PLAINTIFF'S EXHIBIT RA-282a

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

SECURITIES AND EXCHANGE COMMISSION 500 North Capitol Street Washington, DC 20549 Plaintiff, v. RAPID-AMERICAN CORPORATION MESHULAM RIKLIS McCRORY CORPORATION KENTON CORPORATION Defendants.	Civil Action No. [illegible] COMPLAINT FOR PERMANENT INJUNCTION FILED [illegible] 1979 [illegible], Clerk

The plaintiff SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") alleges that:

1. Defendants RAPID-AMERICAN CORPORATION, MESHULAM RIKLIS and McCRORY CORPORATION have engaged, are now engaged and are about to engage in acts, practices and courses of business which constitute and which will constitute violations of Sections 13(a) and 14(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§78m(a) and 78n(a)] and Rules 12b-20, 13a-1, 14a-3 and 14a-9 [17 CFR 240. 12b-20, 240.13a-1, 240.14a-3 and 240.14a-9] promulgated thereunder.

2. Defendants MESHULAM RIKLIS and KENTON CORPORATION have engaged, are now engaged and are about to engage in acts, practices and courses of business which constitute and which will constitute violations of Sections 13(a) and 13(d) of the Exchange Act [15 U.S.C. 78m(a) and 78m(d)] and Rules 12b-20, 13a-1, 13a-11, 13a-13 and 13d-1 [17 CFR 240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13 and 240.13d-1] promulgated thereunder.

3. The COMMISSION, pursuant to authority granted to it by Sections 13(a), 13(d) and 14(a) of the Exchange Act, has promulgated Rules 12b-20, 13a-1, 13a-11, 13a-13, 13d-1, 14a-3 and 14a-9, which rules were in effect at all times relevant herein and are still in effect.

JURISDICTION AND VENUE

4. The COMMISSION brings this action pursuant to Sections 21(d) and (e) of the Exchange Act [15 U.S.C. §§78u(d) and (e)] to restrain and enjoin said defendants from engaging in such acts and practices.

5. This Court has jurisdiction of this action pursuant to Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§78u(e) and 78aa].

6. Certain of the acts, practices, courses of business and transactions constituting violations of the Exchange Act have occurred and are now occurring within the District of Columbia.

THE DEFENDANTS

7. RAPID-AMERICAN CORPORATION ("RAPID") is a Delaware corporation with its principal offices in New York, New York. RAPID has securities registered with the COMMISSION pursuant to Sections 12(b) and (g) of the Exchange Act [15 U.S.C. §78l(b) and (g)]. RAPID has securities listed on the New York, American, Pacific and Cincinnati Stock Exchanges.

8. MESHULAM RIKLIS ("RIKLIS") during the times relevant to this complaint was, and is presently, the Chairman of the Board and Chief Executive Officer of defendant RAPID-AMERICAN CORPORATION and the Vice Chairman of the Board of Defendant McCRORY CORPORATION. Riklis resides in New York, New York.

9. McCRORY CORPORATION ("McCRORY") is a Delaware corporation with its principal offices in New York, New York. McCRORY, whose common stock is wholly-owned by defendant RAPID, has preference stock registered with the COMMISSION pursuant to Section 12(g) of the Exchange Act. McCRORY's debentures are traded on the New York Stock Exchange.

10. KENTON CORPORATION ("KENTON") is a Delaware corporation with its principal offices in New York, New York. KENTON has

securities registered with the COMMISSION pursuant to Section 12(g) of the Exchange Act which are traded over the counter. During all relevant times herein defendant RIKLIS exercised substantial influence over the business and affairs of defendant KENTON.

SUMMARY OF VIOLATIONS

11. This case concerns a pattern of transactions whereby RAPID, its subsidiary McCRORY, and KENTON paid fees and entered into agreements with personal creditors of and persons who entered into business relationships with MESHULAM RIKLIS. The transactions in question were either negotiated or approved by MESHULAM RIKLIS at a time when he was the Chairman of the Board and the Chief Executive Officer of RAPID, the Vice Chairman of the Board of McCRORY and one who exercised substantial influence over the business and affairs of KENTON. This case also concerns a transaction in which KENTON purchased from RIKLIS his shares of RAPID common stock in order, for among other reasons, to allow RIKLIS to repay personal indebtedness.

12. In four transactions, described more fully in paragraphs 17 through 46 below, defendants RAPID and/or McCRORY, at the direction of defendant RIKLIS, paid finders fees or entered into consulting agreements with personal creditors of defendant RIKLIS. Neither the substance of the four transactions nor RIKLIS' conflict of interest in causing the transactions to be consummated was disclosed to the Boards of Directors of RAPID and/or McCRORY. In one transaction, as more fully described in paragraphs 47 through 49 below, defendant RIKLIS caused defendant McCRORY to amend an employment agreement with a senior executive of McCRORY in order to allow the senior executive to receive immediately accrued compensation, to which he was not then entitled, which money was then immediately loaned to RIKLIS. The Board of Directors of McCRORY, who later approved the amendment, was not informed that the proceeds of the amendment were used to make a loan to Riklis. In nine instances,

as more fully described in paragraph 50 below, defendant RIKLIS negotiated, directly or indirectly, or approved employment agreements on behalf of defendants RAPID and McCRORY with senior executives of those companies who were or became his personal creditors or who had or who entered into personal business relationships with him. Defendant RIKLIS did not disclose to the Boards of Directors of RAPID and McCRORY his debtor-creditor or other personal business relationships with the executives in question and his resulting conflict of interest.

