

SECURITIES AND EXCHANGE COMMISSION

NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.



Washington 25, D.C.

FOR RELEASE

May 9, 1957

Securities Act Release No. 3783

WITHDRAWAL OF PROPOSALS FOR AMENDMENT OF REGULATION A

The Securities and Exchange Commission has determined not to adopt the further amendments to its Regulation A under the Securities Act of 1933, which were proposed for comment on December 27, 1955, in Release No. 3600, as well as those proposed for comment on July 23, 1956, in Release No. 3664.

Regulation A provides a conditional exemption from registration under the Securities Act with respect to public offerings of securities not exceeding \$300,000 in amount. The December, 1955, proposal would have provided that financial statements required to be contained in offering circulars used in Regulation A offerings be certified by independent public accountants and that the certifying accountant consent to the use of his name on the certificate. Under the July, 1956, amendment proposal, the Regulation A exemption would have been available only to issuers and offerings meeting specified standards based either upon the existence of a record of net earnings on the part of the issuer or upon a limitation of the number of units which might be issued pursuant to the exemption.

The Commission has concluded that, considering the nature of the informational disclosures required in exempt offerings under Regulation A, and taking into account the limited financial information which is available, particularly with respect to promotional companies, as well as the added expense which certified financial statements would impose on small businesses which use Regulation A, the requirements for certified financial statements should not be adopted.

With respect to the other proposal, which would restrict the use of Regulation A to seasoned companies and offerings of a limited number of units, the Commission has concluded that there is no public investor need for the imposition of such restrictions at the present time.

Following publication of this amendment proposal in July, 1956, various written comments thereon were received by the Commission, mostly unfavorable to its adoption. At a public hearing held December 12, 1956, no one appeared to voice comments upon the proposal. Having considered the proposal in light of the written comments and the Commission's current experience in the administration of Regulation A, the Commission has concluded not to adopt the proposal. The present requirement of Regulation A that an offering circular

be filed and delivered to prospective investors was designed largely as an anti-fraud measure. With the reduction in current Regulation A filings and the Commission's stepped-up enforcement program, the problems concerning which this amendment proposal related are effectively dealt with by Regulation A as presently in effect.

It is to be noted in this connection that the number of Regulation A filings has fallen off considerably in the past year, as evidenced by the following:

<u>No. of Filings</u>	<u>Fiscal Year Ended June 30</u>	<u>Dollar Amount (in Millions)</u>
1175	1954	\$ 187.2
1628	1955	296.3
1463	1956	273.5
771	1957 (10 mos. to 4/30/57)	139.5

Studies made by the Commission's staff show that, of 621 offerings of common stock for cash sale in the calendar year 1955 under Regulation A, 225 were made by mining or extractive companies (including 170 uranium offerings) and 396 for non-mining companies. Reports filed by these companies showed that during the first six months of their offerings, a 40% sales success was claimed by uranium companies, 47% for oil and gas companies, and 33% for other mining companies, with an over-all 40% average for the group during the six-month period. For the non-mining companies, the sales success was 65% during the first six months. For the offering of mining stock issues, more than 40% of the issues were less than one-tenth sold in the first six months. By way of contrast with the 170 uranium issues of common stock offered for cash in 1955, only 40 uranium issues of all kinds were filed during the six months ended December 31, 1956. Of these 40 filings, only 7 were filed in the four months following effectiveness of the Regulation A amendments adopted on July 23, 1956, in Release No. 3663.

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Holding Company Act Release No. 13471

The Securities and Exchange Commission today announced the issuance of an order authorizing The Columbia Gas System, Inc., to purchase additional stock and/or installment notes of its subsidiaries, as follows (the proceeds of which will be applied by the subsidiaries to their 1957 construction programs):

<u>Subsidiary</u>	<u>Common Stock</u>	<u>Notes</u>
United Fuel Gas Company	\$4,500,000	\$13,100,000
Amerc Gas Utilities Company	-0-	100,000
Atlantic Seaboard Corporation	600,000	3,400,000
Virginia Gas Distribution Corporation	200,000	400,000
Kentucky Gas Transmission Corporation	500,000	800,000
Cumberland and Alleghany Gas Company	250,000	1,900,000

Columbia also was authorized to make open account cash advances to subsidiaries for the purchase of inventory gas, as follows: United Fuel, \$13,000,000; Atlantic Seaboard, \$800,000; The Ohio Fuel Gas Company, \$18,000,000; The Manufacturers Light and Heat Company, \$8,600,000; and Home Gas Company, \$1,600,000.

