

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 December 18, 1956

United States Plywood Corporation, New York, filed a registration statement (File 2-12960) with the SEC on December 17, 1956, seeking registration of 23,000 shares of its \$1 par Common Stock, to be issued under the company's Employees' Stock Purchase Plan for 1957.

* * * *

The Colonial Fund, Inc., Boston investment company, filed an amendment on December 17, 1956, to its registration statement (File 2-10881) seeking registration of an additional 1,600,000 shares of its common stock.

* * * *

Holding Company Act Release No. 13337

Montaup Electric Company (Fall River, Mass.) has applied to the SEC for authorization to make bank borrowings up to a maximum of \$10,000,000 during 1957; and the Commission has issued an order giving interested persons until January 3, 1957, to request a hearing thereon.

Montaup proposes to issue its unsecured promissory notes to banks during 1957 in an aggregate amount not in excess of \$25,000,000 with a maximum amount to be outstanding at any one time not to exceed \$10,000,000. The proceeds thereof will be used to pay Montaup's outstanding note indebtedness and to provide the company with cash during 1957 to finance its construction program, stated to involve the installation of a 100,000 kw turbo-generator unit now on order and estimated to cost \$19,500,000 through 1959. The company's short-term bank indebtedness at October 31, 1956, was \$1,000,000.

* * * *

SEC COMMENTS ON STOCK TRANSFER AND EXCISE TAX AMENDMENTS

The Securities and Exchange Commission today announced the filing of the following statement with the Subcommittee on Excise Taxes of the Committee on Ways and Means of the House of Representatives:

"The Securities and Exchange Commission has been interested in the proceedings of the Subcommittee on Excise Tax Technical and Administrative Problems as they relate to proposed changes in the stock transfer and issuance taxes.

The Commission is interested in these matters because it believes that the administration and enforcement of its statutory functions depend, in part, upon the liquidity of the securities markets and the conditions which affect the creation of new capital for industry. The proposed changes in stock transfer and excise taxes could affect these factors.

"It is the Commission's understanding from the Subcommittee's report of April 30, 1956 to the House Committee on Ways and Means that the Subcommittee is primarily concerned at this time with technical and administrative problems connected with excise taxes and that it is not the purpose of its present study to suggest changes and rates so as to increase revenue from such taxes. It would appear, however, on the basis of calculations by the New York Stock Exchange and the Midwest Stock Exchange as included in the statements submitted by these exchanges to the Subcommittee, that the proposed new rates of tax would substantially increase the amount of taxes to be paid on the issuance and sale of securities.

"The New York Stock Exchange study indicates that the proposed change to a rate of 5¢ per \$100 of actual value would increase taxes on exchange transactions 35 percent over the current tax on these transactions. The Exchange estimates that the increase would amount to approximately \$2.8 million a year on transactions effected on the Exchange and that the increase on all stock and bond transactions executed through member firms of the New York Stock Exchange both on and off the Exchange would be \$5.8 million a year. The Exchange estimates that the new proposed rate would yield total increased revenue on all stock transactions of between \$11 million and \$17.5 million a year.

"Calculations by the Midwest Stock Exchange indicated that under the proposed rate of 5¢ per \$100 of actual value, the increase in taxes on round-lot transactions on that Exchange during 1955 would have increased stock transfer taxes 41.2 percent.

"Particular attention has been drawn by these exchanges to the impact of the increase in transfer taxes on members of the Exchange who function as specialists. Such members are required by exchange rules to maintain a fair and orderly market in the stocks in which the member specializes, by taking or supplying stock for his own account whenever necessary. Any substantial increase in the cost of the specialist's business through increased taxes or otherwise could have a bearing on the ability of the specialists to function properly. We believe the Committee therefore will want to give careful consideration to the effect any proposed changes in the stock transfer tax might have on the continued maintenance of liquid and orderly exchange markets.

"While over-the-counter markets for securities ordinarily are maintained by dealers at somewhat wider spreads than the markets for similar securities on exchanges it does not necessarily follow that dealers who maintain such markets are better able to absorb increased tax costs than are exchange specialists. Increased costs, whatever their nature, could be reflected in further widening of spreads between bid and asked prices, thus resulting in poorer markets and increased costs to the investing public.

"The effect of the proposed revision in the issuance tax would bear, of course, most heavily on stocks. The change from the par value to an actual value base, would not materially change the amount of taxes on bond issues since such securities normally are sold at prices closely related to their par or face value. In the case of stocks, however, the prices at which such new securities are offered frequently bear little relationship to the stated par value of the securities. As the exchange studies previously referred to have indicated, the new rates proposed on the issuance of securities would result in substantially increased taxes on the issuance and sale of stocks. The Midwest Stock Exchange has estimated on the basis of the new common stock issues registered for sale in the month of October 1956 that the tax cost to the issuing companies would have been increased from a total of \$38,153.60 to \$184,802.66 or 386 percent.

"The Commission believes the Subcommittee will also want to consider whether the proposed new issuance rates might have the effect of inducing more debt financing than might be desirable."

* * * *

Armco Steel Corporation, Middletown, O., today filed a registration statement (File 2-12961) with the SEC seeking registration of 1,092,925 shares of its \$10 par Common Stock. The company proposes to offer not less than 1,087,783 common shares for subscription by holders of its outstanding common stock at the rate of one share for each 10 shares held of record January 9, 1957. The subscription price and underwriting terms are to be supplied by amendment. Smith, Barney & Co. is named as the principal underwriter. Net proceeds of the financing are to be added to the general funds of the company. The company proposes to make additions and improvements to its properties and those of its consolidated subsidiaries, in amounts estimated at \$244,000,000 during the period 1955 to 1960. The general funds of the company, including the proceeds of this financing and such additional funds as may be borrowed or otherwise received from time to time as may be required, will be used to defray the costs of this expansion program and for other purposes including working capital.

