

PROSPECTUS

STEA & PHILLIPS ENTERPRISES, INC.

TAMA PRODUCTIONS, INC.

LENSON MUSIC, INC.

SYNTRO ELECTRONICS CORP.

*Stea-Phillips*  
Incorporated in New Jersey  
100 South Zeeb, New York, N.Y. 10001

October 15, 1965

Stea & Phillips Enterprises, Inc. is about to enter its sixth year of operation. In order to grow and expand, it is presently seeking \$250,000 of which approximately \$140,000 will be used for new facilities and \$110,000 will be used for working capital. In return for the \$250,000, Stea & Phillips will offer 44% of its stock.

In the particular, Stea & Phillips will use this new capital for the following:

1. The operation and expansion of sound recording studios and further to create additional facilities for film work in the recorded commercial field and in motion pictures.
2. Production of commercials for radio and television, and phonograph records.
3. Publishing and recording of music acquired or created by members of the organization.
4. Manufacture and sale of electronic components and devices.

The following pages of this report set forth, among other things: a short history of the company, the background and experience of its principal stock holders and personnel, its financial experience to date and its projected performance in the future with complete supporting data.

Leonard Stea  
President

## A SHORT HISTORY

Stea & Phillips Enterprises, Inc. first began operations at its present location at 781 Seventh Avenue on April 1, 1961, following a preparatory period of planning devoted to the design and building of electronic equipment for installation and utilization.

The original investors were gathered from a wide range of fields from within the recording and broadcasting industries, with a view toward obtaining people whose experience - both artistic as well as technical - would ensure the success of the organization.

As originally conceived, the organization's primary purpose was to serve only as a vehicle for its creators in which opportunities would be developed enabling them to function as performers, and at the same time utilizing the electronic installation for additional income.

The company's reputation grew rapidly, and its facilities were quickly expanded to the fullest possible extent at its present location.

From these men and their talents evolved the wholly-owned subsidiary production company, known as Tama Productions, Inc., established at the end of 1963. This organization has devoted its energies toward the creation and production of record albums, TV and radio commercials, as well as other promotional activities in recording and allied industries.

This activity in turn required the establishment of a music publishing company called Lenson Music, Inc., in 1965, a BMI affiliate.

To fulfill the expanding needs of the recording facility, Stea & Phillips began to design and build new electronic components for its own use. Upon completion, these components were demonstrated for several electronic manufacturers and recording engineers. The compact, versatile and efficient operation of these components created such a favorable impression that soon a demand was created for their manufacture. This demand brought about the formation of Syntro Electronics Corp. early in 1965 to begin to satisfy these demands, and to seek other markets for these products.

Briefly, our history has been one of growth, through the innate talents of the company's participants, in the ability to meet the needs of immediate and prospective clients and projects.

Leonard J. Stea

Age 37; he studied musicology and choral conducting at Brooklyn College and the Juilliard School of Music. His experience includes free lance singing on major TV shows (Perry Como, Garry Moore, Bell Telephone Hour, etc.); on phonograph and commercial recordings; and for three years he worked in the supervisory and sales capacity with Teleprompter Corp. His lifetime avocation in electronics led to the founding of Stea & Phillips, and to the design and construction of the present studio facilities. Recently, in conjunction with Mr. Clark, Chief Engineer, he has designed and developed the electronic components described herein in the section on Syntro Electronics Corp.

James Robert Sands

Age 36; he was graduated from Princeton University, (A.B.); served as a Tactical Radar Officer, (Lt., j.g.), U.S.N.R.; instructed naval personnel in the Russian language with USAFI; was tenor soloist with Fred Waring's Pennsylvanians for four years. He is currently active as a free lance TV and radio singer, chiefly in the field of advertising. He is a member of the New York Athletic Club, (Social Activities Committee, Baths Committee), and actively supports such cultural organizations as the Metropolitan Museum of Art, the American Museum of Natural History, the National Wild Life Federation, Friends of the New York City Center, Inc., etc.

Herbert L. Davidson

Age 35; he holds a B.A. and M.A. from Queens College in music and music education. He was a choral and instrumental arranger with the U.S. Army field band, Washington, D.C.; a free lance singer with major TV and radio shows (Como, Waring, Ed Sullivan, etc.). He is currently the arranger-composer of almost all of the commercials provided by Tama Productions, Inc., for its clients. He is thoroughly versed in the field of musicology, and in arranging, scoring, and composing in a wide variety of musical styles. He is vice-president of his B'nai Brith lodge and a member of the board of directors of the cooperative complex in which he resides.

