

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)



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ALLIED DOLL AND TOY FILES FOR STOCK OFFERING. Allied Doll and Toy Corp., 4116 First Avenue, Brooklyn, N. Y., filed a registration statement (File 2-19847) with the SEC on February 27th seeking registration of 133,333 shares of common stock, to be offered for public sale at \$3 per share. The offering will be made on an agency best efforts basis (the company may return all funds if all shares are not sold within 30 days) by Theodore Arrin & Co., Inc., 50 Broad Street, New York. The underwriter will receive a 36¢ per share selling commission and \$15,333.30 for expenses. The statement also includes 12,500 outstanding shares to be sold to the underwriter by principal stockholders at \$1 per share. The company also has agreed to sell to the underwriters in proportion to the shares sold up to 10,000 five-year stock purchase warrants at 1¢ each, exercisable at from \$3 to \$5 per share.

The company (formerly Allied Grand Doll Mfg. Co. Inc.) manufactures and sells dolls in the medium and low price field, primarily made from vinyl plastic and clothed in various materials which the company uses to manufacture the garments. The \$310,000 estimated net proceeds from the stock sale will be used to purchase new machinery and equipment for the manufacture of products and the packaging of dolls, to inaugurate an advertising campaign, to install a department to concentrate on development of present plans and ideas and to create new ideas and for working capital. The company has outstanding 266,667 shares of common stock (after giving effect to a recent recapitalization), of which Eugene Glowa, vice president, and Herbert Chiet, secretary, own about 33% each, and Hyman E. Chiet, president, and Esther Chiet, own about 16% each. As a result of this public offering, assuming that all of the stock is sold to the public, management will own approximately two-thirds of the company for their present equity of approximately \$240,000 and the public will own one-third of the company for its investment of \$400,000. As a result the net asset value per share of the stock offered to the public will equal approximately \$1.37, for which the public will have paid \$3.00.

RESIN RESEARCH LABS FILES FOR STOCK OFFERING. Resin Research Laboratories, Inc., 396-406 Adams Street, Newark, N. J., filed a registration statement (File 2-19848) with the SEC on February 27th seeking registration of 105,000 shares of common stock, to be offered for public sale at \$3.50 per share. The offering will be made on an agency best efforts basis (if 63,000 shares are not sold within 90 days, the offer will be withdrawn and all funds returned) by Keene & Co., Inc. (80 Wall Street, New York), which will receive a 45¢ per share selling commission and \$18,500 for expenses. The statement also includes 17,500 shares underlying 6-month options to be granted to the underwriter, exercisable at 10¢ per share at the rate of one share for each six shares sold, and (2) 16,250 shares underlying one-year options granted to certain others for services rendered, exercisable at 10¢ per share. Allan A. Segal will receive 5,000 of such options and \$5,000 in cash as a finder's fee.

The company operates a research, development and engineering laboratory devoted to contractual research in the chemical areas of resins and polymers, related raw materials and applications. The \$266,750 estimated net proceeds from the stock sale will be used to expand laboratory facilities for research and development, for a chemical manufacturing facility, for repayment of an advance by an officer, and for working capital. In addition to certain indebtedness, the company has outstanding 144,256 shares of common stock (after giving effect to a recent 459.8-for-1 stock split), of which Charles P. West, president, owns 68,968 shares and Donald G. Palais, a director, and Richard Palais own 32,185 each. Sale of new stock to the public at \$3.50 per share will result in an increase in the book value of stock now outstanding from 38¢ to \$1.29 per share and a corresponding dilution of \$2.21 per share in the book equity of stock purchased by the public.

MANDREL INDUSTRIES FILES FOR OFFERING AND SECONDARY. Mandrel Industries, Inc., 800 Welch Road, Palo Alto, Calif., filed a registration statement (File 2-19849) with the SEC on February 27th seeking registration of 303,900 shares of common stock, of which 220,000 shares are to be offered for public sale by the company and 83,900 shares, being outstanding stock, by the holders thereof. The offering will be made through underwriters headed by Dominick & Dominick, Incorporated, 14 Wall Street, New York. The public offering price (maximum \$20 per share*) and underwriting terms are to be supplied by amendment.

