Securities and Exchange Commission

News Digest

A brief summary of financial proposals filed with and actions by the S.E.C.

FOR RELEASE

October 26, 1956

Sinclair Oil Corporation (New York) filed a registration statement (File 2-12873) with the SEC on October 24, 1956, seeking registration of $170,593,900 of convertible subordinated debentures. Under the registration Sinclair Oil is offering to the holders of its common stock the right to subscribe for the debentures in the ratio of $100 principal amount of debentures for each nine shares of common stock held of record at 3:30 p.m., EST, on November 14, 1956. The debentures are to be offered through an underwriting group headed by Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

A sinking fund commencing in 1967 is designed to retire about 60% of the issue prior to maturity. The debentures will be convertible unless previously redeemed into common stock. The company has applied for listing of the debentures on the New York Stock Exchange. The net proceeds to be received by the company from the sale of the debentures will be added to the general funds of the company which will be available for capital expenditures, for retirement of short term bank loans and for such other corporate purposes as the Board of Directors may determine.

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Keystone Custodian Funds, Inc., Boston investment company, filed amendments on October 25, 1956 to the following registration statements, seeking registration of additional certificates as indicated:

File No.
2-10661 - 250,000 Certificates of Participation Series S-1
2-10525 - 250,000 Certificates of Participation Series B-3
2-10526 - 750,000 Certificates of Participation Series B-4

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American Heritage Life Insurance Company (Jacksonville, Florida) today filed a registration statement (File 2-12874) with the SEC seeking to register 1,199,375 shares of its common stock, par value $1.00. The company proposes to offer for sale an aggregate of 1,010,000 shares of its $1.00 par value common stock.

An additional 189,375 shares of stock are subject to sale to employees pursuant to certain stock purchase options to be granted by the company. Of the 1,010,000 shares offered an aggregate of 575,000 shares will be purchased by an underwriting group headed by Pierce, Carrison, Wulburn, Inc. and offered for sale to the public at a price of $2.00 per share, and 435,000 shares will be subject to sale by the company pursuant to the exercise of rights to be given agents and employees of the company.

For further details, call ST. 3-7600, ext. 5526
The company is authorized to do business as an insurance company in the State of Florida and has not yet commenced doing business, but proposes to engage in the ordinary life insurance business offering a variety of life, term and endowment policies, the premiums for which will be payable on a monthly, quarterly, semi-annual and annual basis.

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Sheraton Corporation of America, Boston, Mass., filed a registration statement (File 2-12875) with the SEC on October 26, 1956, seeking registration of 355,091 shares of its 50¢ par value Common Stock. Pursuant to the Company’s Offer of Exchange dated September 1, 1956, its 4 3/4% Convertible Debentures due March 1, 1967 are exchangeable on or before November 15, 1956 for 5% Debenture due March 1, 1967, with accompanying warrants for the purchase of common stock. This registration statement has been filed in respect of shares of the company’s common stock which may be issuable upon the exercise of such warrants against payment of the proposed subscription price of $25 per share in cash. No underwriting discounts or commissions will be paid in connection with the exercise of the Warrants.

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Sheraton Corporation of America, Boston, Mass., filed with the SEC on October 25, 1956, a registration statement (File 2-12872) seeking registration of 10,000 memberships in the Sheraton Employees Savings Plan. Registration is also sought for 455,000 of its 4 3/4% Convertible Debentures due March 1, 1967, now held by the Plan and for $1,000,000 of the Company’s 5% Debentures due March 1, 1967, with warrants to purchase common stock attached.

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Chairman J. Sinclair Armstrong of the SEC announced that the Commission issued an order under Section 19 (a)(1) of the Securities Exchange Act of 1934 summarily suspending trading in the capital stock $1 par value of Great Sweet Grass Oils, Limited, ("registrant") on the American Stock Exchange for a period of ten days from October 25, 1956, and that such action is necessary and appropriate for the protection of investors and to prevent fraudulent, deceptive or manipulative acts or practices. The result of this order was that it will be unlawful under Section 15 (c)(2) of the Securities Exchange Act of 1934 and the Commission's Rule X-15C2-2 thereunder for any broker or dealer to make use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, such security otherwise than on a national securities exchange.

The Commission's action was taken after due consideration of the various filings made with the Commission by Great Sweet Grass Oils Limited as set forth below which the Commission had reason to believe were false and misleading together with other facts and circumstances which made it necessary summarily to suspend trading of the securities.

