

# 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 8, 1957

Texota Oil Company, Denver, filed a registration statement (File 2-13522) with the SEC on August 7, 1957, seeking registration of \$650,000 of Convertible Debentures, due August 1, 1967. The company proposes to offer the debentures for public sale through an underwriting group headed by Piper, Jaffray & Hopwood, of Minneapolis. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

Organized in 1953, Texota's business is to acquire, explore, develop and operate interests of all kinds in oil and gas properties in the western part of the United States, the midwest and Alaska. Of the net proceeds of this debenture financing, \$200,000 will be used for payment of bank loans the proceeds of which were used for the drilling of wells, the acquisition of properties, and payment of expenses of operations. The remainder of the proceeds, estimated at \$370,000, will be added to the general funds of the company and used for such purposes as the management may determine. The primary purposes are expected to be the drilling of wells, acquisition of new properties and payment of rentals on oil and gas leases.

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El Paso Natural Gas Company, El Paso, Texas, filed a registration statement (File 2-13523) with the SEC on August 7, 1957, seeking registration of \$60,000,000 of Convertible Debentures due September 1, 1977, and 100,000 shares of Cumulative Preferred Stock, Second Series of 1957, \$100 par. The company proposes to offer these securities for public sale through an underwriting group headed by White, Weld & Co. The debentures are to be offered first for subscription at 100% of principal amount by holders of El Paso common stock (including holders of Common B stock) of record August 26, 1957. The interest rate, rate of subscription, and underwriting terms are to be supplied by amendment. Underwriters will purchase the unsubscribed debentures for public sale. The dividend rate, public offering price and underwriting terms on the preferred shares also are to be supplied by amendment.

Net proceeds of this financing are to be added to the general funds of the company and used in the company's program to enlarge the capacity of the El Paso pipeline system, including the payment of bank loans of the company due within one year and outstanding in the amount of \$60,000,000 (which were incurred in substantial part to finance such program). This program, involving three separate phases, involves expenditures estimated at \$80,346,000, \$105,000,000, and \$53,951,000, respectively. The company contemplates that, to finance the program, it will issue \$60,000,000 of new first mortgage pipe line bonds to institutional investors in addition to the sale of such debentures and common stock and of \$55,000,000 of bonds for which it now has commitments from institutional investors.

For further details, call ST.3-7600, ext. 5526

(OVER)

Securities Exchange Act Release No. 5558

The Securities and Exchange Commission today announced the issuance of a decision revoking the broker-dealer registration of Allen E. Beers Company, Philadelphia, for wilful violation of various provisions of the Federal Securities Laws.

Allen E. Beers Company is a partnership whose controlling partner is Allen E. Beers. Both Beers Company and Beers waived a hearing and consented to revocation of the company's registration as a broker-dealer.

Upon the basis of a stipulation of facts, the Commission found that Beers Company's salesmen sold stock of Minerals Processing Company to customers by means of false and misleading representations. These included statements that Minerals' profits would be substantial because of the discovery of rich mica and beryl; that there would be increases in the company's production, profits and earnings and the value of its stock; and that Minerals and its stock would be the object of favorable magazine and television publicity. Although Beers claimed that such misrepresentations were made without his knowledge or authorization, he is the controlling partner of the company and admits that he is responsible for the salesmen's statements.

The Commission also found that Beers Company extended credit to its customers unlawfully in violation of Regulation T; failed to make and keep current certain of its books and records; and failed to file a report of financial condition for the year 1956.

Securities Exchange Act Release No. 5559

The Securities and Exchange Commission today announced the issuance of a decision revoking the broker-dealer registration of Wendell Elmer Kindley, doing business as Wendell E. Kindley Co., of Portland, Oregon, for wilful violations of provisions of the Securities Exchange Act of 1934.

Kindley filed a stipulation and consent to the revocation of his registration in which he admitted the violations alleged and that he had been enjoined by court order from engaging in and continuing certain conduct and practices in connection with the purchase and sale of securities.

