

**Twelfth Annual Report
of the
Securities and Exchange
Commission**

Fiscal Year Ended June 30, 1946



**UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1947**

SECURITIES AND EXCHANGE COMMISSION

**Central Office
18th and Locust Streets
Philadelphia 3, Pa.**

COMMISSIONERS

**Ganson Purcell, *Chairman*
Robert E. Healy
Robert K. McConaughey
James J. Caffrey
Richard B. McEntire
Orval L. DuBois, *Secretary***

LETTER OF TRANSMITTAL

SECURITIES AND EXCHANGE COMMISSION,
Philadelphia 3, Pa., January 27, 1947.

SIR: I have the honor to transmit to you the Twelfth Annual Report of the Securities and Exchange Commission, in accordance with the provisions of Section 23 (b) of the Securities Exchange Act of 1934, approved June 6, 1934, Section 23 of the Public Utility Holding Company Act of 1935, approved August 26, 1935, Section 46 (a) of the Investment Company Act of 1940, approved August 22, 1940, and Section 216 of the Investment Advisers Act of 1940, approved August 22, 1940.

Respectfully,

JAMES J. CAFFREY, *Chairman.*

THE PRESIDENT OF THE SENATE,

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES,

Washington, D. C.

ROBERT E. HEALY
1883-1946

Robert E. Healy was appointed by the President as one of the original members of the Securities and Exchange Commission, and assumed the duties of that office on July 2, 1934. By virtue of three successive reappointments he held that office until his death on November 16, 1946.

To his duties he brought a wealth of knowledge and wisdom, a staunch integrity, an impeccable sense of fairness, and a boundless, untiring devotion. These qualities made him, inevitably, a powerful influence in the shaping and administration of the laws administered by the Commission.

His forceful expression of the principles that guided his decisions established a tradition deeply respected by all who knew him. He leaves more than one man's burden to be borne by those who remain. It would have been his will that we carry on, in spite of his loss, the tasks which still lie before us.

His was a spirit that recognized no limit to friendship. To the young people, whom he especially loved, he was particularly anxious to give help and encouragement. In all who knew him he inspired a deep and lasting affection.

We have resolved to memorialize herein our sorrow at his passing and to record our deep sympathy for the members of his family.

James J. Caffrey
Robert K. McConaughey
Richard B. McEntire
Edmond M. Hanrahan

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FOREWORD

This review of the Commission's activities for the fiscal year ending June 30, 1946, was prepared, pursuant to law, for the information of the Congress. It is a factual report, and is in general limited to the activities for the fiscal year covered. The Commission's Tenth Annual Report contained a broader historical statement, and reference to the Tenth Annual Report should be made for a more adequate survey of the first decade of the Commission's operations.

The recent Congressional election has brought to the Congress many new members. We hope that this annual report will help to acquaint them with the work of the Commission. The report indicates the broad scope of the Commission's concerns under the various laws administered by it and the significance of the policies embodied in those laws. The fields regulated by the Commission are complex and they are at the heart of the financial life of the American economy. The key to the most effective regulation in this field is to carry out the policies of the law with a minimum of interference with the normal operations of the facilities of securities distribution and trading.

A reading of the report will indicate the extent to which the Commission has adjusted its methods to achieve that aim. While the number of forms provided under the various acts may seem, at first glance, to result in complexity, the forms are, in reality, the result of constant adjustment to achieve simplicity and to minimize the burdens of those called upon to comply with the laws. The endeavor is always to find that method of administration which is most suitable and least burdensome to the particular individual or company affected.

The report describes instance after instance showing the effort of the Commission to bring the policy of the Congress into play with as much cooperation as possible with those concerned. The Commission's method of procuring corrections in registration statements by conference and negotiation rather than by formal proceedings is an example of this. The particular care exercised in conducting trading investigations so as to cause the minimum of disruption and embarrassment is another example. While, to the layman, many of the Commission's rules providing for exemptions and exceptions may appear to be complex and difficult to follow, they are the careful product of adjustment to the practical needs of the financial community.

The Commission has broad powers to bring about the geographical integration and corporate simplification of holding company systems. There are many ways in which such a far-reaching program may be effected. The dictation of plans by the Commission and their involuntary enforcement by the courts (which is one of the methods provided for under the Public Utility Holding Company Act) is one way. Another way is to indicate the Commission's findings as to the end results required by the Act and to leave wide latitude for the proposal of voluntary plans of compliance by the companies affected. The Commission has chosen the latter route. While many of the in-

tricate problems dealt with by the Commission under the Public Utility Holding Company Act might have been disposed of more quickly by adopting harsh measures for enforcing involuntary changes, the Commission has consistently considered that fairer and more feasible results can be achieved by encouraging and assisting voluntary compliance.

Evident throughout the report is the constant concern of the Commission to keep open the channels of communication between itself and those with whom it deals. In terms of time and manpower spent the rendition of information, advice, and help to other governmental bodies, interested companies and members of the public bulks large. As indicated in this report and in prior reports of the Commission the formulation of important administrative policies is, wherever possible, achieved through cooperation and consultation with those affected.

The Commission regards itself as having been charged with a public trust in the administration of the policies of the law. Its facilities are always available to those who seek information about its work. It applies to itself the principle of full disclosure embodied in all the statutes it administers.

COMMISSIONERS, STAFF OFFICERS, AND REGIONAL ADMINISTRATORS

Commissioners	<i>Term expires</i>
Ganson Purcell *	1947
Robert E. Healy **	1951
Robert K. McConnaughey	1949
James J. Caffrey	1950
Richard B. McEntire	1948

Secretary: Orval L. DuBois.

*Mr. Purcell resigned as of the close of business on June 30, 1946, being succeeded as Chairman by Mr. Caffrey. Mr. Edmond M. Hanrahan, of New York, was appointed to the vacancy created by Mr. Purcell's resignation.

**Deceased, November 16, 1946.

Staff Officers

- Baldwin B. Bane, Director, Corporation Finance Division.
- Milton H. Cohen, Director, Public Utilities Division.
- James J. Treanor, Jr., Director, Trading and Exchange Division.
- Roger S. Foster, Solicitor.
- William W. Werntz, Chief Accountant.
- Herbert B. Cohn, Executive Assistant in Charge of Opinion Writing Office.
- Walter C. Louchheim, Jr., Adviser on Foreign Investments.
- Hastings P. Avery, Director, Administrative Division.
- Philipp L. Charles, Director of Personnel.
- James J. Riordan, Budget Officer.

Regional Administrators

- Zone 1—Peter T. Byrne, Equitable Building (Rm. 2006), 120 Broadway, New York, N. Y.
- Zone 2—Paul R. Rowen, Post Office Square Building (Rm. 606), 79 Milk Street, Boston, Mass.
- Zone 3—William Green, Palmer Building (Rm. 415), Forsyth and Marietta Streets, Atlanta, Ga.
- Zone 4—Charles J. Odenweller, Jr., Standard Building (Rm. 1608), 1370 Ontario Street, Cleveland, Ohio.
- Zone 5—Thomas B. Hart, Bankers Building (Rm. 630), 105 West Adams Street, Chicago, Ill.
- Zone 6—Oran H. Allred, New Federal Building, Tenth and Lamar Streets, Fort Worth, Tex.
- Zone 7—John L. Geraghty, Midland Savings Building (Rm. 822), 444 Seventeenth Street, Denver, Colo.
- Zone 8—Howard A. Judy, 625 Market Street (Rm. 1301), 625 Market Street, San Francisco, Calif.
- Zone 9—Day Karr, 1411 Fourth Ave. Building (Rm. 810), Seattle, Wash.
- Zone 10—William M. Malone, O'Sullivan Building (Rm. 2410), Baltimore, Md.

PART I

ADMINISTRATION OF THE SECURITIES ACT OF 1933

The main objectives of the Securities Act of 1933, as amended, are to provide for full disclosure by means of registration statements and prospectuses of pertinent information regarding securities publicly offered for sale through interstate commerce or through the mails and to prevent misrepresentation, deceit, and other fraudulent practices in the sale of securities. The Act does not confer upon the Commission the power to approve or pass upon the merits of any security. Even though the act does not insulate investors against risk, it does make available to them information with which to gage the risk.

REGISTRATION OF SECURITIES UNDER THE SECURITIES ACT OF 1933

To achieve the end of full and fair disclosure of the material facts regarding securities offered for sale to the public in interstate commerce or by the use of the mails, the Act provides that, with certain exceptions, before securities may be so offered or sold, a registration statement must be filed with the Commission and must become effective. Each registration statement must be filed on the particular form prescribed by the Commission as appropriate to the type of security proposed to be offered.

The registration statement, which becomes a public document once it is filed, is designed to set forth all the material facts with regard to the company and its securities which are to be sold. This required information includes, for example, statements with regard to the character, size, and profitableness of the business; its capitalization; the purpose of the financing; options outstanding against securities of the issuer; the remuneration of officers and directors; bonus and profit-sharing arrangements; underwriters' commissions; and pending or threatened legal proceedings. Certified financial statements must also be included in the registration statement proper. In addition, the Act provides as an integral part of the registration procedure that the issuer must furnish to investors a prospectus setting forth in convenient form the basic or more important material contained in the registration statement.

The fact that a registration statement has been filed, or that it has been examined by the Commission's staff, or that it is in effect, does not imply any appraisal by the Commission of the merits of the security as an investment. The Securities Act does not authorize the Commission to pass judgment upon the soundness of any security covered by a registration statement. Actually, the statute makes any representation to the contrary a criminal offense. Thus, in administering the Act, the Commission does not direct the flow of capital or try to do so, although, of course, the requirement that registrants disclose the truth concerning security flotations may very well affect their

public reception. In short, as pointed out in the headnote to this chapter, the basic policy of the Act is not to attempt to protect the investor by insulating him from risk but to make available to him the information with which to gage the risk. It follows that, under the Act, even speculative or apparently unsound issues may be registered and sold to the public provided the whole truth is told.

One of the Commission's most important functions is to examine these registration statements for compliance with the statutory standards of full disclosure and to obtain amendments necessary to correct deficiencies discovered thereby before permitting the registration statement to become effective. The work of examining registration statements has to be accomplished with maximum dispatch, since the Act provides that the registration statement shall, ordinarily, become effective on the twentieth day after it is filed. The filing of an amendment to the registration statement starts the period of delay running anew, unless the amendment is filed with the consent of or by the order of the Commission. In that event the running of the original 20 days is not interrupted. The Commission may, in its discretion, accelerate the effective date of the registration statement, having due regard to the adequacy of relevant information available to the public and with due regard to the interests of investors. The purpose of the 20-day waiting period is to give the public an opportunity to absorb the information in the prospectus or registration statement before making a commitment that would otherwise need to be made in haste or ignorance.

The Commission has endeavored in many ways to adapt its procedures to the accustomed practice of businessmen and distributors of securities insofar as this adaptation is consistent with the intent of the Congress and the protection of investors. A notable example is the "letter of deficiency" which the Commission sends to registrants as promptly as possible after the statements are filed to advise them of any material misstatements or omissions. Registrants are thus afforded an opportunity to file correcting amendments before the statements become effective. Another informal procedure which has proved exceptionally useful is the prefiling conference in which representatives of registrants and underwriters discuss problems in connection with proposed filings with the Commission's staff so as to determine in advance what types or methods of disclosure would be necessary under the circumstances of the particular case. As a result of such informal advisory assistance rendered in an effort to simplify the registration procedure in every practicable way consistent with the public interest and the protection of investors, 1946 was the fifth consecutive fiscal year in which it has not been necessary for the Commission to issue a single order under the Act to prevent or suspend the effectiveness of any registration statement.

THE VOLUME OF REGISTERED AND EXEMPTED FLOTATIONS

Total of Registrations

The aggregate volume of securities effectively registered under the Securities Act of 1933 during the 12 months ended June 30, 1946, was

\$7,073,280,000,¹ the greatest amount in any fiscal year since the passage of the Act and very substantially greater than the previous high of \$4,851,465,000 in the 1937 fiscal year. Of this total registered, securities to be sold for cash amounted to \$5,895,840,000, of which about nine-tenths, or \$5,423,593,000, was registered for the accounts of the issuers of the securities (primary distributions). The amount to be sold for cash which was registered for the accounts of others than issuers, \$472,248,000, was the greatest amount ever registered for secondary cash distribution in any fiscal year and more than twice the previous high of \$189,722,000 in the 1941 fiscal year.

Volume of Stocks and Bonds

Of all securities registered to be sold for cash for the accounts of issuers, the volume of stocks was \$2,321,324,000 and the volume of bonds and other credit instruments was \$3,102,269,000. The volume of bonds and other credit instruments was only slightly less than the previous high of \$3,153,226,000 registered in the 1936 fiscal year. Although stocks accounted for the smaller part of securities registered for cash sale, the increase in stock registrations over previous years was substantially greater than the increase in bonds and other credit instruments over recent years. The volume of stock registrations was more than two and one half times greater than the \$863,363,000 registered in the 1945 fiscal year and almost double the previous high of \$1,208,520,000 in the 1937 fiscal year. The volume of equity securities other than preferred stock registered for cash sale, \$1,330,625,000, was in itself greater than the previous high for all stocks to be sold for cash; and the volume of preferred stocks to be sold for cash, \$990,699,000, was in itself greater than the total of all stocks registered by issuers for cash sale in the 1945 fiscal year.

Types of Issuers

Of all new issues registered to be sold for cash, an extremely high amount was registered by manufacturing companies. The \$1,750,752,000 so registered by this group was substantially greater than the previous high of \$1,195,349,000 in the 1936 fiscal year. Transportation and communication companies registered \$964,795,000 of new issues to be sold for cash, more than 80 percent greater than the \$529,516,000 of such registrations in the 1937 fiscal year. Finance and investment companies registered \$902,344,000 of new issues to be sold for cash, almost 40 percent greater than the previous high of \$649,475,000 of such registrations in the 1937 fiscal year. Only the volume of new issues registered to be sold for cash by electric, gas, and water companies, \$1,496,860,000, failed to exceed the previous high of such registrations by these companies, \$1,499,419,000 in the 1936 fiscal year, but only by less than \$3,000,000.

Methods of Sale

Investment bankers were used for the distribution of 96 percent, \$5,195,867,000, of the volume of all securities registered for primary

¹ This volume was distributed over 661 statements covering 1,015 issues. Although the dollar volume represents a new high, both the number of statements and the number of issues were less than the peak of 840 statements and 1,266 issues in the fiscal year 1937. The number of statements represented in these statistics, 661, differs from the 663 given in the table on p. 6, due to differences in the classification as to time of effectiveness of issues which became effective subject to further amendment. See footnote 2 to Appendix Table 1 for details.

cash distribution. Eighty-two percent, \$4,445,915,000, involved commitments by bankers to purchase for resale and 14 percent, \$749,952,000, commitments to use their best efforts. Registrants planned to sell 4 percent, \$227,726,000, directly to investors.²

Cost of Flotation

The cost of flotation of securities registered for primary cash distribution, as reported in the registration statements for such securities, amounted to 5.3 percent of the aggregate dollar volume of such securities. A further break-down of this 5.3 percent indicates that 4.8 percent was to be paid as commissions and discounts and 0.5 percent for all other expenses incidental to the flotation of the securities, including all costs relative to registration. A study of the portion of aggregate gross proceeds paid as commissions and discounts to investment bankers on securities registered for sale to the general public through such bankers reveals a downward trend in recent years, as may be noted from the table below:³

Compensation percent of gross proceeds

Year ended June 30	Bonds	Preferred stock	Common stock	Year ended June 30	Bonds	Preferred stock	Common stock
1939-----	2.0	6.4	16.9	1943-----	1.7	3.6	9.7
1940-----	1.9	7.2	16.4	1944-----	1.5	3.1	8.1
1941-----	1.8	4.1	14.4	1945-----	1.3	3.1	9.3
1942-----	1.5	4.1	10.1	1946-----	.9	3.1	8.0

Comparable statistics to reveal the trend prior to 1939 are not at present available. A trend similar to that noted in the chart may be noted with respect to bonds, subdivided on the basis of the investment risk involved.⁴

Unregistered Issues

In addition to the \$5,424,000,000 of securities registered for primary cash distribution, some \$2,497,000,000 of unregistered new corporate securities are known to have been offered for cash sale by issuers during the fiscal year, counting only offerings in excess of \$100,000. Issues under the jurisdiction of the I. C. C. (mostly rails) accounted for \$1,317,000,000 of the total of unregistered issues; privately placed issues for \$991,000,000; new issues of bank securities for \$74,000,000; and intrastate offerings for \$4,000,000. The balance of \$112,000,000 consisted of securities offered in issues between \$100,000 and \$300,000 under Regulation A, as amended effective May 21, 1945. During the fiscal year under review there was an almost continuous rise in the volume of Regulation A offerings. In the final month of the fiscal year alone there were 83 such issues with an aggregate offering price of \$18,000,000.⁵

² See Appendix Tables 1 through 4 for a more detailed break-down of the dollar volume of Securities Act registrations.

³ This table does not include investment trust issues, whose costs are not reported on a basis comparable to that of other issues.

⁴ Compare part 2 of Appendix Table 2 with Appendix Table 2, part 2, in the Eleventh and Ninth annual reports.

⁵ See page 7 for a more detailed discussion of Regulation A offers.

Excluding open-end issues offered on a continuous basis (mainly by investment companies) the volume of all new issues of corporate securities offered for cash sale in issues of more than \$100,000 during the 12 months ended June 30, 1946, including both those registered and unregistered, was \$7,124,000,000.

New Capital

The amount of proceeds from securities flotations applicable to expansion of fixed and working capital aggregated \$1,557,000,000. This is the highest volume of new capital financing from securities in fifteen years and compares with the recent peaks of \$1,196,000,000 in the 1937 fiscal year and \$862,499,000 in the 1942 fiscal year. Industrial and miscellaneous companies accounted for more than 80 percent of the new money financing. Flotations by utilities and railroad companies were mainly for the purpose of refunding outstanding obligations.

Refinancing

The volume of refinancing through new issues of securities reached a record high of \$5,160,000,000, due in great part to the fact that many corporations took advantage of certain features of the tax laws and of the low level of interest rates to reduce their interest and fixed dividend costs.⁶ In addition, many corporations retired outstanding securities with cash from sources other than proceeds from the sale of new issues, such as treasury cash and bank loans, so that the aggregate volume of fixed income securities is estimated to have declined.

Volume of All New Issues

The addition of noncorporate to corporate issues brings the volume of all new issues of securities offered for cash sale in the United States during the 1946 fiscal year to \$35,948,000,000. The bulk of this volume consisted of long-term United States Government securities. The volume of such securities, \$27,258,000,000, was, however, the lowest volume of offerings by the Federal Government in 4 years. The amounts of securities offered for sale by other noncorporate issuers were: \$928,000,000 by states and municipalities; \$608,000,000 by Federal Land Banks; \$30,000,000 by foreign governments; and approximately \$500,000 by miscellaneous nonprofit organizations.⁷

Statistics of Securities Registered Under the Securities Act of 1933

As shown below, the Commission last year received and examined 752 registration statements under the Securities Act of 1933. This was the largest number of registration statements filed in any year since 1937. As noted, the aggregate dollar value of the securities covered by these registration statements exceeded \$7,000,000,000, which is the greatest amount for any year since the passage of the Act in 1933.⁸

⁶ See Appendix Table 4 for statistics in greater detail as to the use of net proceeds from the sale of corporate securities.

⁷ See Appendix Table 3 for a more detailed statistical break-down of the volume of all securities offered in issues of more than \$100,000 for cash sale in the United States, including noncorporate as well as corporate and registered as well as unregistered, but excluding those with terms to maturity not longer than a year and open-end issues offered on a continuous basis by investment companies.

⁸ For further data see "Volume of registered and exempted flotations," herein at p. 2.

SECURITIES AND EXCHANGE COMMISSION

Disposition of registration statements

Statements	Prior to July 1, 1945	July 1, 1945, to June 30, 1946, inclusive	Total as of June 30, 1946
Filed	5,820	752	6,572
Effective—net	4,630	663	5,341
Withdrawn—net	877	36	913
Under stop or refusal orders—net	182	0	182
Pending—June 30, 1945	81		
Pending—June 30, 1946			136
<i>Dollar value of securities</i>			
Filed	\$32,352,878,630	\$7,401,260,809	\$39,754,139,439
Fully effective	28,569,975,765	7,073,280,397	35,643,256,162

¹ Two statements which were effective prior to July 1, 1945, were withdrawn during the fiscal year ended June 30, 1946.

NOTES.—There were also filed and examined during the past fiscal year 2,807 amendments to registration statements, of which amendments 1,342 were classified as material amendments filed before the effective date of the registration statements concerned, 523 as material amendments filed after such effective date, and 942 purely formal amendments filed for the purpose of delaying the statutory effective date of the registration statements.

In addition, 1,318 sets of supplemental prospectus material, not classified as amendments to registration statements, were filed during the year to comply with Rule 800 (b) or Section 10 (b) (1) of the Act, or for the purpose of showing material changes occurring after the commencement of the offering.

There were also received during the year 436 annual and 280 quarterly reports filed by certain registrants pursuant to Section 15 (d) of the Securities Exchange Act of 1934. Companies registered as investment companies under the Investment Company Act of 1940 accounted for 82 of these annual reports and all of these quarterly reports.

It may be helpful to call attention to the striking increase in volume of registration statements which the Commission's depleted wartime and post-war staff must currently process. To that end there is recapitulated below the number of registration statements originally filed in each fiscal year or other convenient period since the passage of the Act, along with the corresponding dollar value of securities covered thereby.

Comparative number of registration statements filed, and corresponding value of securities involved, for specified periods since enactment of the Securities Act of 1933

Period	Number of statements	Aggregate dollar value of securities
July 1, 1933–August 31, 1934 (14 months, under Federal Trade Commission)	1,093	\$1,381,882,278
September 1, 1934–June 30, 1935 (First 10 months under Securities and Exchange Commission)	440	1,591,094,120
Fiscal year:		
1936	781	4,793,558,010
1937	967	5,371,160,848
1938	456	2,376,437,934
1939	375	2,723,010,963
1940	338	1,956,841,248
1941	337	3,412,087,877
1942	235	1,825,433,469
1943	150	959,326,793
1944	245	1,774,316,982
1945	400	4,182,726,108
1946	752	7,401,260,809

These progressive annual increases in the number of registration statements filed in each of the past three fiscal years, compared to the next preceding year, measure 63 percent in 1944, 80 percent in 1945, and 88 percent in 1946. At the same time, the value of securities covered by the statements was also increasing by the staggering

amounts of 85 percent, 141 percent, and 77 percent, respectively. As indicated above, the number of these statements filed during the 1946 fiscal year was the greatest since 1937, while the dollar amount of securities involved reached by far the greatest total for any one of the 13 years that the Securities Act of 1933 has been in effect, exceeding by 38 percent the previous high in 1937.

EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933

Section 3 (b) of the Act empowers the Commission, by Rule and Regulation, subject to such terms and conditions as it might prescribe, to exempt from registration issues of securities where the aggregate offering price to the public of such securities does not exceed \$300,000.⁹ The law permits the Commission to provide exemptions only when it deems that enforcement of the Act 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.

Under this Section, the Commission has adopted Regulation A, a general exemption for small issues; Regulation A-R, a special exemption for notes and bonds secured by first liens on family dwellings;¹⁰ Regulation A-M, a special exemption for assessable shares of stock for mining companies; Regulation B, an exemption for fractional undivided interests in oil or gas rights; and Regulation B-T, an exemption for interests in oil royalty trusts or similar types of trusts or unincorporated associations.

The availability of an exemption under any of these Regulations does not include any exemption from civil liabilities under Section 12 or from criminal liabilities for fraud under Section 17. In order to ensure the proper enforcement of these Sections, the conditions for the availability of the exemptions provided by these Regulations, with the exception of Regulation A-R, include the requirements that certain minimum information be filed with the Commission and that disclosure of certain information be made in sales literature.

Exempt Offerings Under Regulation A

Last year a marked increase occurred in the number and dollar amount involved in public offerings under the general exemption provided by Regulation A. For example, the number of letters of notification received and examined pursuant to Regulation A more than doubled from the 578 of the preceding year and reached a total for the 1946 fiscal year of 1,348. At the same time a much more striking increase occurred in the aggregate offering price of the securities involved, which jumped from \$38,848,893 in 1945 to \$181,600,155 during the past year. It seems reasonable to attribute a very large part of this increase to the raising of the maximum limitation for a permissible exempt offering to \$300,000. Included in these offerings were 69 letters of notification, with an aggregate offering price of

⁹The maximum amount was originally \$100,000. Six weeks before the beginning of the 1946 fiscal year Congress amended this Section to raise the maximum amount of \$300,000. The Commission promptly amended its Regulation A, effective May 22, 1945, to provide certain exemptions for issues up to \$300,000.

¹⁰Inasmuch as no reports or filings are required under this regulation, no statistical data as to its application and use are available.

\$8,158,833, relating to oil and gas leases and securities of companies engaged in various phases of the oil and gas business.

This number of filings has placed an unprecedented load on the staff of experts maintained by the Commission to examine such filings. Under Regulation A, letters of notification must be filed at least 5 days prior to the first day when the securities are to be offered for sale, in order to permit the Commission's staff to examine the material and to check its files for other pertinent information about the company and persons involved. In addition, sales literature must similarly be filed before its use. Such filings must be made in the appropriate regional office, which examines the material, primarily to determine whether any violations of the antifraud provisions of the Act are indicated and to ascertain that proper compliance has been made with the Rules applicable to the exemption claimed. If any deficiencies are discovered in the filing, the offeror of the securities is informed, by letter or telephone, in order to prevent any violation of the Act or the provisions of the Regulation.

In addition to the initial examination by the regional office, the material filed is reviewed by a staff of experts at the Commission's central office. Such review involves a search for pertinent information in the Commission's extensive files and an examination to determine whether the exemption of the Regulation is applicable in the particular case and whether the information filed discloses any violations of any of the Acts administered by the Commission. The results of this review are made available promptly to the regional office involved. During the 1946 fiscal year, 1603 such reviews were sent to regional offices.

As a further step in the administration of Regulation A, the staff at the central office of the Commission informs the proper authorities in the States in which the securities are to be offered of the fact that the offering is to be made, and gives such authorities certain pertinent data. A weekly report of letters of notification filed under this Regulation is compiled and mailed to interested persons, including the proper authorities in all the States and the regional offices of the Commission. This report includes information as to the name of the issuer of the securities; the offeror; the principal underwriter; the date the letter of notification was filed; the dollar amount of the offering and the number of shares being offered; the type of security being offered; and the States in which the offering is to be made.

Exempt Offerings Under Regulation A-M

The Commission received and examined during the year a total of five prospectuses covering an aggregate offering price of \$154,380 for assessable shares of stock of mining corporations conditionally exempt from registration pursuant to Rule 240 of Regulation A-M.

Exempt Offerings Under Regulation B

Pursuant to Regulation B, which provides for the conditional exemption from registration of fractional undivided interests in oil or gas rights where the aggregate offering price does not exceed \$100,000, the Commission last year received and examined 173 offering sheets, and 214 amendments to such offering sheets, with respect to which the following actions were taken:

Various Actions on Filings Under Regulation B

Temporary suspension orders (Rule 340 (a))	63
Orders terminating proceedings after amendment	49
Orders consenting to withdrawal of offering sheet and terminating proceeding	11
Orders terminating effectiveness of offering sheet (no proceeding pending)	20
Orders consenting to amendment of offering sheet (no proceeding pending)	74
Orders consenting to withdrawal of offering sheet (no proceeding pending)	7
Total Orders	224

Confidential Written Reports of Sales Under Regulation B

The Commission also received and examined during the year 2,698 confidential written reports required pursuant to Rules 320 (e) and 322 (c) and (d) of Regulation B concerning sales made by broker-dealers or offerors to investors and by dealers to other dealers. This total consisted of 2,409 reports on Form 1-G and 289 on Form 2-G, representing sales in the aggregate of \$1,001,981 and \$582,634, respectively. If examination of these reports indicates that a violation of the law may have occurred, the Commission makes appropriate investigations and, in instances where the facts are deemed to warrant it, appropriate action is taken.

Oil and Gas Investigations

Among the investigations conducted by the Commission during the fiscal year to determine whether certain transactions had been effected in violation of Sections 5 (requiring registration) or 17 (prohibiting fraudulent sales) of the Securities Act of 1933 or Section 15 of the Securities Exchange Act of 1934 (regulating the conduct of brokers and dealers), a total of 147 involved oil and gas investments. Apart from the 1,500 letters written and 600 personal and telephone conferences held during the year by the staff of the Commission's central office engaged in work involving oil and gas securities, the engineers and geologists assigned to that specialized staff prepared 91 technical memoranda or valuation estimates, and also conducted scores of conferences in the oil and gas producing regions and other locations in the field, as a part of the Commission's oil and gas investigation activity. Eight of these investigations were closed during the year so that 139 were pending at the end of the year. A summary of these investigations is tabulated below:

Oil and gas investigations

	Preliminary	Informal	Formal	Total
Pending at June 30, 1945	28	64	28	120
Opened July 1, 1945 to June 30, 1946	7	20	6	27
New cases	3			9
Transferred from preliminary or informal				
Total number of cases to be accounted for	35	87	34	156
Closed	4		4	8
Transferred to informal	3	**		3
Transferred to formal		6		6
Pending at June 30, 1946	28	81	30	139

As an illustration of the results achieved in certain of these investigations, it may be noted that the persons concerned in four cases were

enjoined from violating the registration or fraud provisions of the Securities Act of 1933; in three other cases the facts developed by the Commission were referred to the Department of Justice for criminal prosecution; and indictments were returned in two additional cases. Moreover, convictions were obtained in three additional cases which led to the following sentences: (1) George A. King and Erling L. Wernes, imprisonment of 30 months and 1 year and 1 day, respectively; (2) Frank V. Raymond, imprisonment for 1 year and 1 day and fine of \$10,000; and (3) C. Milton Smith, imprisonment for 6 months and suspended execution of an additional 2-year sentence during which he is to be on probation.

New Rule Adopted Under the Securities Act of 1933

The only additional Rule promulgated under the Securities Act of 1933 during the 1946 fiscal year was the one adopting the 40-hour workweek recommended for Federal agencies by the President.

DISCLOSURES RESULTING FROM EXAMINATION OF REGISTRATION STATEMENTS

The staff of the Commission makes prompt and intensive study of registration statements in order, by conference, to procure necessary amendments in advance of effectiveness of such statements. Because of the extent of this work the Commission has not needed to resort, in recent years, to the stop-order proceeding. Several typical examples of inadequacies found in registration statements and of corrective steps taken will be found in the following brief case histories.

Inside Dealings With Affiliated Companies

A registrant disclosed that it had entered into an arrangement whereby all of its goods were sold through two affiliated companies—a general sales company which was owned and controlled by officers of the registrant and a specialty sales company which was owned and controlled by the wives of such officers. The terms of the contracts were such as to assure the selling companies a profit. Upon the Commission's insistence that, in addition, proper disclosure be made of the advantages secured by the officers and their wives at the expense of the registrant through these contracts, all such contracts were canceled and all profits which had accrued to the selling companies were restored to the registrant.

Effect of Issuance of Warrants

In order to apprise any prospective investor of the unfavorable effect upon any investment he might make, as a result of the distribution of warrants issued to the underwriters and promoters evidencing the right to subscribe to 60,000 shares of stock, the Commission requested and obtained the following disclosure in a registration statement:

For the life of the Warrants the Underwriters, and the Promoters, so long as any of them own any of the Warrants issued to them, will have at no cost, except as part payment of underwriting commissions and personal service contracts, the opportunity to profit at the expense of other stockholders from any rise, in the market for the Common Stock of the Company above the prices at which such Warrants may be exercised; the Company presently has no need for additional working capital in excess of the amount to be realized from the sale of the Stock offered hereby; such Warrants were issued at the request of the Underwriters

in connection with the underwriting and at the request of the Promoters in consideration of their entering into employment contracts with the Company described herein; at any time when a substantial amount of the Warrants may be outstanding, the Company may be deprived of favorable opportunities to procure additional equity capital through the sale of Common Stock if it should be needed for the purposes of the business; at any time when the holders of Warrants might be expected to exercise them, the Company might be able to obtain equity capital if it needed capital then, by public sale of a new offering of Common Stock on terms more favorable than those provided for by the Warrants. Any price paid to an Underwriter for a Warrant or any price paid to an Underwriter for a share of Common Stock in excess of the Warrant exercise price may be deemed to be an underwriting discount or commission.

Previous Violations of the Securities Act

Pursuant to an investigation by the Commission, it was ascertained that a company currently filing a registration statement had previously sold \$430,000 of stock in violation of the Securities Act of 1933. Disclosure of this violation, together with the rights of purchasers to rescind such purchases or to sue for damages, was required in the registration statement the company filed under the Securities Act. As a consequence of this required disclosure, stockholders forced the company to repurchase securities representing an aggregate price of \$102,000 plus interest.

Investment Position of Public Contrasted With That of Promoters

In order to disclose in summary fashion certain essential features of a particular offering, the staff of the Commission requested the placing of an introductory paragraph at the beginning of the prospectus disclosing that, upon completion, of the financing, the public would have paid \$1,852,500, or \$19.50 per share, for a 23.2 percent interest in the company whereas three promoters would have paid \$25,000, or 8 cents per share, for a 76.8 percent interest in the company. It was further disclosed in this introductory paragraph that in the last 3 years the company had earned the following per share: 6 cents (loss), 21 cents and 35 cents and that the book value of the shares to be offered at \$19.50 would, after the receipts of the proceeds by the company, amount to \$1.09 per share.

Position of Investor in Foreign Corporation

The Commission required a Mexican corporation to disclose in a prominent place in the prospectus that (1) the articles of incorporation of the company provided, as required by Mexican law, that every person other than a Mexican who acquires an interest or share in a company shall be deemed to be a Mexican with respect to such interest or participation and agrees not to invoke the protection of his government under penalty of forfeiting such interest or share to the Mexican government in case of breach of such agreement; and (2) the company knows of no provision of law in the United States which by its terms subjects the company, a Mexican corporation, and its nonresident directors and officers and the nonresident experts named in the prospectus, to the jurisdiction of the courts in the United States; and (3) the enforcement in the United States by investors of claims under the Securities Act of 1933 against the company and such directors, officers, and experts as are not residents of the United States may therefore be difficult or perhaps impossible.

Significance of Contingent Liability

A company which was manufacturing its principal product without having first obtained a license from the owner of the patent covering a basic device embodied therein disclosed the fact that it had not secured such license but failed to disclose the possible disastrous results which would follow from institution of suit by the patent holder. By amendment required to the registration statement, the company, whose total capital, reserves, and surplus aggregated less than \$2,000,000, disclosed that while it was unable to state exactly the amount of its liability for such damages, it estimated that its liability for infringement to date would amount to approximately \$232,000; and that, moreover, any judgment upholding the validity of the patent would unquestionably result in an injunction against the continued use of the device by the company, thus requiring modification and possibly abandonment of further manufacture of the product in question.

Losses During Reconversion Period

A company whose peacetime business consists of the manufacture of personal type airplanes reported earnings of \$52,000 for the year 1945. Upon inquiry by the Commission as to the costs of reconverting and entering into peacetime business, the statement of earning for 1945 was revised to show that although the company earned approximately \$600,000 in the first 8 months of 1945 from war business, it had lost approximately \$50,000 in the last 4 months of 1945 while it was converting to peacetime operations. It was further disclosed that losses were continuing in 1946.

Misleading Title of Security Revised

A registrant proposed to describe the securities to be offered as "second mortgage 4 percent noncumulative income bonds." This title was considered by the Commission to be misleading, for the reason that the obligor actually promised to pay only 2 percent per annum, and would pay an additional 2 percent only in the sole discretion of its Board of Directors. In addition, all "income," as that term is generally understood, was not available for payment of the original 2 percent of interest, for the reason that the indenture provided for the deduction of a fund for capital improvements in arriving at the amount available for interest. The title of the securities was accordingly changed, as disclosed in an amendment to the registration statement, to read "second mortgage noncumulative contingent interest bonds," and this title was further qualified at the same time by placing a summary of the interest provisions on the facing page of the prospectus.

Stock Watering

The "watering of stock" in its original sense is almost a forgotten term. However, the issuance of stock at prices which bear little or no relationship to the issuer's book values and earning power accomplishes the same purpose. A case in point is a New York corporation which filed a registration statement covering 450,000 shares of common stock and 120,000 stock purchase warrants. This company had 100,000 shares of common stock, 10 cent par value, outstanding, which

were recapitalized immediately prior to the filing of the registration statement into 900,000 shares of common stock, 10 cent par value, the new authorized capitalization being 1,500,000 shares. The offering to the public of 450,000 shares of common stock was made at a price of \$6 per share, or an aggregate offering price of \$2,700,000. In this connection it is interesting to note that although the shares were to be sold to the public at \$6 per share, a few months prior to the offering one of the organizers and principal stockholders sold the equivalent of 207,000 of the recapitalized shares at an average price of approximately 30 cents per share to a company identified with the registrant at the time of the offering. The aggregate book value of the company's outstanding stock prior to the public offering was approximately \$283,000. Based on the price at which the public was asked to purchase, i. e., at \$6 per share, the 900,000 outstanding shares owned by the insiders would have an aggregate value of \$5,400,000, an amount exceeding the aggregate book value by approximately \$5,117,000. Thus it will be seen that on a liquidating basis some \$1,700,000 of the \$2,700,000 contributed by the public as a result of the offering at \$6 per share would go toward swelling the book value of the outstanding stock held by insiders from about 31 cents to \$2.21 per share.

It should also be noted that the offering at \$6 per share was accomplished without even the support of past earning power. For each of the 3 years prior to the public offering the company's earnings, based on its capitalization of 900,000 shares, were from a very small fraction of 1 cent per share to 2½ cents per share. The company recognized that to realize a normal return on its capitalization after the public offering, its sales would have to increase from the maximum of \$2,600,000 achieved in 1945 to in excess of \$16,000,000, and that such sales were not a reasonable expectancy in the near future.

In the registration statement as originally filed, the above facts were either obscured or omitted. Information regarding other circumstances, such as the company's dependence on substantial borrowed capital, the issuance of warrants to underwriters and insiders, the existence of competition with larger organizations having much greater resources, the company's reliance upon rented rather than owned facilities, and its performance of only limited functions (since the products were to be obtained from outside sources and distributed through independent distributors), was also omitted or not adequately presented. Only after several amendments did the prospectus achieve clear and adequate disclosure.

INJUNCTION ACTIONS INSTITUTED UNDER THE SECURITIES ACT OF 1933

The Commission's enforcement activity under the Securities Act of 1933 is concerned generally with the prevention of fraud in the sale of securities and obtaining compliance with the full disclosure requirements of the registration process. Data with respect to civil cases and appellate proceedings instituted under that Act, including a brief discussion of all civil proceedings commenced or pending during the past fiscal year and their status at the close of the year, are included in Appendix Tables 24, 26, and 29.

Section 5 of the act requires registration where securities are offered to the public.¹¹ Section 17 (a) makes unlawful the use of any misrepresentations or fraudulent schemes in the sale of securities. A substantial part of the Commission's litigation activities involves injunctive actions to restrain violation of these Sections. For example, in *S. E. C. v. John Wight, Mondakota Development Company, et al.*,¹² *S. E. C. v. Chemical Research Foundation, Inc. and Robert E. Carroll*,¹³ and *S. E. C. v. James F. Morrissey*,¹⁴ the Commission obtained final judgments enjoining the defendants from violating the registration and fraud provisions.

In *S. E. C. v. Great Western Gold & Silver Mines Corporation, Walter H. Moore, et al.*,¹⁵ and *S. E. C. v. A. E. Blakesley, et al.*,¹⁶ the Commission obtained final judgments enjoining the defendants from making false and misleading statements regarding the content and value of ore in the mining properties and the use of the proceeds received in the sale of stock.

In *S. E. C. v. Claude D. Adams, et al.*,¹⁷ *S. E. C. v. A. D. Beck*,¹⁸ *S. E. C. v. Paul J. Hunt*,¹⁹ and *S. E. C. v. Bob Burch*,²⁰ the Commission obtained final judgments restraining further violations of the registration provisions of the Securities Act. In *S. E. C. v. Milton E. Pulver*,²¹ the Commission obtained an injunction restraining the defendant from violating the registration provisions in the sale of pre-organization subscriptions and promissory notes.

¹¹ Certain exemptions are set forth in Secs. 3 and 4 of the Act.

¹² U. S. District Court, Montana, Sept. 20, 1945. False and misleading statements regarding the number and productive capacity of Mondakota's gas producing wells, the acreage under lease and the value of its leases and the assets and the prices at which stock would be sold in the future.

¹³ U. S. District Court, Delaware, Sept. 11, 1945. False and misleading statements regarding the company's financial status, value of its securities, its dividend record and the success of its operations. Following the Commission's investigation, defendants were convicted on July 2, 1945, of violations of the fraud section of the Securities Act and Sec. 215 of the Federal Criminal Code (mail fraud) and Carroll was sentenced to 2 years' imprisonment to be followed by 3 years' probation.

¹⁴ U. S. District Court, N. D. (Fort Worth division), Texas, Dec. 19, 1945. False and misleading statements regarding the extent of defendant's leaseholdings, a "doodle-bug" device claimed by defendants to be unerringly capable of detecting oil in commercial quantities, and the opinions of an expert concerning the prospects of finding oil.

¹⁵ U. S. District Court, Colorado, Mar. 11, 1946.

¹⁶ U. S. District Court, N. D. northern division, Illinois, Oct. 23, 1945.

¹⁷ U. S. District Court, New Mexico, June 4, 1946.

¹⁸ U. S. District Court, N. D. Texas, Mar. 14, 1946.

¹⁹ U. S. District Court, W. D., northern division, Washington, Feb. 18, 1946. As an offshoot of this case, the Commission obtained an order in the same district on Aug. 12, 1946, adjudging the defendant guilty of criminal contempt in violating the terms of the judgment.

²⁰ U. S. District Court, N. D., Fort Worth division, Texas, Nov. 8, 1945. On Jan. 28, 1944, the Commission obtained a final judgment in the U. S. District Court, W. D., Louisiana, against The Bob Burch Company, Inc., and Bob Burch, enjoining them from violating the fraud provisions in the sale of their securities.

²¹ U. S. District Court, W. D., Washington, Nov. 19, 1945.

PART II

ADMINISTRATION OF THE SECURITIES EXCHANGE ACT OF 1934

The Securities Exchange Act of 1934 is designed to eliminate fraud, manipulation, and other abuses in the trading of securities both on the organized exchanges and in the over-the-counter markets, which together constitute the nation's facilities for trading in securities; to make available to the public information regarding the condition of corporations whose securities are listed on any national securities exchange; and to regulate the use of the Nation's credit in securities trading. The authority to issue rules on the use of credit in securities transactions is lodged in the Board of Governors of the Federal Reserve System, but the administration of these rules and of the other provisions of the Act is vested in the Commission.

REGULATION OF EXCHANGES AND EXCHANGE TRADING

Registration of Exchanges

The number of exchanges registered with the Commission as national securities exchanges and the number of exchanges exempted from such registration remained the same during the fiscal year; the numbers were 19 and 5 respectively.

Each exchange is required to keep its registration or exemption statement up to date by filing appropriate amendments or supplements reflecting all changes occurring in its constitution, rules, trading practices, and organization. A total of 113 such amendments or supplements were filed by the exchanges during the year, each of which was studied and analyzed for its effects upon the public interest and its compliance with the relevant regulatory provisions. While the nature of the changes reported in this manner varied considerably, the more important included adoption by New York Stock Exchange and New York Curb Exchange of rules designed to regulate floor trading; adoption of a delisting rule by Salt Lake Stock Exchange; adoption by St. Louis Stock Exchange of rules to permit and regulate odd-lot trading in unlisted securities and of a rule to permit member firms to make or participate in secondary offerings of listed securities off the exchange; adoption of amendments to rules of Cincinnati Stock Exchange to permit issuance of limited memberships; and adoption by Los Angeles Stock Exchange and San Francisco Stock Exchange of rules requiring members and member firms to report with respect to substantial options relating to securities dealt in on their respective exchanges.

Value and Volume of Trading

Trading on registered securities exchanges during the fiscal year 1946 had an aggregate value of \$20,377,690,000 as shown in Appendix Table 7. This figure compares with \$15,160,875,000 in the preceding 12 months. Stock trading had a value of \$18,934,952,000 in the 1946

period, as against \$13,141,773,000 in the 1945 period. The volume of stock trading in the 1946 fiscal year was 826,777,000 shares as compared with 595,133,000 a year earlier.

Exchange Membership

As of the close of the fiscal year, according to Commission records, 2,880 individuals and 1,045 firms (sole proprietorships, partnerships, and corporations) were full or associate members of one or more of the registered exchanges, excluding the Board of Trade of the City of Chicago, which is primarily a commodities exchange. These figures represent an increase of 40 individuals and 70 firms over the previous year.

Disciplinary Actions

In connection with the Commission's investigatory activities, the exchanges have been requested to report to the Commission all cases of disciplinary action which they take against their members for violations of the Securities Exchange Act of 1934, any Rule or Regulation thereunder, or of any exchange rule. During the fiscal year, five exchanges reported taking such action against a total of 39 members, member firms, partners or employees of member firms. These disciplinary actions included fines ranging from \$100 to \$5,000 in 17 cases with total fines imposed aggregating \$24,750; a 6-month suspension from membership in 2 instances; the cancellation or suspension of registration of 11 registered representatives of member firms; the suspension of 2 specialists; and the warning and reprimanding of 8 individuals and firms. One of the specialists who was suspended was also fined in connection with the violation involved.

The disciplinary actions were occasioned by violations of various exchange rules, principally those regarding minimum rates of commission, margin trading, floor trading, handling of orders, partnership agreements, registered representatives, and specialists. The two members who were suspended from membership were alleged to have accepted and executed a customer's order to buy a sufficient amount of a designated stock to cause the last transaction therein on a given day to be above a stated price. It was the consensus of the exchange authorities that the execution of this order resulted in an improper increase in the price of the stock involved.

Special Offering Plans

Rule X-10B-2 permits special offerings of blocks of securities on national securities exchanges where such offerings are effected pursuant to a plan filed with and declared effective by the Commission.¹ No new special offering plan became effective during the year; the plans of the seven exchanges mentioned in our last annual report, which had previously been declared effective, remained in effect.

¹ Rule X-10B-2 is in general designed to prevent the stimulation of the exchange market with respect to securities of given issuers while there is pending a distribution of any securities of such issuer. In recognition of the fact that special commissions might be paid to brokers acting for purchasers under plans providing for adequate safeguards to investors and the public the Commission adopted Rule X-10B-2 (d) (1). This Rule permits special commissions to be paid to such brokers pursuant to plans filed with the Commission and permitted by the Commission to become effective, having due regard to the public interest and the protection of investors. One of the basic requirements provided in the Rule is that such special commissions can be paid only with respect to securities as to which adequate information is available under the various Acts administered by the Commission.

throughout the year. The San Francisco Stock Exchange was the only exchange to file an amendment to its plan, such amendment being declared effective by the Commission on August 17, 1945. This amendment entitles brokers and dealers who had been approved by that exchange for preferred rates of commission to 25 percent of the special commission prevailing in special offerings.

Special offerings on registered exchanges in the 12 months ended June 30, 1946 accounted for sales of 622,629 shares of stock against 1,115,201 shares in the preceding 12 months. Special commissions amounted to approximately \$340,000 as compared with \$626,000 a year earlier. Offerings on the New York Stock Exchange accounted for 586,726 shares of the 622,629 shares total sold in special offerings on all exchanges having effective plans in the fiscal year 1946. Further details are given in Appendix Table 6.

Regulation of the Distribution of Publicly Offered Securities

On April 16, 1946, the Trading and Exchange Division recommended the adoption of a rule pursuant to Section 15 (c) (2) of the Securities Exchange Act of 1934 which would curb certain practices of some underwriters and selling group members with respect to securities being publicly offered. These persons withhold or divert substantial portions of their allotted shares from public distribution in the underwriting and thereafter sell them to the public at prices substantially above the offering price specified in the prospectus. A study conducted by the Division in connection with the proposed rule had shown such practices to be widespread and had indicated, moreover, that the withholding of shares from distribution frequently contributed to an artificial rise in the market price. The proposed rule was circulated among the trade for comment and suggestions and was under consideration at the end of the year.

REGISTRATION OF SECURITIES ON EXCHANGES

Purpose and Nature of Registration of Securities on Exchanges

In order to make available currently to investors reliable and comprehensive information regarding the affairs of the issuers of securities listed and registered on a national securities exchange, Sections 12 and 13 of the Securities Exchange Act of 1934 provide for the filing with the Commission and the exchange of an application for registration and annual, quarterly, and other periodic reports, containing certain specified information. Such applications and reports must be filed on the Forms prescribed by the Commission as appropriate to the particular type of issuer or security involved, which Forms are designed to disclose pertinent information concerning the issuer, its capital structure and that of its affiliates; the full terms of its securities, warrants, rights, and options; the control and management of its affairs; the remuneration of its officers and directors; and financial data, including schedules breaking down the more significant accounts reflected therein.

In general, the Act provides that an application for registration shall become effective 30 days after the receipt by the Commission of the exchange's certification of approval thereof, except where the

Commission determines that it may become effective within a shorter period of time. It is unlawful under the statute for any member, broker, or dealer to effect any transaction in any security (other than an exempted security) on any national securities exchange unless registration is effective as to the security on such exchange.

Examination of Applications and Reports

All applications and reports filed pursuant to Sections 12 and 13 of the Securities Exchange Act of 1934 are examined by the Commission to determine whether accurate and adequate disclosure has been made of the information required by the Act and the Rules and Regulations thereunder. This examination does not involve an appraisal and is not concerned with the merits of the registrant's securities. When the examination discloses that material information has not been furnished in accordance with the requirements, or that sound principles and procedures have not been followed in the preparation and presentation of financial statements, the registrant is so advised by letter, or in conference with its representatives, and any necessary correcting amendments are obtained and examined in the same manner as the originally filed documents. Where the examination discloses omissions which are clearly of an immaterial nature, particularly in connection with periodic reports under Section 13 of the Act, the registrant may merely be notified thereof by means of a letter containing suggestions which should be followed in the preparation and filing of future reports, without insistence upon the filing of an amendment to the particular report in question.

The examination of an application for registration is made as promptly as possible after it is filed in order that any material deficiencies may be brought to the attention of the registrant and the exchange before registration becomes effective in accordance with the provision of the statute. While the basic period available for this purpose is 30 days, it was necessary to complete the examination last year of an increasing proportion of all applications filed within considerably less time, inasmuch as the Commission issued requested orders accelerating the effective date of registration in a considerable number of cases. For example, except for the applications filed with respect to securities issued in connection with stock split-ups and stock dividends and the like—of which there was a phenomenal increase last year accounting for approximately half of all applications filed and in connection with which a temporary exemption from registration is generally available—acceleration was requested last year with respect to approximately 90 percent of the applications for registration.

Since a registrant's annual report is required to be filed within 120 days after the close of the fiscal year of the registrant, and because of the fact that approximately 80 percent of all registrants have fiscal years corresponding to the calendar year, there is filed with the Commission a peak load of more than 2,000 annual reports at or about the end of April each year. Consequently, it is always necessary to spread the work of examining these annual reports over the ensuing months. While current reports should be examined during the month in which they are filed, and such was done prior to the war, there has been such a phenomenal growth in the volume of work flowing into the Com-

mission, which has not been coupled with a corresponding increase in personnel, that there has necessarily arisen in recent years a growing backlog of current reports, as well as annual reports, that must be held in suspense for appropriate examination. This acute manpower situation has been aggravated during the past year particularly by the fact that more than 5,000 current reports were received during the past fiscal year, nearly double the number of such reports (2,752) received in the 1945 fiscal year. Further, it is estimated that the number of such current reports to be received in the current 1947 fiscal year will increase still further to a total of something like 7,500. The chief reason for this pronounced increase arises from the adoption on July 23, 1945, of the Commission's Rule designated X-13A-6A requiring the filing of quarterly reports by certain companies engaged in war production (see discussion appearing at pp. 11-12 of the Commission's Eleventh Annual Report), and the adoption in substitution therefor of a new Rule on March 28, 1946, designated Rule X-13A-6B, providing for the filing of quarterly reports by certain listed companies. An explanation of this substitute Rule appears below.

New Rules Under the Securities Exchange Act of 1934

Rule X-13A-6B—Quarterly reports by certain companies: The Commission announced on March 28, 1946, the adoption of a reporting program providing for the disclosure to investors and the public of current information as to the volume of business being done by most issuers having securities registered on a national securities exchange. At the same time the Commission announced the recession of Rule X-13A-6A and paragraph (f) of Rule X-13A-6.

Under the provisions of the new rule, designated X-13A-6B, and the revised Item 11 of Form 8-K, most issuers filing annual reports pursuant to the requirements of Rule X-13A-1 will be required to file quarterly reports on Form 8-K, setting forth the dollar amount of sales or other gross revenues during the fiscal quarter. A report must be filed not later than 45 days after the close of each fiscal quarter beginning after December 31, 1945, or not more than 45 days after the effective date of the new Rule, whichever date is the later. Issuers previously filing reports under Rule X-13A-6A begin immediately to report under the new Rule so as to provide a continuous series of reports as to such companies. Insurance companies, investment companies, common carriers, and public-utility companies are exempted from the requirements of the new Rule due to the nature of their business and because, in the case of most listed public-utility companies, many Federal and State regulatory agencies to which such companies are generally subject presently require the filing of more extensive information on at least as frequent a basis.

Prior to adoption, comments upon drafts of the proposed new rule and of the amended Item 11 of Form 8-K were obtained from technical and professional associations, governmental agencies, national securities exchanges, individual companies, attorneys, and many other interested persons. Effect was given in the new Rules to a number of the suggestions received. A minority of those commenting on the proposed Rule, however, expressed varying degrees of doubt as to the desirability and feasibility of the proposed reporting program. For this reason it was decided to make public the following statement

by the Commission outlining briefly the more important objections raised by those opposed to the program and the reasons for adopting the new Rule:

Section 13 (a) (2) of the Securities Exchange Act of 1934 requires every issuer of a security registered on a national securities exchange to file "such annual reports, . . . and such quarterly reports, as the Commission may prescribe." Pursuant to this subsection Rules calling for the filing of annual reports were adopted shortly after the effective date of the Act. Rules were later adopted calling for current reports on Form 8-K whenever any of certain special events occurred during the year. Since that time the problems involved in the requiring of regular quarterly operating reports have been under study from the point of view of both the usefulness of such reports to investors and their feasibility in the light of contemporary business and accounting practices.

We have now concluded to initiate a regular quarterly reporting program applicable to most issuers having securities listed on a national securities exchange. Under the new rule, a company is required to furnish quarterly information as to the sales or other gross revenues derived from its operations. However, companies which regularly publish or distribute to stockholders quarterly financial statements or reports containing at least the above information may comply with the Rule merely by filing copies of such published reports as an exhibit to Form 8-K. The information called for is not required to be certified by independent public accountants.

As a result of extended study of the problem and of the comments received from those to whom preliminary drafts of the program were sent, we are of the opinion that companies should furnish investors and the public with regular interim information as to their operations. We are inclined to believe, moreover, that it would be desirable to obtain at quarterly intervals a condensed income statement showing not only gross revenues but also net income before and after Federal income taxes together with any nonrecurring items of income or costs and losses of an unusual size even though certain of the items could only be arrived at by the use of reasonable estimates or on the basis of certain assumptions. It appears, however, that a substantial number of listed companies do not now have their accounting and reporting practices so organized as to be in a position to make the determinations necessary to furnish reasonably reliable data of this character on a quarterly basis. Accordingly, we have determined for the present merely to require information as to sales or other gross revenues. On the other hand, companies customarily preparing more detailed information will be able to satisfy the requirements of the rule by filing copies of their regular quarterly statements or reports.

Objection to the program has been made on the ground that the required information as to sales or other gross revenues may be uninformative or misleading due to the seasonal nature of a business or to unusual events of the quarter. Somewhat similarly it is claimed that the information called for is useless since changes in sales volume may not be accompanied by a comparable change in gross or net profits, particularly for short periods or during periods when business conditions are unsettled. Although such difficulties clearly exist in varying degrees depending upon the type of company, we feel, to the contrary, that reports of sales volume when taken in conjunction with other known information as to the business and as to business generally will be of substantial usefulness. Among other things, for example, the information being required should at the present time provide an index of the extent to which a company has been able to reenter civilian markets or to maintain in the postwar period its wartime volume of civilian business. It is also our view that such information will aid in the formation and exercise of an informed investment judgment based on other available information as to the general nature of the operations of the company, its plans and prospects for the future, its position with respect to other companies in the same industry, and many other factors which affect the financial success of a business.

Where in a particular case an issuer feels that its report as to sales or other gross revenues may not be representative because of the seasonal nature of the business or for other reasons, there are, of course, a number of possible procedures that may be utilized. In the case of a seasonal business, an appropriate statement of the nature of the business could be given. In addition, it would be appropriate and desirable to furnish along with the report for the particular quarter comparable figures for the same quarter of the previous year

or for the 12 months period ending with the current quarter. Likewise, if in a particular case it is felt that sales or other gross revenues standing alone are inadequate because not indicative of the trend in gross or net profits, the report could include an appropriate explanation of the special circumstances, or there could be substituted a more complete though still condensed form of income statement such as is now regularly being published or sent to stockholders by many issuers.

The other principal objection was that the program imposed an unreasonable burden on reporting companies. As to the very large numbers of issuers now regularly issuing quarterly statements, we do not believe that the furnishing of the required information, either directly or by means of copies of the regular reports, involves any substantial burden. As to other companies, we feel that any added burden involved in compiling the necessary information as to sales or other gross revenues is more than outweighed by the benefit to investors and the public of interim data as to a listed company's operations. Finally, if under the circumstances of an unusual case it is impracticable to furnish the necessary information within the prescribed time, or if the required information is neither known nor available to the issuer, attention is directed to paragraphs 6 and 7 of the general instructions to Form 8-K which provide for special procedures in such cases.

It may be noted that shortly after the close of the fiscal year, on July 12, 1946, Rule X-13A-6B was amended so as to exempt from the Rule in addition companies primarily engaged in the production of raw cane sugar or other seasonal single-crop agricultural commodity since such producers will ordinarily have no sales in two or more of their fiscal quarters. The staff has, however, been directed to study the possibility of requiring such companies to furnish at appropriate intervals other significant information as to the progress of the operations of such companies.

Rule X-12A-1, Temporary Exemption From Section 12 (a) of Certain Securities of Banks

The Commission announced on December 5, 1945, an amendment to Rule X-12A-1. The previous Rule temporarily exempted from registration under the Act securities of banks as to which temporary registration expired on June 30, 1935, securities issued in exchange for or resulting from a modification of any securities of banks exempted from registration by the Rule, and common stock issued as a stock dividend on stock of the same class exempted from registration by the Rule. The amendment enlarges the third category of exempt securities by providing that any additional shares of common stock (whether issued as a stock dividend or otherwise) shall be exempt under the Rule if the issuer has common stock of the same class so exempted from registration. The amendment also removes from the Rule any reference to securities of bank holding companies since the exemption of such securities under the Rule has expired.

Amendment to Forms 10-K and 1-MD

The Commission on May 22, 1946, amended annual report Forms 10-K and 1-MD so as to secure a current restatement of the general character of the business in which registrants and their subsidiaries are engaged. This restatement was rendered desirable because of the major changes in many businesses as a consequence of war activities or occurring in the process of reconversion to peacetime activities. Moreover, in many cases changes not individually significant have occurred over a period of years the cumulative effect of which had

been a substantial change in the general character of the business of a registrant and its subsidiaries or in one or more of the major lines of the business. The amendment requires the restatement only for the fiscal year ending on or after December 31, 1945. Where registrants had already filed their reports or are about to do so, extensions of time for furnishing the additional information may be applied for.

Amendment to Forms 12-K and 12A-K

The Commission announced on February 19, 1946 (Securities Exchange Act Release No. 3787), the adoption of minor amendments to its annual report Forms 12-K and 12A-K (prescribed for companies required to file annual reports with the Interstate Commerce Commission or the Federal Communications Commission). The purpose of these changes was to revise the selected schedules so as to conform to certain changes made in Form A of the Interstate Commerce Commission for the year ended December 31, 1945.

Proceedings Under Section 19 (a) (2)

Section 19 (a) (2) of the Securities Exchange Act of 1934 authorizes the Commission, after appropriate notice and opportunity for hearing, to deny, suspend the effective date of, suspend for a period not exceeding 12 months, or to withdraw the registration of a security if the Commission finds that the issuer of such security has failed to comply with any provision of the Act or the rules and regulations thereunder.

Two proceedings under this Section were pending at the beginning of the year. During the year two additional proceedings were instituted, one for alleged inaccuracies in annual reports of the issuer, and the other for failure to file the required annual reports. The registration of the securities of one issuer was ordered withdrawn during the year for failure to file the required annual reports. At the end of the fiscal year, two proceedings were still pending.

Temporary Suspensions of Securities From Trading Pursuant to Section 19 (a) (4) and Rule X-15C2-2

Section 19 (a) (4) authorizes the Commission summarily to suspend trading in any registered security on any national securities exchange for a period not exceeding 10 days where the public interest so requires. Where the reason for a suspension under Section 19 (a) (4) is to prevent fraudulent, deceptive, or manipulative acts or practices, Rule X-15C2-2 concurrently prohibits over-the-counter trading by brokers and dealers. During the year two securities were suspended from trading on exchanges pursuant to these provisions.

In the first case, the common stock, \$1 par value, of Red Bank Oil Co. was suspended from trading on the New York Curb Exchange. That security was then the subject of stop-order proceedings under the Securities Act of 1933 and delisting proceedings under Section 19 (a) (2) of the Securities Exchange Act of 1934. The suspension was occasioned by the uncovering of information which raised a serious question relating to the independence of the accountants who had prepared financial statements previously filed with the Commission by the issuer. After the security had been suspended for several 10-day periods, the Commission found that the financial statements had

not, in fact, been properly prepared and, pursuant to its powers under Section 19 (a) (2) of the Securities Exchange Act, suspended the security from trading on the New York Curb Exchange for a period not to exceed 12 months pending final disposition of other matters at issue in the proceedings.²

The second suspension under Section 19 (a) (4) involved the common stock, \$1 par value, of Interstate Home Equipment Co., a company which was in an advanced stage of liquidation. A suspension of trading on the New York Curb Exchange and the Chicago Board of Trade was ordered when it appeared that a sudden spurt in the market price of the security had carried the price far above the maximum amount which the stockholders could expect to receive upon completion of the liquidation. The suspension was continued in effect by further orders until current financial statements, which had been in preparation, were released to the public, and was then lifted. Thereafter the exchanges upon which the security had been traded elected to suspend trading on their own floors and they subsequently removed the security from listing altogether. With the lifting of the Commission's suspension, however, trading became permissible over the counter.³

Statistics of Securities Registered on Exchanges

At the close of the fiscal year, 2,188 issuers had 3,585 security issues listed and registered on national securities exchanges. These securities consisted of 2,552 stock issues aggregating 2,440,707,313 shares, and 1,033 bond issues aggregating \$17,800,893,052 principal amount.

During the year the following applications and reports were filed in connection with the listing and registration of securities on exchanges:

Applications for registration of securities	668
Applications for "when-issued" trading	77
Exemption statements for short-term warrants	80
Annual reports	2,029
Current reports	5,048
Amendments to applications and annual and current reports	1,295
Annual reports of issuers having securities listed only on exempted exchanges	86

Appendix Tables 6 through 17 contain a considerable amount of detailed statistics concerning securities registered on exchanges.

SECURITY TRANSACTIONS OF CORPORATE INSIDERS

The security ownership reports prescribed in three of the Acts administered by the Commission have as their main objective to furnish public security holders with information as to the trading of insiders in the equity securities of their companies.⁴ The statutory requirement for the filing of these reports recognizes the fiduciary capacity of corporate insiders.

These ownership reporting requirements were provided first by

² The proceedings and the suspension under Section 19 (a) (2) were still in effect at the close of the fiscal year. However, the expiration of the summary suspension orders under Section 19 (a) (4) automatically removed the prohibition against over-the-counter trading under Rule X-15C2-2. *Red Bank Oil Co.*, Securities Exchange Act Releases, Nos. 3742 and 3770.

³ *Interstate Home Equipment Co.*, Securities Exchange Act Release No. 3766.

⁴ Civil liability for the return of profits on short-term trading in equity securities is also provided for. The reporting requirements not only act to deter such trading but also aid in the enforcement of the civil liabilities.

Section 16 (a) of the Securities Exchange Act of 1934. Under that Section every person who is an officer, or director or principal stockholder (*i.e.*, a person who is, directly or indirectly, beneficial owner of more than 10 percent of any class of registered equity security) of an issuer which has any class of equity security listed and registered on a national securities exchange must file with the Commission and the exchange an initial report disclosing the amount of every class of equity security of the issuer of which he is directly or indirectly the beneficial owner, and a report for each month thereafter in which any purchase, sale, or other change in such ownership occurs. Under the corresponding provisions of Section 17 (a) of the Public Utility Holding Company Act of 1935, every officer or director of a registered holding company is under the duty to file with the Commission reports disclosing his direct and indirect beneficial ownership of every class of security of the registered holding company and its subsidiary companies, as well as all subsequent changes occurring therein. Later, when the Investment Company Act of 1940 was passed, it contained in Section 30 (f) the requirement that every officer, director, principal security holder, member of an advisory board, investment adviser and affiliated person of an investment adviser of a registered closed-end investment company shall in respect of his transactions in any securities of such company (other than short-term paper) be subject to the same duties and liabilities as those imposed by Section 16 of the Securities Exchange Act of 1934. The Commission has adopted appropriate Rules in order to avoid any unnecessary duplication in the filing of ownership reports which are required by more than one of these Acts.

Each of these statutes provides that, for the purpose of preventing the unfair use of inside information, any profit realized by these corporate insiders from certain short-term transactions shall be recoverable by the issuer or by a security holder in its behalf if it fails or refuses to bring suit to recover within 60 days after request or fails diligently to prosecute the same thereafter. It is incorrect to suppose that these latter provisions have the capacity to prevent insider trading. They merely provide that, for the purpose stated, any profit the insider realizes from a so-called "short-swing" transaction (specifically, any purchase and sale or any sale and purchase within any period of less than 6 months) in securities of his company, shall be recoverable by the company. At the same time, it is undoubtedly correct to say that the successful operation of these ownership reporting requirements has appreciably reduced the amount of such short-term trading by corporate insiders. It might be noted that since the constitutionality of the profit-recoverability feature of Section 16 was determined by the court in *Smolov v. Delendo Corp.*, 136 F. (2d) 231 (C. C. A. 2, 1943), cert. den., 320 U. S. 751 (1943), certain other civil actions for the recovery of such insider profits have been instituted; ⁵ and it may also be pointed out that in several instances corporate insiders have informed the Commission that they have voluntarily paid over to their companies profits realized by them from such transactions.

⁵ See the section herein on "The Commission in the Courts," at p. 103.

The number of ownership reports filed on the various forms in accordance with the existing statutory requirements and examined by the Commission during the past fiscal year is set forth below:

Number of ownership reports of officers, directors, principal security holders, and certain other affiliated persons filed and examined during the fiscal year ended June 30, 1946

Description of Report *

	<i>Total</i>
Securities Exchange Act of 1934:	
Original reports—Form 4, 14,321; Form 5, 835; Form 6, 1,809	16,965
Amended reports—Form 4, 806; Form 5, 25; Form 6, 42	873
Public Utility Holding Company Act of 1935:	
Original reports—Form U-17-1, 80; Form U-17-2, 347	427
Amended reports—Form U-17-1, 2; Form U-17-2, 18	20
Investment Company Act of 1940:	
Original reports—Form N-30F-1, 210; Form N-30F-2, 977	1,187
Amended reports—Form N-30F-1, 2; Form N-30F-2, 76	78
	19,550

* Form 4 is used to report changes in ownership; Form 5, to report ownership at the time any equity securities of an issuer are first listed and registered on a national securities exchange; and Form 6, to report ownership of persons who subsequently became officers, directors, or principal stockholders of such an issuer, under Section 16 (a) of the Securities Exchange Act of 1934; Form U-17-1 is used for initial reports and Form U-17-2 for reports of changes in ownership of securities, under Section 17 (a) of the Public Utility Holding Company Act of 1935; and Form N-30F-1 is used for initial reports and Form N-30F-2 for reports of changes in ownership of securities under Section 30 (f) of the Investment Company Act of 1940.

The total of 19,550 reports filed during the 1946 fiscal year represents an increase of 18 percent over the number filed during the preceding year, and is greater than the total filed in any of the preceding 7 years. During the past 12 years 252,261 reports have been filed by more than 39,000 persons subject to the ownership reporting requirements. Most of these reports were filed without the necessity of any action by the Commission, and in relatively few instances has more than a simple reminder to the reporting person been necessary to secure the filing of the required reports.

The Commission's staff engaged in the work of examining these reports for compliance with the statutory requirements has need, as a practical administrative matter, to examine currently a wide variety of collateral sources of information available to the Commission. Among the more important of these sources are applications for registration of securities, annual reports, and quarterly and other current reports filed by issuers pursuant to the Securities Exchange Act of 1934; registration statements and prospectuses filed by issuers under the Securities Act of 1933; notifications of registration, registration statements, and annual supplements filed by registered holding companies under the Public Utility Holding Company Act of 1935; notifications of registration, registration statements, annual reports and quarterly reports filed by registered closed-end investment companies under the Investment Company Act of 1940; preliminary and definitive proxy soliciting material filed by issuers under the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935 and the Investment Company Act of 1940; letters received from issuers; and the current publications of certain daily, weekly, quarterly and other periodic financial news services.

