

# 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.

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FOR RELEASE November 2, 1964

**NASD APPLICATION APPROVED.** The SEC has issued an order under the Securities Exchange Act (Release 34-7452) approving a NASD application for continuance of a firm in membership while employing Frank Joseph McDermott as a controlled person. Such approval is required because of a disqualification of McDermott based on prior findings of the Commission that McDermott had violated its record-keeping, financial reporting and net capital rules. These activities occurred over ten years ago; and the Commission's earlier decision had expressly stated that the violations did not necessarily constitute a permanent bar to his participation in the securities business even in a proprietary position, provided he did not have the principal responsibilities with respect to records, reports and net capital. Although McDermott thereafter was associated with broker-dealer firms whose registrations subsequently were revoked, he was not found to have participated in their violations. With his new employer he is to act solely as trader under supervision of the member.

**NASD EXPULSION OF MADISON FIRM SUSTAINED.** The SEC today announced a decision under the Securities Exchange Act (Release 34-7453) sustaining action of the NASD in expelling from membership the broker-dealer firm of Madison Management Corp., 5209 Fairway Drive, Madison, Wisc., and revoking the registration of its president, Harry Friedman, as a registered representative. However, the Commission reduced the fine against Friedman from \$4,200 to \$1,000.

In its decision, the Commission sustained NASD findings against the firm for violations of the net capital rule, failure to maintain adequate books and records, improper use of customers' securities, violations of Regulation T, improper confirmations, improper payment of compensation to and engaging in securities transactions for the account of employees of other member firms, and failure to register representatives. These violations, the Commission stated, "show that applicants are not qualified to conduct such business and that the expulsion of the applicant firm from membership in the NASD is accordingly not excessive or oppressive. However, in view of the fact that applicants' violations do not appear to involve any dishonesty or default as far as customers are concerned, we are of the opinion that the fine of \$4,200 which the NASD imposed on Friedman is excessive and that a fine of \$1,000 would be appropriate under the facts of this case.

**SAMUEL FRANKLIN PETITION DENIED.** The SEC has issued an order under the Securities Exchange Act (Release 34-7454) denying a petition of Samuel B. Franklin, dba Samuel B. Franklin & Company, of Los Angeles, for rehearing upon the Commission's order of September 3, 1964, sustaining NASD disciplinary action against the firm. In its September 3d decision, the Commission had affirmed NASD findings that Franklin sold securities at unfair prices, induced excessive trading in the accounts of two customers and failed to exercise proper supervision over the salesmen who handled those accounts, and failed to preserve copies of sales memoranda; and it also upheld a \$1,000 fine and 30-day suspension from membership imposed upon him by the NASD.

**OHIO OIL ROYALTY FUND PROPOSES OFFERING.** The Ohio Oil Royalty Fund, 136 E. 56th St., New York, filed a registration statement (File 2-22889) with the SEC on October 30 seeking registration of \$1,000,000 of interests in the Fund, a Limited Partnership, to be offered for public sale in \$1,000 units. The offering is to be made on a best-efforts basis through Petroleum Securities, Inc., 1005 Second Ave., New York, which will receive a \$90-per-unit selling commission. The offering is conditional upon the sale of 100 units within 150 days from the effective date of this registration statement. The Partnership, to be formed under Ohio law, proposes to purchase oil and gas non-operating interests, such as mineral rights, royalties, overriding royalties, net profits interests and production payments. It will be managed by Ralph E. Whitmore, Jr., the general partner, who also controls the underwriter.

**CONTINENTAL COPPER & STEEL SHARES IN REGISTRATION.** Continental Copper & Steel Industries, Inc., 100 E. 42nd St., New York, filed a registration statement (File 2-22887) with the SEC on October 30 seeking registration of 45,000 outstanding shares of 5% cumulative preferred stock. The shares may be offered for public sale by the present holders thereof from time to time through facilities of the New York Stock Exchange, at prices current at the time of sale (\$19.875 per share maximum\*). The registration statement also relates to 150,000 common shares, which may be issued upon exercise of options granted to company officials. In addition, the company is registering 116,592 common shares that are reserved for conversion of 44,667 outstanding shares of second preferred stock.

The company's business consists primarily of the manufacture and sale of metal products, including insulated copper wire and cable; tool steel, super-alloys and forging; insect screening and industrial wire cloth; and life boats and marine life-saving equipment. In addition to indebtedness and second preferred stock, the company has outstanding 119,067 5% cumulative preferred shares and 2,135,091 common shares, of which management officials as a group own 1.3% and 7.69%, respectively. Mortimer S. Gordon is president. The prospectus lists three selling stockholders, all of whom are offering their entire 5% preferred holdings.