On January 21, 1956, registrant filed with the Commission a current report on Form 8-K, pursuant to Section 13 of the Act, and the month of December 1955. The Commission had reason to believe that the report so filed was false and misleading in the following regards:

(a) In stating that registrant acquired assets from depositors of Mutual Oil Development Company, an Oklahoma corporation (hereinafter called "Depositors"), consisting of 9,470,000 barrels of proven oil reserves, 18,000,167 MCF proven gas reserves, 93,600,000 barrels of unproven oil reserves and 236,500 MCF of unproven gas reserves.

(b) In stating that registrant acquired assets from Pitt Petroleums, Ltd., an Alberta corporation, which included 155,351 barrels of probable additional oil.

On May 16, 1956, registrant filed with the Commission an annual report on Form 10-K, pursuant to Section 13 of the Act, for the fiscal year ended December 31, 1955. The Commission has reason to believe that the balance sheet included in such report for December 31, 1955, was false and misleading in valuing oil and gas properties to be acquired from Depositors at $6,597,500.

On October 17, 1956, registrant purported to file with the Commission an amendment to its current report on Form 8-K. This filing failed to include the required number of copies of the balance sheet filed as an exhibit and accordingly was not acceptable as a filing under the Act and the rules, and could not be placed in the official files. On October 18 the registrant was informed of this deficiency and requested to correct it. In addition the Commission had reason to believe that the amendment so filed was false and misleading in the following respects:

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(a) In stating that registrant acquired assets from depositors which included 8,216,000 barrels of net proved oil reserves classified as "undeveloped", and 16,495 MCF of net proved gas reserves classified as "undeveloped".

(b) In reporting that the fair value of the properties acquired from depositors including estimated values of unproven properties was $6,562,500.

On October 18, registrant filed copies of the purported amendment to its current report on Form 8-K with the American Stock Exchange pursuant to Section 13 of the Securities Exchange Act. The Commission has been informed that this document was delivered to the public information room of the Exchange and made public on the morning of October 18. This filing purported to reduce the oil reserves acquired from Depositors from 104,324,000 barrels to 9,460,000 barrels.

On October 19, 1956, the Commission issued its order for notice and hearing under Section 19 (a)(2) of the Act to determine at a hearing to be held on November 13, 1956, whether it is necessary or appropriate for the protection of investors to suspend for a period not exceeding twelve months, or to withdraw the registration of the capital stock of the registrant on the American Stock Exchange for failure to comply with Section 13 of the Act and the rules and regulations adopted thereunder, in that the Commission had reason to believe that the above-mentioned Form 8-K report filed by registrant with the Commission on January 21, 1956, was false and misleading in certain respects set forth in the said order and that the annual report on Form 10-K filed on May 16, 1956, was false and misleading in certain respects set forth in said order.

On October 24, 1956, the Commission issued its amended order and notice of hearing under Section 19 (a)(2) of the Act amending the order of October 19, 1956, to include among the issues to be considered at the hearing issues arising from the fact that the Commission had reason to believe that the purported amendment to Form 8-K filed on October 17, 1956, was false or misleading in the respects set forth in the said amended order.

On October 24, 1956, after the issuance of the amended order referred to above, registrant filed with the Commission a request for withdrawal of its Form 8-K as originally filed and as amended, and the request for the withdrawal of its said annual report on Form 10-K. Registrant filed concurrently with its said application for withdrawal of said reports a revised Form 8-K report for the month of December 1955, which it designated as amendment number 3, and a revised Form 10-K report for fiscal year ended December 31, 1955.

It appears to the Commission that said revised Form 8-K is ambiguous and misleading in that conflicting representations are made as to the amount of the reserves of oil and gas acquired. Furthermore, it is impossible to determine from the statements in the body of the Form 8-K and the statements contained in the amended engineer's report included therein what reserves of oil and gas the registrant represents to the Commission, the American Stock Exchange, and the investing public that it acquired from Depositors Mutual Oil Development
Company, an Oklahoma corporation, in the transaction described by said amendment. It also appears to the Commission that such Amendment No. 3 is inconsistent and contradictory in its description of the amount of said oil and gas reserves. It also appears to the Commission that the said Annual Report on Form 10-K for the fiscal year ended December 31, 1955, filed on October 24, 1956, does not comply with the rules and regulations of the Commission with respect to the form and content of such reports.