Holding Company Act Release No. 13468

Georgia Power Company (Atlanta) has applied to the Securities and Exchange Commission for authorization to issue and sell, at competitive bidding, \$15,500,000 of First Mortgage Bonds, Series due 1987; and the Commission has issued an order giving interested persons until May 24, 1957, to request a hearing thereon. Georgia Power proposes to use the net proceeds of this financing for property additions and improvements. It estimates its 1957 construction program at approximately \$72,300,000.

Holding Company Act Release No. 13469

Public Service Company of Oklahoma (Tulsa) has applied to the Securities and Exchange Commission for authorization to make bank borrowings aggregating \$12,000,000 during the period June 3, 1957, to July 1, 1958; and the Commission has issued an order giving interested persons until May 27, 1957, to request a hearing thereon. Proceeds of these borrowings are to be used by Public Service to finance temporarily a portion of its construction expenditures.

Holding Company Act Release No. 13470

General Public Utilities Corporation, New York, has applied to the Securities and Exchange Commission for authorization to make one or more cash capital contributions to its subsidiary, New Jersey Power & Light Company, in an amount not to exceed \$3,000,000; and the Commission has issued an order giving interested persons until May 24, 1957, to request a hearing thereon. The subsidiary will utilize the funds (a) to finance in part its current construction program, (b) to reimburse its treasury in part for expenditures made therefrom for construction purposes, and (c) to repay bank loans, the proceeds of which have been directly or indirectly utilized for construction purposes.

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Securities Exchange Act Release No. 5509

The Securities and Exchange Commission today announced the issuance of a decision sustaining in part, and setting aside in part, certain fines and assessments imposed by the National Association of Securities Dealers, Inc., upon Managed Investment Programs, of San Francisco, and upon Nathaniel S. Chadwick, the principal partner, and Richard O. Atkinson, a salesman.

The NASD Board of Governors had imposed fines of \$2,000 upon Programs, \$1,000 upon Chadwick, and \$300 (plus censure) upon Atkinson; and it also assessed Programs for costs in the amount of \$2,000. Such disciplinary actions were based upon violations of the NASD rules of fair practice, involving sales of securities to customers at prices not reasonably related to current market prices, permitting a salesman who was not at the time Program's registered representative to transact business for the firm, and for failing to maintain and preserve certain records.

Upon review of the NASD decision, the Commission affirmed the NASD finding as to Programs and Chadwick that its rules had been violated in the respects indicated; and the Commission further held that such conduct was inconsistent with just and equitable principles of trade. The Commission sustained the \$2,000 fine against Programs and the \$1,000 fine against Chadwick. However, it set aside the action taken against Atkinson on the ground that this action of the Board of Governors was beyond the scope of its review of the prior ruling of the NASD district business conduct committee; which had not found a violation by Atkinson on this count.

Furthermore, the Commission set aside the \$2,000 assessment of costs against Programs, without prejudice to the right of NASD to reassess costs in an amount not in excess of \$2,000 provided such costs are itemized and without prejudice to the right of Programs to seek further Commission review thereof.

According to the Commission's decision, the record on review showed that in 39 sales by Programs to customers there were mark-ups in prices charged ranging from more than 6% to more than 21% over the cost of the securities purchased by Programs on the same day or, where the purchases were made before or after the date of sale, over the high asked price quoted for the securities in the daily sheets of the National Daily Quotation Service. The total price of the securities so sold was \$39,682,50, including a profit to Programs of \$8,133.50.

The Commission rejected the contention of Programs that the prices charged were reasonably related to the current retail market price for the securities. It noted that of the 39 sales, 18 were of a riskless nature, the securities sold having been purchased by Programs on the same day, and the mark-ups ranged from over 7% to over 21%. With respect to the 21 sales of securities purchased before or after the date of sale to the customer, the mark-ups ranged from more than 6% to more than 13% above the high asked price quotations in the Sheets.

