

# 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 July 11, 1962

**TAYLOR INVESTMENT AND RUSSELL INVESTMENT REVOKED.** The SEC has issued an order under the Securities Exchange Act (Release 34-6844) revoking the broker-dealer registrations of Taylor Investment Company, Inc., 150 North Center Street, Casper, Wyoming, and Russell Investment Company, 722 Boston Building, Denver, Colo., for "fraud and deceit" upon their customers. Gerald M. Greenberg, president and sole stockholder of Russell Investment and board chairman and controlling stockholder of Taylor Investment, was found to be a cause of both revocations, and Herbert J. Taylor, president and a stockholder of Taylor Investment a cause of the revocation with respect to Taylor Investment.

According to the Commission's order, the two firms, together with or aided and abetted by Greenberg and Taylor, "engaged in acts and practices and a course of business which operated as a fraud and deceit upon public investors" in willful violation of the anti-fraud provisions of the Securities Act, in that from October 1959 to February 1960 (a) customers were induced to purchase and sell securities through Taylor Investment on the false representation that it would act in their best interests and purchase and sell securities for them at the best obtainable prices. In fact, when orders to purchase securities for customers were obtained, Russell Investment was directed to purchase such securities for its own account and contemporaneously resell them to Taylor Investment at increased prices, and Taylor Investment confirmed the purchases for the customers at such increased prices. Conversely, when orders to sell securities for customers were obtained, such securities were sold to Russell Investment company which resold them immediately at increased prices, and Taylor Investment confirmed the sales to the customers at the lower prices. The customers were not informed of these facts or that Greenberg controlled both Taylor Investment and Russell Investment. (b) Taylor Investment sold securities to its customers at prices far in excess of prevailing market prices and thereby obtained unreasonable and excessive undisclosed profits. (c) Taylor Investment failed to give or send to customers, at or before the completion of each transaction, a written notification disclosing the capacity in which it was acting and other required information. The Commission also found that Taylor Investment, aided and abetted by Greenberg and Taylor, violated the net capital and record-keeping requirements of the Exchange Act and effected securities transactions when it was not registered as a broker or dealer. Violations of Regulation T by both firms also were found.

**MERYL RICHARDS REGISTRATION REVOKED.** The SEC has issued an order under the Securities Exchange Act (Release 34-6848) revoking the broker-dealer registration of Meryl Edward Richards, doing business as Richards Investment Co., 2017 El Camino Real, Redwood City, Calif., for violations of the reporting requirements of the said Act. According to the Commission's order, Richards failed to file within the prescribed time reports of his financial condition for the years 1956-58 (although he had on a number of occasions been advised of the reporting requirement), and failed to make a timely filing of such a report for the year 1960.

**REGISTRATION DENIED FINANCIAL SECURITY CORP.** The SEC today announced the issuance of an order under the Securities Exchange Act (Release 34-6843) denying an application for broker-dealer registration filed by Financial Security Corporation, 518 Scott Street, Little Rock, Ark. Alan C. Springer, board chairman, Hubert C. Crouch, president, and Ed Worth Millwee, a director, were each found to be a cause of the denial order.

The Commission ruled that Financial Security (then a wholly owned subsidiary of Arkansas Business Development Corporation, now defunct) aided and abetted by Springer, Crouch and Millwee, willfully violated the anti-fraud provisions of the Securities Act in the offer and sale of the Development Corp. stock during 1957-59. In August 1960, on the basis of a Commission complaint, Financial Security and said persons were enjoined from making false or misleading statements or using manipulative or deceptive devices in connection with the offer or sale of such stock, investment contracts or any other securities. Shortly thereafter, the Development Corp. and Financial Security were adjudged bankrupt. The Commission found that in view of the said violations and the entry of the said injunction it was in the public interest to deny the application for registration of Financial Security as a broker-dealer.

