

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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



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**NASD EXPULSION OF CHARTERS & CO. OF MIAMI, INC. AFFIRMED.** In a decision announced today (Release 34-7991), the SEC upheld a decision and order of the National Association of Securities Dealers, Inc., providing for the expulsion from membership in that association of Charters & Co. of Miami, Inc. of Miami, Fla., and the revocation of the registration as registered representatives of Arthur L. Kapplow, Hugh L. Strump, and Michael F. Dermer, principal officers of Charters. The action was based upon findings by the NASD, affirmed by the Commission, that Charters violated NASD rules by having net capital deficiencies of \$10,068, \$21,458 and \$9,862 on December 31, 1964, and January 27 and 31, 1965, by failing to honor 10 purchase transactions, which were effected in December 1964 with three NASD members, by violating Regulation T in connection with 18 short sales effected between January and June 1964, and by acting as agent for both buyer and seller in 74 transactions between January and December 1964 without furnishing customers' confirmations containing appropriate disclosures. Kapplow, Strump and Dermer were found to have caused Charters to violate, and thereby themselves violated, the NASD rules.

The Commission held that, since no trading market existed for stock of Bankers Intercontinental Investment Co. Ltd. held by Charters on the deficiency dates, such stock was not readily convertible into cash and therefore was not includable among Charters' assets in the computation of net capital. It stated that "securities for which no trading market exists ordinarily do not have the capability or expectation of the liquidity contemplated" by the net capital rule. The Commission rejected the defense that the capital deficiency was a result of the financial collapse of another firm which was assertedly indebted to Charters in a large amount, Broadwall Securities, Inc. It stated that, assuming such casual relationship existed, it afforded no excuse since the "gravamen of the charge is the conduct of business by the firm while its net capital is deficient." With respect to the claim that the failure to honor transactions was due to the financial collapse of Broadwall, the Commission pointed out that the record contained no clear statement or documentary evidence to indicate when the transactions with Broadwall were entered into, whether Broadwall ever accepted delivery of the stock assertedly sold it by Charters, or the exact nature of such transactions or their relationship to Charters' asserted inability to honor the transactions in question. The Commission held that in the absence of such evidence Charters had failed to carry its burden of establishing a justification for its failure to honor its transactions.

The Commission concluded that the "rules violated involve important requirements imposed upon those engaged in proprietary broker-dealer activities in order to protect public investors," and that the violations as a whole reflected a failure on the part of Charters and the officers involved "to conduct a securities business in conformity with applicable requirements."

**SEC ENTERS INDIANA BUSINESS AND INVESTMENT BANKRUPTCY PROCEEDINGS.** The SEC has filed a notice of appearance in Chapter X proceedings pending in the Federal Court in Indianapolis, Ind., for the reorganization of Indiana Business and Investment Trust. The Debtor filed a voluntary petition for reorganization under Chapter X on October 10, 1966, which amended its earlier Chapter XI petition filed on October 7, 1966. Judge S. Hugh Dillin approved the amended petition on October 11, 1966 and appointed Milton J. Fineberg as Trustee.

The Debtor, an unincorporated association organized in 1963, is engaged in the real estate investment business in Indiana. According to unaudited schedules attached to the petition, assets total approximately \$2,214,000, principally representing real estate properties valued on the basis of recent appraisals. Substantially all of the properties are encumbered, with first and second mortgages estimated at \$1,228,000. The liabilities totaling \$2,045,000 also include \$732,070 principal amount of 8% convertible notes which are held by about 300 investors. Certificates of beneficial interest were issued shortly after organization for all the assets of three corporations organized and doing business in Indiana. The certificates are held by about 700 investors. The notes were principally sold intrastate and neither the notes nor the certificates were registered with the Commission under the Securities Act of 1933.

**SECOND FEDERAL STREET FUND SEEKS ORDER.** The Second Federal Street Fund, Inc., Boston, Mass., has applied to the SEC for an order under the Investment Company Act authorizing it to issue shares of its common stock to three of its directors in exchange for certain securities to be included in the Fund's portfolio. The Commission has issued an order (Release IC-4752) giving interested persons until December 6 to request a hearing thereon. The Fund has filed a registration statement under the Securities Act of 1933 covering 2,019,000 shares of its common stock, which it proposes to exchange for certain other securities.

**TRADING BANS CONTINUED.** The SEC has issued an order under the Securities Exchange Act suspending exchange and over-the-counter trading in securities of Lincoln Printing Company and over-the-counter trading in securities of United Security Life Insurance Company for the further 10-day period November 19-28, 1966, inclusive.

