

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 January 18, 1962

SEC ORDER CITES AMOS TREAT & CO. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Amos Treat & Co., Inc., of 79 Wall Street, New York City, made fraudulent misrepresentations in the offer and sale of stock of Avionics Corporation of America, South Bay Industries, Inc., and Magna-Bond, Inc., and, if so, whether said "respondent's" broker-dealer registration should be revoked. The order, which schedules a hearing for January 30, 1962, in the Commission's New York Regional Office on the question whether respondent's broker-dealer registration should be suspended pending final determination of the ultimate question of revocation, also raises the question whether respondent should be suspended or expelled from membership in the National Association of Securities Dealers, Inc.

According to the order, respondent has been registered with the Commission as a broker-dealer since February 1956; Amos Sherman Treat is president and Edward De Felice is secretary-treasurer; and each owns 10% or more of respondent's outstanding stock. The order also recites charges by the Commission's staff that information developed in its investigation "tends, if true, to show" that respondent, Treat and De Felice offered and sold stock of Avionics, South Bay, and Magna-Bond by means of false and misleading representations and "engaged in transactions, practices and a course of business which would and did operate as a fraud and deceit" upon the purchasers of such stock. The alleged misrepresentations with respect to (A) Avionics related to that company's operations, financial condition and future prospects as well as the payment of dividends on and the rise in price of Avionics stock and its listing on the American Stock Exchange; (B) South Bay related to the financial condition of South Bay and increase in the price of its stock, listing of the stock on the American Stock Exchange, and comparison of South Bay with another company the stock of which had increased in price; and (C) Magna-Bond related to its prospects and financial condition and the reasonableness of the price of its stock.

The sale of Avionics stock is said to have occurred between April 1958 and March 1959; South Bay between March 1960 and April 1961; and Magna-Bond between January 1960 and November 1961. Respondent was one of the underwriters of an offering of 99,125 shares of Avionics stock at \$3 per share pursuant to a Regulation A exemption from Securities Act registration, which offering commenced in April 1958. Avionics is a Philadelphia company engaged in the development and manufacture of equipment for use in testing electronic devices. Respondent was managing underwriter of a registered offering of 210,000 shares of South Bay common at \$5 per share which commenced in March 1960. South Bay, of Gardena, Calif., is engaged in the manufacture of medium-sized ground handling equipment for aircraft and guided missiles. On December 5, 1961, the Commission announced the institution of stop order proceedings under the Securities Act against its registration statement (Release 33-4435) and such proceedings are now pending. Magna-Bond, of Camden, N. J., made a public offering of 150,000 common shares at \$2 per share pursuant to a Regulation A exemption from registration, commencing in January 1960 (but not participated in by respondent). Its business is the development and manufacture of protective coatings used to control corrosion of metal and concrete.

PHIL. NEWMAN ASSOCIATES REVOKED. The SEC today announced the issuance of an order under the Securities Exchange Act of 1934 (Release 34-6708) revoking the broker-dealer registration of Philip Newman Associates, 671 Broad Street, Newark, N. J., for violations of the Securities Act registration and anti-fraud provisions in the sale during October-December 1958 of common stock of Monarch Asbestos Company, Ltd. George H. Wagner, Marguerite P. Wagner and Daniel Mintzer, company officials, and David Schor, Matthew Blade, Brandon Karl Scott, David Feingold, Howard Ross and Abe Reiter, salesmen, were each found to be a cause of the revocation order.

According to the Commission's order, Associates and the named officers and salesmen, offered and sold 124,520 shares of Monarch stock at prices from \$3 to \$3.50 per share to about 300 investors residing in more than forty states in violation of the registration requirement. In the sale of such stock, the Commission ruled, "materially false and misleading statements" were made, including representations that Monarch was an operating company with highly profitable production; that Monarch's property contained asbestos superior to that produced by Johns-Manville Corporation; that Johns-Manville, a major producer, had determined to acquire or merge with Monarch; that Monarch was paying or would soon pay dividends and that dividends were \$1 per share; that the market price of Monarch stock had risen and would reach from \$5 to \$15 per share in one to six months; and that Monarch stock was actively traded and that it would be listed shortly on the New York Stock Exchange or the American Stock Exchange. A federal court order enjoining such violations was obtained by the Commission in 1959.