According to the Commission's decision, the Development Corp. stock was sold at \$2 and \$3 per share without disclosure of a five-for-one stock split following its earlier sale at \$1 per share; that Springer and other officials had been granted options to purchase over 125,000 shares at from 20¢ to 35¢ per share; that thousands of shares had been issued as bonus shares to members of the Development Corp. advisory board; and that Financial Security had acquired shares at prices ranging from 40¢ to \$2 per share which it was reselling at \$3 per share and that the proceeds would not go into the treasury of the issuer but would be used in the operations of Financial Security. Moreover, it was falsely represented that the Development Corp. was making profits when it had sustained operating losses in 1957 and 1959 and showed a book profit in 1958 only as a result of recording a transfer of certain properties to a subsidiary at prices substantially higher than those paid by Development Corp. for the properties.

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**GROCOFF-LLOYD SECURITIES PETITION DENIED.** The SEC has issued an order under the Securities Exchange Act (Release 34-6842) denying an application of Bruce William Grocoff, doing business as Lloyd Securities ("applicant"), of New York City, for an order of the Commission directing the National Association of Securities Dealers, Inc. to continue applicant as an NASD member while employing Robert Grocoff (applicant's father) as a controlled person.

The Commission in August 1960, revoked the broker-dealer registration of R. G. Worth & Co., Inc., of which Robert Grocoff was president and sole stockholder, for willful violations of the Commission's net capital and record keeping rules and the credit requirements of Regulation T; and it found Robert Grocoff the cause thereof. The violations had extended over a three-year period and continued even after assurances of compliance and a court injunction against the violations. The NASD had denied a request that it seek Commission approval of the continuance of applicant in membership with his father as a controlled person. At the hearing before the NASD Board of Governors it was stated that applicant's securities business was to be taken over by Lloyd Securities, Inc., whose principal officers and sole stockholders were Bruce Grocoff and Robert Worth, who had also worked for a time for Worth Co. under the supervision of Robert Grocoff. It was further stated that Worth and Bruce Grocoff would manage and supervise the operations of the corporation and that Robert Grocoff would be employed as a salesman and an advisor with respect to investment situations. The NASD concluded that in the light of the more limited experience of Robert Worth and Bruce Grocoff, and in view of their personal and prior business relationships with Robert Grocoff, it was difficult to believe that the proposed arrangement of control and supervision would be adequate under the circumstances. The Commission agreed, observing that no sufficient showing in the public interest has been made to lead it to reach a different conclusion.

**HEARINGS SCHEDULED IN FOUR REG. A CASES.** On request of the issuing companies, the SEC has scheduled hearings, at the time and place indicated, to determine whether to vacate or make permanent prior orders of the Commission temporarily suspending Regulation A exemptions from registration under the Securities Act of 1933 with respect to public offerings of securities by the respective companies:

<u>Issuer</u>	<u>Date of Hearing</u>	<u>Place</u>
Imperial Mining, Inc., Las Vegas, Nevada	August 6, 1962	SEC Los Angeles Office
Measurements Spectrum, Inc., Alhambra, Cal.	July 30, 1962	SEC Los Angeles Office
National Capital Acceptance Corp., Wash., D.C.	July 30, 1962	SEC Washington Office
Transmount Mining Venture, Inc. Colorado Springs, Colo.	July 25, 1962	SEC Denver Office

The temporary suspension orders asserted that each company failed to comply with certain terms and conditions of Regulation A, including the omission or misrepresentation of certain material facts in their respective offering circulars.

**COLUMBIA GAS SERVICING ARRANGEMENT CLEARED.** The SEC has issued an order under the Holding Company Act (Release 35-14666) authorizing Columbia Gas System Service Corporation, wholly-owned subsidiary service company of The Columbia Gas System, Inc., New York holding company, to expand the scope of accounting and other services now being rendered to associate companies. The service company will construct an addition to its Marble Cliff office building near Columbus, Ohio, to house the larger electronic computer and related equipment required for the proposed increases in servicing activities and to provide more efficient space for the company's customer service personnel training school which will be transferred from another location. The service company also will sell an additional \$600,000 of stock and \$1,850,000 of notes to the parent.

**MANIPULATION OF AMBROSIA MINERALS STOCK CHARGED.** The SEC announced July 10th (Lit-2306) the return of a Federal court indictment in Houston charging Paul E. McDaniel, George A. Mellen, Hinton W. Haynes and Calvin Allen with conspiracy to violate the registration, anti-fraud and anti-manipulative provisions of the Federal securities laws in their transactions in stock of Ambrosia Minerals, Inc., as well as violations of the Securities Act registration and anti-fraud provisions. George L. Flach was named as co-conspirator.

