

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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



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STOP ORDER SUSPENDS STRATEGIC MINERALS REGISTRATION. In a "stop order" decision announced today (Release 33-4202), the Securities and Exchange Commission suspended a registration statement filed by Strategic Minerals Corporation of America, Austin, Texas, because of false and misleading representations of material facts.

The statement, filed in 1958, proposed the public offering of \$1,000,000 of bonds at 95% of principal amount and 1,200,000 shares of common stock at \$3 per share. The Commission ruled that the disclosures therein were materially false and misleading with respect to the economic feasibility of Strategic Minerals' proposed business, its proposed production facilities, plant and operating cost estimates, use of proceeds of the offering, the securities proposed to be offered and the amount of securities outstanding, the terms of the bonds, the speculative features of the company's proposed business and securities, and the company's financial statements. The company waived a hearing and consented to entry of the stop order.

The company was organized in April 1955 by David W. Adams, Philip Q. Dudney, Calvin C. Huffman and Malcolm E. Schulz; and it proposed to erect and operate one or more processing plants using the Bruce Williams Process for the beneficiation of low grade ores. The company issued 3,333,333 common shares to Mena Mining Corporation (previously organized by the same persons) for a verbal option to buy the world franchise rights to the process; and thereafter it exercised the option and acquired the franchise rights to the process from Williams and Ores Beneficiation, Inc., a company owned by Williams and two other inventors of the process, in return for \$35,000 and 350,000 common shares plus a royalty on the proceeds of sale of products and by-products of the process' use. Of the 3,333,333 shares issued to Mena, 2,666,666 were transferred to the organizers, who sold about 1,000,000 shares at prices of from 10¢ to \$1 per share; and 1,200,000 shares were returned to Strategic Minerals by the organizers for the purpose of their reoffering and sale for the purposes of the proposed financing.

According to the prospectus, the plants were to be constructed near the Texas-Arkansas border to beneficiate manganese ores from the Mena-Batesville District in Arkansas; near the Texas-New Mexico border to beneficiate manganese ores near El Paso, Texas, and from the Big Bend area of Texas, as well as ore at Las Cruces and from the Socorro area of New Mexico; and at or near Wendon, Arizona, to beneficiate manganese ores from the Government's stockpile in that area, if and when authorized, and ore from mines presently producing in Arizona, New Mexico and Nevada. The prospectus further stated that large government stockpiles of manganese near El Paso and Wendon are susceptible to beneficiation by the process and that negotiations with the Office of Defense Mobilization for allocation of manganese ore, were temporarily unsuccessful due to "economy efforts of Congress."

The Commission found these statements to be false and misleading. No disclosure was made that, under an arrangement with Williams, Strategic Minerals was excluded from the use of the process in the Batesville area; that the stockpile in El Paso was being offered for outright sale at the time the statement was filed and had since been sold; that the company had no basis for concluding the Government would contract to beneficiate its stockpile at Wendon. The prospectus failed to state that ODM had advised the company that there was no defense justification for additional government commitments to upgrade or purchase manganese ore; that specification-grade manganese on hand was far in excess of the minimum stockpile objective; and that various other processes were being examined for upgrading low-grade ore.

There also was a failure to disclose that Strategic Minerals has no assured source of raw materials and has not examined any mines or mining properties with a view to determining the possibilities of locating potential sources of raw material for its proposed plant; that the plant near the Texas-Arkansas border, which is the first plant to be constructed, would be about 150 miles from the Batesville mining area and transportation costs would be so high as to reduce greatly or nullify the likelihood of receiving any ore for treatment from that area, and that, aside from the Batesville mining area, there is no significant manganese mining area near enough to the site of such plant to justify the company's proposed operations.

References in the prospectus to the economic feasibility of the proposed operations were found to be false and misleading, including the failure to disclose the current world prices of manganese ores, that the company has not conducted any market survey to determine sales potential, and that it is questionable whether the company could operate profitably even assuming the validity of its cost figures, which appeared doubtful.

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Other disclosures were found to be false and misleading, including estimates of plant construction costs, the use of the proceeds of the financing, the plan for distribution of the bonds and stock (including failure to disclose that a 20% commission on stock sales and 10% on bond sales would be payable to a company 50% owned by Calvin C. Huffman, president of the issuer), and conflicting figures as to the total common shares outstanding and failure to disclose that any unsold portion of the 1,200,000 shares would be returned to the original owners.

GENERAL MOTORS FILES EMPLOYEE PLAN. General Motors Corporation, 1775 Broadway, New York, filed a registration statement (File 2-16436) with the SEC on April 6, 1960, seeking registration of 1,600,000 shares of common stock, to be offered pursuant to the company's Savings-Stock Purchase Program for Salaried Employees in the United States.

GENERAL MOTORS FILES STOCK OPTION PLAN. General Motors Corporation, 1775 Broadway, New York, filed a registration statement (File 2-16437) with the SEC on April 6, 1960, seeking registration of 530,742 shares of common stock, being the total number of shares which, at February 29, 1960, were subject to (1) options which were exercisable on that date and (2) options which will become exercisable on September 17, 1960. The options were issued under the company's Stock Option Plan for executives of General Motors.

