

For IMMEDIATE Release Thursday, March 18, 1943

**SECURITIES AND EXCHANGE COMMISSION  
Philadelphia**

HOLDING COMPANY ACT  
Release No. 4173

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In the Matters of

THE UNITED GAS IMPROVEMENT COMPANY

File No. 54-65

THE UNITED GAS IMPROVEMENT COMPANY  
AND SUBSIDIARY COMPANIES

Respondents

File No. 59-6

PHILADELPHIA ELECTRIC COMPANY

File No. 70-658

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(Public Utility Holding Company Act of 1935)

FINDINGS AND OPINION  
OF THE COMMISSION

INTEGRATION AND SIMPLIFICATION OF HOLDING COMPANY SYSTEM

Application to Section 11 (e) Plan of Standard "Necessary to Effectuate the Provisions of" Section 11 (b)

*Where a plan filed under Section 11 (e) by a registered holding company proposes the distribution of a major portion of its assets consisting of substantially all of its holdings of securities of two subsidiaries, the consequent limitation of its operations and the removal of some existing violations of the "great-grandfather" clause of Section 11 (b) (2), and the retirement of the holding company's outstanding preferred stock, held that the plan is "necessary to effectuate the provisions of" Section 11 (b) within the meaning of Section 11 (e), without prejudice to validity of outstanding divestiture orders under Section 11 (b) (1), pending an appeal.*

Application to Section 11 (e) Plan of Standard "Fair and Equitable to Persons Affected"  
Thereby

*Where a plan, and related applications and declarations, filed under Section 11(e) and other applicable sections of the Act by a registered holding company and its subsidiary provides for a reclassification of the subsidiary's outstanding shares of common stock into shares of new Common Stock and shares of \$1.00 Dividend Preference Common Stock, three shares of the latter together with \$40 in cash to be exchanged for the outstanding \$5.00 Preferred Stock of the holding company, held, under all the circumstances, the reclassification, exchange and allocation are fair and equitable to the security holders involved, jurisdiction being reserved to pass upon certain fees and other compensation.*

*Where, after partial distribution of assets of a registered holding company having no direct obligations beyond its current liabilities which are equal substantially to its current assets, it appears that there would remain sufficient assets and earning power to meet whatever liabilities are likely to be realized from the holding company's existing contingent liabilities, held, under all the circumstances, the proposed distribution is fair and equitable to the contingent obligees.*

#### PROCEDURE

*Application by registered holding company for approval of Section 11 (e) plan, and separate applications and declarations by its subsidiary under various sections of the Act, treated as a composite plan, pursuant to Section 11 (e), consolidated with pending proceedings under Section 11 (b) (1), and considered under Section 11 (e), as well as other applicable statutory provisions.*

#### ISSUE AND SALE OF SECURITIES OF REGISTERED HOLDING COMPANY OR SUBSIDIARY

##### Issue of Securities for the Purpose of Effecting a Reorganization

*Declarations by a subsidiary of a registered holding company regarding the issuance of \$1 Dividend Preference Common Stock and Common Stock; pursuant to a reclassification of its outstanding Common Stock, the \$1 Dividend Preference Common Stock to be exchanged, together with cash, on a fair and equitable basis, for the parent's outstanding Preferred Stock, where the \$1 Dividend Preference Common Stock will be well covered by earnings, will not disturb the liens, preferences or common stock equity of outstanding debt or Preferred Stock, is convertible into common stock, has a veto power as a class against voluntary liquidation, will serve to effectuate a wide distribution of the common stock so as to improve the declarant's equity financing ability, and will afford a solution to Section 11 problems, permitted to become effective since the proposed issues are for the purpose of exchanging an outstanding security as well as for the purpose of effecting a reorganization within the meaning of Section 7 (c) (2) (A), and, under the circumstances, no adverse findings are necessary under Section 7 (d).*

#### ACQUISITION OF SECURITIES BY REGISTERED HOLDING COMPANY OR SUBSIDIARY

##### Acquisitions Involved in Consummation of Section 11 (e) Plan

*Applications and declarations regarding the acquisitions of securities by a registered holding company and its subsidiary in connection with a Section 11 (e) plan which is necessary to effectuate the provisions of Section 11 (b) and fair and equitable to the persons affected thereby, permitted to become effective and granted, no adverse findings being necessary under Sections 10 (b) or 10 (c) (1), the acquisitions having the tendency required by Section 10 (c) (2), and the requirements of Sections 12 (c) and 12 (f) and Rule U-42 being satisfied.*

APPLICABILITY OF COMPETITIVE BIDDING REQUIREMENTS

*Competitive bidding requirements of Rule U-50 held inapplicable, pursuant to the provisions of Rule U-50 (a) (1), where the securities are to be issued to existing security holders pursuant to a reclassification of outstanding stock, in connection with a Section 11 (e) plan of reorganization.*

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APPEARANCES:

*William R. Nowlin*, for the Public Utilities Division of the Commission.

*William Clarke Mason, Garfield Scott, Henry C. Place, and Thomas B. K. Ringe*, for The United Gas Improvement Company.

*Bernard P. Carey*, for the Philadelphia Electric Company.

*Richard Joyce Smith*, for The United Corporation.

*C. Cole Farrier*, Assistant City Solicitor, City of Philadelphia, for the City of Philadelphia.

*H. Root Palmer*, for the Pennsylvania Public Utility Commission.

*Henry Herz*, for the Board of Public Utility Commissioners of New Jersey.

*Wendell J. Wright*, for Public Service Corporation of New Jersey.

*David L. German and Joseph Ominsky*, for Emma and Walter Howard, common stockholders of the United Gas Improvement Company.

*Robert J. Wilson*, a common stockholder of The United Gas Improvement Company, appearing personally.

*Victor Frey*, for August Trask Ashton, a stockholder.

*Charles S. Edmunds*, a common stockholder of The United Gas Improvement Company, appearing personally.

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The United Gas Improvement Company--a registered holding company and a subsidiary of The United Corporation, also a registered holding company--and its subsidiary, Philadelphia Electric Company, have filed applications and declarations, under Section 11 (e) and other sections of the Public Utility Holding Company Act of 1935 and the Rules and Regulations thereunder, for the purpose of enabling the holding company system of The United Gas Improvement Company to effectuate partial compliance with the requirements of Section 11 (b) of the Act. The foregoing filings were consolidated with the pending proceeding under Section 11 (b) (1) of the Act in respect of "The United Gas Improvement Company and its Subsidiary Companies, Respondents" (File No. 59-6).

In brief, it is proposed that Philadelphia Electric Company be recapitalized so as to exchange shares of new \$1 Dividend Preference Common Stock and new Common Stock for its presently outstanding Common Stock (97% of which is owned by The United Gas Improvement Company); the \$1 Dividend Preference Common Stock received by The United Gas Improvement Company in the exchange, together with cash, will be used to retire its outstanding \$5 Preferred Stock; and thereupon The United Gas Improvement Company will distribute to the holders of its Common Stock substantially all the shares of the new Common Stock of Philadelphia Electric Company received in the exchange and substantially all of its present holdings of Common Stock of Public Service Corporation of New Jersey.

The transactions proposed by Philadelphia Electric Company were approved by the Public Utility Commission of Pennsylvania on March 16, 1943. (Two Commissioners dissenting).

After appropriate notice, public hearings were held in respect of this matter before the Trial Examiner. Briefs were filed by counsel for the City of Philadelphia and also by counsel representing two common stockholders of The United Gas Improvement Company. Other stockholders of The United Gas Improvement Company noted their appearances and participated in the hearings. Oral argument was waived.

The Commission, having considered the record, makes the following findings:

#### GENERAL DESCRIPTION OF THE SYSTEM

##### *THE UNITED GAS IMPROVEMENT COMPANY*

The United Gas Improvement Company (hereinafter referred to as U.G.I.), a Pennsylvania corporation, was organized in 1882. Its holding company system, as of December 31, 1942, includes 9 electric utility subsidiaries, 13 gas utility subsidiaries, 7 combined gas and electric utility subsidiaries, 26 non-utility subsidiaries, and 5 intermediate public-utility holding companies. U.G.I. also has substantial holdings of securities in other utility holding, operating

and non-utility companies. Among its subsidiaries is Public Service Corporation of New Jersey<sup>1</sup> (hereinafter referred to as Public Service) of whose securities, at December 31, 1942, U.G.I. held 2,017,490 shares of Common Stock and 10,000 shares of 8% Preferred Stock, or 28.5% of total voting power.

As presently constituted, the subsidiaries of U.G.I. operate in the states of Arizona, Connecticut, Delaware, Maryland, New Hampshire, New Jersey, Pennsylvania and Tennessee. These operations include the purchase, sale and interchange of electric energy and manufactured gas between subsidiaries located in certain of these states and the supplying of common carrier transportation in and between New York, New Jersey and Pennsylvania. U.G.I. exercises control over, and renders supervisory services to, these subsidiaries from its principal office located in Philadelphia, Pennsylvania.

The total assets of U.G.I., as shown by the consolidated balance sheet<sup>2</sup> of December 31, 1942, were \$759,725,416, of which amount \$504,137,205 (66%) consists of the assets of subsidiaries of U.G.I. operating in the southeastern portion of Pennsylvania, the adjoining northern portions of Maryland and Delaware, and a portion<sup>3</sup> of New Jersey. Also included in such total assets are an aggregate of \$124,302,303 of investments consisting principally of U.G.I.'s holdings of Preferred and Common Stocks of Public Service, carried by U.G.I. at \$59,137,587, and other interests in public utility and holding companies amounting to \$45,354,552.<sup>3a</sup>

Total operating revenues of the subsidiaries of U.G.I. which it consolidates, for the year ended December 31, 1942, were \$107,388,810, of which amount \$90,184,656 (84%) is attributable to the subsidiaries in the area previously described. U.G.I.'s total corporate income of \$18,541,013 for the year 1942 was derived principally from dividends on the Common Stock of Philadelphia Electric Company (\$12,804,732), from investments in other subsidiaries consolidated (\$2,512,459) and from dividends on the Common Stock of Public Service (\$1,916,615).

