

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 December 19, 1956

Holding Company Act Release No. 13338

American Natural Gas Company and its subsidiary, Michigan Consolidated Gas Company (Detroit) have filed common stock financing proposals with the SEC; and the Commission has issued an order giving interested persons until January 10, 1956, to request a hearing thereon.

American Natural proposes to issue to holders of its 4,421,132 outstanding shares of \$25 par common stock, rights to purchase an additional 442,114 shares (on a one-for-ten basis). The subscription price will be determined prior to the time the offering is released and will be lower than the price then prevailing for the outstanding common stock on the New York Stock Exchange. American Natural will use the net proceeds of this stock sale to purchase 1,786,000 additional shares of the common stock of Michigan Consolidated, thereby aiding in financing the expansion program upon which the American Natural system is engaged.

Michigan Consolidated proposes to issue and sell the 1,786,000 additional shares of its common stock to American Natural for \$25,004,000 in cash. It further proposes to pay to American Natural a special cash dividend of \$4,998,000 out of its retained earnings, and to issue and sell to American Natural an additional 357,000 common shares for \$4,998,000 in cash. The financing will provide Michigan Consolidated with funds to repay or reduce short-term loans incurred for construction purposes and to pay construction costs. Michigan Consolidated states that during the spring or early summer of 1957 it proposes to issue and sell (pursuant to a later filing) from \$25 to \$30 million of bonds, the proceeds to be used for construction purposes and to repay any short-term loans then outstanding.

Holding Company Act Release No. 13339

The SEC has issued an order authorizing Yankee Atomic Electric Company to issue and sell to its 12 stockholder-companies an additional \$500,000 of common stock (5,000 shares), together with an additional \$1,000,000 of notes. The purchasing companies include New England Power Company and The Connecticut Light and Power Company who own, respectively, 30% and 15% of the outstanding common stock and notes issued as an incident to the organization and original financing of Yankee. Design work is already in progress with respect to Yankee's 134,000 kw nuclear power plant, the total capital cost of which is estimated at approximately \$35,000,000. Plant construction is expected to begin in 1957 with completion contemplated in 1960. Proceeds of the issuance and sale of the additional stock will be used to retire outstanding short-term notes. Proceeds of the notes, to be sold from time to time prior to June 30, 1957, are to be used for construc-

tion and development purposes.

Securities Act Release No. 3730

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 stock offerings by the following:

New England Uranium - Oil Corporation, Inc., Oklahoma City, Okla.

New England's Regulation A notification, filed November 8, 1954, proposed the public offering of 300,000 shares of capital stock at \$1 per share. Omer C. Caouette of Fitchburg, Mass., is named as underwriter.

United States Rare Earths, Inc., Denver, Colo.

Rare Earths' Regulation A notification, filed May 14, 1956, proposed the public offering of 900,000 common shares at 25¢ per share.

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

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. The Commission's order with respect to New England asserts that the terms and conditions of Regulation A were not complied with and that the notification, offering circular and other sales literature contained false and misleading information and failed to state facts required to be stated. In the case of Rare Earths, the Commission's order asserts that, by order of the District Court in and for the City and County of Denver and State of Colorado, United States Rare Earths, Inc., was enjoined from offering or selling its securities in the State of Colorado.

Among the false representations alleged to have been made in connection with the offering and sale of New England stock were the following: That Floyd Odium had offered the issuer \$5,000,000 or more for its properties; that in March 1955 only 75,000 of the 300,000 shares offered remained unsold; and that there was "no risk involved" in purchasing the securities offered, they represented a "sound investment," were "not speculative," and had been "approved by" and "registered with" this Commission. Furthermore, according to the Commission's order, the offering circular failed to describe correctly the properties to be operated or developed and the interests of officers, directors and controlling persons; the notification and other sales literature contained untrue statements of material facts in representing (a) that the securities were to be offered only at \$1 per share, (b) that the interests of the promoters and management officials were as stated in the offering circular, (c) that Paul J. Posco, secretary, is a certified public accountant, and (d) that Raymond J. Jena is a vice president when, in fact, he resigned in February 1955; and the notification and other sales literature failed to disclose that the underwriter named therein had been refused a license to sell securities in Massachusetts, that notwithstanding such refusal the offering would be made in Massachusetts, and that, with respect to sales made in Massachusetts, a conditional liability would exist against the issuer. In addition, certain offers and sales of securities were made without delivery of an offering circular, as required, and written communications were used in connection with the offering without having been filed, as required, according to the order.

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The American MonoRail Company, Cleveland, O., filed a registration statement (File 2-12964) with the SEC on December 18, 1956, seeking registration of 40,000 shares of \$1.20 Cumulative Convertible Preferred Stock, 1956 Series (\$20 par). The preferred shares are to be offered for public sale at par through an underwriting group headed by Fulton Reid & Co., Inc., which will receive a \$2 per share underwriting commission.

The registration also covers 30,400 shares of \$1 par common stock already issued and outstanding and being registered for the purpose of offering the purchasers thereof an opportunity to rescind their purchases of such shares.

