

**Thirteenth Annual Report
of the
U.S. Securities and Exchange
Commission**

Fiscal Year Ended June 30, 1947



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Commission
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UNITED STATES GOVERNMENT PRINTING OFFICE, WASHINGTON : 1948

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SECURITIES AND EXCHANGE COMMISSION

Central Office
425 Second Street, N. W.
Washington 25, D. C.

COMMISSIONERS

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RICHARD B. MCENTIRE
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HARRY A. McDONALD

ORVAL L. DuBois, *Secretary*

JLc. 4-7-48

LETTER OF TRANSMITTAL

SECURITIES AND EXCHANGE COMMISSION,
Washington, D. C., March 2, 1948.

SIR: I have the honor to transmit to you the Thirteenth 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,

ROBERT K. McCONNAUGHEY,
Acting Chairman.

THE PRESIDENT OF THE SENATE,
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES,
Washington, D. C.

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FOREWORD

This report is submitted pursuant to law to inform the Congress about the work of the Commission. Of necessity, it is only a summary and cannot do more than highlight the more prominent phases of the Commission's activities under the various statutes which it administers. Equally significant are the many aspects of the Commission's day to day activities which play such a large part in the carrying on of its functions. Space does not permit an adequate presentation of such matters, but in considering the totality of the Commission's activities they should not be forgotten. The Commission is always ready to give any additional information that may be sought concerning its work, either by the Congress or by members of the public.

The year covered herein was marked by a continuation of high levels of economic activity and of commensurate levels of Commission work. Particularly significant was the fact that the volume of financing during the 1947 fiscal year for new money purposes exceeded even that of 1946—when the total volume of financing was at its highest point.

Further substantial progress has been made toward completion of the program of integration of the nation's electric and gas public utility holding company systems and the simplification of their corporate structures pursuant to the requirements of Section 11 of the Public Utility Holding Company Act of 1935. Thus, not only are the holding company systems being brought into conformity with the pattern set forth by Congress in the Act, but in addition the financing of the industry's present extensive expansion program is greatly facilitated. In the latter connection it is significant that the public utility industry has done more new money financing during the 1947 fiscal year than the aggregate of all such financing for the twelve preceding years.

The continued effort of the Commission to simplify its procedures and forms, and to avoid unnecessary duplication in its disclosure requirements is manifest throughout the report. In this connection, we may note the adoption of rules and forms to facilitate the operations of the International Bank for Reconstruction and Development; the promulgation of rules eliminating unnecessary hearing procedures under the Investment Company Act; and the simplification of basic Securities Act registration forms and the elimination of other forms.

One of the significant activities of the Commission during the past year was its undertaking of a program of study of the operations of the Securities Act of 1933 and the Securities Exchange Act of 1934 with a view to an ultimate recommendation to the Congress of desirable and workable amendments to these statutes. Conferences have been held with representatives of all groups directly concerned with the operations of these statutes. Discussions were had with and comments were solicited from investors, large and small, and representatives of underwriters, dealers, securities exchanges, State regulatory bodies, and professional groups of attorneys and accountants.

The Commission expects that, before the close of the current fiscal year, its offices will have been returned from Philadelphia to Washington. It is hoped that the move will facilitate contact between the Commission and the Congress.

COMMISSIONERS AND STAFF OFFICERS

Commissioners

*Term expires
June 5—*

JAMES J. CAFFREY, of New York, Chairman ¹	1950
ROBERT K. McCONAUGHEY, of Ohio	1949
RICHARD B. MCENTIRE, of Kansas	1948
EDMOND M. HANRAHAN, of New York ²	1952
HARRY A. McDONALD, of Michigan ³	1951

Secretary: ORVAL L. DUBOIS

Staff Officers

BALDWIN B. BANE, Director, Corporation Finance Division.	ANDREW JACKSON, Associate Director.
MORTON E. YOHALEM, Director, Public Utilities Division.	ROBERT F. KRAUSE, Associate Director.
JAMES A. TREANOR, Director, Trading and Exchange Division.	
ROGER S. FOSTER, Solicitor.	
EARLE C. KING, Chief Accountant.	
HERBERT B. COHN, Director, Opinion Writing Office.	
WALTER C. LOUCHHEIM, Jr., Adviser on Foreign Investments.	
NATHAN D. LOBELL, Adviser to the Commission.	
SHERRY T. MCADAM, Jr., Assistant to the Chairman.	
HASTINGS P. AVERY, Director, Administrative Division.	
WILLIAM E. BECKER, Director of Personnel.	
JAMES J. RIORDAN, Budget and Fiscal Officer.	

REGIONAL AND BRANCH OFFICES

Regional Offices

Zone 1—PETER T. BYRNE, Equitable Building (Room 2006), 120 Broadway, New York 5, N. Y.
Zone 2—PAUL R. ROWEN, Post Office Square Building (Room 501), 79 Milk Street, Boston 9, Mass.
Zone 3—WILLIAM GREEN, Atlanta National Building (Room 322), Whitehall and Alabama Streets, Atlanta 3, Ga.
Zone 4—CHARLES J. ODENWELLER, JR., Standard Building (Room 1608), 1370 Ontario Street, Cleveland 13, Ohio.
Zone 5—THOMAS B. HART, Bankers Building (Room 630), 105 West Adams Street, Chicago 3, Ill.
Zone 6—ORAN H. ALLRED, United States Courthouse (Room 103), 10th and Lamar Streets, Fort Worth 2, Tex.
Zone 7—JOHN L. GERAGHTY, Midland Savings Building (Room 822), 444 Seventeenth Street, Denver 2, Colo.
Zone 8—HOWARD A. JUDY, Appraisers Building (Room 308), 630 Sansome Street, San Francisco 11, Calif.
Zone 9—DAY KARR, 1411 Fourth Avenue Building (Room 810), Seattle 1, Wash.
Zone 10—E. RUSSELL KELLY, O'Sullivan Building (Room 2410), Baltimore 2, Md.

Branch Offices

Federal Building (Room 1074), Detroit 26, Mich.
United States Post Office and Courthouse (Room 1737), 312 North Spring Street, Los Angeles 12, Calif.
Pioneer Building (Room 500), Fourth and Roberts Streets, St. Paul 1, Minn.
Drew Building (Room 202), Third and Boston Streets, Tulsa 3, Okla.
United States Courthouse and Custom House (Room 1006), 1114 Market Street, St. Louis 1, Mo.

¹ Elected chairman on July 23, 1946, resigned December 31, 1947.

² Appointed July 5, 1946, to the vacancy created by the resignation of GANSON PURCELL.

³ Appointed March 18, 1947, to succeed the late ROBERT E. HEALY.

COMMISSIONERS APPOINTED DURING FISCAL YEAR

EDMOND M. HANRAHAN

Mr. Hanrahan was born in the city of Cortland, N. Y., August 14, 1905. He was graduated from Cortland High School, attended Fordham University, graduated from Fordham University Law School in 1928 with an LL. B. degree and was admitted to the Bar of the State of New York in 1929.

In 1933 Mr. Hanrahan became a partner in the firm of Sullivan, Donovan & Heenehan and practiced law with that firm until his appointment to the Commission.

Mr. Hanrahan served for 4 years as a member of the committee on State legislation of the Association of the Bar of the City of New York and has been special counsel to the superintendent of banks of the State of New York. On July 5, 1946, he was appointed to the Securities and Exchange Commission for a term of office ending June 5, 1947, and has since been reappointed for a full 5-year term.

HARRY A. McDONALD

Mr. McDonald was born in Cherokee, Iowa, June 17, 1894. He attended public schools in Cherokee County, graduated from high school in Cedar Falls, Iowa, attended Iowa State Teachers College for 3 years and received a Ph. B. degree from the University of Chicago in 1917.

Mr. McDonald served in the United States Navy from 1917 to 1919 and then entered business in Cleveland, Ohio. In 1923 he moved to Detroit, Mich., and was actively engaged in the dairy industry until 1932. In 1932 he formed McDonald, Moore & Hayes, Inc., an investment firm which became McDonald, Moore & Co. in 1936. He resigned from that firm to accept his present appointment.

Mr. McDonald served as chairman of the Michigan Unemployment Compensation Commission for 3 years and was a member of the Michigan State Fair Board for 6 years, 1 as chairman. On March 18, 1947, he was appointed to the Securities and Exchange Commission for a 5-year term of office ending June 5, 1951.

PART I

ADMINISTRATION OF THE SECURITIES ACT OF 1933

The primary purpose of the Securities Act of 1933 is to prevent fraud in the sale of securities. To accomplish this purpose the act requires the fair disclosure of information about securities by means of the registration statement and prospectus before the securities are publicly offered for sale to the investor. In addition, certain practices in connection with the sale of securities are defined as fraudulent and made unlawful. The requirements as to the registration of a security and the use of a prospectus are designed to provide the investor with sufficient facts about the security to enable him to make an informed judgment of the merits of the investment before he buys the security offered to him. The provisions defining and prohibiting certain fraudulent practices are aimed at the prevention and punishment of active fraud, misrepresentation, and deceit. The Commission neither makes any determinations as to the merits of any security nor passes upon the value of any investment. The act does not aim at the elimination of risk in investment, but only at the disclosure of sufficient information to enable the investor to measure the risk.

THE REGISTRATION PROCESS

The Registration Statement and Prospectus

The principle of full and fair disclosure of material facts about a security is applied in practice by means of the registration statement and the prospectus. The registration statement is filed with the Commission and must become effective before the security being registered may be publicly offered for sale in interstate commerce or by use of the mails. The registration statement becomes a public document when filed (except where the act provides for confidential treatment) and is available for inspection by the public. Financial houses, financial writers, the investment services, and newspapers make major use of the registration statement as a source of information and publicize the facts which it contains.

The prospectus serves to bring pertinent information contained in the registration statement directly to the attention of the investor. It is unlawful to offer a registered security for sale by means of a prospectus unless the prospectus contains the information required by the act.

The act sets forth the information required to be contained in the registration statement and prospectus. This includes, for example, information about officers and directors of the issuer of the security; the nature, size, and degree of success of the business; the issuer's capitalization; the purpose of the financing and the use to which the proceeds will be put; the compensation which the under-

writer is to receive; options outstanding against securities of the issuer; bonus and profit-sharing agreements; and pending or threatened legal proceedings against the issuer. In addition, certified financial statements are a part of every registration statement.

Effective Date of Registration Statement

In order to permit the information contained in a registration statement to become known to the investing public, the act provides a 20-day waiting period after the filing of the registration statement before the registration statement becomes effective and the security may be offered for sale. If the registration statement is amended after it is filed but before it has become effective, the 20-day waiting period starts anew from the time of the amendment, unless the amendment is filed with the consent of or by order of the Commission.

The Commission is empowered at its discretion to accelerate the effective date of a registration statement, in cases where the facts justify such acceleration, so that the full 20-day period need not expire before the securities may be offered for sale. The act directs that, in the exercise of this power, the Commission must give due regard to the adequacy of the information about the security already available to the public, to the complexity of the particular financing, and to the public interest and the protection of investors.¹

One of the main functions of the Commission under the act is the examination of registration statements to determine compliance with the requirements of the act and its standards of full and fair disclosure. In view of the fact that a registration statement may become effective on the twentieth day after filing, the examination by the staff must be completed with a maximum speed consistent with thoroughness and a full consideration of all the facts. Neither the Commission, the issuer, nor the underwriter desires a statement to become effective unless it fully complies with the act. It is often the case that the staff will ascertain that deficiencies exist in the registration statement, or the issuer or underwriter may wish to amend the statement or delay its effectiveness for business reasons. In such cases, if there is a danger that the registration statement may become effective in defective form or prematurely for the purposes of the issuer or underwriter, it is customary for the issuer to file a minor amendment to the registration statement, thereby starting the 20-day period running anew.

In order to speed the registration process, and at the same time to make available to the registrant the assistance of the Commission's staff of experts, the Commission has adopted the procedures of the prefiling conference and the "letter of comment." The prefiling conference enables the registrant to discuss with the staff, prior to the filing of the registration statement, any special problems involved with respect to the particular registration statement. The letter of comment is an informal device by which the registrant is informed of any deficiencies found to exist in the registration statement as filed. The registrant can therefore make the necessary amendments and

¹ In the 1947 fiscal year, acceleration was requested and granted with respect to 98 percent of the registration statements which became effective in that year.

thereby prevent the registration statement from becoming effective in deficient form.

Time Required for Registration

The Commission, with the cooperation of persons in the securities industry, constantly studies and adopts ways to cut down the elapsed time from the day the registration statement is filed to the day when it is in proper form and becomes effective. The prefiling conference and deficiency letter are two of the results of this continuous study. The Commission's staff has by and large been able to supply the registrant with a deficiency letter before the 20-day waiting period expires. It is rarely possible, however, for the registrant to make corrections within that time. Further, as has been pointed out, the registrant often desires to delay the effective date of the registration statement, particularly in a period of a declining market.

The Commission has recently made two studies to determine the median elapsed time for completion of the registration process. For convenience and simplicity, the elapsed time has been broken down into three periods: (1) the time required after filing for the staff to prepare a deficiency letter; (2) the time consumed by the registrant in filing necessary amendments; and (3) the elapsed time thereafter until the statement became effective. These two studies are described and their results tabulated below.

First Study

This study was based on 665 registration statements, involving offerings of securities aggregating more than \$6,600,000,000, which became effective during the 1946 calendar year. The 1946 calendar year covers a period in which there was a considerable volume of public financing. During that year, a total of 803 registration statements were filed for proposed offerings aggregating \$7,900,000,000, the largest dollar amount of offerings for any single year since adoption of the Securities Act. The results of the study follow:

<i>Elapsed time</i>	<i>Median number of days</i>
From date of filing the registration statement to the staff's first letter of comment _____	15
From date of letter of comment to date of final amendment by the registrant _____	13
From date of last amendment to date when registration statement became effective _____	1
Total median elapsed time _____	29

Second Study

The second study was made, in somewhat different detail, for each of the 10 months from August 1946 to and including June 1947. It covers 423 registration statements which became effective during the period. The elapsed periods of time shown in the table below are given in days and are for the median registration statement. In examining the results of this study, it is to be recalled that there was a precipitous decline in the stock market beginning in September 1946. This re-

sulted in the voluntary delay of effectiveness of registration statements by many registrants.

	1946					1947					
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Total registration statements effective during month	54	29	29	43	38	30	29	50	44	32	45
Elapsed time (median number of days).											
From date of filing registration statement to first letter of comment	16	15	15	13	12	12	10	10	10	11	10
From date of letter of comment to first amendment by registrant	10	10	14	8	17	15	8	8	7	11	9
From date of first amendment to the effective date of registration	7	9	11	7	13	7	6	5	6	7	6
Total median elapsed time	33	34	40	28	42	34	24	23	23	29	25

THE VOLUME OF SECURITIES REGISTERED

Volume of All Securities Registered in Fiscal Year

	1947	1946
Total registered	\$6,732,447,000	\$7,073,280,000

The amount of securities effectively registered during the 1947 fiscal year was 5 percent less than the amount registered in the 1946 fiscal year, which was the peak year.

The volume registered in the 1947 fiscal year was distributed over 493² registration statements covering 686 issues, as compared with 661 statements covering 1,015 issues for the 1946 fiscal year.

Volume of Securities Registered for Cash Sale

A. ALL SECURITIES

	1947	1946
Registered for cash sale for accounts of issuers	\$4,874,141,000	\$5,423,593,000
Registered for cash sale for accounts of others than issuers	397,029,000	472,247,000
Total registered for cash sale	\$5,271,170,000	\$5,895,840,000
Total registered for other than cash sale	1,461,277,000	1,177,440,000
Total of all registered securities	\$6,732,447,000	\$7,073,280,000

²This figure differs from the 489 shown in the table on p. 8 due to difference in the classification as to the time of effectiveness of registration statements. See footnote 2 to appendix table I for details.

B. STOCKS AND BONDS REGISTERED FOR CASH SALE FOR THE ACCOUNTS OF ISSUERS

	<i>1947</i>	<i>1946</i>
Equity securities other than preferred stocks	\$1,150,330,000	\$1,330,625,000
Preferred stocks	786,866,000	990,699,000
Total all stocks	\$1,937,196,000	\$2,321,324,000
All bonds	2,936,945,000	3,102,269,000
Total	\$4,874,141,000	\$5,423,593,000

The volume of bonds registered for cash sale for the accounts of issuers in the 1947 fiscal year was only slightly less than the volume for the prior year. There was a more substantial decrease in the volume of stocks registered in the 1947 fiscal year for cash sale for the accounts of issuers. But this volume was half again as great as the next highest volume of stocks registered for cash sale for the accounts of issuers registered in the 1937 fiscal year.

From September 1934 through June 1946, new money purposes represented 20.67 percent of the net proceeds expected from the sale of issues registered for the accounts of the issuers. In the 1947 fiscal year, new money purposes were 54.48 percent of the expected net proceeds for the year—large enough to raise the 13-year average over five points to 25.84 percent.³

C. ALL SECURITIES REGISTERED FOR CASH SALE FOR THE ACCOUNTS OF ISSUERS—BY TYPE OF ISSUER

<i>Type of issuer</i>	<i>1947</i>	<i>1946</i>
Manufacturing companies	\$1,266,055,000	\$1,749,852,000
Electric, gas and water companies	1,214,346,000	1,661,274,000
Transportation and communication companies ¹	1,190,814,000	800,381,000
Financial and investment companies	714,529,000	902,344,000
Foreign governments	247,105,000	30,212,000
Merchandising companies	201,373,000	174,511,000
Service companies	16,109,000	24,705,000
Extractive companies	15,685,000	72,082,000
Construction and real estate companies	8,125,000	8,232,000
Total	\$4,874,141,000	\$5,423,593,000

¹ Does not include companies subject to regulation by the Interstate Commerce Commission and therefore exempted from registration. The transportation group no longer includes wholesale gas pipeline companies, now classified in the electric, gas, and water group. An adjustment of \$164,414,000 has been made in the respective figures for 1946 to compensate for this change in classification.

Registrations for cash sale by transportation and communication companies in the 1947 fiscal year established a record, exceeding by almost 50 percent the previous high established in the 1946 fiscal year. The amount of such registrations by manufacturing companies was 28 percent less than that for the 1946 fiscal year, but was the second largest amount in any fiscal year. Foreign governments registered over eight times the amount registered in the 1946 fiscal year and ex-

* See also appendix table 1, part 3, and tables 39 and 40.

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ceeded the previous peak of \$229,005,000 established in the 1937 fiscal year. Merchandising companies exceeded by 6 percent the previous peak of \$190,104,000 established in the 1937 fiscal year.

D. USE OF INVESTMENT BANKERS AS TO SECURITIES REGISTERED FOR CASH SALE FOR THE ACCOUNTS OF ISSUERS

	1947	1946
Amount registered to be sold through investment bankers:		
Under agreements to purchase for resale--	\$3, 333, 621, 000	\$4, 445, 915, 000
Under agreements to use "best efforts" to sell-----	697, 123, 000	749, 952,000
Total registered to be sold through investment bankers-----	\$4, 030, 744, 000	\$5, 195, 867, 000
Total registered to be sold directly to investors by issuers-----	843, 397, 000	227, 726, 000
Total-----	\$4, 874, 141, 000	\$5, 423, 593, 000

In the 1947 fiscal year, investment bankers were used for the sale of 83 percent of the total securities registered for cash sale for the accounts of issuers, as compared with 96 percent in the 1946 fiscal year. Commitments by investment bankers to purchase for resale involved 68 percent of the total registered for cash sale for the accounts of issuers, as compared with 82 percent in the 1946 fiscal year.⁴

E. COST OF FLOTATION OF SECURITIES REGISTERED FOR CASH SALE FOR THE ACCOUNTS OF ISSUERS

The cost of flotation of securities registered for primary cash distribution, as reported in the registration statements for such securities, amounted to 5.5 percent of the aggregate dollar volume of such securities. A further breakdown of this 5.5 percent indicates that 5.0 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:⁵

* See appendix tables 1 through 4 for a more detailed breakdown of the dollar volume of Securities Act registrations.

⁵This table does not include investment trust issues, whose costs are not reported on a basis comparable to that of other issues.

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Compensation—Percent of gross proceeds

Year ended June 30	Bonds	Preferred stock	Common stock
1939	2.0	6.4	16.9
1940	1.9	7.2	16.4
1941	1.8	4.1	14.4
1942	1.5	4.1	10.1
1943	1.7	3.6	9.7
1944	1.5	3.1	8.1
1945	1.3	3.1	9.3
1946	.9	3.1	8.0
1947	.9	2.8	9.3

A trend similar to that noted in the table may be noted with respect to bonds, subdivided on the basis of the investment risk involved.⁶

THE VOLUME OF UNREGISTERED SECURITIES

Total of Unregistered Corporate Issues

Some \$2,370,000,000 of unregistered new corporate securities are known to have been offered for cash sale by issuers in the 1947 fiscal year, as compared with \$2,696,000,000 in the 1946 fiscal year.⁷ The basis for exemption of these securities from registration is broken down as follows:⁸

<i>Basis for exemption from registration</i>	<i>1947</i>	<i>1946</i>
Privately placed issues	\$1,899,000,000	\$1,189,000,000
Issues under the jurisdiction of the Interstate Commerce Commission	292,000,000	1,317,000,000
Issues of bank securities	27,000,000	74,000,000
Intrastate offerings	9,000,000	4,000,000
Offerings under regulation A ¹	143,000,000	112,000,000
Total	\$2,370,000,000	\$2,696,000,000

¹ Includes only offerings between \$100,000 and \$300,000 in size. See p. 19 for a more detailed discussion of regulation A offers.

Total of Unregistered Governmental and Eleemosynary Issues

The total of unregistered governmental and eleemosynary securities offered for cash sale in the United States was \$ 12,385,000,000, as compared with \$28,795,000,000 in the 1946 fiscal year. These totals consist of the following:⁹

<i>Issuer</i>	<i>1947</i>	<i>1946</i>
United States Government	\$10,264,000,000	\$27,258,000,000
Federal agencies	140,000,000	608,000,000
States and municipalities	1,975,000,000	928,000,000
Miscellaneous nonprofit organizations	6,000,000	1
Total	\$12,385,000,000	\$28,795,000,000

¹ Less than \$1,000,000.

Volume of All Unregistered Issues Offered for Cash Sale

	<i>1947</i>	<i>1946</i>
Corporate issues	\$2,370,000,000	\$2,696,000,000
Noncorporate issues	12,385,000,000	28,795,000,000
Total	\$14,755,000,000	\$31,491,000,000

⁶ Compare part 2 of the appendix table 2 with the same table in the Twelfth, Eleventh, and Ninth Annual Reports.

⁷ This does not include offers of securities of \$100,000 or less.

⁸ Where a security may have been exempted from registration for more than one reason, the security was counted only once.

⁹ See appendix table 3 for a more detailed statistical break-down of the volume of all securities offered for cash sale in the United States.

THE VOLUME OF ALL SECURITIES OFFERED FOR CASH SALE¹**Total of Registered and Unregistered Securities Offered for Cash Sale:**

	1947	1946
Registered securities:		
Corporate (excluding investment cos.)	\$3, 833, 000, 000	\$4, 626, 000, 000
Noncorporate (foreign government)	247, 000, 000	30, 000, 000
Total registered securities	\$4, 080, 000, 000	\$4, 656, 000, 000
Unregistered securities:		
Corporate	\$2, 370, 000, 000	\$2, 696, 000, 000
Noncorporate	12, 835, 000, 000	28, 795, 000, 000
Total unregistered securities	\$14, 755, 000, 000	\$31, 491, 000, 000
Total all securities	\$18, 835, 000, 000	\$36, 147, 000, 000

New Capital and Refinancing

Proceeds from corporate securities flotations, both registered and unregistered, applicable to expansion of fixed and working capital amounted to \$3,965,000,000 compared with the peaks of \$1,617,000,000 in the 1946 fiscal year and \$1,196,000,000 in the 1937 fiscal year. While entirely comparable figures for the years prior to 1934, the date when this statistical series began, are not available, it appears that the new money volume in the 1947 fiscal year was as large as the high levels reached in the twenties. Industrial and miscellaneous firms accounted for 58 percent of the new money financing, public utility companies (including telephone companies) for 37 percent and railroad companies for 5 percent. The volume of refinancing through new issues of securities declined to \$2,011,000,000 compared with the 1946 record high of \$5,297,000,000.¹¹

STATISTICS OF SECURITIES REGISTERED UNDER THE ACT

The aggregate dollar amount involved in registration statements filed in the 1947 fiscal year exceeds that for any fiscal year except the preceding year 1946. As shown in the table below there were 567 statements filed in the 1947 fiscal year covering proposed offerings in the aggregate amount of \$6,934,388,303, as compared with the amount of \$7,401,260,809 for the 1946 fiscal year.

Number and disposition of registration statements filed

	Prior to July 1, 1946	July 1, 1946, to June 30, 1947	Total as of June 30, 1947
Registration statements:			
Filed	6, 572	567	7, 139
Effective—net	1, 539	2, 489	4, 5825
Under stop or refusal order—net	182	1	4, 181
Withdrawn	913	123	1, 036
Pending at June 30, 1946	1, 138		
Pending at June 30, 1947			97
Aggregate dollar amount:			
As filed	\$39, 754, 139, 439	\$6, 934, 388, 303	\$46, 688, 527, 742
As effective	\$35, 643, 256, 162	\$6, 732, 446, 684	\$42, 375, 702, 846

¹ Adjusted figure. (Previously published figures were 5,341 and 136, respectively.)

² Excludes 10 registration statements which became effective and were subsequently withdrawn.

³ Three registration statements which became effective prior to July 1, 1946, were withdrawn during the year and are counted in the number withdrawn.

⁴ Two registration statements which were under stop order prior to July 1, 1946, were withdrawn during the year and are counted in the number of withdrawn statements.

⁵ The figures given in this section exclude securities of investment companies because complete data on cash sales of these securities are not available. See footnote 1 to appendix table 3 for a complete description of the securities included in these figures.

¹¹ See appendix tables 4, 39, and 40 for statistics in greater detail as to the use of net proceeds from the sale of securities.

Additional documents filed in the 1947 fiscal year under the act

Nature of document:	Number
Material amendments to registration statements filed before the effective date of registration	1,106
Formal amendments filed before the effective date of registration for the purpose of delaying the effective date	2,030
Material amendments filed after the effective date of registration	555
Total amendments to registration statements	3,691
Supplemental prospectus material, not classified as amendments to registration statements	1,231
Reports filed under section 15 (d) of the Securities Exchange Act of 1934 pursuant to undertakings contained in registration statements under the Securities Act of 1933:	
Annual reports	601
Current reports	296

EXEMPTION FROM REGISTRATION UNDER THE ACT

The Commission is empowered under section 3 (b) of the act to exempt from registration, subject to such terms and conditions as it might prescribe by rule and regulation, issues of securities not exceeding an aggregate offering price to the public of \$300,000. Five regulations have been adopted pursuant to this authority: 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;¹² regulation A-M, a special exemption for assessable shares of stock of 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 insure 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

In the 1947 fiscal year business made greater use of public offerings under the general exemption provided by regulation A than in the prior year. Thus, the number of letters of notification received and examined thereunder rose from a total of 1,348 in the 1946 fiscal year to 1,513 in the 1947 fiscal year; and the aggregate offering price increased at the same time from \$181,600,155 to \$210,791,114. Included in the 1947 fiscal year's offerings were 68 letters of notification relating to oil and gas leases. Securities of companies engaged in various phases of the oil and gas business totaled an aggregate offering price of \$8,660,261.

The distribution of the 1,513 letters of notification by size of offering shows that 761 covered proposed offerings of \$100,000 or less; 298 offerings of more than \$100,000 but less than \$200,000; and 454 in-

¹² Inasmuch as no reports or filings are required under this regulation, no statistical data as to its application and use are available.

volved offerings in excess of \$200,000 but not more than the statutory maximum of \$300,000.

The regulation makes provision for the filing of the requisite letter of notification at the appropriate regional office of the Commission for the greater convenience of small businesses making use of this regulation. The letters of notification and the related sales literature are examined in the regional office where filed and then reviewed by a staff of experts at the Commission's central office. This 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. 1,800 letters were written in this connection during the fiscal year. In addition, the Commission cooperates with the proper authorities in the States in which the securities are proposed to be offered by informing them of the fact that the offering is to be made and giving them a summary of pertinent data concerning the proposed offer.

It should be emphasized that, as suggested above, the exemption from registration provided by regulation A, as well as by the other exemptions granted under section 3 (b), does not constitute complete exemption from all provisions of the act. Thus these exemptions are subject to the express provisions of section 12 imposing civil liability on persons who sell securities in interstate commerce or through the mails by means of untrue statements or misleading omissions, and to the provisions of section 17, which makes it unlawful to sell securities by such means or by other types of fraud. By their express terms, each of these sections is applicable whether or not the transactions involve securities which have been exempted under section 3 (b). Accordingly, the principal effect of a section 3 (b) exemption is to permit the sale of securities on the basis of a less complete formal filing than that required by the act in the case of a registered security.

Exempt Offerings Under Regulation A-M

The Commission received and examined during the year a total of three prospectuses covering an aggregate offering price of \$150,000 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 135 offering sheets, and 161 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))	53
Orders terminating proceedings after amendment	41
Orders consenting to withdrawal of offering sheet and terminating proceeding	10
Orders terminating effectiveness of offering sheet (no proceeding pending)	11
Orders consenting to amendment of offering sheet (no proceeding pending)	56
Orders consenting to withdrawal of offering sheet (no proceeding pending)	8
Total orders	179

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 (a) 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 1,100 reports on Form 1-G and 148 on Form 2-G representing sales in the aggregate of \$897,573 and \$738,798, 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.—Twenty-two investigations involving oil and gas securities were instituted by the Commission during the 1947 fiscal year to determine whether there had been any violations of sections 5 (requiring registration) or 17 (prohibiting fraudulent sales) of the Securities Act or section 15 of the Securities Exchange Act of 1934 (regulating the conduct of brokers and dealers). The total of such investigations current during the year was 161. As part of these investigations, some 1,500 letters were written and approximately 200 personal and telephone conferences were held during the fiscal year by the experts of the Oil and Gas Unit of the Commission's staff. In addition, engineer and geologist members of the staff prepared a number of technical memoranda or valuation estimates and conducted scores of conferences in the oil and gas producing regions and other locations in the field. Thirty-one of these investigations were closed during the year, leaving 130 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, 1946	28	81	30	139
Opened July 1, 1947 to June 30, 1947:				
New cases	6	16	4	22
Transferred from preliminary or informal	2			4
Total number of cases to be accounted for	34	97	34	165
Closed	9	17	5	31
Transferred to informal				
Transferred to formal		4		4
Pending at June 30, 1947	25	76	29	130

During the fiscal year, an investigation was undertaken with respect to a number of letters of notification, filed under regulation A, relating to many oil and gas properties located in the Rangely Field,

Colorado, which was then being actively developed. The investigation showed that practically all of the prospective acreage on the Rangely structure was under lease to major or strong independent companies and that the field was defined in several directions by dry holes or by wells making a considerable quantity of water. A number of companies which had filed letters of notification under regulation A owned leases beyond the indicated productive limits of the field, or held such leases under option. Several of them were circulating highly misleading statements through the mails with reference to the possibilities of finding oil. The results of this investigation have helped to prevent the continued use of sales literature containing misleading statements about the Rangely Field.

As a result of another investigation, George C. Reining was tried at Tampa, Fla., for violation of the mail fraud and conspiracy statutes in connection with the sale of various oil and gas leases in Terrell and Presidio Counties, Tex. He was found guilty on six counts and sentenced to 6 years in the penitentiary.

FORMAL ACTIONS UNDER SECTION 8

The Commission makes every effort to insure that a registration statement shall be complete and comply fully with the requirements of the act before the statement becomes effective. As has been pointed out, where a registration statement is found to be deficient, the registrant is informed in order that proper corrections may be made. It is sometimes necessary, however, for the Commission to invoke its powers under section 8 to prevent a registration statement from becoming effective or to suspend the effectiveness of a registration statement which has already become effective.

Under section 8 (b), the Commission may institute proceedings to determine whether it should issue ~~a~~ stop order to prevent a registration from becoming effective. Such proceedings are authorized if the registration statement as filed is on its face inaccurate or incomplete in any material respect. Under section 8 (d), proceedings may be instituted to determine whether the Commission should issue a stop order to suspend the effectiveness of a registration statement, which has already become effective, if it appears to the Commission that the registration statement includes any untrue statement of a material fact or omits to state any material fact required to be stated or necessary to make the statements included not misleading. Under section 8 (e) the Commission may make an examination to determine whether to issue a stop order under section 8 (d).

The Commission tries to avoid the use of its powers under section 8, and will institute an examination under section 8 (e) or a proceeding under section 8 (d) only where necessary for the protection of investors and to prevent fraud. The 1947 fiscal year was unusual in that the Commission was required to institute seven section 8 (e) examinations and five section 8 (d) proceedings.

Examinations Under Section 8 (e)

Examinations made pursuant to section 8 (e) may be held in public. The Commission, however, to insure that no injury shall be done to a registrant by means of bad publicity if the examination should reveal no violation of the law, makes it a practice to hold such preliminary

examinations in private. Where the facts revealed by the examination warrant the institution of proceedings under section 8 (d), such latter proceedings are held in public. During the 1947 fiscal year, the Commission authorized the conduct of seven examinations under section 8 (e). Six of these were held in private and one in public. Of the six held in private, the records of examination in two cases remained private after completion of the examination and the other four were made public. In two of the five cases in which the records of examination are now public the Commission authorized the institution of proceedings under section 8 (d), and those cases are discussed hereinafter. The nature of and the results in the three remaining cases are:

Consolidated Hotels, Inc.—File No. 2-6668.—This registrant is engaged principally in the operation of hotels and apartment houses. Substantially all its proposed offering covered securities owned by the controlling stockholder, a large part of which had been acquired from the registrant in exchange for certain properties.

It appeared from a preliminary examination of the registration statement that there was a failure to disclose, among other things: (1) The comingling of activities of the registrant with those of the controlling stockholder; (2) that the controlling stockholder was the promoter of the registrant and an underwriter of the securities; (3) the profits to the controlling stockholder as such promoter and underwriter; (4) the effect of a write-up in unrealized values of properties recently acquired from the controlling stockholder; and (5) the absence of arm's length dealings between him and the company.

Since it was impossible to determine from the registration statement the cost to the controlling stockholder of properties transferred by him to the company in return for securities which it was proposed to offer to the public, as well as other material facts as indicated above, it was decided that the true status of the case could be determined only through a section 8 (e) proceeding. Before an opinion was rendered by the Commission in respect of the proceeding, the registrant requested withdrawal of the registration statement on the basis, in part, that "withdrawal is consistent with the public interest and the protection of investors." The application for withdrawal was granted.

Health Institute, Inc.—File No. 2-6864.—This registrant proposed to build and equip hotel and health facilities and to acquire a mineral water supply at a spa in the southwest.

It appeared from preliminary investigation that no serious effort had been made to determine the practicability of the enterprise with respect to cost of construction, demand for proposed facilities, cost of operation or method of financing. In the face of this situation the prospectus nevertheless contained no hint of the hazards involved and implied that the enterprise would be successful and profitable.

A section 8 (e) examination was ordered to determine the true status of the case. After the hearings were conducted, but before any subsequent action was taken by the Commission, the registrant withdrew the registration statement.

Oro Yellowknife Gold Mines, Ltd.—File No. 2-6881.—The registrant, of Toronto, Canada, filed a registration statement covering 2,000,000 shares of common stock which were to be offered for an aggregate of \$1,200,000. The company was to receive a net of \$900,000.

The Commission authorized a private examination under section 8 (e) to determine whether a stop order should issue under section 8 (d). At the conclusion of the examination, the Commission received a request for the withdrawal of the registration statement, giving as the reason therefor that "the company desires to make further inquiry into the geological facts affecting its properties." The Commission granted the request for withdrawal and made public the record of the examination.

Among the matters considered at the private examination were the adequacy and accuracy of the disclosure in the registration statement concerning the independence of the registrant's consulting engineer and the proposed use of the proceeds of the offering. The engineer stated in his report that he had no direct or indirect interest in the property, that he was "an independent consulting mining engineer," and the registrant made the same representation in the prospectus. According to evidence adduced, however, the engineer was a son of one of the officials of the registrant, he was a brother of another who acted as general manager of the company, and he understood that his services "will be sought" to act as an engineer on a retainer basis for the registrant in the future. These facts were not disclosed in the registration statement.

The registration statement showed that of the \$900,000 net proceeds of the proposed offering, \$115,000 were to be expended for exploratory work as recommended by the engineer. He also recommended that the financing should include "ultimate monies required to pursue underground development through a standard shaft with modern mining plant, and should make provision finally for construction of a treatment plant." The registration statement did not disclose either that the sampling done on the various geological structures investigated gave gold assay values well below a commercial grade or the bearing of these low values on the probability of requiring more than \$115,000 for exploration.

Stop-Order Proceedings Under Section 8 (d)

Two stop-order proceedings were pending at the beginning of the fiscal year. The Commission authorized the institution of five additional proceedings during the year. Two of these five proceedings were instituted after the completion of examination under section 8 (e). The nature of and the results in the seven stop-order proceedings are:

Midas Yellowknife Gold Mines Ltd.—File No. 2-6787.—On October 21, 1946, registrant filed a registration statement covering 1,250,000 shares of common stock, \$1 par value, to be offered to the public at \$0.60 per share for an aggregate offering price of \$750,000. It was stated that the net proceeds to the registrant, estimated at \$450,000, were to be utilized in the exploration of some 68 gold-mining claims located in the Yellowknife area of Canada.

The examination under section 8 (e) revealed the following, among other circumstances, none of which had been disclosed in the registration statement: (1) That Gordon Jones, the promoter and dominant stockholder of the registrant, had options on other mining claims located in Canada which he intended to transfer to the registrant and that approximately \$790,000 over and above the estimated pro-

ceeds from the contemplated offering would be required to explore such additional claims; (2) that under existing contractual arrangements the stockholders' equity in the various mining claims owned and to be acquired by the registrant could be diluted up to 90 percent; and (3) that Jones had been appointed general manager of the registrant, that he determined in general the entire conduct of its business, and that he had received and was to receive substantial payments as fees and expenses.

Based on the result of this examination the Commission authorized the institution of stop-order proceedings and scheduled a hearing under section 8 (d) at which the prior section 8 (e) record was introduced. The registrant thereupon filed a request for withdrawal of the registration statement, stating that no sales or offering of the securities had been made and that the financing would be undertaken in Canada. Its request was granted by the Commission.

Tucker Corporation.—File No. 2-7057.—The Tucker Corp. filed a registration statement relating to a proposed public offering of 4,000,000 shares of class A common stock, par value \$1 per share, to be offered at \$5 a share for a total of \$20,000,000. The proceeds were to be used to develop and produce a medium-priced automobile, to be known as the "Tucker," featuring a rear engine and other innovations substantially departing from present day conventional design.

Upon examination of the registration statement, the Commission first authorized a private examination under section 8 (e), and later instituted stop-order proceedings under section 8 (d), alleging misstatements and omissions to state material facts in regard to numerous items of required information, financial statements, the accountants' certificate, certain exhibits and the prospectus.

As a result of these hearings, it appeared that the prospectus and registration statement as originally filed had failed to disclose adequately and accurately the names of all promoters and the amount of consideration received directly or indirectly from the company by each promoter, officer, and director; the stage of development of the mechanical features of the proposed automobile; the status of the company's patent position; the application of the proceeds of the proposed offering, and the company's working capital requirements; the business experience of the executive officers; the nature and the extent of the interest of Preston Tucker in Ypsilanti Machine & Tool Co.; the interests of affiliates and other persons in property acquired by the company; material litigation; the scope of the audit and the auditing procedures followed by the certifying accountants; and the failure of the accounts to reflect all liabilities of the company.

During the course of and after the close of the hearings in the section 8 (d) proceedings, the registrant filed material amendments which appeared to correct satisfactorily all material deficiencies previously contained in the registration statement. The Commission thereupon dismissed the proceedings and issued an opinion commenting, in the public interest and for the protection of investors, upon certain facts developed in the proceedings and discussing the Commission's action in this case and the limitation of its jurisdiction.¹⁸ In this opinion the Commission also warned the prospective investor of the danger of

relying upon past judgments based on prior literature concerning the Tucker Corp. inasmuch as there had been grossly misleading and, in many cases, false statements publicized as to the radical features of the proposed automobile, the accomplishments and the performance of such automobile, and the funds invested by the management. The registration statement was permitted to become effective after adequate dissemination of the corrected prospectus had been made and sufficient time had elapsed since the release of the Commission's opinion.

Globe Aircraft Corporation.—File No. 2-6204.—Globe Aircraft Corp. filed a registration statement covering 150,000 shares of 5½ percent cumulative convertible preferred stock and sufficient common shares for conversion purposes. The statement became effective and the company received the entire proceeds from the sale of the securities. It was represented in the prospectus that the net proceeds of \$1,275,000 to the company would be used for the payment of a \$960,000 loan from the Reconstruction Finance Corporation, for the purchase of a factory building and equipment for \$250,000, and the remainder for working capital and expenses of the issue.

In July 1946 the registrant filed a post-effective amendment which stated that the company had been negotiating for a commercial loan, and that the then outstanding RFC loan of approximately \$500,000 would be increased to \$960,000. The prospectus filed as a part of the amendment stated that since the effective date of the registration statement the company had agreed to purchase a factory from the War Assets Administration for \$276,000, and that funds for this purchase were to be borrowed from the RFC.

On December 27, 1946, certain creditors filed an involuntary petition in bankruptcy against the company and on December 31, 1946, the company filed an answer in the form of a petition for reorganization. The latter petition was dismissed on April 15, 1947, with the result that the petition for involuntary bankruptcy was reinstated and receivers were appointed.

The Commission participated in the reorganization proceedings under chapter X of the Bankruptcy Act. During these proceedings information was secured which raised serious questions concerning certain representations made in the registration statement. Stop-order proceedings were initiated on March 25, 1947, pursuant to section 8 (d) of the Securities Act of 1933. The hearing officer in his recommended decision found that the registration statement included untrue statements of material facts and omitted material facts required to be stated therein and material facts necessary to make the statements therein not misleading, in respect of: (1) The company's losses for January 1946; (2) the increase in note liabilities after December 31, 1945; (3) the stated purpose of the financing, in particular the payment of the outstanding RFC loan of \$960,000 and the purchase of the factory building and equipment; and (4) the working capital needs of the company.

Exceptions to the recommended decision were taken by counsel for the registrant and by certain other persons granted leave to be heard in the proceedings. Oral argument was heard by the Commission June 25, 1947, on the exceptions. A decision by the Commission had not been rendered by the close of the fiscal year. Investors have

manifested much interest in this case. A civil suit in the nature of a class suit was instituted against the underwriters in April 1947, alleging misrepresentations in the registration statement.

Hayes Manufacturing Corp.—File No. 2-6179.—The company filed a registration statement covering 215,000 shares of its \$2 par common stock (later reduced to 185,000 shares). The stock was to be issued first to Eli I. Kleinman, Jennis M. Doroshaw, Johann S. Ackerman and associates in exchange for all the outstanding 432,000 shares of common stock of American Engineering Co. The Commission directed that a public examination be held under section 8 (e) and later instituted stop-order proceedings under section 8 (d), alleging misstatements and omissions of material facts in numerous items, the financial statements, the accountants' certificate, certain exhibits, and the prospectus. By successive material amendments filed after institution of proceedings, the registrant corrected the existence of substantial deficiencies in the registration statement. Inasmuch as the amendments corrected substantially all of the material deficiencies, the Commission determined it was unnecessary to issue a stop order and the registration statement was permitted to become effective.¹⁴

Kleinman, Doroshaw, and Ackerman and their associates planned to sell the 185,000 shares of Hayes stock to the public and, since they were acquiring securities of the issuer with a view to immediate distribution, they were underwriters as defined by section 2 (11) of the Securities Act of 1933. This fact was not disclosed in the original filing. Furthermore, the costs and profits of these individuals as well as other pertinent items of information were not disclosed. As a result of the proceedings instituted by the Commission, the registration statement was amended to set forth numerous transactions as a result of which Kleinman and his associates were shown to have acquired the 432,000 shares of capital stock of American Engineering for a total of \$17,000. Through various transactions between January 1943 and March 1946 they realized gross profits in the amount of approximately \$585,000, and the value of the Hayes stock, based on an assigned value of \$12 a share, amounted to an additional \$2,580,000, reflecting a total of \$3,148,000 which they stood to profit by the transactions. With the reduction in the number of shares to be received to 185,000, their total realizable profits were reduced by approximately \$360,000.

The registration statement as filed also failed to disclose certain material facts with respect to Federal income tax liabilities of American Engineering and agreements with respect thereto. The original filing moreover did not disclose that American Engineering and its subsidiary would need approximately \$1,600,000 within the ensuing 6 months to meet current obligations and provide additional working capital, which funds were to be obtained primarily from Hayes. Information concerning remuneration payments to Clark, president of Hayes, and certain disputes and a settlement relating thereto, as well as the need of Hayes for approximately \$2,000,000 of additional working capital for its own operations before the end of 1946, were inadequately set forth in the original registration statement. Besides, that document did not indicate that since the date of the latest profit and loss statements filed both Hayes and American Engineering had

¹⁴ Securities Act Release No. 3151 (1946).

been operating at a loss. It failed to reveal a possible contingent liability of Hayes for the sale of 100,000 shares of its stock in violation of section 5 (b) of the Securities Act. Other deficiencies of lesser importance also existed in the registration statement as originally filed.

Kiwago Gold Mines Limited—File No. 2-6852.—The registration statement filed by Kiwago Gold Mines Limited (a Manitoba corporation) on December 3, 1946, became effective on February 4, 1947, as of January 7, 1947. The 1,000,000 shares of common stock covered by the statement were offered to the public at 70 cents per share through an underwriter (Jack Cohn Co. of New York City) acting as agent for the registrant on a "best efforts" basis. The registrant's capitalization as of October 1, 1946, consisted of an authorized 3,000,000 shares of no par value common stock of which 2,000,000 shares were outstanding.

The registrant is controlled by Transcan Investors Limited (an Ontario corporation) which owns approximately 31 percent of its voting securities. In addition, as of September 28, 1946, C. E. Hepburn & Co. (of which Louis Cadesky is the sole owner) owned beneficially approximately 14 percent of the registrant's voting securities. Messrs. A. J. McLaren, Louis Cadesky, and H. T. Leslie, who comprise a majority of the registrant's board of directors, also promoted Transcan and control it by their ownership of 57.47 percent of that corporation's voting securities, Louis Cadesky being the largest holder with 28.91 percent. Within the preceding 2 years 779,000 shares of the registrant's common stock had been purchased by Transcan at an average price of approximately 12½ cents per share and sold to C. E. Hepburn & Co. at cost.

On April 16, 1947, the Commission's attention was directed to an advertisement in *The Northern Miner*, a Canadian publication which is circulated in this country, with respect to an offering of shares of the registrant by C. E. Hepburn & Co. The advertisement contained the statement that "1,000,000 shares of Kiwago Gold Mines, Limited have been registered with the SEC in the United States for sale to the American public." No statement was made as to the offering price of the registrant's stock. At the same time the Commission was informed that it was believed that the shares were being offered in Canada at a price substantially below the 70 cents per share offering price in the United States.

As a result of inquiries then made by the Commission, it was ascertained that only two sales of the registered stock had been made in the United States, each involving 1,000 shares at the stated offering price of 70 cents per share, whereas from December 17, 1946, to May 10, 1947, C. E. Hepburn & Co. had sold in Canada 178,000 shares of the registrant's stock at prices ranging from 10 cents to 40 cents per share. It was also noted that between December 3, 1946, the day the statement was originally filed, and February 4, 1947, the date on which it became effective, approximately 40 separate sales involving 70,000 of these shares were made in Canada at prices ranging from 10 cents to 35 cents per share. During this period the registrant apparently had in mind offering the shares in this country at 70 cents per share, since this price was indicated in the original filing.

The prospectus in the registration statement as of its effective date contains no reference to actual or proposed sales of the registrant's stock in Canada by C. E. Hepburn & Co. or by any officer, director or associate of the registrant. Since it appeared that the omission of such information was materially misleading, the Commission instituted stop-order proceedings under section 8 (d).

Red Bank Oil Company—File Nos. 2-5754 and 1-342.—A stop-order proceeding under section 8 (d) relating to the registration statement of Red Bank Oil Co. was consolidated with a proceeding with regard to the termination of exchange listing under section 19 (a) (2) of the Securities Exchange Act of 1934 because of numerous common questions of fact involved. On January 4, 1946, the Commission found that the auditor was not independent and the audits had not been made in accordance with generally accepted auditing standards applicable in the circumstances.¹⁵ The financial statements originally filed were the subject of the Commission's findings and opinion dated January 8, 1947, in which it was found that numerous inaccuracies and omissions were present in financial statements for the years 1940-44.¹⁶ The deficiencies found were principally the failure to disclose transactions between Frank W. Bennett and interests affiliated with him on the one hand, and Red Bank and its subsidiaries on the other; failure to disclose the amounts owing to and from the affiliated Bennett interests; failure to disclose the materiality of pledges and other liens to which assets were subject; and numerous misstatements of income, the most outstanding example occurring for the year 1943, when various inaccuracies produced an apparent consolidated profit of \$173,409 although revised statements subsequently filed by amendment showed a net loss of \$4,436.

A stop-order was issued by the Commission on February 27, 1947, based upon the financial statements referred to above and upon numerous other omissions, inaccuracies, and inconsistencies in the registration statement and prospectus.¹⁷ The findings and opinion which accompanied the stop-order found that omissions, inaccuracies, and inconsistencies concerned, among other things, control of the company; the business and property of the company and its subsidiaries; the capital stock; the underwriting and distribution of the securities sought to be registered; acquisitions of various properties; remuneration of officers; principal holdings of securities; the interest of affiliates in property acquired; and recent sales of securities. It was concluded that the registration statement as a whole was materially misleading. The stop-order was still in effect at the close of the fiscal year.

Western Tin Mining Corp.—File No. 2-6679.—This case is described below at p. 20 under the heading "Gross Omission of Material Facts."

¹⁵ Securities Act Release No. 3110. Described in the Commission's Twelfth Annual Report, p. 120.

¹⁶ Securities Act Release No. 3184.

¹⁷ Securities Act Release No. 3197.

**DISCLOSURES RESULTING FROM EXAMINATION OF
REGISTRATION STATEMENTS**

The following brief histories are illustrative of disclosures that were made after the staff had examined the registration statements and prospectuses involved.

Profitable Inside Dealings With Affiliated Companies

Two affiliated companies owned a controlling interest in a registrant, a manufacturer of automobiles, and the controlling persons of such affiliated companies were also officers and directors of the registrant. The registration statement disclosed that the registrant had: (1) Entered into an agreement to purchase from one of the affiliated companies all of the stock of a subsidiary of that affiliate, and (2) proposed to purchase certain land and buildings from said affiliate. The staff of the Commission requested that disclosure be made in the registration statement of the contract sale price of the stock, land, and buildings to the registrant, their cost to the affiliate, the date of acquisition by the latter, and the profits to be realized by the affiliate from the transaction. As a result, it was disclosed that the controlling affiliate realized a profit of \$2,893,270.17 on an investment of \$770,000 allocated cost from the sale of the stock of its wholly owned subsidiary, and \$297,082.37 from the sale of the land and buildings.

Gross Omission of Material Facts

Some months prior to the filing of a registration statement by a mining company, the registrant had filed a letter of notification and sales literature under the conditional exemption from registration provided by regulation A for issues of not more than \$300,000. The representations in the sales literature were of such character that an investigation was made. The company's engineer testified that no known tin or other ore bodies existed on the property and that a gold assay referred to in the literature was taken from a property other than that belonging to the registrant. Shortly after this testimony was given, the principal promoter of the registrant advised the Commission that he had been misled by the engineer and was discharging him immediately. Despite the foregoing, the registration statement as subsequently filed contained reports by the same engineer and the same failure to make adequate disclosure of the material facts referred to above. Among numerous other discrepancies was a statement to the effect that a certain accountant had gone over the financial schedules submitted. The Commission brought injunction proceedings in this case, and the accountant in question testified that he had not reviewed such schedules. Stop-order proceedings under section 8 (d) were instituted and hearings commenced. The registrant thereafter requested withdrawal of its registration statement.

Importance of Disclosure to Underwriters

In one case the registrant was only in the promotional stage, having no physical plant, no production machinery, and no established commercial acceptance for its proposed products. After allowing 25 percent for discounts or commissions to an underwriter, it proposed to use the funds obtained to erect a plant and equip it with the necessary machinery. The staff's letter of comment resulted in the amend-

ment of the prospectus to disclose, first, that governmental wartime tests of certain of the proposed products cast considerable doubt upon the feasibility of the venture, and, second, that the nature of the underwriting arrangements was such that it was wholly conjectural whether the company would obtain enough funds from the financing to commence business properly. Although the registration statement became effective, the underwriter on the following day informed the Commission's staff in effect that when he became aware of hitherto unknown facts disclosed in the company's final prospectus, he decided to abandon the underwriting. The registration statement was withdrawn. The underwriter stated in a letter to the Commission: "This incident confirms my opinion that the SEC is as much a help to the dealer as it is to the public."

Relative Investment Positions of Public and Promoters

The significance of disclosure is often lost in lengthy and complex presentations of adverse facts. The Commission frequently obtains a sharpening of disclosure by requesting that information be stated simply, summarized, or presented in tabular form. The following table was substituted, at the request of the Commission, for lengthy textual material which tended to conceal the information so clearly brought out in the table:

	Number of shares	Cost per share	Aggregate cost	Percent of stock to be outstanding
Original subscribers (or transferees)	180,000	\$0.125	\$22,500	44
Public.....	230,000	4.375	1,006,250	56

Maintenance of Insider Control—Restrictions on Stock Resales

A company manufacturing electrical parts registered 7,500 shares of class A stock to be offered to the public at \$101 per share. At the same time it granted the promoters and managers the right to purchase, at \$1 per share, a share of class B stock for each share of class A outstanding, up to 20,000 shares. By amendment obtained by the Commission it was pointed out in a prominent part of the prospectus that

by the purchase of shares of Class B Stock under the above conditions, the members of the management of the Corporation will be given at a nominal cost the opportunity (1) to maintain control of the Corporation, including the power to sell, lease or exchange all of the property and assets of the Corporation, (2) to share equally in all profits in excess of the dividend requirements of the Class A Stock, and (3) to share equally in all assets in excess of the liquidating preference of the Class A Stock.

In the same case proper prominence was required for disclosure of the fact that the class A stock being offered to the public had a limited transferability. A stockholder wishing to dispose of any such shares would be required first to offer them to the corporation for a 60-day period at the involuntary liquidation value of the stock. If such offer were not accepted, the stockholder could then sell the shares. However, if the shares were not sold within the next 30 days the cycle of first offering the shares to the corporation would have to be repeated. Any purchaser of the stock would become subject to the same restrictions on transfer. The company was required to point out that

the restrictions place a limitation on price appreciation of shares and may prevent a quick sale by a stockholder needing immediate funds.

Speculative Hazards of Stock Issue

At the request of the Commission a registrant manufacturing a food products specialty disclosed the following information under a heading which it labeled "Speculative Nature and Hazards of the Offering": (1) Although founded in 1943 it was seeking working capital for what amounted to a new peacetime enterprise, since substantially all of its sales up to the time it filed its registration statement had been made to agencies of the Government and such sales had terminated; (2) the business was not subject to patent protection and anyone could employ its processes; (3) simultaneously with the offering of shares to raise working capital for the company, its two stockholders were selling to the public for \$600,000 one-third of their own holdings (with a book value of \$13,803) at a profit of \$583,000, and their total profit, including retained stock at the public offering price, would be \$1,749,-000; (4) solely as a result of the financing, the book value of the stock would be increased from 14 cents a share to \$2.72 a share, the increase inuring to the benefit of the selling stockholders with respect to the 200,000 shares of stock to be retained by them; and (5) the two selling stockholders, constituting two of the four directors, also occupied the positions of president and vice president of the company, the latter officer was additionally the president of the underwriting firm which was offering the issue, and the former had entered into a management contract with the registrant.

Speculative Nature of Venture Spelled Out

Factors relating to the speculative nature of the securities of a company proposing to produce and sell a special type of fuel were summarily stated in the registration statement. It was brought out at the instance of the Commission that: (1) The company was in the development stage, that production was not possible until completion of its plant, and that there would be no assurance of the date of completion, particularly inasmuch as the underwriter had not contracted to purchase the entire stock issue but only to use his best efforts to sell it for the company; (2) the company proposed to use a process that had not been demonstrated to be feasible on a commercial basis as applied to the raw material which it would use, and the only other company in the United States using this process was an admitted financial failure; (3) as to the process it would use, the company was nothing more than a nonexclusive licensee of six patents, four of which had expired; (4) the company would be in competition in a limited geographical market with other fuels sold by established companies possessing greater financial resources; (5) the company had net tangible assets of less than \$10,000 and no prospect of income at least until the completion of the contemplated construction program, yet it was offering a fixed interest security as well as common stock; (6) the promoters paid \$1.25 a share for their common stock shortly before the proposed offering to the public to be made at \$3.75 a share; (7) the net tangible asset value of the promoters' stock would be increased, solely as a result of the public financing, from 20 cents per share immediately preceding such financing to \$5.09 per share immediately thereafter; and (8) the company had entered into an engi-

neering contract and a 5-year management contract with a firm with which two of the promoters of the company were associated, under which contracts the company agreed to pay \$90,000 as a maximum engineering fee and \$50,000 as a minimum annual management fee.