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<sup>1</sup> On August 12, 1942, the United States Circuit Court of Appeals for the Third Circuit affirmed the Commission's Order of September 15, 1941 denying the application of Public Service to be declared not to be a subsidiary of U.G.I. On December 14, 1942, *certiorari* was denied by the United States Supreme Court.

<sup>2</sup> Public Service is not consolidated because U.G.I. owns less than 50% of its Common Stock. Public Service's total consolidated assets, as of December 31, 1942 amounted to \$741,962,221, and its consolidated operating revenues for the year 1942 amounted to \$167,393,136.

<sup>3</sup> Includes only the assets of Deepwater Light & Power Company in New Jersey.

<sup>3a</sup> Consisting of: The Commonwealth & Southern Corporation - \$10,281,326; Niagara Hudson Power Corporation - \$16,395,013; Midland United Company - \$5,897,481; Midland Utilities Company - \$2,557,872; American Water Works and Electric Company, Inc. - \$5,978,353; and Kansas City Gas Company - \$4,244,507.

*PHILADELPHIA ELECTRIC COMPANY*

Philadelphia Electric Company (hereinafter referred to as P.E.) was organized in 1929 in the Commonwealth of Pennsylvania and is a public-utility operating-holding company.<sup>4</sup> It owns directly or indirectly all of the voting securities of eleven active subsidiaries, seven of which own or operate facilities used in the production, transmission or distribution of electric energy, including the Federally licensed Conowingo hydro-electric project, located on the Susquehanna River in Maryland. These facilities, together with those of P.E., are used in connection with the transmission, purchase and sale of electric energy between P.E. and its subsidiaries operating in the states of Pennsylvania, Maryland and New Jersey, and also between associate and non-associate companies operating in the states of New York, Pennsylvania, Delaware and New Jersey.

P.E.'s principal business consists of the rendering of electric service in and around the City of Philadelphia and the manufacture and retail distribution of gas in suburban areas and the selling of such gas at wholesale to other U.G.I. system subsidiaries located in Pennsylvania and Delaware. The corporate and consolidated gross plant of P.E. per books, at December 31, 1942, were \$361,835,953 and \$423,953,781, respectively. The gross revenues of P.E. on a corporate and consolidated basis, for the 12 months ending December 31, 1942, were \$83,785,577 and \$85,183,546, respectively.

STATUS OF THE U.G.I. HOLDING COMPANY SYSTEM UNDER SECTION 11 (b)

*SECTION 11 (b) (1) – INTEGRATION*

On March 4, 1940, the Commission instituted proceedings in respect of U.G.I. and its subsidiaries, pursuant to Section 11 (b) (1) of the Act (often referred to as the geographical integration provisions).

Pursuant to a request by U.G.I., the Commission, without conceding the necessity for its action, issued on January 18, 1941<sup>5</sup> a Statement of Tentative Conclusions as to the application of the provisions of Section 11 (b) (1) of the Act to the holding company system of U.G.I. as it was then constituted. In short, it was the Commission's tentative view that the "single integrated public-utility system" in the holding company system of U.G.I. was composed of the units of electric generating plants, transmission lines, and distribution facilities owned or operated by P.E. and its direct and indirect subsidiaries, by Delaware Power & Light Company, and by Chester County Light and Power Company, in the area of Pennsylvania, Delaware and Maryland.

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<sup>4</sup> P.E. is a non-registered holding company claiming an exemption pursuant to Rule U-2 promulgated under the Act.

<sup>5</sup> *The United Gas Improvement Company and Subsidiary Companies*, Holding Company Act Release No. 2500.

Except for certain real estate and steam heating facilities owned or operated in and around the Philadelphia area, which were considered to be retainable with the single system, it was the Commission's further tentative view that the provisions of Section 11 (b) (1) of the Act precluded the retention under the common control of U.G.I. of the properties constituting the tentatively defined single integrated system with (a) the gas properties of P.E. and the properties of other small gas subsidiaries of U.G.I.; (b) the properties of the various other scattered public-utility subsidiaries and holding company subsidiaries, including Erie County Electric Company and Luzerne County Gas and Electric Corporation; and (c) any of U.G.I.'s interests in other utility and non-utility businesses (including its holdings of securities of Public Service).<sup>6</sup>

Subsequently, various hearings were held with respect to the U.G.I. system. The Commission, after considering the record, briefs and arguments, issued an order on April 15, 1941 (reaffirmed May 7, 1942)<sup>7</sup> directing U.G.I. to dispose of its direct and indirect holdings of securities of Arizona Power Corporation, Concord Gas Company, Manchester Gas Company, Wyandotte County Gas Company, Nashville Gas and Heating Company, New Haven Gas Light Company, Hartford Gas Company, The Bridgeport Gas Light Company, and Connecticut Railway and Lighting Company.

Meanwhile, U.G.I., in April, 1941, sold its entire interest in the Common Stock of Connecticut Light and Power Company, thereby obviating the necessity of Commission determination as to its retainability. Also, in 1941, U.G.I. sold its stock interest in United Illuminating Company, Torrington Electric Light Company, and a major portion of its holdings in New Britain Gas Light Company.

On July 30, 1941,<sup>8</sup> the Commission issued another order directing U.G.I. to dispose of its direct and indirect interests in Commonwealth Utilities Corporation, Arizona Ice and Cold Storage Company, Crystal Ice and Cold Storage Company, Home Ice Company, Galveston Ice & Cold Storage Company, Merchants Ice and Cold Storage Company, National Ice and Service Company, New State Ice Company, St. Louis County Water Company, Springfield Ice and Refrigerating Company, Welsbach Company, and Camden County Land Company.

In December, 1941, and in April, 1942, U.G.I. disposed of its interests in the above-mentioned water, ice and cold storage subsidiaries, leaving Commonwealth Utilities Corporation

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<sup>6</sup> At the time the Commission announced its Tentative Conclusions, the status of Public Service as a subsidiary under the Act was undetermined (see footnote 1).

<sup>7</sup> *The United Gas Improvement Company*, et al., 9 SEC (1941), Holding Company Act Release No. 2692; *The United Gas Improvement Company*, et al., 11 SEC (1942), Holding Company Act Release No. 3511.

<sup>8</sup> *The United Gas Improvement Company*, et al., 9 SEC (1941), Holding Company Act Release No. 2913.

(and its subsidiary, Arizona Power Corporation), Welsbach Company, and Camden County Land Company<sup>9</sup> the remaining subjects of the last mentioned divestiture order.

Petitions for Review of the Commission's two divestiture orders have been filed with the United States Circuit Court of Appeals for the Third Circuit. The cases have been briefed and argued and are pending before the Court for decision.

The Commission presently has before it for decision the question of the retention by U.G.I. of its interests in the electric utility assets of Luzerne County Gas and Electric Corporation and also certain motions made at public hearings held in regard to the retention by U.G.I. of its holdings of securities of Public Service.

The major issues, therefore, in the pending Section 11 (b) (1) proceedings which have not been finally considered by the Commission relate to a determination of (a) the confines of the "single integrated public-utility system" of the holding company system of U.G.I.; (b) the retainability of Erie County Electric Company; (c) the retainability of the gas properties owned or operated by P.E. and other U.G.I. subsidiaries in and around Philadelphia and the adjacent territory and also by Luzerne County Gas and Electric Corporation; (d) the retainability of U.G.I.'s security holdings of Public Service; and (e) the retainability of U.G.I.'s holdings of securities issued by various other holding companies, operating utilities and non-utilities.

*SECTION 11 (b) (2) – CORPORATION SIMPLIFICATION*

The U.G.I. system has not, as yet, been the subject of proceedings under Section 11 (b) (2) of the Act (often referred to as the corporate simplification provisions).

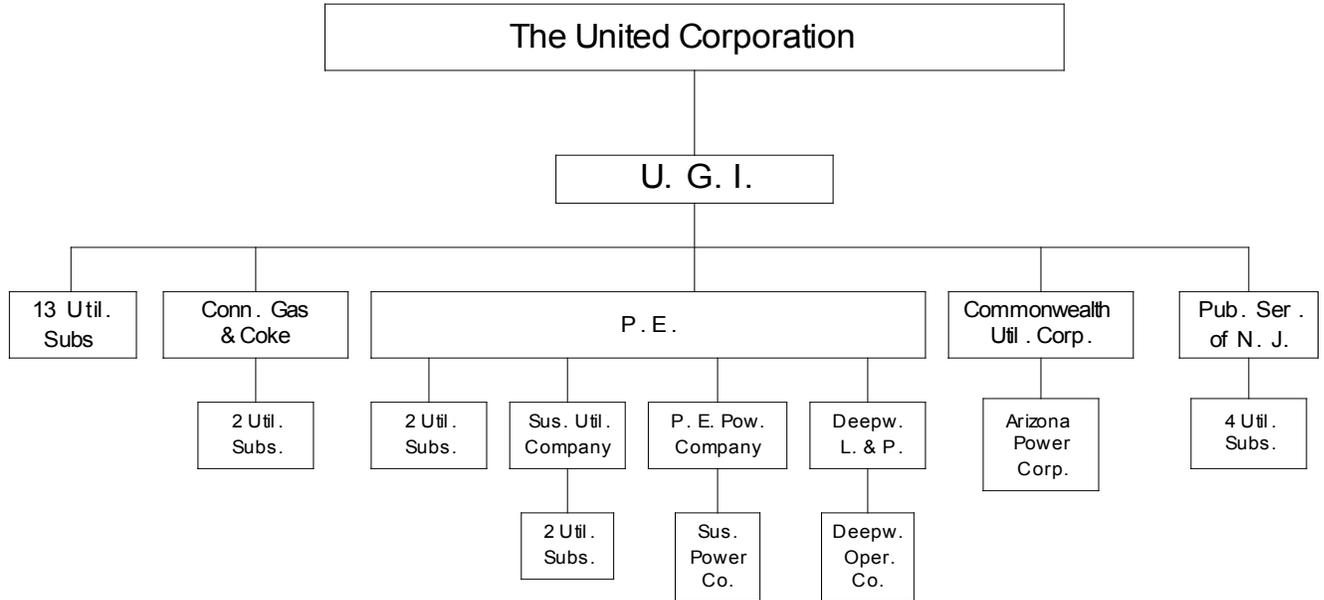
However, apart from the question as to whether the holding company system, as presently constituted, is repugnant to the provisions of Section 11 (b) (2) in any other respect, it is immediately apparent from an inspection of the following corporate chart that the existence of U.G.I. in the system's corporate structure contributes both to excessive pyramiding in respect of the utility subsidiaries of (1) Public Service, (2) P.E., (3) Commonwealth Utilities Corporation, and (4) Connecticut Gas & Coke Securities Company, and to the contravention of the mandatory requirement of Section 11 (b) (2) commonly known as the "great-grandfather clause".<sup>10</sup>

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<sup>9</sup> Welsbach Company and Camden County Land Company are presently in the process of liquidation.

