

# 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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**VALLEY GAS DIVESTMENT APPROVED.** In a decision under the Holding Company Act announced today (Release 35-15020), the SEC approved the divestment of Valley Gas Company from the Eastern Utilities Associates holding company system as the second and final step in EUA's compliance with a 1950 order of the Commission directing EUA to sever its relationship with the system's gas properties. The properties were then owned by Blackstone Valley Gas and Electric Company, an EUA subsidiary, but were transferred to Valley Gas in 1960.

Under the divestment proposal, all of the 400,000 outstanding shares of Valley Gas common stock would be offered for subscription (at an indicated price, subject to adjustment, of about \$11 per share) by the minority shareholders of Blackstone and the common stockholders of EUA. Unsubscribed shares would be offered to Valley Gas employees, then to public investors through underwriters selected by competitive bidding. EUA owns 99.19% of the 184,062 outstanding common shares of Blackstone; and the 69 minority holders of the remaining 1,493 shares are to be offered Valley Gas stock on the basis of 2.18 shares of Valley Gas for each share of Blackstone, or an aggregate of 3,254.74 shares (0.81%) of Valley Gas stock. EUA shareholders will be entitled to subscribe on the basis of 0.31 shares of Valley Gas stock for each EUA share held, or an aggregate of 389,962.95 shares (97.49%). The minority holders of Blackstone and the stockholders of EUA may also subscribe (subject to allotment) to the balance of 6,782.31 shares of Valley Gas stock. Valley Gas employees may purchase unsubscribed shares (again by allotment), but not more than 100 shares each.

The Commission approved the divestment plan as necessary to effectuate the provisions of Section 11(b) of the Act (and to comply with its 1950 divestment order); and it also found the plan fair and equitable to all persons affected thereby. Consummation of the divestment plan is subject to court approval and enforcement; and the Commission will apply to the U. S. District Court in Providence, Rhode Island for approval and enforcement.

**ALBION SECURITIES SUSPENDED.** In a decision under the Securities Exchange Act announced today (Release 34-7259), the SEC suspended the broker-dealer registration of Albion Securities Company, Inc., 52 Broadway, New York, pending final determination of the question whether its registration should be revoked. Following a hearing, the hearing examiner recommended that Albion's registration be suspended and no exceptions to such recommendation were filed. Accordingly, the Commission adopted the findings of the examiner that the record includes evidence that, in the offer and sale of stock of Edlund Engineered Products, Inc., during 1961, Albion "engaged in a course of business which operated as a fraud and deceit on investors" in violation of the anti-fraud provisions of the Federal securities laws.

According to the Commission's decision, the evidence shows that Albion "engaged in a high pressure sales campaign, principally through telephone solicitations, in the course of which many extravagant, false and misleading representations were made." Among the misrepresentations were statements that the price of the stock would double or triple or go as high as \$20 per share within relatively short periods of time; that Edlund was producing a coin-operated laminating machine for placement all over the United States from which it would derive millions in earnings; that Edlund had orders from certain large airlines for aircraft parts and components; and that Edlund had a big order from the Federal government. In fact Edlund lost money during the period of registrant's sales, filed a petition in October 1961 for reorganization under Chapter X of the Bankruptcy Act, and was adjudicated a bankrupt in February 1962. Edlund never produced a coin-operated laminating machine and had no orders from the government or the airlines.

The Commission also adopted the hearing examiner's conclusion that there has been a sufficient showing of misconduct to warrant suspension of Albion's broker-dealer registration pending decision on the question of revocation.

**PACIFIC N. W. POWER.** The SEC today announced an interim ruling under the Holding Company Act (Release 35-15026) with respect to the status under that Act of Pacific Northwest Power Company, of Portland, Ore., namely that the said company ("PNPC") will not become an electric utility company within the meaning of the Act prior to the time at which the grant of a license to it by the Federal Power Commission to construct and operate the High Mountain Sheep project has become final, either by the expiration of the appeal period or, in the event of an appeal, by the final determination of the appellate Courts affirming the grant.

PNPC organized in 1954 by The Montana Power Company, Pacific Power & Light Company, Portland General Electric Company, and The Washington Water Power Company, each of which owns 500 of PNPC's 2,000 outstanding common shares. The FPC on February 5, 1964, by a 3 to 2 decision, granted PNPC a license to construct and operate a large hydroelectric dam at the High Mountain Sheep site on the Snake River between Oregon and Idaho. The sponsoring companies have agreed to purchase from PNPC the entire electric energy output of the High Mountain Sheep project. Following issuance of the FPC license, PNPC intends to sign a contract for construction of the project, issue about \$38.6 million stock to the sponsoring companies and about \$222 million of bonds by public offering, enter into power contracts with the sponsoring companies, and, upon completion of the project, commence generation and sale of power.

