

# 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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## DECISION IN ADMINISTRATIVE PROCEEDING

EXAMINER DENIES INTERMARK INVESTING REQUEST. SEC Hearing Examiner Warren E. Blair has issued an initial decision denying an application of Intermark Investing, Inc., of San Diego, Calif., for an order under the Investment Company Act declaring that it has ceased to be an investment company. The Examiner's decision will become the final decision of the Commission unless it is appealed to the Commission (within 15 days) or the Commission calls the decision up for review on its own motion (within 30 days).

In September 1968 Intermark (formerly Southwestern Capital Corporation) obtained shareholder approval of its proposal to surrender its license as a small business investment company and to pursue a program designed to change the nature of its business to that of an operating company. In keeping with that program, it acquired ten operating companies or groups of operating companies. In such acquisitions, it issued Intermark stock in exchange for the outstanding shares of the companies acquired and committed itself to the issuance of additional shares conditioned upon earnings of the acquired companies over the succeeding three years (so-called "earnouts"). The Examiner ruled that these earnouts represented either a certificate of interest or participation in a profit-sharing agreement, or an investment contract (i.e., a security within the definition of that term as used in the Investment Company Act); that each earnout also represented an issue by Intermark of a class of stock other than common stock which meets the definition of a "senior security"; that their issuance violated Section 18(c) of the Act; and that the agreements are voidable under Section 47(b).

The Examiner also found that the proxy statement used in obtaining shareholder approval of the September 1968 proposal to convert from an SBIC to an operating company was false and misleading and violated the Commission's proxy rules. According to the Examiner's decision, there was a failure to disclose the difficulties attached to a continuation of Intermark's business as an SBIC (the Small Business Administration had declined to approve transfer of control of Intermark following the purchase of a 52% stock interest in it by Roberts, Scott & Co.); the "obvious" conflict of interest on the part of the directors in their determination as to Intermark's future course of action following such SBIC refusal; the proposed use of earnouts in the future acquisition program; the independence of operations by acquired subsidiaries and the reasons for such autonomous operation.

## HOLDING COMPANY ACT RELEASE

MONONGAHELA POWER RECEIVES ORDER. The SEC has issued an order under the Securities Exchange Act (Release 35-16712) authorizing Monongahela Power Company, Fairmont, W. Va. subsidiary of Allegheny Power System, Inc., to issue and sell (at competitive bidding) \$15,000,000 of first mortgage bonds, due 2000, and 50,000 shares of cumulative preferred stock, Series F (\$100 par). Monongahela Power will use the net proceeds of its offering to finance in part its 1970 construction program (estimated at \$38,000,000) and to pay \$15,500,000 of short-term notes incurred therefor.

## INVESTMENT COMPANY ACT RELEASE

GENERAL INTERNATIONAL WITHDRAWS APPLICATION. General International Corporation, Springfield, Ill., has withdrawn its application for exemption from the Investment Company Act (Release IC-6043). The SEC News Digest of May 4 incorrectly reported that the application had been granted.

## SECURITIES ACT REGISTRATIONS

DYNETICS FILES FOR OFFERING AND SECONDARY. Dynetics Corporation, 7th and Ranstead Streets, Philadelphia, Pa. 19106, filed a registration statement (File 2-37252) with the SEC on April 30 seeking registration of 375,000 shares of common stock, of which 300,000 are to be offered for public sale by the company and 75,000 (being outstanding shares) by the present holders thereof. The offering is to be made through underwriters headed by Edwards & Hanley Securities, Inc., 55 Broad Street, New York, N. Y.; the offering price (\$9 per share maximum\*) and underwriting terms are to be supplied by amendment. The underwriter is to receive \$50,000 for expenses; and it will be entitled to purchase, for \$375, five-year warrants for the purchase of 37,500 shares.