Impact of Domestic and Foreign Law on Company's Operations

In order to clarify the more important elements of risk in a proposed offering of securities, the Commission requested a foreign airline corporation to disclose in an introductory section to the prospectus, among other factors, that: (1) A permit to operate in the United States would not be issued until after a determination by the Civil Aeronautics Board that the registrant had met the required standards as to operational ability and percentage of ownership of the registrant's shares by citizens of the foreign country; (2) failure to obtain any of the necessary operating permits would adversely affect the competitive position of the registrant and, in addition, that substantial competition existed or was to be expected in an important segment of the registrant's route; and (3) based on the number of shares being offered and already sold, it would be necessary to sell large additional amounts of the registrant's capital stock in order that the required percentage of its capital should be owned by citizens of the foreign country. In the event that the required percentage was not secured thereby, it would be necessary to curtail sales of capital stock in the United States and Canada with the consequent curtailment of proposed operations.

Liabilities Under Employees' Retirement Plan

A leading oil refining and distributing enterprise filed a registration statement for a public distribution of some 400,000 shares owned by certain of its controlling stockholders. The offer, to be made at the market price, amounted to some \$27,000,000. The statement failed to show the inescapable liability already incurred by the company under its employees' "Annuities and Benefits Plan," adopted in 1944, to the extent of about \$4,000,000 on account of retired employees, and also omitted any disclosure of an actuarial deficiency in the plan to the even greater extent of about \$40,000,000 on account of employees still working for the corporation. The \$40,000,000 liability of the company could be avoided only if its employees left their jobs otherwise than by retirement, or through action by the company abolishing the plan. As a result of questions raised by the Commission and conferences held by the staff with representatives of the registrant, it was disclosed by amendment that, as of December 31, 1945, \$44,018,153 remained unpaid on account of prior service annuities and that, if payments were continued on the same basis followed since the inception of the plan, this amount would be paid in approximately equal installments through 1953.

CHANGES IN RULES, REGULATIONS, AND FORMS

The necessity that rules, regulations, and forms adopted under the Securities Act be flexible to meet changing business conditions had early been recognized by the Commission. Experience has also shown that any procedure for compliance with a regulatory statute is made

most simple and expedient for those who must comply if each type of situation is recognized and provision made for its particular need.

The Commission, therefore, has adopted many rules under the several acts which it administers, and has adopted numerous forms for compliance with the requirements of these acts. Although these may seem confusing at first glance, it has been amply demonstrated that a specific registrant under the Securities Act, for example, finds that he encounters the least problems and is best able to comply with the registration requirements because his situation has been anticipated and covered by the rules. No one registrant must comply with all the rules or use all the forms.

Rules and forms must be changed, obsolete procedures rescinded and new ones adopted as changing conditions require. Changes may be made as a result of recommendations by the staff, and many changes have been made at the suggestion of persons who must comply with the requirements of a particular statute. No material change is made without a series of conferences with all persons interested or who might be affected by such change. Changes made during the 1947 fiscal year in the rules, regulations, and forms under the Securities Act are described below.

Rule 131—The Red-Herring Prospectus

As has been pointed out, the Securities Act provides a 20-day waiting period before a registration statement becomes effective in order to insure that the information contained in the registration statement will become known to the investing public before the securities are offered for sale. The degree to which this information is circulated is of the utmost importance to the accomplishment of the purposes of the act. It is to be recalled, too, that one of the criteria to be observed before acceleration of the effective date may be granted by the Commission is the adequacy of the information available to the public at the time when acceleration is requested.

This need for the adequate dissemination of information about a security during the waiting period was recognized both by the Commission and the securities industry early in the history of the Securities Act, and a practice developed to make such dissemination of information. The prospectus which is to be used to offer the security for sale is prepared and filed with the registration statement. It cannot be used to offer the security for sale until the registration statement becomes effective, but if adequately prepared is an excellent source of public information about the proposed issue.

The Commission approved this use of the prospectus in advance of effectiveness as a source of information only and not as a method of offering the security for sale. To insure that the nature of the prospectus should not be misunderstood when used in this way, and therefore possibly lead to a violation of the act, a legend was printed across the facing sheet of the prospectus to the effect that the prospectus was being circulated at the time for information purposes only and not to offer the security for sale. This legend was normally printed in red ink, and the prospectus which was so used during the 20-day waiting period became known as the "red-herring" prospectus.

Within the recent past the use of "red-herrings" diminished substantially. Various reasons were ascribed; among others, that the liability of those who used red-herrings was doubtful, notwithstanding

repeated interpretations by the Commission as to the legality of their use.

In order to remove this obstacle, the Commission availed itself of the provisions of section 19 (a). The pertinent part of that section is:

No provision of [the Securities Act] imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule or regulation of the Commission . . .

The Commission adopted rule 131 under the Securities Act to afford the protection of section 19 to the use of the red-herring prospectus.¹⁸ In substance, the rule provides that the use of a red-herring prospectus shall not constitute an offer to sell the security under the following conditions:

(1) The red-herring prospectus must be a copy of the prospectus proposed to be used to offer the security for sale and must have been filed as part of the registration statement;

(2) The red-herring prospectus must contain substantially the information required by the Act and the rules and regulations to be contained in a final prospectus except that it may omit certain specified matters not ascertainable at the time the red-herring prospectus is used;

(3) The red-herring prospectus must contain, on each page, a statement set forth in the rule to the effect that the red-herring prospectus is for information purposes only, that the registration statement has not yet become effective, and that an offer to sell the security can and would be made only by use of the final prospectus after the effective date of the registration statement.

In its announcement of the adoption of rule 131, the Commission stated that the adequacy of distribution of the red-herring prospectus would be considered in determining whether to grant a request for acceleration of the effective date of the registration statement. At the same time, the Commission reaffirmed its policy to refuse acceleration where a materially deficient or inadequate red-herring prospectus had been distributed until such time as corrected information had been communicated to the persons who had received such red-herring prospectuses.¹⁹

Forms S-1, A-1, and A-2—Registration of Securities

Form S-1 is the form most generally used in registering securities. It represents a simplification of Forms A-1 and A-2, the forms most generally used prior to the adoption of Form S-1. On January 8, 1947, a further simplified version of Form S-1 was adopted.

Originally, Form S-1 was divided into two parts. Part I called for information required to be included in the prospectus and Part II called for information required to be included in the registration statement but which could, for the most part, be omitted from the prospectus. The revision abolished this division and eliminated from the form proper all items calling for information not required to be set forth in the prospectus. The purpose of this revision was, first, to eliminate a number of requirements which experience had shown did not produce information essential to the prospective investor's appraisal of the security, and second, at the

¹⁸ Securities Act Release No. 3177 (1946). Originally adopted for a 6-month trial period beginning December 6, 1946, the rule was continued in effect shortly after the close of the 1947 fiscal year.

¹⁹ Previously announced in Securities Act Release No. 3061 (1945).

same time to clarify the requirements of the form in certain limited respects.

Some of the principal changes made were:

- (1) Elimination of the description of capital securities other than those being registered;
- (2) Substitution of limited information as to underwriting contracts for the complete outline theretofore required;
- (3) Elimination of information about patents as a separate item;
- (4) Consolidation of the items as to information about security holdings;
- (5) Elimination of historical financial information from the prospectus, and from the registration statement if the information has previously been filed with the Commission.

With this revision, Forms A-1 and A-2 no longer served any useful function and they were rescinded.

Regulation C—Rules Governing Registration

In the last month of the fiscal year the Commission adopted a revised regulation C, that portion of the General Rules and Regulations under the Securities Act which deals with registration and the registration procedure. This regulation is the complement of the various registration forms under that act. The revision eliminated a great deal of material which had become obsolete and reorganized the remaining rules in a manner intended to facilitate the registration of securities according to the simplified procedure provided by the Commission's recently revised Form S-1. In fact, the revised regulation extended the simplified procedure to registration statements filed on any form under the act, whether the form itself provides such procedure or not. Certain rules which specify the items of information required to be included in a prospectus were transferred from regulation C to the respective forms to which they relate.

Rules Adopted in Connection With the International Bank

The formation of the International Bank for Reconstruction and Development necessitated the adoption of special rules to facilitate its operations and to clarify certain procedures under the several acts administered by the Commission as they apply to the Bank. These new rules are included in the discussion of the Bank which appears on page 141.

Supplement S-T

During the year the Commission adopted various amendments of a minor nature including two relating to Supplement S-T, the document containing special items of information required in the case of securities being registered under the Securities Act which are to be issued under an indenture that must be qualified under the Trust Indenture Act of 1939.

INJUNCTION ACTIONS INSTITUTED UNDER THE ACT

Under the Securities Act the Commission's enforcement activity is concerned generally with the obtaining of full disclosure, by means of the registration process, of all pertinent data concerning securities

publicly offered for sale, and with the prevention of fraud in the sale of securities. Section 5 of the act, with certain exceptions,²⁰ requires registration with the Commission of all securities publicly offered for sale, and section 17 makes it unlawful by use of the mails or instrumentalities of interstate commerce to employ any fraudulent scheme or device, to make any misrepresentation, or to omit to state any material fact in connection with the sale of any security. During the past year the Commission has instituted civil litigation in a number of cases to prevent violations of the requirements of these provisions of the act.

A great part of the Commission's civil litigation has arisen through the enforcement of these sections. In *S. E. C. v. Slocan Charleston Mining Co. Ltd.*,²¹ *S. E. C. v. Sterling, Inc.*,²² *S. E. C. v. Vindicator Silver Lead Mining Co.*,²³ *S. E. C. v. Nevada Wabash Mining Co.*,²⁴ *S. E. C. v. J. Stacy Henderson, Mid-Continent Development Co.*,²⁵ and *S. E. C. v. Bennett S. Dennison and W. W. Patty*,²⁶ the Commission obtained final judgments restraining the defendants from further violations of the registration provisions of section 5. In the cases of *S. E. C. v. Sandy Boy Mines and Lena M. Little*²⁷ and *S. E. C. v. Carroll I. Mitchell, Rangely Petroleum, Inc.*,²⁸ the Commission obtained final judgments restraining the defendants from further violations of the fraud provisions of section 17.

In addition to the foregoing, in the cases of *S. E. C. v. Walter J. Porteous*,²⁹ *S. E. C. v. Edward J. Stoll*,³⁰ and *S. E. C. v. Western Tin Mining Corporation and Marion Allen*,³¹ the Commission obtained final judgments restraining the defendants from further violations of both the registration provisions (section 5) and the fraud provisions (section 17) of the Securities Act.

When consideration is given to the number and scope of the acts administered by the Commission it is not surprising to discover that some of its civil litigation concerns itself with more than one of such acts. For example, in the cases of *S. E. C. v. Joseph J. LeDone*³² and *S. E. C. v. Standard Oil Company of Kansas and Charles B. Wrightsman*,³³ both the Securities Act of 1933 and the Securities Exchange Act of 1934 were involved. In the *LeDone* case, the defendant was a broker-dealer in securities and was duly registered with the Commission as such under the Securities Exchange Act of 1934. *LeDone*'s principal business consisted of the sale of oil royalties. It was developed that the price to purchasers exceeded the amount of the then current value of the estimated recoverable oil by 50 percent, so that

²⁰ Secs. 3 and 4 contain the exceptions.

²¹ U. S. D. C., Seattle, June 7, 1947.

²² U. S. D. C., S. D. N. Y., Apr. 11, 1947.

²³ U. S. D. C., Washington, Apr. 19, 1947.

²⁴ U. S. D. C., N. D. California, Jan. 20, 1947.

²⁵ U. S. D. C., E. D. Michigan, Feb. 14, 1947.

²⁶ U. S. D. C., Nevada, Sept. 11, 1946.

²⁷ U. S. D. C., Colorado, Jan. 31, 1947. False and misleading statements regarding quality and quantity of ore, past and future profits, size of shipments already made, and scale of operations.

²⁸ U. S. D. C., Colorado, Oct. 3, 1946. False and misleading statements that oil wells would be drilled in proven area, concerning geological structure and ownership of acreage.

²⁹ U. S. D. C., S. D. N. Y., Feb. 14, 1947. False and misleading statements concerning ownership of patents in a "coal carburetor."

³⁰ U. S. D. C., Iowa, Oct. 2, 1946. False and misleading statements that the companies whose securities were being sold were producing ore in profitable quantities, that the companies' ore was worth \$48,000,000 and that timber standing on mining claims was worth \$100,000. It was not disclosed that the companies did not own the timber.

³¹ U. S. D. C., Va., July 8, 1946. False and misleading statements regarding the development possibilities of a mine, profits to stockholders, and reports of engineers.

³² U. S. D. C., S. D. N. Y., Mar. 26, 1947.

³³ U. S. D. C., Texas, Feb. 26, 1947. This case is discussed in detail in part II of this report.

in no event could the purchaser reasonably expect to recover even the amount of the purchase price. The evidence disclosed that LeDone had represented that these investments would return a sum substantially greater than the purchase price. Based on this evidence the Commission sought to enjoin LeDone from further violation of the fraud provisions of both the Securities Act and the Securities Exchange Act,³⁴ inasmuch as he was a registered broker-dealer under the latter act.

During the past year litigation was concluded in *Penfield v. S.E.C.*³⁵ and in *S.E.C. v. Vacuum Can Co.*,³⁶ which arose out of requests by the Commission for enforcement of its subpoenas. In the *Penfield* case, the defendant refused to comply with the Commission's subpoena even after a district court had directed compliance, a circuit court had affirmed the district court's order, and the Supreme Court had denied *certiorari*.³⁷ On an appeal in contempt proceedings instituted by the Commission, the Supreme Court held that the Commission was entitled to such a decree holding the defendant in contempt as would coerce the production of the records sought to be examined. In the *Vacuum Can* case the Circuit Court of Appeals for the Seventh Circuit dismissed an appeal from a district court order directing the production of certain books and records in compliance with a subpoena issued by the Commission. The appeal was grounded upon an asserted constitutional right in the corporate defendant to refrain from producing certain records whose relevancy to the investigation being conducted by the Commission was questioned. The court held that the appeal was so clearly without merit that it must have been taken for the purpose of delay.

The appellate courts were also petitioned in *Crooker v. S.E.C.*³⁸ to review a so-called order of the Commission consenting to the filing of amendments to a registration statement as of an earlier date and thus, by the automatic operation of section 8 (a) of the Securities Act, accelerating the effective date of the registration statement. The Circuit Court of Appeals for the First Circuit dismissed the petition for review on the grounds that: (1) The petitioner was not a "person aggrieved" since he appeared in the proceedings as attorney for an undisclosed principal and declined to advance any substantial basis for not revealing the name of his client; and (2) the action of the Commission was not reviewable.

Data concerning civil cases and appellate proceedings instituted under this act as well as under the Securities Exchange Act of 1934, together with 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 26 and 28.

* Section 15 (c) (1) of the Securities Exchange Act, in effect, makes it unlawful for a broker-dealer to use the mails or means of interstate commerce to effect a security transaction by means of fraud.

³⁴ 157 F. (2d) 65 (C. C. A. 9, 1946), affirmed 830 U. S. 585.

³⁵ 157 F. (2d) 530 (C. C. A. 7, 1946), cert. den. 330 U. S. 820.

³⁶ See Twelfth Annual Report, p. 104-105.

³⁷ 161 F. (2d) 944 (C. C. A. 1, 1947).

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.

The act provides for the registration of national securities exchanges, brokers and dealers in securities, and associations of brokers and dealers.

REGULATION OF EXCHANGES AND EXCHANGE TRADING

Registration of Exchanges

Each securities exchange in the United States is required by section 5 of the act to register with the Commission as a national securities exchange or to apply for exemption from such registration. Under this section, exemption from registration is available to exchanges which have such a limited volume of transactions effected thereon that, in the opinion of the Commission, it is unnecessary and impracticable to require their registration. During the fiscal year the number of exchanges registered as national securities exchanges remained at 19 and the number of exchanges granted exemption from such registration remained at 5.

The registration or exemption statement of each exchange contains information pertinent to its organization, rules of procedure, membership and related matters. In order to keep this information up to date, the 24 exchanges filed a total of 90 amendments to their statements reflecting changes which had occurred therein during the year. Each of these amendments was reviewed to ascertain that the change involved was not adverse to the public interest and that it was in compliance with the relevant regulatory provisions of the act. The nature of the changes effected by the exchanges in their constitutions, rules and trading practices varied considerably. Some of the more significant of these changes are briefly outlined below:

Philadelphia Stock Exchange adopted a more comprehensive form of financial questionnaire to be filed by its member firms doing business with the public. It amended its rules to include a requirement that

the answers to this questionnaire be prepared by an independent public accountant based upon the results of an annual audit of its affairs made by such an accountant, and that the annual audit be made on a date selected by the accountant and without prior notice to the member firm.

At the suggestion of the Commission, Boston Stock Exchange, Philadelphia Stock Exchange, and San Francisco Mining Exchange each adopted a rule requiring members and member firms to report to the exchange information regarding substantial options relating to securities dealt in on their respective exchanges. This action brought to a total of ten the number of exchanges which have such a rule in effect.

New York Stock Exchange revised its requirements for listing shares of companies organized under the laws of countries other than the United States. The revised requirements incorporate many suggestions which had been received from investment banking, legal, and accounting firms. This exchange also revised its schedule of listing fees by eliminating the optional lump-sum method of paying for new stock issues, and by a reduction of the fee for issues over 2,000,000 shares. Under the revised fee schedule, issuers are charged a small initial fee and an annual continuing fee for 15 years. During the year the exchange's board of governors took under consideration a proposal to permit corporations to become members of the exchange. This was submitted for membership vote and was rejected on November 20, 1947. The constitution of this exchange was amended to permit a group of members by petition to present a desired constitutional amendment to the exchange's board of governors and whereby such amendment, within a stated period of time, would be referred to the membership for vote regardless of whether it had the board's approval. In connection with its efforts to keep holders of securities and the investing public informed as to the status of listed companies, this exchange initiated the practice of having the letter "Q" printed preceding the ticker symbols for securities of companies reported to the exchange as being in receivership or bankruptcy proceedings. The recommendation of a special committee of the Association of Stock Exchange Firms for higher rates of commission was under consideration by the board of governors of this exchange at the close of the fiscal year. This recommendation was contained in a report of the results of a survey of costs and revenues of a group of New York Stock Exchange member firms which had been prepared by the special committee and submitted to the board of governors of the exchange by the Association of Stock Exchange Firms.

New York Curb Exchange's committee on listing modified its policy in considering applications for the listing of stock issues from the viewpoint of voting rights. Under this modified policy this committee will not, in broad principle, view favorably applications for the listing of common stocks which are nonvoting or which have unduly restricted voting rights, and nonvoting preferred stocks which do not acquire voting rights upon specified defaults in the payment of fixed dividend requirements. This exchange also revised its requirements for listing shares of companies organized under the laws of countries other than the United States or the Dominion of Canada, following similar action taken by New York Stock Exchange as mentioned above.

San Francisco Stock Exchange revised its rules to permit members to effect on the exchange principal transactions wherein the member or member firm may buy a security from or sell a security to a customer, provided the price is consistent with the exchange market and that a member of the floor trading committee approves the transaction. Previously, if a member were offering stock for his account or for a partner of the firm and an order was received from one of his customers, the exchange did not allow this transaction to be executed and recorded on the exchange.

New York Stock Exchange and New York Curb Exchange, following consultations with the Commission, effected modifications in the rules designed to regulate floor trading on these exchanges.

Standard Stock Exchange of Spokane changed its name to Spokane Stock Exchange. This change did not effect its status as a registered exchange.

Disciplinary Actions by Exchanges Against Members

Pursuant to a request of the Commission, each national securities exchange reports to the Commission whenever it takes action of a disciplinary nature against one of its members or an employee of a member for violation of the Securities Exchange Act, any rule or regulation thereunder, or of any exchange rule. Five exchanges reported having taken such action against a total of 46 members, member firms, and partners or employees of member firms during the year.

In a number of these cases the disciplinary action involved merely censuring an individual or firm for an infraction of the rules and issuing a warning that a further infraction would be dealt with more severely. The more important of the other actions taken included fines ranging from \$25 to \$2,500 in 22 cases, with total fines imposed aggregating \$19,875; the cancellation of the registration of a specialist; the cancellation of the registration of a registered representative of a member firm; and the temporary suspension of a partner of a member firm. These disciplinary actions resulted from violations of various exchange rules, principally those pertaining to margin trading, floor trading, handling of orders, partnership agreements, capital requirements, registered employees and specialists.

Market Value and Volume of Exchange Trading

The market value of total sales on national securities exchanges for the 1947 fiscal year, as shown in appendix table 7, amounted to \$14,790,928,000, a decrease of 27.4 percent from the market value of total sales for the 1946 fiscal year. Of this total, stock sales had a market value of \$13,733,163,000 (excluding sales of rights and warrants), a decrease of 27.5 percent from 1946, and bond sales that of \$973,725,000, a decrease of 28.3 percent from 1946. The market value of sales of rights and warrants totaled \$84,040,000, involving 44,203,000 units.

The volume of stock sales, excluding right and warrant sales, for the 1947 fiscal year totaled 552,774,000 shares, a decrease of 33.1 percent from 1946. Total principal amount of bond sales was \$1,350,-158,000, a decrease of 24.3 percent from 1946.

The market value of total sales on all exempted exchanges for the 1947 fiscal year amounted to \$11,437,000, a decrease of 22.6 percent from 1946. Further details are given in appendix table 7.

Special Offerings on Exchanges

Under rule X-10B-2, special offerings of blocks of securities are permitted to be effected on national securities exchanges pursuant to plans filed with and declared effective by the Commission. Briefly stated, these plans provide that a special offering may be made when it has been determined that the auction market on the floor of the exchange cannot absorb a particular block of a security within a reasonable period of time without undue disturbance to the current price of the security. A special offering of a security is made at a fixed price consistent with the existing auction market price of the security and members acting as brokers for public buyers are paid a special commission by the seller. Buyers are not charged a commission on their purchases and obtain the securities at the net price of the offering. There were no new special offering plans filed or declared effective during the year. The plans of 7 exchanges, which had previously been declared effective, remained in effect throughout the year.¹

During the year a total of eight special offerings were effected, all on the New York Stock Exchange and the Chicago Stock Exchange. These offerings involved the sale of 104,814 shares of stock with an aggregate market value of \$2,852,000; \$68,000 in special commissions were paid to brokers participating in the offerings. During the preceding fiscal year, 49 special offerings involving 622,629 shares of stock were effected on 4 exchanges. The aggregate market value of offerings in the preceding year was \$21,673,000 and special commissions paid totaled \$340,000. Further details are given in appendix table 8.

REGISTRATION OF SECURITIES ON EXCHANGES

Purpose and Nature of Registration of Securities on Exchanges

Section 12 of the Securities Exchange Act forbids trading in any security on a national securities exchange unless the security is registered or exempt from registration. The purpose of this provision is to make available to investors reliable and comprehensive information regarding the affairs of the issuing company by requiring an issuer to file with the Commission and the exchange an application for registration disclosing pertinent information regarding the issuer and its securities. A companion provision contained in section 13 of the act requires the filing of annual, quarterly, and other periodic reports to keep this information up-to-date. These applications and reports must be filed on forms prescribed by the Commission as appropriate to the class of issuer or security involved.

Examination of Applications and Reports

All applications and reports filed pursuant to sections 12 and 13 are examined by the staff to determine whether accurate and adequate disclosure has been made of the specific types of information required

¹ These exchanges are: Chicago Stock Exchange, Cincinnati Stock Exchange, Detroit Stock Exchange, New York Curb Exchange, New York Stock Exchange, Philadelphia Stock Exchange, and San Francisco Stock Exchange.

by the act and the rules and regulations promulgated thereunder. The examination under the Securities Exchange Act, like that under the Securities Act of 1933, does not involve an appraisal and is not concerned with the merits of the registrant's securities. When examination of an application or a report discloses that material information has been omitted, or that sound principles have not been followed in the preparation and presentation of accompanying financial data, the examining staff follows much the same procedure as that developed in its work under the Securities Act in sending to the registrant a letter of comment, or in holding a conference with its attorneys or accountants or other representatives, pointing out any inadequacies in the information filed in order that necessary correcting amendments may be obtained. Here again, amendments are examined in the same manner as the original documents. Where a particular inadequacy is not material, the registrant is notified by letter pointing out the defect and suggesting the proper procedure to be followed in the preparation and filing of future reports, without insistence upon the filing of an amendment to the particular document in question.

Statistics of Securities Registered on Exchanges

At the close of the fiscal year, 2,215 issuers had 3,560 security issues listed and registered on national securities exchanges. These securities consisted of 2,562 stock issues aggregating 2,655,064,350 shares, and 998 bond issues aggregating \$18,426,753,851 principal amount.

During the past year 88 new issuers registered securities under the act on national securities exchanges, while the registration of all registered securities of 61 issuers was terminated. Thus there was a net increase of 27 in the number of issuers having securities registered under the act during the year.

The following applications and reports were filed in connection with the listing and registration of securities on national securities exchanges during the past year:

Applications for registration of securities	527
Applications for "when issued" trading	73
Exemption statements for short-term warrants	73
Annual reports	2,189
Current reports	9,134
Amendments to applications and reports	1,663

Appendix tables 7 through 18 contain a considerable amount of detailed statistics concerning securities registered on exchanges.

TEMPORARY EXEMPTION OF SUBSTITUTED OR ADDITIONAL SECURITIES

Rule X-12A-5 provides a temporary exemption from the registration requirements of section 12 (a) of the act to securities issued in substitution for, or in addition to, securities previously listed or admitted to unlisted trading privileges on a national securities exchange. The purpose of this exemption is to enable transactions to be lawfully effected on an exchange in such substituted or additional securities pending their registration or admission to unlisted trading privileges on an exchange.

The exchanges filed notifications of the admission to trading under this rule with respect to 151 issues during the year. The same issue

was admitted to trading on more than one exchange in some instances, so that the total admissions to such trading, including duplications, numbered 177.

Proceedings Under Section 19 (a) (2)

Section 19 (a) (2) of the Securities Exchange Act authorizes the Commission 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, after appropriate notice and opportunity for hearing, that the issuer of such security has failed to comply with any provision of the act or the rules and regulations thereunder.

Three proceedings were pending under this section at the beginning of the year. During the year one additional proceeding was instituted. The registration of the securities of one issuer was ordered suspended, and the proceedings in three cases were dismissed during the year, so that there were no proceedings pending at the close of the year.

UNLISTED TRADING PRIVILEGES ON EXCHANGES²

The early stock exchanges permitted trading in whatever securities were available. Any member could have any security added to those traded on the exchange merely by requesting its inclusion among the issues which in those days were called out one at a time for bids and offers. With the development of the exchanges as important securities markets, the rules for adding stocks and bonds to the list became more stringent, reaching the point where formal listing agreements and considerable financial information were required of the corporations whose issues were being listed. The practice continued, however, of permitting securities to be traded at the request of exchange members without the desire or agreement of the issuers. Such trading became known as "unlisted trading." None of it occurs on New York Stock Exchange. Most of the unlisted trading in issues which are nowhere listed occurs on New York Curb Exchange. Most of the regional exchanges confine their unlisted trading to issues listed on other exchanges plus a few of the leading unlisted New York Curb Exchange stocks. The Securities Exchange Act of 1934 prohibits the admission of any additional securities to unlisted trading on a stock exchange unless they are already listed on some registered exchange or unless investors have, respecting such securities, protections equivalent for those provided for in the act regarding listed securities.

Unlisted Trading on Registered Exchanges

At the close of the fiscal year, 541 listed stock issues aggregating 1,431,484,853 shares were admitted to unlisted trading on one or more exchanges other than those on which they were listed and 366 stock issues aggregating 362,908,213 shares, not listed on any registered exchanges, were admitted to unlisted trading.

The number of listed stock issues traded unlisted on other exchanges is about the same as it was 10 years ago, when it stood at 554, but the dispersion among exchanges is considerably greater. For example, one stock listed on 2 exchanges has been admitted to unlisted trading on 10 other exchanges, 5 of them since 1937.

² For comprehensive data with respect to the status of issues on exchanges, see appendix tables 12 through 19.

The number of stock issues not listed on any exchange which were nevertheless admitted to unlisted trading has decreased over 50 percent during the decade, from the 737 shown on p. 25 of our Third Annual Report to the current 366. The principal causes of this decrease were the listing of previously unlisted issues, retirement of New York Real Estate Exchange and Chicago Curb Exchange, retirement of preferred stocks, expiration of warrants, and sundry liquidations of companies.

Of the 366 stock issues (including 4 warrant issues) admitted only to unlisted trading, 291 were on New York Curb Exchange only, 13 were on that exchange and one or more exchanges outside New York, and 62 were on the latter (or "regional") exchanges only. Domestic corporations accounted for 271 of the issues, Canadian corporations for 65, and 30 were American depository receipts for shares of foreign issues. Reported trading volume in the 366 issues for the 1946 calendar year was 53,481,177 shares, warrants, and depositary receipts. This consisted of 29,658,957 shares and 12,921,580 warrants in domestic issues; 7,961,740 shares in Canadian issues; and 2,938,900 American depository receipts. The 4 warrant issues and 30 American depository receipts were exclusively on New York Curb Exchange. Of the 2,938,900 reported trading volume in American depository receipts, 2,360,100, or 80 percent, were of 1 issue, Burma Corp., Ltd. The 362,908,213 shares comprising the 366 issues were about 12 percent of the entire 3,081,265,525 shares admitted to trading on the registered exchanges.

The decrease in bonds admitted to unlisted trading on the exchanges over the last decade has been from 42 to 14 issues in the "also listed" category and from 550 to 97 issues in the "unlisted only" group. The total of 111 current issues aggregate somewhat less than \$1,500,000,000 face value, and 102 of these issues are on New York Curb Exchange.

Applications for Unlisted Trading Privileges

Section 12 (f) (2) of the act provides that, upon application to and approval by the Commission, a national securities exchange may extend unlisted trading privileges to a security which is listed and registered on another national securities exchange. Pursuant to this section, and in accordance with the procedure prescribed by rule X-12F-1, applications were granted extending unlisted trading privileges to Boston Stock Exchange with respect to 9 stock issues; Cincinnati Stock Exchange, 21 stock issues; Detroit Stock Exchange, 27 stock issues; Philadelphia Stock Exchange, 6 stock issues; and San Francisco Stock Exchange, 8 stock issues and 1 bond issue. Three of these exchanges were permitted to withdraw applications involving five stock issues upon being advised that the applications did not meet the requirements prescribed by the rule. No applications were filed during the year under section 12 (f) (3).

During the year the Commission put into effect a simplified procedure to eliminate hearings on applications for unlisted trading privileges in cases where none of the interested parties or public investors desire a hearing. Upon the filing of an application the Commission now issues a notice which is served on the issuer and the exchanges concerned, published in the Federal Register, and released to the press for the information of the public. The notice states that

the Commission will hold a hearing on the matter only if requested by any interested party. The notice further provides that, if no one requests a hearing, the application will be determined by the Commission on the basis of the facts stated in the application and on other information contained in the Commission's files.

Changes in Securities Admitted to Unlisted Trading Privileges

During the year the exchanges filed numerous notifications pursuant to rule X-12F-2 (a) of changes in the title, maturity, interest rate, par value, dividend rate, or amount authorized or outstanding of securities admitted to unlisted trading privileges. Where changes of this nature only are effected in an unlisted security, the altered security is deemed to be the security previously admitted to unlisted trading privileges and such privileges are automatically extended to the altered security. However, when changes more comprehensive than these are effected in an unlisted security, the exchange is required to file an application with the Commission, pursuant to rule X-12F-2 (b), seeking a determination that the altered security is substantially equivalent to the security previously admitted to unlisted trading privileges. Applications filed pursuant to this rule were granted by the Commission with respect to one stock issue on Baltimore Stock Exchange, three stock issues on Boston Stock Exchange, six stock issues on New York Curb Exchange, and one stock issue on Philadelphia Stock Exchange. The Philadelphia Stock Exchange was permitted to withdraw an application involving one stock issue upon being advised by the Commission that the application would be denied.

DELISTING OF SECURITIES FROM EXCHANGES

Securities Delisted by Application

Section 12 (d) of the act provides that upon application by the issuer or the exchange to the Commission, a security may be removed from listing and registration on a national securities exchange in accordance with the rules of the exchange and subject to such terms as the Commission deems necessary for the protection of investors. In accordance with the procedure prescribed by rule X-12D2-1 (b), 18 issues were removed from listing and registration on exchanges during the year. Of these, 4 issues were removed upon application of their issuers and the remaining 14 upon application of exchanges. In each of these instances the application was granted without the imposition of any terms by the Commission.

Of the four issues removed upon application of their issuers, one had never been actively traded on the exchange involved and the holders of substantially all of the outstanding shares had assented to the delisting; the issuer of one had been inactive since 1935, a large percentage of the outstanding shares was held by an officer of the company, and no exchange transactions had occurred in the issue for over 4 years; the remaining two issues had become very closely held and the small number of shares outstanding in public hands did not justify the continuance of an exchange market.

The removal of the 14 issues upon application of exchanges was occasioned by various events which had the effect of practically terminating public interest in the issues involved. These included situations where the issuer was in the process of liquidation, where the issue was greatly reduced in the amount outstanding, or where no

provision had been made for the issue under a plan of reorganization. In one instance the issue had been approved for listing by the exchange on the condition of submission of evidence of its satisfactory distribution. However, the distribution was not effected and the exchange never admitted the issue to trading.

Another exchange application was that of the New York Curb Exchange to strike from listing the \$1 par value capital stock of Standard Silver-Lead Mining Co. This security had been listed and traded on the exchange since 1911. While small dividends had been paid as recently as 1937, the company's principal mines had been closed down and new ventures which it had undertaken had not been successful, with the result that the corporation had operated at a loss for the years 1938 to 1945, inclusive. Despite the absence of any favorable prospects for future earnings or dividends and although the stock had sold at prices below \$1 a share during all the years from 1929 to 1944, it became the subject of wide speculation in 1945 and 1946 and reached a price of \$4.25 per share. Since the corporation was practically dormant and had current liabilities greatly exceeding its current assets, the exchange felt that it was not in the public interest to continue the exchange market. The application to strike this security from listing and registration was granted.

The simplified procedure on unlisted trading applications, described in the preceding section, is being followed also in suitable delisting cases.

Securities Delisted by Certification

Securities which have been paid at maturity, redeemed, or retired in full, or which have become exchangeable for other securities in substitution therefor, may be removed from listing and registration on a national securities exchange upon the exchange's filing with the Commission a certification to the effect that such retirement has occurred. The removal of the security becomes effective automatically after the interval of time prescribed by rule X-12D2-2 (a). The exchanges filed certifications under this rule effecting the removal of 313 separate issues. In some instances the same issue was removed from more than one exchange, so that the total number of removals, including duplications, was 343. Successor issues to those removed became listed and registered on exchanges in many instances.

In accordance with the provisions of rule X-12D2-1 (d), New York Curb Exchange removed eight issues from listing and registration when they became listed and registered on New York Stock Exchange. This rule permits a national securities exchange to remove a security from listing and registration in the event trading therein has been terminated pursuant to a rule of the exchange which requires such termination due to the security's becoming listed and registered and admitted to trading on another exchange. Removal under this rule is automatic, the exchange being required merely to notify the Commission of the removal.

Securities Removed From Listing on Exempted Exchanges

A security may be removed from listing on an exempted exchange upon the filing by such exchange of an appropriate amendment to its exemption statement setting forth a brief statement of the reasons for the removal.

During the year two exchanges removed five issues from listing thereon. Three of these issues had been called for redemption and two had become exchangeable for new securities under plans of recapitalization.

Exempted Securities Removed From Exchange Trading

During the year New York Stock Exchange removed from trading two issues which had been temporarily exempted from the registration requirements of section 12 (a) of the act pursuant to rule X-12A-2. One of these issues had become exchangeable for cash and other securities under a plan of reorganization and the other issue had been paid at maturity.

MANIPULATION AND STABILIZATION

Manipulation

In its administration of the provisions of the Securities Exchange Act 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, 1946-----	245	31
Initiated July 1, 1946 to June 30, 1947-----	66	5
Total to be accounted for-----	311	36
Changed to formal investigations-----	4	--
Closed or completed ¹ -----	216	2
Total disposed of-----	220	2
Pending June 30, 1947-----	91	34

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

Stabilization

During the 1947 fiscal year 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 567 registration statements filed during the 1947 fiscal year, 317 contained a statement of intention to stabilize to facilitate the offerings covered by such registration statements. Because a registration statement sometimes covers more than one class of security, there were 362 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 83 of these offerings. In the case of bonds, public offerings of \$160,942,300 principal amount were stabilized. Offerings of stock issues aggregating 11,870,892 shares and having an estimated aggregate public offering price of \$418,243,102 were also stabilized. In connection with these stabilizing operations 12,103 stabilizing reports were filed with the Commission during the fiscal year. Each of these reports has been analyzed 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 representatives of such issuers and underwriters, and many written and telephone requests were answered. A total of 1,531 letters and memoranda of such conference 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.

SECURITY TRANSACTIONS OF CORPORATION INSIDERS

Sections 16 (a) of the Securities Exchange Act of 1934, 17 (a) of the Public Utility Holding Company Act of 1935, and 30 (f) of the Investment Company Act of 1940 require that corporation "insiders" file reports of certain transactions in the securities of their companies. These reports are required to be filed by every beneficial owner of more than 10 percent of any equity security listed on a national securities exchange and by every officer and director of the issuer of any equity security so listed; every officer or director of a registered public utility holding company; and every officer, director, beneficial owner of more than 10 percent of any class of security (other than short-term paper), member of an advisory board, investment adviser or affiliated person of an investment adviser of a registered closed-end investment company. There must be filed an initial report showing beneficial ownership, both direct and indirect, of the company's securities when one

of these relationships is assumed and a report must be filed for each month thereafter in which any purchase or sale, or other change in such ownership occurs, setting forth in detail each such change, on or before the tenth day following the month in which it occurs.

The staff examines all reports filed to determine whether they comply with applicable requirements. Where inaccuracies or omissions appear amended reports are requested. The reports are available for public inspection from the time they are filed. However, it is manifestly not possible for many interested persons to inspect these reports at the Commission's central office, or at the exchanges where additional copies of section 16 (a) reports are also filed. The Commission therefor publishes a monthly official summary of security transactions and holdings which is widely distributed among individual investors, brokers and dealers, newspaper correspondents, press services and other interested persons. Files of this summary are maintained at each of the Commission's regional offices and at the offices of the various exchanges. The nature and value of these summaries is indicated by the fact that during the past 13 years 41,327 persons have filed 272,450 reports with the Commission.

Preventing Unfair Use of Inside Information

For the further purpose of preventing the unfair use of information which may have been obtained by the corporation insider by reason of his confidential relationship to his company, section 16 (b) of the Securities Exchange Act provides that any profit he realizes from any purchase and sale, or any sale and purchase, of any equity security of the company within any period of less than 6 months shall be recoverable by the issuer, or by any security holder acting in its behalf if the issuer fails or refuses to bring suit for recovery within 60 days after request or fails diligently to prosecute the suit after it is instituted. Corresponding provisions are contained in section 17 (b) of the Public Utility Holding Company Act of 1935 and section 30 (f) of the Investment Company Act of 1940. The Commission is not charged with the enforcement of the civil remedies created by these various provisions, but has filed briefs as *amicus curiae* in several suits brought by private persons.

Ownership reporting provisions of these acts have enabled issuers and public stockholders in some instances to recover substantial profits which had been realized by insiders in short-term trading. In a number of other cases, the Commission has been informed of the voluntary payment to the companies of short-term profits realized by insiders. Such repayments were often brought about by the necessity to report short-term transactions.

Statistics of Ownership Reports

The number of ownership reports filed with and examined by the Commission during the past fiscal year is set forth below.

Of the total number of reports filed during the year approximately 18,500 reports were filed under the Securities Exchange Act, 1,000 with respect to investment companies, and 500 identified with utility companies—or in the proportions of about 92, 5 and 3 percent respectively.

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, 1947

Description of report ¹	Original reports	Amended reports	Total
Securities Exchange Act of 1934:			
Form 4.....	14,842	725	15,567
Form 5.....	787	18	805
Form 6.....	2,197	51	2,248
Public Utility Holding Company Act of 1935:			
Form U-17-1.....	75	1	76
Form U-17-2.....	456	21	477
Investment Company Act of 1940:			
Form N-30F-1.....	109		109
Form N-30F-2.....	781	46	807
Total.....	19,227	862	20,089

¹ 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 become 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.

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.

During the past fiscal year the Commission received and examined under regulation X-14 both the preliminary and definitive material required with respect to 1,677 such solicitations as well as "follow up" material employed in 303 instances.

This proxy examination work is seasonal. Approximately 72 percent of all proxy statements filed during any year are for stockholder meetings held in the 3-month period from March to May; about 10 percent are for meetings in the fourth week of April; and about 5 percent, or one in every 20, are for meetings held on one particular day, the fourth Tuesday in March.

According to a study recently made by the staff of the proxy statements filed under regulation X-14 during the calendar years 1943, 1944, 1945, and 1946, the principal items of business for which stockholder action was sought were as follows:

	Year ended December 31—			
	1943	1944	1945	1946
Proxy statements filed by management.....	1,467	1,523	1,570	1,664
Proxy statements filed by others than management.....	31	27	24	21
Total proxy statements filed.....	1,498	1,550	1,594	1,685
For meetings at which the election of directors was one of the items of business.....	1,368	1,350	1,350	1,407
For meetings not involving the election of directors.....	109	172	213	244
For assents and authorizations not involving a meeting or the election of directors.....	21	28	31	34
Total proxy statements filed.....	1,498	1,550	1,594	1,685

The items of business other than that of election of directors were distributed among specific proposals of action as follows:

	Year ended December 31—			
	1943	1944	1945	1946
Mergers, consolidations, acquisition of businesses, and purchase and sale of property.....	47	50	40	65
Issuance of new securities, modification of existing securities, recapitalization plans other than merger or consolidation.....	95	144	227	249
Employees pension plans.....	46	105	94	75
Bonus and profit-sharing plans, including stock options.....	51	58	51	52
Indemnification of officers and directors.....	137	31	25	36
Change in date of annual meeting.....	54	33	33	28
Other miscellaneous amendments to bylaws, and miscellaneous other matters (renegotiation, investment policy, V and V-T loans).....	131	141	217	309
Stockholder approval of independent auditors.....	307	310	296	304
Number of management's proxy statements containing stockholder proposals under rule X-14A-7.....	27	20	14	19
Number of such stockholder proposals.....	66	38	34	34
Net number of stockholders whose proposals were included in management's proxy statements under rule X-14A-7 (each stockholder is counted only once in each year regardless of the number of his proposals or the number of companies that included his proposals in proxy statements).....	19	17	17	9

It might be helpful to describe by way of illustration the disclosure resulting from examination of the proxy solicitation material intended to be used in a particular case. In connection with the solicitation of proxies by a cement producing company, the change in the position of preferred stockholders which would result from a proposed recapitalization was not clearly set forth in the first instance. As originally drafted the proposed plan, which would have forced preferred stockholders to give up substantial rights to the benefit of common stockholders, including members of the management group, was not clearly or adequately described.

Following the Commission's insistence that complete disclosure be made in the proxy soliciting material of the effect of the plan—particularly with respect to the prior position of the preferred as to assets and earnings and as to the earnings record of the company which would show that dividends on the preferred stock had been earned in many years but not paid, while substantial sums were being

used to purchase the preferred at depressed prices—the company elected to modify the plan so as to offer more favorable terms to the preferred stockholders. Hence, as a result of the disclosure demanded, the preferred stockholder received a plan much more equitable to his interest.

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

Registration

Brokers and dealers using the mails or other instrumentalities of interstate commerce to effect transactions in securities on over-the-counter markets are required to be registered with the Commission pursuant to section 15 (a) of the Securities Exchange Act, except for those brokers and dealers whose business is exclusively intrastate or exclusively in exempt securities. The following table contains pertinent data with respect to the registration of brokers and dealers during the 1947 fiscal year:

Registration of brokers and dealers under section 15 (b) of the Securities Exchange Act for the 1947 fiscal year

Effective registrations at close of preceding fiscal year.....	4132
Effective registrations carried as inactive.....	¹ 80
Registrations placed under suspension during preceding fiscal year.....	0
Applications pending at close of preceding fiscal year.....	43
Applications filed during fiscal year.....	<u>482</u>
 Total	 <u>4737</u>
Applications withdrawn during year.....	10
Registrations withdrawn during year.....	537
Registrations canceled during year.....	53
Registrations denied during year.....	1
Registrations suspended during year.....	0
Registrations revoked during year.....	11
Registrations effective at end of year.....	4011
Registrations effective at end of year carried as inactive.....	¹ 74
Applications pending at end of year.....	<u>40</u>
 Total	 <u>4737</u>

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

Broker-Dealer Inspections

During the 1947 fiscal year a total of 587 broker-dealer inspection reports were received from the Commission's regional offices. These inspections are 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.

Ninty-four inspections reflected unsatisfactory financial conditions requiring immediate corrective action or continued surveillance. The high ratio of inspections in which unsatisfactory financial conditions were revealed is due largely to the fact that a substantial number of special inspections were undertaken to test financial condition following the September 1946 break in the market. In 131 inspections the reports disclosed transactions at prices so different from prevailing market prices as to raise some question as to the fair treatment of

customers. In 133 inspections the reports contained information indicating noncompliance with provisions of regulation T relating to the extension of credit. In 13 inspections questions were raised concerning improper hypothecation and commingling of customers' securities. In nine inspections it was discovered that firms took secret profits in agency transaction by misrepresenting prices at which customers' orders had been executed.

As has been explained in previous annual reports, efforts are made to determine whether infractions are the result of carelessness or represent a policy of indifference or willfulness on the part of responsible management. It is the Commission's established policy to call minor infractions to the attention of the firm at the time of the inspection so that corrective measures may be taken immediately. This of course necessitates a subsequent check-up in order to determine whether the promised corrections have been effected. However, when acts and practices are discovered which represent such substantial harm to customers that action by the Commission may be appropriate, inquiry or investigation beyond the scope of the inspection is undertaken. During the 1947 fiscal year, 43 inspections resulted in such inquiry or investigation.

Administrative Proceedings

A summary of the administrative proceedings instituted by the Commission during the 1947 fiscal year 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 sec. 15 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	4
Proceedings on denial of registration pending at beginning of fiscal year	2
Proceedings on question of terms and conditions on withdrawal of registration pending at beginning of fiscal year	1
Proceedings ordered during year on revocation of registration	15
Proceedings ordered during year on revocation of registration and suspension or expulsion from NASD	3
Proceedings ordered during year on denial of registration	2
Total	29
Revocation proceedings dismissed, withdrawal of registration being permitted or registration canceled	5
Revocation proceedings dismissed, registration continued in effect	1
Denial proceedings dismissed, withdrawal of application being permitted	1
Denial proceedings resulting in registration under terms and conditions	1
Proceedings discontinued on question of imposing terms and conditions on withdrawal, withdrawal being permitted	1
Registration denied	1
Registration revoked	10
Registration revoked and firm expelled from NASD	1
Firms suspended from membership in NASD	1
Revocation proceedings pending at end of fiscal year	4
Revocation proceedings and proceedings to expel or suspend from NASD pending at end of fiscal year	2
Denial proceedings pending at end of fiscal year	1
Total	29

In proceedings against Ira Haupt & Co., the Commission held that the brokerage exemption provided by section 4 (2) of the Securities Act of 1933 was inapplicable to a distribution on an exchange by an underwriter acting for a controlling person.³ The proceeding was instituted to determine whether the firm had willfully violated section 5 (a) of the Securities Act. The violation arose out of the firm's sale for the account of the "Schulte interests" (consisting of David A. Schulte, a corporation controlled by Schulte, and the David A. Schulte Trust) of approximately 93,000 shares of the common stock of Park & Tilford, Inc., from November 1, 1942, to June 1, 1944. The securities so offered were not registered under the Securities Act.

The firm contended that its transactions in the Park & Tilford stock for the account of the Schulte interests did not constitute a violation of section 5 (a) because of the applicability to such transactions of certain exemptions provided by sections 3 (a) (1), 4 (1) and 4 (2) of the Securities Act. In its opinion, the Commission rejected these claims to exemption and found that the firm was an underwriter within the meaning of section 2 (11) of the Securities Act since, upon the stipulated facts, the firm had effected a public distribution of the common stock of Park & Tilford for the Schulte interests, which concededly controlled 90 percent of the Park & Tilford outstanding common stock. The Commission cited the legislative history of the act to show that it was the intention of Congress to require registration in connection with secondary distributions through underwriters by controlling stockholders. It pointed out that while "distribution" is not defined in the act, it has been held to comprise "the entire process by which in the course of a public offering a block of securities is dispersed and ultimately comes to rest in the hands of the investing public." Having found that the firm acted as an underwriter in connection with the distribution of the Park & Tilford stock to the public, the Commission concluded that the distribution of a controlling block of stock is a new offering and that the exemptions of section 3 (a) (1) and the third clause of section 4 (1) were not applicable to such transactions.

The Commission further found that the brokerage exemption provided by section 4 (2) is not available to an underwriter who effects a distribution of an issue for the account of a controlling stockholder through the mechanism of a stock exchange. It pointed out the distinction between "trading" and "distribution." The opinion holds that section 4 (2) permits individuals to sell their securities through a broker in an ordinary brokerage transaction but that the process of distribution itself, however carried out, is subject to section 5.

While concluding that the firm's violations were willful, the Commission did not find that revocation of registration or expulsion from the exchange was necessary in the public interest, but held that it was appropriate in the public interest to suspend the firm from membership in the National Association of Securities Dealers, Inc., for a period of 20 days.

The revocation proceedings against Behel, Johnsen & Company, Inc., Chicago, Ill., involved a pattern of trading which the Commission, in its opinion and findings, described as "churning."⁴ Three

³ Securities Exchange Act Release No. 3845 (1946).

⁴ Securities Exchange Act Release No. 3967 (1947).

women customers, who opened their accounts with registrant in May and June 1942, owned securities with an aggregate market value of \$54,008. These securities and subsequent cash contributions made their total net investment \$61,731. The pattern followed in these accounts was one of simultaneous sale and purchase of securities at short intervals. Registrant used the proceeds from the sale of the customers' securities to purchase, purportedly for its own account, securities which it had recommended to the customers, and then sold such securities to the customers at a profit, confirming as a "principal" in the transaction.

As a result of this course of dealing, from May 18, 1942, to May 7, 1945, the three women were induced to sell, in a series of 130 transactions, securities with a market value of \$266,727 and to "purchase from" the registrant, in a series of 143 transactions, securities that had cost the firm \$274,451. Approximately 61 percent of the securities sold by the registrant to these customers were held by them for less than 6 months and 86 percent were held for less than 1 year. Over the course of the 3-year period, the capital in these three accounts, as measured by the average of the market value of the opening and closing of the portfolio plus the additional cash invested, was turned over approximately four and one-half times. From the trading activity deliberately created in these three accounts, registrant realized gross profits of \$18,879, representing more than one-third of its total gross profit during the period under consideration, while on the other hand the customers benefited only to the extent of an increase of \$2,400 in the aggregate market value of their security holdings at the end of the period over the value of those held at the beginning of the period.

Noting that the three women customers were all uninformed as to securities, relying completely on registrant's advice in determining the course of their transactions, and that the registrant's position was one of trust, its undertaking and obligation being to treat these accounts as investment accounts, the Commission reprimanded as a vicious and fraudulent course of conduct registrant's practice of "churning" the accounts by inducing a great number of transactions and successive turn-overs of the portfolio solely for the purpose of its own gain and to the substantial detriment of the customers. The Commission pointed out that the registrant's practice of confirming "as principal" where orders given by customers were filled by means of purchases purportedly made for the firm's own account facilitated perpetration of the type of fraud represented in this proceeding. By confirming "as principal," the firm made no disclosure of either the commission or profit derived from the operations effected in the customer's account. The Commission found on the foregoing admitted facts that registrant had willfully violated section 17 (a) of the Securities Act of 1933 and sections 10 (b) and 15 (c) (1) of the Securities Exchange Act and rules X-10B-5 and X-15C1-2 (a) and (b) adopted thereunder. The Commission concluded that it was in the public interest to revoke the registration of registrant and to expel it from membership in the NASD.

During the current year, the Commission instituted revocation proceedings against nine registered broker-dealers who had failed to submit yearly reports of their financial condition to the Commission as

required by rule X-17A-5 promulgated under section 17 (a) of the Securities Exchange Act.⁵ These cases are of interest because they were the first in which the Commission has sought to revoke registration solely for the violation of this rule. The Commission noted in its opinions in these proceedings that the promulgation of rule X-17A-5 was announced by publication in the Federal Register, by releases to the public press, and by distribution to the persons on its mailing list, which included these nine registrants. In addition, letters were sent to these registrants reminding them of the necessity for filing reports of financial condition as required by the rule.

As to whether the violation commonly involved in these proceedings was willful, the Commission observed that had these registrants acquired knowledge of the requirement, their failure to comply with it could hardly be otherwise than willful; that under the circumstances, ignorance of the requirements of the rule would appear to have been the result of deliberate indifference to obligations imposed upon them by their status as registered broker-dealers; and that their conduct in placing themselves out of reach of communication from the Commission amounted to such a disregard of the duty inherent in their licensed status to keep informed of the legal requirements attached to that status as to make their violation of rule X-17A-5 "willful" within the meaning of that term as used in section 15 (b) of the Securities Exchange Act.

In four of these cases, namely, Wayne Lloyd Morgan, Julius Guttag, Henry Leach, and Sylvan Perry Spies, the Commission, finding that the public interest and the protection of investors would be adequately served by withdrawal rather than revocation, permitted such registrants to withdraw their registrations. The Commission, however, found that it was necessary in the public interest to revoke the registrations of Ray Murphy, David Heffler, Robert Charles Johnson, Earl P. Corley, and Charles Fletcher Baxter.

The proceedings which the Commission instituted against M. S. Wien & Co. were based upon charges of manipulation of the market, fraudulent misrepresentations, and nondisclosure of material facts in connection with certain purchases and sales in the over-the-counter market of the 5 percent income debentures of 1968 of the Phoenix Silk Corporation.⁶

Under consideration of an extensive record the Commission concluded that the firm had made misrepresentations and material omissions in connection with these transactions, thereby willfully violating sections 10 (b) and 15 (c) (1) of the Securities Exchange Act and rules X-10B-5 and X-15C1-2 thereunder. Holding that the firm must be held responsible for the violations, the Commission found that it was in the public interest that its broker-dealer registration be revoked and that it be expelled from membership in the NASD. The

⁵ *Wayne Lloyd Morgan, d/b/a W. L. Morgan*. Proceedings to revoke registration instituted July 10, 1946. Order dismissing proceedings and permitting withdrawal, July 23, 1946.

See the following Securities Exchange Act Releases:

Ray Murphy, No. 3857 (1946);

Julius Guttag, d/b/a Guttag Bros., No. 3893 (1946);

David Heffler, d/b/a D. Heffler Company, No. 3879 (1946);

Robert Charles Johnson, d/b/a H. C. Johnson Company, No. 3878 (1946);

Henry Leach, No. 3877 (1946);

Sylvan Perry Spies, d/b/a Sylvan Perry Co., No. 3900 (1947);

Earl P. Corley, No. 3880 (1946);

Charles Fletcher Baxter, d/b/a Charles F. Baxter and Associates, No. 3901 (1947).

⁶ Securities Exchange Act Release No. 3855 (1946).

opinion, however, noted that the culpability rested chiefly on Lann, one of the partners who was personally in charge of the trading and made all the representations respecting the debentures. Finding further that there was nothing in the record to show that the other partners knew of or acquiesced in any of the misrepresentations or omissions made by Lann in connection with the activities in the debentures, the Commission provided in its order that the revocation of the firm's registration should be without prejudice to the right to reapply for registration after 30 days from the effective date of the order if by that time Lann should have withdrawn from the firm and become disassociated from its business. Lann, as an aggrieved person, filed a petition on December 30, 1946, with the Circuit Court of Appeals for the District of Columbia Circuit, for review of the Commission's order, and the review was still pending at the close of the fiscal year.

When Lawrence R. Leeby, who proposed to do business as a sole proprietor under the name of Lawrence R. Leeby & Co., applied for registration as an over-the-counter broker, proceedings were instituted to determine whether it was in the public interest to deny such registration.⁷ Leeby's registration as a broker and dealer had been revoked by the Commission in 1943 for violation of section 17 (a) of the Securities Act of 1933 upon a finding by the Commission that he had sold numerous oil royalties to two customers at exceedingly high mark-ups over contemporaneous wholesale costs, the sales being confirmed to the customers as principal transactions although the evidence showed that Leeby was charged with the high fiduciary duties of an agent. The Commission found that in these circumstances he violated his fiduciary duties in taking secret profits. Moreover, viewed even as principal transactions, the Commission found the mark-ups taken in such transactions were excessive and fraudulent.

Leeby's application for registration stated that he intended to engage in business only as a broker and at the hearing in the denial proceedings he testified that he proposed to charge commissions previously agreed upon with his customers and comparable to those charged in similar transactions by members of exchanges. It was the opinion of the Commission that such proposed plan of operation afforded a promise that there would be no repetition of the taking of excessive profits and the failure to reveal such profits which resulted in the earlier revocation of Leeby's registration. Leeby further testified that he proposed to amend his application to indicate that he would engage in transactions as a dealer in investment trust shares, which transactions would be limited to securities registered with the Commission which he would purchase from the underwriters and sell through the use of the prospectus filed with the Commission. In considering this amendment to his application, the Commission noted that in such transactions Leeby would be limited to the dealer discount set forth in the prospectus and that the disclosure of such discount would tend to prevent recurrence of the improper practices engaged in by Leeby in the sale of oil royalties.

Upon further findings that Leeby had been employed as a salesman by several firms since his revocation as a registered broker and dealer, that the schedule of his transactions as a salesman for one firm by

⁷ Securities Exchange Act Release No. 3863 (1946). The proceedings by Leeby for admission to membership in the NASD are discussed at p. 54.

which he had been employed for a considerable period disclosed that the dealer transactions in over-the-counter securities had been effected by him for the firm at prices not unreasonably related to the current market quotations, and that letters had been supplied by brokerage firms and individuals testifying to his good reputation and standing, the Commission concluded that it was not necessary in the public interest to deny Leeby's application for registration as a broker and, after appropriate amendment of his application, as a dealer in investment company shares. The Commission made it clear, however, that it was permitting his registration to become effective subject to the condition that his activities were limited to those in which he represented he would engage and that a finding that he had departed from such limitations would subject his registration to revocation.