13. The violations by defendant KENTON, as described in paragraphs 57 through 66 below, concern the purchase by KENTON of approximately 1,100,000 shares of RAPID common stock held by RIKLIS in order, among other reasons, to allow RIKLIS to amortize his personal loans while at the same time retaining his control of RAPID through his substantial influence over the business and affairs of KENTON. In addition, as described in paragraphs 67 through 70 below, RIKLIS caused KENTON, as he did RAPID and McCRORY, to enter into transactions with persons who were or became, soon after the transactions were consummated, his personal creditors.

14. During the relevant period herein defendants RAPID and McCRORY, under the direction of defendant RIKLIS, filed annual rports and proxy statements pursuant to Sections 13(a) and 14(a) of the Exchange Act, and defendant KENTON filed annual, quarterly and current reports pursuant to Section 13(a) of the Exchange Act and a Schedule 13D pursuant to Section 13(d) of the Exchange Act. These reports and statements either failed entirely to disclose material facts, including those transactions summarized above, required to be disclosed therein and/or omitted to disclose material facts, including those transactions summarized above, necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.

COUNT I

Violations by RAPID, RIKLIS and McCRORY of Section 13(a) of the Exchange Act and Rules 12b-20 and 13a-1 Promulgated Thereunder

15. Paragraphs 1 and 3 through 9 are hereby realleged and incorporated herein by reference.

DEFENDANT RIKLIS' FINANCIAL POSITION

16. As a result of a series of personal investments made by defendant RIKLIS during the period 1969-1973, which investments were funded substantially with borrowed funds, defendant RIKLIS, as of June 30, 1977, had personal obligations in the form of loans and guarantees in excess of $60 million to a large number of financial institutions. Because of reverses suffered by the businesses in which RIKLIS invested, beginning in approximately 1973, RIKLIS' institutional creditors began to put pressure on him to reduce his substantial indebtedness.

DEFENDANT RIKLIS CAUSES DEFENDANTS RAPID AND McCRORY TO PAY FINDER'S FEES AND ENTER INTO CONSULTING AGREEMENTS

FINDERS AND CONSULTING FEES PAID TO ARTHUR M. FISCHER

17. In 1972, RIKLIS, together with Arthur M. Fischer ("Fischer") and Paul Yanowicz ("Yanowicz"), formed a series of real estate partnerships located in several states, but controlled under identical partnership agreements. The partnerships, which were created to engage in the development and management of shopping centers, bear the name of MAP, an acronym created from the first letter of the first names of the three partners.

18. The MAP partnership agreements provided that RIKLIS would bear the entire funding obligation of the partnerships and that Yanowicz and Fischer would develop and manage the properties acquired by the partnerships.

19. The MAP partnerships were not successful and caused RIKLIS to experience a significant negative cash flow at a time when his other financial obligations were heavy. In July 1974

RIKLIS decided that he would no longer bear the burden of funding the MAP partnerships and that the properties should be offered for sale. In the late fall of 1974, Fischer and a group of investors (excluding RIKLIS), purchased the only completed shopping center owned by the MAPs. At or about the time of the purchase, RIKLIS requested that Fischer assume the outstanding obligations with respect to the unsold MAPs (totalling approximately $200,000). In December 1974, despite the fact he had no legal obligation to do so, Fischer agreed to do this.

20. From February 1975 until November 1975, Fischer paid $87,000 of MAP obligations. Pursuant to an agreement dated November 10, 1975, Fischer returned $200,000 of management fees earned by him from the MAP partnerships during the period 1972-1974 in order that these funds could be used to meet MAP obligations. At that same time Fischer was reimbursed the $87,000 he had previously paid.

21. Through an entity named Franconia Associates, a partnership owned 99% by RIKLIS, RIKLIS owns the Springfield Mall in Springfield, Virginia. Fischer performed development work for the Springfield Mall. In 1974 Fischer performed work for the Springfield Mall which Fischer claims caused Franconia Associates to owe him at least an additional $75,000, which he never received. Fischer has never demanded payment of this debt from Franconia Associates and states that he will not seek the repayment of the claimed debt.

22. In December 1975, one month after Fischer executed the November 10, 1975 agreement, Fischer received $300,000 as a finders fee resulting from a transaction entered into between RAPID and NATCO Industries, Inc. ("NATCO"). The transaction involved an exchange of NATCO notes held by RAPID, in the amount of approximately $6.5 million, for RAPID debentures held by NATCO in the face amount of approximately $8 million.

23. RAPID had acquired the NATCO notes in 1972 when NATCO acquired from RAPID the National Shirt Shops and other retail men's clothing lines. During the period 1973-1974 NATCO representatives approached RIKLIS to attempt to convince RIKLIS to sell the NATCO notes to NATCO at a discount. RIKLIS refused to do so.

