Industry - Tannery 9-14-70

Salz Stockholders Sue Over Merger

By MEL BAUGHMAN
Sentinel Staff Writer

Stockholders of the A. K. Salz Tannery, Inc. of Santa Cruz have filed a suit in U.S. District Court asking that the firm's merger with Beck Industries, Inc. of New York be rescinded or that they be awarded damgaes of more than $5 million.

Suit was filed earlier this month in the U.S. District Court for the Southern District of New York. Reports of the action appeared today on The Associated Press wire and in The Wall Street Journal.

Norman Lezin, president of Salz Leathers, Inc., said today, "I have nothing to add. I don't choose to try the case in the newspapers. I can't properly say anything beyond what's in the complaint and that's a matter of public record."

"Meanwhile," Lezin said, "business goes on as usual; in fact, better than usual."

The complaint alleges that Beck misrepresented its financial condition at the time of the merger and violated the merger agreement by pledging Salz stock as collateral for the extension of Beck's bank debt, reports said.

The Journal noted, "The suit comes at a time when Beck is trying to resolve a financial crisis triggered by its inability to complete a proposed public offering of $15 million of convertible subordinated debentures. Trading of the company's shares on the American Stock Exchange has been halted since July 10."

Manual F. Rothberg, president of Beck Industries, told The Associated Press, "The company believes that this lawsuit is without merit."

Named as defendants are Beck; Salz Leathers, Inc.; six present and former officers, and 11 banks involved in the extension of Beck's debt.

The suit alleges that Beck, a diversified shoe and retailing company, told Salz stockholders that there had been no material adverse change in Beck's financial condition between Dec. 31, 1968 and Nov. 3, 1969, the date of the merger, "when in fact as defendants well knew such changes had occurred," The AP said.

And, according to The Journal, "Beck, the suit further charges overstated its assets and understated its liabilities, concealed financial losses and 'untruthfully represented' that it had ample working capital and could obtain additional capital through public offerings."

The plaintiffs also charged, The Journal said, that Beck pledged its subsidiaries' stock, including Salz, to extend the maturity of Beck's bank debt of more than $20 million from June 5 to Aug. 15.

The suit argues that Beck had no right to make such a pledge and, in doing so, violated the merger agreement that Beck "shall retain ownership of all of subsidiary's (Salz's) stock", The Journal reported.

The Salz tannery was purchased by Beck last year for 55,173 shares of common stock and was merged into a subsidiary formed for the merger, Becksalz Co. The company was then renamed Salz Leathers, Inc.

The suit is based on the Securities and Exchange Act of 1934 and the Securities Act of 1933, according to The Wall Street Journal.

Bus-5