- It is inevitable, in view of the volume of security ownership reports which are received by the Commission—a volume which presently averages about 100 reports each work day—that many questions involving the interpretation or application of the reporting requirements to particular situations are presented daily to the Commission's staff. Many such questions relate to indirect beneficial ownership of securities held by the reporter's spouse or other member of his intimate family group, his so-called holding company, or a personal trust in which he has some interest. But the problems extend also to a great variety of other phases of the requirements. Consequently, a considerable portion of the time of the examining section assigned to this work is spent in rendering informal administrative interpretations of the applicable statute or rules as they may relate to the particular facts and circumstances presented; in answering personal, telephone, and correspondence requests for advisory assistance as to the simplest method of preparing necessary forms; and in explaining the scope of the items of information contained in the forms. Of the 4,223 outgoing letters which originated last year in the examining section in charge of these ownership reports, it is estimated that one-half contained such informal advisory assistance afforded in particular cases, while during the same period hundreds of telephone and personal inquiries seeking such help were also given appropriate attention.

The security ownership and transaction reports on all Forms are available for public inspection as soon as they are filed at the headquarters office of the Commission, and reports on Forms 4, 5 and 6 may likewise be inspected also at the particular exchange with which an additional copy of each report relating to the issuer concerned must be filed. For the purpose of making the information contained in all reports more readily accessible to interested investors, the Commission compiles and publishes such information in a monthly Official Summary of Security Transactions and Holdings which is widely distributed among individual investors, newspaper correspondents and press services, and other interested persons. Copies of these summaries are also available to the public at each regional office of the Commission and each national securities exchange.

SOLICITATION OF PROXIES, CONSENTS, AND AUTHORIZATIONS

Under three of the Acts it administers—Sections 14 (a) of the Securities Exchange Act of 1934, 12 (a) of the Public Utility Holding Company Act of 1935 and 20 (a) of the Investment Company Act of 1940—the Commission is authorized to prescribe rules and regulations concerning the solicitation of proxies, consents, and authorizations in connection with securities of the companies subject to those Acts. Pursuant to this authority the Commission has adopted Regulation X-14, which is designed to protect investors by requiring the disclosure of certain information to them and by affording them an opportunity for active participation in the affairs of their company. Essentially, this Regulation makes unlawful any solicitation of any proxy, consent or authorization which is false or misleading as to any material fact or which omits to state any material fact necessary to make the statements already made not false or misleading. Under

the Regulation it is necessary, in general, that each person solicited be furnished such information as will enable him to act intelligently upon each separate matter in respect of which his vote or consent is sought. The proxy rules set forth in this Regulation also contain provisions which enable security holders who are not allied with the management to communicate with other security holders when the management is soliciting proxies. In the Commission's view the development of these Rules has already contributed distinctly to a revitalization of the democratic process in the conduct of corporate affairs.⁷

Statistically, it may be noted that last year the Commission received and examined under Regulation X-14 both the preliminary and definitive material required with respect to 1,670 such solicitations as well as "follow up" material employed in 390 instances.

UNLISTED TRADING PRIVILEGES ON EXCHANGES⁸

On Registered Exchanges

As of June 30, 1946, 965 stock issues were admitted to unlisted trading on the registered exchanges. Of these, 569 issues were fully listed and registered on exchanges other than those on which unlisted trading privileges existed and 396 issues had only an unlisted trading status so far as the registered exchanges are concerned.⁹

The 396 issues having only an unlisted status aggregated 374,597,021 shares, or about 13.2 percent of the entire 2,832,452,776 shares admitted to trading on the registered exchanges. 316 of the issues were on New York Curb Exchange only, 13 were on that exchange and one or another of the exchanges outside of New York, and 67 were on the latter exchanges only. 296 of the issues were of domestic corporations, 70 were of Canadian corporations, and 30 were American depository receipts for shares of foreign issues. Reported trading volume in the 396 issues for the calendar year 1945 was 54,271,815 shares, consisting of 43,191,756 shares traded in domestic issues, 8,083,380 in Canadian issues and 2,996,679 in the American depository receipts, and amounting to about 7.1 percent of the total share volume traded on these exchanges.

As of June 30, 1946, 132 bond issues were admitted to unlisted trading on the registered exchanges. Of these, 16 issues were fully listed and registered on exchanges other than those on which unlisted trading privileges existed and 116 issues had only an unlisted trading status. The 116 issues aggregated \$1,155,904,721 principal amount and were practically all on New York Curb Exchange.

The decline in the aggregate of stock and bond issues admitted only to unlisted trading has continued in accordance with the expectation of Congress, as mentioned annually in these reports. Most of the net reduction of 37 stock issues during the past fiscal year was occasioned by retirement of preferred stocks and by the listing and registration of previously unregistered issues or their successors. The net reduc-

⁷ An example of one type of regulatory problem presented under the proxy rules is found in *S. E. C. v. Transamerica*, discussed herein at p. 108.

⁸ For comprehensive data with respect to the status of issues on exchanges, see Appendix Tables 11 thru 18.

⁹ Of the 396 issues, 9 were also listed upon exempted exchanges.

tion of 33 bond issues followed largely upon the progress made by utility holding companies in adjusting their capital structures pursuant to integration proceedings under the Public Utility Holding Company Act of 1935.

On Exempted Exchanges

As of June 30, 1946, 42 stock issues and 1 small bond issue were admitted to unlisted trading on the exempted exchanges. Of the stocks, 5 issues were also listed and registered on one or another of the registered exchanges and 1 issue was admitted to unlisted trading on a registered exchange. The residue consisted of 36 issues aggregating 5,652,140 shares, all but 1 issue among these being on the Honolulu Stock Exchange, as was the \$140,000 bond issue previously mentioned.

Applications for Unlisted Trading Privileges¹⁰

During the fiscal year applications filed pursuant to Clause (2) of Section 12 (f) of the Act were granted permitting unlisted trading on the Boston Stock Exchange with respect to 22 issues; Chicago Stock Exchange, 18 issues; Cleveland Stock Exchange, 8 issues; Philadelphia Stock Exchange, 15 issues; Pittsburgh Stock Exchange, 11 issues; and St. Louis Stock Exchange, 4 issues. All of the applications granted were for stocks. An application of the Pittsburgh Stock Exchange with respect to one stock issue was denied.

Applications filed pursuant to Clause (3) of Section 12 (f) of the Act were granted during the year to Chicago Stock Exchange and New York Curb Exchange with respect to common stock of the United Light and Railways Co., subject to certain terms and conditions.¹¹

Changes in Securities Admitted to Unlisted Trading Privileges

Whenever a security admitted to unlisted trading privileges is changed only with respect to its title, maturity, interest rate, par value, dividend rate, or amount authorized or outstanding, its privileges are retained on condition merely that the exchange notify the Commission, pursuant to Rule X-12F-2 (a), of the change occurring in the security promptly after learning of it. During the year numerous such notifications were received from the exchanges.

In the event, however, that changes more comprehensive than those enumerated above are effected in an unlisted security, unlisted trading privileges in the altered security may be continued only if the Commission finds, upon application by the exchange pursuant to Rule X-12F-2 (b), that such altered security is substantially equivalent to the security previously admitted to such privileges. During the year applications filed pursuant to this Rule were granted with respect to 1 bond issue on New Orleans Stock Exchange, 1 stock issue on Los Angeles Stock Exchange, 10 stock issues and 1 bond issue on New York Curb Exchange, and 1 stock issue on San Francisco Stock Exchange. In addition, New York Curb Exchange was permitted to withdraw

¹⁰ For a discussion of Section 12 (f), pursuant to which unlisted trading privileges are granted, see Tenth Annual Report, pages 58-60.

¹¹ The United Light and Railways Co., Securities Exchange Act Release No. 3788.

applications involving 4 stock issues upon being advised by the Commission that the applications would be denied.

DELISTING OF SECURITIES FROM EXCHANGES

Securities Delisted by Application

Section 12(d) of the Act defines the Commission's powers with respect to applications by an issuer or an exchange to remove securities from listing and registration on an exchange. It provides that a security may be withdrawn or stricken from listing and registration in accordance with the rules of the exchange and upon such terms as the Commission may deem necessary to impose for the protection of investors.

Pursuant to this Section and in accordance with the procedure prescribed by Rule X-12D2-1 (b),³ 3 issues were delisted upon application of their issuers and 12 issues were delisted upon application of exchanges during the fiscal year. In three instances the same issue was delisted from two exchanges upon their respective applications so that the total delistings, including this duplication, numbered 18. In each of these cases the application was granted without the imposition of any terms upon the delisting. Of the three issues delisted upon application of issuers, one remained listed and registered on another exchange, one had become very closely held with only a few shares in public hands and with no exchange activity in recent years, and the issuer of one was in course of dissolution.

During the year the Commission considered the application of Suburban Electric Securities Company to withdraw its preferred and common shares from listing and registration on the Boston Stock Exchange. The application was granted subject (1) to the condition that the withdrawal should not become effective until after the applicant had submitted the delisting proposal to its shareholders and obtained their consent, and (2) to certain other conditions relating to adequacy of disclosure in the event the securities in question were withdrawn from listing and registration.¹²

This was the third occasion on which the Commission had imposed material terms upon the granting of a delisting application; the first two such cases were those of Shawmut Association and The Torrington Company, each of which had applied to withdraw its common stock from listing and registration on the Boston Stock Exchange.¹³ The terms imposed in these three cases were similar to the extent that the assent of shareholders to the proposed delisting was required, although the precise terms of each in this respect differed. In the *Suburban* case the terms required that solicitation of shareholders' assents be made by the applicant within 30 days from the date of issuance of the Commission order granting the application. Moreover, the order required consent by two-thirds of the company's com-

¹² *Suburban Electric Securities Company*, Securities Exchange Act Releases Nos. 3822 and 3829.

¹³ For a discussion of the two previous cases see Eleventh Annual Report, p. 19. During the fiscal year the Commission dismissed the applications of Shawmut Association, The Torrington Company and Suburban upon being advised that each had determined not to solicit its shareholders' consent to the proposed delisting.

mon and preferred shareholders and by the holders of two-thirds of the shares of each class. Furthermore, the terms in the *Suburban* case provided, in the event delisting of the securities became effective, (1) that prior to purchasing any of its shares the applicant should furnish the seller with a statement stating that the applicant was the purchaser and setting forth specified information relevant to its securities, as well as a consolidated balance sheet, itemized surplus statement, and profit and loss statement of the applicant and its subsidiaries as of a specified date, and (2) that the applicant should mail to the Commission a copy of the financial statements intended to be furnished to security holders as mentioned above prior to the use of such statements and also mail to the Commission a monthly statement setting forth certain specified information relative to the number of its own shares that it had purchased. These latter terms were imposed in view of the fact that the Commission found financial statements issued by Suburban to its shareholders in the past had not set forth the status of the trust clearly or in accordance with sound accounting principles and that Suburban had been engaged in a consistent program of buying in its own shares from public holders while members of the management, familiar with the company's affairs and prospects, retained their shares, in effect using the company to increase their relative percentages of its outstanding securities.

Securities Delisted by Certification

Under Rule X-12D2-2 (a) an exchange may remove from listing and registration, upon certification to the Commission, securities which have been paid at maturity, redeemed or retired in full, or which have become exchangeable for other securities. During the year 444 issues of 310 issuers were delisted upon certification by exchanges under this Rule. Some of these issues were delisted from more than one exchange; total delistings, including these duplications, numbering 510. In many instances successor issues of those delisted under this Rule were subsequently listed and registered on the exchanges.

Rule X-12D2-1 (d) provides that an exchange may remove any security from listing and registration if trading therein has been terminated pursuant to a rule of the exchange requiring such termination whenever the security becomes listed and admitted to trading on another exchange. Pursuant to this Rule, six issues of six issuers were delisted from New York Curb Exchange when they became listed and registered on New York Stock Exchange.

Securities Removed From Listing on Exempted Exchanges

The listing of a security upon an exempted exchange may be terminated upon the filing by an exempted exchange of an appropriate amendment to its application for exemption. Four exempted exchanges filed such amendments during the year, terminating the listing of six issues of five issuers.

SECURITIES EXEMPTED FROM REGISTRATION

Exempted Securities Removed From Exchange Trading

During the year 13 issues of 8 issuers which had been previously admitted to exchange trading under a temporary exemption from Sec-

tion 12 (a) of the Act pursuant to Rules X-12A-1, X-12A-2 or X-12A-3 were removed from such trading by action of the exchanges involved. The reasons for these removals were that one issue had been paid at maturity; two had been called for redemption; two had had no exchange activity for many years; the three issuers of the remaining eight issues were involved in reorganizations as a result of which these issues had either been eliminated or become exchangeable for other securities which were not admitted to exchange trading.

Temporary Exemption of Substituted or Additional Securities

In order to provide continuity of exchange trading in cases where securities previously listed or admitted to unlisted trading privileges have come to evidence other securities, Rule X-12A-5 affords to such securities a temporary exemption from the registration requirements of Section 12 (a) of the Act to the extent necessary to render lawful the effecting of transactions therein on the exchange.

Notification of the admission to trading under this Rule with respect to 144 issues of 127 issuers were received from the various exchanges during the year. In some instances the same issue was admitted to trading on more than one exchange, so that the total admissions to such trading, including these duplications, numbered 181. These figures include many instances in which the Rule was utilized to permit exchange trading in additional shares of stock resulting from the numerous stock split-ups and stock dividends which occurred during the year.

STABILIZATION AND MANIPULATION

Manipulation

In its administration of the provisions of the Securities Exchange Act of 1934 relating to the manipulation of securities markets, the Commission's policy is to attempt to detect manipulative practices at their inception, before the public has been harmed. At the same time, it seeks to avoid interfering with the legitimate functioning of the securities markets. In brief, the Commission's investigations in this area take two forms. The "flying quiz," or preliminary investigation, is designed to detect and discourage incipient manipulation by a prompt determination of the reason for unusual market behavior. If a legitimate reason for the activity is uncovered, the case is closed. If more extended investigation seems required, a formal order is sought of the Commission under which members of the staff are empowered to subpoena pertinent material and take testimony under oath. These formal investigations often cover substantial periods of time, and trading operations involving large quantities of shares are carefully scrutinized.

The Commission keeps confidential the fact that any security is under investigation so that the market in the security may not be unduly affected or reflections be unfairly cast upon individuals or firms whose activities are being investigated. As a result, the Commission occasionally receives criticism for failing to investigate situations when, in fact, it is actually engaged in an intensive investigation of those very matters.

A tabular summary with respect to the Commission's trading investigation follows:

Trading investigations

	<i>Flying quizzes</i>	<i>Formal investiga- tions</i>
Pending June 30, 1945	163	28
Initiated July 1, 1945 to June 30, 1946	287	11
Total to be accounted for	450	39
Changed to formal investigations	11	—
Closed or completed ¹	194	8
Total disposed of	205	8
Pending June 30, 1946	245	31

¹ Includes reference of cases to the Department of Justice or to a national securities exchange.

Stabilization

During the fiscal year ended June 30, 1946, the Commission continued the administration of Rules X-17A-2 and X-9A6-1. Rule X-17A-2 requires the filing of detailed reports of all transactions incident to offerings in respect of which a registration statement has been filed under the Securities Act of 1933 where any stabilizing operation is undertaken to facilitate the offering. Rule X-9A6-1 governs stabilizing transactions in securities registered on national securities exchanges, effected to facilitate offerings of securities so registered, in which the offering prices are represented to be "at the market" or at prices related to market prices.

Of the total registration statements filed during the 1946 fiscal year, about two-thirds, or 504, contained a statement of intention to stabilize to facilitate the offerings covered by such registration statements. Because of the fact that a registration statement sometimes covers more than one class of security, there were 660 offerings of securities in respect of which a statement was made, as required by Rule 827 under the Securities Act, to the effect that a stabilizing operation was contemplated. Stabilizing operations were actually conducted to facilitate 96 of these offerings. In the case of bonds, public offerings of \$188,195,000 principal amount were stabilized. Offerings of stock issues aggregating 18,797,323 shares and having an aggregate estimated public offering price of \$515,548,900 were also stabilized. In connection with these stabilizing operations, 9,154 stabilizing reports were filed with the Commission during the fiscal year. Each of these reports has been analyzed, thereby enabling the staff to determine whether the stabilizing activities were lawful.

To facilitate compliance with the Commission's Rules on stabilizing and to assist issuers and underwriters to avoid violation of the statutory provisions dealing with manipulation and fraud, many conferences were held with the representatives of such issuers and underwriters and many written and telephone requests were answered. A total of 2,118 letters and memoranda of such conferences and telephone requests and memoranda to the regional offices of the Commission were written in connection with the administration and enforcement of the stabilization and manipulation statutory provisions and regulations.

**REGULATION OF BROKERS AND DEALERS IN OVER-THE-COUNTER
MARKETS**

Registration

Brokers and dealers using the mails, or means or instrumentalities of interstate commerce, to effect transactions in securities on over-the-counter markets are required by Section 15 (a) of the Securities Exchange Act to be registered with the Commission pursuant to Section 15 (b) of that Act. An exemption is, however, granted to those brokers and dealers whose business is exclusively intrastate or exclusively in exempted securities. The following tabulation reflects certain data with respect to registration of brokers and dealers during the fiscal year ended June 30, 1946.

Registration of brokers and dealers under Section 15 (b) of the Securities Exchange Act of 1934, fiscal year ended June 30, 1946

Effective registrations at close of preceding fiscal year	4,046
Effective registrations carried as inactive	¹ 93
Registrations placed under suspension during preceding fiscal year	1
Applications pending at close of preceding fiscal year	20
Applications filed during fiscal year	644
 Total	 4,804
Applications withdrawn during year	13
Registrations withdrawn during year	482
Registrations canceled during year	¹ 45
Registrations denied during year	1
Registrations revoked during year	² 8
Registrations effective at end of year	4,132
Registrations effective at end of year carried as inactive	¹ 80
Applications pending at end of year	43
 Total	 4,804

¹ Registrations are carried on inactive status because of inability to locate registrants despite careful inquiry. Thirteen such registrations were canceled, withdrawn, or restored to active status during the year.

² One registration, under suspension at the close of the 1945 fiscal year, was revoked during the 1946 fiscal year.

Broker-Dealer Inspections

Broker-dealer inspections, undertaken pursuant to Section 17 of the Securities Exchange Act for the purpose of determining whether registrants are in compliance with the requirements of law, totaled 603 during the 1946 fiscal year. Infractions, which were discovered in about one-third of these inspections, were of varying degrees of seriousness.

Seventeen inspections revealed unsatisfactory financial conditions requiring immediate corrective action or continued surveillance. In 134 inspections, the reports revealed transactions at prices at such variance with prevailing market prices as to raise some question as to fair treatment of customers. In 108 inspections, the reports contained information indicating noncompliance with the provisions of Regulation T relating to the extension of credit. In 36 inspections, questions were raised concerning improper hypothecation and commingling of customers' securities and use of customers' free funds. In 25 inspections, it was discovered that firms took secret profits in agency transactions by misrepresenting the prices at which orders had been executed.

Whenever infractions are discovered, efforts are made to determine whether they are the result of carelessness or represent a policy of indifference or wilfulness on the part of the responsible management. The Commission has continued its established policy in calling minor infractions to the attention of the firm at the time of the inspection so that corrective measures may be taken immediately. Subsequent check-ups are then made in order to determine whether the promised corrections have been effected. In some instances, however, the infractions are of serious nature, requiring further inquiry or investigation. During the 1946 fiscal year, 39 inspections resulted in inquiry or investigation beyond the scope of the inspection.

Administrative Proceedings

A summary of the administrative proceedings of the Commission with respect to brokers and dealers is given below.

Record of broker-dealer proceedings and proceedings to suspend or expel from membership in a national securities association instituted pursuant to Sections 15(b) and 15A of the Securities Exchange Act of 1934

Proceedings on revocation of registration pending at beginning of fiscal year	2
Proceedings on revocation of registration and suspension or expulsion from NASD pending at beginning of fiscal year	5
Proceedings ordered during year on revocation of registration	6
Proceedings ordered during year on revocation of registration and suspension or expulsion from NASD	4
Proceedings ordered during year on denial of registration	5
Proceedings ordered on question of terms and conditions on withdrawal of registration	1
 Total	 28
 Revocation proceedings and proceedings to expel or suspend from NASD dismissed, registration and membership continued	 1
Denial proceedings dismissed on withdrawal of application	2
Registrations denied	1
Registrations revoked	8
Registrations revoked and firms expelled from NASD	1
Firms suspended from membership in NASD	1
Revocation proceedings pending at end of fiscal year	2
Revocation proceedings and proceedings to expel or suspend from NASD pending at end of fiscal year	4
Denial proceedings pending at end of fiscal year	2
Proceedings pending on question of terms and conditions on withdrawal of registration	1
 Total	 23

Among those proceedings resulting in revocation of registration was the action against *Oxford Company, Inc.*, of Washington, D. C. The transactions upon which the Commission made its findings were between the firm and two of its customers, elderly women to whom the firm owed fiduciary duties, and involved considerable cross-trading between their accounts. In transactions with these customers, the firm habitually confirmed as principal and at a profit to itself. The Commission concluded that the firm, under the duty to act as a broker for these two customers, had obtained secret profits in effecting cross transactions between customer accounts as principal, and had willfully violated the antifraud provisions of Section 17 (a) of the Securities Act and Sections 10 (b) and 15 (c) (1) of the Securities Exchange

Act. The Commission emphasized that, under all the circumstances of the case, the riskless character of the transactions was itself evidence of an agency relationship. The firm had the complete trust and confidence of the customers; it solicited them to buy specific securities which it recommended; it knew that these securities were not in inventory and that it would have to go into the market to obtain them to fill orders; it knew also that it could obtain the securities without any risk of its own funds. The Commission held that under all of the circumstances the firm was under the duty to act as agent for the customer in the absence of explicit and informed consent to the firm's acting as principal.

In a case of considerable interest to underwriters and securities dealers generally, the Commission suspended from membership in the NASD for a period of 10 days, beginning March 16, 1946, the New York firm of *Van Alstyne, Noel & Co.* upon a finding that the firm had willfully violated Section 5 (a) (1) of the Securities Act of 1933. On December 14, 1945, approximately a month and a half prior to the filing of a registration statement, this firm entered into arrangements with Andrew J. Higgins, President of Higgins, Inc., for the underwriting of 900,000 shares of common stock of Higgins, Inc. Having completed the formation of a so-called "underwriting group" consisting of itself and 74 dealers throughout the country, the firm on or about January 10, 1946, completed the formation of a selling group consisting of about 160 dealers throughout the country and allotted specific amounts of shares to these latter dealers, who in turn allotted shares to their customers. A registration statement covering this issue of securities was finally filed on January 30, 1946, some 20 days after the formation of the selling group. The Commission found, on these admitted facts, that there had been a sale of Higgins common stock prior to its effective registration. In reaching this conclusion, the Commission considered that clause of Section 2 (3) of the Securities Act which excepts "preliminary negotiations or agreements between an issuer and any underwriter" from the definition of "sale." The firm's activities, however, were found to have exceeded mere negotiations with underwriters and to have involved sales to members of the selling group and to members of the public. Commenting on the Congressional intent to outlaw offers or sales to selling group members prior to the effective date of the registration statement, the Commission also pointed out that a prohibition against making "offers to buy" had been expressly included in the prohibition of Section 5 (a) (1) for the specific purpose of preventing underwriters from discriminating against dealers who did not make offers to buy between the period of the filing of the registration statement and its effective date.

After prolonged proceedings, the Commission on January 22, 1946, issued its findings and opinion and ordered revocation of the registration of *Norris & Hirshberg, Inc.*, of Atlanta, Ga. The Commission found that in fixing prices which were unaffected by the operation of a free, open and competitive market without disclosing the nature of its market, in dealing as a principal with uninformed customers and customers who had given it powers of attorney, and in trading excessively for accounts as to which it had discretionary powers, this firm had engaged in activities which were fraudulent

and illegal under Section 17 (a) of the Securities Act of 1933 and Sections 10 (b) and 15 (c) (1) of the Securities Exchange Act of 1934. On April 29, 1946, *Norris & Hirshberg, Inc.*, filed a petition for review of the Commission's order in the United States Court of Appeals for the District of Columbia, and on May 2, 1946, the Court entered an order by stipulation staying the Commission's order pending further order of the Court. The Court conditioned its stay order upon conformance by the firm with its stipulation and agreement with the Commission not to engage during the pendency of the review in acts or practices violating the above-mentioned provisions of the statutes.

SUPERVISION OF NASD ACTIVITY

The National Association of Securities Dealers, Inc., continued to be the only national securities association registered as such with this Commission. During the year ended June 30, 1946, membership increased from 2,290 to 2,514, a gain of 224 members.

Disciplinary Proceedings

Final action on 19 disciplinary cases against members was reported to the Commission by the Association in the year ending June 30, 1946. Of these 19 cases, complaints were dismissed or withdrawn in 6 instances; in 4 cases violations were found and the members censured; and in the remaining 9 cases violations were found and the firms involved were fined an aggregate of \$3,950 in amounts ranging in particular cases from \$1,000 to \$200. In this last group of cases, collateral penalties such as censure or an agreement pledging future observance and compliance with the rules were sometimes also included and, in addition, in 3 such cases costs, in varying amounts up to \$250, were also imposed on the members found to have violated Association rules.

During the year the Commission found it appropriate to refer, for whatever action the association might find advisable, facts concerning the business practices of 11 different member firms. Three such cases had been pending at the beginning of the year. During the year, final action by the association was reported to the Commission on seven such cases and seven cases were still in process at the year end.

Commission Review of Disciplinary Action or Denial of Membership

Section 15A (g) of the Securities Exchange Act of 1934 provides for review by the Commission, on application by an aggrieved party, of disciplinary action by the Association against any member or of denial of membership by the Association to any broker or dealer. Four such cases came before the Commission in the 1946 fiscal year, two of which were decided during the year and the remaining two were pending at the year end.

On August 7, 1945, the Commission by order, after hearing and oral argument, dismissed a review proceeding brought by Thomas Arthur Stewart,¹⁴ a member who had been found by the Association to have violated its rules of fair practice and had been suspended from

¹⁴ Thomas Arthur Stewart, Securities Exchange Act Release No. 3720.

membership for 1 year. The Commission's opinion included findings that Stewart had violated the Association's rules of fair practice, and that his conduct had been inconsistent with just and equitable principles of trade in that he had recommended to and executed for certain customers purchases and redemptions of shares of open-end investment companies, timed in relation to dividend dates so as to obtain multiple dividends, without having reasonable grounds for believing his recommendations to be suitable for such customers and without making adequate disclosure as to (a) the manner of determining the prices of such shares, (b) the effect of dividends on such prices, and (c) the amount of selling charges included in the prices of shares purchased by the customer. In effect, the dismissal of the review proceeding affirmed the decision and the penalty imposed by the Association.

At the end of the fiscal year another such appeal from Association disciplinary action was also pending before the Commission.¹⁵ There was also then before the Commission a petition by Foelber-Patterson, Inc. seeking review by the Commission of action of the Association in denying membership to the applicant.¹⁶

Commission Action on Petitions for Approval of or Continuation in Membership

Section 15A (b) (4) of the Securities Exchange Act of 1934 and the bylaws of the Association bar from association membership persons under specific disabilities, including those who have been expelled from a registered securities association for violating any rule which prohibits conduct inconsistent with just and equitable principles of trade, unless the Commission approves or directs the admission of that person as appropriate in the public interest. In the year here under review, three cases came before the Commission pursuant to this statutory provision. One of the cases was decided during the year and two were pending at the year end.

The Commission on May 28, 1946, after hearing, by order approved a petition filed by the Association on behalf of John L. Godley for approval of his application for membership.¹⁷ Godley had been expelled by the Association in 1942 for violations of its rules of fair practice which prohibit conduct inconsistent with just and equitable principles of trade, and as a consequence, was inelegible for membership unless the Commission approved or directed his membership as appropriate in the public interest. The matter came before the Commission after the district committee of original jurisdiction and the

¹⁵ On July 12, 1946, the Commission issued a memorandum opinion and order identifying this case. Without considering or deciding any of the substantive questions raised in the application for review, the Commission denied the motion of the applicant, Herrick, Waddell & Co., Inc., to open the record to admit evidence of business practices adopted after the completion of transactions forming the basis of disciplinary action, holding that such evidence was not relevant to show whether any transactions had been in violation of the Association's rules. See *National Association of Securities Dealers, Inc., District Business Conduct Committee, No. 11, v. Herrick, Waddell & Co., Inc.*, Securities Exchange Act Release No. 8831.

¹⁶ On Sept. 4, 1946, the Commission by order set aside the action of the Association denying membership to Foelber-Patterson, Inc., and required the admission of the firm to membership. The question at issue was whether the recent registration of Foelber-Patterson, Inc., with the Commission as a broker-dealer removed the disqualification from membership resulting from the Commission's revocation of the broker-dealer registration of Central Securities Corp., of which Foelber and Patterson had been officers and directors, on Apr. 8, 1942 (see *Central Securities Corp.*, 11 S. E. C., 98 (1942)). In effect, the Commission held that the broker-dealer registration of Foelber-Patterson, Inc., removed the disqualification insofar as the revocation order against Central Securities Corp. related to Foelber and Patterson. See *Foelber-Patterson, Inc.*, Securities Exchange Act Release No. 8847.

¹⁷ See *John L. Godley*, Securities Exchange Act Release No. 8823.

Board of Governors of the Association had considered his application and recommended that the Commission admit him to membership.

At the year end, a somewhat similar petition filed by the Association on behalf of Greene & Company was before the Commission for decision. The petition on behalf of Greene & Company asked that the firm be continued in membership with W. F. Thompson acting as a partner or an employee. Thompson had been expelled by the association in 1942 for violations of the rules of fair practice which prohibit conduct inconsistent with just and equitable principles of trade. This expulsion created a barrier to membership by any firm employing Thompson, and made Thompson ineligible for direct membership, absent Commission approval or direction. As in the Godley case, the petition for Commission approval of the continuance of Greene & Company in membership was filed by the Association after the District Committee and the Board of Governors had considered and conditionally approved the application.¹⁸

The other pending case arose from a petition filed by Lawrence R. Leaby for admission to membership in the Association notwithstanding the fact that the Association had expelled him from membership in 1942 and that the Commission had in 1943 revoked his broker-dealer registration. Leaby's petition requested that the Commission exercise its administrative discretion in his favor, as far as Association membership was concerned, and it was coupled with an application for registration with the Commission as a broker.

Registered Representative Rule

The Association on July 31, 1945, filed with the Commission as amendments to its registration statement, after requisite approval by the Board of Governors and the membership, a series of amendments to the bylaws and rules requiring that no member should permit any person to manage, supervise, solicit or handle securities business, trade in or sell securities or solicit investment advisory or investment management business, unless that person was registered with the Association as a "registered representative." Registered representatives must agree to be bound by the articles of incorporation, bylaws and rules of the Association, and duly authorized rulings, orders, directions, decisions and penalties. The rules also provide that a person may not become registered if he is subject to an order of the Association suspending or revoking his registration or if he is subject to any of the disqualifications for which brokers and dealers may be refused or discontinued in membership. However, under Section 15A (b) (4) of the Act, the Commission may approve or direct admission into or continuance of membership notwithstanding the member's control of a person with a disqualification.

The statute does not require affirmative Commission approval before amendments to the Association's rules may become effective, although it does require the Commission to disapprove any amendment unless it is found to be consistent with the applicable statutory standards. In order to give all interested parties an opportunity to be heard on the proposed amendments, the Commission held a public hearing at which

¹⁸ On July 31, 1946, the Commission by order approved the continuance of Greene & Company in membership with W. F. Thompson acting as either a partner or employee. See Greene & Company, Securities Exchange Act Release No. 8836.

arguments were made both for and against the proposal. In an opinion dated September 19, 1945, the Commission, after a detailed exposition of the reasons for the proposed amendments and their implications, found that they were consistent with the statutory standards and announced that it would not disapprove them.¹⁹

On December 31, 1945, various members of the Association and a few nonmembers filed a petition in the District Court for the Southern District of New York to require the Commission to enter a formal order in connection with its determination not to disapprove the amendments, so that the petitioners might take an appeal to the Circuit Court of Appeals. After argument on a motion by the Commission to dismiss this petition for lack of jurisdiction in the District Court, the petition was withdrawn. Thereupon the same petitioners filed a similar petition in the Circuit Court of Appeals for the Second Circuit, which was denied without opinion on March 9, 1946. The Commission took the position that the statute did not contemplate a formal order when the Commission failed to exercise its veto power over amendments to the Association's rules.

As a result of these amendments and because of the Commission's residual supervisory duties, a substantial number of cases may come before the Commission on review of action by the association in denying membership to broker-dealers employing persons who are not qualified to be registered representatives.

LITIGATION UNDER THE ACT

During the past fiscal year the Commission instituted its first actions for injunction based solely on violation of Regulation T, the margin regulation promulgated by the Board of Governors of the Federal Reserve System for certain categories of broker-dealers pursuant to Section 7 (c) of the Act. Effective February 5, 1945, the Board had increased the general margin requirement from 40 percent to 50 percent; effective July 5, 1945, it was increased to 75 percent; and effective January 21, 1946, it was made 100 percent. On October 16, 1945, the Commission instituted three companion actions in the United States District Court at Cleveland. One action was against Butler, Wick & Co., a New York Stock Exchange member house with offices in Youngstown, Ohio; another against Hirsch & Co., a member firm with offices in New York and Cleveland; and the third against two firms jointly, the S. T. Jackson & Co., Inc., an over-the-counter firm in Youngstown, and A. E. Masten & Co., a member house in Pittsburgh which acted as correspondent of the Jackson firm in effecting transactions on the New York Stock Exchange. Richard C. Brown, of Youngstown, and First Mahoning Co., an investment company controlled by Brown, were named as defendants in all three of the actions.²⁰ The charges in these cases are that the first three broker-dealer firms repeatedly violated Regulation T by overextensions of credit to Brown and his investment company; that the Masten firm overextended credit directly to the Jackson firm, its over-the-counter correspondent, and indirectly

¹⁹ National Association of Securities Dealers, Inc., Securities Exchange Act Release No. 3734.

²⁰ S. E. C. v. Butler, Wick & Co., Richard C. Brown, and First Mahoning Company (N. D. Ohio); S. E. C. v. Hirsch & Company, Richard O. Brown, and First Mahoning Company (N. D. Ohio); S. E. C. v. A. E. Masten & Co., Richard C. Brown, and First Mahoning Company (N. D. Ohio).

through the Jackson firm to Brown and his investment company, customers of the Jackson firm; and that Brown and his investment company aided and abetted all of these violations. On November 16, 1945, the court entered a final injunction against the Jackson firm by default. On the same day the court entered preliminary injunctions by consent in all three cases restraining Brown and First Mahoning Co. from inducing the four defendant firms or any other broker-dealer to effect unlawful transactions of the types alleged in the complaints. At the close of the fiscal year Brown and First Mahoning Co. were in default of an answer, and the actions against the other three broker-dealer firms were awaiting trial.

- In *Securities and Exchange Commission v. Patrick A. Trapp*,²¹ the Commission brought suit to enjoin a broker-dealer from selling oil royalties at prices unrelated either to his own contemporaneous cost or to reasonable estimates of recoverable oil. Although this doctrine is to be newly tried in the courts, the basis thereof has been laid in quasi-judicial proceedings before the Commission. The Commission sought at the same time to enjoin Trapp, whose broker-dealer registration had been previously revoked for fraud in connection with the sale of such securities, from continuing to engage in the business of an over-the-counter broker-dealer without registration, and from selling oil royalties by means of various misrepresentations. The case was pending at the close of the fiscal year.

There were two cases in which the Commission sought mandatory injunctions to require registered broker-dealers to permit an examination to be made of their books and records pursuant to Section 17 (a) of the Act and the Commission's bookkeeping rules. In the first case, *Securities and Exchange Commission v. Maurice A. Sharkey*, the District Court for the Western District of Washington entered a summary judgment of mandatory injunction on December 10, 1945. In the second case, *Securities and Exchange Commission v. Nevada Oil Co.*, which was pending in the District Court for the Northern District of Texas at the end of the fiscal year,²² the registrant, after refusing access to Commission investigators on several occasions, filed an application to withdraw from registration as a broker-dealer. Thereupon the Commission filed its action for mandatory injunction and at the same time, in order to prevent the withdrawal of the application from becoming automatically effective under the Commission's Rules, instituted an administrative proceeding to determine whether withdrawal from registration should be conditioned upon the company's first permitting the required examination of its books and records to be made. This administrative proceeding, which is the first of its kind ever instituted by the Commission, was likewise pending at the end of the fiscal year; the Commission had postponed the administrative hearing in order to permit the court action to go ahead first.

One manipulation case was pending in the courts during the fiscal year. In *Securities and Exchange Commission v. Frank W. Bennett and The Federal Corp.*, the Commission had filed a complaint in the District Court for the Southern District of New York on June 28, 1945, to enjoin the defendants from violating Section 9 (a) (2) of the Act.

²¹ D. N. Dak., complaint filed June 12, 1946.
²² The complaint was filed on June 18, 1946.

It was alleged that they had manipulated the market for the common stock of Red Bank Oil Co. on the New York Curb Exchange while a registration statement was pending under the Securities Act of 1933 with respect to a proposed offering of a large block of that stock "at the market." On August 20, 1945, the court denied the Commission's motion for preliminary injunction.²³ The Commission's evidence that the defendants' raising of the price on the Curb from 1 3/4 to 2 would increase the proceeds to them of the proposed offering by approximately \$100,000 was not held to be sufficient evidence of a manipulative purpose.²⁴ Instead of appealing from the denial of its motion for preliminary injunction, the Commission decided to go to trial on the merits, and the case was awaiting trial at the end of the fiscal year.

There were two civil actions during the year in which the Commission obtained injunctions against various fraudulent practices by broker-dealers. In *Securities and Exchange Commission v. Financial Service, Inc.*, the District Court for the Southern District of Indiana, on August 28, 1945, enjoined the defendant, a registered broker-dealer, as well as Oscar F. Koenig, his wife, and Mrs. Mildred Martin, officers and directors of the company, from soliciting and accepting funds and orders from customers without disclosing to them that the firm was insolvent. The defendants were enjoined at the same time from falsely representing to customers the prices at which the firm effected purchases and sales, such misrepresentations having enabled the firm to realize secret profits while acting as agent for its customers.²⁵ The Commission also sought the appointment of a receiver, but the company succeeded in paying off its obligations to its customers and the request was denied. In the second case, *Securities and Exchange Commission v. Gilbert M. Bates*, the defendant consented to the entry of an injunction by the District Court for the Northern District of Iowa restraining him from engaging in various fraudulent practices (the effecting of purchases and sales at prices not reasonably related to the market without disclosing that fact, taking secret profits by effecting transactions with customers at prices fixed by the defendant while he purported to act as their agent, and violating the confirmation requirements) as well as doing business as an over-the-counter broker-dealer without registration.

Judicial review of Commission action under the Securities Exchange Act was sought in two cases, both discussed elsewhere in this report. *Norris & Hirshberg, Inc., v. S. E. C.*, which is pending in the United States Court of Appeals for the District of Columbia, involves a petition to review a Commission order revoking the petitioner's broker-dealer registration for various violations of the antifraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934.²⁶ The second case involved the Commission's opinion (previously discussed herein) announcing the reasons for its refusal to disapprove certain amendments to the bylaws of the National Association of Securities Dealers, Inc., setting up a system whereby employees of members have to be registered with the association as

²³ 62 F. Supp. 609.

²⁴ Various administrative proceedings affecting the registration statements of Red Bank Oil Co. under the Securities Act of 1933 and the Securities Exchange Act of 1934 are described elsewhere in this report. See p. 22, *supra*.

²⁵ The Commission subsequently revoked the firm's broker-dealer registration. Securities Exchange Act Release No. 3774 (Jan. 8, 1946).

²⁶ See pp. 35 and 36.

"registered representatives." Various persons sought unsuccessfully to obtain judicial review first in the District Court for the Southern District of New York and then in the Circuit Court of Appeals for the Second Circuit.²⁷

Civil Actions Instituted Under the Securities and Exchange Act of 1934

The 1946 fiscal year has witnessed a continuation of the ever-growing need to resort to the courts for injunctions under Rule X-10B-5 to protect investors. Rule X-10B-5, adopted pursuant to Section 10 (b) of the Securities Exchange Act of 1934, contains a general prohibition against fraud in the purchase or sale of securities through certain channels. The violations which were enjoined during the year generally involved combinations of situations where controlling stockholders took advantage of investors in their companies by suppressing information relating to recent and sharp improvement in the volume of business, relating to increases in market value of portfolio securities, or other vital information. These situations are further examples of the need for preventative legislation asked for by the Commission in its report to the Congress of June 19, 1946, entitled "A Proposal to Safeguard Investors in Unregistered Securities."²⁸

Violations of Rule X-10B-5 were sometimes coupled with infractions of other Sections of the Act as well as violations of the Securities Act of 1933. For example, in *S. E. C. v. Financial Service, Inc., et al.*,²⁹ and *S. E. C. v. Gilbert M. Bates*,³⁰ the Commission obtained final judgments enjoining the defendants from violating the antifraud provisions of the Securities Act as well as the antifraud sections of the Securities Exchange Act.

In *S. E. C. v. Boyd Transfer and Storage Co., et al.*³¹ the Commission obtained a judgment enjoining violations of the fraud provisions of the Securities Exchange Act of 1934 in the purchase of the securities of the company. The case involved false and misleading statements in the acquisition of preferred stock regarding book value, net asset value, and net earnings of the company as well as the benefits to be received by the management (majority common stockholders) by the retirement of the preferred stock issues.

In *S. E. C. v. Albert M. Greenfield, et al.*³² the Commission instituted an action charging that the defendants had violated the antifraud provisions of the Securities Exchange Act in purchasing the debentures of Albert M. Greenfield & Co. It was charged that the defendants had made misleading statements regarding the market price, and suppressed certain information, including the fact that the net profits during 1944 and the sharply increased profits for the first 6 months of 1945 of Albert M. Greenfield & Co. were sufficient to pay

²⁷ See p. 38.

²⁸ See the comments herein on that report at pp. 129 to 132.

²⁹ U. S. District Court, S. D., Evansville Division, Ind., August 28, 1945. False and misleading statements to customers regarding prices of securities bought and sold, obtaining secret profits, and the omission to disclose insolvency while soliciting and accepting deposits of money and orders for the purchase and sale of securities from customers.

³⁰ U. S. District Court, N. D., Cedar Rapids Division, Iowa, March 7, 1946. Sales to and purchased from customers of securities at prices bearing no reasonable relation to prevailing market prices, obtaining secret profits, false and misleading statements to customers regarding the prices of securities bought and sold as well as the amount of the Commission. Bates was also enjoined from violating the registration provisions of the Securities Exchange Act.

³¹ U. S. District Court, Fourth Division, Minneapolis, Minn., Dec. 5, 1945.

³² U. S. District Court, E. D., Pennsylvania, complaint filed November 7, 1945.

cumulative interest for past years as well as certain noncumulative interest obligations of the company. It was further charged that the defendants failed to disclose the identity of the purchaser and the market value of Albert M. Greenfield & Co.'s portfolio and that the assets attributable to each outstanding debenture were substantially in excess of the price offered. The action was dismissed on the Commission's motion upon the filing of a stipulation between the parties in which defendants agreed to furnish audits of books for the years 1944 and 1945 to the indenture trustee, to furnish copies of its certified annual reports including balance sheets, profit and loss statements, and other data to debenture holders, to offer to rescind its purchases of debentures since March 27, 1945, and to comply in the future with Rule X-10B-5.

In *S. E. C. v. Joseph M. Gentile*,³³ *S. E. C. v. Frank Cohen, American Caramel Company and R. E. Rodda Candy Co.*,³⁴ and *S. E. C. v. Roy Irwin Mitchell*³⁵ the Commission obtained judgments enjoining the defendants from violating the antifraud provisions of the Securities Exchange Act in the purchase of securities.

The *Gentile* case involved false and misleading statements to security holders of Breck Distilled Products Corporation regarding current market price and omissions to advise security holders regarding the existence of an agreement by Gentile to sell his stock at \$6.13 per share and their right under such agreement to dispose of their securities at the same price.³⁶

The *Cohen* case involved false and misleading information regarding the book value, current asset value, and market price of American Caramel Company preferred stock, the control of American, the identity of the purchasers, material changes in American's business including significant increases in sales and profits and plans for the recapitalization and reorganization of American.

The *Mitchell* case involved false and misleading statements to stockholders by an employee of Empire Steel Corporation regarding the market price or value of Empire's securities and the identity of the purchaser. Neither Empire nor its management was involved.

³³ U. S. District Court, S. D., New York, Jan. 30, 1946.

³⁴ U. S. District Court, E. D., Pennsylvania, Dec. 11, 1945.

³⁵ U. S. District Court, N. D., Eastern Division, Ohio, Aug. 6, 1945.

³⁶ Gentile has made restitution in the approximate amount of \$60,000 to the minority stockholders concerned.



PART III

ADMINISTRATION OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

The Public Utility Holding Company Act of 1935 was enacted for the purpose of eliminating certain evils and abuses which the Congress found to exist in connection with the activities of holding companies having subsidiaries which are electric utility companies, or which are engaged in the retail distribution of natural or manufactured gas. It was particularly designed to remove control of widely scattered utility properties from the hands of holding companies in large financial centers and thus to afford to the operating companies the advantages of localized management and to strengthen local regulation. This objective finds its most direct expression in Section 11 of the Act. Section 11 (b) (1) requires the operations of holding company systems to be limited to one or more integrated systems and to such additional businesses as are reasonably incidental or economically necessary or appropriate to the operation of the integrated systems. Section 11 (b) (2) requires elimination of undue complexities in corporate structures of holding company systems and the redistribution of voting power among their security holders on a fair and equitable basis. The Act provides also for the registration of holding companies (Sec. 5); regulation of security transactions of holding companies and their subsidiaries (Secs. 6 and 7); regulation of acquisitions of securities and utility assets by holding companies and their subsidiaries (Secs. 9 and 10); regulation of sales of public utility securities or assets, payment of dividends, solicitation of proxies, intercompany loans and other intra-system transactions (Sec. 12); control of services, sales and construction contracts (Sec. 13); and the control of accounting practices (Sec. 15).

SUMMARY OF ACTIVITIES

The volume of financing involved in applications and declarations filed under Sections 6 and 7 considered by the Commission during the 1946 fiscal year surpassed that of any previous year. The aggregate thereof, relating principally to subsidiaries of registered holding companies, involved security issues totaling \$2,375,000,000 as compared with \$1,305,000,000 during the 1945 year. There was also a substantial increase in the number of cases filed involving matters looking toward compliance with Section 11 and to give effect to the Commission's orders thereunder.

Further noteworthy progress was made during the past year in effectuating the requirements of the Act relating to integration and corporate simplification. During this period, registered holding companies disposed of nonretainable interests in 57 electric, gas, and other subsidiary companies having total assets of approximately

\$1,726,000,000.¹ These included 29 electric utility companies with assets of \$1,545,000,000; 8 gas utility companies with assets of \$22,000,000 and 20 other companies having assets of \$159,000,000. Section 11 orders were outstanding on June 30, 1946, requiring the divestment of holding companies nonretainable interests in 122 subsidiary companies having aggregate assets of \$3,352,000,000.

During the year the Commission instituted seven new proceedings directing compliance with Section 11. A summary of proceedings instituted by the Commission under Section 11 (b) which were still pending at the close of the fiscal year follows:

Number of proceedings-----	61
Number of systems-----	36
Number of holding companies-----	116
Number of subsidiary companies-----	692
Total assets involved-----	\$13,895,000,000

Section 11 (e) of the Act authorizes the Commission to approve voluntary plans of reorganization submitted by registered holding companies and their subsidiaries. Prior to June 30, 1946, 167 such plans had been filed. The Commission has approved 68 of these plans, 28 were withdrawn or dismissed, 3 were denied, and 68 were pending before the Commission in various stages of completion.

INTEGRATION AND CORPORATE SIMPLIFICATION UNDER SECTION 11

Summary of Progress

As indicated in the Tenth and Eleventh Annual Reports of the Commission the integration and simplification program has undergone three phases of development. The first phase, in which the public utility industry was invited to offer voluntary proposals for compliance with Section 11, had a limited success, due to failure of many companies to submit plans amounting to more than the preservation of existing systems. In the second phase, the Commission issued orders with respect to each holding company system directing compliance and indicating in general terms the changes which the systems must make to meet the geographical integration requirements of Section 11 (b) (1) and the corporate simplification and redistribution of voting power requirements of Section 11 (b) (2). With the exception of a few minor problems, this phase is now complete. The third phase has embraced the processing of voluntary plans for reorganization or recapitalization filed by nearly all of the systems looking toward compliance with the orders issued by the Commission under Sections 11 (b) (1) and 11 (b) (2). This phase of the integration program has been the center of attention during the recent period.

Divestment and Simplification

The fiscal year ending June 30, 1946, witnessed a sharp rise in the market prices for utility securities, particularly common stocks. This

¹ Included in this figure is \$894,000,000, representing assets of Pacific Gas & Electric Co., which, during the year, ceased to be a subsidiary of a registered holding company.

provided substantial impetus to the divestment by holding companies of assets not retainable under the integration standards of Section 11 (b) (1).

During the year ended June 30, 1946, the total consideration received by holding companies for their interests in subsidiaries divested and for miscellaneous properties sold was \$254,000,000 as compared with \$150,000,000 for 1945. Because of the fact that the interest disposed of usually consisted of no more than the parent company's holdings of common stock in the divested company, the total assets of the subsidiary company involved in the divestment are many times the consideration received.

Of particular significance among the divestments of the past year have been the increased cash sales to underwriters for public distribution by holding companies seeking to dispose of the common stocks of operating subsidiaries held in their portfolios. Among these sales during the past fiscal year were the following, all of which were sold at competitive bidding:

<i>Subsidiary company</i>	<i>Proceeds to holding company</i>
Central Hudson Gas and Electric Corp.	\$4,157,175
Pacific Gas & Electric Company	27,272,200
Florida Power Corporation	6,445,227
Central Arizona Light & Power Co.	10,432,800
Dallas Railway & Terminal Co.	3,517,963
Colorado Central Power Co.	1,418,769
Midland Realization Company	3,087,000
Scranton Electric Company	25,881,266
Columbus & Southern Ohio Electric Co.	38,115,352
Dayton Power and Light Co.	51,487,670
Tucson Gas, Electric Light and Power Co.	5,558,070
Total	177,353,992

Also of interest is the recent distribution and sale of 2,000,000 shares of Cincinnati Gas & Electric Co. common stock through issuance of rights to the common stockholders of the holding company, Columbia Gas & Electric Corp., combined with an underwriting of the unsubscribed shares. Proceeds to the parent company resulting from this transaction approximated \$50,000,000. A number of other important divestments have been effected by means of distribution of subsidiary securities to security holders of the parent company in the form of liquidating dividends.

Prior to June 30, 1946, holding companies' nonretainable interests in 399 subsidiaries having aggregate assets of \$6,073,000,000 had been divested. Of this number, 343 companies with assets of \$4,580,000,000 are no longer subject to the Holding Company Act. Integration orders outstanding at the end of the fiscal year require additional divestments of interests in 123 subsidiaries with total assets of \$3,354,000,000. The following table, which was prepared from the data contained in Appendix Table 20, gives a summary of the total divestment program from December 1, 1935, to June 30, 1946:

SUMMARY—Electric, gas, and nonutility properties sold or otherwise divested by registered public utility holding companies, Dec. 1, 1935, to June 30, 1946

	Number of companies				Assets of companies divested (000,000 omitted)			
	Electric	Gas	Non-utility	Total	Electric	Gas	Non-utility	Total
<i>Divested by exchange or distribution of securities to security holders</i>								
No longer subject to Holding Company Act	12	8	2	22	\$1,164	\$418	\$4	\$1,586
Still subject to Holding Company Act ¹	8	(?)		8	1,226	10	0	1,226
<i>Divested by sale of property or securities²</i>								
No longer subject to Holding Company Act ⁴	122	86	113	321	2,674	350	370	2,994
Still subject to Holding Company Act ⁴	32	13	3	48	222	25	20	267
Total divested	174	107	118	399	4,886	793	394	6,073
<i>Partial sales of property not included in above totals</i>	Number of companies making such sales				Sale price			
Assets sold no longer subject to the Act	51	13	26	90	\$78	\$7	\$27	\$112
Assets sold still subject to the Act	11	5	1	17	11	4	1	16
Totals	62	18	27	107	89	11	28	128

¹ By reason of their relationship to other registered holding companies.

² Northern Natural Gas Co., which was a subsidiary in 3 different holding company systems and itself a registered holding company which had consolidated assets of \$63,178,222, is not included in the above summary. Lone Star Gas Corp. and United Light & Power Co. have disposed of their interests in Northern Natural but it remains a subsidiary of North American Light & Power Co.

³ Includes all cases where total divestment was effected by sales of entire property to one or more than one buyer.

⁴ In the case of sales to more than one buyer, the company was classified in accordance with the disposition of the majority of the assets sold.

Noteworthy progress has also been witnessed in the simplification of corporate structures and redistribution of voting power of holding company systems under Section 11 (b) (2). Because of the fact that in many cases dissolution of unnecessary holding companies cannot take place until a series of involved transactions has been consummated, it is difficult to provide a precise statistical measure of the over-all simplification which has been achieved. The following table, however, covering the period from June 15, 1938 to June 30, 1946, indicates the sharp reduction which has taken place in the total number of holding companies, and utility and nonutility subsidiary companies subject to the Holding Company Act. This reflects the simplification which has occurred as a result of compliance with both the geographic integration requirements of Section 11 (b) (1) and the corporate simplification requirements of Section 11 (b) (2).

	Total companies subject to Act during period	Elimination					Companies subject to Act as at June 30, 1946
		Absorbed by merger or consolidation	Sales, dis-solutions and divestments	Exemptions by rule or order	Other disposals ¹	Total	
Holding companies	206	22	43	29	9	103	103
Electric and/or gas companies	899	108	318	59	47	532	367
Nonutilities plus utilities other than electric and/or gas companies	1,002	94	339	57	84	574	428
Total companies	2,107	224	700	145	140	1,209	898

¹ Principally small utility or nonutility subsidiaries, with little or no public interest, disposed of by various means.

Interpretation of Section 11

Recent interpretations of the geographic integration requirements of Section 11 (b) (1) in the light of the definitions contained in Section 2 (a) (29) have been of particular interest. In *Texas Utilities Co., Holding Company Act Release No. 6373*, the Commission held that the requirements of Section 10 precluded the acquisition of Dallas Railway & Terminal Co. by Texas Utilities Co., a registered holding company, in the absence of a showing of a substantial operating relationship which would qualify the combination of electric and transportation properties for retention under Section 11 (b) (1).

Two other cases contained important interpretations of the statutory limits of bigness of an integrated public utility system, as applied to electric companies. In *American Gas & Electric Co., Holding Company Act Release No. 6333*, the Commission found that the holding company's principal group of properties, which was known as the Central System, constituted a single integrated public utility system within the meaning of Section 2 (a) (29). These properties, which included gross electric utility plant of approximately \$443,000,000, had gross operating revenues of approximately \$102,000,000 and served an area of approximately 90,000 square miles in the States of Michigan, Indiana, Ohio, West Virginia, Virginia, Tennessee and Kentucky. The Commission noted, in particular, that practically all of the power requirements of the Central System were met by its own electric generating stations, that the Central System had a long historical record of having been developed and operated as a highly coordinated system under the central control of the holding company, that interchanges of energy among the component companies were frequent and substantial, and that it did not blanket the entire area, inasmuch as other important electric utility companies operated in the territory.

The Commission concluded that the Central System constituted a single integrated system and that it did not appear to be so large in any of the States in which it operated as to impair the effectiveness of regulation. Further, a relatively high degree of coordination of the system's utility facilities and its relatively economical operation were demonstrated. These characteristics were shown, in part, to be due to common control. In reaching this conclusion the important distinction was made that the Commission was not asked to approve the creation of a new holding company over the Central System, but merely to determine whether Section 11 (b) (1) required the *status quo* to be affected. It also observed that "the Central System approaches the maximum size which we believe is consistent with the standards of localized management, efficient operation and effectiveness of regulation contained in Sections 2 (a) (29) and 11 (b) (1)."

This limitation on the size of the Central System was clarified further in a subsequent case under Sections 9 and 10 of the Act, *American Gas & Electric Co., Holding Company Act Release No. 6639*, in which the Commission denied the application of American Gas & Electric Co. for permission to acquire the common stock of Columbus & Southern Ohio Electric Co. In its opinion, the Commission noted that Section 10, which governs extensions of control, permits a new acquisition only if the Commission can affirmatively find that such acqui-

sition will tend toward the creation of an integrated system as defined in Section 2) (a) (29). Section 10 requires disapproval of such acquisition if the Commission finds that the acquisition will "tend towards . . . the concentration of control of public-utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or consumers." The marked difference between the standards of Sections 10 and 11, the Commission stated, "inheres in the difference between Section 11, as a compromise of the policy of 'elimination' of holding companies otherwise than as permitted by the Act (Section 1 (c), and the 'new acquisition' standards of Section 10, which were designed as a more restrictive check on further growth of holding companies and further extension of their control."

The Commission concluded that "the acquisition of Columbus and Southern Ohio would not be merely the addition of a spur or connecting link to the system, but would represent a major extension into new territory which very materially and very substantially enlarges the system," and that it would extend the system beyond the maximum limit deemed permissible in the earlier Section 11 (b) (1) determination of whether the *status quo* should be affected.

STATUS OF INTEGRATION PROGRAM—20 MAJOR SYSTEMS

There follows a brief summary of the status of the major holding company systems at the end of the fiscal year with respect to Section 11. A résumé of previously reported accomplishments is included together with a fuller description of the principal steps taken during the current year.

1. Electric Bond and Share Company

The parent of this system, Electric Bond and Share Co. (Bond and Share), controls five major subholding companies: National Power & Light Co. (National); American Power & Light Co. (American); Electric Power & Light Corp. (Electric); American & Foreign Power Co., Inc. (Foreign Power); and American Gas and Electric Co. (American Gas).

Bond and Share has filed Plans I, II, and III under Section 11 (e) of the Act, setting forth a program for the retirement of its preferred stocks and the divestment of all remaining public utility investments in the United States.² After receiving Securities and Exchange Commission and court approvals, Bond and Share paid \$30 per share as a capital distribution on its outstanding preferred stocks and reduced regular preferred dividends by 30 percent (subject to any adjustment found by the Commission and approved by an appropriate court as fair and equitable), thus consummating Plan I.³ Plan II-A was filed in June 1946 and provided for an additional \$70 per share capital distribution and the issuance of a certificate evidencing the further claim, if any, of the preferred stockholders, the amount of such claim to be made definite in a subsequent amendment to the plan.⁴ In order to raise the necessary cash for the capital distribution to the preferred stockholders, Bond and Share included as part of Plan II-A the proposal to sell its holding of the common stocks of American Gas, Penn-

² Holding Company Act Release No. 5970.

³ Holding Company Act Release No. 6121.

⁴ Holding Company Act Release No. 6747.

sylvania Power & Light Co. (Pennsylvania), Carolina Power & Light Co. (Carolina), and Birmingham Electric Co. (Birmingham).

After the commencement of Section 11 (b) (2) proceedings with respect to Bond and Share and certain of its subsidiaries,⁵ the Commission ordered National to dissolve since it served no useful function and constituted an undue and unnecessary complexity in the system,⁶ and indicated to National that prior to any disposal of its holdings of subsidiaries their accounts and corporate structures were to conform to the requirements of the Act with respect to distribution of voting power and other matters.⁷ Plans to this end were filed by National and approved by this Commission with respect to Carolina,⁸ Birmingham,⁹ and Pennsylvania.¹⁰ The State commission in each of these cases, either alone or in conjunction with the Federal Power Commission, ordered the elimination from the companies' property accounts of certain write-ups (Account 107) and the elimination or amortization of acquisition adjustment items (Account 100.5).

Under the settlement approved by the Commission in May 1946, with respect to all suits and claims against Bond and Share by or on behalf of National and its subsidiaries and certain former subsidiaries,¹¹ Bond and Share paid National and such other companies the amount of \$750,000. This settlement was subsequently approved by the United States District Court; and in August 1946 National distributed the common stocks of Pennsylvania, Carolina, and Birmingham *pro rata* to its common stockholders. Thus, Bond and Share, which held 46 percent of National's common stock, received 46 percent of the common stock so distributed. With respect to National's only remaining subsidiaries—Memphis Generating Co., The Memphis Street Railway Co., and Lehigh Valley Transit Co.—plans are pending for the reorganization and divestment of the first two companies, while it is expected that a plan dealing similarly with Lehigh Valley Transit will be filed shortly.

American and Electric, two of the other subholding companies, were ordered to dissolve for reasons similar to those set forth for National.¹² These companies carried appeals to the United States Circuit Court of Appeals for the First Circuit, which affirmed the order of the Commission (141 Fed. (2d) 606). The companies' petition to the United States Supreme Court for a writ of *certiorari* was granted and arguments were concluded on November 16, 1945. After the death of Chief Justice Stone, the Court directed a reargument of the case during the fall of 1946. Certain major steps taken by Electric and American and their subsidiaries in the overall process of complying with Section 11 are detailed below:

Under a Section 11 (e) plan approved by the Commission for American in November and December 1945, American retired approximately \$36,400,000 principal amount of debentures.¹³ The company had originally proposed to retire such debentures at 100 percent of principal amount plus accrued interest, but it amended its plan, pursu-

⁵ Holding Company Act Release No. 2051.

⁶ Holding Company Act Release No. 2962.

⁷ Holding Company Act Release No. 3896.

⁸ Holding Company Act Releases Nos. 3995 and 4746.

⁹ Holding Company Act Release No. 4955.

¹⁰ Holding Company Act Releases Nos. 6080 and 6167.

¹¹ Holding Company Act Release No. 6663.

¹² Holding Company Act Release No. 8750.

¹³ Holding Company Act Release Nos. 6176 and 6258 (Commissioner Healy dissenting).

ant to the Commission's findings and opinion, to provide for the retirement of its debentures at 110 percent of principal amount plus accrued interest and certain assumed debentures, noncallable until 1947, at 115 percent of principal amount plus accrued interest. The plan, as amended, was subsequently enforced by an appropriate district court.

The Commission approved the formation by American in October 1945 of a new Texas holding company, which acquired from American its interest in Texas Electric Service Co. and Texas Power & Light Co. and from Electric the latter's interest in Dallas Power & Light Co. for a cash consideration of \$17,350,000.¹⁴ The new holding company, Texas Utilities Co., was to be disposed of by American within 1 year from October 1945. During the fiscal year American disposed of its interests in New Mexico Electric Service Co.¹⁵ and Central Arizona Light and Power Co.¹⁶ Minnesota Power & Light Co.¹⁷ and The Montana Power Co. underwent debt refundings, the latter company also accomplishing an accounting reorganization.¹⁸

A plan has also been filed by Electric under Section 11 (e) of the Act. Under it Electric proposed an exchange offer of its holdings of the common stock of United Gas Corporation for its outstanding first preferred stock.¹⁹ Thereafter, Bond and Share filed an alternative plan, following which, in July 1946, Electric and Bond and Share jointly filed a compromise plan.²⁰ The latter plan provides for the retirement of Electric's first and second preferred stocks; for the creation of a new southern electric holding company; and for the transfer by Electric to the new holding company of the common stocks of Arkansas Power & Light Co., Louisiana Power and Light Co., Mississippi Power & Light Co. and New Orleans Public Service Co. Electric's first and second preferred stockholders under the plan will be offered a choice of (a) shares of United Gas Corporation, (b) shares of the common stock of the new southern electric holding company, or (c) cash. Any portfolio securities not exchanged will be sold or distributed by Electric. It is provided that, upon consummation of all the above steps, Electric will withdraw its appeal from the Commission's dissolution order and dissolve. A compromise plan, on which hearings were held after the close of the fiscal year, is now pending before the Commission.

A Section 11 (e) plan approved for Utah Power & Light Co. provided that Utah would (a) recapitalize on a one-stock basis, the holders of the outstanding publicly held stock to receive new common stock for their holdings, (b) pay Electric \$650,000 cash, (c) release Electric from all claims in favor of Utah or any of its subsidiaries against Electric and assign to Electric all claims of Utah and its subsidiaries against Bond and Share or its wholly owned subsidiaries. In consideration of the foregoing, Electric surrendered to Utah for cancellation 3,000,000 shares of common stock and 2,100 shares of \$7 preferred stock having an aggregate stated value of \$30,210,000.²¹ The plan was

¹⁴ Holding Company Act Release No. 1658.

¹⁵ Holding Company Act Release No. 6281.

¹⁶ Holding Company Act Release No. 6179.

¹⁷ Holding Company Act Release No. 6032.

¹⁸ Holding Company Act Releases Nos. 6128 and 5897.

¹⁹ Holding Company Act Release No. 6231.

²⁰ Holding Company Act Release No. 6768.

²¹ Holding Company Act Release No. 6212 (Commissioner Healy dissenting in part).

subsequently enforced by the United States District Court for the District of Utah. As a result of the reorganization, in addition to having its capital structure improved, Utah was separated entirely from the Bond and Share system.

Electric has disposed of its interests in Dallas Railway & Terminal Co., its remaining investments now consisting of its holdings of United Gas Corp.'s common stock and the common stocks of the four companies which are proposed to be transferred to the new Southern Electric Holding Co.

Proceedings on an application filed by American Gas, requesting approval of the continuance of its Central System together with continuance of the alleged South Jersey and Northeast Pennsylvania systems, were consolidated with Section 11 (b) (1) proceedings instituted by the Commission in 1939. Hearings were held from time to time in such consolidated proceedings. The Commission concluded that properties comprising the Central System could be retained under common control under the standards of Section 11 (b) (1) of the Act but that other properties must be divested if such Central System were to be retained. In April 1946, American Gas sold at competitive bidding its holdings of the common stock of Scranton Electric Co.,²² leaving the Atlantic City Electric Co. to be divested in order for American Gas to meet fully the above-mentioned order.

On October 26, 1944, Foreign Power filed a plan of reorganization under Section 11 (e) of the act in which Bond and Share joined. Proceedings on the plan were consolidated by the Commission with the proceedings directed to Bond and Share and Foreign Power under section 11 (b) (2) of the Act²³ and hearings were thereafter held from time to time until July 8, 1946, on which date the record in the proceedings was closed as to the necessity and fairness of the plan. The staff of the Public Utilities Division is preparing its Proposed Findings and Opinion for submission to the Commission, following which the parties and participants will be given the opportunity to file counter-proposed findings and briefs, and to argue orally before the Commission.

2. The North American Company

In Section 11 (b) (1) proceedings instituted with respect to The North American Co. (North American),²⁴ the Commission directed the company to confine its operations to a single integrated system built around the Union Electric Company of Missouri. North American appealed from the order to the United States Circuit Court of Appeals for the Second Circuit, which court affirmed the order.²⁵ Section 11 (b) (2) proceedings have also been initiated with respect to North American Light & Power Company (Light & Power),²⁶ a subsidiary holding company of North American.

A writ of *certiorari* was granted by the United States Supreme Court²⁷ to review the North American case, argument having been heard in November 1945. The Court handed down its opinion²⁸ on

²² Holding Company Act Release No. 6565.
²³ Holding Company Act Release No. 5388.
²⁴ Holding Company Act Release No. 1960.
²⁵ 133 F. (2d) 148.
²⁶ Holding Company Act Release No. 3168.
²⁷ 318 U. S. 750 (1943).
²⁸ U. S. —, 66 S. Ct. 785 (1946).

April 1, 1946, affirming the decision of the Circuit Court of Appeals and sustaining the constitutionality of Section 11 (b) (1). Thereafter, North American filed a plan pursuant to Section 11 (e) of the Act providing for (a) disposition of the major portion of its interests in four principal subsidiaries, (b) the formation of a new company to hold the securities of the Union Electric Company of Missouri system and Illinois Power Co., and (c) the formation of a new company to hold miscellaneous nonutility investments and residual investments in certain utility properties. Hearings have been held on certain phases of the plan.

North American has continued its policy of paying common stock dividends in stock of Pacific Gas & Electric Co. In addition, it sold 700,000 shares of Pacific common stock in a public offering and used the proceeds to retire its 6 percent preferred stock.²⁹ Pacific Gas & Electric Co., as a result of North American's disposition of holdings therein, has been declared not to be a statutory subsidiary in the North American system. A Section 11 (e) plan was approved by the Commission for Union Electric Co. of Missouri.³⁰ Two of Union's subsidiaries were thereby eliminated and the company's corporate structure simplified.

The Commission entered an order of dissolution against Light and Power, a subsidiary holding company of North American, but its determination of a fair and equitable plan of dissolution has been delayed by consideration of the disposition of claims asserted by Illinois Power Co., a subsidiary of Light and Power. Extensive hearings have been held on these claims and briefs and reply briefs have been submitted.

The assets of Illinois Traction Co., a former subsidiary of Light and Power, have been transferred to Light and Power in the course of dissolution pursuant to the provisions of a Section 11 (e) plan, which was approved by the Commission³¹ and affirmed by the United States District Court for the District of Maine on December 19, 1945.

3. The United Gas Improvement Company

After Section 11 (b) (1) proceedings were instituted with respect to the United Gas Improvement Co. (U. G. I.), its integrated system was defined by the Commission as the electric properties in the Pennsylvania-Delaware-Maryland area, and orders of divestment were issued on the basis of this interpretation.³² The company appealed these orders to the United States Circuit Court of Appeals for the Third Circuit, which court sustained the orders.³³ Voluntary plans under Section 11 (e) were filed by U. G. I. and its subsidiary, Philadelphia Electric Co., after argument before the court but prior to the issuance of its decision. The plan provided for the distribution to U. G. I. stockholders of \$30,600,000 in cash and substantially all the stock holdings in two of its subsidiaries—Philadelphia Electric Co. and Public Service Corp. of New Jersey. The plan was approved by the Commission and by the common stockholders.³⁴ Subsequently, U. G. I.