* * * *

The Standard Oil Company, Cleveland, O., today filed a registration statement (File 2-12962) with the SEC seeking registration of \$25,000,000 of Sinking Fund Debentures, due January 1, 1982, to be offered for public sale through an underwriting group headed by F. S. Mosely & Co. The interest rate, public offering price and underwriting terms are to be supplied by amendment. Proceeds thereof together with available funds internally generated will be applied to the payment of capital expenditures, and any unused balance will be added to working capital. The company's budget for 1956 contemplated capital expenditures of approximately \$51,000,000, and such expenditures approximated \$45,000,000 through November 30, 1956. It is anticipated that such expenditures will continue to be substantial, including in 1957 and 1958 approximately \$40,000,000 for new refinery facilities to be constructed at Toledo, O.

* * * *

Northwestern Public Service Company, Huron, S. Dak., today filed a registration statement (File 2-12963) with the SEC seeking registration of 54,120 shares of its \$3 par Common Stock. The company proposes to offer holders of its outstanding common stock the right to subscribe for the new shares at the rate of one share for each ten shares held. The record date, subscription price and underwriting terms are to be supplied by amendment. A. C. Allyn and Company, Inc., is the principal underwriter. Net proceeds are to be used for financing a portion of construction expenditures in 1957, estimated to involve gross expenditures of approximately \$3,500,000.

* * * *

Securities Act Release No. 3729

NOTICE OF PUBLIC HEARING ON ACCELERATION
POLICY UNDER SECURITIES ACT OF 1933

Notice is hereby given that the Securities and Exchange Commission will hold a public hearing on January 17, 1957, upon its proposed note to Rule 460 under the Securities Act of 1933 defining its policy with respect to acceleration of the effective dates of registration statements under that Act.

The hearing will follow immediately after the conclusion of the hearing on the proposed revision of Rule 133 under the Securities Act, scheduled to commence at 10:00 A.M. on January 17th, and will continue on Friday, January 18th, 1957, if necessary. Any person interested in being heard should so notify the Commission not later than January 15, 1957, indicating the length of time required for his presentation. Scheduling of the two hearings at the same time is designed to accommodate lawyers and other participants who may wish to attend both hearings.

The proposed note to Rule 460, first announced by the Commission on August 9, 1956 (Securities Act Release No. 3672) would specify certain of the more common situations in which it is the Commission's policy to deny acceleration of the effective dates of registration statements. The Commission's acceleration power derives from Section 8(a) of the Act, which provides a 20-day "waiting" period between the filing of a registration statement (or of any amendment thereto) and its effective date. This provision of the law was designed to promote widespread dissemination among investors during the waiting period of factual disclosures contained in the registration statement, and thus contribute to more informed and prudent investment decisions.

The Commission may, however, shorten the 20-day waiting period if it finds such action consistent with the acceleration standards of Section 8(a), which provide that the Commission, "having due regard to the adequacy of the information respecting the issuer theretofore available to the public, to the facility with which the nature of the securities to be registered, their relationship to the capital structure of the issuer and the rights of holders thereof can be understood, and to the public interest and the protection of investors," may order a registration statement effective before the expiration of the 20-day waiting period.

The proposal represents a further step in the program of publishing the Commission's policies as a part of its General Rules and Regulations. Codification of the Commission's acceleration policy, after consideration of the comments of all interested persons, should clarify the standards governing acceleration and thus facilitate administration of Section 8(a) of the Act.

* * * *

Securities Exchange Act Release No. 5424

The Securities and Exchange Commission has ordered proceedings under the Securities Exchange Act of 1934 to determine whether to revoke the broker-dealer registration of Daniel & Co., Ltd., of Washington, D. C. The hearing therein, scheduled for January 15, 1957, in the Commission's Washington Office, also will concern itself with the question whether Daniel & Co. should be suspended or expelled from membership in the National Association of Securities Dealers, Inc.

In its order, the Commission asserts that information developed in an investigation and reported by its Staff tends to show that since July 1, 1956, Daniel & Co. solicited and induced various persons to purchase shares of the common stock of Republic Electronic Industries Corp. and represented to such persons that the price at which the shares were sold to or purchased for the customers was the current market price when, in fact, "the prices paid by such persons were not prices established on free, open and competitive markets, but were prices artificially established by registrant" and by Daniel Price, its president and sole stockholder, "through their domination and control of the market," which fact was not disclosed.

Furthermore, the order asserts that Daniel & Co. failed to give or send written notification to such customers disclosing (a) the capacity in which registrant was acting in such transactions and (b) in cases in which registrant was acting as broker for such customers, the names of the persons from whom the security was purchased, the source and amount of any commission received, and other required information; that it failed to make and keep current certain books and records, as required; that it failed to preserve copies of confirmations of all purchases and sales; and that it sold securities to and purchased securities for customers in contravention of provisions of Regulation T (governing margin trading).

At the January 15, 1957, hearing, inquiry will be conducted into the foregoing matters for the purpose of determining whether the reported information is true and, if so, whether Daniel & Co. and Daniel Price have wilfully violated provisions of the Securities Laws and rules thereunder and whether it is in the public interest to revoke the broker-dealer registration of Daniel & Co. and/or to suspend or expel it from membership in the NASD.

—000000—