

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.



Washington 25, D.C.

FOR RELEASE October 4, 1956

## Securities Act Release No. 3701

In a decision announced today, the SEC permanently suspended a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by Sun Valley Mining Corporation, of New York, for violation of the conditions of Regulation A and for misrepresentations in the offer and sale of the stock which "operated as a fraud and deceit upon purchasers."

In its Regulation A notification, filed with the Commission in July, 1953, Sun Valley proposed the public offering of 299,000 shares of its common stock. The Regulation A exemption was temporarily suspended by the Commission in January, 1955, following which a hearing was held on request of Sun Valley for the purpose of determining whether the suspension should be vacated or made permanent.

After selling 4800 shares, the underwriter first named withdrew in September 1953; and the offering circular was amended in December 1953 to indicate that Sun Valley was selling its own stock. However, in April 1953, Sun Valley entered into an arrangement for the sale of its stock with A. H. Koellner & Co., and Harry B. Simon, registered broker-dealers, and the latter's brother, Herman Simon. Under this arrangement, the Simons were to do the selling of Sun Valley stock as Koellner's sales representatives; and of the 20% selling commission, Koellner was to receive one-half and the Simons one-half. Although notified by the Commission's staff that the offering circular should be amended to reflect this arrangement, no such amendment was filed, which constituted a violation of one of the conditions to the availability of an exemption from registration under Regulation A. About 140,000 shares were sold by the Simons to approximately 300 investors from May to November 1954, when the arrangement was terminated; but it appears that the Simons accounted to Koellner for the proceeds of only about 64,000 shares.

The record establishes, the Commission's opinion states, "that the Simons in the sale of stock made false and misleading statements to the effect that Sun Valley stock was listed on a national securities exchange, that Sun Valley was negotiating a merger with certain companies, that an investor could lose no more than 20% of his investment because Koellner would repurchase any shares at 80¢ a share, that Sun Valley's stock was a 'blue chip' investment, that Sun Valley was producing uranium ore of commercial grade and receiving income from such production, that as a result of profitable operations, Sun Valley would pay dividends in the immediate future, that the book value of the stock was at least \$3 per share, and that the offering was a sell-out and orders had to be sent in immediately." These false and misleading statements, the Commission stated, "operated as a fraud and deceit upon purchasers."

Sun Valley petitioned the Commission for withdrawal of its offering and vacation of the suspension order, asserting that it is now defunct, partly because of the misappropriation of sales proceeds, does not intend to offer any more stock to the public, and that possession of its mines had reverted to the owners because of non-payments under the lease. It further asserted that in order to help those stockholders who purchased stock on the open market in good faith, a new corporation has been organized which plans a public offering of its stock and registration thereof with the Commission, and proposes to make an offer of such new stock on a share-for-share basis in exchange for Sun Valley stock. The Commission concluded that the facts with respect to the fraud and the failure to disclose the identity of the underwriter could not justify such action; and it further observed that the Commission's decision would not prevent the new corporation's proposed public offering of its stock if all material facts are disclosed in its registration statement, including those pertaining to the instant proceeding.

### Securities Act Release No. 3702

The Securities and Exchange Commission has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by Uranium Technicians Corporation ("UTC"), Salt Lake City, Utah. The order provides an opportunity for hearing, upon request, on the question whether the suspension order should be vacated or made permanent.

In its Regulation A notification, filed June 30, 1955, UTC proposed the public offering of 30,000,000 shares of its common stock at 1¢ per share. The Company proposed to acquire, own, develop, and dispose of mining claims and properties, and conduct mining activity generally. Its properties, located in southeastern Utah are said to be in the exploratory stage. The Company's president, G. G. Gressman, received 650,000 shares of stock for certain mining claims.

The Commission asserts in its suspension order that more than \$300,000 in offering price of UTC stock have been or would be sold (thus exceeding the \$300,000 limitation for exempt offerings under Regulation A); that the notification and offering circular filed by UTC are inaccurate and incomplete in respect of material facts; and that use of the offering circular in the offering and sale of UTC stock "would operate as a fraud and deceit upon prospective purchasers."

