

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.

(In ordering full text of Releases from Publications Unit, cite number)



Washington 25, D.C.

FOR RELEASE September 4, 1959

SEC RULE EXEMPTS CERTAIN SMALL BUSINESS INVESTMENT COMPANIES

The SEC today announced the adoption of a new Rule 3c-2 under the Investment Company Act (Release 40-2909) providing an exemption from the registration and other requirements of that Act for small business investment companies if certain conditions are met.

Section 3(c)(1) of the Act exempts from its operations any issuer which is not making and does not propose to make a public offering of its securities and whose outstanding securities are beneficially owned by not more than one hundred persons; and it further provides that beneficial ownership by a company shall be deemed beneficial ownership by one person, except that if such company owns 10% or more of the outstanding voting securities of the issuer, then the beneficial ownership of the issuer shall be deemed to be that of the holders of such company's outstanding securities.

The new rule provides that, for the purpose of Section 3(c)(1), beneficial ownership by a company owning 10% or more of the outstanding voting securities of a small business investment company licensed or proposed to be licensed under the Small Business Investment Act of 1958, shall be deemed to be beneficial ownership by one person, if the value of all securities of small business investment companies owned by such company does not exceed 5% of the value of its assets. The rule also would deem beneficial ownership by a company to be beneficial ownership by one person if the owner is a state-wide development corporation created by or pursuant to an act of a state legislature to promote and assist growth and development of the economy of the state, provided that such state development corporation itself is not, or would not become as a result of its investment, an investment company.

SECURITIES VIOLATIONS CHARGED TO PEERLESS-NEW YORK

The Securities and Exchange Commission has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Peerless-New York, Incorporated ("Respondent"), 350 Fifth Avenue, New York, Edward S. Cantor (Cantor), its president and Michael Canter (Canter), its secretary-treasurer, have "engaged in acts, practices and a course of business which operated as a fraud and deceit upon certain persons" or violated provisions of the Federal Securities Laws in other respects, and, if so, whether it is in the public interest to revoke Respondent's broker-dealer registration and/or to suspend or expel it from membership in the National Association of Securities Dealers, Inc.

The Commission asserts in its order that information developed in an investigation conducted by its staff tends if true to show that during the period August 14, 1958 to August 4, 1959, (I) Respondent, Cantor and Canter offered and sold Belmont Oil Corporation stock in violation of the registration requirements of the Securities Act of 1933; (II) Respondent, aided and abetted by Cantor and Canter, induced various persons to purchase the Belmont stock at prices far in excess of prevailing market prices for such stock while withholding information with respect to

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the prevailing market prices for such stock, "thereby obtaining unreasonable and excessive profits" in the sale of such stock; and (III) Respondent, Cantor and Canter, in the offering and sale of the Belmont stock, made false and misleading representations with respect to Belmont and its stock which operated as a "fraud and deceit" upon the purchasers, including misrepresentations with respect to (a) the income of Belmont and the market price of the stock, anticipated increases in the price of the stock, the listing of the stock on an exchange, and the right of existing holders to purchase additional stock; (b) the development program of Belmont with respect to its properties, new oil or gas wells being brought in by Belmont in California and Texas, and the acquisition by Belmont of numerous additional properties in Kern County, California, and of a large and valuable tungsten property in the Imperial Valley of California; and (d) the interest of various major oil companies (including Getty Oil Corp. and The Texas Company) in Belmont, and a possible merger between Belmont and another oil company.

It is further asserted by the Commission that Respondent has been enjoined on three occasions (and Cantor and Canter as well on one) from certain conduct with respect to the purchase or sale of securities; that said injunctions made inaccurate a disclaimer in Respondent's registration application that no such injunctions had been issued and Respondent failed promptly to file amendments to correct the inaccuracies; that, during the period June 30, 1957, to date, Respondent engaged in the conduct of a securities business when its aggregate indebtedness exceeded the 2,000% of net capital limitation prescribed by the Commission's net capital rule; and that during the period August 14, 1958, to June 30, 1959, Respondent failed to make and keep current certain of the books and records required by Commission rules. The Commission's complaints in two of the injunction actions charge that Respondent engaged in the conduct of a securities business in violation of its net capital rule and offered and sold Belmont stock in violation of the Securities Act registration and anti-fraud provisions; and temporary restraining orders have been issued in those actions. Respondent also is permanently enjoined from engaging in any business relating to the purchase and sale of securities in Michigan.

