

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.



Washington 25, D.C.

(In ordering full text of Releases from Publications Unit, cite number)

(Issue No. 63-9-2)

FOR RELEASE September 4, 1963

SEC ORDER CITES CROW, BROURMAN & CHATKIN. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Crow, Brouman & Chatkin, Inc., 30 Broad St., New York, engaged in practices which operated as a "fraud and deceit" upon investors and, if so, whether its broker-dealer registration should be revoked.

The said company ("registrant") has been registered with the Commission as a broker-dealer since June 28, 1961. Thomas Seberry Crow is president and a principal stockholder, and Saul Brouman is executive vice president. According to the Commission's order, during the period August 1962 to April 1963, Tony Rave, David Daye, Edward S. Griffiths, Ray S. Sugden, Jr., William J. Abbott, Robert Oscar Bihler, Joseph S. Lenchner, William J. Price, Conrad C. Compton, Donald R. DeVall, and Norman C. Eisenstadt were registrant's Pittsburgh employees; and Michael Shaub, Fred Riley, Gordon E. Whiteman, Jack Grover, Dorman E. Sisk and John G. O'Neill were its Florida employees. In addition, Abbott and Price were sales managers of the Pittsburgh office; Eisenstadt was the trader and Lenchner the assistant trader of that office; Riley was sales manager of the Ft. Lauderdale office; and O'Neill was sales manager of its Miami office and in charge of all activities in Florida.

In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that in the offer and sale of common stocks of Youngwood Electronic Metals, Inc., PCS Data Processing, Inc., Bundy Electronics, Inc., Champion Industries, Inc. and Saffcraft Corporation during the said period, registrant, Crow, Brouman and said employees "engaged in transactions, acts, practices and courses of business which would and did operate as a fraud and deceit" upon investors in violation of the anti-fraud provisions of the Federal securities laws in that they (1) engaged in the distribution of said unseasoned and speculative securities to persons with whom they were unacquainted by means of an intensive telephone campaign without having made reasonable or diligent inquiries as to the true nature, characteristics or value of the securities and while placing such persons in a position where they were asked to make hasty decisions to buy upon the basis of undocumented representations, and (2) induced persons to purchase stock of PCS, Bundy, Champion and Youngwood at prices far in excess of the prices they contemporaneously paid for such stock and far in excess of the prevailing market prices (which, except with respect to Youngwood, they allegedly dominated and controlled). It is also alleged that all or certain of said persons made false and misleading statements of material facts to purchasers of Champion and Saffcraft stock concerning, among other things, litigation instituted against both companies, the financial condition of both companies, the closing of the plant of Saffcraft's sole operating company and the loss of Champion's sole operating company, operating losses of Champion and the financial condition of its operating companies, the substantial short position of registrant in Champion stock, Champion's debt to registrant, listing of Champion stock on an exchange, inside information about Champion, and the profit potential of its stock. The staff also charges that registrant, Crow, Brouman, Abbott and Price permitted registrant's employees to conduct their selling after business hours, without supervision and without regard to the selling methods employed by the salesmen, and that registrant's employees were encouraged to load and reload customers' accounts with said securities contrary to the customers' best interests.

A hearing will be held, at a time and place to be announced for the purpose of taking evidence to determine whether the staff charges are true and, if so, whether registrant's broker-dealer registration should be revoked. Registrant is a member of the National Association of Securities Dealers, Inc.; and one of the issues in these proceedings is whether it also should be suspended or expelled from NASD membership.

REPUBLIC NATIONAL LIFE FILES FOR SECONDARY. Republic National Life Insurance Company, 3988 North Central Expressway, Dallas, Texas, filed a registration statement (File 2-21676) with the SEC on August 30 seeking registration of 200,000 outstanding shares of capital stock, to be offered for public sale by the holders thereof through underwriters headed by The First Boston Corp., 20 Exchange Place, New York, and Sanders & Company, 830 Republic National Bank Bldg., Dallas. The public offering price (maximum \$80 per share*) and underwriting terms are to be supplied by amendment. The company is engaged in the writing of individual and group life, accident, sickness, medical and surgical reimbursement, hospitalization and pension insurance. It has outstanding 3,316,074 shares of capital stock, of which Theodore P. Beasley, board chairman, Ronald Rex Beasley, a senior vice president, and Betty Beasley Sanders own 28.6%, 9.9% and 10%, respectively. They propose to sell 60,000, 70,000 and 70,000 shares, respectively. After the stock sale, Theodore P. Beasley, together with his wife, children and grandchildren will own an aggregate of 45.8% of the company's outstanding capital stock. Barry Oakes is president.

