

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 31, 1957

HORTON AIRCRAFT STOCK OFFERING SUSPENDED

The Securities and Exchange Commission today announced the issuance of a "stop order" decision suspending the effectiveness of two registration statements filed by Horton Aircraft Corporation, of Las Vegas, Nevada, because of false and misleading representations contained in the registration statements, which proposed the public offering of 500,000 and 100,000 shares, respectively, of Horton Aircraft stock.

Horton Aircraft was organized in 1952 for the purpose of engaging in the business of manufacturing and selling a so-called "Horton Wingless Airplane." Its only asset was said to be a patent issued to William E. Horton, its president, with respect to the wingless plane and assigned by him to the company. Horton had agreed to assign the patent rights to the company for 500,000 shares of its stock, and to build and sell a model of the plane to the company for an additional 200,000 shares. The company's entire personnel consisted of three directors, including Horton; and it had more than 800 stockholders. The first registration statement filed April 26, 1955, proposed the public offering of 400,000 shares by the company and 100,000 shares held by Horton, at \$1 per share or the market price, whichever was higher. The second, filed October 18, 1956, proposed the public offering of 100,000 shares held by Horton at \$25 per share.

According to the Commission's decision, Horton "had no patent rights or patent he could validly assign" to the company and it was at least doubtful whether he could legally sell a model of the wingless plane to the company because of a June, 1954 court decision upholding the validity of an earlier assignment to another company of Horton's interest in his "invention" of the wingless plane. Furthermore, the Commission ruled that false and misleading statements were made in the registration statement with respect to the nature and performance of the wingless plane. The plane was represented as having no wings and it was stated that a model constructed by Horton in 1954 had been test-flown continuously and its performance had equalled Horton's expectations.

The Commission found that the wingless plane in fact had wings which extended about 8 feet from the fuselage and had a depth of 5 to 6 feet, and that these wings, although retractable, had never been retracted in flight. "The registration statements should have disclosed," the Commission stated, "that the Horton plane, which was remodelled from a standard airplane, has in general performed in a manner inferior to that of a conventional plane Horton has used as a basis for comparison, that his plane admittedly was not built to fly any distance and the test flights were short, the longest flight being about 150 miles, that the maximum speed of the plane was about one-half that of another plane using the same motors, and that it had never been tested for range or load-carrying capacity. The second registration statement should have further disclosed that the prototype has not been test flown since it crashed in landing in June, 1955.

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

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"Moreover, the statement that the plane's performance has equalled Horton's expectations is misleading in view of statements made in brochures and form letters which Horton caused to be prepared and circulated by registrant in connection with previous sales of unregistered stock. Those statements, which were false and misleading, were to the effect that Horton's development of the Horton Wingless Plane is comparable to the achievements of the Wright brothers, Leonardo da Vinci, Sikorsky, Billy Mitchell, and Charles Lindbergh; that his plane is one of the greatest aeronautical engineering achievements of all ages and the greatest advance in aviation since the advent of flying; that it can carry 100% greater payload over 100% greater range and is faster and easier to control than any other plane, and can carry twice the load at half the cost of any other plane; and that the Horton Wingless Jumbo Transport plane will carry 4,000 persons a distance of 25,000 miles non-stop, at 60,000 feet altitude, at speeds of over 400 miles per hour."

The Commission also found false and misleading the disclosures in the registration statements with respect to past stock sales without prior registration, the selling costs of the proposed offerings, and the proposed use of the proceeds of the financing, as well as the implications that the \$25 per share price of the second offering was based upon and related to some reasonable valuation of the stock.

Horton Aircraft and Horton were permanently enjoined by the United States District Court in Los Angeles in September, 1954 from making false and misleading statements in the sale of Horton Aircraft stock. Horton was convicted on March 8, 1957, of fraud in the sale of Horton Aircraft stock and sentenced to 3 years' imprisonment followed by 5 years' probation.

UNITED MERCHANTS FILES FOR STOCK PLANS

United Merchants and Manufacturers, Inc., New York, filed a registration statement (File 2-13723) with the SEC on October 30, 1957, seeking registration of (a) \$500,000 of Interests in The Employees Stock Purchase Plan for 1958, together with 75,000 shares of common stock for issuance under said plan; and (b) 124,386 shares of Common Stock, for issuance pursuant to The Executive Employees Restricted Stock Option Plan.

TRADING IN BELLANCA STOCK SUSPENDED

The Securities and Exchange Commission today announced the issuance of an order pursuant to Section 19(a)(4) of the Securities Exchange Act of 1934, suspending trading on the American Stock Exchange in the \$1 par Capital Stock of Bellanca Corporation, New Castle, Delaware, for a further ten-day period, November 1 to November 10, 1957, inclusive.

The action was based upon Bellanca's failure to comply with the reporting requirements of Section 13 of the Act and the disclosure requirements of the Commission's proxy rules under Section 14.