24. In early September 1975 a NATCO representative approached Fischer to ask him to set up a meeting with RIKLIS to discuss again NATCO's purchasing its notes back from RAPID. It was agreed between that NATCO representative and Fischer that Fischer would receive a fee. Fischer relayed this request for a meeting to RIKLIS and a meeting was scheduled. In mid-September a NATCO representative met with RIKLIS and Fischer. A deal was structured which ultimately resulted in NATCO's buying back its notes by purchasing $8 million face value of RAPID debentures which were selling at a significant discount and exchanging those debentures for the $6.5 million of NATCO notes. Fischer remained essentially silent at this meeting.

25. At the mid-September meeting RIKLIS consented to Fischer's receiving a fee. At the closing of the transaction RIKLIS caused RAPID to pay Fischer one half of Fischer's $300,000 fee and insisted that NATCO pay the remainder, which it did. Fischer's services consisted entirely of his calling RIKLIS to set up the mid-September meeting and attending that meeting.

26. In August 1974, RIKLIS caused McCRORY to retain Arthur M. Fischer, Inc. ("AMF Inc."), a corporation wholly-owned by Fischer, for the stated purpose of undertaking a review and evaluation of hundreds of stores under lease to McCRORY with a view towards determining whether McCRORY should attempt to find new tenants who would relieve McCRORY of its burdensome obligations to service the leases.

27. From October 1974 until March 1975 AMF, Inc. received $120,000 from McCRORY at the rate of $20,000 monthly. In March 1975, Stanley Kunsberg, McCRORY's President, informed RIKLIS that,

in his view, AMF, Inc. was not performing to his satisfaction. Thereafter the services of AMF, Inc. were terminated.

28. AMF, Inc. had done substantially MAP and RIKLIS-related work previous to being retained by McCRORY. AMF, Inc.'s overhead previous to being retained by McCRORY was supported substantially from its MAP and RIKLIS related work. AMF, Inc. performed consulting work similar to that which it was retained to perform for McCRORY on only one occasion.

29. During the period when AMF, Inc. was retained by McCRORY, Fischer made two trips for McCRORY during which he visited seven of the hundreds of McCRORY stores slated for study. The expenses for these trips were paid by McCRORY and were not subtracted from AMF, Inc's fees. The bulk of the work performed by AMF, Inc. was performed by an employee specially hired for the project who was paid $2000 per month for his work during the six months of the project. That employee spent the vast majority of his time taking information from lease abstracts previously prepared by McCRORY personnel and transferring that information to chart form for ease of reference.

30. The fees paid to Fischer by McCRORY and RAPID and RIKLIS' conflict of interest in causing the fees to be paid were not disclosed to the Boards of Directors of McCRORY and RAPID, and never have been disclosed to their security holders or to the public.

CONSULTING FEE TO ALVIN MALNIK

31. In or about late 1974 or early 1975 RIKLIS approached Alvin Malnik ("Malnik") to induce Malnik to arrange a loan for the Springfield Mall, which RIKLIS owned, from a labor union pension fund. In return for arranging this loan RIKLIS agreed to give Malnik a one-half ownership interest in the Springfield Mall. Malnik obtained the pension-fund's commitment to make the loan.

32. In March 1975 RIKLIS asked Malnik for a loan of $150,000 in order to respond to pressure put on him by his institutional

creditors. RIKLIS told Malnik that the loan would be repaid with a portion of the proceeds of the upcoming labor union pension fund loan to the Springfield Mall. Malnik agreed to loan RIKLIS the money. Malnik caused Cove Associates, a partnership in which he participated, to loan RIKLIS $150,000.

33. Soon after RIKLIS received the loan from Cove Associates, the primary lending banks to the Springfield Mall refused to grant consents required by the loan agreement entered into with the labor union pension fund. The pension fund loan was not funded, with the result that RIKLIS neither repaid the Cove Associates loan as originally planned nor gave Malnik the 50% interest in the Springfield Mall. In November 1976, RIKLIS requested that Malnik take his note to a bank for collection, which was done, and the loan was repaid in installments through March 1978.

34. In early June 1975, RIKLIS and Isidore Becker, Vice Chairman of the Board of McCRORY, caused McCRORY to enter into what was termed a consulting agreement with Malnik. That agreement provided that Malnik was to be paid $75,000 annually for ten years. According to the agreement Malnik was, at McCRORY's request, to "meet, confer and discuss with [McCRORY] employees and agents any and all matters relating to [McCRORY] and [McCRORY] subsidiaries' real estate operations, including without limitation. . .the sale and leaseback of [McCRORY] properties. . . ." Malnik purportedly obtained a commitment to provide $20 million of sale-leaseback financing for McCRORY. However, because McCRORY did not have sufficient properties appropriate for such financing, no such financing was obtained. Malnik performed no other services pursuant to his agreement with McCRORY. Malnik was paid under the agreement $18,750 quarterly from its inception through February 1978, for a total of $225,000. Payments ceased under the agreement when RIKLIS was advised that this transaction was a subject of the COMMISSION's private formal investigation.