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Societe d'Exploitation et de Developpement Economique et Naturel d'Haiti (Sedren) S. A. is offering 15,900 shares; North Rankin Nickel Mines Ltd., 15,000 and Panacolor, Inc., 14,100. On July 31, 1961 Sedren acquired 60,000 of the preferred shares in exchange for Sedren's 6% First Mortgage Obligation in the principal amount of \$1,500,000, constituting a first lien on all of Sedren's real and immovable personal property in Haiti. This obligation has been reduced by payments to a balance of \$750,000 as of June 30, 1964 and such balance is payable in annual installments of \$250,000 on June 20 of each year from 1965 to 1967. In December 1962 Sedren sold privately 44,100 preferred shares so acquired. The company agreed with the purchasers of such 44,100 preferred shares to file a registration statement relating to at least 25,000 of such shares upon the shareholders' request. Two of such purchasers, North Rankin Nickel Mines Ltd. and Consolidated Mogul Mines Ltd., made such request to the company. On October 7, 1964 Consolidated Mogul Mines Ltd. sold its 14,100 shares to Panacolor, Inc.

LAURENTIDE FINANCIAL FILES STOCK PLAN. Laurentide Financial Corporation Ltd., 1030 W. Georgia St., Vancouver, British Columbia, Canada, filed a registration statement (File 2-22888) with the SEC on October 30 seeking registration of 24,456 shares of common stock, to be offered pursuant to its 1964-1965 Stock Purchase Plan.

ELECTRONIC ASSOCIATES PROPOSES STOCK PLAN. Electronic Associates, Inc., Long Branch, N. J., filed a registration statement (File 2-22891) with the SEC on October 30 seeking registration of \$1,250,000 of participations in its Associates' Thrift Plan, together with 50,000 shares of capital stock which may be acquired pursuant thereto.

AETNA LIFE INS. SEEKS ORDER. The SEC has scheduled a hearing for November 13 (Release IC-4068) on an application filed by Aetna Life Insurance Company and its subsidiary, The Aetna Casualty and Surety Company, both of Hartford, Conn., seeking an exemption order with respect to certain transactions incident to the proposed exchange by Insurance Securities Trust Fund (an investment company affiliated with the two Aetna companies) of its stock holdings in Aetna Casualty for stock of Aetna Life. The exchange is part of a plan to effect complete identity of stock ownership of Aetna Life and Aetna Casualty.

Aetna Life owns 4,312,515 shares (61.6%) of the outstanding stock of Aetna Casualty. Insurance Securities owns 406,817 shares (5.09%) of the 8,000,000 outstanding shares of Aetna Life stock and 533,936 shares (7.63%) of the 7,000,000 outstanding shares of Aetna Casualty stock. It is proposed that Aetna Casualty will be merged into a wholly-owned, newly created subsidiary of Aetna Life through the issuance of new shares of Aetna Life to the shareholders of Aetna Casualty. For the 1,000 shares of the new subsidiary (to be known as The Aetna Casualty and Surety Company), Aetna Life will issue shares of its stock equal in number to 1.9 times the number of outstanding shares of old Aetna Casualty. Upon merger of the new company and old Aetna Casualty, each share of old Aetna Casualty will be converted into 1.9 shares of Aetna Life which are equivalent to 0.76 of a share of Aetna Life now outstanding. This will be preceded by a 2-for-1 split of the outstanding Aetna Life shares and a 25% stock dividend.

Assuming no shareholder of old Aetna Casualty demands his statutory appraisal rights, the number of Aetna Life shares to be issued in exchange for the 7,000,000 outstanding shares of Aetna Casualty will be 13,300,000. However, Aetna Life as a shareholder of Aetna Casualty, will receive in the merger 8,193,816 shares of its own stock, thereby leaving a total of 25,106,184 shares of Aetna Life outstanding after the merger. Insurance Securities as a shareholder of Aetna Casualty will participate in the exchange on the same basis as other shareholders, receiving 1,014,478 shares of Aetna Life resulting in its holding, after giving effect to the stock split and stock dividend, of 2,031,521 shares, or 8.09%, of the total number of Aetna Life shares to be outstanding after the merger. Aetna Life will distribute all the stock of the new Aetna Casualty to Hartford National Bank and Trust Company, as trustee, to be held in trust under a trust agreement to be executed by Aetna Life and the Trustee for the benefit of the holders of the shares of Aetna Life outstanding at the date of the trust agreement. The beneficial interests in the shares of New Aetna Casualty will be transferable only in conjunction with the transfer of the Aetna Life shares and may not be transferred or sold separately.

ALCO PRODUCTS FILES STOCK PLAN. Alco Products, Incorporated, 530 Fifth Ave., New York, today filed a registration statement (File 2-22893) with the SEC seeking registration of 12,275 shares of common stock, to be offered under its 1963 Stock Option Plan.

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended October 29, 1964, 20 registration statements were filed, 24 became effective, and 255 were pending at the week-end.

SECURITIES ACT REGISTRATIONS. Effective October 30: National-Standard Co. (File 2-22795).  
Effective November 2: Austral Oil and Gas Exploration Corp. (File 2-22838).

\*As estimated for purposes of computing the registration fee.

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