Gordon L. Clark

Age 32; he was born in Quito, Ecuador, of American parents, and speaks fluent Spanish. He studied electronics at the Norwich Telecommunications School, Norwich, England and at Columbia University. His experience includes engineering operations at Gotham Recording

Studios, the French Broadcasting System (Chief Engineer), Allegro Sound Studios (Chief Engineer), and is currently Chief Engineer at Stea & Phillips. Since 1962 he has collaborated with Mr. Stea in the design and development of Syntro components, as well as having established a reputation as one of the leading sound recording engineers in the industry.

Alan L. Sokoloff

Age 37; he studied voice and choral conducting at the Juilliard School of Music, and his thorough understanding of vocal and choral literature has made him one of the most valuable and successful singers in the radio, TV and recording industry, and because of these activities, he is most valuable in securing opportunities for the organization.

Lucien Esposito

Age 40; he was born in Marseilles, France, and emigrated to the United States in 1946 after serving with the Free French during the occupation. He studied electronics at the Manhattan Trade School and with the International Correspondence School. He joined Stea & Phillips in 1961 as a technician; however, he gradually assumed the duties of Studio Manager, having developed a keen understanding of studio operations, both from a technical and managerial viewpoint. He was elected Treasurer in 1964 and currently bears that title.

Richard Simpson

Age 43; he holds a B.A. from Prayerview, Texas. He is founder and owner of Simpson Records, currently employed by Vee Jay Records as head of the Gospel division, as well as national head of sales and promotion. His wide and varied experience in the recording and record promotion fields have earned him a seat on the board of directors of Stea & Phillips.

William B. Phillips

Age 37; he studied music at the Manhattan School of Music (bass violin), and has been an active and successful professional musician since 1946. In fact, his professional activities have somewhat precluded his participation in Stea & Phillips activities currently, although he was one of its founders. He continues, however, to provide regular and valuable business opportunities and advice because of his professional associations.

Stanley Rabin

Age 35; he studied physical sciences at Tulane and Florida State Universities. A serious interest in high fidelity and, subsequently, audio engineering, led him to New York early in 1959, where, until 1961, he

was sound engineer with Audio Fidelity Records. From 1961 to 1964 he was a free lance audio engineer, specializing in sound effects. He joined Stea & Phillips in 1964 as a recording engineer and sound effects specialist.

#### Edward Cronk

Age 49; his wide and varied experience includes being radio announcer and producer at WHBQ and WMPS in Memphis; writing scripts for Proctor & Gamble comedy shows on the CBS network. He was assistant film director at KTLA, Hollywood for five years, and manager of the New York office of the Roshon Film Exchange. For the ten years precedent to his joining Stea & Phillips, Mr. Cronk was involved in the sales of advertising premiums, motion picture production and distribution for Rothacker, Inc., and Prammar Specialty Corp.

#### Irving Rothman

Age 45; he has been a professional musician from the age of 17, and was for ten years the road manager of the Henry Jerome Orchestra. He thereafter became involved in the management of several important music publishing companies and additionally was instrumental in promoting the careers of such stars as Soupy Sales, Bobby Vinton, Nancy Wilson, Doris Troy, etc. His management of Bark Music (Barry, Enright & Friendly), and Philips Music Publishing Company has given him valuable experience in conducting the operations of Lenson Music, Inc.

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#### Bernard Malin

Age 36; he holds a B.S. from Georgia Tech with graduate work in electronics at Columbia, and has been for 15 years with a major electronic equipment manufacturing company, specializing in Analog & Digital Computer Design and application, and automatic control systems. He holds six patents and five patent applications. While not actually a member of the Stea & Phillips organization, he is continuously available as consultant and adviser to Syntro in all of its developmental electronic equipment.

STEA & PHILLIPS ENTERPRISES, INC.

SOUND RECORDING STUDIOS

A Partial List of Some "Top Ten" Records and the Recording Stars  
and Companies Who Have Utilized Stea-Phillips' Studios

"Top Ten" Records

My Boy Friend's Back/Angels  
Denise/Randy and the Rainbows  
Kiss Me Sailor  
Hang On Sloopy/The McCoy's  
Sherry/Four Seasons  
Big Girls Don't Cry/Four Seasons  
Walk Like A Man/Four Seasons  
Ragdoll/Four Seasons  
Bye, Bye Baby/Four Seasons

Recording Stars

|                  |                      |
|------------------|----------------------|
| Van Trevor       | The Hondels          |
| Freddy Cannon    | Four Seasons         |
| Dianne Renay     | Johnny Tillotson     |
| Steve Lawrence   | Del Shannon          |
| Micky Spillane   | Vinnie Bell          |
| Roberta Sherwood | Millie Small         |
| Irving Fields    | Shirley Ellis        |
| Dayton Allen     | William Buckley, Jr. |
| Mel Brooks       | Sonny Fox            |

