

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



Washington 25, D.C.

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

FOR RELEASE August 22, 1956

## Securities Act Release No. 3679

The SEC today announced the issuance of a stop-order suspending the effectiveness of a registration statement filed by American Republic Investors, Inc., of Dallas, which proposed the public offering of 800,000 shares of its Common Stock at \$10 per share. The Commission held that the registration statement contained materially misleading statements and omitted to state material facts with respect to such matters as the proposed use of the proceeds of the offering, the history and business of the company, transactions with promoters, experience of officers, and in its financial statements.

Registrant, which was organized under Maryland law in May, 1955, has a wholly-owned subsidiary, American Old Line Life Insurance Company, organized and authorized to do business under Texas law. Net proceeds of the proposed stock offering, after deduction of a \$2 per share underwriting commission and expenses, were estimated at \$6,375,000 and were to be invested 60% in stock of the subsidiary and 40% in stocks of other life insurance companies. The prospectus named A. J. Humphreys, R. E. Bowling and H. W. McCracken as officers and principal promoters.

The Commission found that the registration statement was deficient for failing to disclose the order in which the proceeds were to be allocated between investment in the subsidiary and investment in portfolio securities, for failing to specify with more particularity the type of portfolio securities in which registrant proposed to invest, and for failing to disclose whether portfolio securities were to be acquired from promoters or other affiliates and, if so, the principles to be followed in determining the amount to be paid therefor. It was noted by the Commission in this connection that, when the registration statement was filed, registrant had already acquired securities of eleven companies, all from insiders; that no investigation of the financial condition of the various companies was made; the securities had no market value and the value ascribed to them was essentially arbitrary; and that, with one exception, none of the companies had paid a cash dividend.

With respect to capital shares of the registrant, there was a failure to show the proportion of the stock, assuming the sale of all shares offered and the exercise of the options, that would be in the hands of the management group which would, as a practical matter, be in a position to control registrant, as well as a failure to disclose the amount paid therefor as compared with the amount to be in the hands of the public and the amount paid therefor.

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

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The description of the business in which the company was engaged and intended to engage was "grossly misleading," the Commission found. The company's registration statement stated that the primary purpose of a registrant was to offer its stockholders an opportunity to become "charter members" of the subsidiary, a new legal reserve stock life insurance company, and that its secondary purpose was to seek capital gains and dividends through long-term appreciation in common stocks of old line legal reserve life insurance companies. The term "charter members" was not explained and its significance, if any, not indicated. Some of the securities then held by registrant were not stocks of insurance companies; at least eight of the eleven companies whose securities were held had been recently incorporated; with one possible exception, none had ever paid a cash dividend; and there was no readily available market for any of the securities. Moreover, the inclusion in the registration statement of information concerning the growth and profits of 20 outstanding life insurance companies and a comparison between the capital gains and dividends paid on certain selected "blue chip" industrial stocks and certain selected life insurance companies was considered "extremely misleading" by the Commission. The registration statement also failed to include any statement regarding the competitive conditions of the life insurance industry in Texas, which was "highly material" in view of the fact that approximately 280 legal reserve life insurance companies have been chartered in Texas in the last five years.

Despite specific requirements therefor, there was no disclosure by the registrant of the issuance of 222,815 common shares to eleven persons at \$1 per share in exchange for securities of eleven companies and \$71,850 in cash. Of the six persons who received stock of the registrant in exchange for such other securities, four were either promoters or holders of more than 10% of its outstanding equity securities. In contrast, the registration statement falsely stated that registrant had received nothing from the promoters and that the only holders of any equity securities of registrant were its officers and directors.

In conclusion, the Commission stated that the registration statement covered a proposed offering of stock in an enterprise "that was so potentially hazardous for public investors that only the most scrupulously fair and complete disclosure could have afforded them adequate protection." Despite this, the registration statement contained "numerous false statements and omitted information of the most important and significant nature." Subsequent to the hearing, registrant filed amendments to its registration statement showing that its assets, liabilities and capitalization have been changed and that its plans for a public offering of securities and program for future operations have been substantially altered. In declining to exercise its discretion in favor of considering these amendments in lieu of issuing a stop-order, the Commission observed that, "where a registrant has misstated or withheld pertinent and material information in a registration statement to the flagrant degree present in this case, the issuance of a stop-order is essential for the protection of public investors by dispelling the false and misleading information publicized on the filing of the registration statement." In addition, it called attention to a number of deficiencies contained in the amendments. "If registrant wishes to apply for a declaration that the stop-order shall cease

to be effective," the Commission stated, "it will be necessary to remedy the deficiencies in these amendments and bring the disclosures therein up-to-date."

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Samson Uranium, Inc., Denver, filed a registration statement (File 2-12721) with the SEC on August 21, 1956, seeking registration of 25,000,000 shares of its 10¢ par capital stock, to be offered for sale at par through Indiana State Securities Corporation, of Indianapolis. According to the prospectus, the offering is to be made only to residents of Indiana; and the underwriting commission is to be .015¢ per share.