²⁹ In December 1945 North American borrowed \$32,000,000 from certain banks at 1% percent interest and has used the proceeds, together with other funds, to retire its 5 1/4 percent preferred stocks. The company's capitalization, therefore, now consists solely of bank loans and common stock.

³⁰ Holding Company Act Release No. 5776.

³¹ Holding Company Act Release No. 5367.

³² Holding Company Act Releases Nos. 2913 and 3511.

³³ 138 F. (2d) 1010.

³⁴ Holding Company Act Release No. 4173.

distributed to its stockholders its holdings of Delaware Power & Light Co. and subsidiaries. During the past fiscal year, U. G. I. has disposed of its interests in three additional companies, namely, Nashville Gas and Heating Co.,³⁵ Arizona Power Corp.,³⁶ and Manchester Gas Co.³⁷

Pursuant to another Section 11 (e) plan filed on December 6, 1945 and designed to effect further compliance with the requirements of Section 11, U. G. I. exchanged, for approximately 750,000 shares of its outstanding capital stock, its portfolio holdings of securities of four public utility holding companies, namely, American Water Works and Electric Co., Inc., The Commonwealth & Southern Corp., Niagara Hudson Power Corp., and Public Service Corporation of New Jersey. These securities had a market value at that time of approximately \$23,146,000. The Commission approved this plan on March 13, 1946.³⁸ On May 16, 1946, U. G. I. filed a declaration concerning the sale of its holdings of the preferred stocks of Kansas City Gas Co. and The Wyandotte County Gas Co. (subsidiaries of Cities Service Co.) to each of these companies for a total consideration of \$5,150,000. Since the close of the fiscal year, the Commission permitted the declaration to become effective³⁹ and the sale was consummated.

4. The Commonwealth & Southern Corporation

In the Section 11 (b) (1) and (2) proceedings which were instituted and consolidated with respect to this system, the Commission directed the Commonwealth & Southern Corp. (Commonwealth) to reduce its outstanding preferred and common stocks to a single class of new common stock. The Commission's order was appealed by the company to the Circuit Court of Appeals for the Third Circuit, and affirmed by the court.⁴⁰

Commonwealth's initial plan of recapitalization provided for the reclassification of its stock into a new class of common stock and a distribution of its holdings of the common stock of Consumers Power Co. to Commonwealth stockholders. An amended plan was later filed which proposed a change in the allocation between Commonwealth preferred and common stockholders as well as the distribution of its holdings in its other Northern subsidiaries in addition to Consumers Power Co. After the conclusion of hearings on the amended plan the Commission issued its findings and opinion stating that if the plan were amended in certain respects, it would be approved.⁴¹ The requested amendments were filed and the Commission on June 30, 1945, entered its order approving the amended plan.⁴² Among the provisions of this amended plan was the requirement that the plan receive the affirmative vote of the holders of a majority of each class of Commonwealth's stock before the Commission applied to an appropriate Federal district court for an order approving and enforcing the plan. Following the passage of several months without the completion of arrangements for conducting the vote contemplated in the plan, the Commission, by order dated November 1, 1945,⁴³ modi-

³⁵ Holding Company Act Release No. 5396.

³⁶ Holding Company Act Release No. 5882.

³⁷ Holding Company Act Release No. 5130.

³⁸ Holding Company Act Release No. 6474.

³⁹ Holding Company Act Release No. 6770.

⁴⁰ 134 F. (2d) 747.

⁴¹ Holding Company Act Release No. 5825.

⁴² Holding Company Act Release No. 5895.

⁴³ Holding Company Act Release No. 6177.

fied its previous order so as to approve the plan on condition that the company delete that portion requiring a stockholders' vote. Modifications of its plan, filed by Commonwealth on November 9, 1945, provided for the elimination of a stockholders' vote if the Commission would approve an extensive amendment of the plan which would essentially alter it.

On January 24, 1946, the Commission issued a memorandum opinion in which it stated that, in addition to the difficult questions of fairness posed by the changes suggested, the complicated and confusing nature of the modifications did not merit the scheduling of hearings. Further proceedings were withheld for a period of 60 days to March 25, 1946, in order to afford an opportunity to Commonwealth and to any person having a bona fide interest in reorganization to file a plan for compliance with the Commission's original order requiring the retirement of Commonwealth's preferred stock through the sale or other disposition of assets. By March 25, 1946, four plans for the recapitalization of Commonwealth, including one sponsored by the management, had been filed with the Commission and hearings have been scheduled to consider these plans.

5. Cities Service Company

On May 5, 1944, the Commission issued its order in the Section 11 (b) (1) proceeding involving Cities Service Co. (Cities), the top company of a system.⁴⁴ The order directed Cities to comply with Section 11 (b) (1) by reducing the operations of its system to certain gas distribution properties located in the midcontinent section, together with certain gas production and transmission properties. The order, however, permitted the retention of the system's nonutility properties if Cities should choose to comply with Section 11 (b) (1) by disposing of all its direct or indirect interest in utility companies. Cities elected to retain its nonutility properties, whereupon the Commission, on October 12, 1944, entered a supplemental order providing in substance, that Cities might dispose of its interests in utility properties in lieu of complying with the provisions of the earlier order.⁴⁵ Since the original order, Cities has disposed of its interest in 39 subsidiaries⁴⁶ and has been engaged in a program of refinancing certain subsidiaries preparatory to a divestment of its interest in Cities Service Power & Light Co.

The order of May 5, 1944, also directed Arkansas Natural Gas Corp., a subsidiary holding company of Cities, to confine its operations to the natural gas business and to dispose of its interests in its nonutility subsidiaries. On appeal by Arkansas Natural Gas Corp., the United States Circuit Court of Appeals for the Fifth Circuit, sustained the order of the Commission.⁴⁷ Arkansas Natural Gas Corporation's petition to the United States Supreme Court for a writ of *cetiorari* had been denied. *Arkansas Natural Gas Corp. v. S. E. C.*, — U. S. —, Oct. 14, 1946.

On August 17, 1943, the Commission ordered Cities Service Power & Light Co. (Power & Light), a holding company subsidiary of Cities

⁴⁴ Holding Company Act Release No. 5028.

⁴⁵ Holding Company Act Release No. 5350.

⁴⁶ Of these, 3 companies were direct subsidiaries and 36 companies were subsidiaries of Cities Service Power & Light Co. or of its subsidiary holding company, Federal Light & Traction Co.

⁴⁷ 154 F. (2d) 597 (1946).

Service Co., to dispose of its interest in 43 companies, including Federal Light & Traction Co. (Federal) and the 14 subsidiaries of the latter company.⁴⁸ Since this order was issued, Power & Light has disposed of its interests in 36 companies and has dissolved. The order of August 17, 1943, required that Federal confine its operations to the electric utility business conducted by subsidiaries in the States of New Mexico and Colorado, jurisdiction being reserved with respect to certain properties in New Mexico and Arizona. On March 3, 1944, the Commission granted Federal an option to retain as its utility system either the properties in New Mexico and Colorado or those in Arizona.⁴⁹ Federal has disposed of all its subsidiaries except the four companies operating entirely in New Mexico and has filed an application for the merger of such subsidiaries into one company. The Commission, after close of the fiscal year, approved the merger,⁵⁰ and it has been consummated. Federal has also filed an application for dissolution, which application is still pending.

6. Associated Gas and Electric Company (now General Public Utilities Corporation)

In 1940 Associated Gas and Electric Co. (Ageco) and its subsidiary holding company, Associated Gas and Electric Corp. (Agecorp), filed petitions in the United States District Court for the Southern District of New York for reorganization under Chapter X of the Bankruptcy Act. Both companies were registered holding companies. The court appointed, as trustees of Agecorp, Denis J. Driscoll and Willard L. Thorp, who also registered as a holding company.⁵¹ On August 13, 1942, the Commission issued an order pursuant to Section 11 (b) (1) in which it directed the trustees, among other things, to dispose of their interest in 116 companies, reserving for further consideration questions relating to the retainability of certain other properties.⁵² By subsequent orders, seven companies were removed from this divestment order. The trustees have divested themselves of most of the companies cited in the order, so that as at June 30, 1946, only eight of the companies cited are still in the system. The companies which are still retained consist of five nonutility companies, one utility holding company, and two operating utilities. Plans have been proposed, for distribution, sale or liquidation of such remaining companies.

On August 9, 1945, the United States District Court for the Southern District of New York confirmed a comprehensive reorganization plan proposed by the trustees, pursuant to Chapter X of the Bankruptcy Act and Section 11 (f) of the Holding Company Act, which plan had been approved by the Commission on April 14, 1944.⁵³ The Circuit Court of Appeals affirmed the order, and on October 8, 1945 the United States Supreme Court denied a petition for *certiorari*.⁵⁴ The plan of reorganization under Chapter X of the Bankruptcy Act has been consummated pursuant to an order of the reorganization court dated January 14, 1946.

⁴⁸ Holding Company Act Release No. 4489.

⁴⁹ Holding Company Act Release No. 4960.

⁵⁰ Holding Company Act Release No. 6887.

⁵¹ On Mar. 27, 1946, the Commission issued an order declaring that the trustees have ceased to be a holding company, their resignation as trustees having become effective pursuant to a district court order dated Feb. 6, 1946. Holding Company Act Release No. 6613.

⁵² Holding Company Act Release No. 3729.

⁵³ Holding Company Act Release No. 4985.

⁵⁴ — U. S. —, 66 Sup. Ct. 45.

Following the institution of proceedings pursuant to Section 11 (b) (2) with respect to General Gas and Electric Corp. (Gengas), a subsidiary holding company of Agecorp,⁵⁵ Section 11 (e) plans for the reorganization of Gengas were filed, and the hearings on this plan were consolidated with the Section 11 (b) (2) proceedings. On August 12, 1944, a revised plan was filed jointly by Agecorp and Gengas, which provided for the distribution by Gengas of either cash or securities of its subsidiaries among its public security holders. There would remain no claims against Gengas except those held by the trustees of Agecorp, who would turn in their holdings and receive in exchange an entire issue of new common stock of Gengas. This plan was approved by the Commission on July 25, 1945.⁵⁶ By orders dated October 15, 1945 and October 22, 1945, the District Court of the United States for the Southern District of New York approved and ordered enforcement of the plan. As explained below, Gengas during 1945 disposed of all of its holdings in Florida Power Corp. by public sale, so that at June 30, 1946, its sole subsidiary was South Carolina Electric & Gas Corp. Following the close of the fiscal year Gengas distributed its remaining holdings to the common stockholders of its parent and dissolved.

On April 24, 1944, Gengas, Georgia Power and Light Co., a subsidiary of Gengas, and Florida Power Corp., an associate of Georgia, filed a joint plan proposing, among other things, the recapitalization of Georgia. The proposal included the donation by Florida to Georgia of \$1,400,000 in cash to be used in part for the reduction of the mortgage debt of Georgia and for a cash payment in the amount of \$150 per share in full satisfaction of the claims of the public holders of preferred stock of Georgia for par value and arrearages. The proposed plan of recapitalization, together with the related donation and an issue and sale by Florida of preferred stock through competitive bidding, was approved by the Commission on January 23, 1945, subject to the condition that Georgia divest itself of its ice and water properties within 1 year.⁵⁷ The plan was approved by the United States District Court for the Middle District of Georgia on April 7, 1945. Subsequent to the approval of such plan, the common stock of Florida held by Gengas was sold at competitive bidding pursuant to an order of the Commission granting approval to such transaction.⁵⁸

On September 29, 1943, the Commission instituted Section 11 (b) (2) proceedings with respect to Tide Water Power Co., a subsidiary of Gengas, raising the issue whether the voting power of Tide Water was fairly and equitably distributed. After appropriate hearings, the Commission issued its order providing, among other things, for a recapitalization of the company by substituting a single class of common stock for the then outstanding classes of stock.⁵⁹ Thereafter, Tide Water filed a plan to comply with the Commission's one-stock order.⁶⁰ The plan was approved on December 22, 1944,⁶¹ subject to reservation of jurisdiction as to the percentage of new common stock

⁵⁵ Holding Company Act Release No. 2543:

⁵⁶ Holding Company Act Release No. 5950:

⁵⁷ Holding Company Act Release No. 5568:

⁵⁸ Holding Company Act Release No. 6124:

⁵⁹ Holding Company Act Release No. 5238:

⁶⁰ Holding Company Act Release No. 5309:

⁶¹ Holding Company Act Release No. 5512.

to be received by Gengas. On February 12, 1946, 3.5 percent of the new common stock was allocated to Gengas.⁶²

On March 30, 1945, a plan of reorganization was filed by York Railways Co.,⁶³ a debtor in possession under Section 77B of the Bankruptcy Act, in a proceeding which had been pending since November 30, 1937. The plan provided for the raising of sufficient cash to pay all public creditors and preferred stockholders the full amount of their claims and for the liquidation of York Railways Co. The plan was approved by the Commission on December 10, 1945,⁶⁴ and subsequently by the United States District Court for the Eastern District of Pennsylvania.

On September 30, 1941, the Commission instituted proceedings under Section 11 (b) (2) with respect to New England Gas and Electric Association (Negea), a registered holding company. After hearings were held but prior to the final order of the Commission, the trustees of Ageco and Agecorp and a subsidiary company in the Associated system instituted proceedings in both a State and Federal court asserting claims against Negea arising from various transactions in the years 1930 and 1932. It appeared to the Commission that before a determination could be made with respect to the recapitalization of Negea, the validity and rank of the asserted claims would have to be resolved. The Commission, therefore, instituted further proceedings with respect to these claims.⁶⁵ On March 29, 1945, Negea filed a plan of recapitalization pursuant to the provisions of Section 11 (e).⁶⁶ During the course of the hearings on this plan, extended discussions were held among the interested parties, including committees representing holders of New England debentures and first preferred shares. These discussions resulted in the filing by New England of an amended plan dated March 21, 1946, which was supported by all interested parties and the committees. The stated purpose of the amended plan was to effectuate the provisions of Section 11 (b) (2) and the settlement of the various controversies referred to above. After hearings, the Commission, on June 24, 1946, issued its order approving the amended plan.⁶⁷ By order dated July 17, 1946, the District Court for the District of Massachusetts approved and ordered enforcement of the amended plan.

On March 11, 1946, Associated Electric Co. and two of its subsidiaries, Pennsylvania Electric Co. and Pennsylvania Edison Co., jointly filed a plan pursuant to Section 11 (e) of the Holding Company Act under which, among other things, the assets of Pennsylvania Edison Co. were to be transferred to Pennsylvania Electric Co., the bondholders of Pennsylvania Edison Co. were to receive the redemption value of their securities, and the preferred shareholders of such company were to receive the liquidation values rather than the redemption values of their securities. On March 26, 1946, the Commission instituted a proceeding, pursuant to Section 11 (b) (2) and other Sections of the Act, directed to Associated Electric Co. and Pennsylvania Edison Co. and consolidated such proceedings with the other pro-

⁶² Holding Company Act Release No. 6407.

⁶³ Holding Company Act Release No. 5744.

⁶⁴ Holding Company Act Releases Nos. 6285 and 6356.

⁶⁵ Holding Company Act Release No. 4124.

⁶⁶ Holding Company Act Release No. 5730.

⁶⁷ Holding Company Act Release No. 6729.

ceedings.⁶⁸ On June 19, 1946, the Commission approved the plan in part by permitting the transfer of the assets and the payment of the redemption value of the bonds to the bondholders of Pennsylvania Edison Co. The Commission also permitted the immediate payment of the liquidation values to the preferred shareholders of Pennsylvania Edison Co. but reserved jurisdiction to determine the additional amounts, if any, the preferred shareholders of Pennsylvania Edison Co. should receive. One million dollars cash was deposited in escrow by Associated Electric Co. for such additional payment as might ultimately be determined.⁶⁹

7. Standard Power and Light Corporation—Standard Gas and Electric Company

Section 11 (b) (1) proceedings were instituted by the Commission with respect to Standard Power and Light Corp. (Standard Power), Standard Gas and Electric Co. (Standard Gas) and their subsidiaries, following which Section 11 (b) (2) proceedings were instituted with respect to Standard Power. After subsequent hearings, the Commission issued an order requiring the liquidation and dissolution of Standard Power.⁷⁰ A dissolution plan for Standard Power was approved by the Commission on February 22, 1945.⁷¹

A Section 11 (e) plan filed by Standard Gas and the proceedings as to this plan were consolidated with the Section 11 (b) (1) proceedings. After hearings and oral argument, the Commission issued its findings and opinion, stating that it could not make the findings necessary for approval of the plan.⁷² An amended plan subsequently submitted by Standard Gas was approved by the Commission.⁷³

At the request of Standard Gas, application was made by the Commission to the United States District Court for the District of Delaware for an order of enforcement of the amended plan. The district court withheld approval of the plan on the basis that note and debenture holders were not being paid off in cash.

Approval was given, however, to the proposed allocation among stockholders. The Commission, Standard Gas, and several other parties to the proceedings appealed from the district court's decision to the United States Circuit Court of Appeals for the Third Circuit. The latter court's decision, rendered on September 14, 1945, reversed the district court and upheld the Commission's finding that the amended plan was fair and equitable to the note and debenture holders.

Subsequently, Standard Gas filed a motion with the district court requesting an order of the court disapproving the amended plan for recapitalization as unfair and inequitable because of changed conditions. The company's motion also stated that it proposed first to borrow money with which, together with treasury cash, to call the notes and debentures and, secondly, to pay off bank notes then outstanding by the sale of portfolio securities. Such right of Standard Gas to call the notes and debentures was upheld in a decree of the United States District Court for the District of Delaware, issued on

⁶⁸ Holding Company Act Release No. 6511;

⁶⁹ Holding Company Act Release No. 6723;

⁷⁰ Holding Company Act Release No. 3807;

⁷¹ Holding Company Act Release No. 5625;

⁷² Holding Company Act Release No. 5020;

⁷³ Holding Company Act Release No. 5430.

December 29, 1945, and amended January 9, 1946. The Court also held that the securities should be called within 30 days or within such further time as the Commission might grant.⁷⁴ By order dated February 26, 1946, the Commission approved the issuance and sale of bank-loan notes and authorized the call and payment of the notes and debentures.⁷⁵

Northern States Power Co. (Delaware) filed its plan of liquidation pursuant to Section 11 (e) concurrently with the Commission's institution of proceedings pursuant to Section 11 (b) (2) and other Sections of the Act with respect to that company and each of its subsidiaries. After extensive hearings on the original plan and proposed amendments the Commission issued an order approving the plan, as amended, subject to certain reservations of jurisdiction.⁷⁶ On January 2, 1946, the Commission applied to the United States District Court (Minnesota) for enforcement of the plan. Subsequent to this application for enforcement, but prior to the date set for hearing, the Commission received numerous objections to enforcement of the plan and received suggested amendments by stockholders who stated that changed conditions made modification of the plan necessary. At the Commission's request the court granted a continuance for the purpose of considering the alternative plans. Hearings have been held thereon, briefs filed, oral argument heard and the matter is now before the Commission for decision.

Proceedings on the plan of recapitalization filed pursuant to Section 11 (e) by Southern Colorado Power Co., a subsidiary of Standard Gas, were consolidated with those instituted by the Commission under Section 11 (b) (2). The company's plan was approved by the Commission after the filing of certain amendments⁷⁷ and later by the United States District Court in Colorado. A group of preferred stockholders appealed from the district court's decision to the United States Circuit Court of Appeals for the Tenth Circuit, which upheld the decision of the lower court. The Supreme Court denied writ of *certiorari*, and on June 26, 1945, the District Court for the District of Colorado entered its order declaring the plan effective as of June 30, 1945.

8. Columbia Gas & Electric Corporation

Section 11 (b) (1) and (2) proceedings which were commenced with respect to Columbia Gas & Electric Corp. (Columbia) were consolidated with the company's Section 11 (e) plan. Such plan provided for the sale by Columbia Oil & Gasoline Corp., a subsidiary of Columbia, of its interest in Panhandle Eastern Pipe Line Co., the transfer of its five oil and gasoline subsidiaries to Columbia, the liquidation of Columbia Oil & Gasoline Corp., and other related matters. The Commission's order⁷⁸ approving this voluntary plan was affirmed by the United States Circuit Court of Appeals for the Third Circuit,⁷⁹ and the United States District Court for the District

⁷⁴ Holding Company Act Release No. 6385. Notice of appeal from this court order has been filed with the Circuit Court of Appeals for the Third Circuit by a debenture holder.

⁷⁵ Holding Company Act Release No. 6485.

⁷⁶ Holding Company Act Release No. 5745.

⁷⁷ Holding Company Act Release No. 4501.

⁷⁸ Holding Company Act Releases Nos. 3829 and 3885.

⁷⁹ 134 F. (2d) 822.

of Delaware entered its order approving the plan.⁸⁰ Further proceedings were instituted by the Commission with respect to subsidiaries not included in the company's 11 (e) plan, at the close of hearings on which the Commission issued its findings, opinion and order⁸¹ designating the properties of Columbia which might be retained and reserving jurisdiction with respect to retainability of the remaining properties.

A further plan filed by Columbia under Section 11 (e), providing for its recapitalization, was opposed by The United Corporation, holder of 19 percent of the voting securities of Columbia. A modified program was later proposed, sponsored by both companies, which provided for the refunding of Columbia's debt and retirement of its preferred stock and for the sale of Columbia's interest in The Dayton Power and Light Co. and The Cincinnati Gas & Electric Co.

During the fiscal year, Columbia, in furtherance of the program outlined above, disposed of its interest in Dayton for \$51,467,670, dissolved a subsidiary, Columbia Corp., and with the proceeds of the sale of \$22,000,000 in bank loan notes, plus treasury cash, retired \$32,000,000 principal amount of outstanding debentures. Since the end of the fiscal year, Columbia has disposed of its interest in Cincinnati, redeemed its preferred stocks having an aggregate call price of \$119,848,075, retired its outstanding bank loan notes, and issued \$97,500,000 of new debentures.

9. Niagara Hudson Power Corporation

The Commission instituted proceedings pursuant to Section 11 (b) (2) with respect to Niagara Hudson Power Corp. (Niagara Hudson), and its subsidiary, Buffalo, Niagara and Eastern Power Corp. (BNE), and their subsidiary companies. A public conference was thereafter held to explore means of resumption of dividend payments on preferred stock of the two holding companies. A plan, pursuant to Section 11 (e), was filed by the company providing for the consolidation of principal public utility companies with BNE, the dissolution of Niagara Hudson, and payment in cash of all accrued and unpaid dividends. The consolidation, as contemplated, was disapproved by the New York Public Service Commission on January 21, 1944.

The Commission later denied the application of BNE for exemption as a holding company from provisions of the act insofar as applicable to Section 11 (b) (2). The Commission's order also required BNE to substitute common stock for its then outstanding \$1.60 cumulative preferred, Class A and common stocks, and the extension of appropriate voting rights to its \$5 preferred stock.⁸²

Thereafter BNE and its parent company, Niagara Hudson Power Corp., filed separate plans pursuant to Section 11 (e) providing for the reorganization of BNE in order that the company might comply with the Commission's order. Both plans were substantially the same, providing for payment of all arrearages on the first preferred stock of BNE; the contribution by Niagara Hudson to BNE of \$63,000,000 to be obtained by the former from treasury cash, the sale of portfolio securities, and a bank loan in the amount of \$40,000,000; the use of such funds by BNE for the retirement of its second preferred stock;

⁸⁰ 50 F. Supp. 965.

⁸¹ Holding Company Act Release No. 5455.

⁸² Holding Company Act Release No. 5115.

the consolidation of BNE and three of its subsidiaries; and the reclassification of BNE's second preferred stock, Class A stock and common stock into new common stock. These plans were approved by the Commission on October 4, 1945,⁸³ and were consummated as of November 1, 1945. During the fiscal year, Niagara Hudson disposed of its interest in Central Hudson Gas & Electric Corp.

10. International Hydro-Electric System

Proceedings involving International Hydro-Electric System (IHES) were instituted pursuant to Section 11 (b) (2) and, after appropriate hearings, the Commission ordered IHES to liquidate and dissolve, finding that it performed no useful function.⁸⁴ Subsequently, the Commission ordered that Massachusetts Utilities Associates Common Voting Trust be liquidated and dissolved and that certain other companies be eliminated from IHES.⁸⁵ A stockholder and director of IHES filed petitions in the United States Circuit Court of Appeals for the Sixth Circuit for review of the Commission's order directing the dissolution of IHES. This petition was dismissed, thereby sustaining the order of the Commission.⁸⁶ In July 1943, IHES notified the Commission that, because of certain asserted claims against its former parent, International Paper Company, it would be impossible for it to comply with the Commission's order without the aid of court enforcement. The Commission, therefore, instituted a proceeding under Section 11 (d) to enforce compliance with its liquidation order and the court appointed Bartholomew A. Brickley of Boston, Mass., as special counsel, to investigate certain transactions alleged to give rise to a cause of action on behalf of IHES against International Paper Company. On November 13, 1944, the court appointed Brickley as trustee for IHES and he has effectuated a settlement between the two companies, which settlement was approved by the court on December 26, 1945.⁸⁷

In 1944, New England Power Association and its subsidiary holding companies filed an application for approval of a plan of simplification of the New England Power Association holding company system for the purpose of complying with the provisions of Section 11 (b) (2) and with the Commission's previous order. After hearings on that plan were completed, the company was informally advised that the plan would not serve to effectuate the provisions of Section 11. (b) (2) and the Commission's previous order, whereupon the company filed an amended plan.

After hearings had been completed, oral argument heard and briefs filed on the amended plan, the Commission approved the plan as amended on March 14, 1946.⁸⁸ On June 7, 1946, the plan was approved by the United States District Court for the District of Massachusetts.⁸⁹ Appeal from the district court's decision is now pending in the First Circuit Court of Appeals.

⁸³ Holding Company Act Release No. 6108.

⁸⁴ Holding Company Act Release No. 3679.

⁸⁵ Holding Company Act Release No. 4168.

⁸⁶ 137 F. (2d) 475.

⁸⁷ Notices of appeal to the Circuit Court of Appeals of the United States for the First Circuit from the decree of this court approving said settlement have been filed by certain stockholders and bondholders of IHES.

⁸⁸ Holding Company Act Release No. 6470.

⁸⁹ *In the matter of New England Power Association*, unreported (Civil Action No. 5087).

11. The Middle West Corporation

In connection with Section 11 (b) (1) proceedings with respect to The Middle West Corp. (Middle West) and its subsidiaries, the Commission ordered Middle West to sever its relations with its subsidiary companies, except Central Illinois Public Service Co. (Cips) and Kentucky Utilities Co. (KU) and its subsidiaries, jurisdiction being reserved with respect to the joint retainability of Cips, KU and such interest as Middle West might obtain in Public Service Co. of Indiana, Inc. in connection with the reorganization of Midland United Co. and its subsidiaries.⁹⁰

On May 9, 1944, a further hearing was ordered to permit the introduction of additional evidence with respect to the question of which properties constituted the integrated system of Central and South West Utilities Co. (Central) and with respect to the retainability of certain other businesses. On February 16, 1945⁹¹ and July 4, 1945⁹² the Commission entered its opinions and orders with respect to the issues involved in the rehearing, finding that the major electric utility properties of the subsidiaries of Central form a single integrated system retainable by Central. The electric utility properties of Oklahoma Power and Water Co., a subsidiary of Middle West, were found to constitute a part of Central's integrated system. Central was ordered to dispose of its interest in its retail gas distribution properties as well as its interests in certain small isolated electric properties and was further ordered to dispose of its interest in certain of its nonutility properties. Nearly all of the nonutility properties and all of the isolated electric properties have been disposed of in compliance with these orders. Orders were entered by the Commission approving refinancing of Public Service Co. of Oklahoma and Central Power and Light Co., both subsidiaries of Central, on October 8, 1945⁹³ and December 13, 1945,⁹⁴ respectively.

Middle West acquired approximately 20 percent of the common stock of Public Service Co. of Indiana, Inc., in the reorganization of Midland United Co. and its subsidiaries and, on August 23, 1945, a hearing was ordered concerning, among other things, the questions reserved by the Commission in its previous order regarding the retainability by Middle West of its interests in Cips, KU, and Public Service Co. of Indiana, Inc. and raising issues as to the continued existence of Middle West. Hearings have been held but are not yet completed. On September 5, 1945, the Commission approved the sale of the gas and water properties of Public Service Co. of Indiana, Inc. to Indiana Gas and Water Co., a newly formed subsidiary, preparatory to disposal of such interest by Public Service.⁹⁵

Central and American Public Service Co. (American), two subsidiaries of Middle West, filed a joint application proposing a consolidation of the two companies. The Commission instituted proceedings under Section 11 (b) (2) and ordered that the hearings on the two cases be consolidated. The proponents of the plan of consolidation contended that preferred stock was necessary in the new company in order to preserve the priorities of the holders of the prior lien and

⁹⁰ Holding Company Act Release No. 4846.
⁹¹ Holding Company Act Release No. 5606.
⁹² Holding Company Act Release No. 5906.
⁹³ Holding Company Act Release No. 6116.
⁹⁴ Holding Company Act Release No. 6296.
⁹⁵ Holding Company Act Release No. 6030.

preferred stocks of Central and the preferred stock of American. The Commission ruled that the new corporation could have only common stock.⁹⁶ The respondents filed a petition for review in the United States Court of Appeals for the District of Columbia, which upheld the order of the Commission.⁹⁷ Thereafter, Central and American filed an amended plan of merger to be effectuated through the issuance of a single class of capital stock. The plan also provided that Middle West would distribute to its stockholders the new shares of Central allocated to Middle West. On March 11, 1946 the plan was further amended, primarily with respect to a proposal to sell common stock of the merged company at competitive bidding in an amount sufficient to retire the publicly-held preference stocks of the two companies at their call prices, subject to the right of the holders of such stocks to exchange their shares under specified conditions for common stock of the new company. It was proposed that the remainder of such stock be issued in exchange for the publicly-held common stock and for the preference and common stocks held by Middle West. The plan was approved by the Commission on April 30, 1946,⁹⁸ and enforcement was ordered on June 19, 1946 by the United States District Court for the District of Delaware.⁹⁹ The sale of the common stock of the merged company at competitive bidding had not been consummated at the end of the fiscal year.

Proceedings pursuant to Section 11 (b) (2) raised issues as to the equitable distribution of voting power among security holders of the North West Utilities Co. (North West) system, and also as to the continued existence of North West, a subsidiary holding company in the Middle West system. The proceeding was consolidated with a plan of recapitalization of North West which had been submitted by North West and Middle West. After hearings, the Commission held that the proposed plan of recapitalization fell short of effectuating the provisions of Section 11 (b) and ordered that North West be liquidated.¹ Sale by North West of its subsidiary Northwestern Public Service Co., was approved by the Commission on March 28, 1946.² Recapitalization of North West's other subsidiary, Wisconsin Power and Light Co. (Wisconsin), was approved on October 26, 1945, preparatory to its disposal.³ A plan was filed by North West on April 22, 1946, proposing to distribute the common stock of Wisconsin held by North West to the public preference stockholders of North West in an amount, as determined by competitive bidding, equal to the liquidating value plus accrued dividends of such preference stock and to distribute the balance of such common stock to its parent, Middle West. Hearings have been held on the plan, but no decision has been entered by the Commission with respect thereto.

12. The United Light and Railways Company

Proceedings instituted pursuant to Sections 11 (b) (1) and (2), with respect to The United Light and Power Co. (United Light), were consolidated and the liquidation of United Light was ordered by the

⁹⁶ Holding Company Act Release No. 3580.

⁹⁷ 136 F. (2d) 273.

⁹⁸ Holding Company Act Release No. 6606.

⁹⁹ *Central and South West Utilities Company, et al.* (D. C. Del., 1946), Civil Action No. 874.

¹ Holding Company Act Release No. 4552.

² Holding Company Act Release No. 6515.

³ Holding Company Act Release No. 6169.

Commission under the standards of Section 11. An important step towards liquidation involved the distribution of the common stock of The United Light and Railways Co. (Railways), to preferred and common stockholders of United Light. The Commission disapproved the distribution originally proposed by the company but thereafter approved the plan as amended to allow the preferred stockholders approximately 95 percent of Railways common stock.⁴ On June 30, 1943, Judge Leahy, of the United States District Court of Delaware, entered an order enforcing the plan (51 F. Supp. 217) and on April 10, 1944, the United States Circuit Court of Appeals for the Third Circuit affirmed the order (142 F. (2d) 411). A petition for *certiorari* to the United States Supreme Court was granted on June 12, 1944 (322 U. S. 724). On January 29, 1945, the Supreme Court rendered its decision affirming the Commission's approval of the plan.⁵ Following this decision, United Light accomplished its liquidation and dissolution in compliance with the Commission's initial orders.⁶ Railways, which has two subsidiary holding companies, American Light & Traction Co. (American Light), and Continental Gas & Electric Corp. (Continental), thus became the top holding company in the system.

On June 2, 1945,⁷ the Commission issued a memorandum opinion, concluding that the most appropriate means for achieving compliance with its order requiring Railways to dispose of its interests in certain subsidiaries was the liquidation and dissolution of American Light and the disposition by Railways of all securities received by it in such liquidation. To accomplish this, American Light on July 2, 1945, filed an amended plan of liquidation and dissolution. This is to be accomplished by a retirement of its preferred stock by a cash payment to the holders thereof and by a *pro rata* distribution of the remaining assets to the common stockholders. This liquidation was held necessary to effectuate the provisions of Section 11 (b), since the continued existence of such company served no useful purpose. The principal point at issue in this plan relates to the amount which should be paid to the holders of the company's noncallable 6 percent preferred stock.

After hearings and oral argument the majority of the Commission concluded that the plan providing for the retirement of the 6 percent noncallable cumulative preferred stock by payment of cash equivalent to the liquidating preference of such stock, *i. e.*, \$25 a share, could not be found fair in that it did not provide the equitable equivalent of the investment value of the liquidated stock.⁸ It was held that \$33 per share would represent such investment value of the stock and that the plan must be so amended to be fair and equitable. Before such an amendment was filed, changes occurred in the membership of the Commission and a motion for a reconsideration of this point was granted.⁹ Reargument was heard August 27, 1946, and the matter has been taken under advisement.

During the 1946 fiscal year Railways and Continental filed a plan under Section 11 (e) proposing sale of the stock interests

⁴ Holding Company Act Release No. 4215.

⁵ *Otis & Co. v. Securities and Exchange Commission*, 323 U. S. 624.

⁶ Holding Company Act Release No. 2636. Commissioner Healy dissented on the ground that the preferred stockholders were entitled to receive all the assets.

⁷ Holding Company Act Release No. 5840.

⁸ Holding Company Act Release No. 6603.

⁹ Holding Company Act Release No. 6750.

in four companies¹⁰ to be received by Railways upon the liquidation of American Light. It is proposed to use these proceeds to retire senior securities. Other divestments and retirements are also proposed, together with intrasystem adjustments necessary to comply with the Commission's order.

In May 1946 Continental sold its interest in Columbus and Southern Ohio Electric Co., represented by 744,455 shares of common stock, to underwriters at competitive bidding. Proceeds to Continental aggregating \$38,115,352 were used to retire \$20,000,000 principal amount of 1½ percent secured 1-year notes and the balance of the proceeds were applied to the prepayment of its \$30,000,000 principal amount of 2½ percent unsecured 10-year notes.¹¹

13. American Water Works and Electric Company, Inc.

This was the first registered holding company to file a corporate simplification plan pursuant to Section 11 (e). The plan contemplated no divestments of any of the utility properties or utility investments of the system, but did provide for the elimination of several "second-degree" holding company relationships and for certain other intra-system readjustments. Consummation of the main features of the plan was contingent upon the accomplishment of extensive refinancing.

The Commission approved the plan, with various modifications and reservations, holding that the applicant's interests in certain agricultural properties in California and in an office building in New York were not retainable, and that the distribution of voting power in the system was not fair and equitable; it reserved jurisdiction with respect to the retention of American's interest in a water subholding company to afford it an opportunity to increase its equity therein and to recapitalize it; and also reserved for future consideration the question of adjustments of write-ups of system properties and investments.¹²

Since the date of this order, American has sold the agricultural properties and the office building referred to above; has voluntarily disposed of a portion of its interests in transportation, bridge, and water businesses; has eliminated or arranged for the disposition of certain write-ups in the property accounts of its electric and gas subsidiaries; and has effected some of the intrasystem adjustments required. There are presently pending before the Commission two plans to bring a major portion of the American system into conformity with the requirements of Section 11. One of these plans proposes the divestment by American of substantially all the water properties of the system through the consolidation of these properties under a single water works holding company whose securities would be held outside the American system; the other plan proposes the liquidation of American itself, leaving The West Penn Electric Co. as the top holding company for all the subsidiaries of American other than those which are to be divested. These plans are to be followed by other plans relating to the corporate structure of The West Penn Electric Co. and its subsidiaries.

¹⁰ Detroit Edison Co.; Madison Gas and Electric Co.; Michigan Consolidated Gas Co.; and Milwaukee Gas Light Co.

¹¹ Holding Company Act Release No. 6621.

¹² 2 S. E. C. 972 (1937).

14. Engineers Public Service Company

In Section 11 (b) (1) proceeding regarding Engineers Public Service Co. (Engineers) and its subsidiaries, the Commission ordered Engineers to dispose of its interest in Puget Sound Power & Light Co. and The Key West Electric Co. The Commission initiated Section 11 (b) (2) proceedings with respect to a subsidiary of Engineers, The Western Public Service Co. (Western), a Maryland corporation.¹³ Subsequently, the Commission approved the sale of Western's Nebraska and South Dakota properties.¹⁴ Western then redeemed its publicly held securities and liquidated.¹⁵ The Commission ordered the divestment of the remaining properties in the Engineers system except the electric utility properties of Virginia Electric and Power Co., allowing Engineers, however, 15 days within which to petition for leave to retain instead the electric utility properties of Gulf States Utilities Company.¹⁶ Engineers appealed to the United States Court of Appeals for the District of Columbia, which on November 22, 1943 rendered an opinion upholding the Commission's order in most respects but setting it aside upon the ground that the Commission had misinterpreted the so-called incidental business clause of Section 11 (b) (1). The Court indicated also that Engineers must be given a further right to designate the principal integrated utility system which it desired to retain. Both Engineers and the Commission filed petitions for writs of *certiorari* in the Supreme Court of the United States. On June 5, 1944, the petitions were granted. Oral arguments were made before the Supreme Court in November, 1945. Because of the death of Chief Justice Stone, there was lack of a quorum of Justices and the matter was placed on the Court's calendar for reargument during the fall of 1946.

Engineers has divested itself of its interest in Puget Sound Power & Light Co., The Key West Electric Co., El Paso Natural Gas Co., El Paso & Juarez Traction Co., Baton Rouge Bus Co., The North Kansas Power Co., Missouri Service Co., Savannah Electric & Power Co., and the transportation businesses conducted by El Paso Electric Co. (Texas) and Virginia Electric and Power Co.

On September 10, 1945, Engineers filed a plan under Section 11 (e) for the divestment of its interest in two of its public utility subsidiary companies, namely, Gulf States Utilities Co. and El Paso Electric Co. (Texas), the two remaining subsidiaries of Engineers ordered divested by the Commission. The plan thereafter contemplates the liquidation and dissolution of Engineers. Hearings have been concluded on the plan as amended. Oral argument was heard before the Commission on September 5, 1946 and disposition of the matter is being considered.

15. The United Corporation

Proceedings, which the Commission had instituted under Sections 11 (b) (1) and 11 (b) (2) with respect to The United Corp. (United), were consolidated for hearing with a plan filed by United under Section 11 (e). In its plan, United proposed to reduce its holdings in each of its statutory subsidiaries to less than 10 percent of the outstanding voting securities and, pending such reduction, to refrain from

¹³ Holding Company Releases Nos. 2897 and 2898.

¹⁴ Holding Company Act Releases Nos. 3230 and 3245.

¹⁵ For further details see Tenth Annual Report, p. 185.

¹⁶ Holding Company Act Release No. 3796.

voting the securities without the prior approval of the Commission. After extensive hearings, the Commission disapproved United's plan and, pursuant to Section 11 (b) (2), ordered that United change its existing capitalization to one class of stock and cease to be a holding company.¹⁷

On June 27, 1944, United filed another plan pursuant to Section 11 (e) which provided for the exchange of substantially all of its holdings of the common stocks of Philadelphia Electric Co. and Delaware Power & Light Co. (Delaware), plus cash for approximately one-half of its outstanding preferred stock.¹⁸ The plan was subsequently amended to provide for the exchange of only the Philadelphia Electric Company common stock and an increased amount of cash. The plan, as amended, was approved by the Commission on November 24, 1944¹⁹ and has since been consummated.

On January 17, 1945, United filed a plan pursuant to Section 11 (e) providing for the exchange on a voluntary basis of two shares of the common stock of Delaware and \$5 in cash for outstanding shares of United's \$3 cumulative preferred stock. The plan was subsequently amended to provide for the payment of \$6 in lieu of the \$5 in cash as originally proposed. The plan, as amended, was approved by the Commission on June 9, 1945,²⁰ and has also been consummated.

During the fiscal year, United disposed of a portion of its holdings of Columbia Gas & Electric Corp. common stock by sales in the market and tendered to The United Gas Improvement Co. (UGI) a portion of its holdings of common stock of that company pursuant to the exchange plan described previously (under the heading, "The United Gas Improvement Co."). As a result of this plan United's interest in the common stock of UGI was reduced to approximately 8 percent of such stock outstanding. Since the close of the fiscal year, United filed a declaration, which the Commission permitted to become effective, to purchase in the open market its preferred stock in an amount not to exceed \$5,000,000.

On June 12, 1946, the Commission instituted proceedings under Sections 11 (b) (1) and 11 (b) (2) with respect to Public Service Corp. of New Jersey (Public Service), a subsidiary of United, and all of its subsidiaries. Since the close of the fiscal year, Public Service filed a plan pursuant to Section 11 (e). This plan provides for the dissolution and liquidation of Public Service upon completion of certain steps and the transfer of its assets to and the assumption of its liabilities by its principal subsidiary.

16. Midland Realization Company and Midland Utilities Company

On April 7, 1945, the United States District Court for the District of Delaware confirmed a modified plan of reorganization wherein Midland United Co.—the name of Midland Realization Co. (Midland Realization) prior to the reorganization—and Midland Utilities Co. (Midland Utilities) were jointly reorganized.²¹ The modified

¹⁷ Holding Company Act Release No. 4478.

¹⁸ Holding Company Act Release No. 4870.

¹⁹ Holding Company Act Release No. 5440.

²⁰ Holding Company Act Release No. 5859.

²¹ See *In the Matter of Midland United Co., Debtor*, 58 F. Supp. 667 (1944), for opinion of the court approving the plan of reorganization. The Findings and Opinion of this Commission approving the plan submitted pursuant to Section 11 (f) of the Act are contained in Holding Company Act Releases Nos. 5317 and 5317A (1944).

plan provided, among other things, that Midland Realization and Midland Utilities would merge, and that such merged company would liquidate its assets expeditiously. On March 14, 1946, a proposed modification of the plan was filed pursuant to Section 77B of the Bankruptcy Act and Section 11 (f) of the Holding Company Act, wherein the requirement of the merger of Midland Realization and Midland Utilities was to be eliminated. In lieu thereof, the liquidation of the two companies was to be accomplished by a distribution to the public holders of the two reorganized companies of most of the shares of the common stock of their principal subsidiary, Northern Indiana Public Service Co., the sale of the balance of such stock through a public offering, and the distribution, as a liquidating dividend, of the remaining assets consisting of treasury cash and the cash proceeds to be realized from the sale of their interest in the only remaining subsidiary, Indiana Service Corp. (Indiana Service).²² After the close of the fiscal year, both the Commission and the reorganization court approved the proposed modification.

A plan of corporate simplification for Indiana Service was filed by its parent, Midland Utilities, on October 29, 1945, under Section 11 (e) of the Act. On May 7, 1946, an amendment was filed thereto providing for the elimination from the security structure of Indiana Service of its existing demand notes payable to Midland Utilities. It further provided for the elimination of the present preferred and common stocks; the issuance of new common stock; the sale of such new common stock to American Gas and Electric Co., a subsidiary of Electric Bond and Share Co.; and the distribution of the proceeds therefrom to Midland Utilities and the preferred stockholders of Indiana Service. Hearings were held and the matter was pending at the end of the fiscal year.

17. New England Public Service Company

The Commission issued a Section 11 (b) (2) order with respect to New England Public Service Co. (NEPSCO) directing it to recapitalize on a one-stock basis or to liquidate. Soon thereafter the company filed a plan for the stated purpose of complying with the applicable provisions of Section 11 of the Act. One public utility company of this system (Cumberland County Power & Light Co.) has been eliminated by merger into Central Maine Power Co. and another (Twin State Gas & Electric Co.) through conveyance of its properties to Public Service Co. of New Hampshire and Central Vermont Public Service Corp.²³ On December 19, 1944, on the application of Central Maine Power Company, the Commission approved a plan for the divestment of Portland Railroad Co., a nonutility subsidiary.²⁴ On February 3, 1945 certain common stockholders filed a bill of complaint in the Supreme Judicial Court of Maine seeking a rescission of the sale of Portland Railroad Co. Hearings have been held and the matter is now pending before that court.

On October 25, 1944 NEPSCO filed an amended plan of reorganization.²⁵ Subsequently, the company again amended its plan de-

²² Holding Company Act Release No. 6528.

²³ Holding Company Act Releases Nos. 3883 and 4711.

²⁴ Holding Company Act Release No. 5506.

²⁵ Holding Company Act Release No. 5477.

leting therefrom all reference to the distribution of its interest in its nonutility subsidiaries to its own security holders. An application was filed by NEPSCO for the approval of a plan regarding the sale of its holdings in its industrial subsidiaries and extensive hearings were held on this phase of the amended plan. On October 11, 1945, the Commission approved the sale of the industrial subsidiaries to a banking group for a consideration of \$16,500,000.²⁶ The sale by NEPSCO of its industrial holdings was approved by the United States District Court for the District of Maine (Southern Division). An unsuccessful bidder and a stockholder of NEPSCO have filed petitions in the United States Circuit Court of Appeals for the First Circuit for review of the Commission's order of October 11, 1945. They have also appealed from the District Court's order. At the end of the fiscal year proceedings were still pending in the courts with respect to the sale of the industrial subsidiaries.

18. Federal Water and Gas Corporation

On December 31, 1942 proceedings were instituted by the Commission with respect to Federal Water and Gas Corp. (Federal) and its subsidiaries under Sections 11 (b) (1) and 11 (b) (2). The Federal system at that time consisted of a number of utility and nonutility companies conducting water, natural gas transmission and distribution, manufactured gas distribution, and electric operations in a number of widely separated States. Federal's principal subsidiary was, and is, Southern Natural Gas Co., a registered holding company controlling four gas utility subsidiaries in Alabama, one in Mississippi and one in Tennessee, and directly owning and operating a natural gas pipeline extending from Texas into Georgia. Southern Natural's utility subsidiaries in Mississippi and Tennessee (Mississippi Gas Co. and Chattanooga Gas Co., respectively) were formerly controlled directly by Federal, but were sold by Federal to Southern Natural in June 1946 pursuant to Federal's Section 11 (e) plan.²⁷ This plan also provided, among other things, for the distribution of Federal's interest in Southern Natural to Federal's stockholders and for the elimination of Federal as a separate corporation, as to which provisions the Commission reserved jurisdiction. The plan also provided for the disposition by Federal of its interests in all its other subsidiary companies, provided, however, that before disposing of its security holdings in Peoples Water and Gas Co., Scranton-Spring Brook Water Service Co., and New York Water Service Corp., these companies be recapitalized. The Commission approved the latter provisions of Federal's plan and directed that steps be taken to carry out those provisions.²⁸ In addition, Federal, Pennsylvania Water Service Co., and Scranton-Spring Brook were directed to cause the elimination of Pennsylvania Water Service Co. and the 63 inactive subsidiaries of Scranton-Spring Brook. Federal has caused the elimination of 62 inactive subsidiaries of Scranton-Spring Brook and has disposed of its interests in 15 companies (in addition to the above-mentioned sales to Southern Natural) and of the bulk of the properties of Alabama

²⁶ Holding Company Act Release No. 6123.

²⁷ Holding Company Act Release No. 6738.

²⁸ Holding Company Act Release No. 4118.

Water Service Co. After extensive hearings, Federal's plan for the recapitalization of Scranton-Spring Brook was approved by the Commission in March 1946.²⁹ Federal is under obligation to dispose of its holdings of Scranton's new common stock received by Federal as a result of the recapitalization. Hearings have been completed on Federal's plan for the reorganization of New York Water, and this matter is now pending before the Commission.

Federal itself was recapitalized in 1941. One aspect of that reorganization, relating to the Commission's decision therein that officers and directors of Federal should not be permitted to profit on securities of Federal purchased by them during the pendency of the reorganization, was appealed to the Supreme Court, which set aside the Commission's order and remanded it to the Commission.³⁰ In February 1945 the Commission issued its findings, opinion and order reaffirming its previous determination.³¹ This order was reversed by the United States Court of Appeals for the District of Columbia in February 1946,³² whereupon the Commission petitioned for a writ of *certiorari* which was granted by the United States Supreme Court in May 1946.

19. Ogden Corporation

Ogden Corporation (Ogden) is a successor corporation to Utilities Power & Light Corp. which went into bankruptcy in 1937. A plan of reorganization approved by this Commission provided, among other things, that Ogden would divest itself of all its interests in utility companies.³³ Section 11 proceedings were instituted with respect to Ogden by the Commission and were consolidated with a Section 11 (e) plan of Ogden. The Commission approved certain provisions of the Ogden plan and ordered Ogden to divest itself of all its interests in public utility companies and eliminate itself as a public utility holding company.³⁴ Ogden has divested itself of its interests in Derby Gas & Electric Corp., Missouri Natural Gas Co., The Laclede Gas Light Co. (Laclede), and Missouri Electric Power Co., which represent all of its interests in utility properties except those of Interstate Power Co. (Interstate) and certain residual assets of Central States Power and Light Corp. (Central States). Preliminary to Ogden's divestment of its interest in Laclede, the latter company underwent a thorough-going reorganization in conformity with the provisions of Section 11 (b) (2).³⁵ Hearings have been held on a plan for the reorganization of Interstate and the divestment of Ogden's interest therein, such plan providing for the company's reorganization while leaving for later determination the question as to whether Ogden's holdings in Interstate should be subordinated, in whole or in part, to Interstate's publicly held debentures and preferred stocks. Hearings are in progress on a plan for the distribution of the remaining assets of Central States. The assets of that com-

²⁹ Holding Company Act Releases Nos. 6458, 6510, and 6602.

³⁰ 318 U. S. 80. For a discussion of the issues in this case see the Commission's Tenth Annual Report, page 118.

³¹ Holding Company Act Release No. 5584.

³² *Cheney Corp. v. S. E. C.*, — F. (2d) — (C. A. D. C. Feb. 4, 1946).

³³ 5 S. E. C. 483.

³⁴ Holding Company Act Release No. 4307.

³⁵ Holding Company Act Releases Nos. 5062 and 5071.

pany, consisting principally of cash, will be distributed upon a determination of the rights of the various classes of security holders, which involves the issue as to whether any portion of the securities of Central States held by Ogden should be subordinated to the claims of public security holders.

In April 1946 the Commission granted Ogden's application regarding a general program for the acquisition for investment purposes of nonutility securities and assets.³⁶

20. Long Island Lighting Company

On October 25, 1945, Long Island Lighting Co. and three of its public utility subsidiary companies, Queens Borough Gas and Electric Co., Nassau & Suffolk Lighting Co., and Long Beach Gas Co., Inc., jointly filed a comprehensive plan under Section 11 (e) of the Holding Company Act proposing the consolidation of the four companies, the recapitalization of the resultant consolidated company, and the distribution of the preferred and common stocks of the recapitalized consolidated corporation to the public security holders of the constituent companies. On November 9, 1945, the Commission instituted proceedings pursuant to Section 11 (b) (2) with respect to each of the companies and consolidated the proceedings.³⁷ Testimony in the consolidated proceedings was taken from time to time and the hearing was closed subsequent to the end of the fiscal year.

On August 22, 1945, Kings County Lighting Co. (Kings), a subsidiary of Long Island Lighting Co., filed a plan pursuant to Section 11 (e) of the Holding Company Act with respect to its recapitalization and the redistribution of the preferred and common stocks of the recapitalized company among its existing stockholders. On August 27, 1945, the Commission instituted proceedings pursuant to Section 11 (b) (2) directed to Long Island and Kings and consolidated the two proceedings.³⁸ On April 17, 1946, Kings filed an amended plan pursuant to Section 11 (e) of the Act, which the Commission consolidated with the prior proceedings.³⁹ The hearing in the consolidated proceedings was closed on June 4, 1946, and at the end of the fiscal year the matter was pending.

REGULATION OF SECURITY ISSUES

Volume of Financing

In the fiscal year ended June 30, 1946, the Commission declared effective 117 applications and declarations pursuant to Sections 6 and 7 of the Act, pertaining to the issuance of securities totaling \$2,374,865,967.⁴⁰ For the preceding year, 71 such applications were declared effective with respect to \$1,304,522,550 of securities. The

³⁶ Holding Company Act Release No. 6564.

³⁷ Holding Company Act Release No. 6218.

³⁸ Holding Company Act Release No. 6011.

³⁹ Holding Company Act Release No. 6569.

⁴⁰ At the beginning of the 1946 fiscal year, 96 applications and declarations under Sections 6 and 7 were pending and 259 were filed during the year. Of these, 241 were declared effective, 7 were withdrawn and 1 denied, leaving 106 pending at the close of the fiscal year. Of the 241 effective declarations and applications, 197 pertained to security issuance, 35 to alteration of rights, and 9 to assumption of liability.

following table classifies the securities involved during the past fiscal year by type of issue:

Summary of effective security issues under Sections 6 (b) and 7 of the Public Utility Holding Company Act of 1935¹

Type of issue	July 1, 1945 to June 30, 1946	
	Amount	Percent
Bonds.....	\$1,063,197,000	44.8
Debentures.....	36,000,000	1.5
Notes.....	438,277,000	18.5
Preferred stock.....	418,195,000	17.6
Common stock.....	419,206,967	17.6
Total.....	2,374,865,967	100.0

¹ These figures do not include outstanding issues whose rights were altered under Sections 6 (a) (2) and 7 (e), nor do they include guarantees of other issues.

The past year witnessed a continuation of the heavy debt refunding program which has been in progress for the last decade. Many utility companies refunded for a second time, as interest rates declined to new low ground. Until January 1, 1946, tax considerations facilitated these refunding operations since many of the companies were in excess profits tax brackets and could reduce their net income subject to excess profits tax by the amount of unamortized discount and expense and call premiums applicable to the refunded issues. After VJ-day the prospect of termination of the excess profits tax further stimulated these refundings, with the result that very heavy offerings were made during the fall of 1945. In October, alone, approximately \$210,000,000 of debt security issues were approved under Sections 6 (b) and 7.

During the year, utility bond issues were sold on the lowest interest cost basis since the passage of the Act. For example, in February 1946, Madison Gas and Electric Co., sold at competitive bidding \$4,500,000 principal amount of 30-year, first mortgage, 2½ percent bonds at an interest cost of 2.427 percent. Sixteen bids were received for these bonds, 15 of which provided an interest cost of less than 2.50 percent. Other high-grade issues such as those of Gulf States Utilities Co., Philadelphia Electric Power Co., and Wisconsin Electric Power Co., involving amounts from \$27,000,000 to \$50,000,000, were sold at interest costs between 2.50 percent and 2.60 percent. Preferred stocks were likewise sold on a very favorable basis during the year, the cost of money in some instances approaching 3.30 percent.

COMPETITIVE BIDDING

Reflecting the volume of refunding during the 1946 fiscal year as well as the growth in dispositions of portfolio securities under Section 11, the amount of securities sold under the competitive bidding requirements of Rule U-50 was nearly as large as the combined volume during the four preceding years of the Rule's history. A total of 83 issues amounting to \$1,642,000,000 was sold during the 1946 fiscal year, bringing the total since May 7, 1941, the effective date of Rule U-50, to \$3,486,440,000, comprising 185 issues.

Aside from the increased number of issues submitted to competitive bidding by reason of the influences mentioned above, the process of competitive bidding has also been extended in two distinct fields. In November 1943, for example, the Commission considered it necessary to exempt from Rule U-50 the sale of \$21,000,000 of Public Service Co. of Colorado common stock because of the size of the issue and because there were at that time few precedents for gauging public acceptance under competitive bidding of such a common stock offering. Prior to July 1, 1945, as a consequence, only eight issues of common stock amounting to \$47,734,000 had been sold at competitive bidding. In contrast, the past fiscal year has seen 16 common stock issues, aggregating \$215,787,000, sold under Rule U-50. These issues included \$38,115,000 of Columbus and Southern Ohio Electric Co. common stock during May and \$51,468,000 of Dayton Power and Light Co. common stock in the month of June.

A second extension in the practice of competitive bidding has occurred in connection with exchange offers on preferred stock. In these cases, generally speaking, the holders of the old preferred stock are given the right to exchange their holdings for new preferred stock and an underwriting commitment is secured to cover any unexchanged shares; sometimes, in addition, the underwriters assist in soliciting the exchange of the old preferred for the new. The development of competitive bidding in this field was based upon experience with the refinancing of preferred stocks by a variety of methods. During the year the Commission approved a direct exchange offer without underwriting by Cities Service Power & Light Co.,⁴¹ an exchange offer coupled with underwriting by Columbia Gas & Electric Corp.,⁴² and a reclassification of outstanding preferred stock pursuant to a vote of stockholders by Rochester Gas and Electric Corp.⁴³ In the case of Columbus and Southern Ohio Electric Co.,⁴⁴ it was announced that in future exchange offers the Commission would require as a minimum that bids for effecting exchanges under dealer-manager arrangements should be requested at least from a selected group of investment banking or other agencies qualified to perform the services involved.⁴⁵ After considerable study of the general problem of competitive bidding on preferred stock issues, the Commission in *Oklahoma Gas and Electric Co.* announced its view that, as a matter of future policy, preferred stock issues under the Holding Company Act should ordinarily be submitted to competitive bidding whether or not they involve exchange offers.⁴⁶

Certain other important developments have occurred in connection with the maintenance of competitive conditions required by Section 12 (d) of the Act. In the case of *Western Light & Telephone Co.*, the Commission considered the question of whether an investment banking firm retained as a financial adviser by the issuer of securities might appropriately enter the bidding for such securities.⁴⁷ It was concluded that any financial advisory services entailing the payment

⁴¹ Holding Company Act Release No. 5943.

⁴² Holding Company Act Release No. 6120.

⁴³ Holding Company Act Releases Nos. 6093 and 8340.

⁴⁴ Holding Company Act Release No. 6150.

⁴⁵ See *Pennsylvania Power Company*, Holding Company Act Release No. 6140, in which this procedure was followed.

⁴⁶ Holding Company Act Release No. 6449.

⁴⁷ Holding Company Act Release No. 5902.

of a fee would necessarily involve continuing obligations to the issuer inconsistent with the role of bidder for the securities with respect to which advice had been given. It was pointed out also that an investment banking house acting in the role of financial adviser may have an unfair advantage over other bidders because of its early and close association with the transaction. Accordingly, the Commission announced that investment banking firms acting in such a capacity would be considered ineligible to bid for the securities involved.

The statutory standards regarding maintenance of competitive conditions were also considered in the case of *Standard Gas and Electric Co.*, which involved the sale of securities of a public utility subsidiary operating in Mexico.⁴⁸ This transaction was not subject to Rule U-50 inasmuch as the anticipated sales price was less than \$1,000,000. The Commission held that, although a transaction may be exempt from the formal competitive bidding procedure prescribed by Rule U-50, proper maintenance of competitive conditions within the meaning of Section 12 (d) requires that a vendor, having solicited invitations for bids, must follow a selling procedure designed to afford to all interested persons a fair opportunity to make offers, and to secure for the vendor the maximum price reasonably obtainable. Upon a reoffering of the securities, the Commission stated its view that a bid of "\$10,500 plus the next highest bid" was not in legal effect a bid, and cited court precedents in which bids of a similar character were rejected as potentially destructive of fair competition. The Commission also indicated in its opinion that in the event more than one bid were submitted by the same party or by various persons under common control, it would reject all such bids as improper.

In the case of *Interstate Power Co.*, the Commission disapproved a sale of utility assets on the ground that the procedure followed by the vendor was prejudicial to the competitive position of a prospective buyer, and thus failed to afford all interested persons the equality of opportunity to bid for the property required by the "maintenance of competitive conditions" standard contained in Section 12 (d).⁴⁹

Exemptions From Rule U-50

By the terms of Rule U-50, exemptions from the competitive bidding procedure may be granted by the Commission under certain circumstances. Apart from the exchange of several issues of preferred stock for outstanding shares of old preferred, as discussed above, exemptions under Rule U-50 were granted during the past year in six instances involving securities in the amount of \$19,865,000. These exemptions were granted, in general, because the competitive bidding process was found to be unsuited to the circumstances of the case or unnecessary in the light of the public interest. In the case of *United Public Utilities Corp.*, for example, an exemption was granted covering the sale of securities to a neighboring utility company, the Commission finding that ownership and operation of the properties by the acquiring company were in the public interest.⁵⁰

Protective Provisions for Senior Securities

In the administration of Sections 6 and 7 of the act, which relate to the issue and sale of securities by registered holding companies and

- ⁴⁸ Holding Company Act Releases Nos. 6106 and 6557.

— ⁴⁹ Holding Company Act Release No. 6516

— ⁵⁰ Holding Company Act Release No. 6142

their subsidiaries, the Commission has adhered to and further developed the policy of securing inclusion in the corporate charters of certain preferred stock protective provisions. During the past year these provisions have become generally standardized, providing, among other things, that the holders of at least two-thirds of the issue must consent to the authorization of any prior ranking stock, the alteration of existing preferred stock provisions, and the issuance of additional shares at a time when earnings are below a stipulated level. Restrictions have also been placed upon the issuance or assumption of additional indebtedness and upon the merger or consolidation of the company with other corporations. Preferred stockholders are given the right to elect a majority of the Board of Directors upon default of four quarterly dividends.⁵¹

As an additional means of protecting senior security holders, the Commission has continued to insist upon suitable restrictions on the payment of dividends where common stock equity was considered inadequate. For example, in the case of *Western Light & Telephone Co.*⁵² the declarant agreed that

If at any time the aggregate of the common stock and surplus (common equity) is or becomes less than 20 percent of the total capitalization, dividends on common stock in any fiscal year shall be limited to 50 percent of net income available for said common stock in such fiscal year and whenever such ratios shall be 20 percent or more but less than 25 percent, then not more than 75 percent of the earnings accumulated during such period otherwise available for such purposes shall be used therefor. No dividends shall be paid on common stock which will reduce such ratio to less than 25 percent.

Exemptions From the Provisions of the Act

The renewed application of Pacific Gas and Electric Co.⁵³ under Section 2 (a) (8) for an order declaring it not to be a subsidiary of The North American Co., was granted by the Commission upon finding that a substantial change in status had occurred since the entry of its order of September 10, 1941, denying the original application.⁵⁴ During the intervening period the ownership of North American in Pacific had been reduced from 17.7 percent to 5.24 percent and of two directors of Pacific elected by North American, one had already resigned while the other was prepared to resign when the disposition of North American's interest in Pacific had been completed.

During the past year the Commission granted exemptions to 8 holding companies under Section 3 of the Act and upon applications under Section 5 (d) ordered that the registration of 5 holding companies should cease to be in effect. Twenty-two small holding companies claimed exemption from registration under Rule U-9, 24 claimed exemption under Rule U-2 (a) and 35 subsidiary holding companies were exempt from registration under Rule U-2 (b). In the case of Texas Utilities Co.,⁵⁵ the Commission had occasion to state that any automatic exemption available under Rule U-2 would be terminated promptly pending adoption of protective provisions in the preferred stock and completion of the original cost study of a subsidiary company, thereby assuring that no procedural step could

⁵¹ Jersey Central Power & Light Co., Holding Company Act Release No. 6637, and Monongahela Power Co., Holding Company Act Release No. 5988.

⁵² Holding Company Act Release No. 5902.

⁵³ Holding Company Act Release No. 6122.

⁵⁴ Pacific Gas and Electric Co., Holding Company Act Release No. 2988, *aff'd* 127 F. (2d) 378, 189 F. (2d) 288 (C. A. 9th, 1943), *aff'd* 324 U. S. 826 (1945).

⁵⁵ American Power & Light Co., Holding Company Act Release No. 6158.

be used to secure an exemption contrary to the public interest or to the interest of investors or consumers.

COOPERATION BETWEEN THE SECURITIES AND EXCHANGE COMMISSION AND STATE COMMISSIONS

During the past year the Commission has continued its established policy of cooperating with other Federal agencies and with State and municipal regulatory bodies in matters of mutual interest. This is in keeping with the spirit and policy of the Act in which the Congress inserted a number of specific provisions for this purpose. Reference is made to the Eleventh Annual Report for a detailed discussion of the principal Sections of the Act dealing with this matter.

The area of the Commission's activities in which State commissions have the most direct interest embraces the regulation of operating subsidiaries of holding company systems and usually relates to such matters as the adequacy of depreciation, accounting practices, and the removal of questionable items from property accounts. One of the most interesting cases in this category which came before the Commission during the past year involved a refinancing operation of the Jersey Central Power & Light Co.⁵⁶ Through the cooperative efforts of the Federal Power Commission, the Board of Public Utility Commissioners of the State of New Jersey, and this Commission, there resulted a successful plan whereby senior securities of the company were reduced, unamortized debt discount and expense on retired issues was eliminated, and approximately \$10,000,000 of excess over original costs was removed from the property account. An important factor contributing to the feasibility of these adjustments was a capital donation of \$5,000,000 by the company's parent and, as a consequence of all of the transactions, the total capitalization of the company was reduced nearly \$7,000,000. There were eight other financing cases during the past year in which there were helpful interchanges of views and information with interested State commissions.⁵⁷ In one of these cases the record of hearings before this Commission was received in evidence at concurrent hearings before the two State commissions having jurisdiction over the companies involved.⁵⁸

The volume of cases of the type described above seems to have tapered off in recent years, apparently for the reason that the major portion of the problems of this character have been disposed of through the combined efforts of State commissions, the Federal Power Commission, and this Commission. Furthermore, in the past few years there has been a substantial increase in the number of reorganization plans filed with the Commission for the purpose of complying with the geographic integration and corporate simplification standards of Section 11 (b). As a consequence the focus of cooperative efforts appears to be shifting to integration.

Cooperation in this type of case has touched upon a wide variety of circumstances, most of which relate to the divestment of operating

⁵⁶ File No. 70-1272.

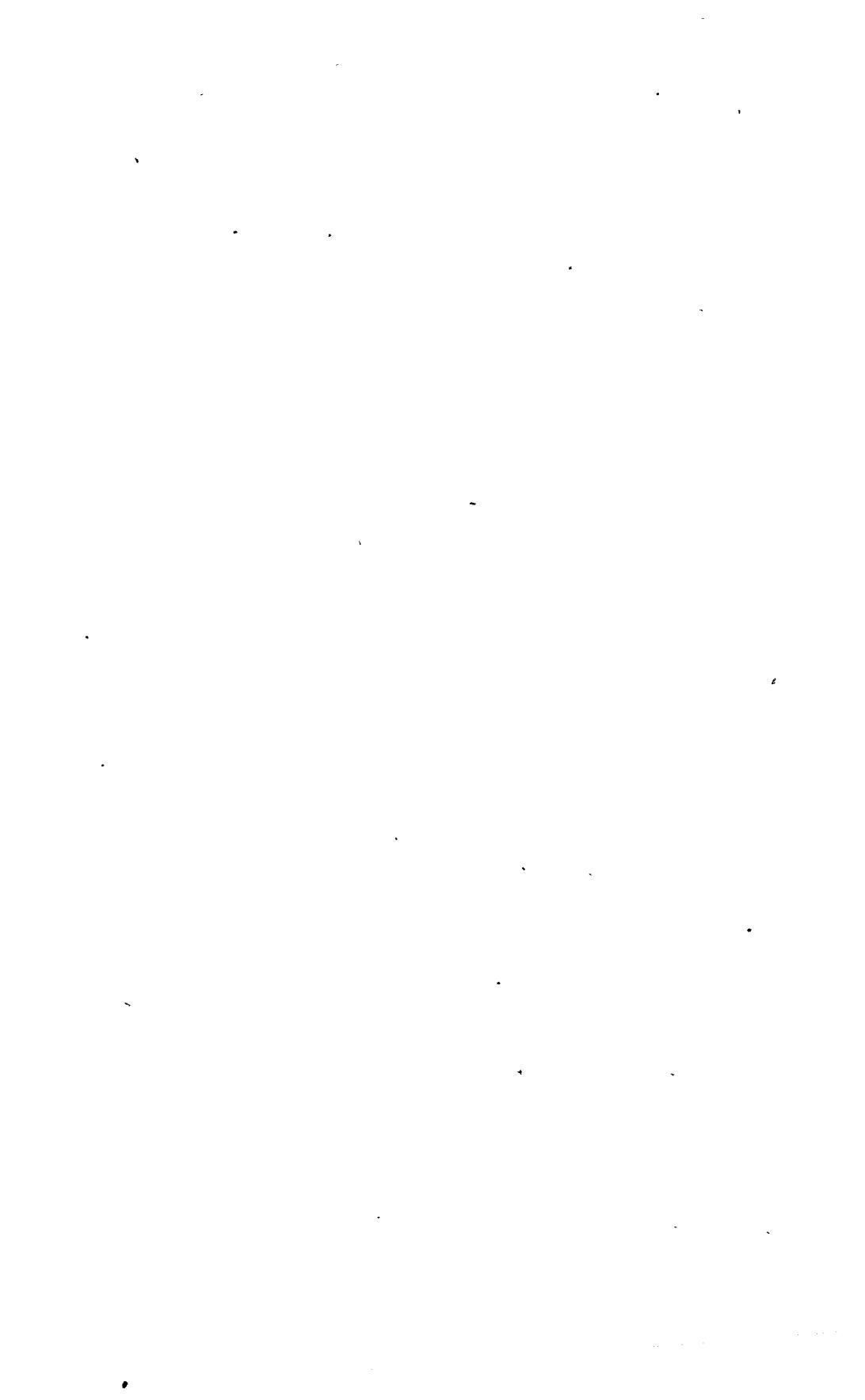
⁵⁷ Mountain States Power Co., File No. 70-1099; Missouri Power & Light Co., File No. 70-1284; Milwaukee Electric Railway and Transportation Co., File No. 70-1286; Potomac Edison Co., File No. 10-1065; Public Service Co. of New Hampshire, File No. 70-1230; Pacific Power & Light Co., Northwestern Electric Co., File No. 70-1331; Alabama Power Co., File No. 70-1226; Pennsylvania Electric Co., Pennsylvania Edison Co., File No. 70-1250.

