

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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

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VULCATRON OFFERING SUSPENDED. The SEC has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by The Vulcatron Corporation, of Farmington, N. H.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. In a notification filed on March 11, 1960, Vulcatron proposed the public offering of 100,000 common shares at \$3 per share. The offering was underwritten by P. deRensis & Co., Inc., 75 State Street, Boston, on a best-efforts basis. In its suspension order, the Commission states that it has "reasonable cause to believe" that certain terms and conditions of Regulation A were not complied with; that the company's offering circular was false and misleading with respect to certain material facts; and that the stock offering violated Section 17(a) (the anti-fraud provision) of the Securities Act. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

According to the Commission's order, it appears (1) that the aggregate amount of the public offering of Vulcatron stock, when computed in accordance with its rules, exceeded the \$300,000 maximum for Regulation A offerings; (2) that Vulcatron falsely reported the sale to the public of 25,000 shares for \$75,000, failed to furnish an offering circular to purchasers of about 2,500 shares, and failed to meet the requirements of Rule 253 by reason of the transfer of securities by controlling persons in violation of the escrow requirements of that rule; (3) that Vulcatron's offering circular fails to disclose adequately or accurately the security holdings of management officials, to disclose the names and addresses of two new directors and their security holdings, and to disclose an agreement by original officers and directors to dispose of portions of their preferred and common shares to the two new directors; and (4) that the offering circular also is false and misleading with respect to a statement that funds received from subscribers would be segregated by the underwriter in a separate bank account maintained for that purpose, that the funds received from subscribers would be returned if the offering were not completed before October 10, 1960, and that if a minimum of 25,000 shares were not sold by that date the offering would be withdrawn.

KELLWOOD FILES FOR SECONDARY. Kellwood Company, 111 W. Monroe Street, Chicago, filed a registration statement*with the SEC on October 24th seeking registration of 380,000 outstanding shares of common stock, to be offered for public sale by the holders thereof on an all or none basis through underwriters headed by Goldman, Sachs & Co. and Lehman Brothers. The public offering price and underwriting terms are to be supplied by amendment. (*File 2-19184)

The company was organized under Delaware law in August 1961 to act as the surviving company in a proposed merger of 15 established manufacturers of a wide variety of popular priced women's, men's and children's wearing apparel, camping equipment and bedding items. It is or will be a major supplier to Sears, Roebuck and Co. for the products it manufactures. Sears' purchases in recent years represented more than 90% of the company's net sales and were 94% in 1960. In addition to certain indebtedness, the company will have outstanding 1,250,044 shares of common stock (after giving effect to the merger), of which Sears will own 532,739 shares and proposes to sell 265,001 shares and Maurice Perlstein, president, will own 45,349 shares and proposes to sell 5,276 shares. The prospectus lists a total of 42 selling stockholders who will own an aggregate of 1,180,503 shares. Others propose to sell amounts ranging from 120 to 12,665 shares.

KANN-ELLERT ELECTRONICS PROPOSES OFFERING. Kann-Ellert Electronics, Inc., 2050 Rockrose Ave., Baltimore, filed a registration statement (File 2-19185) with the SEC on October 24th seeking registration of 108,000 shares of common stock, to be offered for public sale at \$6.50 per share. The offering is to be made on a best efforts basis by Rubin, Rennert & Co., Inc., of New York, for which it will receive a selling commission of 65¢ per share plus \$17,500 for expenses. Also included in the statement are an additional 20,000 shares underlying five-year warrants to be sold to the underwriter at 10¢ per warrant, exercisable at \$6.50 per share.

The company is engaged directly and through its majority-owned subsidiary Kann-Ellert Electronics of Virginia, Incorporated, in the sale and distribution, as a wholesaler, of electronic parts, components and equipment. Net proceeds of its sale of additional stock will be applied as follows: \$153,230 to the redemption of a like amount of debenture notes now outstanding, mostly held by persons affiliated with the company; and the balance for additional working capital and for expansion of the company's business, including the possible purchase of other established businesses operating in the same or related fields. In addition to indebtedness, the company has outstanding 180,000 common shares having a July 31st book value (after a contemplated contribution and retirement of 18,000 shares) of \$3.51 per share. This stock is held by Manuel L. Kann, president (70,103 shares), Charles A. Ellert, secretary-treasurer (62,988) and the Isaac Potts Estate (46,909). Efrem Potts, a vice president, is entitled to one-third of the residue of this estate.

CONTROL DYNAMICS PROPOSES OFFERING. Control Dynamics, Inc., 9340 James Avenue So., Minneapolis, filed a registration statement (File 2-19186) with the SEC on October 24th seeking registration of 500,000 shares of common stock, to be offered for public sale at \$1.15 per share. The offering is to be made on a best efforts basis by Brandtjen & Bayliss, Inc., of St. Paul, which will receive a selling commission of 15¢ per share.

