

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.

Summary of SEC Releases, Monday, July 16, 1956
Prepared for Press Use - Not for Quotation

Statistical Release No. 1392

The SEC Index of Stock Prices, based on the closing prices of 265 common stocks for the week ended July 13, 1956, for the composite and by major industry groups, compared with the preceding week and with the highs and lows for 1956, is as follows:

	<u>(1939 = 100)</u>		Percent <u>Change</u>	<u>1956</u>	
	<u>7/13/56</u>	<u>7/6/56</u>		<u>High</u>	<u>Low</u>
Composite	358.4	354.5	+ 1.1	360.3	319.0
Manufacturing	458.1	453.2	+ 1.1	459.4	398.6
Durable Goods	420.0	412.1	+ 1.9	421.2	369.4
Non-Durable Goods	493.1	490.8	+ 0.5	500.8	425.2
Transportation	334.2	333.8	+ 0.1	353.0	312.8
Utility	157.9	157.0	+ 0.6	160.6	152.4
Trade, Finance & Service	317.6	306.6	+ 3.6	325.5	294.7
Mining	362.3	363.6	- 0.4	382.5	326.8

Securities Act Release No. 3661

The Securities and Exchange Commission has instituted proceedings under the Securities Act of 1933 to determine whether a "stop order" should be issued suspending the effectiveness of a registration statement filed by Freedom Insurance Company, of Berkeley, California.

The company was organized in November, 1954, for the purpose of providing all insurance coverages except life, title and mortgage. Its registration statement, filed June 6, 1955, proposed the public offering of 1,000,000 shares of \$10 par Common Stock at \$22 per share. The statement became effective December 22, 1955. The offering was to be made by Uni-Insurance Service Corporation ("Uni") on a "best efforts" basis. Uni is named in the prospectus as the promoter of Freedom Insurance; and it is controlled by certain officers and directors of that company. Ray B. Wisner is president of Freedom Insurance. According to its prospectus, Freedom Insurance could not commence operations until a Certificate of Authority has been issued by the Insurance Commissioner of California; and no such certificate may be issued until at least 100,000 shares of stock have been sold and the proceeds deposited in escrow, subject to refund in full if the authority is denied.

In its order authorizing the stop order proceedings, the Commission challenges the accuracy and adequacy of information contained in the registration statement and prospectus. More particularly, the Commission asserts that there is "reasonable cause to believe" that the prospectus is inaccurate and incom-

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plete, in particular (a) the representation that Uni had adequate financial resources from commissions to be earned from the sale of stock of Freedom Insurance and from funds advanced and to be advanced by officers and stockholders of Uni to establish branch offices for Freedom Insurance and to pay other expenses of Uni's arrangements with Freedom Insurance; and (b) the omission to state the monthly amount and nature of the expenses incurred and to be incurred by Uni in performing its functions in connection with Freedom Insurance's proposed enterprise, as well as the omission to state the estimated cost to Uni of establishing branch offices for Freedom Insurance.

At a hearing scheduled for July 25, 1956, in the Commission's San Francisco Regional Office, inquiry will be conducted into the question whether the registration statement and prospectus are inaccurate and incomplete in the respects indicated and, if so, whether a stop order should be issued suspending the effectiveness of the registration statement.

Securities Act Release No. 3660

The Securities and Exchange Commission has issued orders temporarily suspending Regulation A exemptions from registration under the Securities Act of 1933 with respect to public offerings of securities by the following:

- (1) Hidden Valley Uranium Company, Inc., Salt Lake City, U.
Regulation A notification, filed April 21, 1955, proposed the public offering of 5,950,000 shares of common stock at 5¢ per share.
- (2) Military Investors Financial Corporation, Houston, Texas
Regulation A notification, filed December 1, 1954, proposed the public offering of 150,000 shares of common stock at \$2 per share.

The orders provide an opportunity for hearing, upon request, on the question whether the suspension orders should be vacated or made permanent.