BURNDY CORP. FILES EMPLOYEES' PLAN. Burndy Corporation, Norwalk, Conn., filed a registration statement (File 2-16434) with the SEC on April 6, 1960, seeking registration of \$300,000 of Participations in its Employees' Stock Purchase Plan, together with an unspecified number of common shares to be offered pursuant thereto.

COLUMBIA GAS PROPOSES STOCK OFFERING. The SEC has issued an order (Release 35-14205) giving interested persons until April 25, 1960, to request a hearing upon the proposal of The Columbia Gas System, Inc., New York holding company, to issue and sell \$1,400,000 shares of common stock at competitive bidding. Net proceeds of the stock sale will be used in part to pay \$10,000,000 of bank notes and to finance in part the 1960 construction requirements of system companies, estimated to aggregate \$98,000,000. An additional \$50,000,000 required for such purposes will be obtained from the issue and sale of debt securities.

COLUMBIA GAS BANK BORROWINGS AND INTRASYSTEM FINANCING. The Columbia Gas System, Inc., New York holding company, has joined with thirteen subsidiaries in the filing of a financing proposal; and the Commission has issued an order (Release 35-14206) giving interested persons until April 25, 1960, to request a hearing thereon.

A portion of the funds required by the subsidiary companies for construction requirements for 1960, estimated at \$98,000,000, will be available from internal sources; and to provide a portion of the new money requirements Columbia Gas proposes to use its present cash resources and part of the proceeds of its sale of an additional 1,400,000 common shares. Later in 1960 Columbia Gas plans to sell debt securities to finance the balance of the subsidiaries' construction requirements and for other corporate purposes.

To provide funds to six of the subsidiaries to enable them to purchase inventory gas Columbia Gas now proposes to issue and sell unsecured notes to Morgan Guaranty Trust Company of New York and sixteen other banks in amounts aggregating \$55,000,000. The proceeds will be advanced to the subsidiaries on open account. Additional funds needed for construction during 1960 by the thirteen subsidiaries will be obtained through bank borrowings aggregating \$48,700,000 from the same group of banks.

BALDWIN SECURITIES SEEKS ORDER. Baldwin Securities Corporation, New York, has applied to the SEC for an order of exemption under the Investment Company Act with respect to its relationship with General Industrial Enterprises, Inc.; and the Commission has issued an order giving interested persons until April 26, 1960, to request a hearing thereon.

In December 1955 General (formerly The Midvale Company) sold its physical assets (ordnance manufacturing) and in October 1958 registered as an investment company. Since 1932 Baldwin and its predecessors in interest have owned at least 368,700 shares of General common and now holds 435,235 of the 600,000 outstanding shares. In a civil action pending in the U. S. District Court in Wilmington against Baldwin and General, it is alleged that the qualification of General as an investment company constituted the acquisition by Baldwin of an interest in the business of another investment company in violation of Section 12(d) of the Act. A settlement of this litigation was disapproved by the court in November 1959; and a new settlement proposal has been negotiated which among other things requires Baldwin to apply to the Commission for an exemption from the operation of Section 12(d) with respect to its relationship with General. The application requests that said exemption order be conditioned upon General making an offer to all holders of its common stock, other than Baldwin, to purchase such common stock at a price of \$20.50 per share, or at a price equal to 85% of the average net asset value of each share of General common, whichever shall be higher, but in no event at a price in excess of \$21.25 per share.

GENERAL TELEPHONE FILES STOCK PLAN. General Telephone and Electronics Corporation, 730 Third Ave., New York, filed a registration statement (File 2-16435) with the SEC on April 6, 1960, seeking registration of 2,000,000 shares of common stock, to be offered pursuant to its Employees' Stock Plan.

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MARINE MIDLAND FILES EXCHANGE PLAN. Marine Midland Corporation, 241 Main Street, Buffalo, New York, filed a registration statement (File 2-16438) with the SEC on April 6, 1960, seeking registration of 258,562 shares of common stock. The company proposes to offer these shares in exchange for all of the issued and outstanding shares of capital stock not owned by Marine Midland (except directors' qualifying shares) of its constituent banks, as follows: The Marine Trust Company of Western New York (3.60 shares of Marine Midland stock for each share of the Trust Company's stock, or 32,382 Marine Midland shares); The Marine Midland Trust Company of New York (2.30 for one, or 4,842 shares); Genesee Valley Union Trust Company (5 for one, or 2,315 shares); Marine Midland Trust Company of Southern New York (4 for one, or 41,780 shares); Marine Midland Trust Company of Central New York (1.75 for one, or 31,198 shares); Marine Midland Trust Company of Mohawk Valley (.85 for one, or 92,970 shares); The Northern New York Trust Company (4.55 for one, or 9,342 shares); Chautauqua National Bank of Jamestown (4.40 for one, or 3,674 shares); The Manufacturers National Bank of Troy (4.15 for one, or 3,076 shares); and Marine Midland Trust Company of Rockland County (.75 for one, or 36,983 shares).

ALUMINIUM LTD. FILES EMPLOYEE PLAN. Aluminium Limited, 2100 Sun Life Building, Montreal, Canada, filed a registration statement (File 2-16439) with the SEC on April 6, 1960, seeking registration of 16,700 shares of capital stock, to be offered pursuant to its Employee Share Purchase Plan.

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