Recording Companies

|                      |                |
|----------------------|----------------|
| 20th Century Fox     | Musicor        |
| Columbia Screen Gems | Sceptre        |
| Mercury              | United Artists |
| Capitol              | Folkways       |
| MGM                  | Pickwick       |
| Kapp/Four Corners    | Menorah        |
| V.J.                 | Decca          |

Duke-Peacock



STEAM & PHILLIPS ENTERPRISES, INC.  
OFFICERS, DIRECTORS, SHARE HOLDERS AND OPERATING PERSONNEL  
(Incorporated on July 10, 1958)

| <u>Name</u>            | <u>Title</u>            | <u>Director</u> | <u>Oper. Pers.</u> | <u>Shares Held</u> |
|------------------------|-------------------------|-----------------|--------------------|--------------------|
| L. Stea                | President               | "               | "                  | 62                 |
| J. R. Sands            | Chairman and Exec. V.P. | "               | "                  | 23                 |
| H. Davidson            | Vice President          | "               | "                  | 9-1/2              |
| G. Clark               | Vice President          | "               | "                  | 6-1/2              |
| A. Sokoloff            | Secretary               | "               |                    | 13                 |
| L. Esposito            | Treasurer               |                 | "                  | 5-1/2              |
| R. Simpson             |                         | "               |                    | 6-1/2              |
| W. Phillips            |                         |                 |                    | 22                 |
| J. Stover              |                         |                 |                    | 5                  |
| J. Crager              |                         |                 |                    | 4                  |
| R. Hartman             |                         |                 |                    | 3                  |
| A. Davis               |                         |                 |                    | 3                  |
| M. Romantz             |                         |                 |                    | 3                  |
|                        |                         |                 |                    | 171                |
| Total Stock Issued     |                         |                 |                    | 171                |
| Unissued Stock         |                         |                 |                    | 29                 |
| Total Stock Authorized |                         |                 |                    | 200                |

STEAM & PHILLIPS ENTERPRISES, INC.  
WHOLLY OWNED SUBSIDIARIES

|   |           |  |  |
|---|-----------|--|--|
| Tama Productions Inc.<br>(Incorporated on<br>January 15, 1963)  | Officers: | H. Davidson<br>J.R. Sands<br>A. Sokoloff | President<br>V.P. - Trea.<br>Sect.       |
| Syntro Electronics Corp.<br>(Incorporated on<br>April 28, 1965) | Officers: | G. Clark<br>L. Stea<br>S. Rabin          | President<br>Vice Pres.<br>Sect. - Trea. |
| Lenson Music, Inc.<br>(Incorporated on<br>August 6, 1965)       | Officers: | E. Cronk<br>I. Rothman<br>H. Davidson    | President<br>Vice Pres.<br>Sect. - Trea. |

STEA & PHILLIPS ENTERPRISES, INC.  
SUPPLEMENTARY DATA RE PRO-FORMA INCOME AND EXPENSES

Salary Breakdown (Annual)

|                      |  |          |
|----------------------|--|----------|
| L. Stea - President* |  | \$20,800 |
|----------------------|--|----------|

Stea & Phillips

|                   |          |        |
|-------------------|----------|--------|
| Chief Engineer*   | \$18,200 |        |
| 3 Engineers       | 46,800   |        |
| 1 Master Cutter   | 10,400   |        |
| 1 Dubber          | 6,500    |        |
| 1 Office Manager* | 10,400   |        |
| 1 Secretary       | 6,500    | 98,800 |

Tama Productions

|   |          |        |
|---|----------|--------|
| President and Production Supervisor*                  | \$ 7,800 |        |
| Staff - Record Promotion, Publishing<br>and Sales (2) | 13,000   | 20,800 |

Syntro Corporation

|                                  |          |        |
|----------------------------------|----------|--------|
| President and Project Supervisor | \$19,500 |        |
| 1 Technician                     | 6,500    | 26,000 |

|                |  |           |
|----------------|--|-----------|
| Total Salaries |  | \$166,400 |
|----------------|--|-----------|