The company is engaged principally in the design, development, manufacture and sale of specialized photo-electric color sorting machines and related devices serving primarily the food processing industries, and geophysical exploration instruments and devices used chiefly in the petroleum industry. The net proceeds from the company's sale of additional stock will be applied to the retirement of revolving credit loans (balance due, \$3,281,079), incurred since 1956 for acquisitions, for purchase by the company at \$7.50 per share of 90,000 shares of its common stock from a former director, for financing conditional sales contracts, leases and term sales of the company's sorting machines and geophysical exploration products, and for general working capital.

In addition to certain indebtedness, the company has outstanding 1,137,148 shares of common stock (after giving effect to a recent 2-for-1 stock split), of which James F. Coonan, president, owns 17%, members of his family 28%, and management officials as a group own 34%. The prospectus lists 11 selling stockholders, including Coonan who proposes to sell 20,000 shares, W. W. Valentine, a director, who proposes to sell 30,000 shares (of 61,910 held), and others who propose to sell amounts ranging from 150 to 8,900 shares. Book value of stock now outstanding is \$5.66 per share.

DIAMOND DUST CO. FILES FOR STOCK OFFERING. Diamond Dust Company, Inc., 77 Searing Avenue, Mineola, N. Y., filed a registration statement (File 2-19850) with the SEC on February 27th seeking registration of 102,000 shares of common stock, to be offered for public sale at \$3 per share. The offering will be made through underwriters headed by Magnus & Co. (20 Exchange Place, New York), which will receive a 30¢ per share commission and \$9,000 for expenses. The statement also includes 14,000 shares underlying nine-month warrants to be sold to Frederick Magnus, president of the underwriter, for \$140, exercisable at \$3 per share.

The company is engaged in the production and sale of graded diamond powder and diamond compound used industrially for abrasive, cutting, finishing and lapping purposes; in the sale of industrial diamonds; and in offering on a fee basis the service of salvaging diamonds from industrial diamond bearing waste material. The net proceeds from the stock sale will be used to repay a short-term bank loan incurred for working capital purposes, to hire additional personnel, for advertising and sales literature, and for additional working capital, including the financing of increased inventories and accounts receivable. In addition to certain indebtedness, the company has outstanding 224,000 shares of common stock (after giving effect to a recent 100% stock dividend and a 2,240-for-1 stock split), all of which are owned by Fred M. Ross, president, and his wife. Book value of stock now outstanding is \$.298 per share.

FILMWAYS SHARES IN REGISTRATION. Filmways, Inc., 18 East 50th Street, New York, filed a registration statement (File 2-19851) with the SEC on February 26th seeking registration of 48,111 shares of common stock, of which (1) 1,800 shares underlie warrants (exercisable at \$5.25 per share) which remain unexercised out of a total of 16,000 warrants originally issued to S. D. Fuller & Co. in 1958 in connection with a public offering by the company, (2) 12,500 shares to be offered to Haskell Wexler for motion picture and allied rights in the novel "The Loved One" by Evelyn Waugh and for a screen play based thereon, (3) 10,811 shares underlie the unexercised portion of an option granted in 1958 to Arthur S. Laundon, a former director, exercisable at \$4.997 per share, and (4) 23,000 shares are outstanding and may be offered for public sale by the holders thereof. Such 23,000 shares, and the 10,811 shares underlying said option, may be sold from time to time until March 1963 on the American Stock Exchange at prices prevailing at the time of sale.

The company has been engaged in producing television commercials and, more recently, has become engaged in producing filmed television programs and feature length motion pictures. In addition to certain indebtedness, the company has outstanding 568,654 shares of common stock, of which Martin Ransohoff, board chairman, owns 19.3% and management officials as a group 27.2%. The prospectus lists six holders of the 23,000 shares who propose to sell all such shares, including Laundon (6,000 shares) and Jack Levine (5,000 shares). All such holders received their shares at \$6.25 per share, except Laundon who paid \$4.997 per share upon partial exercise of his option originally entitling him to purchase 16,811 shares. Rodney Erickson is president.