POMEROY SMITH FILES FOR OFFERING. Pomeroy & Smith - Ewing & Hungville, 64 Ltd., 726 Vaughn Bldg., Midland, Texas, filed a registration statement (File 2-21677) with the SEC on August 30 seeking registration of \$1,000,000 of limited partnership interests, to be offered for public sale at \$5,000 per interest. No underwriting is involved.

OVER

The partnership was organized under Texas law in July 1963 with Pomeroy Smith, John R. Ewing, Frank C. Ewing and John R. Hungville as general partners and Devonian Well Service, Inc. and Chester J. Van Scoter as limited partners. Partnership funds will be used to evaluate, acquire, hold, test, develop and operate oil and gas leaseholds and to pay all costs reasonably necessary to accomplish these purposes. It is proposed to operate primarily in the so-called Permian Basin area of West Texas and Eastern New Mexico. According to the prospectus, the partnership has no commitments in prospect at the present time to acquire or evaluate any given oil and gas leasehold. The general partners will receive 25% of the partnership income from leases, minerals and royalties (and will be charged with 25% of the partnership development and operating costs with respect to each leasehold property after the completion of the first productive well thereon), and they will also receive the excess, if any, by which 10% of the contributions of the limited partners exceeds 1964 partnership overhead expenses plus the expenses of this offering. Certain leaseholds in which the partnership acquires interests may be operated by McGrath & Smith, Inc., in which Pomeroy Smith owns 50% of the common stock. The two original limited partners have subscribed to an aggregate of \$3,000 in partnership interests.

GRUMMAN AIRCRAFT FILES STOCK PLAN. Grumman Aircraft Engineering Corporation, Bethpage, Long Island, N. Y., filed a registration statement (File 2-21678) with the SEC on September 3 seeking registration of 200,000 shares of common stock, to be offered pursuant to its Restricted Stock Option Plan.

RESEARCH CAPITAL FILES FOR STOCK OFFERING. Research Capital Corporation, 2909 Bay-To-Bay, Tampa, Fla., filed a registration statement (File 2-21679) with the SEC on September 3 seeking registration of 400,000 shares of common stock, to be offered for public sale at \$12.50 per share. The offering will be made on a best efforts basis through underwriters headed by Hensberry & Company, 219 Fourth Street North, St. Petersburg, Fla., which will receive a \$1.06 $\frac{1}{4}$ per share selling commission and up to \$39,000 for expenses.

The company is a non-diversified closed-end investment company which makes long term loans to and investments in small business concerns. Of the net proceeds from the stock sale, \$145,000 will be used to redeem 1,125 outstanding shares of 7 $\frac{1}{2}$ % preferred stock (\$100 par), assuming they are not converted into common at the holder's option, and \$150,000 will be used to pay in full a \$150,000 subordinated debenture held by the Small Business Administration. Any balance will be invested in securities of or guaranteed by the United States pending future use for long term loans to or equity investments in small business concerns. In addition to certain indebtedness and the preferred stock, the company has outstanding 31,300 shares of common stock, of which management officials as a group own 20.7%. Gerard R. Jobin is board chairman and Edwin M. Jones is president.

DOW CHEMICAL PROPOSES DEBENTURE OFFERING. The Dow Chemical Company, Midland, Mich., today filed a registration statement (File 2-21682) with the SEC seeking registration of \$100,000,000 of debentures due 1988, to be offered for public sale through underwriters headed by Smith, Barney & Co., Inc., 20 Broad St., New York. The interest rate, public offering price and underwriting terms are to be supplied by amendment. The company is engaged in the manufacture and sale of chemicals, plastics and metals. The net proceeds from the debenture sale will be applied against bank borrowings and certain short-term indebtedness of the company which, at August 31, 1963, totaled \$108,000,000. In addition to certain indebtedness, the company has outstanding 29,743,319 shares of common stock, of which the descendants of Herbert H. Dow, founder of the company, and their spouses (73 individuals) own or control directly or indirectly 12.7%. Management officials as a group own 3.27%. Herbert D. Doan is president and Carl A. Gerstacker is board chairman.

SECURITIES ACT REGISTRATIONS. Effective September 3: The General Fireproofing Co. (File 2-21581). Effective September 4: John Nuveen & Co. (File 2-21617). Withdrawn September 3: Workman Electronic Products Inc. (File 2-20840).

CORRECTION. A registration statement filed by Pan American Sulphur Co. (File 2-21631) was declared effective by the Commission on August 30 not September 3 as reported in the News Digest of September 3.

*As estimated for purposes of computing the registration fee.

---0000000---