

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)

FOR RELEASE April 20, 1961

AMERICAN TELEVISION AND RADIO OFFERING SUSPENDED. The SEC today announced a decision (Release 33-4355) permanently suspending a Regulation A exemption from registration under the Securities Act for a public offering of stock by American Television & Radio Co., of St. Paul, Minn., which is primarily engaged in the manufacture of vibrators for vacuum tube auto radios. The Commission's opinion written by Commissioner Gadsby, included findings that the issuer's offering circular was materially false and misleading regarding its production and sales and that its use of publicity and other advertising to promote sales of the stock had violated the terms and conditions of Regulation A.

According to the decision, the issuer's offering circular contained materially misleading statements concerning the use of vibrators, which transform direct electrical current into alternating current, as original equipment in auto radios and in the replacement market. The decision stressed "the failure of the issuer to disclose the drastic inroads in the vibrator market made by transistor auto radios, the resulting material decline that can be expected in the vibrator replacement market, and the issuer's insignificant share of what market there is for vibrators installed in new auto radios."

The record evidence showed, the decision stated, that sales of vibrators for new auto radios by major domestic vibrator manufacturers declined from \$6.2 million in 1955 to \$1 million in 1958, and to \$400,000 in the first six months of 1959. The evidence further showed that the replacement market would "decline materially in the next few years and in about eight years would wither away almost entirely." This "atrophy of the market" was seen as an inevitable result of the declining number of automobiles on the road containing vibrator radios, which are being displaced by transistor radios. The Commission also found materially false or misleading the statements that the issuer believed that it is recognized as one of the world's leaders in the vibrator field and that its market position in this field is equal to that of its competitors; its description of a vibrator as "essentially an electro-magnetic full wave transistor device," and its characterization, as "unique," of its system of marketing television sets, which it also manufactures, through TV repairmen, without disclosing the system's disadvantages and lack of success.

The Commission further ruled that although the offering circular stated that some \$120,000 of the net proceeds would be used to reduce the issuer's short-term indebtedness, disclosure was not made that portions of the proceeds were to be used to increase vibrator production facilities and inventory, hire trained personnel, and enter into the stereophonic high fidelity field. In addition, it ruled that the dilution of the public's equity in the issuer's stock was not adequately disclosed. If all 100,000 shares in the offering had been sold, the equity of the president, Albert A. Goffstein, owner of all the 300,000 outstanding shares, would be increased from \$235,000 to \$401,000, while the public would receive a diluted equity interest amounting to \$134,000 for a \$300,000 investment. The first page of the offering circular contained a reference, in fine print, to a footnote to the balance sheet "with respect to the increase of the book value of Management's shares by reason of the public investment in the Company." The footnote stated that assuming the net proceeds from the public stock sale amounted to \$270,000, management shareholder's equity would be increased from \$.784 to \$1.263 per share while the public's equity per share would be reduced to the same \$1.263 figure. In holding that this disclosure was inadequate the Commission stated, "It was incumbent on the issuer to highlight the facts relating to the dilution, including the amounts by which Goffstein's equity and the purchasers' equity would be affected, and to make such facts plainly evident to the ordinary investor."

In addition, the Commission found that the issuer had failed to comply with the terms and conditions of Regulation A in offering its securities by means of press releases and advertising without the concurrent or prior delivery of an offering circular to prospective investors, in failing to file certain sales material with the Commission, in failing to disclose an arrangement subsequently entered into for the offering of its shares through an underwriter, and in failing to disclose all states in which the shares were to be offered.

KEYSTONE CUSTODIAN FUND, SERIES S-1 FILES TRUST AGREEMENTS. Keystone Custodian Fund, Series S-1, 50 Congress Street, Boston, Mass., filed a registration (File 2-17979) with the SEC on April 18th seeking registration of an indeterminate number of trust agreements under the Keystone Retirement Equity Trust.

THOR POWER TOOL PROPOSES DEBENTURE OFFERING. Thor Power Tool Company, 175 North State Street, Aurora, Ill., filed a registration statement (File 2-17982) with the SEC on April 19th seeking registration of \$4,000,000 of convertible subordinated debentures due June 1, 1981, to be offered for public sale through underwriters headed by Hornblower & Weeks. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company manufactures portable power tools and other industrial products. The net proceeds from the debenture sale will be used primarily to retire short-term bank indebtedness in the aggregate principal amount of \$3,162,000, and the balance will be added to general funds and will be available for general corporate purposes. The proceeds of the bank indebtedness were used in March 1961 to purchase 105,400 shares of the company's capital stock.

In addition to certain indebtedness, the company has outstanding 721,403 shares of capital stock, of which management officials as a group own 5.56%. Neil C. Hurley, Jr. is listed as president and board chairman.

OVER

SICA SKIFFS FILES FOR STOCK OFFERING. Sica Skiffs, Inc., Toms River, N. J., filed a registration statement (File 2-17981) with the SEC on April 19th seeking registration of 100,000 shares of common stock, to be offered for public sale on an all or none basis through underwriters headed by Warner, Jennings, Mandel & Longstreth. The public offering price and underwriting terms are to be supplied by amendment.