SITE-FAB FILES FOR STOCK OFFERING. Site-Fab, Inc., 1093 Frank Rd., Columbus, Ohio, filed a registration statement (File 2-19852) with the SEC on February 27th seeking registration of 135,000 shares of common stock, to be offered for public sale on a best efforts basis by H. P. Black and Company, Inc., 1700 I Street, N. W., Washington, D. C. The public offering price (maximum \$4 per share*) and underwriting terms are to be supplied by amendment. Controlling stockholders have sold to the underwriter 5,000 outstanding shares at 10¢ per share, and the company has given it a five-year option to purchase 10,000 shares at \$4 per share.

The company was organized under Delaware law in August 1961 and, with subsidiaries acquired in whole or in part through an exchange of stock, is engaged in the business of constructing residential homes, including both single and multi-family garden type units. It builds all or part of such units for others, and builds on its own account, both on speculation and pursuant to pre-sale. Of the net proceeds from the stock sale \$260,000 will be used for debt retirement and the balance for land purchase in the ordinary course of business, for land development, and for operating capital. In addition to certain indebtedness, the company has outstanding 175,000 shares of common stock, of which A. Joseph Vohlers, president, and Richard J. Lieb, vice president, own 44.68% each. After completion of this offering, said stockholders will own 50.63% of the outstanding stock of the company for an aggregate investment of \$4,500, and the public will own 43.22% for an investment of \$540,000. Sale of new stock to the public will result in an increase in the book value of stock now outstanding from 58¢ to \$1.75 per share and a corresponding dilution of about \$2.25 per share in book equity of stock purchased by the public.

ALISON AYRES FILES FOR STOCK OFFERING. Alison Ayres, Inc., 1400 Broadway, New York, filed a registration statement (File 2-19853) with the SEC on February 28th seeking registration of 100,000 shares of common stock, to be offered for public sale at \$5 per share. The offering will be made through underwriters headed by J. R. Williston & Beane (Two Broadway, New York), which will receive a 50¢ per share commission and \$10,000 for expenses. The statement also includes 8,000 shares underlying two-year warrants to be sold to the principal underwriter at 10¢ each, exercisable initially at \$5.25 per share.

The company (formerly Alison Ayres Sales, Inc.) is engaged in the design, production and sale of a diversified line of misses' casual dresses manufactured to sell at budget prices to women of all ages. The net proceeds from the stock sale will be used to pay a short-term bank loan incurred to furnish working capital, for additional sales personnel, to purchase machinery and equipment, for advertising, and to finance increased inventories and accounts receivable. In addition to certain indebtedness, the company has outstanding 400,000 shares of common stock, of which Harold Koenig, president, Stanley Berger, vice president, Seymour Stern, treasurer, and Raymond Kerchman, secretary, own 25% each. Sale of new stock to the public at \$5 per share will result in an increase in the book value of stock now outstanding from \$.405 to \$1.22 per share and a corresponding dilution of \$3.78 per share in the book equity of stock purchased by the public.

PENTHOUSE CLUB FILES FOR OFFERING AND SECONDARY. Penthouse Club, Inc., Lewis Tower Building, 15th and Locust Streets, Philadelphia, filed a registration statement (File 2-19854) with the SEC on February 28th seeking registration of 80,000 shares of common stock, of which 70,000 shares are to be offered for public sale by the company. The remaining 10,000 shares underlie \$25,000 of 6% subordinated debentures sold by the company in October 1961 and convertible at \$2.50 per share on the effective date of this statement; and such shares are also to be offered for public sale by the holders thereof. The offering will be made at \$5 per share on a best efforts basis, and the underwriter (whose name is to be supplied by amendment) will receive a 75¢ per share selling commission and an additional 15¢ per share for expenses. The statement also includes 10,000 shares to be sold to the underwriter and 4,000 shares to Robert Schwartz, company counsel, at 10¢ per share.

