For IMMEDIATE Release Friday, July 13, 1956

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.

RULE U-7 AMENDMENT RE NUCLEAR REACTOR ~~PROSPECTS~~

J. Sinclair Armstrong, Chairman of the Securities and Exchange Commission, today announced that the Commission has adopted an amendment to Rule U-7 under the Public Utility Holding Company Act of 1935. Under its statutory power to exclude specified classes of companies from the definition of "electric utility company" in the Holding Company Act, the Commission has provided in the amended rule for the exclusion of nuclear power projects of public utility companies, provided they meet certain requirements. Companies owning voting securities of or memberships in reactor companies qualifying under the amended rule will not thereby become "holding companies" under the Holding Company Act. The amended rule excludes from the definition of "electric utility company" any company whose only connection with the generation, transmission, or distribution of electric energy is the ownership or operation of facilities used for the production of heat or steam from special nuclear material, and which is organized not for profit.

On behalf of the Commission, Chairman Armstrong stated: "The Securities and Exchange Commission is fully aware of the national and world-wide importance of the development of nuclear power for peaceful purposes in accordance with the policies expressed by the Congress in the Atomic Energy Act of 1954. These include the promotion of world peace, improvement of the general welfare, increase in the standard of living, and strengthening of free competition in private enterprise.

"We do not believe that the Public Utility Holding Company Act, as administered by the Securities and Exchange Commission, should deter private enterprise from going forward with nuclear power projects. We believe that nuclear reactors for the generation of electricity can be developed and ultimately incorporated into the electric utility industry in a manner consistent with the principles and standards of the Holding Company Act.

"In the decision of the Securities and Exchange Commission in the one case which up to now has been presented, the Commission held that twelve utility companies in the New England states could jointly sponsor a nuclear power project in a manner consistent with the Act. Yankee Atomic Electric Company, Holding Company Act Release No. 13048, November 25, 1955.

"Other nuclear power projects, however, have taken different forms of corporate organization and sponsorship. Although we believe that nuclear power generating plants should be established in a manner consistent with the Holding Company Act, the statute permits flexibility in its application during the period when such projects are primarily

engaged in research and development. In the Holding Company Act, enacted in 1935, presumably the Congress did not expressly foresee the development of nuclear energy. However, the statute provides that the state of the art of generating and transmitting electric energy is a factor for the Commission to consider in applying the standards of the Act.

"The amendment to Rule U-7 was adopted today after consideration of the comments of several utility companies as well as from the Atomic Energy Commission and the American Public Power Association. We have not adopted all of the suggestions offered because we believe the present amendment goes as far as the existing demonstrated need.

"The amendment adopted today does not foreclose us from adopting further amendments or from issuing orders related to particular cases. Utilities or industrial corporations which are considering participation in nuclear power projects may discuss their organizational plans with our staff at any time if questions arise as to the applicability of the Holding Company Act or the exemptions available by rule or order under the Act.

"The Securities and Exchange Commission is aware that proposed legislation (S. 2643, 84th Congress) is pending in the Congress which would amend the Holding Company Act so as to achieve in large part the same effect as the amendment to Rule U-7 which we have adopted today. The Securities and Exchange Commission is in complete accord with the policy of the Congress as it may come to be expressed if that proposed legislation is enacted. Although we have expressed the view to Congressional committees that we doubt the necessity for legislation because of our discretionary authority under the Holding Company Act, the end to be achieved by our amended rule and the administrative policy it expresses are wholly consistent with the proposed legislation.

"Although not meeting every case that conceivably might arise, the amended rule will demonstrate that neither the Securities and Exchange Commission nor the Public Utility Holding Company Act stands in the way of progress in the peaceful uses of nuclear energy under the free enterprise system."

As to comments which the Commission has received, Chairman Armstrong stated: "Many comments received on the amendment to Rule U-7 recommended that it be extended to a company which owns generating as well as heat producing facilities. Since the rule contemplates the ultimate ownership of reactor facilities in a manner consistent with the Holding Company Act, and since the rule applies only to non-profit companies, we do not believe that our limiting the availability of the exemption to companies having heat producing facilities, and not at this time extending the exemption to companies having generating facilities

as well, would encourage corporate structures along artificial legal lines. More importantly, however, this limitation avoids the problem which might otherwise arise under the Holding Company Act with regard to the quantity of electric energy sold. In view of the fact that the amended rule appears to cover the only project currently organized which asserts fear of the Holding Company Act, that of Power Reactor Development Company, sponsored by Detroit Edison Company and 25 associated corporations, we have decided to adopt the rule in its present form and to consider the question with regard to future projects as they arise.

"Several comments have been adverse to the 30 day notice of termination provision in subparagraph (b)(4) of the amended rule. A company claiming status under the rule which receives a 30 day notice of termination and which in good faith desires to assert its continued right to non-utility status, would be expected to file, within the 30 days, an application for an appropriate order under Section 2(a)(3) of the Holding Company Act. The filing of such an application would automatically preserve the exempt status at least until completion of formal administrative action, including a full hearing if necessary or desirable. We believe that 30 days is ample time to permit a company to file such an application.