Organized in December 1959, the company is engaged in the business of manufacturing and selling "sea skiffs", a variety of inboard motor powered boats capable of traveling in the open ocean and ranging in size from 24 to 42 feet. According to the prospectus, in May 1961 Laurel Harbor, Inc. and its affiliated company 9-4 Corporation, will be merged with and into the company, which thereupon will succeed to all of the property and assets of those two companies and assume all of their liabilities. Laurel Harbor has been engaged in the development of a tract of real estate located in Lacey Township, New Jersey. The \$825,000 net proceeds from the stock sale will be used as follows: \$100,000 to pay Alfred J. Sica, president, for advances made by him; \$100,000 for the development of retail outlets; \$100,000 to improve sections of the Laurel Harbor development; and the balance to meet current liabilities and to provide additional working capital for advertising and for raw materials, labor, and other elements of finished products inventory.

In addition to certain indebtedness, the company has outstanding 287,000 shares of common stock, 94.4% of which is owned by a small group composed of management officials, their relatives, and the principal underwriter. After the sale of the new stock, Sica will own about 50.5%, Annette B. Sica, secretary, 21.5% and the principal underwriter 17.9%. Such stock was acquired by said holders at an aggregate cost to them of \$52,741, of which \$30,625 was received by the company as consideration for the original issue of stock. Assuming sale of the additional 100,000 shares, the public will own 25.84% at an aggregate cost of \$1,000,000. The present book value of the outstanding shares is \$.18 per share and, after the offering, will be \$2.27 per share. The prospectus further states that the proposed offering price of the new shares is 161 times pro forma earnings per share for 1960, based on the number of shares outstanding prior to this offering, and 217 times such pro forma earnings per share based on the number of shares to be outstanding at the conclusion of this offering.

OHIO EDISON BOND ISSUANCE CLEARED. The SEC has issued an order under the Holding Company Act (Release 35-14412) authorizing Ohio Edison Company (Akron) to issue \$11,223,000 of first mortgage 3-1/4% bonds due 1985 for sinking fund purposes during the years 1961, 1962 and 1963.

MICHIGAN CONSOLIDATED GAS BOND FINANCING. The SEC has issued an order under the Holding Company Act (Release 35-14413) giving interested persons until May 11, 1961, to request a hearing upon the bond financing proposal of Michigan Consolidated Gas Company (Detroit). As previously reported (SEC News Digest of 4/17/61), the said company proposed to issue and sell at competitive bidding \$30,000,000 of first mortgage bonds due 1986, the proceeds to be used with treasury funds for the company's continuing construction program (including repayment of \$15,000,000 of bank borrowings for such purpose).

SHARES IN AMERICAN INDUSTRY SEFKS ORDER. Shares in American Industry, Inc., Washington, D. C., investment company, has applied to the SEC for an exemption order under the Investment Company Act permitting its purchase of up to 600 shares of the common stock of Central Mutual Telephone Co., Inc.; and the Commission has issued an order (Release IC-3233) giving interested persons until May 1, 1961, to request a hearing thereon.

According to the application, the Telephone Co. proposes to offer 20,000 common shares for subscription by its shareholders pursuant to subscription rights issued April 5 at the rate of 24 rights per share outstanding. To obtain shares of the new issue at \$14 per share, 100 rights must be exercised for each share purchased. The rights expire April 21st at 3:30 P. M. Any unsold shares will be offered for public sale on a firm commitment basis at an estimated price of \$15 per share. The investment company proposes to purchase shares which may be available as part of this residue of unsold stock. Because a director of the investment company is an officer of the underwriter for this offering, such purchase is prohibited by the Investment Company Act unless the Commission grants the requested exemption.

PLEA BRINGS VERDICT OF GUILTY AGAINST BROOKE TEMPLE. The SEC Atlanta Regional Office announced April 17th (LR-1984) that Brooke Temple had entered a "nolo" plea to Counts One and Eight of an indictment (USDC, Miami, Fla.) charging Securities Act and mail fraud violations and court found him guilty on both counts and deferred imposition of sentence. Robert M. Denner entered plea of not guilty (date for trial not set); James Stern arraigned on "criminal information" charging violation of anti-fraud provisions of Securities Exchange Act and was adjudged guilty and fined \$500 on his "nolo" plea (indictment dismissed as to him); imposition of sentence deferred as to Norman L. Dacus who entered "nolo" plea to Counts One and Six of indictment and was found guilty of said charges; and Jerry A. Musin, another defendant, has not been apprehended.

SECURITIES ACT REGISTRATIONS. Effective April 19: Panoil Company (File 2-17629); Peterson Building Corp. (File 2-17632); Transcontinental Gas Pipe Line Corp. (File 2-17711); Sinclair Oil Corp. (File 2-17761); Union Carbide Corp. (File 2-17778). Effective April 20: Custom Components, Inc. (File 2-17517); White Shield Corp. (File 2-17636); Western Reserve Life Assurance Co. of Ohio (File 2-17669); Majestic Specialties, Inc. (File 2-17687); United States Freight Company (File 2-17728).