⁵⁸ Pacific Power & Light Co., Northwestern Electric Co., File No. 70-1331.

subsidiaries. During the past year the Commission has cooperated with local regulatory bodies in Section 11 proceedings involving the following companies:

Atlanta Gas Light Co., File No. 54-131;
Central Arizona Light & Power Co., File No. 70-1156;
Chattanooga Gas Co., File No. 70-1145;
Minneapolis Gas Light Co., File Nos. 54-68 and 59-55;
Potomac Electric Power Co., File No. 54-98;
Southern Utah Power Co., File Nos. 54-125 and 52-27-1;
Tucson Gas, Electric Light & Power Co., File No. 70-1263.

The Act does not contain specific provisions for cooperation between this Commission and State commissions in Section 11 cases, but, in Section 19 of the Act, the Commission is required to admit any interested State, State commission, municipality, or other political subdivision of a State as a party in any proceeding before it. Pursuant to this provision, the Commission has uniformly followed the policy of inviting interested State commissions to participate in any proceeding which may affect their work. As indicated by the above cases, a number have taken advantage of this invitation.



PART IV

PARTICIPATION OF THE COMMISSION IN CORPORATE REORGANIZATIONS UNDER CHAPTER X OF THE BANKRUPTCY ACT, AS AMENDED

Chapter X of the Bankruptcy Act, as amended in 1938, affords appropriate machinery for the reorganization of corporations (other than railroads) in the Federal courts. The Commission's duties under Chapter X are, first, at the request or with the approval of the court to act as a participant in proceedings thereunder in order to provide, for the court and investors, independent expert assistance on matters arising in such proceedings, and second, to prepare, for the benefit new proceedings under Chapter X, one of which was filed at the reorganization submitted to it by the courts in such proceedings. The Commission has no statutory right of appeal in any such proceeding, although it may participate in appeals taken by others.

SUMMARY OF ACTIVITIES

The Commission actively participated during the year in 104 reorganization proceedings involving the reorganization of 127 companies (104 principal debtor corporations and 23 subsidiary debtors).¹ The aggregate stated assets of these 127 companies amounted to \$1,975,860,000 and their aggregate indebtedness was \$1,313,321,000.² During the year, the Commission filed its notice of appearance in nine new proceedings under Chapter X, one of which was filed at the request of the judge and the remaining eight upon approval by the judge of the Commission's motion to participate. These nine new proceedings involved nine companies with aggregate stated assets of \$9,615,000 and aggregate stated indebtedness of \$11,636,000. Proceedings involving 15 principal debtor corporations and 2 subsidiary debtors were closed during the year.

At the close of the year, the Commission was actively participating in 89 reorganization proceedings involving 110 companies (89 principal debtors and 21 subsidiary debtors), with aggregate stated assets of \$1,918,142,000 and stated indebtedness of \$1,260,996,000.

COMMISSION'S FUNCTIONS UNDER CHAPTER X

In participating in proceedings under Chapter X of the Bankruptcy Act, the role of the Commission differs markedly from that under the other Acts which it administers. The Commission does not administer Chapter X. It does not initiate the proceedings, hold its own hearings, or adopt Rules and Regulations, but acts, as the representative of investors and as an aid to the court, in a purely advisory capacity. It has no authority either to veto or to require the adoption

¹ Appendix Table 34 contains a complete list of reorganization proceedings in which the Commission participated during the fiscal year ended June 30, 1946.

² Appendix Table 19, Parts 1 and 2, classify these debtors according to industry and size of indebtedness.

of a plan of reorganization or to render a decision on any other issue in the proceeding. The facilities of its technical staff and its impartial recommendations are placed at the services of the judge and the security holders, affording them the views of experts in a highly complex area of corporate law and finance.

In order to facilitate this work of the Commission, staffs of lawyers, accountants, and analysts have been stationed in various regional offices where they can keep in close touch with all hearings and issues in the proceedings and with the parties, and be readily available to the courts. At the central office of the Commission, the Corporation Finance Division is charged with the immediate supervision of the Commission's Chapter X functions. As a party to the proceeding the Commission is represented at all important hearings and its views on the various problems arising in the proceeding are expressed to the court orally or through legal or analytical memoranda. Of equal importance is the regular participation by the Commission's staff in informal conferences and discussions with the parties in an endeavor to work out solutions to questions in advance of formal hearing and argument. In this way the Commission has often been able to bring facts, arguments, or alternative suggestions to the attention of the parties, and frequently the parties have been thereafter prompted to modify their proposed actions. In general the Commission has found these informal discussions an effective means for cooperation, and of great value in expediting the proceeding.

While the Commission as a party in interest has a right to be heard on all matters arising in the proceeding, it does not have the statutory right of appeal. The Commission, however, on appropriate occasions appears before the appellate courts when appeals are taken by others. The Commission has participated as a party or as *amicus curiae* in many appeals involving significant legal principles of bankruptcy reorganization law.

Through its nation-wide activity in Chapter X cases the Commission has been in an advantageous position to encourage uniformity in the interpretation and application of the provisions of Chapter X, and is often called upon by parties, referees and special masters, and judges for advice and suggestions. In this the Commission has been able to extend substantial assistance derived from its experience accumulated through participation in many cases.

THE COMMISSION AS A PARTY TO PROCEEDINGS

As a general matter the Commission has deemed it appropriate to seek to participate only in proceedings in which a public investor interest is involved. As a rough, administrative guide, proceedings are not considered to have sufficient public interest to warrant Commission participation if the amount of publicly held securities is less than \$250,000. But mere size is not, of course, the sole criterion. Often the Commission has deemed it appropriate to enter smaller cases where an unfair plan has been or is about to be proposed, where the public security holders are not adequately represented, where the proceedings are being conducted in violation of important provisions of the Act, or where other facts indicate that the Commission may perform a useful service by participating. During the past fiscal year, the Com-

mission intervened in several such smaller cases because it considered that unfair plans were being proposed and violations of Chapter X provisions were occurring.

There is a multitude of diverse questions with which the Commission is concerned as a party to a Chapter X proceeding. Some of the more important matters which have arisen during the past fiscal year are discussed in the following paragraphs.

Problems in the Administration of the Estate

The Commission has continued its policy of scrutinizing the qualifications of trustees in the light of the standards of disinterestedness prescribed by the statute. Since the independent trustee has the duty of examining into the history and affairs of the debtor, ascertaining its financial and managerial problems, and formulating the plan of reorganization, it is obvious that the success of the reorganization depends largely upon his thoroughness and skill. In one case, the Commission objected to the retention of a bank as trustee where its trust officer, in charge of the reorganization proceeding for the bank, was closely affiliated with the management of the debtor and where it appeared that no investigation of the property, liabilities, and financial condition of the debtor, as required by Section 167 of the Act, would be made and reported to security holders. The judge did not sustain the objection to the retention of the trustee but did order the trustee to comply fully with the requirements of Section 167.⁸

In connection with the preparation of the trustee's report, as in other phases of the case, the Commission has continued its practice of assisting the trustee through consultation on problems and in furnishing information. As the result of its experience in many cases, the Commission has been in a position to render considerable help to trustees in carrying out their duties, in this respect as well as others, without usurping their functions or controlling their activities.

The importance of a thorough investigation of the debtor's affairs by the trustee has manifested itself on many occasions during the Commission's experience in Chapter X cases. In one case during the past year, the Commission's staff discovered evidence of misconduct on the part of the management of a company which owned an office building and it assisted the trustee in conducting an investigation. It was found that the manager and controlling officer of the debtor apparently had charged excessive management fees, used office space to which he was not entitled, and debited the company for expenses which he should have borne himself. After long negotiation a settlement was consummated favorably for security holders and approved by the court. In the same case, prior to the Commission's intervention, a plan had been proposed, at the instance of the company and its management, under which bondholders would have received common stock and cash equal to 30 percent of the face value of the old bonds, the cash to be derived from the proceeds of a new mortgage. With the thought that the common stock would not have a ready market and might not bring its true value if sold, and in view of the current rise in realty prices, the Commission urged, as preferable, the adoption of a plan under which the property would be sold at public auction at a

⁸ Scottish Rites Masons Association, Western District of Texas, San Antonio Division

fair upset price. The trustee submitted this type of plan and it was approved by the court, accepted by bondholders, and confirmed. At the sale, the property attracted bids much higher than the upset price.⁴ (See page 91 on the sale of properties as a method of reorganization under Chapter X.) As a result of this sale and the settlement with the manager, bondholders will receive close to 100 cents on the dollar in cash for their bonds.

The competence and efficiency of management is likewise an important subject for investigation by the trustee. In a case involving a large chain of restaurants which had suffered drastically from declining business prior to the war, the Commission endeavored to have the court order the trustee to retain experts to make a management survey. While the company's difficulties may have been due to causes other than incompetence or inefficiency of management, the Commission believed it essential to ascertain the responsibility of management for the plight of the company, first, because of its effect upon a judgment as to the earnings of the company for valuation purposes, and, second, because of the necessity for the court to pass upon the future management of the reorganized company. Upon the trustee's assertion that he would present testimony on this subject at the plan hearings, the court denied the Commission's request.⁵

The responsibility of the trustee for the administration of the estate is equally as important as his duty with respect to the reorganization plan. The Commission has taken every opportunity to emphasize this aspect of the proceeding. In a case involving a large investment company with its major holdings consisting of the common stocks of two subsidiary investment companies, the Commission, during the early part of this year, urged that the speculative character of the enterprise be reduced in the interests of creditors and senior security holders of the debtor company. After conferences with the Commission and other parties, the trustees presented a program for the retirement of a large portion of the senior capital of the subsidiaries, thereby reducing to a considerable extent the risks to the debtor's estate inherent in a high leverage position. The Commission supported this program before the court. The trustees obtained the approval of the court to the program despite the opposition of a preferred stockholders committee.⁶

Responsibilities of Fiduciaries

The Commission has consistently been alert to insist upon the absolute honesty of fiduciaries in their relationship to security holders and has urged that those in positions of trust who have deviated from the high standards imposed upon them should bear the full consequences of their actions.

Trading in securities of a debtor by trustees, directors or other insiders is a practice which has generally been condemned by the courts. During the fiscal year, in a matter in which the Commission actively participated, this rule was applied to the directors of a corporation in reorganization under Section 77B where they had purchased bonds of the corporation during their incumbency.⁷ The

⁴ *Fifth and Pierce Co., Northern District of Iowa, Western Division.*

⁵ *Childs Co., S. D. N. Y.*

⁶ *Central States Electric Corp., Eastern District of Virginia.*

⁷ *In re Philadelphia & Western Railway Co., 64 F. Supp. 738 (D. C. E. D. Pa., 1946).*

court held that the directors of the debtor corporation, which had been continued in possession of its property in the absence of the appointment of a trustee, should be limited in their claims on their bonds so purchased to the actual cost to them. Subsequently, a settlement was negotiated and approved by the court.⁸

In the proceedings to reorganize Jeffrey Terrace Building Corp. the Commission vigorously supported a petition for limitation to cost of bonds acquired by an individual in a transaction in which that individual cooperated in what appeared to the Commission to be a breach of fiduciary obligations by an indenture trustee who was also manager of the properties. Instead of attempting to secure the maximum price for the debtor's property, in which bondholders had the sole interest, the indenture trustee for the bondholders entered into an agreement with the aforementioned individual. Under that agreement the trustee was to receive a commission, the amount of which would increase in proportion as the price paid for the property by the aforementioned individual went down. Thereafter the fiduciary, acting as agent for the purchaser, induced bondholders to sell their bonds at 50 cents on the dollar, making no disclosure of the sale of a large block of bonds to the purchaser at 65 cents on the dollar and not advising bondholders of his own interest in the transactions. The court entered an order limiting the purchaser to the cost of his bonds. Subsequently a settlement was negotiated and was approved by the court.

The remedy of limitation to cost is generally invoked in order to prevent a fiduciary from profiting by his trust. On the other hand, where the fiduciary's derelictions have caused harm to the security holders or the estate the remedy of subordination may be pursued to prevent the fiduciary from sharing in the assets of the estate on a parity with these security holders. In the previous fiscal year the Commission filed an advisory report on plans of reorganization in proceedings involving Warner Sugar Corp. in which the Commission recommended that the doctrine of subordination be applied. In that report a detailed account was given of the manner in which various banks used their domination and control of the company to advance their own adverse interests to the detriment of public bondholders. It was pointed out that the banks, although occupying a fiduciary position, did not scrupulously observe the bondholders' rights but violated indenture provisions designed for their protection, obtained preferential treatment with respect to various assets and engaged in other practices to place bondholders at a disadvantage, even to the extent of preventing bondholders from ascertaining the facts and pursuing their appropriate legal remedies.⁹ After the filing of the Commission's report the trustee submitted a memorandum in which he recommended that the banks be subordinated in their claims against the debtor.¹⁰ After hearings, a plan was filed by the trustee on December 1, 1945, under which public bondholders were to receive the full principal amount of their bonds with interest at 6 percent from the date of default in 1931 to the date of payment. The plan embodied

⁸ A similar result was reached in the *Fifth and Pierce Company* case (*supra*), as a result of the insistence of the Commission, as a condition of settlement.

⁹ The report recommended that the manager of the debtor's sugar mill and plantation should be limited to the consideration he paid for bonds acquired by him while he was acting in a fiduciary capacity.

¹⁰ He recommended also that the manager's claims on bonds be limited to the cost thereof.

an offer of purchase of West Indies Sugar Corp., a large bondholder and owner of an adjoining sugar mill and plantation. As part of the plan the banks and the manager were to be paid merely the principal of their bonds with no interest. Since the bonds bore a 7 percent interest rate the plan was in effect a compromise of the issues of subordination and limitation to cost. Under the circumstances of the case the Commission concluded that the compromise was fair to the public bondholders and recommended that the plan be approved. Thereafter the plan was approved by the court, accepted by security holders and it has recently been confirmed by the court.

Another proceeding involving the subordination doctrine in which the Commission actively participated is that of *Inland Gas Corp., American Fuel and Power Co., et al.* In that case, during the previous fiscal year, the Commission had participated in an appeal to the Circuit Court of Appeals for the Sixth Circuit from a decision by the district court rejecting various claims of Columbia Gas and Electric Corp. against the debtor based on bonds, debentures and stock. In brief, the district court found that Columbia Gas and Electric Corp. had formulated and carried out a program to prevent Inland Gas Corp. and its parent company, American Fuel and Power Co., together with other subsidiaries, from expanding its business, primarily through the building of a pipe line from its field in Kentucky to Detroit. The Commission urged that the district court decision rejecting the Columbia Gas claims be affirmed for the reason that, irrespective of other grounds for rejection such as violation of antitrust laws, the facts showed inequitable conduct by Columbia Gas and Electric Corp. toward the debtor corporations which warranted the rejection or subordination of its claims. The Commission argued that Columbia Gas and Electric Corp. secured control of the American Fuel and Inland Gas system to destroy a threat to its competitive position and that Columbia accomplished its purpose. It was pointed out that subordination or disallowance was particularly appropriate because of the difficulties of recasting the history of the enterprise so as to determine the extent of the loss suffered by the public security holders. On October 9, 1945 the Circuit Court affirmed the District Court judgment, modifying the decree, however, so as to provide for subordination of the claims and stock interests of Columbia Gas and Electric Corp. rather than rejection thereof.¹¹ The court rested its opinion not merely upon the existence of inequitable or illegal conduct of Columbia Gas and Electric Corp., but upon the injury caused the debtors and their security holders by reason of such conduct. Application for a writ of *certiorari* was filed by Columbia Gas and Electric Corp. on May 29, 1946. The Commission has filed a brief in opposition to the application.¹²

Activities with Respect to Allowances

The Commission has taken an active part in the matter of allowances to those claiming to have rendered services and incurred expenses in the proceeding. In making allowances the courts seek to protect the estate from exorbitant charges, while at the same time providing equitable treatment to the applicants. The Commission

¹¹ *Columbia Gas and Electric Corp. v. United States of America*, 151 F. (2d) 461, 153 F. (2d) 101 (C. C. A. 6, 1945, 1946).

¹² *Certiorari* was denied by the Supreme Court on October 14, 1946.

has been able to provide considerable assistance to the courts in this matter.

The Commission itself receives no allowances from estates in reorganization and is able to present a wholly disinterested and impartial view. The Commission has consistently tried to secure a limitation of the total compensation to an amount which the estate can feasibly pay. In each case the Commission also makes a careful study of the applications of the various parties to the end that unnecessary duplication of services shall not be recompensed and that compensation shall be allocated on the basis of the work done by each claimant and of his relative contribution to the administration of the estate and the formulation of a plan. With these objectives in mind the Commission may undertake to make specific recommendations to the courts in cases in which the Commission has been a party throughout the proceeding and is thoroughly familiar with the activities of the various parties and all significant developments in the proceedings. In cases in which it has entered the proceeding at an advanced stage the Commission may limit its advice to the court without specifying particular amounts deemed reasonable by it.

Where the activities of an applicant for compensation have constituted inequitable conduct or where an applicant has traded in securities, directly or indirectly, in violation of the provisions of Section 249, the Commission has urged that fees be denied. In several cases, the Commission took the position that purchases or sales of securities by the near relatives of a fiduciary come within the application of the provisions of Section 249 of the Bankruptcy Act and the rule of law which that Section codifies. In one case the Commission's contention was upheld;¹³ in two cases it was not.¹⁴ In another case the Commission opposed an applicant's contention that Section 249 does not apply to attorneys who represent individual creditors. The Commission pointed out that Section 249 applied in terms to attorneys and that its purpose was to prevent a pernicious reorganization abuse—the buying and selling of securities by persons within stated groups on the basis of inside information about matters such as plans, prospects of reorganization, and the value of securities; information which they were in a strategic position to acquire and use for their own gain. It was pointed out that the case of *Young v. Higbee Co.*¹⁵ (in which the Commission had participated) had suggested that even individual security holders themselves assumed certain representative obligations when their activities were for the benefit of the entire estate.¹⁶ In another case the Commission urged that compensation be denied to an indenture trustee and a bondholders' committee where the indenture trustee was acting for and at the instance of the committee. The district court agreed that a conflict of interest existed between the indenture trustee and the committee and denied compensation to the committee for services rendered up to the time of the removal of the indenture trustee. It denied any compensation to the indenture trustee.¹⁷

¹³ *In re Midland United Co.*, 64 F. Supp. 399 (D. C. Del., 1946), appeal pending.

¹⁴ *In re Penn Timber Co.*, D. C. Oreg., Docket No. B-23063; *In re Philadelphia and Reading Coal and Iron Co.*, 61 F. Supp. 120 (D. C. E. D. Pa., 1945), appeal disallowed by C. C. A. May 31, 1945.

¹⁵ 324 U. S. 204 (1945).

¹⁶ *Abrams v. 188 Randolph Building Corp.*, 151 F. (2d) 357 (C. C. A. 6, 1945), cert. den.

¹⁷ *Ritz-Carlton Restaurant and Hotel Co. of Atlantic City*, 60 F. Supp. 861 (D. C. N. J., 1945).

On the other hand the Commission has taken the position that the fee provisions of Chapter X contemplate a broadening of the base for granting allowances as a means of encouraging participation in a reorganization proceeding by individual creditors and security holders whose personal financial stakes are seldom sufficiently great to pay their own counsel fees. With this principle in view the Commission is participating in support of an applicant who was denied compensation by the district court on the ground that his services were performed for the benefit of particular claimants rather than the estate as a whole. In an appeal from this denial the Commission urged that compensation be granted because applicant's services aided the proceeding by bringing before the court considerations applicable to a whole class of security holders who, in effect, were represented by the applicant.¹⁸

INSTITUTION OF CHAPTER X PROCEEDINGS AND JURISDICTION OF THE COURT

The Commission has striven for a liberal interpretation of the provisions of the Bankruptcy Act so that the benefits of Chapter X may be made fully available to security holders in accordance with the spirit and intent of the statute. In accordance with the principle enunciated in the Supreme Court decision in *Securities and Exchange Commission v. United States Realty and Improvement Co.*,¹⁹ the Commission has intervened during the fiscal year in a Chapter XI proceeding where the company seeking an arrangement appears to have a substantial class of public security holders. The Commission's views, upheld by the Supreme Court, is that Chapter XI (relating to creditor arrangements) is not properly available to a debtor where a large public investor interest is involved since the provisions of Chapter XI do not contain the safeguards necessary to protect large classes of public security holders in the consummation of a fair, equitable, and feasible plan of reorganization, and that such a reorganization should take place under Chapter X.²⁰

The Commission has also participated in several cases involving the question of good faith in the filing of a petition. The Commission's view in these cases was that the pendency of a prior State court proceeding was not a bar to a Chapter X proceeding since the prior proceedings in those cases did not contain safeguards for investors comparable with those in Chapter X. The contentions of the Commission were not upheld by the courts, generally on the ground that it had not been shown that the interests of security holders would not be best subserved in the prior State court proceedings.²¹

The disregard of corporate entities in order to achieve a workable plan was upheld in the proceeding involving *Pittsburgh Railways Co.* The Commission actively supported a petition of the city of Pittsburgh to have the court assert jurisdiction for purposes of bankruptcy reorganization over various subsidiary companies and associated companies of the debtor, which were not nominally before the court, in or-

¹⁸ *In re Mt. Forest Fur Farms of America, Inc.*, before the Circuit Court of Appeals for the 6th Circuit.

¹⁹ 310 U. S. 434 (1940).

²⁰ *Carlton Crescent, Inc.*, S. D. N. Y.

²¹ *Sheridan View Building Corp.*, 154 F. (2d) 532 (C. C. A. 7, 1945), certiorari denied October 8, 1945; *St. Charles Hotel Co.*, unreported opinion (C. C. A. 8, 1945), certiorari denied October 8, 1945.

der to effectuate a reorganization of the entire Pittsburgh street railway system. The Commission, pointing out the urgency of a system-wide reorganization, argued that the separate corporate entities of the so-called underlier companies should be disregarded under the facts of this case where the enterprise had always been conducted as a unit, operations unified, and affairs intermingled. The Circuit Court of Appeals for the Third Circuit upheld the position of the Commission and reversed the judgment of the district court which had denied the city's petition.²²

PLANS OF REORGANIZATION UNDER CHAPTER X

The ultimate objective of a reorganization is the formulation and consummation of a fair and feasible plan of reorganization. Accordingly, the most important function of the Commission under Chapter X is to aid the courts in achieving this objective.

Fairness

In appraising the fairness of reorganization plans under Chapter X the Commission has at all times taken the position that full recognition must be accorded claims in order of their legal and contractual priority, either in cash or new securities or both, and that junior claimants may participate only to the extent that the debtor's properties have value after the satisfaction of prior claims or to the extent that they make a fresh contribution necessary to the reorganization of the debtor. Hence, a valuation of the debtor is necessary to provide the basis for judging the fairness as well as the feasibility of proposed plans of reorganization. In its advisory reports, in hearings before the courts, and in conferences with parties to proceedings, the Commission has consistently stated that the proper method of valuation for reorganization purposes is primarily an appropriate capitalization of reasonably prospective earnings.

These principles as to the recognition of priorities and as to valuation are now firmly established as a result of the Supreme Court decisions in *Case v. Los Angeles Lumber Products Co. Ltd.*²³ and *Consolidated Rock Products Co. v. DuBois*²⁴ in which the court sustained the positions urged in briefs filed on behalf of the Commission as *amicus curiae*. During the past fiscal year these principles were reiterated in an appeal before the Circuit Court of Appeals for the Second Circuit in which the Commission actively participated. In this proceeding, *United States Realty and Improvement Co. and Trinity Buildings Corp. of New York*, the district court had excluded the preferred stockholders of Trinity Buildings Corporation from participation in a plan because the value of the debtor's assets on an earnings basis was found to be less than the amount of creditors' claims. The Commission urged that the district court's finding of value was substantially supported by the evidence and that it should be affirmed. The circuit court sustained the position of the Commission and affirmed the orders approving and confirming the plan of reorganization.²⁵

²² *In re Pittsburgh Railways Co.*, —— F. (2d) —— (C. C. A. 3, 1946), cert. den. Oct. 14, 1946,

²³ 308 U. S. 106 (1939).

²⁴ 312 U. S. 510 (1941).

²⁵ *Trinity Buildings Corp. Preferred Stockholders' Committee v. O'Connell*, 155 F. (2d) 327 (C. C. A. 2, 1946).

In connection with the fairness of plans, the Commission, as has been noted above, has been concerned among other matters with situations where mismanagement or other misconduct on the part of a parent company or controlling person requires that its claims be subordinated to the claims of the public investors or where a fiduciary's activities require that he be limited to the cost of his claims. Such matters must be given full consideration since they form an integral part of the concept of the "fair and equitable" plan.

The relative prosperity during recent years of many companies undergoing reorganization has enabled a number of debtors to make payments to creditors in cash either in part or in full. As a result, novel questions have been raised involving creditors' rights. The Commission, on behalf of the public investors, has participated in many of these controversies.

The Commission has urged that partial distribution of cash be made to creditors wherever possible, even though in advance of a formal plan of reorganization. The power of the court to make such distribution has been upheld whenever the question has arisen.

With respect to payment in full to creditors the Commission has in general taken the view that all the rights of creditors to interest to the date of payment should be observed. In one case the Commission supported the position of debenture holders that they were entitled to have their claim of principal and accrued interest to the date of commencement of the Chapter X proceeding treated as an aggregate claim and to receive interest on such aggregate claim from the commencement of the proceeding up to the date of payment. The Commission urged that the aggregate claim of principal and interest accrued at the inception of the proceeding was in the nature of a judgment against the estate which carried interest on the full amount of the judgment to the date of payment. The reason for the rule is the fact that the Bankruptcy Act necessarily restrains creditors from pursuing their usual remedies by way of judgment and execution in order to avoid preferential treatment and forced liquidation and to assure equality of participation in the assets.

The purpose of the stay of suits against the debtor is only to prevent the exercise by creditors of their procedural remedies and the stay should not be utilized to affect the substantive rights which would attach upon the acquisition of a judgment. By treating creditors' claims as judgments in computing the amount of the claims, those substantive rights are preserved and the debtor and its stockholders do not gain an advantage over their creditors. The district court sustained the Commission's position in this case.²⁸

Feasibility

Although the representatives of security holders frequently regard the fairness of the plan as their principal concern, the provisions of the statute and the protection of investors' interests require also that the plan be feasible. To be feasible, a reorganization must be economically sound and workable. It must not hamper future operations or lead to another reorganization. The extent to which current reorganizations are attributable to lack of feasibility in previous reor-

²⁸ *In re Realty Associates Securities Corp.*, 66 F. Supp. 416 (D. C. S. D. N. Y., 1946), appeal pending.

ganizations is indicated by the fact that numerous Chapter X proceedings involved companies which had already undergone reorganization in equity receivership proceedings or under Section 77B of the Bankruptcy Act. In order to avoid a similar record as to Chapter X cases some years hence, with its attendant expense and injury to investors, the Commission gives a great deal of attention to the factors affecting feasibility. In this connection, the Commission is particularly concerned with the adequacy of working capital, the relationship of funded debt and capital structure to property values, the adequacy of corporate earning power in relation to interest and dividend requirements, and the effect of the new capitalization upon the company's prospective credit.

In recent years the Commission has encountered difficulties because the parties are disposed to base values and capital structures upon inflated war earnings, either because they overlook the extent to which earnings are inflated or hope such earnings will continue long enough to permit debt to be scaled down to manageable proportions. Another obstacle to the formulation of feasible plans in the current period of high tax rates is the reluctance of investors to scale down debt and thereby lose the deduction for interest payments.

Sale Plans

The increase in value of properties of corporations in reorganization has been particularly evident in the real estate field. In a number of these cases the Commission has felt that a sale of the property would be more beneficial for creditors than a plan involving exchange of securities. The legal basis for plans involving sales is derived from Section 216 (10) of Chapter X and has been affirmed in several cases. In the leading case of *In re Lorraine Castle Apartments Building Corp., Inc.*, the Commission was an active participant in supporting the power of the Chapter X court to approve a plan providing for a sale of all of the debtor's property.²⁷

Consummation of Plan

The Commission also gives its attention to the drafting and preparation of corporate charters, by-laws, trust indentures, and other instruments which are to govern the internal structure of the reorganized debtor. The Commission strives to obtain the inclusion of various provisions in these instruments which will assure to the investors a maximum of protection, adequate information with regard to the enterprise, and a fair voice in the management. The Commission has generally opposed the control device of a voting trust except when its use has been justified by the special circumstances of the case and, when adopted, the Commission has sought to have the voting-trust agreement contain appropriate provisions in the interests of the investors.

ADVISORY REPORTS

Although the preparation of an advisory report is not the major part of the activity of the Commission in any particular case, such reports, because of their wide distribution, form one of the primary

²⁷ *In re Lorraine Castle Apartments Building Corp., Inc.*, 149 F. (2d) 55 (C. C. A. 7, 1945), cert. den. October 8, 1945.

means of contact between the Commission and the public in Chapter X matters. Generally speaking, an advisory report is prepared only in connection with a proceeding involving significant problems and a relatively large company in which the investing public has a substantial interest.

Even though the Commission does not file a formal advisory report, it does, in all cases in which it is a participant, advise the court of its opinion with respect to any plan of reorganization under consideration by the court.

After the trustee has filed a plan, the customary procedure calls for a hearing at which this plan and any other plans that may have been proposed are considered. At this stage of the proceeding, the attorneys representing the Commission are concerned primarily with getting into the record sufficient data (1) to enable the judge to decide whether any proposed plan is worthy of consideration and (2) to supply the factual basis for the report of the Commission. If the judge finds one or more of the plans worthy of consideration, it or they may be referred to the Commission for report.

An advisory report provides the court with an expert independent appraisal of the plan indicating in detail the extent to which, in the opinion of the Commission, it meets, or fails to meet, the standards of fairness and feasibility. After the report is filed and copies are made available to the parties who have appeared at the proceedings, the judge considers the approval, modification, or disapproval of the plan. If the judge approves the plan, it goes to the security holders for acceptance or rejection accompanied by a copy of the judge's opinion and a copy of the report of the Commission, or a summary thereof prepared by the Commission. The report of the Commission, therefore, while not binding, aids both the judge and the security holders in determining whether or not to approve a plan.

During the fiscal year the Commission prepared a formal advisory report and a supplemental advisory report with respect to plans of reorganization in proceedings involving *Chicago Railways Co.*, *Chicago City Railway Co.*, *Calumet and South Chicago Railway Co.*, and *Chicago Rapid Transit Co.* In its advisory report the Commission concluded that the plan proposed by the city of Chicago, pursuant to which the city was to bid for the Chicago surface lines' traction properties a minimum price of \$75,000,000, was not fair, but could be made fair if the city waived its claim to a \$5,250,000 "City Compensation Fund," if it permitted the constituent companies to retain net earnings up to the date of actual transfer of the properties, and if the proceeds of the sale were reallocated among security holders along lines suggested by the Commission in order to satisfy the absolute priorities doctrine. The Commission also concluded that the upset price of \$12,162,500 for the properties of Chicago Rapid Transit Co. was fair. Thereafter the plan was amended by the Chicago Transit Authority, as assignee of the city of Chicago, so as to adopt substantially the recommendations of the Commission's advisory report. In a supplemental report the Commission concluded that the amended plan was fair. The plan has been approved by the court, accepted by security holders and confirmed. Appeals have been taken by certain junior security holders from the order of approval and confirmation and they are presently pending.

The Commission also prepared a formal advisory report with respect to a plan of reorganization in the proceeding involving *The Rocky Mountain Fuel Co.* The Commission took the view that the plan was feasible and would be fair if it were amended to disclose to bondholders the extent of the powers of the new board of directors. The plan was amended in accordance with the Commission's suggestion and approved by the court.

The plan of reorganization in the latter case provided that certain bondholders, who had not assented to a prior voluntary plan for reduction in interest rate and extension of maturity of the bonds, should be paid an amount in cash equal to the reduced interest payments which had been made to assenting bondholders for a number of years before the Chapter X proceeding. This provision was intended to accord equal treatment to the holders of both assented and nonassented bonds because it was felt that such treatment was proper and equitable. In its advisory report the Commission approved the proposed treatment, pointing out that under the terms of the indenture, under the applicable State law, and under general equitable principles the assenting bondholders should not be subordinated to non-assenting bondholders but that, on the contrary, the plan was fair and equitable in providing for parity of treatment of all bondholders. Certain nonassenting bondholders appealed from the orders approving and confirming the plan, contending that they were entitled to a priority over assenting bondholders as to principal and interest. The Commission supported the plan before the circuit court, which affirmed the orders approving and affirming the plan of reorganization.²⁸

²⁸ *Scherk v. Newton (In re Rocky Mountain Fuel Co.)*, 152 F. (2d) 747 (C. C. A. 10, 1945).



PART V

ADMINISTRATION OF THE TRUST INDENTURE ACT OF 1939

The Trust Indenture Act of 1939 outlaws the exculpatory clauses used in the past in trust indentures underlying corporate debt securities. Many of these clauses eliminated liability of the trustee for misconduct to such an extent that the word "trustee" was meaningless as applied to indenture trustees. The Act is designed to insure that the trustee will act in the interest of the bond or debenture owners and to insure his complete independence of the issuer and the underwriters. To secure its objectives, the Act requires that bonds, notes, debentures, and similar debt securities publicly offered for sale, sold, or delivered after sale through the mails or in interstate commerce, except as specifically exempted by the Act, be issued under an indenture which meets the requirements of the Act and has been duly qualified with the Commission. The provisions of the Securities Act of 1933 and the Trust Indenture Act of 1939 are so integrated that registration pursuant to the Securities Act of 1933 of securities to be issued under a trust indenture is not permitted to become effective unless the indenture conforms to the requirements expressed in the Trust Indenture Act of 1939, and such an indenture is automatically "qualified" when registration becomes effective as to the securities themselves. An application for qualification of an indenture covering securities not required to be registered under the Securities Act of 1933, which is filed with the Commission under the Trust Indenture Act of 1939, is processed substantially as though such application were a registration statement filed pursuant to the Securities Act of 1933.

Statistics of Indentures Qualified

The number of indentures filed with the Commission during the year for qualification under the Trust Indenture Act of 1939, together with the disposition thereof and the amounts of indenture securities involved, are shown in Tables I and II below and the totals in Table III.

TABLE I.—*Indentures filed in connection with registration statements under the Securities Act of 1933*

	Number	Amount of offering
Indentures pending at June 30, 1945	19	\$467,718,500
Indentures filed during the year	122	2,754,000,800
Total to be accounted for	<u>141</u>	<u>3,221,719,300</u>
Indentures qualified	123	2,900,189,000
Principal amount reduced by amendment		5,325,000
Indentures deleted by amendment or withdrawn	5	42,000,000
Indentures pending at June 30, 1946	13	274,205,300
Total accounted for	<u>141</u>	<u>3,221,719,300</u>

TABLE II.—*Applications filed for qualifications of indentures covering securities not required to be registered under the Securities Act of 1933*

	Number	Amount of offering
Indentures pending at June 30, 1945	3	\$4,330,500
Indentures filed during the year	10	83,938,158
Total to be accounted for	<u>13</u>	<u>88,268,658</u>
Indentures qualified	13	88,268,658
Indentures pending at June 30, 1946	0	-----
Total accounted for	<u>13</u>	<u>88,268,658</u>

TABLE III.—*Total number of indentures filed under the Trust Indenture Act of 1939*

	Number	Amount of offering
Indentures pending at June 30, 1945	22	\$472,049,000
Indentures filed during the year	132	2,837,938,958
Total to be accounted for	<u>154</u>	<u>3,309,987,958</u>
Indentures qualified	136	2,988,457,658
Principal amount reduced by amendment	5	5,325,000
Indentures deleted by amendment or withdrawn	5	42,000,000
Indentures pending at June 30, 1946	13	274,205,300
Total accounted for	<u>154</u>	<u>3,309,987,958</u>

During the year the following additional material relating to trust indentures was filed and examined for compliance with the appropriate standards and requirements:

5 indentures as to which the Commission, under its authority granted by the Public Utility Holding Company Act of 1935, applies the standards of the Trust Indenture Act of 1939 as a measure of the provisions of an indenture although such indentures may be exempted from the Trust Indenture Act;

151 trustee statements of eligibility and qualification under the Trust Indenture Act of 1939;

51 amendments to trustee statements of eligibility and qualification.

118 Supplements S-T, covering special items of information concerning indenture securities registered under the Securities Act of 1933;

51 amendments to Supplements S-T;

41 application for findings by the Commission relating to exemptions from special provisions of the Act;

300 annual reports of indenture trustees pursuant to Section 313.

For a discussion of certain problems under the Trust Indenture Act dealt with by the courts during the fiscal year see the comment *infra*, at p. 105 on *Continental Bank and Trust Co. v. First National Petroleum Trust*.

PART VI

ADMINISTRATION OF THE INVESTMENT COMPANY ACT OF 1940

The Investment Company Act of 1940 requires the registration and provides for the regulation of investment companies, which are, generally, companies engaged primarily in the business of investing, reinvesting, owning, holding, or trading in securities. The Act requires, among other things, disclosure of the finances and of the investment policies of these companies, to afford investors full and complete information with respect to their activities; prohibits such companies from changing the nature of their business or their investment policies without the approval of the stockholders; bars persons guilty of security frauds from serving as officers and directors of such companies; prevents underwriters, investment bankers, and brokers from constituting more than a minority of the directors of such companies; requires management contracts in the first instance to be submitted to security holders for their approval; prohibits transactions between such companies and their officers and directors and other insiders except on the approval of the Commission; forbids the issuance of senior securities of such companies except in specified instances; and prohibits pyramiding of such companies and cross ownership of their securities. The Commission is authorized to prepare advisory reports upon plans of reorganizations of registered investment companies upon request of such companies or 25 percent of their stockholders and to institute proceedings to enjoin such plans if they are grossly unfair. The Act also requires face-amount certificate companies to maintain reserves adequate to meet maturity payments upon their certificates.

Summary of Activities

During the past year the Commission in its administration of the Act concerned itself primarily with the disposition of the applications filed pursuant to various provisions of the Act. There were 70 such applications pending at the beginning of the year and 90 additional ones filed during the year; 100 were disposed of in the course of the year, and 60 were pending at its close. These applications are classified below, together with an indication of the disposition made of them. It should be noted that the detailed figures in this summary are not totaled for the reason that some applications involved more than one section of the Act.

Nature and disposition of various applications filed under the Investment Company Act of 1940—fiscal year 1946

Section of the Act under which application was filed	Number pending at June 30, 1945	Filed during year	Disposed of during year	Number pending at June 30, 1946
2 (a) (9) . . . Determination of question of control	4	2	5 withdrawn	1
3 (b) (2) . . . Determination that applicant is not an investment company	4	5	1 granted	7
6 (b) Employees' security company exemptions		2	1 withdrawn	2
6 (c) Various exemptions not specifically provided for by other sections of the act	11	25	16 granted 1 denied 3 withdrawn	16
6 (d) Exemption for small closed-end investment companies offering securities in intrastate commerce	1			1
8 (f) Determination that a registered investment company has ceased to be an investment company	10	19	17 granted 3 withdrawn	8
9 (b) Exemption of ineligible persons to serve as officers, directors, etc	37		11 granted 13 dismissed	13
10 (f) Exemption of certain underwriting transactions		3	2 granted	1
11 (a) Approval of terms of proposed security exchange offers	2		1 dismissed	1
17 (b) Exemption for proposed transactions between investment company and affiliates	5	28	15 granted 1 dismissed 1 withdrawn	16
17 (d) Approval of certain bonus, profit-sharing, and pension plans			14 11 granted 1 withdrawn	2
23 (c) (3) Terms under which closed-end investment company may purchase its outstanding securities	1	10	1 granted	1

New Rules Adopted Under Investment Company Act of 1940

Adoption of Rule N-17D-1: On February 6, 1946, the Commission adopted a new rule under the Investment Company Act of 1940 regarding bonus, profit-sharing and pension plans provided by registered investment companies and their controlled companies for directors, officers and other affiliated persons. The rule provides that prior to the submission of any such plan to security holders for approval, or if not so submitted prior to the adoption thereof, an application regarding the plan shall be filed with the Commission and the Commission be given 10 days to scrutinize the plan and determine whether or not a hearing should be held thereon. The purpose of the rule is to protect registered investment companies and their controlled companies and the security holders of such companies against contributions to such plans on an unfair and inequitable basis. The rule provides that the Commission will, in passing upon such applications, be guided by the standards contained in the various pertinent Sections of the Act.

The type of situation which Rule N-17D-1 was designed to meet is illustrated by the following case: The management of a group of closely affiliated investment companies proposed that each investment company in the group adopt an "employees' incentive profit-sharing plan and trust." The proposed profit-sharing plan provided that each investment company should contribute the lesser of (a) 15 percent of the available profits of the investment company or (b) an amount which represented three times the contributions made by officers or employees. This latter amount was to be cumulative, provided that in any 1 year the investment company should not contribute more than 15 percent of its available profits. The employee contri-

bution was fixed at an amount each employee might elect which would constitute not less than 2 percent nor more than 5 percent of the salary received by such employee during the year in which the contribution was made. The proposed profit-sharing plan made no provision for the payment of dividend arrearages prior to contributions to the profit-sharing plan, although at least one of the investment companies involved had dividend arrearages outstanding on its preferred stock. The plan also permitted officers and employees to include unrealized gains on securities as "profits" for the purpose of calculating the company's contribution to the plan. After consideration of the provisions of Rule N-17D-1, the management determined not to submit the proposed profit-sharing plan to the Commission under the Rule, and the plan accordingly was abandoned.

Adoption of Rule N-28B-1: On June 7, 1946, the Commission adopted an additional rule under the Investment Company Act of 1940 which authorizes real estate loans partially or wholly guaranteed under the Servicemen's Readjustment Act (the so-called GI bill) as qualified investments for face-amount certificate companies. Such companies are authorized to invest only in investments of a kind which life insurance companies are permitted to invest in under the provisions of the Code of the District of Columbia, and such other investments as the Commission may authorize as qualified investments. Insurance companies are not authorized by the Code of the District of Columbia to invest in loans guaranteed under the GI bill but are so authorized by the GI bill itself. The effect of the new rule is to extend a similar authorization to face-amount certificate companies.

Statistics Relating to Registered Investment Companies

At the beginning of the year, 366 companies were registered as investment companies under the Act. During the year 13 additional companies became registered, while the registration of 18 companies was terminated and there remained 361 companies registered at the close of the year. The assets of these 361 companies aggregated approximately \$3,750,000,000. The comparative number of documents filed under the Act during 1945 and 1946 fiscal years and certain other relevant statistics are shown below:

Registered investment companies

		<i>Fiscal year</i>	<i>1946</i>	<i>1945</i>
Number of registered investment companies:				
Beginning of year	~		366	371
Registered during year	~		13	14
Terminations of registrations during year	~		18	19
Number of companies registered at end of year	~		361	366
Notifications of registration	~		13	14
Registration statements	~		12	8
Amendments to registration statements	~		31	26
Annual reports	~		213	235
Amendments to annual reports	~		26	41
Quarterly reports	~		780	768
Periodic reports containing financial statements to stockholders	~		710	671
Reports of repurchases of securities by closed-end management companies	~		110	134
Copies of sales literature	~		1,752	1,489
Applications for exemption from various provisions of the Act	~		71	41

Registered investment companies—Continued

*Fiscal year
1944 1945*

Applications for determination that applicant has ceased to be an investment company	19	18
Amendments to applications	45	35
Total applications:		
Pending at beginning of year	70	70
Filed during year	90	59
Disposed of during year	100	59
Pending at end of year	60	70

Civil Actions Instituted under the Investment Company Act of 1940

In *S. E. C. v. Diversified Fund Corp., Humberto Moreno, et al.*¹ the Commission obtained a judgment enjoining Moreno from acting as trustee of Diversified Fund Shares, a trust fund registered as an investment company and sponsored by Diversified Fund Corp. Diversified Fund Corp. was also enjoined from serving or acting as investment adviser, principal underwriter or depositor of Diversified Fund Shares. A receiver was appointed for the assets of both the trust fund and the sponsor corporation to hold the property and assets of the corporation subject to the order of the court for liquidation and distribution.

¹ U. S. D. C., N. M., April 29, 1946. The complaint charged defendants Moreno and Diversified Fund Corp. with gross abuse of trust in that they failed to comply with applicable provisions of the Investment Company Act of 1940 in suspending the right of redemption and in restricting the transferability of securities issued by the corporation, in failing to have its securities verified by independent public accountants, and in failing to maintain and preserve records regarding transactions with the trustee of Diversified Fund Shares.

PART VII

ADMINISTRATION OF THE INVESTMENT ADVISERS ACT OF 1940

The Investment Advisers Act of 1940 requires the registration of investment advisers: persons engaged for compensation in the business of advising others with respect to securities. The Commission is empowered to deny registration to or revoke registration of such advisers if they have been convicted or enjoined because of misconduct in respect of security transactions or have made false statements in their applications for registration. The Act also makes it unlawful for investment advisers to engage in practices which constitute fraud or deceit; requires investment advisers to disclose the nature of their interest in transactions executed for their clients; prohibits profit-sharing arrangements; and, in effect, prevents assignment of investment advisory contracts without the client's consent.

Investment advisers' registration statistics, year ended June 30, 1946

Effective registration at close of preceding fiscal year	780
Applications pending at close of preceding fiscal year	9
Applications filed during fiscal year	139
	928
Registrations canceled or withdrawn during year	61
Registration denied or revoked during year	1
Applications withdrawn during year	1
Registrations effective at end of year	853
Applications pending at end of year	12
	928

In a proceeding brought by the Commission against *Investment Registry of America, Inc.* for the revocation of its registrations as a broker-dealer and investment adviser, the Commission branded as "outright and crude" some of the frauds committed by this firm as a broker-dealer in transactions with its customers, and revoked its registration as a broker-dealer upon a finding that the firm's practices violated the anti-fraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. The practices involved taking secret profits and using customers' free securities. The connection between such frauds on customers and the devious methods deliberately employed by its officers and directors to extricate the firm from and conceal its financial difficulties was underscored by the Commission.

The firm was also in the business of investment adviser and many of its customers had agreed to pay the firm a fee for its "selection" of securities for their portfolios. This fee was 5 percent of the purchase price, or less if so reduced by agreement. The firm, however, by taking secret and unauthorized profits, made charges to these customers as high as 9 percent, concealing these excessive charges by putting

on its confirmation slips the phrase, "Includes I. R. A. charges," a device held by the Commission to be plainly misleading and obscure. The firm's application for registration as an investment adviser stated, in part, that the firm gave unbiased investment advice to clients and that its contracts provided for a maximum fee of 5 percent for the selection of securities, representations patently false. The Commission found that the firm had, by failing to amend its application, willfully violated Section 207 of the Investment Advisers Act and revoked its registration as an investment adviser.

PART VIII

OTHER ACTIVITIES OF THE COMMISSION UNDER VARIOUS STATUTES

THE COMMISSION IN THE COURTS

Civil Proceedings

A complete list of all instances in which the Commission appeared before a Federal or State court, either as a party or as *amicus curiae*, during the fiscal year, and the status of such cases at the close of the year, is set forth in Appendix Tables 19 and 24 to 34.

Summarizing these tables it appears that at the beginning of the fiscal year 18 injunctive and related enforcement proceedings instituted by the Commission were pending before the courts, in connection with fraudulent and other illegal practices in the sale of securities, 26 additional proceedings were instituted during the year, and 22 cases were disposed of, so that there remained 22 of such proceedings pending at the end of the year. In addition, the Commission participated in a large number of reorganization cases,¹ in 24 proceedings in the district courts under Section 11 (e) of the Holding Company Act, and in 12 suits as *amicus curiae* to advise the court of its views regarding the construction of provisions of statutes administered by the Commission which were involved in private law suits. The Commission also participated in 50 appeals, exclusive of those involved in reorganization proceedings. Of these, 28 came before the courts on petition for review of administrative orders, 5 were appeals in actions brought by or against the Commission, 4 were appeals from orders entered pursuant to Section 11 (e) of the Public Utility Holding Company Act, and 13 were miscellaneous appeals.

The issues before the courts related chiefly to apparent or threatened violations of the Securities Act of 1933 and the Securities Exchange Act of 1934, to applications to carry out voluntary plans of compliance with the corporate integration and simplification provisions of the Public Utility Holding Company Act of 1935, to the fairness and feasibility of plans of reorganization, and to constructions of the Trust Indenture Act and Investment Company Act. Most of these cases have been discussed in detail in other portions of this report in connection with the particular statute under which the action originated. There will be discussed below certain of the significant decisions of general application and interest, which have not been treated elsewhere in the report, including the *amicus curiae* cases.

During the year the Supreme Court decided, in *S. E. C. v. Howey*,² that a contract for the sale of land devoted to the cultivation of citrus groves, when coupled with a contract to service the groves, was an "investment contract," and therefore constituted a security within the meaning of the Securities Act of 1933. The defendant, who sought

¹ See p. 81, *supra*.
² 36 Sup. Ct. 1100 (1946).

to secure public investment in this enterprise without complying with the registration provisions of that Act, was enjoined from doing so.

The case, though it dealt with only one type of situation, is nevertheless of vast importance in the Commission's administration of the Securities Act. It upholds the Commission's power to reach investment schemes involving securities which are masked under a variety of forms—such as purported sales of commodities and realty.

S. E. C. v. Penfield Co. of California,³ now pending before the Supreme Court on petition for *certiorari*, illustrates, irrespective of the issues presented by that petition, a difficulty which the Commission may encounter as a law enforcement agency owing to the time involved in the necessary steps for judicial enforcement and review of administrative subpoenas. While the *Penfield* litigation is still pending, the enforcement problem it presents merits full treatment herein. The extensive litigation there involved related to the Commission's efforts to examine certain documents in the course of an investigation into the sale of securities alleged to have been made by means of untrue statements of material facts and without registration. Under the Securities Act the Commission is authorized to issue subpoenas "for the purpose of all investigations which, in the opinion of the Commission, are necessary and proper for the enforcement of this title." It has similar broad powers of investigation and subpoena under other statutes administered by it. These statutes thus contemplate inquiries by the Commission into possible criminal violations similar to those which a grand jury would otherwise have to undertake. This parallel to the grand jury function has been recognized by the Supreme Court. Nevertheless, as illustrated in the *Penfield* case, there is always danger that litigation delays may prevent the completion of an administrative investigation in time to permit prosecution before the statute of limitations has become a bar. We do not, of course, wish to suggest that the Federal courts are unaware of the problem.⁴

The order and supplemental orders directing the investigation were issued May 14, 1942, February 8, 1943, and April 8, 1943. The first subpoena *duces tecum* issued by the Commission was ignored and the Commission was obliged to apply to the district court for an enforcement order. As a result of the disclosures revealed under this subpoena, the supplemental orders were entered expanding the Commission's investigation and a new subpoena *duces tecum* was served upon one of Penfield's officials, requiring the production of specified items contained in Penfield's books and records. Since Penfield also refused to comply with this subpoena, the Commission was again obliged to resort to a Federal district court for its enforcement. The district court issued its order directing compliance with the subpoena on June 1, 1943. An appeal followed to the Ninth Circuit Court of Appeals, which affirmed the action of the district court. Defendant then petitioned to the Supreme Court for and was denied *certiorari*. In spite

³ — F. 2d —, 15 U. S. Law Week 2050 (1946).

⁴ See *S. E. C. v. Vacuum Can Co.*, — F. (2d) — (C. C. A. 7, 1946), where the court summarily dismissed an appeal from a subpoena enforcement order characterizing it as "clearly without merit," and "taken for delay only." See also the various recent decisions of the Supreme Court dealing with the scope, as distinguished from the time factor, of judicial review of administrative subpoenas which have indicated that a relevant inquiry will not be curtailed by attempts to try out first in court the very issues of fact which it is the purpose of the administrative inquiry to determine. As Mr. Justice Frankfurter stated in *Cobblewick v. U. S.*, 309 U. S. 323, 325 (1940), "to be effective, judicial administration must not be leaden-footed."

of the judicially recognized lack of merit in the contentions advanced by defendant the subpoena was not obeyed, even after the mandate was spread upon the record of the district court. Consequently, on January 24, 1945, the Commission instituted civil contempt proceedings against the defendant. While this litigation was in progress, it was deemed necessary in view of the statute of limitations problem to submit the case to a grand jury prior to completion of the investigation and the Penfield Company and several of its officials were indicted.⁵

Due to the pendency of this indictment the court, in the contempt proceeding, expressed doubt as to whether the Commission was entitled to obtain the evidence requested until after the conclusion of the criminal trial because that evidence might be used by the Government. Accordingly, the court postponed determination of the issue. The matter finally was heard on July 2, 1945, on which date the defendant was adjudged to be in contempt. The court, however, refused to grant a remedial decree calculated to coerce production of Penfield's books and records. Instead it ordered defendant to "pay a fine of \$50, and stand committed until paid." Since such an order did not enable the Commission to obtain access to the documents, an appeal was taken. The circuit court reversed, ordering the entry of a coercive decree, and the petition for *certiorari* takes exception to that decision. Thus, more than 4 years after the original order of investigation the Commission still seeks access to the documents it needs for its investigation.

The scope of the injunctive power granted in Section 36 of the Investment Company Act was subjected to judicial review in *Aldred Investment Trust v. S. E. C.*⁶ In that case a securities broker and some associates purchased the equity in a registered investment trust for a nominal sum at a time when outstanding debentures were almost three times the market value of the securities in the portfolio and proceeded to manage the trust for their personal profit. They invested a large portion of the funds in a speculative enterprise, a race track, and installed themselves as officers of both the trust and the race track at excessive salaries. Upon application of the Commission the broker and his associates were enjoined from continuing in the management of the trust and a receiver was appointed.

In the first case to involve a construction of provisions of the Trust Indenture Act, *Continental Bank & Trust Co. of N. Y. v. First National Petroleum Trust*,⁷ the Commission filed a brief *amicus curiae* expressing its interpretation of the Sections involved. The action was brought by an indenture trustee against the issuer to recover certain items of alleged overdue interest and certain charges and expenses incident to the action alleged to be owed by the issuer. The issuer set up as an affirmative defense the fact that the holders of a majority in principal amount of the debentures had directed the plaintiffs not to bring suit before July 1, 1947, and that Section 316 of the Trust Indenture Act, which had served as the basis for one of the provisions of the indenture, permitted the vote of a majority of debenture holders to determine when suit for these items could be brought.

⁵ The indictment ultimately was dismissed as to several of the defendants; the remaining defendants were acquitted.

⁶ 151 F. (2d) 254 (C. A. 1, 1945), cert. denied, 326 U. S. 795 (1946).

⁷ — F. Supp. — (1946).

The Commission took the view that a proper construction of Sections 316, 317 and 318 of the Trust Indenture Act prohibited the impairment of the right of a debenture holder to receive payment of interest unless (1) 75 percent of the debenture holders consented to a postponement in the payment; and (2) a provision of the indenture stated that such a postponement might be so obtained. The court entered judgment for the plaintiff, sustaining the Commission's construction of the statute, and finding there was neither the requisite 75 percent consent to the postponement of payment nor a provision in the indenture authorizing the granting of such consent.

Two actions during the year involved a construction of Section 14 (a) of the Securities Exchange Act of 1934. In one, *S. E. C. v. Transamerica*,⁸ the Commission brought suit to restrain the defendants from using proxy materials obtained as a result of solicitations which did not include proposals which a minority stockholder, pursuant to the Securities Exchange Act and the Rules promulgated thereunder, desired to bring before the annual meeting. The minority stockholder sought amendments to the corporate bylaws and resolutions (1) to permit the stockholders to amend the bylaws at any annual meeting without the requirement that such proposed amendments be contained in the corporation's notice of meeting; (2) to cause annual meetings to be held in San Francisco, California, instead of Wilmington, Delaware;⁹ (3) to cause auditors to be elected by the stockholders and a representative of the auditors last chosen to attend the annual meeting; and (4) to require that an account of the proceedings at annual meetings be sent to all stockholders. The district court permitted the proxies to be used for the election of directors on condition that the meeting be adjourned to a subsequent date when such other matters as it might decide were proper subjects for action by the security holders would be considered. In the final judgment subsequently issued the court sustained the right of the minority stockholder to have the notice of the annual meeting include his proposal to amend the bylaws insofar as independent public auditors were concerned and enjoined the management from violating Section 14 (a) of the Securities Exchange Act and proxy Rules X-14A-7 and X-14A-2 thereunder in any respect. After the close of the fiscal year, cross appeals were taken from the judgment of the court to the Third Circuit Court of Appeals. In the other action which arose under Section 14 (a), *Wyatt v. Armstrong*,¹⁰ the New York Supreme Court sustained the Commission's contention that a proxy solicitation was defective which did not disclose that the directors elected had agreed prior to the solicitation to resign in favor of another slate of candidates.

Although, for the most part, the Acts administered by the Commission incorporate specific statutes of limitation, the rights which these Acts create sometimes give rise to equitable remedies for which no limitation is prescribed. It had been decided, in *Guaranty Trust Co. v. York*,¹¹ that when a State-created equitable action was instituted in a Federal court, due to the diversity of citizenship of the parties, the statute of limitations prescribed by the State was to be applied. In *Holmberg v. Armbrecht*,¹² the Commission

⁸ Civil Action No. 861, United States District Court for the District of Delaware.

⁹ The management voluntarily amended the bylaws to comply with this proposal.

¹⁰ 59 N. Y. Supp. (2d) 502 (1945).

¹¹ 326 U. S. 99 (1945).

¹² 327 U. S. 392 (1946).

appeared before the Supreme Court as *amicus curiae* to urge that when the jurisdiction of the Federal court is based upon a federally-created equitable right, the broader Federal doctrine should be applicable, which provides that where a party has been injured by fraudulent conduct, the bar of the statute of limitations does not begin to run until the fraud is discovered. The Supreme Court, sustaining the Commission, ruled that federally-created equitable rights of action could not be barred, irrespective of State statutes of limitation, where delay in bringing suit was attributable to the fraud of the defendants.

Four cases which were litigated during the period covered by this report concerned constructions of Section 16 (b) of the Securities Exchange Act of 1934. Under this Section any profit secured by officers, directors, and principal owners of equity securities in corporations registered on a national securities exchange as a result of purchases and sales of their corporation's securities within a 6-month period, inures to the benefit of the corporation. The actions, as the statute contemplates, were instituted by private litigants. However, the Commission appeared in each case as *amicus curiae* to urge that construction of the Section which it deemed best effectuated the intention of Congress in enacting the legislation. In one case, *American Distilling Co. v. Brown*,¹³ the New York Court of Appeals refused to assume jurisdiction over the action on the ground that Section 27 of the Securities Exchange Act conferred jurisdiction over actions arising under that act upon the Federal courts only. This was in accord with views expressed by the Commission. The two other cases, *Kogan v. Schulte*¹⁴ and *Park & Tilford v. Schulte*¹⁵, involved the conversion of preferred stock into common stock by a controlling stockholder within 6 months of a sale of common stock by him. In both cases the Commission contended that the conversion was a purchase within the meaning of Section 16 (b). The district court so held, and at the same time reaffirmed the constitutionality of that Section upon the authority of *Smolowe v. Delendo*, 136 F. (2d) 231 (C. C. A. 2, 1943), cert. denied, 320 U. S. 751. Kogan, a minority stockholder, was denied intervention in the *Park & Tilford* case by the district court but the circuit court reversed this action.¹⁶ The Commission filed a memorandum in this case supporting the right to intervene on the ground that there existed a community of interest between the corporation and the defendant, an owner of a substantial number of its shares, which might militate against a completely adversary action.

In the other case, *Gratz v. Claughton*,¹⁷ which is still pending in the district court, the defendant contested the venue of the action, which was laid in the place where the transactions occurred, and the Commission filed a memorandum in support of that venue. It was the view of the Commission that the statute should be construed to provide as many alternative choices of venue as could reasonably be implied from the language of the Act in order that the express purpose of Congress, "to prevent" insider profits, might be realized. Otherwise a stockholder might be faced with the burden and expense

¹³ 295 N. Y. 86 (1946).

¹⁴ 61 F. Supp. 604 (S. D. N. Y., 1945).

¹⁵ Civil Action No. 28-458, United States District Court for the Southern District of New York. An appeal is pending to the Circuit Court of Appeals.

¹⁶ Decision without opinion rendered Mar. 23, 1946. Case No. 28-458 (C. C. A. 2, 1946).

¹⁷ Civil action No. 35-410, United States District Court for the Southern District of New York.

of litigating his cause of action in a forum distant from and unrelated to the place where the significant acts or transactions occurred.

Criminal Proceedings

The statutes administered by the Commission provide for the transmission of evidence of statutory violations to the attorney general who, in his discretion, may institute appropriate criminal proceedings. As a matter of practice, the Commission, largely through its ten regional offices, thoroughly investigates suspected violations and, in cases where the investigation appears to disclose a foundation for criminal proceedings, prepares detailed reports of investigation which are forwarded to the Attorney General. When it is decided to institute criminal proceedings, the Commission assigns such of its employees as have participated in the investigation to assist in the preparation of the case for presentation to the grand jury, in the conduct of the trial and in preparing briefs on appeal. Parole reports on offenders convicted also are prepared by members of the Commission's staff. Where the investigation discloses violations of statutes other than those administered by the Commission, reference is made to the appropriate Federal or State agency.

Up to June 30, 1946, in criminal cases developed by the Commission, indictments against 2,449 defendants have been obtained in 380 cases. In the cases disposed of, convictions were obtained against 1,205 defendants. During the past year 15 indictments have been returned against 45 defendants. Convictions¹⁸ were obtained against 32 defendants in 16 cases during the year.¹⁹

In the criminal appeals decided during the past year judgments of conviction were affirmed as to 14 defendants.²⁰ One appeal was voluntarily withdrawn. There were no reversals of convictions.

The status of all criminal cases pending during the past fiscal year is set forth in Appendix Tables 24 and 25.²¹ Some of the cases prosecuted during the past fiscal year are described below.

The types of fraud cases encountered during the past year are extremely varied. These include fraud in the promotion of new businesses and inventions; unlawful practices on the part of corporate officers; various frauds by broker-dealers; fraudulent whiskey warehouse receipts promotions; failure to keep books and records as prescribed by the statutes; and the filing of false financial statements and annual reports with the Commission.

Charges of fraud and unlawful conduct on the part of broker-dealers figured prominently in the cases prosecuted during the year. Among such cases was *U. S. v. W. R. Hempstead and Co., et al.* (D. R. I.) where it was charged, *inter alia*, that the company and three of its officers solicited and accepted customers' orders for the purchase and sale of securities and deposits of money and securities without disclosing that the company was insolvent. The indictment also charged that the defendants hypothecated the said securities and converted the proceeds to their own use and benefit.²² A somewhat similar case was developed by the Commission in *U. S. v. Edwin Paul Woodman, et al.* (D. Mass.) resulting in a guilty plea by the two defendants involved

¹⁸ Including pleas of guilty or *nolo contendere*.

¹⁹ Two of these cases are still open as to other defendants.

²⁰ These appeals involved a total of four cases.

²¹ Appendix Table 29, part 2, relates to criminal contempt proceedings.

²² All defendants therein were convicted.

at the conclusion of the trial. *U. S. v. Maxwell and Co., Inc., et al.* (D. Mass.) involved the unauthorized pledging of customers' securities, the forgery of customers' checks, the forgery of signatures to assignments of customers' securities, and the printing and sale of spurious stock certificates and debentures.²³

In *U. S. v. Charles J. Callanan* (D. Mass.) conviction was obtained for the conversion of customers' securities, the filing of false reports with the Commission, and the failure to keep books and records as required by Section 17 (a) of the Securities Exchange Act of 1934 and the rules thereunder prescribed by the Commission as necessary and appropriate for the protection of investors. *U. S. v. Glen J. Hildebrand* (S. D. Ill.) also involved the failure by a broker-dealer to keep books and records as required by the Commission's rules, and resulted in a plea of guilty.

Another broker-dealer case pending during the year was *U. S. v. Florida Bond and Share, Inc., et al.* (S. D. Fla.). The indictment in that case charged fraud predicated upon the sale of securities to uninformed customers at prices not reasonably related to the prevailing market prices, without appropriate disclosure. After the close of the fiscal year, on July 11, 1946, convictions were obtained against four of the five defendants named in the indictment.²⁴

In *U. S. v. Arthur Edwin Daye* (S. D. Fla.) conviction was obtained on a charge that defendant, representing himself to be a broker-dealer in securities, obtained securities from customers for the purpose of sale, thereafter selling the same and converting the proceeds.²⁵ A somewhat similar fraud was charged in *U. S. v. Arthur Briscoe Wilson* (N. D. Ill.) where a securities salesman converted to his own use the proceeds of the sale of customers' securities, the possession of which he had obtained through false representations.²⁶

A substantial number of the cases pending during the past fiscal year involved charges of fraud in connection with the sale of interests in oil properties. These were *U. S. v. Frank V. Raymond* (D. Md.);²⁷ *U. S. v. C. Milton Smith* (S. D. N. Y.);²⁸ *U. S. v. Norman Benson, et al.* (W. D. Wis.);²⁹ *U. S. v. Herman L. Schuh, et al.* (E. D. Va.);³⁰ *U. S. v. Thomas P. Mulvane, et al.* (S. D. Iowa);³¹ and *U. S. v. Stanley et al.* (S. D. N. Y.).³²

In the *Raymond* case defendant was charged with employing the "Ponzi" type of swindle, paying the purchasers of interests in oil lands purported "returns" on their investments without disclosing that such funds were not derived from the operation of the properties but in fact were a portion of the monies which the investors had paid to the defendant.

A fraudulent "switch" scheme was alleged in *U. S. v. Mark A. Freedman, et al.* (N. Div. E. D. Ill.) which involved transactions in whiskey

²³ One defendant pleaded guilty; the remaining two defendants were found guilty after trial.

²⁴ This marks the third successful prosecution based on this type of fraud. Others were *U. S. v. Otto B. Dagg, et al.* (W. D. Wash. 1943), and *U. S. v. Guaranty Underwriters, Inc., et al.* (S. D. Fla. 1944).

²⁵ The indictment charged violation of the mail fraud statute (215 Federal Criminal Code). Defendant pleaded *nolo contendere*, and was sentenced to 3 years' imprisonment.

²⁶ Defendant pleaded guilty.

²⁷ Smith was sentenced to 6 months and placed on probation for 2 years upon expiration of sentence. Indictment *nolle prossed* as to other defendants.

²⁸ Benson was sentenced to 3 years' imprisonment.

²⁹ Pending.

³⁰ Pending.

³¹ Pending.

warehouse receipts. The indictment charged that the owners of whiskey warehouse receipts were induced to exchange them for bottling contracts with a corporation which defendants had organized. It was charged that defendants had represented that the whiskey could be bottled, rectified and sold for the investors, for which the corporation would receive only a small fee, whereas in fact the defendants sold or hypothecated the warehouse receipts and converted the proceeds to their own use.³³ *U. S. v. Frank L. Ryan, et al.* (E. D. N. C.) also involved fraud in whiskey warehouse receipt transactions.³⁴

An indictment charging violations of Section 10 (b) of the Securities Exchange Act of 1934 and Rule X-10B-5 thereunder, as well as the mail fraud statute (Section 215 of the Federal Criminal Code) was returned during the past year in *U. S. v. Edgar M. Griswold* (N. D. Ohio). It was charged that Griswold had defrauded various persons, principally tavern owners, in transactions relating to the stock of a prominent distilling company. Whiskey purchase rights were attached to the stock. Griswold, it was alleged, represented to purchasers that the stock would be worthless after the whiskey rights were exercised and that it could not be retained by the purchasers after such exercise. According to the indictment, Griswold, by virtue of these false representations and his failure to disclose that the stock had a market value of not less than \$24 a share after exercise of the whiskey rights, was enabled to obtain the stock for his own use and in fraud of the original purchasers thereof. The case is now pending.

A "front money" scheme in which persons desirous of obtaining capital for the financing of new businesses were defrauded was involved in *U. S. v. Ocie C. Walker* (N. D. Texas). It was charged that Walker devised a scheme to defraud persons who could be induced by false representations to turn money over to him upon his promise to arrange for the organization of corporations and to assist such persons in the sale of the stock of such corporations when organized. Defendant was convicted on his plea of *nolo contendere*.

A conviction for fraudulent misrepresentations in connection with the promotion of a new business was obtained in *U. S. v. Federal Fyr-Ex, et al.* (S. D. N. Y.).³⁵ Also, during the past fiscal year a conviction was obtained in *U. S. v. Liggett & Myers Tobacco Co., et al.* (E. D. Pa.) for the making of false and misleading statements in reports required to be filed under the Securities Exchange Act of 1934. The indictment charged willful concealment in annual reports filed under Section 13 of facts relating to the existence of a profit-sharing plan for certain officers and employees of the company other than the president and vice presidents. The corporation was fined \$10,000 upon its plea of *nolo contendere*.

Fraud by officers in connection with the management of a corporation was involved in the indictment returned in *U. S. v. Alfred Epstein, et al.* (E. D. Mich.),³⁶ which case is now pending.