"The suggestion has also been made that the question of when a project ceases to be engaged primarily in research and development is a technical question within the special competence of the Atomic Energy Commission. The Securities and Exchange Commission would necessarily rely on the advice of the Atomic Energy Commission on such a question.

"In addition we have been urged not to foreclose an application for an order under Section 2(a)(3) to meet particular cases not covered by the amended rule. We have no intention of foreclosing such applications and do not regard the amended rule as having that effect. The Securities and Exchange Commission stands ready at all times to consider particular projects in the light of all the provisions of the Holding Company Act and of our administrative authority under the Act."

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.

Summary of SEC Releases, Friday, July 13, 1956
Prepared for Press Use - Not for Quotation

Securities Act Release No. 3659

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) Dakota-Montana Oil Leaseholds, Inc., New York, N. Y.
Regulation A notification, filed May 1, 1953, proposed the public offering of 300,000 shares of common stock at $1 per share.

(2) Hard Rock Mining Company, Pittsburgh, Pa.
Regulation A notification, filed May 7, 1956, proposed the public offering of 1,000,000 shares of common stock at 5¢ per share.

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

In its order with respect to Dakota-Montana Oil, the Commission asserts (A) that it has "reasonable cause to believe" that the principal underwriter for that company's stock offering, Charles J. Maggio, Inc., of New York, has been permanently enjoined, by a decree of the New York Supreme Court, from engaging in the securities business in New York; (B) that the stock offering, if made or continued, would "operate as a fraud or deceit upon the purchasers" of the stock, for the reason that certain material changes in the condition of the company since June 23, 1953, are not reflected in the Regulation A filing, including those with respect to the company's financial condition, its property interests, and the inactive status of the company, in that it is no longer engaged in business or actively functioning, has no present address, and its officers and directors are no longer participating in its affairs; and (C) that the company has not filed required reports of stock sales and the use of the proceeds thereof.

The order concerning Hard Rock Mining asserts (A) that Paul Rowland Jones, a promoter of the issuer, was convicted on March 19, 1956, in the Circuit Court of Jefferson County, Birmingham, Alabama, of an offense of attempting to sell unregistered securities in violation of the laws of Alabama; (B) that the terms and conditions of Regulation A have not been complied with, in that (1) there was a failure to disclose that Jones was a promoter and to disclose the aforementioned conviction and (2) certain sales literature used in the stock offering was not filed with the Commission, as required; and (C) that sales literature used in the offering was "false and misleading" in the following particulars: (1) in estimating ore reserves on the issuer's properties in the amount of $8,000,000, (2) in stating that ore reserves on the issuer's properties contain a large quantity of uranium oxide, (3) in stating that "there have been much higher offers for the stock by outsiders" than the offering price of 5¢ a share to stockholders of Basset Press and Mailing Company and that "the appraised value of this stock, based on its capitalization is $2.00 per share," and (4) in omitting to state that A. M. Jones, the mining engineer who estimated the value of the ore reserves on the property under lease at $8,000,000 was an intermediary transferor in title for his brother, Paul Rowland Jones, a promoter of the issuer.

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Securities Exchange Act Release No. 5337

The Securities and Exchange Commission has granted a request of Tecwyn Owen Williams, Oneonta, N. Y., for withdrawal of his broker-dealer registration under the Securities Exchange Act of 1934, and discontinued proceedings on the question whether such registration should be revoked.

The proceedings were based upon Williams' failure to file a report of his financial condition for the year 1955 as required by Rule X-17A-5. Subsequent to the institution of the proceedings, Williams filed a financial report accompanied by a request for withdrawal from registration. This request was granted by the Commission and the revocation proceedings were discontinued.

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The Brown Investment Company, Ltd., Honolulu investment company, filed a registration statement (File 2-12647) with the SEC on July 11, 1956, seeking registration of 60,075 shares of its Common Stock. Organized under the laws of the Territory of Hawaii on December 5, 1951, the company operates as a diversified, open-end investment company of the management type. Until June 21, 1956, the company confined sales of its shares to bona fide residents of Hawaii. It is planned to extend sales of the company's securities.

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Amendments were filed on July 11, 1956 to the following registration statements seeking registration of additional securities as indicated:

Hamilton Funds, Inc., Denver investment company
File 2-11052 - 2,000,000 shares Ser. H-C7
2,000,000 shares Ser. H-DA

File 2-11053 - $50,000,000 Hamilton Fund Periodic Investment Certificates

Haydock Fund Inc., Cincinnati investment company
File 2-11764 - 50,000 shares Capital Stock, no par value

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J. P. Morgan & Co. Incorporated, New York, filed a registration statement (File 2-12648) with the SEC on July 12, 1956, seeking registration of 250,000 American Depositary Receipts for Capital Shares of Montecantini Societa Generale Per L'Industria Mineraria e Chimica, a corporation organized and existing under the laws of Italy.