The company (formerly Conetta Mfg. Co. Inc.) custom manufactures by injection molding, on a contract basis, various plastic products; custom manufactures, on a contract basis, screws for plastic extrusion and injection molding machinery; designs, manufactures and distributes women's dresses and sportswear; and operates two supermarkets in Connecticut. Of the net proceeds of its sale of additional stock, \$148,950 will be used to pay the 1970 installment due on the purchase of two companies, \$184,500 to pay bank indebtedness incurred in 1968 for working capital, \$323,358 to repay progress payments from the U. S. Government on government contracts, \$200,000 for the purchase of additional machinery and equipment, \$350,000 to pay trade notes and accounts payable, and the balance for working capital. In addition to indebtedness, the company has outstanding 2,295,550 common shares, of which management officials as a group own 26.6%. Charles D. Cascio is president. The names of the selling stockholders are to be supplied by amendment.

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**MOLECULAR ENERGY TO SELL STOCK.** Molecular Energy Corporation, 82 Naylor Avenue, Livingston, New Jersey 07039, filed a registration statement (File 2-37253) with the SEC on April 30 seeking registration of 135,000 shares of Class A stock, to be offered for public sale at \$5 per share. The offering is to be made through Herbert Young & Co., Inc., which will receive a 50¢ per share commission plus \$12,500 for expenses. The underwriter also will be entitled to receive five-year warrants to purchase 13,500 Class A shares, exercisable after one year at \$5 per share.

The company is engaged in the design and development of two types of electrical batteries: a water-activated, non-rechargeable (primary) battery, and a dry, electrolytic rechargeable (secondary) battery, both of which contain a halogen complex as its essential element. Of the net proceeds of its stock sale, \$104,000 will be used for the purchase and installation of production and tooling equipment, and \$175,000 will be used for administrative and overhead expenses (including salaries); the balance will be used for other purposes, including the repayment of \$39,345 of loans. The company has outstanding 150,000 shares of Class A and 47,500 shares of Class B stock, of which management officials own 54%. David Braun is board chairman and Leon Braun president. Purchasers of the shares being registered will sustain an immediate dilution of \$3.36 in per share book value from the offering price.

**INTERMEDCO PROPOSES OFFERING.** Intermedco Inc., 3322 Richmond Avenue, Houston, Texas 77006, file a registration statement (File 2-37254) with the SEC on April 30 seeking registration of 200,000 shares of common stock. The stock is to be offered for public sale through underwriters headed by Rauscher Pierce & Co., Inc., of 1200 Mercantile Dallas Building, Dallas Texas; the offering price (\$11 per share maximum\*) and underwriting terms are to be supplied by amendment.

The company was organized in May 1969 for the purpose of acquiring, owning and operating companies supplying and serving the health care industry; and it has acquired seven companies engaged in the medical supply business. Of the net proceeds of its stock sale, the company will use about \$700,000 to retire short-term indebtedness, mostly incurred in the ordinary course of the subsidiaries' business prior to their acquisition; \$650,000 to purchase property in Cleveland and Dallas and to construct thereon new warehouses and office facilities; and the balance for working capital. In addition to indebtedness, the company has outstanding 705,706 common shares (with a book value of \$2.63 per share), of which management officials as a group own 60.3%. Scott Moyers is board chairman and Jerry L. Gibson president.

**BURNS DETECTIVE AGENCY FILES FOR SECONDARY.** The William J. Burns International Detective Agency, Inc., 320 Old Briarcliff Rd., Briarcliff Manor, N. Y. 10510, filed a registration statement (File 2-37258) with the SEC on April 30 seeking registration of 149,360 shares of Class A common stock which may be or have been issued in connection with acquisitions of other businesses. These shares may be offered for sale from time time by the holders or recipients thereof, at prices current at the time of sale (\$30 per share maximum\*).

The company is engaged in furnishing protective services to industrial and commercial clients, principally by means of uniformed guards. It has outstanding 2,217,227 Class A common and 188,984 Class B common shares.

**WEST PENN POWER PROPOSES OFFERING.** West Penn Power Company, Cabin Hill, Greensburg, Pa. 15601, filed a registration statement (File 2-37255) with the SEC on April 30 seeking registration of \$25,000,000 of first mortgage bonds, Series Y, due 2000, and 50,000 shares of Series F cumulative preferred stock (\$100 par), to be offered for public sale at competitive bidding. A subsidiary of Allegheny Power System, Inc., the company will use the net proceeds of its financing (together with \$3.5 million from the sale in February 1970 of additional common stock to its parent, up to \$25.5 million from short-term borrowings in 1970 and funds derived from operations) for its construction program. Construction expenditures are estimated at \$61 million for 1970 and \$212 million for the period 1970 through 1972.