35. Neither the Board of Directors nor the chief executive officer of McCRORY was informed of the agreement with Malnik, until after its execution, or of Riklis' conflict of interest. No disclosure of these matters has ever been made to the security holders of RAPID or McCRORY or to the public.

McCRORY CONSULTING AGREEMENT WITH SEYMOUR SVIRSKY

36. Throughout the year 1975, the First National Bank of Chicago ("FNBC"), one of RIKLIS' major institutional creditors, was pressing RIKLIS to reduce his indebtedness. In response to this pressure RIKLIS began selling his art collection, then valued at $8-10 million. However, the sale of the art did not proceed to the satisfaction of RIKLIS or FNBC.

37. In order to obtain money to satisfy FNBC, RIKLIS approached Seymour Svirsky ("Svirsky"), a loan broker who RIKLIS knew had connections at Aetna Business Credit, Inc. ("Aetna"). RIKLIS asked Svirsky to introduce him to Aetna in order that Aetna could loan him money which could be used to pay off a portion of his debt at FNBC, the loan to be secured by RIKLIS' art collection. Svirsky agreed to do this.

38. On October 28, 1975, as a result of Svirsky's introduction, Aetna signed a letter of intent to loan RIKLIS $1,836,750. On January 13, 1976 the loan was funded.

39. Svirsky received no fee from RIKLIS directly for his services in connection with the Aetna loan. On November 4, 1975, one week after Aetna signed its letter of intent, RIKLIS caused McCRORY to enter into a consulting agreement with Svirsky, retaining him as a "financial adviser" for a twelve month period at $10,000 monthly, for the stated purposes of rendering financial advice to and raising a substantial amount of money for McCRORY.

40. Svirsky was paid $120,000 by McCRORY pursuant to the agreement. In return, Svirsky spent a minimal amount of time on the telephone with four institutions attempting to raise money

for McCRORY, but failed to secure any financing. Svirsky rendered no financial advice to McCRORY.

41. Neither the Board of Directors of McCRORY nor its chief executive officer was informed of McCRORY's arrangement with Svirsky or of Riklis' conflict of interest. The above described transactions have never been disclosed to the security holders of RAPID and McCRORY or to the public.

<u>FINDER'S FEE TO AKIVA PERSITZ</u>

42. In July 1975, Akiva Persitz ("Persitz"), the owner of a Swiss bank, the Banque Commerciale, S.A. Geneve, received, at RIKLIS' direction, a fee of $780,000 from Schenley Industries, Inc. ("Schenley"), a wholly-owned RAPID subsidiary.

43. In 1974 RIKLIS purchased 22% of the common stock of American Recreation Group, Inc. ("ARG"), a company engaged in, among other things, the manufacture and sale of bicycles and pin-ball machines. In order to enhance his control of ARG, RIKLIS desired to eliminate the holdings of a shareholder who held at least 200,000 shares of ARG. To further this goal RIKLIS asked Persitz if he would purchase 100,000 shares from the shareholder at $4.25 per share, one dollar above the then prevailing market price. Persitz purchased the ARG shares in June 1974. In December 1975 RIKLIS caused ARG to go private by purchasing its own shares at $3.10 per share to be paid in installments through January 1977. Persitz lost over $100,000 by purchasing ARG stock at RIKLIS' request.

44. Persitz, a long time friend of Riklis and his family, has loaned them money on several occasions. During the period 1975 through 1976 RIKLIS owed Persitz approximately $150,000. In addition, Persitz caused the Banque Commerciale to loan $205,000 to another executive of RAPID in early 1976, at the executive's request.

45. In the first quarter of 1975, RIKLIS asked Persitz to attempt to raise $40-50 million for RAPID in Europe. Persitz claims that, after contacting banks and other financial institutions in Europe, Persitz determined that RAPID could not borrow the money and began to explore the possibility of a sale of assets. Persitz informed RIKLIS that money might be raised by selling Long John International, Ltd. ("Long John"), a 75 percent owned Schenley subsidiary, to one of the British breweries, and that a possible purchaser of Long John was Whitbreads Ltd. ("Whitbreads"), an English brewing company. Persitz reached this conclusion without contacting any representative of Whitbreads. After informing RIKLIS of Whitbreads, Persitz was instructed not to contact Whitbreads' personnel because Schenley's personnel were acquainted with Whitbreads and would make all contacts and handle all negotiations. Long John was sold to Whitbreads for approximately $39 million, of which Schenley received 75 percent. Persitz also rendered advice to Schenley with regard to foreign exchange matters in connection with this transaction. Persitz received from Schenley 2% of the entire price paid by Whitbreads, approximately $780,000, despite the fact that Schenley held only 75% of Long John.

46. No disclosure was made to the RAPID Board of Directors of the fee to Persitz or Riklis' conflict of interest. No disclosure of these matters has ever been made to the security holders of RAPID or to the public.