The Commission also found that Associates violated its net capital and record-keeping rules, and failed to amend its registration application to reflect the entry of the injunction decree.

NEWARK ELECTRONICS PROPOSES DEBENTURE OFFERING AND SECONDARY. Newark Electronics Corporation, 223 West Madison Street, Chicago, filed a registration statement (File 2-19641) with the SEC on January 17th seeking registration of \$2,000,000 of convertible subordinated debentures due 1982, to be offered for public sale at 100% of principal amount, and 110,000 outstanding shares of Class A stock, to be offered by the holders thereof. Both issues will be offered through underwriters headed by H. M. Byllesby and Company. The

interest rate on the debentures, public offering price of the stock, and underwriting terms for both issues are to be supplied by amendment. The statement also includes (1) 156,000 outstanding Class A shares to be offered by the holders thereof from time to time in the over-the-counter market at prices current at the time of sale, (2) 60,000 Class A shares to be offered pursuant to the company's Restricted Stock Option Plans, (3) 100,000 Class A shares to be offered by the company for the acquisition of additional businesses and properties, and (4) 25,000 Class A shares underlying a 5-year option granted to the underwriter.

The company distributes electronic parts and equipment and electrical supplies manufactured by others. Of the net proceeds from the debenture sale, \$1,190,000 will be used for retirement of short term bank loans, \$300,000 to repay proposed interim financing of that amount to be used to purchase the assets of Herrlinger Distributing Co., of Cincinnati, and the balance will be used as additional working capital. About \$1,000,000 of the proceeds from said bank loans were used together with \$150,000 of working capital and shares of stock, in the acquisition of, and as working capital for, five subsidiaries in 1961. It is expected that the company will borrow funds as required for working capital and an additional \$300,000 interim financing for construction of new store and warehouse facilities in Oak Park, Michigan.

In addition to certain indebtedness, the company has outstanding 472,500 Class A and 337,500 Class B shares, of which Sam Poncher, president, and Abe L. Poncher, executive vice president, each own 150,000 Class A and 65,000 Class B shares. They propose to sell 51,000 and 35,000 Class A shares, respectively. The prospectus lists 10 other selling stockholders, three of whom own an aggregate of 35,000 Class A shares (and 30,000 Class B shares) issued by the company in June 1961 pursuant to its acquisition of Ferguson Electronics, Inc., and seven of whom own an aggregate of 70,000 Class A shares issued on October 1961 for Denver Electronic Supply Corp. They propose to sell amounts ranging from 13 to 8,524 shares. The holders of said 70,000 shares propose to sell 14,000 shares through the underwriters and the remaining 56,000 shares in the over-the-counter market.

WHITESTONE PETROLEUM FILES FOR OFFERING. Whitestone Petroleum Corporation, 20 Broad Street, New York, filed a registration statement (File 2-19642) with the SEC on January 17th seeking registration of \$7,500,000 of participating interests in the company's 1962 Whitestone Program. There is no fixed dollar amount of participation, but it is anticipated that the minimum amount of participation will be \$50,000. No underwriting is involved.

