

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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



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ADVANCE! HOLD following Item for MORNING NEWSPAPERS of 11/10/62.

ATLANTIC RESEARCH CONSENTS TO STOP ORDER. The SEC today announced proceedings under the Securities Act of 1933 to determine whether informational disclosures contained in a registration statement filed by Atlantic Research Corporation ("Atlantic") of Alexandria, Va., are false and misleading and, if so, whether a "stop order" should be issued suspending the statement. The statement, filed July 31, 1962, related to a proposed secondary offering of 179,000 shares of Atlantic Research stock.

The Commission also announced that Atlantic has entered into a stipulation in which it agrees that its registration statement includes untrue statements of material facts and omits to state material facts required to be stated therein; and it has waived a hearing and other procedures and consented to the issuance of a stop order by the Commission suspending the registration statement. Furthermore, the company has distributed to its shareholders a statement relating certain corporate events of the past year and including revised financial statements for the years ended December 31, 1960 and 1961 (audited) and for the six months ended June 30, 1962 (unaudited). Enclosed with this material is a copy of the "Statement of Matters" on which the Commission based its stop order proceedings; and Atlantic has agreed to the accuracy of the statements as set forth therein. Trading in Atlantic stock has been suspended by the Commission since October 10, 1962. In its announcement of November 8th of an extension of the suspension for a further ten-day period November 9-18, 1962, the Commission expressed the hope that, with the anticipated public disclosure and dissemination of the facts giving rise to the suspension (now disclosed in the statements of the company and the Commission), the ban on trading might be lifted prior to expiration of the ten-day period.

In its Statement of Matters, the Commission challenges the accuracy and adequacy of various disclosures contained in the Atlantic registration statement. In particular, the Commission questions the omission of information with respect to loans or advances of company funds to certain companies and persons which were employed in part to acquire Atlantic stock in the open market. According to the facts developed in an investigation conducted by the Commission's staff, one such company, Pine Ridge Corporation, purchased 17,200 shares of Atlantic stock in the open market between November 6, 1961, and March 21, 1962, at prices ranging from 35 to 28½ and for a total purchase price of \$556,938 (including commissions). These purchases were made through Ryder and Company of Alexandria with funds borrowed from or advanced by Atlantic, and pursuant to an arrangement with Dr. Arch C. Scurlock, Atlantic's president. Pine Ridge was organized in 1955 to acquire land in Gainesville, Va. It owned properties which were constructed with funds supplied by and which are under lease to Atlantic. Its stock, first owned by Dr. Scurlock and other officials of Atlantic, was later transferred to Atlantic which in 1960 transferred it to a former employee; and at the latter's request it was again transferred in June 1962 to Texas Capital Investments, Inc. ("TCI"), for \$75,000, which funds were furnished by Atlantic.

TCI was organized in December 1958, the record owner of its stock being W. O. Bowers, III, of Austin, Texas, a friend of Dr. Scurlock. Within a week of its organization, Bowers endorsed in blank the stock certificate evidencing the entire authorized and outstanding stock. Under the direction of Dr. Scurlock and with funds borrowed from Atlantic, TCI during the period May 1 through July 3, 1962, purchased 50,100 shares of Atlantic stock in the open market through Ryder and Company, for the margin account of TCI at prices ranging from 31 to 19-5/8, and for a total cost of \$1,161,772. These purchases constituted about 35% of all trading on the American and Philadelphia-Baltimore-Washington Stock Exchanges during the two-month period, ranging from a low of 3% to a high of 95% of trading volume. On 20 of the 45 trading days, TCI purchases accounted for 30% or more of the reported transactions on the two exchanges. At July 31, 1962, the margin account showed an unpaid balance of \$380,785, against which Ryder & Company held 60,154 shares of Atlantic stock (this included a net of 10,054 additional shares subsequently delivered into the account). In May 1962, through another firm, an additional 2,000 shares of Atlantic stock were purchased in the open market for the TCI margin account, with funds supplied by Atlantic, at prices ranging from 27½ to 25 and for a total cost of \$53,632, for which there is an unpaid balance of \$15,632 as of May 28, 1962.