More particularly, it is alleged in the order that the notification, as well as the offering circular, (1) reflects an underwriting agreement with Ackerson-Hackett Investment Company, whereas such agreement has been terminated; (2) states that Tommy Thompson owns 400,000 shares of UTC stock issued to him for \$4,000 in cash, whereas such shares are held by Thompson for the benefit of some 27 other persons who contributed therefor some \$4,000 and later paid additional cash, and to whom an additional 1,500,000 shares were issued by the company, which was not disclosed; (3) shows certain shares issued in the names of Messrs. Gressman, Max Horton and Kenneth Price, officers and directors of the company, whereas it appears that Messrs. Horton and Price have assigned their shares (held in escrow by the Utah Securities Commission) to Gressman and have resigned from the board of directors, which facts are not disclosed; (4) does not disclose the fact that 1,500,000 shares were issued to a party in Oklahoma in consideration of the receipt by UTC of certain oil properties; (5) does not disclose that Gressman received 1,000,000 shares of UTC stock from George Willis Smith of Stockton, Utah, and sold 500,000 of such shares to approximately 11 persons; and (6) fails to disclose that the required assessment work for the year 1956 had not been performed on any of the claims represented in the offering circular as held by the company, or to disclose that unless such work was performed by July 1, 1956, UTC would forfeit its right to the claims.

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CONTINUED ON PAGE 3

Securities Act Release No. 3700

The SEC today announced a proposal for revision of its Form S-2 under the Securities Act of 1933; and it invited the submission of views and comments thereon not later than November 5, 1956.

Form S-2 is the form prescribed by the Commission for the registration of the capital stocks of corporations which do not have a record of earnings, have not succeeded to other going businesses, and do not have any important subsidiaries. The form is used only where the securities are to be sold for cash; and it is not available for insurance, investment, or mining companies.

The purpose of the proposed revision is to bring the items and instructions of the form up-to-date and in line with the items and instructions of other forms, which heretofore have been revised by the Commission in its rules revision and simplification program.

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Pittsburgh Consolidation Coal Company, Pittsburgh, Pa., filed a registration statement (File 2-12830) with the SEC on October 3, 1956, seeking registration of 2,678,697 shares of its \$1 par Common Stock. The shares are to be offered in exchange for shares of Pocahontas Fuel Company Incorporated Common Stock on the basis of 2-5/8 shares of Pittsburgh common for each share of Pocahontas common.

According to its prospectus, Pittsburgh desires to acquire all (and in no event less than 85%) of the outstanding shares of Pocahontas common "to supplement its own position in the production and marketing of bituminous coal." The exchange will be declared effective, subject to certain conditions, if but only if at least 85% of the outstanding shares of Pocahontas common have been deposited for exchange by November 30, 1956. One of the conditions is a favorable vote on the exchange offer by stockholders of Pittsburgh.

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American Discount Company of Georgia, Charlotte, N. Car., filed a registration statement (File 2-12831) with the SEC on October 3, 1956, seeking registration of \$1,000,000 of Twenty Year Capital Debentures, 5.75% Series of 1956, due November 1, 1976 (Subordinated to all other borrowed funds). The company proposed to make a public offering of the debentures through Interstate Securities Corporation, Johnson, Lane, Space & Co., Inc., and A. M. Law & Company, underwriters. The offering is to be made in units of \$1,000 each, at 100%, with a \$45 per unit underwriting commission. Proceeds of the financing will be applied to the working capital of the company and used in its general business.

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Underwood Corporation, New York, today filed a registration statement (File 2-12832) with the SEC seeking registration of \$5,000,000 of Convertible Subordinated Debentures, due October 1, 1971, to be offered for public sale through an under-

writing group headed by Lehman Brothers. The interest rate, public offering price and underwriting terms are to be supplied by amendment. Net proceeds of the financing will be added to the general funds of the company and used as working capital and, to the extent available, for expenditures for research and engineering, modernization of plant facilities, development of new products and general expansion of operations.

