

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 December 4, 1958

NINE DEER VALLEY LAND COMPANIES FILE FOR STOCK OFFERINGS

Registration statements were filed with the SEC on December 3, 1958, by the following companies, of 1802 North Central Avenue, Phoenix, Arizona, seeking registration of the specified shares of their respective common stocks to be offered for public sale at \$1 per share:

<u>File No.</u>	<u>Company</u>	<u>Shares</u>
2-14572	First Deer Valley Land Company	404,608
2-14573	Second Deer Valley Land Company	402,121
2-14574	Third Deer Valley Land Company	397,894
2-14575	Fourth Deer Valley Land Company	348,157
2-14576	Fifth Deer Valley Land Company	395,278
2-14577	Sixth Deer Valley Land Company	398,640
2-14578	Seventh Deer Valley Land Company	439,673
2-14579	Eighth Deer Valley Land Company	425,498
2-14580	Ninth Deer Valley Land Company	398,888

According to the prospectus filed by each of the nine companies, O'Malley Investment & Realty Co., an Arizona real estate broker, has an option to purchase from Pinacopa Farms Trust (a non-profit charitable corporation) approximately 1,450.5 acres of farm land located in Deer Valley, fifteen miles northwest of downtown Phoenix, for a total purchase price of \$2,060,000, or approximately \$1,420.20 per acre. The property is presently used primarily for the production of cotton, although a portion is planted to roses and some of the acreage has from time to time been used for the production of vegetables. In the opinion of the O'Malley company, the land has a greater ultimate value for commercial and residential than for agricultural purposes.

The underwriter of the securities, O'Malley Securities Company, has caused the nine companies to be organized and has agreed to designate each of such companies as the purchaser of the particular parcel of the total acreage which corresponds in number to its name, such purchase to be made on the instalment plan, over a 21-year period. Each proposes to sell common stock sufficient in amount so that, upon such sale, it will be enabled to become the purchaser of the particular parcel of land and to make all payments thereafter accruing on the purchase price. Each intends to hold the land "until such time as its market value has sufficiently increased and stabilized to permit an intelligent decision as to development, use or possible resale."

An escrow agreement for the protection of the seller and the mortgagees, provides in part that the O'Malley Company will receive the usual 5% real estate commission, or \$103,000. The total purchase price of \$2,060,000 is payable as follows: \$304,000 as a down payment; \$161,984 by discharge of first mortgage, in annual instalments of \$17,000 plus 5% interest; \$1,506,000 by discharge of a second mortgage, in 21 annual instalments (including 5% interest) ranging from \$80,000 to \$150,000; and an \$88,016 balance payable \$62,000 in December 1959 and the balance over the next six years (with interest).

The land purchase venture is said to be speculative and promotional in nature, an adequate return from the investment, according to the prospectus, depending to a large extent upon an

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increase in real estate values in Central Arizona and particularly in Deer Valley. Each company's shares are to be offered pursuant to subscription agreements, payable over a 21-year period, with minimum subscription equal to one tenth of total annual requirements under the land purchase contract. A subscriber to the shares becomes bound to pay his proportionate share of the full purchase price of the parcel of land the issuer acquires (which price includes the 5% real estate commission), together with his share of the following additional charges: (a) an amount equal to 1% of the purchase price of the land, to cover the expenses of the O'Malley company in making the investment available, organization and other expenses; (b) an annual management fee of O'Malley Investment & Realty Co. equal to 1% of the original purchase price of the land; (c) taxes, insurance and other operating expenses; and (d) interest on the deferred portions of the purchase price over a 21-year period.

The officers and directors of the nine companies are presently identical, and such persons constitute the management of the O'Malley organization. President of the nine companies is Carroll J. Pierce, president and directing head of O'Malley Investment & Realty Co.

SEC ADVISORY REPORT FILED ON HUDSON & MANHATTAN PLAN

The Securities and Exchange Commission today announced the filing in the United States District Court for the Southern District of New York of an Advisory Report pursuant to Section 172 of Chapter X of The Bankruptcy Act on an amended plan of reorganization for Hudson & Manhattan Railroad Company, proposed by Herman T. Stichman, Trustee, and upon other proposed amendments. Hudson & Manhattan Railroad Company now in reorganization under Chapter X of The Bankruptcy Act, owns and operates the Hudson Terminal buildings in downtown Manhattan and the Hudson tube, an interurban rapid transit electric railroad between New York City and points in New Jersey. The basic provisions of the amended plan, in its various aspects have been consented to as a compromise by the representatives of the First Mortgage, Refunding Mortgage, and Adjustment Income Mortgage bondholder groups.

The Commission found that as a compromise the amended plan provided a fair allocation of the securities of the reorganized company to the First Mortgage, the Refunding Mortgage, and the Adjustment Income Mortgage bondholders and a fair treatment of other creditors. It also concluded that the amended plan was fair in providing no participation to the holders of preferred and common stocks and that the amended plan was feasible. The Commission stated, however, that the amended plan should incorporate a provision that the initial directors of the reorganized companies to serve until the first annual meeting of stockholders be selected by the Court from among the respective nominees of the several bondholder groups.

Under the amended plan Hudson & Manhattan Railroad Company will continue as a Real Estate Company to own and operate the Hudson Terminal buildings. A newly reorganized railroad company, a wholly owned subsidiary, will acquire and operate the railroad properties. The Real Estate Company will issue \$10,038,100 of 20-year 6% First Mortgage Bonds, 590,476 shares of Class A common stock and 58,849 shares of Class B common stock, each of \$10 par value. All the new bonds and all the Class A shares, representing about 91% of the equity of the Real Estate Company, will be distributed on a parity to the First Mortgage and the Refunding Mortgage bondholders on the basis of \$340 of new bonds and 20 shares of Class A stock for each \$1,000 original principal amount of old bonds. All the Class B shares, representing about 9% of the equity in the Real Estate Company, will be distributed to the Adjustment Income Mortgage bondholders on the basis of 3-1/2 shares for each \$1,000 of old bonds.

In view of the fact that the debtor's assets are insufficient to meet all the claims of its creditors, aggregating over \$65,000,000, the preferred and common stockholders are excluded from participation under the plan.

The Class A and Class B stock will share equally in the earnings and assets of the Real Estate Company and, in the event of the sale of the Railroad Company or its properties, will share equally in the first \$17,000,000 of proceeds of the sale. Should the proceeds of the sale exceed \$17,000,000, the Class B stock as a class will receive 90% of the excess and the Class A stock as a class will receive 10% of the excess up to July 1, 1963. Should excess proceeds develop thereafter, the Class B stock will receive a diminishing percentage and the Class A stock an increasing percentage of the excess proceeds until March 1, 1970. From that point forward the Class A and

Class B stocks will share alike in all the proceeds of a sale of the Railroad Company or its properties on a share-for-share basis.

The amended plan also makes provision for the election of directors by classes until July 1, 1965, with the Class A stock electing or controlling a majority of the directors of the boards of both companies. Thereafter both the Class A and Class B stockholders will vote for directors without distinction as to class. In light of the fact that the amended plan provides that the initial directors of both the Real Estate Company and the Railroad Company to serve until the first annual meeting of stockholders are to be designated by the Court as representing either Class A or Class B stock, the Commission found fair a proposed amendment to the effect that such directors will be selected by the Court from among the respective nominees of the various bondholder groups.

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