

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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

(In ordering full text of Releases from Publications Unit, cite number)



Washington 25, D.C.

FOR RELEASE February 11, 1959

CHURCHILL SECURITIES REGISTRATION REVOKED

In a decision announced today (Release 34-5871), the Commission revoked the broker-dealer registration of Churchill Securities Corp. ("Respondent"), 39 Broadway, New York, for violation of the Commission's net capital rule. The order also expelled Respondent from membership in the National Association of Securities Dealers, Inc.

The Commission's action also was based on a decree entered May 2, 1957, in the Supreme Court of the State of New York, County of New York, permanently enjoining Respondent and its principal officers and controlling stockholders from engaging in the securities business in that State, except that the individuals may be employed as salesmen or in a similar capacity by any broker or dealer registered with the State's Department of Law and with the SEC. The individuals in question are Nat Girsky, president, Emanuel Bisgeier, vice-president, and Melvin Heiman, secretary-treasurer. The decree was issued on the basis of a complaint alleging that the Respondent and individual defendants had effected transactions in securities with the public without disclosing that Respondent was insolvent. While consenting to the decree, the individual defendants denied the allegations of fraudulent practices and wrongdoing.

According to the Commission's decision, Respondent on December 31, 1956, filed a report of its financial condition as of November 30, 1956, which disclosed a \$60,660 deficiency in the required net capital as computed under the SEC rule. A later statement showed that as of January 31, 1957, a \$43,083 deficiency in net capital existed. This serious deficiency in Respondent's net capital arose within about three months of its registration as a broker-dealer, and the situation still existed some two months later. As a result, the Commission observed, Respondent "subjected its customers to undue financial risks by conducting its business while in violation of the net capital rule."

DRUG FAIR FILES FINANCING PROPOSAL

Drug Fair-Community Drug Co., Inc., 1200 South Eads St., Arlington, Va., filed a registration statement (File 2-14737) with the SEC on February 10, 1959, seeking registration of \$750,000 of 5 $\frac{1}{2}$ % Subordinated Sinking Fund Debentures, due March 1, 1974 (with attached Warrants to purchase 37,500 shares of Common Stock A), together with 55,000 shares of Common Stock A. The debentures (with warrants) are to be offered for sale in units of \$500 at their principal amount. The offering price of the stock is to be filed by amendment, as are the underwriting terms for both offerings. Auchincloss, Parker & Redpath is listed as the principal underwriter.

Net proceeds of the sale of the securities will be used to finance current operations and to open new Drug Fair Stores, as well as to meet the increased requirements of investments in inventories resulting from the opening of the new retail drug stores. Part of the proceeds will be used to retire \$60,000 of outstanding 8 $\frac{1}{2}$ % debentures.

CORRECTION.

Yankee Atomic Electric Company of Boston proposes the sale of \$20,000,000 of first mortgage bonds to insurance companies (in addition to the sale of \$7,000,000 of stock and bank borrowings of \$17,000,000), not \$20,000 as incorrectly reported in the SEC News Digest of February 10, 1959.

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

CENTRAL AND SOUTH WEST SYSTEM FILES FOR FINANCING

Central and South West Corporation, Wilmington holding company, has joined with its subsidiaries in the filing of proposals for bank borrowings and other financing; and the Commission has issued orders (Release Nos. 35-13919, 35-13920, and 35-13921) giving interested persons until February 26, 1959, to request hearings thereon.

Under the proposals, the parent will borrow \$6,000,000 from five banks, of which \$800,000 will be used for general corporate purposes and the balance for the purchase of an additional \$3,200,000 of common stock of Central Power and Light Company and \$2,000,000 of common stock of Southwestern Electric Power Company. The subsidiaries will use the additional funds to finance in part the cost of their respective construction programs.

Another subsidiary, West Texas Utilities Company, proposes to borrow \$4,000,000 from ten banks to finance in part its 1959 construction expenditures, estimated in the amount of \$7,900,000.

Bank borrowings also are proposed by Public Service Company of Oklahoma in the amount of \$7,000,000 (from six banks), the funds to be used to finance in part its construction expenditures during 1959 estimated at \$20,360,000.

In a separate filing, Southwestern Electric Power Company (formerly Southwestern Gas and Electric Company) has modified its January 1958 bank borrowing proposal. It was then authorized to issue \$12,000,000 of notes to 15 banks, the proceeds to be used in financing its 1958 construction program. According to the amended application, there will be an unused balance of \$2,200,000 of borrowings at March 14, 1959; and it is proposed to renew for four months (or to July 14, 1959) the notes heretofore issued and to issue the additional \$2,200,000 of notes, also maturing July 14, 1959. The company proposes to pay off all such notes from the net proceeds of the issuance and sale of \$12,000,000 of bonds prior to their maturity date. The Commission's order in this case (Release 35-13918) gives interested persons until March 5, 1959 to request a hearing.

Public Service Company of Oklahoma also has filed a proposal for its guarantee \$7,500,000 of additional bonds (4-7/8%) to be issued and sold to three institutional investors by Transok Pipe Line Company. The Commission's order (Release 35-13922) gives interested persons until February 25, 1959, to request a hearing thereon. Transok has previously issued \$17,500,000 of bonds guaranteed by Public Service. The additional financing is to provide it with funds for the construction of an extension of its pipe line to connect with Public Service's Oolagag generating station and for the construction of additional gathering and compressing facilities. Public Service previously entered into an amended gas fuel contract with Transok which was determined by the Commission to constitute a guaranty of its bonds.

