

# 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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Washington 25, D.C.

FOR RELEASE December 29, 1958

## Statistical Release No. 1577

The SEC Index of Stock Prices, based on the closing prices of 265 common stocks for the week ended December 26, 1958, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1958, is as follows:

	<u>1939 = 100</u>		<u>Percent Change</u>	<u>1958</u>	
	<u>12/26/58</u>	<u>12/19/58</u>		<u>High</u>	<u>Low</u>
Composite	397.7*	397.2	+0.1	397.7	299.0
Manufacturing	493.4*	492.7	+0.1	493.4	373.3
Durable Goods	458.2*	454.9	+0.7	458.2	332.2
Non-Durable Goods	516.3	517.9	-0.3	519.7	402.2
Transportation	333.2*	329.2	+1.2	333.2	219.7
Utility	205.6	205.7	0.0	205.7	155.5
Trade, Finance & Service	379.1	380.7	-0.4	380.7	263.2
Mining	341.3	340.5	+0.2	347.2	261.3

\*New High

## SEC ORDERS PROCEEDINGS AGAINST MORTON

The Securities and Exchange Commission has ordered proceedings under the Securities Exchange Act of 1934 to determine whether I. B. Morton & Company, Inc., has wilfully violated the anti-fraud and other provisions of the Federal Securities Laws and, if so, whether its registration as a broker-dealer should be revoked.

Morton & Company's registration as a broker-dealer became effective March 12, 1958. Morton I. Binstock is listed as a director, president, and owner of 50% of its outstanding common stock. Morton & Company and Binstock were permanently enjoined by an October 30, 1958, judgment of the United States District Court for the Southern District of New York from engaging in or continuing certain conduct and practices in connection with the purchase and sale of securities. (The Commission's complaint in that action alleged violations of the anti-fraud provisions of the Securities Act of 1933 in the offering and sale of Vari-Pac Corporation stock. The defendants, without admitting the allegations, consented to entry of the judgment.)

The Commission states in its order that information developed in an investigation by its Staff tends to show that Morton & Company and Binstock, in the offering and sale of Vari-Pac Corporation stock during the period April 1 to October 16, 1958, "engaged in acts, practices and a course of business which operated as a fraud and deceit upon certain persons," in that they offered and sold Vari-Pac stock to such persons by means of false and misleading statements with respect to the future market price of Vari-Pac stock; the profits and earnings of Vari-Pac; the number of sales accounts of Vari-Pac and their prospective increase; the prospective listing of

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Vari-Pac stock on the New York Stock Exchange; a prospective purchase of Vari-Pac by a major electrical company; the plant, buildings and equipment owned by Vari-Pac; the contracts received for its products; the development and engineering department of Vari-Pac; the credit rating of Vari-Pac; and the patents Vari-Pac owned and products it manufactured. Violations of the Commission's net capital rule and failure to amend Morton & Company's registration to reflect the injunction also is alleged by the Commission.

A hearing for the purpose of taking evidence with respect to the foregoing matters will be held at a time and place later to be determined.

#### SHELLEY-ROBERTS (CALIF.) BROKER-DEALER REGISTRATION REVOKED

The Securities and Exchange Commission today announced the issuance of a decision and order revoking the broker-dealer registration of Shelley, Roberts & Company of California (Registrant), 9486 Santa Monica Boulevard, Beverly Hills, California. (Release 34-5837). The action was based upon a Commission finding, among others, that the anti-fraud provisions of the Federal Securities Laws had been wilfully violated by Billy E. Boyle, a director and president of Registrant, while serving as vice-president and a director of Shelley, Roberts and Company, a Colorado corporation, and as managing director of its California branch offices in San Francisco and Beverly Hills.