Organized under Pennsylvania law in May 1961, the company subsequently acquired all the assets of the Darien Social Club, a dining and social club located in Philadelphia which the company operates as a "Penthouse Club," a private dining and catering club. In November it acquired the assets of the Pennsauken Motel Co., Inc., owner and operator of the Penn Motor Motel, located in Pennsauken, N. J., which is now operated by the company. The company plans to open additional Penthouse Clubs in cities throughout the country, including one to be located at said motel site and one in New York City. The \$259,000 estimated net proceeds from the company's sale of additional stock will be used to construct and outfit a Penthouse Club and other facilities at said motel and in New York, and for working capital. In addition to certain indebtedness, the company has outstanding 94,000 shares of common stock, of which William G. Kranich, Jr., president and board chairman, owns 62% and Pennsauken Motel Co. 38%. None of the selling stockholders (debenture holders) is a management official nor does any one holder own in excess of \$2,500 of such debentures.

SEC. 15 RULES CLARIFIED. The SEC today announced the adoption of minor amendments to Rule 15ab-1(e) and Rule 15b-9(b) under the Securities Exchange Act of 1934, to conform said rules to certain changes in the Commission's Rules of Practice (Release 34-6743). The only effect of the present amendments is to delete references to obsolete Rules of Practice and to substitute references to the comparable provisions of the Rules of Practice now in effect.

CERTIFICATION OF INCOME STATEMENTS. The SEC today called attention to the Securities Act requirements that financial statements included in registration statements contain a certificate of an independent accountant "based on an audit conducted in accordance with generally accepted standards and meeting the reporting requirements of the Commission." The announcement related particularly to the verification of inventories for the first two of the three-year period for which certified statements are required, when the certifying accountants were employed only during the last year (and making their first audit of the company) and could not have observed inventory-taking for the prior years. Wide variations have been observed by the Commission in certificates of independent accountants with respect to representations concerning the verification of inventories of prior years in first audits; and this development has been noted particularly in situations involving the offering of securities of closely held corporations which have failed to maintain and preserve accounting records and data necessary to permit verification of financial statements. In some cases a question arises whether the certifying accountant intended to limit his opinion as to the fairness of presentation of the income statements.

After reviewing prior announcements with respect to physical inventory verification, both by the Commission and the American Institute of Accountants, the Commission stated: "It seems clear from the discussion above that if an accountant reports that his examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as he considered necessary in the circumstances, an exception as to failure to observe beginning inventories is contradictory and should be omitted. A middle paragraph explaining that the certificate covers a first audit is informative and in some cases is essential to describe the alternative procedures applied. A negative type conclusion to this paragraph appears to be a carry-over from wartime usage and is not acceptable. Lost and inadequate records may give rise to questions as to the reliability of the results shown in the financial statements and may make it impracticable to apply alternative audit procedures. Alternative procedures must be adequate to support an unqualified opinion as to the fairness of presentation of the income statements by years.

"If, as a result of the examination and the conclusions reached, the accountant is not in a position to express an affirmative opinion as to the fairness of the presentation of earnings year by year, the registration statement is defective because the certificate does not meet the requirements of Rule 2-02 of Regulation S-X. If the accountant is not satisfied with the results of his examination he should not issue an affirmative opinion. If he is satisfied, any reference from the opinion paragraph to an explanatory paragraph devoted solely to the scope of the audit is inconsistent and unnecessary. Accordingly, phrases such as "with the foregoing explanation as to inventories" raise questions as to whether the certifying accountant intended to limit his opinion as to the fairness of the presentation of the results shown and should be omitted. A 'subject to' for 'except for' opinion paragraph in which these phrases refer to the scope of the audit, indicating that the accountant has not been able to satisfy himself on some significant element in the financial statements, is not acceptable in certificates filed with the Commission in connection with the public offering of securities. The 'subject to' qualification is appropriate when the reference is to a middle paragraph or to footnotes explaining the status of matters which cannot be resolved at statement date."

"STAY" PROCEDURE CLARIFIED. The SEC today announced an amendment of its Rules of Practice (Release 33-4459) setting forth the procedure whereby petitions may be made to the Commission for a stay of the effectiveness of any of its orders. The amendment provides that such an application for stay may be made

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to the Commission before a petition for court review is filed or, in cases involving a disqualification from NASD membership, at any time when a petition for review is not pending. The purpose of the amendment is to make it clear that such petitions ought to be made, in the first instance, to the Commission, although courts of appeal have jurisdiction of such applications while a petition for review is pending.