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National Steel Corporation, Pittsburgh, today filed a registration statement (File 2-12833) with the SEC seeking registration of \$55,000,000 of First Mortgage Bonds, Series due 1986, to be offered for public sale through an underwriting group headed by Kuhn, Loeb & Co., The First Boston Corporation, and Harriman Ripley & Co., Incorporated. The interest rate, public offering price, and underwriting terms are to be supplied by amendment. Net proceeds of the financing will be added to the general funds of the company and will be used in connection with financing the completion of its construction program. As of June 30, 1956, the estimated cost to complete the authorized capital improvements amounted to approximately \$140,000,000.

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Holding Company Act Release No. 13274

Blackstone Valley Gas and Electric Company, Brockton Edison Company, and Fall River Electric Light Company, subsidiaries of Eastern Utilities Associates, have joined in the filing of an application with the SEC proposing additional short-term bank loans; and the Commission has issued an order giving interested persons until October 15, 1956, to request a hearing thereon.

As of July 31, 1956, Blackstone, Brockton and Fall River had outstanding bank loans in the amounts of \$3,000,000, \$1,000,000 and \$800,000, respectively. To meet construction requirements to September 30, 1957, it is estimated that they will require additional funds in the amounts of \$1,250,000, \$1,500,000 and \$450,000, respectively; and the companies propose to borrow from various banks the funds required to meet such requirements.

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Holding Company Act Release No. 13275

The Manufacturers Light and Heat Company, Pittsburgh, subsidiary of The Columbia Gas System, Inc., has applied to the SEC for permission to acquire certain oil and gas leases, gas reserves, and related properties from Carnegie Natural Gas Company, in exchange for similar properties of Manufacturers; and the Commission has issued an order giving interested persons until October 18, 1956, to request a hearing thereon.

The Carnegie properties are located in Marshall and Wetzel counties, West Virginia, and Greene County, Pennsylvania. In consideration for the transfer of such properties to it, Manufacturers proposes to transfer to Carnegie certain oil and gas leases, gas reserves and related property located in Washington and Greene counties, Pennsylvania, plus a cash consideration of \$200,000. The properties being acquired by Manufacturers have a net original cost of \$238,624, which is equal to the net original cost of the properties being transferred to Carnegie.

Holding Company Act Release No. 13277

Natural Gas Company of West Virginia, of Pittsburgh, another subsidiary of The Columbia Gas System, Inc., has filed an application with the SEC with respect to its proposal to sell certain of its assets to Manufacturers Light and Heat Company; and the Commission has issued an order giving interested persons until October 18, 1956, to request a hearing thereon.

The properties in question consist of (a) the McFarland Gas Production Field, located in Madison and St. Clair Townships, Columbiana County, O., comprising 25 operating wells and the associated well lines, field gathering lines, measuring and regulating equipment and drilling equipment, and approximately 7,000 feet of six-inch and 3,800 feet of eight-inch transmission lines; and (b) approximately 5.4 miles of eight-inch pipeline in Pultney and Pease Townships, Belmont County, O., together with the measuring station, meter and services associated therewith. The facilities to be sold constitute only a minor part of the utility assets of Natural Gas, located in the Ohio-Pennsylvania border area and are already integrated with Manufacturers' eastern Ohio operations. Their conveyance to Manufacturers' is said to be an intermediate step in Columbia's system-wide realignment program, whose ultimate objective is to transfer to a single operating company all production and interstate transmission properties subject to the jurisdiction of the Federal Power Commission, and to consolidate the distribution facilities within each State in a single company subject to the appropriate State commission. The properties are to be transferred at the book value (original cost) less the book reserves for depreciation and depletion, which at June 30, 1956, amounted to \$127,955; and Manufacturers will pay therefor in cash.

Holding Company Act Release No. 13276

New England Electric System (Boston) has joined with five of its subsidiaries in the filing of an application with respect to additional short-term borrowings by the subsidiaries; and the Commission has issued an order giving interested persons until October 18, 1956, to request a hearing thereon.

