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SECURITIES AND EXCHANGE COMMISSION
Philadelphia

HOLDING COMPANY ACT
Release No. 4056

In the Matter of	:	
THE NORTH AMERICAN COMPANY	:	
File No. 70-656	:	FINDINGS AND OPINION OF THE COMMISSION
(Public Utility Holding Company Act of 1935 - Section 10)	:	

ACQUISITION OF SECURITIES BY REGISTERED HOLDING COMPANY

Application, filed by a registered holding company pursuant to Section 10 of the Act, regarding the acquisition of approximately 12,500 shares of of the capital stock of an electric utility company, granted, subject to certain conditions, the Commission making no adverse findings under Sections 10 (b), 10 (c) (1), or 10 (f) and finding that the transaction has the tendency required by Section 10 (c) (2).

APPEARANCES:

Charles S. Hamilton, Jr., for the North American Company.

Frederick Zazove, for the Public Utilities Division of the Commission.

The North American Company (North American), a registered holding company, has filed an application under Section 10 of the Public Utility Holding Company Act of 1935 (the Act), regarding the proposed acquisition of approximately 12,500 shares of the capital stock of The Detroit Edison Company (Detroit Edison), an electric utility company. A hearing was duly held on the application after appropriate notice. Having considered the record herein, the Commission makes the following findings:

We have heretofore ordered North American to divest itself of its direct and indirect holdings in Detroit Edison (Holding Company Act Release No. 3405). For some time North American has pursued a policy, which we think is compatible with the provisions of the Act, of paying dividends in kind on its common stock thereby permitting the utilization of cash not necessary for dividend purposes for the reduction of its outstanding debentures.

North American has hitherto declared seven consecutive quarterly dividends on its common stock payable in shares of Detroit Edison stock. Such distributions have resulted in a reduction in the total number of shares held by North American from 1,222,315 shares to 143,502 shares. Each of the seven distributions has been at the rate of one share of Detroit Edison stock for each fifty shares of North American's common stock and in lieu of the issuance of certificates representing fractional shares of Detroit Edison stock to holders of blocks of less than fifty shares, cash dividends have been paid based on the then current market quotations of the Detroit Edison stock. The balance of the Detroit Edison stock held by North American is not sufficient to provide for another dividend at the rate declared in the case of each of the seven preceding dividends.

Although the next quarterly dividend has not yet been declared a witness for North American testified that the Board of Directors contemplates the payment of such dividend on or about April 1, 1943, at the previous rate; however, it appears that the remaining holdings in Detroit Edison stock will be approximately 12,500 ¹/₅₀ shares less than the number of shares which would be required to permit a distribution on the same basis as heretofore employed. To the extent of this deficiency cash would have to be utilized unless additional shares are acquired before the declaration date of the April 1, 1943, dividend, which is expected to be on or about February 11, 1943.

In view of the previous manner of paying dividends entirely in kind (except for cash in lieu of fractional shares) North American desires to utilize the cash which would otherwise be necessary to pay, in part, the next quarterly dividend, for the purpose of acquiring the additional shares of Detroit Edison stock.

North American proposes to acquire the 12,500 shares in the following manner:

(1) By purchases on the New York Stock Exchange from time to time prior to the declaration date of the next quarterly dividend. The only fees which will be paid in connection with such purchases are the usual New York Stock Exchange commissions; or

(2) By purchases otherwise than on the New York Stock Exchange prior to the declaration date of the next quarterly dividend. The consideration to be paid will not exceed the closing price on the New York Stock Exchange (or the average between the bid and asked prices if no sale was consummated) on the business day immediately preceding the date of any purchase. In connection with such purchases North American will pay no commissions but may incur nominal telephone or telegraphic expense incident thereto.

In addition to the shares of Detroit Edison stock held by North American, 5,000 shares are beneficially owned by North American Utility Securities Corporation (all of the preferred stock and 80.63 of the common stock of which is owned by North American). These 5,000 shares were acquired by North American Utility Securities Corporation from North American at an average net cost of about \$13 per share. The price of Detroit Edison stock on the New York Stock Exchange since January 1942 to the date of the hearing ranged from a low of 14-5/8 to a high of 19. Since North American does not propose to acquire any of the shares held by its subsidiary we are not confronted with any problem concerning the price which would be fair for such stock.

¹/₅₀ For obvious reasons it is not possible at this time to ascertain precisely the number of shares which will be needed.

If North American does not acquire the additional 12,500 shares, the 143,502 shares which it still retains would have to be distributed on some basis other than one share of Detroit Edison for each fifty shares of North American common. It is estimated that such a basis would be about one to fifty-six. Since there is more North American common stock held in blocks of fifty shares than in blocks of fifty-six shares, if only the shares now owned were distributed there would be a smaller number of shares the dividend on which would be paid in kind and consequently a larger number of shares the dividend on which would have to be paid in cash. Furthermore, if the next quarterly dividend is paid at the same rate as the previous seven quarterly dividends additional cash would have to be distributed to maintain that rate unless the 12,500 shares are acquired. The amount of cash necessary to purchase the additional shares is substantially the same as the amount which would be required to pay the next quarterly dividend at the previous rate if only the present holdings are distributed. North American desires to continue its dividend at the same rate and it appears that a distribution on a one to fifty basis is the most feasible method of accomplishing this program. In light of all the circumstances, we deem it appropriate to grant the application.

