

# 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 August 7, 1956

## Securities Act Release No. 3670

The Securities and Exchange Commission has instituted proceedings under the Securities Act of 1933 to determine whether a "stop order" should be issued suspending the effectiveness of a registration statement filed by Lewisohn Copper Corp., Tucson, Arizona.

At a hearing scheduled for August 20, 1956, in the Commission's Washington Office, inquiry will be conducted into the question whether the company's registration statement and prospectus include untrue statements of material fact and omit to state material facts required to be stated therein and material facts necessary to make the statements therein not misleading.

According to the registration statement, filed March 30, 1956, the company proposed the public offering of 100,000 shares of its common stock, such offering to be made through George F. Breen, of New York, on a "best efforts" basis. The public offering price was to be supplied by amendment. Net proceeds were to be used for exploration and evaluation of the company's leasehold properties, the construction of roads, adits and raises, to purchase equipment, establish and run a large scale milling pilot plant, and for general corporate purposes. The company was organized in August, 1955, by Richard E. Chilson, Frederick Lewisohn and members of the Lewisohn family.

Various items of information contained in the registration statement and prospectus are challenged by the Commission as to accuracy and completeness. Among these are the method and manner of distribution by broker-dealer firms and individuals of 200,000 common shares which was commenced in October, 1955, pursuant to an offering under Regulation A for which the company claims an exemption from registration, and of 33,000 shares offered under an asserted exemption from registration based upon the limited nature of the offering; the activities of said broker-dealer firms and such individuals in the purchase and sale of Lewisohn Copper stock and the effect thereof on the price of the company's shares; and the possible violation of the Securities Act of 1933 resulting from the method and manner in which securities of the company were offered and sold and the contingent liability of the company resulting therefrom.

The Commission also challenges the accuracy of statements regarding the company, its plans, its properties, and the offering of its securities, as they were disseminated in press releases, interviews with various persons, a paid advertisement, and in a report to shareholders, as well as the adequacy or accuracy of disclosures in the registration statement and prospectus concerning the formation of the company and the reasons therefor, the persons who participated in its organization, the creation of a voting trust under which 666,666 common shares are held and the purpose and effect thereof,

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the mineralized material and its amenability to milling, drill work done on the properties, assays of mineralized material, and available water supply. In addition, the Commission challenges information regarding transactions with promoters, particularly with respect to whether all promoters have been named; the expenses of issuance and distribution; and the sale of 33,000 shares to George F. Breen for \$165,000.

#### Securities Act Release No. 3671

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 public offering of securities by Utah Petroleum and Gas Company, Salt Lake City, Utah. The order provides an opportunity for hearing, upon request, on the question whether the suspension order should be vacated or made permanent.

Utah Petroleum filed its Regulation A Notification with the Commission on September 7, 1954, proposing the public offering of 30,500 shares of its \$1 par Common Stock at \$1 per share. One of the conditions to the availability of a Regulation A exemption is a requirement that reports be filed with the Commission semi-annually reflecting the number of shares sold and the use of the proceeds thereof. In its suspension order, the Commission asserts that the company has failed to file any such reports and has ignored requests by the Commission's staff for the filing thereof.

#### Investment Company Act Release No. 2393

The SEC has scheduled a hearing for September 13, 1956, with respect to an application filed by Baldwin Securities Corporation and affiliated persons for an exemption order under the Investment Company Act of 1940 with respect to the proposed payment of certain commissions on the sale of assets by General Industrial Enterprises.

Certain stockholders of Baldwin and General have filed objections to the granting of the application, and one of such stockholders requested a hearing thereon.

Baldwin owns 62% of the outstanding stock of General. On August 25, 1955, the directors of General adopted a resolution authorizing Philip A. Roth and Drexel & Co. to conduct negotiations on its behalf looking toward a sale by General of its operating assets. The services on behalf of Drexel were to be performed by Edward Hopkinson, Jr., a partner in the Drexel firm, who also was and is a director and officer of both Baldwin and General. Since May 7, 1953, Roth has been a director of Baldwin, and since March 7, 1956, an officer of Baldwin, and since June 26, 1953, a director of General and since April 3, 1956, an officer of General.

Negotiations by Roth and Hopkinson, conducted before and after the resolution was adopted, culminated in a sale on December 30, 1955, by General of all its operating assets to Midvale-Happenstall Company for a base consideration of \$6,100,000. On March 7, 1956, a disinterested majority of the board of directors of General adopted a resolution authorizing, subject to the granting of the instant application, the payment by General to Roth and Drexel of \$75,000 each for the services performed. Because of the affiliations, any such payment is prohibited by the Investment Company Act unless an exemption order is issued by the company.

