

For IMMEDIATE Release

Friday, August 13, 1937

SECURITIES AND EXCHANGE COMMISSION
Washington

SECURITIES EXCHANGE ACT OF 1934
Release No. 1350

The Securities and Exchange Commission announced today that it had requested the Alleghany Corporation and the Chesapeake Corporation to amplify certain of the information which they had given to their security holders in soliciting proxies for a proposed plan of consolidation of the two companies. This action was taken because the Commission was of the opinion that the information previously submitted to security holders would be misleading unless appropriately supplemented. The Commission called attention to the fact that, under the Securities Act of 1933 and the proxy rules promulgated under the Securities Exchange Act of 1934, it has no authority to pass upon the fairness or the merits or demerits of any such plan.

The corporations have informed the Commission of their intention to comply with its request and to adjourn the special meetings scheduled for August 17 until a later date, so that the security holders may have ample time to reconsider the plan and their action thereon, in the light of the additional information. It is understood that this additional information will include disclosure of the extent to which the Young-Kolbe-Kirby interests control the two corporations, the security holdings of all directors of both corporations, and certain additional information with respect to the details of the plan and the rights of security holders.

The Commission made the following statement:

“The Commission’s Proxy Rules under Section 14 of the Securities Exchange Act of 1934 compel the Commission to require that a certain minima of information must be given to security holders in connection with the solicitation of proxies by corporations, analogous to the disclosure requirements of the Securities Act of 1933. The purpose of these rules is to prevent the dissemination to the security holders and to the general public of untruths, half-truths, and otherwise misleading information which would stand in the way of a fair appraisal of a plan upon its merits by the security holders. The Commission under the Securities Act of 1933 and under its Proxy Rules has no authority to pass upon the fairness or the merits or demerits of any such plan; nor to interfere in the consummation of any such plan where full and complete disclosure has been made. The Commission’s authority here (unlike its authority under the Public Utility Holding Company Act of 1935) does not extend to the question of the fairness or equity of any such plan, However, we must insist upon an accurate presentation not only

of the details of the plan but of the conditions surrounding the proposal. An examination of the material which was sent to security holders of the Alleghany Corporation and the Chesapeake Corporation has led the Commission to conclude that, unless substantially supplemented in certain respects, it would be misleading to security holders.

“One matter which the Commission believes should be more fully disclosed is the extent to which the Young-Kolbe-Kirby interests dominate the two corporations. The Commission has also concluded that the complete security holdings of all directors of both corporations should be set forth. Further, the Commission is of the opinion that the statutory rights of dissenting security holders under the Maryland laws should be explained.

“Under the plan the stockholders of the Chesapeake Corporation were given the option to receive either shares of the new consolidated company or common stock of the Chesapeake and Ohio Railway Company. However, the latter alternative by the terms of the plan expires on August 16, 1937. In order to afford a further opportunity to appraise this option in the light of the supplementary information to be furnished security holders, the Commission understands that Chesapeake Corporation will appoint a person or persons to represent dissenting stockholders at its meeting, in effect affording such security holders a further period of time to accept the offer of shares of The Chesapeake and Ohio Railway Company.”