While we cannot say that purchases by North American of such a relatively small amount of Detroit Edison stock, either on or off the market, will have any effect adverse to the interests of investors, in order to avoid any possibility of preferential treatment we will condition our order granting the application so as to require that any purchases of Detroit Edison stock by North American otherwise than on the New York Stock Exchange shall be at a price not higher than the last sales price on the New York Stock Exchange, and that no Detroit Edison stock shall knowingly be purchased from any officer or director of North American or any officer or director of any of its subsidiaries or affiliates.

The application states that North American's purchases of Detroit Edison stock will be completed before February 11, 1943, the anticipated date of the next quarterly dividend declaration. Since such date is only tentative we will further condition our order granting the application so that no purchases may be made after February 20, 1943, subject, however, to the right of the company to apply for an extension of time.

In order that the Commission and the public may be completely advised as to North American's activities with respect to its purchases of Detroit Edison stock, our order granting the application will require that North American furnish the Commission, promptly after the end of each week until such purchases are terminated, a schedule showing for each day covered by such schedule, the number of shares purchased, the price at which purchased, and in respect of purchases effected otherwise than on the New York Stock Exchange, the name of the person from whom purchased - such data to be placed in the Commission's public files; and that North American shall give appropriate notice to the Commission at the time when the proposed program has been completed.

Sections 9 (a) (1) and 10 of the Act are applicable to the proposed transaction. We observe no basis for adverse findings under Sections 10 (b) or 10 (c) (1). North American has agreed that the shares it proposes to acquire will be considered subject to our previous order under Section 11 (b) (1) of the Act wherein we directed North American to divest itself of its holdings in Detroit Edison. Since the proposed acquisition will facilitate the carrying out of our previous order, we find that the transaction has the tendency required by Section 10 (c) (2) of the Act. Our order will reserve jurisdiction to enter any further order which may appear necessary or appropriate in connection herewith.

An appropriate order will issue.

By the Commission (Chairman Purcell and Commissioners Healy, Burke, and O'Brien), Commissioner Pike being absent and not participating.

Orval L. DuBois
Secretary

(SEAL)

UNITED STATES OF AMERICA
BEFORE THE SECURITIES AND EXCHANGE COMMISSION

At a regular session of the Securities and Exchange Commission,
held at its offices in the City of Philadelphia, Pa.,
on the 15th day of January, A. D., 1943.

In the Matter of	:
THE NORTH AMERICAN COMPANY	:
File No. 70-656	:
(Public Utility Holding Company Act of	:
1935 - Section 10)	:

ORDER GRANTING
APPLICATION

The North American Company, a registered holding company, having filed an application pursuant to Section 10 of the Public Utility Holding Company Act of 1935 with respect to the acquisition of approximately 12,500 shares of the capital stock of The Detroit Edison Company, an electric utility company, by purchases on the New York Stock Exchange or otherwise which shares are required to make possible the payment of the next quarterly dividend on the common stock of The North American Company, payable in stock of The Detroit Edison Company, on the same basis as the last seven quarterly distributions (if the Board of Directors determines so to do); and

A public hearing having been held after appropriate notice, and the Commission having considered the record and having made and filed its Findings and Opinion herein; and

The Commission deeming it appropriate in the public interest and for the interest of investors and consumers to grant the application pursuant to the applicable sections of the Act; and the Commission having found that the statutory requirements have been satisfied;

IT IS ORDERED that said application be and it is hereby granted forthwith subject to the following terms and conditions:

(1) That purchases by The North American Company of shares of capital stock of The Detroit Edison Company otherwise than on the New York Stock Exchange shall be at prices not higher than the last sales price on the New York Stock Exchange and that no shares shall knowingly be purchased from any officer or director of The North American Company, or from any officer or director of any of its subsidiaries or affiliates;

(2) That no purchases of shares of the capital stock of The Detroit Edison Company shall be made after February 20, 1943 provided, however, that The North American Company may prior to said date request additional time;

(3) That The North American Company shall furnish to this Commission promptly after the end of each week before such purchases have terminated, a schedule showing for each day covered by such schedule, the number of shares purchased, the price at which purchased, and in respect of purchases effected otherwise than on the New York Stock Exchange, the name of the person from whom purchased; and that The North American Company shall give appropriate notice to this Commission at the time when the purchases have been completed;

(4) The terms and conditions prescribed in Rule U-24.

IT IS FURTHER ORDERED that jurisdiction be and is hereby reserved to enter any further order in connection herewith which the Commission may deem necessary or appropriate in the public interest or for the protection of investors or consumers.

By the Commission.

Orval L. DuBois,
Secretary.

(SEAL)

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