**RAPID-AMERICAN SECONDARY CLARIFIED.** The SEC News Digest of July 5th referred to the filing of a registration statement by Rapid-American Corporation, of New York, proposing a secondary offering of 49,422 outstanding common shares. The company's business activities include platemaking, catalog mail order operations, the manufacture of metal signs and displays, the manufacture and marketing of sundry plastic toys and novelties, manufacture of children's wear, the citrus business in Florida, and the manufacture of paints, lacquers and varnishes. Through its controlled subsidiary, McCrory Corporation, the company is engaged in national variety, men's wear, women's and children's wear stores, as well as regional home-and-auto supply stores. In addition to various indebtedness the company has outstanding 2,057,312 shares of common stock, of which management officials as a group own 27.1%. (The shares listed in the July 5th Digest erroneously referred to McCrory, not Rapid-American.)

**ST. JOSEPH LIGHT & POWER FILES STOCK PLAN.** St. Joseph Light & Power Company, 520 Francis Street, St. Joseph, Mo., filed a registration statement (File 2-20572) with the SEC on July 9th seeking registration of 30,000 shares of common stock, to be offered pursuant to its Employee Stock Purchase Plan.

**ADR'S FOR LEDOGA FILED.** Chemical Bank New York Trust Company filed a registration statement (File 2-20573) with the SEC on July 9th seeking registration of 50,000 American Depositary Receipts for preference shares of LEDOGA Societa per Azioni.

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AMERICAN PACIFIC FUND FILES FOR STOCK OFFERING. American Pacific Fund, Inc., 1523 Kalakaua Avenue, Honolulu, Hawaii, filed a registration statement (File 2-20574) with the SEC on July 9th seeking registration of 94,500 shares of common stock, to be offered for public sale at net asset value. There is no sales commission or creation fee charged.

The Fund is a diversified, open-end management company organized under Hawaii law in April 1962. It intends to invest in securities of companies engaged primarily in the life insurance business and also in casualty and health and accident insurance and re-insurance. Shares of American Pacific Life Insurance Company, Limited, which now owns all of the company's outstanding stock (10,500 shares), may be purchased by the Fund, subject to certain percentage limitations. American Pacific Management Corp. was recently organized to act as investment adviser and principal underwriter to the Fund, and it is also wholly owned by American Pacific Life. Roger S. Ames is president of the company and of its parent. The two companies have other common management officials.

PALA PRODUCTIONS FILES FOR OFFERING. Pala Productions, 420 East 64th Street, New York, filed a registration statement (File 2-20575) with the SEC on July 10th seeking registration of \$375,000 of limited partnership interests, to be offered for public sale at \$7,500 per interest. No underwriting is involved.

The partnership is to be formed with Tony Pastor, Sr. and Gene La Brie, as general partners, for the purpose of producing the dramatico-musical play presently entitled "Be My Guest." Pastor and La Brie, have entered into an agreement with Pastor, Gratien Ouellette and Albert Beach, the authors of the book, music and lyrics, respectively, to produce the play. The producers believe that the total cost of opening a first-class production of the musical in New York City, including all production expenses and the cost of an out-of-town try-out will not exceed \$375,000, and the net proceeds from this offering will be so applied. The general partners will be entitled to receive 50% of the net profits (after payments for certain services) for which they will make no cash contribution. The author, composer and lyricist will receive a royalty in the aggregate of 6% of the gross weekly box office receipts.

SECURITIES ACT REGISTRATIONS. Effective July 11: American Seating Company (File 2-20242);  
Withdrawn July 11: Admiral Benbow Inn, Inc. (File 2-20026);  
American International Development Corp. (File 2-19865); Ehrenreich Photo-Optical Industries, Inc. (File 2-19692); Masury-Young Co. (File 2-19416); Mid-America Minerals, Inc. (File 2-20180); Szemco, Inc. (File 2-19591).

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