

# 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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**R. B. HAMBRICK REGISTRATION REVOKED.** The SEC today announced the issuance of a decision under the Securities Exchange Act (Release 34-7248) revoking the broker-dealer registration of Richard Bronner Hambrick, dba R. B. Hambrick Investments, 1443 North 4th St., Abilene, Texas, for violations of the anti-fraud and other provisions of the Federal securities laws in the offer and sale of stock of Life Insurance Stock Fund, Inc., as well as the offer and sale of investment contracts arising from the sale of a "package" program consisting of Stock Fund shares and insurance policies, and of an "equity funding plan" involving bank financing of insurance premiums for investors and the investment of "dividends" from insurance policies in Stock Fund shares. Hambrick consented to the revocation order, as did certain firms and individuals alleged to control Hambrick's business (each of whom was named a cause of the revocation order), as follows: Key Western Investment Corporation, Key Western Life Insurance Company, Western Fidelity Life Insurance Company, Jack McQueen and Dan T. Sorrells.

According to the Commission's decision, Hambrick, together with or aided and abetted by the other respondents, engaged in a "fraudulent course of conduct," in that they prepared and permitted and arranged for the distribution of flamboyant and misleading sales material describing the securities sold by them, and made numerous false and misleading statements. They arbitrarily failed to execute purchases of Stock Fund shares for the accounts of certain investors for periods in excess of five months after dividends were available for investment and gave preferential treatment to certain investors by making total refunds of all premiums paid. They failed to provide the statutory prospectus of Stock Fund to investors, and charged a price for Stock Fund shares different from the current offering price specified in the prospectus in that, in addition to the sales load, the price included a portion of the fee paid to the salesmen for sale of the package. They effected transactions through Key Life and registrant when Key Life and registrant were not registered as broker-dealers and employed unqualified salesmen who were not provided suitable supervision.

Moreover, the respondents failed to disclose the controlling persons and firms in Hambrick's registration application; and they also violated the Securities Act registration requirement as well as the record-keeping and financial reporting requirements of the Exchange Act.

**NASD APPLICATION APPROVED.** The SEC has issued an order under the Securities Exchange Act (Release 34-7249) approving an NASD application for continuance of a firm in membership while employing Hugh Bradford (of Dallas) as a controlled person. Such approval is required because the NASD in January 1957 revoked Bradford's registration as a registered representative of a member firm, expelled that firm from membership and found Bradford a cause of the expulsion. In April 1962 the Commission approved a similar application with respect to a member employing Bradford as a registered representative. According to the present application, Bradford will be employed in a member's corporate finance department (concerned with underwriters, mergers, etc.) and will be working directly under an officer of the firm and subject to supervision to at least as great an extent as in his previous employment.

**RIFKIN & CO. REGISTRATION REVOKED.** The SEC today announced a decision under the Securities Exchange Act (Release 34-7252) revoking the broker-dealer registration of S. H. Rifkin & Co., Inc., of 175 W. 73d St., New York, for violations of the registration and anti-fraud provisions of the Federal securities laws in the offer and sale of stock of National Telepix (Canada), Ltd. Stephen H. Rifkin, president and sole stockholder of the Rifkin firm, was found to be a cause of the revocation order.

According to the Commission's decision, during July and August 1961 (before the Rifkin firm became registered in September 1961), Rifkin offered and sold unregistered Telepix stock through false and misleading representations to the effect that Telepix would shortly declare a dividend of \$1 or \$1.50 a share; that the stock would rise in price from \$8 to \$12 or \$15 per share or would double in price within a short time; that Telepix had world rights to certain popular animated cartoons and other films for showing on television; and that Telepix stock would shortly be registered in the United States. There was no reasonable basis for predicting dividends or a sharp rise in the market price of the stock. Telepix had just been incorporated in June 1961 and it had no earnings. Nor did it have world rights to show popular animated cartoons; its only asset was the right to distribute certain comedy films for showing in Canada and the British Commonwealth. No action was ever taken looking toward registration of the Telepix stock in the United States.

The Rifkin firm also violated the Commission's financial reporting requirements by falsely stating that it had assets of \$10,000 in cash.

**ESS-KAY ENTERPRISES OFFERING SUSPENDED.** The SEC has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by Ess-Kay Enterprises, Inc., 101 Marietta Street Bldg., Atlanta, Ga. The order provides an opportunity for hearing, upon request, on the question whether the suspension order should be vacated or made permanent.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. In a notification filed in April 1962, as later amended, Ess-Kay proposed the public offering of 13,416 shares of common stock at \$15 per share, which offering was

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commenced October 29, 1962. The Commission asserts in its suspension order that it has "reasonable cause to believe" that Ess-Kay's offering circular fails to disclose interests of officers, directors and promoters in certain material transactions (and, in fact, disclaims any such interest); that the offering circular falsely states that the acquisition of a subsidiary was the result of arm's-length bargaining, and fails to disclose adequately the interests of officers, directors and promoters in transactions to which Ess-Kay and its affiliates were parties; that the offering circular incorrectly states and substantially inflates the per share book value of its stock; that certain sales literature used in the offering was not filed with the Commission, as required; and that such literature was false and misleading in respect of certain material facts, including the failure to disclose adequately that dividends declared and paid were not earned and that at least a portion thereof represented a return of capital as well as an exaggeration of the success of the offering by understating the number of shares remaining unsold.