Upon the basis of a finding by the Commission that such suspension is necessary to prevent fraudulent, deceptive, or manipulative acts or practices in connection with trading in Bellanca stock, trading by brokers and dealers in such stock in the over-the-counter markets also is prohibited during the period of the suspension.

The Commission previously ordered a hearing pursuant to Section 19(a)(2) of the Act on the question whether the Bellanca stock should be suspended for a period not exceeding 12 months, or withdrawn, from listing and registration on the Exchange. These proceedings are in progress. (See Securities Exchange Act Releases Nos. 5500, 5544 and 5593.)

UNIVERSAL DRILLING FILES FOR STOCK OFFERING

Universal Drilling Company, Inc., New Orleans, La., today filed a registration statement (File 2-13724) with the SEC seeking registration of 400,000 shares of its \$1 par Class A Common Stock. The shares are to be offered for public sale on a "best efforts" basis by an underwriting group headed by Kohlmeyer & Co., of New Orleans, at a subscription price of \$5.50 per share, for which a selling commission of 50¢ per share is to be paid, plus \$50,000 for expenses. In addition, if the underwriters sell a maximum of 400,000 shares, the company has agreed to issue to the underwriters at 1¢ per warrant, warrants to purchase a maximum of 40,000 shares of Class B common stock at \$5.50 per share. The underwriters have agreed to pay a \$10,000 finder's fee to C. Whitney Bouden, a director of the company.

Universal Drilling was organized under Louisiana law in August, 1956. It has not commenced operations. It has contracted for the construction of a drilling barge, and upon the completion and outfitting thereof it will engage in the business of drilling for oil and gas in the Tidelands off the Coast of Louisiana and Texas or in other areas. The barge was designed by Ejile Brinkmann, a civil engineer-employee of the company. It is said to incorporate certain features which were invented and developed by Louis J. Roussel, company president. After completion and delivery of the barge to the company, it may operate the barge under contract with major companies for the development of the mineral interests owned by those companies.

Net proceeds of this financing, assuming the entire 400,000 Class A shares are sold, are estimated at \$1,950,000. Out of such proceeds an estimated \$1,682,656 is planned to be spent in payment of obligations incurred and to be incurred in connection with the construction and equipping of the barge, the total cost of which is estimated at \$3,169,770. Prior to September 30, 1957, the company made payments in the amount of \$671,351, and has made or intends making further payments of \$445,763 out of funds on hand, derived from prior sales of stock. The balance of the costs, or the approximate amount of \$370,000 will be represented by a note secured by a chattel mortgage and ship mortgage on the barge and equipment. The remainder of the proceeds of the financing will be used for working capital and other purposes.

Louis J. Roussel is listed as owner of all the 476,000 outstanding Class B shares and 55,116, or 17.88%, of the outstanding Class A shares. Officers and directors as a group own 215,516 of the 308,197 outstanding Class A shares.

CARPENTER STEEL FILES FOR INCENTIVE STOCK OPTION PLAN

The Carpenter Steel Company, Reading, Pa., today filed a registration statement (File 2-13725) with the SEC seeking registration of 90,000 shares of its \$5 par Common Stock, to be offered to employees of Carpenter Steel under its "Incentive Stock Option Plan for Officers and Key Executives" and "Incentive Stock Option Plan for Employees."

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SEC STATEMENT OF POLICY REVISED

The Securities and Exchange Commission today made public amendments to its Statement of Policy which sets forth standards as to the types of sales literature and advertising which it believes may be misleading when employed in the offering and sale of investment company securities.

The amendments deal with the form and contents of charts and tables which may be used to illustrate results which might have been obtained from an assumed past investment in shares of an investment company. The most important revisions are: (1) Relaxation of the present ten-year restriction on the time period which such charts and tables may cover; (2) provision for charts or tables showing on an annual basis the results of reinvestment of dividends from investment income as well as capital gains distributions; (3) requirement that the difference between the initial investment cost and initial net asset value, must be more clearly shown and that a reference must be made on charts and tables that this difference represents the amount of the sales commission as described in the prospectus; (4) changes in the form and captions of the models of charts and tables attached to the Statement of Policy in order to emphasize their illustrative nature so that they would not be taken as a representation of the results which may be realized from an investment made today; and (5) permission for a more liberal use of summary tables which may accompany a detailed chart or table.

In addition to the amendments to the Statement of Policy, the Commission, as announced yesterday, has adopted amendments to the prospectus requirements for management investment companies. These amendments substantially revise the form of the required table showing on a per share basis a ten-year comparative summary of earnings and capital changes of the investment company. The changes were designed to provide for investors a more informative presentation of the financial record of the company than was provided for the previous item. The ratio of net income to average net assets and the ratio of operating expenses to average net assets will also be required to be set forth as part of this table.

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For IMMEDIATE Release Thursday, October 31, 1957

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.

Securities Exchange Act of 1934
Release No. 5593

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