Special Financial Reports of Brokers and Dealers

On September 30, 1946, the Commission issued a call upon registered brokers and dealers and members of national securities exchanges to file an abbreviated financial report as of September 30.⁸ A total of 3,595 notices were sent out and 2,930 reports were received. An analysis of the reports disclosed that in the main the net capital of brokerage firms appeared to be adequate and in compliance with rule X-15C3-1 as of September 30. Less than 3 percent disclosed financial conditions requiring prompt correction. A number of the firms whose financial condition was unsatisfactory reduced their inventories, reduced their indebtedness, or introduced new capital to meet the requirements of the rule. There were other circumstances in which firms divested themselves of customers' cash and securities and transferred them to other accounts in which credit was extended, thereby becoming exempt from the rule. While the staff of the Commission indicated that the industry withstood the September market break remarkably well, its analysis of the September 30 financial reports has raised some question as to the adequacy of the protection which the rule in its present form provides.

SUPERVISION OF NASD ACTIVITY

Membership

Membership in the National Association of Securities Dealers, Inc. (NASD), the only national securities dealers association registered with the Commission, increased during the year by 100 to stand at 2,614 on June 30, 1947. On that date, 25,573 individuals connected with member firms in capacities which involved doing business directly with the public were registered with the association as registered representatives. These include partners, officers, traders and salesmen.

Disciplinary Actions

The NASD reported to the Commission in the 1947 fiscal year final action on eight disciplinary cases in which formal complaints had been filed against members. In five of these cases the appropriate district business conduct committee found the firms in violation of the NASD rules of fair practice and imposed fines, in amounts ranging

⁸ The New York Stock Exchange had already issued a call upon its members to file September 30 reports with the Exchange and had agreed to make these reports available to the Commission. Consequently New York Stock Exchange firms were exempted from the Commission's call.

from \$200 to \$1,100, aggregating \$2,135. In another case, a firm employee, who had been cited as a respondent in a complaint together with his employing firm, had his registration as a registered representative revoked on a finding that he had misappropriated customers' funds and securities.⁹ Restitution in full was effected. The complaint was dismissed as to the employing firm on a finding that it had no knowledge of the employee's improper activities. In the two remaining formal complaints the board of governors, in a review capacity, reversed findings of violations by the district business conduct committee of original jurisdiction and dismissed the complaints against the firms involved.

The Commission continued its practice of referring to the NASD, for appropriate action by the NASD, facts concerning the business practices of members where there was some indication of a possible violation of the NASD rules of fair practice. Seven such references were made during the 1947 fiscal year and seven other cases were pending at the start of the year. By June 30, 1947, the NASD reported the disposition of 13 of these 14 cases. Three resulted in formal complaint procedures, as reported above, in which violations were found and fines imposed on the members concerned. In 9 other instances, the district business conduct committees held informal discussions with the members involved, but took no formal action. In the remaining case, the firm cited retired from business at about the time the reference was made and the NASD permitted the resignation to become effective.

Commission Review of Disciplinary Action and of Denial of Membership

By the provisions of section 15 A (g) of the Securities Exchange Act, any disciplinary action by the NASD against a member or denial of membership to any applicant is subject to review by the Commission on application by an aggrieved party. Three such cases were decided by the Commission during the year.

As indicated in the Twelfth Annual Report there was before the Commission at the close of the 1946 fiscal year an appeal proceeding to review disciplinary action by the NASD against the Washington, D. C., office of Herrick, Waddell & Co., Inc. The NASD district business conduct committee, after the filing of a complaint and a hearing, concluded that prices charged customers by the firm were not reasonably related to the market and that the firm's conduct in these transactions was in violation of the NASD rules of fair practice. As a penalty, the firm was censured and directed to pay costs in the amount of \$250. This decision was appealed by the firm to the board of governors where, by a tie vote, it was affirmed.

The issue before the Commission was whether there had been a violation of the NASD's interpretations governing the amount of mark-up over market which a member firm may charge in the sale of a security to a customer. The basic facts were not in dispute and no claim was made that, if a violation had occurred, the penalty was excessive. There was no charge of fraud involved in the case. The NASD findings were based in part on an exhibit showing that the gross profit received by Herrick, Waddell & Co., Inc., in 39 transactions ranged from 4.2 percent to 11.4 percent over cost price. In most pur-

* This is the first disciplinary case in which a complaint was directed against a registered representative under the procedure adopted effective January 15, 1946.

chases by customers, the firm purported to act as principal, executing customers' purchase orders in so-called riskless transactions, in which the firm purchased the security only after it had received the order from the customer and then billed the security to the customer at a stated mark-up over cost.

Evidence was introduced that it was general practice for the firm's salesman to inform the customer at the time the customer's order was accepted that the firm would act as principal and that the cost to the customer would include a mark-up over cost to the firm stated in points to the nearest one-eighth of a point. These disclosures, according to the evidence, were also made in writing by means of a confirmation sent to customers immediately after the firm's purchase for its own account and its concurrent sale to the customer. The firm contended that the relevant NASD rule was no broader than a prohibition against fraud which, it claimed, was obviated by the oral and written disclosures made to the customer.

The NASD argued and the Commission found that the NASD rules go beyond fraud, but the Commission concluded that the NASD findings were not supported by the evidence, and that the NASD had not properly applied its interpretations governing mark-ups.¹⁰ The NASD had relied heavily upon evidence comparing the firm's mark-up policy with the practices of other firms in the District of Columbia. The Commission, however, held that this evidence did not provide a standard sufficiently clear to constitute a proper basis for a finding that the firm's mark-ups were unreasonable in their relationship to the market. The Commission also held that the NASD had not given proper weight to various other circumstances, including particularly the oral and written disclosures of the firm as to its capacity and amount of mark-up. The Commission disagreed with the NASD view that these disclosures were immaterial and emphasized that they are pertinent to the question of ethical conduct. The Commission remanded the record to the NASD for reconsideration consistent with the Commission's opinion. Subsequently the matter was reconsidered by the board of governors, which dismissed the complaint.

A case involving the "denial of membership" was decided on the issue whether Foelber-Patterson, Inc. was disqualified from membership in the NASD as a result of a Commission order issued in 1942¹¹ revoking the registration of a broker-dealer firm in which Foelber and Patterson were officers, directors and shareholders. The Commission had granted Foelber-Patterson, Inc., registration as a broker-dealer in 1945, but subsequently, on application to the NASD for membership, the NASD denied admission on the grounds that Foelber and Patterson had been causes of the Commission's order revoking the registration of Central Securities Corp., and that, notwithstanding the subsequent registration of Foelber-Patterson, Inc., the applicant was disqualified from membership and could be admitted only with the approval or at the direction of the Commission. The firm then filed with the Commission a petition for review of that action. The Commission held that when a broker-dealer whose registration has been revoked is subsequently permitted by the Commission to become registered, the disqualification is removed in that he is no longer subject

¹⁰ Securities Exchange Act Release No. 3935 (1947).

¹¹ *Central Securities Corporation*, 11 S. E. C., 98.

to an order of revocation and, looking behind the corporate veil, held that the firm was not disqualified.¹² The Commission accordingly set aside the action of the NASD and required applicant's admission to membership.

Another "denial of membership" case arose on a petition filed by Republic Investment Co. requesting the Commission to review an NASD order denying applicant's admission to membership. The NASD had concluded that Republic Investment Co. was disqualified from membership because its president, A. Morris Krensky, had been a cause of the expulsion of Lowell Niebuhr & Co., Inc., by and from the NASD for violations of its rules of fair practice. Accordingly, Republic Investment Co. could be admitted only with the approval or at the direction of the Commission. The Commission, in its opinion, declared that it was unable to find any evidence in the record to support the conclusion that Krensky had knowledge of, or in any way participated in, the acts which led to the expulsion of Lowell Niebuhr & Co., Inc., or that he was a cause thereof within the meaning of section 15A (b) (4) of the Securities Exchange Act and the identical section 2 of article I of the NASD bylaws. The Commission further stated that "at the time those acts occurred, the record indicates that he (Krensky) actually had withdrawn from the firm." The Commission concluded that the applicant was not disqualified from membership and, by order, set aside the action of the NASD and required applicant's admission to membership.¹³

Commission Action on Petitions for Approval of or Continuation in Membership

In addition to the review of cases such as those cited above, a petition can be brought before the Commission under the provisions of section 15A (b) (4) of the Securities Exchange Act by or on behalf of a member of the NASD for the continuance of its membership when it proposes to take in a partner, officer, director or an employee who is himself disqualified from membership. In this type of action, the question before the Commission is whether it is in the public interest, in spite of the existence of valid disqualification, to approve the continuance of membership. Applications are directed in the first instance to the NASD. If the NASD acts favorably to the applicant, it so advises the Commission and becomes the petitioner. Under this circumstance, the Commission considers "approval" of the petition for admission to or continuance in membership. If the NASD rejects the application, the applicant may petition the Commission for an order "directing" the NASD to continue the petitioner in membership. In the last year, three "approval" petitions were filed by the NASD on behalf of members. Action was taken by the Commission as to two of these petitions and the third, which was pending at June 30, 1947, was subsequently withdrawn.

At the close of the 1946 fiscal year there was before the Commission a petition filed by the NASD on behalf of Greene & Co. applying for Commission approval of the continuance of Greene & Co. in membership with W. F. Thompson acting as a partner or as an employee of the firm. Thompson had been one of two partners of W. F. Thompson & Co., which, in 1942, had been found by the NASD to

¹² Securities Exchange Act Release No. 3847 (1946).

¹³ Securities Exchange Act Release No. 3866 (1946).

have violated certain of its rules and to have been guilty of conduct inconsistent with just and equitable principles of trade. The firm was expelled from the NASD and fined \$1,200. Subsequently, Thompson was employed by Greene & Co. The NASD acted favorably on the firm's application for continuance of membership and the petition before the Commission was filed by the NASD on behalf of the firm. After hearings were held the Commission approved the petition.¹⁴ A significant fact developed at the hearings was that, apart from the above-mentioned NASD proceedings, Thompson had never been subject to any disciplinary action, law suit or complaint growing out of his securities business.

As mentioned earlier, Lowell Niebuhr & Co., Inc. had been expelled by and from the NASD in 1942 for violation of the NASD rules in two respects—conducting a securities business while its liquid assets were considerably less than its obligations and filing balance sheets with the NASD in which its financial condition was misrepresented. Subsequently, the Commission found willful violations of its statutes on somewhat the same facts,¹⁵ but on a showing that, among other things, the firm had met its obligations in full, the Commission permitted withdrawal of registration and dismissed the revocation proceedings. The NASD was favorably inclined to Niebuhr's re-employment by Leason & Co., Inc., a member firm, and recommended that the Commission approve the firm's continuation in membership. On an independent review of the record before the NASD, the Commission concluded that it was appropriate in the public interest to approve the application.¹⁶

Edward E. Trost was under a disqualification from membership as a result of a Commission order revoking the broker-dealer registration of Trost & Co., Inc. and expelling the firm from membership in the NASD.¹⁷ Trost was subsequently employed by a member firm of the NASD, which made application for continuance of membership. For the first time, the unique procedure was employed in which the firm making application was permitted to do so without publicly disclosing its identity. This procedure was permitted, and will be permitted where feasible in future cases, on advice that the publicity attendant upon a Commission proceeding had discouraged some members from taking the necessary legal steps to obtain approval of the employment of persons under some disqualification but who, with due regard to the public interest, may be employed under appropriate supervision by an NASD member.

The board of governors of the NASD found, after a review of the Commission's opinion which gave rise to the disqualification and of Trost's subsequent activity and general reputation, that he should be permitted to engage in the securities business as an employee and registered representative. Its findings included the facts that he was subject to supervision by responsible partners of the firm employing him and that, while so employed, there was no record of exorbitant profits such as had formed the basis for the Commissions' prior disciplinary action. Upon a review of the record the Commission con-

¹⁴ Securities Exchange Act Release No. 3836 (1946).

¹⁵ Securities Exchange Act Releases Nos. 3668 (1945) and 3707 (1945).

¹⁶ Securities Exchange Act Release No. 3937 (1947).

¹⁷ *Trost & Co., Inc.*, 12 S. E. C. 531 (1942).

cluded that it was appropriate in the public interest to approve the application.¹⁸

The first case in which the Commission directed the NASD to admit an applicant to membership after the NASD had disapproved the application arose on the petition of Lawrence R. Leaby to be admitted to membership. Leaby was under a disqualification from membership as a result of his expulsion from and by the NASD in 1942 and the revocation of his broker-dealer registration by the Commission in 1943.¹⁹ The Commission, in 1946, granted Leaby registration as a broker in over-the-counter securities and as a dealer in investment trust shares.²⁰ Leaby's application for membership was thereafter approved by the appropriate district business conduct committee of the NASD but was disapproved by the board of governors, without explanation or findings, solely because of the disability arising out of his previous expulsion.

The Commission had to consider whether it was appropriate in the public interest to direct Leaby's admission to membership. In its opinion, the Commission pointed out that the limited registration as a broker-dealer already granted to Leaby should tend to prevent a recurrence of the practices which had led to his expulsion and to the revocation of his registration as a broker-dealer. The Commission emphasized that it was incumbent upon the NASD, under the circumstances, if its action of disapproval were to be sustained, to present adequate reasons for barring Leaby from membership and that none had been advanced. In the absence of such findings, the Commission was forced to make its decision without the benefit which would, and should, be derived from a statement of the NASD views. The Commission, by order, directed the NASD to admit Leaby to membership.²¹

CHANGES IN RULES AND FORMS

Rule X-11D1-1—Extensions of Credit by Broker-Dealers

In general, section 11 (d) (1) of the act makes it unlawful for a broker-dealer to extend or maintain credit on any security which was part of a new issue in whose distribution he participated during the preceding 6 months. By an amendment to rule X-11D1-1 adopted during the year an exemption is afforded which permits broker-dealers who would otherwise be subject to section 11 (d) (1) to extend credit to their customers upon securities received on the exercise of certain short-term rights or warrants.²² The exemption is available only where the right has been issued to the customer as a stockholder of the corporation issuing the security upon which credit is to be extended, or as a stockholder of a company distributing such security pursuant to section 11 of the Public Utility Holding Company Act of 1935.

This amendment removes the absolute prohibition of section 11 (d) (1) but does not, of course, remove the exempted transactions from the scope of regulation T or any applicable stock exchange rules on margin. Regulation T, the margin regulation promulgated by the board of governors of the Federal Reserve System under section 7 of the act,

¹⁸ Securities Exchange Act Release No. 3955 (1947).

¹⁹ 18 S. E. C. 499.

²⁰ See p. 48.

²¹ Securities Exchange Act Release No. 3898 (1947).

²² Securities Exchange Act Release No. 3899 (1946).

had been amended to permit extensions of credit in these cases on specified conditions.

Rule X-12D2-1—Reports by Exchanges

By an amendment to this rule the Commission eliminated the requirement that an exchange which had suspended a security from trading file a statement every 2 months setting forth the reasons for the continuance of the suspension.²³ The amended provision requires an exchange merely to notify the Commission of any change in the reasons for the suspension and of the effective date on which the suspended security is restored to trading.

Rule X-12D2-2—Delisting of Retired Securities

Paragraph (a) of rule X-12D2-2 permits an exchange, upon certification of certain facts to the Commission, to remove from listing and registration securities which have been "retired." Paragraph (a) was amended to make it clear that securities shall be deemed to be retired within the meaning of the rule where all rights pertaining to such securities have been extinguished.²⁴

Rule X-13A-6B—Quarterly Reports

On July 12, 1946, the Commission announced an amendment to rule X-13A-6B, which requires quarterly reports of sales volume from most issuers having securities registered on a national securities exchange. The amendment exempts from the rule companies primarily engaged in the production of raw cane sugar or other seasonal, single crop agricultural commodities, since such producers will ordinarily have no sales in two or more of their fiscal quarters.

Rule X-15A-2—Shares in Cooperative Dwellings.

This new rule exempts shares of cooperative corporations, representing ownership or a right to possession and occupancy of specific apartment units in property owned by such corporations, from the operation of section 15 (a).²⁵ Section 15 (a), in substance, requires the registration of brokers or dealers who effect transactions in securities over the counter. Shares of the type covered by the rule are invariably distributed through the usual real estate channels and not through securities brokers.

The Commission determined that the public interest did not require that real estate brokers who are duly licensed by the appropriate State or local authorities and subject to their supervision be subjected to the additional registration requirements of section 15, solely by reason of their participation in the sale of such securities. The rule is applicable, however, only if the securities are sold by or through such duly licensed real estate brokers. The registration requirements of the Securities Act of 1933 and the antifraud provisions of both the Securities Act and the Securities Exchange Act remain applicable, of course, to such securities.

Rules X-16B-2 and X-16C-2—Exemption from Sections 16 (b) and 16 (c)

These rules conditionally exempt underwriting transactions from sections 16 (b) and 16 (c) of the act.²⁶ Section 16 (b) provides

²³ Securities Exchange Act Release No. 3921 (1947).

²⁴ Securities Exchange Act Release No. 3861 (1946).

²⁵ Securities Exchange Act Release No. 3963 (1947).

²⁶ Securities Exchange Act Release No. 3907 (1947).

that "short-swing" profits by certain corporate insiders shall inure to their corporation. Section 16 (c) prohibits short sales of such equity securities by such persons. The two rules exempt bona fide underwriting transactions by dealers who fall within one of the three classes of insiders specified in section 16, or by dealer firms with which such persons are connected. However, in order to prevent such insiders or insider firms from acquiring a preferential position when they participate in a distribution, the exemptions afforded by the two rules are subject to the condition that noninsiders or noninsider firms shall have participated in the distribution "on terms at least as favorable" as those on which the insiders have participated and "to an extent at least equal to the aggregate participation" of all insiders.

The purpose of the amendments was to make it clear that the mere receipt of a fee by an insider as manager of an underwriting syndicate should not in itself be deemed to place the insider in a preferential position within the meaning of the rule and thereby make the exemption unavailable.

Rule X-16B-4—Exemption of Registered Holding Companies

This rule provides that any transactions by a holding company registered under the Public Utility Holding Company Act of 1935 or by a subsidiary of such a company, where both the purchase and the sale have been approved or permitted by the Commission under that act, shall be exempt from the civil liability provisions of section 16 (b) or the Securities Exchange Act.²⁷ (These liabilities are described in the preceding subsection.)

Form 10 for Corporations

On June 19, 1947, the Commission announced an amendment to the Instruction Book for Form 10 for Corporations. Form 10 is the basic general form prescribed for use by corporations in filing applications for registration of securities on a national securities exchange. The amendment deleted from the instruction book certain temporary instructions, which had become obsolete, as to the financial statements to be filed with an application. The amendment also deleted the instruction as to the form and content of financial statements and schedules, inasmuch as the form and content of financial statements and schedules required to be filed with an application on Form 10 are now governed by the provisions contained in regulation S-X, the Commission's general accounting regulation.

Forms 10-K and 1-MD—Annual Report Forms

On January 29, 1947, the Commission announced amendments to the instructions for Form 10-K, the basic annual report form for most issuers having securities listed and registered on a national securities exchange. The amendments operate to simplify the requirements for financial statements by permitting a registrant to file either consolidated or individual statements where registrants own assets and revenues comprising more than 85 percent of those shown in the consolidated statement. Heretofore both individual and consolidated statements were required. The amendments bring to this form certain

²⁷ Securities Exchange Act Release No. 3848 (1946).

of the changes adopted, as discussed elsewhere in this report, in the recently revised Form S-1 under the Securities Act of 1933.

The amendments to the Instructions to Form 10-K operate to effect a corresponding simplification in the requirements of Form 1-MD, since that form requires registrants to file the same statements as those required of registrants on Form 10-K. Form 1-MD is the basic annual report form for issuers which have registered securities under the Securities Act of 1933 and are required to file annual reports by section 15 (d) of the Securities Exchange Act.

Forms 12-K and 12-AK—Annual Report Forms

On April 8, 1947, the Commission adopted minor amendments to its annual report Forms 12-K and 12-AK. Companies which report to the Interstate Commerce Commission on its Form A are permitted, in connection with reports to the Securities and Exchange Commission, to file certain selected schedules from Form A in lieu of the complete Form A report. The purpose of the amendments is to revise the list of selected schedules to conform to certain changes made in Form A by the Interstate Commerce Commission for the year ended December 31, 1946.

LITIGATION UNDER THE SECURITIES EXCHANGE ACT

The Commission's litigation activities under the act during the 1947 fiscal year included: (1) Injunction actions in the district courts to restrain broker-dealers and others from violating those provisions of the act and the Commission's rules designed to protect security holders and the customers of broker-dealers; (2) appellate court actions on petitions to review orders of the Commission; and (3) actions between private parties in which the Commission participated as amicus curiae.

Injunction and Appellate Proceedings Involving Broker-Dealers

The large majority of injunction actions was against broker-dealers. In *S. E. C. v. Patrick A. Trapp* a permanent injunction was entered which, for the first time in any contested civil action, judicially established two theories of fraud advanced by the Commission in connection with sales of oil royalties.²⁸ The first is that it is fraudulent for a dealer to sell oil royalties at prices in excess of the probable returns to purchasers, as computed on the basis of reasonable estimates of the recoverable oil underlying the tracts covered by the royalties.²⁹ The court's holding to this effect was based on expert evidence that, as of the purchase dates, the probable returns based on such estimates ranged from only 65 to 80 percent of the cost of the royalties to the buyers. The second new judicial principle, which the Commission had followed in an earlier administrative proceeding, is that it is fraudulent for a dealer to sell oil royalties at prices bearing no reasonable relationship to his contemporaneous cost. These fraudulent practices were held to have violated section 15 (c) (1) of the Securities Exchange Act, as well as section 17 (a) (2) and (3) of the Securities Act of 1933.

²⁸ Civil No. 1288, N. Dak., June 4, 1947.

²⁹ This theory was also the basis of the complaint in *S. E. C. v. Joseph J. LeDone*, Civil No. 40-347, S. D. N. Y., Mar. 26, 1947, in which a permanent injunction by consent was entered. In this case investors had been charged \$416,078 for oil royalties worth at the time of the sales (on the basis of the then current value of the recoverable oil) not more than \$272,890, or approximately \$143,188 less than the total paid by the investors.

Trapp's registration as a dealer had been revoked by the Commission several years before and he was therefore engaged in business as a dealer without being registered as required by section 15 (a) of the act. The court found also that he had made false representations to purchasers about his ownership of the oil royalties being sold to them. The defendant joined a lodge and then represented to a number of his brother members that he was liquidating his oil royalty holdings in order to raise funds for a mining venture. In fact, his practice was first to make sales of oil royalties which he did not own and then to use the customers' money to acquire the royalties from another dealer.

In *S. E. C. v. Fiscal Service Corp. and Otto F. Herald* the defendants consented to the entry of a judgment permanently enjoining them on all counts of the Commission's complaint.³⁰ The Commission had alleged that, while unlawfully engaged in business as a broker and dealer in securities without being registered under section 15 (a) of the act, the defendant firm had violated the antifraud and confirmation rules of the Commission in reporting to its customers that it was acting as agent, when in fact it was buying and selling for its own account, and in taking secret profits in those transactions. In addition the complaint had alleged violations of the credit provisions of regulation T (the margin rules) and of the Commission's hypothecation and bookkeeping rules. In all, the complaint alleged violations of sections 7 (c), 8 (c), 10 (b), 15 (a), 15 (c) (1), 15 (c) (2), 17 (a), and 20 (b) of the act.

During the fiscal year the Commission was engaged in two court actions involving broker-dealers who were charged with violating the fraud provisions of the act by doing business while insolvent. In both *S. E. C. v. Raymond, Bliss, Inc.* and *S. E. C. v. York* the Commission filed complaints charging that the defendants had accepted money and securities from customers without advising them of the defendants' insolvent condition, and had hypothecated customers' securities without their knowledge or consent. In the *Raymond, Bliss* case a preliminary injunction was granted notwithstanding the facts that the firm had ceased doing business and that Bliss' family had made an assignment for the benefit of creditors. So long as the firm continued to be registered, the court stated, it could not be said that there was no risk of further violations. Because of the assignment, which was made after the filing of the Commission's complaint, the request for the appointment of a receiver was for the time being denied.³¹ The request for a final injunction was still pending at the close of the fiscal year.

In the *York* case a temporary restraining order was entered. The defendant then filed a voluntary petition in bankruptcy and a receiver was appointed. The defendant agreed not to engage in the securities business pending final determination of the bankruptcy proceedings and the Commission then stipulated to the dismissal of its application for a preliminary injunction and the appointment of a receiver. However, the defendant shortly thereafter was shot and killed by his principal creditor and the court action was discontinued.³² An administrative proceeding for revocation of York's registration as a

³⁰ Civil No. 47C408, N. D. Ill., Mar. 5, 1947.

³¹ Civil No. 5899, Mass., Sept. 25, 1946.

³² Civil No. 894, W. D. Texas, July 31, 1947.

broker-dealer, which had been instituted by the Commission, was also discontinued.³³

Three companion cases based on regulation T, the first of their kind, were pending at the beginning of the fiscal year in the United States District Court at Cleveland.³⁴ That regulation, adopted by the board of governors of the Federal Reserve System under section 7 (c) of the Securities Exchange Act and enforced by the Commission, governs the extension of credit by members of national securities exchanges and brokers or dealers transacting a business through the medium of such members. In these three cases the Commission charged that Butler, Wick & Co., of Youngstown, Ohio, Hirsch & Co., of New York and Cleveland (both members of the New York Stock Exchange), and The S. T. Jackson & Co., Inc., an over-the-counter firm of Youngstown, had repeatedly violated regulation T by overextensions of credit to Richard C. Brown, of Youngstown, and First Mahoning Co., an investment company controlled by him; that A. E. Masten & Co., a member house in Pittsburgh, had overextended credit directly to the Jackson firm, its over-the-counter correspondent, and indirectly through the Jackson firm to Brown and his investment company, customers of the Jackson firm; and that Brown and his investment company had aided and abetted all of these violations. For the most part, these violations involved the "special cash account" provisions of regulation T. During the 1945 fiscal year the court had entered a final injunction by default against the Jackson firm. During the current year final injunctions were entered by default against Brown and First Mahoning Co., who had been named as defendants in all three cases.³⁵

The three cases were disposed of after the close of the year by the entry of consent judgments against the remaining defendants, Hirsch & Co., Butler, Wick & Co., and A. E. Masten & Co. Each contained a finding that the defendant firm had violated section 7 (c) (1) of the Securities Exchange Act and regulation T, but that the violations had not been committed intentionally. The Commission agreed that this was the fact as to these defendant firms. The Commission, however, had not charged these firms with violating regulation T intentionally. It had taken the position that the presence or absence of actual intent to violate the regulation was irrelevant in an action to enjoin further violations, and each of the judgments specified that the finding of lack of intent to violate was made without determining the legal question whether intent was an element of the offense under section 7 (c) (1) of the act or regulation T. In view of the defendants' admission and the court's adjudication that all three firms had violated regulation T, and under all the facts and circumstances surrounding the actions (among which was the fact that these cases were the first of their kind), the Commission agreed to their disposition without the formal entry of injunctions.

In *S. E. C. v. Schultz*, another regulation T case instituted in the same court, the Commission obtained final judgments against the partners of L. J. Schultz & Co. (by consent) and against Josiah Kirby (by default).³⁶ The Commission's complaint alleged viola-

³³ Securities Exchange Act Release No. 3965 (1947).

³⁴ *S. E. C. v. Hirsch*, Civil No. 23474; *S. E. C. v. Butler*, Civil No. 23475; *S. E. C. v. Young*, Civil No. 23476.

³⁵ Civil No. 23476, N. D. Ohio, Oct. 21, 1946.

³⁶ Civil No. 24198, N. D. Ohio, Sept. 4, 1946.

tions of the "special cash account" provision of regulation T similar to those in the three preceding cases. The Commission's affidavit alleged that in a 20-month period the Schultz firm had executed 350 transactions for Kirby, 160 of which had been in violation of regulation T.

S. E. C. v. Nevada Oil Co., pending from the preceding year, was an action for a mandatory injunction to require the defendant, a registered dealer, to permit an examination of its books and records required under section 17 (a) and the Commission's bookkeeping rules. The court granted a motion by the Commission for summary judgment, ordering the defendant to permit the examination. The summary judgment, however, was subject to a condition which the Commission sought to remove by a motion to amend, and at the same time the corporation filed a motion for a rehearing. Pending action on these motions, the corporation permitted the Commission to make the examination, which demonstrated that it was not doing business as a broker or dealer. The Commission therefore stipulated with the defendant to the vacation of the summary judgment and the dismissal of the action, and permitted the company to withdraw its registration with the Commission.³⁷

During the fiscal year the Commission was in court on two manipulation cases, both involving broker-dealers. In the first, *S. E. C. v. Bennett and the Federal Corp.*, the Commission alleged the violation of section 9 (a) (2) of the Act by the manipulation of a stock listed on the New York Curb Exchange. The complaint alleged that Federal, controlled by Bennett, had manipulated the market for the common stock of Red Bank Oil Co., also controlled by Bennett, in order to facilitate a pending offer of a substantial block of that stock which was then in process of registration under the Securities Act of 1933. After a preliminary injunction had been denied during the preceding fiscal year on the ground that there was insufficient proof of a manipulation,³⁸ Federal consented to the entry of a permanent injunction. However, the complaint was dismissed with the Commission's concurrence insofar as it related to Bennett individually.³⁹ Thereafter Federal's registration as a broker-dealer was revoked by the Commission pursuant to section 15 (b) of the Act on the basis of the court's injunction.⁴⁰

The second manipulation case, *Lann v. S. E. C.*,⁴¹ is a petition to review the order of the Commission in M. S. Wien and Co., discussed above at p. 47. This case, one of two circuit court appeals under the act during the 1947 fiscal year, represents the first court review of a Commission finding of manipulation in the over-the-counter market in violation of section 10 (b) and 15 (c) (1) of the act and rules X-10B-5 and X-15C1-2 thereunder. Lann, a partner of Wien & Co., was found by the Commission to have been primarily responsible for the manipulation and fraud upon which the order revoking the Wien firm's registration as a broker-dealer was based. The basis of the appeal was that the Commission, in finding that the petitioner had violated the antifraud provisions of the Federal securities laws, had

³⁷ Civil No. 1142, N. D. Tex., Feb. 25, 1947.

³⁸ 62 F. Supp. 609 (S. D. N. Y. 1945).

³⁹ Civil No. 32-104, S. D. N. Y., Dec. 30, 1946.

⁴⁰ Securities Exchange Act Release No. 3909 (1947).

⁴¹ Civil No. 9640, App. D. C.

gone beyond ordinary standards of fraud and improperly applied to his over-the-counter activity specific statutory provisions applicable solely to exchange markets. The appeal was pending at the close of the fiscal year.

The final court action involving a broker-dealer is *Norris & Hirschberg, Inc. v. S. E. C.* (previously discussed at pages 35-36 and 41 of the Twelfth Annual Report). On January 22, 1946, after prolonged proceedings, the Commission had issued its findings and opinion in this matter and ordered the revocation of the registration of Norris & Hirschberg, Inc., as a broker-dealer. The Commission had 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. A petition for review of the Commission's order was filed on April 29, 1946, in the Court of Appeals for the District of Columbia. This appeal has not yet been argued on its merits.

After the filing of the petition for review the court entered an order on stipulation staying the Commission's order of revocation pending further action by the court. The court conditioned this stay 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. On June 8, 1946, the Commission filed a transcript of the record in the court of appeals. This transcript was attacked by Norris & Hirschberg, Inc. on several grounds. The court has upheld these objections in part, remanding the case to the Commission and physically returning the certified transcript and additional material tendered.

Injunction Actions Against Persons Other Than Broker-Dealers

The second category of injunction cases consists of actions against persons other than broker-dealers for violations of those sections of the act and the Commission's rules designed to protect security holders in general. One of these is rule X-10B-5, which contains a general prohibition against fraud in the purchase or sale of securities in interstate channels. An action based both on this rule and on section 17 of the Securities Act of 1933, which prohibits fraud only in the sale of securities, was *S. E. C. v. Standard Oil Company of Kansas*.⁴² The Commission's complaint charged that the corporation and its president, Charles B. Wrightsman, by whom the corporation was controlled, had defrauded the corporation's minority stockholders in connection with a scheme to acquire the common stock of the corporation from them. The complaint alleged further that Wrightsman, in connection with the purchases from minority stockholders, had circulated to them balance sheets representing Standard's properties to be worth less than \$4,000,000 when qualified engineers had appraised

* Civil No. 2552, S. D. Texas, Feb. 26, 1947.

its oil reserves alone to be worth \$16,000,000 to \$20,000,000. These appraisals had been relied upon by banks in making loans to the company, which for the most part were used in the purchases of stock from the minority holders.

The Commission charged also that Standard and Wrightsman, as a result of their program of purchasing and retiring the common stock, had controlled the market on the New York Stock Exchange and over-the-counter with the result that stockholders wishing to sell had no practical choice except to sell to the defendants at their price. The complaint alleged in addition that the defendants had devised a merger scheme for the company in a further attempt to acquire stock at depressed prices and to eliminate the minority stock ownership. The defendants filed an answer denying the allegations of the complaint but thereafter consented to the entry of a final judgment.

Two actions during the year were based on regulation X-14, which comprises the Commission's proxy rules. The first is *S. E. C. v. McQuistion*. The Commission's complaint charged that the defendant had solicited proxies of the voting security holders of Third Avenue Transit Corp. for its annual meeting without furnishing them with a proxy statement containing the information specified in the proxy rules, and had mailed proxy soliciting material prior to the expiration of 10 days following the filing of preliminary copies of the proxy statement and form of proxy. A preliminary injunction was entered before the close of the fiscal year.⁴³ The second is *S. E. C. v. Transamerica Corp.*, pending from the preceding year. In that action the Commission sought to restrain the defendants from using proxy material obtained as a result of solicitations which did not include proposals which a minority stockholder, pursuant to rule X-14A-7, desired to bring before the annual meeting. The district court sustained the right of the minority stockholder with respect to one of four proposals in question, denied a defense motion to dismiss, and enjoined the defendants from violating section 14 (a) of the act and rules X-14A-2 and X-14A-7 thereunder.⁴⁴ Cross appeals from this judgment to the Circuit Court of Appeals for the Third Circuit were pending at the end of the fiscal year.

S. E. C. v. Metropolitan Mines Corp., Ltd., was instituted just before the close of the fiscal year. The Commission charged the defendants with violating sections 13 (a), 14 (a), 16 (a) and 20 (c) of the Securities Exchange Act and section 5 (a) of the Securities Act of 1933. The complaint alleged: (1) That the defendant corporation from 1943 to 1946 had failed to file annual reports with the Spokane Stock Exchange and with the Commission as required by section 13 (a) of the Securities Exchange Act; (2) that Roy H. Kingsbury, the secretary-treasurer and managing director of the corporation, had made purchases and sales of its equity securities without reporting his changes of ownership with the exchange and the Commission as required by section 16 (a) of the act; (3) that the defendants had violated section 5 (a) of the Securities Act in selling 100,000 shares of the corporation's common stock without a registration statement being in effect with the Commission; and (4) that the defendants had solicited prox-

⁴³ Civil No. 41-47, S. D. N. Y., May 16, 1947.
⁴⁴ 67 F. Supp. 326 (Del. 1946).

ies from stockholders without filing proxy statements as required by section 14 (a) of the Securities Exchange Act.⁴⁵

Participation by the Commission in Private Actions

The private actions in which the Commission participated as amicus curiae during the fiscal year for the purpose of assisting the courts in construing the act and the Commission's rules fall into three categories: (1) A number involving sections 9 and 10 (b), two of the anti-fraud sections of the act; (2) two based on regulation X-14, which contains the Commission's proxy rules; and (3) several based on section 16 (b), which provides for private actions to recover "short-swing" profits by corporate insiders.

The first of the fraud cases is *Kardon v. National Gypsum Co.*, a private action for damages based on section 10 (b) of the act and rule X-10B-5 thereunder. All the stock of Western Board & Paper Co. had been owned in equal amounts by two individuals named Kardon and two named Slavin. While all four were officers and directors of the company, its affairs were managed by the Slavins. The Kardons claimed that they were defrauded because the Slavins induced them to sell their stock to the Slavins without the latter disclosing their negotiations (1) for the sale of certain assets of Western to the defendant National Gypsum Co. and (2) for the execution of certain contracts between the Slavins and National Gypsum Co. The defendants filed a motion to dismiss which, among other things, raised the following two questions: (1) Whether an individual right of action exists for damages resulting from a violation of section 10 (b) and rule X-10B-5; (2) whether section 10 (b) of the act was intended to apply to the securities of a closely held corporation.

The Commission filed a brief as amicus curiae on these two points. On the first it argued that an individual may maintain such an action either (a) by application of the general common law rule that members of a class for whose protection a statutory duty is created may sue for injuries resulting from its breach and that the common law will supply a remedy if the statute gives none, or (b) under section 29 (b) of the act, which provides that contracts in violation of any provision of the act shall be void. On the second point, the Commission argued that, while the primary concern of Congress was undoubtedly with corporations having widely distributed securities, the statute was intended to apply also to the securities of closely held corporations. The court denied the defense motion to dismiss, relying on the position taken by the Commission on both points.⁴⁶

The *Kardon* decision was followed in *Slavin v. Germantown Fire Insurance Co.*,⁴⁷ in *Fifty Third Union Trust Co. v. Block*,⁴⁸ and in *Fry v. Schumaker*.⁴⁹ The Commission participated as amicus curiae in all these cases.

Another fraud case is *Speed v. Transamerica Corp.*, which was still pending at the close of the year.⁵⁰ There the Commission appeared before the district court to urge that, when a corporate "insider" (in

⁴⁵ Subsequent to the close of the fiscal year a consent decree of mandatory injunction on all counts of the Commission's complaint was entered. Civil No. 664, E. D. Wash., July 18, 1947.

⁴⁶ 69 F. Supp. 512 (E. D. Pa. 1946).

⁴⁷ Civil No. 6564, E. D. Pa., Dec. 5, 1946.

⁴⁸ Civil No. 1507, S. D. Ohio, Dec. 11, 1946.

⁴⁹ Civil No. 6418, E. D. Pa., Jan. 10, 1947.

⁵⁰ 71 F. Supp. 457 (D. Del. 1947).

this case the controlling stockholder) buys stock from minority holders without disclosing to them material facts coming to his attention by virtue of his position, there is a violation of section 10 (b) of the act and rule X-10B-5. A second point in the Commission's brief in the *Speed* case was based on the principle established a few months before in the *Kardon* case—that a private person may maintain an action on his own behalf for damages claimed to arise from a violation of section 10 (b) and rule X-10B-5. A defense motion for summary judgment was sustained on one count, but was dismissed on the counts as to which the Commission participated.

The final two fraud actions in which the Commission participated as amicus curiae were *Acker v. David A. Schulte* and *Schmolka v. David A. Schulte*. These were separate actions by individual stockholders of Park & Tilford, Inc. against the company, its former president, and various other individuals for damages resulting from the alleged manipulation of the stock of the company on the New York Stock Exchange in violation of sections 9 and 10 (b) of the Securities Exchange Act of 1934. Section 9 (e), which creates a civil right of action for persons who suffer damages as a result of a violation of the anti-manipulation provisions of section 9, provides that the court, in its discretion, may require an undertaking for the payment of costs from either party. The defendants filed motions demanding security for costs on the ground that the suits had not been brought in good faith. The Commission filed a brief in opposition to these motions, arguing that section 9 (e) was designed to afford public investors a more effective remedy for recovering damages than existed at common law and that, in order to preclude the statutory provision from operating as a barrier to suits under section 9 (e), the party seeking security for costs should be required to show by clear evidence that the suit had been brought in bad faith. The court, following this theory, denied the defense motions. In view of this ruling, the court found it unnecessary to consider whether security could be ordered under section 9 (e) where the action is brought also under section 10, which does not contain a provision authorizing the requiring of security for costs.⁵¹

The first of the proxy cases in which the Commission intervened as amicus curiae during the year was *Doyle v. Milton*. This was an action by a stockholder of the Equity Corp., a registered investment company, designed primarily to restrain the use of proxy soliciting material alleged to be false and misleading and therefore in violation of rule X-14A-5. The question presented was whether a proxy statement is false or misleading if it fails to state all possible alternatives to a course of action for which the management seeks approval. Upon the request of the court the Commission filed a memorandum taking a position in the negative. This position was sustained.⁵²

The second proxy case was *Tate v. Sonotone*, also based on allegedly false and misleading proxy material. The Commission was requested by the district court for advice on whether the court had jurisdiction to entertain a suit by a private party under section 14 (a), upon which the proxy rules are based. A member of the Commission's staff appeared and orally advised the court in the affirmative. The court so held.⁵³

⁵¹ — F. Supp. — (S. D. N. Y., May 26, 1947):

⁵² 73 F. Supp. 281 (S. D. N. Y. 1947).

⁵³ Civil No. 41-39, S. D. N. Y. April 15, 1946.

Under section 16 (b) of the act, if a corporation has an equity security registered on a national securities exchange, any profit realized by its officers, directors or principal stockholders on purchases and sales of any of the corporation's equity securities within any 6-month period may be recovered by the corporation or by any security holder in its behalf. Two of these private section 16 (b) actions in which the Commission participated as *amicus curiae* were *Kogan v. David A. Schulte*,⁵⁴ and *Park & Tilford, Inc. v. Arthur D. Schulte*,⁵⁵ both of which arose from the same series of transactions as formed the basis of *Acker v. David A. Schulte* and *Schnolka v. David A. Schulte*, the fraud actions discussed above. In the preceding fiscal year the district court had held that the conversion of preferred stock into common by a controlling stockholder within 6 months prior to a sale of common by him was a purchase of the common within the meaning of section 16 (b).

This holding was affirmed by the Circuit Court of Appeals in the *Park & Tilford* case during the current year.⁵⁶ The circuit court's ruling also (1) reversed the district court holding denying Kogan, a minority stockholder, the right to intervene in the *Park & Tilford* case, and (2) increased the measure of recovery awarded by the district court. On the intervention question, the circuit court held that the defendants and their father were so dominant in the affairs of the plaintiff corporation that it was proper to permit Kogan's intervention in order to assure adequate representation of the interests of the minority stockholders. On the question of damages, the amount recoverable by the corporation under the statute is the proceeds of the sale of the stock minus the purchase price. The district court computed this to be \$302,145. This figure was arrived at by taking the market value of the common into which the preferred had been converted as the "purchase" price, and deducting that gross figure from the proceeds of the sale. The circuit court recomputed the recoverable profit to be \$418,128 on the ground that the "purchase" price was not the market value of the common acquired on conversion, but rather the lower market value of the preferred on the conversion date. A petition for rehearing based solely on the increase in the amount of the judgment was denied, one judge dissenting.⁵⁷

Another section 16 (b) action in which the Commission had filed a brief as *amicus curiae* during the preceding fiscal year was *Gratz v. Claughton*, in which the defendant contested the venue of the action. The Commission expressed the view 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 to accomplish the legislative purpose. Otherwise, the Commission argued, a stockholder might be faced with the burden of bringing his suit in a court distant from the place where the significant acts occurred. In line with this construction the Commission took the position that it was proper to lay the venue in the place where the transactions occurred. This position was sustained by the court.⁵⁸

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

⁵⁵ 160 F. (2d) 989 (C.C.A. 2, 1947).

⁵⁶ 160 F. (2d) 984 (C. C. A. 2, 1947).

⁵⁷ 160 F. (2d) 989 (C. C. A. 2, 1947). A petition for a writ of *certiorari* was filed by the defendants after the close of the fiscal year.

⁵⁸ — F. Supp. — (S. D. N. Y. Apr. 2, 1947).

A similar ruling was made in *Grossman v. Young*, in which the Commission also participated.⁵⁹ Two additional issues, however, were involved in the *Grossman* case. The first related to the 2-year limitation on actions provided in section 16 (b). The defendant had been delinquent in filing the reports of changes in ownership of stock required by section 16 (a), and the Commission took the position that the time during which he had failed to make these disclosures required by the statute should not be included in the 2-year period. The second point was the construction of the provision of section 16 (b) which gives a security holder the right to bring a suit for the recovery of "short-swing" profits on behalf of his corporation only if the corporation itself fails to bring the suit within 60 days after request. The Commission argued that, where the right of action might be jeopardized by waiting the full 60-day period or where the corporation has indicated that it does not intend to institute the action, there is no need for an individual security holder to wait until the expiration of the full 60-day period before instituting the action on behalf of the corporation.⁶⁰

In *Berkey & Gay Furniture Co. v. Wigmore*⁶¹ the Commission participated as amicus curiae on the question of the right of an individual stockholder to intervene in a section 16 (b) action where the corporation itself has already instituted suit. The case was still pending at the end of the fiscal year.

There were in addition several section 16 (b) actions over which the Commission maintained close observation during the course of the year, as is its practice, but in which no active participation was necessary since no question of statutory construction arose.⁶²

⁵⁹ 70 F. Supp. 970 (S. D. N. Y. 1947).

⁶⁰ The Commission's construction on both issues was followed by the court in an opinion shortly after the close of the year which overruled a defense motion to dismiss. ____ F. Supp. ____ (S. D. N. Y., July 3, 1947).

⁶¹ Civil No. 40-147, S. D. N. Y.

⁶² *Dottenheim v. Emerson Electric Manufacturing Co.*, ____ F. Supp. ____ (E. D. N. Y., Jan. 29, 1947); *Twentieth Century-Fox Film Corp. v. Jenkins*, ____ F. Supp. ____ (S. D. N. Y., Feb. 19, 1947); *Pottish v. Divak, et al.*, 71 F. Supp. 737 (S. D. N. Y. 1947).

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 eliminate holding companies serving no useful purpose 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 intrasystem transactions (sec. 12); control of services, sales, and construction contracts (sec. 13); and the control of accounting practices (sec. 15).

Following the pattern of recent years, activity under the Holding Company Act has centered largely around plans for integration and reorganization filed under section 11 and the issuance of securities under sections 6 and 7.

INTEGRATION AND CORPORATE SIMPLIFICATION UNDER SECTION 11

Litigation Arising Under the Act

In November 1946 the Supreme Court upheld the constitutionality of section 11 (b) (2) in proceedings involving Commission orders requiring the dissolution of American Power & Light Co. and Electric Power & Light Co.¹ This section requires registered holding companies and their subsidiaries to eliminate unnecessary corporate complexities and any unfair or inequitable distribution of voting power among their security holders. The court held that section 11 (b) (2) was a reasonable exercise of congressional power under the commerce clause of the Constitution; that it did not embody an unconstitutional

¹ 329 U. S. 90.

delegation of legislative authority; that the due process clause of the fifth amendment was not violated; and that the Commission's findings were amply supported by the record. In March 1946 the Supreme Court had sustained the constitutionality of section 11 (b) (1) of the act.²

A list of all instances in which the Commission appeared in the Federal courts during the fiscal year in connection with proceedings under the Holding Company Act, either as a party or as amicus curiae, and the status of these cases at the end of the year is set forth in the appendix.

In the following cases, decided by the courts during the fiscal year, the courts discussed various aspects of the administration of the Holding Company Act.

*American Power & Light Company v. S. E. C.*³—American Power & Light Co. petitioned for review of an order of the Commission requiring Florida Power & Light Co., a subsidiary of American, to amortize certain items classified as plant acquisition adjustments (account 100.5) aggregating approximately \$10,500,000, and to classify as plant adjustments (account 107) and charge to earned surplus approximately \$1,800,000. As more fully set out in the section dealing with regulation of utility accounts, the court upheld the power of the Commission to regulate the accounting practices of an intrastate public utility subsidiary of a registered holding company, and held that the Commission's order was amply supported by its findings and by the facts in the record.

*In re Blatchley, Blatchley v. S. E. C., and Goldfine v. S. E. C.*⁴—The Commission approved a plan of New England Public Service Co. under section 11 (e) of the act under which the company proposed to sell certain nonutility assets, and filed an application for enforcement in the District Court of the United States for the District of Maine. In the district court proceedings all security holder representatives urged approval of the plan. Enforcement was opposed by one Goldfine who desired to bid for the properties to be sold. The district court entered an enforcement order and thereafter Goldfine and one Blatchley, a preferred stockholder who had not appeared in the Commission or district court proceedings, filed in the Circuit Court of Appeals for the First Circuit petitions for review of the Commission's order under section 24 (a) of the act, appealed from the district court enforcement order, and filed certain other petitions and motions in the district court and in the Circuit Court of Appeals. The Circuit Court of Appeals dismissed the petitions to review the Commission's order for lack of jurisdiction, in view of the enforcement proceedings in the district court. The appeals from the district court enforcement order were dismissed upon the ground that Goldfine, not a stockholder but a prospective bidder, and Blatchley, a stockholder who did not appear below, had no standing to appeal from such orders.

*S. E. C. v. Chenery Corporation.*⁵—In connection with the reorganization of Federal Water & Gas Corp., the Commission had required that Chenery Corp., and certain individual defendants, who had acquired securities of Federal during the reorganization proceedings,

² *North American Company v. S. E. C.*, 327 U. S. 686.

³ 158 F. (2d) 771 (C. C. A. 1, Dec. 1946), certiorari denied 331 U. S. 827.

⁴ 157 F. (2d) 894, 898, 899, 900, 901 (C. C. A. 1, 1946), rehearing denied, Dec. 18, 1946.

⁵ 67 S. Ct. 1575.

be limited, in substance, to the cost of such securities. In *S. E. C. v. Chenery Corporation*, 318 U. S. 80, the Supreme Court had held that the Commission's order could not be sustained on the judicial grounds stated in its findings and opinion, and had directed that the case be remanded to the Commission for further proceedings. On remand, the Commission reexamined the problem in the light of the Supreme Court opinion and reached the same result. The Commission's decision was reversed by the United States Court of Appeals for the District of Columbia. In June 1947 the Supreme Court reversed the Court of Appeals and upheld the decision of the Commission. The Supreme Court held that the Commission, which had not previously been confronted with the problem of management trading during reorganization, had the power to deal with the problem on a case-to-case basis. The court found that the Commission had made a thorough examination of the problem, utilizing statutory standards and its own accumulated experience with reorganization matters; that it had considered properly the subtle factors involved in the marketing of utility company securities, and the dangers of abuse of corporate position, influence and access to information involved in the management purchases; and that the Commission's action had been based upon substantial evidence and was consistent with the authority granted by Congress. Mr. Justice Frankfurter and Mr. Justice Jackson dissented in an opinion announced in October 1947.

In re Community Gas and Power Company and *American Gas and Power Company*.⁶—By orders issued in February 1946 and in January 1947, the Commission approved a plan which provided, among other things, for the reorganization of American Gas & Power Co. and for the allocation, to the holders of its secured debentures, common stock and warrants to purchase common stock, of shares of a new common stock to be issued under the plan. Certain representatives of debenture holders objected to court enforcement of the plan primarily upon the ground that the Commission had no power to approve a plan for the satisfaction of secured debentures in common stock. Following *In re Standard Gas and Electric Company*,⁷ the district court held that a plan for distribution in kind to secured debenture holders may be approved by the Commission, and that in the particular case it was an appropriate and fair method for effecting compliance with the act. Appeals from this decision were taken to the Circuit Court of Appeals for the Third Circuit and are pending there. Consummation of the plan was stayed by the Circuit Court of Appeals pending determination of the appeals.

In re Electric Bond and Share Company.⁸—In September 1946 the Commission issued an order under section 11 (e) of the act approving a plan (plan II-A) for the retirement of the preferred stock of Electric Bond & Share Co., and an order under section 11 (b) (2) of the act requiring Bond & Share to eliminate preferred stock from its capital structure. Enforcement proceedings in the United States District Court for the Southern District of New York, which had been instituted in connection with a prior plan for partial payment of the preferred stock, were reopened on the Commission's supplemental ap-

⁶ 71 F. Supp. 171 (Del. 1947).

⁷ 151 F. (2d) 326 (C. C. A. 3, 1945), certiorari denied 327 U. S. 796.

⁸ Unreported (D. C. S. D. N. Y., Dec. 1946), affirmed *Okin v. S. E. C.*, 161 F. (2d) 978 (C. C. A. 2, 1947).

plication. Objections to enforcement of plan II-A by common and preferred stockholders of Bond & Share were overruled by the district court. The exclusion of a common stockholder from personal participation in the Commission hearing was held to be supported by the record showing obstructive conduct; since he had the right to be represented by counsel, to submit his own views in writing and to attend the proceedings as a spectator so long as he behaved himself, the court held that he had been accorded his full constitutional and statutory rights to a fair hearing. The court further held that in a section 11 (e) enforcement proceeding, the district court acts as a reviewing authority and may not add to the record made before the Commission on the question whether the plan is fair and equitable and appropriate. Absent a specific offer of proof, together with a showing that the new evidence proffered is material to the issue, that reasonable grounds exist for failure to adduce it at the Commission hearing, and that its consideration by the Commission would be advisable, there is no basis for referring the matter to the Commission for further consideration. The court after considering all objections held that the plan was fair and equitable and appropriate to effectuate the provisions of section 11 in providing for the retirement of the preferred stock, with immediate payment to preferred stockholders of their liquidation preference and issuance to them of certificates evidencing a contingent right to receive additional amounts, and for the sale by Bond & Share of certain portfolio securities, with rights offerings to common stockholders, in order to raise cash required for such payments.

Appeals taken and petitions for review of the Commission orders filed by the common stockholder were dismissed by the Circuit Court of Appeals as being without merit.

In re Engineers Public Service Company.^a—The Commission had approved a plan for the liquidation of Engineers Public Service Co., which provided among other things for payment in cash to preferred stockholders of amounts equal to the call price of their shares. Certain holders of common stock of Engineers opposed court enforcement of this aspect of the plan. The district court held that the plan was unfair in providing for payment to the preferred stockholders of more than their involuntary liquidation preference. The district court made its own independent examination of the preferred stock, with particular emphasis on its issue price and market history. Accepting the Commission's conclusions that the present investment value of the preferred stock was at least equal to the call price, the court held that this was not a controlling factor, but that participation should be accorded to the various security holders in accordance with a standard of "colloquial equity."

Except in this respect the dissolution plan was approved, and pursuant to the court order Engineers has paid to its preferred stock-

^a 71 F. Supp. 797 (Del. 1947).

holders amounts equal to the involuntary liquidation preference of their shares and has set aside in escrow additional amounts to cover the maximum payable in the event that the district court's decision is reversed. Appeals were taken to the Circuit Court of Appeals for the Third Circuit by the Commission and by certain preferred stockholders, and are now pending.

*Ladd v. Brickley.*¹⁰—In March 1946 the Commission approved a plan proposed by Brickley, trustee for International Hydroelectric System appointed pursuant to section 11 (d) of the Holding Company Act, for the settlement of claims of International Hydro against International Paper Co. The settlement was approved in June 1946 by the United States District Court for the District of Massachusetts. Certain junior security holders of International Hydro appealed on the ground that the settlement was inadequate. The Circuit Court of Appeals noted that the settlement had been approved by the Commission, by the district judge, and by the majority of those interested in the company. The court's opinion reviewed the claims asserted by International Hydro against International Paper, the defenses to those claims, and the investigation of them by the Commission and the trustee. The court held that the district judge was not required to estimate separately the probable success of each claim and defense, and that findings of ultimate fact that the compromise is for the best interests of the estate, that the consideration payable thereunder was fair, reasonable and adequate, and that adequate notice and opportunity to be heard had been given to all persons interested, were adequate to support the district court's order.

*Lahti v. New England Power Association.*¹¹—Pursuant to section 11 (e) the Commission approved, and the United States District Court for the District of Massachusetts approved and enforced, a plan for the reorganization of New England Power Association and its five subholding companies. A number of security holders of the companies affected challenged on appeal the fairness and equity of the allocations proposed in the plan. The Circuit Court of Appeals held that the findings of fairness by the Commission and the district court could not be upset by the Circuit Court of Appeals unless they were shown to be without rational basis in fact or to be predicated on a clear-cut error of law. In determining the equitable equivalent of the rights surrendered, the court stated that consideration must be given to the entire set of rights and limitations of the security to be surrendered in the business context of the issuer, apart from the impact of section 11, and that a comparison of earnings prospects is the primary factor to be considered in making the determination. The court reviewed the comparisons made and law applied by the Commission, and accepted the judgment of the Commission and the district court that the

¹⁰ 158 F. (2d) 212 (C. C. A. 1, 1946) certiorari denied 330 U. S. 819.
¹¹ 160 F. (2d) 845 (C. C. A. 1, 1947).

plan accorded fair and equitable treatment to holders of the securities represented by objectants.

*In re United Gas Corporation.*¹²—In November 1944 the United States District Court for the District of Delaware had approved and enforced a plan for the reorganization of United Gas Corp., a public utility subsidiary of Electric Bond & Share Co. and Electric Power & Light Corp.¹³ A minority common stockholder of Bond & Share appealed from the injunctive provisions of the district court's enforcement order, enjoining any action interfering with the plan, including the prosecution of proceedings in other tribunals. The Circuit Court of Appeals held that the injunction met the requirements of the Holding Company Act and of the judicial code, and was appropriate to avoid a multiplicity of law suits and to permit the prompt, unimpeded execution of the plan of reorganization, objectives plainly within the purview of the relevant statutes.

Divestments Under Section 11

During the year holding companies divested themselves of 31 subsidiaries with assets of \$1,978,000,000. This brings the total of such divestments since December 1, 1935, to \$8,051,000,000. Of this amount, \$5,450,000,000 is no longer subject to the act.