The company was organized under Delaware law in 1961. The agreement between the participants and the company will give to each participant contractual rights to acquire undivided interests or property rights in oil, natural gas or other mineral properties to be selected by the company for acquisition, development or exploration. The company may conduct activities in the States of Louisiana, Texas, Oklahoma, Colorado, Utah, Montana, New Mexico and Wyoming. Principal activities are expected to center in the Gulf Coast and Mid-continent regions of the United States, but the company reserves the right to engage in activities in any areas of the United States and possibly in Canada. All money paid to the company pursuant to the agreements, after provision for expenses incurred in connection with setting up and registration of the Program which are estimated at \$17,500, will be used to carry out the Program, such uses including the finding and screening of deals to develop prospects for submittal to participants, drilling, testing, completing and equipping or plugging and abandoning wells, and defraying other costs and expenses of the program. The prospectus states that if an exploratory operation is successful, participants must be prepared to be called upon for substantial additional funds. In addition to certain expenses including a fee in lieu of actual overhead expenses in an amount equal to 8% of all amounts expended by or on behalf of participants, the company will receive a 25% net profits interest, convertible at the option of the company into a 7 $\frac{1}{2}$ % overriding royalty.

In addition to certain indebtedness and preferred stock, the company has outstanding 1,000 shares of common stock, all of which are owned by George F. Clements, Jr., president.

NEW HOPE ACADEMY OF THE ARTS FILES FOR STOCK OFFERING. New Hope Academy of the Arts, Inc., 152 White-marsh Road, Philadelphia, filed a registration statement (File 2-19643) with the SEC on January 17th seeking registration of 150,000 shares of common stock, to be offered for public sale at \$10 per share. The offering will be made on a best efforts basis by Mayo & Company, Inc., which will receive a \$1.50 per share selling commission and an additional 30¢ per share for expenses. The statement also includes 25,000 outstanding shares to be sold to the underwriter by principal stockholders at \$1 per share, of which 2,500 shares will be re-sold at \$1 per share to Albert D. Ross as a finder's fee.

Organized in October 1960, the company has engaged in actual operations for eight weeks during July and August 1961. It operates a resident school of performing arts for children and young adults of both sexes between the ages of 9 and 22. The school is located on an 85 acre tract known as "Ramblerny," in Bucks County, Pa., and is comprised of class rooms, dormitories and administration buildings. The net proceeds from the stock sale will be used for the construction of new dormitories and class rooms, new student facilities and other related purposes. The company plans to develop a winter and summer resort so as to provide a year-round business. Assuming all shares are sold, it also anticipates the construction of a lodge with 50 bedrooms, restaurant and shopping facilities and a 600 seat theatre.

In addition to certain indebtedness, the company has outstanding 225,000 shares of common stock (after giving effect to a 3-for-1 stock split), of which Samuel Snyderman, secretary-treasurer, and Florence Snyderman, president, own jointly 66-2/3%, and Louis Mayo, Jr., vice president, 33-1/3%. Assuming all the shares are sold, and based on the assumption that the 25,000 outstanding shares will be resold by the underwriter and finder at \$10 per share, the aggregate compensation to the underwriter (and/or selected dealers) and the finder will be an amount equal to about 41% of the net proceeds of the offering which will be received by the company. The sale of stock to the public at \$10 per share will result in an increase in the book value of stock now outstanding from 29¢ to \$3.33 per share, and a corresponding dilution of \$6.67 per share in the book equity of stock purchased by the public.

COLEMAN CABLE & WIRE FILES FOR STOCK OFFERING. Coleman Cable & Wire Company, 1900 North River Road, River Grove, Ill., today filed a registration statement (File 2-19645) with the SEC on January 18th seeking registration of 120,000 shares of Class A common stock, to be offered for public sale through underwriters headed by Divine & Fishman, Inc. The public offering price and underwriting terms are to be supplied by amendment. The statement also includes 30,000 Class A shares underlying a 5-year option to be sold to the underwriter for \$300, exercisable at from 107% to 128% of the public offering price.