**ADVANCE FILING OF EXCHANGE RULES PRESCRIBED.** The SEC today announced the adoption of a new Rule 17a-8 under the Securities Exchange Act of 1934 (Release 34-7253), which will require every national securities exchange to file with the Commission reports of proposed changes in its rules, commencing April 6, 1964. The rule provides that each national securities exchange shall file a report of any proposed change in, or addition to, its rules not less than three weeks before it is submitted for any action by the membership or any governing body of the exchange. If any substantive change is made in the proposal after the report is filed with the Commission, a new three-week notice is required unless the change is made to conform it to a suggestion made by the Commission. Rule 17a-8 also provides that if emergencies arise in which a report cannot be filed as provided above, the exchange shall give the Commission as much notice as the circumstances permit, together with a written statement of the reasons why the filing of a report as required was impracticable.

Under the Exchange Act, the Commission has the responsibility to oversee the self-regulatory functions of exchanges, including broad powers and responsibilities with respect to exchange rules. Advance SEC review of proposed exchange rules was suggested in Chapter XII of the Report of the Special Study of Securities Markets. The new rule should afford an opportunity for orderly Commission consideration of exchange rules before they become effective. The rule does not prevent any exchange from adopting any exchange rule which it could have adopted before Rule 17a-8 was promulgated; it is simply a reporting requirement compliance with which will give the Commission prompt notice of rule changes intended to be effected by an exchange, and will assist the Commission in the execution of its functions and regulatory responsibilities.

**FIDELITY BOND RULE AMENDMENT PROPOSED.** The SEC today announced a proposal under the Investment Company Act (Release IC-3922) to amend its Rule 17g-1 with respect to the maintenance of fidelity bonds by registered management investment companies; and the Commission has invited the submission of views and comments thereon not later than April 3, 1964.

Section 17(g) of the Act authorizes the Commission to require by rules and regulations, for the protection of investors, that any officer and any employee of a registered management investment company be bonded by a reputable fidelity insurance company against larceny or embezzlement if such officer or employee has access, singly or jointly with others, to securities or funds of any registered company, either directly or through authority to draw upon such funds or to direct generally the disposition of such securities. Rule 17g-1, as now in effect, in general, requires that there shall be fidelity bonds in such reasonable amount as a disinterested majority of the board of directors may determine, subject to modification by the Commission as to the amount, type, form and coverage of such bonds. It also requires that a copy of the bond be filed with the Commission and that the investment company notify the Commission immediately upon cancellation or termination of each such bond.

As a result of experience gained by the Commission in its administration and enforcement of the Act, including the experience derived from staff inspections of registered investment companies, it appears to the Commission that its existing rule may require amendment to include provisions which will result in adequate notice to the Commission in the event of cancellation, termination or modification of the bond or of defalcation by an officer or employee of a registered investment company, in order that the Commission may be in a position to reach informed judgments with respect to the exercise of the powers and responsibilities conferred on the Commission by the Act. Accordingly, the Commission proposes to amend the rule to provide for notification to the Commission by the fidelity insurance company in the event of cancellation, termination or modification of, or of a claim of loss under, the bond. In addition, the amended rule would require that the board of directors of the investment company determine the adequacy of the bond at least once each year.

**BRAUN ENGINEERING FILES FOR OFFERING AND SECONDARY.** Braun Engineering Co., 19001 Glendale Ave., Detroit, Mich., 48223, filed a registration statement (File 2-22109) with the SEC on February 28 seeking registration of 70,000 shares of common stock. Of this stock, 50,000 shares are to be offered for public sale by the company and 20,000 (being outstanding shares) by the present holders thereof. The public offering price (\$23 per share maximum\*) and underwriting terms are to be supplied by amendment. Watling, Lerchen & Co., Ford Bldg., Detroit, Mich. 48226, heads the list of underwriters.

The company is a producer of automotive parts manufactured by the cold extrusion method. It makes such parts as spark plug shells, switch housings, piston pins, idler arm brackets and tappets, lock nuts for electrical use, and certain aluminum parts. Net proceeds of the company's sale of additional stock, estimated at \$925,000, will be used to the extent of \$400,000 to pay in full a short term bank note issued for working capital purposes. The balance of the proceeds will be added to working capital and used in part payment of the acquisition of additional equipment.