\*Denotes officers

STEAM & PHILLIPS ENTERPRISES, INC.  
COMPARATIVE STATEMENT OF OPERATIONS

|                                | Year Ended March 31 |               |               |               |
|--------------------------------|---------------------|---------------|---------------|---------------|
|                                | <u>1962</u>         | <u>1963</u>   | <u>1964</u>   | <u>1965</u>   |
| Gross Income                   | <u>24,658</u>       | <u>51,398</u> | <u>74,755</u> | <u>74,433</u> |
| <u>Expenses (Cash Outlays)</u> |                     |               |               |               |
| Payroll - Officers             | -                   | 2,500         | 12,268        | 10,767        |
| "    - Others                  | 7,173               | 17,524        | 15,742        | 12,705        |
| Supplies                       | 3,206               | 2,787         | 5,984         | 8,783         |
| Rent                           | 12,000              | 12,000        | 12,500        | 13,500 (A)    |
| Telephone                      | 1,090               | 1,124         | 1,077         | 1,192         |
| Utilities                      | 464                 | 457           | 648           | 633           |
| Professional Fees              | 1,445               | 1,689         | 1,682         | 1,698         |
| Insurance                      | 676                 | 386           | 555           | 1,108         |
| Stationery and Postage         | 469                 | 295           | 411           | 550           |
| Equipment Rental               | -                   | 437           | 1,508         | 2,757 (A)     |
| Interest and Bank Charges      | 432                 | 580           | 2,200         | 966           |
| Commissions                    | -                   | -             | -             | 952           |
| Travel and Entertainment       | -                   | -             | -             | 651           |
| Cleaning and Rubbish Removal   | 163                 | 200           | 245           | 300           |
| Miscellaneous                  | 969                 | 1,171         | 1,524         | 1,021         |
| Taxes (other than FIT)         | <u>536</u>          | <u>1,573</u>  | <u>2,376</u>  | <u>2,552</u>  |
| Total Expenses                 | <u>28,623</u>       | <u>42,723</u> | <u>58,720</u> | <u>60,135</u> |
| Net Income (Loss)              | <u>(3,965)</u>      | <u>8,675</u>  | <u>16,035</u> | <u>14,298</u> |

(A) Additional space acquired during 1964-65. Increase in equipment leasing occasioned by expansion of recording and processing activities with newly acquired space.

STEA & PHILLIPS ENTERPRISES, INC.

PRO-FORMA PROJECTION OF COST, INCOME AND EXPENSES

|            |                  |
|------------|------------------|
| COSTS      | <u>\$250,000</u> |
| INCOME     | \$430,000        |
| EXPENSES   | <u>282,000</u>   |
| NET INCOME | <u>\$148,000</u> |

STUDIO EQUIPMENT

| COSTS                   | STUDIO EQUIPMENT                               |       |       |        |        |        | ON     |      | TOTAL |         |
|-------------------------|--|-------|-------|--------|--------|--------|--------|------|-------|---------|
|                         | ST.A.  | ST.B. | ST.C. | RMX.A. | RMX.B. | CUT.A. | CUT.B. | HAND |       | NEED    |
| 4 Track Rec/PB          | 1  | 1     | -     | -      | -      | -      | -      | 0    | 2     | 8,000*  |
| 3 Track Rec/PB          | 1  | -     | -     | -      | -      | -      | -      | 1    | 0     |         |
| 2 Track Rec/PB          | 1  | -     | -     | 1      | 1      | 1      | -      | 4    | 0     |         |
| Mono Rec/PB             | 1  | 1     | -     | 1      | 1      | -      | 1      | 1    | 4     | 7,180*  |
| 3 and 4 Track PB        | 1  | -     | -     | 1      | 1      | -      | 1      | 2    | 2     | 3,700*  |
| 1 and 2 Track PB        | -  | -     | -     | 1      | -      | -      | 1      | 0    | 2     | 2,300*  |
| Speakers and Amplifiers | 8  | 8     | 1     | 2      | 2      | 2      | 2      | 13   | 12    | 5,200*  |
| Disc Lathes             | -  | -     | -     | -      | -      | 1      | 2      | 2    | 1     | 18,500* |
| Microphones             | 24   | 18    | -     | -      | -      | -      | -      | 16   | 26    | 3,500*  |
| Stands, Booms, etc.     | 22   | 16    | -     | -      | -      | -      | -      | 21   | 17    | 500*    |
| Music Stands            | 48   | 24    | -     | -      | -      | -      | -      | 24   | 24    | 240*    |
| Piano, Grand            | 1  | 1     | -     | -      | -      | -      | -      | 1    | 1     | 4,000*  |
| Piano, Tack             | 1  | -     | -     | -      | -      | -      | -      | 1    | 0     | 250     |
| Organ                   | 1  | -     | -     | -      | -      | -      | -      | 1    | 0     | -       |
| Echo Chambers           |  |       |       | 6      |        |        |        | 1    | 5     | 6,400*  |
| Folding Chairs          | 48   | 24    | -     | -      | -      | -      | -      | 24   | 48    | 750*    |
| Console Seats           | 2  | 2     | -     | 2      | 2      | 2      | 2      | 0    | 12    | 1,600*  |
| Console Chairs          | 4  | 4     | -     | 2      | 2      | -      | -      | 0    | 12    | 800*    |
| Couches (Alt.)          | -  | -     | -     | 1      | 1      | 1      | 1      | 0    | 4     | 600*    |
| T.V. Camera             |  |       |       | 2      |        |        |        | 0    | 2     | 1,300*  |
| T.V. Monitors           |  |       |       | 6      |        |        |        | 0    | 6     | 2,500*  |
| Moviolas                |  |       |       | 2      |        |        |        | 0    | 2     | 2,380   |
| Console Components      |  |       |       |        |        |        |        |      |       | 15,000* |
| Consoles Assemblies     | 1  | 1     | -     | 1      | 1      | -      | -      | 1    | 3     | 25,000  |
| Wire and Cable          |  |       |       |        |        |        |        |      |       | 500     |
| Equipment Installation  |  |       |       |        |        |        |        |      |       | 7,800   |
|                         | Two (2) men @ \$150/wk each for six (6) months |       |       |        |        |        |        |      |       |         |