The tables below summarize divestments of electric, gas, and non-utility companies by registered public utility holding companies for the 1947 fiscal year and for the period December 1, 1935, to June 30, 1947:

July 1, 1946, to June 30, 1947

	Number of companies				Assets of companies divested (\$000,000 omitted)			
	Electric	Gas	Non-utility	Total	Electric	Gas	Non-utility	Total
Divested by exchange or distribution of securities to security holders:								
No longer subject to Holding Company Act.....	2	2	1	5	\$172	\$16	\$27	\$215
Still subject to Holding Company Act ¹	3			3	354			354
Divested by sale of property or securities: ²								
No longer subject to Holding Company Act ³	4	4	5	18	4620	15	20	655
Still subject to Holding Company Act ⁴	5			5	754			754
Total divested.....	19	6	6	31	1,900	31	47	1,978
Partial sales of property not included in above totals:								
Assets sold no longer subject to the act.....	3	3	4	10	\$2	\$1	\$3	\$6
Assets sold still subject to the act.....	3	3	4	10	2	1	3	6

See footnotes at end of table.

¹² 162 F. 2d 409 (C. C. A. 3, 1947).

¹³ 58 F. Supp. 501.

December 1, 1935, to June 30, 1947

	Number of companies				Assets of companies divested (\$000,000 omitted)			
	Electric	Gas	Non-utility	Total	Electric	Gas	Non-utility	Total
Divested by exchange or distribution of securities to security holders:								
No longer subject to Holding Company Act.....	14	10	3	27	\$1,336	\$434	\$31	\$1,801
Still subject to Holding Company Act.....	11	—	—	11	1,580	—	—	1,580
Divested by sale of property or securities: ¹								
No longer subject to Holding Company Act ²	131	90	118	339	2,894	365	390	3,649
Still subject to Holding Company Act ³	37	13	3	53	976	25	20	1,021
Total divested.....	193	113	124	430	6,786	824	441	8,051
	Number of companies making such sales				Sale price (\$000,000 omitted)			
Partial sales of property not included in above totals:								
Assets sold no longer subject to the act.....	54	16	30	100	\$80	\$8	\$30	\$118
Assets sold still subject to the act.....	11	5	1	17	11	4	1	16
Totals.....	65	21	31	117	91	12	31	134

¹ By reason of their relationship to other registered holding companies.² Includes all cases where total divestment was effected by sales of entire property to one or more than one buyer.³ 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.⁴ Reflects divestment of Pennsylvania Power & Light Co. by Electric Bond & Share Co. The divestment of Pennsylvania Power & Light Co. by National Power & Light Co. is not included in the above summary table figures.

Northern Natural Gas Co., which was a subsidiary in three different company systems and itself a registered holding company having consolidated assets of \$63,178,222, was not included in the above summary; Lone Star Gas Corp. distributed its common stock investment therein to its own stockholders and United Light & Power Co. sold its holdings for \$10,533,612.

With less favorable market conditions prevailing during most of the past year than in 1946, divestments were carried out less frequently by sales in the open market and greater reliance was placed upon distribution plans. Outright distributions or warrant offerings of portfolio common stocks were made in the following instances:

A—Outright distributions:

Allied Gas Co. by Great Lakes Utilities Co.

Birmingham Electric Co. by National Power & Light Co.

Carolina Power & Light Co. by National Power & Light Co.

Central and South West Corp. by Middle West Corp.

Northern Indiana Public Service Co. by Midland Realization Co.

Pennsylvania Power & Light Co. by National Power & Light Co.

South Carolina Electric & Gas Co. by General Public Utilities Corp.

B—Purchase warrants issued to common stockholders of parent:

American Gas & Electric Co. by Electric Bond & Share Co.

Cincinnati Gas & Electric Co. by Columbia Gas & Electric Corp.

Cleveland Electric Illuminating Co. by The North American Co.

Gulf States Utilities Co. by Engineers Public Service Co.

Pennsylvania Power & Light Co. by Electric Bond & Share Co.

The common stocks of five small utility subsidiaries were sold to the public through underwriters. Two additional divestments were brought about by reorganization which removed the subsidiary from the control of the parent. The remaining divestments were carried out by private sales to individuals, public bodies or other utility companies.

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 com- pa- nies sub- ject to act during per- iod	Eliminations			Other dis- posals ¹	Total	Com- pa- nies sub- ject to act as of June 30, 1947
		Absorbed by merger or consol- idation	Sales, dis- solu- tions and other divest- ments	Exempt- ed by rule or order			
Holding companies.....	207	23	56	30	9	118	89
Electric and/or gas companies.....	903	126	335	59	47	567	336
Nonutilities plus utilities other than electric and/or gas companies.....	1,007	96	360	58	84	598	409
Total companies.....	2,117	245	751	147	140	1,283	834

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

Notable progress in meeting the requirements of section 11 has been made by holding company systems, both large and small, during the past year. A brief summary of the year's activity under section 11 with respect to a number of major holding-company systems follows. Earlier developments in the section 11 proceedings concerning these and other systems have been outlined in the Twelfth Annual Report and in the reports for earlier years.

STATUS OF INTEGRATION PROGRAMS—MAJOR SYSTEMS

American Water Works & Electric Co., Inc.

Findings and opinions were issued by the Commission on December 23, 1946 and February 17, 1947 with respect to two plans filed under section 11 (e) by American Water Works & Electric Co., Inc. (American) and certain of its subsidiaries.¹⁴ An order was issued on March 19, 1947 by the district court finding these plans fair and equitable and appropriate to effectuate the provisions of section 11 (b) of the act.

¹⁴ Holding Company Act releases Nos. 7091 and 7208.

Plan I is concerned primarily with the creation of a new water works holding company to be known as American Water Works Co., Inc. Two subholding companies, Community Water Service Co. and Ohio Cities Water Corp., will be dissolved and the new holding company will then own directly or indirectly substantially all of the water works properties in the American system. Ten-year serial debentures of the new company in the amount of \$15,000,000 are to be sold to John Hancock Mutual Life Insurance Co. and approximately 2,500,000 shares of common stock are to be sold at competitive bidding.¹⁵

Plan II, which is to be undertaken after the consummation of plan I, proposes the liquidation of American. Thus, after segregation of the water companies in a new system, the remaining subsidiaries will be controlled by the West Penn Electric Co., now a subholding company in the American system. Under plan II American will pay off in cash its bank loan notes and preferred stock and will distribute its residual assets to its common stockholders. The question as to whether the preferred stock shall be retired at its liquidation price of \$100 per share or at some greater amount has not been determined. The plan provides that certificates of contingent interest in any such additional payment shall be distributed to preferred stockholders if final determination of this question has not been made at the time plan II becomes effective.

Community and Ohio Cities have outstanding preferred stocks with substantial dividend arrearages, and the Commission has determined that the equitable equivalent of such shares is \$180 per share and \$159 per share respectively, plus, in each case, an allowance for accrued dividends from October 31, 1945 to the effective date of the plan. Holders of these preferred stocks are to be given the option of receiving the amounts due them in cash or in new common stock of American Water Works Co., Inc., on the basis of the initial public offering price.

Cities Service Co.

In November 1946 Cities Service Co. (Cities) filed a plan for the simplification of its corporate structure pursuant to section 11 (e). Extended hearings and conferences were held and during the course of the proceedings Cities amended its plan to meet objections and proposals for modification. On April 24, 1947, the Commission approved the amended plan¹⁶ and on May 27, 1947, the district court issued an order enforcing it. The amended plan has since been consummated.

Briefly, the plan provided for the issuance by Cities of new debentures to the holders of its outstanding preferred and preference stocks in a principal amount equivalent to their respective redemption prices and in discharge of all the rights and claims of such security holders, including their claim for dividend arrears. The plan also provided for the immediate retirement of approximately 40 percent of outstanding long-term debt and contemplated the applications of anticipated proceeds from the sale of certain subsidiary utility companies to the retirement of the remaining outstanding long-term debt and to the reduction of the outstanding amount of new debentures.

¹⁵ The sale of these shares was carried out after the close of the fiscal year.
¹⁶ Holding Company Act release No. 7368 (1947).

Pursuant to section 11 (b) (1) orders of the Commission, Cities has made further progress in the divestment of its direct and indirect interest in nonretainable utility companies. On August 29, 1946, the Commission approved the liquidation and dissolution of Cities Service Power & Light Co., a holding company subsidiary of Cities, and the transfer of its 5 remaining subsidiaries to Cities. These subsidiaries are expected to be divested promptly in accordance with the plan of corporate simplification noted above. Since the original order of divestment was issued in May 1944, Cities has disposed of 5 direct and 40 indirect subsidiaries and has been engaged in a program of refinancing certain subsidiaries preparatory to divestment. Elimination of other subsidiaries is planned through a series of mergers and consolidations.

Federal Light & Traction Co. (Federal), formerly a subsidiary holding company of Cities Service Power & Light Co. and now a direct subsidiary of Cities, has filed a section 11 (e) plan proposing its liquidation and dissolution. Under the plan of liquidation presently pending before the Commission, Federal proposes, among other things (1) the immediate cash payment to preferred stockholders of their liquidating preferences (\$100 per share plus accrued unpaid dividends), (2) the deposit in escrow of the call premium of \$10 per share pending determination of the additional amounts, if any, to which the preferred stockholders are entitled, and (3) the pro rata distribution to common stockholders of its investment in its two remaining subsidiaries plus \$11 per share in cash.

In addition to the pending divestments referred to above, the disposition of three direct subsidiaries and an indirectly owned gas distribution system of Cities is required in order to comply fully with Commission orders. However, Cities has indicated that it intends to apply for an exemption order permitting the company to retain its interest in these remaining companies.

The Commonwealth & Southern Corp.

During the year under review Commonwealth & Southern carried out a number of transactions in furtherance of a general program for compliance with section 11 (b) (1) and 11 (b) (2) of the act. This general program was set forth in a plan dated March 25, 1946 submitted by Commonwealth.¹⁷ That plan, in brief, had as its objectives: (a) That the northern operating subsidiaries become independent operating companies whose common stocks would be held by the public; (b) that the common stocks of the southern operating subsidiaries be transferred to a new holding company, the Southern Co., which would thereafter continue to own and hold such securities; and (c) that Commonwealth thereafter liquidate and dissolve by making distributions of its assets to holders of its preferred stock and common stock. Although this plan has been superseded by a new plan filed July 30, 1947, the general objectives of Commonwealth are substantially unchanged.

While the plan filed in March 1946 set forth the pattern proposed by Commonwealth for compliance with section 11, the company stated that it proposed to carry out the various transactions incidental thereto by filing separate plans or applications. Among the transactions

¹⁷ Holding Company Act release No. 5825 (1945).

were the issuance and sale at competitive bidding of additional common stock by Ohio Edison Co. in June 1946 and by Consumers Power Co. in November 1946, primarily to provide funds for construction and also to establish public markets in these common stocks to facilitate the over-all plan. Another incidental step was the repurchase and retirement by Commonwealth of 40,753 shares of its preferred stock during the period October to December 1946 through use of approximately \$5,000,000 of treasury funds.

Another plan filed by Commonwealth as part of its over-all program provided for the transfer of its interests in Alabama Power Co., Georgia Power Co., Gulf Power Co., Mississippi Power Co., and a nonutility subsidiary, Savannah River Electric Co., to the Southern Co. In connection with this plan Commonwealth and the Southern Co., agreed, subject to the Commission's approval of the plan and its finding that the electric properties of the four southern operating companies constitute a single integrated public utility system retainable under common control: (a) That Commonwealth will dispose of its direct or indirect interests in all subsidiaries other than the four operating companies and Savannah River Electric Co. to be transferred to the Southern Co.; (b) that Commonwealth and the Southern Co. will cause the disposition of their direct or indirect interests in the gas and transportation properties of Alabama Power, Georgia Power, and Gulf Power; and (c) that Commonwealth will dispose of any remaining interest in Southern as soon as possible after retiring the Commonwealth preferred stock.

On August 1, 1947, the Commission approved this plan subject to certain conditions, and in its findings concluded, among other things, that the electric properties of Alabama Power, Georgia Power, Gulf Power, and Mississippi Power constitute a single integrated public utility system retainable under common control.¹⁸

Still another section 11 plan was filed by Commonwealth which provided for a voluntary exchange of a portion of the portfolio common stocks held by Commonwealth for a maximum of 400,000 shares of its preferred stock. This plan was approved by the Commission on April 11, 1947,¹⁹ and the common stocks of Consumers Power Co., Ohio Edison Co. and Southern Indiana Gas and Electric Co. were thereupon offered in exchange for preferred stock of Commonwealth. However, Commonwealth subsequently stated that the response to this offer had not been satisfactory and that this voluntary plan had been abandoned.

On July 30, 1947 Commonwealth submitted a new plan under section 11 (e) which provides, in brief: (a) That the common stocks of two northern operating companies, Consumers Power Co. and Central Illinois Light Co., will be distributed in full discharge of all of Commonwealth's preferred stock; (b) that the preferred stock will also receive a specified cash payment on account of dividend arrearages; (c) that the common stock of the Southern Co. and Ohio Edison Co. will be distributed to holders of Commonwealth's common stock; and (d) that Commonwealth will liquidate and dissolve. Commonwealth has stated that this new plan supersedes the plan dated March 25, 1946, earlier mentioned.

¹⁸ Holding Company Act release No. 7615 (1947).

¹⁹ Holding Company Act release No. 7347 (1947).

Electric Bond & Share Co.

When the parent of this system, Electric Bond & Share Co. (Bond & Share), registered under the act in 1938, it controlled 121 domestic subsidiaries including 5 major subholding companies: American Power & Light Co. (American); American & Foreign Power Co., Inc. (Foreign Power); American Gas & Electric Co. (American Gas); Electric Power & Light Corp. (Electric); and National Power & Light Co. (National). Of these, the American Gas system ceased to be a subsidiary of Bond & Share during the past year, and National disposed of substantially all of its interests in electric and gas utility companies. By June 30, 1947 Bond & Share had divested itself of 78 direct and indirect subsidiaries having assets of \$1,650,000,000 and had filed plans calling for the retirement of its preferred stocks and the divestment of all its remaining public utility investments in the United States²⁰ in order to become, prospectively, an investment company.

Pursuant to plans approved by the Commission and by the district court, Bond & Share has paid an aggregate of \$100 per share to the holders of its \$5 and \$6 preferred stocks and in addition delivered to each of such holders a certificate evidencing his right to receive any additional amounts which the Commission or the courts may approve or direct.²¹ Funds for these payments were derived from a bank loan and from disposition of all of its holdings of the common stock of Pennsylvania Power & Light Co. and substantially all of its holdings of American Gas common stock, principally by means of rights offered to Bond & Share's common stockholders. As a result of such disposition Bond & Share ceased to be a holding company with respect to both Pennsylvania and American Gas. In addition, the company proposes to dispose of its holdings of Carolina Power & Light Co. and Birmingham Electric Co., the proceeds from such disposition to be used to retire its bank loan. The Commission has already authorized the sale of Carolina Power & Light Co. common stock.²²

On November 25, 1946, the Supreme Court upheld the constitutionality of section 11 (b) (2) of the act²³ and affirmed the Commission's order of August 22, 1942, which directed the dissolution of American and Electric.²⁴ During the year American and its subsidiaries took the following major steps toward compliance with section 11:

On September 6, 1946, American, joined by Bond & Share, filed a plan providing for the retirement of American's \$5 and \$6 preferred stocks either through an exchange for portfolio securities or for cash.²⁵ The plan also provides for the compromise and settlement of certain claims between American and its subsidiaries and Bond & Share and certain of its subsidiaries. Under the plan American would dispose of all of its interest in Texas Utilities Co. as required by the Commission's order permitting the creation of that company.²⁶ Beginning on October 22, 1946, hearings on the plan were held from time to time and concluded as to all major issues on March 11, 1947. A common

²⁰ Holding Company Act release No. 5970 (1945).

²¹ On April 7, 1947, Bond & Share filed plan II-B, in which it proposed to make no further payments to the holders of these certificates. Hearings on this matter were in process after the close of the fiscal year.

²² Holding Company Act release No. 7383 (1947).

²³ 329 U. S. 90 (1946).

²⁴ Holding Company Act release No. 3750 (1942).

²⁵ Holding Company Act release No. 6902 (1948).

²⁶ Holding Company Act release No. 6158 (1945).

stockholders' committee opposed the company's plan and submitted a plan proposing the allocation of American's portfolio securities among the company's preferred and common stockholders. Briefs were exchanged and on May 27, 1947, the two plans were argued before the Commission.

On April 24, 1947, the Commission authorized the merger of Northwestern Electric Co. into Pacific Power & Light Co. and the retirement of the two companies' preferred stocks through a new preferred stock issue by Pacific, the survivor.²⁷ Subsequently, Pacific refunded its debt and the debt of Northwestern which has been assumed under the merger agreement.²⁸

The compromise section 11 (e) plan filed by Electric Power & Light Corp. and Bond & Share, described in the last annual report, was pending before the Commission at the end of the fiscal year.²⁹ Hearings have been completed and the plan has been briefed and argued.

American Gas has divested itself of all holdings in companies held to be unretainable under section 11 with the exception of the common stock of Atlantic City Electric Co. The Commission has approved a plan for the disposition of Atlantic City whereby American Gas will divest itself of all interest in that company by December 31, 1948.³⁰ The Commission also approved the acquisition by American Gas of the common stock of Indiana Service Corp., holding that the latter company might properly be considered a part of the Central System approved by the Commission during 1946.³¹

The plan of reorganization filed by Foreign Power under section 11 (e) of the act on October 26, 1944, in which Bond & Share joined,³² was amended by a plan of reorganization filed on May 22, 1947, in which Bond & Share also joined.³³ The proceedings were reconvened and hearings on the amended plan began on June 24, 1947. On July 16, 1947, the record in the proceedings was closed on all matters except as to certain fees and expenses, and counsel for parties and participants agreed on a program for submission of briefs and for oral argument.

Engineers Public Service Co.

This system at the time of its registration in February 1938 had included 20 subsidiaries with consolidated assets of \$370,000,000. Operations were conducted in 13 States. During the past year the Commission approved a plan for the sale and distribution of nearly all the assets of Engineers and for its dissolution. A certificate of dissolution was filed and recorded on June 30, 1947, and Engineers' only remaining asset consists of about 5 percent of the common stock of Virginia Electric & Power Co.

The plan originally filed by Engineers in this matter provided for the retirement of its preferred stocks at their voluntary liquidating price of \$100 plus accrued dividends. Funds to retire the preferred were expected to come from treasury cash, from proceeds of an offering of rights to Gulf States Utilities Co. common stock to the

²⁷ Holding Company Act release No. 7369 (1947).

²⁸ Holding Company Act release No. 7564 (1947).

²⁹ Holding Company Act release No. 6768 (1946).

³⁰ Holding Company Act release No. 7335 (1947).

³¹ Holding Company Act release No. 7054 (1946).

³² Holding Company Act release No. 5388 (1944).

³³ Holding Company Act release No. 7450 (1947).

common stockholders of Engineers, and from a bank loan of \$3,000,000. The bank loan was to be repaid over a 3-year period, and it was proposed that the common stock of Virginia Electric & Power Co. be retained by the liquidating trustees of Engineers as security for such loan. The common stock of El Paso Electric Co. (Texas) was to be distributed to Engineers' common stockholders as a part of the plan.

The Commission issued its findings and opinion regarding this plan on December 5, 1946.³⁴ Approval of the bank loan was withheld on the grounds that funds could readily be obtained from other sources which would not prolong for 3 years the control of the \$65,000,000 assets of Virginia Electric & Power Co. The Commission also found that the impact of section 11 was responsible for the dissolution of Engineers and that the charter provisions for retirement of its preferred stock thus did not apply. An examination was accordingly made of the investment value of such stock. It was found that this value was at least equal to the respective call prices of the various series of preferred stock, and Engineers' proposal to retire these shares at \$100 plus accrued dividends was denied approval.

Engineers subsequently filed an amended plan eliminating the bank loan and providing for distribution to its common stockholders of the common stock of Virginia as well as that of El Paso. The amended plan also provided for retirement of the preferred stock at the respective call prices. The plan as amended was approved by the Commission on January 8, 1947,³⁵ and an application was filed in the district court to enforce and carry out the plan. On May 15, 1947, the court disapproved that part of the plan calling for the payment of the full voluntary redemption prices, but permitted consummation of the plan by the payment of \$100 plus accrued dividends to the preferred stocks and the escrowing of an amount sufficient to cover the difference between the involuntary liquidation price and the voluntary redemption prices in the event that it should be determined, on appeal, that the preferred stockholders were entitled to the larger amounts. The amount escrowed also made provision for interest on the escrowed premiums and for fees and other expenses connected with the plan.³⁶ As indicated earlier, the Commission and others have appealed from the decree of the court, and these appeals are now pending in the Circuit Court of Appeals for the Third Circuit.

General Public Utilities Corp. (Formerly Associated Gas & Electric Corp.)

At the time the Associated Gas & Electric system registered under the act in March 1938, its consolidated assets were stated at over \$1,150,000,000. The system included 170 subsidiary companies, operating in 29 States and the Philippine Islands, as well as numerous other affiliated companies. In contrast, the present system of General Public Utilities (GPU) consists of 26 subsidiaries with consolidated assets of \$660,000,000 and operating in only 3 States and the Philippines. The Commission has not yet determined which of these remaining properties may be retained by GPU under section 11 (b) (1):

³⁴ Holding Company Act release No. 7041.

³⁵ Holding Company Act release No. 7119.

³⁶ *In re Engineers Public Service Company*, 71 F. Supp. 797 (Del.).

During the past fiscal year four former subholding companies in the system were dissolved: Associated Utilities Co., Gas & Electric Associates, General Gas & Electric Corp. and NY PA NJ Utilities Co.

A recapitalization plan pursuant to section 11 (b) (2) was consummated by New England Gas & Electric Association (NEGAS) which resolved complex claims and counterclaims between NEGAS and various companies in the Associated system. As indicated in the Twelfth Annual Report of the Commission, an amended plan was developed through discussion by all interested parties which was approved by the Commission and the appropriate district court. The plan called for the public sale of debentures and common stock, the latter at not less than \$11 per share or, at the option of GPU, whose claims were affected by such price, at not less than \$10 per share. When it developed that even the lesser amount could not be realized for the NEGAS common, an alternate plan was filed providing for the issuance of collateral trust bonds, convertible preferred stock and common stock. This alternate plan was likewise the result of discussions among all interested parties, including protective committees. In its findings and opinion the Commission indicated that the use of preferred stock could be considered appropriate only in the light of the imminent maturities of the outstanding NEGAS debentures and the fact that the earlier amended plan was no longer feasible.⁸⁷ The plan was consummated during April 1947. After the close of the fiscal year GPU sold at competitive bidding its holdings of NEGAS common which had been received under the plan.

International Hydro-Electric System

This company (IHES) is under a Commission order to liquidate and dissolve. However, litigation has been in process over claims asserted by IHES against its former parent, International Paper Co., delaying such liquidation and dissolution. A settlement of these claims was approved by the district court in December 1945 and an appeal was taken by a stockholder and a director of IHES. On November 14, 1946, the Circuit Court of Appeals for the First Circuit affirmed the decree of the district court.⁸⁸ Appellants filed a petition for a writ of *certiorari* in the Supreme Court of the United States, which was denied on February 10, 1947.⁸⁹ A petition for rehearing was filed which was denied by the Supreme Court on March 10, 1947,⁹⁰ and payment in the amount of \$10,000,000 was thereupon made in accordance with the settlement provisions.

A further step toward the dissolution of IHES was taken in the acquisition and merger by Eastern New York Power Corp. of Hudson River Power Corp. and System Properties, Inc., all subsidiaries of IHES. As a result of this merger the assets of these companies and the capital structure of the surviving company were better adapted to subsequent divestment by IHES. The plan was approved by the Commission on December 14, 1946.⁹¹

As indicated in the Twelfth Annual Report, the Commission approved a plan under section 11 (b) (2) for the simplification of the

⁸⁷ Holding Company Act release No. 7181 (1947).

⁸⁸ *Ladd v. Brickley*, 158 F. (2d) 212.

⁸⁹ 87 S. Ct. 875.

⁹⁰ 87 S. Ct. 964.

⁹¹ Holding Company Act release No. 7042.

New England Power Association (NEPA) system. The order of the district court approving this plan was affirmed on appeal⁴² and the plan was consummated in June 1947. As a result of this plan four subholding companies were merged with NEPA to form a new holding company, New England Electric System (NEES). A fifth subholding company was dissolved. The securities of NEES now consist of \$85,000,000 of funded debt and 6,695,075 shares of common stock, as compared with the 18 classes of holding company securities previously outstanding in the system.

Prior to consummation of the above plan, IHES owned 88 percent of the NEPA common stock representing 51.5 percent of the voting power. IHES interest in NEES amounts to less than 8 percent of the total voting power as a result of the redistribution provided for in the plan.

The Middle West Corporation

Pursuant to a section 11 (b) (1) order of the Commission, the Middle West Corp. (Middle West) was directed to divest itself of its interest in all companies except Central Illinois Public Service Co., Kentucky Utilities Co., and Public Service Co. of Indiana, Inc.⁴³ Hearings were held from time to time regarding the retainability by Middle West of these latter three subsidiaries and raising issues as to the continued existence of Middle West. In May 1947 the management of Middle West deemed it advisable for the benefit of the stockholders to dissolve the corporation and is presenting an appropriate resolution to its stockholders for approval. If such resolution is approved, it is Middle West's intention to distribute or sell its remaining investments and assets.

During the prior fiscal year the Commission approved and the district court ordered enforcement of a plan of merger of Central & South West Utilities Co. and its subsidiary, American Public Service Co., both subsidiaries of Middle West. The plan was consummated in February 1947 and the surviving company, Central & South West Corp. (Central), controls a group of operating companies whose electric properties have been held to be an integrated system. Divestment of certain nonutility properties remains to be carried out. Central is no longer a subsidiary of Middle West by virtue of the distribution by Middle West to its stockholders of the stock of Central received by it under the plan.

An amended plan under section 11 (e) was filed by North West Utilities Co. (North West) in February 1947 proposing to distribute to its preference stockholders the common stock of Wisconsin Power & Light Co. held by North West and to terminate the corporate existence of North West. Hearings were concluded in June 1947 and briefs were filed and oral argument heard after the close of the fiscal year.

New England Public Service Co.

On November 23, 1946, New England Public Service Co. (NEPSCO) filed an amended plan for corporate simplification by retirement of its prior lien preferred stock and a further amended plan was filed on March 10, 1947.

⁴² *Lahti v. New England Power Association*, 16 F. (2d) 845 (C. C. A. 1, 1947);
⁴³ Holding Company Act releases Nos. 4846 (1944) and 6010 (1945).

At the close of 1946, the \$7 prior lien preferred stock of NEPSCO had dividend arrears of \$71.31 per share and the \$6 prior lien stock had arrearages of \$61.12 per share. In addition, NEPSCO had \$6 and \$7 series of so-called "plain preferred" with respective arrearages of \$88.25 and \$102.95 per share. The plan in question called for the retirement of the prior lien shares by cash payments at the call price plus accrued dividends. It was also proposed that the prior lien stockholders have the option of taking common stock of Public Service Co. of New Hampshire in lieu of cash. NEPSCO was not bound by the plan to provide this option, however, if market or other conditions made disposition of the New Hampshire stock seem inadvisable.

NEPSCO had realized substantial capital gains from sale of its industrial properties, as indicated in the Twelfth Annual Report, and was entitled to the benefits under supplement R of the Internal Revenue Code only if such funds were used for certain specified purposes within a 24-month period.

One of the major objectives of the above plan was the utilization of such funds in retirement of the prior lien stock by October 30, 1947, in order that NEPSCO would not incur a capital gains tax estimated at \$3,200,000. Thus in approving the plan on June 27, 1947,⁴⁴ the Commission sought to minimize the possibilities of delay in its consummation by requiring that payment to prior lien stockholders be limited to \$100 per share plus accrued dividends and that an amount corresponding to the aggregate call premium, the payment of which was controversial, be placed in escrow.

The North American Co.

On January 6, 1947, the North American Co. (North American) submitted new plans,⁴⁵ designated as plans I, II, and III, pursuant to section 11 (e) of the act, withdrawing plans previously submitted and proposing: (a) the settlement of all system claims and counterclaims affecting Illinois Power Co. and the liquidation and dissolution of North American Light & Power Co. (Light & Power); (b) to obtain funds to pay off bank loans and to make advances to enable Light & Power to complete its liquidation; and (c) to effect the divestment by North American of its entire public utility holding company system. The portion of plan I pertaining to the settlement of the Illinois Power Co. claims has been approved by the Commission⁴⁶ and has been consummated. The remaining portion of plan I, as amended, pertaining to the dissolution of Light & Power has been approved by the Commission⁴⁷ and is presently under consideration by a court upon application for judicial enforcement.⁴⁸

During the year North American has disposed of its interests in Cleveland Electric Illuminating Co. through the issuance of purchase warrants to holders of North American common stock⁴⁹ and the sale of the residual shares on the open market. Its interest in St. Louis County Gas Co. was sold at competitive bidding⁵⁰ and North

⁴⁴ Holding Company Act release No. 7511.

⁴⁵ Holding Company Act release No. 7124 (1947).

⁴⁶ Holding Company Act release No. 7238 (1947).

⁴⁷ Holding Company Act release No. 7514 (1947).

⁴⁸ D. C. Del., Civil Action No. 1033 (1947).

⁴⁹ Holding Company Act release No. 7526 (1947).

⁵⁰ Holding Company Act release No. 7236 (1947).

American has made the first of several proposed distributions to its stockholders of the common stock of Wisconsin Electric Power Co.⁵¹

Washington Railway & Electric Co. submitted a plan pursuant to section 11 (e) of the act which, as amended, has been approved by the Commission⁵² and the District Court for the District of Columbia.⁵³ Upon consummation, the plan will result in the dissolution of Washington Railway & Electric Co. and the consolidation of its electric utility assets in Potomac Electric Power Co. Of its other assets, the common stock of Capital Transit Co. has been made the subject of a rights offering to Washington Railway's common stockholders,⁵⁴ while Great Falls Power Co. (a land company) has been acquired by Potomac Electric Power Co. and will be held temporarily subject to an order requiring its divestment.

Standard Power & Light Corp.—Standard Gas & Electric Co.

During the past year Standard Gas & Electric Co. (Standard Gas) disposed of its interests in Mountain States Power Co.⁵⁵ and California-Oregon Power Co.⁵⁶ thus reducing the area in which its system renders electric or gas service to 7 States as compared to 19 at the time of its registration in 1938.

An amended dissolution plan was filed under section 11 (e) by Louisville Gas & Electric Co. (Delaware), a subholding company, enlarging the participation of its class A stock in the distribution of its assets prior to dissolution. All of the class A stock is publicly held. The company also proposed to invest substantially all its net current assets in additional stock of its subsidiary, Louisville Gas & Electric Co. (Kentucky). Such shares plus its present holdings would then be distributed to its class A and class B stockholders. Hearings have been held, the record closed, and oral argument scheduled.

Proceedings pursuant to section 11 (b) (2) of the act were instituted with respect to Philadelphia Co., a subholding company controlling 15 direct and 40 indirect subsidiaries.⁵⁷ Such proceedings were consolidated with those under section 11 (b) (1) previously instituted against Standard Gas and its subsidiary companies. Hearings in the consolidated proceedings have been held and the record closed. Briefs and requested findings are being prepared and oral argument has been requested.

The United Corp.

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 holding company subsidiary of United. In September 1946, Public Service filed an application, pursuant to section 11 (e), for approval of a plan calling for its dissolution. The plan provides that the dividend preference stock of Public Service Electric & Gas Co. (Electric & Gas), the principal sub-

⁵¹ Holding Company Act release No. 7461 (1947).

⁵² Holding Company Act release No. 7410 (1947).

⁵³ D. C. Dist. of Col., Civil Action No. 2076-47 (1947).

⁵⁴ The North American Co. agreed to purchase any unsubscribed shares and did, in fact, acquire a total of 106,446 shares of which 12,791 shares represented the unsubscribed portion of the offering.

⁵⁵ Holding Company Act release No. 7061 (1946).

⁵⁶ Holding Company Act release No. 6707 (1946).

⁵⁷ Holding Company Act release No. 7025 (1946).

sidiary of Public Service, be exchanged for the latter's noncallable preferred stock in the hands of the public, that debentures of Electric & Gas be exchanged for the perpetual certificates of Public Service and that the common stock of Electric & Gas and of South Jersey Gas Co. (a subsidiary of Public Service) be distributed to Public Service's common stockholders. As a part of the plan, the ownership of Public Service Coordinated Transport, now a subsidiary of Public Service, will be transferred to Electric & Gas, and County Gas Co., also a subsidiary of Public Service, will be disposed of after a recapitalization has been effected.⁵⁸

During the fiscal year, the Commission permitted declarations to become effective providing for open-market purchases by United of its preferred stock in an amount not to exceed \$5,000,000. Further retirement of its preferred was provided for in two plans filed during the year. In January 1947 United proposed to offer in exchange for each share of its preference stock, to the extent of 200,000 such shares, (a) four shares of common stock of Columbia Gas & Electric Corp., a subsidiary of United, and (b) \$2 in cash. The Commission permitted the withdrawal of this application and in June 1947 United filed a new plan providing for the retirement of all of its preferred stock in exchange for a package of securities and cash, the character and amount of which were to be disclosed by further amendment. This amendment was filed in July and provided that for each share of the preference stock of United there would be exchanged (a) one share of the common stock of Public Service Electric & Gas Co. and (b) one-tenth of a share of the common stock of South Jersey Gas Co., provided the amended plan in the matter of Public Service Corp. of New Jersey and its subsidiary companies should, in the interim, have become effective; otherwise, (a) one share of the common stock of Public Service Corp. of New Jersey, (b) one share of the common stock of Columbia Gas & Electric Corp., (c) one-fourth share of the common stock of the Cincinnati Gas & Electric Co., and (d) \$6 in cash.⁵⁹

The United Light & Railways Co.

Since its registration in February 1938, this system has divested itself of 38 of its 56 subsidiary companies and has reduced its area of operation from 13 States to 7. These subsidiaries are grouped under two subholding companies, one of which, American Light & Traction Co. (American), filed a plan for its dissolution in 1945. As indicated in the Twelfth Annual Report, the Commission withheld approval of this plan on the grounds that it inadequately compensated the holders of American's 6 percent cumulative noncallable preferred stock. Re-argument has been heard on this question.

On September 20, 1946, the Commission approved an application which involved the investment by American of \$310,000 in the common stock of Michigan-Wisconsin Pipe Line Co., its subsidiary, to finance that company in securing authority from the Federal Power Commission to construct a natural gas pipe line from the Hugoton Gas fields in Oklahoma to Michigan. In approving the application,

⁵⁸ Holding Company Act releases Nos. 6883 (1946), 7336 (1947) and 7478 (1947).

⁵⁹ Holding Company Act releases Nos. 7496 and 7557 (1947).

the Commission stated that this financing should not permit any delay in the liquidation of American.⁶⁰

On June 26, 1947, Railways and American filed a plan under section 11 (e) which, in general, provides for (1) continuance, without change in its capital stock structure, of American as a registered holding company owning a gas utility system consisting of the properties of Michigan Consolidated Gas Co., Milwaukee Gas Light Co., Milwaukee Solvay Coke Co., Michigan-Wisconsin Pipe Line Co., Austin Field Pipe Line Co., and such additional properties as hereafter may be acquired by American or its subsidiaries with the approval of State and Federal regulatory bodies having jurisdiction over such acquisition; (2) the disposition by American through distribution to its stockholders and/or by sale to the public of its holdings of the common stock of the Detroit Edison Co. and Madison Gas & Electric Co.; and (3) disposition by Railways of its interests, direct or indirect, in, and its holdings of stock of, American and its subsidiaries, including Madison Gas and Detroit Edison, through distribution to Railways' common stockholders in dividends and through sale to the public.

REGULATION OF SECURITY ISSUES

Volume of Financing

The past fiscal year witnessed a continuation of the high level of activity in security issues under sections 6 (b) and 7 of the act. The Commission declared effective 191 such applications and declarations⁶¹ as against 197 during the previous year, representing a level nearly twice as high as the average for the period 1935-45. The dollar amount of securities covered by effective applications and declarations, however, declined from \$2,374,865,967 in the year ended June 30, 1946, to \$1,148,696,608 in fiscal 1947.

This decline was due largely to the shift in emphasis from refunding issues to those sold for new money purposes, the latter type of issue being ordinarily smaller than a refunding operation of the same company. While refunding issues accounted for about half of the entire volume of effective applications and declarations during this past year, their volume was only a fourth as large as that for fiscal 1946. It was to be expected that refundings would diminish in this way, partly because most companies had already refinanced and partly because of firming tendencies in money rates. Moreover, the refunding process became more expensive with the termination of excess profits taxes, as unamortized debt discount and expense, as well as call premiums on the refunded issues, had been deductible in computing such taxes.

There is shown below the break-down, by type and purpose of issue, of the securities covered by effective filings during each of the past 2 years and for the period November 1, 1935 to June 30, 1947:

⁶⁰ Holding Company Act release No. 6905 (1946).

⁶¹ At the beginning of the 1947 fiscal year, 108 applications and declarations under sections 6 and 7 were pending and 228 were filed during the year. Of these, 234 were declared effective, 4 were withdrawn, leaving 98 pending at the close of the fiscal year. Of the 234 effective declarations and applications, 191 pertained to security issuance, 35 to alteration of rights, and 8 to assumption of liability.

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

	July 1, 1946, to June 30, 1947			July 1, 1945, to June 30, 1946			Nov. 1, 1935, to June 30, 1947	
	Amount	Number of issues	Percent	Amount	Number of issues	Percent	Amount	Percent
Type of issue:								
Bonds.....	\$262,556,000	31	22.9	\$1,063,197,000	43	44.8	\$5,481,059,778	50.5
Debentures.....	302,446,950	6	26.3	36,000,000	2	1.5	618,899,750	5.7
Notes.....	223,155,000	61	19.4	428,277,000	46	18.5	1,501,030,325	13.8
Preferred stock.....	143,544,000	17	12.5	418,185,000	37	17.6	1,369,380,038	12.6
Common stock.....	216,994,658	60	18.9	419,206,967	49	17.6	1,872,883,146	17.4
Total.....	1,148,696,608	175	100.0	2,374,865,967	177	100.0	10,843,253,037	100.0
Purpose of issue:								
Refunding and re-financing.....	557,192,662	-----	48.5	2,007,929,190	-----	84.6	7,773,996,536	71.7
Reorganization.....	271,309,262	-----	23.6	216,853,555	-----	9.1	1,817,003,137	16.8
Acquisition of property or other assets.....	33,578,884	-----	2.9	148,186,016	-----	6.2	675,241,954	6.2
New financing.....	286,615,800	-----	25.0	1,897,206	-----	0.1	568,611,130	5.2
Miscellaneous.....	0	-----	-----	0	-----	-----	8,400,280	.1
Total.....	1,148,696,608	-----	100.0	2,374,865,967	-----	100.0	10,843,253,037	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 the guarantee of other issues.

New Financing

New financing has assumed greater importance over the past year than in any year since the effective date of the act. The heavy construction program now under way, which by responsible estimates will increase the generating capacity of the electric utility industry by 30 to 40 percent within the next 5 years, gives promise that new financing will increase still further in volume over this period. During the past fiscal year new financing under sections 6 (b) and 7 was made up as follows:

New financing under sections 6 (b) and 7 (fiscal year July 1, 1946 to June 30, 1947)

	Amount	Number of issues	Percent
Bonds.....	\$31,013,001	115	10.8
Debentures.....	10,477,380	13	3.7
Notes.....	-105,471,000	38	38.2
Preferred stock.....	17,303,400	17	6.0
Common stock.....	118,351,039	30	41.3
Total.....	286,615,800	93	100.0

¹ Includes issues whose proceeds were used both for new financing and refunding purposes.

As indicated by the above table, notes and common stock were the vehicles principally employed to raise new money. Of the note issues, 32 were placed with banks and insurance companies in an aggregate amount of \$88,821,000. The remaining 61 issues, amounting to \$20,650,000, represented loans from the parent company. With respect to common stock money, funds of parent companies bulked even larger.

Twenty-five issues of common stock amounting to \$88,002,566 were purchased by parent companies leaving only 5 issues totaling \$30,348,473 for sale to the public.

Although a large part of the funds needed for construction purposes has thus far been derived from parent companies and from internal sources such as depreciation reserves, it must be anticipated that an increasing proportion of these needs will have to be met by public financing. Such financing can, of course, alter materially the existing capitalization ratios of an expanding company, and the increased volume of new money issues thus places upon the Commission an enlarged responsibility for maintaining sound capital structures in companies under its jurisdiction. Particularly if the market for junior securities is dull, the combined efforts of the industry, the Commission, and other regulatory agencies will be required to keep the issuance of debt securities within prudent bounds.

PROTECTIVE PROVISIONS FOR SENIOR SECURITIES

During recent years the Commission has evolved comprehensive protective provisions relating to bonds and preferred stocks. These provisions have been written into bond indentures or corporate charters, as the case may be, with respect to issues approved under sections 6 (b) and 7 and have given new and wider protection to investors. The extensive refunding program of the last few years has accelerated the pace at which these provisions have been put into effect. However, because many operating companies are being removed, under section 11, from the jurisdiction of this Commission, much of the prospective new financing for construction purposes will not contain these provisions unless they are accorded the support of other regulatory bodies as well.

These protective provisions cannot be set down in final, definitive form, since they must retain the elasticity necessary for successful adaptation to many different companies. Moreover, these provisions and particularly the technicalities of legal phrasing in which they find expression in the indenture are subject to continuous reexamination by the Commission. In outline, however, typical provisions and some of the purposes which they are designed to serve are as follows:

Provisions Relating to Bond Issues

Issuance of additional bonds.—The issuance of additional bonds is limited to 60 percent of the cost or fair value of net bondable additions to fixed property. While the Commission endeavors to limit the amount of debt initially outstanding to 50 percent of new fixed property, the standard of 60 percent with reference to additional bonds is designed to give the issuer sufficient flexibility to meet future exigencies while at the same time requiring it to provide a reasonable proportion of junior capital in meeting its growth requirements. Issuance of additional bonds is also conditioned upon the adequacy of the earnings coverage for the entire amount of bonds to be outstanding. This coverage is computed on the basis of earnings before income taxes and a coverage of at least two times is usually required.

“Net additions” are carefully defined to exclude from gross property additions any property or cash certified or delivered to the trustee in satisfaction of any other provisions of the mortgage, such as require-

ments of the maintenance and depreciation fund or the sinking fund. Also excluded is the amount, if any, by which retirements exceed the depreciation requirement of the maintenance and depreciation fund. Property previously used as a basis for the issuance of additional bonds is likewise deducted in arriving at "net additions."

Maintenance and depreciation fund.—The purpose of creating a maintenance and depreciation fund is to assure, as certainly as possible, that the net value of the property securing the mortgage will not decrease materially. The issuer is required to set aside for this fund each year either a fixed percentage (frequently 15 percent) of gross operating revenues or a percentage of its fixed property. This amount is annually accounted for to the trustee in terms of—

- (a) Cash expended for maintenance.
- (b) The cost or fair value of property used to replace property retired from service.
- (c) The cost or fair value of property additions.
- (d) Bonds secured by the mortgage and surrendered for cancellation.
- (e) Cash deposited with the trustee.

Property used in accounting to the trustee under (b) and (c) above may not be used for any other purpose under the indenture.

Sinking funds.—The primary function of a sinking fund is to improve the ratio between debt and net property. Thus it is particularly necessary where, for one reason or another, a satisfactory ratio cannot be obtained at the time securities are issued. The Commission ordinarily requires a sinking fund of 1 percent of the largest principal amount of the issue at any time outstanding; where the initial ratio is unfavorable, this percentage is increased. If the issuer is faced with heavy serial payments on unsecured debt, the operation of the sinking fund on the bonded debt is ordinarily postponed until a date subsequent to that of the final serial maturity.

Since most utility companies are and have been under the necessity of increasing their facilities and thus in constant need of cash for such purposes, the Commission has seldom required that sinking funds be operated on a cash basis. Instead, a company may certify property additions, which may not then be used for any other purpose under the mortgage. The amount of certified property necessary to meet the sinking fund requirements is made equivalent to that necessary for the issuance of additional bonds, i. e., under the typical 60-percent provision, \$1,666.67 of property must be certified in lieu of each \$1,000 in cash or surrendered bonds.

Dividend restrictions.—Dividends on the common stock, with the frequent exception of 1 year's dividend requirements, may be paid only out of earned surplus accumulated subsequent to the date of the mortgage in order to prevent dissipation of the existing equity by excessive dividend payments. If operating expense for a given year has been charged with maintenance and depreciation in an amount less than a stipulated percentage of gross revenues or of fixed property, earned surplus is further restricted by the amount of such deficiency. In some cases the dividend restriction is based upon the company's net income available for dividends, as defined in the indenture, rather than upon earned surplus. Ordinarily, these restrictions apply only to common-stock dividends, but may be made applicable to preferred as well.

Provisions Relating to Preferred Stock Issues

Default in dividend payments.—Upon defaults aggregating 1 year's dividends, the preferred stock as a class is given the right to elect a majority of the board of directors. Since preferred dividend arrearages bear no interest and since the disadvantages they bring upon the common stockholder are not always sufficiently acute to insure maximum efforts in clearing such arrearages, the transfer of control upon default is an essential minimum protection for preferred stockholders. This provision becomes operative no later than the annual stockholders' meeting following the default and an earlier special meeting may be called in some instances. When all dividend arrearages on the preferred have been paid, control is returned to the common stockholders.

Issuance of unsecured debt.—A majority vote of the preferred stock is required as to the issuance of unsecured debt in excess of 10 percent of the aggregate secured debt, capital, and surplus of the company. This limitation is designed to protect the preferred from imposition of excessive prior ranking debt while leaving to the management reasonable latitude in temporary financing. A vote is not required, however, if the unsecured debt is to be used for the retirement of preferred stock. Neither is the preferred given a vote with reference to any issuance of secured debt, since the latter is circumscribed by indenture provisions which serve to protect the stockholder as well as the creditor.

Issuance of prior ranking preferred stock.—A two-thirds vote of the preferred stock is required before any prior ranking preferred may be authorized.

Issuance of equally ranking preferred stock.—A two-thirds vote of the preferred stock is necessary to authorize the issuance of additional preferred of equal rank unless earnings coverage and common stock equity meet certain standards after giving effect to the proposed issuance. These standards are—

1. Interest on long-term debt and dividend requirements on both the present and the new preferred must be covered at least $1\frac{1}{2}$ times.
2. Common stock and surplus must at least equal the combined involuntary liquidating value of the present and the new preferred.

Merger or consolidation.—Since the position of a preferred stockholder may be prejudiced by merger with a financially unsound company, a majority vote of the preferred stock is required to authorize a merger or consolidation.

Restriction on common stock dividends.—If common stock equity is or becomes less than 25 percent of total capitalization and surplus, a dividend restriction on the common stock automatically becomes operative. This restriction is an important protection of the preferred stockholder's equity cushion. Dividends are restricted as follows:

1. If common equity is at least 20 percent but less than 25 percent, common dividends may not exceed 75 percent of net income otherwise available for such dividends.
2. If common equity is under 20 percent, common dividends are limited to 50 percent of net income otherwise available for such dividends.
3. Except to the extent permitted in (1) and (2) above, no common dividend may be paid which would reduce common equity to less than 25 percent of total capitalization and surplus.

Amendment of the articles of incorporation.—A two-thirds vote of the preferred stock is required to change the terms and conditions of such stock, the above protective provisions being examples, in any manner substantially prejudicial to the preferred stockholder.

COMPETITIVE BIDDING

The past year has seen the first extended period in which the Commission's competitive bidding rule has been called upon to function in a falling market. It has been recognized from the outset, of course, that the competitive bidding procedure is not necessarily adapted to all securities and all market conditions, and exemption provisions were thus made an integral part of rule U-50. However, it has been necessary to grant exemptions in only a few cases even under the relatively unfavorable market conditions of the year just past.

Although the volume of offerings under rule U-50 dropped sharply from the previous year, the total of \$466,265,349 for the 12 months ended June 30, 1947 was exceeded only in the 1945 and 1946 fiscal years, when refunding operations were at their height.⁶² From the standpoint of equity securities alone, the 1947 volume was surpassed only by that of 1946.

EXEMPTIONS FROM THE PROVISIONS OF THE ACT

During the fiscal year the commission approved five applications for exemption from the provisions of the act pursuant to sections 2 and 3.⁶³ In addition, five orders were issued pursuant to section 5 (d) of the act declaring that the registrations of certain holding companies had been terminated.⁶⁴

Twenty-eight holding companies filed statements during the year claiming exemption under rule U-2 as being predominantly operating or intrastate companies. Ten banks claimed exemption pursuant to rule U-8, and 21 small holding companies claimed exemption under rule U-9.

REGULATION OF UTILITY ACCOUNTS

During the past year the Commission set up an original cost section in its Public Utilities Division. The duty of this section is to examine and review the filings which have been made pursuant to rule U-27. This rule states that companies not required by the Federal Power Commission or a State regulatory body to conform to a classification of accounts must keep accounts according to systems prescribed by this Commission. Among other things the prescribed systems of accounts require that plant, property, and equipment be set forth on an original

⁶² Securities sold under rule U-50 from May 7, 1941, its effective date, to June 30, 1947, total \$3,952,705,349, comprising 222 issues.

⁶³ Cincinnati Milling Machine Co.; The Factory Power Co., file No. 31-538; Preston-Shaffer Milling Co., file No. 31-542; Great Northern Gas Co., Ltd., file No. 31-439; American Gas & Electric Co., file No. 31-425; Industrial Electrica Mexicana, S. A., file No. 31-544.

⁶⁴ Texas Public Service Co., formerly Peoples Light & Power Co., file No. 30-88; Estate of Midland Utilities Co., successor Trustees, file No. 30-54; Eastern New York Power Corp., file No. 30-22; Northeastern Water Co., formerly Northeastern Water & Electric Corp., file No. 30-118; Arkansas-Missouri Power Corp., file No. 30-89.

cost basis. Extensive field investigations and examinations have been made of the original cost reports submitted by some of the companies subject to rule U-27. The results are nearing completion.

Long-standing orders of the Commission involving Florida Power & Light Co.⁶⁵ with respect to certain accounting requirements were affirmed on review by the circuit court.⁶⁶ Florida is a subsidiary of American Power & Light Co. and Electric Bond & Share Co. The Commission had ordered that, pending final determination under rule U-27 of the total and the disposition to be made of the amounts in utility plant acquisition adjustment account (account 100.5), Florida should begin to appropriate out of earned surplus to a contingency reserve at least \$700,000 per year, and should classify in account 107 and eliminate from the plant account by charge to earned surplus not later than December 31, 1944, an amount of \$1,815,655 consisting of capitalized intrasystem profits paid to affiliated companies as construction and engineering fees. These orders were attacked as being beyond the powers of the Commission, based on sections of the act alleged to be unconstitutional, unwarranted by the evidence, and contrary to generally accepted accounting principles. The court first disposed of the issue of constitutionality and found that the accounting provisions of sections 15 and 20 of the act were designed to prevent the evils set out in section 1 of the act and were constitutional. The reasoning and decisions of the Supreme Court in *Electric Bond and Share Company v. S. E. C.*⁶⁷ and *The North American Company v. S. E. C.*⁶⁸ were cited to support the validity of the regulatory power of the Commission. The court then proceeded to find that sections 15 and 20 of the act were sufficiently inclusive to permit the adoption by the Commission of an "original cost" system of accounts and sustained the Commission's order requiring a contingency reserve to be accumulated to offset probable write-offs upon completion of the original cost study now being conducted pursuant to rule U-27.

COOPERATION WITH STATE COMMISSIONS

It has been the long established policy of the Commission to work for effective cooperation with the State commissions in all matters where their respective jurisdictions interlock and in all additional matters where such cooperation is desirable and appropriate in the case under consideration. The Commission has found that the State commissions are equally interested in the interchange and harmonization of views on mutual problems. During the past year there have been many cases in which this cooperative approach has been helpful.

A number of State commissions have availed themselves of the provision of section 19 of the act which requires the admission "as a party (of) any interested State, State commission, State securities commission, municipality, or other political subdivision of a State" in proceedings before the Commission. One example of this type of cooperation concerned the formation of the Southern Co. to hold the southern properties of the Commonwealth & Southern Corp. Requests to intervene in these proceedings were made by the attorney general

⁶⁵ Holding Company Act releases Nos. 4719 (1943), 4824 and 4825 (1944).

⁶⁶ 158 F. (2d) 771 (C. C. A. 1, 1946), petition for rehearing denied Jan. 8, 1947, certiorari denied 67 S. Ct. 1348 (1947).

⁶⁷ 303 U. S. 419 (1938).

⁶⁸ 327 U. S. 686 (1946).

of the State of Alabama, the Public Service Commission of the State of Georgia, and the Public Service Commission of South Carolina. A representative of the Georgia commission conferred with the staff of this Commission and with representatives of the management and also testified as an expert at the hearings. The South Carolina Commission requested postponement of the hearings to enable it to consider the proposal, and subsequently conferred with the staff of this Commission and the management. As a result of these conferences the plan was changed in certain respects and has been approved by the Commission.

In the case of the reorganization of Kings County Lighting Co. the opinion of the Commission differed from that of the New York Public Service Commission. In August 1945, Kings County Lighting Co. simultaneously filed a plan of recapitalization with the Commission and with the New York commission and hearings were held thereon before each commission. On February 5, 1946, the New York commission issued an opinion in which it criticized the plan in certain respects. It recommended, among other things, that (1) the proposed capital structure be modified and that (2) all the new preferred and new common stock be issued to the existing preferred shareholders, except possibly for a nominal amount to the holders of the existing common stock.

In April 1946 the company filed an amended plan with both commissions in which the proposed capital structure was changed to conform more closely to the views of the New York commission. The amended plan provided for the issuance of all the new preferred stock and 90 percent of the new common stock to the existing preferred shareholders and the remaining 10 percent of the new common stock to the existing common shareholders. The New York commission determined that the proposed allocation to present common shareholders was excessive and that such stockholders were entitled to no more than a nominal participation upon the basis of the book values of the assets of the company. This Commission in a series of letters and conferences pointed out that, under the decisions of the United States Supreme Court which were binding upon it, primary weight in determining the fairness of the allocation must be accorded earnings rather than book asset values. This Commission, in its findings and opinion, adopted the view of the New York commission with respect to the capital structure of the company, but concluded that, on the basis of indicated earnings, the existing preferred shareholders should receive all the new preferred stock and 92½ percent of the new common stock and that the balance of the new common stock should be allocated to the existing common shareholders. This allocation was acceptable to all security holders, both preferred and common. A draft of the Commission's findings and opinion was submitted to the New York commission for comment and subsequently several conferences were held in an effort to reconcile the opposing views. The Commission subsequently issued its findings and opinion⁶⁹ and, as provided by section 11 (e) of the act, applied to the district court for enforcement of the plan. The New York commission entered its order disapproving the plan and appeared at the hearing in the district court to oppose enforcement of the Commission's order. The matter was under advisement by the court at the close of the fiscal year.

⁶⁹ Holding Company Act releases Nos. 7060 (1946) and 7122 (1947).

The Commission endeavors to obtain the view of the State commissions with respect to any transactions proposed by registered holding companies or their subsidiaries where it appears that the local authorities may have jurisdiction over or an interest in the proposed transactions. This practice has been very helpful. It was employed in passing upon the plan of American Gas & Electric Co. to acquire the common stock of Columbus & Southern Ohio Electric Co. and in considering the proposal to merge Kansas City Gas Co. and the Wyandotte County Gas Co. into the Gas Service Co. Similarly, when Iowa-Illinois Gas & Electric Co. presented a plan under which it proposed to issue \$22,000,000 of bonds to the public and to sell \$3,500,000 of additional common stock to its parent, the Commission deferred action pending disposition by the State commission. In the application of the Central Illinois Light Co. for permission to reclassify its common stock and transfer a portion of its earned surplus to common capital stock account, the Illinois Commerce Commission was requested to state its views prior to our final determination.⁷⁰

⁷⁰ Holding Company Act release No. 7459 (1947).

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, in setting up appropriate machinery for the reorganization of corporations (other than railroads) in the Federal courts provides for participation by the Commission in proceedings thereunder at the request of or with the approval of the court for the purpose of providing independent expert assistance to the court and to investors and for the preparation by the Commission of formal advisory reports on plans of reorganization submitted to it by the courts in such proceedings. The Commission's functions in chapter X proceedings are of a purely advisory character. The Commission has no authority to veto or to require adoption of a plan of reorganization or to render a decision on any other issue in the proceedings. It has no right of appeal in such proceedings, although it may participate in appeals taken by others and has, as a matter of fact, participated in many appeals as a party or as amicus curiae.

SUMMARY OF ACTIVITIES

The Commission actively participated during the year in 98 reorganization proceedings involving the reorganization of 124 companies (98 principal debtor corporations and 26 subsidiary debtors).¹ The aggregate stated assets of these 124 companies amounted to \$1,933,599,000 and their aggregate indebtedness was \$1,274,131,000.² During the year the Commission filed its notice of appearance in nine new proceedings under chapter X, two of which were filed at the request of the judge and the remaining seven upon approval by the judge of the Commission's motion to participate. These nine new proceedings involved 14 companies (9 principal and 5 subsidiary debtors) with aggregate stated assets of \$15,457,000 and aggregate stated indebtedness of \$13,135,000. Proceedings involving 24 principal debtor corporations and 6 subsidiary debtors were closed during the year.

At the close of the year, the Commission was actively participating in 74 reorganization proceedings involving 94 companies (74 principal and 20 subsidiary debtors), with aggregate stated assets of \$1,716,189,-000 and aggregate stated indebtedness of \$1,097,928,000.

¹ Appendix table 24 contains a complete list of reorganization proceedings in which the Commission participated during the fiscal year ended June 30, 1947.

² Appendix table 24, pts. 1 and 2, classify these debtors according to industry and size of indebtedness.

COMMISSION'S FUNCTIONS UNDER CHAPTER X

A detailed discussion of the Commission's duties and policies in connection with its functions under chapter X appeared in the Twelfth Annual Report (pp. 81 to 93). The Commission maintains expert staffs of lawyers, accountants, and analysts in various regional offices where they keep in close touch with hearings, issues, and parties and are readily available to the courts. Some of the legal and financial questions encountered in typical bankruptcy and reorganization proceedings in which the Commission participated during the past fiscal year are described in the following paragraphs.