**FINANCIAL MANAGERS PROPOSES OFFERING.** Financial Managers, Inc., 130 N. Broadway, Camden, N. J. 08102, filed a registration statement (File 2-37256) with the SEC on April 30 seeking registration of 240,000 shares of common stock and 240,000 common stock purchase warrants, to be offered for public sale in units, each consisting of one share and one warrant, and at \$1.50 per unit. The offering is to be made on a best efforts basis through F. S. Donahue, Santo & Co., 176 Riverside Ave., Red Bank, N. J. 07701, which will receive a 15¢ per share selling commission plus \$15,000 for expenses. The company has agreed to sell the underwriter and its officers, at 1¢ each, five-year warrants to purchase up to 24,000 shares at \$1.75 per share.

The company was organized in August 1969 for the purpose of providing management and administrative services to Comp-U-Hedge Fund, a recently formed closed-end investment company. The company is also engaged in the business of rendering management and financial consulting services to various commercial, industrial and institutional users. Net proceeds of the company's stock sale will be added to its working capital and used for general corporate purposes. The company has outstanding 500,000 common shares (with a \$.085 per share net tangible book value), of which Paul J. Goldin, president, and two other officers own 20.2% each. Purchasers of the shares being registered will acquire a 32.4% stock interest in the company for their investment of \$360,000 (they will sustain an immediate dilution of \$1.072 in per share book value from the offering price); present shareholders will then own 67.6%, for which they paid \$42,730.

**A.P.S. TO SELL STOCK.** A.P.S., Inc., 7800 Westpark Dr., Houston, Tex. 77042, filed a registration statement (File 2-37257) with the SEC on April 30 seeking registration of 250,000 shares of common stock, to be offered for public sale through underwriters headed by Kidder, Peabody & Co. Inc., 20 Exchange Pl., New York 10005. The offering price (\$18 per share maximum\*) and underwriting terms are to be supplied by amendment.

Organized in October 1969 by Gulf & Western Industries, Inc. ("G&W") to succeed to substantially all of the automotive parts distribution operations of G&W, the company is engaged primarily in the sale of automotive parts through an integrated distribution program known as the American Parts System. Part of the net proceeds of its stock sale will be used to repay outstanding indebtedness due G&W (the balance of such

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**NEWPORT CENTER INDUSTRIES TO SELL STOCK.** Newport Center Industries Inc., 500 Newport Center Drive, Newport Beach, Calif. 92660, filed a registration statement (File 2-37275) with the SEC on May 1 seeking registration of 200,000 shares of common stock, to be offered for public sale at \$6 per share. The offering is to be made through L. B. Miller & Company, 500 Newport Center Drive, Newport Beach, Calif. 92660, which will receive a 50¢ per share commission.

The company was recently organized to acquire and develop companies in the leisure-recreational and related industries. To date, it has acquired Newport Skyways, Inc., a Cessna Aircraft dealership. Of the net proceeds of its stock sale, \$900,000 will be used to finance new acquisitions and provide working capital for such acquisitions, \$80,000 to finance additional purchases of aircraft, increased inventory of electronic equipment for Newport Skyways, and working capital and \$50,000 to finance construction and furnishing of additional building facilities for Newport Skyways; the balance will be added to the company's working capital. In addition to indebtedness, the company has outstanding 262,500 common shares, of which management officials as a group own 33%. William R. Miller is president and board chairman. Purchasers of the shares being registered will acquire a 43% stock interest in the company for their investment of \$1,200,000\*; present shareholders will then own 57%, for which they paid \$262,500 or \$1 per share.

**METROMEDIA SHARES IN REGISTRATION.** Metromedia, Inc., 277 Park Ave., New York, N. Y. 10017, filed a registration statement (File 2-37276) with the SEC on May 1 seeking registration of 23,111 shares of common stock. According to the prospectus, Trustees of the Pension Trust of Bethlehem Steel Corporation now own \$500,000 of 5% notes of the company and will acquire the shares being registered upon conversion of said notes. The company has outstanding 5,732,816 common shares.