The company is engaged in the distribution of a wide range of specialty types of electric wire and cable and the manufacture of insulated wire and cable for electronic and electrical use, and of extension and attachment cord sets. Of the net proceeds from the stock sale, \$200,000 will be used to purchase additional equipment and the balance for acquisition of stock or assets of other firms having similar or complementary operations to those of the company, and for working capital. In addition to certain indebtedness and preferred stock, the company has outstanding 120,000 Class A and 360,000 Class B shares (after giving effect to a recent recapitalization whereby such shares were issued in exchange for the 4,614 common shares then outstanding). Of such outstanding stock, David Coleman, president, Allan Coleman, executive vice president, and Neil Coleman, a vice president, own 51.87%, 26.20% and 21.93%, respectively, of each class.

GEORGE HARMON CO. 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 proposed public offering of stock by George Harmon Company, Inc., of 18141 Napa Street, Northridge, Calif.

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 July 21, 1961, the respondent company ("issuer") proposed the public offering of 62,500 common shares at \$4 per share in behalf of the issuer, together with warrants for 10,000 shares for the benefit of Hamilton Waters & Co., Inc., of Hempstead, N.Y. the underwriter, and two individuals. The Commission asserts in its order that the issuer's offering circular, as amended December 15, 1961, contains false and misleading representations and that the stock offering would violate the anti-fraud provisions of the Act. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or make permanent.

The issuer was organized under Nevada law in June 1961 and has a subsidiary of the same name organized under California law in December 1958. Its business is described as a diversified manufacturer in the field of solid-state electronics and electromechanical devices. The Commission's suspension order challenges representations in the amended offering circular (1) that the issuer has a backlog of orders totalling \$4,314,349; (2) that it has an order totalling \$4,130,000 for telephone answering devices from Phonomatic, Inc., of Los Angeles; (3) that the issuer has an order totalling \$59,415 for Talk-A-Way Transceivers from AVTA Corp. of Los Angeles; (4) that it has an order totalling \$1,540,000 for inertia switches from a prime West Coast missile contractor upon an adequate showing of working capital; (5) that in management's opinion adequate working capital would be available for the anticipated inertia switches contract upon completion of this stock offering; and (6) that bank financing would be available to the issuer to handle all of the foregoing orders if delivery schedules required bank financing.

CORRECTION RE BILNOR OFFERING. The News Digest of January 9th reported the filing of a registration statement by Bilnor Corp. (File 2-19618) of Brooklyn, N. Y., proposing a secondary offering of 100,000 outstanding shares of Class A stock by Julius Billig, president, and William Z. Norman, secretary-treasurer, sole stockholders. The item incorrectly indicated that they each proposed to sell all of their Class B holdings (a total of 190,000 shares), whereas they propose to sell all of their Class A holdings, 50,000 shares each (plus 5,000 each to the underwriter).

BLACK BEAR INDUSTRIES SUSPENDED. The SEC has issued an order under the Securities Exchange Act suspending trading in the common stock of Black Bear Industries, Inc., on the San Francisco Mining Exchange and over-the-counter market for a further ten-day period January 19 to 28, 1962, inclusive.

IOWA INTERESTS EXEMPTED. The SEC has issued an order under the Investment Company Act (Release IC-3406) declaring that Iowa Interests Corporation of Des Moines has ceased to be an investment company.

N A HART CO. ENJOINED. The SEC New York Regional Office announced January 12th (Lit-2176) the entry of a Federal court order (USDC EDNY) preliminarily enjoining N. A. Hart & Company of 36-41 Bell Blvd., Bayside, N. Y., Norbert A. Hochschartner and Milton Cramer, from violating the anti-fraud, net capital and bookkeeping provisions of the Securities Exchange Act. Joseph F. Ruggeri was appointed as receiver of the company assets.

SECURITIES ACT REGISTRATIONS. Effective January 18: Adler-Built Industries, Inc. (File 2-18062); All-Star World Wide, Inc. (File 2-18474); American Financial Corp. (File 2-19282); Ozon Products, Inc. (File 2-19067). Withdrawn January 18: Cal-Oak Oil & Gas Co. (File 2-19311).