for the 12 months ended December 31, 1956 (excluding the company subsequently acquired) amounted to \$142,385,041; and its net property, plant and equipment (including intangibles) at that date were carried at \$471,545,604.

The order further recites that, based upon its examination of the corporate structure of NEES, the corporate structure of its subsidiary companies, the relationships among the companies in the system, the character of the interests thereof and the properties owned or controlled thereby, the Commission's Division of Corporate Regulation avers that:

- (a) The holding company system of NEES is not confined in its operations to those of a single integrated public-utility system, and to such other businesses as are reasonably incidental, or economically necessary or appropriate to the operations of such integrated public-utility system;
- (b) The various gas utility assets and the electric utility assets owned or controlled, directly or indirectly, by NEES and other respondents cannot continue to be controlled by NEES under the standards of Section 11(b)(1), particularly clauses (A), (B) and (C) thereof; and

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

(OVER)

- (c) The various businesses of some of the subsidiaries of NEES, other than the business of a public-utility company as such, may not be retainable as reasonably incidental or economically necessary or appropriate to the operations of either the electric or gas public-utility systems.

The hearing will concern itself with these and related issues for the purpose of developing a record upon which the Commission can determine whether the NEES system conforms to the integration standards of the Act and, if not, what action should be required to be taken by NEES to bring its system into conformity therewith.

#### Securities Act Release No. 3823

The Securities and Exchange Commission today announced the issuance of an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a proposed public offering of securities of Ben Franklin Oil & Gas Corporation ("Ben Franklin") of Bloomfield, N. J., by two selling stockholders. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

Regulation A provides a conditional exemption from registration under the Securities Act for offerings of securities not exceeding \$300,000 in amount. For public offerings other than by the issuing company, the exemption is limited to \$100,000. In a Regulation A notification filed by the company on April 29, 1957, joined in by Louis M. Rivera and Howard E. Guedalia, selling stockholders, both of New York, Messrs. Rivera and Guedalia proposed the public offering, pursuant to such an exemption, of 250,000 common shares of Ben Franklin "at the market," but in no event was the aggregate offering price to exceed \$50,000.

In its suspension order the Commission asserts that a Regulation A exemption is not available for the proposed stock offering and that the terms and conditions of Regulation A have not been complied with, in that Ben Franklin was incorporated more than one year prior to April 29, 1957; has not had a net income from operations of the character in which Ben Franklin intends to engage, for at least one of the last two fiscal years preceding April 29, 1957; and the securities are proposed to be offered for the account of persons other than Ben Franklin.

Furthermore, according to the order, Ben Franklin and Guedalia, an underwriter of the securities to be offered, are each subject to an order, judgment or decree entered on or about July 30, 1957 by the United States District Court for the District of New Jersey, temporarily enjoining them from engaging in and continuing conduct and practice in connection with the sale of securities and more specifically each is temporarily enjoined from offering for sale and selling securities in violation of the registration provisions of the Securities Act of 1933, as amended.

#### Holding Company Act Release No. 13524

The Columbia Gas System, Inc., New York holding company, has joined with two of its subsidiaries, United Fuel Gas Company and Central Kentucky Natural Gas Company, both of Charleston, W. Va., in the filing of an application with the SEC for an order approving the transfer of certain of United's properties to Central, and related transactions; and the Commission has issued an order giving interested persons until August 21, 1957, to request a hearing thereon.

According to the application, United proposes to transfer to Central all the properties which United uses in connection with the retail distribution of natural gas in Kentucky, together with accounts receivable and other assets related to such distribution operations. Central will pay in cash the net book value of the assets transferred to it, estimated at \$2,496,494, plus \$220,253 for materials and supplies, accounts receivable, etc.

In order to obtain the required funds, Central proposes to issue and sell, at face value, installment promissory notes and common stock (\$25 par) approximately equal to the purchase price. The notes and stock will be issued in such amounts as to produce a capitalization ratio on Central's books of approximately 50% long-term debt and 50% common stock equity.

The proposed property transfer is part of a program of Columbia designed to minimize the problems of rate regulation by realigning 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 jurisdiction of the appropriate state commission.

\* \* \* \*

The Steel Improvement and Forge Company, Cleveland, today filed a registration statement (File 2-13517) with the SEC seeking registration of 86,709 Common Shares, \$1 par. Of these shares, 60,000 are to be offered for public sale for the account of the issuing company and 26,709 by certain Selling Stockholders. The public offering price and underwriting terms are to be supplied by amendment. Fulton, Reid & Co., Inc. is named as the principal underwriter.

The issuing company proposes to advance part of the net proceeds of its sale of the 60,000 shares to its newly-acquired wholly owned subsidiary, Custom Tool & Manufacturing Co., of Minneapolis, Minn., for the payment of indebtedness of that subsidiary and for working capital. Part of the balance of the proceeds will be used for the rearrangement of manufacturing facilities, including the moving of equipment from the company's present plants into manufacturing space recently leased. The remainder will be added to working capital in anticipation of further emphasis on commercial sales and possible continued integration or diversification.

All the outstanding stock of Custom Tool and Manufacturing was acquired in July, 1957 (together with two small affiliates) in exchange for 9,000 common shares and \$27,516 in cash. Custom Tool specializes in machining to extreme precision.

The prospectus lists six selling stockholders, as follows: Central National Bank of Cleveland, Trustee, 3,759 shares; The Cleveland Trust Company, Trustee, 1,450 shares; Mariette Walker Ladd, 6,000 shares; Mariette Chandler Walker, 4,600 shares; G. Chandler Wick (former director), 7,000 shares; and Kenneth B. Wick, Jr., 3,900 shares. The combined holdings of the selling stockholders amount to 43,068 shares, or 13.24% of the outstanding stock.

Investment Company Act Release No. 2566

The Colonial Fund, Inc., Boston investment company, has received SEC authorization to acquire up to 2,000 of the 105,000 shares of preferred stock of McLouth Steel Corporation offered for public sale by McClouth.