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The company was organized under Minnesota law in May 1961 and proposes to engage primarily in the development and production of electronic testing and training devices; and it may also engage in the development and production of electronic devices for other uses from time to time. As of this date only one device has been fully developed by the company. It plans to attempt to develop and produce (1) devices that will automatically test the performance of electronic components of missile and other aircraft systems and (2) electronic testing systems for automated industrial purposes, as well as devices that will simulate the operation of components of missile and other electronic systems. Of the net proceeds of the sale of additional stock, \$100,000 will be used for company-sponsored development projects; \$364,500 for working capital to be used in the performance of development and production contracts that the company will seek to obtain; and the balance for other related purposes, including \$10,000 to promote the sale of a Transistor-Diode Test Set and Synchro Rotation Timer and \$34,000 for equipment. According to the prospectus, founding shareholders hold the 150,000 outstanding common shares, for which they paid \$75,000, of which 40% is owned by management officials. Certain founding shareholders also have been granted options on an additional 59,000 shares. Jack J. Alt is president.

DOUGHERTY BROS. PROPOSES OFFERING. Dougherty Brothers Company, Buena, N. J., filed a registration statement (File 2-19187) with the SEC on October 24th seeking registration of 120,000 shares of common stock, to be offered for public sale on an all or none basis through underwriters headed by Suplee, Yeatman, Mosley Co. Inc. The public offering price and underwriting terms are to be supplied by amendment. Also included in the statement are an additional 15,000 shares underlying five-year warrants to be sold to the underwriters for \$150, exercisable at the public offering price.

The company was organized under New Jersey law on October 2, 1961, to acquire the assets of Dougherty Brothers, a partnership founded in 1952. It also owns all the stock of Dougherty Bros., Inc., and Dougherty Plastic Corporation, New Jersey corporations. The company and its subsidiaries manufacture medicine droppers and components and glass cartridges for the pharmaceutical industry, and also ceramically prints and labels small glass containers for the pharmaceutical and cosmetic industries. Net proceeds of the sale of additional stock will be used as follows: \$330,000 for expansion of the company's plastics program, particularly entry into the field of manufacturing plastic containers and production of a new type of squeeze cap and a self-contained drop dispensing package (including \$60,000 for construction of a new building in which to conduct the expanded operations); \$30,000 for additional glass fabricating equipment; \$116,000 for payment of bank loans incurred for additional plant and equipment; and the balance for working capital and general corporate purposes. The company has outstanding 280,000 common shares, of which 272,000 shares were issued for the properties of the partnership (the book value of the net assets of which was about \$150,000) and 8,000 for the stock of the predecessor corporations (book value \$135,000). All outstanding shares are owned by Frank E. Dougherty, John F. Dougherty, Thomas E. Dougherty and Kathleen E. Dougherty, trading as Dougherty Brothers, a partnership in whose capital and profits they share equally. Frank E. Dougherty is president and the other three are also officers.

CITIES SERVICE FEE HEARING TRANSFERRED. The hearing scheduled for November 6th in the Commission's New York Regional Office upon applications for fee allowances in the matter of Arkansas Fuel Oil Corporation and Cities Service Company, has been transferred to Hearing Room A, 14th Floor, Immigration and Naturalization Building, 20 W. Broadway, New York City.

AMERICAN FINANCE REGISTRATION QUESTIONED. The SEC has ordered proceedings under the Securities Act of 1933 to determine whether a registration statement filed by American Finance Company, Inc., of 1472 Broadway, New York City, is false and misleading in respect of various material facts and, if so, whether a "stop order" should be issued suspending the statement. A hearing for the purpose of taking evidence is scheduled for November 6, 1961.

American Finance ("AFC") filed its registration statement on May 2, 1961, seeking registration of \$500,000 of 6% Convertible Subordinated Debentures due 1971, 75,000 shares of common stock and 25,000 common stock purchase warrants, to be offered for public sale in units each consisting of one \$200 debenture, thirty common shares and ten warrants. Of the 75,000 common shares, 25,000 shares were to come from the personal holdings of Fred Nives, president and founder of the company, who owns an aggregate of 130,000 shares, or 65% of the outstanding stock. A portion of the net proceeds to the company from this proposed financing was to be used for the retirement of \$182,000 of 6% subordinated debentures due December 31, 1961, and the balance was to be added to general funds of the company, thereby increasing its capital funds and borrowing capacity.