During the five business days, October 19 to October 25, inclusive, an aggregate of 341,200 shares of the capital stock of registrant were traded on the American Stock Exchange and that during said period the price of said stock decreased from 2-3/16 to 1-5/8. During the week ending October 12, 1956, an aggregate of 36,100 shares of the capital stock of registrant were traded on the American Stock Exchange, the prices ranging from 3-7/16 to 3-3/16.

During the period from October 18 through October 25, the circumstances above recited in this order, and others, gave rise to widespread confusion and uncertainty.

In light of the foregoing and other factors, the Commission is of the opinion that the public interest requires the summary suspension of trading in registrant's securities on the American Stock Exchange and that such action is necessary and appropriate for the protection of investors and is necessary in order to prevent fraudulent, deceptive or manipulative acts or practices under the Act.
STATION OF SECURITIES AND EXCHANGE COMMISSION WITH RESPECT TO REQUEST OF PUBLIC SERVICE COMPANY OF INDIANA, INC. FOR AN INVESTIGATION OF THE STATUS OF THE AMERICAN GAS AND ELECTRIC COMPANY HOLDING COMPANY SYSTEM AS AN INTEGRATED PUBLIC UTILITY SYSTEM WITHIN THE STANDARDS OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

File No. 4-87

On September 18, 1956, Public Service Company of Indiana, Inc. ("PSI"), an Indiana corporation engaged, among other things, in the distribution of electric energy in the north central, central, and southern portions of the State of Indiana, filed a petition with this Commission in which it was asserted that Indiana & Michigan Electric Company ("I&M"), an electric utility company rendering retail electric service in northeastern Indiana and southwestern Michigan and a subsidiary of American Gas and Electric Company ("AG&E"), a registered holding company, had announced its intention to construct a steam electric generating station with an initial generating capacity of 450,000 kilowatts in western Indiana on the Wabash River approximately 20 miles south of Terre Haute, in Sullivan County, Indiana.

The petition also alleged that the location of the proposed new generating station was at least 130 miles from the nearest generating station of I&M now in operation and was to be located at a considerable distance from the present distribution service area of I&M. It was further stated that the new generating station would be interconnected by means of 330,000 volt transmission lines with the other generating stations of I&M and would cross existing transmission lines of PSI. The petition further stated that there existed within the present territory of the AG&E system locations with access to adequate supplies of coal and water sufficient for the efficient and economical generation of electric power for the AG&E system, including normal growth.

It was additionally stated in the petition that the entire territory now served by PSI would be directly affected by the proposed new generating station and the transmission lines therefrom; that the construction of the proposed facilities would place the AG&E system in a position to render or seek to render service in the territory now served by PSI and other public utility companies; and that such construction would consti-
tute a major extension into territory not embraced within the area now served by I&M and would materially enlarge the present AG&E system so as to constitute an expansion of its territory and thereby result in the AG&E system operating beyond the limits permissible to an integrated public utility system under the standards of the Public Utility Holding Company Act of 1935. 1/

PSI thereupon requested that this Commission institute an investigation to determine whether the AG&E system, if it constructs the proposed new generating station and related transmission lines, will constitute an integrated public utility system under the standards of the Public Utility Holding Company Act of 1935 and that if, as a result of such investigation, the Commission finds that after such construction the AG&E system would not constitute an integrated public utility system permitted by that Act, an order be entered requiring I&M and AG&E to cease and desist from such construction and to limit their operations to those of an integrated public utility system meeting the standards of the Act.

Upon receipt of the petition, the Commission held separate administrative conferences with officials of AG&E and PSI and with a member of the Public Service Commission of Indiana, which has regulatory jurisdiction over both PSI and I&M, and a member of the State Corporation Commission of Virginia, which has regulatory jurisdiction over another electric utility subsidiary of AG&E. 2/ The members of both State Commissions opposed the request of PSI. This Commission also received a formal resolution adopted by the Public Service Commission of Indiana in which that Commission stated that the request of PSI was not proper or desirable and requested this Commission not to make the investigation requested by PSI. The resolution of the Indiana Commission also states that questions between two Indiana electric utility companies relating to the location of their respective utility facilities and present and future areas of service are matters affecting only the State of Indiana and are properly and exclusively within the jurisdiction of that Commission.

