

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



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

Washington, D.C. 20549

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

(Issue No. 65-7-11)

FOR RELEASE July 16, 1965

RULE REVISIONS PROPOSED. The SEC today announced a proposal for revision of its Rules 8c-1 and 15c2-1 under the Securities Exchange Act of 1934 (Release No. 34-7647) and invited the submission of views and comments thereon not later than August 16, 1965. These rules, which are identical in substance, prohibit the hypothecation of customers' securities by broker-dealers under circumstances which permit the commingling of one customer's securities (1) with those of any other customer, unless each customer's prior consent has been obtained; and (2) with those of other than a bona fide customer. The proposed amendments, which would be adopted under the provisions of the Exchange Act, and particularly Sections 8(c), 15(c)(2) and 23(a) thereof, would add a new clause (g) to Rule 8c-1 and 15c2-1 to provide an exemption from the commingling prohibitions of these rules where an exchange member, broker or dealer participating in a system of a national securities exchange or national securities association for the central handling of securities hypothecates securities in accordance with such system. For the exemption to be applicable the system would be required to contain specified provisions and follow specified procedures which have been deemed adequate by the Commission for the protection of investors. The proposed amendment is necessitated by the development in recent years of centralized systems for the handling and delivery of securities through the use of automated procedures. In this connection, the Special Study of Securities Markets recommended that the securities industry, with the cooperation of the Commission, should give continuing attention to the possibilities for improving and modernizing existing securities handling and delivery systems.

The proposed amendment provides that the hypothecation of customers' securities held by a clearing corporation or other subsidiary organization of a national securities exchange or national securities association or by a custodian bank pursuant to a central system in which the customers' securities are commingled with others will not of itself constitute a commingling prohibited by the rule. For the exemption to be applicable, the custodian must, in general, agree to deliver the securities that it holds as directed by the system and not assert any claim, right or lien against the securities; the system must have safeguards for the handling, transfer and delivery of securities; the system must provide for fidelity bond coverage of employees and agents of the clearing corporation or other subsidiary organization; and the system must contain provisions for periodic examination by independent public accountants. The exemption will be applicable only after the Commission has deemed the above provisions, and any amendments of them, to be adequate for the protection of investors.

The Commission's release points out that, while the proposed amendment makes it clear that the presence within a system of a stock certificate representing the interests of various customers and other parties, including pledgees, does not constitute a prohibited commingling under Rule 8c-1, it nevertheless does not make legal a hypothecation of securities prohibited by the present rule. Thus, it would constitute a violation of Rule 8c-1 to hypothecate the securities of more than one customer of a member, broker or dealer to secure a loan unless the consent of each customer is obtained. Similarly, it would constitute a violation under any circumstances to hypothecate the securities of a customer with those of any person other than a customer in order to secure a loan. The proposed amendment of the rules would not in any way affect these prohibitions.

PENNSYLVANIA ELECTRIC PROPOSES DEBENTURE OFFERING. Pennsylvania Electric Company, 1001 Broad St., Johnstown, Pa. 15907, filed a registration statement (File 2-23831) with the SEC on July 15 seeking registration of \$20,000,000 of debentures, due 1990, to be offered for public sale at competitive bidding. The company, an electric utility, will use the net proceeds from its debenture sale to reimburse its treasury in part for the cost of construction prior to 1965. At the end of 1965, the company's accumulated cost of construction which had been provided out of its treasury funds and which had not been previously reimbursed by depreciation provisions, capital contributions, or the net proceeds of the sale of permanent securities amounted to approximately \$20,800,000. Out of its treasury funds as thus reimbursed, the company will repay some \$9,500,000 of outstanding short-term bank loans. Its 1965 construction expenditures are estimated at \$32,500,000.

GENERAL MILLS FILES FOR DEBENTURE OFFERING. General Mills, Inc., 9200 Wayzata Blvd., Minneapolis, Minn. 55440, filed a registration statement (File 2-23832) with the SEC on July 15 seeking registration of \$35,000,000 of sinking fund debentures, due 1990. The debentures are to be offered for public sale through underwriters headed by Dillon, Read & Co. Inc., 46 William St., New York. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company produces packaged consumer foods, sold under the "Big G" label, including breakfast cereals such as "Cheerios" and "Wheaties", "Betty Crocker" prepared cake mixes, and "Gold Medal" flour. In June 1965 the company decided to reduce substantially its activities in the commercial flour business and concentrate in other possible areas "where the profit and growth potentials for the Company are believed to be greater." Net proceeds from its debenture sale will be available, together with internally generated funds and funds becoming available or released by reason of the reduction in the flour business, for general corporate purposes, including investment in plant and equipment and possible acquisitions. The company expects that its capital expenditures for the 1966 fiscal year will approximate \$60,000,000. In addition to indebtedness and preferred stock, the company has outstanding 7,727,307 common shares, of which management officials own 4.6%. Charles H. Bell is board chairman and Edwin W. Rawlings is president.