<sup>10</sup> This particular provision in Section 11 (b) (2) directs the Commission to require:

" . . . each registered holding company (and any company in the same holding-company system with such holding company) to take such action as the Commission shall find necessary in order that such holding company shall cease to be a holding company with respect to each of its subsidiary companies which itself has a subsidiary company which is a holding company."



The contractions set forth in the above chart and the companies they represent are as follows:

- |                          |   |
|--------------------------|---|
| U.G.I.                   | The United Gas Improvement Company        |
| Conn. Gas & Coke         | Connecticut Gas & Coke Securities Company |
| P.E.                     | Philadelphia Electric Company             |
| Commonwealth Util. Corp. | Commonwealth Utilities Corp.              |
| Pub. Ser. of N. J.       | Public Service Corporation of New Jersey  |
| Sus. Util. Company       | Susquehanna Utilities Company             |
| P. E. Power              | Philadelphia Electric Power Company       |
| Deepw. L. & P.           | Deepwater Light & Power Company           |
| Sus. Power Co.           | Susquehanna Power Company                 |
| Deepw. Oper. Co.         | Deepwater Operating Company               |

### THE PLAN

The transactions proposed by U.G.I. are submitted as a plan under Section 11 (e) of the Act. The transactions proposed by P.E. are the subject of separate applications and declarations stated to be filed pursuant to Sections 6, 7, 10 and 12 of the Act and the Rules promulgated thereunder. However, since the various proposals constitute a composite plan to effectuate partial compliance with Section 11 (b) of the Act, we will treat the filings of both companies as a

plan pursuant to Section 11 (e) and will, therefore, consider such plan in the light of the standards of that section as well as all other applicable statutory provisions.<sup>11</sup>

The more important aspects of the proposals may be summarized as follows:

1. P.E. will reclassify its authorized shares of no par Common Stock and will exchange shares of \$1 Dividend Preference Common Stock and shares of new Common Stock, without par value, on the basis of 9/40ths of a share of the \$1 Dividend Preference Common Stock and 31/40ths of a share of the new Common Stock of P.E. for each share of the outstanding Common Stock of P.E.
2. Substantially all of the shares of the \$1 Dividend Preference Common Stock received by U.G.I., together with cash from its treasury, will be exchanged by U.G.I. for, and in liquidation and retirement of, its presently outstanding \$5 Preferred Stock (all of which is publicly held), on the basis of three shares of \$1 Dividend Preference Common Stock and \$40 cash for each share of the \$5 Dividend Preferred Stock of U.G.I.
3. U.G.I. will distribute pro rata to the holders of its shares of Common Stock, as a partial distribution of capital, substantially all the shares of new Common Stock of P.E. and substantially all of U.G.I.'s holdings of Common Stock of Public Service, on the basis of 1/3rd share of the new P.E. Common Stock and 1/12th share of the Public Service Common Stock for each share of the Common Stock of U.G.I.
4. The plan provides that it shall be declared effective by the Board of Directors of U.G.I. within 90 days after the entry by the Commission of an approval order; provided, however, that in the event of any review of the order of the Commission under Section 24 (a) of the Act, the plan will be declared effective as soon as practical following the date on which the Commission's Order is affirmed and is no longer subject to judicial review. Consummation of the plan is contingent upon the favorable vote of not less than a majority of the outstanding shares of Common Stock of U.G.I. U.G.I. does not contemplate requesting the Commission under Section 11 (e) of the Act, to apply to a Federal Court to enforce and carry out the terms and provisions of the plan.
5. The plan provides that, upon its becoming effective, the Preferred Stock of U.G.I. shall represent no rights other than the right to receive shares of the \$1 Dividend Preference Common and cash as provided under the plan; all other rights of the Preferred stockholder against or with respect to U.G.I. are to cease and become void. The property and assets of U.G.I. to be distributed are to be made free and clear of the claims and demands of creditors and others. Contingent and other liabilities and obligations to creditors and obligees are to continue and remain against U.G.I.

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<sup>11</sup> Cf. *Federal Water Service Corporation*, et al., Holding Company Act Release No. 2635; *Engineers Public Service*, et al., Holding Company Act Release No. 4114. Also see Rule U-20 (a) (2) and Form U-1.

The proposed exchanges and the distribution of the stocks of P.E. and Public Service are to be made as soon as practicable after the effective date of the plan. U.G.I. contemplates appointing Drexel & Co. as its agent in connection with the exchange of the Preference Common of P.E. and cash for the Preferred Stock of U.G.I.

The stated objectives of the plan are “to presently distribute to the preferred and common stockholders of U.G.I. its major investments. . . and approximately \$30,600,000 cash resulting primarily from recent sales of certain securities formerly owned by U.G.I. and, from time to time thereafter, such other assets as may be deemed advisable and practicable.”<sup>12</sup>

Upon consummation of the plan, the other interests of U.G.I. remaining for further consideration are summarized in the plan as follows:

	Book Investment	11-30-42 Estimated or Market Value
*Stocks and Advances -- Subsidiary Companies --		
Majority Owned . . . . .	\$ 49,468,333	\$36,641,402
Investment Securities--Other Statutory		
Subsidiaries . . . . .	1,255,163	436,235
Investments in Stocks of Other Companies		
(Principally Holding Companies) . . . . .	54,043,465	17,818,194
Bonds, Receivables, Equipment, etc. . . . .	6,204,441	2,014,329
Total. . .	\$110,971,402	\$56,910,160

\*Exchange of Erie County Electric Company for Eastern Shore Public Service Company, currently under discussion, the combination of the latter with Delaware Power & Light Company, and distribution of U.G.I. Common stockholders, would reduce these figures by \$16,528,460 and \$17,197,369.

A substantial portion of the remaining interests of U.G.I., as reflected above, consists of its holdings of securities of its gas utility subsidiaries operating in and around Philadelphia and adjacent territory, and the securities of public utility holding companies (principally American Water Works and Electric Company, Commonwealth & Southern Corporation, Niagara Hudson Power Corporation and Midland United Company).

SCOPE AND APPLICABILITY OF SECTION 11 (e) OF THE ACT

Under the provisions of Section 11 (e) of the Act, the Commission may approve a voluntary plan if it is found to be (1) necessary to effectuate the provisions of Section 11 (b), and (2) fair and equitable to the persons affected thereby.

<sup>12</sup> CF, the plan and the letter of transmittal to stockholders.

As we have held on several previous occasions and here reiterate, “to be necessary to effectuate the provisions of Section 11 (b)” does not mean that the action contemplated by the plan must be the only method or solution for effectuating compliance. It is sufficient if the method selected, although one of several possible alternatives, is appropriate to the accomplishment of the statutory objectives. Otherwise there would be almost no case where a plan could be approved, for a number of alternative methods of compliance are ordinarily available.<sup>13</sup> A voluntary plan must, however, as a prerequisite to our approval, contemplate some affirmative action designed to (a) limit the operations of the holding company system to a single integrated public utility system, to businesses incidental thereto, and to retainable additional systems; and (b) ensure that the corporate structure or continued existence of any company in the system does not unduly or unnecessarily complicate the structure of the holding company system or inequitably or unfairly distribute voting power among security holders thereof.

The proposed distribution by U.G.I. of its holdings of securities of P.E. and Public Service will effectuate a reduction of approximately \$216,000,000 in the assets per books of U.G.I., as of December 31, 1942, leaving a remaining balance of approximately \$117,000,000. Similarly, it appears from the record the U.G.I.’s estimated annual corporate income will be reduced from \$17,564,540 to \$3,440,647. Coincident with this distribution, the dominant voting position of U.G.I. over the combined assets of Public Service and P.E., aggregating \$1,215,876,328 per books as of December 31, 1942, which attaches to U.G.I.’s large stock ownership, will terminate. In this connection, it seems to us that it would be appropriate for U.G.I. and P.E. to sever presently existing interlocking relationships in respect of their common officers and directors.

In addition to accomplishing a substantial reduction in the operations of U.G.I., the proposed distribution will remove the violation of the “great grandfather” clause in respect of the utility subsidiaries of Public Service and will accomplish one step toward rectifying such violations in respect of P.E. and its subsidiaries. It will also simplify the security structure of U.G.I. and facilitate its elimination as a holding company for unrelated utility properties. Of course, the proposed distribution will not eliminate the problems remaining with respect to the combination of gas and electric facilities of P.E., as is referred to hereinafter. However, all things considered, we are of the opinion that the action proposed in the plan is an appropriate means of accomplishing many of the steps contemplated by both Sections 11 (b) (1) and 11 (b) (2), and, therefore, to that extent, we find the plan “necessary to effectuate the provisions of Section 11 (b)”.

