

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 April 23, 1957

Holding Company Act Release No. 13455

The SEC has issued an order authorizing Iroquois Gas Corporation, Buffalo subsidiary of National Fuel Gas Company, to sell to New York State Electric & Gas Corporation, a non-affiliated company, the natural gas distribution facilities of Iroquois located in the towns of Portage, Nunda and West Sparta, New York, and the eastern portion of its distribution system in the town of Genesee Falls, New York, together with the gas transmission line running from Genesee Falls to Dansville, New York. The price to be paid therefor is to be an amount equivalent to the original cost of such distribution and transmission properties less accrued depreciation, which would amount to \$200,925 at June 30, 1956.

* * * *

Quinta Corporation, Santa Fe, New Mexico, filed a registration statement (File 2-13272) with the SEC on April 22, 1957, seeking registration of 700,000 shares of its 5¢ par Capital Stock. The stock is to be offered for public sale at 50¢ per share through an underwriting group headed by Frederic H. Hatch & Co., Inc., of New York, Clark, Landstreet & Kirkpatrick, Inc., of Nashville, and Minor, Mee & Co., of Albuquerque; and the underwriting commission is to be 5½¢ per share.

The company was organized under New Mexico law on April 11, 1956, for the purpose of dealing in real estate in general, including the exploration, development and operation of uranium, oil, gas and other mineral properties. Its properties are located in New Mexico. Of the net proceeds, estimated at \$281,500, the company proposes to use \$51,000 to purchase and retire its 8% Note due June 1, 1959, outstanding in the amount of \$50,000, and interest thereon from March 1, 1957. The company anticipates that part of the proceeds will be used for its proposed building program in the so-called Grants area, and part of the proceeds will be used for the future development of mineral deposits. The balance of the proceeds will be added to the company's general funds and will be used for such corporate purposes as the directors may determine.

The company now has outstanding 1,750,000 shares of stock. For these shares, the original stockholders will have paid in \$50,000 in cash, incurred unreimbursed expenses of \$35,000, and transferred various properties to the company (in connection with which they incurred expenses of \$79,000). No mining operations have begun on any of the properties; but, according to the prospectus, an agreement has been entered into with Phillips Petroleum Company and another with Homestake Exploration, Incorporated, a wholly owned subsidiary of Homestake Mining Company, providing for their exploration and exploitation.

(OVER)

The company's president is W. W. Hall of Santa Fe and its Board Chairman C. J. Warren, of Albuquerque. The latter is listed as owner of 277,437 shares (15.85%) of the outstanding Quinta stock; Richard D. Bokum, II, of Santa Fe, director, 514,687 shares (29.41%); Victor Salazar, of Albuquerque, a vice-president and director, 235,938 shares (13.48%); and Jacob I. Roscnbaum, 250,000 shares (14.29%).

* * * *

Sundstrand Machine Tool Co., Rockford, Ill., filed a registration statement (File 2-13273) with the SEC on April 22, 1957, seeking registration of 175,118 shares of its \$5 par Common Stock. The company proposes to offer these shares for subscription by common stockholders at the rate of 1 additional share for each share held. The record, subscription price and underwriting terms are to be supplied by amendment. Merrill Lynch, Pierce, Fenner & Beane, Bacon, Whipple & Co., and Dean Witter & Co. are listed as the principal underwriters.

Net proceeds of the financing will be used to complete the company's construction program at Belvidere, Ill., to reduce short term bank borrowings by \$500,000, and to increase working capital. The company contemplates that, during 1957, an additional \$680,000 will be expended to complete the sales and engineering office addition at Belvidere and \$500,000 for the purchase of machinery and equipment for that plant.

It is further indicated that the company contemplates using the proceeds of \$9,000,000 in term loans to refund its presently outstanding \$2,800,000 of 3-3/4% Notes and to reduce its short term bank borrowings by \$6,200,000.

* * * *

The Securities and Exchange Commission today announced the issuance of a decision authorizing New England Electric System, Boston holding company, to make an offer of its stock in exchange for stock of Lynn Gas & Electric Company, Lynn, Massachusetts.