EMPLOYEES BENEFIT 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 stock offering by Employees Benefit Company, Inc., 6223 Blair Road, N. W., Washington, D. C.

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 in December 1957, Employees Benefit proposed the public offering of 9,969 shares of preferred stock at \$10 per share pursuant to such an exemption. The Commission's suspension order asserts that the company did not comply with the Regulation by reason of its failure to file a revised offering circular and its failure to file semi-annual reports reflecting the amount of stock sold and the use of the proceeds thereof. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

CANADIAN RESTRICTED LIST. The SEC today announced the addition of Abbican Mines Limited to its Canadian Restricted List. The list is now comprised of the names of 256 Canadian companies whose securities the Commission has reason to believe recently have been or currently are being distributed in the United States in violation of the registration requirements of the Securities Act of 1933, thus depriving investors of the financial and other information essential to an informed and realistic evaluation of the worth of the securities which registration would provide.

CORRECTION RE JOHN'S BARGAIN STORES OFFERING. The SEC News Digest of February 15th reported the filing of a registration statement by John's Bargain Stores Corp. (New York) seeking registration of 160,000 shares of common stock, to be offered for public sale through underwriters headed by Hayden, Stone & Co. The News Digest item states that option warrants for 15,000 shares were to be sold to the principal underwriter and like options for an additional 4,000 shares to company counsel, whereas only 11,000 such option warrants were to be sold to the underwriter and 4,400 to counsel.

BRESKIN PUBLICATIONS FILES FOR SECONDARY. Breskin Publications Inc., 770 Lexington Ave., N. Y., filed a registration statement (File 2-19855) with the SEC on February 28th seeking registration of 150,000 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 A. G. Becker & Co., 120 South LaSalle Street, Chicago. The public offering price (maximum \$16 per share*) and underwriting terms are to be supplied by amendment. The statement also includes 15,000 shares underlying a five-year option to be sold by the company to the underwriter at \$1 per share, exercisable initially at the public offering price.

The company is engaged principally in publishing the monthly industrial magazines, "Modern Plastics" and "Modern Packaging," which respectively include the annual issue of "Modern Plastics Encyclopedia" and "Modern Packaging Encyclopedia." The company has outstanding 428,000 shares of common stock, of which Charles A. Breskin, president and board chairman, Millie Breskin, his wife, and Linda Klein, his daughter, own 66,400, 120,800 and 128,800 shares, respectively, and propose to sell 21,200, 40,000 and 49,000 shares, respectively. The prospectus lists six other selling stockholders, including four trusts for the benefit of Breskin's grandchildren which hold an aggregate of 99,800 shares and propose to sell an aggregate of 32,000 shares.

INDICTMENT NAMES HERBERT E. CORRIGAN. The SEC Atlanta Regional Office announced February 26th (Lit-2200) the return of a Federal court indictment (USDC, Tampa, Fla.) charging Herbert E. Corrigan with violations of the Securities Act anti-fraud provisions in the sale of securities of Insured Mortgage & Title Corp. and Suniland Development Corp.

TAMPA INDICTMENT NAMES JOE H. BYRNES, OTHERS. The SEC Atlanta Regional Office announced February 26th (Lit-2201) the return of a Federal court indictment (USDC, Tampa, Fla.) charging Joe H. Byrnes, B. B. Bratton, John D. George, Raymond E. Hester, Charles H. High and Thurber Hilliker with violations of the Securities Act anti-fraud provisions in the sale of securities described as "capital investment notes" and "corporate notes" of Investors Mortgage Corp. of St. Petersburg.

SECURITIES ACT REGISTRATIONS. Effective February 28: Electrosolids Corp. (File 2-19245).
Effective March 1: Columbus Plastic Products, Inc. (File 2-19330); John Fluke Mfg. Co., Inc. (File 2-19445); The Lehigh Press, Inc. (File 2-19261); Metatronics Manufacturing Corp. (File 2-19154); Stanley Industries Corp. (File 2-19206); Tidewater Lumber Co., Inc. (File 2-19122). Withdrawn March 1: L. L. Drug Company Inc. (File 2-18570); Security Acceptance Corp. (File 2-17686).