Samson was organized under Colorado law on June 13, 1955, for the purpose of acquiring interests in mining properties and of engaging generally in the acquisition, exploration, development, mining and milling of uranium and other minerals. It has acquired from Tom E. Martin, the company's General Manager, in exchange for 2,500,000 shares of the company's stock, claims encompassing approximately 5,000 acres of land in the Big Indian Mining District in San Juan County, Utah, plus title to certain equipment. The company intends to conduct exploratory operations on its claims; and \$1,181,250 of the proceeds of the financing are to be used for core drilling, including geological research and core assays. \$462,300 of the proceeds are to be applied to a mining shaft, \$47,700 to exercise purchase of option agreements on additional properties, \$100,000 for working capital, and \$318,750 for underwriting commissions.

The company's president is John Alderman of Denver. In addition to the 2,500,000 shares issued to Martin, it has set aside 752,100 shares against the receipt of \$25,070 from potential investors, plus an additional \$272,900 for the purpose of making payment to officers and directors for services. The underwriter has an option to purchase 150,000 shares at 10¢ during the first 18 months of the offering, and an option on an additional 100,000 shares thereafter at 50¢ per share.

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Southern California Edison Company, Los Angeles, filed a registration statement (File 2-12722) with the SEC on August 21, 1956, seeking registration of 500,000 shares of its \$25 par Common Stock. The company proposes to offer these shares for public sale through an underwriting group headed by The First Boston Corporation and Dean Witter & Co. The initial offering price will be a fixed price related to the then market price for the stock on the New York Stock Exchange. Underwriting terms are to be supplied by amendment.

Net proceeds of the financing will become treasury funds, and the company proposes to use an amount at least equal to such proceeds in its continuing construction program. It is expected that construction expenditures for the years 1956-1957 will total approximately \$257,402,000.

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HCA Release No. 13245

The SEC has issued an order authorizing American Louisiana Pipe Line Company (Detroit) to make borrowings from banks during the period prior to July 1, 1957, in amounts not exceeding \$28,000,000 in the aggregate. Approximately \$12,000,000 of the proceeds are to be used to complete the initial development of the company's natural gas pipe line from Louisiana to Michigan. The remaining proceeds are to be used to pay the costs of expansion, estimated at \$16,000,000, of such pipe line capacity beyond the initial development stage by approximately 100,000 Mcf per day, authorization for which is now being sought in proceedings before the Federal Power Commission.

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ICA Release No. 2400

The SEC has issued an exemption order under the Investment Company Act of 1940, upon application of American Research and Development Corporation (Boston) and Magnecord, Incorporated, of Chicago, with respect to certain transactions by means of which Magnecord seeks to improve its credit and provide funds for certain arrangements with past creditors and suppliers. Among these is a proposal of Magnecord to issue \$800,000 of Registered Notes of the 1956 Series, which have been privately offered to less than 20 offerees. They will be sold pursuant to agreements providing for the purchase of related Registered Stock Warrants for a number of shares of Magnecord common equal, at the exercisable price of \$5 per share, to the principal amount of the 1956 Series Notes. The purchase price of the Warrants will be 1¢ per share and they may be exercised for cash or 1956 Series Notes. American Research has agreed to purchase up to \$100,000 of the 1956 Series Notes for cash, to exchange \$400,000 of short term notes now held for an additional \$400,000 of the 1956 Series Notes, and to purchase warrants covering 100,000 shares of Magnecord common. Part of the proceeds of the sale of the 1956 Series Notes will be used to pay off a \$100,000 cash advance by American Research.

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J. P. Morgan & Co., Incorporated, today filed a registration statement (File 2-12723) with the SEC seeking registration of 250,000 American Depositary Receipts for Ordinary Stock of The Bowater Paper Corporation Limited.

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American Telephone and Telegraph Company, New York, today filed a registration statement (File 2-12724) with the SEC seeking registration of 5,800,000 shares of its \$100 par Capital Stock (Common), to be offered for subscription by stockholders of record September 14, 1956, in the ratio of one new share for each ten shares then held. The subscription price is to be \$100 per share. No underwriting is involved.

The company intends to use the proceeds for advances to subsidiary and associated companies; for the purchase of stock offered for subscription by such companies; for extensions, additions and betterments to its own telephone plant; and for general corporate purposes. According to the prospectus, it is anticipated that expenditures for new construction by the AT&T system will exceed \$2,000,000 for the year 1956; and present indications are that construction expenditures will be fully as large in 1957 as in 1956.

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The Procter & Gamble Company, Cincinnati, today filed a registration statement (File 2-12725) with the SEC seeking registration of \$70,000,000 of Debentures, due September 1, 1981, to be offered for public sale through an underwriting group headed by Goldman, Sachs & Co. 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 for the retirement of outstanding short-term domestic borrowings (which aggregated \$9,000,000 at July 31, 1956); the contemplated construction of a chemical dissolving pulp production unit at its mill at Foley, Fla., estimated to cost approximately \$40,000,000; and for general corporate purposes, including the continuing improvement, replacement and expansion of plants and other facilities. In the first half of 1956, the company expended approximately \$7,000,000 for the purchase of additional timberlands in northwestern Florida, such purchases being financed through short-term borrowings, which are to be repaid with part of the proceeds of the sale of debentures. The Foley mill is scheduled to be completed in 1958.

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