The Commission ruled that, in connection with an active campaign by Boyle in 1956 and early 1957, through the Beverly Hills office of the Colorado corporation, to sell shares of United Mercury Corporation common stock, a number of false and misleading representations were made by Boyle and salesmen employed by him. The misrepresentations included statements that it would be impossible for purchasers to lose money in the United stock and that they were guaranteed against loss, that the Colorado corporation controlled the market in the United stock and would manipulate and drive or push the market price up, that the stock would shortly be listed on an exchange, that an application for such listing had been filed, and that the market price of United stock would "skyrocket" from below \$2 to \$5 per share and more.

The sales campaign included the distribution of thousands of copies of sales literature, including reprints of newspaper advertisements, news stories and columns, and copies of various "special reports." Among the reprints was one taken from a full page newspaper advertisement which appeared in the Los Angeles Times in November 1956 and which referred to United in most optimistic terms. Boyle and the salesmen falsely represented to customers that the reprints were of an editorial or news story originated by the newspaper, when in fact it was arranged and paid for by the Colorado corporation and Boyle had supplied the text and photographs from which it had been prepared.

Boyle was said by the Commission to have caused the Colorado corporation to violate the anti-fraud provisions of the laws in the offer and sale of United stock. The Commission also ruled that the Colorado corporation violated provisions of Regulation T and that Boyle was responsible for, caused, aided and abetted in these violations. These violations resulted from the failure to cancel purchases by customers in special cash accounts when customers did not make full cash payment for securities within seven days after the date of purchase thereof. Furthermore, Registrant and Boyle refused to make its records available for examination by the Commission in wilful violation of Section 17(a) of the Securities Exchange Act.

#### NEW ENGLAND URANIUM OFFERING PERMANENTLY SUSPENDED

In a decision announced today (Release 33-4008) the Securities and Exchange Commission permanently suspended a Regulation A exemption from Securities Act registration with respect to a public offering of stock by New England Uranium-Oil Corporation, Inc., of Oklahoma City, Okla., and Fitchburg, Mass.

In 1954 New England Uranium, which was organized to explore and develop uranium and oil properties, filed a notification with the Commission proposing the public offering of 300,000 com

shares at \$1 per share pursuant to the conditional exemption from registration provided by Regulation A. The offering circular named Omer C. Caouette as principal underwriter of the offering on a best efforts basis, and stated that officers and directors of the company might also sell stock and receive commission on such sales. Shares were sold to public investors in various states, including about 375 residents of Massachusetts; and by May 31, 1956, a total of 130,277 shares had been sold.

According to the offering circular, New England Uranium's assets consisted of cash of \$500.45 and an option to purchase 20 uranium claims acquired from William Clark, promoter, controlling stockholder and treasurer, for which the company issued 450,000 common shares to Clark and in addition proposed to pay him \$45,000 out of the first proceeds of the public offering. The circular stated that no exploratory work had been done and there was no assurance that an ore body in commercial quantities would be discovered on the properties covered by the option.

The Commission ruled that New England Uranium's offering circular was false and misleading in respect of various material facts. According to the decision, the circular was misleading in failing to disclose that the stock was being sold in Massachusetts in violation of the Massachusetts Sale of Securities Act. No notice of intention to sell in that state had been filed with the Massachusetts commission, as required; and, furthermore, New England Uranium was not registered in that state as a broker for the purpose of selling its own securities, nor were Caouette and company officers and directors who sold such stock registered as brokers or salesmen in that state, as required. The offering circular also omitted to disclose the contingent liability arising from the unlawful stock sales in Massachusetts.

Moreover, the offering circular was false in stating that 9 officers and directors owned only one share of stock each, when in fact each of them owned an additional 2500 shares. The circular also failed to disclose that a number of the officers and directors had options to purchase substantial amounts of stock at 50¢ per share, half the public offering price; and, in addition, the circular was false and misleading in representing that the secretary of New England Uranium was a certified public accountant when he was not in fact certified, and in failing to state that a certain bank officer had resigned as a vice-president and director of the company.