**SHULTZYS FILES OFFERING PROPOSAL.** Shultzys, Inc., 180 Beach St., Boston, Mass. 02116, filed a registration statement (File 2-37277) with the SEC on May 1 seeking registration of 100,000 shares of common stock and 50,000 common stock purchase warrants, to be offered for public sale in units, each consisting of two shares and one warrant, and at \$16 per unit. The offering is to be made on an agency, all or none best efforts basis by Kelly, Andrews & Bradley, Inc., 26 Court St., Brooklyn, N. Y., which will receive a selling commission of \$1.60 per unit plus \$20,000 for expenses. The underwriter also will be entitled to purchase, for \$100, five-year warrants to purchase 10,000 shares, exercisable after one year at \$8.50 per share.

Organized in February 1969, the company owns and operates a restaurant specializing in the sale of fast-food items in Boston. It proposes to establish additional restaurant locations in urban commercial areas; and it has leased a site in Worcester, Mass., and is negotiating with respect to another in Boston. Of the net proceeds of its stock sale, \$500,000 will be used to renovate, furnish and equip about four additional restaurants; in the event the company elects not to lease the equipment for its Worcester locations, some \$60,000 of the proceeds will be applied to repay short-term loans that may be incurred for the purchase of the equipment. The balance of the proceeds will be used for working capital. The company has outstanding 555,000 shares of Class A common stock (with a net tangible book value of 23¢ per share), of which management officials as a group own 22.51%. David J. Shear is president. Of the outstanding shares, 206,000 were issued to founders and management officials for an aggregate purchase price of \$20,600 and 200,850 were sold at \$1 per share to a total of 89 persons. By reason of the fact that some of the shares may not have been entitled to exemption from registration for non-public offering, the company is offering a right of rescission to the holders thereof.

**AMERICAN ENVIRONMENTAL CONTROL TO SELL STOCK.** American Environmental Control Corp., 32 East 3d St., New York, N. Y. 10003, filed a registration statement (File 2-37278) with the SEC on May 1 seeking registration of 200,000 shares of common stock, to be offered for public sale at \$12 per share. The offering is to be made through Kelly & Morey, Inc., 6780 East Hampden Ave., Denver, Colo., which will receive a commission of \$1.08 per share plus \$15,000 for expenses. Also included in the statement are an additional 50,000 shares purchased by Integrated Resources, Inc., parent of the underwriter, at \$12 per share; payment for such shares was made by \$500 and a \$599,500 non-recourse, non-negotiable promissory note bearing interest at 4%, with principal payable in four equal annual installments commencing in four years.

The company, acting through subsidiaries, is engaged principally in the design, manufacture, sale and installation of certain types of air pollution control systems. Of the net proceeds of its stock sale, \$250,000 will be used to repay bank loans, \$125,000 to repay notes payable to two unaffiliated parties, and \$100,000 to reduce trade accounts payable; of the balance, \$175,000 will be used for the purchase of machinery and equipment, \$150,000 for research and development, \$120,000 for lease of additional plant and office facilities and expansion of present facilities, \$100,000 for sales and promotion, and \$1,080,000 for working capital and general corporate purposes. The company has outstanding 648,535 common shares (with a 47¢ per share book value), of which Roger J. Quigg, president, owns 53% and management officials as a group 78%. Purchasers of the shares being registered will sustain an immediate dilution of \$9.17 in per share book value from the offering price.

**SECURITIES ACT REGISTRATIONS. Effective May 4:** Clow Corp., 2-36844; Data Documents, Inc., 2-35714 (40 days); Kaufman and Broad, Inc., 2-36991; Philadelphia Electric Co., 2-37020; Winchester North, Inc., 2-35724 (90 days).

**NOTE TO DEALERS.** The period of time dealers are required to use the prospectus in trading transactions is shown above in parentheses after the name of the issuer.

\*As estimated for purposes of computing the registration fee.