

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



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

Washington 25, D.C.

FOR RELEASE

December 23, 1957

Statistical Release No. 1502

The SEC Index of Stock Prices, based on the closing prices of 265 common stocks for the week ended December 20, 1957, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1957, is as follows:

	- 1939 = 100)		Percent Change	1957	
	12/20/57	12/13/57		High	Low
Composite	292.3*	301.8	-3.1	365.0	292.3
Manufacturing	366.6*	381.0	-3.8	472.5	366.6
Durable Goods	325.2*	340.2	-4.4	438.7	325.2
Non-durable Goods	404.4	418.3	-3.3	503.5	404.1
Transportation	210.8*	219.8	-4.1	317.5	210.8
Utility	151.8	152.6	-0.5	163.5	146.1
Trade, Finance & Service	255.4*	259.1	-1.4	292.1	255.4
Mining	266.3*	279.1	-4.6	402.3	266.3

*New Low

TOWN AND COUNTRY SECURITIES PROPOSES STOCK OFFERING

Town and Country Securities Corporation, Fort Wayne, Ind., finance company, filed a registration statement (File 2-13814) with the SEC on December 20, 1957, seeking registration of 250,000 shares of its no par common capital stock. The company proposes to offer these shares, through its officers and employees, at \$4 per shares. A selling commission of 60¢ per share is to be paid.

The company is an affiliate of Town & Country Food Company, Inc., both companies being under common control. It was organized primarily for the purpose of purchasing food and freezer installment sale contracts from the Food Company, but it also has the power to make small loans. Net proceeds of this financing are to be used as additional working capital and as an additional base for money which it borrows from Commercial Discount Corporation of Chicago and Associates Investment Company of South Bend. If all the stock is sold, the company expects that it will be able to purchase from the Food Company over a period of 24 months approximately \$15,000,000 of the latter's retail installment sale contracts.

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

(OVER)

IOWA POWER FILES FINANCING PROPOSAL

Iowa Power and Light Company, Des Moines, I., today filed a registration statements (File 2-13815 and 2-13816) with the SEC seeking registration of (1) 50,000 shares of its \$100 par Cumulative Preferred Stock and (2) \$10,000,000 of First Mortgage Bonds, Series due 1988. The Preferred stock is to be offered for public sale through an underwriting group headed by Smith, Barney & Co.; and the dividend rate, public offering price and underwriting terms are to be supplied by amendment. The bonds are to be offered for public sale at competitive bidding.

The company will apply the net proceeds of this financing toward payment of short-term bank loans incurred as temporary financing for its construction program (\$11,345,000 outstanding at December 20, 1957), with any balance being applied to meet other construction program costs incurred during 1957 and to be incurred during the first half of 1958. The company's continuing construction program will require additional funds which will be obtained from internal sources and from the issuance of additional securities. Construction expenditures in 1957 amounted to approximately \$15,000,000 and are estimated in a like amount for 1958.

WEST VIRGINIA PULP AND PAPER FILES FOR DEBENTURE OFFERING

West Virginia Pulp and Paper Company, New York, today filed a registration statement (File 2-13817) with the SEC seeking registration of \$40,000,000 of Debentures due January 1, 1978, to be offered for public sale through an underwriting group headed by Harriman Ripley & Co., Inc. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

Net proceeds of the sale of the debentures, along with other general funds of the company, will be used for improvements and additions to plant and equipment. The principal project, estimated to cost \$55,000,000 is the installation of two paper machines and supporting facilities in the company's Luke, Md., mill (one machine is currently scheduled for completion in 1960 and the other in 1961).

HOFMANN INDUSTRIES FILES FOR STOCK OFFERING

Hofmann Industries, Inc., Sinking Spring, Pa., (near Reading) filed a registration statement (File 2-13812) with the SEC on December 20, 1957 seeking registration of 227,500 shares of its 25¢ par Common Stock. Hofmann proposes to offer its stock in exchange for outstanding shares of the common stock of the Van Dorn Iron Works Company, of Cleveland, O. The exchange ratio is to be supplied by amendment.

According to the prospectus, Hofmann recently entered into an agreement with Holly Corporation for the purchase of 26,300 shares of Van Dorn common at a price of \$16 per share. As consideration therefor, Hofmann delivered its 6-month promissory note in the amount of \$350,000 and paid the balance in cash. Hofmann pledged 23,100 of said shares as collateral security for the note.

Van Dorn has outstanding 99,696 common shares. Upon consummation of the exchange offer, it is the hope of Hofmann to have ownership of at least 80% of the said stock. Hofmann is said to be engaged in a widely diversified line of manufacturing and distribution of various products. The prospectus states that its projected development and business in the field of steel and steel products has caused management to place particular emphasis on expansion and diversification in this line.