In the case of Hidden Valley, the Commission's order asserts that there is "reasonable cause to believe" that the terms and conditions of Regulation A have not been complied with, in that (1) the company's notification and offering circular "are false and misleading in stating that Earl A. Smythe and Michael Grayson are each the holder of 250,000 shares acquired in exchange for certain property and in omitting to state that Smythe and Grayson severed all connection with the issuer and returned all their stock to the issuer because the property acquired from them was worthless;" and (2) the company has failed to file the required reports of stock sales and use of proceeds and has ignored requests for such reports.

The order in the case of Military Investors asserts that there is "reasonable cause to believe" that the company's offering circular "is false and misleading" (1) in stating that Donald E. Bartz, promoter and board chairman, "is presently President of American Management Corporation, a firm specializing in corporate formations and management," but omitting to state that American Management Corporation has never formed or promoted a successful business venture and that it was simply a corporate front under which Bartz promoted his own interests; and (2) in stating that Raymond J. Jeleski, president and director, "was associated with the Richfield Oil Corporation in the field of finance and collections" and "is now associated with Globe Hardware Company...as accountant and tax adviser,"

but omitting to state that Jeleski's association with Richfield Oil Corporation was as a filling station operator, that his association with Globe Hardware Company was under the supervision of a senior accountant, and that his only function as president and director of the issuer was to act as bookkeeper.

It is further asserted in the order pertaining to Military Investors (a) that a report of stock sales and the balance sheet attached thereto are false and misleading in stating that marketable securities in the amount of \$50,000 were received by the issuer in exchange for 25,000 shares of its stock; (b) that the stock offering "constituted a device, scheme and artifice to defraud in that there was no bona fide intention to carry on the proposed business of the issuer as set forth in the offering circular;" and (c) that no report of stock sales and use of proceeds has been filed since August 30, 1955.

Securities Act Release No. 3662

The Securities and Exchange Commission has granted a request of Lewisohn Copper Corp., Tucson, Arizona, for a hearing on the question whether to vacate or make permanent the Commission's order of June 15, 1956 (Release No. 3648) temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering by Lewisohn of 200,000 shares of common stock at \$1.50 per share. The hearing is scheduled for July 23, 1956, at 10:30 A. M., in the Commission's New York Regional Office, 225 Broadway, New York City.

At the hearing, inquiry will be conducted into the question whether a Regulation A exemption from registration was available for the Lewisohn stock offering, whether the terms and conditions of the Regulation were complied with, and whether the terms and conditions of the Regulation were complied with, and whether the offering circular and other material used in connection with the stock offering were incomplete or inaccurate with respect to the following, and whether said stock offering "did operate as a fraud and deceit upon the purchaser:"

1. The statement in the offering circular that the public offering price was \$1.50 per share, failure to disclose in the offering circular the method of offering whereby the stock would be offered to the public at higher and undetermined prices by a small number of persons purchasing from the principal underwriter with a view to distribution and who in fact did so distribute the stock, and failure to disclose the profit of such persons.

2. The offering of securities, purportedly under said notification and Regulation, when the aggregate public offering price of said securities and the aggregate gross proceeds actually received from their sale to the public exceeded \$300,000.

3. The failure to use an offering circular as required by Rule 219, in connection with the offering of said securities to the public.

4. The failure to file with the Commission copies of other material used in connection with the offering, as required by Rule 221.

5. The dissemination in connection with the offering of materially misleading information regarding the company, its plans and its properties.

Securities Exchange Act Release No. 5336

Chairman J. Sinclair Armstrong of the Securities and Exchange Commission today announced the adoption by the Commission of a new Rule X-17A-7 under the Securities Exchange Act of 1934, requiring foreign brokers and dealers registered with the Commission to make their books and records available in this country for inspection by the Commission. A broker or dealer may comply either by maintaining a duplicate set of records in the United States, or, at his option, by agreeing to furnish, on request of the Commission, all or any part of his records.

