

# 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.

May 28, 1957

FOR RELEASE

Securities Act Release No. 3791

The Securities and Exchange Commission today announced the adoption of a statement of policy specifying the circumstances under which it will deny acceleration of the effective date of registration statements under the Securities Act of 1933, proposing the public offering of securities.

Subject to the standards of Section 8(a) of the Act, it is the general policy of the Commission, where consistent with the public interest and the protection of investors, to declare a registration statement effective as soon as practicable after the filing of an appropriate amendment correcting the deficiencies therein, if any, and of the amendment setting forth the offering price, if the price and other terms of offering were not originally included in the registration statement.

The policy statement takes the form of a Note to Rule 460 which specifies the more common situations in which acceleration will be denied. Among these are cases in which provision is made for indemnification by the registrant (by contract, charter, by-law, statute, or otherwise) of its officers, directors or controlling persons against liabilities arising under the Act. The Commission regards such indemnification as unenforceable under the policies of the Act and acceleration may be denied except where appropriate waivers are obtained or an agreement is included in the registration statement to submit such claims for indemnification to a Court of appropriate jurisdiction, or where indemnification is limited to reimbursement for expenses incurred in the successful defense of a suit. The note makes clear that this policy also relates to indemnification agreements in underwriting contracts in cases where an officer, director or controlling person of the registrant is an underwriter or a controlling person of the underwriter.

The note also declares that the Commission may deny acceleration where the issuer, a controlling person or an underwriter is being investigated by the Commission for possible violation of the statutes administered by the Commission. Furthermore, the Commission may refuse acceleration if one or more of the underwriters of the securities to be offered fails to meet the SEC net capital rule. The general purpose of the latter rule is to provide a safeguard for investors with respect to the financial responsibility of brokers and dealers. Another provision of the note relates to the Commission's policy to refuse acceleration where there have been prior transactions in the registrant's stock by persons connected with the offering, which tend artificially to raise the market price of the securities being offered.

In adopting the policy statement, the Commission withdrew two additional provisions which had been proposed in the policy statement as announced in August, 1956.

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These related to non-acceleration (1) where preferred stock being registered or outstanding has a par or stated value substantially less than its involuntary liquidating preference and there is no restriction of surplus; and (2) in the case of offerings by selling stockholders where such stockholders do not bear a fair share of the expenses of registration and sale.

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The Income Fund of Boston, Inc., Boston, Mass., filed an amendment on May 27, 1957, to its registration statement (File 2-11293) seeking registration of an additional 304,448 shares of Common Stock, \$1 par value.

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Texas Glass Manufacturing Corporation, Houston, today filed a registration statement (File 2-13372) with the SEC seeking registration of 3,000,000 shares of its \$1 par Common Stock. The company proposes to offer 2,700,000 shares for public sale at \$2 per share. The remaining 300,000 shares are under option to the original stockholders at the par value of \$1 per share. The offering is to be made on a best efforts basis by T. J. Campbell Investment Co., Inc., of Houston, for which a commission of 35¢ per share is to be paid. The underwriter has the option to purchase at \$2 per share, fifty shares of stock for every 1,000 shares sold.

The company intends to manufacture window and heavy sheet crystal glass. Its plant is to be located in Bryan, Brazos County, Texas. It is proposed to expend \$2,000,000 for the erection and installation of batch plant, machines, furnaces, and miscellaneous equipment necessary to the operation. The cost of plant construction is estimated at \$1,962,000; an additional \$1,760,000 of the proceeds are to be used "for next 5 months operation;" \$78,181 is needed for "starting up operation;" \$64,185 for maintenance and repair; and \$755,634 for reserve fund.

The promoters are C. V. Mulkey, president and Board Chairman, of Houston; Al L. Crystal, of Houston; and Walter Foltz of Fort Smith, Ark.

#### Holding Company Act Release No. 13481

The SEC has issued an order authorizing The Columbia Gas System, Inc., to make additional investments in two of its subsidiaries, as follows: Central Kentucky Natural Gas Company, \$1,300,000 of additional common stock and \$1,300,000 of Installment Notes; and The Ohio Fuel Gas Company, \$8,100,000 of additional common stock and \$19,400,000 of Installment Notes. The securities will be issued and sold periodically by the subsidiaries when and to the extent that funds are required for the 1957 construction programs of the subsidiaries.