INDIANA & MICHIGAN ELECTRIC FILES BOND ISSUE.

Indiana & Michigan Electric Company, Fort Wayne, Ind., filed a registration statement (File 2-13813) with the SEC on December 20, 1957, seeking registration of \$25,000,000 of First Mortgage Bonds, due 1988, to be offered for public sale at competitive bidding. Prior to or concurrently with the sale of the new bonds, American Gas and Electric Company (parent) proposes to make a cash capital contribution or contributions to the issuer in an aggregate amount of \$9,000,000.

Net proceeds of the sale of the new bonds and of the capital contribution will be applied by Indiana & Michigan to the prepayment of then outstanding bank notes issued for construction purposes (estimated at \$16,500,000), and the balance will be used to pay for further property additions and improvements. The company's construction program for 1958 is estimated at \$71,600,000 and for 1959 at \$42,000,000

WEST TEXAS UTILITIES PROPOSES BOND ISSUE

West Texas Utilities Company, Abilene, Texas, has applied to the SEC for authorization to issue and sell \$8,500,000 of First Mortgage Bonds, Series E, due 1988, at competitive bidding; and the Commission has issued an order (Holding Company Act Release No. 13636) giving interested persons until January 10, 1958, to request a hearing thereon. Net proceeds of the sale of the bonds will be used by West Texas to pay for a part of the cost of property additions and improvements made and to be made, including the payment of short-term bank debt incurred for that purpose (amounting to \$1,500,000 at October 31, 1957). The company estimates its construction expenditures for 1958 and 1959 at approximately \$23,000,000.

IHES FEE ALLOWANCES AUTHORIZED IN PART

The SEC today announced the issuance of an order authorizing the Trustee of International Hydro-Electric System, Boston, to pay sums aggregating \$241,200 to eight fee claimants in the proceedings under the Holding Company Act which resulted in the reorganization of IHES and its conversion into an investment company (now Abacus Fund)

According to the order, thirteen applicants sought compensation in the aggregate amount of \$876,100 plus \$28,805.50 for expenses. Time did not permit the conduct of hearings and the making of final determinations by the Commission on these applications prior to the year-end. On the other hand, Abacus Fund, by reason of its tax situation, urged that it would be greatly benefited if it were able to pay, or to accrue liability for, said claims to the fullest extent possible on or before December 31, 1957. With

the Commission's permission, it sought to negotiate with the fee applicants with a view to determining the amounts which Abacus could recommend as final compensation or on account of final compensation and which the respective applicants might be willing to accept.

Although not approving the full amounts recommended as a result of these negotiations, the Commission authorized payments in the aggregate amount of \$241,200 to eight of the fee applicants as allowances on account of their final maximum allowances, requested in the aggregate amount of \$718,100. These payments include \$100,000 to Brickley & Waite, counsel to Trustee Bartholomew A. Brickley; \$75,000 to Purcell & Nelson, counsel to Board; \$30,000 to Henry J. Friendly and Leonard S. Sheriff, counsel to certain shareholders; and \$15,000 to George E. Cleary, tax consultant.

COMICO REGISTRATION WITHDRAWAL DENIED

The SEC today announced the issuance of a decision denying a request of Comico Corporation, Memphis, Tenn., for withdrawal of its registration statement under the Securities Act of 1933 which proposed the public offering of 750,000 common shares at \$2 per share. The Commission concluded that it would not be in the public interest to permit withdrawal of the statement in view of the pendency of "stop order" proceedings which challenge the accuracy and adequacy of informational disclosures contained in the registration statement.

In denying the withdrawal request, the Commission rejected the contention of Comico that it had an absolute right of withdrawal under the Supreme Court decision in the Jones case (298 U.S. 1-1934). Commissioner Sargent agreed with Comico's contentions as to the applicability of the Jones case and dissented from the Commission's decision.

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An amendment was filed on December 20, 1957 by Nucleonics Chemistry and Electronics Shares, Inc., seeking registration of 100,000 additional shares of Capital stock, \$1 par value.

DELISTING PROCEEDINGS AGAINST NEVADA MONARCH MINES

The Securities and Exchange Commission has ordered proceedings under the Securities Exchange Act of 1934 to determine whether the Common Stock, \$1 par of Nevada Monarch Consolidated Mines Corp., of Carson City, Nevada, should be suspended or withdrawn from listing and registration on the Salt Lake Stock Exchange.

The Commission asserts in its order that Nevada Monarch failed to make timely filings with the Exchange and the Commission of its Form 10-K annual reports for the years 1951 through 1955, and that the balance sheet filed on September 18, 1957, as part of the company's 1956 annual report is false and misleading in the following respects: (a) the amount stated as "Additional Development Expenditures;" (b) the amount stated to have been advanced by lessee for development expense; and (c) the amount stated as "proceeds of government loan" used for development.