"Our new rule," Chairman Armstrong commented, "will further strengthen the Commission's program of investor protection. With greater emphasis upon broker-dealer inspections in the past year, in which over 950 inspections were completed by our staff, and with 1400 inspections scheduled for the fiscal year now commencing, broker-dealer inspections have become one of the major phases of the Commission's enforcement activities. In addition to providing the means by which our inspectors may check on compliance with our bookkeeping, reporting and other rules designed for investor protection, broker-dealer inspections enable the Commission to ascertain whether the securities firms are complying with the Commission's net capital rules designed to safeguard against insolvency and other rules of the Commission designed to assure protection of the public investor.

"However, although foreign broker-dealer firms which buy or sell securities in the United States must register with the Commission and are subject to the same rules, the fact that their records have not been maintained in this country has precluded the Commission from making the same periodic or special, surprise inspections as have been made of domestic firms. This has handicapped the Commission in this important area of its law enforcement program. The new rule should fill this gap in our inspection program.

"The new rule is of special significance in relation to a current problem having to do with Canadian securities. In a number of cases, Canadian securities appear to have been distributed in the United States without prior registration under the Securities Act, thus depriving investors of the important financial and other information which registration would provide. In many of these cases our efforts to ascertain the facts with respect to the origin or source of these securities and the basis, if any, of any claim to exemption from registration, have proved futile because the books and records are out of our jurisdiction. When the new rule becomes effective on August 20, 1956, we expect to move promptly to require the production of records which, we believe, will provide important information in cases now under investigation.

"Thus, the new rule marks an important step in our continuing efforts to provide greater protection to investors through vigorous and effective enforcement of the Federal securities laws. We are pleased by the response to the rule proposal which was received from Canadian interests. There was, in fact, very little opposition to the proposal on the part of Canadian brokers and dealers; and responsible Canadian quarters recognized the Commission's right to require information from Canadian dealers registered with it. Through inter-

national cooperation of this type, much can be done to protect the investing public against the fringe element on both sides of the border who prey upon the investing public."

Securities Exchange Act Release No. 5338

The Securities and Exchange Commission has ordered a hearing to determine whether an application for broker-dealer registration under the Securities Exchange Act of 1934 filed by F. J. McDermott & Co., Inc., of Jersey City, N. J., should be denied. The hearing is scheduled for July 27, 1956, in the Commission's New York Regional Office, 225 Broadway, New York, N. Y.

McDermott & Co.'s application for broker-dealer registration was filed June 18, 1956. It lists F. J. McDermott as president, secretary, a director and controlling stockholder of the company. In a decision and order issued by the Commission on June 7, 1954, the Commission found that Frank Joseph McDermott, doing business as McDermott & Co., had willfully violated Sections 15(c)(3) and 17(a) of the Securities Exchange Act and Rules X-15C3-1, X-17A-3 and X-17A-5 thereunder. However, McDermott then having filed a request to withdraw his registration and the Commission having found that he was no longer engaged in the securities business, the Commission permitted withdrawal and discontinued the 1954 proceedings.

At the July 27th hearing, inquiry will be conducted into the question whether it is in the public interest to deny the application of McDermott & Co. for registration as a broker-dealer.

Holding Company Act Release No. 13222

The SEC has issued an order under the Holding Company Act authorizing transactions by The Columbia Gas System, Inc., and its subsidiaries, as follows: (1) Columbia proposes to advance to United Fuel Gas Company, on open account, such amounts not exceeding \$10,000,000 as United Fuel may require during 1956 for the purchase of current inventory gas; and (2) Columbia proposes to purchase from United Fuel and from Amere Gas Utilities Company, when and to the extent new money is required in connection with their 1956 construction programs, installment promissory notes of said subsidiaries aggregating not in excess of \$9,000,000 and \$425,000, respectively.

