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 November 30, 1956

Hawaiian Pineapple Company, Limited, Honolulu, filed a registration statement (File 2-12932) with the SEC on November 29, 1956, seeking registration of 413,920 shares of its $7.50 par Common Stock. These shares are to be offered by the company for subscription by common stockholders of record December 28, 1956, in the ratio of one share of additional stock for each 4 shares thenheld. The subscription price and underwriting terms are to be supplied by amendment. Dean Witter & Co. is named as the principal underwriter.

Net proceeds of the financing will be added to working capital. Initially $4,000,000 thereof will be applied toward payment of short term bank loans which aggregated $25,500,000 at October 31, 1956. For many years the company has been a substantial borrower from banks, such borrowings reaching a maximum during the Fall coincident with the seasonal inventory peak and are normally liquidated during the Spring as seasonal inventories are sold. It has established lines of credit at various banks aggregating $27,275,000.

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Pacific Finance Corporation, Los Angeles, filed an application (File 22-1990) with the SEC on November 29, 1956, for qualification under the Trust Indenture Act of a trust indenture pursuant to which it proposes to issue $3,000,000 of 4-5/8% Debentures due 1971. The debentures are to be sold to Investors Mutual, Inc., and the issuance and sale thereof, according to the application, will not involve a public offering and so will be exempt from registration under the Securities Act of 1933.

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Faraday Uranium Mines Limited, Toronto, Ontario, Canada, today filed a registration statement (File 2-12933) with the SEC seeking registration of 595,000 shares of its $1 par Capital Stock. These shares are to be offered by the company pursuant to Stock Purchase Warrants, issued under an indenture dated March 15, 1956, between the company and Guaranty Trust Company of Canada, as Trustee. The warrants will expire by their terms on December 31, 1959, and may be exercised at any time and from time to time on and after January 1, 1957. The offering price is $1.75 per share. No underwriting is involved.

Early in 1956, according to the prospectus, the company sold in Canada through underwriters $8,500,000 of 5½% Sinking Fund Debentures, due March 15, 1965. The securities were not offered or sold in the United States and consequently the debenture offering was not registered with the Commission. Stock purchase warrants

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were attached to the debentures, entitling the holders to purchase shares of capital stock of the company at the rate of 35 such shares for each $500 of debentures. The warrants may be detached from the debentures without becoming invalid. As far as the company knows the debentures and the attached warrants were not purchased by or sold to citizens or residents of the United States. However, since said securities were issued in bearer form through underwriters, the company cannot be certain of the present holders thereof and the warrants may come into the hands of citizens or residents of the United States. The company has been advised that, to the extent that the warrants represent a continuing offer of the company to sell its capital stock, the stock to be issued upon exercise of the warrants should be registered.

The company has not determined how the net cash proceeds to be received from the sale of its capital stock and the exercise of the warrants will be used. It anticipates, however, that the proceeds will be added to general funds and part thereof may be used to retire some of the outstanding debentures, if circumstances will allow.

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The Securities and Exchange Commission today denied applications relating to a voluntary exchange by Alleghany Corporation of its outstanding 5½% preferred stock for a new series of 6% convertible preferred stock. The applications, which were filed by Alleghany and certain of its stockholders, sought a declaration that no approval or other action by the Commission was required under the Investment Company Act of 1940 with respect to the exchange, or, in the alternative, for an order of exemption. Commissioner Patterson dissented from the Commission's action.

Under the exchange plan, each share of Alleghany 5½% $100 par value Preferred Stock, on which there were dividend arrearages of $132 per share, was exchangeable at the option of the holder for 10 shares of a new 6% $10 par value preferred stock. The 10 shares of new stock were not redeemable prior to May 1, 1970 and were convertible into 47 shares of Alleghany common stock, upon payment of $3.75 per share of that stock. The conversion ratio was set so that the number of common shares into which the 10 new shares were convertible would have a market value at May 25, 1955 of $237 after deducting the required cash payment. The $237 is equivalent to the redemption price of the old stock including the dividend arrears.

The exchange offer was previously approved by the Interstate Commerce Commission in May, 1955, and execution of the plan was commenced. However, in an action brought by certain Alleghany common stockholders, the United States District Court for the Southern District of New York enjoined consummation of the plan, finding that Alleghany was subject to regulation by the Securities and Exchange Commission under the Investment Company Act and was not under the jurisdiction of the Interstate Commerce Commission. In the proceeding before the Interstate Commerce Commission, the Securities and Exchange Commission unsuccessfully asserted its jurisdiction over Alleghany.

Under the Investment Company Act the transactions Alleghany had effected pursuant to the exchange offer could only be made by an investment company if registered with the Securities and Exchange Commission. Alleghany registered with the Securities and Exchange Commission and filed the applications which the Commission today decided.

In denying the applications, the Securities and Exchange Commission found that an exemption was required under the Investment Company Act and that it could not grant an exemption. It found that the new security was a right to purchase, specifically outlawed by Section 18(d) of the Investment Company Act, and not a senior security which would be exempt from Section 18(d). It stated that whether a security is a right to purchase "is not controlled by the nominal designation given the security but is rather appropriately based on a realistic appraisal of the rights and values attaching to it at time of issuance." The Commission pointed out that the preferred stock attributes of the new stock are "clearly subordinate and probably have an indiscernible influence on its market value."

The Commission concluded that the requested exemption from the statute could not be granted in view of the difficulties of evaluating the new security that would be imposed on investors, both present as well as prospective, to whom the safeguards of the statute extend, and the fact that it was not able to find on the basis of the record that the exchange offer fell within the range of fairness. The Commission observed that the "statutory prohibition against long-term warrants and rights to purchase gives Congressional recognition to the fact that such securities are a speculative medium that introduce complicating and undesirable features into a corporate structure and which may impose serious difficulties upon investors in determining the intrinsic value not only of the warrant or the right to purchase but of all the securities affected in the corporate structure."

On the question of fairness, the Commission stated that the very experts introduced in support of the plan differed sharply as to the ultimate value of the new security. It pointed out that one expert believed 10 shares of the new security would attain a value in excess of $400 after final consummation of the plan. In the Commission's opinion this would appear to produce a grossly unfair result. The Commission noted that the other expert witness who testified in support of the plan originally shared the first expert's view but when he appeared at the hearing stated he had changed his opinion. This difference and change of opinion the Commission concluded "not only demonstrates the unclear and conflicting nature of the record with respect to whether the plan is within the range of fairness but it also shows the complex problems which would face an ordinary investor seeking to appraise Alleghany's securities."

Commissioner Patterson in his dissenting opinion concluded that, since the new preferred stock carried with it a priority over the common stock as to distribution of assets and payment of dividends, it was a senior security as defined by Section 18(g) of the Act and therefore specifically exempted by Section 18(e)(2) from the prohibitions of Section 18. He was of the opinion on the basis of the record that the exchange offer fell within the permissible range of fairness and therefore qualified for an exemption.