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<sup>13</sup> *North Shore Gas Company*, 10 SEC (1941), Holding Company Act Release No. 3131. CF. *Great Lakes Utilities Co.*, 11 SEC (1942), Holding Company Act Release No. 3419. *Jacksonville Gas Co.*, 10 SEC (1941), Holding Company Act Release No. 3570. *Columbia Gas & Electric Corporation*, et al., 11 SEC (1942), Holding Company Act Release No. 3885.

FAIRNESS OF THE PLAN IN RESPECT OF PHILADELPHIA ELECTRIC COMPANY

P.E. proposes to reclassify its 15,000,000 shares of authorized no per Common Stock into 2,369,076 shares of \$1 Dividend Preference Common Stock ("Preference Common") and 12,630,924 shares of new Common Stock ("new Common"), both without nominal or par value. Thereupon, P.E. will issue all of the authorized shares of reference Common and 8,160,154 shares of the authorized new Common in exchange for its presently outstanding 10,529,230 shares of Common Stock in retirement thereof on the basis of 9/40ths of a share of the Preference Common and 31/40ths of a share of the new Common for each share of its presently outstanding Common Stock. Scrip will be issued in lieu of fractional shares. P.E. also proposes, upon consummation of the plan, to issue a maximum of 2,369,076 shares of new Common from time to time in connection with conversion of the Preference Common under the stockholders' conversion privilege discussed below under the topical heading "Description of Preference Common".

The corporate and consolidated capitalization (including surplus) of P.E. per books, as of December 31, 1942, after giving effect to the proposed recapitalization (actual capitalization being omitted for reasons stated in footnote (a) below), is reflected in the following tabulation:



The aggregate stated value attributable to the Preference Common and the new Common remains the same as that presently applicable to the outstanding Common Stock of P.E. Consequently, there will be no dilution of the equity cushion presently underlying its outstanding debt and Preferred Stock.

*DESCRIPTION OF PREFERENCE COMMON*

Dividends on the Preference Common are cumulative, and no dividends may be declared or paid or other distribution made on the new Common until all dividends on the Preference Common have been paid. The Preference Common and new Common participate pro rata, share for share, in the event of liquidation, except that the Preference Common has a claim for any arrearages which may exist at that time. The Preference Common does not have preemptive rights to subscribe to additional shares of stock of P.E. Each share of the Preference Common is convertible at the holders' option into one share of new Common during the first three years, into 7/8ths of a share for the next three years, into 3/4ths of a share for the next three years, and into 2/3rds of a share during the next three years, whereupon the conversion privilege expires.<sup>13a</sup> The two classes of stocks have the same voting rights, except that P.E. may not be voluntarily liquidated and its business wound up (not including a merger, consolidation or sale of substantially all of its property) without the consent of at least a majority of the outstanding shares of Preference Common. The full amount of the authorized Preference Common is presently being issued, and, according to the record, no further issues of stock are contemplated.

*CORPORATE AND CONSOLIDATED PROPERTY ACCOUNTS*

Pursuant to the requirements and instructions of the Pennsylvania Public Utility Commission and the Federal Power Commission, P.E. has made an original cost study of its corporate properties and has completed a reclassification of its property accounts on the basis of such study.

In February, 1940, the entries necessary to reclassify the property accounts of P.E. on the basis of the original cost study were made and both of the above Commissions were so advised. However, such regulatory authorities have not completed their examination of these studies and, as yet, have taken no official action with respect to such reclassification and the entries related thereto.

P.E.'s gross property, as reclassified, amounting to \$351,835,953, as of December 31, 1942, does not include any amount designated Plant Adjustments (Account 107) but does include an amount of \$6,304,227 designated as Plant Acquisition Adjustments (Account 100.5). In connection with the latter P.E. has proposed that when related property is retired the applicable amount of Account 100.5 will also be charged to the reserve for depreciation but,

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<sup>13a</sup> Upon conversion the certificates of new Common Stock are to be issuable only in full share amounts; no fractional shares or scrip will be issued.

pending the acceptance by the regulatory Commissions of the proposed treatment, no such charges have been made.

As more fully discussed hereinafter under the topical heading "Depreciation and Maintenance", \$10,055,987 of P.E.'s restricted surplus may be utilized for adjustments in utility plant accounts at December 31, 1940, if such adjustments are required by utility regulatory agencies to be charged to such earned surplus. Although the record contains considerable evidence as to P.E.'s property account, and original cost study, we express no opinion at this time as to the validity of P.E.'s reclassified property accounts.

*CONOWINGO PROJECT PROPERTY*

Of the combined property accounts of subsidiaries of P.E., amounting to \$72,117,828,<sup>14</sup> as of December 31, 1942, \$55,525,103<sup>15</sup> related to Philadelphia Electric Power Company and Susquehanna Power Company. According to the record, these two subsidiaries, which are joint Federal licensees of the Conowingo Project, filed with the Federal Power Commission statements in detail on September 28, 1934 of the cost of the initial Conowingo Project (superseding several previous statements), claiming the cost to be \$55,042,225.29 as of December 31, 1932.

In 1927, reports were served by the Federal Power Commission on the licensees embracing engineering and accounting studies in connection with the project and containing recommendations for the disallowance or suspension for consideration of portions of the cost claimed by the licensees. Hearings in respect of this matter were held and completed in 1938, and, subsequently, briefs were filed, including a brief of the staff of the Federal Power Commission recommending for disallowance some \$12,000,000 of claimed cost. The licensees contend that, on the basis of the whole record, the staff's exceptions covering the whole \$12,000,000 should be dismissed. Certain other costs of which portions are controversial, including an amount of \$4,105,000 of interest during construction, were referred by the brief of the staff of the Federal Power Commission to that Commission for further consideration.

In view of the foregoing, including the present undetermined status of these items, the relatively small amount thereof in relation to the consolidated property, the earnings of P.E., and the existing availability of its surplus, we do not deem it necessary to attach any terms and conditions in respect of these items.

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<sup>14</sup> This amount includes \$10,232,469 gross property of Deepwater Light and Power Company, which has a reserve for depreciation equivalent to about 32.4% of its depreciable property.

<sup>15</sup> Of the \$55,525,103 of combined gross property accounts of the joint licensees at December 31, 1942, it is estimated that approximately \$17,674,000 constitutes depreciable property. Their depreciation reserves, as of December 31, 1942, were 22.2% of such depreciable property.

*DEPRECIATION AND MAINTENANCE*

On a corporate basis, P.E.'s reserve for depreciation of \$48,169,549 at December 31, 1942 represented 13.7% of gross property of \$351,835,953 and 14.7% of depreciable property of \$327,602,266 as of the same date.

The annual accruals for depreciation and expenditures for maintenance in recent years, as related to gross property and revenues, are reflected in the following tabulation:

	<u>Depreciation Accrual</u>	<u>Depreciation &amp; Maintenance</u>	
	<u>% of Gross Property</u>	<u>% of Gross Revenue</u>	<u>% of Gross Property</u>
1942	2.07	14.72	3.51
1941	2.06	14.81	3.45
1940	1.79	13.19	3.01
1939	1.67	12.04	2.65
1938	1.57	11.90	2.52
1937	1.63	12.26	2.68

As a result of conferences during May to July, 1941 between representatives of P.E., the staff of the Public Utilities Division, and representatives of the Pennsylvania Public Utility Commission, P.E. agreed to revise its depreciation practices so as to increase its annual accruals from current earnings for depreciation purposes to not less than \$7,000,000<sup>16</sup> a year. (This compares with accruals of \$5,870,000 in 1940 and \$5,345,000 in 1939.) Depreciation accruals to cover future net depreciable property additions are to be made at a corresponding annual rate. Further, \$10,000,000 of earned surplus existing at December 31, 1940 was restricted against dividend payments and may be utilized only for debits or credits with respect to certain limited non-recurring items.<sup>17</sup> The agreement is tentative pending final determination

<sup>16</sup> It will be noted that the present rate of annual accrual of at least \$7,000,000 is considerably in excess of the accruals for the previous years and is closer to the annual depreciation accruals claimed by P.E. for tax purposes amounting to approximately \$8,000,000 in each of the recent years.

<sup>17</sup> "These non-recurring items relate solely to (a) adjustments in connection with utility plant accounts or other balance sheet accounts if such adjustments are required by State or Federal regulatory agencies to be charged against such earned surplus and were inherent in the accounts as of December 31, 1940, and (b) adjusting entries applicable to periods prior to December 31, 1940. The Company shall be deemed to have complied with this restriction if earned surplus at the end of any succeeding fiscal year shall be \$10,000,000 or more unless reduced by amounts properly charged as permitted under clauses (a) and (b) above.

"This restriction may be removed only by application to and approval by the Securities and Exchange Commission."

by regulatory authorities of P.E.'s property costs and the conclusion of P.E.'s studies of the present ages and probable useful lives of its utility assets. Meanwhile, P.E. has made substantial progress in its depreciation studies and expects to have them completed about April 1, 1943.