Total Cost - Studio Equipment

\$118,000

\*Denotes equipment to be leased -  
See Pro-Forma Expenses

STEAM & PHILLIPS ENTERPRISES, INC.  
COMPARATIVE BALANCE SHEET

ASSETS

|                     | March 31      |               |               |               |
|---------------------|---------------|---------------|---------------|---------------|
|                     | <u>1962</u>   | <u>1963</u>   | <u>1964</u>   | <u>1965</u>   |
| Cash                | 15            | 321           | 4,788         | 977           |
| Accounts Receivable | 4,482         | 10,889        | 17,036        | 19,460        |
| Prepaid Expenses    | 417           | 1,838         | 3,149         | 625           |
| Investment (Note A) | -             | 100           | 100           | 100           |
| Fixed Assets (Net)  | 36,878        | 43,924        | 44,832        | 50,817        |
| Other Assets        | <u>2,150</u>  | <u>2,775</u>  | <u>2,125</u>  | <u>2,125</u>  |
|                     | <u>43,942</u> | <u>59,847</u> | <u>72,030</u> | <u>74,104</u> |

LIABILITIES AND CAPITAL

|                                  |                 |                 |                |               |
|----------------------------------|-----------------|-----------------|----------------|---------------|
| Accounts Payable                 | 4,295           | 5,419           | 1,370          | 2,894         |
| Notes Payable (Due within 1 yr.) | 4,488           | 7,510           | 10,098         | 6,428         |
| Other Current Liabilities        | 1,103           | 2,194           | 2,396          | 2,241         |
| Loans from Stockholders          | 3,290           | 7,520           | 7,245          | 12,156        |
| Notes Payable (Due after 1 yr.)  | 460             | 3,731           | 6,928          | 500           |
| Capital Stock                    | 44,203          | 46,329          | 47,829         | 47,829        |
| Earned Surplus (Deficit)         | <u>(13,897)</u> | <u>(12,856)</u> | <u>(3,836)</u> | <u>2,056</u>  |
|                                  | <u>43,942</u>   | <u>59,847</u>   | <u>72,030</u>  | <u>74,104</u> |

Note A - Reflects investment in wholly owned subsidiary, Tama Productions, Inc. The formation of Lenson Music, Inc. and Syntro Electronics Corp. occurred subsequent to March 31, 1965.

OFFICE EQUIPMENT

|                 | EXEC.<br>OFFICE | STUDIO<br>OFFICE | TAMA &<br>REH.RM. | SYNTRO<br>SHOP | TAPE<br>LIBRARY | ON<br>HAND | NEED | TOTAL  |
|-----------------|-----------------|------------------|-------------------|----------------|-----------------|------------|------|--------|
| Desks           | 1               | 2                | 2                 | 1              | 1               | 4          | 3    | 750*   |
| Chairs          | 4               | 4                | 4                 | 4              | -               | 0          | 16   | 1,600* |
| Couches         | 1               | -                | 1                 | -              | -               | 0          | 2    | 600*   |
| Tables          | 3               | -                | -                 | -              | -               | 3          | 3    | -      |
| Bench           | -               | -                | -                 | 1              | -               | 0          | 1    | 300    |
| Drafting Table  | -               | -                | 1                 | 1              | -               | 1          | 1    | 650*   |
| Test Set-Up     | -               | -                | -                 | 1              | -               | 0          | 1    | 5,000* |
| File Cabinets   | -               | 4                | 2                 | 2              | 1               | 0          | 9    | 450*   |
| Typewriters     | -               | 2                | 1                 | 1              | 1               | 1          | 4    | 400*   |
| Piano (Upright) | -               | -                | 1                 | -              | -               | -          | 1    | 250    |

