

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.

CHAIRMAN ARMSTRONG ANNOUNCES REGULATION A REVISIONS

Chairman J. Sinclair Armstrong of the Securities and Exchange Commission today announced the adoption by the Commission of a revised Regulation A exemption from registration under the Securities Act of 1933 for public offerings of securities not exceeding \$300,000 in amount. The new regulation consolidates with Regulation A the previously existing Regulation D exemption for Canadian securities.

Simultaneously, Chairman Armstrong announced the issuance by the Commission of a further proposal for revision of Regulation A which, if adopted, would make the exemption from registration under Regulation A available only to "seasoned" companies meeting a specific earnings test or whose offerings meet certain tests with respect to the limited character of the offering. Interested persons may submit views and comments thereon not later than September 15, 1956.

"Our action today," Chairman Armstrong commented, "is the result of many months' study by the Commission and its Staff of the problem of providing appropriate safeguards and protection for the public investor in connection with offerings of securities pursuant to Regulation A and other exemptions from registration. In this study, we have had the benefit of our own experience in the administration of Regulations A and D, the written comments received upon the original amendment proposal issued July 18, 1955 (Release No. 3555), and those made at the public hearing held November 15, 1955, as well as the written comments on the revised amendment proposal of February 14, 1956 (Release No. 3613). In addition, the Commission has carefully considered all legislative proposals which have been made and has reviewed the testimony before the Commerce and Finance Subcommittee of the House Interstate and Foreign Commerce Committee, which considered certain legislative proposals which would affect the statutory provisions relating to issues eligible for sale to the public under exemptive regulations promulgated by the Commission.

"The revised Regulation A, which now will apply to certain securities of Canadian as well as domestic companies, should provide greater protection for investors without any unnecessary restrictions upon the raising of capital by small and medium-sized businesses. In addition to clarifying the requirements for disclosure of information in offering circulars, the new regulation requires an unseasoned company to use an offering circular even for an issue of less than \$50,000 in amount, whereas seasoned companies do not need to use an offering circular except for issues over that amount. In addition, it makes Regulation A exemptions unavailable for offerings by promoters, underwriters and others if the issuer has not had a net income from operations for at least one of the last two fiscal years; and, in determining the amount of securities which may be offered by any such company, securities issued to promoters, underwriters, and others for property and services must be included in the computation of the \$300,000 limitation unless appropriate arrangements are provided so as effectively to prevent any public distribution of the securities held by such persons for a period of one year following the beginning of the offering under the Regulation. Additional restrictions on the availability of the exemption are imposed if any of the promoters, management officials, or underwriters have a record of past securities violations.

"Under the revised Regulation A, we have provided with respect to newly organized Canadian issuers that qualification of the issuer with the Canadian Province in which the issuer has its principal business operations is a prerequisite to the availability of the exemption. This restriction was strongly urged by Canadian Provincial Securities Administrators. There was considerable opposition to a proposal which would have required similar qualification, in respect of domestic issues, under the State securities or "blue sky" laws. Similarly, there was much opposition, on the grounds of impracticability and inflexibility, to the provision contained in the February 14th revision proposal that the issuer and underwriter undertake to refund 85% of the proceeds of stock sales if at least 50% of the issue were not sold within six months. After careful consideration of the comments received and in view of the assertions that these two provisions would seriously hamper the interstate sale of securities by smaller issuers and result in a confusing and complex rule, the Commission determined not to adopt such proposals in the current revision.

"With the more stringent requirements of our new Regulation A, designed to implement the Commission's stepped-up enforcement program permitted under its increased appropriation for Fiscal 1957, the Commission hopes and expects to provide increased investor protection in the area of small and medium-sized issues of securities without impeding the raising of equity and other capital by smaller business enterprises.

"Our study of the problem of small-issue exemptions under Section 3(b) of the Act has also included a re-examination of the underlying question of the nature and scope of exemptions envisaged by Congress. In this connection, it is important to observe that Section 3(b) empowers the Commission, by rule or regulation, to add any class of securities to the securities exempted by Section 3(a). . . if it finds that the enforcement of this title with respect to such securities is not necessary in the public interest and for the protection of investors by reason of the small amount involved or the limited character of the public offering . . . subject of course to the \$300,000 limitation. By 'the enforcement of this title with respect to such securities,' Congress obviously was referring to the registration and disclosure requirements of the Act.

"We of the Commission have been concerned particularly with the sale of so-called 'penny stocks' by new companies which have availed themselves of the exemptions from registration provided by Regulations A and D and with the trading activities in such shares in the securities markets. It is with these problems in mind that the Commission has proposed, for public comment, further suggested revisions of Regulation A which would restrict the availability of the exemption to what might be termed 'seasoned' companies. Specifically, under this proposal, the exemption would be available only to companies which show a net income for at least one of the past five years or which limit their offerings to not more than 100,000 units in the case of equity securities and 3,000 units in the case of debt securities. Alternative proposals under consideration would require the issuer to meet both tests.

