

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION
June 24, 1966

In the Matter of
J. BRAD DAVID, LTD.
14 Maiden Lane
New York, New York
File No. 8-10598

Securities Exchange Act of 1934 -
Sections 15(b) and 15A

FINDINGS,
OPINION
AND ORDER
REVOKING
BROKER-DEALER
REGISTRATION

BROKER-DEALER REGISTRATION

Grounds for Revocation

Fraud in Offer and Sale of Securities

Withdrawal of Registration

Where registered broker-dealer made fraudulent representations and predictions in offer and sale of securities regarding, among other things, future market price and earnings, issuer's financial condition, and amount of securities outstanding, held, in public interest to deny withdrawal of broker-dealer's registration and to revoke registration.

APPEARANCES:

Elmer Ferber and David Marcus, of the New York Regional Office of the Commission, for the Division of Trading and Markets.

David E. Lubell, for J. Brad David, Ltd. and Donald Hecht.

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Following hearings in these proceedings pursuant to Sections 15(b) and 15A of the Securities Exchange Act of 1934 ("Exchange Act"), the hearing examiner recommended that withdrawal of the registration as a broker and dealer of J. Brad David, Ltd. ("registrant") be denied, that such registration be revoked, and that Donald Hecht, president and principal stockholder of registrant, be found a cause of such revocation. No exceptions were filed. On the basis of an independent review of the record and for the reasons set forth herein and in the recommended decision, we adopt the following conclusions of the hearing examiner:

1. In January 1963, in the offer and sale of the stock of American Fun Fair, Inc. ("American"), registrant, together with or aided and abetted by Hecht, willfully violated the anti-fraud provisions of Section 17(a) of the Securities Act of 1933 and Sections 10(b) and 15(c)(1) of the Exchange Act and Rules 17 CFR 240.10b-5 and 15c1-2 thereunder.

Registrant, through Hecht, sold a total of 1,500 shares of American stock to nine persons. Of the five purchasers who testified, four paid \$5 per share and one paid \$4.62 $\frac{1}{2}$ per share. Hecht variously represented to the customer-witnesses that the price of the stock would go up one to two points within three or four weeks or perhaps even a few days, or a "few points" perhaps in a couple of weeks, or that the stock should increase in value about 50% in six to eight weeks, and that the stock was a "good investment," was "very badly underpriced" and "in a short while" would be good for "quite a turnover." He further represented that the issuer's earnings should amount to 50¢ to \$1 per share in 1963, that not many shares were outstanding, and that American was about to acquire another company or be acquired by a company listed on the New York Stock Exchange.

Hecht had no reasonable basis for the predictions of price rises and earnings and his representations were materially false and misleading. American, previously a corporate shell under another name, was recapitalized in January 1963 to acquire from Fun Fair, Inc. ("Fun Fair"), which was itself formed in June 1962, the rights to manufacture and market packaged amusement centers for children. No sales were effected by Fun Fair or American, American was virtually insolvent, $\frac{1}{2}$ and there was no basis for anticipating any acquisition by or of American. Hecht requested but never saw any financial statements and made no reasonable effort to investigate the issuer or Fun Fair. Instead, in soliciting purchases, he improperly relied upon an extravagant undated letter to American's stockholders, which contained false and misleading figures as to past and estimated future earnings, a "confidential memorandum" by the syndicate manager of another broker-dealer, and upon traders' statements that there was a good demand for the stock. $\frac{2}{2}$

2. It is in the public interest to deny withdrawal of registrant's broker-dealer registration and to revoke such registration, and Hecht should be found a cause of such revocation.

Accordingly, IT IS ORDERED that withdrawal of the registration as a broker and dealer of J. Brad David, Ltd. be, and it hereby is, denied, and that such registration be, and it hereby is, revoked; and it is found that Donald Hecht is a cause of this order of revocation.

By the Commission (Chairman COHEN and Commissioners WOODSIDE, OWENS, BUDGE, and WHEAT).

Orval L. DuBois
Secretary

$\frac{1}{2}$ After two units had been completed and delivered by Fun Fair, it ceased operations because of an acute shortage of working capital. American issued 500,000 shares to its two promoters, who planned an intrastate public offering of the shares of the minority holder and a loan to American from the proceeds of that offering. However, one of the initial sales was to a non-resident who thereafter sold his shares to registrant, and the offering was abandoned after only 2,000 or 2,500 shares had been sold.

$\frac{2}{2}$ See Crow, Brourman & Chatkin, Inc., Securities Exchange Act Release No. 7839, p. 5 (March 15, 1966); Shearson, Hammill & Co., Securities Exchange Act Release No. 7743, pp. 20-21 (November 12, 1965).

The hearing examiner also concluded that respondents willfully violated the registration provisions of Sections 5(a) and 5(c) of the Securities Act in the offer, sale and delivery of the American stock. In view of our findings of fraud, it is unnecessary to reach that issue.