The Commission also questions the accuracy and adequacy of the statement with respect to the stockholdings by Dr. Scurlock, particularly in view of the foregoing and the failure to disclose that he has pledged about 421,000 shares of Atlantic stock (along with other securities) as collateral for loans from banks and for balances in margin accounts with brokerage firms aggregating some \$4,500,000 on July 31, 1962. According to the prospectus, Dr. Scurlock held 418,970 shares of stock (21.3%) as of March 31, 1962. Current holdings approximate 421,000.

In its semi-annual report to shareholders for the six months ended June 30, 1962, Atlantic reported unconsolidated earnings (for the parent company only) of 65¢ per share. However, this report failed to reflect the effect of losses on contracts held by Atlantic subsidiaries. Moreover, the annual reports for 1960 and 1961 previously released to shareholders by Atlantic reported parent company income of \$811,689 and \$1,473,192, respectively, whereas its consolidated statements on file with the Commission reflected losses for those years of \$174,797 and \$1,066,015, respectively.

Atlantic's prospectus, according to the Commission's order, also fails to make proper disclosures with respect to certain loans made by it, particularly the circumstances underlying some \$1,750,000 of loans to Pine Ridge, TCI and others, including the purposes thereof, the relationship of the borrower to Atlantic, and the use of the proceeds by the borrower. On December 28, 1961, in connection with its preparation of

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financial statements as at December 31, 1961, Atlantic entered into an agreement with The Smith Corporation of Alexandria whereby Smith (a) accepted checks drawn by Atlantic aggregating \$1,750,000, (b) issued notes to Atlantic in that amount, (c) issued checks to Pine Ridge, TCI and seven other borrowers in the approximate amount of their respective indebtedness to Atlantic, and (d) accepted notes from the borrowers in the amount of the checks issued to them. Upon receiving the checks from Smith, the borrowers immediately repaid their indebtedness to Atlantic, which reflected in its year-end balance sheet a note receivable from Smith in the amount of \$1,752,167, shown as a current asset. It was understood that the Smith note need be paid only when and if the individual notes held by Smith were paid off. In May 1962 Atlantic advanced \$463,000 to TCI which then paid off its indebtedness and that of its subsidiary aggregating \$462,799 to Smith. Atlantic also made a \$44,000 loan to another debtor to pay off its note to Smith. At October 12, 1962, Smith owed Atlantic \$1,208,000 and held notes in that amount from the other borrowers. Another company, Edsall Development Corp., whose stock is owned in whole or in part by Atlantic's employees and which leases facilities to Atlantic, owed Atlantic \$547,172 on June 30, 1962.

Atlantic also made some \$800,000 of loans through TCI as a conduit, for the purpose of concealing certain underlying transactions. One such loan related to Atlantic's purchase on April 12, 1962, of certain assets of McKay Manning, Inc., doing business as Coast Coil Company, in exchange for 15,735 shares of Atlantic stock. In connection with this transaction, Scurlock arranged for TCI, with funds furnished by Atlantic, to lend McKay Manning \$34 for each share of Atlantic stock; McKay Manning pledged the stock as collateral with TCI; and it was agreed that repayment by McKay Manning might be made, at its election, in cash or by forfeiture of the pledged stock. The April 12th market price of the stock was 29. Under the terms of the agreement, TCI lent some \$534,000 to McKay Manning, which pledged as collateral the 15,735 shares of stock. On August 22, 1962, McKay Manning forfeited the pledged stock as repayment to TCI.

BRUCE CO. TRADING BAN CONTINUED. The SEC has issued a further order pursuant to Section 19(a)(4) of the Securities Exchange Act of 1934 suspending trading in the common stock of E. L. Bruce Co. (Inc.) on the American Stock Exchange and over-the-counter market for an additional NINE days, November 10-18, 1962, inclusive.