A hearing will be held, at a time and place later to be announced, for the purpose of taking evidence with respect to the foregoing matters.

(NOTE TO PRESS: Foregoing also released by SEC New York Regional Office)

UNION ELECTRIC RIGHTS OFFERING CLEARED

The SEC has issued an order (Release 35-14051) authorizing Union Electric Company, St. Louis, Mo., to issue and sell an additional 1,036,602 shares of its common stock, the stock to be offered for subscription by common stockholders on the basis of one new share for each ten shares held. The price is to be determined by the issuer's board of directors, but will not be less than 8% under the closing price per share of Union's common stock on the New York Stock Exchange on the date of such determination. Unsubscribed shares will be offered for sale to employees of the company and its subsidiaries. Underwriting of the offering is to be by means of competitive bidding. Net proceeds of the stock sale, estimated at about \$31,100,000, will provide funds to partially reimburse the company's treasury for capital expenditures heretofore made, to retire bank loans, to finance in part the cost of continuing additions and improvements to utility plant, and for other corporate purposes. Bank loans will amount to \$28,000,000 by the time the proceeds of the stock sale are received.

KANSAS POWER FILES STOCK OPTION PLAN

The Kansas Power and Light Company, 800 Kansas Ave., Topeka, filed a registration statement (File 2-15549) with the SEC on September 3, 1959, seeking registration of 68,413 shares of its common stock, to be offered pursuant to the company's Restricted Stock Option Plan to eligible employees, including officers.

CONT'D.

ALLIED RADIO FILES FOR SECONDARY

Allied Radio Corporation, 100 North Western Ave., Chicago, filed a registration statement (File 2-15550) with the SEC on September 3, 1959, seeking registration of 333,335 shares of its outstanding common stock, to be offered for public sale by the present holders thereof through an underwriting group headed by White, Weld & Co. The public offering price and underwriting terms are to be supplied by amendment.

The company distributes electronic parts and high fidelity components and assemblies and distributes electronic equipment in kit form. It recently acquired two closely affiliated companies, Knight Electronics Corporation and Allied High Fidelity Stores, Inc. It now has outstanding 1,000,000 common shares.

All of the 1,000,000 outstanding shares are owned by the fourteen selling stockholders. The largest blocks are held by A. D. Davis, president, 469,650 shares; the Simon Wexler Trust, 384,650 shares; and Edith W. Schwartz, 94,200 shares. These selling stockholders propose to sell 152,550, 128,217, and 31,400 shares, respectively. The Simon Wexler Trust was created under the will of Simon Wexler for the benefit of his family. The selling stockholders include four other officers and directors.

DOW CHEMICAL FILES EMPLOYEE STOCK PLAN

The Dow Chemical Company, Midland, Mich., filed a registration statement (File 2-15551) with the SEC on September 3, 1959, seeking registration of 120,000 shares of common stock, to be offered for sale to employees of the company and certain of its subsidiary and associated companies.

DELISTING FROM ONE EXCHANGE PROPOSED

The SEC has issued an order (Release 34-6064) giving interested persons until September 15, 1959, to request a hearing upon an application of Seaboard Allied Milling Corporation to withdraw its common stock from listing and registration on the Boston Stock Exchange (the stock remains listed on the American Stock Exchange).

DELISTING OF SECURITIES OF THREE COMPANIES APPROVED

The SEC has issued an order (Release 34-6064) granting an application of the Midwest Stock Exchange to delist the common stock of Curtis Lighting, Inc., effective at the close of trading on September 17, 1959 (by reason of repurchase offer by the issuer, the number of shareholders has been reduced to 85).

The Commission also has issued orders granting applications of the New York Stock Exchange to delist, effective at the close of trading September 18, 1959, the common and 5% non-cumulative preferred stocks of Cleveland, Cincinnati, Chicago & St. Louis Railway Company and the common stock of Pittsburgh, Ft. Wayne & Chicago Railway Company (by reason of the predominant holdings of stock of the two companies by the New York Central Railroad Company and the Pennsylvania Railroad Company, respectively).