BARECO INVESTMENT SEEKS EXEMPTION

Bareco Investment Company, of Tulsa, Oklahoma, has filed an application with the SEC for an order declaring that it has ceased to be an investment company; and the Commission has issued an order (Release 40-2827) giving interested persons until February 25, 1959, to request a hearing thereon. According to the application, Bareco was liquidated and dissolved pursuant to a plan for the sale of its assets to American Mutual Fund, Inc., in exchange for shares of the latter's stock.

TEXAS INSTRUMENTS FILES FOR EXCHANGE OFFER

Texas Instruments Incorporated, 100 Exchange Park North, Dallas, today filed a registration statement (File 2-14738) with the SEC seeking registration of 691,851 shares of \$1 Common Stock and 737,974 shares of 4% Cumulative Preferred Stock, Series 1959 (\$25 par - convertible on or prior to May 1, 1969).

Under an agreement of merger, pursuant to which Metals & Controls Corporation is to be merged into Texas Instruments, each of the outstanding shares of M & C, upon the merger becoming effective, is to be converted into 3/4ths of one share of Texas Instruments common or, if the holder shall have so elected, into a combination consisting of 8/10ths of one share of the 4% preferred and 4/10ths of one share of common of Texas Instruments.

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The prospectus further indicates that the merger has been approved in principle by the Board of Directors of both companies, and an agreement of merger is being submitted to the stockholders of both companies for approval at their forthcoming stockholders' meeting to be held on April 10 for M & C and April 15 for Texas Instruments. The latter now has outstanding 3,256,988 common and no preferred shares.

The purpose of the merger is to combine the business and properties of the two companies. M & C's three principal lines of business are the fabrication and sale of clad metal products, manufacture and sale of thermostatic and electrical controls and the production and sale of nuclear fuel elements and cores.

According to the prospectus, some of the shares of Texas Instruments preferred and common may be reoffered or sold by persons acquiring the same as a result of the merger; and, since such transactions may not be exempt from the Securities Act registration requirement, Texas Instruments has filed for their registration.

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Diversified Growth Stock Fund, Inc., Elizabeth, N.J. investment company, filed an amendment on February 9, 1959 to its registration statement (File 2-10858) seeking registration of an additional 2,500,000 shares of Capital Stock, \$1 par value.

CANADIAN RESTRICTED LIST Fourteenth Supplement

The Securities and Exchange Commission today announced the addition of the securities of four additional Canadian companies to its Canadian Restricted List, as follows:

Jacmar Explorations, Limited (formerly Rameses Mines, Limited)
Kukatush Mining Corporation
Megantic Mining Corporation
Tabor Lake Gold Mines Limited

As in the case of prior additions to the list, the Commission has reason to believe, based upon information obtained in its investigations and otherwise, that securities of the four named companies recently have been or currently are being distributed in the United States in violation of the registration requirement of the Securities Act of 1933. Evasion of such requirement, which is applicable to securities of foreign as well as domestic companies, deprives United States investors of the financial and other information about issuing companies which registration would provide and which is essential to an evaluation of their securities.

The list now comprises the names of 208 Canadian issuing companies.

SEC SUSPENDS TRADING IN F. L. JACOBS STOCK

The Securities and Exchange Commission today announced the issuance of an order pursuant to Section 19(a)(4) of the Securities Exchange Act of 1934 suspending trading on the New York Stock Exchange and the Detroit Stock Exchange in the common stock, \$1 par value, of F. L. Jacobs Co. for a period of ten days, February 11, 1959, to February 20, 1959, inclusive. Upon the basis of a finding by the Commission that such suspension is necessary to prevent fraudulent, deceptive or manipulative acts or practices, trading by brokers and dealers in such stock in the over-the-counter markets also is prohibited during the period of the suspension by reason of the Commission's Rule 15c2-2.

At the same time, the Commission announced that it had ordered proceedings pursuant to Section 19(a)(2) of the Act to determine whether the F. L. Jacobs Co. common stock should be suspended or withdrawn from listing and registration on the two Exchanges. The order asserts that the company has failed to comply with the reporting and disclosure requirements of the Act and the rules and regulations of the Commission thereunder. A hearing for the purpose of taking evidence therein will be held on March 16, 1959, in the Commission's Washington Office.

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F. L. Jacobs Co. has failed to file its annual report on Form 10-K for the fiscal year ended July 31, 1958. In addition the Commission has been informed that the stock of all of the company's subsidiaries has been pledged with various money lenders in New York to secure loans, that certain of such loans appear to be in default, and that certain shares of at least one of these subsidiaries, Scranton Corporation, have been sold by reason of such defaults. No periodic report has been filed by F. L. Jacobs Co. reporting these transactions as is required by law.

In addition, the Commission has been informed that F. L. Jacobs Co. has been making substantial loans in amounts aggregating in excess of a million or a million and a half dollars to Comfidor, Inc. a corporation with which Alexander Guterma, president and chairman of F. L. Jacobs Co., with which Guterma is believed to be affiliated. Guterma has refused to furnish any information concerning Comfidor, Inc. or these transactions.

The Commission has further been informed that large amounts of stock of F. L. Jacobs Co. owned by Guterma have been distributed to the public since approximately December 5, 1958, through such factors. No registration statement has been filed or is in effect covering the distribution of these securities and no exemption from registration appears to be available.

The New York Stock Exchange suspended trading in the stock of F. L. Jacobs Co. on December 5, 1958, by reason of the failure of the company to issue a financial report to its stockholders as required by the listing agreement.

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