KUNSBERG LOAN TO RIKLIS

47. In December 1974 Stanley Kunsberg ("Kunsberg"), the president of McCRORY offered to lend RIKLIS $100,000. Kunsberg suggested that RIKLIS cause McCRORY to amend Kunsberg's agreement of employment to allow him to receive immediately in one lump sum $100,000 in previously accrued deferred compensation which was then payable only at the death or retirement of Kunsberg at $5000 quarterly. The purpose of the amendment was to allow Kunsberg to

obtain funds which he in turn could lend to RIKLIS. RIKLIS agreed to the suggested amendment.

48. On January 7, 1975 RIKLIS executed an amendment to Kunsberg's employment agreement with McCRORY which allowed Kunsberg to obtain the $100,000 so that he could lend the money to RIKLIS. On that same day Kunsberg received a check for $100,000 from McCRORY, deposited the check in his account and wrote RIKLIS a check for $100,000.

49. Neither the McCRORY Executive Committee nor its full Board of Directors, which bodies ratified the amendment to the employment agreement after the fact, were informed that the proceeds resulting from the amendment, upon receipt by Kunsberg, had been loaned to RIKLIS. No disclosure of this transaction has ever been made to the security holders of RAPID and McCRORY or to the public.

RIKLIS' INVOLVEMENT IN OTHER
CONFLICT OF INTEREST SITUATIONS

50. The transactions between persons who had personal dealings with RIKLIS and McCRORY and/or RAPID as set forth in paragraphs 17 through 49 above were negotiated and approved by RIKLIS. In addition, RIKLIS negotiated and/or approved of employment agreements entered into between nine high executives and RAPID or its subsidiaries, which executives were, or became, his personal creditors or who had, or would have, personal business relationships with him. RIKLIS was in a conflict of interest position with regard to his role in negotiating and approving, on behalf of RAPID and McCRORY, transactions with his personal creditors and others with whom he had personal business relationships. RIKLIS did not disclose either to the Boards of RAPID and/or McCRORY, to the security holders of those companies, or to the public, his conflict position with regard to these transactions.

51. On or about April 30, 1975, April 30, 1976, April 30, 1977, and April 28, 1978 defendants RAPID, RIKLIS and others,

singly and in concert, directly and indirectly, and aiding and abetting each other, filed and caused to be filed with plaintiff COMMISSION, RAPID Annual Reports on Form 10-K for its fiscal years ended January 31, 1975, 1976, 1977 and 1978, respectively, as required by Section 13(a) of the Exchange Act, [15 U.S.C. 78m(a)], and Rules 12b-20 and 13a-1 thereunder [17 CFR 240. 12b-20 and 240. 13a-1] which reports were false and misleading and omitted to state material facts necessary to make the statements made not misleading, and failed to disclose information required to be disclosed in Form 10-K, in that the reports failed to disclose the facts described in paragraphs 16 through 50 above.

52. On or about April 30, 1975, April 30, 1976, April 29, 1977 and May 1, 1978 defendants McCRORY and RIKLIS and others, singly and in concert, directly and indirectly, and aiding and abetting each other, filed and caused to be filed with plaintiff COMMISSION, McCRORY Annual Reports on Form 10-K for its fiscal years ended January 31, 1975, 1976, 1977 and 1978, respectively, as required by Section 13(a) of the Exchange Act, [15 U.S.C. 78m(a)], and Rules 12b-20 and 13a-1 thereunder [17 CFR 240. 12b-20 and 240. 13a-1] which reports were false and misleading and omitted to state material facts necessary to make the statements made not misleading, and failed to disclose information required to be disclosed in Form 10-K, in that the reports failed to disclose the facts described in paragraphs 16 through 41 and 47 through 50 above.

53. By reason of the foregoing acts, practices and courses of conduct, defendants RIKLIS, RAPID and McCRORY have been violating, are violating and are about to violate Section 13(a) of the Exchange Act and Rules 12b-20 and 13a-1 thereunder.

COUNT II

Violations by RAPID, McCRORY and RIKLIS of Section 14(a) of the Exchange Act and Rules 14a-3 and 14a-9 Promulgated Thereunder

54. Paragraphs 1, 3 through 9, and 16 through 50 are hereby realleged and incorporated herein by reference.

55. On or about February 23, 1976, April 15, 1976 and April 28, 1978, with respect to RAPID, and on or about February 23, 1976 and April 15, 1976, with respect to McCRORY, RAPID and McCRORY made and RIKLIS caused them to make solicitations, by means of written proxy statements, which statements were false and misleading and omitted to state material facts necessary in order to make the statements made therein not false or misleading in that the proxy statements failed to disclose the facts described in paragraphs 16 through 50 above.

56. By reason of the foregoing acts, practices and courses of conduct, defendants RAPID, McCRORY and RIKLIS, have been violating, are violating and are about to violate Section 14(a) of the Exchange Act [15 U.S.C. 78n(a)] and Rules 14a-3 and 14a-9 [17 CFR 240. 14a-3 and 240. 14a-9] promulgated thereunder.

COUNT III

Violations by RIKLIS and KENTON of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 Promulgated Thereunder.