The subsidiaries, and the amounts of their respective borrowings, to be made from Banks or from NEES, are as follows: Lawrence Electric Company, \$400,000 in addition to previously authorized borrowings of \$4,825,000; Quincy Electric Company, \$195,000 in addition to \$1,705,000 of authorized borrowings; Weymouth Light and Power Company, \$20,000 in addition to \$2,530,000 of authorized borrowings; Worcester County Electric Company, \$300,000 in addition to \$5,000,000 of authorized borrowings;

and The Lowell Electric Light Corporation, \$900,000 of initial borrowings. Of the total borrowings, \$10,525,000 will be from NEES and the balance, \$5,350,000, from The First National Bank of Boston. The proceeds to be derived from the issuance and sale of the notes will be used by the borrowing companies to discharge their outstanding notes or to pay construction costs.

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Holding Company Act Release No. 13278

Iroquois Gas Corporation, Buffalo, N.Y. subsidiary of National Fuel Gas Company, has applied to the SEC for authorization to sell certain of its natural gas distribution facilities to New York State Electric & Gas Corporation; and the Commission has issued an order giving interested persons until October 17, 1956, to request a hearing thereon.

The properties consist of Iroquois' natural gas distribution facilities in the towns of Portage, Nunda and West Sparta, New York, and the eastern portion of its distribution system in the town of Genesee Falls, New York, together with the gas transmission line running from Genesee Falls to Dansville, New York. The purchase price thereof is approximately \$200,925, subject to adjustment.

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Chairman J. Sinclair Armstrong of the Securities and Exchange Commission today issued the following statement on behalf of the Commission in response to inquiries as to whether the Commission has halted its inquiry into trading in the stock of Northeast Airlines, Inc.

"The Securities and Exchange Commission has been and is continuing to investigate possible violations of the Federal securities laws, particularly the anti-manipulative provisions of the Securities Exchange Act, involved in transactions in the stock of Northeast Airlines, Inc. The Securities and Exchange Commission has referred to the Department of Justice data uncovered by us bearing on possible violations of other statutes of the United States and all the information developed by us has been furnished to the Subcommittee on Investigations of the Committee on Government Operations and to the Committee on Banking and Currency of the U. S. Senate.

"At no time has the Commission received from any person a request or suggestion that our investigation under the Federal securities laws be discontinued or abandoned, nor has it been.

"The circumstances of our investigation are set forth in more detail as follows:

"At the opening of business on Monday, August 6, 1956, the market surveillance units of the Commission's Division of Trading and Exchanges in Washington and of our New York Regional Office commenced an investigation into the trading in the common stock of Northeast Airlines which had occurred on the American Stock Exchange on the previous Friday, August 3. On August 3 there had appeared a sudden and substantial increase in market activity and an increase in the market price of the stock from a low of 9-1/8 to a high of 12-1/2. The investigation was begun by the Commission's staff on its own initiative and was concerned with whether the market in this stock had been manipulated in violation of the anti-manipulative provisions of the Federal Securities Exchange Act of 1934 or whether any other violations of the Federal securities laws had occurred.

For further details, call ST. 3-7600, ext. 5526

"On Wednesday, August 8, Chairman James R. Durfee of the Civil Aeronautics Board called me, as Chairman of the Securities and Exchange Commission, and advised that he suspected that market activity in Northeast Airlines stock on August 3 on the American Stock Exchange may have resulted from a 'leak' of the information that the Civil Aeronautics Board, late in the evening of Thursday, August 2, had voted to grant Northeast Airlines a license for air service between New York and Miami. The decision was not to be made public until a legal opinion had been written for promulgation by the Board at a later date.

"Chairman Durfee requested that the Securities and Exchange Commission make an investigation of the suspected 'leak'.

"The Securities and Exchange Commission advised Chairman Durfee that our primary concern involved the question of possible market manipulation contrary to the anti-manipulative provisions of the Securities Exchange Act, or other possible violations of the Federal securities laws, and that this Commission has no jurisdiction, as such, to investigate questions of violation of other laws which may have resulted from a 'leak' of information with respect to the Board's action. However, we told Chairman Durfee that the Commission's investigation would be vigorously carried forward and he would be advised of any information which might be pertinent to the question of a 'leak', including the names of purchasers of Northeast Airlines stock on Friday, August 3.