Problems in the Administration of the Estate

It is recognized that the trustee has the responsibility not only to examine into the debtors' past operations to ascertain the reasons for its financial difficulties but also to determine whether any causes of action exist against the old management or other persons and, if so, to prosecute them diligently. In view of that principle, during the past fiscal year the Commission has on various occasions supported requests that the trustee be authorized to bring suit on such corporate causes of action.

Where a fair offer of compromise was made, the Commission has, of course, supported the settlement of such suits, but not otherwise. In one case, the trustee had proposed, several years ago, a compromise of certain claims filed against the debtor for alleged services and advances by the promoter of the debtor.³ The Commission had opposed the proposed compromise on the ground that evidence justified the disallowance of the claims in their entirety and indicated the possibility of causes of action by the estate against the promoter. Disapproval of the compromise was recommended by the special master. During the past fiscal year, however, the trustee submitted the proposed compromise to the court. In the meantime, an audit of the debtor's books urged by the Commission revealed, in the Commission's view, startling misconduct on the part of the promoter during the time he was in control of the debtor. The Commission thereupon, after prior notice to the trustee, filed a petition with the court asking that the trustee be instructed to withdraw his request for approval of the compromise and to prosecute all causes of action against the promoter. The matter has not yet been heard by the court.

In a significant case involving a suit for \$39,000,000 by chapter X trustees against directors, officers, and the controlling stockholder of the debtor, the Commission appeared as amicus curiae and vigorously supported the trustees' contention that the Federal court had jurisdiction over the suit although it was not the court where the reorganization proceedings were pending and although no diversity of citizenship was alleged. The Commission urged that the Congress intended in chapter X cases to remove the restrictions contained in the Bankruptcy Act which might otherwise bar access to the Federal courts in suits brought by a reorganization trustee. It was the Commission's view that the Bankruptcy Act had been purposely modified so as to afford the reorganization trustee a wider choice of forum than the bankruptcy trustee, having in mind the typical suit involving diversion

³ *International Mining & Milling Company, District of Nevada.*

of assets and related wrongs by insiders in large corporations with a national public interest. The district court did not agree with this contention and granted the defendants' motion to dismiss for want of jurisdiction.⁴ On appeal, however, the Circuit Court for the Second Circuit reversed⁵ and the Supreme Court affirmed this decision.⁶

In administering the debtor's estate, it is the trustee's function to recommend to the court the assumption or rejection of executory contracts of the debtor, including leases. In the reorganization proceedings involving Mount Gaines Mining Co., the question arose as to the applicability of section 70 (b) of the Bankruptcy Act which provides for a 60-day period for the assumption or rejection of the contracts of a bankrupt, including leases. On the theory that this time limitation is inconsistent with the provisions and purpose of chapter X, the Commission urged that it was not applicable. The difference between the purpose of bankruptcy to liquidate the estate and of chapter X to rehabilitate and preserve the enterprise was pointed out and the impracticability of applying the short limitation period in reorganization was emphasized. The district court adopted this view and, on appeal, the Circuit Court for the Ninth Circuit affirmed.⁷

Responsibilities of Fiduciaries

Trading in securities of a debtor in reorganization by trustees, directors, attorneys, committee members, or other fiduciaries is a practice which has generally been condemned by the courts and which has always been decried by the Commission in its opinions and reports. The access to inside information and, frequently, the control or influence over the course of reorganization which are possessed by these "insiders" are urgent considerations for enforcing judicial sanctions against them strictly. One such sanction which has been availed of during the past fiscal year in several cases in which the Commission participated is the prohibition against payment of any fees or reimbursement of any expenses where a fiduciary bought or sold securities of the debtor. These cases will be mentioned below. Another sanction is the prevention of any profiting by such a fiduciary through the limitation of his securities to the cost thereof or requiring him to account for any profits from securities sold by him.

In the reorganization proceedings involving National Realty Trust and Federal Facilities Realty Trust objections were filed to the final accounts of a former trustee of these debtors based in part upon the doctrine underlying limitation to cost. In these proceedings, the former trustee had permitted certain employees of his, with his knowledge and consent, to trade in the securities of the debtors and their subsidiaries. These employees, the promoter of the enterprise and his associate, had active supervision of the affairs of the debtors and their subsidiaries entrusted to them by the former trustee. In many instances, they purchased bonds from members of the public and sold them to the former trustee at a profit. After extensive hearings the matter has been presented to the special master for report. The Commission has urged that the former trustee should be surcharged to the extent of the profits he permitted his employees to make on the

⁴ *Austrian v. Williams*, 67 F. Supp. 223 (S. D. N. Y. 1946).

⁵ 159 F. (2d) 67 (C. C. A. 2, 1946).

⁶ Decided June 16, 1947.

⁷ *Title Insurance and Guaranty Co. v. Hart*, 160 F. (2d) 961 (C. C. A. 9, 1947).

ground that he had completely ignored and breached his trust obligations and he or his associates should not profit by his culpable conduct.

In the proceedings in reorganization involving Pittsburgh Railways Co., the Commission actively supported the trustee's request for authority to investigate possible grounds for subordinating or limiting to cost various claims of the parent company, Philadelphia Co. Philadelphia Co., after unsuccessfully attempting to prevent the inquiry into its management of the debtor, endeavored to extend the scope of the investigation to public security holders who may have purchased the debtor's securities at less than par. In opposing this contention, the Commission pointed out that, apart from special cases, security holders are treated equally regardless of when or at what price their securities were purchased. Unless this were the general rule reorganization securities would become unmarketable since no one would purchase securities at a price which would be the maximum he could obtain in distribution. It was urged by the Commission that the possibility of subordinating or limiting Philadelphia Co. was in no way relevant to the treatment to be accorded security holders buying at a discount—public holders should not recover less merely because a fiduciary who has committed wrongful acts recovers less. The district court upheld the Commission's position and denied Philadelphia Co.'s request. On appeal, the Circuit Court for the Third Circuit affirmed the order of the district court.⁸ An application for certiorari, opposed by the Commission, was denied by the Supreme Court on May 5, 1947.

Activities with Respect to Allowances

In a proceeding involving Midland United Co., the Commission urged that an attorney who bought and sold preferred stocks and bonds of subsidiaries of a public utility holding company in reorganization while representing a protective committee for debenture holders should be barred from any compensation. The Commission pointed out that, as a fiduciary, the attorney owed an obligation not to acquire interests adverse to those he purported to represent nor to use information acquired in a trustee capacity to personal advantage. The Commission argued that these principles applied equally to a situation where the securities acquired, or sold, were those of a subsidiary, particularly where, as in this case, the subsidiary had substantial claims against the parent company and where other adverse interests existed. The Commission also took the position that the prohibition against trading by a fiduciary is equally applicable to his near relatives and business partners. The district court sustained the Commission's position and denied compensation to the applicant.⁹ On appeal to the Circuit Court for the Third Circuit, the district court decision was affirmed.¹⁰ The circuit court held that the specific prohibitions of section 249 were intended to augment and not limit the jurisdiction of the court and that, under general equitable principles, trading in the stock of a subsidiary where a conflict of interest existed barred the applicant from compensation. The court also pointed out that since the subsidiary had claims against the parent debtor, the attorney had in fact purchased an indirect interest in a claim against

⁸ *In re Pittsburgh Railways Co.*, 159 F. (2d) 630 (C. C. A. 3, 1946).

⁹ *In re Midland United Co.*, 64 F. Supp. 399 (Del. 1946).

¹⁰ *In re Midland United Company*, 159 F. (2d) 340 (C. C. A. 3, 1947).

the debtor specifically barred by section 249. The court also held that the rule applied to the wife of the applicant who engaged in the transactions with his approval and knowledge, even though she used her own funds.

Another problem under section 249 with respect to allowances arose in the proceeding involving Inland Power & Light Corp. In this case, an investment banking house, the original underwriter of the debtor's bonds, traded in these bonds for several years during the section 77B reorganization proceeding, prior to the enactment of chapter X. The investment banking house had organized a bondholders' committee and installed an employee as secretary of the committee. Subsequently other employees assumed the office of secretary. The last one in office filed an application for compensation for services rendered by himself and his predecessors but it was conceded that any award of compensation would be turned over to the investment house. Pointing out the strategic position of secretary to a committee and his ability to acquire inside information, the Commission urged the denial of any indirect award to the banking house which in a real sense occupied the secretarial office. The Commission contended that either under section 249, which was applicable to the section 77B proceeding, or under the equitable principles it codified, compensation should be denied. Upon the special master's recommendation, the district court disallowed the application. The applicant sought leave to appeal from the Circuit Court for the Seventh Circuit, which was opposed by the Commission. After briefs and argument, the court entered an order denying the petition for leave to appeal.

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 this policy, the Commission has participated in various 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 generally have not been upheld by the courts.

During the past fiscal year, the Commission participated in another case involving the "good faith" of the filing of the petition, the proceeding for the reorganization of Midwest Athletic Club. Also involved in the case was the objection to the jurisdiction of the court based on the contention that the debtor was a nonprofit corporation which had been dissolved pursuant to State law in 1938. The district court approved the petition as having been properly filed and in good faith. In supporting the decision on appeal, the Commission argued that the debtor had conducted a business enterprise for many years and that while the corporation as such had been dissolved, the remaining entity was an "unincorporated association" under the Bankruptcy Act and, hence,

a proper subject for reorganization. The Commission also argued that the petition for reorganization met the "good faith" requirements of chapter X. The Circuit Court for the Seventh Circuit, however, reversed the lower court, holding that the enterprise was not an "unincorporated company" within the meaning of chapter X which could be reorganized. The court emphasized the fact that no stockholders or members of the company had operated the enterprise after its dissolution, but that a State court receiver, as a mere custodial officer of the court, had conducted its business and could not be considered as continuing the corporate entity or its corporate affairs. Therefore, the court concluded that there was no corporation to be reorganized.

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 and Feasibility

A proceeding involving the fairness of a proposed plan of reorganization based on established principles of priorities of securities and valuation of the debtor's estate was that of Chicago Railways Co., Chicago City Railway Co., and Calumet & South Chicago Ry., known collectively as the Chicago Surface Lines, in which the Commission rendered an advisory report and supplemental advisory report during the previous fiscal year. In those reports, the Commission concluded that the proposed plan involving a minimum upset price of \$75,000,000 for the Surface Lines' properties to be offered by the Chicago Transit Authority was fair, after certain suggested amendments had been made. Its conclusions were based primarily upon a valuation of the properties reached by capitalizing reasonably prospective earnings. The proposed price was considered to be within a reasonable range of the Commission's valuation. Since the proceeds of the sale together with excess cash were insufficient to pay in full the claims of senior security holders, it was also concluded that certain junior security holders could not participate in the plan. The plan as amended was approved by the court, accepted by security holders entitled to participate, and confirmed. Appeals were taken to the Circuit Court for the Seventh Circuit by certain junior security holders who were excluded from sharing in the estate by the orders of approval and confirmation.

Among their contentions, the junior security holders relied upon the rate base valuation of the properties, upon a price fixed by formula in the original franchises of the companies in 1907, upon book values of the companies and upon a hypothetical figure that might be awarded in a condemnation proceeding. All of these amounts were substantially higher than the proposed purchase price and the valuation estimated by the Commission. The Commission, in its brief, replied to these contentions, arguing that reorganization values are dependent upon probable future earnings, and that on the basis of the record and the applicable priority rules, the junior securities had no right to such earnings and were properly denied participation in the estate. The circuit court affirmed the lower court's approval of the plan, holding that a valuation of the enterprise, if it is to be freed from

the heavy hand of past errors, miscalculations or disaster, requires consideration of past earnings, factors affecting earnings, probable future earnings and an appropriate rate of capitalization.¹¹ The circuit court stated that the district court had clearly considered every proper factor suggested by the parties and in addition had the benefit of the expert and disinterested advice of the Commission in its advisory report in reaching its findings. Application for certiorari, opposed by the Commission, was denied by the Supreme Court on April 14, 1947.

In the reorganization proceedings involving Childs Co., the Commission had occasion to invoke the general equitable rule enforced in ordinary bankruptcy that, where full payment is made, prior distributions are to be applied first to accrued interest and then to principal. This view has been adopted by the trustee and approved by the district court.

Following its policy of according to senior creditors all their rights before permitting participation in the estate by junior creditors, the Commission supported the claim of first mortgage bondholders to interest on overdue interest as provided for under the terms of the indenture in the proceedings involving Inland Gas Corp. The Supreme Court, however, in *Vanston Bondholders Protective Committee v. Green*, 329 U. S. 156 (1946) held that interest on interest under the circumstances of the case would not be equitable. The court pointed out that the failure to make interest payments promptly when due was a result of judicial action and that bondholders should not receive added compensation or a penalty, by way of interest on interest, by reason of the court's supervision of the estate and its prohibition against payment of interest on the due date.¹²

MODIFICATION OF PLAN

In the proceedings involving Equitable Office Building, a plan of reorganization had been confirmed under which debenture holders were to receive new convertible debentures for a portion of their claim and old common stockholders were to receive a small amount of the new common stock. Just before this plan was to be consummated by transfer of the property to the new reorganized company and by distribution of the new securities, two common stockholders appeared with a financing proposal under which stockholders would receive an option to buy the stock of the new company, an underwriter would buy all unsubscribed shares, and the proceeds would be used to pay the old debentures in full, principal and interest. Thus, under the new proposal, the stockholders would be afforded an opportunity to pay off the debenture holders and retain their equity in the property. The marked improvement in the real-estate field since the date of confirmation made possible the underwriting pro-

¹¹ *In re Chicago Railways Company*, 160 F. (2d) 59 (C. C. A. 7, 1947).

¹² It may be observed that the Commission's brief before the Supreme Court contained the following statement in a note:

"The validity, as a matter of public policy, of a covenant for interest on interest, as applied to interest accruing since the date of a Federal equity receivership or bankruptcy proceedings, might conceivably be regarded as a proper subject for independent decision by the Federal court, even in the absence of direct legislation. The consequence of such a holding would be to afford greater uniformity and certainty in dealing with a problem which appears to be arising with increasing frequency in reorganization proceedings and occasionally in the State courts. We recognize, however, that there is no precedent for such a rule. The closest analogy would appear to be those cases holding that the equitable status of certain claims is a matter of bankruptcy law."

posal. Stockholders not exercising their rights to subscribe would receive the same stock interest as in the confirmed plan and, in addition, would have the privilege of selling their rights.

The debenture holders vigorously opposed this proposal, since the market price of the debentures had risen far above the amount of principal and interest. This rise in price, of course, reflected the market's appraisal of the value of the new stock to be issued under the confirmed plan. The Commission took the position that the district court should have a full hearing on the merits of the proposed modification, since it now appeared that there was an equity in the property for common stockholders which they could salvage; that debenture holders had no vested interest in the confirmed plan; and that payment to them of principal and interest in full would satisfy the debtor's obligation to them.

The district court refused to consider the stockholders' proposal, holding in effect that it was too late to modify the confirmed plan. After some appellate litigation regarding a stay of proceedings, which was finally granted, until the issue could be heard on its merits, the Circuit Court for the Second Circuit considered the matter. In upholding the Commission's views as set forth in its brief and argument before the court, it was held that the plan could be modified even after confirmation, that the debenture holders had as yet no legally protected interest beyond principal and accrued interest and had no right to rely upon sharing in an equity in the property above that amount and deprive stockholders of whatever chance might remain of realizing upon their property.¹³ The circuit court stated that the long delay in effectuating a plan was not a good reason, so long as the rights of creditors were fully preserved, to deny stockholders a reasonable chance to protect their own interests.

ADVISORY REPORTS

During the fiscal year the Commission prepared a formal advisory report and two supplemental advisory reports with respect to proposed plans of reorganization in proceedings involving Childs Co., which owns and operates a large chain of restaurants. The advisory report concluded that certain aspects of the trustee's plan were unfair and unfeasible. The plan was said to be unfair to debenture holders and other unsecured creditors in failing to compute their claims on a proper basis and unfair to common stockholders in allocating too much of the new common stock to preferred stockholders. In proposing an all-common stock plan for the reorganized company, the trustee was held to have provided a sound capital structure for this enterprise, but the Commission opposed the issuance of long-term option warrants to common stockholders and considered unnecessary a proposed bank loan.

Plans and amendments proposed by common and preferred stockholders were also considered but the Commission found them unfair principally because of their unfair allocation of new stock. A plan suggested by a debenture holders' committee was viewed as unfair because of a proposed offering of new common stock to debenture holders at too low a price as well as unfair in its allocation of new

¹³ *Knight v. Wertheim*, 158 F. (2d) 838 (C. C. A. 2, 1946).

stock between common and preferred stockholders and in its use of long-term warrants.

The Commission's report dealt with the complicated questions of valuation of the enterprise, the company's working capital position, its rehabilitation program, the question of the need for a bank loan, the unsoundness of issuing long-term option warrants and the treatment of creditors and stockholders under the trustee's plan and the various other proposals. The method of computing interest on creditors' claims was questioned. First, the Commission was of the opinion that all debenture holders should be treated equally on a 6 percent interest basis in that those who had voluntarily agreed to accept new debentures at 5 percent had done so on condition that in any judicial proceeding they would receive no worse treatment than those who had not accepted a reduction in interest. Second, it was felt that interest should be paid to the date of payment on the aggregate claim of principal and accrued interest at the time of commencement of the proceeding as in the *Realty Associates Securities* case. Third, it was the Commission's view, as indicated in a previous paragraph, that prior, partial payments to creditors be applied first to interest and then to principal.

Another important question dealt with in the report involved the basis of the preferred stockholders' claim. The Commission differentiated their claim in a chapter X proceeding from the preferred stockholders' position in a reorganization under the Public Utility Holding Company Act and concluded that the liquidating preference of preferred stock is the controlling factor in measuring the extent of its claim under chapter X. In considering the allocation of new stock to the preferred and common shareholders, the Commission pointed out what it considered to be a reasonable range—on the basis of all common stock and on the basis of a new preferred stock and common stock.

In its first supplemental report, the Commission considered amendments to the trustee's plan and two plans submitted by a security holder. While the trustee's amendments were held to cure several of the Commission's objections, the plan was still considered deficient in several major respects. The security holders' plans were viewed as fair and feasible since they embodied the Commission's suggestions.

In its second supplemental report, additional plan amendments by the trustee were reviewed by the Commission. These amendments adopted fully the Commission's views as to the rights of creditors. They also eliminated the long-term option warrant feature and revised the allocation of new common shares. As to such allocation, the Commission felt it was not so far outside the range suggested by the Commission as to require disapproval.

Subsequently the plan was approved by the court and submitted to security holders. The preferred stockholders accepted the plan but the required percentage of common stockholders was not obtained. Thereafter the trustee filed a new plan which has been submitted to the Commission for its advisory report.



PART V

ADMINISTRATION OF THE TRUST INDENTURE ACT OF 1939

SCOPE OF ACT

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 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, 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	Aggregate Amount
Indentures pending at June 30, 1946	13	\$274,205,300
Indentures filed during the fiscal year	96	2,544,712,200
Total	109	\$2,818,917,500
Disposition during fiscal year:		
Indentures qualified	84	\$2,517,412,700
Amount reduced by amendment	—	27,769,600
Indentures deleted by amendment or withdrawn	10	43,730,400
Indentures pending at June 30, 1947	15	230,004,800
Total	109	\$2,818,917,500

TABLE II.—*Indentures filed for securities not required to be registered under the Securities Act of 1933*

	Number	Aggregate Amount
Indentures pending at June 30, 1946-----	—	None
Indentures filed during the fiscal year-----	12	\$147, 258, 661
Disposition during fiscal year:		
Indentures qualified-----	12	\$147, 258, 661
Indenture pending at June 30, 1947-----	—	None

TABLE III.—*Total number of indentures filed under the Trust Indenture Act of 1939 (table III is the sum of tables I and II)*

	Number	Aggregate Amount
Indentures pending at June 30, 1946-----	13	\$274, 205, 300
Indentures filed during the fiscal year-----	108	2, 691, 970, 861
Total-----	<u>121</u>	<u>\$2, 966, 176, 161</u>
Disposition during fiscal year:		
Indentures qualified-----	96	\$2, 664, 671, 361
Amount reduced by amendment-----	—	27, 769, 600
Indentures deleted by amendment or withdrawn-----	10	43, 730, 400
Indentures pending at June 30, 1947-----	15	230, 004, 800
Total-----	<u>121</u>	<u>\$2, 966, 176, 161</u>

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

Five 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 although such indentures are exempted from the Trust Indenture Act;

One hundred thirty-four statements of eligibility and qualification under the Trust Indenture Act;

Twenty-one amendments to trustee statements of eligibility and qualifications;

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

Thirty-five amendments to Supplements S-T;

Twenty-six applications for findings by the Commission relating to exemptions from special provisions of the Trust Indenture Act of 1939; and

Three hundred sixty annual reports of indenture trustees pursuant to section 313 of the Trust Indenture Act of 1939.

PROBLEMS ENCOUNTERED IN ADMINISTRATION OF ACT

Although the Trust Indenture Act is designed as an adjunct to the Securities Act of 1933, it presents problems of administration which are peculiar to itself. These problems arise from the fact that the primary purpose of safeguarding investors pursuant to the Trust Indenture Act is sought by assuring that all indentures qualified thereunder shall contain specified protective provisions and only incidentally by resort to disclosure requirements as such.

The exemptive provisions of the act incorporate most but not all of the exemptions contained in the Securities Act and several exemptions in addition thereto. Thus, some offerings exempt from registration under the Securities Act (exchanges with existing security holders exempt under section 3 (a) (9) and securities issued in reorganizations exempt under section 3 (a) (10)) must be qualified under the Trust Indenture Act and information contained in the application for qualification must be examined to determine whether

Securities Act registration is required. Conversely, Securities Act registration statements will include debt securities which are not to be issued under an indenture qualified under the Trust Indenture Act, and it is necessary then to determine whether there is an exemption from qualification under one of the exemptions specified in section 304 of the Trust Indenture Act, including:

- (1) Nondebt securities;
- (2) An investment contract;
- (3) A mortgage insured under the National Housing Act;
- (4) Foreign government issues;
- (5) Any guarantee of an exempted security;
- (6) An aggregate of \$250,000 principal amount of security issued not under an indenture, within a period of 12 consecutive months;
- (7) An indenture limiting the amount outstanding thereunder to \$1,000,000 or less; not more than \$1,000,000 to be issued thereunder in 36 consecutive months;
- (8) Secondary offerings by controlling persons.

EXAMINATION PROCEDURE

In examining a registration statement or application including an indenture to be qualified, it is necessary to examine the document for the purpose of determining (1) whether the indenture contains the required provisions in proper form, that permissive provisions are in proper form, and that there are no inconsistent provisions; (2) that the disclosure requirements specified in section 305 (a) (2) of the act are complied with in the prospectus or application; and (3) that the trustee is eligible and qualified. Any inadequacies found upon examination customarily are corrected after the staff sends the applicant a letter of comment, or holds conferences with counsel for the applicant, and only in rare cases has it been necessary to institute remedial proceedings. (See secs. 305 (b), 307 (c), 321 (a), and 322 (b)). This examination procedure may be briefly explained for convenience in the numerical order listed above.

(1) The examination of the indenture requires a careful reading. For example, variations in statutory language are sometimes injected. If such variations appear to be in derogation of statutory objectives, it is necessary to insist that the statutory language be more closely followed. The Commission finds that as time goes on injections of this character tend to diminish. On the other hand, because of the great variety of provisions and purposes of indenture agreements, considerable latitude has been exercised with respect to the insertion of some statutory language (*e. g.*, sec. 314 (d) certificates of fair value), although such latitude is not extended to provisions relating to the trustee's qualifications and standards of conduct. Here again experience has permitted the working out of indenture provisions which in the ordinary case have become more or less standardized.

In instances where the requirements of the act would appear to work a hardship, the Commission may grant exemptions from onerous provisions as to indentures having securities outstanding issued prior to the effective date of the act and indentures of foreign issuers (secs. 304 (c) and (d)). Applications for such exemptions generally relate to section 316 (a) of the act, which permits the holders of not less than a majority of outstanding bonds to direct the trustee in the exercise of his trusts or powers (many old indentures according this power to holders of less than a majority).

(2) The disclosure requirements of the act relate to defaults, the authentication of bonds, the release of property, satisfaction and discharge, and evidence of compliance with the requirements of the indenture to be furnished to the trustee. No particular problems have arisen in the examination and analysis of material filed under these requirements.

(3) Information with respect to the eligibility and qualifications of the trustee, required under section 310 of the act, is provided for primarily in the Commission's Forms T-1 and T-2, which must be prepared and filed by the trustee or trustees. A number of difficult problems as to conflicts of interest proscribed by section 310 (b) of the act have arisen. However, for the most part they have been resolved by administrative interpretation. Section 310 (b) (1) provides for administrative proceedings by the Commission to permit the trustee to act under more than one indenture of the same obligor. Usually applications for such permission are of routine nature. Besides, the Commission's Rule T-10B-3 provides machinery for a prior determination of conflicts of interest arising from affiliations between the trustee and an underwriter for the issuer.

Significance of Commission's Examination

Particular care must be taken with respect to the original examination into these situations because once the indenture is qualified its enforcement becomes a matter of contract between the parties. The Commission may not enforce its provisions (see sec. 309 (e)). However, trustees are required to report annually to their bondholders as to certain matters specified in sections 313 (a) and (b) of the act and copies of their reports are required under section 313 (d) to be filed with the Commission, which calls the attention of the trustees to any material discrepancies which the staff finds upon examination thereof.

PART VI

ADMINISTRATION OF THE INVESTMENT COMPANY ACT OF 1940

SCOPE OF ACT

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, re-investing, owning, holding, or trading in securities. Among other things, the act requires 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; prohibits pyramiding of such companies and cross ownership of their securities; and requires face-amount certificate companies to maintain reserves adequate to meet maturity payments upon their certificates.

ADVISORY REPORTS UPON PLANS OF REORGANIZATION

One of the functions of the Commission under the Investment Company Act arises from its authority to prepare advisory reports for the benefit of security holders upon plans of reorganization of registered investment companies. Such reports may be rendered upon request of the company or of the holders of 25 percent of any class of its outstanding securities. In addition, the Commission is authorized to institute proceedings to enjoin reorganization plans if they are grossly unfair. Last year the Commission prepared such an advisory report covering a plan of reorganization of an investment company upon the request of stockholders, following a refusal of the management of the company itself to request the report at their instance. That part of the Commission's report dealing with the effect of the plan on the shareholders called attention to the more important factors which the stockholders should evaluate in order to form a sound investment judgment as to whether they would assent to the plan. It included, for example, a discussion of the pro forma earnings of a new company which was to result from a proposed consolidation, and called particular attention to the effect of the recent war on sales, costs of operations, and profit margins of the iron-ore producing business of the corporation with which it was proposed to consolidate the investment company; the cyclical nature of operations not only for the iron-ore business but also of the steel industry in which the investment company was heavily invested; and the element of leverage inherent in the capital structure of the new company by virtue of its uncommonly high proportion of senior securities.

NEW RULES ADOPTED UNDER THE ACT

The Commission last year accomplished certain further simplification of its rules and regulations under this act.

Rule N-5—Procedure With Respect to Applications

On May 23, 1947, the Commission adopted rule N-5, which provided a simplified general procedure designed to expedite the disposition of proceedings initiated by application or upon the Commission's own motion pursuant to any section of the act or any rule or regulation thereunder. The rule does not apply, however, in a very limited number of cases where a more appropriate procedure is provided. The purpose of the rule is to provide for the expeditious disposition of proceedings which are not contested by any interested person. The rule makes provision for the publication in the Federal Register of the initiation of such proceeding and affords ample opportunity for any interested persons to request a hearing.

Rule N-17A-2—Exemption of Transactions by Banks

On December 3, 1946, the Commission adopted rule N-17A-2 to exempt certain commercial transactions occurring in the usual course of business between banks and persons engaged principally in the business of installment financing. It is believed that these exemptions are consistent with the protection of investors. Interest and discount rates will probably be set competitively and not exceed the rate permitted locally. The adoption of the rule was intended to preclude the multiplicity of proceedings arising from individual applications for exemptions which were burdensome both to the parties involved and to the Commission with no compensating public interest involved.

Rule N-17A-3—Exemption of Transactions With Subsidiaries

On May 23, 1947, the Commission adopted rule N-17A-3, which provides an automatic exemption from section 17 (a) under the act for transactions with or between fully owned subsidiaries of registered investment companies. The rule was adopted to provide an automatic exemption for such transaction since such subsidiaries are completely owned by the registered investment company and there is no public or investor interest involved in transactions within the group. The rule eliminates the necessity of filing an application with the Commission for the exemption of such transaction.

Rule N-17D-1—Bonus, Profit-Sharing, and Pension Plans

On May 23, 1947, the Commission amended rule N-17D-1 regarding bonus, profit-sharing, and pension plans and arrangements. The amendment to this rule eliminated the special procedure for the handling of applications thereunder and thereby makes the procedure provided by the new rule N-5 applicable thereto.

STATISTICS RELATING TO REGISTERED INVESTMENT COMPANIES

As of June 30, 1947, there were 352 companies registered under the Investment Company Act of 1940. During the fiscal year 12 companies registered under the act, and the registration of 21 companies was terminated. The assets of the 352 registered investment companies aggregated approximately \$3,600,000,000. These companies are classified under the act as follows:

Management open-end	125
Management closed-end	115
Unit	96
Face amount	16
Total	352

The 12 companies that registered during the fiscal year are classified under the act as follows:

Management open-end	9
Management closed-end	2
Unit	1
Total	12

The 21 companies whose registrations were terminated during the fiscal year were classified under the act as follows:

Management open-end	5
Management closed-end	13
Unit	3
Total	21

During the fiscal year 91 applications were filed under various provisions of the act, 74 of these for orders of the Commission relating to exemptions from requirements of the act and the remaining 17 for a determination of the Commission that the applicant has ceased to be an investment company within the meaning of the act. At the beginning of the fiscal year, 60 applications were pending. These applications, together with the 91 filed during the year, totaled 151 applications pending before the Commission during the year; 101 of these applications were disposed of during the year and 50 were pending at June 30, 1947. The various sections of the act under which these applications were filed, and the disposition of the applications during the fiscal year, are shown in the following table (since an application may involve more than one section of the act, the numbers are not totaled):

Section of the act under which application was filed	Number pending at June 30, 1946	Filed during year	Disposed of during year	Number pending at June 30, 1947
2 (a) (9) Determination of question of control.	1	4	1 withdrawn	4
3 (b) (2) Determination that applicant is not an investment company.	7	4	2 granted	9
6 (b) Employees' security company exemptions.	2	2	1 granted; 2 withdrawn.	1
6 (c) Various exemptions not specifically provided for by other sections of the act.	16	20	19 granted; 4 withdrawn.	13
6 (d) Exemption for small closed-end companies offering securities in intrastate commerce.	1			1
8 (f) Determination that a registered investment company has ceased to be an investment company.	8	17	20 granted	5
9 (b) Exemption of ineligible persons to serve as officers, directors, etc.	13			13
10 (f) Exemption of certain underwriting transactions.	1	2	3 granted	
11 (a) Approval of terms of proposed security exchange offers.	1	1	2 granted	
17 (b) Exemption for proposed transactions between investment company and affiliates.	16	30	29 granted; 2 denied; 5 withdrawn.	10
17 (d) Approval of certain bonus and profit-sharing plans.	2	16	15 granted	3
23 (c) (3) Terms under which closed-end investment company may purchase its outstanding securities.	1	3	1 granted; 1 withdrawn.	2
25 (b) Request for advisory report on proposed plan of reorganization.		2	1 report made; 1 withdrawn.	

Figures as to the number of documents filed under the act by registered investment companies, together with other related statistics, during the fiscal years ended June 30, 1946 and 1947, are given in the following table:

	<i>Fiscal year ended June 30—</i>	<i>1947</i>	<i>1946</i>
Number of registered investment companies:			
Beginning of year	361	366	
Registered during year	12	13	
Terminations of registration during year	21	18	
Number of companies registered at end of year	352	361	
Notifications of registrations	12	13	
Registration statements	12	12	
Amendments to registration statements	18	31	
Annual reports	226	213	
Amendments to annual reports	20	26	
Quarterly reports	790	780	
Periodic reports, containing financial statements, to stockholders	718	710	
Reports of repurchases of securities by closed end management companies	102	110	
Proxy statements	162	158	
Copies of sales literature	1,935	1,752	
Applications for exemption from various provisions of the act	74	71	
Applications for determination that registered investment company has ceased to be an investment company	17	19	
Amendments to applications	50	45	
Total applications:			
Beginning of year	60	70	
Filed during year	91	90	
Disposed of during year	101	100	
Pending at end of year	50	60	

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, 1947 fiscal year

Effective registrations at close of preceding fiscal year-----	853
Applications pending at close of preceding fiscal year-----	12
Applications filed during fiscal year-----	188
Total-----	1,053
Registrations canceled or withdrawn during year-----	81
Registrations denied or revoked during year-----	0
Applications withdrawn during year-----	1
Registrations effective at end of year-----	952
Applications pending at end of year-----	19
Total-----	1,053

LITIGATION UNDER THE ACT

The single court action under the act during the fiscal year was *S. E. C. v. Todd*, in which the Commission sought an injunction to restrain alleged frauds on the defendant's investment advisory clients.¹ The complaint alleged that the defendant had three classes of clients: those who subscribed to his weekly investment advisory letter, those who for an additional fee obtained more personalized advice, and those for whom he managed discretionary accounts. It was alleged that the defendant would first purchase some inactive security for his discretionary accounts, at the same time orally recommending its purchase to the clients receiving the personalized advice, and then several days later would recommend its purchase to the subscribers of the weekly letter. Since the security was inactive, the market would be raised by the subscribers' purchases and the defend-

¹ Civil No. 6149, Mass., Nov. 14, 1946.

ant would then sell the security in his discretionary accounts, meanwhile continuing to recommend its purchase in the weekly letter. The Commission alleged that this constituted a practice or course of business which operated as a fraud or deceit upon his clients within the meaning of section 206 (2). A final judgment was entered with the consent of the defendant. The judgment was thereafter vacated at the defendant's request to be permitted to proceed with a trial of the case on the merits. The matter was pending at the close of the year.

PART VIII

OTHER ACTIVITIES OF THE COMMISSION UNDER THE VARIOUS STATUTES

THE COMMISSION IN THE COURTS

Civil Proceedings

A complete list of all cases 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 24 to 35.

At the beginning of the 1947 fiscal year 22 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, 24 additional proceedings were instituted during the year, and 20 cases were disposed of, so that there remained 26 of such proceedings pending at the end of the year. In addition, the Commission participated in a large number of reorganization cases;¹ in 25 proceedings in the district courts under section 11 (e) of the Holding Company Act; and in 21 miscellaneous actions, usually as amicus curiae or intervenor, 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 70 appeals. Of these, 24 came before the courts on petition for review of an administrative order; 31 arose out of corporate reorganizations in which the Commission had taken an active part; 7 were appeals in actions brought by or against the Commission; 10 were appeals from orders entered pursuant to section 11 (e) of the Public Utility Holding Company Act; and 4 were miscellaneous appeals.

The Commission's Tenth Annual Report included a table of all those cases involving the statutes administered by the Commission (excluding ch. X cases) decided by the courts through June 30, 1944. Appendix table 38 of this report continues that table through June 30, 1947. The only cases omitted are those in which no opinion was rendered and which, in addition, did not involve a novel legal problem.

The civil proceedings under the different acts in which the Commission participated during the fiscal year are discussed at length in the sections of this report covering the respective acts.

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 10 regional offices, thoroughly investigates suspected violations and,

¹ See Part IV and tables 24, 25, and 37.

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 may assign 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 convicted offenders 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, 1947, indictments had been obtained against 2,484 defendants in 399 criminal cases developed by the Commission.² By the end of the 1947 fiscal year, 372 of these cases had been disposed of as to one or more defendants, and convictions had been obtained in 335, or 90 percent, of such cases against a total of 1,222 defendants. During the past year 15 indictments were returned against 35 defendants. Convictions were obtained against 20 defendants in 11 cases during the year.³

In the criminal appeals decided during the past year judgments of conviction were affirmed as to 15 defendants.⁴ One appeal was voluntarily withdrawn.

The status of all criminal cases pending during the past fiscal year is set forth in appendix table 29.⁵

The criminal cases developed by the Commission and prosecuted during the past fiscal year were, as in previous years, extremely varied in nature. Some of these cases are described below. In general, they include frauds perpetrated by brokers and dealers in securities; fraudulent schemes in connection with the sale of oil, gas, and other mineral interests; fraud in the promotion of new businesses, inventions, and mining ventures; and fraudulent purchases of securities by corporate "insiders" and others.

Several of the cases prosecuted during the year involved fraud in connection with purchases of securities in violation of section 10 (b) of the Securities Exchange Act of 1934 and rule X-10B-5 thereunder.⁶ The first conviction under these provisions was obtained during the past year in *U. S. v. Edgar M. Griswold* (N. D. Ohio) in which it was charged that the defendant defrauded various persons, principally tavern owners, in transactions relating to the stock of a prominent distilling company. Whisky purchase rights had been attached to the stock. Griswold, it was alleged, represented to purchasers that the stock would be worthless after the whisky 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 whisky rights, was enabled to obtain the stock for his own use and

² Adjusted as of June 30, 1947.

³ Including pleas of guilty or nolo contendere. Three of these cases are still open as to other defendants.

⁴ These appeals involved total of four cases. Convictions were reversed only as to two corporate defendants in a single case on jurisdictional grounds.

⁵ Appendix table 31, pt. 2, relates to criminal contempt proceedings.

⁶ The indictments in these cases also charged violations of the mail fraud statute (sec. 215 of the Federal Criminal Code).

in fraud of the original purchasers thereof.⁷ An indictment charging a similar scheme to defraud with respect to stock of the same corporation was also returned in *U. S. v. Charles J. Rubrecht* (W. D. Pa.), which is still pending.

Another type of fraud violative of section 10 (b) and rule X-10B-5 was alleged in the indictments returned in *U. S. v. Ellis R. Taylor* (N. D. Ill.) and *U. S. v. American Cone & Pretzel Co.* (E. D. Pa.). In these cases the fraud charged related to the allegedly deceitful efforts of corporate insiders to acquire securities of the corporations which they controlled. In both cases it was charged, among other things, that defendants, presidents of their respective corporations, purchased the stock holdings of minority stockholders by making false representations with respect to the value of the shares of stock, the financial condition of the corporations, and by concealing facts as to the true value of the shares and their identity as the actual purchasers of the stock. These cases are now pending.

Charges of fraud and unlawful conduct on the part of brokers and dealers in securities were involved in *U. S. v. Florida Bond and Share, Inc.* (S. D. Fla.); *U. S. v. Gilbert M. Bates* (N. D. Iowa); and *U. S. v. Stanley Grayson* (S. D. N. Y.). In the *Florida Bond and Share*⁸ and *Bates*⁹ cases, convictions were obtained for fraud predicated upon the sale of securities to uninformed customers at prices not reasonably related to the prevailing market prices without appropriate disclosure. The defendants in the *Florida Bond and Share* case also were charged with employing a fraudulent "switch" scheme. It was alleged that they intensified the losses suffered by their customers by causing them to "switch" repeatedly from one security to another.

In the *Grayson* case, in which a fraudulent "switch" scheme was also alleged, the fraud was based in part on the sale to investors of various fractional undivided interests in oil, gas, and other mineral rights, at prices substantially in excess of the maximum recoverable returns which estimates indicated investors could possibly obtain from the mineral assets underlying such securities. According to the indictment, investors were induced to divulge lists of their security holdings on the pretense that the defendants would, after analysis, provide them with free investment advice. It was charged that the defendants then induced the investors to sell such securities and to purchase instead from the defendants the mineral securities mentioned above.¹⁰

A number of cases pending during the past fiscal year involved charges of fraud in connection with the sale of various interests in oil properties. These were *U. S. v. James F. Boyer* (S. D. Fla.);¹¹ *U. S. v. Thomas P. Mulvaney* (S. D. Iowa);¹² *U. S. v. Bart Cecil Lucas* (S. D. N. Y.);¹³ and *U. S. v. Aubrey M. Poynter* (La.).¹⁴

⁷ Griswold was found guilty by the court after trial without jury and sentenced to 18 months imprisonment. The sentence was later reduced to 15 months.

⁸ Four defendants in this case were found guilty, and one defendant, a salesman, was acquitted.

⁹ Bates pleaded guilty.

¹⁰ Grayson was found guilty after trial and has appealed. Three other defendants pleaded guilty.

¹¹ One defendant found guilty after trial for violations of the mail fraud and conspiracy statutes (secs. 215 and 37 of the Federal Criminal Code). The other defendant was reported a suicide.

¹² Four defendants pleaded guilty. The case is pending as to one remaining defendant.

¹³ Defendant pleaded guilty to the indictment which charged violation of the mail fraud statute (sec. 215 of the Federal Criminal Code).

¹⁴ Pending.

In the *Boyer* and *Poynter* cases the defendants were charged with employing what is colloquially described as a "reloading" scheme. The indictments in these cases charged, inter alia, that the defendants induced investors to make repeated purchases of oil leases by causing fictitious offers to be made to investors for their holdings at prices which would have yielded them tremendous profits, which offers however were conditioned upon the investors obtaining additional leases from the defendants.

In *U. S. v. Gasomiser Corp.* (D. Del.), in which fraud was charged in the sale of securities, the jury returned a verdict of guilty as to three defendants.¹⁵ The company was engaged in promoting an invention to substitute the use of fuel oil for gasoline in internal combustion engines. After the close of the fiscal year, the court set aside this verdict and granted the motions of these defendants for acquittal. In *U. S. v. Clifford S. Johnson* (Mont.), one defendant was convicted during the year on his plea of nolo contendere for a fraudulent promotion in connection with the sale of royalty interests in an ice shaving device, known as Cliff's Ice Shaver.¹⁶

Fraudulent promotions of new businesses were charged in *U. S. v. Thomas A. Neely* (N. D. Ill.) and *U. S. v. John H. Boal* (N. D. Cal.) in which indictments were returned during the past year. Both of these cases are now pending.

In *U. S. v. Robert H. Kells* (Col.), a conviction was obtained for the fraudulent promotion of a new business.¹⁷ It was alleged that the defendant organized a purportedly philanthropic and nonprofit organization which he used as a medium through which he fraudulently sold the stock of a corporation organized by him.

Fraudulent sales of securities of an alleged fraternal association was the basis for the indictment in *U. S. v. Preston E. Douglass* (N. D. Ill.).¹⁸ According to the indictment, Douglass, by means of various false representations, induced investors to purchase stock purportedly issued or to be issued by the Frederick Douglass Afro-American Co-operative Industry Builders Association, Inc., a nonprofit Illinois corporation (which was by statute prohibited from issuing stock), which association had been organized by Douglass supposedly for the purpose of improving the economic status and welfare of the Negro race and to furnish investors with employment in cooperative stores and on farms which the association would develop and establish.

In *U. S. v. Harry J. Mallen* (N. D. Ill.) the defendant was convicted for a fraudulent promotion in connection with the sale of stock of a gold mining corporation. It was charged, among other things, that the defendant converted to his own use large portions of the money received from the sale of such stock after he falsely represented to investors that the funds obtained from such sales would be used for corporate purposes. Another allegedly fraudulent mining promotion (silver mine) resulted in an indictment in *U. S. v. Magnus G. Thomle* (Mass.).¹⁹ The defendants were charged, among other

¹⁵ Two other defendants, salesmen, had previously been acquitted by direction of the court.

¹⁶ Another defendant was previously convicted on a similar plea. The indictment was dismissed as to the remaining defendant in the case.

¹⁷ Kells was convicted on his plea of nolo contendere. The case is pending as to three remaining defendants, one of whom is a fugitive.

¹⁸ Pending.

¹⁹ Pending. The indictment in this case also charges a violation of the registration provisions of the Security Act of 1933.

things, with employing the "Ponzi" type of swindle, wherein purported "dividends" were paid to investors out of the capital funds of the mining company which was the subject of the promotion.

In a number of cases Canadian mining company stocks were sold to residents of the United States by persons residing in Canada who operated 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 the extradition of persons violating the Federal and State securities laws. The treaty was ratified by 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: *Baker v. U. S.*, 156 F. (2d) 386 (C. C. A. 5, 1946), certiorari denied, 67 S. Ct. 123 (1946), in which the convictions of 9 defendants for fraud in the sale of various interests in oil and gas properties were affirmed; *U. S. v. Wernes*, 157 F. (2d) 797 (C. C. A. 7, 1946), in which the court sustained the convictions of the defendants for the fraudulent sale of unregistered securities of a limited partnership and its subsidiary; *Collins v. U. S.*, 157 F. (2d) 409 (C. C. A. 9, 1946), wherein judgments of conviction were affirmed for conspiracy to violate the antifraud provisions (sec. 17 (a) (1)) of the Securities Act of 1933 and the Mail Fraud Statute (sec. 215 of the Federal Criminal Code) in connection with the manipulation in the over-the-counter market of the stock of Union Associated Mines Co., a defunct corporation whose shares had at one time been listed on the Salt Lake Exchange; and *Danziger v. U. S.*, 161 F. (2d) 299 (C. C. A. 9, 1947), in which the court upheld the conviction of Danziger for fraud and conspiracy in the sale of oil securities.²⁰

COMPLAINTS AND INVESTIGATIONS

During the 1947 fiscal year the Commission received 6,386 items of mail concerned with alleged securities violations. These communications are classified administratively as "complaint enforcement" correspondence. While they relate to complaints and alleged violations of various laws administered by the Commission, the bulk of them deals with the enforcement of the Securities Act of 1933 and the registration provisions of the Securities Exchange Act of 1934.

This material constitutes an important source of information concerning possible securities violations. 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 the investigatory activities of the Commission during the past year, under the Securities Act of 1933, the Securities Ex-

²⁰ In the same appeal, convictions of two corporate defendants were reversed on the ground that jurisdiction had not been obtained as to these defendants, process having been improperly served upon them.

change 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, 1946.....	258	835	1,003
Opened July 1, 1946 to June 30, 1947:			
New cases.....	284	214	498
Transferred from preliminary.....		19	19
Total number of cases to be accounted for.....	542	1,068	1,610
Closed.....	109	141	250
Transferred to docketed.....	19		19
Pending at June 30, 1947.....	414	927	1,341

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.

Securities Violations File

To assist in the enforcement of the various statutes which it administers, and to provide a further means of preventing fraud in the purchase and sale of securities, the Commission has established a securities violations file. This file constitutes a clearing house of information concerning persons who have been charged with violations of various Federal and State securities statutes. It is kept up-to-date 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, members of the National Association of Better Business Bureaus, Inc., and members of the United States Chamber of Commerce. By the end of the 1947 fiscal year this file contained data concerning 47,930 persons against whom Federal or, in the vast majority of cases, State action had been taken in connection with securities violations. During the past year alone additional items of information relating to 2,763 persons were added to these files, including information concerning 1,006 persons not previously identified therein.

Extensive use is made of this clearing house of information. During the past year, in connection with the maintenance of the files, the Commission received 2,941 "securities violations" letters or reports (apart from those mentioned above which are classified as "complaint enforcement") and dispatched 2,423 communications in turn to co-operating agencies.

ACTIVITIES OF THE COMMISSION IN ACCOUNTING AND AUDITING

The several Acts administered by the Commission vest it with broad authority in matters of accounting and auditing, including important functions with respect to the financial statements to be furnished, requirements as to certification of the statements by independent public accountants, and the basis, form and content of such statements. Under the Holding Company Act of 1935 it may prescribe, and has prescribed, certain uniform systems of accounts. In the exercise of its statutory powers under the Securities Act of 1933, the Securities Ex-

change Act of 1934, and the Investment Company Act of 1940, it has adopted a basic accounting regulation governing the form and content of most of the financial statements filed pursuant to those acts. This regulation is widely known as Regulation S-X.

While the Commission's requirements are comprehensive they do not, indeed could not, establish a large body of accounting principles or prescribe the accounting principles or methods to be followed in any but a few basic respects. To the extent that these matters have been dealt with by rule or regulation they have evolved for the most part under the influence of both formal and informal decisions in particular cases, discussions and correspondence with registrants, their accountants and counsel, and cooperation with practicing accountants, committees of professional societies and similar organizations, other Government agencies, and various interested individuals.

As has been suggested, however, much of the Commission's activity in the field of accounting lies in areas where specific rules and regulations are neither practicable nor desirable. In this, by far the largest segment of the Commission's accounting work, the chief reliance for the protection of investors and the public therefore rests largely in the administrative determination of applicable accounting and auditing principles and procedures properly to be followed. In making these determinations the Commission draws heavily on the guides that are found in accounting principles that have been recognized as sound by professional accountants generally and on the advice and experience of the persons and organizations mentioned above.

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.

Examination of Financial Statements

The majority of accounting problems arise as a result of examination of financial statements required to be filed with the Commission. 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, both to registrants and to the Commission's staff. 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 by letter and in conference with registrants and their accounting and legal advisers. There is also a large, and in recent years growing, volume of inquiries as to the

propriety of particular accounting practices from accountants and from companies not presently subject to any of the acts administered by the Commission who wish to have the benefit of the Commission's views, and thus utilize and apply the Commission's experience to the facts of their own case.

Again this past year the Commission received a very large volume of registration statements covering the sale of securities to the public. As has been indicated in an earlier section of this report, over 560 registration statements were received during the year. Continuing the experience of the last year, although perhaps not to the same marked degree, many of the companies were selling securities for the first time since the enactment of the Securities Act of 1933. The lack of experience with Commission practice on the part of the corporate executives, and in frequent cases on the part of independent accountants and counsel, continued to contribute to the number of problems which ordinarily arise. In addition there continued in evidence during the year, particularly in the Securities Act filings, a number of problems of war or reconversion origin.

Revision of Regulation S-X

Mention was made in the last report of the progress that had been made toward revision of the accounting requirements applicable to management investment companies as prescribed in article 6 of regulation S-X. This article was first added to the regulation in January 1942 following passage of the Investment Company Act of 1940. The restatement has been completed and was published in November 1946 as Accounting Series Release No. 57.

This restatement was undertaken after a critical review of financial statements filed by management investment companies indicated that such statements might be prepared in a manner which would bring more forcefully to the attention of investors the special characteristics of this type of company and the significant aspects of its financial condition and results of operation. It is of special interest not only because of the improvements accomplished but also because it codifies many innovations or departures from conventional accounting.

Although this restatement preceded the operation of the Federal Administrative Procedures Act of 1946, the process of its adoption—following widespread discussions, a formal public conference and the preparation of tentative drafts over the course of more than 3 years—more than met all of the standards of that act.

Some indication of the extensive preparation for the revision is evident from the fact that a 1944 draft, for example, was sent out for comment to approximately 335 persons, including 239 management investment companies, a number of accounting and professional societies, accountants, attorneys and other interested individuals, and the National Association of Investment Companies. Replies received from 133 of the 335 persons circularized contained approximately 600 written comments. Of these 133 replies, 78 represented management investment companies. Subsequent to the public hearing, which was held on July 9, 1946, representatives of the National Association of Investment Companies and the staff of the Commission discussed further the remaining differences, and mutually agreeable solutions were worked out as to most of them.

The most striking departure from convention, in the revised article 6, is a provision as to the balance sheet with respect to the carrying of assets at market values rather than at cost. This provision is made a requirement as to so-called open-end companies, those which agree to redeem their capital stocks at any time. All other management companies may use it if they wish. Other important changes involve the disclosures to be made as to the capital and surplus accounts. Many of the changes adopted resulted from suggestions made by the industry. As one example, where a value balance sheet is used, a "statement of changes in net assets" may be substituted for the orthodox surplus analyses.

As was anticipated in the announcement of the revision, the new rules have done much to secure a reasonable degree of uniformity in the accounting practices of these special companies and to obtain more informative and useful financial statements.

Some Cases Before The Commission

In the last annual report mention was made of a case 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. During the past year the Commission concluded its consideration and issued two findings and opinions with respect to the registrant, Red Bank Oil Company.²¹ In the first of these the Commission indicated that the deficiencies in the financial statements contained in the annual reports were substantially cured by amendments which disclosed in informative detail the relationships and the nature and effect of the numerous transactions between the registrant or its subsidiaries and the insider interests. These statements were certified by another firm of accountants. The opinion stated that there remained serious question whether exchange trading should be resumed until sufficient time had elapsed for notice of the numerous material deficiencies which had existed in the financial statements filed in the reports to reach the investing public, and until investors had had sufficient time to assimilate the information which then was supplied for the first time in the revised financial statements. Action by the Commission proved unnecessary, however, in view of the action of the New York Curb Exchange in continuing its suspension of trading in the Red Bank common stock. In the second opinion the Commission issued a stop order suspending the effectiveness of the Red Bank registration statement filed under the Securities Act. This action was taken because of the "numerous serious deficiencies in the earlier financial statements, which have been on file, uncorrected, for a considerable period of time" and the desirability of calling "to public attention the material deficiencies in the earlier statements."

*In the Matter of Hayes Manufacturing Corporation*²² was a case involving the sale to the public of securities which had been issued for the acquisition of another business from, primarily, a small group of promoters. This group expected to realize large profits from the sale. The Commission found that much information which was vital to a wise investor decision was not disclosed. This failure extended both

²¹ Securities Exchange Act Release No. 3902 (1947), and Securities Act Release No. 3197 (1947).

²² Securities Act Release No. 3151 (1946).

to the financial statements and to the other numerous items of information called for in the registration statement filed. By successive material amendments filed after the institution of the Commission's proceedings, the registrant freely admitted the existence of substantial deficiencies in the registration statement among which was the fact that both Hayes and the acquired companies operated at a loss in the period after the date of the last profit and loss statement originally filed, a fact known to the management at the time of the first filing. Since these amendments substantially corrected the material deficiencies proven to exist, it was determined that it was not necessary in the public interest to issue a stop order and the registration statement therefore became effective. It was deemed in the public interest, however, to call attention to certain of the original deficiencies particularly with respect to the recent history of American Engineering Co. and its subsidiaries which were acquired by Hayes through the issue of stock thus registered, together with the history of the activities of the promoters and their dealings with Hayes' management.

In a memorandum and order dated April 16, 1947, the Commission discontinued proceedings against *Transamerica Corp.* as the result of the filing by the corporation as part of its annual report for 1946 of certain information supplementing that contained in its previous filings.²³ The basis for this action was the Commission's belief that the reports and amendments thereto of Transamerica now on file, including the additional supplemental information contained in the 1946 report, meet the requirements of setting forth sufficient public information to enable investors to appraise the presently relevant facts, thereby making it unnecessary in the public interest and for the protection of stockholders and investors to continue the proceedings.

Some of the items as to which questions had been raised in the order for hearing were eliminated by Commission action prior to the discontinuance of the proceedings. Although Transamerica has not filed supplemental material covering all the remaining items as to which questions had been raised, those of the remaining items not covered by the supplemental material are not relevant to the present financial statements of Transamerica Corp.

The Commission's release dismissing the proceedings against Transamerica Corp. summarized the issues involved in the detailed supplemental information now included in Transamerica Corp.'s annual report for 1946 and the Commission's conclusions thereon.

Changes in Forms for Registration

Form S-1.—On January 8, 1947, the Commission adopted a simplified revision of Form S-1, its principal form for registration of securities under the Securities Act of 1933.²⁴ The intention to make this revision had been announced in advance as part of a general program of revision and simplification. A preliminary draft of the proposal

²³ Securities Exchange Act release No. 3946. These proceedings were instituted on November 22, 1938 by the issuance of an order by the Commission for a hearing to determine whether the application of Transamerica Corp. filed in August 1937 pursuant to section 12 of the Securities Exchange Act of 1934 for the registration of its \$2 par value common capital stock on the New York and Los Angeles Stock Exchanges and (by later amendment) on the San Francisco Stock Exchange should be suspended or withdrawn under the authority of section 19 (a) (2) of the act. On November 22, 1940, the Commission issued an amended order for hearing and a supplemental amended order which superseded the 1938 order. The registration became effective September 10, 1937, and has remained effective at all times.

²⁴ Securities Act release No. 3186.

was widely distributed for comment and a considerable number of very helpful suggestions were received, all of which were given careful consideration by the Commission in preparing the final draft of the form. With the adoption of this revision Form A-2, which had quite a long and rather famous history of use by many large corporations, first as the sole principal form and later as an optional form to the old Form S-1, was discontinued.

The new Form S-1 is so designed that the complete form becomes the general prospectus, with additional information not required in the prospectus to be filed in the form of exhibits. Of particular accounting interest is the omission from the form, and hence from the prospectus, of historical financial information. This information is to be supplied as an exhibit, but may be omitted whenever the information has previously been filed with the Commission under either the Securities Act or the Securities Exchange Act and has been maintained up to date by the annual reports required under the Securities Exchange Act.

The old Form S-1 provided for the omission of financial statements of subsidiaries and 50 percent-owned persons which were not significant. Under regulation S-X, 5 percent is the test of significance. In the revised S-1, financial statements of unconsolidated subsidiaries and 50 percent-owned persons may be omitted if the aggregate revenues and assets of all such persons do not exceed 15 percent of the amounts shown by the corresponding statements of the parent and its consolidated subsidiaries. This rule conforms to the rule in Form 10-K for annual reports under the Securities Exchange Act as it has been administered since an amendment of December 1942.

These changes, and others made in the body of the form, should make possible a very substantial reduction in the size of filings with the Commission and in the prospectuses to be put before investors.

Form 10-K.—Several other fairly important changes, some of an accounting nature, were made with respect to forms. Form 10-K, the principal annual report form under the Securities Exchange Act for many issuers, was amended so as to bring to the form certain of the changes adopted in the revised Form S-1.²⁵ The requirements for financial statements were changed to permit a registrant to file either consolidated or individual statements where the registrant's own assets and revenues comprise more than 85 percent of the corresponding amounts shown in the consolidated statements. Heretofore, both individual and consolidated statements were required. The amendment effects a corresponding simplification in the requirements of Form 1-MD, since that form calls for the financial statements required of registrants on Form 10-K.