57. Paragraphs 2 through 6, 10 and 16 above are hereby realleged and incorporated herein by reference.

58. During the year 1976, the Chemical Bank, one of RIKLIS' major institutional creditors pressed RIKLIS to reduce his indebtedness. RIKLIS was also under pressure from banks which held his RAPID stock in pledge to reduce his indebtedness at these banks. In response to this pressure, in September 1976, RIKLIS and Arnold Broser ("Broser"), the president of KENTON and RIKLIS' personal tax and financial adviser, proposed a program designed to satisfy the Chemical Bank's concerns. Among other things, RIKLIS and Broser

proposed taking the following steps: (1) increasing the Chemical Bank's collateral by selling off McCRORY bonds pledged at the bank by RIKLIS and using the proceeds to free up RAPID stock held in pledge at other banks and then repledging the stock at the Chemical Bank and (2) reducing the loan at the Chemical Bank by causing KENTON to purchase from RIKLIS his pledged holdings in RAPID stock. The Chemical Bank, through a loan officer, agreed to this plan.

59. By June of 1977 the first step in the plan set forth in paragraph 58 above was completed. RIKLIS increased his collateral at Chemical Bank from approximately 66,000 shares of RAPID common stock to approximately 200,000 shares of RAPID common stock.

60. The second step of the plan began after KENTON acquired Shenandoah Corporation in August 1977, an acquisition which had been in negotiation for the better part of a year. After that acquisition RIKLIS, in association with Broser and Arie Genger, a director of KENTON and RIKLIS' personal executive assistant, determined that KENTON's cash flow was sufficient for it to purchase RIKLIS' shares of RAPID common. Discussions then ensued among RIKLIS, Genger and Broser as to how to structure a transaction whereby KENTON would purchase RIKLIS' RAPID common stock.

61. On October 4, 1977 a proposal that KENTON acquire from RIKLIS his RAPID common stock and enough RAPID common from other sources to amount to at least a 20 percent interest in RAPID was presented to the Board of Directors of KENTON. The Board of KENTON, over which RIKLIS exercised substantial influence, appointed Broser and Genger to serve as its representatives in discussions with RIKLIS concerning the final terms of acquiring his RAPID stock. Broser was in the past, and was at the time of his being designated as KENTON's representative, RIKLIS' personal representative. He had served and was serving as an adviser to RIKLIS on tax and other financial matters and had represented RIKLIS in meetings with the

Chemical Bank and other RIKLIS creditors. Genger had served and was serving at the time as RIKLIS' executive assistant and had also represented RIKLIS in dealings with his institutional and individual creditors.

62. On October 18, the Board of Kenton was presented a final proposal for purchasing approximately 1,100,000 shares of RAPID common stock from RIKLIS and 680,000 shares from unrelated parties, which proposal the Board accepted. Pursuant to agreement between RIKLIS and KENTON, RIKLIS received $1,485,000 in cash, a note, termed a Fixed Payment Note, for $6.20 per share of RAPID common stock sold payable over six years and a note, termed a Contingent Payment Note, the amount payable upon which is contingent on RAPID's earnings for its three fiscal years ending January 31, 1980. If RAPID earns an aggregate of $62 million from operations for that period, the Contingent Payment Note will be $7.50 per share of RAPID stock sold, which will be payable over four years beginning on October 31, 1983. RIKLIS, Genger and Broser, at the time the agreement was entered into, expected RAPID to earn at least $62 million for the three years ending January 31, 1980.

63. On October 21, 1977 KENTON publicly announced, through the issuance of a press release, the acquisition by it of RAPID common stock from RIKLIS and others.

EVENT OF DEFAULT

64. At or about the time the final agreement entered into between KENTON and RIKLIS was executed, KENTON sought and obtained financing for the transaction from the Chemical Bank and the Provident Bank of Cincinnati. In order to incur new indebtedness of the magnitude required to purchase RIKLIS' RAPID common stock, KENTON was required, pursuant to a previous loan agreement, to obtain the consent of the First National Bank of Chicago ("FNBC"). Failure to obtain such consent would put KENTON in a position where the FNBC could declare an event of default under its loan

agreement, thereby requiring KENTON immediately to pay in full its loan to FNBC.

65. KENTON's representatives met with representatives of the FNBC and described the proposed purchase of RAPID stock by KENTON. While representatives of KENTON assumed that they had obtained the consent of FNBC, shortly after KENTON's October 21, 1977 public announcement of its acquisition of RAPID stock, representatives of FNBC informed representatives of KENTON that FNBC had not consented to the acquisition and could see no reason why it should. Defendant RIKLIS was informed of FNBC's position.

66. During the period beginning approximately at the end of October until approximately the middle of December 1977, representatives of KENTON held discussions with representatives of FNBC in order to obtain from FNBC a waiver of KENTON'S default. In mid-December 1977 RIKLIS and Genger met with representatives of FNBC in Chicago. At that meeting FNBC demanded that KENTON agree that FNBC be allowed to veto any decision by KENTON not to exercise rights it had pursuant to KENTON's agreement with RIKLIS to defer the payment to RIKLIS of any three of the first four payments due RIKLIS. KENTON agreed to this demand and FNBC agreed in principle to a waiver.