At a hearing scheduled for January 27, 1958, in the Salt Lake Branch Office of the Commission, inquiry will be conducted into the foregoing matters for the purpose of determining whether Nevada Monarch has failed to comply with the reporting and disclosure requirements of Section 13 of the Act and, if so, whether it is necessary or appropriate for the protection of investors to suspend the company's stock for a period not to exceed twelve months or to withdraw from listing and registration on the Exchange.

Trading in the stock on the Exchange has been suspended since October 10, 1949.

AMERICAN RESERVE OIL OFFERING SUSPENDED

The Securities and Exchange Commission has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a proposed stock offering by American Reserve Oil & Mining Corporation, of Reno, Nevada. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. In its Regulation A notification, filed October 8, 1956, American Reserve proposed the public offering of 300,000 common shares at \$1 per share. The Commission alleges in its order that the company's offering circular contains false and misleading statements of, and omits to state, material facts, and that the offering and sale of the stock by means thereof, would violate Section 17 (the anti-fraud provision) of the Securities Act.

The informational disclosures challenged by the Commission relate to the following:

1. The failure to disclose the significance of the completion of an 11,484-ft. dry hole immediately offsetting the lease owned by American Reserve on which it proposes to drill a well.
2. The description of said dry hole as having been "abandoned uncompleted" when in fact it was abandoned as a non-productive dry hole.
3. The failure of the so-called Sperber report to disclose the existence of the said dry hole offsetting the issuer's lease and the effect of said dry hole upon prospects for obtaining production on

4. The failure of the cross-section accompanying the Sperber report to reflect available information with respect to said dry hole.

5. The failure to disclose when and under what circumstances the prior lessee surrendered its lease on Section 12 and whether and under what circumstances that company surrendered any of the other leases formerly held by it in this area.

6. The extent of the issuer's leasehold interest as described on pages 3 and 6 of the offering circular.

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For RELEASE in Sunday Newspapers of January 5, 1958

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.

"Year-end Statement" of SEC Chairman Edward N. Gadsby.

It is generally customary at this time of year to make resolutions for future conduct and, if you will, predictions of things to come. We of the Securities and Exchange Commission, including the Commission's Staff, firmly resolve to rededicate our energies in furtherance of the investor-protection objectives of the Federal Securities Laws which Congress has entrusted to our administration.

Predictions of coming events in the area in which the Commission operates, however, particularly as related to the all-important question of future trends in the securities markets, represent quite a different matter. While the SEC prides itself on having a staff of technical experts second to none, they claim no special talents for market predictions. Since the Commission has no responsibility for the general level of market prices, any such forecasts would be completely inappropriate in any event.

So, perhaps, one will forgive my unwillingness, not to say inability, to attempt any forecast of what 1958 may have in store for the millions of American investors throughout the country. This is not to say, however, that the record of the past may not form a basis for reasonable anticipations of some future events. For example, there has been a steady increase in recent years (to over 10 million, according to the latest estimates) in the number of Americans who own corporate securities and who have thus become partners, in a very real sense, in our industrial, utility and other enterprises, both large and small. That there may be a continuing and increasing interest in corporate securities on the part of the investing public would seem highly probable.

Take, for example, the studies by the SEC and the Federal Trade Commission on the profits of manufacturing corporations. These studies show that gross sales of these corporations alone amounted to \$248.5, \$278.4 and \$307.3 billions for the years 1954, 1955 and 1956, respectively, with profits after taxes amounting to \$11.2, \$15.1, and \$16.2 billion, respectively. For the first nine months of 1957, their sales amounted to \$240.2 billion and profits after taxes to \$11.9 billion. Dividends paid by all U. S. corporations amounted to \$9.9, \$11, and \$11.9 billion in the years 1954, 1955, and 1956, respectively, and through October 1957 were paid at an adjusted annual rate of \$12.5 billion. Thus, it would appear that investors in corporate securities have not been wholly unrewarded.

Particularly in an expanding economy, of course, not all earnings may be considered available for dividend payments; and, in recent years, increasing amounts of corporate earnings have been retained for new growth and expansion. Studies by the SEC and the Department of Commerce show that gross expenditures by U. S. business for new plant and equipment have amounted

to \$28.7, \$35.1 and \$37 billion for the years 1955, 1956 and 1957, respectively, as contrasted with a \$14.7 billion average during the years 1945, 1946 and 1947. While retained earnings have played an important part in this phenomenal growth of U. S. business, another important factor has been the large investment of the savings of public investors in corporate securities.

