

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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SEC REPORT SAYS PARKER PETROLEUM PLAN UNFAIR. The SEC today announced the filing with the United States District Court for the Western District of Oklahoma (in Oklahoma City) of an Advisory Report, pursuant to Chapter X of the Bankruptcy Act, on a proposed plan of reorganization of Parker Petroleum Co., Inc., in which it concluded that the plan is not fair and equitable or feasible. This corporation, which has been undergoing reorganization since May 6, 1958, is engaged in the exploration, development, and operation of oil and natural gas properties in Oklahoma, Texas, and Kansas.

Under the plan, the Continental Illinois National Bank and Trust Co. of Chicago would extend its present secured loan and furnish additional funds for needed capital developments. Other secured creditors would receive 30% of their claims in cash, or \$1,000, whichever is greater, and the balance in new Class A Debentures. General creditors would receive 15% of their claims in cash, or \$1,000, whichever is greater, and the balance in new Class B Debentures. The plan also provides for the issuance of new common stock to the holders of the old preferred and common stocks. The exchange ratio would be five shares of new common for each share of old preferred plus accrued dividends, and 1 share of new common for each share of old common. Additional equity capital would be raised by the sale of 1,000 shares of new common. Occidental Petroleum Co. of Los Angeles, Calif. has agreed to purchase 250,000 shares. Six named individuals have agreed to purchase 500,000 shares and to underwrite the sale of 250,000 shares to the present common stockholders of Parker Petroleum Co., Inc.

In its report the Commission concludes that the plan is not fair and equitable to one of the secured creditors and to the preferred stockholders. It also concludes that the plan is unfair in that it does not: (1) give the new common stock the right to cumulative voting for members of the board of directors; (2) provide for preemptive rights for the new common stock; (3) apportion the members of the initial board of directors in an equitable manner; (4) permit payment of dividends except under unduly rigid conditions; and (5) definitely provide for retention of all causes of action by the Trustee of the debtor.

The Commission also concludes that the plan is not feasible since the agreement whereby the six individuals and Occidental Petroleum agree to contribute \$750,000 of new common equity capital and to underwrite an additional \$250,000, is not a firm commitment.

The Commission's report indicates that the plan would be fair if the secured creditor agrees to accept the participation accorded it under the plan; if the plan is amended to satisfy the aforementioned deficiencies; and if the number of shares of new common stock to be issued for each share of old preferred stock is increased from 5 to 12 shares.

PRUDENTIAL COMMERCIAL STOCK OFFERING SUSPENDED. The SEC has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a proposed public offering of stock by Prudential Commercial Corporation, 5 Colt Street, Paterson, N.J.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. In a notification filed October 21, 1959, Prudential proposed the public offering of 150,000 common shares at \$2 per share pursuant to such an exemption. In its suspension order the Commission asserts that certain terms and conditions of the Regulation have not been complied with; that the company's offering circular is false and misleading by reason of the failure to disclose certain facts; and that the stock offering would violate Section 17 (the anti-fraud provision) of the Securities Act.

According to the order, Prudential's offering circular fails to disclose, among other things, a reasonably itemized statement of the intended use of the proceeds of the stock sale; that upon completion of the offering, promoters, management officials and the underwriter will hold 55.2% of the outstanding stock for which they paid no cash, whereas the public would hold 44.8% of the stock for their cash investment of \$300,000; that if the offering is successful the equity of the said insiders would be immediately increased to about \$124,200 while the public's equity would be reduced thereby to \$100,800; all interests of promoters and management officials in Prudential and transactions to which it was or is a party; and that \$700 of Prudential's total assets of \$1,000 had been paid to

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an affiliate prior to October 21, 1959, and that a total cash disbursement of \$940 (of the said \$1,000) had been made by said date. The order further recites that there was a failure to include a statement of cash receipts and disbursements; that the company's balance sheet fails to disclose as a current liability a loan of \$1,000 to Prudential's president (but reflected in the text of the circular); that the balance sheet fails to disclose accurately the number of shares issued and outstanding, or subscribed, as well as the failure to show in an appropriate manner the fact that 150,000 shares were issued for services; and that there was a failure to disclose that 35,000 shares were issued to Allstate Securities, Inc., by a stock certificate dated October 14, 1959, in spite of the fact that Allstate was not to receive said shares until all 150,000 shares of the proposed offering were sold.

The company's notification also fails to set forth the name and address of each affiliate of Prudential, to disclose accurately the individuals who comprise the board of directors, to disclose fully information concerning unregistered securities issued or sold during the past year, or to include the written consent of the accountants named in the circular.

SEC CITES H. G. STOLLE & CO. The SEC has instituted proceedings under the Securities Exchange Act of 1934 to determine whether H. G. Stolle & Company, a partnership composed of Howard G. Stolle and Myron Rosenthal, 40 Exchange Place, New York, engaged in transactions involving the offering and sale of Belmont Oil Corporation stock which "would and did operate as a fraud and deceit upon the purchasers," or otherwise violated provisions of the Federal Securities Laws, and if so whether the firm's broker-dealer registration should be revoked. A hearing for the purpose of taking evidence with respect thereto is scheduled for January 4, 1960, in the Commission's New York Regional Office.

According to the Commission's order, information developed in an investigation conducted by its Staff tends if true to show that Stolle & Company and its two partners offered and sold Belmont stock in violation of the registration requirement of the Securities Act; induced investors to purchase Belmont stock "at prices far in excess of . . . the prevailing market prices for such stock," thereby obtaining unreasonable and excessive profits; and made false and misleading representations in the offering and sale of Belmont stock with respect to Belmont's income, the market price of its stock and anticipated increases therein, the listing of the stock on an exchange, and the right of holders to subscribe to additional shares, as well as the program for development of Belmont's properties, new oil or gas wells brought in by Belmont in California and Texas, the interest of various major oil companies in Belmont and the possible merger of Belmont and another oil company, and the acquisition by Belmont of numerous additional properties in Kern County, California, and of a large and valuable tungsten property in the Imperial Valley of California.