OVER

**USLIFE HOLDING FILES EXCHANGE PROPOSAL.** USLife Holding Corp., 125 Maiden Lane, New York 10038, filed a registration statement (File 2-25711) with the SEC on November 16 seeking registration of 2,038,924 shares of capital stock. The stock is to be offered in exchange for capital stock of The United States Life Insurance Company in the City of New York, at the rate of one company share for each of the 2,003,442 outstanding shares of Life. The offer is conditioned upon the acceptance thereof by the holders of at least 80% of Life's outstanding stock. The remaining 35,482 shares are being registered to cover employee stock options of Life which are exercised before the exchange offer expires.

The company was organized under New York law in November, 1966, for the purpose of becoming the parent company of Life. Gordon E. Crosby, Jr., is president.

**FARMLAND INDUSTRIES PROPOSES OFFERING.** Farmland Industries, Inc., 3315 N. Oak Trafficway, Kansas City, Mo. 64116, filed a registration statement (File 2-25714) with the SEC on November 16 seeking registration of \$13,000,000 of 5½% subordinated certificates of indebtedness, 25-years; 120,000 shares of 5½% preferred stock; and 400 shares of common stock. The certificates of indebtedness and preferred stock are to be offered to members of local cooperatives and for public sale at \$100 per unit and \$25 per share, respectively. The common stock is to be offered for sale, at \$25 per share, to member local cooperatives and local cooperatives eligible for membership.

Farmland (formerly The Consumers Cooperative Association) is operated on a cooperative basis as a supply source for local farmers' cooperative associations. It will use the net proceeds for expansion and property replacement and to provide an investment service for member cooperatives and their farmer members. In addition to indebtedness and preferred stock, Farmland has outstanding 1,411,443 common shares. John L. Schulte is board chairman and Homer Young is president.

**DANA CORP. PROPOSES DEBENTURE OFFERING.** Dana Corporation, 4100 Bennett Rd., Toledo, Ohio 43601, filed a registration statement (File 2-25717) with the SEC on November 17 seeking registration of \$35,000,000 of debentures (due 1991). The debentures are to be offered for public sale through underwriters headed by Merrill Lynch, Pierce, Fenner & Smith Inc., 70 Pine St., New York 10005. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company manufactures components and parts for the transportation industry. It will use the net proceeds of its debenture sale, together with other corporate funds, to finance proposed capital expenditures (estimated at \$31,000,000 during the current fiscal year) and to pay certain of its long-term debt. In addition to indebtedness and preferred stock, the company has outstanding 6,504,697 common shares. Charles A. Dana is board chairman and J. E. Martin is president.

**PENNZOIL RECEIVES ORDER.** The SEC has issued an order under the Holding Company Act (Release 35-15603) granting Pennzoil Company, Houston, Tex., an exemption from the competitive bidding requirements of the Act with respect to its proposed sale of up to \$215,000,000 of notes. (See News Digest of November 1)

**TOTAL AMERICAN SEEKS ORDER.** Total American, Inc., New York subsidiary of Compagnie Francaise des Petroles (CFP), has applied to the SEC for an order under the Investment Company Act exempting it from all provisions of the Act; and the Commission has issued an order (Release IC-4753) giving interested persons until November 30 to request a hearing thereon. The application states that CFP is a French corporation engaged in the oil business; Total American was organized to serve as a vehicle for carrying out CFP's intention to commence petroleum operations in the United States. Total American's principal assets consist of about 32% (403,638 shares) of the outstanding common stock of Leonard Refineries, Inc., an investment in its wholly-owned subsidiary Total Trading Qatar, Inc., and certain other oil interests. Total American obtained funds used in acquiring assets through the sale of common stock of CFP, the making of a short-term loan of \$4,000,000 from a United States bank, and by making a short-term loan of \$2,000,000 from an affiliate of CFP. It proposes to borrow \$6,000,000 from Aetna Life Insurance Company to be evidenced by its 6½% guaranteed notes, due 1986. CFP will unconditionally guarantee the notes, which will be secured by the pledge of 398,838 shares of Leonard stock.

**SECURITIES ACT REGISTRATIONS.** Effective November 17: Doyle Dane Bernbach Inc., 2-25329 (Dec 27); The Pacific Telephone and Telegraph Co., 2-25638 (Dec 30); Radio Shack Corp., 2-25610; Services Investment Co., 2-25569 (90 days).

**NOTE TO DEALERS.** The period of time dealers are required to use the prospectus in trading transactions is shown above in parentheses after the name of the issuer.