#### Investment Company Act Release No. 2538

The SEC has issued an exemption order permitting Pine Street Fund, Inc., New York investment company, to purchase not to exceed 1,500 shares of the Capital Stock of International Business Machines Corporation. Under a registration statement which became effective May 21, 1957, IBM made an offering of 1,050,223 shares of its capital stock for subscription by stockholders at a subscription price of \$220 per share. The stockholders' subscription offer will expire at 3:30 P.M.,

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June 10, 1957. Thereafter, unsubscribed shares will be offered for public sale. Because of intercompany affiliations with certain of the underwriters, the Fund's purchase of the IBM stock is prohibited by the Investment Company Act in the absence of the issuance of an exemption order by the SEC.

Securities Act Release No. 3792

(a) Universal Petroleum Exploration and Drilling Company

The Securities and Exchange Commission has cancelled a hearing scheduled for June 6, 1957, in its San Francisco Regional Office, on the question whether to vacate or make permanent a prior order of the Commission temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of securities by Universal Petroleum Exploration and Drilling Company, of Las Vegas, Nevada.

Universal's Regulation A notification, filed October 4, 1954, proposed the public offering of 300,000 shares of its common capital stock at \$1 per share. The Commission's suspension order, issued April 17, 1957, charged that the company's notification and offering circular are false and misleading in respect of various material facts (See Release No. 3779). At the request of Universal, the Commission on May 21, 1957, ordered a hearing on June 6, 1957, to determine whether to vacate or make permanent the suspension order. Subsequently, Universal withdrew its request for a hearing, whereupon the Commission cancelled the hearing.

(b) Mid-Hudson Natural Gas Corporation  
North Star Oil and Uranium Corporation

At the request of counsel for Mid-Hudson Natural Gas Corporation and North Star Oil and Uranium Corporation (both of New York), the Commission has postponed to July 9 and July 10, 1957, respectively, the hearings on the question whether previous orders temporarily suspending Regulation A exemptions from registration under the Securities Act of 1933 with respect to public offerings of securities by the two companies (See Release No. 3769) should be vacated or made permanent. The hearings are to be held in the Commission's New York Regional Office.

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Pacific Natural Gas Co., Longview, Washington, today filed a registration statement (File 2-13375) with the SEC seeking registration of \$1,000,000 of Subordinate Interim Notes, due 1963, and 20,000 shares of its \$1 par Common Stock. These securities are to be offered for public sale in units, each consisting of a \$50 note and one common share. The interest rate on the notes, and the public offering price and underwriting terms for the units, are to be supplied by amendment, as are the names of the underwriters. The Notes will be payable at maturity at the option of the company in shares of \$3.25 Cumulative Preferred Stock, at the rate of one preferred share for each \$50 of Notes.

Part of the proceeds of this financing will be used to repay short term indebtedness and other current liabilities and to reimburse the company's treasury for funds previously expended for improvement of facilities, maintenance of service and preparation for the introduction of natural gas. The balance together with the

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proceeds from \$2,500,000 of bank loans will be employed to finance the company's current construction program in its Eastern Division, and to provide necessary working capital. The current construction program is estimated to cost \$3,570,000. The company's current financing program also includes the sale of 51,000 shares of common stock to its common stockholders of record as of June 1, 1957, at a price of \$6 per share. In addition, the company is negotiating with institutional investors for their purchase in September, 1958, of \$2,500,000 of first mortgage bonds due 1978. The proceeds from the sale of such bonds will provide funds for the retirement of the unsecured bank loans.

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Trans World Airlines, Inc., New York, today filed a registration statement (File 2-13376) with the SEC seeking registration of 3,337,036 shares of its \$5 par Common Stock. The company proposes to offer this stock for subscription by holders of its outstanding common stock of record June 17, 1957, at the rate of one additional share for each share then held. The subscription price is to be supplied by amendment. Under an agreement between TWA and Hughes Tool Company, the holder of 2,476,142 shares of TWA's common stock, Hughes may buy all or any part of the common shares not subscribed for under the subscription offer; and Hughes has agreed that if it purchases less than all unsubscribed shares it will purchase such number thereof as well, with shares acquired by it on the exercise of subscription warrants, provide TWA with aggregate net proceeds of at least \$34,000,000 from the shares acquired by Hughes. TWA will pay fees of 25¢ per share to members of the National Association of Securities Dealers, Inc., who obtain subscriptions from original holders of subscription warrants other than Hughes.