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Holding Company Act Release No. 13467

Utah Power & Light Company (Salt Lake City) and its subsidiary, The Western Colorado Power Company, have joined in the filing of an application with the Securities and Exchange Commission for an order authorizing Western Colorado to issue and sell to Utah Power a \$200,000 unsecured promissory note; and the Commission has issued an order giving interested persons until May 27, 1957, to request a hearing thereon. The funds are to be utilized by Western Colorado for the purpose of providing it with cash to make the June payment of its Income Taxes and interest on its debt. Recently, Western Colorado spent some \$180,000 to repair the damage to its property and equipment caused by a snowslide, and it is expected that insurance company claims in respect thereof will be settled for about \$150,000 by October, 1957.

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Houdaille Industries, Inc., Buffalo, N. Y., filed a registration statement (File 2-13327) with the Securities and Exchange Commission on May 8, 1957, seeking registration of 50,000 shares of its \$3 par Common Stock, to be offered for sale under that company's "Salaried Employees' Stock Purchase Plan" to eligible employees of the company and subsidiaries.

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Textron Inc., Providence, R. I., filed a registration statement (File 2-13328) with the Securities and Exchange Commission on May 8, 1957, seeking registration of 300,000 shares of its 50¢ par Common Stock, to be offered for subscription under the "Textron Inc. Employees Stock Option Plan" by certain key employees of Textron and subsidiaries.

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Tennessee Gas Transmission Company, Houston, Texas, filed a registration statement (File 2-13329) with the Securities and Exchange Commission on May 8, 1957, seeking registration of \$50,000,000 of First Mortgage Pipe Line Bonds, Series due 1977. The company proposes to offer these bonds for public sale through an underwriting group headed by Stone & Webster Securities Corporation, White, Weld & Co. and Halsey, Stuart & Co., Inc. The interest rate, public offering price and underwriting terms are to be supplied by amendment. Net proceeds of the sale of the bonds will be applied in part to the payment of the company's outstanding short-term notes issued under its Revolving Credit Agreement, the proceeds of which were used by the company in its expansion program, and the remainder of the proceeds will be used for property additions. Property additions now in progress and expected to be completed during 1957 are estimated at \$32,000,000. Applications pending before the Federal Power Commission call for additional facilities which have an estimated cost of \$163,700,000.

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The Brooklyn Fox Corporation, New York, filed an application (File 22-2107) with the Securities and Exchange Commission on May 8, 1957, for qualification of a trust indenture under the Trust Indenture Act of 1939 covering \$1,700,000 of 4% Mortgage Bonds, due August 1, 1967, (formerly known as Income Bonds due August 1, 1957).

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Pursuant to an Amended Plan of Reorganization approved by the Supreme Court of the State of New York, County of Kings, \$1,700,000 of presently outstanding Income Bonds will be amended, modified and extended so as to constitute $4\frac{1}{2}\%$ Mortgage Bonds due August 1, 1967. The interest will be fixed instead of being based on income and there will be a fixed annual sinking fund of \$30,000 per annum.

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General Cigar Co., Inc., New York, filed an application (File 22-2110) with the Securities and Exchange Commission on May 8, 1957, for qualification of a trust indenture under the Trust Indenture Act of 1939, pursuant to which \$7,000,000 of $5\frac{1}{2}\%$ Cumulative Income Subordinated Debentures, due June 1, 1987, are to be issued. According to the application, General Cigar is submitting to the vote of its stockholders, a proposal to consolidate and merger with and into itself Jose Escalante & Co., Inc., its wholly-owned subsidiary. Pursuant to such consolidation and merger, the 50,000 outstanding shares of \$100 per Preferred Stock of General Cigar will be converted into $5\frac{1}{2}\%$ Cumulative Income Subordinated Debentures, due June 1, 1957, on the basis of \$140 principal amount of such Debentures for each share of preferred, with an aggregate of \$7,000,000 of such Debentures to be authorized for such issuance.

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Ira Haupt & Co., New York, Sponsor of Municipal Investment Trust Fund, Series A, today filed a registration statement (File 2-13330) with the Securities and Exchange Commission seeking registration of 5,000 Units in the Fund.

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