A summary of the corporate and consolidated gross plant, depreciation reserves, net plant, long term debt and preferred stocks of P.E., at December 31, 1942, is reflected in the following tabulation:

	<u>Corporate</u>	<u>Consolidated</u>
Gross Property	\$351,835,953	\$423,953,781
Depreciation Reserve	<u>48,169,549</u>	<u>56,036,805</u>
Net Property Per Books	303,666,404	367,916,976
Debatable Items --		
Account 100.5 (P.E.)	( 6,300,000)	( 6,300,000)
Conowingo Items		( 16,100,000)
Restricted Surplus	<u>( 10,055,987)</u>	<u>( 10,055,987)</u>
Net Property as Adjusted.	<u>\$287,310,417</u>	<u>\$335,460,989</u>
Long-Term Debt	\$150,000,000	\$182,174,333
Preferred Stock at Par Value	<u>27,472,000</u>	<u>39,472,000</u>
Total Securities Ranking Prior to Common Stocks	<u>\$177,472,000</u>	<u>\$221,646,333</u>

*RELATION OF DEBT AND PREFERRED STOCK TO PROPERTY*

On a corporate basis, the presently outstanding funded debt of P.E., amounting to \$150,000,000, constitutes 49.4% of net property per books.

The ratios of debt and preferred stock of P.E. to its net plant and adjusted net plant, on a corporate and consolidated basis as of December 31, 1942, is reflected in the following tabulation:

	<u>Corporate</u>	<u>Consolidated</u>
Debt and Preferred to Net Plant	58.4	60.4
Debt and Preferred to Adjusted Net Plant	61.8	66.1

The Preference Common is not included in the above computations because it has no prior claim over that of the new Common (other than claims for dividend arrearages) in liquidation.

*EARNINGS PROTECTION*

The recapitalization proposed by P.E. will not affect the earnings coverage of interest and other deductions and preferred dividends on either a corporate or consolidated basis, since the dividend requirements on the Preference Common are junior to these prior charges.

The following tabulation shows, for the years 1938 to 1942 inclusive on a corporate and consolidated basis, the gross income of P.E., as well as requirements for fixed charges, dividend requirements and overall coverages, income applicable to common stock, and per share earnings thereon both before and after the requirements on the Preference Common Stock.

(000 omitted)

CORPORATE

<u>Year</u>	<u>Gross Income</u>	Fixed Charges and Preferred Dividends	Fixed Charges and Dividend Require- ment Earned		Balance for Common		Earned per Share Common	
			<u>Before \$1 Div.</u>	<u>After \$1 Div.</u>	<u>Before \$1 Div.</u>	<u>After \$1 Div.</u>	<u>Before \$1 Div.</u>	<u>After \$1 Div.</u>
1942	\$19,708	\$ 6,191	3.18	2.30	\$13,517	\$11,148	\$1.28	\$1.37
1941	21,965	6,313	3.48	2.53	15,652	13,283	1.49	1.63
1940	25,492	6,340	4.02	2.93	19,152	16,783	1.82	2.06
1939	26,106	6,406	4.08	2.98	19,700	17,331	1.87	2.12
1938	25,180	6,176	4.08	2.95	19,004	16,635	1.80	2.04
1937	25,781	6,778	3.80	2.82	19,003	16,634	1.80	2.04

CONSOLIDATED

1942	\$23,448	\$ 9,102	2.58	2.04	\$14,346	\$11,977	\$1.36	\$1.47
1941	25,573	9,128	2.80	2.22	16,445	14,076	1.56	1.72
1940	29,070	9,314	3.12	2.49	19,756	17,387	1.88	2.13
1939	29,607	9,371	3.16	2.52	20,236	17,867	1.92	2.19
1938	28,458	9,166	3.10	2.47	19,292	16,923	1.83	2.07
1937	29,183	9,800	2.98	2.40	19,383	17,014	1.84	2.08

*SUMMARY*

It was the opinion of the presidents of U.G.I. and P.E., as well as of Edward Hopkinson, Jr., a partner of Drexel & Co., that the issuance of the Preference Common would in no way adversely affect the outstanding debt and Preferred Stock of P.E. nor would it adversely affect any future financing of P.E. by the issuance of additional debt and Preferred Stock. It was also their opinion that the issuance of the Preference Common would result in two distinct advantages insofar as the new Common of P.E. was concerned, namely (a) it would make available additional income for the payment of dividends to the new Common on a per share basis,<sup>18</sup> and (b) that it would effect a distribution of the new Common to over 100,000 stockholders.

It was deemed probable that the new Common of P.E. would be listed on one or more securities exchanges and that the establishment of active markets through this wide distribution would afford P.E. a better opportunity to do its own junior financing. In this connection, there seems little question that P.E. can finance itself upon much more favorable terms than U.G.I. could render such financial aid through the sale of its own securities.

<sup>18</sup> The increase in per-share earnings for common on the pro forma basis compared with present earnings per share is illustrated below, using corporate 1942 net income:

	Actual		Pro Forma		
	<u>Common Shares</u>	<u>Amount</u>	<u>Per Share</u>	<u>Amount</u>	<u>Per Share</u>
Net income after dividends on 4.4% Pfd.	10,529,230	\$13,516,962	1.28	\$13,516,962	1.28
Applicable to present Common to be reclassified as Preference Common	<u>2,369,076</u>	<u>3,041,315</u>	<u>1.28</u>	<u>2,369,076</u>	<u>1.00*</u>
Balance applicable to present Common to be reclassified as new Common	<u>8,160,154</u>	<u>\$10,475,647</u>	<u>1.28</u>	<u>\$11,147,886</u>	<u>1.37</u>

\*Represents \$1 dividend to which Preference Common will be entitled.

As to the effect of the recapitalization upon the minority holders of the present P.E. Common Stock, their relative position in respect of aggregate earnings and assets would remain the same, since each present share of Common will be replaced by an equivalent stock interest in Preference Common and new Common; nor will their normal voting rights be affected.

According to the record, the proposed recapitalization and the distribution of the new shares of P.E.'s Common Stock to U.G.I.'s stockholders will in no way affect the contractual obligations of P.E. (such as purchasing, and the sale and interchange of energy) or physical operations of P.E., nor would it result in any additional expense to P.E. other than the expenses incident to dealing with an enlarged list of stockholders, i.e., stock transfer charges, stockholders' reports, and possible listing fees.

Through the proposed recapitalization and the distribution to the U.G.I. stockholders, P.E. will have taken one step toward extricating itself and its subsidiary companies from the existing repugnancy to the great grandfather clause of Section 11 (b) (2). Also, the proposed action will effect substantial progress toward the accomplishment of the objectives of Section 11 (b) of the Act, making possible a reorganization of the U.G.I. holding-company system involving a substantial limitation of the area of operation and a simplification of its corporate structure.

In the light of all the circumstances, we find that the proposed plan is fair and equitable with respect to P.E.

#### FAIRNESS OF PLAN TO U.G.I. PREFERRED AND COMMON

Pursuant to the foregoing recapitalization, U.G.I., as the present owner of 10,244,262 shares of the Common Stock of P.E., will receive in exchange therefor 2,304,958.95 shares of Preference Common and 7,939,303.05 shares of new Common of P.E. U.G.I. then proposes to distribute 2,295,438<sup>19</sup> shares of the Preference Common, together with \$30,605,840 in cash, in exchange for its outstanding shares of \$5 Preferred Stock; such exchange to be made upon the basis of 3 shares of Preference Common and \$40 in cash for each share of the U.G.I. \$5 Preferred Stock. Thereupon, U.G.I. will distribute pro rata to the holders of its shares of Common Stock, as a partial distribution of capital, \_\_,750,670<sup>20</sup> shares of the new Common Stock of P.E. and 1,937,667.5<sup>21</sup> shares of the Common Stock of Public Service; such

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<sup>19</sup> According to the record, it is contemplated that the balance of 9,520.95 shares of Preference Common will be disposed of.

<sup>20</sup> It is also contemplated that the 168,633.05 shares of new Common of P.E. remaining after the proposed distribution will be disposed of.

<sup>21</sup> It is also contemplated that the 79,822.5 shares of Common Stock of Public Service remaining after the proposed distribution are to be disposed of. The balances of shares listed in footnotes 19, 20 and 21 are occasioned by the difficulty of choosing a common denominator which would permit, for practical purposes, the complete distribution of all these securities.

distribution to be on the basis of one-third (1/3rd) of a share of the new P.E. Common and one-twelfth (1/12th) of a share of Public Service Common. Scrip will be issued for fractional shares.

#### *CAPITAL STRUCTURE*

The corporate capitalization (including surplus) of U.G.I., at December 31, 1942, before and after giving effect to the proposed transactions, is as follows:

	<u>Per Books</u>	<u>Pro Forma Changes</u>	<u>Pro Forma</u>
\$5 Dividend Preferred Stock, no par 765,146 shares <sup>22</sup>	\$ 75,139,726	\$ 75,139,726	\$ -
Common Stock, no par-23,252,010 sh.	\$204,111,554	\$155,727,581	\$48,383,973
Earned Surplus	33,076,033	17,000,000 <sup>23</sup>	16,076,033
Total common stock and surplus	<u>\$237,187,587</u>	<u>\$172,727,581</u>	<u>\$64,460,006</u>
Total capitalization and surplus	<u>\$312,327,313</u>	<u>\$247,867,307</u>	<u>\$64,460,006</u>

#### *COMPOSITION OF U.G.I.'S ASSETS AND LIABILITIES*

About 45% of U.G.I.'s investment account, aggregating \$296,474,756, as of December 31, 1942, is represented by its holdings of the present P.E. Common Stock carried at approximately \$132,000,000. The remainder is made up of securities of the following:

Public Service Common, approximately	\$59,000,000
Other holding companies, approximately	44,300,000 <sup>24</sup>

<sup>22</sup> Approximately 497,000 shares were issued in 1929 as a result of the reclassification by U.G.I. of its then outstanding common stock into preferred and common stock. Such stock was stated on U.G.I.'s books at \$100 per share, but the Treasury Department, for tax purposes, used a price of \$94 per share, the average sales price on the effective date. In 1931, 250,000 additional shares of preferred stock were sold at \$94-1/2 per share to bankers who in turn sold them to the public at \$98 per share. The balance of approximately 18,000 shares was issued in 1929 and 1930 in exchange for various blocks of securities of affiliates on the basis of, and were stated at, \$100 per share.