Total Cost - Office Equipment

\$10,000

OTHER CHARGES

|   |                 |
|---|-----------------|
| Construction - 16,000 sq. ft. Staggered Stud Accoustical Wall | 36,000          |
| Air Conditioning - 30 Tons @ 600/ton                          | 18,000          |
| Floor Covering Tile - 5000 sq. ft. - Carpeting - 2500 sq. ft. | 4,100           |
| Re-installation and Down Time                                 | 7,500           |
| Accoustical Treatment (Ceilings)                              | 7,500           |
| Accoustical Treatment (Walls)                                 | 10,500          |
| Shelving  | 500             |
| Cost to Move  | 900             |
| Electrical  | 2,500           |
| <b>Total Cost - Other Charges</b>                             | <u>\$87,500</u> |

STEA & PHILLIPS ENTERPRISES, INC.

INCOME -- BASED ON 6 HOUR DAY, 5 DAY WEEK, 52 WEEK YEAR  
REPRESENTING 50% OF CAPACITY

| <u>FACILITY</u> | <u>RATE/HOURS</u> |                 | <u>HOURS OF OPERATION(1)</u> | <u>YEARLY INCOME</u> |
|-----------------|-------------------|-----------------|------------------------------|----------------------|
|                 | <u>W/O FILM</u>   | <u>W/FILM</u>   |                              |                      |
| Studio A        | \$65              | (\$75 Avr) \$85 | 1560                         | \$117,000            |
| Studio B        | \$55              | (\$65 Avr) \$75 | "                            | 101,400              |
| Studio C        | \$30              | (\$40 Avr) \$50 | "                            | 62,400               |
| Remix A         |                   | \$30            | "                            | 46,800               |
| Remix B         |                   | \$30            | "                            | 46,800               |
| Cutter A Stero  |                   | \$25            | "                            | 39,000               |
| Cutter B Mono   |                   | \$13            | "                            | 20,280               |
| Sub- Total      |                   |                 |                              | <u>\$433,680</u>     |

SUBSIDIARIES

|                          |                  |
|--------------------------|------------------|
| Tama Productions, Inc.   | -0- (A)          |
| Lenson Music, Inc.       | -0- (A)          |
| Syntro Electronics Corp. | <u>-0- (A)</u>   |
| Sub- Total               | <u>-0-</u>       |
| Total Income             | <u>\$433,680</u> |
| Say                      | <u>\$430,000</u> |

(A) While no income has been attributed to the subsidiaries due to their speculative nature, expenses are shown.

Note: Projections are best effort estimates based on the experience of the company and its personnel.



STEA & PHILLIPS ENTERPRISES, INC.

EXPENSES

|                                     |                      |
|-------------------------------------|----------------------|
| Payroll - Officers (See breakdown   | \$ 57,200 *          |
| Payroll - Others attached)          | 109,200 *            |
| Supplies                            | 12,000               |
| Rent (7,500 sf. @ \$4.25/sf.)       | 32,000               |
| Telephone                           | 3,000                |
| Utilities                           | 500                  |
| Professional Fees                   | 3,500                |
| Insurance                           | 2,500                |
| Stationery and Postage              | 2,000                |
| Equipment Rental (See detail below) | 41,200               |
| Interest and Bank Charges           | 1,000                |
| Commissions                         | 2,000                |
| Travel and Entertainment            | 3,000                |
| Cleaning and Rubbish Removal        | 1,000                |
| Miscellaneous                       | 4,400                |
| Taxes (Other than FIT)              | <u>7,500</u>         |
| <br>Total Expenses                  | <br><u>\$282,000</u> |

COMPUTATION OF ANNUAL EQUIPMENT RENTAL

Based on an installed cost of additional equipment and improvements in the amount of \$215,500, the annual equipment leasing expense is computed as follows:

|                  | <u>Total</u>     | <u>Buy</u>       | <u>Lease</u>     |
|------------------|------------------|------------------|------------------|
| Studio Equipment | 118,000          | 35,930           | 82,070           |
| Office Equipment | 10,000           | 550              | 9,450            |
| Other Charges    | <u>87,500</u>    | <u>87,500</u>    | <u>-</u>         |
|                  | <u>\$215,500</u> | <u>\$123,980</u> | <u>\$ 91,520</u> |