Investment Company Act Release No. 2388

The Commission has issued an order granting an application of Standard Properties, Inc., that it be declared not to be primarily engaged, through a controlled company (Duquesne Slag Products Company), in a business other than that of investing, reinvesting, owning, holding, or trading in securities, and therefore is entitled to exemption from the Investment Company Act. Duquesne is engaged in the manufacture of crushed blast furnace slag products.

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American Investors Corporation, Nashville, Tenn., filed a registration statement (File 2-12652) with the SEC on July 13, 1956, seeking registration of 4,962,500 shares of its \$1 par Common Stock, of which 962,500 shares are re-

served for issuance upon the exercise of options to be granted by the company to its employees.

Public offering of the 4,000,000 shares is to be made at \$2 per share. The shares will be sold only through officers, directors and employees or agents of the company under supervision of its management, for which a 20¢ per share commission is to be paid.

The company plans to use not more than \$6,000,000 of the proceeds of the sale of common stock to purchase all of the common stock of American Investment Life Insurance Company, to be organized under Tennessee law and which will be authorized to write a full line of life and disability insurance policies on individual and group basis, including ordinary life, on both whole life and limited payment plans, endowment, health and accident, indemnity and hospitalization policies. The balance of the proceeds will be retained to acquire all fixed assets necessary for the conduct of the business of American Investment Life Insurance Company, which will then rent such assets from the company.

The company now has outstanding 37,500 shares of common stock sold privately for \$2 per share, of which 5,000 shares each (13-1/3%) are held by George P. Wenck, Fountain Inn, S. C., T. Fontell Flock, Atlanta, and J. W. Ballentine, Easley, S. C. Jimmie Davis of Shreveport, La., is board chairman and Frank Poole of Nashville is president.

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Bahamas Helicopters Limited, of Nassau and Paris, filed a registration statement (File 2-12653) with the SEC on July 13, 1956, seeking registration of 300,000 Ordinary (Common) Shares (\$1 par value), to be offered for public sale through an underwriting group headed by Blair & Co., Incorporated. Of the securities being registered, 35,000 ordinary shares represent securities to be sold by stockholders of the company to Blair & Co.

Bahamas Helicopters is engaged with its wholly-owned subsidiaries as a private carrier in the business of transporting personnel, equipment and supplies by helicopter and fixed-wing aircraft for certain major oil companies operating principally in the Eastern Hemisphere. The net proceeds of the company financing will be applied to retire indebtedness of \$175,000; to make a down payment of some \$200,000 in connection with the purchase, during July 1956, of three S-58 Sikorsky helicopters and parts from the Sikorsky Aircraft Division of United Aircraft Corporation at an aggregate cost of \$1,025,000; and to purchase 49% interest in the outstanding stock of Aerotecnica, S.A. for approximately \$500,000. The balance of the proceeds will be added to general funds to provide additional working capital.

The principal stockholders of the company are H. B. Armstrong of Sherman Oaks, Calif., and Knute W. Flint, of Paris, France, president and secretary-treasurer, respectively. According to the prospectus, they proposed to transfer to the company their interests in ten other corporations in exchange for Ordinary Shares of the company.

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California Eastern Aviation, Inc., Washington, D. C., filed a registration statement (File 2-12655) with the SEC on July 13, 1956, seeking registration of \$2,900,000 of 6% Convertible Sinking Fund Debentures due August 1, 1968. The company proposes to offer the debentures for public sale through an underwriting group headed by Cruttenden & Co. The public offering price and underwriting terms are to be supplied by amendment.

Approximately \$1,500,000 of the net proceeds will be expended in partial payment of the purchase price (\$6,600,000) of three Super-Constellation aircraft, Model 1049H, which the company has contracted to purchase from Lockheed Aircraft Corporation of Burbank, Calif. The remaining proceeds will be added to the company's working capital and will be available for general corporate purposes.

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CORRECTION: The July 13th Press Summary, page 2, listed the filing by Haydock Fund, Inc., of an amendment to its registration statement (File 2-11764) seeking registration of 50,000 additional shares of its Capital Stock. This filing has been changed to a new registration statement which carries File No. 2-12654.

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