The stop order proceedings question the adequacy and accuracy of various informational disclosures contained in the AFC prospectus, with respect, among other items, to the following: 1. The terms of existing loans, credit agreements, or credit arrangements between AFC and its creditors, particularly: (a) the minimum amount of AFC debentures, subordinated to its indebtedness to banks, which are required to be issued and outstanding; and (b) the amount of earned surplus which must be maintained by AFC in the absence of consent of its creditors, and the effect of such condition on the declaration and payment of dividends on the company's common stock. 2. The arrangements by which AFC has obtained financing from its inception to date, particularly: (a) the credit or financial arrangements obtained for AFC by or through Herman William Brann during the period he was the chairman of the company's Board of Directors or the owner of 50% of its common stock; and (b) the past and present interest of Brann or members of his family in financial institutions which were or are creditors of AFC or owners of securities issued by it. 3. The effects on AFC's business operations of regulations or directives of the Department of Defense, the Air Force, and the Army relating to Class "E" allotment checks. 4. The description of the business operations of Standard Savings and Loan Association, Inc. (Standard), Baltimore subsidiary of AFC, particularly: (a) the connection of Standard's business operations with the AFC's automobile finance business, and the significance of Standard's operations to the operations of AFC; (b) the risk, in view of the nature of actual business conducted by Standard,

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that its charter as a Savings and Loan Association may be revoked, and the consequences to AFC's business of such revocation; and (c) the sale of unregistered securities by Standard in violation of Sections 5 and 17 of the Securities Act of 1933, as amended, and the contingent liabilities resulting therefrom. 5. The Presidential order discontinuing the privilege of free transportation to the United States of foreign-manufactured automobiles at government expense, previously granted to members of the United States Armed Forces and to Government personnel. 6. The independence of Winters and Robins, a firm of public accountants who certified parts of AFC's summary of consolidated earnings and earned surplus.

ADR'S FOR UNILEVER LTD. FILED. Irving Trust Company, of New York, filed a registration statement (File 2-19188) with the SEC on October 24th seeking registration of American Depositary Receipts for 2,000,000 American Shares (representing Ordinary Shares) of Unilever Limited, of England.

JOHN ROGERS FILES FINANCING PLAN. John Rogers Company, 1060 Huff Road, N.W., Atlanta, Ga., filed a registration statement (File 2-19189) with the SEC on October 24th seeking registration of \$600,000 of 6% convertible subordinated debentures due 1976 and 120,000 outstanding shares of common stock, to be offered for public sale in units consisting of one \$10 par value debenture and two common shares. The debentures are to be offered by the company and the common shares by the present holders thereof. The units are to be offered at \$25 each on an all or none basis through underwriters headed by The Robinson-Humphrey Co., Inc. and Courts & Co., which will receive a \$2.30 per unit commission.

The business of the company is the sale of rebuilt automotive engines and reground crankshafts to automotive parts jobbers throughout ten states of the Southeast. Net proceeds from the company's sale of the debentures, estimated at \$552,000, will be added to working capital, to be used for general corporate purposes, including possible expansion of production and distribution facilities and inventories and the promotion of products. The company has outstanding 180,000 shares of common stock, of which John C. Rogers, president and board chairman, and Adele M. Proctor, a director, own 81,000 shares each; and they propose to sell 60,000 shares each.

BURNHAM & MORRILL FILES FOR SECONDARY. Burnham & Morrill Company, 45 Water Street, Portland, Maine, today filed a registration statement (File 2-19190) with the SEC seeking registration of 187,250 outstanding shares of common stock, to be offered for public sale by the holders thereof on an all or none basis through underwriters headed by Hornblower & Weeks. The public offering price and underwriting terms are to be supplied by amendment.

The company manufactures canned foods, frozen items, including frozen dinners, and B&M Brick Oven Baked Beans, which is its principal product. It has outstanding 539,000 shares of common stock, of which Charles S. Morrill, president, and George B. Morrill, Jr., a vice president, own 165,000 and 80,000 shares, respectively. They propose to sell 61,425 and 33,900 shares, respectively. The prospectus lists 8 other selling stockholders who propose to sell amounts ranging from 1,750 to 20,000 shares.

THEODORE LANDAU ENJOINED. The SEC New York Regional Office announced October 23d (Release Lit-2128) the entry of a Federal court order (USDC SDNY) permanently enjoining Theodore Landau, doing business as the Landau Company, from further violations of the Securities Act anti-fraud provisions in the sale of stock of Anaconda Lead & Silver Co.

CORRECTION RE FIDELITY AMERICAN FINANCIAL. The SEC News Digest of October 4th, reported the proposed offering of 100,000 common shares of Fidelity American Financial Corporation (Philadelphia) at \$3 per share, whereas the offering price is to be \$5 per share.

SECURITIES ACT REGISTRATIONS. Effective October 25: Aeronca Manufacturing Corp. (File 2-18572); American & Foreign Power Company, Inc. (File 2-18912); Arizona Color Film Processing Laboratories, Inc. (File 2-17758); Charter Industries Inc. (File 2-18348); First Investors Corp. (File 2-18588); First Union Realty (File 2-18814); Hawthorne Financial Corp. (File 2-18666); Keystone Steel & Wire Co. (File 2-18732); Magna Pipe Line Company Ltd. (File 2-18238); Pickwick International, Inc. (File 2-18581); The Pillsbury Co. (File 2-19097); Zep Aero (File 2-18596).

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