Forms 10, A-1, and E-1.—Certain minor changes in the way of simplification were made in Form 10, which is the general form prescribed for use by corporations in filing applications for registration of securities on a national securities exchange.²⁶ Form A-1, used for the registration of securities where no other form was specifically prescribed, and Form E-1, which was prescribed for the registration of securities sold or modified in the course of reorganization, were rescinded.

²⁵ Securities Exchange Act release No. 3908 (1947).
²⁶ Securities Exchange Act release No. 3966 (1947).

Form S-7.—Early in the fiscal year the International Bank for Reconstruction and Development indicated that it intended to issue and sell its first securities. Since such securities were to be registered with the Commission, it became necessary for the Commission to promulgate a form which the International Bank could use. Accordingly Form S-7 was devised for that purpose.²⁷ Requirements as to financial statements of the bank, together with supporting schedules, are a part of such form. In the preparation of that portion of the form relating to the form and content of the financial statements several novel problems were encountered. Among the special features of the bank which were taken into consideration were the following: (1) subscriptions to capital stock of the bank are payable in gold, United States dollars, or in members' currency; (2) capital contributions paid in in members' currency are required to be maintained at a fixed value stated in terms of United States dollars of the weight and fineness in effect on July 1, 1944; and (3) under certain conditions a member may substitute its demand, nonnegotiable and non-interest bearing notes for its own currency held by the Bank.

Developments In Accounting Principles and Procedures

One of the functions of the accounting staff of the Commission is to isolate and study the many important accounting problems which arise. Frequently, a specific and sometimes greatly detailed study is necessary in order to consider the question presented on factual, theoretical, and practical grounds which are comprehensive and objective. Problems of this character may develop in connection with the financial statements of a particular company or may be suggested by general business or economic conditions. Often there is a strong mutual interest in the subject, both among individual professional accountants who have the problems to deal with and within professional societies, with the result that cooperation in reaching a solution is advantageous to all concerned.

One problem which the Commission had to consider during the year was the proper accounting to be followed with respect to emergency war facilities which had been fully amortized not only for tax purposes pursuant to wartime legislation but also for financial purposes. The study of this question was undertaken last year, as was reported. Further consideration led to the adoption of a policy to be applied administratively. Coincident with the Commission's consideration of the matter, the Committee on Accounting Procedure of the American Institute of Accountants also studied the problem. In November 1946 the committee issued its Bulletin No. 27. This publication, with respect to which frequent conversations were had between Institute representatives and the Commission's staff, discusses the special conditions under which, and the manner in which, fully amortized emergency facilities may properly be restored to the accounts. The views contained therein reflect substantially the policy which the Commission had been in the process of developing through a series of particular cases.

Another question in which the Commission was greatly interested, and with respect to which there was a wide exchange of views with the accounting committee of the Institute, concerns the proper ac-

²⁷ On June 30, 1947, the first issue of securities was registered on the new form.

counting for the use of special reserves created by many industrial companies during the war years. The Commission was quite concerned lest the practice develop of using these reserves in the post-war years for purposes not originally intended and not, except by very broad interpretation, related to war periods with the result that profits might be equalized as between years.

Rather strong, divergent opinions existed on this question. One group favored a concept that the war reserves should be considered available not only for normal termination costs, plant conversion, and rehabilitation, etc., but also for "other expenses, costs or losses which usually arise in a disrupted postwar situation or in the economic dislocations which are the aftermath of a war." The Commission's view, joined in by a large majority of those expressing themselves on the subject, was that charges to the reserves should be restricted to pertinent expenditures made during a relatively short period after the termination of war production. The Commission specifically objected to the theory that the costs of strikes occurring in years well removed from the war might, by generous reasoning, be charged, not against the income of the year of occurrence, but against reserves which had been retained after the war.

The Institute's committee issued Bulletin No. 26 on this subject in October 1946 and expressed opinions much in accordance with those held by the Commission, including a statement disapproving of the use of such reserves for strike costs "occurring after the resumption of peacetime operations." The Commission does not as a practical matter anticipate that it will object in the numerous instances in which expenses of strikes which occurred early in 1946 were charged against war reserves. Moreover, financial information available as to current practices seems to indicate a disposition on the part of many companies to return the reserves to surplus, thereby eliminating the problem.

Near the close of the last fiscal year considerable discussion was in progress concerning the form of the balance sheet. This had been preceded by a few years by similar interest in possible recasting of the order or method of presentation of profit and loss data. In connection with both matters the Commission's staff had held many conversations with members of the accounting profession and other interested individuals. Apropos of the profit and loss statement, one group of accountants appeared informally before the Commission and urged that the Commission's rules be changed so as to permit wide freedom in the form and order of casting profit and loss statements. After further study of the matter the Commission reached the conclusion with respect to that proposal that its rules as to form and order of statements should not be changed.

Three reasons were given. First, it was felt that a convincing case had not been made in favor of the proposed new form and order. Second, it was believed that the new ideas had not yet gained sufficient recognition in actual practice to warrant adoption by the Commission in the face of its own doubts. And, third, the opinion was held that the proper place for experimentation of this kind was not in reports required to be filed with the Commission, but rather in the annual reports furnished by companies to their stockholders.

The Commission emphasized that it did not wish to be regarded as opposing constructive changes, as such, that it was receptive to

proposals of this character, and that if and when the proposed form of profit and loss statement became generally accepted its decision would be reconsidered. The staff has applied these principles to the current proposals as to changes in the form of the balance sheet. It was agreed, however, as in the case of the profit and loss statement, that no objection would be made to the filing with the Commission of financial statements prepared in a form other than that required by regulation S-X, provided that such statements were not misleading and were furnished as supplementary data and not in lieu of the prescribed statements.

So far as is known, members of the profession have agreed that this solution was a reasonable one. It should be pointed out that the stockholders' reports of most registered industrial companies are not subject to the jurisdiction of the Commission and therefore, insofar as the Commission is concerned, may be quite adaptable to the experimentation in question, assuming, of course, that the divergencies between the two sets of statements are not so great as to raise questions as to the propriety of certification of both of them by independent accountants as fair presentations of the data involved.

A problem that has been of considerable concern to the Commission for a number of years and with respect to which substantial study has been undertaken concerns the proper accounting treatment of employees' pensions. In the great majority of cases these pension plans are voluntary on the part of the company and may be altered or discontinued without legal consequence entirely at the will of the management. The Commission has come to feel that serious consideration should be given to the proposition that even under voluntary plans in which there is no strict legal liability to continue pension payments a corporate management expecting to remain in business and enjoy good labor relations would not—if in fact it could—abandon a pension plan, and therefore a realistic approach is to recognize the liability. However, in the absence of a clear-cut legal liability the Commission has not as yet, as a matter of policy, insisted upon the showing of an actuarially determined liability for the accruing pensions. Instead, a clear footnote explanation is accepted.

Where the plan provides for the purchase of annuity contracts from an insurance company or the establishment of a trust fund, in either case based on past service of eligible employees or former employees now on pension, considerable diversity of opinion as to the proper accounting has been found. The funding of pension costs for past service may be accomplished by lump sum or installment payments to the trustee concurrent with payments covering accruals for the current year. Payments covering the current year are clearly profit and loss charges. Payments based upon past service of employees currently on the payroll are claimed by some to be proper charges to earned surplus on the grounds that the payment is for service rendered in prior years. Others, including the Commission's staff, have considered such payments to have been made for a current benefit in the form of better employee relations, reduced labor turn-over, and similar benefits currently and in the future, and hence have felt that they should be charged to profit and loss. However, where the payments were substantial and would have seriously distorted current income figures no objection has been raised to direct charges to earned surplus, although even in this situation the preferred method would seem to

be to treat these items as extraordinary charges to profit and loss. Further study is being given to all phases of the problem with a view to obtaining consistent and informative financial statements.

Considerable attention was given during the year to an important problem as to inventories—the propriety of the creation from income of reserves for future inventory price declines and losses. After carefully considering the procedure and the many arguments pro and con it was concluded that its effect was to reduce current profits improperly and increase profits of subsequent periods. The Commission took the position: (1) That provisions made to reserves for inventory losses may properly be charged against income only to the extent that the losses have actually taken place but have not been realized by use or sale of the materials involved; (2) that any reserve so provided, being a valuation reserve, should be deducted from the inventory on the balance sheet; and (3) that a reserve for losses expected to occur in the future constitutes merely a segregation of earned surplus and should be so treated.

Developments in Auditing Practices and Professional Conduct

For the past 2 or 3 years there has grown up a practice of including in registration statements filed under the Securities Act of 1933 and in the applicable prospectuses summary earnings tables covering a period usually of 10 years. These tables, which are a highly condensed form of profit and loss statement, are not required by any rule or regulation of the Commission but they are desirable and, it is believed, necessary in most instances as a means of comparing the operation of a business in the prewar, war, and postwar periods. However, there have been unusual cases where such violent and radical changes in the business of the registrant have occurred that a long summary of past earnings might well be misleading, and in several such cases the registrant has been requested either to delete the summary entirely or to furnish only a brief statement of the over-all, aggregate results without a breakdown as between the several years.

These summary tables are not required by the Commission's rules to be certified by independent accountants. It has been, nevertheless, common practice to introduce the summary with language indicating that it has been "reviewed" by independent accountants. This use of an accountant's name in connection with the summary is designed and tends to give added authority to the material presented. It is important, therefore, that there be a clear understanding and disclosure of the scope of the examination made by the accountant in such cases and the extent of the responsibility which he, as an expert accountant, assumes.

Because of the uncertainty that has existed with respect to the nature of the accountant's "review" in such cases, the Commission published an opinion of the Chief Accountant indicating the circumstances under which independent public accountants may properly express an opinion, and the form of such opinion, with respect to summary earnings tables to be included in registration statements filed under the Securities Act. The opinion, published as Accounting Series Release No. 62, states, in brief, that

* * * it is generally improper and misleading for an accountant to permit his name to be used in connection with any period covered by a summary earnings table or to undertake to express his professional opinion as to the fairness of the

representations made for such period in a summary earnings table unless he has made an examination for such period in accordance with generally accepted auditing standards applicable in the circumstances. * * * In cases where the accountant has performed sufficient work to make it appropriate for him to permit the use of his name in connection with a summary earnings table * * * it would appear that the accountant's certificate thereon should assume a comparable form [to the certificate required by rule 2-02 of regulation S-X], and should be included with the summary or made a part of his report as to the three-year certified statement.

During the past year the problems of accounting for registered security broker-dealers continued to cause considerable concern. Because this is such a highly specialized field of accounting, and since all like transactions have a uniform effect upon each broker-dealer's financial position, detailed reporting requirements and specific minimum audit requirements have been adopted by the Commission by rule. These are contained, respectively, in Form X-17A-5 and in rule X-17A-5. The audit requirements include physical examination of securities and other items on hand and the obtaining of written confirmations with respect to numerous accounts, most of which are peculiar to the securities business, including accounts with customers, partners, officers, and directors.

The fact that many of these broker-dealer establishments are small and are audited by accountants with limited experience in Commission requirements may partially account for the fact that this field has produced a relatively large number of cases in which it was felt necessary to suspend the accountants involved from practice before the Commission. Accounting Series Release No. 59, published January 23, 1947, dealt with one of these cases in which it was found necessary to deny a public accounting firm and its senior partner the privilege of appearing or practicing in any way before the Commission for a period of 1 year.²⁸

The case was based almost entirely on the accountants' failure to comply with generally accepted audit requirements, including those specifically enumerated in the instructions to Form X-17A-5. Although a hearing was scheduled, the accountants did not appear but admitted in writing certain failures in procedure and consented to the issuing of an order against them. Auditing deficiencies included the following: (1) Instead of a physical examination of all securities on hand, only a test check of securities held for some customers was made without sealing the safety deposits boxes during the audit; (2) the broker's position in some but not all securities was balanced; (3) written confirmations of customers' accounts were not obtained; and (4) a second bank reconciliation was not made. Despite these omissions the accountants gave an unqualified certificate including the statement that they had complied with the audit requirements of the Securities and Exchange Commission.

From time to time accountants' certificates which accompany financial statements of public utility companies filed with the Commission contain the following qualification, or one similar thereto:

* * * Subject to the adequacy of the provision and the reserve for depreciation, as to which we are not in a position to express an opinion, the accompanying balance sheet * * * presents fairly * * *

²⁸ In the Matter of Williams & Kingsolver.

Ten years ago this might have been a proper reservation for an accountant to make in his certificate covering the accounts of a public-utility company; it has been that many years since depreciation accounting has generally displaced the retirement reserve or other methods of providing for the exhaustion of the service life of utility property. During this period accountants have had much opportunity to familiarize themselves with the property accounts and depreciation problems of utilities and there seems to be no doubt that they have taken full advantage of this opportunity. Under these circumstances there would appear to be little, if any, justification for accountants to avoid the assumption of full responsibility for the adequacy of depreciation provisions or reserves of these companies except, perhaps, in very unusual situations.

In view of this the staff of the Commission made an extensive review of the history of present practices as to certification of utility depreciation accounts by independent accountants. A study was made to determine the past justification of the qualification practice and the practicability and other issues involved in the extension of auditing responsibility to this area of general qualification. The conclusion reached was that past practice constituted a tacit understanding by which specific professional rules were waived, that reluctance to assume this final responsibility may well have been justified in past years, but that the arguments in support of qualification of certificates no longer are persuasive. The Commission therefore concluded that in the future it would apply the following policy with respect to financial statements filed pursuant to its requirements: If, in the opinion of the accountant, the depreciation reserve is inadequate he should so state in his certificate; the amount of inadequacy, if known, should be stated; in any event the reader of the certificate should be left with no doubts as to whether the depreciation reserve as shown on the balance sheet and the provisions for depreciation included in the income statement are, within reason, adequate.

During the year two cases arose, both in connection with Form S-1 registration statements, in each of which the audit of the accountants was not made in accordance with generally accepted standards applicable in the circumstances, and, at least in one case if not both, the audit did not include all the procedures deemed necessary by the accountant. Because of special circumstances in one case and in each the fact that the withdrawal of the registration statement was permitted, it was not believed desirable to take formal action against the accountants. As an educational as well as a disciplinary measure the deficiencies in the audits performed were discussed at length with a partner of the accounting firm involved in each case. It is believed that these discussions proved beneficial to the two firms and that in appropriate cases this approach may assist in promoting the expert auditing which is demanded by the Commission.

STATISTICS AND SPECIAL STUDIES

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. Semiannual supplementary tables were also released showing a detailed break-down of current assets and liabilities for various industry and size groups of corporations registered with the Commission. Beginning with the March 31, 1947, report, registered corporations have been reporting, in addition to current assets and current liabilities, a few income accounts and the remaining balance sheet items. It is intended in subsequent reports to present more detailed data on the sources and uses of corporate funds, 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.

The Commission, together with the Department of Commerce, also continued the 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 1,668 registered companies in 120 industry groups.

One of the series of reports, "Data on Profits and Operations, 1944-1945," 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 on renegotiation of war contracts, the amounts and effects of "carry-backs" of taxes, data on termination of contracts whenever reported, and reported war costs, losses and expenses. A summarization of data on profits and operations for the period 1936-

45, inclusive, was also publicly released. These data for registered corporations, both on an individual company and industry basis, are currently being carried through 1946.

Another of the reports, entitled "Registrants and Subsidiaries, 1945," shows the relationship between 2,095 registered companies and their 13,868 subsidiaries. The report is so designed as to show the corporate systems of which any corporation is a component part.

Investment Company Data

Data for closed-end and open-end management investment companies were compiled and released to the public 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 3,276 registered brokers and dealers reporting under rule X-17A-5 under the Securities Exchange Act of 1934. The study showed their cash, aggregate indebtedness and net capital, customers' 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 can be computed. The study is being carried through 1947, and the results to date are included as appendix table 6.

Quarterly Sales Data

Data showing quarterly sales of registrants under the Securities Exchange Act of 1934 have been released to the public by the Commission, covering approximately 1,400 corporations in 156 industry groups. The data are shown for both the individual companies and industry groups and show the trend of sales for a large segment of national industry.

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

OPINION WRITING OFFICE—FORMAL OPINIONS

The Opinion Writing Office aids the Commission in the preparation of findings, opinions and orders promulgated by the Commission

in contested and other cases and controversies arising under the Securities Act of 1933, the Securities Exchange Act of 1934, the Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Company Act of 1940, and the Investment Advisers Act of 1940 as are assigned to it from time to time by the Commission. Formal opinions are issued in all cases where the nature of the matter to be decided, whether substantive or procedural, is of sufficient importance to warrant a formal expression of views. In addition, this office has been assigned the function of joint responsibility with the office of the Solicitor of the Commission in dealing with the problems arising under the Administrative Procedure Act, and has also been assigned responsibility for the preparation of compilations of annotations of the various statutes administered by the Commission.

The Opinion Writing Office is an independent staff office of the Commission which is directly responsible to the Commission. It receives all assignments and instructions from and makes recommendations and submits its work to the Commission directly. It is headed by a director, who is assisted by an assistant director, supervising attorneys and a staff of drafting attorneys and a financial analyst.

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.

The director or assistant director of the Opinion Writing Office, together with the members of the staff of the office who are assigned to work on a particular case, attend oral argument made to the Commission in that case. Following oral argument, or if no oral argument has been held at such time as the case is ready for decision, the Opinion Writing Office is instructed by the Commission respecting the nature and content of the opinion and order to be prepared.

In preparing the draft of the Commission's formal opinion, the entire record is read by a member of the Opinion Writing Office staff and in most cases he also prepares a narrative abstract of the record in the proceedings. Upon completion of a draft opinion and abstract of the record, and after their review and revision within the Opinion Writing Office, they are submitted to the Commission. If the study of the record in the case by the Opinion Writing Office has revealed evidence of violations warranting a reference to the Attorney General for criminal prosecution, or has disclosed the desirability of the adoption or amendment of rules, regulations or forms or the need for any changes in administrative procedures or techniques, appropriate recommendations are made to the Commission at the time the draft opinion in the case is submitted.

The draft opinion as submitted may be modified, amended or completely rewritten in accordance with the Commission's final instructions. When the opinion accurately expresses the views and conclusions of the Commission, it is adopted and promulgated as the official decision of the Commission. In some cases concurring or dissenting opinions are issued by individual commissioners who wish to express their separate views on matters covered by the opinion adopted by the majority of the Commission. In such cases the Opinion Writing

Office is occasionally instructed to prepare drafts of such concurring or dissenting opinions and confers respecting them with the individual Commissioners involved, submits drafts directly to them, and makes such modifications and revisions as are directed.

The findings of fact, opinions and orders thus prepared, adopted and promulgated by the Commission serve as an aid and guide to the bench and bar. With minor exceptions (*e. g.*, certain opinions dealing with requests for confidential treatment) all are publicly released and distributed to representatives of the press and persons on the Commission's mailing list. In addition, findings and opinions are printed and published by the Government Printing Office in bound volumes under the title "Securities and Exchange Commission Decisions and Reports."

In addition to the preparation of findings, opinions and orders in cases assigned to the Opinion Writing Office exclusively, this office may assist the operating divisions of the Commission's staff in the preparation of opinions in cases in which participation by the staff of the division in the decisional process is proper (*i. e.*, cases as to which the Administrative Procedure Act does not require separation of functions). The Opinion Writing Office also assists the Office of the Solicitor in the preparation of cases on appeals taken from formal decisions prepared by the Opinion Writing Office.

Some of the more significant opinions are commented upon in this report under the discussion of the various statutes.

PUBLICATIONS

Public Releases

Releases of the Commission consist primarily of official announcements of filings under and actions taken pursuant to the several acts which it administers. These consist for the most part of hearing orders, decisions, regulations, and related matters issued by the Commission.

During the 1947 fiscal year the following number of releases were issued under the several Acts and in connection with the Commission's participation in cases under chapter X of the Bankruptcy Act:

Securities Act of 1933.....	93
Securities Exchange Act of 1934.....	140
Public Utility Holding Company Act of 1935.....	782
Trust Indenture Act of 1939.....	5
Investment Company Act of 1940.....	159
Investment Advisers Act of 1940.....	4
Chapter X, Bankruptcy Act.....	4
 Total.....	 1,187

The following break-down of these releases for the month of June 1947 is fairly illustrative of their general nature:

Announcements of filings, orders for hearing, and notices giving opportunity to request hearing.....	41
Interim and final decisions and orders.....	53
Announcements of regulations adopted and proposed to be adopted.....	14
Announcements of accounting opinions and instructions.....	1
 Total.....	 109

The balance of the Commission's releases are of an informational nature, the following having been issued during the year:

Announcements of publication of reports on corporate survey and statistical studies	31
Reports of court actions in injunction and criminal prosecution cases initiated by the Commission	58
Miscellaneous (announcements regarding appointments of Commissioners, Staff Officers, and related matters)	10
 Total	 99

In all, 1,286 releases were issued during the 1947 fiscal year.

Other Publications

- Daily Registration Record.
- Monthly Statistical Bulletin.
- Financial Statistics for Electric and Gas Subsidiaries of Registered Public Utility Holding Companies.
- Bound volume 13 of the Decisions and Reports (April 1, 1943, to August 15, 1943).
- Table of Decisions and Reports covering period from April 1, 1946, to December 31, 1946.
- Twelve monthly issues of the Official Summary of Securities Transactions and Holdings of Officers, Directors and Principal Stockholders.
- The Twelfth Annual Report of the Commission.
- List of Securities Traded on Exchanges under the Securities Exchange Act of 1934 as of December 31, 1946, together with Supplements thereto.
- Securities Issues of Electric and Gas Utilities 1935-1946.
- Working Capital of 1,186 Registered Corporations, December 1939 to June 1946.
- Working Capital of 1,246 Registered Corporations, December 1939 to December 1946.
- Survey of American Listed Corporations, Data on Profits and Operations, 1943-1944, Parts 5 and 6.
- Survey of American Listed Corporations, Data on Profits and Operations, 1944-1945, Parts 1, 2, 3, 4, and 5
- The Work of the Securities and Exchange Commission (as of January 1, 1947).
- Index to Hearings on Stock Exchange Practices.
- Index Digest to Investment Trust and Investment Companies.
- Index Digest to the Study and Investigation on the Work, Activities, Personnel and Functions of Protective and Reorganization Committees.
- List of Companies Registered under the Investment Company Act of 1940 (as of August 31, 1946).

INFORMATION AVAILABLE FOR PUBLIC INSPECTION

The Commission maintains public reference rooms at the central office in Washington, D. C., and in its regional offices in New York, N. Y., and Chicago, Ill.

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 Washington, D. C. During the 1947 fiscal year, 2,129 persons visited this public reference room seeking such information. In addition, the Commission received thousands of letters and telephone calls requesting registered information. (This does not include requests for copies of releases, forms, publications, and so forth.) Through the facilities provided for the sale of copies of public registered information, 2,712 orders, involving a total of 213,631 pages of material, were filled.

In the New York regional office, 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 where the applications are available, 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 by issuers having securities registered under the Securities Act of 1933. During the 1947 fiscal year, 13,827 persons visited the New York public reference room and more than 6,952 telephone calls were received from persons seeking registered public information, copies of forms, releases and other material.

In the Chicago regional office, 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 1947 fiscal year, 3,408 persons visited this public reference room, and approximately 1,403 telephone calls were received from persons seeking registered public information, forms, releases, and other material of a public nature.

In addition to the special facilities provided in the New York and Chicago regional offices, all regional offices maintain public files of the following material:

All prospectuses used in public offerings of securities registered under the Securities Act of 1933.

Duplicate copies of applications under the Securities Exchange Act of 1934 for registration of brokers and dealers having principal offices within the region administered by the particular regional office.

Duplicate copies of applications under the Investment Advisers Act of 1940 for registration of investment advisers with principal offices within the region administered by the particular regional office.

Copies of letters of notification and related material filed under regulation A (which exempts small security issues from registration under the Securities Act of 1933) filed by issuers having their principal place of business within the region administered by the particular regional office.

In the San Francisco regional office, where facilities are provided for the registration of securities and the qualification of indentures, copies of the registration statements and applications for qualification of indentures filed at that office are available for public inspection.

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

PUBLIC HEARINGS

The following number of public hearings were held by the Commission, under the Acts indicated, during the 1947 fiscal year:

Securities Act of 1933.....	10
Securities Exchange Act of 1934.....	57
Public Utility Holding Company Act of 1935.....	166
Trust Indenture Act of 1939.....	1
Investment Advisers Act of 1940.....	2
Investment Company Act of 1940.....	72
Total.....	308

PERSONNEL

As of June 30, 1947, the personnel of the Commission consisted of 5 Commissioners and 1,154 employees (698 males, 461 females), 320 of whom were assigned to the field offices.

FISCAL AFFAIRS

Appropriation title	Amount	Obligation	Unobligated balance
Salaries and expenses.....	\$5,488,700	\$5,487,229	\$1,471
Printing and binding.....	45,000	42,808	2,192
Total.....	5,533,700	5,530,037	3,663

Receipts for the fiscal year 1947¹

Character of fee	Amount
Fees for registration of securities.....	\$679,190.03
Fees under Trust Indenture Act.....	1,100.00
Fees from registered exchanges.....	400,024.84
Fees from sales of photo duplicates.....	16,352.30
Miscellaneous.....	14,748.70
Total.....	1,111,415.87

¹This 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

The Commission is empowered to grant confidential treatment, 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 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. 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.

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—1947 fiscal year

Act under which filed	Number pending July 1, 1946	Number received	Number granted	Number denied or withdrawn	Number pending June 30, 1947
Securities Act of 1933 ¹	3	35	34	4
Securities Exchange Act of 1934 ²	23	131	102	35	17
Total.....	26	166	136	35	21

¹ Filed under rule 580.² Filed under rules X-24B-2 and X-13A-6B.

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.

ADVISORY AND INTERPRETATIVE ASSISTANCE

References are made throughout this report to the informal assistance rendered by the staff to the public in connection with the statutes administered by the Commission. Such assistance is usually given by the staff in connection with specific matters involving the filing of a registration statement, proxy statement, annual report, and so on. Mention has been made of the prefiling conference and the deficiency letter in connection with registration statements. These represent only a small part of the total of informal assistance given the public by the staff. It is not possible to determine the exact amount of assistance made available to the public by the staff by means of conference and letter. At the least, such conferences run into the thousands, and their number is more than equaled by the number of advisory letters prepared by the staff during the 1947 fiscal year.

In addition to the above assistance rendered by the staff in connection with specific matters, a great amount of assistance was provided the public by a special Interpretative Section in the office of the Chief Counsel of the Corporation Finance Division. This section is staffed with lawyers prepared to give expert advice as to all questions of interpretation arising under the Securities Act of 1933, the Trust Indenture Act of 1939, the Investment Company Act of 1940, and parts of the Securities Exchange Act of 1934. Upon presentation of all pertinent facts involved in a particular problem, the section will furnish a detailed and informed opinion as to the application of a particular statute in a specific situation.

During the 1947 fiscal year, the section prepared 5,766 letters of assistance, ranging from highly technical analyses of complex financial transactions at the request of lawyers and accountants to letters from high school students requesting information for term papers. In addition, the section rendered like assistance in many hundreds of conferences during the year with members of the public, in person or by telephone.

INTERNATIONAL FINANCIAL AND ECONOMIC MATTERS

The Commission participates in the formulation and execution of the foreign economic and financial program of the Government primarily through other agencies and through special bodies concerned with foreign economic policy. The Commission is represented on the Staff Committee of the National Advisory Council on International Monetary and Financial Problems and contributes to the working groups of this committee. There is further cooperation with agencies concerned with the development of the Government's foreign economic program through the Executive Committee on Foreign Economic Policy and its subcommittees on foreign investment policy, private monopolies and cartels, and on the United Nations Economic Subcommittee. As heretofore the Commission, upon the invitation of the United States Governor of the International Bank and Monetary Fund, took part in the annual meeting of these institutions.

One aspect of foreign economic affairs with which the Commission is primarily concerned arises under the Securities Act of 1933. Under that Act it is necessary that foreign issuers of securities, both Government and private, register those securities. Preliminary negotiations and discussions with such issuers and with other Federal agencies are often necessary prior to the registration of the securities. During the 1947 fiscal year 11 foreign governments or their political subdivisions filed registration statements under the Securities Act covering securities with a total offering price of \$333,587,590. Among these registrants were the Commonwealth of Australia, the Kingdom of Norway, and the Kingdom of the Netherlands. In addition, 27 private foreign issuers filed registration statements covering securities with an aggregate offering price of \$62,930,646. The Commission maintains, through its adviser on foreign investments, facilities for liaison with other governmental agencies which might have either jurisdiction of or an interest in the problems involved in such registration.

As mentioned in the Twelfth Annual Report, the Commission continued its activities in connection with the International Bank for Reconstruction and Development. The Bank made its first offering of bonds in the private capital markets in July 1947. This culminated a series of discussions and conferences which were held during the fiscal year. These conferences, by the Commission and the staff with representatives of the Bank and other agencies, covered a number of problems arising under the Securities Act of 1933, the Securities Exchange Act of 1934, and the Trust Indenture Act of 1939. As a result of its consideration of the various problems involved, the Commission, in June 1947, adopted a number of rules under the Securities Act and the Securities Exchange Act to facilitate the operation of the Bank in the domestic markets. These rules are discussed in detail in other sections of this report.

During the fiscal year, the Commission continued to make or participate in special studies to aid other agencies concerned with foreign economic and financial problems. These special studies involved such matters as the debt status of foreign countries applying for credit and the study of foreign laws with respect to securities and investment.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

The flotation of \$250,000,000 of bonds by the International Bank in July of 1947, representing the Bank's first flotation of securities in the private capital markets, was the first experience the Commission has had in the offering of securities by such an international organization. In anticipation of that offering, the Commission on June 25, 1947, issued a release announcing the promulgation of a number of rules under the Securities Act of 1933 and the Securities Exchange Act of 1934, as well as the rendering of an interpretation under the Trust Indenture Act of 1939, with reference to the securities of the Bank.

The Bank's request for this action was supported by the National Advisory Council on International Monetary and Financial Problems. The council was created by the Bretton Woods Agreements Act, pursuant to which the United States became a member of the Bank and the International Monetary Fund. It consists of the Secretary of the Treasury (who is chairman), the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Trustees of the Export-Import Bank of Washington. Its statutory purpose is "to coordinate the policies and operations of the representatives of the United States on the Fund and the Bank and of all agencies of the Government which make or participate in making foreign loans or which engage in foreign financial, exchange or monetary transactions."

The effect of the rule adopted under the Securities Act of 1933, rule 144, is to exempt from underwriters' liabilities under section 11 of that act any broker or dealer whose interest in the distribution of the Bank's securities is limited to the usual and customary distributors' or sellers' commission or concession. The term "underwriters" is defined in section 2 (11) of the act itself to exclude "a person whose interest is limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission." The Commission had been informed that the Bank did not propose to effect the distribution of its securities through underwriters in the usual sense, but merely to allow the customary commission or concession to a large number of brokers or dealers throughout the country who would be in direct privity of contract with the Bank. Although the absence of an intermediate underwriter between the Bank and the brokers or dealers would ordinarily have brought the brokers or dealers within the definition of "underwriter" in section 2 (11) of the act, the Commission deemed it an impelling reason for a rule excluding them from that definition that the Bretton Woods Agreements Act in effect immunizes the officers and directors of the Bank from legal process with respect to acts performed by them in their official capacities, except when the Bank waives this immunity. Since this provision relieves the Bank's officers and directors (although not the Bank itself) from civil liability actions under section 11 of the Securities Act of 1933, the Commission considered it appropriate in the public interest to extend similar relief to the brokers or dealers described in the Commission's rule.

A distributing broker or dealer, in order to obtain the benefit of the rule and be relieved from underwriters' liabilities under section

11, must make a bona fide offer of his entire allotment or subscription, at not more than the offering price specified in the prospectus, to persons other than partners, officers, directors or employees of the broker or dealer, or persons in a control relationship with the broker or dealer, or accounts in which the broker or dealer or any such person has a beneficial interest. If the broker or dealer or any such person wishes to obtain any of the securities for his own account without the making of such an offer and without losing the benefit of the rule, he will have to effect his purchase on the open market on the same basis as any member of the public.

The Commission's action does not affect the civil liability of the distributors of the Bank's securities under section 12 (2) of the Securities Act of 1933 in the event of any material misstatements or omissions in any prospectus or oral communication by means of which the securities are sold, as well as the liability under section 17 (a) of that act for selling securities by means of fraudulent practices or material misstatements or omissions.

The rules adopted by the Commission under the Securities Exchange Act of 1934, rules X-15A-3, X-15AM-1 and X-12D3-11 exempt the Bank's securities from three provisions of that act. The first exemption is from section 15 (a), the section which requires the registration with the Commission of over-the-counter brokers and dealers who trade in nonexempted securities. The second exemption is from section 15A, the section pursuant to which the National Association of Securities Dealers, Inc. is registered with the Commission as a "national securities association." The effect of the Commission's exemptions from these two sections is to permit brokers or dealers who otherwise deal exclusively in United States Government or municipal securities to participate in the distribution of the bank's securities without registering with the Commission or joining the NASD. However, these exemptions are subject to the same condition concerning a bona fide offer of the entire allotment or subscription as the Securities Act rule. The Commission agreed with the National Advisory Council that the interest of the United States Government in the Bank justified treating the Bank's securities as "exempted securities" so far as sections 15 (a) and 15A of the Securities Exchange Act are concerned.

The third exemption under the Securities Exchange Act of 1934 is from that portion of section 12 (d) of the act which prohibits when-issued trading on a national securities exchange unless its primary purpose is to distribute the unissued security to holders of a security previously registered under the Securities Exchange Act. The Commission had been informed that the Bank would file an application to register its debentures on the New York Stock Exchange and that the exchange intended to admit the debentures to when-issued trading upon the effectiveness of the registration statement under the Securities Act of 1933. This was done. The exemption from the when-issued trading provisions of section 12 (d) had been requested and was granted in order that the admission of the Bank's debentures to trading on the New York Stock Exchange would automatically exempt them from qualification under the "blue sky laws" of a number of States.

The three exemptive rules adopted by the Commission under the Securities Exchange Act of 1934 leave the Bank's securities subject

to all the other provisions of that act, whether or not those provisions apply to securities otherwise defined as "exempted securities" by section 3 (a) (12). That section authorizes the Commission by rule to exempt any security "from the operation of any one or more provisions" of that act "which by their terms do not apply to an 'exempted security,'" and the Commission has designated the Bank's securities as "exempted securities" only for the purpose of section 15 (a), section 15A, and the when-issued trading provisions of section 12 (d). The Bank's request for a general exemption from all the provisions of the Securities Exchange Act was not supported by the council and was rejected by the Commission.

So far as the Trust Indenture Act of 1939 is concerned, the Commission concurred in the opinion of counsel for the Bank that an exemption was available under the statute.

PART IX

APPENDIX

STATISTICAL TABLES

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TABLE 1.—*Registrations under the Securities Act of 1933 fully effective during the fiscal year ended June 30, 1947*

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>1946</i>						
July.....	75	101	854,125	58	71	707,751
August.....	51	72	469,400	39	54	171,164
September.....	29	35	229,211	24	29	211,105
October.....	29	42	1,214,206	23	33	594,564
November.....	41	55	450,597	33	42	378,106
December.....	39	53	395,339	30	38	356,762
<i>1947</i>						
January.....	29	39	225,500	22	29	147,580
February.....	29	39	293,348	24	30	215,969
March.....	51	82	595,674	38	64	442,672
April.....	44	63	658,145	39	48	577,029
May.....	29	41	330,635	23	29	151,505
June.....	47	64	1,015,265	41	52	919,955
Total fiscal year 1947.....	2,493	686	6,732,447	394	519	4,874,141

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.....	4,874,141	841,854	1,936,357	786,866	840,675	468,388
To general public.....	3,835,455	831,129	1,521,987	649,377	382,854	450,128
To security holders.....	967,231	275	414,390	104,983	447,583	—
To other special groups.....	71,455	10,450	—	32,507	10,238	18,260
Through investment bankers.....	4,030,744	814,633	1,545,165	737,009	490,764	443,173
By purchase and resale.....	3,333,621	814,133	1,493,632	726,091	299,765	—
To general public.....	3,081,119	803,683	1,467,434	631,561	178,441	—
To security holders.....	242,053	—	26,198	94,530	121,325	—
To other special groups.....	10,450	10,450	—	—	—	—
On best efforts basis.....	697,123	500	51,533	10,918	190,999	443,173
To general public.....	693,058	500	51,533	9,300	188,552	443,173
To security holders.....	2,080	—	—	1,168	912	—
To other special groups.....	1,985	—	—	450	1,535	—
By issuers.....	843,397	27,221	391,192	49,857	349,911	25,215
To general public.....	61,278	26,946	3,000	8,515	15,861	6,955
To security holders.....	723,098	275	388,192	9,285	325,846	—
To other special groups.....	59,020	—	—	32,057	8,703	18,260

See footnotes at end of table.

TABLE 1.—Registrations under the Securities Act of 1933 fully effective during the fiscal year ended June 30, 1947—Continued

PART 3.—PURPOSE OF REGISTRATION AND INDUSTRY OF REGISTRANT

[Amounts in thousands of dollars]¹

Purpose of registration and use of proceeds	Industry					Other
	All industries	Extractive	Manufacturing	Financial and investment	Merchandising	
Number of statements.....	483	16	283	83	39	86
Number of issues.....	6,785	16	1,808	130	43	28
For all purposes of registration (estimated value).....	6,732,447	23,551	1,808,264	752,451	1,841,343	1,113
Less: Not for sale.....	1,461,276	6,237	415,832	356,322	649,829	1,730,413
For account of issuers.....	1,450,246	640	408,649	28,149	18,552	282,654
Reserved for conversion.....	389,973	540	179,894	17,340	18,497	271,935
For substitution.....	70,108	540	26,087	335	11,910	61,746
For exchange for other securities.....	88,352	540	77,753	1,013	3,810	75,309
For other purposes.....	14,334	540	118,538	8,961	1,881	3,358
For account of others.....	5,717	540	7,155	7,273	76	192,126
For sale (estimated gross proceeds).....	5,271,170	11,294	1,392,460	716,229	216,611	4,560
Less: For account of others than issuers.....	397,029	1,009	126,405	1,000	126,228	10,719
For sale for account of issuers.....	4,874,141	15,985	1,265,056	714,229	201,373	1,447,759
For account of others.....	31,031	540	1,120	70,823	41,809	235,414
For sale of cost of flotation.....	208,637	540	62,404	48,372	1,190,814	10,719
Compensation to distributors.....	242,598	1,071	8,420	40,308	66,025	289,402
Expenses.....	25,940	540	1,165,222	1,000	1,501	18,004
Expected net proceeds from sales for account of issuers.....	4,605,604	14,334	936,748	665,159	159,884	271,339
New money.....	2,608,972	11,983	618,043	10,749	120,351	1,116,662
Plant and equipment.....	1,891,634	7,148	30,560	10,749	16,001	302,887
Working capital.....	595,288	2,441	22	10,749	104,056	9,947
Other new money purposes.....	22,050	2,194	17,164	205	109,001	8,804
Repayment of indebtedness and retirement of stock.....	1,408,789	1,766	247,865	35,171	22,388	2,137
Bonds and notes.....	1,060,052	645	126,800	1,600	1,121	872
Other debt.....	101,360	831	38,651	26,260	3,860	28,727
Preferred stock.....	247,376	540	84,116	7,311	17,707	711,644
Purchase of securities.....	654,628	10	10,386	618,263	9,622	2,637
For investment.....	615,888	540	10	615,888	2,672	1,000
For affiliation.....	38,640	10	10,386	16,850	2,572	1,000
Miscellaneous and unaccounted for.....	1,715	47	965	2,376	125	5,697
	31,600	47	256	875	1,035	240

¹ Slight discrepancy 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", 483, differs from the 480 shown on page 8 of the text by reason of (a) the exclusion from this table of 5 statements (6179, 6878, 7086, 7088) effective during the year subject to amendment; (b) the inclusion of 3 statements (6381, 6420, 6459) which were effective during the preceding fiscal year; (c) the inclusion of 6 statements (6531, 6653, 6658, 6724, 6868) which became effective but were later withdrawn.

³ Consists mainly of certificates of participation and face amount installment certificates.

⁴ Industries represented by the remaining \$66,768,000 are real estate, construction, services, and agriculture.

⁵ Consists entirely of voting trust certificates and certificates of deposit.

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 1945, 1946, and 1947

PART I.—NUMBER OF ISSUES AND AGGREGATE VALUE

[Amounts in millions of dollars]¹

Fiscal year ended June 30	Size of issue (\$1,000,000)	Bonds ²						Preferred stock			Common stock		
		First grade Num. Agg. Rate of issues	Second grade Num. Agg. Rate of issues	Third grade Num. Agg. Rate of issues	Fourth grade Num. Agg. Rate of issues	Fifth grade Num. Agg. Rate of issues	Below fifth Num. Agg. Rate of issues	Unrated Num. Agg. Rate of issues	All bonds Num. Agg. Rate of issues	Preferred stock Num. Agg. Rate of issues	Common stock Num. Agg. Rate of issues		
1945	50 and over	3	291.9	4	316.8	1	101.0	2	117.5	0	10	827.2	0
	20-50	0	30.5	4	140.7	9	299.3	1	24.7	1	17	530.5	2
	5-20	0	—	4	40.3	11	40.0	1	122.2	2	23	252.5	20
	1-5	0	—	4	4.0	9	27.8	7	13.6	5	6	62.3	41
	All sizes	0	—	0	—	0	—	0	—	2	27	1.0	1.0
1946	50 and over	5	322.4	13	497.9	14	444.4	23	202.2	10	73.8	8	23.7
	20-50	5	383.0	9	880.4	3	195.2	0	—	0	—	17	1.0
	5-20	3	107.6	5	153.1	15	465.3	7	216.5	1	10.0	0	468.6
	1-5	1	16.0	2	28.0	12	122.4	15	122.8	3	17.8	0	1.0
	All sizes	0	—	4	4.0	13.1	7	19.2	9	26.1	2	21.5	0
1947	50 and over	9	506.6	0	796.0	0	—	0	—	8	16.3	33	34.3
	20-50	17	1,077.0	7	876.5	2	127.5	26	365.4	1	8.9	95	88.2
	5-20	1	77.4	7	164.5	5	164.5	10	129.1	3	1.0	3.7	6.0
	1-5	2	66.9	3	90.3	9	107.9	12	123.0	1	20.2	14	20.0
	All sizes	0	—	0	—	1	—	0	—	0	—	0	—
	Under 1	3	144.4	19	1,073.7	20	416.5	28	606.7	11	58.8	12	4.9

¹See 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 1945, 1946, and 1947—Continued

PART 2.—COMPENSATION * TO DISTRIBUTORS

[Percent of gross proceeds]

Fiscal year ended June 30—	Size of issue (\$000,000)	Bonds †					Preferred stock	Common stock
		First grade	Second grade	Third grade	Fourth grade	Fifth grade		
1945...	50 and over.	1.1	0.8	1.6	1.8	1.7	2.5	1.1
	20-50	.9	1.1	1.9	2.4	2.0	1.0	1.3
	5-20	1.8	1.3	1.0	2.0	6.1	3.4	2.6
	1-5						3.9	4.5
	Under 1						7.9	8.3
	All sizes...						7.9	8.3
1946...	50 and over.	1.1	.9	1.2	1.5	2.1	3.1	3.1
	20-50	.6	.6	.9	1.4	1.3	1.7	3.1
	5-20	.9	.6	.8	1.6	2.6	3.3	1.0
	1-5						3.1	1.4
	Under 1						2.0	4.7
	All sizes...						6.0	6.5
1947...	50 and over.	.7	.6	.8	1.5	1.9	3.6	6.9
	20-50	.6	.6	1.1	1.2	1.4	3.6	8.0
	5-20	.5	.6	.8	1.4	1.4	1.0	1.9
	1-5						1.1	5.4
	Under 1						2.1	2.5
	All sizes...						5.0	6.5

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

† The grades are according to the classification of the bonds by investment rating services; "first grade" corresponds to Moody's Aaa, Standard & Poor's A+, "second grade" to Aa, A1, etc.

‡ 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.

THIRTEENTH 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 ³			Private		
		Registered	Exempt because of—		Registered	Exempt because of—	
		Type of issue or issuer ⁴	Size of issue ⁵	Intrastate offering	Type of issue or issuer ⁴	Purchase by limited group ⁶	
July 1934 to June 1935	3,558,976	406,505	2,711,697	0	4,298	80,568	261,568
11,060,986	3,495,198	2,372,131	0	11,514	19,181	325,483	
7,601,506	3,006,692	2,444,912	0	17,677	8,666	302,550	
July 1935 to June 1936	3,454,156	891,614	2,106,440	0	7,694	2,053	7,219
July 1936 to June 1937	6,817,226	1,651,696	4,358,446	0	7,604	61,304	350,838
July 1937 to June 1938	5,511,691	1,205,916	3,417,451	0	6,532	14,712	670,988
July 1938 to June 1939	6,842,273	1,682,412	7,142,834	0	10,005	11,896	731,322
July 1939 to June 1940	18,920,651	1,280,345	18,104,223	0	2,125	7,886	837,526
July 1940 to June 1941	47,489,692	419,942	46,754,876	0	6,376	7,886	320,088
July 1941 to June 1942	52,399,938	1,050,882	60,750,658	0	1,013	0	68,826
July 1942 to June 1943	54,004,601	2,127,608	51,010,957	3,343	20,554	12,063	640,566
July 1943 to June 1944	36,146,937	4,651,402	30,179,816	111,892	4,211	5,000	34,433
July 1944 to June 1945	18,835,777	4,074,384	12,684,211	143,366	9,060	5,853	6,070
July 1945 to June 1946	1,941,862	531,721	1,206,247	16,558	402	0	16,384
July 1946 to June 1947	1,414,740	228,408	848,838	11,812	690	0	324,982
July 1947							
July	1,717,474	160,872	1,431,298	9,415	0	0	125,889
August	1,407,421	223,535	1,032,844	1,800	0	0	324,982
September	1,110,700	208,734	851,878	280	0	0	46,618
October	1,306,660	108,136	934,130	12,972	0	0	190,723
November	1,311,526	306,883	711,396	9,037	200	0	284,010
December	2,043,676	563,260	1,155,566	12,423	625	0	281,802
January							
February							
March							
April							
May							
June							

See footnotes at end of table.

TABLE 3.—*New securities offered for cash sale in the United States¹—Continued*

PART 2.—TYPE OF SECURITY

Estimated gross proceeds in thousands of dollars² ■

Year and month	All types of securities			Bonds, debentures, and notes		Preferred stock	Common stock
	All issuers		Noncorporate	Corporate			
	All issuers	Noncorporate	Corporate	All issuers	Noncorporate	Corporate	
July 1934 to June 1936	3,563,976	2,658,791	865,184	3,534,933	2,688,791	876,142	12,161
July 1935 to June 1936	11,060,986	8,893,177	4,207,819	10,765,177	8,833,177	1,882,762	6,881
July 1936 to June 1937	7,601,906	3,896,145	3,705,361	6,772,299	3,865,145	2,876,154	106,524
July 1937 to June 1938	3,454,156	2,165,081	1,289,075	3,207,977	2,165,081	1,042,296	419,020
July 1938 to June 1939	3,454,156	2,455,620	2,455,601	6,836,882	4,231,626	2,306,266	60,749
July 1939 to June 1940	6,817,226	4,371,189	3,222,017	6,280,480	3,186,573	2,090,926	73,745
July 1940 to June 1941	5,611,391	3,189,673	3,030,603	9,904,238	6,811,485	2,792,743	95,411
July 1941 to June 1942	9,842,273	6,811,670	1,987,124	19,020,469	17,933,427	1,087,042	172,313
July 1942 to June 1943	19,920,551	11,883,427	742,406	47,427,238	46,747,286	184,270	116,813
July 1943 to June 1944	47,480,982	46,747,286	50,695,382	50,695,382	50,695,382	33,311	29,144
July 1944 to June 1945	52,398,028	50,695,588	1,734,349	51,980,331	51,224,804	325,670	83,875
July 1945 to June 1946	54,004,501	46,767,007	4,235,403	52,416,331	48,776,097	3,652,234	370,174
July 1946 to June 1947	36,146,837	28,924,909	7,322,223	38,190,912	38,846,088	5,368,082	214,996
July 1947	18,832,777	12,632,337	6,203,438	11,726,815	12,632,337	4,620,478	774,532
							689,748
July	1,941,662	1,186,024	755,638	1,716,486	1,186,024	529,462	97,488
August	1,414,740	864,269	550,471	1,232,654	864,269	368,385	34,165
September	1,118,700	832,390	288,204	1,054,575	831,396	213,178	54,376
October	1,306,861	883,424	413,237	1,256,140	883,424	27,333	20,753
November	1,311,526	689,625	620,901	1,139,466	690,625	448,840	44,183
December	2,043,676	1,139,025	904,661	1,881,006	1,139,025	741,081	47,165
						142,278	20,392
January	1,717,474	1,395,747	321,727	1,645,047	1,395,747	249,360	15,164
February	1,407,621	1,142,247	268,174	1,200,926	1,142,247	148,679	57,262
March	1,085,002	1,235,911	460,181	1,618,398	1,235,911	389,487	67,286
April	1,615,765	1,186,759	449,006	1,458,272	1,186,759	282,513	28,221
May	1,226,816	780,324	446,932	1,088,296	780,324	308,972	82,351
June	2,044,244	1,306,586	737,657	1,902,650	1,306,586	111,842	26,666
						111,842	29,851

See footnotes at end of table.

PART 3.—TYPE OF ISSUER.

[Estimated gross proceeds in thousands of dollars.]

Year and month	Corporate				Noncorporate				
	Total corporate	Industrial	Public utility	Rail	Real estate and financial	Total noncorporate	State and municipal	Foreign government	Electrosynthetic and other non-profit
					U. S. Government (including agency issues not guaranteed)	Federal agency (issues not guaranteed)			
July 1894 to June 1895	895,184	328,948	207,605	137,404	51,228	2,658,791	60,109	1,020,326	4,978
4,207,819	1,340,562	210,143	659,857	6,853,177	5,364,660	1,248,675	130,239	24,477	
3,705,361	1,203,865	1,637,526	601,036	312,934	2,889,372	25,446	1,026,212	67,877	
July 1895 to June 1937	1,037,187	1,037,187	57,281	41,428	2,165,081	1,206,754	81,670	813,794	3,250
July 1897 to June 1898	1,037,188	659,730	57,281	41,428	10,636	2,904,127	63,269	1,322,048	66,797
July 1898 to June 1899	2,445,601	954,950	1,365,540	106,351	18,759	4,371,626	2,140,127	15,385	
July 1899 to June 1940	2,322,617	691,630	1,108,325	297,935	224,710	3,186,473	47,258	27,639	
July 1940 to June 1941	3,059,603	1,047,929	1,830,809	315,626	6,811,670	5,411,665	1,255,248	4,120	
July 1941 to June 1942	1,987,124	79,472	97,422	174,202	56,029	17,935,427	17,200,070	35,172	679,850
July 1942 to June 1943	742,406	291,823	33,753	106,265	40,747,266	46,193,211	2,912	457,105	89,700
July 1943 to June 1944	1,734,349	854,064	657,446	163,404	59,136	50,665,839	50,141,376	1,185	486,970
July 1944 to June 1945	4,237,403	1,200,621	1,724,396	1,191,066	121,066	49,767,097	45,356,299	114,433	19,398
July 1945 to June 1946	7,322,028	3,067,101	2,612,256	1,343,985	298,686	28,824,904	27,257,610	608,424	6,661
July 1946 to June 1947	6,268,438	3,104,819	2,625,576	273,734	301,311	12,632,327	10,264,412	139,825	15,000
<i>1946</i>									247,106
July	755,638	362,355	350,133	9,012	34,138	1,186,024	0	132,150	0
August	550,471	444,030	49,349	3,230	53,863	864,200	778,377	65,892	425
September	288,304	150,108	110,691	19,567	7,937	831,306	742,320	88,013	0
October	413,237	237,198	130,245	40,200	5,574	893,424	702,874	50,025	1,053
November	630,901	536,334	55,079	18,576	10,912	690,625	619,160	71,465	0
December	804,651	276,805	514,773	47,120	66,653	1,139,025	935,889	168,750	33,210
<i>1947</i>									226
January	232,598	45,388	32,813	10,929	1,395,747	1,169,953	0	225,764	0
February	265,174	122,407	67,920	8,410	66,378	921,355	0	22,208	0
March	450,181	94,027	335,517	11,773	8,859	1,235,911	890,974	344,129	808
April	449,006	334,332	63,806	17,083	1,787,84	1,166,750	746,018	404,425	1,470
May	446,402	170,087	226,556	37,370	10,480	786,224	652,629	107,804	18,800
June	737,657	145,498	542,059	28,586	21,504	1,306,386	1,065,455	216,822	87,050

See footnotes at end of table.

TABLE 3.—*New securities offered for cash sale in the United States—Continued*

PART 4.—PRIVATE PLACEMENTS OF CORPORATE SECURITIES*

[Estimated gross proceeds in thousands of dollars]†

Year and month	Type of security			Type of issuer †			
	All private placements	Bonds, debentures, and notes	Stocks	Industrial	Public utility	Railroad	Real estate and financial
July 1934 to June 1935	261,508	259,459	2,050	158,469	77,700	0	25,340
July 1935 to June 1936	412,152	409,264	2,898	165,324	215,530	19,400	11,900
July 1936 to June 1937	325,525	321,601	3,664	121,638	151,905	13,386	38,895
July 1937 to June 1938	357,159	357,158	601	226,698	123,343	7,219	500
July 1938 to June 1939	748,435	748,036	390	380,771	364,232	23,432	0
July 1939 to June 1940	756,643	747,716	8,927	138,703	418,614	9,692	189,734
July 1940 to June 1941	991,392	989,094	2,298	361,090	563,160	24,142	43,000
July 1941 to June 1942	531,458	423,188	8,270	272,472	221,017	5,986	31,984
July 1942 to June 1943	314,770	312,720	2,050	147,537	152,233	18,000	0
July 1943 to June 1944	632,886	635,270	7,215	347,521	162,680	77,779	4,325
July 1944 to June 1945	832,979	822,610	10,369	437,456	345,134	34,338	15,936
July 1945 to June 1946	1,199,614	1,159,824	38,790	808,387	300,976	38,945	56,309
July 1946 to June 1947	1,922,255	1,853,613	68,641	1,508,186	216,788	3,839	133,463
1946							
July...	102,754	188,765	3,868	141,941	46,675	639	1,500
August...	323,192	322,452	750	247,951	39,850	38,381	3,030
September...	149,818	49,818	0	39,130	4,458	3,200	2,100
October...	190,723	184,788	5,965	175,606	13,017	0	2,400
November...	284,010	276,677	7,333	264,997	16,613	0	0
December...	281,902	241,397	10,404	176,381	44,922	0	0
1947							
January...	125,889	124,374	1,515	111,719	9,670	0	4,500
February...	138,652	134,112	2,440	67,513	11,746	0	57,283
March...	59,363	53,421	5,942	53,463	5,900	0	0
April...	169,400	167,500	1,900	166,100	3,300	0	0
May...	44,173	27,950	16,213	26,820	10,633	0	6,750
June...	64,679	52,379	12,200	36,565	8,014	0	20,000

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.

⁴ Issues in this group include those between \$100,000 and \$300,000 in size which are exempt because of amendments to regulation A of the Securities Act of 1933, effective May 21, 1945.

⁵ Securities for which registration under the Securities Act of 1933 would be required if they were publicly offered.

⁶ 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 I. In comparing the two distributions the following points should be noted: (1) the "public utility" classification in this table embraces both the "heat, light, power, and water" and the "trans- portation and communication" categories of the other, with the principal exception of airlines, which have been included in the "industrial" classification of table 3; (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 I except that it does not include issues offered on a continuous basis by open-end investment companies; (3) the "industrial," "extractive," "manufacturing," "merchandising," and "other" classifications of table I except foreign governments (see footnote 5 to table I).

⁷ Excludes issues sold by competitive bidding directly to ultimate investors.

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. 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 I, these represent principal amounts instead of gross proceeds. All figures are subject to revision as new data are received.

² 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 sum of figures in the tables and the totals shown are due to rounding.

³ Issues sold by competitive bidding directly to ultimate investors are classified as publicly offered issues.

TABLE 4.—Proposed uses of net proceeds for the sale of new corporate securities offered for cash sale in the United States

PART I.—ALL CORPORATE

[Amounts in thousands of dollars] *

Year and month	Total gross proceeds ¹	New money			Retirements			All other purposes
		Total net proceeds ¹	Total new money	Plant and equipment	Total retirements	Funded debt	Other debt	
July 1934 to June 1935	895,184	872,204	112,067	55,796	66,272	728,930	628,633	665
July 1935 to June 1936	4,080,791	4,078,819	419,055	260,586	158,469	3,637,122	167,120	661
July 1936 to June 1937	3,589,334	1,195,768	1,195,750	561,909	832,519	2,322,157	91,784	216,691
July 1937 to June 1938	2,289,705	2,285,763	630,750	412,191	285,559	589,720	143,247	253,949
July 1938 to June 1939	2,445,601	2,391,758	537,503	378,369	206,132	1,760,275	149,212	126,602
July 1939 to June 1940	2,395,017	2,257,755	232,277	184,909	1,665,865	1,167,787	141,451	174,451
July 1940 to June 1941	3,130,603	2,970,499	732,288	616,578	165,691	2,167,477	1,923,831	98,865
July 1941 to June 1942	1,987,124	1,742,406	802,499	689,317	273,157	1,061,176	801,176	143,961
July 1942 to June 1943	742,406	728,406	822,444	123,906	198,538	458,101	397,737	63,824
July 1943 to June 1944	742,406	728,406	488,020	220,611	220,611	26,832	26,832	34,632
July 1944 to June 1945	4,237,349	4,160,331	719,741	593,837	295,264	54,452	3,322,344	187,728
July 1945 to June 1946	7,322,028	7,168,368	1,617,185	1,038,056	578,220	5,927,475	51,362	334,364
July 1946 to June 1947	6,203,458	6,084,796	985,094	2,568,122	1,395,972	2,01,289	4,424,231	48,500
<i>1946</i>								
July	755,638	737,802	345,464	211,213	134,251	358,192	272,964	47,745
August	550,471	541,812	336,774	131,086	226,688	171,450	97,977	37,483
September	288,304	282,239	151,346	105,834	45,715	97,118	32,021	21,180
October	413,237	406,982	225,356	191,718	93,638	116,784	40,381	60,187
November	629,501	609,650	500,943	326,963	183,250	86,259	64,323	11,480
December	905,651	894,032	710,951	571,709	139,232	11,704	7,656	11,480
<i>1947</i>								
January	321,727	315,939	183,196	138,239	44,957	130,868	81,174	11,270
February	265,174	259,528	205,483	104,833	100,850	49,423	18,455	15,040
March	450,181	442,218	224,757	152,945	131,812	152,207	110,210	92,928
April	448,906	445,622	174,161	100,981	153,812	183,125	105,232	31,064
May	445,932	437,286	119,720	108,056	70,894	230,602	188,336	10,932
June	737,657	726,626	497,940	426,305	71,635	222,239	104,274	16,200

See footnotes at end of table.