The Commission also ruled (a) that a company officer had falsely represented in connection with sales of stock that 250,000 shares had been sold, and (b) that certain salesmen had represented that purchase of the stock was a safe investment and involved no risk, which was materially misleading in view of the speculative nature of the stock.

Under all the circumstances, the Commission concluded "that materially false and misleading statements were made in the offering circular and otherwise in connection with the sale of stock, and that the offering operated as a fraud and deceit upon purchasers." Accordingly, the Regulation A exemption from registration was permanently suspended.

### THREE EXEMPT OFFERINGS TEMPORARILY SUSPENDED

The Securities and Exchange Commission has issued orders temporarily suspending Regulation A exemptions from registration under the Securities Act of 1933 with respect to public stock offerings by the following:

**Academy Uranium & Oil Corporation, Salt Lake City, Utah**

In a notification filed June 10, 1955, Academy proposed the public offering of 15,000,000 common shares at 1¢ per share

**Dinosaur Uranium Corporation, Salt Lake City, Utah**

In its notification, filed August 15, 1955, Dinosaur proposed the public offering of 16,500,000 common shares at 1¢ per share

**Inter-River Corporation, Las Vegas, Nevada**

The public offering of 269,345 common shares at \$1 per share was proposed in a notification filed July 1, 1957, by Inter-River

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Regulation A provides a conditional exemption from Securities Act registration for public offerings of securities not exceeding \$300,000 in amount. The Commission's suspension orders with respect to offerings by Academy, Dinosaur and Inter-River provide an opportunity for hearing, upon request, on the question whether the suspensions should be vacated or made permanent.

In the orders with respect to Academy and Dinosaur, the Commission asserts that Western States Investment Co., Inc., the corporate successor to the partnership named as underwriter for the offerings, together with its officers and directors, was enjoined on January 4, 1957, by the U. S. District Court for the District of Utah from engaging in or continuing a conduct or practice in connection with the purchase or sale of securities; that the notification and offering circular of each company fail to disclose said injunction and the fact that the said underwriter is no longer in the securities business; and that the continued use of each company's offering circular in the offering and sale of its shares would operate as a fraud and deceit upon purchasers. The order with respect to Academy also states that that company has failed to file the required reports of stock sales and the use to which the proceeds were applied.

In the case of Inter-River, the Commission's order asserts that the company's president promoter and controlling shareholder was convicted in the Superior Court for Tulare County, California, for violations of the Corporate Securities Law of California.

#### MISSISSIPPI POWER PROPOSES BANK BORROWINGS

Mississippi Power & Light Company, Jackson, has applied to the SEC for authorization to make borrowings aggregating \$5,000,000 from nine banks during the year ending January 15, 1961; and the Commission has issued an order (Release 35-13897) giving interested persons until January 9, 1959, to request a hearing thereon. The borrowed funds will be used from time to time to defray a portion of the cost of the company's construction program, presently estimated to involve expenditures of \$7,500,000 in 1959, \$8,000,000 in 1960, and \$9,000,000 in 1961, and for other corporate purposes.

#### METROPOLITAN EDISON STOCK SALE APPROVED

The SEC has issued an order (Release 35-13899) authorizing Metropolitan Edison Company, Reading, Penna., to issue and sell an additional 12,000 common shares to its parent, General Public Utilities Corporation, for a cash consideration of \$100 per share, or an aggregate of \$1,200,000. The proceeds of the stock sale are to be used by Meted to reimburse its treasury in part for construction expenditures.

#### WESTERN MASSACHUSETTS COMPANIES EXCHANGE OFFER APPROVED

The SEC has issued an order (Release 35-13901) authorizing Western Massachusetts Companies, of Boston, to issue and exchange 3,111 shares of its common stock, at an agreed value of \$45 per share, or an aggregate of \$140,000, for all of the 340 common shares of Huntington Electric Light Company (held by five stockholders). The latter company distributes electric energy to approximately 775 customers in a small rural section of western Massachusetts.