Based upon these administrative conferences and the allegations in the petition, it appears that PSI is apprehensive that once the proposed new generating station and the transmission lines interconnecting that

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1/ In 1945, the Commission determined the permissible limits of the AG&E system. American Gas and Electric Company, 21 S.E.C. 575.

2/ An administrative conference is of course different from a quasi-judicial hearing which is held on an evidentiary record with all interested persons participating. While it is not necessary in an administrative conference to record the statements made, a stenographic transcript of each conference was kept.
station with other facilities of the AG&E system are constructed, I&M will seek to render service, or strong public pressure will be brought so as to require I&M to render service, to consumers now located outside the present service area of I&M and served by PSI.

The president of AG&E, who is also president of I&M, has advised this Commission, both orally and in writing, that the generating station which I&M proposes to construct on the Wabash River and the associated transmission facilities for bringing power to I&M's service area "have as their purpose the supplying of electric power requirements to take care of load growth in the area now served by I&M and neither I&M nor the AG&E System has any intention of using such facilities to provide electric service in any other territory than that presently being served by our System."

While one of the policies of the Public Utility Holding Company Act of 1935 is to further the effective regulation by the States of public utility companies which are members of registered holding company systems (Sections 1(a)(5), 1(b)(2), 1(b)(3) and 1(b)(5)), the Congress has entrusted solely to this Commission the determination of whether or not a registered holding company system conforms to the standards of Section 11(b) of that Act.

There is no statutory requirement that all generation and transmission facilities of an integrated electric utility system must necessarily be entirely within its service area. The Commission has so held. Mississippi Valley Generating Company et al, Holding Company Act Release No. L2794, page 36, note 64 (February 9, 1955); Yankee Atomic Electric Company et al, Holding Company Act Release No. 13048, page 16 (November 25, 1955). In fact, in 1951, I&M placed in service a generating station, known as Tanners Creek, which is located in Indiana on the Ohio River at a considerable distance from the I&M service area and within the service area of PSI and that station was interconnected with other facilities of I&M. In addition, there are other instances in which an electric utility system has gone outside its service area to construct a generating station under circumstances where an adequate supply of water for condensing purposes is not available within that system's service area or where it is more economical to transport the electric energy generated by such station to the service area of the system rather than to transport the coal or other fuel to a location.
The Commission observes no basis for concluding that the construction of the new station and related transmission facilities would constitute an expansion of AG&E's integrated public utility system beyond the limits previously found permissible by the Commission. The Commission, accordingly, will not institute an investigation.

If, in the future, it should develop that I&M or any other subsidiary of AG&E commences to render electric service to customers within the area now served by PSI or otherwise beyond the area now served by the AG&E system, the Commission would be free on its own initiative to institute an appropriate proceeding to determine whether the extension of the service area of the AG&E system would be beyond the limits permitted by the Public Utility Holding Company Act of 1935 or to take any other action which the Commission might deem appropriate under the circumstances. Further, in the event this problem should come before the Commission in its quasi-judicial capacity in any proceeding arising under that Act, the present administrative determination not to institute an investigation shall not in any way be deemed to be binding or decisive in respect of any of the issues that may properly arise in any such proceeding.

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3/ The following additional companies, which are members of registered holding company systems, own and operate electric generating stations located at various distances outside of their respective service areas, together with related transmission facilities connecting the generating station to other facilities of their systems: Ohio Edison Co. (the Toronto and the R.E. Burger steam stations) in the service area of Ohio Power Co., and Pennsylvania Electric Co. (Deep Creek hydro station) in the service area of Potomac Edison Co.

Similar examples of companies, which are not members of registered holding company systems, are: Illinois Power Co. (Havana steam station) in the service area of Central Illinois Public Service Co.; Commonwealth Edison Co. (the Powerton and the State Line steam stations), the former in the service area of Central Illinois Light Co. and the latter in the service area of Northern Indiana Public Service Co.; Potomac Electric Power Co. (Potomac River steam station) in the service area of Virginia Electric and Power Co.; Indianapolis Power & Light Co. (White River steam station) in the service area of PSI; and Kansas City Power & Light Co. (Montrose steam station under construction) in the service area of Missouri Public Service Co.

Further, it is not unusual for a company to have a transmission line which crosses the service area of another company. Thus, one of numerous examples is West Penn Power Co. and Pennsylvania Electric Co., electric utility companies in different registered holding company systems, which have transmission lines crossing each other's service area.