CONFLICT OF INTEREST BY RIKLIS IN CONNECTION WITH THE PURCHASE AND SALE OF KENTON ASSETS

67. Pursuant to an agreement dated March 2, 1976, KENTON acquired the stock of Bio-Medical Life Support Systems, Inc. ("Bio-Med"), a privately held corporation engaged in the business of providing dialysis treatment to persons with kidney disease. The primary representative of Bio-Med during the course of the negotiations leading to KENTON's acquisition of the company was Alvin S. Trenk ("Trenk"), the company's chief executive officer and one of its largest shareholders. The agreement of acquisition was subject to RIKLIS' approval.

68. KENTON acquired Bio-Med for a total purchase price of $10 million; $3 million in cash was paid at the closing and the remainder is to be paid out of the company's earnings through January 31, 1984. In addition, Trenk entered into an agreement with KENTON providing for his continued employment and awarding him options to purchase 100,000 shares of KENTON common stock at one cent per share.

69. On March 30, 1976, within 30 days after KENTON agreed to acquire Bio-Med and made the initial $3 million payment to Trenk and the other Bio-Med shareholders, Trenk was approached by Arie Genger, who asked for a loan for RIKLIS. Trenk sent Riklis a $100,000 check for a loan. RIKLIS refused to take the check and requested that Trenk arrange a loan for RIKLIS with a bank. Trenk obtained a $100,000 bank loan for RIKLIS. The bank loan was collateralized by a Trenk savings account in an amount just in excess of $100,000, which account was comprised almost entirely of a portion of the proceeds from Trenk's sale of his Bio-Med shares to KENTON.

70. In February 1978, KENTON sold its subsidiary, Mark Cross, Inc. ("Mark Cross") to a company, a principal of which was George Wasserberger ("Wasserberger"), a personal creditor of RIKLIS. Negotiations leading to the sale of Mark Cross began in the Fall of 1975 when RIKLIS, on behalf of KENTON, reached an agreement in principle with Wasserberger. In early 1976 RIKLIS informed Wasserberger that the sale of Mark Cross could not occur at that time because of tax reasons. At that same time RIKLIS asked Wasserberger to loan him some money. Wasserberger offered to loan RIKLIS $100,000, which offer RIKLIS accepted. On February 26, 1976, the $100,000 loan from Wasserberger to RIKLIS was made.

VIOLATIONS OF LAW

71. On or about November 7, 1977 defendants KENTON and RIKLIS, and others, singly and in concert, directly and indirectly,

and aiding and abetting each other filed and caused to be filed with the Commission a Form 8-K Current Report disclosing the acquisition by KENTON of RAPID common stock held by RIKLIS as required by Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20 and 13a-11 [17 CFR 240. 12b-20 and 240. 13a-11] thereunder. That Form 8-K omitted to disclose material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading. The Form 8-K Current Report, while stating that the purpose of KENTON's acquiring Rapid stock was to obtain control of the management and business of RAPID, failed to disclose the material fact that another of KENTON's purposes in acquiring RAPID stock was to allow RIKLIS to satisfy the pressures of his creditors by using KENTON's cash flow to amortize his personal loans while at the same time allowing RIKLIS to retain his control of RAPID through his substantial influence over the affairs and business of KENTON. The Form 8-K Current Report also omitted to disclose the material fact that KENTON was in default of one of its major loan agreements and the possible consequences thereof, and the other facts set forth in paragraphs 57 through 66 above. Further, the Form 8-K Current Report, while stating that the consideration payable to RIKLIS for his RAPID stock was arrived at in negotiations between KENTON and the sellers of RAPID stock, omitted to disclose that KENTON's representatives, Arie Genger and Arnold Broser, were, at the time the transaction was consummated, personal representatives of RIKLIS, and that no true arms-length negotiations took place between KENTON and RIKLIS.

72. On or about December 13, 1977 and on or about May 5, 1978, defendants KENTON and RIKLIS, and others, singly and in concert, directly and indirectly, and aiding and abetting each other filed and caused to be filed with the Commission a Form 10-Q Quarterly Report for the quarter ended October 29, 1977 and a Form 10-K Annual Report

for its fiscal year ended January 28, 1978, respectively, as required by Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1 and 13a-13 [17 CFR 240. 12b-20, 240. 13a-1 and 240. 13a-13]. Those filings, while disclosing the terms of the acquisition by KENTON of RIKLIS' RAPID stock, omitted to disclose material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading. The Forms 10-Q and 10-K omitted to disclose the material facts that:

1) One of KENTON's purposes in acquiring RAPID stock was to allow RIKLIS to satisfy the pressures of his creditors by using KENTON's cash flow to amortize his personal loans while at the same time allowing RIKLIS to retain his control of RAPID through his substantial influence over the business and affairs of KENTON;

2) KENTON's representatives, Arie Genger and Arnold Broser, who ostensibly were KENTON's representatives in negotiations with RIKLIS were RIKLIS' personal representatives at the time the transaction was consummated and that no true arms-length negotiations took place between KENTON and RIKLIS.

