

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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FOR RELEASE January 10, 1961

SEC DECISIONAL PROCESS MODIFIED. Effective January 16, 1961, the procedure followed by the Securities and Exchange Commission with reference to the preparation and issuance of its decisions in formal, administrative proceedings will be modified to the end that cases will be assigned by the Chairman to individual Members of the Commission (including the Chairman), who will be responsible for preparation of the Commission's decision therein and its submission to the Commission for approval. When approved, the decision will be issued in the name of the Member who prepared it, with the concurrence of other Commissioners noted therein. Dissenting opinions, if any, will be appended to the majority decision. In the preparation of Commission decisions, individual Commissioners may be assisted by the Office of Opinion Writing (which heretofore has drafted Commission decisions under direction and supervision by the Commission), and by his legal assistant.

MERGER OF NEES SUBSIDIARIES APPROVED. The SEC has issued an order under the Holding Company Act (Release 35-14350) authorizing the merger of seven subsidiaries of New England Electric Company, Boston holding company. Under the merger proposal, Attleboro Electric Company, Northampton Electric Lighting Company, Northern Berkshire Electric Company, Quincy Electric Company, Southern Berkshire Power & Electric Company, and Weymouth Light and Power Company, will be merged into Worcester County Electric Company. NEES now owns all the outstanding common stock of each of the seven subsidiaries. The properties of the other six companies will be transferred to Worcester, which will assume all of the liabilities of such companies; and Worcester will issue to NEES an additional 376,420 shares of its \$25 par common stock.

GUY P. PATTON SENTENCED. The SEC Boston Regional Office announced January 6th (LR-1877) that Guy P. Patton of Fort Worth, Texas, had received a \$500 fine and one-year probation on his plea of guilty to an indictment (USDC Conn.) charging fraud in the offer and sale of stock of Texas Building Company. Trial of the remaining four defendants is scheduled to commence shortly in Hartford, Conn.

METRO-GOLDWYN-MAYER SHARES IN REGISTRATION. Metro-Goldwyn-Mayer Inc., 1540 Broadway, New York, filed a registration statement (File 2-17457) with the SEC on January 9, 1961, seeking registration of 157,579 shares of common stock acquired or to be acquired by holders of stock options. The shares include 126,100 shares reserved for issuance pursuant to outstanding options and 31,479 shares heretofore issued to executive officers on exercise of options.

FIRST SECURITIES CO, REGISTRATION REVOKED; WASSERMAN APPLICATION DENIED. In a decision announced today (Release 34-6446), the SEC revoked the broker-dealer registration of First Securities Company and denied an application for registration filed by Frank L. Wasserman, doing business as First Securities Company, both of 1 State Street, Boston, because of violations of the Securities Exchange Act and Commission rules thereunder.

The registration of First Securities, which had two partners (including Wasserman), became effective in December 1958. The firm was dissolved on October 30, 1959, Wasserman immediately succeeding to its business; and he filed a new application for registration on December 24, 1959. According to the Commission's decision, First Securities at various times between April and October 1959 engaged in the conduct of a securities business in violation of the SEC net capital rule. On specified dates during that period, the firm had a net capital deficit of \$3,257, \$10,657, \$378, \$17,299, \$3,025 and \$12,189, respectively. On several occasions during this period, the firm was advised by the Commission's staff that it was not in compliance with the net capital rule. A Federal court order enjoining further violations of the rule was entered on December 10, 1959 (USDC, Mass.), to which the firm consented.

Moreover, the Commission ruled, First Securities and Wasserman engaged in fraudulent and deceptive practices by reason of the deposit by Wasserman in September and October 1959, in behalf of the firm, of various securities carried for the accounts of customers, together with securities carried for the account of the firm, as collateral for bank loans totalling \$20,000 to the firm, thus permitting customers' securities to be commingled with the firm's own securities subject to the lien. Furthermore, Wasserman in December 1959 admittedly sold for his own account shares of stock belonging to a customer, without the latter's knowledge or authorization; and, in order to negotiate the stock certificate, Wasserman signed the customer's name thereon without authorization.

In addition, in October 1959, the firm's books and records were falsified on instructions of Wasserman by the eradication of a \$9,000 bank loan in the cash receipts blotter, credits totalling \$9,000 being allocated to the capital and drawing accounts, respectively, of the two partners and entries being made in the ledger to reflect these credits, thereby creating the false impression that the partners had contributed \$9,000 to the firm's capital. In succeeding to the firm's business, Wasserman did not file his registration application within 30 days after such succession; thus, the firm's registration did not remain effective for a period of 60 days and Wasserman engaged in business in violation of the broker-dealer registration requirement. In his registration application, Wasserman falsely stated that he succeeded to the firm's business on December 8, 1959, when in fact he succeeded to the business about October 31, 1959.

OVER

EXPLORATION FUNDS PROPOSES OFFERING. Exploration Funds, Inc., McFarlin Building, Tulsa, Okla., filed a registration statement (File 2-17458) with the SEC on January 9, 1961, seeking registration of \$5,000,000 of Units of participation in Exploration Funds, Inc. 1961-A Oil and Gas Program, to be offered for public sale at \$5,000 per unit. The offering is to be made on a best efforts basis by Alex W. McCoy Associates, Inc. who will receive 5% of the total subscription price of each subscribed unit. McCoy Associates also will be employed as sub-agent to manage the company's program and will receive a management fee payable from program funds of 10% of the investors' funds expended by the company either under the program or on the drilling, testing, completing and equipping of additional wells drilled after the program has been completed.

The Fund was organized under Oklahoma law in June 1960 for the purpose of engaging in the business of evaluating, acquiring, testing, developing, equipping and operating oil and gas properties. The founding and organizing of the Fund were initiated by McCoy Associates and Alex W. McCoy, III, president and owner of the Fund's outstanding 1,000 shares of common stock and president and principal stockholder of McCoy Associates. The latter is a geological and engineering consulting firm and will be employed by the Fund for those and other services. The net proceeds from the sale of units will be used to conduct the Fund's oil and gas program. It is estimated that the cost of acquiring property interests will be 5% of the program expenditures, equipment cost 20%, management fee 10%, fee for obtaining the subscriptions 5%, and all other costs, including costs of geological and engineering services, drilling, testing, completions, delay rentals, dry hole contributions and administrative overhead about 60%.

LAKE SUPERIOR DISTRICT POWER PROPOSES BOND OFFERING. Lake Superior District Power Company, 101 West Second Street, Ashland, Wisc., filed a registration statement (File 2-17456) with the SEC on January 9, 1961, seeking registration of \$3,000,000 of First Mortgage Bonds, Series F, due February 1, 1991, to be offered for public sale at competitive bidding.

The net proceeds from the sale of the Bonds will be used to finance a part of the company's construction expenditures, including the payment of \$2,500,000 of bank loans incurred for that purpose. The company's construction expenditures for 1961 are estimated at about \$1,200,000. It is expected that the funds required to finance these expenditures, in addition to about \$500,000 available for that purpose from the bond sale after the payment of the bank loans, will be provided from internally generated sources. Construction expenditures for 1962 are estimated at about \$930,000.

EFFECTIVE SECURITIES ACT REGISTRATIONS: January 10: Rowe Price New Horizons Fund, Inc. (File 2-17009); Skelly Oil Company, (File 2-17230); Glens Falls Insurance Company, (File 2-17294); The Futterman Corporation, (File 2-17403).

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