In a number of cases Canadian mining company stocks were sold to residents of the United States by persons residing in Canada who

³³ Defendant Freeman found guilty after trial and sentenced to 5 years; appeal pending. Jury disagreed as to five other defendants who later withdrew their pleas of not guilty and pleaded *nolo contendere*. One defendant found not guilty on *nolo contendere* plea. Verdict of not guilty directed as to one other defendant.

³⁴ Four defendants convicted.

³⁵ One defendant pleaded guilty and was sentenced to a term of 4 years' imprisonment. Two other defendants were acquitted.

³⁶ The indictment charged violation of Section 215 of the Federal Criminal Code (Mail Fraud Statute).

operate from across the border without compliance with the statutes of this country. The Commission has been cooperating with the State Department and the Department of Justice in efforts to secure a treaty with Canada which would permit extradition of persons violating the Federal and State securities laws. The treaty was ratified in the United States Senate in April 1942, but to date it has not been ratified by the Canadian Parliament. Numerous cases of this type have been the subject of investigation by the staff of the Commission. Indictments have been obtained in a number of these cases.

The criminal appeals decided during the past fiscal year were: *U. S. v. Hugh J. Carruthers*, 152 F. (2d) 512 (C. C. A. 7, 1945), cert. denied, 66 S. Ct. 805 (1946), in which judgment of conviction on charges of fraudulent sales of securities of an alleged fraternal and educational association was sustained; *Frank Mansfield, et al v. U. S.*, 155 F. (2d) 952 (C. C. A. 5, 1946), where the court sustained the convictions of 11 defendants for fraud in the sale of interests in oil properties; *U. S. v. George A. Earnhardt, et al.*, 153 F. (2d) 472 (C. C. A. 7, 1946), cert. denied, 66 S. Ct. 1350 (1946), in which conviction on a similar charge was sustained; and *Leslie G. Bowen v. U. S.*, 153 F. (2d) 747 (C. C. A. 8, 1946), cert. denied, 66 S. Ct. 980 (1946), sustaining a conviction for fraud in the sale of securities in a new small manufacturing enterprise.

COMPLAINTS AND INVESTIGATIONS

The Commission received during the year 7,669 items of mail concerned with alleged securities violations. This correspondence is classified administratively as "complaint enforcement" correspondence. This material constitutes one of the Commission's important sources of information concerning possible securities violations, while investigations made by the Commission's staff and contacts maintained with other governmental (Federal, State, and local) or private agencies provide additional sources of such information. Where it appears on the basis of any such data that any securities violation may have occurred, the Commission conducts appropriate investigations by means of correspondence or the assignment of cases to field investigators to ascertain the facts of the particular case. The extent of these investigatory activities of the Commission during the past year, under the Securities Act of 1933, the Securities Exchange Act of 1934, Sections 12 (e) and (h) of the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940, and the Investment Advisers Act of 1940, is reflected in the following table:

Investigations of securities violations¹

	Preliminary ²	Docketed ³	Total
Pending at June 30, 1945.....	189	701	890
Opened 7-1-45 to 6-30-46:			
New cases.....	155	237	392
Transferred from preliminary.....		20	20
Total number of cases to be accounted for.....	344	958	1,302
Closed.....	66	123	189
Transferred to docketed.....	20		20
Pending at June 30, 1946.....	258	835	1,093

¹ These investigations of securities violations include the oil and gas investigations which are separately tabulated and discussed in Part I of this report.

² Investigations carried on through correspondence and limited field work;

³ Investigations assigned to field investigators.

To assist its continuing enforcement and registration activities, and to provide a further means of preventing fraud in the purchase and sale of securities, the Commission has established a securities violations file, consisting of a clearing house of information concerning persons who have been charged with violations of various Federal and State securities statutes. This clearing house has been kept up-to-date during the past year, as in previous years, through the cooperation of the United States Post Office Department, the Federal Bureau of Investigation, parole and probation officials, State securities commissions, Federal and State prosecuting attorneys, police officials and other public agencies, members of the National Association of Better Business Bureaus, Inc., and members of the United States Chamber of Commerce. By the end of the past fiscal year the Commission had assembled in these files data concerning an aggregate of 46,924 persons against whom Federal or State action had been taken in connection with securities violations. During the past year alone additional items of information relating to 3,706 such persons were added to these files, including information concerning 1,146 persons not previously identified therein.

The extensive use made of this clearing house of information is suggested by the fact that during the past year the Commission received, in connection with its maintenance, 2,394 "securities violations" letters or reports (apart from those mentioned above which are classified as "complaint enforcement") and dispatched 2,915 communications in turn to cooperating agencies.

ACTIVITIES OF THE COMMISSION IN ACCOUNTING AND AUDITING

The preparation, filing and, in some cases, other publications of financial statements for the information of the investing public and of the Commission is a fundamental requirement under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, and the Investment Company Act of 1940. To ensure the adequacy and reliability of such statements the Commission is given, under each of these Acts, broad authority in matters of accounting—including important functions with respect to the basis, form, and content of financial statements. In those areas where specific rules and regulations as to the methods of accounting to be followed are neither practicable nor desirable, guides are found in accounting principles which have been recognized as sound by professional accountants generally. In this area chief reliance for the protection of investors and the public therefore rests largely in the administrative determination of the applicable accounting and auditing principles and procedures properly to be followed in the preparation of financial statements.

This large segment of the Commission's accounting activities presupposes constant contact and cooperation between the Commission and representative professional bodies and, in those cases where the accounting issue is of considerable importance and has wide application, may result in the publication of Accounting Series Releases. It would be difficult to express in quantitative terms the extent of the Commission's treatment of accounting questions by these administrative means. However, a very large portion of the time of the accounting staff is spent in the discussion of such cases with registrants and

their accounting and legal advisers. In addition, there is an over-growing volume of inquiries as to propriety of particular accounting practices being made by accountants, and by companies not presently subject to any of the Acts administered by the Commission, who wish to ascertain the Commission's policy in such matters and thus utilize and apply the Commission's experience to the facts of their own case.

The organization of the accounting staff of the Commission is especially designed to facilitate informal consideration of accounting matters. The Chief Accountant acts as the Commission's chief adviser and consulting officer on accounting matters and has general supervision over the establishment and execution of Commission policy with respect to accounting and auditing principles or practices. He is assisted directly by an assistant chief accountant and, in addition, an assistant chief accountant is assigned to and directly responsible for the examination of financial data and other accounting work in the three operating divisions, namely, the Corporation Finance Division, the Trading and Exchange Division, and the Public Utilities Division.

The majority of accounting problems arises as a result of examination of financial statements received. Where the examination of the statements reveals that the rules and regulations of the Commission have not been complied with or that applicable accounting principles have not been followed, the examining division directs the attention of the registrant to the deficiencies by letter. These letters of comment and the correspondence or conferences that follow continue, as in the past, to be a most convenient and satisfactory method of effecting corrections and improvements in financial statements.

Reconversion to Peacetime Activities and New Registrants

The past fiscal year has seen the cessation of hostilities and the lifting of wartime censorship and secrecy restrictions as they affected the publication of financial information. The effect on financial reporting of the termination of war contracts and the reconversion of business to a peacetime basis was anticipated in the last annual report. That report discussed the adoption in July 1945 of a program of quarterly reporting of dollar amounts of sales and unfilled orders showing separately sales made pursuant to war contracts. At the same time immediate reports were required in the event of the termination of a war contract the uncompleted portion of which amounted to over 20 percent of the registrant's total sales for the previous fiscal year. This program was designed to keep investors and the public abreast of vital changes in the volume of business during the period of transition from war production to peacetime operations.³⁷

The end of the war early in this fiscal year and the termination of war contracts led to the rescission of this reporting program and to the adoption of a general program of quarterly reports of the volume of business being done by most issuers having securities registered on national securities exchanges.³⁸ Prior to adoption, preliminary drafts of the proposed new rule and report form were modified to reflect comments obtained from technical and professional associations, governmental agencies, national securities exchanges, individual companies, public accountants, attorneys, and many other interested persons.

³⁷ Securities Exchange Act Release No. 3718, July 23, 1945.

³⁸ Securities Exchange Act Release No. 3803, March 28, 1946.

Of particular interest is the adoption of the suggestion that if the registrant publishes or issues to its stockholders a quarterly report containing the information required by the new rule, such report may be substituted for information called for in the form prescribed. Initially insurance companies, investment companies, common carriers, and public utilities were exempted by the rule. Following discussions with representatives of the sugar industry at the close of the fiscal year the rule was amended ³⁹ to exempt companies primarily engaged in the production of raw cane sugar or other seasonal single-crop agricultural commodity since such producers ordinarily have no sales in two or more of their fiscal quarters.

An important problem of the current year which was forecast in our last annual report involves the proper disposition of war reserves and the treatment of war costs, losses, and expenses recognized during the year. Throughout the year extensive consideration was given by corporation and public accountants as well as the Commission to the question of the extent to which current repairs and maintenance, strike expenses, inventory losses, loss on war facilities, and plant reconversion expenses might properly be charged back against war profits, thus relieving the current income account. In view of the wide diversity in opinion as to the proper treatment of such items, the problems were submitted for comment to a large and representative group of registrants, professional and technical associations, financial services, accountants, attorneys, and others concerned. A substantial majority concurred in the staff proposal to deal with the problem during this transition period by requiring a specific form of disclosure in the financial statements.

The rule adopted ⁴⁰ therefore required that where war items are excluded from the income account and carried directly to surplus or reserve accounts, the net aggregate amount so excluded is to be set forth following the net income for the period. The nature, amount, and treatment of such items, including the tax effect of the treatment employed, is to be explained. In addition, appropriate disclosure is required of any substantial war items included in the income statement. Finally, a statement is required of the principle followed in classifying particular items as attributable to conditions arising out of the war or its termination.

A second major problem arising from war conditions was precipitated by the President's termination on September 29, 1945, of the period for the tax amortization of war facilities. For tax purposes, emergency war facilities acquired after December 31, 1939, under certificates of necessity could be amortized over a 60-month period or less if the President declared the emergency ended prior to the elapse of 60 months. The result has been that many companies have kept their books on this tax basis and as of September 30, 1945, wrote their emergency facilities down to zero. For assets not largely amortized this resulted in a substantial amortization charge in 1945, often for facilities having continuing usefulness for peacetime operations. If this procedure is followed in the preparation of general financial statements, one result is that subsequent balance sheets may be viewed as understated because of the omission of substantial and

³⁹ Announced in Securities Exchange Act Release No. 3832, July 12, 1946.
⁴⁰ Accounting Series Release No. 54, March 30, 1946.

useful assets. At the same time postwar earnings will fail to include any charges for the use of these assets, and to that extent may be viewed as overstated. This problem is being actively debated in business and professional accounting circles and is the subject of continuing study and research on the part of the Commission.

Another development has been an almost unprecedented flood of registration statements for the sale of securities to the public. Elsewhere in this report it is noted that over 750 registration statements were filed during the fiscal year. Many of these were for companies with previous registration experience taking advantage of current low interest and dividend rates to refinance their bond and preferred stock issues. Many companies, however, were seeking new capital for the first time since the enactment of the Securities Act of 1933 and in other cases security holders in closely held enterprises were seeking to sell part of their holdings to the public. Even in the first group experienced accounting executives and public accountants with extensive experience with financial statements filed with this Commission encountered unique and controversial accounting problems largely of a war or reconversion origin. Of the latter group many had never before been subject to the financial reporting standards of a stock exchange or of a securities commission; hence, both the companies and in many cases their independent public accountants had to face many new problems.

Mention has been made in previous reports of the extensive use of informal conferences and correspondence as a means of dealing with difficult accounting and auditing questions. These administrative procedures have long proved extremely effective as a means of arriving at solutions of novel or complex questions since they afford an opportunity not only to arrive at a mutual understanding of the facts but also to work out a solution properly protective of investors' interests and agreeable to all involved. In the case of new registrants these conferences have been particularly useful in advance of filing as a means of obtaining compliance with sound accounting and disclosure principles, thus avoiding deficiencies and delay when the filing is made. Because of their importance to the efficient administration of the Securities Acts, it is appropriate to describe two typical informal procedures of this kind.

The first illustration is a case which involved the propriety of a company's method of apportioning against income the loss in useful value of its fixed assets. The company followed an inventory and retirement method. While agreeing that the method had long ago been discredited among industrial companies generally (among public utility companies in more recent years), this industrial company contended that the method was appropriate under the particular facts of its case. After the initial correspondence four conferences were held, at three of which the company's independent public accountants were present. The Commission, after careful examination of the facts and of the contentions presented in a written memorandum from the company adopted the staff recommendation that depreciation methods be required in lieu of the inventory-retirement method, because the latter in fact resulted in an improper determination of profits as between years and in an overstatement of balance sheet assets. In order to allow the company ample time in which to make the change-over,

the company was permitted to give effect to the revision in its statements of the following year.

A second illustration involved the treatment of a stock dividend. In the company's application, filed with the New York Stock Exchange and with the Commission, for the registration of the necessary shares, the company indicated that this dividend would be charged against earned surplus at a per-share amount, stated in the application, representing the fair value of the shares to be issued. Later, in an amended application, the amount per share of the charge against earned surplus for the dividend was changed to a lesser amount represented by the par value of the shares. The staff advised the company that applicable accounting principles required a charge against earned surplus in the amount of the fair value of the shares. However, in the company's annual report filed shortly thereafter the accounting treatment to which the staff had objected was followed. Moreover, the report of the independent public accountants accompanying the company's financial statements contained an explicit exception to the company's failure to account for the dividend at fair value rather than the lower par value figure. The company was again requested to change its accounting treatment of the transaction, but declined to do so. After reconsidering its position and reviewing the case in detail, the staff again advised the company that the annual report should be amended in accordance with its earlier recommendations and those of the independent accountants. Failing this, the staff indicated it would consider the report false and misleading and would accordingly recommend that appropriate formal action be taken by the Commission to determine whether the company had failed to comply with the provisions of the Securities Exchange Act and the rules and regulations thereunder. Following this interchange of views the statements were amended without resorting to formal action.

Developments in the Field of Accounting Principles and Procedures

Certain developments in the field of accounting principles and procedures arising out of war conditions and reconversion to peaceful pursuits have been mentioned in preceding paragraphs. An associated problem, the proper treatment of corporate income taxes, was of particular importance due to the existence of high wartime rates and numerous differences in accounting treatment of substantial items in determining taxable income and income for financial reporting purposes. Extended discussions of this subject of "tax reductions" or so-called "tax savings" which were in progress at this time last year between the Commission and representatives of professional accounting societies and others were concluded and the Commission's opinion was published as Accounting Series Release No. 53.⁴¹ This opinion "In the Matter of 'Charges in Lieu of Taxes'" contains an extensive discussion of the Commission's views as to the procedures to be followed in accounting for reductions in income taxes as a result of premiums and expenses incurred in refunding bonds, substantial loss sustained on the abandonment of properties, and the taking of accelerated amortization on emergency war facilities.

This opinion dealt with a practice which had been growing up for some time, a practice tolerated by some accountants and sincerely

advocated by others, pursuant to which the current income account is charged, under the heading of income taxes or charges in lieu of income taxes, not only with the actual amount of income taxes expected to be paid by the company but also with an additional sum equivalent to the reduction in taxes brought about by unusual circumstances in a particular year. This additional charge against income is, in most cases, offset either by a credit to surplus or by utilizing the reduction for some special purpose such as eliminating a portion of unamortized discount on bonds. The amount of the estimated reduction has been colloquially termed a "tax saving" and the general problem loosely referred to as the "treatment of tax savings." The principal conclusions announced in the opinion were that:

1. The amount shown as provision for taxes should reflect only actual taxes believed to be payable under the applicable tax laws;
2. The use of the caption "charges or provisions in lieu of taxes" is not acceptable;
3. If it is determined, in view of the tax effect now attributable to certain transactions, to accelerate the amortization of deferred charges or to write off losses by means of charges to the income account, the charge made should be so captioned as to indicate clearly the expenses or losses being written off.

During the year, efforts were continued looking to a solution of a perennial accounting issue—whether there are circumstances under which certain items of income, expense, or loss may justifiably be excluded from the computation of net income as shown by the profit and loss statement and carried directly to earned surplus. Accountants have not yet agreed upon any general principles as to the proper way of identifying such items and disposing of them. Nevertheless, depending on the treatment of particular items of a nonrecurring or unusual nature as between income or surplus, it is possible to vary reported earnings within very wide limits, thus making intelligent analyses and comparisons difficult and sometime impossible. A staff study of charges and credits made directly to earned surplus, supplementing and extending earlier studies, reconfirmed the complete lack of consistency in the treatment of surplus entries as between companies, between accountants, between the same company's reports for different years, and between reports certified by the same accountants. In addition, a round table discussion to consider the subject was sponsored by the Commission and was attended by representatives of accounting organizations and others interested in the problem. The results of these studies have been made available to members of professional accounting groups specially interested in the problem and a free exchange of ideas between the staff and these groups has been a feature of the past year. A summary of the results of the current year's study was published in "The New York Certified Public Accountant."⁴² It is believed that definite progress has been made toward a more uniform treatment of these perplexing items.

Consideration of proposals for a thorough revision of the accounting requirements applicable to management investment companies as laid down in Article 6 of Regulation S-X was advanced considerably during the year. A restatement of Article 6 incorporating many of the recommendations of the National Association of Investment

⁴² William W. Werntz and Earle C. King, "An Analysis of Charges and Credits to Earned Surplus," September 1946.

Companies and of the American Institute of Accountants was published accompanied by a comprehensive discussion of the proposals and explanation of remaining points of difference between the Commission's staff and outside commentators. Announcement was made on May 22, 1946, that a public conference would be held by the Commission on July 9, 1946, to consider the revised proposals.⁴³ All interested persons were invited to attend or to file any comments desired. It may be noted that the procedure followed in the consideration of these important amendments to the Commission's accounting rules conformed substantially to that required by Section 4 of the Administrative Procedures Act which became law June 11, 1946, and, as to rule making, is effective September 11, 1946.

Other examples of the Commission's practice of discussing particular problems with specialists in various fields include a conference with representatives of the New York Society of Security Analysts on the subject of financial data secured by the Commission. Further, attention was given to financial reporting by mining corporations and a helpful conference was held with the American Institute of Accountants' subcommittee on mine accounting.

On June 20, 1946, the Commission announced that it had submitted to Congress a report⁴⁴ recommending the extension of certain protective features of the Securities Exchange Act of 1934 to unregistered corporations having at least \$3,000,000 in assets and at least 300 security holders. The report contains studies of stockholders reports of unregistered companies, the principal, if not the only, source of public information as to the financial affairs of such companies. The study disclosed that in practically every case the statements failed to disclose information that is of considerable significance to investors. Frequently, such companies failed to make public a full set of financial statements. In many cases, the available financial statements were deficient as to the form and content of the balance sheet and income statement and failed to make adequate disclosures in footnotes. In some instances, it appeared that improper or unsound accounting principles had been followed. The study showed that in 90 percent of the cases the statements were certified by public accountants.

An important conclusion of the Commission as expressed in the report was that whatever a certifying accountant's personal views may be about the necessity or desirability of disclosure, it was apparent in the cases studied that management policy was the factor which determined the nature of the annual report and that unless accountants can point to legal requirements as to the extent of disclosure they are often unable to insist on a position contrary to that of the management. The Commission further concluded that accountants need and should have the support of the Commission's accounting regulations.⁴⁵ It was noted that a similar finding with respect to the position of accountants in Great Britain was made by a committee of the Board of Trade investigating the need for amendments to the Companies Acts.⁴⁶

⁴³ Accounting Series Release No. 55, May 22, 1946.

⁴⁴ "A Proposal to Safeguard Investors in Unregistered Securities," announced in Securities Exchange Act Release No. 3828, June 20, 1946.

⁴⁵ See the stock dividend illustration above.

⁴⁶ Report of the Committee on Company Law Amendment, Board of Trade, Great Britain (1945) 54.

Several cases involving the use of inadequate or deliberately false financial statements with the effect of working a fraud on investors were considered by the Commission during the year. *In the Matter of Suburban Electric Securities Co.*⁴⁷ is a sequel to the case reported in this section of last year's report. That case reported an action taken to force the registrant to correct grossly inadequate financial statements. The current case dealt with a request for withdrawal of the registrant's securities from listing and registration. It seemed clear that the inadequate financial information furnished to stockholders prior to the intervention of this Commission assisted the management in a program of repurchase of the company's senior securities while the management retained its own holdings of all classes of securities. The terms imposed for withdrawal from listing and registration and for the continuance of the repurchase program included a vote by stockholders who had first to be furnished with company and consolidated balance sheets, itemized surplus statements, and profit and loss statements conforming to generally accepted accounting principles, as of a time within the past 12 months.

In the case of *Albert M. Greenfield & Co.*,⁴⁸ an unregistered company, public investors had been sold long-term debentures which after business reverses and interests defaults sold in the over-the-counter market at a considerable discount. In the spring of 1945, after a substantial improvement in financial conditions due to the war, the company through an affiliate (a relationship unknown to the investors) purchased some of the debentures at much less than their book value. Investigation disclosed that the debenture holders were consistently denied information but were referred to the indenture trustee who in turn was repeatedly denied audited financial reports required under the trust indenture. The Commission's court action was withdrawn after the company agreed to have its books audited by a representative firm of accountants, to furnish copies of the auditors' reports to the trustee, and to furnish debenture holders audited reports in a form satisfactory to the Commission. The company also was required to offer to rescind all debenture repurchase transactions since the initiation of the program in March 1945.

Two cases in which broker-dealer registrations were revoked included elements similar to the cases just presented. In one⁴⁹ of the cases material misrepresentations with respect to a company's financial condition assisted in inducing stockholders to sell their holdings to agents of officers of the company. In this case the officers knew that the business was in a better condition than represented. In the other case, the company publicly offered and sold its preferred stock without disclosure that statements and figures in the prospectus used in connection with the sale were based on false, fictitious, and misleading bookkeeping entries and on assets of doubtful value.⁵⁰

Developments in the Field of Auditing Practices and Professional Conduct

Last year we reported on a case in which a certified public accountant failed to perform a satisfactory audit of the books of a securities broker-dealer. This field of auditing and reports of public account-

⁴⁷ Securities Exchange Act Release No. 3822.

⁴⁸ Litigation Releases No. 302, Nov. 7, 1945, and No. 333, Apr. 3, 1946.

⁴⁹ Securities Exchange Act Release No. 3716.

⁵⁰ Securities Exchange Act Release No. 3772.

ants required by our Rule X-17A-5 has caused us some concern during the past year. The two cases mentioned in the preceding paragraph contained evidence of unsatisfactory work by public accountants. Examination of reports filed during the year and correspondence conducted in connection with some of the reports also indicate that many broker-dealer audits are performed by accountants unfamiliar with the Commission's requirements and apparently not well-versed in the general requirements of up-to-date auditing procedure as set forth in publications of the American Institute of Accountants and elsewhere. A thorough discussion of the problem was had with representatives of the American Institute of Accountants following which plans were made to undertake a program of education in an effort to improve the work done in this special field. A general editorial calling attention to the problem in very strong terms was published in the *Journal of Accountancy* in June, 1946.⁵¹

In another field of business a case was considered by the Commission in which it was found that the auditor was not independent and the audits made were not in accordance with generally accepted auditing standards applicable in the circumstances.⁵² The record in the case revealed that the accounting firm in question had certified the financial statements of the registrant over a 5-year period. In one of those years, the accountant engaged the treasurer and bookkeeper of the registrant to do the detailed auditing work including the preparation of working papers. In the other years, the detailed auditing work was done by a member of the accountants' staff who did not make that critical and objective examination which is the obligation of an independent accountant and in particular he failed to investigate adequately transactions between the registrant and its parent and affiliates and to disclose that substantial amounts of the receivables and payables were due from or to the parent and affiliates. In four of the years no adequate review of the auditing work was made either by the head of the certifying firm or by a certified public accountant who was engaged to review the working papers and to sign the report. It was also found that the business relations of the head of the accounting firm and the president of the registrant were so intimate as to preclude any independent approach to the audit.

STATISTICS AND SPECIAL STUDIES

Capital Markets

The Commission, during the fiscal year ended June 30, 1946, continued to compile and analyze statistics on the volume and characteristics of offerings and retirements of securities; the distribution of and the changes in ownership of securities among different groups of institutional, corporate, and individual holders; and various other aspects of capital markets statistics. Figures were released monthly showing the volume of all new issues of securities known to have been offered within the United States for cash sales in amounts of more than \$100,000, together with break-downs comparing the amounts of registered and unregistered issues, indicating the type of exemption; public offerings and private placements; bonds, preferred stocks, and common stocks; corporate and noncorporate issues; and the net proceeds in-

⁵¹ "A Warning to Auditors," June 1946, p. 447.

⁵² *Red Bank Oil Co.*, Securities Exchange Act Release No. 3770.

tended for refunding and for expansion of plant and equipment and working capital of each principal industrial group. Additional break-downs of the dollar volume of securities registered under the Securities Act of 1933 were released regularly showing the amounts registered for exchange, conversion, etc., as well as for cash sale; the volume of secondary as well as primary distributions; the amounts offered through investment bankers and directly by the issuers; the volumes expected to be absorbed primarily by the general public, by security holders, and by other special groups; and the distribution by investment banking firms of underwriting commitments and syndicate management activities. Some of these statistics have been summarized in Tables 1 through 4 of the Appendix to this report.

In addition to information published on the capital markets, many special adaptations of the basic data were made to problems met in the day-to-day operations of the Commission and to questions raised by other governmental agencies and by members of Congress. During the year a detailed study was made and a report prepared for internal purposes on new issues \$100,000 to \$300,000 in size exempted from registration under the Securities Act as a result of the amendment to Regulation A effective May 21, 1945. At the close of the fiscal year, several reports were in preparation including an analysis of the extent and significance of underwriters' speculative compensation (options, etc.), long-term bank loans as a substitute for public offerings, and private placements. Other studies planned for the next fiscal year are a comprehensive analysis of the cost of flotation of securities, an intensive study of the expenses involved in registration under the Securities Act, an investigation of the success of flotations of registered issues, a study of offerings to stockholders and by stockholders, including bail-outs, an analysis of the comparative experience of investors in registered and nonregistered issues, and a study of the characteristics of investors in new securities.

Saving Study

The Commission continued its series of quarterly releases on the volume and composition of saving by individuals in the United States. These releases show the aggregate volume of individuals' saving, that is, the increase in their assets less the increase in their liabilities, exclusive of gains or losses from revaluation of assets. The figures also show the components contributing to this total, such as changes in securities, cash, insurance, consumers' indebtedness, and consumers' durable goods.

Financial Position of Corporations

The series of quarterly releases on the working capital position of all United States corporations, exclusive of banks and insurance companies, was continued. These releases show the principal components of current assets and current liabilities and an abbreviated analysis of the sources and uses of corporate funds. In addition semiannual supplementary tables were released showing a detailed break-down of current assets and liabilities for various industry and size groups of corporations registered with the Commission. It is intended in subsequent reports to present more detailed data on the sources and uses of corporate funds, including a few additional income account and

balance sheet items, thus giving an up-to-date analysis of the financial condition of corporations as well as a complete picture of the volume and composition of corporate saving.

In December 1945, the Commission, together with the Department of Commerce, inaugurated a series of quarterly releases on the plant and equipment expenditures by United States businesses other than agriculture. Shortly after the close of each quarter, these releases present industry totals on the actual capital expenditures of that quarter and anticipated expenditures for the next two quarters. It is intended in future reports to present additional data showing more detailed classifications of industry groups and a size-of-company break-down. These data provide a useful index of present and future activity in the capital goods industries and capital markets and a valuable barometer of business activity in general.

Survey of American Listed Corporations

During the past fiscal year, the Commission again released for public and Government use statistical data filed with the Commission by registrants under the Securities Exchange Act of 1934 and the Securities Act of 1933. These data are summarized in a series of reports known as the "Survey of American Listed Corporations" showing individual data for each company as well as industry totals for 1,546 registered companies. One of these series of reports, "Data on Profits and Operations, 1943-1944," was completed in the fiscal year. Principal items furnished in these reports on profits and operations are annual data on sales, costs and/or operating expenses; operating profits; net profit before and after income taxes; depreciation, depletion, etc.; maintenance and repairs; selling, general and administrative expenses; and return on net worth before and after taxes. Each of these companies' reports also shows data before and after renegotiations of all contracts, the amounts and effects of "carry-backs" of taxes and data on termination of contracts whenever reported. A summarization of data on profits and operations for the period 1936-1944, inclusive, was also publicly released. These data for registered corporations, both on an individual company and industry basis, are currently being carried through 1945.

Under Rule X-13A-6A, termination of war contracts and quarterly reports of registrants' total sales, war sales, and unfilled war orders at the beginning and at the end of each quarter were reported to the Commission. These data were made public weekly in a series of releases. Summarization of these data was also released showing complete industry totals for the second, third, and fourth quarters of the calendar year 1945. Under a new Rule, X-13A-6B, the majority of registrants with the Commission are required to furnish quarterly sales figures, and these data will be released each quarter as to both individual companies and industry groups.

Investment Company Data

Data for closed-end and open-end management investment companies were compiled and released quarterly showing purchases and sales of their own stocks and bonds and changes in their portfolios and in their principal asset items.

Brokers and Dealers

During the past fiscal year, a study was made of the financial condition of 3,029 registered brokers and dealers reporting under Rule X-17A-5. The study showed their cash, aggregate indebtedness and net capital, customer's free credits, bank loans and firm securities, exempt and nonexempt, from which the ratios of the firms' cash to free credit balances, the firms' nonexempt securities to net capital and aggregate indebtedness to net capital are computed. This analysis was made for Commission use. A more detailed study of the resources and liabilities of these brokers and dealers is now in preparation for the current fiscal year.

Stock Market Statistics

The Commission continued to publish indexes of weekly closing prices of common stocks on the New York Stock Exchange; the monthly market value and volume of sales on registered and exempted securities exchanges; daily and weekly round-lot stock sales on the two New York Exchanges, including short sales, weekly round-lot stock transactions on the New York Stock Exchange for accounts of members and nonmembers, weekly round-lot and odd-lot transactions on the New York Curb Exchange for accounts of members and non-members, and daily odd-lot stock transactions on the New York Stock Exchange for odd-lot accounts of odd-lot dealers and specialists. A number of these series are presented in appendix tables.

Special Studies

The Commission's staff continued its studies on various aspects of trading in securities, including floor trading, margin trading, purchases and sales of domestic securities for foreign account, purchases and sales of security options, and general research on exchange rules and practices.

War Activities

As a continuation of the Commission's war activities, several members of the staff were loaned to various war agencies and committees for special economic investigations in Germany and Japan.

OPINION WRITING OFFICE—FORMAL OPINIONS

The Opinion Writing Office prepares drafts of the Commission's formal opinions in contested cases arising under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Company Act of 1940, and the Investment Advisers Act of 1940. This Office has also been assigned the additional functions of joint responsibility with the Solicitor's office in dealing with the problems raised by the Administrative Procedure Act and responsibility for the preparation of compilations of annotations of the various statutes administered by the Commission. It is contemplated that these annotations will include reference to all Commission opinions, to significant court decisions and to other relevant material and will be prepared so that they may, when completed, be made available to the public. The work of this office is done by a group of attorneys

under the direction of the Executive Assistant to the Commission who serves as Head of the Office, an Assistant Head, and Supervising Attorneys.

While engaged in the preparation of opinions, the attorneys are completely isolated from persons actively participating in the proceedings. It is an invariable rule that the attorney assigned to prepare an opinion must not have had any connection with any previous phase of the case with respect to which the opinion is to be prepared. After hearings have been held, and after consultation with the Commission, an attorney in this Office analyzes the entire record and prepares a draft of the formal opinion in accordance with the Commission's instructions. In most cases he also prepares a narrative abstract of the record. Commission experts are from time to time consulted on technical problems arising in the course of the preparation of the opinion, but these experts are never individuals who have participated in the preparation of the case or testified at the hearing. When the draft of the opinion and the abstract of the record have been completed, they are submitted to a supervising attorney, who reviews the entire case and, in conjunction with the drafting attorney, revises the draft. The revised draft is then submitted to the Assistant Head and the Executive Assistant to the Commission and, thereafter, to the Commission. After further discussion, the opinion may be modified, amended, or completely rewritten in accordance with the Commission's instructions.

In addition to the foregoing, the Opinion Writing Office also assists the operating divisions in the preparation of opinions in uncontested cases and assists the office of the Solicitor in the preparation of appeals taken from formal decisions prepared by the Opinion Writing Office.

The Commission, during the past year, issued over 200 formal opinions under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Company Act of 1940, and the Investment Advisers Act of 1940. Some of the more significant opinions are commented upon herein under the discussions of the various statutes administered by the Commission.

PUBLICATIONS

Public Releases

During the past fiscal year the releases issued by the Commission included 68 under the Securities Act of 1933; 220 under the Securities Exchange Act of 1934; 852 under Public Utility Holding Company Act of 1935; 125 under the Investment Company Act of 1940; and 3 under the Investment Advisers Act of 1940. In addition, three releases were issued concerning the Commission's activities in corporate reorganizations and one release was issued under the Trust Indenture Act of 1939.

The following is a partial classification by subject matter for the past fiscal year:

Findings, opinions and orders.....	280
Orders, excluding those with findings and opinions.....	698
Reports on court actions.....	68
Statistical data.....	12
Survey series.....	10
Accounting series.....	3

Other Publications *

Bound volume 12 of Decisions and Reports of the Commission (Sept. 1, 1942 to Mar. 31, 1943).

(Bound volumes 1 to 12 of Decisions and Reports of the Commission may be purchased from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C., a price list of which will be furnished upon request.)

Tables of Decisions and Reports covering period Jan. 1, 1943 through Mar. 31, 1946.

Twelve monthly issues of the Official Summary of Security Transactions and Holdings of Officers, Directors and Principal Stockholders.

The 14th Annual Report of the Commission.

List of Securities Traded on Exchanges under the Securities Exchange Act of 1934, as of December 31, 1945, together with Supplements thereto.

Judicial Decisions, Volume II, Part 2.

Security Issues of Electric and Gas Utilities, 1935-45.

Financial Statistics for Electric and Gas Subsidiaries of Registered Public Utility Holding Companies.

Registered Public Utility Holding Company Systems.

Working Capital of 1,290 Registered Corporations, December 1939 to December 1944.

Working Capital of 1,228 Registered Corporations, December 1939 to June 1945.

Survey of American Listed Corporations, Balance Sheet Data, Parts 1, 2, and 3.

Survey of American Listed Corporations, Data on Profit and Operations, Parts 1, 2, 3, and 4.

A Proposal to Safeguard Investors in Unregistered Securities, recommending amendments to the Securities Exchange Act of 1934.

(A complete list of the Commission's publications, the Rules of Practice or the Guide to Forms will be sent upon request made to the office of the Commission in Philadelphia, Pennsylvania.)

INFORMATION AVAILABLE FOR PUBLIC INSPECTION

The Commission maintains public reference rooms at the central office in Philadelphia, Pennsylvania, and in its regional offices in New York City and Chicago, Illinois.

Copies of all public information on file with the Commission, contained in registration statements, applications, reports, declarations, and other public documents, are available for inspection in the public reference room at Philadelphia. During the past fiscal year 2,634 persons visited this public reference room seeking such information. In addition to providing facilities for personal inspection of registered public information, there were received in the public reference room thousands of letters and telephone calls from persons requesting registered information. (This does not include requests for copies of releases, forms, publications, etc.) Through the facilities provided for the sale of copies of public registered information, 2,701 orders, involving a total of 209,478 pages, were filled.

In its New York Regional Office, located at 120 Broadway, facilities are provided for the inspection of certain public information on file with the Commission. This includes copies of (1) applications for registrations of securities on all national securities exchanges, except the New York Stock Exchange and the New York Curb Exchange, together with copies of annual reports, supplemental reports and amendments thereto, and (2) annual reports filed pursuant to the provisions of Section 15 (d) of the Securities Exchange Act of 1934, as amended, by issuers having securities registered under the Securities Act of 1933, as amended. During the past fiscal year 13,831 persons visited the New York public reference room, and more than 6,900

telephone calls were received from persons seeking registered public information, copies of forms, releases and other material.

In the Chicago regional office, located at 105 West Adams Street, copies of applications for registration of securities on the New York Stock Exchange and the New York Curb Exchange, together with copies of all annual reports, supplemental reports, and amendments thereto, are available for public inspection. During the fiscal year ended June 30, 1946, 3,533 members of the public visited this public reference room, and approximately 1,500 telephone calls were received from persons seeking registered public information, forms, releases, and other material of a public nature.

In addition to the material which is available in the New York and Chicago public reference rooms, there are available in each of the Commission's regional offices copies of all prospectuses used in public offerings of securities effectively registered under the Securities Act of 1933, as amended. Duplicate copies of applications for registration of brokers or dealers transacting business on over-the-counter markets, together with supplemental statements thereto, filed under the Securities Exchange Act of 1934, and duplicate copies of applications for registration of investment advisers and supplemental statements thereto, filed under the Investment Advisers Act of 1940, are available for inspection in the regional office having jurisdiction over the zone in which the registrant's principal office is located. Also, inasmuch as letters of notification under Regulation A exempting small issues of securities from the registration requirements of the Securities Act of 1933, as amended, may be filed with the regional office of the Commission for the region in which the issuer's principal place of business is located, copies of such material are available for inspection at the particular regional office where filed.

In the Commission's San Francisco and Cleveland regional offices, in which are provided complete facilities for registration of securities and qualification of indentures, copies of registration statements and applications for qualifications of indentures filed at those offices are available for public inspection.

Copies of all applications for permanent registrations of securities on national securities exchanges are available for public inspection at the respective exchange upon which the securities are registered.

PUBLIC HEARINGS

The following statistics indicate the number of public hearings held by the Commission from July 1, 1945, to June 30, 1946:

Securities Act of 1933-----	4
Securities Exchange Act of 1934-----	39
Public Utility Holding Company Act of 1935-----	131
Trust Indenture Act of 1939-----	0
Investment Advisers Act of 1940-----	1
Investment Company Act of 1940-----	58

PERSONNEL

As of June 30, 1946, the personnel of the Commission consisted of 5 Commissioners and 1,176 employees (694 males, 487 females), 325 of whom were assigned to the field offices.

During the past fiscal year, 212 former employees who were separated from the military service under honorable conditions were

restored to the staff of the Commission in an active duty status. During this period, the names of three former employees were dropped from the rolls of the Commission by reason of their death while in the military service.

FISCAL AFFAIRS

Appropriation title	Amount	Obligation	Unobligated balance
Salaries and expenses.....	\$4,651,200	\$4,650,646	\$554
Printing and binding.....	43,000	41,671	1,329
Total.....	4,694,200	4,692,317	1,833

Working fund advanced to Securities and Exchange Commission by Foreign Economic Administration to cover cost of services rendered by the Commission

	Amount available	Expended	Unexpended
Working fund, Securities and Exchange Commission.....	\$94,244	\$10,234	\$84,010

Receipts for the fiscal year 1946¹

<i>Character of fee</i>	<i>Amount</i>
Fees for registration of securities.....	\$706,625.78
Fees under Trust Indenture Act.....	1,100.00
Fees from registered exchanges.....	362,238.45
Fees from sale of photo duplicates.....	16,875.42
Miscellaneous.....	6,592.37
Total.....	1,093,432.02

¹ This money must be turned into the general fund of the Treasury of the United States and is not available for expenditure by the Commission.

CONFIDENTIAL TREATMENT OF APPLICATIONS, REPORTS, OR DOCUMENTS

Under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940, and the Investment Advisers Act of 1940, confidential treatment may be granted, upon application by registrants, to information contained in reports, applications, or documents which they are required to file. Under the Securities Act of 1933 the Commission has adopted Rule 580, which provides that information as to material contracts, or portions thereof, will be held confidential by the Commission if it determines that disclosure would impair the value of the contracts and is not necessary for the protection of investors. The other four statutes referred to are, in general, without specific restriction in this respect and empower the Commission to hold confidential under certain conditions any information contained in any reports required to be filed under those statutes. Disclosure of information confidentially filed under the latter statutes is made only when the Commission determines that disclosure is in the public interest.

Although registrants may seek judicial review of decisions by the Commission adverse to them, no petitions for such judicial review were filed in any of these cases during the past fiscal year.

The following table indicates the number of applications received and acted upon during the past year, together with the number pending at its close:

Applications for confidential treatment—fiscal year ended June 30, 1946

Act under which filed	Number pending July 1, 1945	Number received	Number granted	Number denied or withdrawn	Number pending June 30, 1946
Securities Act of 1933 ¹	3	57	49	8	3
Securities Exchange Act of 1934 ²	24	87	74	14	23
Total.....	27	144	123	22	26

¹ These figures represent applications filed under Rule 580.

² These figures represent applications filed under Rules X-24B-2 and X-13A-6B.

COMPLIANCE WITH THE ADMINISTRATIVE PROCEDURE ACT

On June 11, 1946, Congress passed the Administrative Procedure Act (Public Law 404, 79th Cong., 2d sess., 60 Stat. 238), the stated purpose of which is "to improve the administration of justice by prescribing fair administrative procedure." This Act is applicable to most Federal administrative agencies, including this Commission. Among other things, it contains requirements respecting the publication of information; prescribes procedures to be followed in the adoption or revision of rules; specifies various procedural steps in the adjudication of cases, including the separation of prosecutorial and investigatory functions from decisional functions in certain defined types of cases and the issuance of intermediate decisions by subordinate officers and final decisions by the agency; defines the status and powers of examiners and other hearing officers; and deals with the right and scope of judicial review.

The Commission's existing organization and procedures in certain respects afford greater procedural safeguards to all interested persons than is required under the procedures specified in the Act, and the passage of the Act does not appear, therefore, to require any substantial change in the Commission's organization or any major modifications of the essential features of the Commission's present practice. The present procedure has been designed to afford a satisfactory solution of the particular procedural problems arising under those statutes. Descriptions of the Commission's organization and procedures have been made public, adequate notice of and opportunity for the presentation of views on proposed rules and for participation in other Commission proceedings is provided, due publicity is given to all official acts of the Commission affecting members of the public, and advisory and interpretative services are rendered to persons to assist them in complying with the requirements of the statutes. In order to insure maximum impartiality in the preparation of the Commission's decisions, the Commission has maintained a separate Opinion Writing Office, herein described, responsible directly to the Commission and functioning independently of any other divisions of the Commission's staff, to assist the Commission in preparing findings and opinions in contested cases and in other cases where a separation of the decisional function from the prosecutorial function is desirable.

However, the Commission took several steps as a result of passage of the Act. Although some of these steps post-date the period covered by this report, we have deemed it important to comment on them herein. A study of the Act and its legislative history as they relate to existing Commission practice was undertaken and led to the drafting of revised Rules of Practice which were adopted by the Commission in time to become effective September 1, 1946, the date on which most of the provisions of the Act became effective.⁵³ It is expected that this study will continue and that later changes in the Commission's procedures may be made in the event further problems arise under the Act and in the light of any judicial interpretations which may be issued.

Section 3 of the Act requires publication in the Federal Register of certain information not heretofore published therein. In compliance with that requirement, the Commission prepared and published a detailed description of its central and field organization and of the methods by which persons may secure information and make submittals and requests;⁵⁴ a description of informal and other procedures employed by the Commission and its staff,⁵⁵ and a description of the various forms prescribed by the Commission under the several statutes it administers.⁵⁶ Also prepared for publication is a compilation of interpretative opinions, issued under the several statutes administered by the Commission for the guidance of the public.⁵⁷ While it is not clear that publication in the Federal Register of interpretative opinions of this kind is required by the Act, the Commission considers such publication may be helpful to the public and that it falls within the spirit of the act. It is also contemplated that any future interpretative releases of this nature will also be submitted for publication in the Federal Register.

THE COMMISSION'S STUDY OF UNREGULATED SECURITIES AND ITS RECOMMENDATIONS TO CONGRESS

On June 19, 1946, the Commission forwarded to Congress a recommendation for amending Section 12 of the Securities Exchange Act of 1934 so as to close certain gaps in the pattern of investor protection established by that Act and by other legislation administered by the Commission. The amendment proposed by the Commission would extend to investors in the larger unregistered corporations the same benefits as to financial information, informative proxy-soliciting materials, and protection against trading by corporate insiders as are now enjoyed by investors in the securities of registered corporations. Accompanying the proposed amendment was a 118-page report, based on a study made by the Commission, containing case histories and other illustrative material in support of the Commission's conclusion that abuses in unregulated securities are in some respects as great

⁵³ The Commission's revised Rules of Practice, effective Sept. 11, 1946, and applicable to proceedings instituted after that date, were published in the Federal Register on Sept. 11, 1946. (11 Federal Register 177A-728.)

⁵⁴ This description was published in the Federal Register on Sept. 11, 1946. (11 Federal Register 177A-718.)

⁵⁵ This description was published in the Federal Register on Sept. 11, 1946. (11 Federal Register 177A-729.)

⁵⁶ This description was published in the Federal Register on Sept. 11, 1946. (11 Federal Register 177A-730.)

⁵⁷ This compilation was published in the Federal Register on Sept. 27, 1946. (11 Federal Register 10912 et seq.)

as anything the original Securities Exchange Act was designed to abolish. The Commission's proposed legislation was introduced by Representative Lea, chairman of the House Committee on Interstate and Foreign Commerce, as H. R. 7151, and was recommended by the President for earnest consideration by the Congress (House Doc. No. 682, 79th Cong.). The text of the Commission's report, "A Proposal to Safeguard Investors in Unregistered Securities," was printed as a House Document (House Doc. No. 682, 79th Cong.). However, the bill was not submitted until the closing weeks of the session, and Congress adjourned without having taken any action on it.

Certain vital protections for investors are available respecting the publicly-held securities of many of the large corporations of the country either because they are listed on national securities exchanges or because the companies involved are subject to the Public Utility Holding Company Act of 1935 or the Investment Company Act of 1940. As to these securities there are available much basic data about the companies involved and issuers must file periodic reports with the Commission as to their financial condition and earnings. These reports are public information; they provide the investor with the basis for a rational appraisal of the value of securities and for an intelligent decision as to whether to buy or sell. Without such information, securities trading tends to be a gamble, and the investor is at the mercy of insiders exploiting inside sources of information. As the House Interstate Commerce Committee stated in 1934, "There cannot be honest markets without honest publicity. Manipulation and dishonest practices of the market place thrive upon mystery and secrecy."⁵⁸ Under the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, and the Investment Company Act of 1940 the security holder is assured also that when his proxy is solicited he will be fully informed about the matters to be raised at the stockholders' meeting, and that he will be able to present his own proposals through use of the proxy machinery. In addition, there are certain protections against trading abuses by corporate insiders. Officers, directors and principal stockholders may not sell short the securities of their own company, must file public reports of their trading in such securities, and are accountable to the company for profits made in trading in the securities of the company within any 6-month period.

These provisions are contained in Sections 12, 13, 14, and 16 of the Securities Exchange Act, and in cognate provisions of the Holding Company Act and the Investment Company Act. They are not applicable in any degree to unregistered securities, with the result that, as revealed in special studies conducted by the Commission and discussed in its report, many of the old evils still persist.

The Commission found, for example, in a sample group of the larger type of unregistered company, that 50 percent of the balance sheets released to the public were materially deficient from the viewpoint of the information needs of the investor. Some 13 percent of the companies did not even issue income statements. Yet all these companies had substantial numbers of public stockholders. The proxy-soliciting practices of unregistered companies were found typical of the pre-1934 era. Photocopy reproductions in the Commission's report show solici-

⁵⁸ H. Rep. No. 1383, 73rd Cong., 2nd Sess. (1934) 11.

tations unaccompanied by disclosure even of the names of the persons whom the proxy agents intended to elect as directors, blank check authorizations to the proxy agents to ratify anything done in the past and to vote for anything which conceivably could come up at the meeting. In some cases the entire announcement to the stockholder was set forth on the back of an ordinary post card.

To illustrate the practical effect upon the investor of such practices, the Commission presented in summary form sixteen case histories showing how in instance after instance unscrupulous promoters or insiders have exploited investor ignorance to rifle corporate treasuries and to buy and sell securities on the basis of information obtained in the course of their fiduciary duties at rates highly advantageous to themselves. A pattern typical of the war and postwar periods consists of (1) extraordinary earnings by the company, (2) failure to disclose such earnings to public security holders, and (3) purchase of the holdings of the public investor by corporate insiders, sometimes upon the open market without disclosure of the identity of the purchaser. Most such cases, the Commission observed, have involved unregistered securities. And while cases of this character are within the scope of the antifraud provisions of the securities legislation administered by the Commission, comparatively few can be reached in this manner. As the Commission noted in its report, prevention of such frauds through appropriate legislative safeguards is needed.

Many of the larger corporations, or their securities, are already registered under one or another of the statutes administered by the Commission. However, a substantial number of large corporations and important issues of securities are not. Nor does this appear to be the result of any express design on the part of Congress. The original Securities Exchange Act was intended to provide safeguards for investors in *unregistered* securities similar to those enjoyed by investors in registered securities under Sections 12, 13, 14, and 16 of the Act. For reasons stated in our report, the achievement of this objective was not feasible in the early days of the Act, and a modification of the statute was effected to conform to existing conditions. However, Congress never abandoned its program of providing safeguards for investors in unregistered securities, and in a series of enactments since 1934 has taken concrete steps in that direction. Thus a 1936 amendment to the Securities Exchange Act extended the reporting requirements of that act to all new securities issues of substantial size, whether or not the securities involved were listed on exchanges. The Public Utility Holding Company Act of 1935 and the Investment Company Act of 1940 contained provisions substantially similar to the reporting, proxy-soliciting, and insider-trading features of Sections 12, 13, 14, and 16 of the Securities Exchange Act. The Trust Indenture Act of 1939 marked a further extension of reporting requirements. And public reports in some measure similar to those filed with the Commission are required under other statutes of companies subject to the jurisdiction of such agencies as the Interstate Commerce Commission, the Federal Power Commission and the Federal Communications Commission.

The piece-meal development of the protective scheme has left a series of gaps, and the Commission's report stated that these gaps should now be filled, at least as to the larger corporations. The amendment

recommended by the Commission to Congress would make the provisions of Sections 12, 13, 14, and 16 of the Securities Exchange Act of 1934 applicable to the securities of all corporations having assets of at least \$3,000,000 and at least 300 security holders. Exemptions would be available for banks, for mutual insurance companies, for public and charitable corporations, for corporations substantially all the securities of which are held within a single State, and for certain other categories. According to the Commission's estimates, some 1,500 companies which are not already registered would be subject to the proposed amendment, and some 500 of these are already filing reports with other public agencies which are comparable in their basic aspects to those required by the Commission. The rule-making powers of the Commission would be ample to prevent needless duplication of effort.

In its report the Commission discussed also the nature of the burdens that the amendment would place upon the companies affected. It observed that little or no administrative effort is required for compliance with the proxy and insider-trading provisions. As to the reporting provisions, companies which do not file reports with the Commission and which do not file comparable reports with other agencies could in most instances meet the reporting requirements without assuming any significant accounting burdens. The studies of sample companies conducted by the Commission and discussed in its report reveal, for example, that some 85 percent of the companies in the class which would be covered by the proposed legislation already have their financial statements certified by public accountants. The information that would be required is already on the books of most of these companies, and the only question is whether it shall be made available to their security holders and to the investing public.

The Commission noted that one beneficial effect of its proposed program on the over-the-counter market would be that dealers in the over-the-counter market, like the investor, would have the tools with which to select securities on a truly informed basis. Dealers might also expect to benefit to the extent that uniform reporting requirements would tend to decrease such private placements as may be motivated by a desire to avoid the disclosure provisions applicable to public offerings under the Securities Act of 1933.

VOLUME OF INFORMAL INTERPRETATIVE ASSISTANCE

Attention is called throughout this report to the amount of informal interpretative and advisory assistance which the Commission furnishes to the public in connection with the various Acts administered by the Commission. This assistance is generally furnished by the staff directly concerned with the problem presented or charged with the responsibility for examining material filed with the Commission. The Office of Chief Counsel of the Corporation Finance Division, however, maintains an interpretative unit staffed with lawyers who are available for aid as to the many problems which arise under the various acts administered by the Commission.

As further illustrating the very considerable volume of such assistance necessarily rendered by the staff to registrants and other interested parties concerned with the day-to-day regulatory work performed by the Commission, it may be noted that during the past year

the interpretative unit established in the Office of Chief Counsel of the Corporation Finance Division alone received and gave appropriate assistance in response to a total of 4,547 letters requesting such aid with regard to a great variety of the functions assigned to the jurisdiction of that particular division. In addition, assistance was given in many hundreds of conferences held by the lawyers of this unit with members of the public, either in person or over the telephone.

INTERNATIONAL FINANCIAL AND ECONOMIC MATTERS

At the request of other agencies concerned with foreign economic policy, the Commission has participated in various activities connected with the field of international finance, both as to the problems directly involved in such matters and as to domestic affairs which reflect themselves in foreign economic policy. To this end the Commission had, during the war years, loaned members of its staff to other agencies and to the Army for specific assignments in foreign countries, the last of which was the recent survey of the Japanese Zaibatsu.

Further, the Commission has appointed representatives to various committees engaged in formulating and executing United States international economic policy. Among these are the Foreign Investment Policy Committee and the Committee on Private Monopolies and Cartels (which are both subcommittees of the Executive Committee on Economic Foreign Policy) and the Staff Committee and other committees of the National Advisory Council on International Monetary and Financial Problems. The Commission also appoints two representatives to the Federal Committee on International Statistics.

In the course of its operations, the Commission maintains a survey of various aspects of these markets and makes this information available to such other agencies, either through its representatives on the committees mentioned above or through its adviser on foreign investments. Further, the Commission makes or participates in special studies to aid other agencies concerned with foreign economic and financial problems. It has done so with respect to the debt status of foreign countries applying for credit; the appraisal of the credit status of foreign countries in the private capital market; the external interest rates of foreign borrowers and their effect on private investors; and a study of foreign laws with respect to securities and investments.

Indicative of the Commission activities is the present participation of the Commission in connection with the rendition of assistance and advice to the United States Executive Directors of the International Bank for Reconstruction and Development with respect to the effect of domestic laws and domestic markets on the flotation of its bonds and the bonds of foreign countries guaranteed by the bank. With respect to registration statements filed by foreign corporations and governments seeking capital in the domestic market, the Commission maintains, through its adviser on foreign investments, facilities for liaison with other government agencies having jurisdiction of the problems involved, and for rendering of such aid and advice as it might be called on to give.



PART IX

APPENDIX

STATISTICAL TABLES



TABLE 1.—Registrations under the Securities Act of 1933 fully effective during the fiscal year ended June 30, 1946

PART 1.—DISTRIBUTION BY MONTHS

[Amounts in thousands of dollars]¹

Year and month	All effectively registered			Proposed for sale for account of issuers		
	Number of statements	Number of issues	Amount	Number of statements	Number of issues	Amount
<i>1945</i>						
July.....	53	75	842,155	50	60	720,044
August.....	25	39	163,566	17	25	132,593
September.....	44	62	700,000	35	42	508,397
October.....	82	114	1,046,739	69	84	829,181
November.....	20	31	143,686	17	24	112,026
December.....	41	55	470,692	35	42	384,251
<i>1946</i>						
January.....	43	98	412,223	36	82	344,312
February.....	38	53	129,153	31	43	85,030
March.....	60	90	591,931	49	70	450,922
April.....	84	117	726,878	66	81	522,649
May.....	84	153	882,206	69	118	669,272
June.....	87	128	964,051	70	89	664,912
Total fiscal year 1946:—	2,661	1,015	7,073,280	544	760	5,423,593

PART 2.—BREAKDOWN BY METHOD OF DISTRIBUTION AND TYPE OF SECURITY OF THE VOLUME PROPOSED FOR CASH SALE FOR ACCOUNT OF THE ISSUERS

[Amounts in thousands of dollars]¹

Method of distribution and group to whom offered	Type of security					
	All types	Secured bonds	Unsecured bonds	Preferred stock	Common stock	Other types ²
All methods of distribution.....	5,423,593	1,432,177	1,478,119	990,699	1,028,071	494,528
To general public.....	4,767,365	1,430,194	1,471,496	777,223	619,317	469,135
To security holders.....	622,057	6,223	212,025	386,999	16,810
To other special groups.....	34,171	1,983	400	1,451	21,755	8,583
Through investment bankers.....	5,195,867	1,428,333	1,476,819	981,539	825,945	483,232
By purchase and resale.....	4,445,915	1,428,333	1,475,842	967,903	556,899	16,938
To general public.....	4,006,526	1,428,150	1,470,562	762,187	345,518	128
To security holders.....	437,159	5,280	205,736	209,333	16,810
To other special groups.....	2,231	183	2,048
On best efforts basis.....	749,952	976	13,636	269,046	466,294
To general public.....	739,298	933	10,856	261,215	466,294
To security holders.....	10,334	43	2,750	7,541
To other special groups.....	320	30	290
By issuers.....	227,726	3,843	1,300	9,160	202,126	11,296
To general public.....	21,541	2,043	4,200	12,584	2,714
To security holders.....	174,565	900	3,539	170,125
To other special groups.....	31,620	1,800	400	1,421	19,417	8,583

See footnotes at end of table.

SECURITIES AND EXCHANGE COMMISSION

TABLE 1.—Registrations under the Securities Act of 1933 fully effective during the fiscal year ended June 30, 1946—Continued

PART 3.—PURPOSE OF REGISTRATION AND INDUSTRY OF REGISTRANT

[Amounts in thousands of dollars]

		Industry							
		All industries	Extractive	Manufacturing	Financial and investment	Merchandising	Transportation and communication	Electric light, power, heat, water, and gas	Other
Number of statements									24
Number of issues									35
For all purposes of registration (estimated value)									84,232
Less: Not for sale									15,403
For account of issuers									15,186
Reserved for conversion									7,830
Reserved for option									2,081
For substitution									6,241
For exchange for other securities									4,924
For other purposes									
For sale (estimated gross proceeds)									218
Less: For account of others than issuers									68,829
For sale for account of others									5,680
For compensation to distributors									
Expenses									
Expected net proceeds from sales for account of issuers									
New money									
Plant and equipment									
Working capital									
Other new money purposes									
Repayment of indebtedness and retirement of stock									
Bonds and notes									
Other debt									
Preferred stock									
Purchase of securities									
For investment									
For affiliation									
Purchase of intangible assets									
Miscellaneous and unaccounted for									
	6	9,636	6	1,638	1,688	1,688	516	205	634
									449

of two statements (5762, 5769) which were effective during the preceding fiscal year subject to amendments which were filed during this fiscal year.

¹ Consists mainly of certificates of participation and face amount installment certificates.

² The securities in this classification are all by corporate issuers other than \$25,723,523 Province of Alberta debentures and \$4,488,643 (6433) effective during the year subject to amendments which were not filed until the succeeding fiscal year; and (b) the inclusion

¹ Slight discrepancies between the sums of figures in the tables and the totals shown are due to rounding.

² The number of statements represented in this table as "fully effective" 661, differs from the 663 shown as "effective" on page — of this report by reason of (a) the exclusion from this table of four statements (6381, 6420, 6433, 6435) effective during the year subject to amendments which were not filed until the succeeding fiscal year; and (b) the inclusion

TABLE 2.—Classification by quality and size of new issues, exclusive of investment trust issues, registered under the Securities Act of 1933 for sale to the general public through investment bankers during the fiscal years 1944, 1945, and 1946

PART 1.—NUMBER OF ISSUES AND AGGREGATE VALUE

[Amounts in thousands of dollars]¹

Fiscal year ended June 30	Size of issue (\$'000,000)	Bonds ^a						Preferred stock		Common stock	
		First grade	Second grade	Third grade	Fourth grade	Fifth grade	Below fifth	Unrated	All bonds	Aggregate value of issues	Number of issues
1944		Num-ber of issues	Aggre-gate value	Num-ber of issues	Aggre-gate value	Num-ber of issues	Aggre-gate value	Num-ber of issues	Aggre-gate value	Num-ber of issues	Aggre-gate value
	50 and over	0	0	0	0	0	0	0	0	0	0
	20-50	2	64,143	4,108	330	0	0	0	0	10	326,971
	6-20	0	0	67,732	6,70,582	2	20,815	0	0	21	248,975
	1-5	0	0	6,315	15,42,131	2	6,000	2	4,750	0	59,196
	Under 1	0	0	0	0	1	1,013	1	0	1,050	11
	All sizes	8	167,876	12,226	622	27	222,056	5	27,416	5	10,082
1945		1,201,913	316,835	1,101,000	2,117,453	0	0	0	0	69	637,805
	50 and over	5	140,737	9,298,298	1,24,720	1	36,788	1	38,000	10	827,210
	20-50	2	30,465	40,327	3	40,044	11,122,203	2	24,228	0	15,800
	6-20	0	0	1	4,040	9	27,842	7	13,594	5	9,000
	1-5	0	0	0	0	0	0	0	0	5	7,750
	Under 1	0	0	0	0	0	0	0	0	2	950
	All sizes	5,322	378	13	497,885	14,444,382	23,222,227	10	73,806	6	36,090
1946		5,382	965	9	80,401	3,105,210	0	0	0	0	0
	50 and over	3,107,574	5,158,147	16,456,319	7,258,466	1	40,000	0	0	17,1,468	1,476
	20-50	1,16,013	2	28,883	12,122,379	15,127,789	3	17,783	2	21,360	0
	6-20	0	0	1	4,601	4,13,140	7	19,194	9	26,074	8
	1-5	0	0	0	0	0	0	0	1	8,895	16,267
	Under 1	0	0	0	0	0	0	0	1	1,980	1,723
	All sizes	9,500,652	171,077,033	34,796,048	20,305,429	14	34,181	7	31,375	14	19,980

See footnotes at end of table.

TABLE 2.—Classification by quality and size of new issues, exclusive of investment trust issues, registered under the Securities Act of 1933 for sale to the general public through investment bankers during the fiscal years 1944, 1945, and 1946—Continued

PART 2.—COMPENSATION : TO DISTRIBUTORS

[Percent of gross proceeds]¹

Fiscal year ended June 30	Size of issue (\$000,000)	Bonds ²					Preferred stock	Common stock
		First grade	Second grade	Third grade	Fourth grade	Fifth grade		
1944	50 and over	1.4	1.4	1.4	1.4	1.4	1.4	3.2
	20-50	0.9	0.9	1.0	1.7	2.8	1.4	2.8
	5-20	—	—	1.5	2.4	5.0	4.7	7.0
	1-5	—	—	—	3.8	7.5	—	8.0
	Under 1	—	—	—	—	—	3.5	3.2
	All sizes	1.1	1.2	1.7	3.4	4.7	3.1	8.0
1945	50 and over	1.1	0.8	1.6	1.8	1.7	1.1	3.1
	20-50	0.9	1.1	1.9	1.2	2.4	1.2	1.8
	5-20	1.3	1.0	1.0	1.6	2.9	5.1	2.4
	1-5	—	—	0.9	1.6	—	3.4	4.5
	Under 1	—	—	—	—	—	7.9	8.3
	All sizes	1.1	0.9	1.2	1.6	3.1	2.1	1.3
1946	50 and over	0.6	0.6	0.9	1.5	—	0.7	0.3
	20-50	0.9	0.6	0.8	1.4	1.3	1.0	1.0
	5-20	0.9	0.5	1.0	1.6	2.6	3.3	6.5
	1-5	0.7	1.1	1.0	2.0	2.9	3.1	2.0
	Under 1	—	—	—	—	7.1	5.6	4.7
	All sizes	0.7	0.6	0.8	1.6	1.9	3.6	3.1

¹ Slight discrepancies between the sums of figures in the tables and the totals shown are due to rounding.

² The grades are according to the classification of the bonds by investment rating services: "first grade," "second grade" to A_b, A₁, A_A; etc.

³ The compensation figures are based on the data reported in the registration statements as of their effective dates. They do not, therefore, include additional compensation that may have been realized later from the exercise of options that had no realizable value on the effective dates.

TWELFTH ANNUAL REPORT

TABLE 3.—*New securities offered for cash sale in the United States¹*

PART 1.—TYPE OF OFFERING

[Estimated gross proceeds in thousands of dollars]²

Year and month	All offerings	Public :			Private		
		Exempt because of—			Registered	Exempt because of—	Purchased by limited group ⁶
		Type of issue or issuer ⁴	Size of issue ⁵	Intrastate offering			
July 1934 to June 1935	3,553,976	496,505	2,711,997	0	4,298	80,568	261,508
July 1935 to June 1936	11,060,966	3,295,159	7,372,131	0	11,514	19,490	325,493
July 1936 to June 1937	7,701,866	3,006,992	4,244,512	0	17,777	8,686	302,590
July 1937 to June 1938	3,454,156	891,614	2,196,440	0	6,692	2,669	350,838
July 1938 to June 1939	6,817,226	1,651,696	4,356,446	0	7,604	61,304	69,188
July 1939 to June 1940	5,511,591	1,295,916	3,417,451	0	6,532	14,712	45,659
July 1940 to June 1941	9,842,273	1,682,442	7,142,634	0	10,005	111,806	337,526
July 1941 to June 1942	19,920,551	1,280,345	18,104,723	0	2,125	5,375	520,098
July 1942 to June 1943	47,489,692	419,942	46,754,376	0	603	0	314,770
July 1943 to June 1944	55,389,398	1,060,982	55,058	0	1,013	56,829	546,568
July 1944 to June 1945	54,004,501	2,127,088	51,019,897	3,343	20,654	12,068	786,453
July 1945 to June 1946	36,948,457	4,651,402	30,179,811	111,895	4,128	5,000	990,901
<i>1946</i>							
July	2,805,882	702,876	1,980,938	2,965	0	0	250
August	1,354,972	145,862	977,104	4,833	602	0	225,571
September	1,165,254	501,024	931,907	5,619	324	0	24,384
October	2,135,539	806,502	1,281,612	5,177	702	0	60,956
November	4,403,280	62,188	4,231,833	6,717	0	3,000	78,927
December	14,447,080	304,149	14,026,347	12,357	0	0	105,227
<i>1947</i>							
January	1,585,464	190,569	1,350,942	7,606	956	0	35,400
February	1,180,904	41,813	1,041,781	9,292	0	5,000	81,461
March	1,305,182	169,467	1,083,364	13,168	250	0	38,933
April	1,397,315	458,867	1,356,126	10,669	0	0	76,232
May	1,786,418	641,447	1,018,620	15,054	400	0	116,196
June	1,542,067	592,063	897,225	18,135	894	0	33,750

See footnotes at end of table.

TABLE 3.—*New securities offered for cash sale in the United States 1—Continued*

PART 2.—TYPE OF SECURITY

Estimated gross proceeds in thousands of dollars] 2

Year and month	All types of securities				Bonds, deboniters, and notes				Common stock	
	All issuers		Noncorporate		Corporate		Corporate			
	All issuers	Noncorporate	All issuers	Noncorporate	All issuers	Noncorporate	Bonds, deboniters, and notes			
July 1934 to June 1935	3,553,976	2,658,701	895,184	3,534,933	2,658,791	876,142	12,161	6,881		
July 1935 to June 1936	6,060,966	5,663,177	4,207,819	6,053,177	5,663,177	3,876,544	106,752	106,524		
July 1936 to June 1937	7,601,508	3,868,146	3,705,361	6,772,269	3,896,145	2,876,164	410,020	419,188		
July 1937 to June 1938	3,454,156	2,165,081	1,207,076	3,207,377	2,165,081	1,042,296	186,020	60,749		
July 1938 to June 1939	6,817,126	4,371,626	2,445,601	6,836,832	4,371,626	2,465,206	106,680	73,745		
July 1939 to June 1940	6,511,591	3,180,573	2,322,017	5,260,499	3,180,573	2,080,926	138,981	96,411		
July 1940 to June 1941	9,842,273	6,810,633	6,604,238	9,811,496	6,810,633	7,792,748	176,721	65,721		
July 1941 to June 1942	19,920,651	11,933,427	1,987,124	19,620,469	1,987,124	1,987,427	1,987,042	1,987,270	116,813	
July 1942 to June 1943	47,492,692	46,747,286	742,406	47,427,238	46,747,286	679,962	33,311	29,144		
July 1943 to June 1944	52,389,938	50,695,588	1,734,349	51,990,392	50,695,588	1,324,804	326,970	33,876		
July 1944 to June 1945	54,004,501	49,757,097	4,237,403	53,419,331	49,757,097	3,852,234	370,174	214,985		
July 1945 to June 1946	85,946,457	28,824,908	7,123,549	33,987,000	28,824,908	5,172,092	1,176,861	777,586		
<i>1945</i>										
July	2,805,892	1,844,981	980,911	2,498,632	1,844,981	650,651	220,715	89,545		
August	1,324,972	890,174	464,798	1,284,914	890,174	394,739	60,713	9,345		
September	1,465,254	657,078	808,176	1,352,459	657,078	695,381	76,839	34,307		
October	2,135,520	1,053,618	1,882,011	1,982,652	1,053,618	908,034	106,617	64,460		
November	4,403,280	4,251,298	1,621,012	4,354,948	4,251,288	103,681	24,045	24,286		
December	14,447,080	13,946,804	500,276	14,333,390	13,946,804	386,638	42,855	70,836		
<i>1946</i>										
January	1,385,464	1,332,685	252,779	1,406,478	1,332,685	73,788	111,068	67,918		
February	1,180,004	883,278	296,726	1,122,241	883,278	238,963	24,640	33,223		
March	1,305,182	887,916	417,267	1,168,283	887,916	280,367	73,916	62,982		
April	1,987,315	1,255,145	682,171	1,679,734	1,255,145	424,539	154,286	103,286		
May	1,786,418	942,698	849,790	1,570,473	942,698	636,845	145,954	61,091		
June	1,642,067	879,484	662,682	1,286,986	879,484	377,462	128,863	16,317		

See footnotes at end of table.

