

CHAIRMAN'S OFFICE  
MAILED

MAY 16 1961

Signed by: \_\_\_\_\_

Mr. Henry J. Wiebe, President  
General Aeromation, Inc.  
6011 Montgomery Road  
Cincinnati 13, Ohio

Re: General Aeromation, Inc.  
File No. 24C-2227

Dear Mr. Wiebe:

Your letter of April 22, 1961 to President Kennedy, concerning the procedure followed by the Commission in the suspension of the Regulation A offering of General Aeromation, Inc., has been referred to this office for reply.

You charge Mr. James Flynn of the Commission's Chicago Regional Office with handling this case with malicious intent for the purpose of destroying your company in that: he failed to send the issuer a letter of comments regarding its notification or to afford the company an opportunity to discuss and amend the filing; he issued the temporary suspension order in the proceedings; he unnecessarily dragged you through a long, drawn-out and expensive hearing; and he refused to enter into an offer of stipulation and consent presented by the company for the purpose of terminating the proceedings on the basis of the terms provided therein.

In attributing to Mr. Flynn the responsibility for, and malice with respect to, the actions taken in processing the filing of General Aeromation, Inc., it may be that you are not fully aware of the manner in which the case was handled or who has the responsibility for the actions taken in connection therewith.

As you may know, the Commission promulgated Regulation A, pursuant to the authority conferred in Section 3(b) of the Securities Act of 1933, to provide an exemption which would facilitate financing by small business. In adopting this Regulation, the Commission, in the public interest and for the protection of investors, provided certain standards of disclosure and it made the exemption available only upon compliance with the terms and conditions specified in the Regulation.

The notification and offering circular filed by General Aeromation, Inc. was examined by the staff of the Chicago Regional Office, in the same manner as are all other Regulation A filings, to determine whether the company had complied with the terms and conditions of the Regulation. It appeared, upon such examination, that the company had not complied with the terms and conditions of the Regulation and it appeared that the offering circular filed by the company contained numerous untrue statements of material facts and in many instances omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

This matter was brought to the attention of the Chicago Regional Administrator, who decided that a check should be made concerning the accuracy of the information set forth in the offering circular. After considering the information obtained through consultation with military and civilian experts in the aircraft industry, the Regional Administrator decided, rather than send a letter of comments, to recommend to the Commission that the filing of General Aeromation, Inc. be suspended. This Division then reviewed the company's filing and the information submitted by the Chicago Regional Office. The Division made further investigation concerning the accuracy of the statements in the offering circular and thereafter concurred in the recommendation of the Chicago Regional Administrator that the case be suspended.

The Commission, on May 6, 1960, after consideration of the suspension recommendations of the Chicago Regional Administrator and this Division, exercised its independent judgment and issued an order temporarily suspending the exemption under Regulation A for the proposed offering of securities by the company. Just prior to the issuance of the order, the Commission considered and denied your request that it hold in abeyance any action regarding suspension until the company had an opportunity to appear, explain its position and obtain information concerning the basis on which the staff recommended suspension.

You were advised that withdrawal of the filing after suspension was prohibited by Rule 255(e). You were further advised of your right, as provided in the suspension order, to request a hearing and if you could refute the allegations in the temporary suspension order, the Commission could vacate such order. In view of your desire to make an immediate public offering, you were also advised that a suspension order under Regulation A, whether temporary or permanent, is not a bar to making an offering under a registration statement and that the company could proceed immediately to file a registration statement for a public offering of its securities if it meets the disclosure standards of the Act.

You chose to request a hearing in the matter of suspension. After the hearing was held, at which the company had full opportunity to introduce evidence, present testimony and question witnesses and counsel for the company had filed his proposed findings of fact and conclusions of law as well as his brief in support of the company's position, you presented an offer of stipulation and consent to the Chicago Regional Administrator. The Chicago Regional Administrator declined to recommend that the Commission enter into the proposed stipulation and consent and thereafter counsel requested such stipulation and consent be presented for consideration by the Commission. The Commission considered the matter and also declined to enter into the proposed stipulation and consent. The case is now before the Hearing Examiner who will prepare a recommended decision for submission to the Commission.

We advise you that the actions taken in this case have been objectively considered by the staff of the Chicago Regional Office, the Chicago Regional Administrator, the Division of Corporation Finance, the Hearing Examiner, and the Commission itself. At no time has any individual attorney for the Commission determined the position to be taken by the staff of the Commission in this matter. At no time has the Commission or its staff been guided by any policy or desire to impede the financing of small business or, in particular, the proposed offering by your company. You must realize, however, that the intent of Congress in enacting the Securities Act was to provide, in the public interest, standards of fair disclosure and protection for investors. These standards also apply with respect to offerings under the exemption provided by Regulation A and the Commission requires all businesses, large as well as small, which seek to avail themselves of this exemption to comply with the terms and conditions of the Regulation.

It should be apparent from the foregoing that your charges against Mr. Flynn are without foundation in fact.

If you have any further information which you or your counsel have not yet presented in this case, I shall be happy to give it full consideration.

Very truly yours,

Patrick J. Griffin, Jr.  
Chief, Branch of Small Issues