Net proceeds from its stock sale will be used by TWA to pay or prepay amounts owed in connection with the purchase of eight Lockheed Constellation 1049G aircraft, 25 Lockheed 1649A aircraft, and related spare parts and engines. As of May 1, 1957, approximately \$38,000,000 was owed and with subsequent deliveries an additional estimated \$51,000,000 will become owing, making a total of \$89,000,000. The balance of this indebtedness is to be retired in part by the amounts received from the sale of shares in excess of \$34,000,000 and the proceeds of a \$25,000,000 bank loan payable by TWA in 36 equal monthly installments commencing January 1, 1958. An additional \$10,000,000 will be provided from a temporary bank loan payable on December 1, 1957. The remainder will be supplied from TWA's general funds. Discussions have also been initiated for possible additional institutional loans of up to \$25,000,000. If the amount of such institutional loans prior to December 1, 1957, plus the proceeds from the sale of shares in excess of \$34,000,000 does not aggregate at least \$15,000,000, Hughes has agreed to extend to TWA a revolving credit, maturing December 1, 1960, for the amount of the difference.

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Delaware Power & Light Company, Wilmington, today filed a registration statement (File 2-13378) with the SEC seeking registration of \$15,000,000 of First Mortgage and Collateral Trust Bonds, Series due 1987, which are to be offered for public sale at competitive bidding. Net proceeds of the bond sale will be applied toward the cost of the construction program of the company and its subsidiaries, including the retirement of bank loans incurred prior to such sale. Construction expenditures for 1957 and 1958 are estimated at \$51,500,000

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Butler Brothers (an Illinois Corporation), of Chicago, today filed a registration statement (File 2-13377) with the SEC seeking registration of 40,000 shares of its \$15 par Common Stock. The company proposes to offer certain of the Ben Franklin Franchise Holders the right to purchase Butler Brothers stock, at a price to be supplied by amendment. The right to purchase is based upon rebate paid to the franchise holder under the terms and provisions of the franchise contract between the Butler Brothers and the store owner. The store owner is offered the opportunity to buy the number of shares equal to the price per share divided into fifty percent of the amount of rebate paid under the franchise contract for the calendar year 1956, provided, however, that no fractional shares will be offered nor sold. Butler Brothers is engaged in the distribution of general merchandise.

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Philip Morris Incorporated, New York, today filed a registration statement (File 2-13379) with the SEC seeking registration of 385,000 shares of its \$5 par Common Stock. This stock is to be offered in exchange for shares of the common stock of Milprint, Inc., of Milwaukee, on a share for share basis. Philip Morris wishes to acquire all, but in no event less than 90% of the common stock of Milprint. It will not declare the exchange offer effective unless at least 346,500 shares of Milprint are then on deposit. If the exchange is effected, Milprint will become a subsidiary of Philip Morris. In such event, it is the present intention of Philip Morris that Milprint's operations will be conducted independently of those of Philip Morris and that the latter will provide Milprint with adequate financing for expansion. The terms of the proposed acquisition were negotiated with certain of Milprint's officers and directors. If the proposed acquisition is accomplished, Philip Morris will also pay a finder's fee of \$250,000 to Lehman Brothers, who acted as intermediary in negotiating the transaction.

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Southern Bell Telephone and Telegraph Company, Atlanta, Ga., today filed a registration statement (File 2-13380) with the SEC seeking registration of \$70,000,000 of Twenty-Nine Year Debentures, due June 1, 1986, to be offered for public sale at competitive bidding. The company intends to use a portion of the net proceeds of this financing to repay outstanding advances from its parent, American Telephone and Telegraph Company, for construction and other purposes, which are expected to approximate \$36,000,000 at the time the proceeds are received. The remainder of the proceeds will be used for general corporate purposes, including property additions and improvements. It is expected that the use of the proceeds for these purposes will provide for the company's needs until September, 1957.

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