Lease Equipment \$91,520 x 3-1/2% = \$3,200 (monthly rental)

|   |                  |
|---|------------------|
| Annual Rent of New Equipment (\$3,200 x 12) | \$ 38,400        |
| Current Equipment Rental Expense (say)      | <u>2,800</u>     |
|   | <u>\$ 41,200</u> |

\*Projected salaries reflect anticipated salary levels. Current salaries are considerably lower and are intended to increase proportionately with an increase in income; at the rate of approximately 35% of gross earnings.

LENSON MUSIC, INC. (Publisher)

|             |                               |                    |
|-------------|-------------------------------|--------------------|
| Performance | (Radio and TV airplay)        | \$25,000.00        |
| Mechanical  | (Sales, including juke boxes) | \$25,000.00        |
| Mechanical  | (Other side of disc)          | \$25,000.00        |
|             |                               | <u>\$75,000.00</u> |

TAMA PRODUCTIONS, INC. (Producer)

|   |                     |
|---|---------------------|
| Average of 5% Royalty of 90% of total sales | \$112,500.00        |
| Total monies earned                         | <u>\$187,500.00</u> |

In addition, the "hit" quality of this type of record always leads to "follow up" singles and albums of other songs, which usually account for a sum at least equal to the monies earned from the initial release. As a matter of fact, it is conservatively estimated that the total monies earned as a direct result of the initial success of "Sherry", from all sources, domestic and foreign, (including management, personal appearances, record and sheet music sales, etc.) currently exceeds \$5,000,000. The preceding indicates that the projected activity of Tama and Lenson are a natural adjunct to the future success of Stea & Phillips Enterprises, Inc.

TAMA PRODUCTIONS, INC.

PRODUCT COMMERCIALS

CURRENTLY IN USE

|                      |                       |
|----------------------|-----------------------|
| Rose-X Fluffy Rinse  | Dugan's Energee Bread |
| Rose-X Bleach        | 4-C Breadcrumbs       |
| Holland House Coffee |                       |

PAST USE

|                         |                           |
|-------------------------|---------------------------|
| Sears-Roebuck           | Hebrew National Foods     |
| Aunt Millie's Sauce     | DuPont 88*                |
| Gil Netter's Tuna       | Treat Potato Chips        |
| La Rosa                 | Charles Antel Hair Creams |
| Rand-McNally            | Underwood-Divisuma*       |
| Promis Cream            | Old Crow*                 |
| May's Department Stores | Norcross*                 |
| Vic Tanny               |                           |

PENDING

|                     |             |
|---------------------|-------------|
| Polish Ham          | Color Forms |
| Discount Rent-A-Car | Geisha Tuna |

ADVERTISING AGENCIES SERVED

|                 |                                   |
|-----------------|-----------------------------------|
| Chalek & Dreyer | Young & Rubicam                   |
| N.W. Ayers      | Batten, Barton, Durstine & Osborn |

In addition, Tama Productions, Inc., recently leased to Decca Records the first of a projected series of albums, written and produced entirely by Tama.

\*Denotes Industrial Presentation.

TAMA PRODUCTIONS, INC.

LENSON MUSIC, INC.

As previously stated, both Tama Productions, Inc., and Lenson Music, Inc., are wholly owned subsidiaries of Stea & Phillips Enterprises, Inc. Some of their opportunities lie in the following areas:

1. Part or total ownership of phonograph recordings and/or the material contained therein.
2. The creation and/or production of radio and television commercials.
3. Premium records designed for use as promotional advertising bonuses or self-liquidating low cost items for private industry.
4. Musical and dramatic presentations for industries designed to promote enthusiasm among sales forces and franchised dealers.
5. Motion picture scoring, background and identity music.
6. Residual royalty benefits derived from copyright ownership of materials contained in any of the foregoing.

The potential value of these companies can best be illustrated by using, as an example, the record "Sherry" by the Four Seasons (which, in fact, was recorded at Stea-Phillips Studios). The world-wide sale of this recording officially exceeded 2,500,000 copies. Assuming original ownership of the recording by Tama Productions, Inc., and the song copyright by Lenson Music, Inc., the total estimated monies earned from the sales and performances of this recording would have been as follows:

## SYNTRO ELECTRONICS CORP.

Although this company was officially established in 1965, its activities actually began two years earlier, when efforts to expand the recording studio facility revealed a complete lack of miniaturized, high performance components at a reasonable price. It was therefore decided that Stea-Phillips would design and construct its own low cost equipment, with an eye toward the similar needs of other recording installations.