"In this connection, the Commission will shortly propose for public comment a proposal for revision and consolidation of registration forms (Forms S-3 and S-11) for promotional mining companies which will simplify the registration process for such companies."

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Summary of SEC Releases, Monday, July 23, 1956
Prepared for Press Use - Not for Quotation

Statistical Release No. 1394

The SEC Index of Stock Prices, based on the closing prices of 265 common stocks for the week ended July 20, 1956, for the composite and by major industry groups, compared with the preceding week and with the highs and lows for 1956, is as follows:

	<u>(1939 = 100)</u>		<u>Percent Change</u>	<u>1956</u>	
	<u>7/20/56</u>	<u>7/13/56</u>		<u>High</u>	<u>Low</u>
Composite	362.8*	358.4	+ 1.2	362.8	319.0
Manufacturing	464.8*	458.1	+ 1.5	464.8	398.6
Durable Goods	425.7*	420.0	+ 1.4	425.7	369.4
Non-Durable Goods	500.6	493.1	+ 1.5	500.8	425.2
Transportation	334.7	334.2	+ 0.1	353.0	312.8
Utility	158.9	157.9	+ 0.6	160.6	152.4
Trade, Finance & Service	317.9	317.6	+ 0.1	325.5	294.7
Mining	376.7	362.3	+ 4.0	382.5	326.8

*New High

Securities Exchange Act Release No. 5342

The Securities and Exchange Commission has ordered the discontinuance of proceedings under the Securities Exchange Act of 1934 to determine whether the broker-dealer registrations of the following should be revoked for failure to file required reports of financial condition:

James Connor Cheatham, doing business as
James C. Cheatham & Co., Tyler, Texas

George D. Clarke, Ltd., New York, N. Y.

Following the institution of the proceedings, Cheatham submitted a letter stating that he had ceased to do business as a broker-dealer on September 1, 1954, and requesting withdrawal of his registration. The request was granted by the Commission and the proceedings discontinued.

In the case of Clarke, which proceedings also involved the question whether respondent should be suspended or expelled from membership in the National Association of Securities Dealers, Inc., a financial statement as of April 30, 1956, was filed on June 8, 1956, accompanied by explanations of the failure to file such a report during 1955. The Commission concluded that, under the circumstances, it was appropriate to discontinue the proceedings.

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Holding Company Act Release No. 13227

Appalachian Electric Power Company (Roanoke, Va.) has applied to the SEC for an order authorizing bank borrowings of \$10,000,000 over and above \$16,000,000 of borrowings made or to be made under an exemption from the Holding Company Act; and the Commission has issued an order giving interested persons until August 7, 1956, to request a hearing thereon. Proceeds of the borrowings will be used to pay part of the costs of Appalachian's construction program estimated to amount to \$38,534,000 in 1956 and \$55,444,000 in 1957. The loans will be paid off from the proceeds of the next permanent financing by the company, expected to occur prior to April 30, 1957.

Holding Company Act Release No. 13228

The SEC has issued an order authorizing Michigan Wisconsin Pipe Line Company to issue and sell \$25,000,000 of bonds and an additional 60,000 shares of its \$100 par common stock. The company proposes to issue and sell, at competitive bidding, \$25,000,000 of First Mortgage Pipe Line Bonds, Series due 1976. The 60,000 common shares are to be issued and sold to American Natural Gas Company (parent) for \$6,000,000. Prior to such purchase by American, Michigan-Wisconsin proposes to declare and pay American a cash dividend of \$6,000,000. The effect of this dividend declaration and contemporaneous purchase of stock is to convert \$6,000,000 of retained earnings into common stock. Proceeds of the sale of the bonds will be used to retire the notes then outstanding and to provide funds required for construction.

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Eastern Shopping Centers, Inc., Yonkers, N. Y., filed a registration statement (File 2-12659) with the SEC on July 20, 1956, seeking registration of 3,140,000 shares of its \$1 par Common Stock. The company proposes to sell, at \$2 per share, 1,000,000 shares of stock to The Grand Union Company, of East Paterson, N. J. The balance will be offered for subscription at \$2 per share by holders of the outstanding common stock and 3½% Convertible Subordinated Debentures due 1969 of Grand Union. The latter offering will be at the rate of 1 share of Eastern common for each share of Grand Union, and on the basis of one share of Eastern stock for each share of Grand Union common into which its debentures are convertible (the conversion price of the debentures is stated at \$20.74 per share of Grand Union common, or at the rate of 4.8216 shares of Grand Union common per \$100 principal amount of debentures).