MonoRail manufactures overhead materials handling systems. Proceeds of its preferred stock financing will be used to reduce short-term bank borrowing by approximately \$350,000, with the balance added to working capital. This financing is part of a program designed to permit the consolidation of the company's plants and offices in a single new building to be constructed at Brookpark and West 150th Street, Cleveland, Ohio. The complete program will require \$700,000 to \$1,000,000 in addition to the present financing. The company presently intends this amount to be in the form of funded debt, but no financing arrangements have been initiated yet. While the proceeds of this offering will not be used directly to pay for common stock tendered the company under the repurchase offer, the working capital of the company will be directly affected by any such purchases. In the event all of the common stock subject to the repurchase offer should be tendered, the company's cost would be approximately \$215,000.

The 30,400 outstanding common shares were issued and sold at \$7 per share earlier this year, but were not registered with the Commission under the Securities Act. In view of this "inadvertent and unintentional violation of Section 5 of the Act," and the right of the holders to rescind such sales, the company intends to furnish the purchasers of such stock a copy of the prospectus and an opportunity to rescind such purchase and receive back their \$7 per share purchase price.

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Continental Copper & Steel Industries, Inc., New York, filed a registration statement (File 2-12965) with the SEC on December 18, 1956 seeking registration of 170,000 shares of its \$2 par Common Stock, to be offered for subscription by holders of outstanding common at the rate of one additional share for each ten shares held. The record date, subscription price, and underwriting terms are to be supplied by amendment. Allen & Company, P. W. Brooks & Co. Incorporated, and Auchincloss, Parker & Redpath are named as underwriters.

Net proceeds of the financing are to be initially added to the company's working capital. The company is embarking upon a program of modernization, integration, improvement and expansion of the production facilities of its Hatfield Wire & Cable, Braeburn Alloy Steel, and Hanover Wire Cloth Divisions and of its wholly owned subsidiary, National Wire Corporation. It is anticipated that this program will involve expenditures of approximately \$6,000,000 over a period of approximately two years. It is expected that the proceeds from the

sale of the common stock offered hereby, supplemented by other funds of the company, will be used in meeting cash requirements for the proposed additions and improvements referred to above, but allocation of the proceeds for particular purposes has not been made. The company intends to provide the necessary funds for this program from this offering, from cash on hand, from earnings, and from refunding of institutional borrowings, if necessary. It has no present intention of providing funds through the sale of additional securities.

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General Telephone Company of Michigan (Muskegon) filed a registration statement (File 2-12966) with the SEC on December 18, 1956, seeking registration of 160,000 shares of \$1.35 Cumulative Preferred Stock, \$25 par. General proposes to offer the 160,000 preferred shares for the outstanding shares of \$2.70, \$2.75, \$1.44 and \$1.35 Cumulative Preferred Stocks of Union Telephone Company. Such exchange is offered on the basis of two shares of General preferred plus \$2 in cash for each share of Union \$2.70 preferred, two shares plus \$2 cash for each share of Union \$2.75 preferred, one share plus \$1.25 cash for each share of Union \$1.44 preferred, and one share plus \$1.25 cash for each share of Union \$1.35 preferred.

The exchange offer is part of the proposed plan of merger of Union into General. The two companies are part of the General Telephone System. Their parent, General Telephone Corporation, owns all of their outstanding common stocks. The objective of the proposed merger is to combine the two Michigan subsidiaries into a single, integrated telephone operating company. The exchange offer is not contingent upon the consummation of the merger. Shares of preferred stocks of Union not exchanged will, under the terms of the proposed agreement of merger, be retired for cash equivalent to the applicable redemption price plus accrued dividends to April 1, 1957. Funds required for the cash payable upon exchanges and upon retirement of unexchanged shares will be initially obtained from advances by the parent company. Under the proposed agreement, General will issue to its parent 280,000 shares of Common Stock (\$5,600,000 par) in exchange for 224,000 shares of Union Common Stock (\$5,600,000 par). It is further proposed that General will issue a new series of its First Mortgage Bonds in exchange for the presently outstanding First Mortgage Bonds of Union. It is also contemplated that in connection with the proposed merger General will sell 175,000 common shares to its parent for \$3,500,000 and will sell privately \$5,500,000 of its First Mortgage Bonds. These funds together with the proceeds of sale of any of the new preferred shares not issued in exchange will be used to repay the additional advances to be received from the parent incident to the merger, to repay funds borrowed for 1956 construction, and to provide funds for construction requirements for the first quarter of 1957.

A group of soliciting dealers, headed by Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corporation, will solicit acceptances of the exchange offer and offer the unexchanged shares for public sale.

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CONTINUED ON PAGE 5

Oklahoma Gas and Electric Company, Oklahoma City, Okla., today filed a registration statement (File 2-12967) with the SEC seeking registration of \$20,000,000 of First Mortgage Bonds, Series due 1987, to be offered for public sale at competitive bidding. Proceeds of the bond sale will be used to pay part of the expenditures incurred and to be incurred by the company under its construction program. The company estimates that its construction expenditures will amount to approximately \$30,000,000 in 1957, \$35,000,000 in 1958, and \$28,000,000 in 1959. These estimates include expenditures of approximately \$18,000,000 to complete the addition of 177,500 kilowatts of generating capacity and related substation equipment at the Horseshoe Lake Station to be completed in May of 1958, and \$27,000,000 to construct an additional 240,000 kilowatts of generating capacity and related substation equipment in the Oklahoma City area to be completed in May of 1959.

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