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.

(Issue No. 63-6-9)

FOR RELEASE June 13, 1963

STOP ORDER SUSPENDS AMERICAN TRAILER RENTALS STATEMENT. In a decision and order announced today (Release 33-4615), the SEC suspended a Securities Act registration statement filed by American Trailer Rentals Company ("ATR"). The company's prospectus, the Commission ruled, "contained untrue and misleading statements of material facts and omitted to state required facts with respect to various matters." The company consented to entry of the stop order. Its statement proposed the public offering of $4,000,000 of "Fleet Participation Contracts" and $2,000,000 of "Trailer Investment Contracts."

According to the decision, ATR manages a fleet of automobile-type utility cargo trailers which it rents to the public for local use or for one-way trips within the United States. It does not own any trailers itself but rents trailers it has obtained through sale-leaseback arrangements. The trailers are principally manufactured by De Mar, Inc., a manufacturing affiliate of ATR and are sold to public owners by several sales affiliates, including Executive Sales Company, and immediately leased to ATR. ATR then secures licensing and places the trailers with rental agents, primarily gasoline stations, for rental to the public. Fleet Participation Contracts provide that the trailer owner will participate proportionately in 35% of the monthly rental income of the fleet trailers, after payment of fleet operational expenses; and Trailer Investment Contracts provide that the trailer owner will be paid each month 1½% of the cost of his contract, less license fees, irrespective of the rental income produced by such trailers.

Among the items of disclosure found by the Commission to be materially false, misleading or deficient were (1) the speculative features of the offering, including (a) ATR's losses (and reasons therefor), (b) the fact that ATR already had fixed obligations to trailer owners of $74,538 per month which it was unable to pay from income, (c) that such income was insufficient to pay operating costs, (d) that 35% of the price charged investors for the trailers represented commissions and gross profits, (e) that the company had in the past used profits realized on trailer sales as a source from which to pay fixed contractual obligations of 2% and 3% per month incurred in connection with earlier trailer sales, and (f) that ATR's management officials and affiliates intended to form a new company to offer stock to present and future trailer owners in exchange for trailers for the purpose of reorganizing ATR and relieving it of its contractual obligations to trailer owners, (2) the statement that $84,822 of the $900,000 proceeds of the offering would be used to meet past obligations to trailer owners when, in view of the extent of such obligations and ATR's unbroken history of operating losses, the substantial likelihood existed that material portions of the offering, in addition to the stated $84,822, would be required for such purpose, (3) the failure to disclose (a) that W. N. Marks was a director of ATR, president of De Mar and an officer and director of Executive Sales, and that I. H. Peters, executive vice president of ATR, was a director, stockholder and sales representative of De Mar, (b) that four of ATR's directors were elected at the request of Marks pursuant to an agreement with Peters and others, and (c) the interests of Marks and Peters in transactions between affiliated companies.

The Commission also found that the prospectus failed to disclose that one or more of ATR's promoters formerly associated with the company had used funds raised from the public for other than corporate business; that a large segment of ATR's trailer fleet was defective in various respects, that maintenance facilities were inadequate and that ATR had been unable to secure 1962 licenses for a large number of trailers because of lack of funds; and that contrary to the representation that ATR had about 700 station operators scattered throughout the country, ATR had never shipped any trailers east of Chicago and many station operators had only one trailer available for rental, causing a number of them to cancel their agreement with ATR. The Commission also found that ATR's independent accountants were unable to express an over-all opinion as to the Summary of Operations due to the inadequacy of ATR's accounting records. According to the prospectus ATR sustained net losses of $200,000, $358,000 and $238,000, respectively, in its three years of operations. The losses were caused primarily by the facts that in each year gross trailer rentals were less than operating expenses, and that ATR had fixed obligations to pay from 2% to 3% per month to purchasers of $3.5 million of trailer rental contracts, whether or not the trailers actually were producing income for the company. While ATR showed a gross profit each year on sales of trailers to contract purchasers, such profits were more than offset by its other losses.

The stop order has the effect of barring the public offering of securities by ATR until the deficiencies are corrected by amendment to the satisfaction of the Commission and the stop order is lifted.

INDIVIDUALS' SAVING UP. The SEC announces (for June 14th newspapers) that individuals saved $7.2 billion in financial form during the first quarter of 1963, the highest quarterly rate in the post-war period and to be compared with $7.0 billion in the first quarter and $2.3 billion in the fourth quarter of 1962. For details, see Stat. Release No. 1907.

FLORIDA CITRUS INDUSTRIES, INC. ENJOINED. The SEC Atlanta Regional Office announced June 11 (LR-2653) the entry of a Federal court order (USDC, SD, Fla.) preliminarily enjoining Florida Citrus Industries, Inc., and its president, Alfred D. Van, both of Orlando, Fa., from further violations of the Securities Act registration requirements in the offer and sale of units of orange grove properties coupled with contracts for maintaining the groves and harvesting and marketing the fruit to be derived therefrom.

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CLARIFICATION RE TECHNICAL ANIMATIONS. It has been brought to the attention of the Commission that its release, dated April 3, 1963, summarizing Chapter IX of the Report of the Special Study of Securities Markets (Special Market Study Release No. 24) may be misinterpreted by those who do not read the Report itself. In that part of the release describing corporate publicity and public relations, the release stated that the Report placed particular emphasis on "five companies whose activities stood out as demonstrating specific practices or problems." Listed among those companies was Technical Animations, Inc.

The Commission wishes to point out that the example of Technical Animations, Inc. was used in the Report to demonstrate "the ability of publicity to affect the price of a security, and of the dangers inherent in this ability . . . where the publicity apparently was not generated by the issuer or its public relations man." (Emphasis supplied.) This section of the Report focused on the activities of an independent financial writer and not on the activities of the company.

ADDENDUM RE ELECTRO-OPTICAL SYSTEMS FILING. The SEC News Digest of June 12 reported the filing of a registration statement (File 2-21485) by Electro-Optical Systems, Inc., of Pasadena, Calif. In addition to 140,000 common shares to be offered for public sale by the company and 263,000 shares to be offered by present stockholders, the statement also includes 40,000 outstanding shares which may be sold at the public offering price by one of the selling stockholders to about 12 key employees and 6 other persons who have shown an interest in the company's affairs.

GENERAL CAPITAL CORP.SEEKS ORDER. General Capital Corporation, Boston open-end investment company, has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company; and the Commission has issued an order (Release IC-3717) giving interested persons until June 28, 1963 to request a hearing thereon. According to the application, in July 1962 the company sold substantially all of its assets to National Investors Corporation, a Maryland company, in exchange for 1,237,381 capital shares of National. Shortly thereafter the company dissolved.

GAS INDUSTRIES FUND EXEMPTED. The SEC has issued an order under the Investment Company Act (Release IC-3718) declaring that Gas Industries Fund, Inc., of Boston, has ceased to be an investment company.

SECURITIES ACT REGISTRATIONS. Effective June 12: City of Oslo (File 2-21440); Coastal States Gas Producing Co. (File 2-21422); St. Louis Shipbuilding-Federal Barge, Inc. (File 2-21228).
Effective June 13: Capital Cities Broadcasting Corp. (File 2-21412); Xerox Corp. (File 2-21463).

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