

# 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 21, 1957

## SEC PERMANENTLY SUSPENDS INTERSTATE HOLDING EXEMPTION

In a decision announced today, the SEC permanently suspended a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of securities by Interstate Holding Corporation, of Memphis, Tenn. The company consented to such suspension.

In a Regulation A notification filed with the Commission on March 8, 1957, Interstate proposed the public offering of 12,400 shares of Class A and 12,400 shares of Class B stock, in units of 100 shares each and at an offering price of \$1,501 per unit. In previous orders, the Commission temporarily suspended the Regulation A exemption; and, at the company's request, a hearing was ordered on the question whether the suspension order should be vacated or made permanent. The order for hearing alleged that Regulation A had not been complied with and that the notification and Interstate's offering circular contained false and misleading statements and omitted required information concerning, among other things, the interests of Interstate's officers and directors in the company and its affiliates and in past and proposed material transactions involving Interstate and its affiliates, sales of unregistered securities by affiliates, and cash receipts and disbursements. The order also alleged that a registration statement filed by an affiliate is the subject of an examination pursuant to Section 8(e) of the Act.

At the hearing, Interstate admitted the facts alleged and certain additional facts and consented to the entry of an order permanently suspending the Regulation A exemption. Interstate admitted, and the Commission found, that Interstate, acting through Harold E. Phillips, Cecil V. Goodwin, and Calvert W. Beale, Sr., loaned \$25,000 to those persons, evidenced by their one-year 5% note, which funds they used to acquire a lease they thereupon assigned to Comico Corporation, an affiliate of Interstate, for 660,000 shares of the latter's stock and to advance Comico funds for certain expenses. Interstate was given an option to acquire three-fourths of the said shares, exercisable by surrender of the note and refund of any payments made thereon. These facts were not disclosed in the notification or offering circular.

Also undisclosed were the admitted facts that Interstate paid approximately \$35,000 for stock of B & G Corporation, another affiliate, in which the three officers and directors of Interstate have minority stock interests; that beginning in January, 1957 Interstate had paid a salary of \$1,000 per month to Phillips, its president; and that Interstate, B & G Corporation, and Comico had until recently been paying rent to Beale, an officer and director in each of the corporations.

Despite the existence of the foregoing interests of Interstate's officers and directors, the offering circular stated that none of Interstate's officers or directors has received or is expected to receive any remuneration other than \$500

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that had been paid and certain commissions to be received by Beale on the sale of securities, that they hold no direct or indirect material interests in Interstate or its properties or in adjoining properties which would be benefited by Interstate's operations, and that there are no contemplated transactions with them or with companies in which they are interested. "These representations," the Commission stated, "are false and misleading. Under the circumstances the offering operated and, if permitted to continue, would operate as a fraud and deceit upon purchasers in violation of Section 17 of the Act." (See Securities Act Release No. 3831)

#### AMPHENOL ELECTRONICS CORP. PROPOSES STOCK OFFERING

Amphenol Electronics Corporation, Chicago, today filed a registration statement (File 2-13558) with the SEC seeking registration of 200,000 shares of its \$1 par Common Stock. The company proposes to offer these shares for public sale through an underwriting group headed by Hornblower & Weeks. The initial public offering price will be a price related to the then current market for outstanding shares on the New York Stock Exchange. The underwriting terms are to be supplied by amendment.

The company now has outstanding 500,560 common shares. Net proceeds of the sale of the additional 200,000 shares will be used for the expansion of plant and office facilities and for the purchase of all of the outstanding capital stock of Danbury-Knudsen, Inc. The cost of the expansion of plant and office facilities to be located at Broadview, Illinois, will amount to \$4,100,000; and the net cost of the acquisition of the Danbury-Knudsen stock will not exceed \$1,800,000. The balance of the net proceeds will be added to the working capital of the company.

Danbury-Knudsen is a manufacturer of connectors and electronic specialties. Its production and office facilities are located in Danbury and Brookfield, Conn. The stated price at which Amphenol proposes to acquire the Danbury-Knudsen stock is \$2,959,200, but the net cost will not exceed \$1,800,000 since the assets of that company include approximately \$1,200,000 in cash above present working capital needs. Amphenol intends to liquidate Danbury-Knudsen shortly after the acquisition is completed and operate it as divisions of the company. Knud Knudsen and Kenneth Eriksen, principal shareholders and founders of Danbury-Knudsen, are to continue in the active management of these properties.