<sup>23</sup> U.G.I. proposes to transfer \$17,000,000 to a "Reserve for Possible Losses on Investments", together with the difference between the exchange value of the 2,295,438 shares of \$1 Dividend Preference Common Stock of Philadelphia Electric Company being delivered to U.G.I. Preferred stockholders and the investment cost or book amount to U.G.I. of such shares, such difference amounting to \$14,950,403. Into this reserve there will be merged the \$18,189,738 now in the contingent reserve of the company, making a total in the "Reserve for Possible Losses on Investments" of \$50,140,141.

<sup>24</sup> Three of these companies, i. e. Commonwealth & Southern Corporation, Midland United Company, and Niagara Hudson Power Corporation, are presently involved in separate proceedings under Section 11 of the Act.

Public utility subsidiaries, approximately	35,350,000
Other utilities and non-utilities, approximately	25,400,000

It's net current assets at the above date were about \$30,567,000 and deferred charges were \$3,558,000. Reserves aggregated \$18,303,749.

U.G.I. has no funded debt, as already noted, and its stock liability consisted of 765,146 shares of \$5 Dividend Preferred stated at \$75,139,726 (somewhat less than its liquidation preference of \$100 per share), and 23,252,010 shares of Common Stock stated at \$204,111,554. As of December 31, 1942, it had no capital surplus, but its books showed an earned surplus of \$33,076,033.

#### *EARNINGS AND DIVIDENDS COVERAGE*

Corporate net income of U.G.I. available for dividends on its \$5 Preferred Stock and the annual Preferred dividends paid for each of the years 1938-1942, inclusive, were as follows:

	<u>Net Income</u>	<u>Preferred Dividends</u>	<u>Times Earned</u>
1942	\$15,092,427	\$3,825,968	3.94
1941	20,606,189	3,826,080	5.38
1940	26,391,349	3,826,080	6.90
1939	26,635,789	3,826,080	6.95
1938	26,053,950	3,826,080	6.81

The income available<sup>25</sup> for the system securities for the same period and the total prior fixed charges and Preferred dividend requirements of U.G.I. and its subsidiaries were as follows:

	<u>Income Available for System Securities</u>	<u>Prior Charges and Preferred Dividends</u>	<u>Times Charges &amp; Pref. Dividends Earned</u>
1942	\$28,568,256	\$15,539,750	1.84
1941	34,269,969	16,319,335	2.10
1940	43,496,121	19,315,848	2.25
1939	44,385,586	19,492,338	2.28
1938	42,512,371	19,505,784	2.18

<sup>25</sup> Consists substantially of gross income of subsidiaries consolidated plus "other income" derived from holdings of securities of non-consolidated companies less expenses and taxes of U.G.I.

Dividends on U.G.I.'s holdings of the Common Stock of P.E. were the principal source of income in the years 1938-1942, inclusive, as follows:

	<u>Total Income</u>	<u>Dividends From P.E.</u>	<u>% of Total Income</u>
1942	\$18,541,013	\$12,804,732	69.1
1941	23,813,448	15,359,016	64.5
1940	29,469,365	18,430,819	62.5
1939	29,642,348	18,430,819	62.2
1938	29,020,128	18,430,819	63.5

#### *FAIRNESS OF THE EXCHANGE*

As indicated in the above tabulations, U.G.I.'s holdings of the Common Stock of P.E. have been the source of somewhat over 60% of the earnings coverage for annual dividends on U.G.I.'s Preferred Stock. Through the proposed exchange, 60% of the Preferred stockholder's present \$5 dividend, or \$3 to be derived from the three shares of P.E. Preference Common, will be represented by a direct and preferential claim upon substantially the same amount of net income of P.E. but without deduction for the presently intervening taxes and expenses now applicable to U.G.I. Furthermore, the foregoing tabulations indicate that the consolidated earnings coverage of this \$3 of dividends will be somewhat better (2.04 as against 1.84) than that of the present U.G.I. Preferred Stock. In addition, the U.G.I. Preferred stockholder is receiving a direct interest in P.E.'s earnings and assets in exchange for his present indirect interest therein plus his claim upon U.G.I.'s revenue from other sources.

It will be noted that the U.G.I. Preferred and P.E. Preference Common are closely comparable stocks, on a consolidated earnings basis, but that the U.G.I. Preferred is more remote from underlying assets and earnings, and is somewhat more vulnerable to earnings fluctuations.

The principal respects in which the stocks differ rest on the fact that the P.E. Preference Common does not have a liquidation preference, is not callable, and is not necessarily limited to its \$1 preferential dividend in view of its convertibility into P.E. new Common Stock.

The significance of the absence of liquidation preference depends principally upon whether the liquidation of P.E. be regarded as a remote or possible contingency. It should be noted that voluntary liquidation can occur only with the consent of a majority vote of the P.E. Preference Common, voting as a class. The fact that the P.E. Preference Common is not callable is an advantage not presently enjoyed by the U.G.I. Preferred. The convertible feature of the P.E. Preference Common adds some contingent value to that stock since it removes the inflexible upper limit upon the holder's interest in prospective earnings, but detracts nothing from his preferential right to \$1 per share in dividends.

In addition to weighing the relative advantages and disadvantages of the P.E. Preference Common and the U.G.I. Preferred Stock, it is necessary to take into account the fact that the U.G.I. Preferred stockholders are receiving \$40 in cash in addition to three shares of the Preference Common Stock.

The day-to-day market prices of U.G.I.'s Preferred Stock or the estimated market price of the Preference Common of P.E. are not determinative of the fairness of the proposed exchange, nor can we accord them great weight in this respect.<sup>26</sup>

It seems obvious, from our earlier summary of the status of the holding company system of U.G.I. in the light of the provisions of Section 11 (b) of the Act, that the system must undergo major readjustments to bring it into conformity with the integration and simplification provisions of the Act. In the course of effectuating these readjustments, it seems reasonable to expect that the Preferred Stock of U.G.I. may be retired. In such event, the Preferred stockholder may receive cash or securities of different proportions and character than that proposed under the plan before us. It is conceivable that such stockholder might receive securities representing an interest in several holding companies, in smaller scattered utility and non-utility companies, or in cash, in whole or in part, whereas under the present proposal he is receiving a portion in cash and a portion in securities of one of the select companies in the system which, upon the basis of its present and past income record, affords a substantial coverage for the dividend requirements of the new Preference Common to be received in the proposed exchange. In addition thereto, the holder of the Preference Common of P.E. is given the opportunity of retaining his preferred claim to the income of P.E. and, through the conversion feature, can participate in any improvements in the earnings and dividends accruing to the new Common of P.E.

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<sup>26</sup> For this reason, we cannot accede to the contention of counsel for two common stockholders of U.G.I. that the plan is unfair to them because the Preferred stockholders of U.G.I. will receive securities, the market price of which, together with cash, exceeds the liquidating preference of \$100.

Counsel further objects to the fairness of the plan for the reasons that (1) no cash is proposed to be distributed to U.G.I.'s common stockholders, and (2) the plan does not provide for the distribution of U.G.I.'s holdings in Niagara Hudson Power Corporation and, consequently, the U.G.I. common stockholder will be unable to represent his interest in proceedings pending before us in respect of Niagara Hudson.

We find no merit in either of these objections. In the first place, as between the Preferred and Common stockholders of U.G.I., the former ought to receive, as far as possible, satisfaction of their claim in assets whose value is less subject to fluctuation. The fact that there is a difference in the nature of the assets to be received does not render the plan unfair or inequitable to the Common stockholders.

The second objection presupposes that the management of U.G.I. will not take such steps as it deems appropriate to protect the interests of its stockholders and, in addition, assumes that the holder of an indirect interest would be precluded necessarily from participation in proceedings before us. (See Rule XVII (b) of the Commission's Rules of Practice.) Further, this latter argument is addressed, not to the fairness of the plan, but to the fact that it does not, in one step, solve all the problems confronting U.G.I.

U.G.I.'s Common stockholders, upon consummation of the proposed plan, will have had removed the prior claims of the Preferred Stock to U.G.I.'s assets and earnings and will be in a position to receive the benefits not now enjoyed which are incident to the direct ownership of U.G.I.'s portfolio securities. As a direct owner of the securities of P.E. and Public Service, the income generated by these investments can flow directly to U.G.I.'s Common stockholders, undiminished by the expenses attributable to the continued interposition of U.G.I.<sup>27</sup>

On a comparative dividend basis, the holders of the U.G.I. Common, who are currently receiving dividends at the rate of 40¢ per share annually, would receive 48.3¢ per annum if the current quarterly dividend payments now being made by P.E. and Public Service are continued, as follows:

From 1/3rd share of P.E. Common	40.0 cents
From 1/12th share of Public Service Common	<u>08.3</u>
	48.3 cents

In addition, it is estimated in the plan that there will be available to U.G.I. Common from remaining investments earnings of about 7¢ per share.

Other matters of significance to the Common stockholders of U.G.I. are (a) the use of approximately \$30,000,000 in cash derived from the sale of investments to retire a portion of U.G.I.'s Preferred Stock carrying an annual dividend rate of \$5, (b) the substantial savings which the proposed method of distribution accomplishes as against the market sale of securities, and (c) the fact that holding company common stocks are generally valued in the market at discounts from their pro rata interest in the market value of the holding company's portfolio securities.

Under all the circumstances, we conclude that the plan provides full compensation for the rights of the Preferred Stock, whether such rights are assessed on the basis of its liquidating preference or its preferential right to future income, and that the plan is fair and equitable to the U.G.I. Preferred Stock and Common Stock.