TABLE 3.—*New securities offered for cash sale in the United States 1—Continued*

PART 3.—TYPE OF ISSUER

[Estimated gross proceeds in thousands of dollars].²

Year and month ³	Corporate ⁴				Noncorporate						
	Total corporate	Industrial	Public utility	Rail	Real estate and financial	Total noncorporate	United States Government building agency issues (not guaranteed)	Federal agency issues (not guaranteed)	State and municipal	Foreign government	Electrosanitary and other nonprofit
July 1934 to June 1935	895,184	328,948	377,605	137,404	51,228	2,658,791	1,672,410	60,109	1,020,328	4,978	968
July 1935 to June 1936	4,207,819	2,008,143	639,552	1,037,626	501,036	6,853,177	5,354,660	94,827	1,248,675	130,538	24,477
July 1936 to June 1937	3,705,361	1,203,865	852,526	577,281	41	3,896,145	2,589,372	246,446	1,060,212	163,239	67,877
July 1937 to June 1938	1,289,075	659,730	577,281	428	10,636	2,165,081	1,206,754	81,670	863,794	3,250	6,613
July 1938 to June 1939	3,445,601	954,958	1,365,640	106,351	18,371	2,994,127	2,994,127	63,269	3,322,048	66,797	16,385
July 1939 to June 1940	2,322,017	691,039	1,106,325	297,836	224,719	3,189,573	2,140,357	47,288	892,491	27,939	21,627
July 1940 to June 1941	3,030,603	1,047,920	1,630,609	375,026	77,139	6,811,670	5,411,606	1,265,248	4,120	27,055	9,334
July 1941 to June 1942	1,887,124	770,472	174,203	66,029	17,933,427	17,209,070	35,172	679,850	0	0	0
July 1942 to June 1943	1,742,406	802,823	331,753	106,264	12,065	46,747,286	46,198,211	2,912	457,405	89,700	4,088
July 1943 to June 1944	1,734,349	854,064	637,746	163,404	59,136	50,665,589	50,141,375	185	496,970	19,388	6,661
July 1944 to June 1945	4,327,403	1,290,521	1,724,396	1,161,006	121,180	49,767,097	48,556,290	114,463	778,758	15,000	2,558
July 1945 to June 1946	7,123,659	2,942,665	2,572,466	262,405	28,824,908	27,267,610	608,424	928,210	30,212	0	462
July 1946											
July	960,911	495,366	310,948	106,282	48,316	1,844,981	1,601,909	176,621	66,461	0	0
August	464,798	251,759	119,255	84,944	8,940	890,174	845,162	0	44,560	0	462
September	805,176	159,605	382,164	276,536	12,073	657,078	605,707	0	46,863	4,480	0
October	1,682,011	223,689	652,053	246,546	28,323	1,058,518	900,572	0	67,223	26,724	0
November	162,012	62,855	64,481	0	24,677	4,261,208	4,205,974	0	41,294	0	0
December	500,276	188,938	215,684	69,066	26,587	13,946,904	15,649,804	314,803	82,186	0	0
January 1947											
January	262,770	188,329	44,072	6,942	13,437	1,332,685	1,261,341	0	71,344	0	0
February	796,736	104,126	160,530	86,888	8,862	803,355	785,278	0	79,923	0	0
March	417,207	134,166	79,280	183,691	10,131	887,916	805,039	0	82,847	0	0
April	433,473	424,453	98,982	18,820	1,255,145	968,801	217,000	0	171,894	0	0
May	843,790	420,901	420,901	181,987	35,302	762,938	792,738	0	149,890	0	0
June	662,632	0	0	0	24,443	879,434	755,178	0	124,256	0	0

See footnotes at end of table.

TABLE 3.—*New securities offered for cash sale in the United States¹—Continued***PART 4.—PRIVATE PLACEMENTS OF CORPORATE SECURITIES²**[Estimated gross proceeds in thousands of dollars]³

Year and month	Type of security		Type of issuer ⁴				
	Bonds, debentures and notes	Stocks	Industrial	Public utility	Railroad	Real estate and financial	
July 1934 to June 1935	261,508	250,150	2,050	158,469	77,700	25,340	
412,152	412,152	409,264	2,880	165,324	215,530	11,800	
325,525	321,961	3,664	121,638	161,905	13,386	38,595	
July 1935 to June 1936	321,961	357,759	357,158	601	226,698	123,343	500
July 1936 to June 1937	357,759	748,435	748,715	8,927	366,771	364,732	23,432
July 1937 to June 1938	748,435	760,643	986,064	2,288	188,703	418,614	8,892
July 1938 to June 1939	760,643	991,382	531,458	523,188	270,472	563,160	24,142
July 1939 to June 1940	991,382	314,770	312,720	8,270	270,472	221,017	5,986
July 1940 to June 1941	314,770	592,485	586,270	2,050	144,637	152,233	31,984
July 1941 to June 1942	592,485	832,973	822,610	7,215	347,521	162,660	0
July 1942 to June 1943	832,973	1,001,221	964,384	10,369	437,456	346,154	4,325
July 1943 to June 1944	964,384			36,337	679,082	261,185	18,935
July 1944 to June 1945							19,984
July 1945 to June 1946							
1945							
July	110,118	117,538	1,575	95,996	20,640	0	0
August	226,670	225,321	1,260	180,513	36,368	0	2,478
September	24,384	24,384	0	13,901	7,884	0	1,700
October	61,426	59,514	1,963	33,937	4,830	20,320	2,600
November	82,527	78,070	4,448	38,620	37,047	0	2,190
December	105,237	99,206	6,020	77,145	26,926	0	6,860
							1,168
1946							
January	35,400	32,900	2,500	35,400	0	0	0
February	87,411	81,283	6,290	61,461	25,000	650	0
March	38,933	35,798	3,135	20,053	18,880	0	0
April	76,232	72,746	3,487	59,107	26,125	0	0
May	110,196	107,446	2,750	57,500	52,696	0	0
June	33,750	30,000	5,450	5,800	10,500	0	0

¹ The data in these tables cover substantially all new issues of securities offered for cash sale in the United States in amounts over \$100,000 and with terms to maturity of more than 1 year. The figures represent offerings, not actual sales. However, the proportion of the total remaining unsold is believed to be quite minor, and is composed chiefly of nonunderwritten issues of small companies. Included in the coverage are issues privately placed as well as issues publicly offered and unregistered issues as well as those registered under the Securities Act of 1933. Excluded are: intercorporate transactions; United States Government "Special Series" issues; and other sales directly to Federal agencies and trust accounts; notes issued exclusively to commercial banks, and corporate issues sold through continuous offering, such as issues of open-end investment companies.

² The chief sources of data are the financial press and documents filed with the Commission. Data for offerings of state and municipal securities are from totals published by "The Commercial and Financial Chronicle," unlike the other data in table 1, these represent principal amounts instead of gross proceeds. All figures are subject to revision as new data are received.

³ Gross proceeds are derived by multiplying principal amounts or numbers of units by offering prices, except for municipal issues where principal amount is used. Slight discrepancies between the sums of figures in the tables and the totals shown are due to rounding.

⁴ Issues sold by competitive bidding directly to ultimate investors are classified as publicly-offered issues.

⁴ Issues exempt because of type of issue or issuer include offerings of Federal, state, and local governments, banks, issuers subject to regulation by the Interstate Commerce Commission, and eleemosynary and other nonprofit institutions.

⁵ Issues in this group include those between \$100,000 and \$500,000 in size which are exempt because of amendments to Regulation A of the Securities Act of 1933, effective May 21, 1945.

Securities for which registration under the Securities Act of 1933 would be required if they were publicly offered.

⁷ Excludes issues sold by competitive bidding directly to ultimate investors.

⁸ The classification by type of issuer of the offerings of corporate securities in this table is less detailed than that of Securities Act registrations in part 3 of table 1. In comparing the two distributions the following points should be noted: (1) the "public utility" classification in this table combines both the "heat", "light, power, and water" and the "transportation and communication" categories of the offer with the principal exception of airlines, which have been included in the "industrial classification of table 5"; (2) the "real estate and financial" category in this table includes offerings of securities of the type of issuer represented in the "financial and investment" classification of table 1, except that it does not include issues offered on a continuous basis by open-end investment companies; (3) the "industrial" classification in table 3 includes the type of issuers represented in the "extractive", "manufacturing", "merchandising", and "other" classifications of table 1 except foreign governments (see footnote 5 to table 1).

TABLE 4.—*Proposed uses of net proceeds from the sale of new corporate securities offered for cash sale in the United States*

PART I.—ALL CORPORATE

[Amounts in thousands of dollars]¹

Year and month	Total gross proceeds*	Total net proceeds*	New money			Retirements			All other purposes
			Total new money	Plant and equipment	Working capital	Total retirements	Funded debt	Other debt	
July 1934 to June 1935	895,184	872,204	112,067	55,796	56,272	728,959	628,633	90,861	31,178
July 1935 to June 1936	4,207,819	4,080,791	419,055	280,886	168,669	3,122	3,167,120	216,691	24,613
July 1936 to June 1937	3,705,361	3,589,334	1,195,768	561,900	633,859	2,332,519	1,986,784	253,649	61,047
July 1937 to June 1938	2,445,601	2,391,750	850,750	412,191	238,559	568,720	463,021	129,247	5,294
July 1938 to June 1939	2,322,017	2,267,785	587,503	376,133	288,133	1,469,212	1,174,451	126,602	13,461
July 1939 to June 1940	3,030,603	2,970,499	292,377	184,069	108,278	1,948,865	1,695,787	182,657	26,643
July 1940 to June 1941	1,987,124	1,954,957	862,496	782,288	616,691	1,617,477	1,293,831	90,685	70,753
July 1941 to June 1942	742,406	728,304	242,444	123,906	118,538	273,157	1,061,176	800,818	53,824
July 1942 to June 1943	1,732,346	1,698,741	458,620	229,611	229,611	459,101	307,737	26,822	31,283
July 1943 to June 1944	4,237,403	4,100,881	295,294	164,642	132,322	1,200,933	915,837	97,368	34,532
July 1944 to June 1945	7,123,549	6,971,662	1,556,561	1,003,370	553,191	2,866,618	2,323,809	51,362	48,150
July 1945 to June 1946	1945					5,160,270	4,323,809	201,271	625,190
January--	960,911	943,338	187,043	149,212	47,832	734,604	588,905	5,098	140,602
February--	464,798	458,826	100,059	56,009	41,050	352,584	282,876	50,411	19,297
March--	808,176	793,257	98,884	48,887	633,159	647,668	726	34,725	6,181
April--	1,082,011	1,042,444	155,920	101,647	54,173	707,227	19,214	56,272	11,214
May--	162,012	147,616	24,908	8,969	15,948	68,348	6,200	19,266	28,895
June--	500,276	491,336	121,480	92,604	28,876	349,608	296,239	11,620	41,749
January--	252,779	244,563	111,264	62,715	48,549	123,054	56,159	5,313	62,182
February--	236,726	291,080	37,034	17,076	19,959	239,503	221,609	1,567	16,327
March--	417,267	405,348	96,295	55,354	43,941	266,552	57,270	30,230	17,007
April--	682,171	668,190	212,572	147,570	64,792	432,936	320,071	55,807	20,682
May--	845,790	824,988	152,789	90,580	62,200	656,138	513,623	28,088	14,071
June--	662,632	642,669	246,412	108,528	76,884	330,505	284,631	13,706	60,762

TWELFTH ANNUAL REPORT

PART 2.—INDUSTRIAL

July 1934 to June 1935	328,948	321,656	49,900	19,500	30,400	251,652	230,139	11,847	665	20,104
July 1935 to June 1936	1,340,652	1,285,298	191,242	96,704	94,478	1,082,967	803,426	161,178	132,392	11,169
July 1936 to June 1937	1,160,008	602,828	239,994	362,833	567,099	334,333	177,228	14,772	115,394	40,282
July 1937 to June 1938	632,079	461,600	268,473	193,136	193,136	177,228	14,772	45,983	16,983	3,243
July 1938 to June 1939	954,050	680,063	118,832	50,408	190,505	478,368	32,521	126,882	22,966	10,773
July 1939 to June 1940	691,039	1,021,150	184,436	98,553	68,524	55,202	45,255	44,203	32,745	14,050
July 1940 to June 1941	1,047,920	779,472	401,554	157,220	85,853	822,631	676,337	60,369	85,986	14,082
July 1941 to June 1942	721,093	281,823	127,442	22,069	244,135	351,521	170,170	164,111	43,240	23,263
July 1942 to June 1943	854,034	833,447	358,077	104,774	159,768	200,308	91,762	20,087	27,899	17,263
July 1943 to June 1944	1,200,621	1,167,725	637,361	159,734	374,628	610,337	446,987	28,835	139,082	28,283
July 1944 to June 1945	2,942,665	2,846,627	1,272,713	837,259	455,453	1,433,970	936,750	40,021	137,565	23,027
July 1945 to June 1946	1946	1946	1946	1946	1946	1946	1946	1946	1946	139,943
July	495,366	483,427	162,650	132,480	30,160	309,238	208,526	5,086	95,614	11,520
August	251,759	249,345	86,484	46,945	39,489	161,196	99,970	45,765	16,771	1,316
September	189,605	133,152	87,346	45,622	41,825	42,379	8,837	690	32,853	3,727
October	233,089	222,901	94,632	59,566	35,066	113,154	65,692	7,943	39,618	15,116
November	62,856	60,988	21,218	7,049	14,169	37,453	26,663	4,787	6,102	1,917
December	188,938	183,803	68,920	53,101	16,828	106,971	89,310	1,875	15,788	6,903
January	188,329	181,402	98,294	54,897	43,207	73,554	50,750	5,313	17,491	9,644
February	104,126	100,254	20,454	15,290	11,185	69,120	45,418	783	13,210	14,370
March	134,168	125,922	94,086	53,615	40,471	14,981	2,720	1,957	10,305	16,755
April	424,463	412,208	198,400	141,078	157,322	165,067	18,973	37,584	43,609	18,741
May	269,088	288,981	126,928	79,028	47,901	144,203	100,007	17,443	36,752	7,850
June	420,901	404,142	206,411	148,588	57,822	186,056	125,176	12,165	27,714	32,077

See footnotes at end of table.

TABLE 4.—*Proposed use of net proceeds from the sale of new corporate securities offered for cash sale in the United States—Continued*

PART 3.—PUBLIC UTILITY

[Amounts in thousands of dollars]¹

Year and month	Total gross proceeds ²	Total net proceeds ²	New money			Requirements			All other purposes
			Total new money	Plant and equipment	Working capital	Total retirements	Funded debt	Other debt	
July 1934 to June 1935	377,605	366,631	10,351	4,673	5,678	348,480	316,537	31,962	7,792
July 1935 to June 1936	2,068,143	1,955,387	63,963	43,360	20,563	1,888,828	1,786,965	33,169	68,694
July 1936 to June 1937	1,637,526	1,585,660	73,207	64,923	8,284	1,508,985	1,388,098	32,832	2,697
July 1937 to June 1938	677,281	663,894	161,888	114,885	37,013	410,704	327,027	53,219	13,476
July 1938 to June 1939	1,386,640	1,337,126	86,882	77,017	9,864	1,249,107	1,105,117	47,679	1,292
July 1939 to June 1940	1,108,325	1,086,454	65,275	54,456	10,719	1,012,482	939,338	35,738	1,188
July 1940 to June 1941	1,530,509	1,504,828	306,804	280,971	25,834	1,194,029	1,129,510	13,390	3,905
July 1941 to June 1942	977,422	906,212	307,860	305,421	2,408	655,354	609,806	34,966	10,833
July 1942 to June 1943	331,763	326,315	67,935	61,908	6,027	249,493	236,000	6,765	3,028
July 1943 to June 1944	687,746	646,761	17,888	7,190	10,738	619,136	661,768	6,633	8,888
July 1944 to June 1945	1,724,396	1,697,841	46,113	36,522	12,591	1,630,274	1,434,820	10,892	9,727
July 1945 to June 1946	2,572,466	2,539,492	73,804	63,733	10,071	2,396,333	2,132,965	6,546	18,454
								41,820	221,847
									69,366
1945									
July	310,948	307,818	5,742	4,958	784	302,076	285,792	0	16,284
August	119,255	117,308	2,044	1,943	101	110,825	108,730	0	1,886
September	382,164	378,297	261	0	371,786	370,078	36	1,672	0
October	572,053	665,507	15,653	15,269	363	533,224	510,432	9,500	16,320
November	64,481	63,440	2,251	1,830	921	55,879	41,303	1,412	5,308
December	215,684	212,731	28,920	20,881	3,289	187,688	157,223	7,100	1,122
									23,364
1946									
January	44,072	43,166	512	256	42,654	5,406	0	37,245	0
February	32,688	32,412	811	655	145	31,436	28,540	2,869	163
March	79,280	78,062	1,492	70	1,492	76,570	56,331	19,925	0
April	139,915	137,846	6,207	3,746	2,462	131,639	109,462	12,573	9,003
May	429,931	423,576	4,819	4,241	578	418,153	327,834	10,644	604
June	181,987	170,330	10,083	9,853	240	134,589	131,831	2,538	34,635

PART 4.—RAILROAD

July 1934 to June 1935	137,404	133,871	31,540	31,323	217	101,186	63,429	37,756	0	R, 145
July 1935 to June 1936	659,857	657,588	122,603	120,522	2,080	514,985	452,073	62,013	0	
July 1936 to June 1937	80,036	489,861	265,753	256,634	9,089	224,108	203,891	16,480	3,738	0
July 1937 to June 1938	41,428	40,815	29,328	28,827	500	11,487	11,1487	0	0	0
July 1938 to June 1939	106,361	104,352	48,778	48,778	0	55,674	55,574	0	0	0
July 1939 to June 1940	297,935	293,481	80,585	79,136	4,450	212,896	212,683	0	0	0
July 1940 to June 1941	375,026	368,061	236,711	236,711	0	131,981	110,942	212	18,039	289
July 1941 to June 1942	174,302	171,250	126,699	126,699	0	45,027	45,027	0	0	0
July 1942 to June 1943	106,266	103,187	39,330	39,330	0	65,858	65,858	0	0	0
July 1943 to June 1944	163,404	162,907	64,080	64,080	0	97,928	97,928	0	0	0
July 1944 to June 1945	1,191,006	1,175,776	98,240	98,240	0	1,077,636	1,077,636	0	0	0
July 1945 to June 1946	1,326,013	98,542	98,542	0	1,231,453	1,220,663	1,171	619	0	0
1946										
July	106,282	104,688	11,774	11,774	0	92,914	92,914	0	0	0
August	84,044	85,800	10,121	10,121	0	73,738	73,738	0	0	0
September	274,336	269,969	3,764	3,764	0	266,205	266,205	0	0	0
October	248,546	246,490	26,752	26,752	0	219,709	218,693	297	619	0
November	39,066	0	0	0	0	49,704	49,704	0	0	0
December										
1947										
January	6,942	6,892	6,892	6,892	0	0	0	0	0	0
February	150,830	149,547	1,120	1,120	0	148,426	147,652	774	0	0
March	113,691	119,475	1,739	1,739	0	189,837	189,837	0	0	0
April										
May										
June										

See footnotes at end of table.

TABLE 4.—*Proposed uses of net proceeds from the sale of new corporate securities offered for cash sale in the United States—Continued*

PART 5.—REAL ESTATE AND FINANCIAL

[Amounts in thousands of dollars]¹

Year and month	Total gross proceeds ²	Total net proceeds ²	New money			Retirements			All other purposes
			Total new money	Plant and equipment	Working capital	Total retirements	Funded debt	Other debt	
July 1934 to June 1935	\$1,228	50,046	20,276	300	19,976	27,632	6,528	18,104	0
July 1935 to June 1936	169,268	192,418	41,348	300	41,348	140,313	118,655	6,032	15,905
July 1936 to June 1937	303,934	353,199	253,981	338	253,643	91,928	60,462	5,191	10,753
July 1937 to June 1938	10,636	8,976	7,916	6	7,910	301	286	35	7,290
July 1938 to June 1939	18,759	17,090	7,813	50	7,763	101	0	0	0
July 1939 to June 1940	224,719	221,787	27,585	0	27,585	88,000	7,226	0	2,051
July 1940 to June 1941	77,189	75,640	64,317	343	63,974	18,837	102,504	102,504	2,386
July 1941 to June 1942	56,029	54,927	26,616	2	26,614	23,274	15,816	7,488	5,037
July 1942 to June 1943	12,565	12,349	7,737	0	7,737	3,992	3,992	0	0
July 1943 to June 1944	59,136	57,626	18,565	0	18,565	36,883	32,306	2,415	2,179
July 1944 to June 1945	124,480	118,969	78,122	799	77,324	34,197	21,602	4,794	7,901
July 1945 to June 1946	202,405	205,548	111,502	3,836	107,666	98,514	34,238	15,876	45,532
<i>1946</i>									
July	48,315	47,405	16,888	0	16,888	30,376	1,672	0	28,703
August	8,840	8,412	1,450	0	1,450	4,430	4,656	0	1,030
September	12,073	11,638	7,512	350	7,162	6,725	2,780	0	2,237
October	28,323	27,546	18,754	0	18,754	6,627	2,410	1,374	2,165
November	24,677	23,588	1,438	80	1,358	5,481	481	0	843
December	26,587	26,389	8,873	63	8,810	5,244	0	2,645	2,599
January	13,437	13,103	5,656	570	5,085	7,446	0	0	7,446
February	8,982	8,807	8,649	0	8,649	219	0	0	218
March	10,131	9,888	1,978	0	1,978	7,664	7,664	0	0
April	18,820	18,204	6,688	1,659	6,688	5,009	9,595	6,900	2,895
May	37,779	36,803	14,021	300	13,721	17,166	17,166	0	1,940
June	24,443	23,855	16,635	813	18,822	4,183	1,856	301	5,617

¹ Slight discrepancies between the sums of figures in the tables and the totals shown are due to rounding.² Total estimated gross proceeds represent the amount paid by the securities by investors, while total estimated net proceeds represent the amount received by the issuer after payment of compensation to distributors and other costs of flotation.

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TABLE 5.—*Brokers and dealers registered under Section 16 of the Securities Exchange Act of 1934, 1—Effective registrations as of June 30, 1946, classified by type of organization and by location of principal office*

Location of principal office	Number of registrants				Number of proprietors, partners, officers, etc. ¹				Number of employees				Number of branch offices					
	Total	Sole proprietorships	Partnerships	Corporations ²	Total	Sole proprietorships	Partnerships	Corporations ³	Total	Sole proprietorships	Partnerships	Corporations ³	Total	Sole proprietorships	Partnerships	Corporations ⁴		
Alabama.....	20	9	5	6	61	9	6	7	27	89	20	7	38	2	—	1	1	
Arizona.....	9	6	3	6	13	13	6	7	16	23	3	8	12	—	—	—	—	
Arkansas.....	17	8	3	6	37	8	7	22	374	332	3	84	1,806	318	6	110	70	
California.....	224	80	88	56	748	80	36	32	100	215	26	84	105	24	—	4	1	
Colorado.....	65	31	11	23	159	31	—	—	601	42	360	24	—	3	9	12	12	
Connecticut.....	48	17	16	2	151	17	55	27	12	316	1	307	8	6	5	5	1	
Delaware.....	8	4	2	2	43	4	4	27	12	316	1	307	8	6	5	5	1	
District of Columbia.....	24	11	26	228	24	47	157	58	29	230	334	7	—	—	—	—	3	
Florida.....	23	13	4	6	49	13	11	11	95	26	18	51	3	1	—	—	2	
Georgia.....	25	8	6	11	76	8	17	51	302	5	278	70	22	—	—	16	6	
Idaho.....	9	5	1	3	19	5	2	27	10	10	3	14	14	—	—	16	6	
Illinois.....	275	79	91	105	971	79	—	—	444	568	4,262	136	2,247	1,848	168	1	121	46
Indiana.....	53	22	11	20	136	22	24	90	116	24	20	72	72	—	—	—	—	
Iowa.....	30	8	5	17	101	8	15	78	158	17	23	118	7	1	—	—	6	
Kansas.....	43	25	5	13	118	25	10	88	102	14	16	72	10	—	—	—	9	
Kentucky.....	16	6	5	44	6	17	21	102	13	56	33	0	—	—	—	—	1	
Louisiana.....	68	19	5	122	63	15	208	35	150	23	12	—	—	—	10	2		
Maine.....	32	14	2	82	82	14	6	62	115	25	10	70	12	—	—	—	2	
Maryland.....	49	27	17	5	134	27	79	28	921	13	870	38	21	—	—	11	10	
Massachusetts.....	238	114	48	76	818	114	235	469	3,551	290	1,981	113	73	—	—	36	36	
Michigan.....	68	10	28	30	240	10	100	130	600	18	310	272	22	4	1	16	6	
Minnesota.....	66	14	13	29	201	14	35	152	2,246	47	182	2,017	24	1	8	15	15	
Mississippi.....	5	4	0	1	7	4	0	3	8	5	0	3	4	0	0	0	0	
Missouri.....	91	21	30	40	434	21	165	248	1,304	68	707	539	61	1	22	38	38	
Montana.....	7	3	1	3	40	10	3	2	14	48	2	44	0	—	—	—	—	
Nebraska.....	30	12	4	14	86	12	8	66	93	12	9	72	2	—	—	—	2	
Nevada.....	5	1	1	1	6	6	6	2	8	19	6	1	12	0	—	—	—	
New Hampshire.....	9	6	1	2	16	6	2	8	114	217	42	69	106	20	4	6	10	
New Jersey.....	107	60	20	27	228	60	64	2	0	6	6	0	0	0	—	—	—	
New Mexico.....	10	9	1	0	11	9	2	0	—	—	—	—	—	—	—	—	—	
New York (excluding New York City).....	239	179	25	35	390	179	79	132	563	120	225	199	18	3	8	7	10	
North Carolina.....	26	10	4	12	94	10	9	75	163	27	13	123	11	1	—	—	10	
North Dakota.....	5	3	0	2	13	3	0	10	6	1	0	5	611	505	44	—	21	
Ohio.....	154	41	51	62	495	41	179	276	1,191	76	41	67	8	32	0	0	23	
Oklahoma.....	79	67	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	

See footnotes at end of table.

TABLE 5.—*Brokers and dealers registered under Section 15 of the Securities Exchange Act of 1934¹—Effective registrations as of June 30, 1946, classified by type of organization and by location of principal office—Continued*

Location of principal office	Number of registrants			Number of proprietors, partners, officers, etc. ²			Number of employees			Number of branch offices		
	Total	Sole proprietorships	Partnerships	Corporations	Total	Sole proprietorships	Partnerships	Corporations	Total	Sole proprietorships	Partnerships	Corporations ³
Oregon.....	26	11	5	10	72	11	13	48	100	35	17	48
Pennsylvania.....	230	83	100	47	714	83	223	3,296	163	2,287	846	107
Rhode Island.....	31	13	12	6	66	13	35	21	11	114	10	3
South Carolina.....	27	12	6	10	68	12	19	37	84	19	46	7
South Dakota.....	4	0	1	1	6	3	0	3	4	0	2	0
Tennessee.....	42	14	11	17	149	14	30	105	301	17	68	216
Texas.....	182	126	29	37	425	126	70	229	447	96	104	248
Utah.....	23	8	5	10	72	8	10	156	8	127	20	10
Vermont.....	2	0	0	2	11	0	0	11	10	0	0	1
Virginia.....	25	10	9	6	72	10	32	30	142	16	65	61
Washington.....	93	57	9	27	214	57	30	127	621	272	57	282
West Virginia.....	10	5	4	1	26	5	13	8	44	18	23	3
Wisconsin.....	68	18	6	34	205	16	14	176	407	23	22	362
Wyoming.....	6	6	0	0	6	0	0	0	2	2	0	0
Total (excluding New York City).....	2,971	1,351	731	889	8,505	1,351	2,673	4,541	27,589	2,081	13,641	11,867
New York City.....	1,201	406	608	188	4,269	405	2,878	1,016	30,148	475	25,895	3,778
Total.....	4,172	1,756	1,339	1,077	12,864	1,756	5,551	5,557	57,737	2,556	39,536	15,645

¹ Domestic registrants only, excludes 40 foreign.² Includes directors, officers, trustees, and all other persons occupying similar status for performing similar functions.³ Includes all forms of organizations other than sole proprietorships and partnerships.

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TABLE 6.—*Special offerings effected on national securities exchanges for fiscal year ended June 30, 1946*

TABLE 7.—*Market value and volume of sales effected on securities exchanges for fiscal year ended June 30, 1946*

PART 1.—ON ALL REGISTERED EXCHANGES

[In thousands]

Exchange	Total market value	Stocks ¹		Bonds ²		Rights and warrants	
		Market value	Number of shares	Market value	Principal amount	Market value	Number of units
All registered exchanges	20,377,690	18,934,952	826,777	1,358,920	1,784,465	83,818	40,993
Baltimore Stock Exchange	7,337	5,585	207	1,752	1,919	—	—
Boston Stock Exchange	216,080	216,019	5,384	47	36	14	6
Chicago Board of Trade	315	315	48	0	0	—	—
Chicago Stock Exchange	349,276	349,141	12,985	16	11	119	127
Cincinnati Stock Exchange	12,397	12,325	386	0	0	72	20
Cleveland Stock Exchange	23,183	23,181	708	0	0	2	16
Detroit Stock Exchange	67,369	67,369	6,565	—	—	—	—
Los Angeles Stock Exchange	120,979	120,802	15,843	0	0	177	153
New Orleans Stock Exchange	4,569	4,565	172	4	4	(3)	2
New York Curb Exchange	2,364,518	2,211,973	177,277	95,095	111,603	57,450	18,523
New York Stock Exchange	16,778,914	15,492,694	516,093	1,261,066	1,670,110	25,154	21,800
Philadelphia Stock Exchange	140,258	140,249	5,044	7	6	2	3
Pittsburgh Stock Exchange	30,390	30,383	3,938	7	6	—	—
St. Louis Stock Exchange	8,667	8,346	299	321	258	—	—
Salt Lake Stock Exchange	11,006	11,006	47,246	—	—	—	—
San Francisco Mining Exchange	2,772	2,772	14,670	—	—	—	—
San Francisco Stock Exchange	232,419	231,397	13,923	253	181	769	341
Standard Stock Exchange	4,420	4,420	5,946	—	—	—	—
Washington Stock Exchange	2,821	2,410	43	352	331	59	2
Break-down of fiscal year totals by months							
<i>1945</i>							
July	1,109,300	993,342	44,441	106,984	104,213	8,974	5,119
August	1,045,313	940,043	38,991	101,994	143,293	3,276	709
September	1,194,694	1,103,441	44,845	89,387	120,572	1,866	1,489
October	1,711,488	1,585,893	72,889	122,343	172,496	3,252	2,106
November	1,934,140	1,791,082	100,557	137,749	192,680	5,309	5,914
December	1,883,966	1,732,774	82,740	138,498	185,652	12,694	4,328
<i>1946</i>							
January	2,538,376	2,363,635	107,560	165,360	217,071	9,381	5,349
February	2,047,557	1,923,527	88,490	117,243	154,582	6,787	2,373
March	1,578,912	1,475,503	58,377	98,956	121,413	4,453	1,826
April	1,976,636	1,253,382	68,128	107,506	131,595	15,748	4,253
May	1,864,187	1,768,087	68,140	89,462	107,065	6,638	2,373
June	1,493,121	1,404,243	51,639	83,438	97,833	5,440	5,154

See footnotes at end of table.

TABLE 7.—*Market value and volume of sales effected on securities exchanges for fiscal year ended June 30, 1946—Continued*

PART 2—ON ALL EXEMPTED EXCHANGES

[In thousands]

Exchange	Total market value	Stocks ¹		Bonds ²		Rights and warrants	
		Market value	Number of shares	Market value	Principal amount	Market value	Number of units
All exempted exchanges.....	Dollars 14,767	Dollars 14,739	1,698	Dollars 28	Dollars 26	Dollars	
Colorado Springs Stock Exchange.....	586	586	947				
Honolulu Stock Exchange.....	8,874	8,846	526	28	26		
Minneapolis-St. Paul Stock Exchange.....	4,348	4,348	213				
Richmond Stock Exchange.....	635	635	8	0	0		
Wheeling Stock Exchange.....	324	324	4				
Break-down of fiscal year totals by months							
<i>1945</i>							
July.....	1,078	1,078	147	0	0		
August.....	891	891	102	0	0		
September.....	1,082	1,067	73	15	14		
October.....	1,183	1,172	119	11	10		
November.....	1,283	1,282	266	1	1		
December.....	1,065	1,065	210	0	0		
<i>1946</i>							
January.....	1,966	1,966	168	0	0		
February.....	1,332	1,331	172	1	1		
March.....	1,499	1,499	157	0	0		
April.....	1,264	1,264	137	0	0		
May.....	1,166	1,166	91	0	0		
June.....	958	958	56	0	0		

¹ "Stocks" includes voting trust certificates, American depositary receipts, and certificates of deposit for stocks.

² "Bonds" includes mortgage certificates and certificates of deposit for bonds, and excludes U. S. Government bonds since March 18, 1944.

³ Five hundred dollars or less.

NOTE.—Value and volume of sales effected on registered securities exchanges are reported in connection with fees paid under section 31 of the Securities Exchange Act of 1934. For most exchanges the figures represent transactions cleared during the calendar month. Figures may differ from comparable figures in the *Statistical Bulletin* due to revision of data by exchanges. For earlier data see the Eleventh Annual Report of the Commission, p. A-17; the Tenth Annual Report, pp. A-19 and A-20; the Ninth Annual Report, p. A-16, the Eighth Annual Report, p. A-9; the Seventh Annual Report, pp. 288-295; the Sixth Annual Report, pp. 276-283, the Fifth Annual Report, pp. 222-227; the Fourth Annual Report, pp. 166-171; the Third Annual Report, insert facing p. 156; the Second Annual Report, insert facing p. 116, and the First Annual Report, pp. 87-91.

SECURITIES AND EXCHANGE COMMISSION

TABLE 8.—Round-lot stock sales and purchases¹ effected on the New York Stock Exchange for the accounts of members and nonmembers, weekly, July 2, 1945–June 29, 1946
[Thousands of shares]

A nl-lot n.s.	Round-lot transactions for the accounts of members:												Round-lot transactions for the accounts of nonmembers:						
	Transactions of specialists in stocks in which they are registered						Other transactions initiated on the floor						Other transactions initiated off the floor						
	Total	Purchases	Sales	Total	Short	Purchases	Sales	Total	Short	Purchases	Sales	Total	Purchases	Sales	Total	Short	Purchases	Sales	
Week ended Saturday																			
July 1, 1945																			
July 7	4,682	150	369	412	70	157	98	124	10	122	201	37	3,925	3,831	33				
July 14	5,349	129	443	405	75	238	91	160	9	153	310	27	4,385	4,390	18				
July 21	5,988	130	488	504	60	270	120	252	7	184	408	18	4,896	4,714	45				
July 28	4,926	107	395	56	227	87	138	226	11	144	287	45	3,936	3,930	45				
August 4	3,966	224	315	353	62	203	69	144	24	158	260	96	3,146	3,136	42				
August 11	5,674	239	642	616	108	206	139	163	23	186	197	21	4,478	4,562	87				
August 18	3,359	114	334	347	41	116	94	89	8	99	104	17	2,721	2,729	40				
August 25	6,177	233	618	614	94	272	138	183	157	12	208	289	42	4,896	4,979	85			
September 1	6,215	224	601	652	120	126	100	132	8	205	330	49	5,088	5,075	56				
September 8	5,688	146	449	478	94	269	119	112	109	8	176	198	14	4,652	4,654	20			
September 15	7,015	106	593	563	112	320	168	182	183	17	228	281	22	5,692	5,620	44			
September 22	7,663	208	644	687	121	320	163	148	174	13	245	288	19	6,306	6,351				
September 29	7,197	154	554	558	82	254	141	192	154	12	221	263	26	6,111	6,111	34			
October 6	9,675	228	707	869	142	390	153	200	245	12	345	345	31	8,023	8,123	43			
October 13	7,210	105	577	648	120	293	110	162	173	7	214	271	29	5,984	6,108	39			
October 20	10,363	265	769	775	149	405	184	231	271	22	282	366	49	8,666	8,757	45			
October 27	7,047	210	641	685	130	305	137	126	161	16	267	291	39	5,708	5,803	35			
November 3	10,799	316	856	924	183	382	174	224	249	21	398	425	62	8,339	9,027	50			
November 10	10,042	298	831	892	190	372	154	204	204	13	308	429	49	8,327	8,467	36			
November 17	10,757	305	857	828	164	336	174	210	267	32	423	474	69	8,961	9,044	50			
November 24	8,926	218	851	972	1,006	117	286	155	227	181	333	525	51	7,239	7,304	35			
December 1	10,738	271	972	1,006	177	441	156	214	210	14	386	612	47	8,703	8,741	33			
December 8	13,663	305	1,178	1,240	1,240	222	173	247	306	25	392	766	68	11,280	11,178	50			
December 15	9,285	805	814	1,319	376	186	203	14	246	416	61	7,545	7,618	28					
December 22	7,639	168	779	707	90	194	147	196	11	235	312	32	6,284	6,190	35				
December 29	4,860	122	484	484	80	238	95	166	166	17	3,857	253	17	3,940					

Transactions for the accounts of odd-lot dealers and specialists
for the accounts of nonmembers

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January 5	5,480	551	116	578	1,192	515	1,295	200	528	224	138	191	7	107	116	200	256	23	4,404
January 12	13,542	62	116	578	1,192	515	1,295	210	591	280	257	251	14	486	746	62	11,079	11,632	229
January 19	16,454	465	1,498	513	604	1,028	165	563	210	181	298	271	24	564	694	63	13,933	13,883	92
January 26	11,874	201	1,901	1,236	1,323	942	191	614	148	164	233	212	8	399	691	63	9,860	9,833	65
February 2	14,846	515	1,295	939	802	942	185	594	108	136	142	14	14	496	752	101	11,950	12,324	65
February 9	9,980	302	1,026	846	265	942	185	594	108	105	154	10	281	610	65	7,955	8,218	42	
February 16	8,616	221	1,026	822	129	411	129	411	149	149	166	8	277	468	48	6,714	6,894	52	
February 23	9,896	248	1,141	1,167	149	604	92	92	188	188	160	221	12	336	401	32	6,863	6,997	62
March 2	6,404	612	1,197	764	768	131	346	158	158	109	106	6	219	281	18	7,771	7,919	65	
March 9	6,404	197	227	715	706	128	314	168	168	119	137	12	233	271	20	4,406	4,514	33	
March 16	7,431	240	787	768	155	288	204	288	171	145	10	320	356	55	5,860	5,925	33		
March 23	7,431	259	864	850	178	323	240	323	162	174	118	130	9	312	453	41	5,945	6,017	61
March 30	6,010	223	864	850	801	145	335	239	239	114	13	393	453	453	41	7,278	7,263	37	
April 6	8,465	219	7,076	643	717	135	341	164	335	160	90	101	5	335	394	34	6,813	6,877	37
April 13	7,841	269	841	828	759	153	367	234	234	140	144	15	270	417	49	6,732	6,877	80	
April 20	5,869	187	602	549	101	279	191	90	90	82	114	11	268	408	50	6,208	6,296	61	
April 27	5,869	7,947	285	836	966	163	388	223	223	82	114	11	266	275	41	6,632	6,759	40	
May 4	5,869	207	634	620	133	312	195	195	140	119	8	269	465	69	6,333	6,179	62		
May 11	7,593	198	684	661	110	337	176	160	118	7	272	287	25	5,433	5,590	41	5,950	5,950	41
May 18	7,593	274	835	812	164	398	133	124	171	20	252	252	51	6,078	6,228	30	6,228	6,228	30
May 25	6,166	620	117	306	162	140	140	140	138	11	242	242	33	6,923	6,796	23	6,796	6,796	23
June 1	6,166	174	635	624	95	313	140	84	111	8	192	207	33	4,905	4,949	13	4,949	4,949	13
June 8	6,988	115	652	674	100	678	656	161	92	11	183	183	36	4,644	4,556	16	4,556	4,556	16
June 15	6,420	180	574	620	117	339	112	83	150	14	185	275	31	5,226	5,071	15	5,071	5,071	15
June 22	6,587	180	574	620	117	339	112	83	150	14	185	275	31	4,400	4,421	18	4,400	4,421	18
June 29	6,587	180	574	620	117	339	112	83	150	14	185	275	31	4,400	4,421	18	4,400	4,421	18

¹ Round-lot transactions are transactions in the unit of trading or multiple thereof; the unit of trading on the New York Stock Exchange is 100 shares in most stocks, and 10 shares for certain inactive issues.

² The term "members" includes all members their firms and their partners.

³ Round-lot short sales which are exempted from restriction by the Commission's and exchange's rules are not included in these data.

⁴ Five hundred shares or less. For the 52-week period data for this column totaled 6,000.

Note.—For earlier data see the Eleventh Annual Report of the Commission, p. 18; Seventh Annual Report, p. 286; Sixth Annual Report, p. 283; Fifth Annual Report, p. 228; Fourth Annual Report, p. 162 and the Third Annual Report, p. 152. Statistics for the period July 5, 1941 to June 24, 1944 may be obtained from the Trading and Exchange Division of the Commission upon request.

TABLE 9.—*Round-lot and odd-lot stock transactions¹ effected on the New York Curb Exchange for the accounts of members and nonmembers, weekly, July 2, 1945-June 29, 1946*
[Thousands of shares]

Week ended Saturday	All round-lot sales	Transactions of special lists in stocks in which they are registered ²						Transactions for the accounts of members ³						Odd-lot transactions for the accounts of nonmembers ⁴						
		Transactions initiated on the floor			Other transactions initiated off the floor			Sales			Purchases			Sales			Purchases			
		Total	Short	Purchases	Total	Short	Purchases	Total	Short	Total	Short	Purchases	Total	Short	Total	Short	Purchases	Total	Short	
July 1, 1945	1,387	19	105	111	6	33	41	2	19	43	3	1,200	1,162	8	41	63	0	0	0	0
July 7	1,631	21	118	131	8	37	59	5	32	62	3	1,344	1,279	5	50	81	0	0	0	0
July 14	1,388	13	132	135	5	22	63	1	27	33	3	1,217	1,177	4	54	61	0	0	0	0
July 21	1,072	13	105	113	6	19	32	1	42	40	3	987	887	3	42	54	0	0	0	0
July 28	961	8	71	76	2	17	13	2	73	56	1	800	816	3	38	48	0	0	0	0
August 4	1,346	15	119	132	4	21	21	2	37	55	1	1,169	1,138	8	47	54	0	0	0	0
August 11	1,709	18	68	66	6	21	13	1	24	69	1	1,682	1,652	11	27	32	0	0	0	0
August 18	1,347	16	106	118	8	28	24	1	47	43	2	1,166	1,162	8	62	69	0	0	0	0
August 25	1,467	15	110	127	8	36	25	(6)	59	64	1	1,261	1,261	4	64	67	0	0	0	0
September 1	1,590	22	126	112	24	34	1	49	68	6	1,307	1,302	3	56	62	0	0	0	0	0
September 8	1,818	15	135	140	13	25	44	3	53	62	1	1,600	1,561	7	72	73	0	0	0	0
September 15	2,004	36	147	170	15	31	63	5	97	70	13	1,730	1,701	3	74	82	0	0	0	0
September 22	2,357	22	150	137	12	43	32	3	64	59	3	2,070	2,059	4	69	82	0	0	0	0
September 29	3,108	45	210	222	19	47	66	1	138	217	12	2,714	2,694	13	100	104	0	0	0	0
October 6	2,499	64	105	183	16	31	72	7	76	176	18	2,209	2,058	14	89	83	0	0	0	0
October 13	4,595	106	304	283	24	92	175	13	98	367	37	4,101	3,770	11	14	131	0	0	0	0
October 20	3,587	87	252	212	17	63	188	34	96	218	34	3,176	2,989	2	107	97	0	0	0	0
October 27	4,658	63	251	259	19	88	101	10	76	172	18	4,243	4,126	16	134	121	0	0	0	0
November 3	5,319	55	326	271	30	102	137	6	73	302	12	4,838	4,609	7	124	130	0	0	0	0
November 10	6,450	77	365	375	42	163	145	12	87	145	12	5,835	5,499	15	141	124	0	0	0	0
November 17	4,468	45	334	281	22	60	64	7	69	297	8	4,005	3,826	8	140	116	0	0	0	0
November 24	5,388	64	403	367	31	78	85	3	81	346	9	4,836	4,610	11	186	161	0	0	0	0
December 1	5,822	466	400	24	70	97	3	87	500	11	5,199	4,810	15	220	193	0	0	0	0	0
December 8	3,817	41	312	309	23	54	44	4	55	248	6	3,216	3,035	8	152	138	0	0	0	0
December 15	2,649	20	213	194	14	41	32	1	44	75	3	2,351	2,328	2	90	92	0	0	0	0
December 22	2,052	16	147	137	7	28	27	1	49	76	1	1,828	1,812	7	72	74	0	0	0	0

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Round-lot transactions are transactions in the unit of trading or multiple thereof, while odd-lot transactions are transactions involving less than the unit of trading. The unit of trading on the New York Curb Exchange is not the same in all stocks, but ranges

from 10 to 100 shares. Transactions in rights and warrants are not included in these data, although tickler volumes for this exchange include such transactions.

partners. On the New York Curb Exchange odd-lot transactions are handled solely by specialists in stocks in which they are interested and the round-lot transactions of specialists

transactions or specimens in stocks in which they are registered and the round-lot

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TABLE 10.—*Odd-lot stock transactions effected on the New York Stock Exchange for the odd-lot accounts of odd-lot dealers, specialists, and customers, weekly, July 2, 1945–July 29, 1946*

	Purchases by customers from odd-lot dealers and specialists	Sales by customers to odd-lot dealers and specialists			
		Customers' short sales		Total	
Number of orders	Number of shares	Market value (dollars)	Number of orders	Market value (dollars)	Number of shares
1946					
July 7	17,918	518,132	20,521,730	19,425	420,465
July 14	18,482	577,712	24,302,733	21,582	459,643
July 21	24,592	711,807	27,348,148	21,403	534,110
July 28	20,518	694,478	22,212,399	17,874	460,287
August 4	17,450	480,366	18,231,888	14,603	360,576
August 11	21,499	638,409	25,156,902	22,786	526,391
August 18	14,213	419,917	16,263,868	14,437	375,007
August 25	25,598	745,011	28,733,809	23,793	631,695
September 1	26,251	850,054	32,865,828	24,243	650,701
September 8	24,332	722,408	29,477,349	20,746	506,807
September 15	30,606	901,711	36,033,150	27,255	793,509
September 22	33,180	958,275	37,555,486	29,745	707,588
September 29	20,411	790,814	32,687,080	28,284	689,320
October 6	30,227	1,157,087	46,740,268	33,571	913,220
October 13	28,721	871,934	34,186,906	34,572	702,816
October 20	40,109	1,185,230	47,961,355	34,853	869,522
October 27	29,710	804,518	36,002,256	25,136	690,324
November 3	38,243	1,110,615	46,384,888	32,381	911,416
November 10	38,302	1,119,521	46,581,155	32,730	906,251
November 17	33,080	1,040,830	33,533,549	31,140	885,046
November 24	33,005	1,975,366	37,758,545	29,414	821,402
December 1	40,240	1,210,900	48,066,380	32,874	924,818
December 8	54,185	1,615,336	60,832,055	42,863	1,218,843
December 15	39,982	1,171,536	44,633,906	34,986	974,812
December 22	29,158	861,192	35,175,264	28,865	812,984
December 29	23,031	693,492	29,021,112	18,864	522,788
1946					
January 6	24,662	694,866	29,735,790	22,506	628,452
January 12	63,324	1,006,088	66,203,347	45,782	530,634
January 19	62,676	1,874,163	74,875,115	63,735	1,543,771
January 26	48,672	1,461,642	57,747,758	39,860	1,126,747
February 2	68,696	2,084,280	80,864,117	46,280	1,356,346
February 9	56,007	1,602,273	65,745,897	1,104,355	48,085,711
February 16	41,986	1,305,445	56,735,121	28,324	3,544,369
February 23	44,206	1,277,853	51,386,795	34,814	1,046,781

March 2	1,632,161	63,734,882	41,314	52,887,400	5,021
March 9	28,810	38,079,811	25,197	31,419,276	2,638
March 16	33,200	942,245	41,370,887	761,777	142
March 23	32,016	935,920	42,417,786	33,303,503	77
March 30	33,828	1,006,679	46,813,870	35,340,867	147
April 6	39,329	1,195,654	61,785,771	918,605	5,390
April 13	40,653	1,198,571	54,179,228	39,606	4,557
April 20	36,389	45,884,986	31,777	1,091,144	101
April 27	36,981	1,061,211	38,888,642	48,313,373	90
May 4	32,385	1,157,473	50,947,986	44,702,638	90
May 11	41,381	937,438	43,475,369	30,688	110
May 18	33,283	1,202,505	65,718,310	34,571	2,718
May 25	31,971	969,308	44,633,370	29,751	4,029
June 1	38,752	982,672	44,320,312	28,680	38,332,315
June 8	33,145	1,102,836	51,974,470	881,472	68
June 15	968,865	44,607,733	28,802	805,792	59
June 22	30,798	903,974	42,944,883	723,323	52
June 29	35,424	1,041,376	48,410,618	28,560	2,153
	26,500	882,420	38,761,278	634,572	79
			22,759	29,402,408	78
				2,932	

P. 232; and "selected statistics on securities and on exchange markets," table 66, Statistics for the period July 1, 1941 to June 24, 1944 may be obtained from the Trading and Exchange Division of the Commission upon request.

¹ Short sales which are exempt from restriction by the Commission's and exchange's rules are not included in these data.
Note.—For earlier data see the Eleventh Annual Report of the Commission, p. A-20; Seventh Annual Report, p. 300; Sixth Annual Report, p. 287; Fifth Annual Report,

TABLE 10-A.—Round-lot stock transactions for nonmembers' margin accounts on the New York Stock Exchange, by weeks, Dec. 7, 1942–Mar. 9, 1946.*

Week ended	Nonmembers' margin accounts		Nonmembers' margin accounts		Nonmembers' margin accounts		Nonmembers' margin accounts		Nonmembers' margin accounts	
	Week ended		Week ended		Week ended		Week ended		Week ended	
	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1942										
Dec. 12	1,029,820	781,350	July 24	1,062,280	1,785,780	Mar. 4	1,632,280	1,492,790	Nov. 4	1,377,540
Dec. 10	1,065,230	1,294,040	July 31	1,016,220	1,803,920	Mar. 11	2,781,510	2,895,150	Nov. 11	1,391,790
Dec. 26	1,127,750	885,430	Aug. 7	1,788,070	2,216,210	Mar. 18	3,280,830	2,765,080	Nov. 18	1,721,980
1943										
Jan. 2	1,748,560	1,611,960	Aug. 14	1,014,960	1,905,710	Apr. 1	1,907,030	2,023,110	Dec. 2	2,150,540
Jan. 9	1,398,660	1,276,130	Aug. 21	950,700	1,018,190	Apr. 8	1,137,420	1,137,420	Dec. 9	3,651,350
Jan. 16	1,546,730	1,509,036	Sept. 4	918,550	1,033,070	Apr. 15	1,214,920	1,214,920	Dec. 16	3,800,730
Jan. 23	1,424,830	1,480,800	Sept. 18	1,453,380	1,277,490	Apr. 22	1,259,550	1,259,550	Dec. 23	2,965,250
Jan. 30	1,627,050	1,668,160	Sept. 25	1,395,180	1,222,320	Apr. 29	1,049,420	1,077,250	Dec. 30	2,785,440
Feb. 6	1,980,670	1,051,000	Oct. 2	1,083,320	1,292,550	May 6	1,025,580	1,182,970		2,987,470
Feb. 13	2,142,040	1,913,420	Oct. 9	1,170,320	1,292,550	May 13	1,170,460	1,182,970		
Feb. 20	692,750	1,451,640	Oct. 16	843,560	1,025,580	May 20	1,420,410	1,303,410		
Feb. 27	3,134,430	2,454,010	Oct. 23	1,123,150	1,102,550	May 27	1,780,970	1,470,630		
Mar. 6	1,177,640	2,786,870	Oct. 30	1,476,930	1,337,700	June 3	1,730,760	1,548,660	Jan. 6	3,501,020
Mar. 13	3,475,950	3,009,470	Nov. 6	1,375,980	1,665,750	June 10	1,321,800	2,065,400		
Mar. 20	3,595,980	3,009,470	Nov. 13	2,055,990	1,665,860	June 17	5,462,600	4,576,910		
Mar. 27	2,466,960	2,466,960	Nov. 20	1,488,130	1,621,560	July 1	3,821,060	3,292,180		
Apr. 3	3,576,980	2,969,420	Nov. 27	919,340	1,994,340	July 8	3,916,860	3,916,860		
Apr. 10	5,454,470	4,020,980	Dec. 4	2,107,460	1,378,400	July 15	3,726,020	3,075,910		
Apr. 17	5,705,145	5,498,320	Dec. 11	1,022,200	1,738,250	July 22	3,388,140	3,291,820		
Apr. 24	2,982,000	1,658,970	Dec. 18	1,650,050	1,469,980	July 29	3,291,820	3,486,490	Feb. 24	3,202,450
May 1	2,087,010	1,658,970	Dec. 25	1,057,510	1,058,850	Aug. 5	1,700,460	1,658,970	Mar. 3	4,038,970
May 8	2,938,980	2,389,570	Aug. 12	1,016,370	1,477,950	Aug. 19	2,233,750	1,721,250		
May 15	2,106,370	2,389,570	Aug. 19	1,016,370	1,477,950	Aug. 26	2,041,000	1,627,790	Mar. 24	1,721,250
May 22	4,056,870	3,557,820	Jan. 1	755,900	1,633,010	Sept. 2	1,553,170	1,451,870	Mar. 31	1,474,660
May 29	5,085,010	2,078,010	Jan. 8	1,751,190	1,676,520	Sept. 9	1,583,250	1,111,180	Apr. 14	2,788,560
June 5	2,643,270	2,168,710	Jan. 15	1,684,860	1,736,040	Sept. 10	1,884,990	1,909,320	Apr. 21	1,912,680
June 12	2,604,070	1,672,070	Jan. 22	1,724,200	1,736,250	Sept. 23	1,107,530	1,448,490	Apr. 28	3,720,620
June 19	1,947,150	1,692,640	Jan. 29	1,634,850	1,578,180	Sept. 30	1,659,620	1,288,050	May 12	3,412,010
June 26	1,937,850	1,891,120	Feb. 5	1,634,850	1,578,440	Oct. 7	1,584,660	1,685,020	May 19	3,184,360
July 3	1,945,920	1,689,850	Feb. 12	1,020,110	1,386,360	Oct. 14	1,927,550	1,445,710	May 26	2,905,560
July 10	2,725,530	2,020,110	Feb. 19	1,472,680	1,724,680	Oct. 21	1,613,000	2,445,740	June 2	2,405,870
July 17	1,705,210	1,705,210	Feb. 26	1,472,680	1,628,370	Oct. 28	1,609,930	1,609,930		2,659,180

TABLE 10-A.—*Round-lot stock transactions for nonmembers' margin accounts on the New York Stock Exchange, by weeks, Dec. 7, 1946—Continued
9, 1946**

Week ended	Nonmembers' margin accounts		Nonmembers' margin accounts		Nonmembers' margin accounts		Week ended	Week ended	Nonmembers' margin accounts
	Purchases	Sales	Purchases	Sales	Purchases	Sales			
	1945	1945	1945	1945	1946	1946			
June 9	3,391,450	3,166,950	Aug. 18	694,910	Oct. 27	1,383,280	1,431,450	Jan. 5	1,227,440
June 16	4,088,240	3,644,270	Aug. 25	1,248,670	Nov. 3	2,267,240	2,180,450	Jan. 12	3,122,240
June 23	4,578,640	4,000,380	Sept. 1	1,300,380	Nov. 10	2,108,370	2,039,680	Jan. 19	4,001,380
June 30	4,802,830	4,625,140	Sept. 8	1,166,980	Nov. 17	2,305,710	2,119,200	Jan. 26	1,106,260
July 7	1,332,050	1,341,850	Sept. 15	1,375,380	Nov. 24	1,914,840	1,863,370	Feb. 2	47,860
July 14	1,386,110	1,416,100	Sept. 22	1,589,440	Dec. 1	2,869,380	2,282,520	Feb. 9	756,150
July 21	1,316,380	1,598,270	Sept. 29	1,808,490	Dec. 8	3,265,320	2,968,500	Feb. 16	23,040
July 28	1,032,620	1,178,730	Oct. 6	2,069,780	Dec. 15	2,084,980	1,990,730	Feb. 23	632,370
Aug. 4	806,470	855,400	Oct. 13	1,464,950	Dec. 22	1,807,980	1,658,270	Mar. 2	33,850
Aug. 11	1,176,880	1,237,050	Oct. 20	1,940,910	Dec. 20	1,182,700	1,008,880	Mar. 9	689,110
									345,700

*Nonmembers' round-lot purchases and sales in margin accounts were first reported by New York Stock Exchange firms for the week ended Dec. 12, 1942. These reports were discontinued, at least temporarily, on Mar. 9, 1945. The term "round lot," includes both 100-share and 10-share unit stocks. Included in the data are "cash," "when issued," and "sellers'" contracts and sales of round lots made pursuant to special offerings. Excluded are all transactions in listed stocks executed over the counter or on other securities exchanges, as well as all transactions in bonds, commodities, rights, and warrants. Transactions were reported as of trade dates, not brighter or delivery dates. Certain qualifications regarding the completeness and accuracy of the data should be noted: The reporting firms in designating accounts as "cash" or "margin" did not in all cases agree as to the application of these terms. A check of a number of member firms revealed that in certain instances firms considered as cash accounts normal margin accounts which temporarily had free credit balances. Some accounts were reported as margin accounts merely because "loan agreements" had been signed by the customers, although all subsequent transactions were fully paid. A few cases were found in which stock had been bought "on margin," paid for, and sold as a cash item. It was also noted that some margin accounts had been transferred to loan departments of banks so that items bought "on margin" through a broker were later sold by the bank as "cash" transactions. In spite of these limitations, however, this table is included since it presents the only data available on purchases and sales by margin accounts during the period covered.

TABLE 11.—*Basic forms used by issuers in registering securities on national securities exchanges and, for each form, the number of securities registered and issuers involved as of June 30, 1945, and June 30, 1946*

Form	Description	As of June 30, 1945		As of June 30, 1946	
		Securities registered	Issuers involved	Securities registered	Issuers involved
7	Provisional application where no other form is prescribed.....	8	6	9	7
10	General corporations.....	2,346	1,638	2,309	1,650
11	Unincorporated issuers.....	22	13	22	13
12	Carriers making reports to the Interstate Commerce Commission and communication companies making reports to the Federal Communications Commission.....	552	168	527	160
12-A	Carriers in receivership or bankruptcy making reports to the Interstate Commerce Commission and communication companies in receivership or bankruptcy making reports to the Federal Communications Commission.....	81	17	67	15
13	Insurance companies other than life and title insurance companies.....	10	10	10	10
14	Certificates of deposit issued by a committee.....	33	20	30	18
15	Incorporated investment companies.....	75	47	71	45
16	Voting trust certificates.....	21	18	19	17
17	Unincorporated investment companies.....	8	5	7	5
18	Foreign governments and political subdivisions thereof.....	253	82	248	81
19	American certificates issued against foreign certificates.....	8	7	9	8
20	Stocks of foreign private issuers.....	1	1	1	1
21	Bonds of foreign private issuers.....	77	46	77	46
22	Issuers reorganized in insolvency proceedings or their successors.....	90	53	82	54
23	Successor issuers other than those succeeding insolvent issuers.....	86	54	99	58
24	Bank holding companies.....	4	4	5	5
Totals.....		3,675	1,2189	3,592	2,183

¹ Includes two issuers having securities registered on two basic forms and one issuer having securities registered on three basic forms. Net number of issuers having securities registered is therefore 2,185.

² Includes three issuers having securities registered on two basic forms and one issuer having securities registered on three basic forms. Net number of issuers having securities registered is therefore 2,188.

TABLE 12.—*Classification by industries of issuers having securities registered on national securities exchanges as of June 30, 1945, and June 30, 1946*

Industry	Number of issuers	
	As of June 30, 1945	As of June 30, 1946
Agriculture.....	7	8
Beverages (breweries, distilleries, etc.).....	44	47
Building and related companies (including lumber, building materials, and construction).....	82	83
Chemicals and allied products.....	81	80
Financial and investment companies (investment trusts, fire insurance, etc.).....	126	124
Food and related products.....	106	107
Foreign governments and political subdivisions.....	80	79
Foreign private issuers other than Canadian and Cuban.....	54	54
Iron and steel (excluding machinery).....	68	69
Machinery and tools (excluding transportation equipment).....	167	173
Merchandising (chain stores, department stores, etc.).....	157	161
Mining, coal.....	24	22
Mining, other than coal.....	218	222
Miscellaneous manufacturing.....	63	70
Oil and gas wells.....	53	51
Oil refining and distributing.....	39	37
Paper and paper products.....	37	37
Printing, publishing, and allied industries.....	20	20
Real estate.....	22	19
Rubber and leather products (tires, shoes, etc.).....	32	32
Services (including advertising, amusements, hotels, restaurants, etc.).....	42	41
Textiles and related products.....	61	63
Tobacco products.....	18	18
Transportation and communication (railroads, telephone, radio, etc.).....	275	266
Transportation equipment.....	175	178
Utility holding companies (electric, gas, and water).....	41	39
Utility holding-operating companies (electric, gas, and water).....	14	14
Utility operating (electric, gas, and water).....	79	74
Totals.....	2,185	2,188

TABLE 13.—*Number and amount of securities classified according to basis for admission to dealing on all exchanges as of June 30, 1946*

Basis for admission to dealing	Stocks			
	Column I ¹		Column II ²	
	Issues	Number of shares	Issues	Number of shares
Registered.....	2,552	2,440,707,213	2,552	2,440,707,213
Temporarily exempted from registration.....	*35	17,148,542	*35	17,148,542
Admitted to unlisted trading privileges on registered exchanges.....	965	1,738,593,455	396	374,697,021
Listed on exempted exchanges.....	135	100,922,924	87	28,036,680
Admitted to unlisted trading privileges on exempted exchanges.....	42	10,919,454	36	5,652,140
Total stock issues and number of shares admitted to dealing on all exchanges.....			3,106	2,866,141,596
Bonds				
Basis for admission to dealing	Issues	Principal amount	Issues	Principal amount
	*1,033	\$17,800,893,052	*1,033	\$17,800,893,052
	*21	274,628,447	*21	274,628,447
	132	1,583,921,521	116	1,155,904,721
	7	21,447,000	7	21,447,000
Total bond issues and principal amount admitted to dealing on all exchanges.....	1	140,000	1	140,000
			1,178	19,253,013,220

¹ The purpose of col. I is to show the number and amount of securities admitted to dealing under the various bases for admission of securities to dealing on exchanges under the act. Each security is counted once under each basis for its admission to dealing. For example, if a security is registered on one or more than one exchange and also unlisted on one or more than one exchange, such security is counted once under "registered" and once under "admitted to unlisted trading privileges on registered exchanges." This column is not totaled because of such duplications.

² The purpose of col. II is to show the unduplicated total of all securities admitted to dealing on all exchanges. Each security is counted only once, and the elimination of duplications contained in col. I is made in col. II in the order in which the various bases for admission to dealing is given. For example, of the 965 stock issues shown in col. I as unlisted on registered exchanges, 569 are also registered, leaving the 396 shown in col. II; of the 135 stock issues shown in col. I as listed on exempted exchanges, 39 are registered and 9 are unlisted, leaving the 87 shown in col. II; and of the 42 stock issues shown in col. I as unlisted on exempted exchanges, 5 are also registered and 1 is also unlisted on a registered exchange, leaving the 36 shown in col. II. Of the 132 bond issues shown in col. I as unlisted on registered exchanges, 16 are also registered, leaving the 116 shown in col. II.

³ Includes certain securities resulting from modifications of previously listed securities, securities of certain banks, and securities of certain issuers in bankruptcy. These securities have been exempted from registration upon specified terms and conditions and for stated periods pursuant to rules and regulations of the Commission under the act.

⁴ Includes eight bond issues in pounds sterling in the amount of £28,202,609. This amount has been excluded from the principal amount in dollars shown above.

TABLE 14

PART 1.—NUMBER AND AMOUNT OF SECURITIES CLASSIFIED ACCORDING TO THE NUMBER OF REGISTERED EXCHANGES ON WHICH EACH ISSUE APPEARS AS OF JUNE 30, 1946

	Stocks		Bonds	
	Issues	Shares	Issues	Principal amount
1. Registered on 2 or more exchanges and unlisted on 2 or more exchanges.....	91	496,106,313	0	0
2. Registered on 2 or more exchanges and unlisted on 1 exchange.....	70	101,692,186	1	\$65,287,500
3. Registered on 2 or more exchanges.....	355	233,006,465	69	2,025,776,800
4. Registered on 1 exchange and unlisted on 2 or more exchanges.....	154	538,294,485	0	0
5. Registered on 1 exchange and unlisted on 1 exchange.....	254	227,903,450	15	362,729,300
6. Registered on 1 exchange.....	1,628	843,704,314	948	15,347,099,452
7. Unlisted on 2 or more exchanges.....	13	34,725,767	0	0
8. Unlisted on 1 exchange.....	383	339,871,254	116	1,155,904,721
9. Temporarily exempted on 1 exchange.....	33	15,606,901	17	211,772,197
10. Temporarily exempted on 2 exchanges.....	2	1,541,641	4	62,856,250
	2,983	2,832,452,776	1,170	19,231,426,220

PART 2.—REGISTERED ISSUES CLASSIFIED ACCORDING TO WHETHER OR NOT THEY ARE ALSO ADMITTED TO UNLISTED TRADING ON OTHER REGISTERED EXCHANGES AS OF JUNE 30, 1946

	Stocks		Bonds	
	Issues	Shares	Issues	Principal amount
Registered only (part 1, lines 3 and 6).....	1,983	1,076,710,779	1,017	\$17,372,876,252
Registered and admitted to unlisted trading (part 1, lines 1, 2, 4, 5).....	569	1,363,996,434	16	423,016,800
All registered issues on registered exchanges.....	2,552	2,440,707,213	1,033	17,800,893,052
Proportion of registered issues also admitted to unlisted trading—in percent.....	22.3	55.9	1.5	2.4

PART 3.—UNLISTED ISSUES ON REGISTERED EXCHANGES CLASSIFIED ACCORDING TO WHETHER OR NOT THEY ARE ALSO REGISTERED ON OTHER REGISTERED EXCHANGES AS OF JUNE 30, 1946

	Stocks		Bonds	
	Issues	Shares	Issues	Principal amount
Unlisted only (part 1, lines 7 and 8).....	396	374,597,021	116	1,155,904,721
Unlisted and registered (part 1, lines 1, 2, 4, 5).....	569	1,363,996,434	16	423,016,800
All unlisted issues on registered exchanges.....	965	1,738,593,455	132	1,583,921,521
Proportion of unlisted issues which are also registered—in percent.....	59.0	78.5	12.1	27.0

PART 4.—ALL ISSUES CLASSIFIED ACCORDING TO WHETHER THEY ARE AVAILABLE FOR TRADING ON SINGLE OR SEVERAL REGISTERED EXCHANGES AS OF JUNE 30, 1946

	Stocks		Bonds	
	Issues	Shares	Issues	Principal amount
Available for trading on single exchanges (part 1, lines 8, 8, 9).....	2,044	1,199,182,469	1,083	16,714,776,370
Available on more than one exchange (part 1, all lines but 6, 8, 9).....	939	1,633,270,307	87	2,516,649,850
All issues on registered exchanges.....	2,983	2,832,452,776	1,170	19,231,426,220
Proportion available for trading on more than one exchange—in percent.....	31.5	57.7	7.4	13.1

TABLE 15.—*Number of issuers having securities admitted to dealing on all exchanges as of June 30, 1946, classified according to the basis for admission of their securities to dealing*

Basis of admission of securities to dealing	Column I ¹ Number of issuers	Column II ² Number of issuers
Registered.....	2,188	2,188
Temporarily exempted from registration.....	45	25
Admitted to unlisted trading privileges on registered exchanges.....	908	354
Listed on exempted exchanges.....	116	74
Admitted to unlisted trading privileges on exempted exchanges.....	40	35
Total number of issuers having securities admitted to dealing on all exchanges.....		2,676

¹ The purpose of column I is to show the number of issuers having securities admitted to dealing under the various bases for the admission of securities to dealing under the Act. Each issuer is counted once under each basis for admission of its securities to dealing. For example, an issuer having securities registered on one or more exchanges and also admitted to unlisted trading privileges on one or more exchanges is counted once under "registered" and once under "admitted to unlisted trading privileges on registered exchanges." This column is not totaled because of such duplications.

² The purpose of column II is to show the unduplicated total number of issuers having securities admitted to dealing on all exchanges. Each issuer is counted only once, and the eliminations of the duplications in column I is made in the order in which the various bases for admission of securities to dealing is given. For example, of the 45 issuers shown in column I as having securities temporarily exempted from registration 20 also have securities registered, leaving the 25 shown in column II; of the 908 issuers shown in column I as having securities admitted to unlisted trading privileges on registered exchanges 552 also have securities registered and 2 also have securities temporarily exempted from registration, leaving the 354 shown in column II; of the 116 issuers shown in column I as having securities listed on exempted exchanges 33 also have securities registered and 9 also have securities admitted to unlisted trading privileges on registered exchanges, leaving the 74 shown in column II; and of the 40 issuers shown in column I as having securities admitted to unlisted trading privileges on exempted exchanges 4 also have securities registered and 1 also has securities admitted to unlisted trading privileges on a registered exchange, leaving the 35 shown in column II.