It is interesting to note in this connection that industrial growth and expansion in recent years has been accompanied by a steady increase in annual savings in cash and other liquid forms by individuals. Studies by the Commission, in fact, show that these savings amounted to \$9.2, \$14.9, and \$16.5 billion in 1954, 1955 and 1956, respectively, and to \$8.4 billion in the first six months of 1957. These studies also show that increasing amounts of such savings have taken the form of investments in corporate securities. Individuals' savings in the form of such securities, amounting to less than \$50 million in 1954, grew to \$300 million in 1955, to \$1.7 billion in 1956, and to \$1.1 billion in the first six months of 1957.

In another, related area, the registration of new securities with the Commission for public sale amounted to \$12.1, \$13.2 and \$11.9 billions for the years 1955, 1956 and the first nine months of 1957, respectively, as contrasted with a \$6.5 billion average for the years 1945, 1946 and 1947. A substantial portion of these funds has been used to purchase the new plant and equipment to which I have referred.

The foregoing figures are all inter-related; and, to a not insignificant extent, the SEC laws and their administration have been a factor in the developments which they denote. The ability of industry to grow and prosper is dependent in large part upon its ability to obtain capital for plant expansion, new equipment and working capital. The availability of funds for such purposes is in turn dependent upon the confidence of the investing public in securities as a safe and profitable medium for the investment of their savings. The Federal Securities Laws were designed to reestablish investor confidence by outlawing fraud, manipulation and similar practices in securities transactions and by placing upon issuing companies, their management officials, underwriters and others the responsibility for fair dealing in the offering and sale of, and trading in, securities. In particular, this required the disclosure of corporate financial and related information to enable investors to make an informed evaluation of securities offered for public sale and those traded on exchanges.

The administration of the SEC laws and those of the various States over the years, coupled with more effective self-policing by the securities industry and a higher sense of responsibility to stockholders and investors on the part of management officials and the investment community alike, has succeeded in reestablishing investor confidence in the basic integrity of the securities markets. This, in turn, has resulted in the savings of the investing public being more readily available for industrial growth.

This is not to say, of course, that swings in the market will not result in losses to investors from time to time. This possibility is implicit in a free and open market, sensitive to changes in economic conditions and reflecting the appraisal by investors of the effect of national and international events upon economic values. Nor can we deny the probability, particularly in periods of a sustained rise in the stock market and of an expanding economy, that fringe elements in the financial community will continue their attempts to mislead investors by false claims of quick and easy profits through stock purchases. Prompt and vigorous action by Federal and State agencies against these unscrupulous operators is essential to the proper protection of the investing public and to the preservation of its confidence in the securities markets. This is essential if the savings of investors are to continue to flow into honest and productive enterprise.

In the past year, the SEC and its staff have intensified their efforts to the end that the various law-enforcement activities of the Commission would achieve the maximum in the way of investor protection. Among these were the following: (1) careful examination of registrations proposing close to \$15 billion of securities for public sale (a new record), in order to assure that the financial and other disclosures are both accurate and adequate so that investors may make an informed investment analysis and evaluation of the worth of the securities; (2) a similar review of the annual and other reports filed by the 2,256 issuers of securities listed on our national securities exchanges, and of 1,991 statements to be used in the solicitation of proxies from the holders of such securities. The importance of reliable information concerning these securities may be seen from the \$260 billion value of corporate stocks and bonds traded on exchanges; (3) the conduct of an inspection of the books and records of over 1300 broker-dealer firms for compliance with the SEC rules governing the maintenance of proper books and records and with the Commission's net capital rule, which is designed to safeguard the financial responsibility of these firms; (4) the conduct of hundreds of investigations into complaints and other indications of possible securities violations, including the sale of securities in violation of the registration requirements and without disclosure of the facts which registration would require, as well as false and misleading representations with respect to the worth of securities; and (5) the general maintenance of a continuing surveillance over the securities markets to the end that they may be truly responsive to the composite judgment of the investing public as to the present worth of and future prospects for securities publicly traded. These activities have resulted in the imposition of statutory sanctions in a great many cases, including administrative proceedings (such as the suspension of the right to offer securities for public sale or revocation of the registration of a broker-dealer firm which operates to bar its continued conduct of a securities business), court actions to enjoin existing or threatened law violations, and criminal prosecutions for fraud.

If the past may be taken as a possible guide to the future, the Commission will be similarly engaged during 1958 in a continuing endeavor to administer the Federal Securities Laws in such a manner that they will provide increased protection for the investing public, which, as we have seen, is so important to investors and to businesses alike. To that end we make one firm prediction: We will put out of business or behind the bars every malefactor in the securities business upon whom we can lay our hands, and will continue to exert every power given us by law to protect the hard-earned savings of the American public.