*FAIRNESS TO OTHER PERSONS AFFECTED BY THE PLAN*

U.G.I. owes no direct obligations beyond its current liabilities which, per books at December 31, 1942, consisted principally of dividends declared and accrued taxes. After giving

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<sup>27</sup> The savings accruing to U.G.I. as a result of the plan are estimated to be \$1,134,133 (taxes); no estimate has been given of the other economies which may be effected.

effect to the distribution of \$30,605,840 provided for in the plan, current liabilities will be equalled substantially by current assets.<sup>28</sup>

However, the record reveals that U.G.I. is contingently liable under guarantee and indemnification agreements, and it remains to be seen whether the proposed distribution of U.G.I.'s assets is fair and equitable to the beneficiaries of these indirect and contingent liabilities. In brief, these contingent liabilities may be described as follows:

1. U.G.I. guarantees the principal and interest on \$2,983,000 of 5% Mortgage Bonds of public-utility companies, which guarantees are covered, in part, by indemnification agreements of other public-utility companies and, in part, of other holding companies. According to the record, U.G.I. has never been called upon to make any payments pursuant to these guarantees, nor is it anticipated that it will be called upon to make payments in the future.
2. U.G.I. is guarantor of the interest only on \$12,153,000 principal amount of Connecticut Railway and Lighting Company First Mortgage 4-1/2% Bonds, due 1951, of which \$5,444,000 principal amount is held by the public and \$7,709,000 held in the sinking fund.<sup>29</sup> Against the annual interest charge of \$546,885 on these bonds (including bonds held in the sinking fund) Connecticut Railway and Lighting Company receives \$402,354 annually as rental income from the lease of its gas and electric properties in addition to material income from the operation of its transportation properties. According to the record, the only past payments U.G.I. has been called upon to make were during the years 1936, 1937 and 1938, such payments aggregating \$480,000, all of which were repaid prior to May, 1941.

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<sup>28</sup> Current assets and current liabilities, per balance sheet of U.G.I. as of December 31, 1942, after giving effect to the plan, are as follows:

Current Assets:	
Cash and temporary cash investments	\$1,409,948
Dividend special deposits	574,625
Other current assets	110,902
Total Current Assets	\$2,095,475
Current Liabilities:	
Dividend declared	\$ 578,533
Accrued taxes	1,452,164
Other current liabilities	102,883
Total Current Liabilities	\$2,133,580

<sup>29</sup> The guarantee agreement was entered into in 1904 and expires with the maturity of the bonds on January 1, 1951.

3. U.G.I. is obligated, until 1951, to indemnify the guarantor of the payment of dividends of \$3 per share per annum on 198,997 shares of Preferred Stock of The Connecticut Gas & Coke Securities Company, a U.G.I. subsidiary, which owns substantially all of the Common Stock of New Haven Gas Light Company and a minority interest in the Common Stock of The Hartford Gas Company. From 1927, when U.G.I.'s obligation commenced, to December 31, 1942, U.G.I. has advanced an aggregate amount of \$771,283, all since 1936, the largest amount in any one year being \$214,917.
4. U.G.I. guarantees until 1999 the faithful performance by its subsidiary, The Philadelphia Gas Works Company, of its obligations under a property-operating agency agreement with Northern Liberties Gas Company. U.G.I.'s annual liability for the five past years has averaged \$34,300.
5. U.G.I. is contingently liable for Pennsylvania Franchise Tax assessments, presently under appeal, in the aggregate amount of \$215,000.
6. U.G.I., under a suretyship agreement, dated December 30, 1937, guarantees the faithful performance by its subsidiary, The Philadelphia Gas Works Company, of its obligations, entered into under an agreement with the City of Philadelphia relative to the operation of the Philadelphia Gas Works. It appears from the record that the expiration date of the operating agreement is indefinite, the earliest termination date being 1951 and the latest 1958. The annual rentals of \$4,200,000 derived from gas revenues, have been assigned by the City of Philadelphia as security for the \$41,000,000 principal amount of 3-1/2% trust certificates of which, according to the record, \$34,078,000 are now outstanding against which the trustee holds a cash reserve of \$3,200,000.

Of the obligees under the foregoing indirect and contingent liabilities, only the City of Philadelphia appeared at the hearings in these proceedings. Counsel for the City filed a brief and subsequently forwarded to the Trial Examiner for inclusion in the record an exchange of correspondence between him and the president of U.G.I. The latter's letter contains the following statement:

“The United Gas Improvement Company does not intend to make any future distribution of any of its capital assets, other than those covered by the Plan now pending before the Securities and Exchange Commission, without affording the City an opportunity to be heard with respect thereto, and in any future plan of distribution of its capital assets the Company will make sure provision as may be adequate for the protection of the rights of City under its Agreement with The Philadelphia Gas Works Company of December 30, 1937, as amended, and the Agreement of the United Gas Improvement Company guarantying the performance thereof.”

The reply of counsel for the City states that in view of the foregoing:

“... the City of Philadelphia will not press any objection to the granting by the Securities and Exchange Commission of its approval of the plan filed by The United Gas Improvement Company on December 22, 1942; this, of course, is without prejudice to its

right to object to any dissolution or future plan involving further distribution of its capital assets.”

The record indicates that, upon the consummation of the partial distribution of assets proposed in the plan, there will remain approximately one-third of U.G.I.’s assets, per books, representing a book investment of \$110,971,402, to which U.G.I. accords an estimated or market value, at November 30, 1942, or \$56,910,160. It also appears that the estimated annual income which will be derived from these remaining assets is \$3,440,647.

In view of the foregoing, including the nature of U.G.I.’s contingent obligations, the unlikelihood that U.G.I. will be called upon to the extent of its maximum indirect liabilities thereunder, the ownership by the primary obligors of substantial assets and sources of income whereby a very considerable portion of these liabilities have been and can be met in due course as they mature, the existence of agreements with respect to some of these guarantees whereby U.G.I. is indemnified by companies which do not appear to be irresponsible, and since the remaining assets and earning power of U.G.I. appear to be substantial in proportion to the amount of U.G.I.’s reasonably foreseeable actual liabilities, we therefore find that the plan is fair and equitable to the beneficiaries of U.G.I.’s guarantee and suretyship agreements.

#### SOLICITATION MATERIAL

The proposed solicitation material to be used in connection with obtaining the vote of the common stockholders of U.G.I. upon the plan is satisfactory. However, under the provisions of Section 11 (g) of the Act, the solicitation must be accompanied by a report of the Commission upon the plan, and our order to be issued herein will so provide. Any follow-up literature which may be sent to the stockholders should be submitted to the Commission at least five days in advance of its use.

#### FEES AND EXPENSES

The expense of the proposed transaction by P.E. is estimated to be \$114,360 and consists of printing and engraving stock certificates (\$15,360), registrar fees (\$24,000), and the cost of opening accounts for approximately 100,000 new stockholders (\$75,000).

U.G.I.’s estimated expenses of \$354,916 consist, in substantial part, of Pennsylvania transfer tax (\$239,865), miscellaneous clerical, stationery and mailing costs (\$62,000) and the use of Drexel & Co. as agent for the distribution of the Preference Common of P.E. and cash in exchange for and retirement of the U.G.I. Preferred Stock (\$33,051). The record does not contain a statement or estimate of the cost to U.G.I. for the financial advisory services of Drexel & Co. in connection with the formulation of the plan nor the legal expense involved in respect of this plan. Since the state of the record is not such as to enable us to pass upon the reasonableness of (a) the expense attributable to the financial advisory service, (b) the expense to be incurred in the use of Drexel & Co. as agent, and (c) the legal expense involved, we will reserve jurisdiction with respect to these matters. However the expense attributable to the other items, as mentioned above, does not appear to be excessive and will be approved.

### OTHER MATTERS CONSIDERED

As has been more fully discussed hereinbefore, proceedings are pending under Section 11 (b) (1) of the Act with respect to *The United Gas Improvement Company* and its *Subsidiary Companies, Respondents* (File No. 59-6) in which there are several issues which require further consideration and disposition by the Commission. The various transactions herein proposed by P.E. and U.G.I., which have been consolidated for hearing and disposition with the Section 11 (b) (1) proceedings, if and when consummated, will eliminate the necessity of further action relative to some of these issues.

If and when the plan is consummated, we shall take such action as is deemed appropriate in the circumstances with respect to P.E.'s present status as a Respondent in the pending Section 11 (b) (1) proceedings. However, it should be noted that, irrespective of the continuance of P.E.'s status in said proceedings, there remains for our further consideration and disposition the question of the continued ownership and control by P.E. of its combination of gas and electric properties.

As to the interests of U.G.I. which are the subject of our divestiture orders of July 30, 1941 and May 7, 1942 (previously described herein) now pending on review before the United States Circuit Court of Appeals for the Third Circuit, we desire to emphasize that our approval of the transactions herein proposed by P.E. and U.G.I. shall in no way be deemed to be a modification, waiver or concession in respect of the premises upon which they are rested, nor shall it be interpreted as affecting or prejudicing our position with respect thereto or the force and effect of our outstanding orders.

As to the other remaining interests of U.G.I., it is anticipated that the pending Section 11 (b) (1) proceedings will be reconvened in due course for further consideration and disposition thereof by the Commission.

In accordance with the foregoing, our order to be issued herein will contain appropriate reservations and conditions.

### COMPLIANCE WITH APPLICABLE PROVISIONS OF THE ACT

Except as to those matters over which we reserve jurisdiction, we find that the proposed transactions are necessary to effectuate the provisions of Section 11 (b) of the Act and are fair and equitable to the persons affected thereby. With respect to the security issues, acquisitions, and dispositions before us, our findings under Section 11 (e) involve, among other things, findings that these transactions also satisfy other applicable statutory standards, including a finding that they are consistent with the public interest and the interest of investors and consumers.