OVER

BEAUNIT CORP. PROPOSES DEBENTURE OFFERING. Beaunit Corporation, 261 Fifth Ave., New York 10016, filed a registration statement (File 2-23833) with the SEC on July 15 seeking registration of \$25,000,000 of convertible subordinated debentures, due 1990, to be offered for public sale. The offering is to be made through an underwriting group headed by White, Weld & Co., 20 Broad St., New York 10005. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company manufactures and sells fibers, yarns and fabrics. It is engaged in a program of expanding and improving its productive facilities at a cost estimated to exceed \$50,000,000. The program includes the Nylon Joint Venture with El Paso Natural Gas Products Co. for the construction and operation of chemical and fiber plants; the expansion of polyester productive capacity at an estimated cost of \$15,000,000; and the erection of a new research and development center at an estimated cost of \$5,000,000. The proceeds from an issue of \$25,000,000 of senior notes, pursuant to note agreements dated December 1, 1964 (of which \$15,000,000 has been issued) will be used to finance the company's share of construction and pre-operating costs of the Nylon Joint Venture. Net proceeds from the debenture sale will be added to general funds and, with cash generated from operations, will be available to meet costs of the other capital expenditures. In addition to indebtedness, the company has outstanding 1,948,933 common shares, of which management officials own 1.9% and El Paso Natural Gas Products owns 32.5%. Irwin S. Meltzer is president and board chairman.

O/C REGISTRATIONS REPORTED. The following issuers of securities traded over-the-counter have filed registration statements with the Commission pursuant to requirements of Section 12(g) of the Securities Exchange Act (companies which currently file annual and other periodic reports with the SEC are identified by "***"):

File No.	O- Registrant	Location
1518	Hawthorn-Mellody, Inc. **	Chicago, Ill.
1520	World Color Press, Inc. **	St. Louis, Mo.

GENERAL ELECTRODYNAMICS FILES FOR OFFERING AND SECONDARY. General Electrodynamics Corporation, 4430 Forest Lane, Garland, Tex., filed a registration statement (File 2-23834) with the SEC on July 15 seeking registration of 285,000 shares of common stock. Of this stock, 191,000 shares are to be offered for public sale at \$7 per share by the company and 94,000 shares (being outstanding stock) by the present holders thereof. The offering is to be made through underwriters headed by Van Alstyne, Noel & Co., 40 Wall St., New York 10005, which will receive a 56¢-per-share commission. The company has also agreed to deliver to the principal underwriter 5-year warrants to purchase 22,000 common shares, at prices ranging from \$7.49 to \$8.96.

The company is engaged in the development, production and sale of electronic systems for installation in various military, aerospace and commercial products and component parts for such systems. Of the net proceeds from the company's sale of additional stock, some \$402,000 will be used to retire certain indebtedness; \$290,000 will be applied to research and development; and \$400,000 will be invested in additional facilities to meet the company's expanded production. The balance, if any, will be used to reduce short-term indebtedness. In addition to indebtedness, the company has outstanding 252,199 common shares, of which management officials own 39%. The prospectus lists two selling stockholders, as follows: Electronics Capital Corp., offering 87,500 of 88,077 shares held, and Applied Science Capital Corp., 6,500 of 14,363. Don Shepherd is board chairman and Francis J. Salgo is president.

ORAL ARGUMENT, COMING WEEK. July 22 - 2:00 P.M. - San Francisco Mining Exchange

SECURITIES ACT REGISTRATIONS. Effective July 15: Chenango & Unadilla Telephone Corp., 2-23682 (40 days); Effective July 16: Continental Can Co., Inc., 2-23787; Eastern Air Lines, Inc., 2-23728 (Aug 26); James Monroe Life Insurance Co., 2-23498 (Oct 14); Northern States Power Co., 2-23726 (40 days). Withdrawn July 15: Electronic Dispenser Corp., 2-21044.

NOTE TO DEALERS. The last date or the period of time dealers are required to use the prospectus in trading transactions is shown above in parentheses after the name of the issuer.

---ooo0ooo---