"The Commission's investigation was carried forward, with emphasis upon ascertaining the names of purchasers of Northeast Airlines stock on August 3 and the factors which may have motivated such purchases bearing on possible illegal stock price manipulation. The names of such purchasers, together with the results of preliminary inquiries of certain of the purchasers as to the reasons for their purchases, were developed. Chairman Durfee and members of his staff conferred with members of the staff of the Securities and Exchange Commission and me on August 13 and August 17 for the purpose of carrying forward the investigation as rapidly and effectively as possible and to analyze data obtained in the investigation. A report of the Securities and Exchange Commission was delivered to Chairman Durfee's office at the Civil Aeronautics Board on August 17, 1956, summarizing all the data obtained.

"In this report it was shown, as a result of this Commission's investigation, that an employee of the Civil Aeronautics Board had engaged in transactions in the stock of the Northeast Airlines on August 3. Because of the memorandum of the Attorney General of the United States to the Heads of all Departments and Agencies in the Executive Branch of the Government,



issued January 27, 1956, advising that questions of possible employee misconduct should be referred to the Department of Justice for investigation, and because of the limitation of the jurisdiction of the Securities and Exchange Commission to questions arising under the Federal securities laws, Chairman Durfee and the Securities and Exchange Commission referred all of the information developed in this Commission's investigation to the Department of Justice for consideration under any statutes other than the Federal securities laws which the Department might deem relevant. The information and data was submitted to the Department in a conference of Chairman Durfee, Philip A. Loomis, Jr., Director of the Trading and Exchanges Division of the Securities and Exchange Commission and myself, with Acting Assistant Attorney General Rufus D. McClean, on August 17, 1956.

"On August 24, 1956, the Securities and Exchange Commission submitted further information developed in its continuing investigation to Chairman Durfee and Acting Assistant Attorney General McClean.

"On Monday, August 20, 1956, the Securities and Exchange Commission received a letter from Senator John J. Williams, dated August 17, requesting certain information in connection with transactions in Northeast Airlines stock. The data requested was furnished by the Securities and Exchange Commission to Senator Williams on the following day, August 21.

"On September 4, 1956, the Securities and Exchange Commission received an inquiry from Senator J. W. Fulbright, Chairman of the Committee on Banking and Currency, dated August 31, requesting certain information in connection with transactions in the Northeast Airlines stock. The next day, September 5, the Commission advised Senator Fulbright that we would be glad to make available to the Committee the information we had developed in our investigation. Promptly thereafter, all such data was made available by us to members of the staff of the Senate Committee on Banking and Currency.

"On Thursday, September 13, 1956, in a conference with Senator John L. McClellan, Chairman of the Committee on Government Operations and the Permanent Subcommittee on Investigations, I advised Senator McClellan on behalf of the Securities and Exchange Commission that we would cooperate with his Committee and Subcommittee in making available all data which we had developed in connection with transactions in the Northeast Airlines stock. Such data has since been supplied to the staff of the Subcommittee.

"On August 24, the Securities and Exchange Commission learned that an investigation would be conducted by the Department of Justice acting through the Federal Bureau of Investigation. This investigation relates to possible violations of statutes other than the Federal securities laws, particularly those relating to conduct of government employees. The Commission in accordance with its traditional policy of cooperation with the Federal Bureau of Investigation, is conducting its investigation in a manner which will not duplicate or obstruct the investigation by the Federal Bureau of Investigation of matters which fall within the jurisdiction of that Bureau and not of the Commission. For this purpose, and pursuant to cooperative arrangements with the Bureau, the staff of the Commission has refrained from interviewing possible witnesses with respect to those aspects of the case being pursued by the Bureau and is maintaining continuing liaison with the Bureau in respect to the investigation.

"The Commission's investigation with respect to possible violations of the Federal securities laws is continuing."