PART 2.—INDUSTRIAL.

[Amounts in thousands of dollars.]

Year and month	Total gross proceeds ¹	Total net proceeds ¹	New money			Retirements			All other purposes
			Total new money	Plant and equipment	Working capital	Total re- tirements	Funded debt	Other debt	
July 1934 to June 1935	323,948	321,656	49,900	19,500	30,400	251,652	239,159	11,847	655
July 1935 to June 1936	1,340,552	1,265,385	191,242	98,764	94,475	1,092,987	809,426	151,175	132,392
July 1936 to June 1937	1,150,688	662,823	239,964	862,583	601,498	334,338	67,772	116,394	40,282
July 1937 to June 1938	669,730	641,079	160,609	168,136	114,211	45,983	16,993	3,243	10,773
July 1938 to June 1939	654,950	633,170	444,029	213,524	190,505	475,388	328,621	126,882	22,966
July 1939 to June 1940	601,039	606,063	118,932	60,408	68,624	632,202	456,255	44,203	32,745
July 1940 to June 1941	1,047,929	1,021,150	184,436	98,553	86,883	822,631	676,337	60,309	55,986
July 1941 to June 1942	770,472	752,063	401,354	157,920	244,135	337,521	130,170	164,111	45,240
July 1942 to June 1943	291,823	234,458	127,442	22,669	104,774	138,758	80,752	20,067	23,217
July 1943 to June 1944	854,084	833,347	388,077	167,169	200,368	446,987	223,836	84,091	139,062
July 1944 to June 1945	1,200,521	1,167,725	634,361	169,734	374,028	610,337	432,760	40,021	23,027
July 1945 to June 1946	3,067,101	2,970,324	1,305,493	859,797	445,988	1,525,263	989,848	174,091	137,665
July 1946 to June 1947	3,104,819	3,035,779	2,126,081	1,083,795	1,045,286	813,546	388,221	310,945	361,323
1946									
July—	362,355	350,088	143,838	80,461	68,377	176,633	125,651	22,783	28,160
August—	444,030	436,891	337,633	121,698	216,966	94,924	63,841	16,982	29,538
September—	150,108	145,767	113,888	74,292	38,596	20,016	9,517	4,406	4,343
October—	237,198	233,021	151,240	61,570	80,670	77,025	1,241	64,375	11,853
November—	636,334	627,733	464,636	285,634	172,002	55,171	47,167	7,095	4,756
December—	276,805	270,458	206,408	118,216	88,193	52,324	18,282	22,563	11,467
1947									
January—	232,668	229,342	136,317	100,087	92,182	68,738	8,623	24,821	844
February—	122,467	118,729	94,493	51,167	43,326	22,001	7,305	13,623	1,173
March—	94,027	90,162	52,296	22,996	28,210	35,725	2,935	28,521	2,280
April—	324,832	327,854	204,042	56,474	147,986	122,146	22,735	97,762	4,252
May—	170,067	164,686	128,762	65,277	31,276	25,906	6,160	1,667	1,667
June—	145,498	141,182	95,638	45,796	49,843	41,283	4,903	16,130	4,212

See footnotes at end of table.

Table 4.—Proposed uses of net proceeds for the sale of new corporate securities offered for cash sale in the United States—Continued

PART 3.—PUBLIC UTILITY

[Amounts in thousands of dollars]

Year and month	Total gross proceeds ¹	Total net proceeds ¹	New money				Retirements				All other purposes
			Total new money	Plant and equipment	Working capital	Total retirements	Funded debt	Other debt	Preferred stock		
July 1934 to June 1935	366,631	10,351	4,673	5,678	348,489	316,537	31,952	0	68,694	7,792	
July 1934 to June 1936	377,005	1,955,387	63,883	20,653	1,888,928	1,786,905	33,169	0	12,543	2,697	
July 1934 to June 1937	2,048,143	1,637,526	563,686	73,207	1,508,933	1,388,098	12,342	0	108,458	13,476	
July 1934 to June 1938	677,281	151,908	563,938	114,895	37,113	410,704	327,076	83,219	1,298	1,138	
July 1934 to June 1939	1,365,640	1,337,126	86,822	77,017	6,854	1,249,107	1,105,117	47,579	69,411	1,138	
July 1934 to June 1940	1,085,454	86,275	44,656	10,719	1,012,482	938,338	85,733	0	8,907	8,907	
July 1934 to June 1941	804,828	306,804	280,971	26,834	1,194,026	1,129,510	51,122	0	3,995	3,995	
July 1934 to June 1942	977,422	966,212	307,830	36,421	2,108	655,334	609,805	34,966	10,583	3,028	
July 1934 to June 1943	331,753	328,315	67,935	61,908	6,927	249,403	236,005	6,765	6,633	8,888	
July 1934 to June 1944	637,746	645,751	17,808	7,160	10,738	619,768	605,005	18,623	9,727	9,727	
July 1934 to June 1945	1,724,394	947,941	49,113	36,522	12,691	1,630,274	1,434,820	6,546	188,908	18,454	
July 1934 to June 1946	2,612,256	2,678,384	90,658	50,683	6,654	2,529,140	2,184,639	41,898	222,014	63,607	
July 1946 to June 1947	2,523,876	2,401,614	1,276,330	176,418	1,021,416	807,855	41,853	0	172,208	18,347	
1946											
July	350,138	346,151	185,485	122,584	62,901	156,897	147,313	300	9,284	3,768	
August	49,349	48,632	6,430	6,288	142	37,715	31,251	900	5,564	4,487	
September	110,891	109,263	15,280	15,017	282	93,954	23,894	11,966	58,104	0	
October	136,365	126,692	108,435	108,435	0	20,257	16,633	545	7,74	0	
November	55,078	52,889	21,467	21,467	33	23,691	21,940	800	6,151	2,681	
December	514,773	510,416	417,170	414,857	2,322	93,007	78,728	0	6,631	169	
1947											
January	45,388	43,355	14,232	10,660	3,623	28,932	13,000	2,488	13,444	192	
February	67,920	66,902	46,960	46,960	0	19,888	3,616	1,516	14,756	54	
March	336,517	331,548	222,502	220,712	101,790	106,444	106,444	0	883	883	
April	66,806	62,562	23,798	23,798	0	28,605	27,392	3,665	192,209	145,031	
May	223,666	225,402	31,057	31,057	0	27,392	3,665	180,837	13,367	3,819	
June	642,089	635,813	332,904	332,904	0	785	189,371	0	189,371	2,071	

See footnotes at end of table.

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PART 4—RAILROAD

[Amounts in thousands of dollars]¹

Year and month	New money			Refinements			All other purposes
	Total gross proceeds ¹	Total net proceeds ¹	Plant and equipment	Total retirements	Funded debt	Other debt	
July 1934 to June 1935	137,404	133,871	31,540	217	101,186	63,429	37,758
July 1935 to June 1936	659,557	637,588	122,633	2,522	514,086	462,073	0
July 1936 to June 1937	601,036	489,861	205,763	9,099	224,108	203,891	62,913
July 1937 to June 1938	41,428	40,815	26,328	28	827	500	16,480
July 1938 to June 1939	106,351	104,332	48,778	48,778	0	11,487	0
July 1939 to June 1940	297,935	283,481	80,585	79,136	1,450	212,836	212,836
July 1940 to June 1941	375,926	368,981	726,711	226,711	0	131,892	110,942
July 1941 to June 1942	174,262	171,726	126,698	126,698	0	45,027	45,027
July 1942 to June 1943	166,205	165,187	39,830	39,830	0	65,858	65,858
July 1943 to June 1944	163,404	162,007	64,080	64,080	0	97,928	97,928
July 1944 to June 1945	1,191,006	1,175,776	98,240	0	1,007,636	0	0
July 1945 to June 1946	1,343,988	1,328,105	98,541	98,541	0	1,229,653	1,229,653
July 1946 to June 1947	273,734	277,056	204,963	1,994	66,095	61,906	61,906
1946							
July	9,012	8,880	8,168	8,168	0	632	632
August	3,230	3,200	3,200	3,200	0	0	0
September	19,667	19,487	16,328	16,328	0	3,131	3,131
October	40,290	39,890	20,882	20,882	0	19,008	19,008
November	18,476	18,415	18,415	18,415	0	0	0
December	47,120	46,678	34,851	34,851	0	11,827	9,830
1947							
January	32,813	32,624	27,683	27,643	0	4,981	4,981
February	8,410	8,307	6,507	6,507	0	1,800	1,800
March	11,778	11,705	9,237	9,237	0	2,468	2,468
April	17,083	16,954	16,955	16,955	0	1,994	1,994
May	37,579	36,918	14,670	14,670	0	22,248	22,248
June	28,866	28,208	28,208	28,208	0	0	0

See footnotes at end of table.

TABLE 4.—*Proposed uses of net proceeds for 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 ¹	New money			Retirements			All other purposes
		Total net proceeds ¹	Total new money	Plant and equipment	Total re- tirements	Funded debt	Other debt	
July 1931 to June 1935	51,228	50,046	20,276	300	19,976	27,632	0	18,104
July 1935 to June 1936	199,268	192,418	41,348	0	41,348	118,655	6,052	0
July 1936 to June 1937	362,934	353,198	283,981	338	140,313	60,462	6,191	15,805
July 1937 to June 1938	10,636	8,976	7,916	6	7,916	301	36	28,276
July 1938 to June 1939	18,759	17,090	7,813	50	7,763	0	0	0
July 1939 to June 1940	224,719	221,757	27,585	0	27,485	191,284	88,511	102,604
July 1940 to June 1941	77,139	76,540	54,317	343	53,974	18,827	7,036	7,048
July 1941 to June 1942	66,028	64,927	26,616	2	26,614	23,274	16,816	3,863
July 1942 to June 1943	12,665	12,349	7,337	0	7,737	3,992	0	0
July 1943 to June 1944	69,136	57,628	18,565	0	18,565	36,883	32,306	2,416
July 1944 to June 1945	121,480	118,989	78,122	799	77,324	34,197	21,502	4,794
July 1945 to June 1946	298,686	281,555	132,512	9,833	122,573	113,511	41,981	22,193
July 1946 to June 1947	301,311	266,446	179,302	7,631	172,271	105,224	64,168	9,888
						31,078		
July 1946	34,138	32,843	7,972	0	7,972	24,030	0	24,030
August	63,863	63,119	9,650	0	9,650	38,780	221	0
September	7,937	7,792	5,836	0	5,836	1,860	760	1,100
October	5,574	5,390	4,780	831	3,988	5,496	495	0
November	10,912	10,652	5,424	210	5,214	2,397	0	0
December	66,933	66,486	52,513	3,786	48,727	13,951	12,065	1,718
								178
January 1947	10,929	10,718	5,105	0	5,105	4,764	4,455	160
February	66,378	65,691	67,524	0	57,524	5,735	0	149
March	8,850	8,772	812	0	812	7,959	0	0
April	3,724	3,463	3,368	634	2,834	655	0	7,968
May	10,480	10,279	5,210	1,498	3,722	5,069	0	0
June	21,372	21,189	182	21,007	119	4,350	0	118
								119

¹ Total estimated gross proceeds represent the amount paid for 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.

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

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TABLE 6.—*Brokers and dealers registered under sec. 15 of the Securities Exchange Act of 1934¹—effective registrations as of June 30, 1947, classified by type of organization and by location of principal office*

Location of principal office	Number of registrants				Number of proprietors, partners, officers, etc.				Number of employees				Number of branch offices				
	Total		Sole proprie- torships	Part- ner- ships	Cor- pora- tions	Sole proprie- torships		Part- ner- ships	Cor- pora- tions ³	Sole proprie- torships		Part- ner- ships	Cor- pora- tions ⁴	Sole proprie- torships		Part- ner- ships	Cor- pora- tions ⁵
	Proprietary corporations	Partnerships	Proprietary corporations	Total	Proprietary corporations	Partnerships	Proprietary corporations	Total	Proprietary corporations	Partnerships	Proprietary corporations	Total	Proprietary corporations	Partnerships	Proprietary corporations	Total	
Alabama.....	23	9	6	8	67	9	18	30	90	21	34	35	3	0	2	1	
Arizona.....	9	6	3	0	13	6	7	0	25	11	14	0	0	0	0	0	
Arkansas.....	17	7	3	7	41	7	7	3	31	4	10	1	0	1	0	0	
California.....	225	83	83	70	774	83	352	339	3,645	208	2,132	1,305	1	0	1	77	
Colorado.....	67	32	10	25	172	32	25	115	240	26	376	183	5	2	4	1	
Connecticut.....	48	18	15	15	158	18	63	87	643	45	362	236	3	9	13	1	
Delaware.....	10	4	2	4	48	4	27	17	322	3	309	10	6	0	6	1	
District of Columbia.....	67	17	12	28	234	17	51	166	608	28	247	341	8	0	4	4	
Florida.....	27	16	5	7	57	15	13	29	90	28	21	41	4	0	0	2	
Georgia.....	28	9	6	13	89	9	17	63	329	9	230	60	26	0	19	6	
Idaho.....	8	4	1	3	18	4	2	12	25	8	3	14	3	2	1	1	
Illinois.....	240	68	22	9	101	915	68	306	641	4,235	125	2,223	1,887	0	0	119	46
Indiana.....	63	32	11	4	17	92	11	11	96	108	17	19	72	0	0	0	
Iowa.....	32	11	4	14	119	20	8	91	159	18	24	117	6	0	0	6	
Kansas.....	38	20	4	5	45	20	6	18	148	16	18	14	11	0	0	10	
Kentucky.....	16	6	5	5	45	6	6	21	102	13	56	23	0	0	0	6	
Louisiana.....	62	38	18	6	117	38	59	20	222	34	188	30	10	0	8	2	
Maine.....	32	15	2	15	78	15	6	67	107	26	19	62	0	0	0	0	
Maryland.....	45	21	17	7	136	21	81	34	617	15	562	50	22	0	12	10	
Massachusetts.....	240	111	49	80	819	111	240	468	3,803	282	2,019	1,502	12	4	70	38	
Michigan.....	68	8	30	30	255	8	111	136	622	13	347	282	23	0	16	7	
Minnesota.....	55	14	10	31	203	14	20	160	2,646	60	180	2,406	24	0	8	16	
Mississippi.....	6	4	2	2	203	14	14	0	6	116	8	7	4	4	0	6	
Missouri.....	89	19	29	41	418	19	145	254	247	37	610	600	0	21	47	0	
Montana.....	4	1	2	2	10	1	2	1	2	7	0	2	0	0	0	0	
Nebraska.....	30	10	4	16	91	10	8	73	134	10	114	2	0	0	2	0	
Nevada.....	5	4	1	0	0	4	2	0	5	4	1	0	0	0	0	0	
New Hampshire.....	10	6	2	2	19	6	5	8	23	6	3	14	0	0	0	0	
New Jersey.....	108	69	21	28	236	59	54	123	41	77	116	16	2	7	7	0	
New Mexico.....	11	9	2	0	0	0	0	0	0	13	6	0	0	0	0	0	

See footnotes end of table.

TABLE 5.—*Brokers and dealers registered under sec. 15 of the Securities Exchange Act of 1934—effective registrations as of June 30, 1947,*
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.			Number of employees			Number of branch offices		
	Sole proprietorships		Total	Sole proprietorships		Total	Sole proprietorships		Total	Sole proprietorships		Total
	Corporations, Partnerships	Total	Corporations, Partnerships	Total	Corporations, Partnerships	Total	Corporations, Partnerships	Total	Corporations, Partnerships	Total	Corporations, Partnerships	Total
New York (excluding New York City)	227	165	26	86	379	195	75	139	127	227	217	8
North Carolina	28	11	5	110	11	88	175	20	21	134	12	1
North Dakota	5	3	0	12	13	3	0	10	1	0	0	0
Ohio	162	86	52	64	515	36	195	284	1,282	61	687	554
Oklahoma	68	48	5	5	88	48	10	30	78	62	19	47
Oregon	10	6	10	6	67	10	14	43	102	36	17	49
Pennsylvania	224	79	79	48	686	79	398	219	3,170	169	687	3
Rhode Island	30	12	12	6	66	12	33	21	133	11	112	72
South Carolina	26	10	6	10	72	10	23	39	84	19	46	0
South Dakota	4	3	0	1	6	3	0	3	4	2	0	0
Tennessee	36	10	8	67	127	10	23	94	236	7	163	19
Texas	164	465	28	81	384	105	67	182	463	99	116	17
Utah	23	11	4	8	66	11	17	38	222	17	189	15
Vermont	2	0	0	2	11	0	0	11	10	0	110	0
Virginia	23	9	8	6	74	9	38	27	163	20	64	0
Washington	86	49	9	26	208	49	30	129	694	271	68	325
West Virginia	13	8	4	1	20	8	13	8	54	33	13	1
Wisconsin	53	17	4	32	188	17	10	161	438	23	188	13
Wyoming	6	6	0	0	6	6	0	0	3	0	0	0
Total (excluding New York City)	2,853	1,241	705	907	8,455	1,241	2,638	4,576	28,345	2,084	13,850	34
New York City	1,194	381	606	207	4,388	381	2,900	1,107	30,524	414	26,036	809
Total	5,047	1,622	1,311	1,144	12,843	1,622	5,538	5,683	58,369	2,498	36,766	16,605

* Includes all forms of organizations other than sole proprietorships and partnerships.

¹ Domestic registrants only, excludes 38 foreign.

² Includes directors, officers, trustees, and all other persons occupying similar status or performing similar functions.

TABLE 6.—*Data relating to resources and liabilities of registered brokers and dealers, 1946¹*

	Grand total (3,276 regis- trants)	Members of the New York Stock Exchange (536 regis- trants)
Net capital..... (No value given to fixed assets or other assets not readily convertible into cash. Marketable securities included at their market value.)	\$923,886,714	\$514,444,875
Aggregate indebtedness..... (Does not include borrowings on exempt securities such as government bonds and municipals.)	2,590,681,487	1,548,330,006
AGGREGATE OF PRINCIPAL ASSETS		
Cash in banks.....	602,069,288	418,479,278
Funds segregated pursuant to Commodity Exchange Act requirements..... (Amounts which firms owe customers on transaction in regulated commodities.)	50,453,910	47,636,031
Cash and exempt securities segregated..... (For particular purposes pursuant to requirements of exchanges or Federal and State regulatory agencies.)	* 36,004,659	* 33,760,247
Firms' inventory of exempt securities at market value.....	863,724,658	403,507,914
Firms' inventory of nonexempt securities at market value.....	775,685,473	376,180,682
Customers' debit balances in cash accounts..... (Due from customers on cash transactions in securities.)	281,675,257	97,055,362
Customers' debit balances in margin accounts.....	752,487,156	731,832,760
AGGREGATE OF PRINCIPAL LIABILITIES		
Customers' free credit balances..... (Due and payable to customers on demand.)	712,665,772	661,124,753
Customers' credit balances in cash accounts..... (Funds held for customers pending completion of securities transactions.)	153,430,035	41,371,123
Customers' credit balances in accounts with open contractual commitments..... (Funds received from customers in payment for securities not immediately available for delivery.)	36,375,229	31,344,346
Customers' credit balances in margin accounts.....	73,067,483	70,887,087
Borrowed from banks on customers' securities.....		
On exempt securities.....	108,551,138	107,084,800
On nonexempt securities.....	247,732,372	214,144,966
Borrowed from banks on firms' and partners' securities..... (Exempt and nonexempt securities.)	1,022,507,231	327,104,320

¹ This table shows the aggregate net capital and aggregate indebtedness of all registered brokers and dealers who filed financial reports with the Commission reflecting their financial condition as of a date in 1946, compiled according to the definitions set forth in rule X-15C3-1 under the Securities Exchange Act of 1934. This data has been broken down as between the grand total of 3,276 brokers and dealers and the 536 members of the New York Stock Exchange who filed such reports. For a further break-down by Commission Regional Offices, see Survey Series release 113 (1947).

* Includes \$2,729,754 in exempt securities.

* Includes \$2,714,828 in exempt securities.

TABLE 7.—*Market value and volume of sales effected on securities exchanges for the fiscal year ending June 30, 1947*

PART 1.—ON ALL REGISTERED EXCHANGES

[In thousands]

Exchange	Total market value (dollars)	Stocks ¹		Bonds ²		Rights and warrants	
		Market value (dollars)	Number of shares	Market value (dollars)	Principal amount (dollars)	Market value (dollars)	Number of units
All registered exchanges.....	14,790,928	13,733,163	552,774	973,725	1,350,158	84,040	44,203
Baltimore.....	5,314	4,134	169	1,180	1,279	-----	-----
Boston.....	197,161	194,284	4,703	59	58	2,818	1,435
Chicago Board of Trade.....	66	66	15	0	0	-----	-----
Chicago Stock.....	225,448	224,242	8,367	7	3	1,199	610
Cincinnati.....	11,561	11,240	333	0	0	321	87
Cleveland.....	19,477	19,443	629	-----	-----	34	32
Detroit	46,368	46,368	3,494	-----	-----	-----	-----
Los Angeles.....	104,406	103,810	9,089	0	0	596	414
New Orleans.....	2,206	2,192	63	14	13	-----	-----
New York Curb.....	1,327,979	1,241,200	89,703	57,579	73,255	29,200	15,800
New York Stock.....	12,520,077	11,559,962	391,599	912,496	1,273,463	47,610	24,719
Philadelphia.....	117,887	115,469	4,389	1,650	1,435	768	327
Pittsburgh.....	19,515	19,488	1,112	1	1	26	8
St. Louis.....	8,183	7,975	303	1	1	207	72
Salt Lake.....	3,428	3,428	16,295	-----	-----	-----	-----
San Francisco Mining.....	1,326	1,326	7,613	-----	-----	-----	-----
San Francisco Stock.....	177,028	175,266	11,087	510	438	1,252	690
Spokane.....	1,574	1,574	2,876	-----	-----	-----	-----
Washington.....	1,924	1,696	35	228	212	-----	-----

Break-down of fiscal year totals by months

<i>1946</i>							
July.....	1,296,867	1,212,599	42,801	73,743	90,590	10,525	4,967
August.....	1,236,204	1,152,971	41,390	72,691	94,121	10,542	4,525
September.....	2,007,598	1,898,081	77,688	104,881	167,352	4,636	4,118
October.....	1,382,524	1,293,597	52,961	85,870	131,885	3,057	1,591
November.....	1,184,580	1,107,635	46,191	66,551	97,458	10,394	5,477
December.....	1,394,450	1,263,484	52,415	121,416	161,049	9,550	4,112
<i>1947</i>							
January.....	1,200,271	1,092,537	45,321	100,265	136,235	7,460	1,991
February.....	1,217,035	1,136,336	45,583	73,249	100,247	7,450	7,935
March	995,419	926,240	36,591	67,531	89,604	1,648	636
April.....	1,049,503	969,663	41,098	69,013	94,736	10,827	4,043
May.....	954,687	878,995	38,243	71,024	98,350	4,668	1,951
June.....	871,790	801,025	32,492	67,491	88,531	3,274	2,857

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TABLE 7.—*Market value and volume of sales effected on securities exchanges for the fiscal year ending June 30, 1947—Continued*

PART 2.—ON ALL EXEMPTED EXCHANGES

[In thousands]

Exchange	Total market value (dollars)	Stocks ¹		Bonds ²		Rights and warrants	
		Market value (dollars)	Number of shares	Market value (dollars)	Principal amount (dollars)	Market value (dollars)	Number of units
All exempted exchanges	11,437	11,412	769	25	24		
Colorado Springs	274	274	193				
Honolulu	6,161	6,136	372	25	24		
Minneapolis-St. Paul	3,932	3,932	189				
Richmond	672	672	9	0	0		
Wheeling	398	398	6				
Breakdown of fiscal year totals by months							
<i>1946</i>							
July	966	966	70	0	0		
August	910	910	55	0	0		
September	1,158	1,158	68	0	0		
October	1,129	1,129	65	0	0		
November	1,069	1,069	70	0	0		
December	932	932	67	0	0		
<i>1947</i>							
January	935	935	69	0	0		
February	940	921	77	19	18		
March	970	969	67	1	1		
April	821	821	52	0	0		
May	823	823	56	0	0		
June	784	779	53	5	5		

¹ "Stocks" include voting trust certificates, American depositary receipts, and certificates of deposit for stocks.

² "Bonds" include mortgage certificates and certificates of deposit for bonds.

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 twelfth annual report of the Commission, p. 154; the eleventh annual report, 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. 238-255; 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.

TABLE 8.—*Special offerings effected on national securities exchanges for fiscal year ended June 30, 1947*

Exchange	Number made	Number of shares			Value of shares sold (thousands of dollars)	Aggregate special commission (thousands of dollars)	Number of offerings by duration		
		In original offer	Subscribed	Sold			Terminated in 15 minutes	Others terminated same day	Not terminated same day
All Exchanges:									
Total	8	146,900	110,706	104,814	2,852	68	4	2	2
Completed	6	66,900	73,299	67,407	1,909	49	4	2	0
Not completed	2	80,000	37,407	37,407	943	19	0	0	2
Chicago Stock Exchange:									
Total	1	10,000	10,307	10,307	474	10	1	0	0
Completed	1	10,000	10,307	10,307	474	10	1	0	0
Not completed	0	0	0	0	0	0	0	0	0
New York Stock Exchange:									
Total	7	136,900	100,399	94,507	2,378	58	3	2	2
Completed	5	56,900	62,932	57,100	1,435	39	3	2	0
Not completed	2	80,000	37,407	37,407	943	19	0	0	2

TABLE 9.—*Round-lot stock transactions¹ effected on the New York Stock Exchange for the accounts of members and nonmembers, weekly, July 1, 1946–June 28, 1947*
 [Thousands of shares]

Week ended Saturday	All round-lot sales	Round-lot transactions for the accounts of members ¹						Round-lot transactions for the accounts of nonmembers ¹					
		Transactions of specialists in stocks in which they are registered			Transactions for the odd-lot accounts of odd-lot dealers and specialists			Other transactions initiated on the floor			Other transactions initiated off the floor		
		Total	Short	Purchases	Sales	Total	Short	Purchases	Sales	Total	Short	Purchases	Sales
1946													
July 6	3,761	165	365	425	113	260	65	0	33	120	11	94	248
July 13	4,863	199	486	440	90	270	129	0	85	111	15	221	265
July 20	5,058	165	551	630	98	272	124	0	77	137	17	165	257
July 27	5,871	188	608	660	115	300	134	0	75	182	16	181	258
Aug. 3	4,472	168	457	458	104	316	92	0	52	201	16	241	227
Aug. 10	4,507	135	412	414	91	233	118	0	92	126	7	432	347
Aug. 17	4,229	86	384	372	62	190	123	0	44	110	6	303	377
Aug. 24	5,094	132	612	629	73	251	141	0	62	108	14	334	382
Aug. 31	7,751	169	923	886	117	368	159	0	94	105	18	225	259
Sept. 7	11,962	294	1,398	1,390	611	247	176	0	176	294	18	337	344
Sept. 14	14,193	347	1,703	1,668	238	654	271	0	245	226	11	377	417
Sept. 21	11,839	342	1,350	1,354	210	590	201	0	225	14	309	473	24
Sept. 28	6,288	397	1,166	1,288	254	625	165	0	147	182	24	271	402
Oct. 5	5,567	182	612	609	126	313	135	0	74	71	9	160	216
Oct. 12	8,676	363	894	909	176	449	183	0	141	173	27	233	326
Oct. 19	8,632	496	664	619	267	647	155	0	140	220	39	218	411
Oct. 26	5,061	210	610	556	113	273	147	0	95	130	14	163	233
Nov. 2	8,884	472	1,022	1,088	268	534	161	0	189	200	42	288	359
Nov. 9	7,048	373	899	880	192	401	137	0	132	212	33	224	298
Nov. 16	4,883	222	622	668	117	228	149	0	113	111	18	209	178
Nov. 23	6,401	207	715	688	99	289	230	0	120	112	14	247	174
Nov. 30	4,756	170	655	636	81	246	132	0	104	76	6	202	150
Dec. 7	5,561	205	765	726	105	264	206	0	165	133	13	302	211
Dec. 14	9,022	408	970	1,005	226	386	241	0	199	213	36	344	294
Dec. 21	7,507	162	781	742	123	249	241	0	165	102	4	314	249
Dec. 28	5,490	119	551	483	86	187	178	0	100	82	3	195	211
1947													
Jan. 4	5,402	137	585	577	83	226	184	0	109	124	7	180	170
Jan. 11	5,406	214	570	684	99	321	161	0	99	157	21	202	254
Jan. 18	6,233	324	679	153	167	349	167	0	107	163	21	233	232

67	3884
68	5504
69	3349
70	220
71	116
72	136
73	0
74	98
75	131
76	285
77	119
78	553
79	889
80	704
81	236
82	7403
83	333
84	836
85	832
86	894
87	642
88	634
89	527
90	427
91	475
92	649
93	690
94	216
95	649
96	565
97	571
98	169
99	164
100	432
101	231
102	481
103	336
104	462
105	185
106	524
107	75
108	542
109	358
110	753
111	809
112	400
113	97
114	650
115	648
116	291
117	147
118	0
119	222
120	349
121	349
122	0
123	0
124	175
125	92
126	252
127	119
128	135
129	204
130	152
131	152
132	202
133	108
134	278
135	113
136	286
137	113
138	166
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141	162
142	102
143	111
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Round-lot stock 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.

¹¹ The term "immigrant" includes all immigrants to the United States.

The term "members" includes all members, their firms, and their partners.

Xchange's rules are not included in this column, but are included with total sales.

Note: For earlier data see the twelfth annual report of the Commission, p. 156; the eleventh annual report, D-A-18; the seventh annual report, N. 286; the sixth annual report, N. 283; the fifth annual report, D. 162; and the third annual report, D. 161.

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 1, 1946–June 28, 1947*

Week ended Saturday—	Purchases by customers from odd-lot dealers and specialists						Sales by customers to odd-lot dealers and specialists					
				Total						Customers' short sales !		
	Number of orders	Number of shares	Market value (dollars)	Number of orders	Number of shares	Market value (dollars)	Number of orders	Number of shares	Market value (dollars)	Number of orders	Number of shares	Market value (dollars)
July 6	28,344	663,258	30,582,923	6,917	143,749	20,650,408	42	1,665	28,124,672	114	5,604	5,604
July 13	26,028	743,104	34,668,046	21,741	601,067	29,121,100	188	7,711	642,609	22,272	629,692	9,966
July 20	27,609	774,013	36,641,360	22,120	724,928	32,629,119	234	9,966	724,779	34,642,288	637,886	143
July 27	32,680	926,400	40,071,989	24,779	839,478	24,890,767	101	5,620	719,428	20,811,169	523,875	2,591
Aug. 3	26,023	736,903	34,642,288	19,428	539,478	24,311,861	94	2,993	688,150	26,250,854	20,124,134	6,385
Aug. 10	22,632	638,530	20,811,169	16,981	523,875	24,925,156	148	6,385	712,588	34,623,065	81,379	237
Aug. 17	21,179	598,150	26,250,854	20,209	838,797	38,960,116	237	8,060	1,105,876	46,384,954	46,652	16,469
Aug. 24	25,385	712,588	34,623,065	21,741	1,411,660	51,046,330	449	18,585	601,934	65,333,436	48,757	18,585
Aug. 31	40,742	1,105,876	46,384,954	31,379	1,125,869	51,262,120	1,270	18,197	61,934	65,333,436	51,869	22,140
Sept. 7	50,700	1,717,312	65,333,436	49,757	1,125,869	51,127,120	1,270	18,197	53,428	64,275,680	51,869	22,140
Sept. 14	61,694	1,927,452	69,105,289	35,204	1,125,869	51,127,120	1,270	18,197	48,239	1,246,158	51,869	22,140
Sept. 21	53,428	1,521,662	64,275,680	28,127	886,624	24,017,462	258	10,635	48,239	1,246,158	51,869	22,140
Sept. 28	50,700	1,927,452	69,105,289	20,649	886,624	24,017,462	258	10,635	50,700	778,210	30,162,030	28,986
Oct. 5	27,635	778,210	30,162,030	21,741	886,624	24,017,462	258	10,635	38,611	40,041,252	27,984	10,243
Oct. 12	51,621	1,28,536	40,041,252	31,416	886,624	24,017,462	258	10,635	40,473	1,198,755	44,140,774	424
Oct. 19	40,473	1,198,755	44,140,774	26,476	812,639	31,046,222	424	10,243	40,473	1,198,755	44,140,774	424
Oct. 26	24,248	634,419	27,040,498	19,218	570,377	21,805,529	194	7,947	40,473	1,198,755	44,140,774	424
Nov. 2	40,671	1,170,750	44,275,240	25,975	799,984	30,000,411	408	16,493	40,671	1,170,750	44,275,240	408
Nov. 9	36,226	987,540	36,441,560	22,886	708,126	26,027,288	398	16,136	36,226	900,131	22,871,572	398
Nov. 16	20,655	800,131	22,871,572	17,938	530,419	20,047,688	298	11,770	20,655	813,498	26,896	11,770
Nov. 23	29,497	881,498	31,830,816	26,896	766,938	27,664,387	266	10,767	29,497	618,446	24,642,694	522,688
Nov. 30	21,612	881,498	31,830,816	17,644	766,938	27,664,387	266	10,767	21,612	881,498	31,830,816	184
Dec. 7	26,355	772,436	20,814,233	24,631	732,436	25,674,097	215	8,032	26,355	1,080,540	43,252,851	34,342,712
Dec. 14	36,557	811,533	32,064,164	31,416	946,648	34,342,712	444	18,652	36,557	811,533	32,064,164	154
Dec. 21	26,428	811,533	32,064,164	26,696	810,435	28,869,690	109	6,290	26,428	883,620	26,386,077	6,638
Dec. 28	21,997	883,620	26,386,077	21,423	682,846	22,945,010	109	4,541	21,997	883,620	26,386,077	109
1947												
Jan. 4	24,711	712,019	26,446,216	20,912	625,702	20,825,822	157	6,285	24,711	712,019	26,446,216	373
Jan. 11	27,883	795,111	31,189,103	21,914	602,831	22,768,646	373	15,022	27,883	795,111	31,189,103	373
Jan. 18	26,957	863,611	32,090,382	22,403	650,183	23,669,372	684	25,940	26,957	863,611	32,090,382	684
Jan. 25	22,038	627,910	25,422,881	26,069	512,232	25,568,808	310	11,705	22,038	627,910	25,422,881	310
Feb. 1	29,080	872,575	34,723,589	27,539	894,100	28,996,941	364	13,756	29,080	872,575	34,723,589	364
Feb. 8	32,025	987,941	37,427,930	30,441	891,391	31,914,473	475	19,816	32,025	987,941	37,427,930	475

¹ Short sales which are exempted from restriction by the exchange's rules are excluded from this column, but are included with total sales by customers.

NOTE.—For earlier data see the twelfth annual report of the Commission, p. 160; the

eleventh annual report, p. A-29; the seventh annual report, p. 300; the sixth annual report, p. 287; the fifth annual report, p. 232; "Selected statistics on securities and on exchange markets," table 86; the *Monthly Statistical Bulletin*; and weekly releases of the Commission.

eleventh annual report, p. A-20; the seventh annual report, p. 300; the sixth annual report, p. 287; the fifth annual report, p. 222. "Selected statistics on securities and on

TABLE 11.—*Round-lot and odd-lot stock transactions¹ effected on the New York Curb Exchange for accounts of members and nonmembers, weekly, July 1, 1946-June 28, 1947*

[Thousands of shares]

Week ended Saturday		Round-lot transactions for accounts of members ^a						Round-lot transactions for the accounts of nonmembers ^b					
		All round-lot sales			Transactions of specialists in stocks in which they are registered ^c			Other transactions initiated on the floor			Other transactions initiated off the floor		
		Total	Short ^d	Purchases	Sales	Total	Short ^d	Purchases	Sales	Total	Short ^d	Purchases	Sales
		July 6	1,132	47	115	119	24	61	43	8	21	67	8
		July 13	1,389	22	147	135	10	34	30	2	71	70	5
		July 20	1,643	9	149	140	4	23	27	1	13	30	2
		July 27	1,026	13	194	205	9	23	(1)	1	46	65	5
		Aug. 3	1,061	17	102	112	8	7	14	1	27	20	5
		Aug. 10	1,169	12	111	109	8	8	1	1	38	30	1
		Aug. 17	1,026	7	80	90	3	4	7	1	45	42	1
		Aug. 24	1,119	10	122	120	3	6	7	2	45	39	2
		Aug. 31	1,737	11	207	205	6	19	17	1	67	44	1
		Sept. 7	2,680	33	326	318	22	27	26	1	128	57	4
		Sept. 14	3,166	31	445	357	19	36	40	4	95	43	4
		Sept. 21	2,455	25	303	295	16	52	44	4	80	1	1
		Sept. 28	1,981	33	240	230	21	28	39	5	67	45	3
		Oct. 5	1,867	18	160	133	10	22	18	4	66	32	(4)
		Oct. 12	2,024	22	216	200	7	20	25	2	79	44	1
		Oct. 19	1,889	34	201	215	22	26	30	4	73	64	3
		Oct. 26	1,081	22	119	110	15	12	15	2	43	37	1
		Nov. 2	2,172	35	290	220	23	27	33	4	68	54	3
		Nov. 9	1,570	24	184	175	15	24	28	3	866	54	5
		Nov. 16	1,108	14	126	107	9	18	14	2	61	61	1
		Nov. 23	1,650	20	172	164	14	22	18	2	72	37	1
		Nov. 30	1,183	14	147	139	11	12	12	1	53	47	0
		Dec. 7	1,577	12	162	144	9	20	1	1	72	37	1
		Dec. 14	2,170	51	209	260	39	30	36	3	132	50	3
		Dec. 21	1,988	19	211	162	14	40	18	1	177	49	1
		Dec. 28	1,638	21	136	128	13	29	20	1	74	34	(4)
	Jan. 4	1947	1,520	11	168	142	11	177	138	7	96	37	1
	Jan. 11		1,567	25	142	177	16	17	19	2	76	45	2
	Jan. 18		1,410	27	141	149	12	20	19	4	41	87	4

¹ 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 ticker volumes for this exchange includes such transactions, the term "members" includes all regular and associate members, their firms and their partners.
- On the New York Curb Exchange odd-lot transactions are handled solely by special

Ists in stocks in which they are registered, and the round-lot transactions resulting from such odd-lot transactions are not segregated from specialists' other round-lots.

Note.—For earlier data see the twelfth annual report of the Commission, p. 153; the eleventh annual report, n. A-16; the seventh annual report, n. 203; the sixth annual report, n. 204; the fifth annual report, n. 205; the fourth annual report, n. 206; the third annual report, n. 207; the second annual report, n. 208; the ninth annual report, n. 209; the eighth annual report, n. 210; the seventh annual report, n. 211; the sixth annual report, n. 212; the fifth annual report, n. 213; the fourth annual report, n. 214; the third annual report, n. 215; the second annual report, n. 216; the first annual report, n. 217. The figures given in these reports are not included in the present table.

annual report, p. A-1b; the seventh annual report, p. 28; the sixth annual report, p. 285; the fifth annual report, p. 230; the fourth annual report, p. 184; and the third annual report, p. 164.

TABLE 12.—*Basic forms used by issuers in registering securities on national securities exchanges and, for each form, the number of securities registered and the number of issuers involved as of June 30, 1946, and June 30, 1947*

Form	Description	As of June 30, 1946		As of June 30, 1947	
		Securities registered	Issuers involved	Securities registered	Issuers involved
7	Provisional application where no other form is prescribed	9	7	8	6
10	General corporations	2,309	1,650	2,328	1,698
11	Unincorporated issuers	22	13	20	12
12	Carriers making reports to the Interstate Commerce Commission and communication companies making reports to the Federal Communications Commission	527	160	535	158
12-A	Issuers in receivership or bankruptcy that would otherwise use Form 12	67	15	42	11
13	Insurance companies other than life and title insurance	10	10	10	10
14	Certificates of deposit issued by a committee	30	18	14	10
15	Incorporated investment companies	71	45	70	44
16	Voting trust certificates	19	17	23	18
17	Unincorporated investment companies	7	5	6	5
18	Foreign governments and political subdivisions thereof	248	81	243	76
19	American certificates issued against foreign certificates	9	8	11	10
20	Stocks of foreign private issuers	1	1	1	1
21	Bonds of foreign private issuers	77	46	76	45
22	Issuers reorganized in insolvency proceedings or their successors	82	54	79	54
23	Successor issuers other than those succeeding insolvent issuers	99	58	89	56
24	Bank holding companies	5	5	5	5
	Total	3,592	1,219	3,560	2,219

¹ Includes 3 issuers having securities registered on 2 basic forms and 1 issuer having securities registered on 3 basic forms. The net number of issuers having securities registered is therefore 2,188.

² Includes 2 issuers having securities registered on 2 basic forms and 1 issuer having securities registered on 3 basic forms. The net number of issuers having securities registered is therefore 2,215.

TABLE 13.—*Classification by industries of issuers having securities registered on national securities exchanges as of June 30, 1946, and June 30, 1947*

Industry	As of June 30, 1946	As of June 30, 1947
Agriculture	8	8
Beverages (distilleries, breweries, soft drinks)	47	53
Building and related companies (including lumber, building materials, and construction)	83	90
Chemicals and allied products	80	84
Financial and investment companies	124	127
Food and related products	107	109
Foreign governments and political subdivisions thereof	79	73
Foreign private issuers other than Canadian and Cuban	54	56
Iron and steel (excluding machinery)	69	78
Machinery and tools (excluding transportation equipment)	173	202
Merchandising (chain stores, department stores, etc.)	161	167
Mining, coal	22	19
Mining, other than coal	222	225
Miscellaneous manufacturing	70	138
Oil and gas wells	51	53
Oil refining and distributing	37	37
Paper and paper products	37	38
Printing, publishing, and allied industries	20	21
Real estate	19	16
Rubber and leather products	32	36
Services (advertising, amusements, hotels, restaurants)	41	49
Textiles and related products	63	66
Tobacco products	18	18
Transportation and communication (railroads, telephone, radio, etc.)	266	245
Transportation equipment	178	173
Utility holding (electric, water, and gas)	39	36
Utility holding-operating (electric, water, and gas)	14	15
Utility operating (electric, water, and gas)	74	83
Totals	2,188	2,215

¹ During the year certain issuers previously classified under "miscellaneous" were reclassified under other industry classifications.

TABLE 14.—*Number and amount of securities classified according to basis for admission to dealing on all exchanges as of June 30, 1947*

STOCKS

Basis for admission to dealing on exchanges	Column I ¹		Column II ²	
	Issues	Number of shares	Issues	Number of shares
Registered	2,562	2,655,064,350	2,562	2,655,064,350
Temporarily exempted from registration ³	34	13,292,962	34	13,292,962
Admitted to unlisted trading privileges on registered exchanges	907	1,794,393,066	366	362,908,213
Listed on exempted exchanges	131	104,443,760	85	29,722,351
Admitted to unlisted trading privileges on exempted exchanges	42	11,055,186	36	5,787,872
Unduplicated total stock issues and number of shares admitted to dealing on all exchanges			3,083	3,066,775,748

BONDS

	Issues	Principal amount	Issues	Principal amount
Registered ¹	998	\$18,426,753,851	998	\$18,426,753,851
Temporarily exempted from registration ³	24	363,995,230	24	363,995,230
Admitted to unlisted trading privileges on registered exchanges	111	1,476,725,996	97	816,630,496
Listed on exempted exchanges	7	21,447,000	7	21,447,000
Admitted to unlisted trading privileges on exempted exchanges	1	140,000	1	140,000
Unduplicated total bond issues and principal amount admitted to dealing on all exchanges			1,127	\$19,628,966,577

¹ The purpose of column 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. (Issues exempted under sec. 3 (a) (12) of the act, such as obligations of the United States, States, counties, cities, and United States-owned corporations, are not shown in this table.) Each security is counted once under each basis for its admission to dealing. Thus, a security which is registered on two exchanges and admitted to unlisted trading privileges on three exchanges would be counted once under "registered" and once under "admitted to unlisted trading privileges." Because of such duplications, column I is not totaled.

² The purpose of column 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 the duplications contained in column I is made in column II in the order in which the various bases for admission to dealing are given.

³ Includes certain securities resulting from modifications of previously listed securities, securities of banks and certain securities of 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.

* Includes eight bond issues in pounds sterling in the aggregate amount of £28,052,529. This amount in pounds sterling has been excluded from the principal amount in dollars shown above.

TABLE 15

PART 1.—NUMBER AND AMOUNT OF SECURITIES CLASSIFIED ACCORDING TO THE NUMBER OF REGISTERED EXCHANGES ON WHICH EACH ISSUE WAS ADMITTED TO DEALING AS OF JUNE 30, 1947

	Stocks		Bonds	
	Issues	Shares	Issues	Principal amount
1. Registered on 1 exchange.....	1,647	982,673,281	916	\$15,541,315,851
2. Unlisted on 1 exchange.....	353	328,116,396	97	816,630,496
3. Registered on 2 or more exchanges.....	374	240,906,216	68	2,225,342,500
4. Unlisted on 2 or more exchanges.....	13	34,791,817	0	0
5. Registered on 1 exchange and unlisted on 1 exchange.....	231	203,818,301	12	314,142,000
6. Registered on 2 or more exchanges and unlisted on 1 exchange.....	67	121,499,537	2	345,953,500
7. Registered on 1 exchange and unlisted on 2 or more exchanges.....	148	590,259,566	0	0
8. Registered on 2 or more exchanges and unlisted on 2 or more exchanges.....	95	515,907,449	0	0
9. Temporarily exempted from registration on 1 exchange.....	32	5,507,721	20	301,138,980
10. Temporarily exempted from registration on 2 or more exchanges.....	2	7,785,241	4	62,856,250
Totals.....	2,962	3,031,265,525	1,119	19,607,379,577

PART 2.—PROPORTION OF REGISTERED ISSUES THAT ARE ALSO ADMITTED TO UNLISTED TRADING PRIVILEGES ON OTHER EXCHANGES AS OF JUNE 30, 1947

	Stocks		Bonds	
	Issues	Shares	Issues	Principal amount
All registered issues (part 1, lines 1, 3, 5, 6, 7, and 8).....	2,562	2,655,064,350	998	\$18,426,753,851
Registered issues that are also unlisted (part 1, lines 5, 6, 7, and 8).....	541	1,431,484,853	14	\$660,095,500
Percent of registered issues that are also unlisted	22.1	53.9	1.4	3.6

PART 3.—PROPORTION OF ISSUES ADMITTED TO UNLISTED TRADING PRIVILEGES THAT ARE ALSO REGISTERED ON OTHER EXCHANGES AS OF JUNE 30, 1947

	Stocks		Bonds	
	Issues	Shares	Issues	Principal amount
All issues admitted to unlisted trading privileges (part 1, lines 2, 4, 5, 6, 7, and 8).....	907	1,794,393,066	111	\$1,476,725,996
Unlisted issues that are also registered (part 1, lines 5, 6, 7, and 8).....	541	1,431,484,853	14	\$660,095,500
Percent of unlisted issues that are also registered	59.6	79.8	12.6	4.5

TABLE 15—Continued

PART 4.—PROPORTION OF ALL ISSUES ADMITTED TO DEALING ON REGISTERED EXCHANGES THAT ARE ADMITTED TO DEALING ON MORE THAN 1 REGISTERED EXCHANGE AS OF JUNE 30, 1947

	Stocks		Bonds	
	Issues	Shares	Issues	Principal amount
All issues admitted to dealing on registered exchanges (part 1, totals).....	2,962	3,031,265,525	1,119	\$19,607,370,577
Issues on more than 1 exchange (part 1, all lines except 1, 2, and 9).....	930	1,714,968,127	86	\$2,948,294,250
Percent of issues admitted to dealing on more than one exchange.....	31.5	56.6	7.7	15.0

TABLE 16.—Number of issuers having securities admitted to dealing on all exchanges as of June 30, 1947, classified according to the basis for admission of their securities to dealing

Basis of admission of securities to dealing	Column I ¹	Column II ²
	Number of issuers	Number of issuers
Registered.....	2,215	2,215
Temporarily exempted from registration.....	39	24
Admitted to unlisted trading privileges on registered exchanges.....	867	332
Listed on exempted exchanges.....	115	73
Admitted to unlisted trading privileges on exempted exchanges.....	40	35
Total number of issuers having securities admitted to dealing on all exchanges.....		2,679

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. (Issuers whose securities are exempted under sec. 3 (e) (12) of the act, such as the United States, States, cities, counties, and United States-owned corporations, are not shown in this table.) Each issuer is counted once under each basis for admission of its securities to dealing; thus, an issuer that has its securities registered and also unlisted is counted once under "registered" and once under "admitted to unlisted trading privileges." Because of these duplications, this column is not totaled.

² The purpose of column II is to show the net number of issuers having securities admitted to dealing on all exchanges. Each issuer is counted only once, and the duplications in column I are eliminated in column II in the order in which the various bases for admission of securities to dealing is given.

TABLE 17.—Number of issuers having stocks only, bonds only, and both stocks and bonds, admitted to dealing on all exchanges as of June 30, 1947

	Number of issuers	Percent of total issuers
1. Issuers having only stocks admitted to dealing on exchanges.....	2,145	80.1
2. Issuers having only bonds admitted to dealing on exchanges.....	296	11.0
3. Issuers having both stocks and bonds admitted to dealing on exchanges.....	238	8.9
Total issuers.....	2,679	100.0
4. Issuers having stock admitted to dealing on exchanges (line 1 plus 3).....	2,383	89.0
5. Issuers having bonds admitted to dealing on exchanges (line 2 plus 3).....	534	19.9

TABLE 18.—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, 1947

Name of exchange	Total issuers	Total issues	Stocks						Bonds						Percent traded on one or more other exchanges	
			U			XL			U			XL				
			R	X	U	R	X	U	R	X	U	R	X	U	R	X
Baltimore	57	81	39	2	21	6	—	—	62	56.4	26	4	—	19	42.1	—
Boston	823	388	124	—	234	—	368	84.6	26	—	—	25	—	66.0	—	—
Chicago Board of Trade	27	29	24	—	—	—	226	55.1	—	—	—	—	—	—	—	—
Chicago Stock Exchange	279	346	280	8	38	—	326	66.7	11	—	—	22	—	45.4	—	—
Cincinnati	81	101	65	1	30	—	97	48.4	3	—	—	4	—	100.0	—	—
Cleveland	95	97	69	—	28	—	97	60.1	—	—	—	—	—	—	—	—
Cleveland Springs	14	14	—	—	14	—	14	21.4	—	—	—	—	—	—	—	—
Colorado Springs	181	180	106	—	88	—	189	85.7	—	—	—	—	—	—	—	—
Detroit	87	101	52	—	37	—	94	25.5	—	—	—	6	—	7	—	—
Honolulu	1	1	1	—	—	—	212	86.3	6	—	—	—	—	6	100.0	—
Los Angeles	102	218	126	1	82	—	—	—	—	—	—	—	—	—	—	—
Minneapolis-St. Paul	14	14	20	—	14	—	20	55.0	—	—	—	—	—	4	725.0	—
New Orleans	14	14	20	—	2	—	16	25.0	—	—	—	—	—	124	8.1	—
New York Curb	759	960	447	6	384	—	836	27.0	19	—	—	3	102	—	834	8.0
New York Stock	226	231	1,372	5	7	377	1,377	49.7	25	—	—	9	—	60	68.0	—
Philadelphia	416	633	60	7	37	—	463	96.5	50	—	—	—	—	—	—	—
Pittsburgh	111	123	64	—	67	—	121	80.2	2	—	—	—	—	2	—	—
Richmond	1	20	24	—	—	—	23	17.4	—	—	—	1	—	1	—	—
St. Louis	45	45	45	—	—	—	50	42.0	2	—	—	—	—	2	100.0	—
Salt Lake	98	98	93	1	5	—	90	9.1	—	—	—	—	—	—	—	—
San Francisco Mining	44	45	44	1	1	—	45	13.3	—	—	—	—	—	—	—	—
San Francisco Stock	282	344	149	4	14	—	327	74.6	15	—	—	2	—	17	100.0	—
Spokane	33	35	24	—	11	—	35	28.7	—	—	—	—	—	—	—	—
Washington, D. C.	33	50	32	9	11	—	41	17.1	9	—	—	22	45.4	—	9	44.4
Wheeling	1	19	—	—	—	—	—	—	16	3	—	—	—	—	—	—

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 national securities exchange. XL—listed on an exempted exchange and XU—admitted to unlisted trading privileges on an exempted exchange.

TABLE 19.—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]

Name of stock exchange	Number of issues		Volume reported for the calendar year 1946	Percent of total 1946 volume on each exchange in stocks and bonds respectively	Aggregate volume reported for the calendar years 1937 to 1946; inclusive
	Admitted total	Remaining June 30, 1947			
Stocks pursuant to clause 2:					
Boston	70	65	663,865	13.0	3,077,127
Chicago	38	37	2,185,612	17.6	7,740,885
Cincinnati	30	30	79,261	23.4	567,579
Cleveland	28	28	177,565	25.9	627,173
Detroit	70	68	638,718	10.6	2,615,457
Los Angeles	40	39	680,267	5.0	3,048,323
New York Curb	5	4	1,306,355	.9	4,222,880
Philadelphia	93	89	580,963	12.2	1,840,418
Pittsburgh	56	49	223,719	7.4	1,183,431
St. Louis	4	4	21,901	8.4	21,901
Salt Lake	1	1	925		29,533
San Francisco Stock	37	36	666,661	6.9	2,057,991
Wheeling	6	3	326	6.2	15,156
Total	478	453	7,206,138		27,047,854
Stocks pursuant to clause 3:					
Chicago	•	1	13,986	.1	13,986
New York Curb	•	7	866,281	.6	1,281,786
Total stocks	•	•	8,086,405		28,343,626
Bonds pursuant to clause 2:					
New York Curb	•	3	1	\$767,000	1.0
San Francisco Stock	•	2	2	106,800	93.0
Bonds pursuant to clause 3: New York Curb	•	41	17	6,675,000	8.4
Total bonds	•	•	20	7,548,800	128,401,300

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.

^a Only odd-lot trading is permitted in 6 of these issues.

^b Only odd-lot trading is permitted in 1 of these issues.

^c Only odd-lot trading is permitted in 3 of these issues.

^d Only odd-lot trading is permitted in these 4 issues.

^e San Francisco Stock Exchange figures include San Francisco Curb Exchange figures prior to the 1938 merger.

^f Wheeling Stock Exchange is an exempted exchange. All other exchanges shown are registered exchanges.

^g Twenty-six of these issues had been removed to June 30, 1947.

^h 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 1947, was 248 pursuant to clause 2 and 6 pursuant to clause 3.

ⁱ Twenty-six of these issues had been removed to June 30, 1947, principally on account of redemptions.