NEES proposes to acquire the common stock of Lynn Gas through a voluntary exchange offer of two shares of its own common stock for each share of Lynn Gas stock. The exchange offer is to remain open for a period of 30 days from the date of offer, or for such longer period, not to exceed six months in the aggregate, as NEES may determine, subject to Commission approval. At any time after the termination of the exchange period, NEES may consummate the exchange, but it is not obligated to do so unless 2/3 of Lynn Gas' 409,500 shares of outstanding common stock have been deposited for exchange. If all the outstanding shares of Lynn Gas common is deposited in exchange, NEES would be obligated to issue 819,000 shares of its stock. At the present time, NEES has outstanding 10,854,683 common shares.

NEES has entered into an agreement with a group of common stockholders of Lynn Gas owning 6.89% of the latter's outstanding stock, under which such stockholders have agreed to deposit their shares of Lynn Gas common in exchange for the NEES common on the basis of one share of Lynn Gas stock for two shares of NEES stock. The contracting stockholders include all of the Lynn Gas directors except one, who is also an officer of NEES, and he has also indicated a willingness to accept the offer. The contract requires NEES to make the same offer to all the Lynn Gas stockholders.

(Continued)

Lynn Gas is engaged in the generation, purchase and sale of electricity at retail in Massachusetts. It generates approximately 92% of its electric energy requirements and purchases the balance from the NEES system. It also is engaged in the distribution at retail of natural gas which is purchased from a non-affiliated pipe line

The exchange offer was opposed by John F. Cremens, a Lynn Gas stockholder, who represented himself and certain other stockholders at the hearing. Based upon its analysis of all pertinent facts, however, and in light of various other considerations, including the arm's-length negotiations which led to the exchange offer, the Commission concluded that the offer is fair and reasonable, both to the NEES and to the Lynn Gas stockholders.

Securities Exchange Act Release No. 5493

The Securities and Exchange Commission has ordered a 30-day suspension of Denton & Company, Incorporated, Hartford, Connecticut, from membership in the National Association of Securities Dealers, Inc., effective May 4, 1957, for violation of the margin requirements prescribed by the Federal Reserve Board and for violation of the Commission's bookkeeping rules.

The Commission held that, during the period January 1, 1955 to July 12, 1956, approximately 171 transactions by Denton & Company, representing purchases of securities by customers in special cash accounts, were in violation of Section 4(c)(2) of Regulation T, in that the company did not promptly cancel or otherwise liquidate the transaction when the customer did not make full cash payment within 7 business days as required. At least one of these transactions also violated Section 4(c)(8) of Regulation T, which prohibits the purchase of a security for a customer in a special cash account where sufficient funds for the purpose are not already in the account, if during the preceding 90 days the customer had purchased another security in that account and sold it before he paid for it.

The number and nature of these violations, the Commission stated, including the fact that in a number of instances there were three or more late payments by the same customer, are evidence that the company effected transactions in special cash accounts which were not bona fide cash transactions. "Under the circumstances," it stated, "we find that registrant could not have accepted in good faith agreements by all these customers that they would make promptly full cash payments" for the securities acquired, thereby violating Section 4(c)(1)(A) of Regulation T which permits purchases for special cash accounts which do not have sufficient funds for the purpose, only if the firm does so in reliance upon an agreement accepted by it in good faith that the customer will promptly make full cash payment for the security and that he does not contemplate selling the security prior to such payment.

According to the Commission's decision, 115 of the 171 transactions were effected by three officers acting as salesmen, namely, Harry D. Cohan, president, treasurer, director and controlling stockholder, Samuel Cohen, vice president, director and a controlling stockholder, and Robert C. Cohan, secretary. The Commission concluded that Denton & Company, aided and abetted by the three officers, willfully violated Regulation T. The company also was found to have violated the Commission's Rule X-17A-3 by reason of its admitted failure to keep current certain of its required books and records.

(Continued)

Denton & Company pleaded that the imposition of any sanction would not be in the public interest; and it urged in support thereof that in the 35 years of its operations it has never been in any financial difficulties nor the subject of any disciplinary action, and that during the period in question its regular cashier became ill and it was necessary to employ an inexperienced cashier who was slow in contacting customers about payment, and that this condition has been fully remedied. The number of violations, however, "compels the conclusion that there was no real attempt by registrant or its officers to comply with Regulation T, notwithstanding that registrant's attention had been called to the requirements of that regulation following an inspection in 1951 by representatives of our regional office," the Commission concluded.

—000000—