The Commission's order further asserts that Stolle & Company and its two partners were temporarily enjoined on August 11, 1959, by Federal Court order from engaging in and continuing certain conduct and practices in connection with the sale of securities and that Stolle & Company failed to amend its registration application to correct a disclaimer therein that any such injunction had been issued.

MAJOR REALTY FILES EXCHANGE OFFER. Major Realty Corporation, Journal Square Building, Jersey City, N. J., filed a registration statement (File 2-15911) with the SEC on December 9, 1959, seeking registration of \$7,048,700 of seven year 6% bonds due February 1967, with five-year warrants to purchase 493,409 shares of its 1¢ par common stock; 1,446,631 shares of additional common stock; and 444,433 rights to purchase a like number of common shares. These securities are to be offered in exchange for ownership of 87 unimproved tracts of real estate located throughout the State of Florida. Approximately 880 property owners own the tracts, each tract being owned by one to 109 owners, with few tracts being owned by identical groups of property owners.

The registration statement also includes an additional 888,888 common shares issuable to original subscribers upon consummation of the exchange offer for an aggregate consideration of \$2,666,664; 106,678 common shares issuable at the company's option to property owners for reimbursement of mortgage amortization and interest costs; 40,000 common shares issued to Samuel Stein, organizer; and 28,200 shares of preferred stock.

The company was organized in July 1959 under Delaware law for the purpose of engaging in a general real estate business; and it initially proposes to engage primarily in the acquisition and sale of large unimproved tracts of real estate and to develop tracts with others for residential or other purposes. It was formed by Stein, of Englewood, N. J., who for about seven months has been negotiating for purchase of the tracts of Florida real estate from the owners thereof. Subscriptions to the 888,888 common shares have been obtained from thirty initial subscribers, payment being due upon the successful consummation of the exchange offer.

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Of the 87 tracts to be acquired, 44 are in the northeastern part of the State, 4 along the southeastern seaboard, 22 in the northcentral and northwestern part of the state, 9 in the southwestern part of the state, and 8 in the central part of the state.

The prospectus lists Arnold H. Lubart of Englewood Cliffs, N. J., as president, Myles A. Cane as secretary-treasurer, and Byron E. Fox as president.

UPJOHN CO. FILES STOCK OPTION PLAN. The Upjohn Company, 301 Henrietta St., Kalamazoo, Mich., filed a registration statement (File 2-15912) with the SEC on December 9, 1959, seeking registration of 250,000 shares of common stock, to be issued pursuant to options granted or to be granted under the company's Stock Option Plan for Key Employees to officers and other key employees of the company and its subsidiaries.

SHOP RITE FOODS FILES FINANCING PROPOSAL. Shop Rite Foods, Inc., 617 Truman, N. E., Albuquerque, N. M., filed a registration statement (File 2-15913) with the SEC on December 9, 1959, seeking registration of \$2,500,000 of Fifteen Year Subordinated Convertible Debentures, due December 31, 1974, and 93,750 shares of common stock, to be offered for public sale through an underwriting group headed by First Southwest Company and Minor, Mee & Co. Interest rate on the debentures, which are to be offered for sale at 100% of principal amount, together with the offering price of the common stock and the underwriting terms of each offering, is to be supplied by amendment.

The company operates a chain of retail food stores under the name "Piggly Wiggly" in New Mexico and Texas. Net proceeds of the sale of the debentures and stock, plus a portion of institutional borrowings of \$3,000,000, will be used toward the purchase of nineteen stores and a warehouse, together with rolling stock, in the Lubbock, Texas, area. The balance of the loan, after retirement of certain indebtedness, will be used as operating capital. The additional stores are being acquired from Davis and Humphries, Inc., of Lubbock, most of which stores have been operated under a Piggly Wiggly franchise. The purchase price is to be \$5,000,000, subject to certain adjustments, the company to assume all liabilities of the seller except tax liabilities. The purchase price is to be paid January 2, 1960, the date of taking possession.

ADDITIONAL COLONIAL FUND SHARES IN REGISTRATION. The Colonial Fund, Inc., Boston, Mass., investment company, filed an amendment on December 9, 1959, to its registration statement (File 2-15392) seeking registration of an additional 1,000,000 common shares.

SINCLAIR OIL EXEMPTED. The SEC has issued an order (Release 35-14114) granting an application of Sinclair Oil Corporation under the Holding Company Act for an order declaring that it has ceased to be a holding company. According to the application, Sinclair's only remaining public-utility subsidiary, The Utilities Company, was liquidated in July 1959 following the donation and transfer of all its physical assets, including operating and customer contracts, to the Town of Sinclair, Wyoming.

INSIDER TRADING RULE CLARIFIED. The SEC today announced the adoption (Release 34-6141) of an amendment to Rule 16b-8 under the Securities Exchange Act of 1934, which provides a conditional exemption from the recovery provisions of Section 16(b) of the Act, of the receipt of shares of a listed, voting stock upon surrender of an equal number of non-voting, non-listed shares of stock of the same issuer, where the transaction is effected pursuant to the provisions of the issuer's certificate of incorporation for the purpose of making an immediate public sale or a gift of such shares.

One of the conditions to exemption under the rule is that no shares of the class surrendered or any other shares of the class received are acquired, by the person effecting the transaction, within six months before or after the date of the transactions. The purpose of the amendment is to make it clear that the exemption of transactions under the rule is not affected by prior or subsequent transactions which are also exempt under the provisions of the rule.