The completed equipment was installed and demonstrated for members of other recording establishments and distributors as well as studio clients. The spontaneous reaction was so enthusiastic and the request for prototype samples so numerous that in April, 1965 Syntro Electronics was founded as the design and manufacturing division of Stea & Phillips Enterprises, Inc. in an effort to fulfill these requests.

The following two pages set forth in detail the components, their cost to manufacture and their sale price; the price of competing components together with a brief description of the advantages of the units designed by Syntro.

SYNTRO ELECTRONICS CORP.

| <u>Products Developed<br/>And Ready For<br/>Production</u> | <u>Cost To<br/>Mfg. - Lots<br/>of 100 (1)</u> | <u>Price<br/>To Distri-<br/>butor</u> | <u>Retail<br/>Price</u> | <u>Retail Price<br/>Of Competitive<br/>Products</u> | <u>Comments On Syntro<br/>Products' Advantages (2)</u>  |
|--|---|---------------------------------------|-------------------------|---|---|
| Program-Microphone<br>Equalizer                            | \$40/ea.                                      | \$120                                 | \$150                   | \$260 Langevin                                      | Increased selectivity and range.<br>Simplified replacement of control<br>elements.  |
| Graphic Equalizer  | \$85/ea.                                      | \$175                                 | \$225                   | \$600 Langevin                                      | Same performance characteristics<br>in 1/3rd size as Langevin.  |
| Transistorized<br>Multipurpose Audio<br>Amplifier          | \$18/ea.                                      | \$45                                  | \$60                    | \$60-\$140 (Various)                                | No need for transformers except<br>for related circuit requirements<br>where installed. Performs equally<br>well as microphone, booster, line,<br>tape and disc play back amplifier;<br>and does not require any internal<br>circuit changes. |
| Miniature Hi-Pass -<br>Low-Pass Filter                     | \$60/ea.                                      | \$140                                 | \$175                   | \$180 (Various)                                     | Same performance characteristics<br>in 1/2 size of competing products.  |
| <u>Products Under<br/>Development</u>                      |   |                                       |                         |   |   |
| Vertical Slide<br>Attenuator                               | \$17/ea.                                      | \$25                                  | \$32                    | \$50-\$100 (Various)                                | Only unit with replaceable contact<br>unit.   |
| Horizontal Slide<br>"Pan Pot"                              | \$17/ea.                                      | \$25                                  | \$32                    | \$60-\$110 (Various)                                | See comments on Vertical Slide<br>Attenuator above.   |

| <u>Products In Planning Stage</u>    | <u>Retail Price</u>  | <u>Of Competitive Products</u>  | <u>Comments on Syntro Products' Advantages (2)</u>   |
|--------------------------------------|----------------------|---------------------------------|--|
| Passive Audio Compressor             | \$75                 | \$168 Fairchild                 | Much lower cost permitting quantity usage and eliminating electrical distortion.   |
| Miniature Pushbutton Selector Switch | -                    | - None                          | Designed to allow pushbutton flexibility with a 75% reduction in size, with potential extending to numerous aero space applications. |
| Professional Disc Recording Lathe    | \$2,000 -<br>\$2,500 | \$3,000 -<br>\$12,000 (Various) | Automatic features including a unique noiseless fluid drive mechanism.   |

1. Cost prices were obtained from: Sprague, Mallory, Central Lab, Allen-Bradley, Alco, Torwico, U.S. Capacitor Corp., Union Carbide (Cermet Div.), etc.
2. 4,800 AM and FM radio stations, plus numerous TV stations, 1,000 recording studios, numerous film labs and sound stages, industrial and institutional auditoriums and military applications.

As an example, Stea-Phillips alone will utilize a minimum of approximately the following quantities for each of the following Syntro Products:

|                              |     |                                     |     |
|------------------------------|-----|-------------------------------------|-----|
| Program Microphone Equalizer | 70  | Transistorized Audio Amplifier      | 120 |
| Graphic Equalizer            | 12  | Horizontal Slide "Pan Pot"          | 8   |
| Verticle Slide Attenuator    | 104 | Miniature Hi-Pass - Low-Pass Filter | 8   |

3. Syntro will get residual income for replacement parts which are not otherwise available.
4. All products are miniature modular.
5. Syntro, along with RCA and Universal Studios in California are the only manufacturers with related recording studios in which to test equipment. While both RCA and Universal Studios manufacture audio equipment, neither of them manufactures any of the components listed above.