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Christian Fidelity Life Insurance Company, Waxahachie, Texas, filed a registration statement (File 2-12649) with the SEC on July 12, 1956, seeking registration of 20,000 shares of its $10 par Common Stock, to be offered for sale at $26 per share. The shares are to be offered first and for a period of thirty days after effectiveness of the registration statement, to stockholders of the company. Unsold shares will be offered for public sale. No commissions

Continued on Page 3

will be paid on the offering to stockholders. The public offering will be made by Albert Carroll Bates, company president. He will receive no compensation other than his salary as president. Individual salesmen employed by Bates will receive not more than 10% of the selling price of the stock.

The company is engaged in writing various ordinary legal reserve non-participating life insurance policies. Proceeds of the new financing will be added in the amount of $200,000 to the present capital stock of $148,500 and will be invested in securities common to the life insurance industry. The remainder of the proceeds will be placed in the surplus account and used for establishment of sales agencies, to finance salesmen, and to meet the necessary surplus requirements for qualifying to sell insurance in other states.

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First Colony Life Insurance Company, Incorporated, Lynchburg, Va., filed a registration statement (File 2-12650) with the SEC on July 12, 1956, seeking registration of 315,000 shares of its $2.25 par Common Stock, to be offered for public sale at $12.50 per share through a group of underwriters headed by Scott, Horner & Mason, Inc. The underwriting commission is to be $1.25 per share.

The company was organized in November, 1955, by Edwin B. Horner and James L. Carter, president and vice-president, respectively. Net proceeds of the financing will be used primarily to increase the capital and surplus of the company and thereby put it in a position to expand its business by increasing the amount of insurance which it may be permitted to write. The company now has outstanding 135,000 shares, of which 99,100 shares are held by officers and directors and members of their families.

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Federated Plans, Inc., Worcester, Mass. investment company, filed an amendment on July 12, 1956 to its registration statement (File 2-12125) seeking registration of an additional $20,000,000 Systematic Investment Plans.

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Braniff Airways, Incorporated, Dallas, filed a registration statement (File 2-12651) with the SEC on July 12, 1956, seeking registration of 1,105,545 shares of its $2.50 par Common Stock, to be offered for subscription by common stockholders at the rate of 3 additional shares for each 5 shares held. The record date, subscription price and underwriting terms are to be supplied by amendment. F. Eberstadt & Co. is the underwriter.

Of the net proceeds, $4,000,000 will be used to pay existing long-term bank indebtedness incurred in 1956, the proceeds of which were used, together with other funds, for financing advance payment on new aircraft and related equipment. The remainder of the proceeds have not been allocated to any particular project or purpose and will be added to the general funds of the company to be used from time to time for such corporate purposes as the management may determine. As of July 1, 1956, the company had new aircraft on order, as follows: Douglas DC-7C (4-engine), 7; Convair Metropolitan 440 (twin-engine), 5;

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Lockheed Electra 188A turbo-prop (4 engine), 9; and Boeing 707 jet (4-engine), 5. The estimated cost thereof, with related equipment, is $80,724,000.

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J. Sinclair Armstrong, Chairman of the Securities and Exchange Commission, today announced the appointment by the Commission, effective August 6, 1956, of Paul Windels, Jr. of New York, New York, as Regional Administrator of the Commission's New York Regional Office. The former New York Regional Administrator, James C. Sargent of New York, assumed his new duties as a member of the Securities and Exchange Commission on June 29, 1956. Since that date, Daniel J. McCauley, Regional Administrator of the Commission's Washington Regional Office, has been serving as Acting Regional Administrator of the New York Region, consisting of the states of New York and New Jersey.

Mr. Windels, since August 1953, has served as Assistant U. S. Attorney for the Eastern District of New York representing the U. S. Government in various trials and appeals involving violations of Federal statutes.

Born in Brooklyn, New York, in 1921, he holds degrees of Bachelor of Arts from Princeton University and Bachelor of Laws from Harvard University Law School. He was admitted to the New York bar in 1949 and is also a member of the bars of the U. S. District Courts for the southern and eastern districts of New York, and the U. S. Court of Appeals for the Second Circuit.

Mr. Windels entered the U. S. Army in 1943 as a Private and was separated in 1946 with the rank of Captain, having served as a Field Artillery Officer, Provost Marshall, and in the Judge Advocate General's Corps in the United States and Europe.

From 1948 to 1953, Mr. Windels was associated with the firm of Wickes, Riddell, Bloomer, Jacobi & McGuire, in the general practice of law in New York City. In 1950, he was appointed Lecturer on Law by the American Institute of Banking and still serves in this capacity. He also served, in 1951, as Special Assistant Counsel for the New York State Crime Commission.

Mr. Windels is a member of the Association of the Bar of the City of New York, American Bar Association, Federal Bar Association, New York State District Attorneys Association, and is a Governor of the Brooklyn Heights Association.

He is married to the former Patricia Ripley of New York City.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.

Securities Act of 1933
Release No. 3659

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