The securities to be issued in connection with the plan are (a) Scrip certificates by U.G.I. for fractional shares occasioned in the distribution of the new Common of P.E. and the Common Stock of Public Service; (b) the new Common Stock, \$1 Dividend Preference Common Stock

and Scrip certificates presently to be issued by P.E. and subsequently, from time to time, the issuance of additional shares of new Common in exchange for shares of Preference Common pursuant to the conversion privilege hereinbefore described. The proposed transactions by P.E. have been expressly approved by the Pennsylvania Public Utility Commission. We do not find it necessary to determine whether the proposed issues by P.E. are “solely for the purpose of financing the business” of P.E. so as to grant the exemption provided by Section 6 (b) of the Act, as we are of the opinion that the applicable standards of Section 7 are met if we treat the security issues before us as a declaration under that section. The provisions of Section 7 (c) (1) are inapplicable to the issues by P.E. and U.G.I. because the “security is to be issued and sold solely (A) for the purpose of refunding, extending, exchanging or discharging an outstanding security of the declarant . . .” as well as “for the purpose of effecting a . . . reorganization.” (Section 7 (c) (2) (A))

In the absence of strong countervailing factors, the standards of Section 7 (d) would make it difficult for us to permit the issuance by P.E. of the Dividend Preference Common Stock, particularly in respect of the adaptability of such security to P.E.’s security structure (Section 7 (d) (1)) and the appropriateness of such security to the economic and efficient operation of P.E.’s business (Section 7 (d) (3)). We are constrained, however, to permit the issuance of the Preference Common, under the standards of Section 7 (d), in this instance because dividends on the \$1 Dividend Preference will be well covered by earnings and the outstanding debt and preferred stock undisturbed in their liens and preferences; the substantial common stock equity cushion underlying the outstanding debt and preferred stock of P.E. will not be affected; the Preference Common is convertible into Common Stock and has a substantial measure of protection against voluntary liquidation which would require the approval of a majority of the holders of the Preference Common Stock; the issuance of the Preference Common is a component element in a plan which will effectuate a wide distribution of P.E.’s Common Stock with a resultant improvement in its ability to do equity financing and will subserve a substantial public interest by enabling P.E. and U.G.I. to solve many of their problems under the integration and simplification provisions of the Act. Likewise, we make no adverse findings under Section 7 (d) in respect of the proposed issuance of Scrip certificates by U.G.I.

The new securities of P.E. are exempt from the competitive bidding requirements of Rule U-50 pursuant to the provisions of paragraph (a) (1) thereof.

Insofar as the proposed reclassification and exchange by P.E. of its authorized and outstanding Common Stock constitutes, within the provisions of Section 6 (a) (2) of the Act, an alteration of the priorities, preferences, voting power or other rights of P.E.’s outstanding security holders, we make no adverse findings under Section 7 (e) and permit the declaration in this regard to become effective.

The acquisition by P.E. of its presently outstanding Common Stock is subject to the requirements of Sections 10, 12 (c) and 12 (f) of the Act and Rule U-42 thereunder. For the reasons previously stated, we find that no adverse findings are necessary under Section 10 (b) or 10 (c) (1) and that the requirements of Sections 12 (c) and 12 (f) and Rule U-42 are satisfied.

We also find it appropriate, under the circumstances, to make similar findings with respect to the acquisitions by U.G.I. of the shares of the new Common Stock, the \$1 Dividend Preference Common Stock of P.E. and of its outstanding shares of Preferred Stock. We likewise find that the acquisitions by P.E. and U.G.I. have the tendency required by Section 10 (c) (2) of the Act.

As we have already indicated, it should be clearly understood that, at the present time, we do not pass upon the application of the provisions of Section 11 (b) (2) of the Act to P.E. or the holding company system of U.G.I. Nor are we passing upon the application of the provisions of Section 11 (b) (1) with respect to P.E. and its subsidiaries or the remaining interests of the holding company system of U.G.I. (excluding, of course, the interests which are the subject of our two divestiture orders previously described) as it will be constituted upon consummation of the proposed plan. We feel that the proposed transactions represent progressive steps by the system toward effectuating the provisions of Section 11 (b) and are satisfied that, as a whole, they will serve the public interest and the interests of investors and consumers by tending toward the economical and efficient development of an integrated public-utility system.

An appropriate order will issue.

By the Commission (Chairman Purcell and Commissioners Healy, Pike, Burke, and O'Brien).

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 office in the City of Philadelphia, Pa.,  
on the 18th day of March, A. D., 1943.

In the Matter of
THE UNITED GAS IMPROVEMENT COMPANY
File No. 54-65
THE UNITED GAS IMPROVEMENT COMPANY AND SUBSIDIARY COMPANIES
Respondents
File No. 59-6
PHILADELPHIA ELECTRIC COMPANY
File No. 70-658
(Public Utility Holding Company Act of 1935)

ORDER APPROVING PLAN  
PURSUANT TO SECTION 11 (e),  
PERMITTING DECLARATIONS  
TO BECOME EFFECTIVE, AND  
GRANTING APPLICATIONS

The United Gas Improvement Company, a registered holding company, and its subsidiary company, Philadelphia Electric Company, having filed applications and declarations, and amendment thereto, pursuant to Section 11 (e) and other sections of the Public Utility Holding Company Act of 1935, and the Rules and Regulations of the Commission promulgated thereunder, requesting an order of the Commission approving said plan, and authorizing and directing and requiring that the transactions proposed therein be consummated in accordance with its terms and provisions; and requesting that said Order of the Commission conform to the pertinent requirements of the Internal Revenue Code, as amended, including Sections 371 (a), 371 (c), 371 (f) and 1808 (f) thereof, and contain the specifications therein set forth;

The Commission having, on March 4, 1940, instituted proceedings in respect of The United Gas Improvement Company and its subsidiary companies, pursuant to Section 11 (b) (1) of said Act, and having ordered a consolidation of the proceedings involving said application for approval of the plan and related applications and declarations with such proceedings;

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 having found that said plan is necessary to effectuate the provisions of Section 11 (b) of said Act and is fair and equitable to the persons affected hereby; and the Commission having made and filed herein its Report on said plan pursuant to Section 11 (g) of said Act:

IT IS ORDERED that said plan, as amended, be, and the same hereby is, approved, and that said applications and declarations, as amended, be, and the same hereby are, granted, and permitted to become effective, and The United Gas Improvement Company is authorized, directed, and required to carry out and consummate the transactions proposed in said plan in accordance with its terms and provisions;

IT IS FURTHER ORDERED that, in accordance with the requirements of the Internal Revenue Code, as amended, including Sections 371 (a), 371 (c), 371 (f) and 1808 (f) thereof, the following steps, included in the transactions proposed in said plan, are specified as being necessary to effectuate the provisions of Section 11 (b) of the Public Utility Holding Company Act of 1935;

1. The reclassification of the authorized 15,000,000 shares of no par Common Stock of Philadelphia Electric Company into 2,369,076 shares of \$1 Dividend Preference Common Stock and 12,630,924 of new Common Stock, both without nominal or par value; the issuance of all of said authorized shares of \$1 Dividend Preference Common Stock and 8,160,154 shares of said new Common Stock in exchange for its presently outstanding 10,529,230 shares of Common Stock, in retirement thereof, on the basis of 9/40ths of a share of \$1 Dividend Preference Common Stock and 31/40ths of a share of new Common Stock for each share of presently outstanding Common Stock; and the issuance by Philadelphia Electric Company of scrip certificates in lieu of fractional shares; and the issuance by Philadelphia Electric Company of not in excess of 2,369,076 shares of its new Common Stock in exchange for shares of its \$1 Dividend Preference Common Stock, pursuant to any exercise of the conversion rights attaching to the shares of said \$1 Dividend Preference Common Stock;
2. The distribution by The United Gas Improvement Company of 2,295,438 shares of the \$1 Dividend Preference Common Stock of Philadelphia Electric Company received by it, together with cash, in exchange for, and in liquidation and retirement of, the presently outstanding 765,146 shares of \$5 Dividend Preferred Stock of The United Gas Improvement Company, on the basis of 3 shares of \$1 Dividend Preference Common Stock and \$40 in cash for each share of said \$5 Dividend Preferred Stock;
3. The distribution by The United Gas Improvement Company pro rata to the holders of its presently outstanding 23,252,010 shares of Common Stock, as a partial distribution of capital, of 7,750,670 shares of the new Common Stock of Philadelphia Electric Company to be received by The United Gas Improvement Company, and 1,937,667.5 shares of its present holdings of the outstanding Common Stock of Public Service Corporation of New Jersey, on the basis of 1/3rd share of the new Common Stock of Philadelphia Electric Company and 1/12th share of the Common Stock of Public Service Corporation of New

Jersey for each share of the outstanding Common Stock of The United Gas Improvement Company; and the issuance of scrip certificates in lieu of fractional shares;

IT IS FURTHER ORDERED that the Report of the Commission, made and filed herein pursuant to Section 11 (g) of said Act, be and the same is hereby approved and adopted as the Report herein made by the Commission and as the form in which copies of said Report may be used by The United Gas Improvement Company in making solicitations, pursuant to said Section 11 (g), of the holders of the shares of its outstanding Common Stock in respect of the matters therein referred to;

IT IS FURTHER ORDERED that jurisdiction be, and hereby is, reserved as to the approval or disapproval of the reasonableness of fees and expenses incurred or to be incurred, in connection with said plan and related transactions, in respect of the services of attorneys, agents and financial advisors:

IT IS FURTHER ORDERED that jurisdiction be, and hereby is, reserved to consider all matters relating to these consolidated proceedings not disposed of by this Order, to entertain such further proceedings, to make such further and supplemental findings and to take such additional and further action as may be found by the Commission to be appropriate in the premises in connection with the consummation of said plan and related and incidental transactions.

By the Commission.

Orval L. DuBois,  
Secretary.

(SEAL)

March 19, 1943

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