

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 31, 1957

MISSISSIPPI POWER STOCK SALE PROPOSED

Mississippi Power & Light Company, Jackson, Miss., has applied to the SEC for authorization to issue and sell an additional 250,000 shares of its common stock to its parent, Middle South Utilities, Inc., for a cash consideration of \$3,000,000; and the Commission has issued an order (Holding Company Act Release No. 13643) giving interested persons until January 9, 1958, to request a hearing thereon. Mississippi Power will use the proceeds to reimburse its treasury for moneys expended for construction work, for the furtherance of such work and for general corporate purposes.

CITIES SERVICE STOCK DIVIDEND CLEARED

The SEC has issued an order (Holding Company Act Release No. 13644) authorizing Cities Service Company, New York, to declare and to pay a 2% stock dividend to stockholders of record November 29, 1957. The stock dividend is to be paid on or about January 23, 1958, on the basis of one share of new stock for each 50 shares of its outstanding 10,312,553 shares of common stock. The company proposes to assign a value of \$47 per share to each of the 206,251 common shares to be issued as a stock dividend, or an aggregate of \$9,900,048. That amount will be charged against earned surplus; and \$2,062,510 will be credited to the common stock capital account (representing the \$10 per share par value of the stock) and \$7,837,538 (or \$38 per share) will be credited to capital surplus.

SCIENCE & NUCLEAR FUND FILES FOR ADDITIONAL SHARES

Science & Nuclear Fund, Inc., Philadelphia investment company, filed a registration statement (File 2-13830) with the SEC on December 30, 1957, seeking registration of an additional 20,000 shares of its common stock.

KIMBERLY-CLARK FILES FOR DEBENTURE ISSUE

Kimberly-Clark Corporation, Neenah, Wisc., filed a registration statement (File 2-13831) with the SEC on December 31, 1957, seeking registration of \$30,000,000 of Sinking Fund Debentures, due January 1, 1983. The debentures are to be offered for public sale through an underwriting group headed by Blyth & Co., Inc. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

Net proceeds from this financing will be added to the general funds of the corporation and used as follows: \$15,000,000 to retire current debt of the corporation incurred for capital expenditures, \$994,000 to retire the outstanding debt of Peter J. Schweitzer, Inc., and the Munising Paper Company, subsidiaries, and the balance toward completion of the construction of a cellulose wadding mill at New Milford, Conn. Such additional funds as may be necessary to complete the New Milford mill will be obtained

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from the general funds of the corporation.

\$718 MILLION DEBENTURE ISSUE FILED BY A T & T

American Telephone and Telegraph Company, New York, filed a registration statement (File 2-13832) with the SEC on December 31, 1957, seeking registration of \$718,313,000 of Convertible Debentures. The company proposes to offer the debentures for subscription at 100% of principal amount, by stockholders in the ratio of \$100 principal amount of debentures for each nine shares of Capital Stock held. The interest rate and due date of the debentures, as well as the record date, are to be supplied by amendment. No underwriting is involved.

The company intends to use the proceeds for advances to subsidiary and associate companies; for the purchase of stock offered for subscription by such companies; for extensions, additions and improvements to its own telephone plant; and for general corporate purposes. Construction expenditures by the company and its principal telephone subsidiaries amounted to \$2,249,000,000 in 1956 and \$1,915,000,000 for the nine months ended September 30, 1957. Construction expenditures for 1958 are expected to be at a somewhat lower level than for 1957.

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Sterling Investment Fund, Inc., Charlotte, North Carolina filed an amendment on December 30, 1957 (File 2-10798) seeking registration of an additional 100,000 shares of Common Stock, \$1 Par Value.

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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.