In addition to indebtedness, the company has outstanding 295,742 shares of common stock and 242,374 shares of Class B common. Fred W. Braun, board chairman, and Alfred Braun, president, own 45.04% each of the Class B common and 9.23% each of the common stock. Each proposes to sell 10,000 shares of his holdings of 27,290 common shares.

**NATIONAL AVIATION SEEKS ORDER.** National Aviation Corporation, 11 Broadway, New York, has applied to the SEC for an exemption order under the Investment Company Act with respect to its proposed purchase of securities of New York Airways, Inc.; and the Commission has issued an order (Release IC-3920) giving interested persons until March 17th to request a hearing thereon. According to the application, National proposes to acquire \$56,768 of the said New York Airways' 5% convertible subordinated notes due November 30, 1964, and 2,272 shares of its capital stock at \$5 per share, as well as the purchase of an additional 9,088 shares upon conversion of the notes. National now owns 25,000 shares of New York Airways' stock. The latter operates a helicopter service between various heliports in the metropolitan New York City area.

**FOUR INDICTED IN MIAMI.** The SEC Atlanta Regional Office announced February 28 (LR-2853) the return of a Federal court indictment in Miami, Fla., charging violations of the Securities Act anti-fraud provisions by Steven L. Ruskin of Miami, Robert A. McKee and Lawrence Dissette of Ft. Lauderdale, and Paul E. Gardner, Jr., of St. Petersburg, in the sale of 6%, 8% and 12% notes of Commercial Capital Corporation and Industrial Finance Corporation.

**CORRECTION RE TENN-FLAKE CORP.** In the item on Tenn-Flake Corporation, Morristown, Tenn., reflected in the SEC News Digest of February 28, 1964, it was reported that the company "now has outstanding \$28,576 of 6% convertible debentures," whereas the prospectus states that the company has outstanding 28,576 of \$7 par 6% convertible debentures.

**TEXAS COFFEE ORGANIZATION FILES.** Texas Independent Coffee Organization, Inc., 3809 Agnes, Corpus Christi, Texas, filed a registration statement (File 2-22110) with the SEC on February 28, 1964, seeking registration of 890 contracts for deed and plantation lease agreement pertaining to 890 acres of land in Costa Rica in the Province of Puntarenas. The Organization has a deed for 1,497.4 acres of land, which has not previously been developed. Contracts for the 890 acres are to be offered for sale at \$1,050 per acre or contract. The offering is to be made only by company employees, the total discounts, commissions and sales expenses not to exceed \$150 per acre. Net proceeds of such sale will be used to prepare and develop the land in Costa Rica to raise coffee-bearing trees and to care for said land until trees produce coffee in commercial quantities.

The Organization was incorporated under Texas law in 1958 for the purpose of growing coffee in Costa Rica. It has outstanding 2,000 shares of common stock and \$190,150 of long-term non-interest-bearing notes. The issuer exchanged 1,835 shares and issued the notes to C. H. Cravens, a director, in consideration for 1,390 acres at \$150 per acre out of a tract of 1,497.4 acres. According to the prospectus, contracts covering 600 acres with plantation lease agreements were sold at \$1,050 per acre. Said sales resulted in a "cash flow" to the issuer of \$134,381.15. There is still owed to the issuer a balance of \$175,376.78 on said contracts. These sales were made in reliance upon the so-called "intrastate" exemption from registration which, according to the prospectus, may not have been available. This created a potential liability against the company. On SEC complaint, a Federal court order was issued in August 1963 enjoining any disbursement of funds received under outstanding contracts or the sale of additional contracts until the company's registration statement has become effective.

The company's president is Leonard G. Worsham, of Pecos, Texas, who owns 49.25% of its outstanding stock. Two directors, Roy A. Beaver and Mrs. Mardell P. Bullock, own 15% each.

**GULF AMERICAN LAND FILES STOCK PLAN.** Gulf American Land Corporation, 557 Northeast 81st St., Miami, filed a registration statement (File 2-22114) with the SEC on March 2 seeking registration of 176,010 common shares, reserved for issuance upon exercise of Officers' and Key Employees' Stock Options.

**LANVIN-CHARLES OF THE RITZ FILES.** Lanvin-Charles of the Ritz, Inc., 767 Fifth Ave., New York, filed a registration statement (File 2-22115) with the SEC on March 2 seeking registration of 5,640 shares of \$.80 cumulative preferred stock and 97,188 shares of common stock, which shares are subject to restricted stock options granted by the company in substitution for options previously granted by the company and Lanvin-Parfums, Inc., which were outstanding at the time of the merger of the two companies.

**SECURITIES ACT REGISTRATIONS.** Effective March 3: Gloray Knitting Mills, Inc. (File 2-22055).

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

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