#### SEC EXEMPTS INVESTMENT COMPANY PURCHASES OF ATLANTIC REFINING DEBENTURES

The SEC has issued an exemption order permitting The Colonial Fund, Inc., Gas Industries Fund, Inc., and the Bond Investment Trust of America, Boston investment companies, to acquire Convertible Subordinated Debentures of Atlantic Refining Company in the respective amounts of \$300,000, \$600,000 and \$100,000. These debentures are part of a public offering of \$100,000,000 of debentures being made by Atlantic Refining. Because of affiliations between the investment companies and two of the underwriters, The First Boston Corporation and Estabrook & Co., purchases of Atlantic Refining debentures by the investment companies is prohibited by the Investment Company Act unless an exemption order is issued by the Commission. Their purchases are to be made at the public offering price of the debentures, and from members of the underwriting and selling group other than First Boston and Estabrook. (See Investment Company Act Release No. 2582.)

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## KINGDOM OF BELGIUM PROPOSES BOND ISSUE

The Kingdom of Belgium today filed a registration statement (File 2-13559) with the SEC seeking registration of \$30,000,000 of External Loan Fifteen Year Sinking Fund Bonds due 1972, to be offered for public sale through an underwriting group headed by Morgan Stanley & Co. and Smith, Barney & Co. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The Belgian franc equivalent of the net proceeds from the sale of the \$30,000,000 of bonds will be applied, together with other treasury funds, towards the financing of expenditures authorized by the 1957 extraordinary budget of the Kingdom of Belgium. Among the capital expenditures so authorized are expenditures for public works, including modernization of the canal system, port improvements at Antwerp, construction of school and university buildings, improvements to the Melsbroeck commercial airport at Brussels and expansion of the nuclear experimental station at Mol.

Concurrently with the sale of the bonds the International Bank for Reconstruction and Development is agreeing to lend Belgium \$10,000,000 or the equivalent thereof in various currencies. The proceeds of this loan will be used for disbursements on the project for improvement of the Brussels-Charleroi canal.

## SEC ORDERS STOP ORDER PROCEEDINGS AGAINST MON-O-CO OIL CORP.

The Securities and Exchange Commission today announced the institution of "stop order" proceedings under the Securities Act of 1933 to determine whether to suspend the effectiveness of a registration statement filed by Mon-O-Co Oil Corporation, of Billings, Montana, which proposed the public offering of 22,474 Class A and 539,376 Class B common shares. The order for proceedings, which schedules the matter for hearing on September 3, 1957, in the Commission's Seattle Regional Office, alleges a failure to comply with the disclosure requirements of the Act.

Mon-O-Co is engaged in exploration for crude oil and gas and in the acquisition of prospective oil and gas leases. Its Class A and Class B shares were to be offered in units, each consisting of one Class A and 24 Class B shares, of which 14,474 units were to be issued in exchange for properties and 8,000 offered for subscription by stockholders at \$75 per unit.

In its order authorizing the stop order proceedings, the Commission challenges the adequacy and accuracy of various informational disclosures contained in Mon-O-Co's registration statement and prospectus, including the failure to set forth "a concise informative description of the speculative features of the offering" in the manner required under Commission rules and precedents. The order further alleges a failure to disclose information concerning the costs to Mon-O-Co of fractional undivided working interests in oil properties and the prices at which Mon-O-Co sold the respective interests to be reacquired in the exchange offer; the rights of each class of interest; the amount of assessments which have been made against each class of interest and related information; the amount of developed and undeveloped oil reserves allocable to each class of interest and the amount of oil production accruing to each class; and the respective interests that will be held in Mon-O-Co the offerees of the exchange offer and present stockholders, assuming full acceptance of the exchange offer.

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Furthermore, according to the order, Mon-O-Co's prospectus fails to disclose, among other things, (1) that the area of accumulation of oil and gas in the Fertile Prairie Oil Field, based upon the sesmiograph survey and the results of development to date, is small in extent; (2) the prospect of recovering the cost of the present wells; and (3) the relationship between the cash offering price of the securities offered and the oil reserves of the company.

The hearing has been consolidated with a hearing scheduled for the same time and place in proceedings pursuant to Section 3(b) of the Act and Regulation A thereunder to determine whether a prior order of the Commission temporarily suspending a Regulation A exemption from registration with respect to a similar public offering of Class A and Class B shares, should be vacated or made permanent. The temporary suspension order alleged failure to comply with the terms and conditions of Regulation A, including false representations in Mon-O-Co's offering circular. (See Securities Act Release No. 3832.)

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