

# 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.

March 27, 1957

FOR RELEASE

## Securities Exchange Act Release No. 5477

The Securities and Exchange Commission has ordered a 30-day suspension of Brereton, Rice & Co., Inc. (Denver), from the National Association of Securities Dealers, Inc. for violations of the Securities Act of 1933.

The suspension, which is effective April 5, 1957, was based upon materially false and misleading statements by Brereton, Rice and its vice-president, Charles Jefferson Rice, in the offering for sale in 1955 of securities of Leadville Lead and Uranium Corporation (of Denver). According to the Commission's decision, these false representations violated anti-fraud provisions of the Securities Act; and the securities also were offered in violation of the registration requirements of that Act. Rice is the owner of 15% of the outstanding stock of Rice & Co.

In its decision, the Commission held that a mining newspaper advertisement placed by Rice on behalf of Brereton, Rice, offering to sell at the original public offering price of \$1.25 per share the unsold balance of an issue of 200,000 shares of Leadville stock, was false and misleading. This, the Commission stated, amounted to a representation that the proceeds of such sale would be received by Leadville. Rice, however, admitted that he intended to fill any orders received with outstanding rather than original issue stock if he could acquire such stock at a lower price; and that he had been informed by Leadville that it was very doubtful that any of the stock being publicly offered by it would be available by the time the advertisement was published. Thus, it was obvious that the resale of outstanding shares purchased by Brereton, Rice would not result in the receipt of any of the proceeds by Leadville.

The advertisement also represented that a survey of Leadville mining properties by a certain eminent mining engineer indicated large bodies of gold, silver, lead, zinc and copper ore, larger than were found by the original owners, and that the mining engineer after completing his survey had bought a substantial block of Leadville stock at \$1.25 per share. The Commission found that the representations with respect to the existence and extent of ore were false and misleading, as was the representation with respect to the purchase of stock by the mining engineer. The latter had agreed to take the stock as partial compensation for his services, and was not influenced to purchase the stock by the results of his survey. Whereas Leadville was offering its stock pursuant to a Regulation A exemption from registration, Brereton, Rice and Rice did not comply with the terms and conditions of Regulation A in offering the unsold block (the advertisement having violated the conditions of said Regulation); and thus the offering violated the registration requirement.

(Over)

In invoking the 30-day suspension, the Commission rejected arguments advanced by Brereton, Rice that the imposition of sanctions in this case would not be in the public interest. It had urged in mitigation that this is the first disciplinary proceeding involving Brereton, Rice or Rice, who has been in the securities business for over 40 years, that the price of the stock has consistently been higher than the offering price since completion of the offering, and that the public was not harmed since Brereton, Rice did not engage in any transactions in Leadville stock as a result of the advertisement or afterwards. The Commission noted that the Securities Act prohibits material misrepresentations in the offer as well as the sale of stock, that the violations were wilful, and that it was the Commission's investigation which caused Brereton, Rice to cease any sales activities in the stock.

Holding Company Act Release No. 13432

The SEC has issued an order authorizing \$41,812,000 of borrowings by twenty-two public-utility subsidiaries of New England Electric System (Boston), of which \$13,290,000 is to be borrowed from NEES and \$28,522,000 from twenty-nine banks. Most of the proceeds of these borrowings will be employed to pay notes previously issued, with new money requirements of the borrowing companies to June 30, 1957, estimated at \$4,755,000. During the period to June 30, 1957, the issuance of an aggregate amount of \$20,500,000 of permanent securities is contemplated by the subsidiaries.

Holding Company Act Release No. 13433

The SEC has issued an order authorizing three subsidiaries of Eastern Utilities Associates (Boston) to issue and sell additional common stock, as follows: Blackstone Valley Gas and Electric Company, 10,828 additional common shares at \$105 per share; Brockton Edison Company, 18,570 additional common shares at \$62 per share; and Fall River Electric Light Company, 13,250 additional common shares at \$52 per share. The additional shares are to be offered for subscription by stockholders at the rate of one for sixteen in the case of Blackstone; one for thirteen in the case of Brockton; and one for sixteen in the case of Fall River. EJA, which now owns 99.2%, 97.4%, and 97.8%, respectively, of the outstanding shares of the subsidiaries, will purchase its pro rata part of the additional shares being offered, as well as any shares not acquired by other stockholders.

Each of the three subsidiaries proposes to use the proceeds of its financing for partial payment of outstanding short-term bank loans.