TABLE 16.—*Number of issuers having stocks only, bonds only, and both stock and bonds, admitted to dealing on all exchanges as of June 30, 1946*

Classification	Number of issuers	Percent of total issuers
1. Issuers having only stocks admitted to trading on exchanges.....	2,116	79.1
2. Issuers having only bonds admitted to trading on exchanges.....	316	11.8
3. Issuers having both stocks and bonds admitted to trading on exchanges.....	244	9.1
Total issuers.....	2,676	100.0
4. Issuers having stocks admitted to trading on exchanges (classification 1 plus 3).....	2,360	88.2
5. Issuers having bonds admitted to trading on exchanges (classification 2 plus 3).....	560	20.9

TABLE 17.—Number of issuers and securities, basis for admission of securities to dealing, and the percentage of stocks and bonds, for each exchange, admitted to dealing on one or more other exchanges as of June 30, 1946

Name of exchange	Stocks										Bonds					Percent traded on 1 or more other exchanges
	Total issuers	Total issues		R	X	U	XL	XU	Total	R	X	U	XL	XU	Total	
Baltimore	60	89	37	2	23	—	—	—	62	58.1	19	—	8	—	27	48.1
Boston	321	388	135	1	226	—	—	—	362	82.9	26	—	—	—	26	53.8
Chicago Board of Trade	28	31	25	—	5	—	—	—	30	56.7	1	—	—	—	1	0.0
Chicago Stock Exchange	275	343	275	9	38	—	—	—	322	65.5	10	11	—	—	21	42.9
Cincinnati	64	85	71	1	9	—	—	—	81	33.3	3	1	—	—	4	100.0
Cleveland	84	96	68	—	28	—	—	—	96	67.7	—	—	—	—	—	—
Colorado Springs ¹	14	14	—	—	14	—	—	—	14	21.4	—	—	—	—	—	—
Detroit	148	158	102	—	56	—	—	—	158	81.0	—	—	—	—	—	—
Honolulu ¹	88	102	—	—	58	37	—	—	95	25.3	—	—	6	1	7	0.0
Los Angeles	188	217	125	3	83	—	—	—	211	84.8	6	—	—	—	6	100.0
Minneapolis-St. Paul ¹	14	21	—	—	15	—	18	2	20	60.0	—	—	3	—	—	—
New Orleans	14	21	—	—	15	—	—	—	17	17.6	1	—	3	—	4	25.0
New York Curb	797	1,002	437	2	421	—	—	—	860	26.5	20	2	120	—	142	8.5
New York Stock	1,210	2,311	1,342	9	—	—	—	—	1,351	51.6	958	11	—	—	969	7.8
Philadelphia	440	530	65	5	410	—	—	—	480	96.7	50	—	—	—	50	66.0
Pittsburgh	111	126	56	—	68	—	—	—	124	78.2	2	—	—	—	2	0.0
Richmond ¹	20	26	—	—	25	—	—	—	25	16.0	—	—	1	—	1	0.0
St. Louis	47	66	58	1	4	—	—	—	63	33.3	3	—	—	—	3	66.7
Salt Lake	94	95	89	1	5	—	—	—	95	09.5	—	—	—	—	—	—
San Francisco Mining	42	42	42	—	—	—	—	—	42	14.3	—	—	—	—	—	—
San Francisco Stock	271	334	165	5	150	—	—	—	320	72.5	13	—	1	—	14	100.0
Spokane	31	33	22	—	11	—	—	—	33	30.3	—	—	—	—	—	—
Washington, D. C.	33	49	31	9	—	—	—	—	40	17.5	9	—	—	—	9	33.3
Wheeling ¹	20	22	—	—	19	3	—	—	22	45.5	—	—	—	—	—	—

¹ Exempted from registration as a national securities exchange.

R-registered; X-temporarily exempted from registration; U-admitted to unlisted trading privileges on a registered exchange, XL-listed on an exempted exchange; and XU-admitted to unlisted trading privileges on an exempted exchange.

TABLE 18.—Number of issues admitted to unlisted trading pursuant to Clauses 2 and 3 of Section 12 (f) of the Securities Exchange Act of 1934 and volume of transactions therein¹

[Stock volumes in shares, bond volumes in dollars of principal amount]

	Number of issues		Volume reported for the calendar year 1945	Percent of total 1945 volume on each exchange in stocks and bonds respectively	Aggregate volume reported for the calendar years 1937-1945 inclusive
	Admit-ted total	Remain-ing 6-30-46			
Stocks pursuant to Clause 2:					
Boston Stock Exchange	61	257	380,096	7.5	2,413,262
Chicago Stock Exchange	38	37	1,683,654	13.6	5,555,273
Cincinnati Stock Exchange	9	9	73,679	21.7	488,318
Cleveland Stock Exchange	28	28	128,351	18.7	449,608
Detroit Stock Exchange	43	41	639,425	10.6	1,976,739
Los Angeles Stock Exchange	40	39	712,719	5.4	2,388,056
New York Curb Exchange	5	5	1,278,180	0.8	2,916,525
Philadelphia Stock Exchange	87	84	428,977	9.0	1,259,455
Pittsburgh Stock Exchange	56	50	204,701	6.7	959,712
St. Louis Stock Exchange	4	4	0	0.0	0
Salt Lake Stock Exchange	1	1	6,088	0.02	28,608
San Francisco Stock Exchange	29	28	617,215	6.4	1,391,330
Wheeling Stock Exchange	6	3	353	6.7	14,830
Total	407	386	6,153,438		19,841,716
Stocks pursuant to Clause 3:					
Chicago Stock Exchange	1	1	0	0.0	0
New York Curb Exchange	7	7	95,740	0.06	415,505
Total stocks	415	394	6,249,178		20,257,221
Bonds pursuant to Clause 2:					
New York Curb Exchange	3	1	\$916,000	0.5	\$11,370,000
San Francisco Stock Exchange	1	1	1,354,500	98.1	1,429,500
Bonds pursuant to Clause 3:					
New York Curb Exchange	41	20	7,217,000	4.1	108,053,000
Total bonds	45	22	\$9,487,500		\$120,852,500

¹ For enactment of Clauses 2 and 3 and procedure thereunder, see Tenth Annual Report under "Unlisted Trading Privileges on Securities Exchanges." For volumes reported in each of the years 1937 through 1944, see Eleventh Annual Report Appendix Table 18.

² Only odd-lot trading is permitted in 6 of these issues.

³ Only odd-lot trading is permitted in 1 of these issues.

⁴ Only odd-lot trading is permitted in 3 of these issues.

⁵ Only odd-lot trading is permitted in these 4 issues.

⁶ San Francisco Stock Exchange figures include San Francisco Curb Exchange figures prior to the 1938 merger.

⁷ Wheeling Stock Exchange is an exempted exchange. All other exchanges shown are registered exchanges.

⁸ Twenty-one of these issues had been removed to June 30, 1946, the 21 issues accounted for 176,293 shares of the total reported trading volume.

⁹ This figure includes duplications arising from admission of various issues to unlisted trading on more than one exchange. The net number of issues admitted as of June 30, 1946 was 223 pursuant to Clause 2 and 7 pursuant to Clause 3.

¹⁰ Twenty-three of these issues had been removed to June 30, 1946, principally on account of redemptions; the 23 issues accounted for \$44,527,000 of the total \$120,852,500 principal amount of trading shown in the table.

TABLE 19.—*Reorganization cases instituted under Chapter X and Section 77B in which the Commission filed a notice of appearance and in which the Commission actively participated during the fiscal year ended June 30, 1946*

PART 1.—DISTRIBUTION OF DEBTORS BY TYPE OF INDUSTRY

Industry	Number of debtors		Total assets		Total indebtedness	
	Principal	Subsidiary	Amount (thousands of dollars)	Percent of grand total	Amount (thousands of dollars)	Percent of grand total
Agriculture.....	1		180		166	(1)
Mining and other extractive.....	7	5	128,824	6.5	89,813	6.8
Manufacturing.....	7		27,112	1.4	18,346	1.4
Financial and investment.....	7	2	101,013	5.1	59,461	4.5
Merchandising.....	1		2,106	.1	1,292	.1
Real estate.....	52	2	257,810	13.0	263,570	20.1
Construction and allied.....	1		9,108	.5	4,734	.4
Transportation and communication.....	11	7	380,855	19.3	339,574	25.9
Service.....	6		25,623	1.3	13,529	1.0
Utilities: light, power, and gas.....	11	7	2,104,329	52.8	522,836	39.8
Grand total.....	104	23	1,975,860	100.0	1,313,321	100.0

PART 2.—DISTRIBUTION OF DEBTORS BY AMOUNT OF INDEBTEDNESS

Range of indebtedness (dollars)	Number of debtors		Total indebtedness	
	Princi-pal	Subsidi-ary	Amount (thousands of dollars)	Percent of grand total
Less than 100,000.....				
100,000-249,999.....	4	2	263	(1)
250,000-499,999.....	7	4	1,890	0.2
500,000-999,999.....	8	4	4,892	.4
1,000,000-1,999,999.....	11	6	12,586	1.0
2,000,000-2,999,999.....	19	1	27,480	2.1
3,000,000-4,999,999.....	7	2	22,495	1.7
5,000,000-9,999,999.....	20		79,747	6.1
10,000,000-24,999,999.....	9		71,984	5.4
25,000,000-49,999,999.....	13	1	216,722	16.5
Over 50,000,000.....	2	1	101,307	7.7
Grand total.....	104	23	774,045	58.9

¹ Less than 0.05 percent.

² Approximately \$800,000,000 assets and \$400,000,000 of liabilities were accounted for by Associated Gas & Electric Co. and its subsidiary, Associated Gas & Electric Corp.

TABLE 20

PART 1—ELECTRIC UTILITY PROPERTIES DIVESTED BY REGISTERED HOLDING COMPANIES, JULY 1, 1946-JUNE 30, 1946

System Company	Total assets of divested subsidiary ¹	Details of divestment	Consideration if sold	Date	Comments	Source of information ²
American Gas & Electric Co.; Scranton Electric Co., The.....	\$33,704,311	Sale of common stock to Mellon Securities Corp. for public distribution.	\$25,881,266	May 1, 1946	No longer subject to the act.....	Release No. 6565, 6800
American Power & Light Co.; Central Arizona Light & Power Co.	19,801,000	Sale of common stock to The First Boston Corp. for public distribution. Sale of investment to M. J. Murray, Jr. of Jobbs, N. Mex.	10,432,800 1,206,000	Nov. 8, 1945 Nov. 15, 1945	do.....do.....	6179, 6194 6219
New Mexico Electric Service Co.	1,814,000					
American Utilities Service Corp.; Minnesota Utilities Co.	1,001,000	Sale of electric and steam heating properties to Northern States Power Co. (Minn.). Sale of investment to H. K. Harley and R. M. Hayden of Madison WIs.	625,000	Oct. 18, 1945	Property sold continues subject to the act. No longer subject to the act.....	6143
Wisconsin Southern Gas Co.	\$1,088,486	Sale of common stock to Continental Gas & Electric Corp.	410,000	Dec. 15, 1945	Continues subject to the act.....	6299
Cities Service Co.; St. Joseph Light & Power Co.	15,856,000	Sale of common stock to Gerald L. Schlessman, Inc. subject to disposition within 1 year. Sale of common stock to Blyth & Co., Inc. subject to disposition within 1 year. Sale of common stock to Blyth & Co. for public distribution.	2,200,000 641,015 780,000	July 18, 1945 Sept. 17, 1945 Dec. 26, 1945	No longer subject to the act..... do.....	5943 6059 6332
Sheridan County Electric Co.; Trinidad Electric Transmission, Railway & Gas Co., The, Tucson Gas, Electric Light & Power Co., The, Columbia Gas & Electric Corp.; Dayton Power & Light Co., The....	1,817,000 45,177,974 10,530,678	Sale of common stock to J. G. White & Co. sub- ject to disposition within 1 year. Sale of common stock to Blyth & Co. for public dis- tribution.	5,588,070	June 6, 1946	do.....	6654, 6683
Crescent Public Service Co.; Colorado Central Power Co.	77,331,630	Sale of common stock to Blyth & Co., Inc. for public distribution.	51,467,670	June 7, 1946	do.....	6656, 6688
Central Ohio Light & Power Co.	\$2,261,111 \$8,927,007	Sale of common stock to First Boston Corp. and Dean Witter & Co. for public distribution. Distribution of common stock to common stockholders of Crescent Public Service Co. in partial liquidating dividend	1,418,769	Feb. 28, 1946 June 1946	do.....do.....	6437, 6465 6378, 6396
Electric Power & Light Co.; Utah Power & Light Co.	91,101,000	Exchange of new common stock of Utah Power & Light Co. for publicly held preferred stock, under a reorganization plan which did not provide for the participation by Electric Power & Light Co. except to receive \$650,000 in cash.	Jan. 16, 1946	Continues subject to the act.....	6212
Engineers Public Service Co.; Western Public Service Co., The....	\$1,758,022	Sale of common stock to five individuals.....	843,000	Feb. 15, 1946	No longer subject to the act.....	6420
See footnotes at end of table.						

TABLE 20—Continued
PART I.—ELECTRIC UTILITY PROPERTIES DIVESTED BY REGISTERED HOLDING COMPANIES, JULY 1, 1945-JUNE 30, 1946—Continued

System Company	Total assets of divested subsidiary ¹	Details of divestment	Consideration if sold	Date	Comments	Source of information, ² Release No., 6620
General Public Utilities Corp. (formerly Associated Gas & Elec. Co.); Arizona General Utilities Co.; Florida Power Corp.	\$670,539 47,068,000	Sale of investment to Graham County Electric Cooperative, Inc., and the Towns of Safford and Thatcher, Ariz. Sale of 396,388 shares of common stock (39.64 percent of total outstanding) to Kidder, Peabody & Co. after distribution of 460,759 shares (48.08 percent) to public holders of General Gas & Electric Corp. common stock class A and B.	\$410,000 6,445,000	May 9, 1946 Oct. 23, 1945 do	No longer subject to the act do	6151, 6124
Middle West Corp.; Northwestern Public Service Co.; National Power & Light Co.; Edison Illuminating Co.; New England Gas and Electric Association; International Power Co.; St. Croix Electric Co.; Western Hancock Electric Co.	14,504,182 1,525,736 174,769 303,343 6,229	Sale of common stock to Bear, Stearns & Co.—not for resale. Sale of capital stock to Metropolitan Edison Co. Sale of all property to Robert Hawkins & Co. Sale of all property to a nonaffiliated company.	2,400,000	Mar. 28, 1946 298,179 180,000 27,272,700	do Continuous subject to the act. Feb. 18, 1946 Sept. 17, 1945	6515 6691 6417 6027, 6053
North American Co.; Pacific Gas & Electric Co.; The North Continent Utilities Corp.; Elk River Power & Light Co.; Great Northern Utilities Co.; New Mexico Public Service Co.	894,383,000 347,000 2,037,228	Sale of 700,000 shares of common stock (11.18 percent of total outstanding) to Dillon, Read & Co., Inc. for public distribution. Sale of all physical properties to the village of Elk River. Sale of electric properties in Toole Co., Montana to Marias River Electric Cooperative, Inc. Sale of electric properties in Toole and Glacier Cos., Montana to Glacier County Electric Cooperative, Inc. Sale of properties in the town of Farmington to the town. Sale of properties beyond the town of Farmington to Basin Light and Power Co. Sale of electric generating plant, distribution system and real estate in Socarr Co. to the Socarr Electric Cooperative, Inc.	50,000 640,050 343,450 \$210,000 90,000 160,000	Nov. 7, 1945 June 3, 1946 June 3, 1946 do do July 16, 1945	Properties sold no longer subject to the act. do do Properties sold no longer subject to the act. do do	6180 6667 6667 6190 6190 5633

United Corp., The: Central Hudson Gas & Electric	48,355,000	Sale of 446,738 shares of common stock (29.72 percent of total outstanding) to Kildair, Peabody & Co. for public distribution.	4,167,775	Sept. 12, 1945	No longer subject to the act... 6023, 6040
New York Power & Light Corp.	Sale of electric transmission substation in town of Carmel, N. Y., to New York State Electric & Gas Corp.	200,000	July 26, 1945	Property sold continues subject to the act. 5951
Delaware Power & Light Co.	47,254,000	Exchange of common stock for preferred stock of The United Corporation.	July 3, 1945	Continues subject to the act... 5812
United Gas Improvement Co.	185,848,584	Exchange of U.G.I. portfolio securities for approximately one-third of its common stock outstanding.	April 22, 1946 9474
United Light & Railways Co.: Columbus & Southern Ohio Electric Co.	72,549,787	Sale of common stock to Dillon, Read & Co., Inc., for public distribution.	38,115,261	May 22, 1946	No longer subject to the act... 6621, 6652
United Public Utilities Corp.: Dakota Public Service Co.	9,189,000	Sale of investment to Montana Dakota Utilities Co.	6,521,060	Oct. 18, 1945 6142

PART 2.—GAS UTILITY PROPERTIES DIVESTED BY REGISTERED HOLDING COMPANIES, JULY 1, 1945—JUNE 30, 1946

Cities Service Co.: Knoxville Gas Co., The Crescent Public Service Co.	" 1,905,652	Sale of all physical properties to the city of Knoxville, Tenn. Sale of investment to Empire Southern Gas Co.	\$158,927	Jan. 7, 1946	Properties sold no longer subject to the act. 6358
Empire Southern Service Co.: Electric Power & Light Corp.; Compania Mexicana de Gas, S. A.	414,106	Sale of common stock to Clint Murchison and Wm. H. Duff, syndicate.	410,000	Mar. 18, 1946	No longer subject to the act... 6485
Federal Water & Gas Corp.; People's Water & Gas Co.	3,232,95	Sale of investment to R. M. Sheritt of Chicago, Ill.	1,400,000	Dec. 6, 1945 (*)
General Public Utilities Corp. (formerly Associated Gas & Electric Co.); Florida Power Corp.	6,180,416	Sale of all gas properties to Savannah-Sr. Augustine Gas Co.	1,111,835	Sept. 14, 1945 6051
New York State Electric & Gas Corp.	1,015,000	Sale of all gas properties in towns of Lancaster and Alden, N. Y. to Iroquois Gas Corp.	1,165,000	Dec. 13, 1945	Property sold no longer subject to the act. 6292
Great Lakes Utilities Co.: Ohio Gas, Light & Coke Co., The....	" 7,150,781	Sale of investment to Frederick E. Zehn of Chicago, Ill.	125,000	Aug. 30, 1945	Properties sold continue subject to the act. 6025
Hope Engineering Co.; Rio Grande Valley Gas Co.	Distribution of common stock to common stockholders of Hope Engineering Co.	600,100	Dec. 27, 1945	No longer subject to the act... 6336
International Utilities Corp.: Rockland Gas Co.	" 1,258,000	Sale of common stock to Butcher & Sherrerd for public distribution.	732,000	Aug. 17, 1945 6440
New England Public Service Co., Public Service Co. of New Hampshire, North American Co., The Union Electric Co. of Missouri.	Sale of entire gas business to Chas. R. Pritchard, Jr., to a former subsidiary, (now merged), to Koekuk Gas Service Co.	200,000	Sept. 25, 1945	Property sold no longer subject to the act. 6077
Pennsylvania Gas & Electric Corp., Saugetts Gas Light Co.	204,571	Sale of physical properties....	65,000	July 13, 1945 5935
United Utilities, Inc., Central Gas Utili- ties Co., The.	Sale of Oklahoma gas properties to Kingfisher Gas Co., do.	50,662	July 1945	No longer subject to the act... 11 30-21-2
		Sale of utility plant comprising the Western Division to Kansas Colorado Utilities, Inc.	237,000	July 31, 1945	Property sold no longer subject to the act. 5902
	 do.	1,000,000	Sept. 14, 1945 6045

See footnotes at end of table.

TABLE 20—Continued
PART 3.—NONUTILITY PROPERTIES DIVESTED BY REGISTERED HOLDING COMPANIES, JULY 1, 1945, TO JUNE 30, 1946

System Company	Total assets of divested subsidiary ¹	Details of divestment	Consideration if sold	Date	Comments	Source of information ³	Release No. ⁴
American Power & Light Co.: Texas Public Utilities Corp.: Consumers Water Co.	\$1,185,375	Sale of water system in city of Llano, Tex., to the city. Sale of investment to Florida Utilities Corp., Orlando, Fla., and General Water Works Corp., Philadelphia.	\$85,000 927,400	Feb. 1, 1946 Jan. 8, 1946	Property sold, no longer subject to the act. No longer subject to the act..	(*)	11-30-75-2
American Water Works and Electric Co.: Cuba Water Co. New Jersey Water Co. Westmoreland Water Co. Williamsport Water Co. Central Public Utility Corp.; Lynchburg Transit Co. Roanoke Railway and Electric Co. Safety Motor Transit Corp. Columbia Gas & Electric Corp.; Ohio Fuel Supply Co., The	3,200,376 3,203,936 5,091,869 5,135,323 480,000 1,329,542 331,148 10,3,362,501	Sale of common stock..... Sale of investment..... do..... Sale of common stock to Texas Gulf Producing Co., and Bradley Producing Co., N.Y.	50,000 2,000,000	Aug. 1945 Nov. 1945	do..... do.....	(*)	11-30-75-2
Electric Power & Light Corp.; Dallas Railway & Terminal Co.	14,318,300	Sale of common stock to The First Boston Corp. and Blyth & Co., Inc. for public distribution. Sale of water distribution system serving city of Geneva, Ala., to the city. Sale of water distribution system serving town of Brantley, Ala., to L. E. Stephenson of Brantley, Ala. Sale of water distribution system serving town of Coffee Springs, Ala., to the town of Coffee Springs, Ala. Sale of water distribution system serving city of Headland, Ala., to the city of Headland, Ala. Sale of water distribution system serving city of Wetumpka, Ala., to the city of Wetumpka, Ala. Sale of water distribution system in city of Greenboro, Ala., to Greensboro Water Co. Sale of water distribution system serving the town of Monroeville, Ala., to the town. Sale of water distribution system serving the city of Oneonta, Ala., to the city.	1,450,000 2,651,110	Jan. 1946 Feb. 1946	1 do..... 1 do.....	(*)	6363, 6377
Federal Water and Gas Corp., Alabama } Water Service Co. }	8,062,143	Sale of water distribution system serving the town of Collinsville, Ala., to Collinsville Water Works Co.	3,617,963	Jan. 10, 1946	do.....	(*)	5921
			40,000	July 11, 1945	Property sold, no longer subject to the act.		6036
			5,500	Sept. 11, 1945	do.....		6036
			2,000	do.....		6036
			37,500	do.....		6036
			75,000	do.....		6036
			25,000	Oct. 29, 1945	do.....		6141
			50,000	Jan. 22, 1946	do.....		6376
			45,000	do.....		6376
			15,000	Mar. 22, 1946	do.....		6502

General Public Utility Corp. (formerly Associated Gas and Electric Co.); Citizens Transits Co.; Koppers Company, Inc.; Alan Wood Steel Co.; Middle West Corp.; Wisconsin Power & Light Co.	141,446	Sale of common stock to J. A. Harrison, Pittsburgh.....	N.A.	Jan. 28, 1946	No longer subject to the act....	(e)
	18,410,466	Sale of investment.....	550,000	Jan. 1946	do.....	(e)
		Sale of bus lines to Northland Greyhound Corp.....	260,000	Dec. 1, 1945	Property sold no longer subject to the act.	(e)
New England Public Service Co.; New England Industries, Inc.	20,757,000	Sale of investments to Coffin & Burr, Inc., and The First Boston Corp.	16,500,000	Oct. 11, 1945	No longer subject to the act....	6123
North American Co.; Illinois Terminal Railroad Co.	59,645,735	Sale of investment to Railway Corp. of Illinois.....	19,542,207	Dec. 1946	do.....	11 70-1242
Ogden Corp.; Litchfield & Madison Railway Co.; Mt. Olive & Staunton Coal Co.; Southern Union Gas Co.	4,822,213 1,726,091	Sale of investment to J. L. Holtzman, New York, N. Y. Sale of Oklahoma water properties to Kingfisher Water Co.	1,758,883 70,000	Dec. 31, 1945 July 30, 1946	Properties sold no longer subject to the act.	5982
United Public Utilities Corp.; Knife River Coal Mining Co.	831,985	Sale of investment to Montana Dakota Utilities Co..	547,462	Oct. 18, 1945	No longer subject to the act....	6142

¹ Total assets of each divested subsidiary are the assets as of December 31 of the year preceding such divestment. Where divestment was affected by a piecemeal sale of properties, the assets of the year end prior to the first major sale were used.

² Release numbers refer to Holding Company Act releases.

³ As of July 31, 1946.

⁴ Pro forma June 30, 1945, reflecting acquisition of intrasystem properties.

⁵ As of Oct. 31, 1946.

⁶ As of Aug. 31, 1945.

⁷ As of Feb. 28, 1946.

⁸ As of April 30, 1945, pro forma.

⁹ Moody's.

¹⁰ As of Dec. 31, 1944.

¹¹ File No.

TABLE 21.—Utility and other properties subject to divestment under Section 11 (b) (1) orders outstanding as of June 30, 1946

System company	Total assets as of Dec. 31, 1945, of companies ordered divested	Individual companies	System totals	Nature of business	State of operation	Holding Company Act release number	Date of order
American Gas and Electric Co.	\$56,899,888						
Atlantic City Electric Co.	\$64,290,732			Electric heat	New Jersey	6333	Dec. 28, 1945.
Deeprwater Operating Co.	731,347			Electric generating	do		
South Pennsgrove Realty Co.	33,106			Real estate	Pennsylvania		
West Pittston-Exeter Railroad Co.	774,703			Railroad			
Cities Service Co. ¹	217,675,541						
Arkansas Louisiana Gas Co.	68,943,412			Gas	Arkansas-Louisiana-Texas	5028	May 5, 1944.
Oklahoma Service Power & Light Co.	68,078,199			Holding company	do		
Dominion Natural Gas Co., Ltd.	26,033,050			Gas	Arkansas-Louisiana-Texas	6350	Oct. 12, 1944.
Gas Advisers, Inc.	55,946			Mutual service	do		
Gas Service Co., The	26,398,397			Gas	Kansas-Oklahoma-Nebraska-Missouri-Missouri		
Kansas City Gas Co.	17,928,693			do	Kansas		
Tr-City Gas Co., The	9,322,694			do	New York		
Public Light, Heat & Power Co., Inc.	83,313			do	do		
Cities Service Power & Light Co., The	4,733,997			do	do		
Daniphian County Light & Power Co., The	26,304			do	do		
Electric Advisors, Inc.	158,346			do	do		
Federal Light & Traction Co.	14,473,860			do	do		
Spokane Gas & Fuel Co.	1,413,888			do	do		
Federal Light & Traction Co. ¹			728,623	Realty	Washington	4489	Aug. 17, 1943.
Electric Land Co., The	87,380			Service company	Arizona	4960	Mar. 31, 1944
Federal Advisors, Inc.	36,460			Realty	do		
Federal Realty Co.	137,185			Transit			
Tucson Rapid Transit Co.	467,698						
Columbia Gas & Electric Corp.			146,958,529		Ohio-Kentucky	5455	Nov. 30-1944
Bridge Gas Co.	55,451			Gas transmission	Ohio		
Cincinnati Gas & Electric Co., The	136,828,140			Electric-gas-steam	Indiana		
Miami Power Corp.	490,178			Electric transmission	Indiana		
Union Light, Heat and Power Co.	10,444,860			Electric-gas-water	Kentucky		
West Harrison Electric and Water Co., Inc.	39,301			Electric-water	Indiana		
Engineers Public Service Co.			98,168,119				
El Paso Electric Co. (Texas)	16,455,659					8230	Dec 20 1941.
Illinois States Utilities Co.	73,620,302			Electric-railway-bus	Texas—New Mexico	3796	Sept. 16 1942.
Virginia Electric and Power Co. (gas properties only)	8,087,168			Electric-gas-steam-ice-water	Texas—Louisiana		
				Electric-gas-railway-bus	Virginia—North Carolina		

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Federal Water and Gas Corp.	96,173,960	4113 Feb. 10, 1943.
New York Water Service Corp. and subsidiary Scranton-Spring Brook Water Service Co.	34,227,718	Water holding company
	61,936,242	Water-gas-holding company
General Public Utilities Corp. (formerly Associated Gas & Electric Co.)	168,161,901	
General Gas & Electric Corp.; South Carolina Electric & Gas Co.	47,344,715	Electric-gas-bus
NY P.A. NY Utilities Company	94,725,006	Electric-gas
Jersey Central Power & Light Co. and subsidiaries.	21,082,180	Electric
Statens Island Edison Corp.	N. A.	Real Estate
Other subsidiaries: Associated Real Properties, Inc.	N. A.	Holding company
Gas and Electric Associates.	N. A.	Investing company
Utilities Investing Trust.	247,522,320	
Koppers Co., Inc.	247,522,320	Coal-coke-gas
Middle West Corp., The	116,784,925	
American Public Service Co.	34,992	Holding company
Beloit Water Power Co.	34,992	Inactive
Bureau of Safety	63,970,330	Service company
Central Power & Light Co.	327,251	Electric-water-ice
Central and Southwest Utilities Co.	14,632	Holding company
Compania Electrica de Matamoras, S. A.	4,984,976	Electric
Copper District Power Co.	13,088	do
Great Lakes Power Co., Ltd.	17,088	do
Illinois Stock Transfer Co.	880,206	Services Co.
Insurance Trust Fund	1,220,347	Terry railway
International Transit Co., The	117,269	Gas and oil production
Lawson Corp.	8,986,187	do
McAlester Janning Co.	8,986,187	Inactive
Michigan Gas & Electric Co.	118,690	Electric-gas
Middle West Service Co.	178,601,547	Service company
Middle West Utilities Co. of Canada, Ltd.	13,314,080	Holding company
North West Utilities Co.	7,1,942,766	Heat
Northern Public Service Corp., Ltd.	8,723,441	Electric-gas-water
Oklahoma Power and Water Co.	176,752	Ice
Old Dominion Ice Corp.	62,922,958	Electric-gas-water
Public Service Co. of Oklahoma	N. A.	do
South Beloit Water, Gas, & Electric Co.	604,138	Ice
Southern-Henke Ice & Storage Co.	44,016,590	Electric-gas-water-ice
Southwestern Gas & Electric Co.	93,183	Holding company
United Public Service Corp.	49,513,587	Electric-water-ice
West Texas Utilities Co.	76,741,059	Heat
Winnipeg Heating Co., Ltd.	994,851	Electric-gas-water-plus-heat
Wisconsin Power & Light Co.		Manitoba, Canada
		Illinois
		Oklahoma
		Illinois
		Texas
		Delaware
		Texas
		Manitoba, Canada
		Illinois
		Virginia
		Oklahoma
		Illinois
		Texas
		Delaware
		Texas
		Manitoba, Canada
		Wisconsin

See footnotes at end of table.

TABLE 21.—*Utility and other properties subject to divestment under Section 11 (b) (1) orders outstanding as of June 30, 1946—Continued*

System company	Individual companies	System totals	Nature of business	State of operation	Holding Company Act release number	Date of order
		\$1,016,707,321	Parking and gas stations—Electric.	Wisconsin	3405	Apr. 14, 1942
North American Co., The		\$124,266	Electric.	Kansas		
Budger Auto Service Co.		257,849	Electric.	Virginia		
Blue River Power Co.		1,102,442	Gas (leased).	Illinois		
Bridgemark Light & Power Co., Inc.		82,607	Transportation.	D. C.-Maryland		
Ohioota Manufacturers Gas Co.		75,878,395	Metering.	Ohio		
Capital Transit Co.		108,115	Warehouse.	Missouri		
Celco Co.		7,221,202	Inactive.	Ohio		
Central Terminal Co.		120,630,137	Electric-heat.	Maryland		
Champaign and Urbana Gas, Light, & Coke Co.		189,835	Amusement park.	Wisconsin		
Cleveland Electric Illuminating Co.		611,895	Land company.	Illinois		
Glen Echo Park Co., The		798,833	Elec. furnace construction.	Wisconsin		
Great Falls Power Co.		6,127,182,905	Elec.-gas-heat-water-ice-trans-holding co.	Illinois		
Hevi-Duty Electric Co.			Elec.-gas-ice-trans.	Kansas		
Illinois Power Co.			Elec.-gas-ice-trans.	Kansas		
Kansas Electric Power Co., The		15,364,164	Elec.-gas-heat-water-ice-trans.	Illinois		
Kansas Power and Light Co., The		6,671,905,514	Electric-gas.	Wisconsin		
Kewanee Public Service Co., The		2,918,800	Elec.-gas-heat-water-ice-trans.	Missouri		
Milwaukee Electric Railway & Transport Co., The		45,116,116	Transportation.	Maryland		
Missouri Power & Light Co.		23,418,908	Holding company—Investment.	Iowa-Neb.-S. Dak.-Minn.		
Montgomery Bus Lines, Inc.		60,330	Holding company—Electric.	D. C.-Maryland		
North American Light & Power Co.		4,36,038,585	Coa sales.	Missouri		
North American Utility Securities Corp.		5,067,360	Holding company—Gas.			
Northern Natural Gas Co. and subsidiary		80,134,286	Holding company—Holding company.			
Potomac Electric Power Co.		120,727,321				
St. Bernard Coal Co.		10,000				
St. Louis County Gas Co.		12,530,410				
Washington and Rockville Railway Co. of Mont-		4,215,498				
gomery County, The						
Washington Railway & Electric Co.		4,30,388,810				
West Kentucky Coal Co. (Delaware)		27,020				
West Kentucky Coal Co. (New Jersey)		18,111,940				
Wisconsin Electric Power Co.		145,016,672				
Wisconsin Gas & Electric Co.		34,085,054				
Wisconsin Michigan Power Co.		31,723,856				

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4,307	Iowa-Minnesota.		
	Inactive.		
	Holding company.		
	Electric-bus.		
	Electric-gas-heat-water-bus-holding company.		
	Electric.		
47,251,401	Illinois.		
	Iowa-Minnesota-South Dakota.		
	Wisconsin.		
	California-Oregon.		
	Oklahoma.		
	Kentucky.		
	California.		
	Washington-Oregon-Idaho-Montana-Wyoming-South Dakota.		
	Oklahoma-Arkansas.		
	Wisconsin-Michigan.		
	Railway-bus.		
	Electric-gas-heat-water-telephone.		
	Oil and gas leases.		
	Holding company.		
	Electric-gas-holding company.		
	318,076,077		
	42,012,675		
	12,233		
	24,422,201		
	92,737,693		
	4,705,022		
	23,702,069		
	85,090,864		
	69,615,691		
	29,412,547		
	8,075,591		
	1,053,378		
	9,218,724		
	11,064,854		
	561,864,422		
	79,387		
	387,456,535		
	14,180,758		
	910,166		
	109,482,887		
	35,841,960		
	13,912,920		
	Total properties subject to divestment orders		
	\$ 3,352,041,343		

⁶ Dollar figure computed on basis of 20.70 cents per Mexican Peso.⁷ Dollar figure computed on basis of 90.62 cents per Canadian dollar.⁸ Corporate assets less investment in subsidiary companies whose assets are listed separately.⁹ There is a duplication in this figure of approximately \$23,000,000 resulting from 11(b) (1) orders outstanding with respect to Cities Service Co., Cities Service Power & Light Co., and Federal Light & Traction Co.

¹ Cities Service Co. has elected to divest itself of all its utility holdings under an alternative granted it.
² Federal Light & Traction Co. has disposed of all of its utility companies except those in New Mexico which have been merged into one company (Public Service Co. of New Mexico). There is pending an application for the liquidation of Federal Light & Traction Co.
³ Assets of gas properties only.
⁴ Amended by release numbers 4024, Dec. 30, 1942 and 5601, Feb. 9, 1945.
⁵ Corporate assets only. Since these assets are largely investments in subsidiary companies, they are excluded from the aggregate amounts ordered divested.

TABLE 22.—*Public utility holding companies subject to dissolution or liquidation and subsidiaries subject to divestment under Section 11 (b) (2) orders outstanding as of June 30, 1946*

System company	Total assets as of Dec. 31, 1945		Nature of business	State of operation	Holding Company Act release number	Date of order
	Individual companies	System totals				
American Power & Light Co.	\$263,883	390	Holding company	Florida	3750	Aug. 22, 1942
Florida Power & Light Co.	122,121	258	Electric-gas	do		
Utilities Land Co.	870	125	Real estate	Kansas		
Kansas Gas & Electric Co.	45,610	378	Electric	Minnesota-Wisconsin-Wisconsin-Montana		
Minnesota Power, Light & Power Co.	46,066	188	Electric-gas-water	Montana		
Superior Water, Light & Power Co.	7,223	256	Electric-gas-heat-water	Oregon-Washington		
Montana Power Co., The	124,301	800	Electric-gas-heat-water	Washington		
Northwestern Electric Co.	24,114	564	Electric-water-heat-holding company	Washington-Oregon		
Pacific Power & Light Co.	60,216	108	Irrigation	Washington		
R. S. & O. Irrigation Co., Inc.	NA		Inactive	Oregon-Washington-Texas		
Portage Rapids Power Co., The	6,522	029	Gas	Texas		
Portland Gas & Coke Co.	27,527	429	Electric-ice-water	Texas		
Texas Public Utilities Corp.	3,202	875	Holding company	Texas		
Texas Utilities Co.	42,219	832	Electric	do		
Dallas Power & Light Co.	41,779	873	do	do		
Texas Electric Service Co.	30,617	185	do	do		
Texas Power & Light Co.	77,198	950	do	do		
Topeka Land Co.	323,419		Inactive	Washington-Idaho		
Washington Irrigation & Development Co.	345,250		Electric-water-heat	Michigan		
Columbia Highlands Co.	125,720		Holding company	California		
Limestone Co., The	122,876		Electric	Arkansas		
Washington Water Power Co., The	76,080	816	Electric-gas-heat	Louisiana		
American States Utilities Corp.	3,816,477		Electric-water-heat	Mississippi		
Edison-Sault Electric Co.	3,290,084		Electric	Louisiana		
Southern California Water Co.	10,998	813	Electric-water	Louisiana-Mississippi-Texas		
Electric Power & Light Corp.	1,161,559	693	Holding company	Texas		
Arkansas Power & Light Co.	72,700	324	Electric-gas-heat	Mississippi		
Capital Transportation Co.	631,522		Transportation	Texas-Louisiana		
Gentilly Development Co., Inc.	1,435,739		Real estate	Alabama		
Louisiana Power & Light Co.	4,232,221		Electric-gas-transportation	Mississippi		
Mississippi Power & Light Co.	33,697,469		Electric-gas-water	Louisiana		
New Orleans Public Service, Inc.	85,100	182	Gas-holding company	Louisiana		
Delta Gas Corp.	63,422,690		Gas-holding company	Mississippi		
Daval Texas Sulphur Co.	5,106,555		Sulphur	Texas-Louisiana-Mississippi		
Mississippi River Fuel Corp.	27,683,816		Gas (wholesale)-oil	Texas-Louisiana-Mississippi		
Union Producing Co.	121,965,402		Gas (wholesale)-gasoline	Alabama-Florida		
United Gas Pipe Line Co.	1,419,958		Oil transmission	Louisiana-Texas-Mississippi		

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Great Lakes Utilities Co.	4,786,107	883,193	Illinois	Mar. 31, 1942
Allied Gas Co.	167,186		Gas	
International Hydro-Electric System	86,060	673,676,857	Holding company	
Cornish Electric Light & Power Co.	181,752		Holding company	New York
Gatineau Power Co.	144,610	289	Electric	Canada
Gatineau Bus Co., Ltd.	320,010		Electric-holding company	
Gatineau Electric Light Co., Ltd.	1,137,040		Transportation	
Ottawa River Development Co.	1,256,402		Electric	
St. John Reality Co.	6,38,486		Electric transmission	
St. John River Power Co.	441,180		Electric	
St. John River Storage Co.	1,400		Water storage	
Hudson River Power Corp.	918,876		Water storage	Canada
System Properties Inc., The	30,512,205		Electric-real estate	New York-N.Y. New Hampshire-Maine
Winnipiseoge Lake Cotton and Woolen Mfg. Co.	6,200,866		do	New York-Maine
New England Power Association and subsidiaries	431,685,085		Water storage	New Hampshire
Massachusetts Power & Light Associates and subsidiaries	97,588,248		do	
North Boston Lighting Properties and subsidiaries	69,612,757		do	
Rhode Island Public Service Co., The and subsidiaries	101,639,559		Holding company	
Massachusetts Utilities Associates Common Voting Trust (trust).			do	
Massachusetts Utilities Associates (trust) and subsidiaries	57,354,306		do	
National Power & Light Co.	162,739,338		do	
Birmingham Electric Co.	22,096,534		Electric-transportation	Alabama
Carolina Power & Light Co.	96,614,271		Electric-transportation	North Carolina
Capitol Corp.	67,888		Real estate	Tennessee
Roanoke River Power Co.	61,634,663		Transmission line	Virginia
Lehigh Valley Transit Co.	21,887,450		Electric-transportation	Pennsylvania
Allentown Bridge Co.	647,652		Bridge	
Easton and South Bethlehem Transportation Co.	652,772		Leases transportation property	
Lehigh Valley Realty Co., The	82,894		Transportation	
Freemansburg Land Co.	4,7,798		Real estate	
Lehigh Valley Transportation Co.	392,626		Transportation	
Norristown Transit Co.	1,343,814		Leases transportation property	Tennessee
Memphis Generating Co.	4,208,159		Electric (wholesale)	
Memphis Street Railway Co., The	6,234,777		Transportation	
Pennsylvania Power & Light Co.	11,806,746		Electric-gas-heat	
Edison Illuminating Co. of Easton, The	257,470,462		Leases electric property	Pennsylvania
Hazle Township Water Co.	6,000,000		Water	
Pennsylvania Realty & Investment Co.	140,142		Real estate and investments	
West Pittston-Breter R. R. Co.	1,675,738		do	
Susquehanna Gas Co.	774,703		do	
	38,287		Railroad	
			Gas	

See footnotes at end of table.

TABLE 22.—*Public utility holding companies subject to dissolution or liquidation and subsidiaries subject to divestment under Section 11 (b) (2) orders outstanding as of June 30, 1946*—Continued

System company	Total assets as of Dec. 31, 1945		Nature of business	State of operation	Holding company Act Release number*	Date of order
	Individual companies	System totals				
New England Public Service Co.	\$ 46,407,207	191,456,921	Holding company—Electric-gas	Maine	2737	May 2, 1941
Central Maine Power Co.	4,115,706,657	72,254	Real estate—securities	do		
Cumberland Securities Corp.	NA		Water storage	do		
Kennebec Water Power Co.			Mutual service company	do		
Nepco Appliance Finance Corp.	7,213		Mutual service company	do		
Nepco Services, Inc.	61,254		Pole treating—sales	do		
New England Pole and Treating Co.	166,640		Stream flow control	do		
Babago Improvement Co.	64,181		Water rights—real estate	do		
Skowhegan Water Power Co.	271,620		Electric-gas	Vermont		
Central Vermont Public Service Corp.	20,750,545		Electric-gas—transportation	New Hampshire		
Public Service Co. of New Hampshire	4,53,837,275		Real estate	do		
Amoskeag Industries, Inc.	NA		Water storage	Maine		
Androscoggin Reservoir Co.			Undeveloped water power sites	do		
Merrimack Power Co.	186,217		do	New Hampshire		
Panacook Electric Light Co.	67,201		do	Maine		
Profile Falls Power Co.	38,895		Real estate	New Hampshire		
Properties, Inc.	39,075		do	do		
Keene Development Co.	NA		Water storage	do		
Sumassee Dam Corp.	NA		Electric generation	Maine		
Swansas Falls Co.	207,983		Water storage	New Hampshire		
Ware Improvement & Reservoir Assn.			Holding company	do		
North American Light & Power Co. (The North American Company System).	\$ 36,088,985	324,182,162	Gas (based) electric-gas-heat-water-ice-transportation-holding company	Illinois	3238	Dec. 30, 1941
Ohiohio Manufacturers Gas Co.	82,507		Warehouse	Missouri		
Illinoia Power Co.	4,127,182,905		Electric-gas-heat-water-ice-transportation.	Kansas		
Central Terminal Co.	7,221,202		Electric-gas-heat-water-ice-transportation.	Delaware		
Kansas Power and Light Co., The	4,67,608,614		Electric	Kansas		
Blue River Power Co., The			Electric-gas-heat-water-ice-transportation	Illinois		
Kansas Electric Power Co.	287,949		Electric	Missouri		
Kewanee Public Service Co.	16,384,164		Electric-gas-heat-water-ice	Iowa-Nebraska-South Dakota		
Missouri Power & Light Co.	2,618,800		Gas	Minnesota		
Northern Natural Gas Co.	23,413,865		do	Iowa-Nebaska-Minnesota		
Peoples Natural Gas Co.	74,409,264					
	6,012,919					

North Continent Utilities Corp.	16, 846, 849	Holding company	Colorado	Nov. 18, 1943
Denver Ice and Cold Storage Co., The	3, 328, 271	Ice-cool	do.	5928
Fort Morgan Ice and Cold Storage Co.	4, 2, 230, 948	do.	do.	July 11, 1946
Western Railways Ice Co.	60, 377	Ice	Montana	
Great Falls Gas Co.	532, 377	Gas (natural)	Ontario (Canada)	
Great Northern Gas Co., Ltd.	1, 432, 382	Gas	Alberta (Canada)	
North Shore Gas Co.	1, 698, 513	do.	Illinois	
Southern Utilities Co., Ltd.	11, 566, 764	Electric	Colorado	
S.W. Shattuck Chemical Co., The	29, 184	Refining ones		
William A. Bear Organization, Inc.	281, 405	Service company		
North West Utilities Co. (The Middle West Corporation System).	13, 368, 320	Holding company		4652
Wisconsin Power and Light Co.	4, 75, 741, 059	Electric-gas-water-bus-heat	Wisconsin-Iowa	
Beloit Water Power Co.	4, 80, 810	Inductive		
South Beloit Water, Gas & Electric Co.	6, 1, 087, 855	Electric-gas-water	Wisconsin-Illinois	
Total assets of subsidiary companies ¹⁰	3, 066, 148, 385			

The following additional headings and appendices have been ordered to complete:

Holding company	Corporate Assets—December 31, 1945	Holding company act release number	Date of order
American Public Service Co.	\$16,784,925	3580	Jan. 26, 1944
Central and Southwest Utilities Co.	30,759,188	3580	Do.
Community Gas and Power Co.	72,477	4385	July 2, 1943
Standard Power and Light Corp.	138,117,602	3607	June 19, 1942
United Corp., The	105,352,854	4478	Aug. 14, 1943

The United Corporation was ordered to recapitalize on a one-stock basis and cease to separate its holding company. The status of its present subholding companies is subject to separate determination. Under an alternative provided in the Commission's order the corporate existence of either Central and Southwest Utilities Co. or American Public Service Co. must be terminated.

² Holding company act release number is given for each holding company subject to dissolution or liquidation under outstanding section 11 (b) (2) orders.
Corporate assets only. Since these assets are largely investments in subsidiary companies, they are excluded from the system totals.
³ Corporate assets less investments in subsidiary and affiliated companies whose assets are listed separately.
⁴ The order in this case took the form of approval of a section 11 (e) plan to liquidate it was filed while there were pending proceedings pursuant to sections 11 (b) (1) and 11 (b) (2).
Assets as of Dec. 31, 1944.
Consolidated assets less investment in Massachusetts Utilities Associates (trust), not consolidated.

Consolidated assets. Since these assets are included in the consolidated assets of New England Power Assn., they are excluded from the system total.

The Commission order required New England Public Services Co. to recapitalize on a one-stock basis or, at its election, to liquidate. The company has filed a plan whereby it would distribute its utility assets and become an industrial holding company.

10 In Tables 21 and 22 there is a duplication of subsidiary companies of two holding companies which are affected by both Section 11 (a) and Section 11 (b) (2) orders.

TABLE 23.—*Number of applications and declarations received and disposed of during the fiscal year ended June 30, 1946, under the Public Utility Holding Company Act of 1935*

Section and description	Number pending at beginning of fiscal year	Number filed	Number disposed of	Number pending at close of fiscal year
Sections 2 and 3—Exemptions from provisions of the act	32	20	18	34
Sections 6 and 7—Issuance and sale of securities, alterations of rights, assumptions of liability	96	259	249	106
Section 10—Acquisition of securities or other assets	51	138	134	55
Section 11 (b)—Proceedings instituted	63	7	8	62
Section 11 (e)—Plans for the simplification of registered holding companies or subsidiaries thereof	64	21	17	68
Section 11 (f)—Reorganization under Section 77B of the Bankruptcy Act	6	0	4	2
Sections 11 (g) and 12 (e)—Solicitations of consents to transactions	14	44	44	14
Section 12 (b) and Rule U-45—Loans, extensions of credit, donations and capital contributions to associate companies	17	39	38	18
Section 12 (e) and Rule U-46—Payment of dividends out of capital or unearned surplus	15	34	28	21
Section 12 (c) and Rule U-42—Acquisition, retirement and redemption of securities by issuer	51	154	143	62
Sections 12 (d), 12 (f) and rules U-43, U-44—Sale of securities and utility assets	91	308	279	120
Section 13—Service company regulation	14	0	4	10
Total** **	514	1,024	966	572

TABLE 24.—*Cases instituted by the Commission under the Securities Act of 1933, the Securities Exchange of Act 1934, the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940, and the Investment Advisers Act of 1940*

Type of cases	Total cases instituted prior to July 1, 1945	Total cases pending as of June 30, 1946	Total cases instituted during fiscal year ended June 30, 1946	Total cases pending during fiscal year ended June 30, 1946	Total cases instituted prior to July 1, 1946	Total cases closed prior to July 1, 1946	Total cases closed during fiscal year ended June 30, 1946	Total cases pending as of June 30, 1946
Actions by Commission to enjoin violations of the Securities Act, Securities Exchange Act, Public Utility Holding Company Act, Investment Company Act, and Investment Advisers Act.	456	12	25	37	481	444	20	464
Actions by Commission involving the enforcement of subpoenas pursuant to the Securities Act and Securities Exchange Act or Miscellaneous proceedings brought by Commission.	42	3	1	4	43	39	1	40
Actions to carry out voluntary plan to comply with Sec. 11 (C) of the Holding Company Act. ¹	11	3	0	3	11	8	1	9
Total	22	8	16	24	38	34	14	28
	631	26	42	68	573	505	38	541

¹ These cases are deemed "closed" or "pending" solely on the basis of whether the time for appeal has expired. Inasmuch as a case is not actually closed until the proposed plan has been consummated, a case marked "closed" for the purposes of this tabulation may be deemed "pending" in a fiscal year because of supplementary action taken in the case.

TABLE 25.—*Cases instituted against the Commission and cases in which the Commission was permitted to intervene*

Type of case	Total cases instituted prior to July 1, 1945	Total cases pending as of June 30, 1945	Total cases instituted during fiscal year ended June 30, 1946	Total cases pending during fiscal year ended June 30, 1946	Total cases instituted prior to July 1, 1946	Total cases closed prior to July 1, 1945	Total cases closed during fiscal year ended June 30, 1946	Total cases pending as of June 30, 1946
Actions to enjoin enforcement of Securities Act, Securities Exchange Act, and Public Utility Holding Company Act, with the exception of subpoenas issued by the Commission.	67	0	0	0	67	67	0	67
Actions to enjoin enforcement of or compliance with subpoenas issued by the Commission.	7	0	0	0	7	7	0	7
Petitions for review of Commission's orders by Circuit Court of Appeals (or Court of Appeals for District of Columbia) under the various Acts administered by the Commission.	115	18	10	28	225	97	11	108
Miscellaneous actions against Commission or officers of Commission.	16	2	1	3	37	14	1	15
Total	205	20	11	31	216	185	12	197

Amendments

Table 26.—*Injunctive proceedings brought by Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940, and the Investment Advisers Act of 1940, which were pending during the fiscal year ended June 30, 1946*

Principal defendants	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
Adams (Claude D.), et al., Aldred Investment Trust, et al., Bates (Gilbert M.), Book (A. D.), Bunnett (Frank W.), et al., Blakesley (A. E.), et al., The Boyd Transfer and Storage Co., et al., Burch (Bob), Butler, III (Joseph G.), et al., Chemical Research Foundation, Inc., et al.	3 8 1 1 1 2 2 2 6 1 8 2 8	New Mexico..... Massachusetts..... Northern District of Iowa..... Northern District of Texas..... Southern District of New York..... Northern District of Illinois..... Minnesota..... Northern District of Texas..... Northern District of Ohio..... Delaware..... Pennsylvania.....	May 23, 1946 May 10, 1944 Feb. 25, 1946 Mar. 11, 1946 June 28, 1945 July 30, 1945 Aug. 20, 1945 Aug. 7, 1945 Oct. 16, 1945 Mar. 14, 1945 Dec. 11, 1945	Secs. 5 (a) and 17 (a) (2), 1933 act. Sec. 36, 1940 act..... Secs. 17 (a) (2) and (3), 1933 act and secs. 10 (b) and 15 (c) (1), 1934 act..... Sec. 9 (a) (2), 1934 act..... Sec. 17 (a), 1933 act..... Secs. 10 (b) and 15 (c) (1) and rule X-10B-6, 1934 act. Secs. 5 (a) (1) and 6 (a) (2), 1933 act..... Sec. 7 (c) (1), 1934 act, and Regu- lation T. Secs. 5 (a), 17 (a) (1) (2) and (3), 1933 act.	Injunction by consent for violation of section 5 (a) of 1933 act filed June 4, 1946. Closed. Judgment June 19, 1946, directing receivers to liquidate and distribute assets of Aldred Investment Trust. Appela- tion for stay of distribution granted August 1, 1946, pend- ing appeal to first circuit. Pending. Injunction by consent, March 7, 1946. Closed. Injunction by consent, March 14, 1946. Closed. Memorandum opinion by Judge Bondy, entered August 20, 1946, denied motion for preliminary injunction. Pending. Injunction by consent, Oct. 23, 1945. Closed. Injunction by consent, Dec. 6, 1945. Closed. Injunction granted Nov. 8, 1945. Closed. Action to enjoin defendants from violating the margin and special cash accounts provisions of regulation T. Pre- liminary injunction granted November 16, 1945 against Brown and First Advertising Co. Hearing on final in- junction pending. Action to enjoin Chemical Research Foundation, Inc. and Robert E. Carroll, its president, from selling unregistered shares of capital stock of Chemical Research Foundation, Inc. for violation of sec. 5 (a) of 1933 act and from violating anti-fraud provisions of secs. 17 (a), (2) and (3) of the act. Preliminary injunction granted by consent as to both defendants on March 22, 1946. (On June 1, 1946 both defendants entered plea of guilty to an indictment charging a violation of sec. 17 (a) of 1933 act. See table 27.) September 11, 1946, final judgment as to both de- fendants entered by consent. Closed. Injunction by consent, December 11, 1945. Closed.

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4	Diversified Fund Corp., et al.-----	Apr. 17, 1946	Secs. 17 (f), 22 (e) and (f), 31 and 38, 1940 act.	Judgment Apr. 29, 1946, enjoining Moreno from acting as trustee of Diversified Fund Shares, a trust fund registered as an investment company and sponsored by Diversified Fund Corp. Diversified Fund Corp. was also enjoined from serving or acting as Investment adviser, principal underwriter or depositor of Diversified Fund shares. A receiver was appointed for the assets of both the trust fund and the sponsor corporation to hold the property and assets of the corporation subject to the order of the court for liquidation and distribution. Pending.
	Fidelity Agency Inc., et al.-----			Injunction by consent Jan. 4, 1944, as to 4 defendants; pending as to defendant Erwin.
	Financial Services Inc., et al.-----			Injunction by consent, Aug. 28, 1945. Closed.
5	Colorado.-----	Nov. 2, 1943	Secs. 17 (a) (1), (2) and (3), 1933 act.	Injunction by consent, Jan. 30, 1946. Closed.
4	Southern District of Indiana.-----	Aug. 21, 1945	Secs. 17 (a) (2) and (3), 1933 act, and secs. 15 (e) (1) and 10 (b), 1934 act.	Injunction by consent Mar. 11, 1946. Closed.
1	Southern District of New York.-----	Jan. 30, 1946	Sec. 10 (b) and rule X-10B-5, 1934 act.	Action charging that defendants violated the fraud provision of the 1934 act in purchasing the debentures of Albert M. Greenfield & Co. Action dismissed on commissioners' motion upon filing of a stipulation in which defendants agreed to furnish audits of its books to the indenture trustee for the years ending 1944 and 1945; to furnish copies of its certified annual reports, including balance sheets, profit and loss statements and other data to debenture holders, to offer to rescind its purchases of debentures since March 27, 1945; and to comply in the future with rule X-10B-5. Closed.
4	Colorado.-----	Feb. 18, 1946	Sec. 17 (a), 1933 act.	Action to enjoin defendants from violating the margin and special cash accounts provisions of regulation T. Preliminary injunction entered November 16, 1945 against Brown and First Mahoning Co. Hearing on final injunction pending.
4	Eastern District of Pennsylvania.-----	Nov. 7, 1945	Sec. 10 (b) and rule X-10B-5, 1934 act.	Injunction by consent, February 18, 1946. Closed.
17	Northern District of Ohio.-----	Oct. 16, 1946	Sec. 7 (c) (1), 1934 act, and regulation T.	Case continued to await outcome of U. S. v. Hugh Monjar ("The Marble Club"). (See appendix table 27 on judgments.) Pending. Injunction granted December 19, 1945. Closed.
1	Western District of Washington.-----	Feb. 18, 1946	Secs. 5 (a) (1) and (2), 1933 act.	Action for a mandatory injunction directing defendant to produce for inspection and examination all books and records required to be made and kept pursuant to rules X-17A-3 and X-17A-4 adopted under sec. 17(a) of the 1934 act. Pending.
1	Northern District of Ohio.-----	July 9, 1945	Sec. 10 (b) and rule X-10B-5, 1934 act.	
6	Massachusetts.-----	Feb. 27, 1942	Sec. 5 (a), 1933 act.	
1	Northern District of Texas, Fort Worth Division.-----	Dec. 11, 1945	Secs. 5 (a), 17 (a) (1), (2) and (3), 1933 act.	
1	Northern District of Texas.-----	June 18, 1946	Sec. 17 (a), 1934 act.	
Hunt (Paul John)-----				
Mitchell (Roy Irwin)-----				
Monjar (Hugh B.), et al.-----				
Morrissey (James F.)-----				
Nevada Oil Company-----				

SECURITIES AND EXCHANGE COMMISSION

Table 26.—*Injunction proceedings brought by Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940, and the Investment Advisers Act of 1940, which were pending during the fiscal year ended June 30, 1946—Continued*

Principal defendants	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
Okin (Samuel) et al.	1	Southern District of New York.	Oct. 4, 1944	Sec. 14(6) and regulation X-14, 1934 act; Sec. 12(e) and rule U-61, 1935 act.	Action to restrain defendant from exercising any power conferred in proxies solicited by him in connection with the annual meeting of stockholders of Electric Bond & Share Co. in violation of sec. 14(a) of the 1934 act and rule X-14, and sec. 12(e) of the 1935 act and rule U-61. Preliminary injunction granted October 11, 1944 restraining defendant from use of proxies obtained in violation of law and regulations. Opinion by Bright, J. Defendant's time to answer extended to December 27, 1945. Pending.
Otis (Edward V.) et al.	10	Southern District of New York.	Oct. 24, 1944	Secs. 7(s), 17(b) and 36, 1934 act.	Action to enjoin defendants from violating secs. 7(s), 17(b), and 36 of the 1934 act and obtain appointment of a receiver. Defendants agreed to reorganize to eliminate abuses complained of and action thereafter dismissed on July 3, 1945, by Commission on stipulation. Injunction by consent, November 19, 1946. Closed.
Pulver (Milton E.)	1	Western District of Washington.	Nov. 19, 1945	Sec. 5(b), 1933 act.	Final judgment, December 31, 1945, directing defendant to produce for inspection and examination all books and records required to be made and kept pursuant to rules X-17A-3 and X-17A-4. Closed.
Sharkey (Maurice A.)	1	Western District of Washington.	Oct. 1, 1945	Rule X-17A under the 1934 act.	Action to enjoin sale of oil and gas interests in violation of the registration provisions of the 1933 act. Pending.
Sound Cities Gas & Oil Co., Inc.-Transamerica Corp., et al.	1	Northern District of Washington.	Oct. 10, 1945	Sec. 5 (b), 1933 act.	Action to enjoin defendants from violating regulation X-14, adopted under sec. 14 (a) of the 1934 act, in failing to present a stockholder's proposal to the security holders of Transamerica Corp. Order entered April 22, 1946, directing defendants, after the transaction at the meeting of business not under challenge in the complaint, to adjourn meeting for a 30-day period or longer as the court may order, during which time the court would make a determination regarding the applicability of rule X-14A-7 to the refusal of the defendants to present a stockholder's proposals in its proxy soliciting material. Pending.
Trapp (Patrick A.)	1	North Dakota.	June 12, 1946	Secs. 17 (b) and (3), 1933 act; secs. 16 (a) and 15 (c) (1), 1934 act.	Action to enjoin defendant from violating the registration provisions of the 1934 act as well as the fraud provisions of the 1933 and 1934 acts. Motion by defendant to dismiss complaint pending. Pending. (Injunction by consent was entered on July 8, 1946, closing case.)
Western Tin Mining Corp., et al.	2	Eastern District of Virginia.	June 11, 1946	Secs. 5 (b), 17 (b) (1), (2) and (3), 1933 act.	

Wight (John), et al. (Mondakota Development Co.)	11	Montana.....	Dec. 16, 1941	Secs. 5 (a) (1) and (2) and secs. 17 (a) (2) and (3), 1933 act.	Injunction order entered on consent and stipulation, September 20, 1946. Closed.
Wir (Ernest T.), et al.....	4	Northern District of Illinois Eastern Division.	Oct. 18, 1944	Secs. 5 (a) and 17 (a), 1933 act.....	Action to enjoin defendants from selling undivided interests in oil and gas leases in violation of secs. 5 (a) and 17 (a) of the 1933 act. Final injunction by consent as to defendants Marin, Shakesletton, and Von Martinits, Dec. 1, 1944. Hearing on motion for preliminary injunction as to defendant Wix. Generally continued on March 12, 1945. Pending.
W. J. Howey Company, et al.....	2	Southern District of Florida.	May 16, 1944	Sec. 5 (a), 1933 act.....	Supreme Court of the United States on May 27, 1946 reversed ruling of Fifth Circuit Court of Appeals which had affirmed district court ruling denying an injunction. Petition for rehearing and motion for stay of mandate filed June 15, 1946. Pending.
Young (Laddie W.), et al. (The S. T. Jackson & Co., Inc.).	10	Northern District of Ohio.	Oct. 16, 1945	Sec. 7 (c) (1), 1934 act.....	Action to enjoin defendants from violating the margin and special cash accounts provisions of regulation T. Preliminary injunctions entered November 16, 1945 against Brown, First Mahoning Company, and The S. T. Jackson & Co., Inc. Hearing as to Young pending.

TABLE 27.—*Indictments returned for violation of the Acts administered by the Commission, the Mail-Fraud Statute (Sec. 33X, Title 18, U. S. C.), and other related Federal statutes (where the Commission took part in the investigation and development of the case) which were pending during the fiscal year ended June 30, 1946*

Name of case ¹	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
U. S. v. John L. Applebaum, et al. (Samuel Wacker, et al.)	1	Western District of New York.	Sept. 11, 1942	Sec. 15 (a), 1934 act.	Auf. 17, 1943, defendant Harrison's bail fixed at \$5,000 on Buffalo indictment. Pending.
	3	do	do	Sec. 17 (a) (1) and 5 (a) (1) and (2), 1933 act; secs. 88 and 338, title 18, U. S. C.	Bowen convicted after trial on Mar. 1, 1945, and sentenced to 3 years' imprisonment. Notice of appeal filed. CCA-8 affirmed conviction. Petition for certiorari denied Apr. 29, 1946. To surrender to United States marshal June 16, 1946. 2 codefendants were acquitted.
U. S. v. Henry L. Baker	1	Southern District of California	Mar. 26, 1939	Secs. 17 (b), 1933 act; sec. 338, title 18, U. S. C.	Defendant not apprehended. Pending.
U. S. v. Leslie G. Bowen, et al. (Bowen Industries, Inc.)	3	Western District of Missouri.	July 12, 1944	Secs. 5 (a) (2) and 17 (a), 1933 act; sec. 338, title 18, U. S. C.	Judgments of conviction as to Bronson and the Coronado Development Corp. affirmed by CCA-2 on Dec. 14, 1944. Appeal of the Weatherbee Process Corp. dismissed. Five defendants had been convicted and one defendant acquitted. Case pending as to Thomas, who was granted severance. Previously, indictment dismissed as to one defendant. Defendant dismissed and pleaded guilty to both indictments.
U. S. v. James F. Boyer, et al.	2	Southern District of Florida.	Feb. 23, 1945	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18 U. S. C.	June 18, 1946 placed on probation for 5 years on condition that he make restitution to defrauded investors.
U. S. v. Edmond B. Bronson, et al. (Bagdad Copper Corp.)	8	Southern District of New York.	Mar. 8, 1939	Secs. 5 (a) (1) and 17 (a), 1933 act; secs. 88 and 338, title 18, U. S. C.	Carruthers appealed to CCA-7 and conviction affirmed, Dec. 27, 1945. Carruthers sentenced to be incarcerated until Mar. 1, 1946. Apr. 12, 1946 Carruthers surrendered to be incarcerated by Carroll on behalf of himself and the corporation; none prosecuted entered as to Gilbert, July 2, 1945. Carroll sentenced to 2 years imprisonment and placed on probation for 3 years at the expiration of the sentence. Chemical Research Foundation, Inc., was fined \$110,000. (See table 26 on injunctive proceedings.)
U. S. v. Charles J. Oallanam, et al.	1	Massachusetts	Mar. 28, 1946	Secs. 17 (a) and 32 (6), 1933 act; rules X-17A-3 to X-17A-5, 1934 act.	Sec. 338, title 18, U. S. C.
U. S. v. Hugh Greer, Carruthers, et al. (Neological Foundation, Inc.)	3	Northern District of Illinois.	Oct. 25, 1944	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.
U. S. v. Chemical Research Foundation, Inc., et al.	3	Delaware	May 1, 1946	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	

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6	Southern District of California.	Feb. 4, 1942	U. S. v. James N. Collins, et al. (Union Associated Mines Company).	Sec. 17 (a) (1), of 1933 act; secs. 88 and 338, title 18, U. S. C.	Sec. 17 (a) (1), of 1933 act; secs. 88 and 338, title 18, U. S. C.	On July 25, 1944, imposition of sentence suspended on Aug. 1, 1944, for 1 year. Appeals to COA-9 were dismissed on Mar. 14, 1945, on ground that order of trial court suspending sentence without pleading defendants on probation was not a final judgment and not appealable. On Apr. 13, 1945, these defendants were resentenced to 1 year's imprisonment each, execution suspended for 2 years and defendants placed on probation for 2 years. A appeal pending from judgment of resentencing. Morgan and Gordon were acquitted after trial.
12	Kansas	Aug. 3, 1944	U. S. v. Otto B. Dagg, et al. (The Brown Crummer Investment Co.).	Sec. 17 (a) (1) and (3), 1933 act; sec. 338, title 18, U. S. C.	Sec. 17 (a) (1) and (3), 1933 act; sec. 338, title 18, U. S. C.	On the first indictment (2517), judgment of USDC, reversed and cause remanded to overrule defendants' motion to remand. Petition for writ of certiorari filed on Jan. 19, 1946, regarding the denunciators. Certiorari denied on Mar. 4, 1946. On June 10, 1946, both indictments were dismissed on motion of U. S. attorney.
5	Western District of Washington.	June 26, 1942	U. S. v. Jacob Morris Danziger, et al. (Trinidad International Petroleum Ltd.).	Sec. 17 (a) (1) and (3), 1933 act; secs. 88 and 338, title 18, U. S. C.	Sec. 17 (a) (1) and (3), 1933 act; secs. 88 and 338, title 18, U. S. C.	Convictions obtained against three defendants on the conspiracy count. One defendant was acquitted. Case pending only as to David Kell who is a fugitive.
6	Southern District of California.	Dec. 30, 1941	U. S. v. George A. Barnhardt, et al. (Big Bend Realty and Development Co., Inc.).	Sec. 17 (a) (2) and 17 (e) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Sec. 17 (a) (2) and 17 (e) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Danziger, Vaca Development Co. and Trinidad International Petroleum Ltd. convicted on Feb. 3, 1946. Danziger was sentenced to 16 months' imprisonment and each of the corporate defendants was fined \$2,400. These three defendants have filed notices of appeal. Carter pleaded guilty to conspiracy count on Jan. 10, 1946, and was sentenced to 16 months' imprisonment. Later reduced to 80 days. Trial of 2 other defendants pending.
2	Southern District of Indiana.	Nov. 6, 1942	U. S. v. E. M. McLean & Co., et al. (Devon Gold Mines, Ltd.).	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Days entered plea of nolo contendere, sentenced to 3 years' imprisonment. Defendants were found guilty on trial. Sentences ranged from 5 years and 1 day to 8 years. Manzella reported deceased. Keifer and Adler did not go to trial. All defendants who were convicted have filed notices of appeal. Second indictment pending.
1	Southern District of Eastern Florida.	Sept. 27, 1945	U. S. v. Arthur E. Daye (Arthur E. Daye).	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	Earnhardt and Schneider were both found guilty on all counts on June 5, 1945. Earnhardt was sentenced to 5 years' imprisonment and fined \$1,000. Schneider was sentenced to 24 years imprisonment. Earnhardt died before notice of appeal on June 20, 1946. Feb. 19, 1946, COA-7 affirmed conviction. Certiorari denied on June 3, 1946.
13	Eastern District of Louisiana.	Sept. 4, 1942	U. S. v. Gabriel Diaz, et al. (Plaquemines Land Company).	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	Case pending as to first indictment. Kaufman and Niditch were convicted after trial on second and third indictments on Nov. 4, 1944. Kaufman was sentenced to 7 years' imprisonment and fined \$1,000. Niditch was sentenced to 10 years' imprisonment and fined \$1,000. Appeal pending as to Kaufman. On Oct. 3, 1944, Lewis pleaded guilty to count 3 of second indictment charging violation of sec. 5 (a) of 1933 act and to count 4 of third indictment charging violation of sec. 338, title 18, U. S. C. and was fined \$2,000.
2	Eastern District of Michigan.	Oct. 21, 1941	U. S. v. E. M. McLean & Co., et al. (Devon Gold Mines, Ltd.).	Sec. 17 (a) (1) and (2), 1933 act; sec. 88, title 18, U. S. C.	Sec. 17 (a) (1) and (2), 1933 act; sec. 88, title 18, U. S. C.	See footnote at end of table.
7	do	do	do	do	do	See 5 (a) (1) and (2), 1933 act; sec. 88, title 18, U. S. C.
13	do	do	do	do	do	Secs. 17 (a) (1) and (2), 1933 act; sec. 88 and 338, title 18, U. S. C.