The court order, issued in December, 1956, by the District Court of the United States for the District of Oregon, enjoined Kindley from engaging in the securities business while in violation of the Commission's net capital and bookkeeping rules. According to the Commission's decision, Kindley from October 17, 1956, when his broker-dealer registration became effective, to December 3, 1956, failed to make and keep current the books and records required by the rules of the Commission and conducted a securities business when his aggregate indebtedness exceeded 2000% of his net capital and therefore violated the Commission's net capital rule.

Furthermore, according to the decision, in eight transactions during October, 1956, Kindley purchased securities from broker-dealers when he was not in a position to pay therefore, as a result of which he was unable to pay for the securities upon delivery and some of the sellers suffered losses because of his failure to consummate the purchases.

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Louisville Gas and Electric Company, Louisville, Ky., today filed a registration statement (File 2-13524) with the SEC seeking registration of \$12,000,000 of First Mortgage Bonds, Series due September 1, 1987, to be offered for public sale at competitive bidding. Net proceeds of this financing will be used to pay part of the expenditures of the company incurred and to be incurred for construction, including the payment of any then existing bank loans (estimated not to exceed \$1,000,000) temporarily required. The company estimates its construction expenditures at \$20,500,000 in 1957 and \$19,000,000 in 1958.

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The Securities and Exchange Commission today announced a revision of its rules requiring the filing of annual financial reports by brokers, dealers and members of securities exchanges. The primary effect of the revised rule is to extend the coverage of the requirement that such reports be certified by independent accountants.

The adoption of this rule is designed to provide greater assurance of the continuing financial responsibility of firms which conduct a securities business with the investing public, and to provide additional safeguards for the customers of such firms.

The revised rule adds another important protective feature to the Commission's continuing program for improving the safeguards afforded to customers of broker-dealer firms. This program has included strengthening of the Commission's net capital rules for brokers and dealers, which requires that their "aggregate indebtedness" shall not exceed 20 times their "net capital," and the intensification of the Commission's program of inspecting the books and records of broker-dealers. During the fiscal year ended June 30, 1957 the Commission's inspectors completed inspections of 1,214 broker-dealers, which is the highest number in the Commission's history. Such inspections are not a substitute for an audit by an independent accountant but are primarily designed to make certain that the broker-dealer is complying with the Federal Securities Laws and the regulations of the Commission. In addition, because there are over 4,700 broker-dealers, the Commission does not have sufficient manpower to inspect each firm annually. The Commission believes that it is essential, for the protection of public investors, that the accounts of these broker-dealers who do business with the investing public and handle customers' funds and securities be subject to an annual audit by an independent accountant.

Formerly the requirement of certification by an independent accountant applied only to securities firms which made a practice of extending credit to or holding funds or securities of customers or filed certified reports with a state agency or national securities exchange.

Under the rule revision announced today, the requirement for the filing of certified financial statements would generally apply to all exchange members, brokers and dealers required to file reports unless one of three very limited exemptions from the requirement is available. It is estimated that the number of firms whose financial reports will be subject to the certification requirements will increase, under the new rules, from slightly in excess of 50% to approximately 85% or more.

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The first exemption from the certification requirement will apply to a member of a national securities exchange who, from the date of his previous report, has not transacted a business in securities directly with or for other than exchange members, has not carried any margin account, credit balance or security for any person other than a general partner, and has not been required to file a certified financial statement with any exchange. The second is available to a broker who, from the date of his previous report, has limited his securities business to soliciting subscriptions as an agent for issuers, has transmitted funds and securities promptly and has not otherwise held funds or securities for or owed money or securities to customers. The third exemption is available to a broker or dealer who, from the date of his last report, has limited his securities business to buying and selling evidences of indebtedness secured by liens on real estate and has not carried margin accounts, credit balances or securities for securities customers.

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