Eastern was organized under Delaware law by Grand Union on May 7, 1956, and proposes to engage in the business of acquiring, constructing, developing, managing and operating shopping centers. C. Van Ness Wood of Yonkers is president. Initially, the company expects to conduct its operations in the Eastern States. Of the net proceeds of the financing, \$20,000 will be applied to the payment of outstanding loans made by Grand Union for organization and other expenses. The remainder of the proceeds will be available for working capital and for other general corporate purposes. Such purposes are expected to include the acquisition from Grand Union of lands at Owego, N. Y., Wall Township, N.J., and West Springfield, Mass., the development of Shopping centers on such tracts and on others which the company may acquire or lease, and the operation of such shopping centers. Under an agreement with Grand Union, Eastern must notify Grand Union when it is ready to negotiate with prospective tenants for store sites in a new shopping

center and offer to lease to Grand Union such site or sites.

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General Acceptance Corporation, Allentown, Pa., filed a registration statement (File 2-12660) with the SEC on July 20, 1956, seeking registration of \$20,000,000 of Senior Debentures due 1971, to be offered for public sale through an underwriting group headed by Paine, Webber, Jackson & Curtis and Union Securities Corporation. The interest rate, public offering price and underwriting terms are to be supplied by amendment. Of the net proceeds, approximately \$16,000,000 will be used to liquidate the liability of Securities Credit Corporation for notes receivable re-discounted upon the acquisition of that company; and the balance will be added to the general working funds of the company and its subsidiaries and may be used for the development of additional instalment loan, retail and wholesale business, through the acquisition of the properties of other companies or otherwise, if in the judgment of the management, favorable opportunities for such expansion are present. Otherwise, the balance of proceeds will be used for reduction of short term borrowings.

General Acceptance holds an option to acquire all of the issued and outstanding capital stock of Securities Credit Corporation, Denver, and its affiliated companies, in exchange for shares of General Acceptance common. This option is to be exercised upon receipt of the proceeds of the debenture financing. A total of approximately 132,000 shares of General Acceptance will be required to consummate the proposed acquisition of Securities Credit and its affiliated companies, Securities Credit Corporation (Texas) and The Frontier Insurance Company. The option was obtained from L. B. Dukes, president of Securities Credit, and certain members of his family and business associates.

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Universal Match Corporation, St. Louis, Mo., filed a registration statement (File 2-12661) with the SEC on July 20, 1956, seeking registration of \$6,500,000 of Convertible Subordinated Debentures, due August 1, 1976, to be offered for public sale through an underwriting group headed by A. C. Allyn and Company, Incorporated, and Scherck, Richter Company. The interest rate, public offering price and underwriting terms are to be supplied by amendment. It is intended that the net proceeds of the financing will be utilized to finance the company's diversification program. Although the manufacture and sale of advertising match books is still one of its principal activities, the company is now engaged in a number of other businesses, conducted largely by subsidiaries. It has had and is presently conducting negotiations with a number of persons for the possible acquisition of various additional businesses. However, none of the proceeds of this financing has been allocated for any specific acquisition or other project and there are no outstanding purchase commitments. To the extent that the proceeds are not used within a reasonable period for such acquisitions, they will be used to retire some or all of the company's existing bank indebtedness and the balance, if any, added to general funds.

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Vita Food Products, Incorporated, New York City, filed a registration statement (File 2-12662) with the SEC on July 20, 1956, seeking registration of 89,480 shares of its 25¢ par Common Stock, of which 20,000 shares are to be offered for sale by the issuing company to 27 selected executives and key employees pursuant to a Stock Option Plan and 69,480 are to be offered for public sale by certain selling stockholders. The offering price and underwriting terms are to be supplied by amendment. Granbery, Marache & Co. is listed as underwriter.

The company has outstanding 325,400 common shares. The selling stockholders are Emma Schnibbe and Manufacturers Trust Company as Executors of the Estate of Richard V. Schnibbe, 24,180 shares; Frances Schnibbe Roberts and Nelson L. North as Executors of the Estate of Frederick Schnibbe, 21,260 shares; and Loretta Schnibbe, 24,040. Concurrently with the sale of this stock, the company will purchase from the selling stockholders an aggregate of 3,558 shares of the 13,519 outstanding shares of preferred stock at \$102 per share, plus accrued dividends, using for this purpose the proceeds of current bank borrowings. Members of the company's board of directors and its officers, together with their families, own over 57% of the outstanding common stock of the company.

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The Value Line Special Situations Fund, Inc., New York investment company, filed a registration statement (File 2-12663) with the SEC on July 20, 1956, seeking registration of 10,000,000 shares of its capital stock.

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