#### WHEELING ELECTRIC BANK BORROWINGS APPROVED

The SEC has issued an order (Release 35-13898) authorizing Wheeling Electric Company, Wheeling, W. Va., to extend to December 31, 1959, the time within which it may complete previously authorized borrowings aggregating \$4,250,000. Only \$3,300,000 of the borrowings had been effected as of November 15, 1958.

#### YANKEE ATOMIC FINANCING APPROVED

The SEC has issued an order (Release 35-13900) authorizing Yankee Atomic Electric Company, of Boston, to issue and sell 50,000 additional shares of its common stock to its eleven

stockholder companies and to use the \$5,000,000 proceeds to retire its \$5,000,000 of outstanding short-term notes held or to be held by the said stockholder companies. Yankee Atomic also was authorized from time to time prior to June 30, 1959, to issue to its stockholder companies up to an aggregate of \$7,000,000 of notes. The funds will be used to aid in Yankee Atomic's construction of a nuclear power plant, presently scheduled for completion in 1960.

Upon completion of this financing, Yankee Atomic's total outstanding securities will consist of \$13,000,000 par value of common stock and \$7,000,000 of notes. Four of the stockholder companies whose purchases of Yankee Atomic securities are subject to SEC jurisdiction under the Holding Company Act were authorized to acquire the additional shares and notes, as follows: New England Power Company, \$1,500,000 of stock and \$2,100,000 of notes; Western Massachusetts Electric Company, \$350,000 of stock and \$490,000 of notes; Public Service Company of New Hampshire, \$350,000 of stock and \$490,000 of notes; and Montaup Electric Company, \$225,000 of stock and \$315,000 of notes.

#### MISSISSIPPI CHEMICAL FILES STOCK OFFERING PROPOSAL

Mississippi Chemical Corporation, Yazoo City, Miss., filed a registration statement (File 2-14639) with the SEC on December 24, 1958, seeking registration of 200,000 shares of its \$5 par Common Stock and 8,000 shares of Special Common Stock, \$75 par.

The company was organized in September 1948 primarily to construct and operate a nitrogen plant. C. S. Whittington of Greenwood, Miss., is listed as president. Officers and directors have subscribed to 56,227 shares of the common stock and 295 shares of the special common stock; and, in addition, various business organizations in which the directors are substantially interested have subscribed to \$964,785 of the common capital stock and \$87,900 of the special common stock. Its subsidiary, Coastal Chemical Corporation, was organized in 1956 to develop a high analysis fertilizer plant and related facilities; and in February 1957 it was decided to include an anhydrous ammonia plant. The two companies have the same officers and directors.

Offering of the common and special common shares is to be made at \$8.75 and \$131.25 per share, respectively. The offering will be made primarily to farmers and farm groups, and secondly to others who are interested in obtaining nitrogen fertilizers. The ownership of each 15 common shares or one special common share gives the holder thereof the preferred patronage right to purchase one ton of ammonium nitrate or one-half ton of anhydrous ammonia each year.

Proceeds of the stock sale will be received by Mississippi Chemical. It will need approximately \$1,500,000 for the construction of a urea plant, a small addition to the administration building, anhydrous ammonia and solutions storage. In addition, it expects to purchase \$650,000 of Class C common stock of Coastal in order to provide additional anhydrous ammonia required in the manufacture of urea and otherwise. It is anticipated that this total of approximately \$2,100,000 will be provided by a loan from the New Orleans Bank for Cooperatives in the sum of \$1,000,000 and the balance from the proceeds of the sale of stock in this offering. According to the prospectus, there exists a deficit to surplus of \$944,427 as of September 30, 1958, and it is anticipated that proceeds in that amount will be passed to surplus. The special common stock offering will be utilized chiefly to obtain a swap by stockholders of common capital stock for special common capital stock, considered desirable in maintaining the cooperative nature of the company.

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