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The sponsoring companies are engaged in public utility operations. From time to time pending the completion of the said project, they may wish to issue and sell securities to finance their operations. Prior to the formation of PNPC, none of their activities were subject to the Holding Company Act. However, at such time as PNPC becomes an electric utility company within the meaning of the Act, its sponsors become holding companies and, unless exempted, must register as such and comply with the requirements of the Act, including those of Section 7 regarding the issuance and sale of their securities.

PNPC sought a declaratory order which would remove the uncertainty as to the point at which the Act becomes applicable. It and the Public Utility Commission of Oregon contended that PNPC would not become an electric utility company until it owns or operates facilities actually "used" for the generation and sale of power. On the other hand, the Washington Public Power Supply System (which had sought an FPC license for itself for a dam either at the High Mountain Sheep site or at an alternative Nez Perce site), and the SEC Division of Corporate Regulation, contended that a proper interpretation of the law would require regulation under the Act to come into play long before the beginning of actual generating operations by PNPC.

The Commission recognized that the issues so presented "raise an important question in the administration of the Act, which we have taken under advisement and which we will decide in due course. In the meanwhile, in view of the immediate problems of the sponsoring companies, which are operating utilities engaged in activities of their own that are essentially unrelated to PNPC's High Mountain Sheep project, we consider it desirable to issue this Memorandum Opinion at this time to clarify the present status of such companies. While we are not now prepared to state with exactitude at what point in its development PNPC would become an electric utility company, it is our opinion that in any event PNPC will not acquire such status for the purposes of the Act prior to the time that the FPC action in granting a license to PNPC to construct and operate the High Mountain Sheep project becomes final."

GUILTY PLEA ENTERED BY V M SPIVEY. The SEC Chicago Regional Office announced February 27th (LR-2854) that Vernon M. Spivey (of Milwaukee) had entered a plea of guilty to certain counts of an indictment charging violations of the Securities Act anti-fraud provisions in the sale of investment contracts for the purported purpose of filming a personal development course of lectures given at the Vernon M. Spivey Institute at Chicago.

BERNSTEIN-MACAULAY FUND SEEKS ORDER. Bernstein-Macaulay Special Fund, Inc., 341 Madison Ave., New York, has applied to the SEC for an exemption from those provisions of the Investment Company Act which require approval by the Fund's stockholders of an investment advisory contract, election by the Fund's stockholders of the Fund's initial board of directors, and ratification by the Fund's stockholders of the selection of independent public accountants, respectively, such exemption order to be effective until the first annual meeting of stockholders of the Fund to be held in September 1964. The Commission has issued an order (Release IC-3921) giving interested persons until March 18th to request a hearing upon the application.

AMERICAN ELECTRIC POWER SEEKS ORDER. American Electric Power Company, Inc., New York holding company, has joined with its subsidiaries in the filing of a proposal with the SEC under the Holding Company Act proposing a modification in the method of allocating consolidated tax liabilities, as reduced by investment credit, among system companies; and the Commission has issued an order (Release 35-15025) giving interested persons until March 25th to request a hearing thereon. The system companies propose to utilize a method of allocation which they anticipate will give to each of the companies included in consolidated tax returns of the parent and its subsidiary companies approximately the full investment credit each company contributes to the total investment credit allowed in the consolidated tax returns.

LIBERTY LIFE FILES FOR SECONDARY. Liberty Life Insurance Company, Greenville, N.C., filed a registration statement (File 2-22118) with the SEC on March 3 seeking registration of 325,000 outstanding shares of capital stock, to be offered for public sale by the holders thereof through underwriters headed by Blyth & Co., Inc., 14 Wall St., and Merrill Lynch, Pierce, Fenner & Smith, Inc., 70 Pine St., both of New York. The offering price (\$40 per share maximum\*) and underwriting terms are to be supplied by amendment.

The company is engaged in the business of writing ordinary, weekly premium and group life insurance; and it also writes both individual and group accident and health insurance. It now has outstanding 3,750,000 shares of stock, of which 23.26% is owned by management officials as a group. The largest stockholder is Surety Investment Co. of Greenville. Three of the four selling stockholders, Francis M. Hipp, president and board chairman, and Herman N. Hipp and B. Calhoun Hipp, senior vice presidents; and they own 238,507, 307,022 and 281,642 shares, respectively. The fourth, Dorothy Hipp Gunter, owns 157,607 shares. The amount each proposes to sell is to be supplied by amendment.

AMERICAN BLDG. MAINTENANCE FILES PLAN. American Building Maintenance Industries, 335 Fell St., San Francisco, filed a registration statement (File 2-22117) with the SEC on March 3 seeking registration of 33,300 shares of capital stock, to be offered pursuant to its Restricted Stock Option Plan.

SECURITIES ACT REGISTRATIONS. Effective March 4: Powr-Pak Industries, Inc. (File 2-21918).

\*As estimated for purposes of computing the registration fee.