Trading in Bruce stock has been under suspension since June 13, 1962. On November 8, 1962, the company published a REPORT for the six months ended June 30, 1962, copies of which have been distributed to its shareholders. The Commission has renewed the suspension through November 18th so that shareholders and other investors may have an opportunity to evaluate the published information. However, trading may be resumed on Monday, November 19, 1962.

TRADING BAN IN THREE STOCKS CONTINUED. The SEC has issued orders under the Securities Exchange Act suspending exchange and over-the-counter trading in the common stocks of the following for an additional ten day period November 10-19, inclusive: Black Bear Industries, Inc., Precision Microwave Corp., and Prosper Oil and Mining Company.

THREE SOUTHERN COMPANY SUBSIDIARIES SEEK ORDER. Alabama Power Company, Mississippi Power Company and Alabama Property Company, subsidiaries of The Southern Company, a registered holding company, have applied to the SEC for an order under the Holding Company Act authorizing proposed intrasystem transfer of utility assets and certain related transactions; and the Commission has issued an order (Release 35-14741) giving interested persons until November 29, 1962 to request a hearing thereon. According to the application, Alabama Power has incurred \$118,401 of development costs (and expects to incur an additional \$239,707 in costs) regarding a steam-electric generating plant site recently acquired for \$461,892. Alabama Power proposes to sell the plant site free and clear of the lien of its general mortgage to Alabama Property for not more than \$820,000 in cash, said amount to be advanced on open account by Alabama Power and Mississippi Power in the respective amounts of \$492,000 and \$328,000. In turn, Alabama Property will sell to the other two companies a 60% and 40% undivided interest as tenant in common in the plant site. Thereafter, the respective open account indebtedness to Alabama Power and Mississippi Power will be cancelled and any undischarged balance will be paid in cash. Alabama Power, for itself and as agent for Mississippi Power, intends to build steam-electric generating units on the site.

GENERAL PUBLIC UTILITIES STOCK DIVIDEND APPROVED. The SEC has issued an order under the Holding Company Act (Release 35-14742) authorizing General Public Utilities Corporation, New York registered holding company, to distribute to stockholders (on December 28, 1962) a 4% stock dividend (one additional share for each 25 shares held on November 23rd). GPU has outstanding (as of October 5th) 22,919,613 common shares and the proposed dividend will require the issuance of an additional 916,785 shares.

PHILADELPHIA ELECTRIC POWER SEEKS ORDER. Philadelphia Electric Power Company, Philadelphia registered holding company, has applied to the SEC for an order under the Holding Company Act authorizing the sale to its parent, Philadelphia Electric Company, of 120,000 authorized but unissued common shares having an aggregate par value of \$3,000,000; and the Commission has issued an order (Release 35-14743) giving interested persons until November 26, 1962 to request a hearing thereon. According to the application, the Power company borrowed from its parent from time to time an aggregate of \$3,000,000 to provide funds with which to meet the \$724,000 semi-annual sinking fund payments on its outstanding bonds; and it proposes to issue the new shares to its parent in payment of such indebtedness.

AMERICAN ELECTRIC POWER SUBSIDIARIES SEEK ORDER. Central Appalachian Coal Company, Kanawha Valley Power Company, West Virginia Power Company, Central Coal Company, and Central Operating Company, all West Virginia subsidiaries of American Electric Power Company, a registered holding company, have filed an application with the SEC for an order under the Holding Company Act authorizing proposed amendments to their certificates of incorporation so as to reduce the number and par value of authorized and issued shares of capital stock (for the stated purpose of reducing liabilities for State license taxes); and the Commission has issued an order (Release 35-14744) giving interested persons until November 29, 1962 to request a hearing thereon.

SECURITIES ACT REGISTRATIONS. Withdrawn November 8: Waltons Limited (ADR's) (File 2-20644) Western Land Trust Fund (File 2-17910).