TABLE 27.—*Indictments returned for violation of the Acts administered by the Commission, the Mail-Fraud Statute (Sec. 338, Title 18, U.S.C.), and other related Federal statutes (where the Commission took part in the investigation and development of the case) which were pending during the fiscal year ended June 30, 1946—Continued.*

Name of case 1	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
S. v. Alfred Epstein, et al. (Fowler Brewing Co.), et al. S. v. Egger Robert Erion, et al. (Associated Coors Bay Land Owners). S. v. Federal Fyr-Ex Com- pany, Inc., et al.	3	Eastern District of Michigan.	June 7, 1946	Sec. 338, title 18, U. S. C. A....	All defendants apprehended and entered pleas of not guilty. All defendants acquitted by jury Mar. 16, 1946.
S. v. G. F. Fisher, et al. (Associated Coors Bay Land Owners).	4	District of Oregon-----	Oct. 17, 1945	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C. A.	Lennon pleaded guilty to all counts and was sentenced to 4 years' imprisonment. Kearns and Carruthers were dismissed as part of the indictment was dismissed as to Federal Fyr-Ex Co. Six defendants apprehended, one defendant deceased. Pending.
S. v. Federal Fyr-Ex Com- pany, Inc., et al.	4	Southern District of New York.	Feb. 8, 1945	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	G. E. Fisher, G. F. Fisher, Young, and Clausen previously sentenced. Dec. 18, 1945 Norman Benson was sentenced to total of 3 years. Motions to dismiss and to quash the indictment, and demurrer overruled Oct. 9, 1944. Motion to strike the indictment as to all defendants was de- fined. Nolle prosequi entered Nov. 5, 1946 order entered approving waiver of trial by jury.
S. v. Fidelity Investment Association, et al. (G. E. Fisher & Co.).	18	Eastern District of Michigan.	Dec. 1, 1941	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Motion to strike the indictment as to all defendants was de- fined. Nolle prosequi entered Nov. 8, 1946 as to Freat, deceased. Nolle prosequi entered Nov. 5, 1946 as to Mitchell and Banton.
S. v. Florida Bond & Share, Inc., et al.	5	Western District of Wisconsin.	Feb. 8, 1939	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	March 22, 1946 Freeman found guilty and Josephine Drose not guilty. Jury disagreed as to Davis, Coakley, Gordon, New- berger and Berger. On Apr. 3, 1946 Freeman was sentenced to 6 years imprisonment. Freeman filed notice of appeal.
S. v. Philip A. Frear, et al. (Pinlex Incorporated).	8	District of Columbia-----	Sept. 11, 1942	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	J. J. Samuel Blum found not guilty on no contest plea.
S. v. Mark A. Freeman, et al (Consolidated Associates, Inc.).	13	Northern District of Illinois	Feb. 26, 1943	Secs. 38, and 338, title 18, U. S. C.	On May 9, 1946 Coakley, Gordon, Newberger, Berger, and Louis C. Davis charged plus of not guilty to conspiracy count to no contendere, each found guilty and sentenced to 2 years suspended and placed on probation. Remaining counts dismissed as to these defendants. Two defendants previously pleaded guilty and were sentenced. One de- fendant died.
S. v. James Orville Gallo- way, et al. (Humboldt Me- tallics Corp. Ltd.).	5	Idaho-----	Sept. 22, 1943	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Smith pleaded guilty Sept. 9, 1944, was sentenced to 13 months' imprisonment, execution suspended, fined \$100, and placed on probation for 1 year. Sentences previously were imposed on two defendants who pleaded guilty, and one defendant was convicted after trial. Nov. 9 1945 Fisher found not guilty.
S. v. Louis C. George, et al. (Automatic Products Corp.).	3	Southern District of New York.	Apr. 30, 1940	Secs. 9 (a) (1) (B) and (C), and 9 (a) (2), 1934 act; secs. 88 and 338, title 18, U. S. C.	The defendant has been sentenced upon plea of guilty; one de- fendant reported deceased. Nolle prosequi filed as to Kirby, only remaining defendant.

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U. S. v. Maxwell Goldberg, et al. (Maxwell & Company, Inc.),	District of Massachusetts.	Mar. 26, 1945	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Carroll pleaded guilty and was sentenced to 3 years. Maxwell & Co. found guilty and fined \$100. Maxwell Goldberg found guilty and sentenced to 2 years.
U. S. v. Stanley Grayson, et al. (Stanley Grayson Co.),	Southern District of New York.	July 20, 1945	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Mandel and France plead not guilty. Mandel and France Griswold apprehended and entered plea of not guilty. Pending.
U. S. v. Edgar M. Griswold, Jr.	Northern District of Ohio.	Apr. 4, 1946	Sec. 10 (b), 1934 act, and rule X-1035, the binder; sec. 338, title 18, U. S. C. A.	Hassett pleaded guilty as charged. Packard and Guest pleaded guilty to conspiracy count only. Hassett sentenced to 2 years. Packard to 18 months, and Guest to 16 months. Trial opened June 7, 1946, as to Moleroch's on the conspiracy count only. Jury found him not guilty. Indictment pending.
U. S. v. Joseph L. Hassett, et al. (W.H. Koch Co., et al.), 722108-47-14	Eastern District of New York.	Mar. 2, 1943	Secs. 17 (a) (1) and (2), 1933 act; secs. 88 and 338, title 18, U. S. C.	Hassett has been obtained as to five defendants. Case pending as to two defendants, one of whom is a fugitive.
U. S. v. Melvyn D. Haynes, et al. (Benners, Owens & Co.),	Eastern District of Michigan.	Oct. 19, 1938	Secs. 17 (a) (1) and (2), 1933 act; secs. 88 and 338, title 18, U. S. C.	American Trusted Funds, Inc. pleaded not contenders to both indictments and was placed on probation for 5 years. Kane pleaded guilty to conspiracy count of first indictment, imposition of sentence was suspended, and Kane placed on probation for 2 years; the second indictment was not pressed as to Kane; Helder pleaded guilty to both indictments and was sentenced to 6 months. Pending as to remaining defendant.
U. S. v. Theodore P. Helder, et al. (American Trusted Funds, Inc.).	Southern District of New York.	June 10, 1941	Sec. 24, 1933 act; sec. 88, title 18, U. S. C.	Four defendants pleaded guilty and have been sentenced, none prosecute as to one, pending as to four defendants.
U. S. v. Jerome Hildebrand, et al. (Tibbament-Sisco Mining, Ltd.),	Southern District of New York.	June 10, 1941	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Pending.
U. S. v. Edward M. Hill, et al....	Eastern District of Michigan.	July 30, 1942	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	Hildebrand pleaded guilty to sec. 17 (a) of 1934 act, placed on probation for 5 years on condition that he make restitution to a victim. Pending as to two defendants.
U. S. v. John Hatch, et al....	do.....	do.....	Sec. 17 (a) (1) and (2) of 1933 act; sec. 338, title 18, U. S. C.	Ten defendants have pleaded guilty and have been sentenced.
U. S. v. Glen Jerome Hildebrand, et al. (Hildebrand-Osborne & Co.),	Southern District of Illinois.	June 9, 1945	Secs. 15 (c) (1), 8 (c) and 17 (a), 1934 act; secs. 88 and 338, title 18, U. S. C.	Sept. 11, 1942 Lewis given suspended sentence of 3 years and placed on probation for that period. Pending as to Giondi, Marie Bridal found guilty June 30, 1945 upon plea of no contest and sentenced to 14 months imprisonment.
U. S. v. Edward M. Hill, et al.	Northern District of Ohio.	May 21, 1940	Secs. 88 and 338, title 18, U. S. C.	Sentence suspended and defendant placed on probation for 6 years.
U. S. v. Clifford S. Johnson, et al. (Ollie's Ice Shaver).	Montana.....	Oct. 21, 1943	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Apr. 4, 1946 orders entered dismissing indictment against A. B. Jones and M. J. Jones, only remaining defendants. Indictment previously dismissed as to eight codefendants and none pressed as to a deceased defendant.
U. S. v. A. B. Jones, et al. (Colonial Trading Co.).	Nevada.....	July 16, 1935	Secs. 6 (a) and 17 (a), 1933 act; secs. 88 and 338, title 18, U. S. C.	

See footnote at end of table.

SECURITIES AND EXCHANGE COMMISSION

TABLE 27.—*Indictments returned for violation of the acts administered by the Commission, the Mail-Fraud Statute (Sec. 338, Title 18, U. S. C.), and other related Federal statutes (where the Commission took part in the investigation and development of the case) which were pending during the fiscal year ended June 30, 1945—Continued.*

Name of case ¹	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
U. S. v. Robert H. Kells, et al. (National Reference Library Corp.)	4	District of Columbia	Feb. 16, 1943	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	Pending.
U. S. v. George A. King, et al. (Crow Oil & Refining Co., Inc.)	3	Southern District of Illinois	June 22, 1944	Secs. 17 (a) (1) and 5 (a) (2), 1933 act; sec. 338, title 18, U. S. C.	King and Wernes convicted after trial on May 26, 1945. Bonds pending appeal were ordered in the amount of \$3,500. Indictment dismissed as to Johnson.
U. S. v. Maurice M. Leavitt, et al. (Lakemore Development Co., Inc.)	5	Western District of Washington	Nov. 16, 1943	Section 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Lubin pleaded guilty to mail fraud count, sentenced to 12 months' imprisonment, suspended, placed on probation for 5 years and fined \$1,000. Indictment dismissed as to Robert and Howard Leavitt. Previously, principal defendant M. M. Leavitt pleaded guilty and was sentenced. Lubin had probation revoked due to failure to pay fine. Bench warrant issued on Feb. 4, 1946. Indictment dismissed as to Stevens on Nov. 6, 1945.
U. S. v. Liggett & Myers Tobacco Co., et al. (Liggett & Myers Tobacco Co., Inc.)	3	Eastern District of Pennsylvania	Apr. 27, 1945	Secs. 13 and 32, 1934 act; sec. 88, title 18, U. S. C.	Nolle prosequi as to Carroll deceased, and Andrews. Mar. 4, 1946. Liggett & Myers Tobacco Co., filed \$10,000 on nolo contendere plea.
U. S. v. Harry Low, et al. (Trenton Valley Distillers Corp.)	2	Eastern District of Michigan	Feb. 3, 1949	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	Pending.
U. S. v. Bart Cedil Lucas, et al.	1	Southern District of New York	Aug. 19, 1942	Sec. 338, title 18, U. S. C.	Defendant apprehended Apr. 11, 1945. Pending.
U. S. v. Harry J. Mallen (Santa Cruz)	1	Northern District of Illinois	Mar. 15, 1940	See 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	Pending.
U. S. v. Frank Mansfield, et al. (Central Securities Co., et al.)	11	Western District of Texas	Aug. 8, 1944	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	All defendants were found guilty on Apr. 25, 1945. Sentences ranged from 3 years and 8 months to 5 years and 3 months imprisonment, and 10 of the defendants were fined \$1,000 each. All of the defendants have appealed. Bailey died Mar. 6, 1946. Judgment of district court affirmed by CCA-5 on May 23, 1946.
U. S. v. Kenneth B. Martin, et al. (Memorial Estates)	7	District of Columbia	Sept. 16, 1941	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Case pending as to Martin, Levant (a fugitive) and Sarshik, who are presently incarcerated in a United States penitentiary on another charge. Sarshik withdrew plea of guilty and entered a plea of no guilty and were sentenced. Previously four other defendants pleaded guilty and were sentenced.
U. S. v. R. A. McArthur, et al.	1	Western District of Arkansas	Aug. 20, 1941	Sec. 338, title 18, U. S. C.	Indictment dismissed on Aug. 20, 1945.

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U. S. v. Hugh B. Monlar, et al. (The Mantle Club).	May 26, 1942	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Judgments of conviction of all defendants on first indictment, and seven defendants on second indictment, affirmed by CCA-3 on Dec. 1, 1944. Certiorari denied May 21, 1945. Second indictment previously dismissed as to one defendant, and three defendants acquitted. July 12, 1945 order denying petitions for reductions, suspension, and modifications of sentences of all defendants in first indictment. Apr. 6, 1946 order overruling motion to dismiss petition for writ of error coram nobis of Jones. Pending.
U. S. v. Lloyd T. Moore, et al. (Platinum Mining Co., et al.).	Sept. 22, 1942 do.....	Conspiracy to violate sec. 338, title 18, U. S. C.	Lennon presently serving sentence imposed in Federal Foy, Ex- cuse. All defendants have been arraigned and entered pleas of not guilty. Pending.
U. S. v. Thomas P. Mulvaney et al. (M. & L. Oil Syndicate).	June 18, 1943	Secs. 5 (a) (1) and (2) and 17 338, title 18, U. S. C.	Olmian and Cahoon pleaded guilty May 2, 1944, and each sentenced to 6 years imprisonment. Sentences suspended and placed on probation for 4 years. Rubin, V. Johnson pleaded guilty Nov. 6, 1944, and sentenced to 11 months. Sentence suspended and defendant placed on probation for 11 months to commence the date of the expiration of his present sentence on another charge. Indictment pending as to Martin. Apr. 10, 1945, indictment dismissed as to Marlowe. On May 31, 1945, the court directed verdict of acquittal as to The Penfield Co., of California, Black, and Young on grounds of insufficiency of evidence and dismissed the indictment as to The Penfield Co. of Ohio. Aug. 1, 1945, indictment dismissed as to Bourbon Sales Corp., the remaining defendant. Penman pleaded not guilty Sept. 9, 1945, and changed plea to guilty on Dec. 6, 1946. He was fined \$1,000 and given 1 year and 1 day suspended sentence and placed on probation for 2 years. All defendants acquitted by jury.
U. S. v. Frank Anthony Ohl- man, et al. (A. J. Harris, et al.).	Sept. 28, 1944	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Pending.
U. S. v. The Penfield Co. of California, et al.	Nov. 5, 1942	Secs. 80 and 231, title 18, U. S. C.	All defendants convicted after trial on Apr. 28, 1944. Rice appealed and on May 16, 1945, CCA-10 reversed conviction and set aside. Rice retried on mail fraud on July 30, 1945 and was acquitted.
U. S. v. Jacob Perlman.	Jan. 1, 1946	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	Nov. 5, 1945, Ryan, Kent, and Osborne each sentenced to 1 year and 1 day on info. concurred. Pleas to charges of violating 1933 act and secs. 47 and 215 of Federal Criminal Code, etc. Sentence suspended and placed on probation. Martin fined \$1,000 on same charges.
U. S. v. Jacob Perlman.	Mar. 9, 1945	Secs. 5 (a) (2) and 17 (a), 1933 act; sec. 338, title 18, U. S. C.	All defendants convicted after trial on Apr. 28, 1944. Rice appealed and on May 16, 1945, CCA-10 reversed conviction and set aside. Rice retried on mail fraud on July 30, 1945 and was acquitted.
U. S. v. Frank V. Raymond.	Mar. 13, 1945	Sec. 17 (a) (1), 1933 act; sec. 88 and 338, title 18, U. S. C.	Nov. 2, 1945 Raymond entered plea of guilty to 17 (a) (1) and sec. 88, title 18, U. S. C. Sentenced for 1 year and 1 day and fined \$1,000.
U. S. v. Petroleum Finance Corp., et al. (Petroleum Finance Corp.).	Mar. 9, 1944	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	All defendants convicted after trial on Apr. 28, 1944. Rice appealed and on May 16, 1945, CCA-10 reversed conviction and set aside. Rice retried on mail fraud on July 30, 1945 and was acquitted.
U. S. v. Eldridge S. Price.	Mar. 9, 1944	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	Nov. 5, 1945 Ryan, Kent, and Osborne each sentenced to 1 year and 1 day on info. concurred. Pleas to charges of violating 1933 act and secs. 47 and 215 of Federal Criminal Code, etc. Sentence suspended and placed on probation. Martin fined \$1,000 on same charges.
U. S. v. Frank V. Raymond.	Sept. 21, 1942	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	U. S. v. Charles Thelma Rice, et al. (Parquay Roy- alty Co., Inc.).
U. S. v. Research and Investment Co., Inc.	Sept. 21, 1942	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	U. S. v. Frank J. Ryan, et al. (Research and Investment Co.).

TABLE 27.—*Indictments returned for violation of the Acts administered by the Commission, the Mail-Fraud Statute (Sec. 558, Title 18, U. S. C.), and other related Federal statutes (where the Commission took part in the investigation and development of the case) which were pending during the fiscal year ended June 30, 1946—Continued.*

Name of case ¹	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
U. S. v. Herman L. Schuh, et al. (Herman L. Schuh, et al.)	2	Eastern District of Virginia.	July 5, 1945	See, 338, title 18, U. S. C.-----	Both defendants apprehended and pleaded not guilty.
U. S. v. C. Milton Smith, et al. (North Penn Oil Lands, Inc.)	4	Southern District of New York.	Nov. 7, 1941	Secs. 5 (a) (2) and 17 (a) (3) 1933 act; secs. 88 and 338, title 18, U. S. C.-----	Jan. 16, 1946 Smith sentenced to 6 months and placed on probation for 2 years at expiration of service of 6 months. Mar. 20, 1946. Remaining defendants nolle prossed. Pending.
U. S. v. Edwin J. Stoll, et al. (Multi Metals Corp., et al.)	2	Southern District of Iowa.	Nov. 30, 1944	Sec. 17 (a) 1933 act; sec. 338, title 18, U. S. C.-----	Laylinson pleaded guilty on June 12, 1945 and sentenced to 1 year and 1 day. Sentence suspended and defendant placed on probation for 2 years commencing after completion of a sentence being served under another charge. Case pending as to Thurman, whose true name is George M. Saunders, who has not yet been apprehended. Previously, Lincoln pleaded guilty and was sentenced.
U. S. v. Arthur G. Thurman, et al.	3	Massachusetts-----	Jan. 19, 1939	See. 17 (a) (2) 1933 act; sec. 88 and 338, title 18, U. S. C.-----	Walker entered plea of nolo contendere and sentenced to 18 months, suspended and placed on probation. May 20, 1946 Wilson changed plea to guilty and sentenced to 2 years. June 16, 1946 sentence reduced to 1 day conditioned upon restitution.
U. S. v. Ocie C. Walker (Ocie C. Walker)	1	Northern District of Texas.	Feb. 5, 1946	See. 338, title 18, U. S. C.-----	Both defendants entered plea of guilty. Woodman sentenced to 4 months and Latrop to 2 months' imprisonment.
U. S. v. Arthur Briscoe Wilson.	1	Northern District of Illinois.	Jan. 17, 1946	See. 17 (a) (1) 1933 act; sec. 338, title 18, U. S. C.-----	Apr. 25, 1945, all defendants pleaded not guilty. Jan. 1, 1946, verdicts of guilty entered on all counts. Hempstead sentenced to 15 months, Margaret O'Meara to 1 year and 1 day. Charles O'Meara to 1 year and 1 day and Hempstead Co. to \$100 fine.
U. S. v. Edwin Paul Woodman, et al. (Edwin Paul Woodman, et al.)	2	District of Massachusetts.	May 16, 1945	See. 17 (a) (2) 1933 act; sec. 16 (c) (1), 1934 act, and rule X-1C(1)-2.	
U. S. v. W. R. Hempstead Co., et al.	4	Rhode Island-----	Apr. 19, 1945	See. 17 (a) (3) 1933 act; secs. 15 (c) (1), 17 (a) (3) and 30 (a) and rules X-15C(1) and X-1A-6, 1934 act, and conspiracy to violate these statutes.	

¹ Parenthetical reference is to the name under which investigation was carried prior to indictment.

TABLE 28.—Petitions for review of orders of Commission under the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, and the Investment Company Act of 1940, pending in circuit courts of appeals during the fiscal year ended June 30, 1946

Petitioner	United States circuit court of appeals	Initiating papers filed	Nature and history of case	Status of case
American Power & Light Co.; Electric Power & Light Corp.	First.....	Oct. 20, 1942	Petitions to review Commission orders requiring dissolution of both companies under sec. 11 (b) (2) of the 1936 act. Cases consolidated by stipulation. Constitutionality of sec. 11 (b) (2) challenged. Orders affirmed on Mar. 17, 1944. (141 F. (2d) 606). Rehearing denied Apr. 18, 1944. (141 F. (2d) 606). (Unopposed by Commission) Filed June 16, 1944, and granted May 28, 1946 (15 Sup. Ct. 1400).	Pending in Supreme Court.
American Power & Light Co.; Florida Power & Light Co.do.....	Feb. 5, 1944, Feb. 26, 1944	Petitioner, parent of Florida Power & Light Co., sought review of Commission order under 1936 act requiring changes in Florida's accounts. Dismissed petition, June 19, 1944 on ground that petitioner was not "person aggrieved" by order within meaning of act and had no standing to sue (143 F. (2d) 250). OCA reversed by Supreme Court June 4, 1946, and cause reinstated in OCA (15 Sup. Ct. 1254). Dec. 12, 1946, cases consolidated by stipulation.	Pending in Supreme Court.
Arkansas Natural Gas Corp.....	Fifth.....	June 8, 1944	Petition to review order under sec. 11 (b) (1) of 1936 act directing petitioner, a registered holding company in Cities Service Co., to divest itself of oil production, transportation, refining, and marketing business as lacking necessary statutory relationship to its retainable gas utility business. Mar. 22, 1946, opinion handed down by OCA whereby the petition to modify or set aside the order of the Commission is denied. Rehearing denied May 15, 1946. Petition for certiorari filed June 24, 1946.	Pending in Supreme Court.
Henry C. Blatchley (New England Public Service Co.).	First	Dec. 2, 1946	Petition to review Commissioner's order, dated Oct. 11, 1945, approving a plan under sec. 11 (e) of the 1936 act for reorganization of New England Public Service Co. The plan, which had been proposed by the company and approved subject to district court enforcement, provided for the sale of certain assets of NEPSCO to specified purchasers at a fixed price. On Oct. 25, 1946, U. S. District Court (D. Maine) entered order enforcing plan and plan was fully consummated. The Commission moved the OCA to dismiss the petitions for review on ground that Commission's order was at no time subject to direct review in a CCA under sec. 24 (a) of the 1936 act, but was subject to review only in district court 11 (e) enforcement proceeding, and that insofar as petitioners have standing to challenge plan, their exclusive remedy is to appeal from the district court's order. Petitioners subsequently applied to OCA for leave to adduce additional evidence pursuant to sec. 24 (a) of the act. The Commission opposed these applications to adduce additional evidence solely because such applications are ancillary to the initial petitions for review over which OCA has no jurisdiction.	Pending.

TABLE 28.—Petitions for review of orders of Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, and the Investment Company Act of 1940, pending in circuit courts of appeals during the fiscal year ended June 30, 1948—Continued

Petitioner	United States circuit court of appeals	Initiating papers filed	Nature and history of case	Status of case
Maurice A. Bowers and Theron A. Woodsum (Central Maine Power Co.)	First.....	Feb. 16, 1945	Petition to review Commission's order dated Dec. 10, 1944 under section 11(e) of 1933 act approving plan for liquidation and dissolution of Portland Railroad Company, a statutory subsidiary of Central Maine Power Co., on grounds of Commission's lack of jurisdiction, and invasion of petitioner's property rights. Collateral litigation pending in Supreme Judicial Court of Maine involves similar attack upon Commission's jurisdiction, and seeks to set aside various transactions consummated under plan. Upon state court's refusal to consider case during pendency of Federal action, petitioners agreed to withdraw petition for review. Petitioners' motion to dismiss filed June 26, 1945.	Pending in Supreme Court.
Oiheney Corp., et al.; Federal Water & Gas Corp.	Court of Appeals for the District of Columbia.	Mar. 22, 1945	Plan of reorganization of Federal Water Service Corp., under section 11(e) of 1935 act, approved by Commission Mar. 24, 1941, provided deferred stock acquired by management during period it was proposing various plans of reorganization be limited in participation to persons having 4 percent interest. Petition for review filed Oct. 24, 1941. Commission's order in this respect reversed by Court of Appeals for District of Columbia Apr. 27, 1942 (128 F. (2d) 308). Supreme Court modified decision and remanded case Feb. 1, 1943 (318 U. S. 30). On remand, Commission reaffirmed earlier decision. Feb. 7, 1945. Petitions for review of second order filed Mar. 22, 1945.	Closed.
City of North Miami Beach v. Federal Water & Gas Corp. and S. E. C.	Fifth.....	Sept. 21, 1945	Petition to review Commission order granting Federal Water and Gas Corp. an exception from the competitive bidding rule (U-50) under the 1935 act in selling its security interests in a subsidiary gas company. Order affirmed Oct. 16, 1945.	Pending in Supreme Court.
Eastern Utilities Associates, et al.	First.....	Aug. 28, 1945	Petition to review Commission's order denying effectiveness to declaration filed pursuant to rule U-55 under the 1935 act regarding the payment of a sum in excess of \$1,000 for services in soliciting proxies. Upon motion made by petitioner the petition was dismissed on May 26, 1946.	Closed.
Engineers Public Service Co., et al.	Court of Appeals for the District of Columbia.	Nov. 14, 1942	Petition to review Commission's order, dated Sept. 16, 1942 and Oct. 6, 1942, under section 11 (b) (1) of 1935 act, requiring divestment of certain engineers' properties and interests. Constitutionality of section 11 (b) (1) challenged. Order upheld by Court of Appeals for the District of Columbia except as to construction of "other businesses" clauses of section 11 (b) (1), on which order set aside and case remanded Nov. 22, 1945 (138 F. (2d) 836). Commission's petition for certiorari (filed Jan. 8, 1944) and engineers' petition for certiorari (filed Jan. 27, 1944) both granted June 5, 1944 (322 U. S. 723).	Pending in Supreme Court.
Allen L. Goldfine	First.....	Dec. 10, 1945	Petition to review Commission's order, dated Oct. 11, 1945, approving a plan under section 11 (e) of the 1933 act for reorganization of New England Public Service Co. The plan, which had been proposed by the company and approved subject to district court enforcement, provided for the sale of certain assets of NEPSICO to specified purchasers at a fixed price. On Oct. 26 1945, U. S. District Court (D.	Pending.

	Elizabeth C. Llorensby, et al. v. S. E. C. and The Commonwealth & Southern Corp.	Third.....	Aug. 8, 1945	Petition to review Commission orders approving plan of Commonwealth & Southern under sec. 11 (e) of the 1933 act. Petitioners also moved for a stay of all proceedings pending review by the Circuit Court. The Commission moved to dismiss the petition and a petitioner's motion on the ground that the orders were interlocutory. Stay denied and motion to dismiss granted Sept. 11, 1945. Rehearing denied, Oct. 2, 1945. Jan. 15, 1946. Certiorari denied Jan. 2, 1946. Petition for review filed Oct. 26, 1946. Commission's failure to enter a formal order in connection with its decision not to disapprove certain amendments to the N.Y.D. rules under the 1934 act.	Closed.	
			Feb. 20, 1946	Petition to review Commission order revoking broker-dealer registration for violation of the antifraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934.	Pending.	
	National Association of Securities Dealers, Inc. In Re. Norris & Hirschberg, Inc. The North American Co.	Second.....	Apr. 29, 1946	Petition for review filed Oct. 26 and 27, 1944. Commission's orders under sec. 11 (b) of 1934 act required North American to confine itself to single integrated public utility electric system in St. Louis area, with certain related independent businesses. North American petitioned for review on ground that sec. 11 (b) (1), if construed to permit such orders was unconstitutional. Upon stipulation, two petitions consolidated by order of court. Orders affirmed by C.C.A., Jan. 28, 1943 (133 F. (2d) 148). Certiorari granted Mar. 1, 1943 (318 U. S. 750). Briefs filed on merits, but argument delayed pending quorum of justices qualified to hear case. Quorum attained and case returned to docket May 28, 1945. Decision rendered Apr. 1, 1946, holding sec. 11 (b) constitutional.	Closed.	
			June 12, 1942	Petition for review filed Oct. 26, 1944. Commission's second motion to dismiss denied without opinion, Dec. 2, 1944. Certiorari granted Mar. 12, 1945 (65 Sup. Ct. 866). CCA affirmed by Supreme Court, June 4, 1945 (65 Sup. Ct. 1254). Opinion amended on June 18, 1945. Thereafter, CCA affirmed Commission's order on merits, Mar. 2, 1946 (154 F. (2d) 27). (After the close of the fiscal year Okin filed a petition for a writ of certiorari.)	Pending in Supreme Court.	
	Samuel Okin (American & Foreign Power Co., Inc. and Electric Bond & Share Co.).	Second.....	Aug. 21, 1942do.....	Mar. 22, 1944	
		do.....do.....do.....	

TABLE 28.—Petitions for review of orders of Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, and the Investment Company Act of 1940, pending in circuit courts of appeals during the fiscal year ended June 30, 1946—Continued

Petitioner	United States circuit court or appeals	Initiating papers filed	Nature and history of case	Status of case
Samuel Okin (American & Foreign Power Co., Inc., and Electric Bond & Share Co.).do.....	June 23, 1946	Petition to review order under 1935 act dated Apr. 26, 1945, permitting postponement of maturity date of a \$3,000,000 note owing from American & Foreign Power Co., Inc., to its parent, Electric Bond & Share Co. The proceeding involved issues identical with those raised in petition for review filed Mar. 22, 1944. OCA affirmed Commission's order Mar. 2, 1946 (144 F. (2d) 27). After the close of the fiscal year Okin filed a petition for a writ of certiorari.	Pending in Supreme Court.
Samuel Okin (American & Foreign Power Co., Inc., and Electric Bond & Share Co.).Mo.do.....	Oct. 26, 1945	Petition to review order under 1935 act, dated Aug. 7, 1945, permitting postponement of maturity date of a \$3,000,000 note owing from American & Foreign Power Co., Inc., to its parent, Electric Bond and Share Co. The proceeding involved issues identical with those raised in petition for review filed Mar. 22, 1944. OCA affirmed Commission's order Mar. 2, 1946 (144 F. (2d) 27). After the close of the fiscal year Okin filed a petition for a writ of certiorari.	Pending in Supreme Court.
Samuel Okin (Electric Bond & Share Co., Electric Power & Light Corp., and United Gas Corp.).do.....	Sept. 20, 1944	Petition to review order of Sept. 7, 1944, approving reorganization plan under sec. 11. (e) of 1935 act, of United Gas Corp., in which petitioner joined. Commission sought dismissal on ground that order approving sec. 11. (e) plan may not be reviewed by OCA where plan is subject to district court enforcement. Petition dismissed (145 F. (2d) 206). On Okin's petition for certiorari, Commission conceded that OCA might have jurisdiction with respect to portion of order relating to Bond & Share's use of proceeds from reorganization plan—this ground for review having previously been obscured by prolixity of petitioner's papers. On June 18, 1946, writ of certiorari granted, limited to question whether that part of Commission's order which licensed Bond & Share's use of proceeds can be reviewed only under sec. 24 (a) of 1935 act. Judgment vacated and cause remanded for that purpose. (85 Sup. Ct. 1689.) Subsequently, upon Commission's motion, OCA entered an order vacating the earlier order of dismissal and reinstating the petition for review to the limited extent that it involved an appeal from that portion of Commission's order relating to Bond & Share's use of proceeds from reorganization plan (Jan. 16, 1946).	Pending in OOA.
Samuel Okin (Electric Power & Light Corp. and Mississippi Power & Light Co.).do.....	Oct. 20, 1944	Petition to review order under the 1935 act, of Aug. 21, 1946, approving joint application and declaration by Electric Power & Light Corp. and its subsidiary, Mississippi Power & Light Co., insofar as such approval related to cancellation of certain preferred shares of Mississippi Power & Light Co. acquired by Electric Power & Light Co. Order under review is related to order of Commission dated May 13, 1944, involving same parties, affirmed by OCA, Dec. 1, 1944, in <i>Okin v. S. E. C.</i> (145 F. (2d) 913). Stipulation of discontinuance filed May 9, 1946.	Closed.

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Samuel Orkin (Electric Power & Light Corp. and Arkansas Power & Light Co.).	Nov. 16, 1944 Petition to review orders under 1935 act, issued Sept. 16 and 28, 1944, approving joint application and declaration by Electric Power & Light Corp. and its subsidiary, Arkansas Power & Light Co., involving capital contribution from parent to subsidiary and recapitalization of subsidiary. Petitioner is common stockholder of Electric Bond & Share Co., parent of Electric Power & Light Corp. Stipulation of discontinuance filed May 9, 1946.	Dec. 4, 1944 Plan of reorganization of United Corp. under sec. 11(e) of the 1935 act, involving exchange of Philadelphia Electric Co. common stock and cash for certain preferred stock of United Corp., approved by Commission in orders dated Nov. 24, 1944, and Nov. 28, 1944, challenged by petitioners, inter alia, on grounds: (1) failure of plan to provide for stockholder approval or district court enforcement; (2) application of "fair and equitable" standards governing compulsory reorganizations to plans involving voluntary exchanges; and (3) failure to provide adequate representation on board of directors to minority stockholders. CCA-2 affirmed orders of Commission (153 F. (2d) 27). Petitions for certiorari denied June 8, 1946.	June 16, 1945 Plan of reorganization of United Corp. under sec. 11(e) of the 1935 act, involving exchange of Delaware Power and Light Co. common stock and cash for certain preference stock of United Corp., approved by the Commission in orders dated May 22, 1946 and June 9, 1946, challenged by petitioners, inter alia, on grounds: (1) failure of plan to provide for stockholder approval or district court enforcement; (2) application of "fair and equitable" standards governing compulsory reorganizations to a plan involving a voluntary exchange; and (3) failure to provide adequate representation on board of directors to minority stockholders. Petition dismissed upon authority of similar case in 168 F. (2d) 27.	Dec. 4, 1945 Petition to review order under sec. 11(e) of 1935 act approving plans of reorganization of Niagara, Hudson Power Corp. and its subsidiary, Buffalo, Niagara and Eastern Power Corp. Challenged on the grounds that the Commission is without statutory authority to approve proposals in an over-all program for complying with sec. 11 of the act that temporarily perpetuates pyramiding and also creates a new complexity. Commission's order affirmed on July 10, 1946.	Sept. 16, 1945 Petition to review Commission orders approving plan submitted by The Commonwealth & Southern Corp. under sec. 11(e) of the 1935 act to effect compliance with the requirements of the Commission's order of April 9, 1942, which was entered pursuant to sec. 11(b) (2) of that act. On April 14, 1942, the Commission, under sec. 11(b) (1) of 1935 act, ordered North American Co. to divest itself of interest in certain named subsidiaries, including petitioners, and ordered petitioners to divest themselves of certain named subsidiaries. On June 12, 1942, North American filed petition for review in second circuit and petitioners filed petition for review in Court of Appeals for District of Columbia. On Aug. 8, 1942, Commission filed certified transcript in second circuit. To avoid review of order by two courts, Commission on Aug. 20, 1942, filed motion to dismiss petition in Court of Appeals for District of Columbia.
Randolph Phillips (The United Corp.).	Dec. 4, 1944do.....	June 16, 1946do.....	Dec. 4, 1946 Second.....	Sept. 16, 1946 Second.....	June 12, 1942 District of Columbia.. .
Randolph Phillips (The United Corp.).	Dec. 4, 1944do.....	June 16, 1946do.....	Dec. 4, 1946 Second.....	Sept. 16, 1946 Second.....	Oct. 7, 1942 motion to dismiss denied and order stayed pending disposition of North American's petition.
Albert Shassoll (Commonwealth & Southern Corp.).	Dec. 4, 1944do.....	June 16, 1946do.....	Dec. 4, 1946 Second.....	Sept. 16, 1946 Second.....	Oct. 7, 1942 motion to dismiss denied and order stayed pending disposition of North American's petition.
Washington Railway & Electric Co., et al.	Dec. 4, 1944do.....	June 16, 1946do.....	Dec. 4, 1946 Second.....	Sept. 16, 1946 Second.....	Oct. 7, 1942 motion to dismiss denied and order stayed pending disposition of North American's petition.

1935
1946
TABLE 29.—Contempt proceedings pending during the fiscal year ended June 30, 1946

Principal defendants ^{1,0}	Number of defendants ^{1,0}	Initiating papers filed		Status of case
		United States district court	June 28, 1943	
Artemiss Mines, Ltd., and Oliver C. Kendall.	2	Arizona		
The Penfield Co. of California....	1	Southern District of California.	Jan. 24, 1945	

Order Nov. 16, 1943, adjudging Oliver C. Kendall, president of Artemiss Mines, Ltd., an Arizona corporation, in contempt for failure to comply with order of court dated May 18, 1943 requiring the corporation to produce certain documents and papers. Defendant Kendall presently out of the United States. Pending. (See appendix table 33 on actions to enforce subpoena.)

Order Feb. 8, 1945, directing A. W. Young, secretary-treasurer of Penfield Co. of California, to show cause why an order should not be issued holding him in contempt of court for failure to comply with order dated June 1, 1943. Young appeared on Feb. 26, 1945, and waived personal service. On July 2, 1945, an order was entered adjudging Young in contempt and fining him \$50. On Sept. 13, 1945, order entered by COA-9 denying Commission's application for leave to file petition for writ of mandamus against the district court judge. On Sept. 26, 1945, notice of appeal from order of July 2, 1945, fining Young \$50 for contempt was filed by Commission to COA-9. On June 26, 1946 an opinion was rendered reversing the order and remanding the case to district court for an order requiring Young's imprisonment to compel his obedience to the order to produce the documents in question. Pending. (See appendix table 33 on actions to enforce subpoena.)

PART 2—CRIMINAL CONTEMPT PROCEEDINGS

William W. Meisel, Jr.....	1	Western District of Michigan.	Mar. 2, 1945	Petition for rule to show cause why defendant should not be held in criminal contempt of court for violation of an order and decree of court issued December 20, 1944, enjoining W.W. Meisel, Jr., from violating sec. 5 (a) of the 1933 act. On April 17, 1945, Meisel found guilty of contempt and fined \$1,200. On April 18, 1945, Meisel paid fine in full.
Paul John Hunt.....	1	Western District of Washington.	June 4, 1946	Application for order to show cause why defendant should not be held in criminal contempt for the violation of an order of court issued February 28, 1946, June 11, 1946, stipulation agreeing that facts of case may be considered by court at the hearing.

TABLE 30.—Actions against the Commission or employees of the Commission to enjoin enforcement under the Acts administered by the Commission, fiscal year ended June 30, 1946

Name of case	United States district court	Initiating papers filed	Nature of case	Status of case
National Association of Securities Dealers, Inc., In re.	Southern District of New York.	Jan. 3, 1946	Petition and request for an order to show cause why the Commission should not be required to enter an order in connection with its decision not to disapprove the adoption by the National Association of Securities Dealers, Inc., of certain amendments to its bylaws. (See <i>In re National Securities Dealers, Inc.</i> , in table 28.)	Withdrawn January 30, 1946.

TABLE 31.—*Cases (other than reorganization cases under Chapter X) in which the Commission participated as intervenor or as amicus curiae, pending during the fiscal year ended June 30, 1946*

Name of case	Court	Brief filed	History and nature of case	Status of case
The American Distilling Company, et al. v. Russell R. Brown.	N. Y. Supreme Court; Appellate Division of N. Y. Supreme Court; and N. Y. Court of Appeals.	Oct. 6, 1944; Mar. 1945; and Sept. 1945.	Motion to dismiss action in N. Y. Supreme Court for recovery of "short term," trading profits under sec. 16 (b) of 1934 act on ground that sec. 27 of act vests Federal courts with "exclusive jurisdiction" of all actions under act. Sec. 16 (b) refers to "court of competent jurisdiction." On Oct. 6, 1944, Commission filed brief as amicus curiae construing jurisdictional language in sec. 16 (b) in light of qualifying provisions of sec. 27 and supporting exclusive jurisdiction of Federal courts. Motion to dismiss granted Dec. 12, 1944 (51 N. Y. S. 2d 614). In May 1945, Commission filed brief as amicus curiae in appeal to Appellate Division of N. Y. Supreme Court. Judgment affirmed, May 4, 1945 (64 N. Y. S. 2d 855). On May 25, 1945, Plaintiffs appealed to N. Y. Court of Appeals. In September 1945, Commission filed brief as amicus curiae in support of the judgment of the Appellate Division. Affirmed December 6, 1945.	Closed.
Auburn Savings Bank, et al. v. Portland Railroad Company, et al.	Supreme Judicial Court of Maine.	June 25, 1945.	Stockholders' suit in state court, filed Feb. 3, 1945, collaterally attacked by petition for review of Commission's order in CCA-1, and taking position that, under 1935 act, state court lacked jurisdiction to enjoin or set aside transactions involved, or to issue decree inconsistent with Commission's order. Petition for review in CCA-1 dismissed on motion of petitioners July 2, 1946.	Pending.
Carl J. Austrian and Robert G. Butcher, as Trustees of Central States Electric Corporation v. Harrison Williams, et al.	U. S. District Court (S. D. N. Y.).	Nov. 8, 1945.	At brought suit in New York Federal court to recover from defendants who, as officers, directors, controlling stockholder of debtor and in other capacities, had allegedly defrauded and otherwise wronged the corporation. Action was instituted following investigation by trustees under Bankruptcy Act and pursuant to order of chapter X court. No allegation of citizenship or reliance thereon to establish jurisdiction. Defendants moved to dismiss on grounds that (1) Federal court in New York lacked jurisdiction and (2) cause of action was barred by New York State statute of limitation. Commission filed memorandums as amicus curiae in opposition to defendants' motions for dismissal and summary judgment taking position that jurisdiction was conferred upon court by Bankruptcy Act and sec. 24 (1) of Jurisdiction Code, that State statute of limitations was not applicable, and that such action is not barred until after discovery of causes of action which have been fraudulently concealed by defendants. District court dismissed complaint holding that it had no jurisdiction. As to statute of limitations, court stated it would have denied motion on this ground because issues of fact would have to be determined before legal question could be decided.	Appeal pending in CCA-2.

TABLE 31.—*Cases (other than reorganization cases under Chapter X) in which the Commission participated as intervenor or as amicus curiae, pending during the fiscal year ended June 30, 1946—Continued.*

Name of case	Court	Brief filed	History and nature of case	Status of case
Continental Bank and Trust Company of New York v. The First National Potassium Trust (Sage L. Aberson, et al., Intervenors).	U. S. District Court (D. R. I.).	July 16, 1946 and Sept. 28, 1946.	On Oct. 18, 1944 trustee under indenture qualified under Trust Indenture Act of 1939 instituted action against debtor for accumulated overdues and interest. Defense raised that, pursuant to permissive indenture provision taken from sec. 316 (a) of the 1938 act, authorizing majority to direct indenture trustee as to "time, method and place of conducting any proceeding," majority debt holders had directed action be instituted on July 1, 1947, and not before. On July 16, 1946, Commission filed brief as amicus curiae supporting action on ground that disputed provision did not authorize majority to defeat enforcement or effect postponement of interest payment for period sought. First court case involving construction of 1938 act. Decision rendered Mar. 4, 1946, for plaintiff.	Pending.
William M. Dederick, suing on behalf of himself and all other stockholders of North American Light & Power Co. v. The North American Company and North American Light & Power Co.	U. S. District Court (S. D. N. Y.).	Aug. 8, 1942.....	Derivative suit in U. S. district (S. D. N. Y.) October 1941 to have the North American Co. declared agent and trustee of its subsidiary, Light & Power, in the acquisition by former of debentures and deferred stock of its subsidiary at prices below par, and amount and liquidation value to compel parent to sell and subsidiary to require stock at their cost, price to parent; and for an accounting. Light & Power moved for dismissal of action. Commission filed brief as amicus curiae (in support of dismissal) to show that Commission has primary jurisdiction to hear and determine the issues, and why court should not take jurisdiction thereof. On Mar. 8, 1940, Commission had instituted proceedings under 11 (1) of 1935 act with respect to North American and subsidiaries, including Light & Power. On Dec. 2, 1941, Commission had instituted proceedings under 11 (1) (2) of 1935 act with respect to Light & Power. On Dec. 30, 1941, Commission ordered winding up of Light & Power. Jan. 12, 1943, motion to dismiss denied on ground that complaint does not seek liquidation of Light & Power but action is stayed until determination of the proceeding before Commission. Suit to recover profits from short-term trading by an insider under section 16 (b) of the Securities Exchange Act of 1934. Defendant moved to dismiss for improper venue. Commission filed memorandum in support of venue as laid.	Do.
Stella Gratz v. Edward N. Claughton, et al.	U. S. District Court (S. D. N. Y.).	May 20, 1946.....	Suit in equity brought in Federal district court by creditors of insolvent John Stock Land Bank to enforce liability upon bank stockholders imposed by Federal Farm Loan Act. Defense that (1) statute of limitations of the forum barred such an action after 10 years and (2) plaintiffs were barred by laches. District (S. L. N. Y.) rejected both defenses and entered judgment for plaintiffs. Judgment reversed by OOA on July 13, 1946 (150 F. 2d) 229. Petition for certiorari granted Nov. 19, 1945. OOA reversed Feb. 25, 1946.	Closed.
George C. Hohmberg, et al. v. Charles Armbricht, et al.	U. S. Circuit Court	Jan. 1946		

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Illinois Power Co. v. North American Light & Power Co.	U. S. District Court (District of Dela- ware).	Feb. 13, 1943 (motion to intervene).	Suit against plaintiff's parent, Light & Power, alleging over-reaching by parent. Commission moved for leave to intervene and for stay, on ground, inter alia, that sec. 11 proceedings pending before it under 1935 act with respect to Light & Power involved the same parties and same claim and would dispose of issues in case. Intervention permitted and stay granted. Aug. 27, 1943.	Pending.
Marjorie D. Kogan v. David A. Schultz, et al.	U. S. District Court (S. D. N. Y.).	Mar. 1945, and Apr. 16, 1946.	Action instituted Sept. 12, 1944 under sec. 16 (b) of the 1934 act to recover profits received by officer and director on a short term, trading in Company's securities in contravention of the act. On Mar. 14, 1945, plaintiff moved for partial summary judgment for profit realized on sale of common stock acquired on option to convert shares of preferred stock. Commission filed briefs as amicus curiae on proper construction of sec. 16 (b). District court, although denying motion for partial summary judgment due to difficulty of determining recoverable profit on available evidence, held that exercise of conversion option was nonetheless a "purchase," and that such construction did not render statutory provision unconstitutional. Class action by former holders of bonds of foreign municipality, charging defendants with damages arising out of alleged violations of 1934 act in connection with repurchases of bonds. District court held complaint did not state class action within Federal Rules of Civil Procedure and dismissed complaint. Plaintiff as it sought relief for class. On appeal to second circuit, the Commission filed brief as amicus curiae taking position that use of class action was necessary and proper for effective protection of civil actions under 1934 act. Opinion rendered Aug. 1, 1944, reversing the judgment of the district court and sustaining plaintiff's right to bring the suit as a class of action under rule 23 (b) (3).	Closed.
Louis Oppenheimer, et al. v. F. J. Young & Co. Inc. et al.	Court of Appeals for the Second Circuit.	Mar. 31, 1944.....	Action brought Nov. 17, 1944, against plaintiff's principal stockholders under sec. 16 (b) of the Securities Exchange Act of 1934 to recover profits realized from the purchase and sale within 6 months of common stock of plaintiff. Commission, as amicus curiae, filed brief taking position that the acquisition of common stock by conversion of preferred is a "purchase" within meaning of act. The United States intervened in support of constitutionality of section. On Sept. 18, 1945 Marjorie D. Kogan, a minority stockholder, sought leave to intervene as party plaintiff, supported by Commission brief as amicus curiae. Intervention was denied on Oct. 22, 1945, and Kogan appealed. Trial court entered judgment for plaintiff on Jan. 31, 1946, from which defendant appealed. Kogan then sought leave in the Circuit Court of Appeals, Second Circuit, for leave to intervene, supported by Commission as amicus curiae. Leave was granted on Mar. 23, 1946, and the appeals by Kogan and defendant were consolidated.	Pending.
Park & Tillard, Inc., v. D. A. Schultz, Trust.	U. S. District Court (S. D. N. Y.).	Oct. 5, 1945.....		

TABLE 31.—*Cases (other than reorganization cases under Chapter X) in which the Commission participated as intervenor or as amicus curiae, pending during the fiscal year ended June 30, 1946*

Name of case	Court	Brief filed	History and nature of case	Status of case
Alfonso Salmons v. Knoxville Gas Co., et al.	U. S. District Court (N. D. Tenn.).	June 10, 1945.	In compliance with Commission's order under sec. 11 (b) (1) of 1935 act, dated Aug. 17, 1943, requiring Cities Power & Light Co. to divest itself of holdings in Knoxville Gas Co., on Jan. 2, 1945, latter agreed to sell its assets to city of Knoxville, Tenn. Plaintiff, preferred stockholder of Knoxville Gas Co., brought suit for injunction against sale, for appointment of receiver, and for judicial determination, inter alia, of relative rights of creditors and stockholders. Commission petitioned for leave to intervene on ground that judicial determination sought would affect Commission's administrative functions under sec. 11 (d) and (e) of act. Supporting brief filed June 19, 1945. On June 28, 1945, injunction against sale denied. Proceeds of sale ordered paid into registry of court, and Commission granted leave to intervene, but decision reserved on question of whether, under 1935 act, Commission or district court has primary jurisdiction to determine relative rights of parties to proceeds of sale.	Pending.
Corporate filed voluntary petition in bankruptcy Sept. 30, 1942, and adjudicated bankrupt Oct. 1, 1942. Debtor is investment company which, prior to Investment Company Act of 1940, issued several series of face amount certificates pursuant to separate collateral trust indentures as amicus curiae by invitation of the court. Commission is participating in proceedings to determine nature and extent of debt holders' claims and security therefor held Mar. 3, 1945. Commission filed comprehensive brief on these issues. On Apr. 20, 1945, court issued memorandum opinion and order directing partial distribution. Final distribution of cash surrender values, as determined by court, and interim payments directed by July 21, 1945 orders, amended Aug. 26, 1945. Final decrees incorporating orders issued Aug. 27, 1945. In addition to brief dealing with problems of distribution, Commission has filed briefs to assist court on other questions.	U. S. District Court (W. D. Mo.).	Mar. 19, 1945.	In October 1945, petitioners sought an order to set aside the election of directors and officers in Third Avenue Transit Corp. and to require a new election, on the ground that the election had been procured by fraud. One charge was that proxy soliciting material sent to corporation's security holders violated the Commission's proxy rules in that bona fide nominees for office of director were not named in the proxy statement. The Commission, as amicus curiae, took the position that allegations in the petition, if true, disclosed violations of proxy rules X-1A-1, X-1A-2, and X-1A-5, which might be a relevant consideration in determining whether fraud was committed under New York law. On Dec. 3, 1945, the petition was granted.	Pending.
Kenneth S. Wyatt, et al. v. Malcolm A. Armstrong, et al.	N. Y. Supreme Court.	Nov. 26, 1945.		Closed.

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TABLE 32.—*Actions to enforce voluntary plans under Sec. 11 (e) to comply with Sec. 11 (b) of the Holding Company Act of 1935*

Name of case	United States District Court	Initiating papers filed	Status of case
American Power & Light Co., et al. American Utilities Service Corp., et al.	S. D. N. Y. Delaware	Nov. 8, 1945 Mar. 14, 1945	Order Nov. 28, 1945, approving plan as fair, equitable, and appropriate. Order Dec. 21, 1945 approving amended supplemental plan as fair, equitable, and appropriate. Sept. 14, 1945, First and Final Report of American Utilities Service Corp. filed in the recapitalization proceedings. Order entered approving report and discharging the assets of the corporation from the jurisdiction of the court.
Central and South West Utilities Co., et al. Central States Power & Light Corp., et al.	Delaware Delaware	May 10, 1946 Dec. 14, 1943	Order June 19, 1946, approving plan as fair, equitable, and appropriate. Supplemental order entered Oct. 30, 1946. Supplemental order entered Dec. 27, 1944. Supplemental order entered Jan. 15, 1946.
Crescent Public Service Co., et al. Community Gas and Power Co., et al. Electric Bond & Share Co., et al. Electric Bond & Share Co., et al. General Gas & Electric Corp., et al. Great Lakes Utility Co., et al.	Delaware Delaware S. D. N. Y. S. D. N. Y. S. D. N. Y. E. D. Pa.	Feb. 4, 1946 Apr. 11, 1946 Oct. 17, 1945 Pending. May 27, 1946 Aug. 26, 1945 Orders Oct. 15 and 22, 1945 approving plan as fair, equitable, and appropriate. Extension of maturity date of company's bonds to May 1, 1944, approved by Commission order Apr. 28, 1945 and by court order Apr. 26, 1945, subsequent extension to May 1, 1945, approved by court on May 10, 1944. Another order of May 10, 1944, approved certain supervisory contracts between a company, its subsidiaries and Stone & Webster Service Corp. Order Aug. 23, 1944, approving payment of salary to company's president. Order Feb. 12, 1946, permitting company to file amended plan with Commission. Order Dec. 25, 1945, approving sale by company of its investment in Ohio Gas, Light & Coke Co., its subsidiary.	
Illinois Tradition Co., et al. The Laclede Gas Light Co., et al.	S. D. Maine E. D. Missouri	Opinion Aug. 26, 1945, approving plan as fair, equitable, and appropriate. Order entered Dec. 4, 1944. Appeal filed in CCA—8 March 3, 1946, by Massachusetts Mutual Life Insurance Co. Opinion Oct. 30, 1945, affirming the order of the USDC. Order Nov. 28, 1945, denying petition for rehearing. Order Mar. 26, 1946, denying writ of certiorari.	
Minnesota Power & Light Co., et al. New England Gas and Electric Association, et al. New England Power Association, et al. New England Public Service Co., et al.	Minnesota Massachusetts Massachusetts S. D. Maine	June 7, 1945 June 24, 1946 Mar. 15, 1946 Oct. 15, 1946	Order June 7, 1945, approving plan as fair, equitable, and appropriate. Order entered July 10, 1945, approving plan as fair, equitable, and appropriate and enforcing said plan. Order Oct. 25, 1945, approving plan as fair, equitable and appropriate. Order entered Aug. 8, 1946. Motion by Blatchley to district court, denied June 11, 1946, for leave to intervene for purpose of his appeal from court's enforcement order. Motion denied Aug. 26, 1946. On June 11, 1946, Blatchley filed with district court petition in nature of bill of review and a petition for leave to file said petition. On July 10, 1946, Commission filed cross-motion to remit said petitions to Commission for preliminary consideration. Blatchley joined in this motion. The district court denied these motions on July 10 and issued its formal order of denial on Aug. 8, 1946. Blatchley appealed from this order on Aug. 8, 1946. In view of district court's decision to hold hearing on petition in nature of bill of review and petition for leave to file same, Blatchley filed various motions with CCA including (1) motion for stay of district court proceedings pending Blatchley's application to adduce additional evidence under sec. 24 (a); (2) application for permission to district court to entertain jurisdiction in connection with petition in nature of a bill of review and cross-motion; (3) application for stay of further district court proceedings pending appeal from order of Aug. 8, 1946; and (4) application for writs of prohibition and mandamus. Pending.

TABLE 32.—Actions to enforce voluntary plans under Sec. 11 (e) to comply with Sec. 11 (b) of the Holding Company Act of 1935—Continued

Name of case	United States District Court	Initiating papers filed	Status of case
Northern States Power Co., (Delaware); Northern States Power Co. (Minnesota); Peoples Light & Power Co., et al.; Boronato-Spring Brook Water Service Co., et al.	Minnesota.....	Jan. 22, 1948	Pending.
Spokane Gas & Fuel Co.; Standard Gas and Electric Co.	Delaware..... M. D. Pa..... D. D. Wash..... Delaware.....	Oct. 11, 1945 Mar. 11, 1946	Order Nov. 28, 1945, approving plan as fair, equitable, and appropriate. Order Apr. 4, 1946, approving plan as fair, equitable, and appropriate.
United Gas Corp., et al..... Utah Power & Light Co., et al.	Sept. 8, 1944 Utah.....	Nov. 13, 1945	Order Nov. 20, 1944, approving plan as fair, equitable, and appropriate (88 F. Supp. 801). A appeal filed in CCA-3 by Samuel Okin, Feb. 20, 1945. Pending. Order Jan. 14, 1946, approving plan as fair, equitable, and appropriate.

TABLE 33.—*Proceedings by Commission, pending during the fiscal year ended June 30, 1946, to enforce subpoena under the Securities Act of 1934, 1933 and the Securities Exchange Act of 1934.*

Principal defendants	Number of defendants	United States district court	Initiating papers filed	Section of act involved	Status of case
Artemisa Mines, Ltd., et al.....	2	Arikona.....	Apr. 8, 1943	Sec. 22 (b), 1933 act.....	Order May 18, 1943 required Artemisa Mines, Ltd. to appear before an officer of the Commission on June 26, 1943, and produce the records described in subpoena duces tecum. Sept. 18, 1944, court dismissed application to enforce subpoena with respect to Minas de Artemisa, S. A., a foreign Corporation; for lack of jurisdiction. June 26, 1945, OCA-9 reversed district court. Aug. 1, 1945, order entered requiring Minas de Artemisa, S. A. to respond to subpoena duces tecum. Pending. (See part 1 of appendix table 29 on civil contempt proceedings.)
The Penfield Co. of California.....	1	Southern District of California,	Apr. 16, 1943	Sec. 22 (b), 1933 act.....	Order June 1, 1943 required respondent to produce books and records on June 8, 1943. Opinion rendered June 30, 1944 by OCA-9 affirming the district court's order. Certiorari denied by United States Supreme Court Nov. 6, 1944. Pending. (See part 1 of appendix table 29 on civil contempt proceedings.)
Vacuum Can Co., et al.....	2	Northern District of Illinois.	Feb. 5, 1946	Sec. 22 (b), 1933 act, and 21 (c), 1934 act.	Order June 14, 1946 requiring respondent to produce documentary evidence described in subpoena duces tecum, June 21, 1946, notice of appeal filed by respondents. Pending.

TABLE 34.—*Reorganization proceedings in which the Commission participated during the fiscal year ended June 30, 1946*

Debtor	District court	Proceedings instituted under	Petition		Participation ¹	Securities and Exchange Commission notice of appearance filed
			Filed	Approved		
Adam Block Corp.	N. D. Ill.	Ch. X	Nov. 28, 1939	Dec. 29, 1939	Request.....	Sept. 27, 1943
Albany Hotel Corp.	N. D. N. Y.	do	Mar. 20, 1943	Mar. 20, 1943	Motion.....	Apr. 1, 1943
American Fuel and Power Co.	E. D. Ky.	Sec. 77-B	Dec. 6, 1935	Dec. 20, 1935	Request.....	May 1, 1940
Buckeye Fuel Co.	do	Ch. X	do	Nov. 28, 1939	do	Do.
Buckeye Gas Service Co.	do	do	do	do	do	Do.
Carbreathe Gas Co.	do	do	do	do	do	Do.
Indiana Gas Distributing Co.	S. D. N. Y.	do	Jan. 10, 1940	Jan. 10, 1940	Motion.....	Jun. 15, 1940
Associated Gas & Electric Co.	N. D. Ill.	do	Sept. 21, 1943	Oct. 5, 1943	do	Oct. 19, 1943
Associated Gas & Electric Corp.	E. D. Mich.	do	Aug. 17, 1943	Dec. 14, 1943	Request.....	Do.
Bankers Building, Inc.	E. D. Pa.	Soc. 77-B	Oct. 31, 1936	Oct. 31, 1936	Motion.....	Feb. 24, 1939
Barium Heavy Co.	S. D. N. Y.	Ch. X	Aug. 2, 1939	Aug. 10, 1939	Motion.....	Aug. 30, 1939
Belleview-Stratford Co.	N. D. Ill.	do	Apr. 9, 1942	Apr. 9, 1942	Request.....	Apr. 11, 1942
Brand's Restaurant Control Corp.	W. D. Ohio	do	Apr. 26, 1946	Apr. 26, 1946	Motion.....	June 24, 1946
Broadway Garage, Inc.	N. D. Ill.	do	Sept. 7, 1938	Sept. 9, 1938	Request.....	Oct. 11, 1943
Burton Coal Co.	do	do	do	do	do	Do.
Freeman Coal Mining Co.	do	do	do	do	do	Do.
Seymour Coal Mining Co.	do	do	June 26, 1944	Sept. 18, 1944	Motion.....	Oct. 20, 1944
Calumet and South Chicago Railway Co.	E. D. Va.	do	Feb. 20, 1942	Feb. 27, 1942	Request.....	Mar. 11, 1942
Central States Electric Corp.	S. D. N. Y.	do	Mar. 17, 1942	Apr. 3, 1942	Motion.....	Mar. 21, 1942
Cenwest Corp.	N. D. Ill.	do	Mar. 22, 1945	Apr. 30, 1945	do	May 16, 1945
Chicago, Aurora and Elgin Railroad Co.	do	do	Nov. 27, 1939	Sept. 18, 1944	do	Oct. 20, 1944
Chicago City Railway Co.	do	do	Apr. 7, 1942	July 29, 1942	do	Mar. 8, 1943
Chicago, North Shore and Milwaukee Railroad Co.	S. D. N. Y.	do	Oct. 16, 1938	Sept. 18, 1944	do	Oct. 20, 1943
Childs Co.	N. D. Ill.	Soc. 77-B	Aug. 26, 1943	Aug. 27, 1943	do	Aug. 26, 1943
Commonwealth Light & Power Co.	do	do	Oct. 9, 1934	Oct. 15, 1934	Request.....	June 21, 1940
Inland Power & Light Corp.	E. D. N. Y.	Ch. X	do	do	do	Do.
Coney Island Theatre Co.	E. D. Mo.	do	May 1, 1944	May 1, 1944	do	May 31, 1944
Congress and Senate Co.	S. D. Calif.	Soc. 77-B	Nov. 20, 1944	Nov. 20, 1944	Motion.....	Jan. 31, 1945
Consolidated Rock Products Co.	do	do	May 24, 1936	May 24, 1936	do	July 22, 1940
Consumers Rock & Gravel Co., Inc.	do	do	do	do	do	Do.
Union Rock Co.	E. D. Mich.	Ch. X	Aur. 29, 1940	Aug. 30, 1940	Request.....	Sept. 27, 1940
Covered Wagon Co.	S. D. Calif.	do	Oct. 4, 1940	Oct. 7, 1940	Motion.....	Nov. 12, 1940
Diversified Royalties, Ltd.	S. D. N. Y.	do	May 3, 1943	May 20, 1943	do	Do.
Eastern Building Corp.	do	do	Sept. 14, 1945	Sept. 14, 1945	do	May 25, 1945
80 John Street Corp.	do	do	Dec. 6, 1940	Dec. 19, 1940	do	Oct. 8, 1945
Eleven Park Place Corp.	E. D. Mo.	do	do	do	do	Dec. 27, 1940
Embassy Co.	D. Minn.	do	Nov. 20, 1944	Nov. 20, 1944	do	Feb. 7, 1945
Emporium of St. Paul, Inc.	S. D. N. Y.	do	Feb. 2, 1942	May 7, 1942	do	Aug. 12, 1945
Equitable Office Building Corp.	do	do	do	do	do	Apr. 10, 1941

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See footnote at end of table.

SECURITIES AND EXCHANGE COMMISSION

TABLE 34.—*Reorganization proceedings in which the Commission participated during the fiscal year ended June 30, 1946—Continued*

Debtor	District court	Proceedings instituted under	Petition		Participation ¹	Securities and Exchange Commission notice of appearance filed
			Filed	Approved		
Quaker City Storage Co.	E. D. Pa.	do	Dec. 17, 1941	Feb. 13, 1942	Motion	Jan. 28, 1942
R. A. Security Holding, Inc.	E. D. N. Y.	do	May 7, 1942	July 31, 1942	do	May 22, 1942
Reality Associates Securities Corp.	do	do	Sept. 28, 1943	do	Oct. 4, 1943	do
Espada Realty Corp.	do	do	Mar. 17, 1944	Mar. 20, 1944	do	Apr. 19, 1944
Reitz-Carlton Restaurant & Hotel Co. of Atlantic City	Sec. 77-B Ch. X	do	May 18, 1938	June 22, 1938	Request	Dec. 6, 1938
Rocky Mountain Fuel Co.	S. D. N. J.	do	Jan. 17, 1939	Jan. 20, 1939	do	Jan. 23, 1939
D. Col.	do	do	Feb. 12, 1944	Feb. 12, 1944	Motion	Apr. 3, 1944
B. S. Charles Hotel Co.	Dec. 8, 1944	do	Dec. 8, 1944	Dec. 8, 1944	Request	Dec. 16, 1944
W. D. Tex.	do	do	Apr. 8, 1946	Apr. 9, 1946	Motion	May 20, 1946
Scottish Rite Masons Association	do	do	July 29, 1941	July 29, 1941	do	Aug. 1, 1941
Silesian American Corp.	N. D. Ill.	do	Oct. 17, 1938	Oct. 18, 1938	do	Nov. 29, 1938
South State Street Building Corp.	S. D. N. Y.	do	July 17, 1942	Mar. 16, 1943	do	Sept. 25, 1942
Sponsor Realty Co.	N. D. Ill.	do	Apr. 15, 1946	Apr. 24, 1944	Request	May 20, 1946
32-36 State Street Building Corp.	N. D. Calif.	do	May 12, 1939	May 13, 1939	Motion	June 26, 1939
32 West Randolph Corp.	S. D. N. Y.	do	Dec. 3, 1945	Dec. 4, 1945	Motion	Dec. 18, 1945
Thomas A. Allee Corp.	do	do	Jan. 18, 1945	Jan. 18, 1945	do	Feb. 19, 1945
322 Eighth Avenue Corp.	do	do	Dec. 26, 1940	Mar. 5, 1941	do	do
Trinity Building Corp. of New York	do	do	June 14, 1940	June 14, 1940	do	June 17, 1940
Ulen & Co.	do	do	Feb. 1, 1944	Feb. 1, 1944	Request	Feb. 7, 1944
U. S. Realty and Improvement Co.	Sec. 77-B	do	July 12, 1935	July 12, 1935	Motion	July 22, 1941
Van Rensselaer Estates, Inc.	N. D. Ohio	do	Oct. 13, 1936	Oct. 16, 1936	do	Jan. 23, 1940
Van Sweringen Corp.	do	do	do	do	do	Do.
Cleveland Terminals Buildings Corp.	S. D. N. Y.	Ch. X	June 7, 1940	June 9, 1940	Request	July 9, 1940
Warren Sugar Corp.	do	do	Sept. 26, 1941	Sept. 26, 1941	Motion	Oct. 14, 1941
Washington Gas & Electric Corporation	E. D. Mich.	Sec. 77-B Ch. X	Apr. 28, 1936	Apr. 28, 1936	Request	Jan. 7, 1939
Weston Realty Co.	S. D. N. Y.	do	Mar. 18, 1938	Mar. 24, 1938	Motion	Mar. 24, 1938
Westover, Inc.	M. D. Pa.	do	July 1, 1943	July 1, 1943	do	July 16, 1943
Wilkes Barre Railways Corporation	do	do	do	do	do	Do.
Wilkes Barre Railway Company	do	do	do	do	do	Do.
Wilkes Barre Trackless Trolley Company	do	do	do	do	do	Do.
Wyoming Valley Atomics Company	do	do	do	do	do	Do.
Wyoming Valley Public Service Co.	N. D. Ill.	do	Mar. 18, 1941	May 28, 1941	Request	June 12, 1941
Windsor Wilson Liquidation Trust	Sec. 77-B	do	Nov. 30, 1937	Nov. 30, 1937	Motion	Jan. 6, 1943
Windsor Valley Company	E. D. N. Y.	do	do	do	do	do

¹ "Request" denotes participation at the request of the judge; "Motion" denotes participation upon the approval by the judge of the Commission's motion to participate in the proceedings.

TABLE 35.—*Actions under Section 11 (d) of the Public Utility Holding Company Act of 1935 to enforce compliance with Commission's order issued under Section 11 (b) of that Act.*

Name of case	United States District Court	Initiating papers filed	Nature and history of case	Status
International Hydro-Electric System.	Massachusetts	AUG. 22, 1943	Action by Commission, with consent of company, under secs. 11 (d), 18 (f), and 25 of the 1930 act to enforce its order of July 21, 1942, requiring dissolution of the company. The court was asked (1) to take exclusive jurisdiction of the company and its assets; (2) to enjoin interference; (3) to compel compliance with the Commission's order; and (4) to appoint special counsel to investigate an inter-company claim against International Paper Co. Aug. 12, 1943, temporary order entered by court and on Oct. 11, 1943 an interlocutory decree and order was entered in which court took exclusive jurisdiction, granted injunction, and appointed special counsel as requested. Nov. 13, 1944, special counsel appointed trustee of estate of company and directed to institute suit on claim against International Paper Co. Nov. 13, 1945, thus suit settled, as well as two stockholders' suits against International. Dec. 25, 1945, district court approved settlement and termination of these suits and notices of appeal from this approval were filed on Jan. 26, 1946, in COA-1.	Pending.