UNLISTED TRADING SOUGHT AND GRANTED

The SEC has issued orders (Release 34-6064) giving interested persons until September 15, 1959, to request a hearing upon applications of the Philadelphia-Baltimore Stock Exchange for unlisted trading privileges in the common stocks of Federated Department Stores, Inc., and Universal Oil Products Company, and granting an application of that Exchange for such privileges in the common stock of Glen Alden Corporation. All three stock issues are listed and registered on the New York Stock Exchange.

An application of the Boston Stock Exchange for unlisted trading privileges in the common stock of Champion Spark Plug Company has been withdrawn.

BOSTON EDISON FILES FINANCING PROPOSAL

Boston Edison Company, 182 Tremont St., Boston, Mass., today filed two registration statements (Files 2-15552 and 2-15553) with the SEC seeking registration of 271,553 shares of its common stock and \$15,000,000 of First Mortgage Bonds, Series G, Due 1989. The company proposes to offer the bonds for public sale at competitive bidding. The stock is to be offered for subscription by holders of outstanding common stock of record September 25, 1959, at the rate of one new share for each ten shares then held. The subscription price and underwriting terms are to be supplied by amendment. The First Boston Corporation heads the list of underwriters for the stock offering.

Net proceeds of the sale of the bonds and stock will be applied to the payment or reduction of short-term debt payable to banks (evidencing borrowings made for prior construction) in the amount of about \$30,000,000. The company estimates its capital requirements for the period 1959-63 at \$203,000,000, of which \$189,000,000 will be spent on generating plant and in extension and improvement of transmission and distribution systems and for general equipment.

RONDOUT CORP. PROPOSES STOCK OFFERING

Rondout Corporation, 785 Park Ave., New York, today filed a registration statement (File 2-15554) with the SEC seeking registration of 155,000 shares of common stock of which 140,000 shares are to be offered for public sale at \$3.50 per share by the issuing company. The offering is to be made on a best efforts, all-or-none basis by Sandkuhl & Company, Inc., S. B. Cantor Co., and First Philadelphia Corp., for which they will receive a selling commission of 45¢ per share (plus \$12,500 for expenses). The registration statement includes, for possible future sale, an additional 15,000 shares which were acquired in equal amounts by S. B. Cantor Co. and Henry Sandkuhl, president of Sandkuhl & Co., Inc., from the then sole stockholder of the company for an aggregate price of \$1,500 (10¢ per share).

The company was organized under Delaware law in August 1959 and its sole assets consist of cash of approximately \$9,000 and an agreement to acquire all of the capital stock of Rondout Paper Mills, Inc., and \$186,527 principal amount of certain of its promissory notes. Upon the merger of Rondout Paper Mills into Rondout Corporation, the latter will engage in the predecessor's business of manufacturing and distributing industrial tissues and other light weight papers.

Net proceeds of the sale by the company of the 140,000 additional shares of common stock, estimated at \$387,000, will be applied as follows; \$93,473 toward the purchase of the predecessor's stock; \$186,527 to purchase the predecessor's notes, now held by Arrowsmith Paper Corp.; and the balance for general corporate purposes, including working capital and future capital expenditures.

All of the capital stock of the predecessor and of Arrowsmith Paper is owned, in equal shares, by Morris Hartman, the treasurer and a director of the predecessor and a director of the issuing company, and by Helen M. Aal, wife of Bernard S. Aal, president and a director of the predecessor and a director of the issuer. The aggregate purchase price for the stock and notes of the predecessor is \$717,059. The purchase price for the stock is \$530,532, \$93,473 being payable from the proceeds of this stock offering and the balance by delivery of the issuer's Fifteen-Year 5% Promissory Note in the amount of \$437,059, to be secured by a second mortgage upon the real properties and chattels owned by the company. The purchase price of the notes held by Arrowsmith Paper will be the principal amount thereof.

The company now has outstanding 90,000 common shares, acquired by Leif B. Norstrand, company president, at 10¢ per share. As indicated, he has sold 15,000 shares.