Holding Company Act Release No. 13434

The Columbia Gas System, Inc. (New York) has received SEC authorization to issue and sell an additional 1,675,415 shares of its no par common stock. The shares are to be offered for subscription by holders of Columbia's outstanding common stock on the basis of one additional share for each thirteen shares held of record on April 3, 1957. The offering is to be underwritten by means of competitive bidding. The subscription price, to be fixed by the company, will be determined by Columbia on April 2, 1957, and will be not less than 85% of the closing price of the common stock on the New York Stock Exchange on April 1, 1957.

(Continued)

This offering is the first step in Columbia's 1957 financing program. The net proceeds of the stock sale will be added to its general funds and, supplemented by cash to be generated from operations and additional public financing, will be used to make additional investments in subsidiary companies to aid in financing their 1957 construction programs (estimated at \$84,000,000) and for other investments.

\* \* \* \*

Guaranty Trust Company of New York filed a registration statement (File 2-13191) with the SEC on March 26, 1957, seeking registration of 60,000 American Depositary Receipts for Ordinary Registered Stock of Furness, Withy & Company, Limited (England).

\* \* \* \*

The Flexible Tubing Corporation, Guilford, Conn., filed a registration statement (File 2-13192) with the SEC on March 26, 1957, seeking registration of \$600,000 of First Mortgage Bonds (with common stock purchase warrants attached), Series due 1972, and 32,000 shares of its \$1 par Common Stock. The company proposes to offer these securities for public sale through an underwriting group headed by P. W. Brooks & Co. The interest rate on the bonds, as well as the public offering price and underwriting terms for both issues, is to be supplied by amendment. The company has agreed to grant the underwriter the right to buy for \$280 warrants to purchase 28,000 common shares. Both such warrants and the warrants attached to the bonds are to be exercisable at prices commencing at \$6 per share. In addition, the underwriter will be reimbursed for certain expenses not in excess of \$10,000.

Flexible Tubing is a manufacturer of low-pressure flexible tubing. Net proceeds of its sale of the bonds will be applied first to the payment of outstanding bank loans (obtained for working capital purposes) estimated at \$400,000, following which the company intends to make new bank borrowings of \$250,000. The balance of such bond proceeds plus the net proceeds of the sale of stock, together with the new bank borrowings, will be used to defray the cost of the company's expansion program and for other corporate purposes, including working capital. This program consists primarily of expanding and improving the facilities at its Guilford plant.

\* \* \* \*

Roxbury Carpet Company (Saxonville, Mass.) today filed a registration statement (File 2-13193) with the SEC seeking registration of 198,274 shares of its \$1 par common stock, to be offered for public sale through an underwriting group headed by Paine, Webber, Jackson & Curtis. The public offering price and underwriting terms are to be supplied by amendment.

Of the 198,274 shares, 50,000 are to be offered for sale on behalf of the issuing company. 125,000 shares are presently outstanding and are to be offered for sale by the present holders thereof; and an additional 23,274 shares are to be offered by the company in exchange for minority holdings of common stock in Roxbury Southern Mills, Inc., a subsidiary.

(Continued)

Net proceeds to the company from its sale of 50,000 shares, together with the proceeds of a \$1,500,000 bank loan, will be used as follows: approximately \$1,000,000 for remodelling and installation of new machinery and equipment in the Worcester plant; and approximately \$1,000,000 in completing its program of modernizing machinery and equipment in the Saxonville plant.

The prospectus lists three selling stockholders, as follows: Charles W. Brown, Jr., Inc., which owns 229,536 shares; Albert S. Howe, Jr., who owns 47,352 shares; and the Estate of Virginia Howe Pease, who owns 47,352 shares. They propose to sell respectively, 129,536, 34,852, and 34,852 shares. Howe is a director of the company.

\* \* \* \*

Iowa Southern Utilities Company (Centerville) today filed a registration statement (File 2-13194) with the SEC seeking registration of 75,000 shares of its \$15 par common stock, to be offered for public sale through an underwriting group headed by The First Boston Corporation. The 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 initially applied to the reduction of bank loans, presently outstanding in the amount of \$4,500,000, through which the company has financed its construction program. It is anticipated that later in 1957 the company will offer for sale approximately \$5,000,000 of first mortgage bonds, the proceeds of which, in addition to funds from internal sources, will refund the balance of the bank loans and are expected to finance the company's construction program until the early part of 1958. Construction expenditures are estimated at \$7,400,000 for 1957 and 1958.

\* \* \* \*

---0000000---