73. On or about November 7, 1977, May 5, 1978 and May 5, 1979, defendants KENTON and RIKLIS, and others, singly and in concert, directly and indirectly, and aiding and abetting each other filed and caused to be filed with the COMMISSION, on Form 10-K, Annual Reports for its fiscal years ended January 29, 1977, January 28, 1978 and January 29, 1979, as required by Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20 and 13a-1 [17 CFR 240. 12b-20 and 240. 13a-1] thereunder which reports omitted to state material facts necessary to make the statements made not misleading and failed to disclose information required to be disclosed

in Form 10-K, in that the reports failed to disclose the facts described in paragraphs 57 through 70 above.

74. By reason of the foregoing acts, practices and courses of conduct, defendants RIKLIS and KENTON have been violating, are violating and are about to violate Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder.

COUNT IV

Violations by RIKLIS and KENTON of Section 13(d) of the Exchange Act, Rule 13d-1 and Schedule 13D Promulgated Thereunder

75. Paragraphs 2 through 6, 10 and 16 are hereby realleged and incorporated herein by reference.

76. On October 31, 1977, defendants KENTON and RIKLIS singly and in concert, directly and indirectly, and aiding and abetting each other filed and caused to be filed with the Commission a Schedule 13D [17 CFR 240. 13d-101] relating to KENTON'S acquisition of RAPID stock as required by Section 13(d) of the Exchange Act [15 U.S.C. 78m(d)] and Rule 13d-1 [17 CFR 240. 13d-1] thereunder. The Schedule 13D omitted to state the facts described in paragraphs 57 through 62, which facts were required to be stated therein.

77. By reason of the foregoing acts, practices and courses of conduct, defendants KENTON and RIKLIS have been violating, are violating and are about to violate Section 13(d) of the Exchange Act and Rule 13d-1 thereunder.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff SECURITIES and EXCHANGE COMMISSION respectfully prays and demands:

I. A permanent injunction restraining and enjoining defendants RIKLIS, his agents, servants, employees, attorneys in fact, successors and assigns, and defendant KENTON, its officers, directors, employees, successors and assigns, affiliates, subsidiaries and attorneys in fact and all persons acting in concert with them, from violating Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13, [17 CFR 240. 13a-1, 240. 13a-11 and 240. 13a-13] thereunder by, directly or indirectly filing or causing to be filed with the COMMISSION on behalf of KENTON, any of its affiliates and subsidiaries, or any other issuer, annual, periodic, quarterly or other reports which are materially false or misleading or which omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading or which fail to contain information required to be contained on Forms 10-K, 10-Q, 8-K or any other such Forms required to be filed with the Securities and Exchange Commission.

II. A permanent injunction restraining and enjoining defendants RAPID and McCRORY, their officers, directors, employees, successors and assigns, affiliates, subsidiaries and attorneys in fact and all persons acting in concert with them from violating Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20 and 13a-1 [17 CFR 240. 12b-20 and 240. 13a-1] thereunder by directly or indirectly filing or causing to be filed with the COMMISSION on behalf of RAPID or McCRORY, any of their affiliates or subsidiaries, or any other issuer, annual reports which are materially false or misleading or which omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading or which fail to contain information required to be contained on Form 10-K or any other such form required to be filed with the Securities and Exchange Commission.

III. A permanent injunction restraining and enjoining defendant RIKLIS, his agents, servants, employees, attorneys in fact, successors and assigns, and defendant KENTON, its officers, directors, employees, successors and assigns, affiliates, subsidiaries and attorneys in fact and all persons acting in concert with them, from violating Section 13(d) of the Exchange Act [15 U.S.C. 78m(d)] and Rule 13d-1 [17 CFR 240.13d-1] thereunder by, directly or indirectly filing or causing to be filed with the COMMISSION on behalf of KENTON, any of its affiliates and subsidiaries, or any other person a Schedule 13D which is materially false or misleading or which omits to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading or which fails to contain information required to be contained on Schedule 13D.

IV. A permanent injunction restraining and enjoining defendants RAPID and McCRORY, their officers, directors, employees, successors and assigns, affiliates, subsidiaries and attorneys in fact, and defendant RIKLIS, his agents, servants, attorneys in fact, successors and assigns, and all persons acting in concert with them from violating Section 14(a) of the Exchange Act [15 U.S.C. 78n(a)] and Rules 14a-3 and 14a-9 [17 CFR 240.14a-3 and 240.14a-9] thereunder by directly or indirectly making or causing to be made any solicitation of shareholders of RAPID, McCRORY or any other issuer by means of any proxy statement, form of proxy, notice of meeting or other communication, written or oral, containing any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading with respect to any material fact or which omits any material fact required to be stated therein or necessary to correct any statement in any earlier communication with respect to the solicitation of a proxy for the same meeting or subject matter which has become false or misleading, or from making any solicitation in which any person solicited is not furnished with a proxy statement relating to RAPID, McCRORY or any other issuer containing the information specified in Schedule 14A [17 CFR 240. 14a-101].

V. Such other and further relief as the Court may deem just and equitable.

Respectfully submitted,

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Dated: August 16, 1979