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Holding Company Act Release No. 13237

American Louisiana Pipe Line Company (Detroit, Michigan) has applied to the SEC for authorization to make bank borrowings from time to time prior to July 1, 1957, in amounts not to exceed \$28,000,000 in the aggregate; and the Commission has issued an order giving interested persons until August 20, 1956, to request a hearing thereon. Approximately \$12,000,000 of the funds would be used to complete the initial development of the company's natural gas pipe line from Louisiana to Michigan. The remaining proceeds of the borrowings would be used to pay the costs of expansion, estimated at \$16,000,000, of such pipe line capacity beyond the initial development stage by approximately 100,000 Mcf per day, authorization for which is now being sought in proceedings before the Federal Power Commission.

Investment Company Act Release No. 2394

American Research and Development Corporation and Magnecord, Incorporated, have joined in the filing of an application with the SEC for an order of exemption with respect to certain transactions; and the Commission has issued an order giving interested persons until August 20, 1956, to request a hearing thereon.

According to the application, Magnecord, with its subsidiary, Magne Musci, Inc., is engaged in the manufacture of professional, industrial and consumer magnetic recording tape and recording equipment for recording sound or any other information which can be translated into electric impulses. Magnecord has outstanding \$324,000 of 6% notes due 1962 (convertible into common at \$5 per share), of which \$274,000 are held by American; \$300,000 of 6% non-convertible subordinated notes due 1961, all held by American; \$300,000 of 6% convertible subordinated notes due 1961, and \$805,247 of 6% short term notes due October 1 and November 30, 1956, of which \$700,000 face amount is held by American. Magnecord also has outstanding 142,637 shares of \$3 par common stock, of which 55,200 shares, or 38.7%, are held by American and which were acquired by it for \$276,000.

During the seven months ended December 31, 1955, Magnecord had an operating loss of \$456,653. Recently, it secured the services of Bruce Payne and Associates, management consultants, which has assumed active management of Magnecord and has reexamined its products and policies; and although its financial position has been precarious, Magnecord's management now believes that the policies put into effect and the arrangement with creditors and suppliers have put Magnecord in a position to continue business. As part of these changes, Magnecord needs to improve its credit rating and provide funds for the arrangements made with past creditors and suppliers. Magnecord has therefore arranged to issue \$800,000 of Registered Notes of the 1956 Series, which have been privately offered to less than 20 offerees. These 1956 Series Notes will be dated March 19, 1956, will bear interest at 6%, and will mature April 30, 1961. They will be sold pursuant to agreements providing for the purchase, at any time on or prior to April 30, 1961, of related Registered Stock Warrants for a number of common shares of Magnecord equal, at the exercisable price of \$5 per share, to the principal amount of the notes. The purchase price of the warrants will be 1¢ per share covered and they may be exercised for cash or 1956 Series Notes. The 1956 Series Notes will be subordinated to any bank indebtedness heretofore or hereafter created.

American has agreed, subject to the granting of the present application for an exemption order, to purchase up to \$100,000 of the 1956 Series Notes for cash, to exchange \$400,000 of short term notes now held for an additional \$400,000 of the 1956 Series Notes, and to purchase Registered Stock Warrants covering 100,000 shares of Magnecord common for \$1,000. In addition, it is expected that American will extend the maturities of the balance of the \$300,000 short term notes due November 30, 1956, to April 30, 1961, and will subordinate that debt to the 1956 Series Notes. In addition, American has advanced \$100,000 to Magnecord in anticipation of its obligation to buy up to \$100,000 of the 1956 Series Notes for cash. Proceeds of the sale of the 1956 Series Notes will be used by Magnecord in part to pay off this advance.

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Consolidated Natural Gas Company (New York) filed a registration statement (File 2-12693) with the SEC on August 6, 1956, seeking registration of \$30,000,000 of Debentures due 1981, to be offered for public sale at competitive bidding. Net proceeds will be used in part for the repayment of short-term bank notes (estimated to aggregate \$20,000,000) issued subsequent to June 30, 1956, in connection with the temporary financing of the company's 1956 construction program. The balance of the proceeds, together with other cash resources of the company, will be used to finance the completion of the 1956 construction program and for other corporate purposes. According to the prospectus, the Consolidated System is engaged in a construction program which it is estimated will involve expenditures of approximately \$45,300,000 for the year 1956.

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American Seal-Kap Corporation of Delaware (Long Island City, N. Y.) today filed a registration statement (File 2-12694) with the SEC seeking registration of 160,000 shares of its \$2 par Common Stock, to be offered for sale "to a small number of persons who will acquire the same for investment only and not with a view to distribution thereof and who will so inform the company by appropriate letter." The offering price is to be supplied by amendment. No underwriting is involved. Net proceeds, estimated at \$1,974,000, will be used partially for the retirement of demand notes and partially for the general funds of the company to be available for all corporate purposes. The company borrowed \$2,282,231 from Guaranty Trust Company of New York on demand notes, the proceeds of which were used to purchase the common stock of Chicago Railway Equipment Company. Guaranty has agreed to lend the company \$1,000,000 on a long term note payable over a period of ten years with interest at  $4\frac{1}{4}\%$ , the proceeds of which will be used to retire demand notes of equivalent amount.

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