

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 February 5, 1957

Securities Act Release No. 3749

The Securities and Exchange Commission today announced the issuance of an order vacating a prior order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by Zenith Uranium and Mining Corporation, of Salt Lake City.

The Regulation A notification was filed by Zenith Uranium on July 12, 1954, and proposed the public offering of 300,000 shares of common stock at \$1 per share pursuant to the Regulation A exemption. By order dated December 13, 1955, the Commission temporarily suspended the exemption on the ground that the issuer had failed to file the required semi-annual reports of stock sales and on the additional ground that the underwriter, Daniel M. Sheehan, Jr., doing business as Sheehan & Company, had been permanently enjoined by the United States District Court for the District of Massachusetts, on his consent, from further violations of Section 17 of the Securities Exchange Act of 1934.

The Commission vacated the suspension order for the following reasons: it appears that no sales have been made nor will be made by the issuer, promoters, their agents, servants, employees, attorneys or their assigns; that pursuant to the underwriting agreement, contractual relationship between Zenith Uranium and Mining Corporation and Sheehan & Company, its underwriter, terminated on November 10, 1954; that no shares of stock were ever printed and, accordingly, no shares were ever physically delivered to anyone; that the issuer has abandoned plans for a public offering of its securities either pursuant to Regulation A or the registration provisions of the Securities Act and to this end has caused said corporation to be dissolved. Furthermore, it appears that there are no outstanding liabilities of the issuer and that the issuer considers it has no legal obligation to anyone to deliver any shares; that the mining claims, being the sole asset of the issuer, were retransferred out of the corporation and that no one has any claim to any shares of the issuer; that the injunctive action taken against the underwriter did not arise out of any transactions which the underwriter had by, for or with the issuer; and that the issuer has filed the necessary reports.

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Chain Belt Company, Milwaukee, Wisconsin, filed a registration statement (File 2-13067) with the SEC on February 4, 1957, seeking registration of 27,862 shares of its \$10 par Capital Stock, to be offered for subscription under its 1956 Restricted Stock Option Plan for Employees of the Company.

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Columbus and Southern Ohio Electric Company, Columbus, Ohio, today filed a registration statement (File 2-13068) with the SEC seeking registration of \$16,000,000 of First Mortgage Bonds, Series due 1987, to be offered for public sale at competitive bidding. Net proceeds will be added to the company's general funds, which funds will be used in part to carry on its construction program, including payment in large part of bank loans (estimated at \$18,800,000 at March 1, 1957). These loans were effected to enable the company to pay in part the cost of property additions and improvements. The company's construction program contemplates expenditures of approximately \$30,000,000 in 1957 and \$25,000,000 in 1958.

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Corporate Leaders of America Inc., New York investment company, filed an amendment on February 4, 1957, to its registration statement (File 2-10694), seeking registration of additional certificates as follows: \$50,000,000 Periodic Payment Certificates Series "B" and 2,568,649.517 Participations; and \$2,000,000 Single Payment Certificates Series "B" and 103,762.057 Participations.

Holding Company Act Release No. 13376

The Securities and Exchange Commission has issued a decision approving the Section 11(e) plan filed under the Public Utility Holding Company Act of 1935 by Standard Gas and Electric Company, which plan provides for the distribution to Standard Gas stockholders of a substantial portion of its direct and indirect interest in Duquesne Light Company and the sale, on rights, to its stockholders of all its interest in Pittsburgh Railways Company.

Consummation of the plan is subject to approval by the United States District Court for the District of Delaware with which court the Commission, upon the request of Standard Gas, will file an application for enforcement.

Under the terms of the plan, as approved by the Commission, provision is made for modification of certain agreements entered into between Standard Gas and Philadelphia Company, a subsidiary of Standard Gas, on the one hand and Duquesne Light Company and its subsidiaries on the other hand, with respect to the apportionment as between them of the Standard Gas system's liability for Federal income tax for the years 1942 through 1950, as to which years there are unresolved Federal income tax problems: Under the new agreement Standard Gas and Philadelphia will assume, in an amount up to but not exceeding \$1,000,000, any liability of the Duquesne group in respect of net additional Federal consolidated taxes for the years 1942 through 1950 in excess of some \$12,334,000. In addition, any net refunds which may be payable to the system for the same period will be retained by Duquesne rather than paid to Standard Gas as provided under the old tax agreement.

The 540,651.75 shares of the common stock of Pittsburgh Railways Company held by Standard Gas will be sold on a rights offering to Standard Gas stockholders at the rate of one share of Railways common stock for each four shares of Standard Gas common stock. The subscription price of the shares will be \$6.00 per share less any dividends paid thereon after October 19, 1956. Standard Shares, Inc., the holder of 45.6% of the common stock of Standard Gas, has agreed to exercise the rights to

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which it will be entitled and, in addition, has agreed to purchase, at the subscription price, all the shares of Railways common stock not subscribed for by the public stockholders. The subscription period will run for a period of not less than 21 days.

After the completion of the subscription period for the sale of the Railways stock, Standard Gas will distribute to its stockholders of record 540,651.75 shares of the common stock of Duquesne on the basis of one share of Duquesne for each four shares of Standard Gas common stock.

In approving the plan, the Commission found that the cancellation of the old tax cut-off agreements and the substitution of the new tax cut-off agreement will limit the possible liability of Standard Gas to an amount which will permit the proposed distribution of the portfolio investments. Under the old agreement the liability of Standard Gas was unlimited above \$13,334,000. The Commission found that the proposals, while not completely effectuating the dissolution of Standard Gas as required by Section 11(b) of the Holding Company Act and certain orders formerly entered by the Commission pursuant to that section, will nevertheless accomplish major progress toward that end. The Commission, accordingly, found that the plan was necessary to effectuate compliance with Section 11(b) of the Act.

The Commission, in addition, found the plan to be fair and equitable to all security holders affected. With respect to the substituted new tax cut-off agreement, the Commission considered the various possibilities as to the outcome of the controversy with the Internal Revenue Service; and, partly in reliance upon the views of three sets of tax counsel, the chairman of the board of Duquesne and the president and chairman of the Board of Standard Gas, all of whom believed the new tax agreement was fair, concluded that the new tax cut-off agreement was fair.

The Commission also found that the proposed rights offering was fair to all affected security holders and that the provision relating to the purchase by Standard Shares, at the subscription price, of the shares of Railways stock not subscribed for by the public holders of Standard Gas stock was not overly favorable to Standard Shares. The Commission found that Standard Shares was, in effect, acting as an underwriter for the securities and that this method would be less costly than any attempt to secure an investment banking firm to act as the underwriter.

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