TABLE 20
PART I.—ELECTRIC UTILITY PROPERTIES DIVESTED BY REGISTERED HOLDING COMPANIES, JULY 1, 1946, TO JUNE 30, 1947

System and company	Total assets of divested subsidiary ¹	Details of divestment	Consideration if sold	Date	Comments	Source of information
American Power & Light Co.: Texas Public Utilities Corp.	\$2,822,265	Sale of all the common stock and other indebtedness to a group of 20 residents of the State of Texas. Sale of all the common stock to Merrill Lynch, Pierce, Fenner & Beane, and Kidder, Peabody & Co. for public distribution.	\$71,000 3,042,000	June 5, 1947... Apr. 1, 1947....	No longer subject to the act as a registered holding company.	Release 7456, File No. 70-1472. Releases 7291, 7324.
Central Public Utility Corp.: Maine Public Service Co.	6,922,880	Sale of 502,475 shares of new common stock (29.04 percent of the total outstanding) to holders of purchase warrants and 1,447,625 shares (70.96 percent) to underwriters for public distribution.	63,040,000	Sept. 9, 1946....	Continues subject to the act as a subsidiary of United Corp.	Release 6857.
Columbia Gas & Electric Corp.: Cincinnati Gas & Electric Co.	160,155,323	Sale of \$40,057 shares of common stock (18.74 percent of the total outstanding) to holders of purchase warrants. Sale of 1,050,072 shares of common stock (41.98 percent of the total outstanding) to holders of purchase warrants.	27,831,895 18,376,280	February 1947... do... do...	Continues subject to the act as a registered holding company.	Release 7160.
Electric Bond & Share Co.: American Gas & Electric Co.	567,758,047	Sale of 1,884,678 shares of the common stock (99 percent of the total outstanding) to holders of purchase warrants and the remaining 24,288 shares to Bear, Stearns & Co.	22,000,000	June 1947... do... do...	No longer subject to the act.	Do.
Pennsylvania Power & Light Co.	247,470,901	Distribution of 649,050 shares of new common stock (80.27 percent of the total outstanding) to common stockholders of General Public Utilities Corp. as partial liquidating dividend and delivering of balance of 169,837 shares (19.73 percent) to escrow agent.	Sept. 26, 1946...	Sept. 26, 1946...	No longer subject to the act.	Release 6916.
Engineers Public Service Co., Inc.: Gulf States Utilities Co.	76,617,875	Distribution of 3,307,302 shares common stock (50.11 percent of the total outstanding) to common stockholders of Middle West Corp.	June 15, 1947....	Continues subject to the act as a registered holding company.	Releases 7486, 7322.	
General Public Utilities Corp.: (formerly Associated Gas & Electric Co.) South Carolina Electric & Gas Co.	47,804,493	State of 17,400 shares of common stock (46 percent of the total outstanding) together with preferred stock to Upper Peninsula Power Co.	May 15, 1947....	Continues subject to the act.	Release 7407.	
Middle West Corp.; Central & South West Corp.	225,338,562	Sale of 57,226 shares of common stock (47.89 percent of the total outstanding) to Otis & Co. and Ira Haupt & Co. for public distribution.	944,744	Apr. 1, 1947....	No longer subject to the act.	Release 6831, 7322.
Copper District Power Co. . . .	6,008,130					
Michigan Gas & Electric Co. . . .	8,423,284					

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West Texas Utilities Co.		Sale of electric properties located in Dalhart and Texline areas to Southwestern Public Service Co.	1,310,000	Aug. 7, 1946	Property sold no longer subject to the act.	Release 6830.
Midland Realization Co.; Northern Indiana Public Service Co.	123, 969, 275	Distribution of 1,082,737 shares of common stock (49.6 percent of the total outstanding) as partial liquidating dividend and sale of remaining 236,511 shares held (0.84 percent of the total outstanding) for public distribution.	4, 207, 531	Mar. 10, 1947	No longer subject to the act.	Releases 6786, 7272.
Indiana Service Corp.	24, 596, 982	Sale of all the common stock to American Gas & Electric Co.	6, 287, 500	June 24, 1947	Continues subject to the act.	File No. 70-1178. Release 6786.
National Power & Light Co.; Birmingham Electric Co.	22, 096, 534	Distribution of all common stock to common stockholders of National Power & Light Co. in partial liquidation. Distribution of all common stock to common stockholders of National Power & Light Co. in partial liquidation. Distribution of 682,013 shares of common stock (27.27 percent of the total outstanding) to common stockholders of National Power & Light Co. in partial liquidation.	-----	July 20, 1946	Continues subject to the act as a subsidiary of Electric Bond & Share Co.	Release 6796.
Carolina Power & Light Co.	96, 614, 271	Sale of 1,714,525 shares of common stock (73.76 percent of the total outstanding) to holders of purchase warrants.	-----	July 20, 1946	do	File No. 70-1178. Release 6786.
Pennsylvania Power & Light Co.	257, 490, 998	Sale of electric utility assets in Mound City to Mound City Water & Light Co.	-----	July 20, 1946	do ²	Do.
North American Co.; Cleveland Electric Illuminating Co.	212, 252, 543	Sale of 1,714,525 shares of common stock (73.76 percent of the total outstanding) to holders of purchase warrants.	25, 717, 875	May 27, 1947	No longer subject to the act.	Release 7273.
Illinois Power Co.	20, 084	Sale of physical properties in Hot Springs Division, New Mexico, to the town of Hot Springs. Sale of all the capital stock to Fred H. McPhillips.	125, 000	Sept. 9, 1946	Property sold no longer subject to act.	Release 6878.
North Continent Utilities Corp.; New Mexico Public Service Co.	-----	Sale of electric generating and distributing properties in the State of South Dakota to five cooperatives.	167, 500	Apr. 16, 1947	do	Release 7355.
Southern Utilities Co., Ltd.	-----	Sale of 390,000 shares of common stock (total then outstanding) to underwriters for public distribution.	6, 500	June 29, 1946	No longer subject to the act.	File No. 64-74.
Ogden Corp.; Interstate Power Co.	-----	Sale of investment to Theodore E. Shepard.	950, 000	Dec. 17, 1946	Properties sold no longer subject to the act.	Release 7089.
Standard Power & Light Co.; California Oregon Power Co.	42, 092, 177	Sale of 390,000 shares of common stock (total then outstanding) to underwriters for public distribution.	6, 340, 200	June 1947	No longer subject to the act.	Release 6707, File No. 70-303.
Empresa de Servicios Públicos de los Estados Mexicanos, Mountain States Power Co.	3, 304, 810 26, 975, 386	Sale of 140,614 shares of common stock (56.39 percent of the total outstanding) to underwriters for public distribution.	858, 000	Dec. 2, 1946	do	Releases 6557, 6941. Releases 7001, 7276.
			4, 540, 426	Mar. 12, 1947	do	Releases 7001, 7276.

¹Total 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.

²See sale by Electric Bond & Share Co. in this table.

PART 2.—GAS UTILITY PROPERTIES DIVESTED BY REGISTERED HOLDING COMPANIES, JULY 1, 1946, TO JUNE 30, 1947
 TABLE 20—Continued

System and company	Total assets of divested subsidiaries	Details of divestments	Consideration if sold	Date	Comments	Source of information
Central Public Utility Corp.: Chambersburg Gas Co.	\$282,980	Sale of all physical assets to the Borough of Chambersburg, Pa.	370,000	Dec. 27, 1946	Property sold no longer subject to act.	Release 7098.
General Public Utilities Corp.: New Jersey Power & Light Co.	-----	Sale of all gas utility assets located in Sussex, Hunterdon, Warren, and Mercer Counties, N. J., to three individuals.	361,000	Jan. 20, 1947	do	Release 7144.
Pennsylvania Electric Co.	-----	Sale of all manufactured gas facilities to John H. Ware, 3d.	60,150	Aug. 6, 1946	do	Release 3824.
Great Lakes Utilities Co.: Allied Gas Co.	396,422	Distribution of all the common stock to the holders of voting trust certificates for common stock of Great Lakes Utilities Co.	-----	June 1947	No longer subject to the act.	Release 7198, File No. 70-1177.
North American Company: The St. Louis County Gas Co.	12,887,728	Sale of all the common stock to Laclede Gas Light Co.	11,230,000	Feb. 26, 1947	do	Release 7236.
Ogden Corp.: Interstate Power Co.	-----	Sale of gas properties adjacent to the City of Waseca, Minn., to Gerald L. Schlessman.	210,605	Sept. 26, 1946	Property sold no longer subject to act.	Release 3916.
Pennsylvania Gas & Electric Corp.: Peoples Light Co. of Pittsburgh.	681,639	Sale of all the physical property to John H. Ware, 3d.	266,000	Dec. 27, 1946	do	Release 7100.
Petersburg & Hopewell Gas Co., The	1,137,904	Sale of all the common stock to Scott, Horner & Mason, Inc., for resale to residents of State of Virginia.	600,000	July 10, 1946	No longer subject to the act.	Release 3769.
Portland Electric Power Co.: Seattle Gas Co.	15,910,784	Exchange new common stock for old first and second preferred resulting in Portland General Electric Co. receiving 0.50 percent of new common.	-----	Apr. 1947	do	Release 7128, File No. 70-1197.

PART 3.—NONUTILITY PROPERTIES DIVESTED BY REGISTERED HOLDING COMPANIES, JULY 1, 1946 TO JUNE 30, 1947

Cities Services Co.: Tucson Rapid Transit Co.	410,832	Sale of investment to W. C. White of Jacksonville, Tenn.	Sept. 14, 1946	No longer subject to the act.	File No. 30-108-2.
Federal Water & Gas Corp.: New York Water Service Corp.	27,087,879	Exchange of all the new common stock for publicly held preferred stock. Old common stock accorded no recognition.	May 1947	do	Release 6804.
General Public Utilities Corp.: Spring Brook Water Co.; Middle West Corp.: West Texas Utilities Co.	874,636	Sale of all the physical properties to Hudson Falls, N.Y.	April 1946	Property sold no longer subject to act.	File No. 30-128-2.
North American Co.: Illinois Power Co.	Sale of water and ice properties located in Dahlart and Texline areas to Southwestern Public Service Co.	Aug. 7, 1946	do	Release 6830.
Portland Electric Power Co.: Portland Electric Power Co.	Sale of transportation properties located around Peoria, Ill., to Peoria Transportation Co.	Mar. 19, 1947	do	Release 7288.
Portland Traction Co.	Sale of water properties located around Mt. Vernon, Ill., to Illinois Cities Water Co.	700,000	do	Do.
Republic Service Corp.: Lehigh Ice Co.	\$8,196,157	Sale of all interurban railway properties to Portland Transit Co.	1,000,000	July 15, 1946	Release 6793.
Susquehanna Ice Co.	86,030	Sale of all common stock to Portland Trans. Co.	6,900,000	do	Release 6793.
	56,720	Sale of all physical assets to Wm. C. and Irvin F. De Remur of Mauch Chunk, Pa.	6,000	Nov. 14, 1946	Property sold no longer subject to act.
		Sale of all physical assets to Harry S. Babschek and Thomas H. Roberts of Renova, Pa.	5,000	do	Release 6907.
				do	Do.

TABLE 21.—*Utility and other properties subject to divestment under section 11 (b) (1) orders outstanding as of June 30, 1947*

System and company		Nature of business	State of operation	Holding- Com- pany Act release No.	Date of order
Individual companies	System totals				
Total assets as of Dec. 31, 1946 of companies ordered divested					
American Gas & Electric Co.	\$57,677,031	Electric heat	New Jersey	6333	Dec. 28, 1945
Atlantic City Electric Co.	\$56,784,070	Electric generating	do		
Dehydrator Operating Co.	773,854	Real estate	do		
South Pangnigrove Realty Co.	33,107	Gas	Arkansas-Louisiana-Texas	{ 4489 6350	Aug. 17, 1943 Oct. 12, 1944
Cities Service Co., The	146,437,319	do	Canada		
Arkansas Louisiana Gas Co.	44,460,777	Electric	Kansas		
Dominion Natural Gas Co., Ltd.	125,033,050	Mutual service			
Dominion County Light & Power Co., The	2,26,304	Holding company			
Electric Advisers, Inc.	1,158,346	Mutual service			
Federal Light & Traction Co.	17,625,914	Gas	Kansas-Oklahoma-Nebras- ka-Missouri	{ 4486 4490	Aug. 17, 1943 Mar. 31, 1944
Gas Advisers, Inc.	1,55,046	do	New York		
Gas Service Co., The	47,733,118	do	Washington		
General Light, Heat & Power Co., Inc.	9,886,663	do	Kansas		
Spokane Gas & Fuel Co.	2,1413,888	do			
Tri-City Gas Co., The	1,83,313	do			
Federal Light & Traction Co.	90,087	Really	Washington		
Electric Island Co., The	55,551	65,551	Ohio-Kentucky		
Columbia Gas & Electric Corp.	24,349,556	Gas transmission	Texas-New Mexico		
Bridge Gas Co.	16,116,802	Electric-railway-bus	Virginia-North Carolina	{ 3220 3796	Dec. 29, 1942 Sept. 18, 1942
Engineers Public Service Co.	8,229,754	Electric-gas-railway-bus			
El Paso Electric Co. (Texas)					
Virginia Electric & Power Co.					
(Gas properties only)					
Federal Water & Gas Corp.	60,636,804	Water-gas-holding company	Pennsylvania	4113	Feb. 10, 1943
Scranton-Spring Brook Water Service Co.	50,636,804				
General Public Utilities Corp. (formerly Associated Gas & Elec- tinc Co.)	105,540,479	Real estate	Dairyware New Jersey	{ 4024 5601	Aug. 13, 1942 Dec. 30, 1942
Associated Real Properties, Inc.	n. a.	Electric-gas	New York		Feb. 9, 1945
Jersey Central Power & Light Co.	83,279,286	Electric	Massachusetts		
Staten Island Edison Corp.	22,228,692	Investing company			
Utilities Investing Trust	n. a.				
Koppers Co., Inc.	254,446,346				
Eastern Gas & Fuel Associates and Subsidiaries	254,446,346		Coal-coke-gasholding co.		
Virginia-Kentucky-Penn- sylvania-Connecticut- Massachusetts					

Middle West Corp., The Baldwin Power Co.	104, 984, 806	n.a.	Inactive	4846	Jan. 5, 1944 2
Bureau of Safety Co.	36, 800	Service company			
Great Lakes Power Co., Ltd.	13, 782, 843	Electric			
Illinois Stock Transfer Co.	17, 303	Service company			
Insurance Trust Fund	883, 871	do			
International Transit Co., The	4, 376, 219	Ferry-railway			
Middle West Services Co.	115, 671	Service company			
Middle West Utilities Co. of Canada, Ltd.	115, 645, 912	Holding company			
North West Utilities Co.	14, 191, 946	do			
Northern Public Service Corp., Ltd.	4, 2, 118, 036	Heating			
Oklahoma Power & Water Co.	8, 754, 409	Electric-gas-water			
Old Dominion Ice Corp.	180, 426	Ice			
South Beach Water, Gas & Electric Co.	865, 631	Electric-gas-water			
Southern Heke Ice & Storage Co.	8, 90, 487	Ice			
United Public Service Corp.	41, 064, 973	Holding company			
Winnipeg Heating Co., Ltd.	77, 017, 564	Heating			
Wisconsin Power & Light Co.		Electric - gas - water - bus - heat.			
North American Co., The Badger Auto Service Co.	160, 225	Parking and gas stations			
Blue River Power Co.	248, 851	Electric			
Braedock Light & Power Co., Inc.	1, 190, 000	do			
Cahokia Manufacturers Gas Co.	82, 718	Gas (leased)			
Capital Transit Co.	66, 101, 947	Transportation			
Central Terminal Co.	6, 686, 518	Warehouse			
Champaign and Urbana Gas Light & Coke Co.	217, 997	Inactive			
Glen Echo Park Co., The	612, 887	Amusement park			
Great Falls Power Co.	794, 907	Land company			
Hevi-Duty Electric Co.		Electric furnace construction			
Illinois Power Co.	6, 122, 329, 363	Electric - gas - heat - water - ice transportation holding company			
Kansas Electric Power Co., The	16, 318, 007	Electric-gas-ice-transportation			
Kansas Power & Light Co., The	6, 67, 884, 817	Electric-gas-heat-water-ice-transportation			
Kewanee Public Service Co.	2, 559, 728	Electric-gas			
Milwaukee Electric Ry. & Transport Co., The	38, 866, 340	Transportation			
Missouri Power & Light Co.	20, 323, 988	Electric-gas-heat-water-ice-transportation			
Montgomery Bus Lines, Inc.	41, 820	Transportation			
North American Light & Power Co.	6, 23, 911	Holding company			
North American Utility Securities Corp.	5, 018, 956	Investment			
Northern Natural Gas Co. and subsidiary	85, 523, 476	Holding company			
Potomac Electric Power Co.	126, 515, 468	Electric			
St. Bernard Coal Co.	10, 000	Coal sales			

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, 1947—Continued*

System and company	Individual companies	System totals	Nature of business	State of operation	Holding Company Act release No.	Date of order
North American Co.—Continued		Total assets as of Dec. 31, 1946 of companies ordered divested				
Washington and Rockville Ry. Co. of Montgomery County, The	\$ 213, 963		Holding company			
Washington Ry. & Electric Co.	430, 451, 928		do.			
West Kentucky Coal Co. (Del)	29, 725		Coal sales			
West Kentucky Coal Co. (N. J.)	6, 18, 692, 114		Kentucky			
Wisconsin Electric Power Co.	6, 144, 647, 230		Wisconsin			
Wisconsin Gas & Electric Co.	35, 168, 986		Electric heat-holding company			
Wisconsin, Michigan Power Co.	32, 400, 900		Electric-gas			
Yoden Corp.	\$ 18, 464, 661		Wisconsin-Michigan			
Central States Power & Light Corp.	2, 891, 972		do.			
Central States Utilities Corp.	6, 26, 818		Iowa-Minnesota			
East Dubuque Electric Co.	119, 951		do.			
Interstate Power Co.	43, 514, 320		Illinois			
Interstate Power Co. of Wisconsin	1, 911, 030		Iowa-Minnesota-South Dakota			
Standard Gas & Electric Co.	26, 918, 898		Wisconsin			
Horseshoe Lake Oil & Gas Co.	12, 368		Oklahoma			
Louisville Gas & Electric Co. (Del)	24, 376, 315		do.			
Louisville Gas & Electric Co. (Ky.) and subsidiaries	91, 673, 258		do.			
Market St. Ry. Co.	4, 465, 720		California			
Oklahoma Gas & Electric Co.	88, 970, 687		Oklahoma-Arkansas			
Wisconsin Public Service Corp. and subsidiaries	71, 796, 865		Wisconsin-Michigan			
United Gas Improvement Co., The	21, 023, 607		Kentucky			
Hartford Gas Co.	9, 786, 801		do.			
New Haven Gas Light Co.	11, 236, 106		Connecticut			
United Light & Rys. Co., The	57, 206, 617		do.			
Consolidated Building Co.	82, 267		do.			
Detrola Edison Co., The	398, 687, 784		Real estate			
Madison Gas & Electric Co.	14, 788, 864		Electric-gas-heat			
Mason City and Clear Lake R. R. Co.	108, 161, 201		Electric-gas			
Michigan Consolidated Gas Co.	38, 181, 905		Railway-bus			
Milwaukee Gas Light Co.	14, 004, 157		Gas			
Milwaukee Solyay Coke Co.	do		do.			
			Coke			

Washington Gas & Electric Co.	2,239,180	2,239,180	Electric	6955	Oct. 22, 1946
Southern Utah Power Co.	2,446,197,700	2,446,197,700	Electric	Utah	
Total properties subject to divestment orders					

¹ Cities Service Co. has elected to divest itself of all its utility holdings under an alternative granted it.

² Assets as of Dec. 31, 1945.

³ Assets of gas properties only.

⁴ Dollar figure computed on basis of 65.00 cents per Canadian dollar.

⁵ Corporate assets only. Since these assets are largely investments in subsidiary companies, they are excluded from the aggregate amounts ordered divested.

⁶ Corporate assets less investment in subsidiary companies whose assets are listed separately.

⁷ Dollar figure computed on basis of 20.70 cents per Mexican Peso.

Note.—Inactive companies with little or no assets are excluded.

TABLE 22.—*Public utility holding companies subject to dissolution or liquidation and subsidiaries subject to divestment under sec. 11 (b) (2) orders outstanding as of June 30, 1947*

System and company	Total assets as of Dec. 31, 1946		Nature of business	State of operation	Holding company Act release No. 2	Holding company Date of order
	Individual companies	System totals				
American Power & Light Co.	\$112,361,329	\$745,276,710	Holding company	Florida		
Florida Power & Light Co.	1,125,864,521	Electric-gas				
Utilities Land Co.	888,784	Rail estate			do	
Kansas Gas & Electric Co.	46,636,537	Electric				
Minnesota Power & Light Co.	1,05,356,592	Electric heat				
Superior Water, Light & Power Co.	7,052,600	Electric-gas-water				
Montana Power Co., The	128,455,566	Electric-gas-heat-water				
Northwestern Electric Co.	24,266,525	Electric heat				
Pacific Power & Light Co.	51,340,247	Electric-water-heat-holding company				
R. S. & C. Irrigation Co., Inc.	N. A.	Irrigation		Washington		
Pike Rapids Power Co., The	29,788,324	Inactive		Oregon-Washington		
Portland Gas & Coke Co.	1,282,255	Gas		Texas		
Texas Public Utilities Corp.	1,42,659,751	Electric-steam-turb				
Texas Utilities Co.	43,312,832	Holding company				
Dallas Power & Light Co.	63,988,780	Electric				
Texas Electric Service Co.	80,502,320	do				
Topeka Land Co.	323,141	do				
Washington Irrigation & Development Co.	3,316,775	Inactive				
Columbia Highlands Co.	133,605	do				
Limestone Co., Inc.	122,965	do				
Washington Water Power Co., The	71,691,444	Electric-water-heat		Washington-Idaho		

See footnotes at end of table.

TABLE 22.—*Public utility holding companies subject to dissolution or liquidation and subsidiaries subject to divestment under sec. 11 (b) (2) orders outstanding as of June 30, 1947—Continued*

System and company	Total assets as of Dec. 31, 1946	Nature of business	State of operation	Holding company Act release No. 1	Date of order
Individual companies	System totals				
American States Utilities Corp.	\$16,754,404	Holding company		4230	Apr. 9, 1943
Edison Sault Electric Co.	3,963,310	Electric			
Southern California Water Co.	12,391,164	Electric-water			
Electric Power & Light Corp.	3,138,965	Holding company		3750	Aug. 22, 1942
Arkansas Power & Light Co.	653,709,886	Electric-gas-heat			
Capital Transportation Co., Inc.	76,057,178	Transportation			
Gentilly Development Co., Inc.	5,359,849	Real estate			
Louisiana Power & Light Co.	1,283,890	Electric-gas-transportation			
Mississippi Power & Light Co.	48,285,660	Electric-gas-transportation			
New Orleans Public Service Inc.	38,227,348	Electric-gas-transportation			
United Gas Corp.	88,579,802	Gas-holding company			
Atlantic Gulf Co.	47,122,694	Gas pipe line			
	1,000,000				
Dural Texas Sulphur Co.	4,532,181	Sulphur			
Mississippi River Fuel Corp.	1,27,863,816	Gas			
Union Producing Co.	123,386,124	Gas (wholesale)—oil			
United Gas Pipe Line Co.	174,386,125	Gas (wholesale)—gasoline			
United Oil Line Co.		Inactive		3670	Aug. 21, 1942
International Hydro-Electric System	1,222,121	Holding company			
Corinth Electric Light & Power Co.	86,906,090	Electric			
Eastern New York Power Corp.	29,131,702	Electric—real estate			
	29,864,686	Water storage			
Indian River Co., The	6, N. A.	Electric—holding company			
Winnipisege Lake Cotton & Woolen Mfg. Co.	6,260,663	Transportation			
Gatineau Power Co.	148,976,987	Electric transmission			
Gatineau Bus Co., Ltd.	6,720,010	Inactive			
Gatineau Electric Light Co., Ltd.	6,1,137,060	do			
Ottawa River Transmission Co.	6,1,256,402	do			
Ottawa River Development Co.	6,7,441,150	do			
Saint John Realty Co.	6,7,1,400	do			
Saint John River Power Co.	6,7,1,875	Water storage			
Saint John River Storage Co.	488,046,932	Holding company			
New England Electric System	41,839,887	Electric			
Central Power & Light Co.	23,451,180	Electric—transportation			
Lehigh Valley Transit Co.	6,547,642	Toll bridge			
Allentown Bridge Co.	6,652,772	Leases transportation property			
Easton Transit Co.		do			

Easton and South Bethlehem Transportation Co.	\$ 1,52, 594	Transportation	do	
Lehigh Valley Transportation Co.	4 1,343, 314	Leases transportation property.	do	
Norristown Transit Co.	4 208, 139	Electric (wholesale) transportation.	Tennessee	
Memphis Generating Co.	5, 386, 741	Holding company.	do	2737 May 2, 1941
Memphis Street Railway Co., The	16, 224, 041	Electric-gas.	Maine	
New England Public Service Co. ⁹	1 \$ 8, 125, 054	Real estate securities.	do	
Central Maine Power Co.	3 115, 715	Water storage.	N. A.	
Cumberland Securities Corp.	7, 095	Mutual service company.	do	
Kennebec Water Power Co.	81, 037	Subsidiary service company.	do	
Nepco Appliance Finance Corp.	227, 707	Pole creating-sales.	Maine	
Nepco Services, Inc.	152, 445	Stream flow control.	do	
New England Pole & Treating Com.	21, 683, 101	Water rights-real estate.	Vermont	
Seabrook Improvement Co.	1 56, 576, 081	Electric-gas.	New Hampshire	
Skowhegan Water Power Co.	1 N. A.	Electric-gas-transportation.	do	
Central Vermont Public Service Corp.	1, 040, 868	Real Estate.	Maine	
Public Co. of New Hampshire	156, 536	Water storage.	do	
Amoskeag Industries, Inc.	67, 449	Undeveloped water power sites.	Maine	
Androscoggin Reservoir Co.	38, 981	do	New Hampshire	
Morrinack Power Co.	33, 914	Real estate.	do	
Poncaook Electric Light Co.	N. A.	Water storage.	Maine	
Pronto Falls Power Co.	N. A.	Electric generation.	do	
Properties, Inc.	210, 051	Water storage.	New Hampshire	
Keene Development Co.	N. A.	do	do	
Sunapee Dam Corp.	10, 539, 785	Gas (leased).	Illinois	
Swans Falls Co.	32, 718	Electric-gas-heat-water-ice-transportation-holding company.	Kansas	
Waste Improvement & Reservoir Association (System)	122, 329, 363	Warehouses.	Missouri	
North American Light & Power Co. (the North American Co.)	6, 886, 518	Electric-gas-heat-water-ice-transportation.	Iowa-Nebraska-South Dakota-Minnesota	
Cahokia Manufacturers Gas Co.	467, 389, 947	Electric-gas-ice-transportation.	Colorado	4686 Nov. 18, 1943
Illinois Power Co.	15, 318, 607	Electric-gas-ice-transportation.	do	5628 July 11, 1945
Central Terminal Co.	2, 550, 788	Electric-gas-heat-water-ice-Gas.	do	do
Kansas Power & Light Co., The	20, 323, 908	do	do	do
Blue River Power Co., The	79, 068, 808	do	do	do
Kansas Electric Power Co., The	6, 144, 212	do	do	do
Kewanee Public Service Co.	4, 120, 322	do	do	do
Missouri Power & Light Co.	1, 894, 256	do	do	do
Northern Natural Gas Co.	6, 60, 052	do	do	do
Fort Morgan Ice & Cold Storage Co.	455, 922	do	do	do
Western Eyes Ice Co.	1, 558, 069	Gas-natural.	Montana	
Great Falls Gas Co.				

TABLE 22.—Public utility holding companies subject to dissolution or liquidation and subsidiaries subject to divestment under sec. 11 (b) (2) orders outstanding as of June 30, 1947—Continued

System and company	Total assets as of Dec. 31, 1946	Nature of business	State of operation	Holding company Act releases No. ¹	Date of order
Individual companies	System totals				
North Continent Utilities Corp.—Continued					
Great Northern Gas Co., Ltd.	\$716,801	Gas	Ontario (Canada)		
North Shore Gas Co. (Ill.)	11,725,673	do	Illinois		
S. W. Shattuck Chemical Co., The	288,424	Refining ores	Colorado		
William A. Baehr Organization, Inc.	22,670	Service company			
North West Utilities Co. (The Middle West Corp. System)	\$14,191,946	Holding company			
Wisconsin Power & Light Co.	\$77,464,650	Electric-gas-water-bus-heat			
Beloit Water Power Co.	76,285,985	Electric-gas-water			
South Beloit Water, Gas & Electric Co.	80,810	Electric-gas-water			
Northern States Power Co. (Del.)	\$1,097,855	Electric-gas-heat-water-telephone-holding company			
Northern States Power Co. (Minn.)	\$4,377,458	Real estate			
Chippewa River Power & Fibre Co.	\$256,490,194	do			
Chippewa Valley Construction Co.	186,424,861	Electric-gas			
Interstate Light & Power Co. (W.S.)	414,650	Electric-holding company			
Interstate Light & Power Co. (D.C.)	451,633	Electric			
Elizabeth Light & Power Co. (The)	1,588,333	Electric			
Interstate Light & Power Corp. (Ill.)	2,522,896	Water power and dam site			
Minneapolis Mill Co.	121,204	Water rights and lands			
Mississippi and St. Louis River Boom Co.	3,518	Electric-gas - holding			
Northern States Power Co. (Wis.)	1,948,619	Water storage			
Chippewa and Flambeau Improvement Co.	141,789	Electric power production			
Eau Claire Dells Improvement Co.	347,283,067	Water power and dam site			
St. Anthony Falls Water Power Co.	1,176,124	Electric			
St. Croix Falls Wisconsin Improvement Co.	923,857	Water power production			
Crook Power Co.	3,933,186	Water power and dam site			
United Power & Land Co.	3,539,626	Electric			
Washington Railway & Electric Co. (The North American Co. System)	868,639	Electric power production			
Capital Transit Co.	889,844	Real estate			
Glen Echo Park Co., The	430,451,928	Holding company			
Montgomery Bus Lines, Inc.	194,680,149	Transportation			
Great Falls Power Co.	68,101,947	Amusement park			
		Transportation	District of Columbia-Mary-		
		Land	land		
		do	Maryland		
		do	Virginia		
		Land company	Virginia		

Potomac Electric Power Co.	126, 515, 548		Electric
Braddock Light & Power Co., Inc.	1, 190, 000		District of Columbia & Maryland
Washington and Rockville Ry. Co. of Montgomery County.	4, 213, 963		Virginia
Total assets of subsidiary companies ¹⁰	3, 247, 701, 280		Holding company

¹ This table includes the subsidiaries which would be released from control of the parent by dissolution of the parent under a sec. 11 (b) (2) order. The following additional holding companies have been ordered to liquidate:

Holding company	Corporate assets Dec. 31, 1946	Holding Company Act release No.	Date of order
Community Gas & Power Co.	\$70, 276	4395	July 2, 1948
Standard Power & Light Corp.	11, 826	3607	June 19, 1942
United Corp., The	101, 945, 556	4478	Aug. 14, 1943

The United Corp. was ordered to recapitalize on a 1 stock basis and cease to be a holding company. The status of its present subholding companies is subject to separate determination.

² Holding Company Act release number is given for each holding company subject to dissolution or liquidation under outstanding sec. 11 (b) (2) orders.

³ Corporate assets less investments in subsidiary and affiliated companies whose assets are listed separately.

⁴ Corporate assets only. Since these assets are largely investments in subsidiary companies, they are excluded from the system totals.

⁵ Assets as of Dec. 31, 1944.

⁶ Since these assets are included in the consolidated assets of Gatineau Power Co., they are excluded from the system total.

⁷ Since these assets are included in the consolidated assets of Lehigh Valley Transit Co., they are excluded from the system total.

⁸ The Commission order required New England Public Service Co. to recapitalize on a 1-stock basis or, at its election, to liquidate. The company has stated its intention to file a plan to liquidate.

⁹ In tables 21 and 22 there is a duplication of subsidiary companies in two holding company systems which are affected by both sec. 11 (b) (1) and sec. 11 (b) (2) orders. The aggregate amount of the duplication of assets is approximately \$600,000,000.

TABLE 23.—Number of applications and declarations received and disposed of during the fiscal year ended June 30, 1947, 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
Secs. 2 and 3—Exemptions from provisions of the act.	34	7	7	34
Secs. 6 and 7—Issuance and sale of securities, alterations or rights, assumptions of liability.	106	228	238	96
Sec. 10—Acquisition of securities or other assets.	55	124	131	48
Sec. 11(b)—Proceedings instituted.	62	5	5	62
Sec. 11 (e)—Plans for the simplification of registered holding companies or subsidiaries thereof.	68	12	11	69
Sec. 11 (f)—Reorganization under sec. 77B of the Bankruptcy Act.	2	1	0	3
Sec. 11 (g) and 12 (e)—Solicitations of consents to transactions.	14	29	22	21
Sec. 12 (b) and rule U-45—Loans, extensions of credit, donations and capital contributions to associate companies.	18	51	58	11
Sec. 12 (c) and rule U-46—Payment of dividends out of capital or unearned surplus.	21	24	34	11
Sec. 12 (e) and rule U-42—Acquisition, retirement, and redemption of securities by issuer.	62	104	126	40
Sec. 12 (d), 12 (f) and rules U-43, U-44—Sale of securities and utility assets.	120	193	239	74
Sec. 13—Service company regulation.	10	0	0	10
Total.	572	778	871	479

TABLE 24.—Reorganization cases instituted under ch. X and sec. 77-B in which the Commission filed a notice of appearance and in which the Commission actively participated during the fiscal year ended June 30, 1947

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
Agricultural	1		\$180	(1)	\$166	(1)
Mining and other extractive	4	3	108,850	5.63	74,488	5.85
Manufacturing	10	4	29,464	1.52	17,449	1.37
Financial and investment	6	2	93,446	4.83	55,681	4.37
Merchandising						
Real estate	46	3	242,298	12.53	241,373	18.95
Construction and allied	1		9,108	.47	4,734	.37
Transportation and communication	12	7	381,566	19.73	339,939	26.68
Service	6		25,075	1.30	16,212	1.27
Utilities: Light, power and gas	11	7	2,104,220	53.95	1,522,836	41.03
Other: Religious, charitable, etc.	1		383		1,253	.10
Grand total	98	26	1,933,590		1,274,131	

PART 2.—DISTRIBUTION OF DEBTORS BY AMOUNT OF INDEBTEDNESS

Range of indebtedness (dollars)	Number of debtors		Total indebtedness	
	Principal	Subsidiary	Amount (thousands of dollars)	Percent of grand total
Less than 100,000**	4	6	374	(1)
100,000-249,999	7	3	1,712	0.13
250,000-499,999	9	4	5,090	.40
500,000-999,999	11	6	12,801	1.00
1,000,000-1,999,999	19	1	27,380	2.15
2,000,000-2,999,999	9	2	27,910	2.19
3,000,000-4,999,999	13		52,475	4.18
5,000,000-9,999,999	8		65,478	5.14
10,000,000-24,999,999	12	1	205,559	16.13
25,000,000-49,999,999	2	1	101,307	7.94
Over 50,000,000	4	2	774,045	60.74
Grand total	98	26	1,274,131	100.00

¹ Less than 0.05 percent.

² Approximately \$800,000,000 of assets and \$400,000,000 of liabilities were accounted for by Associated Gas & Electric Co. and its subsidiary, Associated Gas & Electric Corp.

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TABLE 25.—Reorganization proceedings in which the Commission participated during the fiscal year ended June 30, 1947

Debtors	District court	Proceedings instituted under	Petition		Participation	Securities and Exchange Commission notice of appearance filed
			Filed	Approved		
Adam Block Corp.	Northern District of Illinois	Ch. X	Nov. 28, 1939	Dec. 29, 1939	Request.	Sept. 27, 1940
Allied Control Co., Inc.	do	do	Sept. 20, 1946	Sept. 30, 1946	Motion	Mar. 4, 1947
Allied Control Valve Co., Inc.	do	do	Oct. 3, 1946	Oct. 9, 1946	do	Do.
Progress Control Co., Inc.	do	do	do	do	do	Do.
American Acoustics, Inc.	District of New Jersey	do	Mar. 21, 1947	May 5, 1947	do	Apr. 21, 1947
American Fuel and Power Co.	Eastern District of Kentucky	Sec. 77-B Ch. X	Dec. 6, 1935 Nov. 28, 1939	Dec. 20, 1935 Nov. 28, 1939	Request.	May 1, 1940
Buckeye Fuel Co.	do	do	do	do	do	Do.
Buckeye Gas Service Co.	do	do	do	do	do	Do.
Carbreath Gas Co.	do	do	do	do	do	Do.
Inland Gas Distributing Co.	Southern District of New York	do	Jan. 10, 1940	Jan. 10, 1940	Motion	Jan. 15, 1940
Associated Gas & Electric Co.	do	do	do	do	do	Do.
Associated Gas & Electric Corp.	Northern District of Illinois	do	Sept. 21, 1945	Oct. 6, 1945	do	Oct. 19, 1943
Bankers Building, Inc.	Eastern District of Michigan	do	Aug. 17, 1943	Dec. 14, 1943	Request.	Do.
Barlum Realty Co.	Eastern District of Pennsylvania	Sec. 77-B	Oct. 30, 1936	Oct. 3, 1936	Motion	Feb. 24, 1939
Bellervue-Strafford Co.	Southern District of New York	Ch. X	Aug. 2, 1939	Aug. 10, 1939	Motion	Aug. 10, 1939
Brand's Restaurant Control Corp.	do	do	Apr. 9, 1942	Apr. 9, 1942	Request.	Apr. 11, 1942
Broadway Exchange Corp.	Southern District of Ohio	do	Apr. 26, 1946	Apr. 26, 1946	Motion	June 24, 1946
Broadway Garage, Inc.	Northern District of Illinois	do	June 26, 1944	Sept. 18, 1944	Motion	Oct. 26, 1944
Cahillen & South Chicago Ry. Co.	Eastern District of Virginia	do	Feb. 26, 1942	Feb. 27, 1942	Request.	Mar. 11, 1942
Central States Electric Corp.	Northern District of Illinois	do	Mar. 17, 1942	Apr. 3, 1942	Motion	Mar. 21, 1942
Centwest Corp.	do	do	Mar. 22, 1945	Apr. 30, 1945	do	May 16, 1945
Chicago, Aurora & Elgin R. R. Co.	do	do	Nov. 27, 1939	Sept. 18, 1944	do	Oct. 20, 1944
Coney Island Railway Co.	do	do	Apr. 7, 1942	July 26, 1942	do	Mar. 8, 1943
Chicago North Shore & Milwaukee R. R. Co.	do	do	Oct. 16, 1938	Sept. 18, 1944	do	Oct. 20, 1944
Chicago Railways Co.	do	do	Aug. 26, 1943	Aug. 27, 1943	do	Aug. 26, 1943
Childs Co.	Southern District of New York	Sec. 77-B	Oct. 9, 1934	Oct. 16, 1934	Request.	June 21, 1940
Commonwealth Light & Power Co.	Northern District of Illinois	Ch. X	Oct. 10, 1934	do	do	Do.
Inland Power & Light Corp.	do	do	May 1, 1944	May 1, 1944	Motion	May 31, 1944
Coney Island Theatre Co.	Eastern District of New York	do	Nov. 20, 1944	Nov. 20, 1944	Motion	Jun. 31, 1945
Congress & Senate Co.	Eastern District of Missouri	Sec. 77-B	May 24, 1935	May 24, 1935	do	July 22, 1940
Consolidated Rock Products Co.	Southern District of California	do	do	do	do	Do.
Consumers Rock & Gravel Co., Inc.	do	do	do	do	do	Do.
Union Rock Co.	do	do	do	do	do	Do.
Cosmos Records, Inc.	Eastern District of New York	Ch. X	Jan. 27, 1947	Jan. 27, 1947	do	Jan. 30, 1947
Cosmopolitan Records, Inc.	do	do	do	do	do	Do.
Automatic Industries, Inc.	do	do	do	do	do	Do.
Dorbank Corp.	do	do	do	do	do	Do.
Covered Wagon Co.	do	do	do	do	do	Do.
Diversy Hotel Corp.	Eastern District of Michigan	do	Aug. 29, 1940	Aug. 30, 1940	Request.	Sept. 27, 1940
Northern District of Illinois	do	do	May 29, 1947	May 29, 1947	do	June 13, 1947

¹"Request" denotes participation at the request of the judge; "motion" refers to participation upon the courts' approval of the Commission's motion to participate in the proceedings.

TABLE 25.—*Reorganization proceedings in which the Commission participated during the fiscal year ended June 30, 1947—Continued*

Debtor	District court	Proceedings instituted under	Petition		Participa- tion Approved	Securities and Exchange Commission notices of ap- pearance filed
			Filed	Oct.		
Diversified Royalties of America.....	Southern District of California.....	Ch. X.....	Oct. 4, 1940	Oct. 7, 1940	Motion do.....	Nov. 12, 1940
Diversified Royalties, Inc.....	Southern District of New York.....	Ch. do.....	do.....	May 20, 1943	do.....	May 25, 1943
Eastern Building Corp.....	do.....	do.....	Sept. 14, 1945	Sept. 14, 1945	do.....	Oct. 8, 1945
80 John Street Corp.....	do.....	do.....	Dec. 5, 1940	Dec. 16, 1940	do.....	Dec. 27, 1940
11 Park Place Corp.....	do.....	do.....	Nov. 20, 1944	Nov. 20, 1944	do.....	Feb. 7, 1945
Embassy Co.....	Eastern District of Missouri.....	do.....	do.....	Apr. 10, 1941	Motion do.....	Apr. 14, 1941
Equitable Office Building Corp.....	Southern District of New York.....	Sec. 77-B.....	Dec. 26, 1934	Apr. 25, 1935	do.....	Oct. 26, 1940
Federal Facilities Realty Trust.....	Northern District of Illinois.....	Ch. X.....	Oct. 1, 1945	Oct. 1, 1945	do.....	Jan. 9, 1946
Fifth and Pierce Co.....	Northern District of Iowa.....	do.....	July 30, 1945	July 31, 1945	do.....	Nov. 21, 1945
Fort Madison Gas Light Co.....	Southern District of Iowa.....	do.....	Dec. 27, 1946	Jan. 3, 1947	do.....	Jan. 13, 1947
Globe Aircraft Corp.....	Northern District of Texas.....	do.....	Mar. 20, 1943	Mar. 20, 1943	do.....	Apr. 7, 1943
Globe Industrial Loan Corp.....	District of New Jersey.....	do.....	Mar. 31, 1943	Mar. 31, 1943	do.....	Do.....
Century Capital Corp.....	do.....	do.....	Sept. 28, 1941	Sept. 30, 1941	do.....	Oct. 1, 1941
Adolf Globel, Inc.....	Southern District of New York.....	do.....	Mar. 1, 1946	Mar. 4, 1946	do.....	Mar. 21, 1946
Gramot Corp.....	Northern District of New York.....	Sec. 77-B.....	June 6, 1935	June 19, 1935	do.....	June 24, 1939
Hotel Martin Co. of Utica.....	Eastern District of Pennsylvania.....	do.....	Oct. 30, 1936	Oct. 31, 1936	do.....	Feb. 28, 1942
Hotels Majestic, Inc.....	Eastern District of Kentucky.....	Ch. X.....	do.....	Feb. 26, 1939	Request Motion do.....	Mar. 2, 1939
Inland Gas Corp.....	Eastern District of Nevada.....	do.....	Feb. 24, 1941	Feb. 24, 1941	do.....	Mar. 3, 1941
International Mining & Milling Co.....	do.....	do.....	Apr. 7, 1943	Apr. 8, 1943	do.....	Apr. 13, 1943
Mount Gatus Mining Co.....	do.....	do.....	Jan. 10, 1939	Nov. 10, 1943	do.....	Nov. 15, 1943
International Power Securities Corp.....	do.....	do.....	Jan. 10, 1939	Feb. 2, 1939	do.....	Feb. 6, 1939
Isham Garden Apartments.....	do.....	do.....	Oct. 18, 1946	Oct. 18, 1946	Motion do.....	Dec. 4, 1946
Jeffrey Terrace Building Corp.....	do.....	do.....	Oct. 25, 1935	Nov. 1, 1935	Request do.....	Mar. 28, 1939
Joliet Elks Building Association.....	do.....	do.....	Feb. 10, 1939	Feb. 11, 1939	Motion do.....	Mar. 8, 1939
Kellett Aircraft Corp.....	Eastern District of Kentucky.....	Sec. 77-B.....	Nov. 14, 1945	Nov. 20, 1945	Motion do.....	May 27, 1946
Kentucky Fuel Gas Corp.....	Western District of Pennsylvania.....	Ch. X.....	do.....	Nov. 30, 1944	Request do.....	Feb. 10, 1945
Keystone Realty Holding Co.....	do.....	do.....	do.....	do.....	Motion do.....	Do.....
Kingman Manor Realty Trust.....	do.....	do.....	do.....	do.....	Request do.....	Do.....
Kingston Homes Building Corp.....	do.....	do.....	do.....	do.....	Motion do.....	Do.....
Lorraine Castle Apartments Building Corp.....	do.....	do.....	do.....	do.....	Request do.....	Do.....
Lower Broadway Properties, Inc.....	Southern District of New York.....	do.....	Apr. 7, 1942	May 5, 1942	Motion do.....	July 22, 1943
Middle States Utilities Co. (Del.).....	Western District of Missouri.....	do.....	Nov. 24, 1942	Nov. 24, 1942	Motion do.....	July 22, 1943
Middle States Utilities Co. (Iowa).....	do.....	do.....	Apr. 30, 1943	May 1, 1943	Motion do.....	July 16, 1943
Middle States Utilities Co. (Mo.).....	do.....	do.....	do.....	do.....	Request do.....	Do.....
Midland United Co.....	do.....	do.....	do.....	do.....	Motion do.....	Do.....
Midwest Athletic Club.....	do.....	do.....	June 9, 1934	June 9, 1934	Request do.....	Jan. 10, 1940
Monroehill Knitting Co.....	Northern District of Illinois.....	Ch. X.....	Aug. 16, 1946	June 24, 1941	Request do.....	Do.....
Mount Forest Fur Farms of America, Inc.....	Middle District of Pennsylvania.....	do.....	June 18, 1941	Aug. 15, 1938	Motion do.....	Aug. 6, 1941
National Realty Trust.....	Eastern District of Michigan.....	Sec. 77-B.....	do.....	Aug. 15, 1938	Request do.....	Sept. 28, 1938
1934 Realty Corp.....	Northern District of Illinois.....	Ch. X.....	do.....	Dec. 26, 1934	Motion do.....	Oct. 26, 1940
Southern District of New York.....	do.....	do.....	do.....	Dec. 23, 1938	Request do.....	Jan. 8, 1941
Western District of North Carolina.....	do.....	do.....	do.....	Dec. 21, 1940	Motion do.....	Mar. 3, 1943
Northwest Carolina Utilities Co.....	do.....	do.....	do.....	July 8, 1942	Request do.....	Do.....

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Olmer Fare Register Co.	Dec. 29, 1837	Dec. 26, 1837	Request.	May 16, 1839
Oklahoma Ry Co.	Ch. X	Sept. 27, 1839	Motion.	Oct. 13, 1839
P.R. Holding Corp.	do	May 21, 1842	Motion.	May 21, 1842
Philadelphia & Reading Coal & Iron Co.	Apr. 24, 1842	May 21, 1842	do	do
Philadelphia & Western Ry. Co.	Feb. 26, 1837	Feb. 26, 1837	do	do
Pittsburgh Rys. Co.	July 2, 1837	July 3, 1837	do	do
Pittsburgh Motor Coach Co.	do	May 10, 1838	Request.	Dec. 17, 1840
Pittsburgh Terminal Coal Corp.	do	do	do	Jan. 4, 1839
Pittsburgh Terminal Warehouse & Transportation Co.	Ch. X	Dec. 4, 1839	do	do
Plain-Minton Building Co.	do	Jan. 10, 1843	do	Jan. 6, 1840
Polar Frosted Foods, Inc.	do	June 25, 1840	do	do
Portland Electric Power Co.	Ch. X	June 25, 1840	do	July 16, 1840
Quaker City Cold Storage Co.	do	May 21, 1847	do	June 19, 1847
District of New Jersey	do	do	do	do
Northern District of Illinois.	do	do	do	do
Northern District of Texas	do	do	do	do
Southern District of New York	do	do	do	do
Northern District of Illinois.	do	do	do	do
Southern District of New York	do	do	do	do
Southern District of New York	do	do	do	do
South State Street Building Corp.	do	do	do	do
Sponsor Realty Co.	do	do	do	do
U.S. Realty & Improvement Co.	do	do	do	do
Van Rensselaer Estates, Inc.	do	do	do	do
32-36 North State Street Building Corp.	do	do	do	do
32 West Randolph Corp.	do	do	do	do
322 Eighth Avenue Corp.	do	do	do	do
Trinity Buildings Corp. of New York.	do	do	do	do
263 West 38th Street Corp.	do	do	do	do
Ulen and Co.	do	do	do	do
Watson Realty Co.	do	do	do	do
U.S. Realty & Improvement Co.	do	do	do	do
Van Sweringen Corp.	do	do	do	do
Cleveland Terminal Buildings Co.	do	do	do	do
Warner Sugar Corp.	do	do	do	do
Washington Gas & Electric Co.	do	do	do	do
Watson Realty Co.	do	do	do	do
Westover, Inc.	Sec. 7-B	Sec. 7-B	Request.	Jan. 7, 1839
Wilkes-Barre Railways Corp.	Ch. X	Ch. X	Motion.	Mar. 24, 1843
Middle District of Pennsylvania	do	do	do	July 16, 1843
Wilkes-Barre Trackless Trolley Co.	do	do	do	do
Young Valley Autobus Co.	do	do	do	do
Young Valley Public Service Co.	do	do	do	do
Windsor Wilson Liquidation Trust	do	do	do	do
York Railways Co.	Sec. 7-B	Sec. 7-B	Motion.	June 12, 1941
				Nov. 30, 1837
				Jan. 5, 1843

TABLE 26.—*Statistical summary of all cases instituted by the 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*

Types of cases	Total cases instituted up to end of 1947 fiscal year	Total cases closed up to end of 1947 fiscal year	Cases pending at end of 1947 fiscal year	Cases pending at end of 1946 fiscal year	Cases instituted during 1947 fiscal year	Total cases pending during 1947 fiscal year	Cases closed during 1947 fiscal year
Actions to enjoin violations of the above acts.....	503	481	22	17	22	39	17
Actions to enforce subpoenas under the Securities Act and the Securities Exchange Act.....	44	43	1	3	1	4	3
Actions to carry out voluntary plans to comply with section 11 (b) of the Holding Company Act.....	53	38	15	10	15	25	10
Miscellaneous actions.....	12	9	3	2	1	3	0
Totals.....	612	571	41	32	39	71	30

TABLE 27.—*Statistical summary of all cases instituted against the Commission, cases in which the Commission participated as intervenor or amicus curiae, and reorganization cases on appeal under chapter X in which the Commission participated—pending during the fiscal year ended June 30, 1947*

Types of cases	Total cases instituted up to end of 1947 fiscal year	Total cases closed up to end of 1947 fiscal year	Cases pending at end of 1947 fiscal year	Cases pending at end of 1946 fiscal year	Cases instituted during 1947 fiscal year	Total cases pending during 1947 fiscal year	Cases closed during 1947 fiscal year
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.....	64	64	0	0	0	0	0
Actions to enjoin enforcement of or compliance with subpoenas issued by the Commission.....	8	8	0	0	0	0	0
Petitions for review of Commission's orders by circuit court of appeals under the various acts administered by the Commission.....	132	119	13	17	7	24	11
Miscellaneous actions against the Commission or officers of the Commission and cases in which the Commission participated as intervenor or amicus curiae.....	102	84	18	13	9	22	4
Appeal cases under ch. X in which the Commission participated.....	79	68	10	23	8	31	21
Total.....	385	343	41	53	24	77	36

TABLE 28.—*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, 1947*

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
Aldred Investment Trust.....	8	Massachusetts.....	May 19, 1944	Sec. 36, Investment Company Act of 1940.	Judgment June 19, 1946, directing receivers to liquidate and distribute assets of Aldred Investment Trust. Application for stay of distribution granted Aug. 1, 1946. Petition for rehearing denied Mar. 11, 1947. Pending.
Bennett, Frank W.....	2	Southern District of New York.	June 28, 1945	Sec. 9 (a) (2), 1934 act.....	Motion for preliminary injunction Aug. 20, 1946. Permanent injunction by consent against Federal Corp. Complaint as to Frank W. Bennett discontinued and dismissed upon Commission's stipulation, Dec. 30, 1946. Closed.
Raymond, Bliss, Inc.....	1	Massachusetts.....	Sept. 24, 1946	Secs. 10 (b) and 15 (c) (1), 1934 act.	Preliminary injunction entered Sept. 25, 1946. Pending.
J. E. Burnmeister & Co.....	1	Middle District of Tennessee.	June 27, 1947	Sec. 5 (a), 1933 act.....	Injunction by consent June 27, 1947. Pending.
Dennison, Bennett S.....	3	Nevada.....	July 8, 1946	do.....	Injunction by consent as to Bennett S. Dennison and W. W. Patty, dismissed as to Harry Carter, Sept. 11, 1946. Closed.
Diversified Fund Corp.....	4	New Mexico.....	Apr. 17, 1946	Secs. 17 (f), 22 (e) and (f), 21, and 36, Investment Company Act of 1940.	Injunction by consent as to 4 defendants Apr. 29, 1946. Order entered Apr. 21, 1947, approving supplemental report and discharging receiver. Closed.
Fidelity Agency, Inc.....	5	Colorado.....	Nov. 2, 1943	Secs. 17 (a) (1), (2), and (3), 1933 act.	Injunction by consent Jan. 4, 1944, as to 4 defendants. Pending as to Erwin. Pending.
Fiscal Service Corp.....	2	Northern District of Illinois.	Mar. 4, 1947	Secs. 7 (c), 8 (c), 10 (b), 15 (a) and 20 (b), 1933 act.	Injunction by consent Mar. 5, 1947. Closed.
Henderson, J. Stacy.....	6	Eastern District of Michigan.	Dec. 30, 1946	Sec. 5 (a), 1933 act.....	Injunction by consent against Gertrude H. Buckner, and Earl Cline Jan. 16, 1947. Injunction by consent against Lester Phillips Jan. 22, 1947, and against J. Stacy Henderson, individually and <i>et alia</i> . Mid-Continent Development Co., Feb. 2, 1947. Injunction by default against E. Randall Henderson Feb. 10, 1947. Closed.
Hirsch, Chas. S.....	17	Northern District of Ohio.	Oct. 16, 1945	Sec. 7 (c) (1) and regulation T, 1934 act.	Complaint actions to enjoin violations of margin and special cash account provisions of regulation T. Final injunction against S. T. Jackson & Co., Nov. 19, 1945. Final injunction against Richard C. Brown and First Mahoning Co., Oct. 21, 1946. Pending.
Butler, Joseph G. III.....	9	do.....	do.....	do.....	Supreme Court on May 27, 1946, reversed ruling of CCA-5 which had affirmed district court ruling denying an injunction. Petition for rehearing denied Oct. 14, 1946. Pending.
W. J. Howey Co.....	2	Southern District of Florida.	May 16, 1944	Sec. 5 (a), 1933 act.....	Injunction by consent April 11, 1947. Pending.
LeDone, Joseph J.....	1	Southern District of New York.	Jan. 13, 1947	Sec. 5 (a), 1933 act.....	Injunction by consent April 11, 1947. Pending.

TABLE 28.—*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, 1947—Continued*

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
McQuistion, Victor.....	1	Southern District of New York.	Apr. 4, 1947	Sec. 14 (a) and regulation X-14, 1934 act; Sec. 5 (b), 1933 act; secs. 13 (a), 14 (a), 16 (a) and 20 (c), 1934 act.	Preliminary injunction entered May 15, 1947. Pending.
Metropolitan Mines Corp., Ltd.	2	Eastern District of Washington	June 27, 1947	Action for mandatory injunction directing defendant to comply with secs. 13 and 16 of the 1934 act and the rules thereunder and to enjoin defendants from further violation of regulation X-14 under the 1934 act and sec. 5 of the 1933 act. Case has not yet come on for hearing.	
Mitchell, Carroll I.	4	Colorado.	Aug. 26, 1946	Secs. 17 (a) (1), (2) and (3), 1933 act.	Pending.
Monjan, Hugh B.	6	Massachusetts.	Feb. 27, 1942	Sec. 5 (a), 1933 act.	Action dismissed Sept. 18, 1946, by agreement. Closed.
Montague, Dennis.	1	District of Columbia.	Mar. 5, 1947	do.	Pending.
Nevada Oil Co. Co.	1	Northern District of Texas.	June 18, 1946	Sec. 17 (a) and rule X-17A-3, 1934 act.	Action for mandatory injunction directing defendant to permit inspection and examination of books and records required to be kept pursuant to rules X-17A-3 and X-17A-4. Judgment entered Oct. 5, 1946, granting plaintiff's motion for summary judgment, dismissing defendant's cross complaint and denying its motion to dismiss. Summary judgment vacated Feb. 25, 1947, and case dismissed on motion after defendant permitted complete examination. Closed.
Nevada Wabbish Mining Co.	3	Northern District of California.	Dec. 10, 1946	Sec. 5 (a) (1) and (2), 1933 act.	Injunction by default Jan. 20, 1947. Closed.
Okin, Samuel.	1	Northern District of New York.	Oct. 4, 1944	Sec. 14 (a), 1934 act; sec. 12 (e), 1935 act.	Action to restrain defendant from exercising proxies solicited by him. Preliminary injunction granted Oct. 11, 1944, restraining defendant from use of proxies obtained in violation of law and the regulations of the Commission. Defendant's time to answer extended to Dec. 27, 1946. Pending.
Porteous, Walter J.	1	do.	Feb. 14, 1947	Secs. 5 (a) and 17 (a), 1933 act.	Final judgment by consent Feb. 14, 1947. Closed.
Sandy Boy Mines, Inc.	2	Colorado.	Dec. 10, 1946	Secs. 7 (a) (2) and (3), 1933 act.	Injunction by consent Jan. 31, 1947. Closed.
Schultz, Leo J.	3	Northern District of Ohio.	July 26, 1947	Secs. 7 (c) (1) and (2) and regulation T, 1934 act.	Injunction by consent as to Leo J. Schultz and Geo. Placky, individually and doing business as L. J. Schultz & Co. Injunction by default against Joshua Kirby, Sept. 14, 1946. Closed.
Slocan Charleston Mining Co.	4	Western District of Washington.	June 6, 1947	Sec. 5 (a), 1933 act.	Injunction by consent June 6, 1947. Pending.
Sound Cities Gas & Oil Co., Inc.	1	Northern District of Washington.	Oct. 10, 1946	do.	Action to enjoin sale of oil and gas interests in violation of the registration provisions of the 1933 act. Pending.
Standard Oil Co. of Kansas.	2	Southern District of Texas.	Web. 26, 1947	Secs. 17 (a) (1), (2) and (3), 1933 act; sec. 10 (b) and rule X-17B-6, 1934 act.	Injunction by consent Feb. 26, 1947. Closed.

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Steering, Inc.....	3	Southern District of New York.	Jan. 13, 1947	Sec. 5 (a), 1933 act.....	Injunction by consent Apr. 11, 1947. Pending.
Stoll, Edward J.....	1	Southern District of Iowa.	Oct. 2, 1946	Secs. 5 (a) and 17 (a), 1933 act.....	Injunction by consent Oct. 2, 1946. Closed.
Todd, Frank Payson.....	1	Massachusetts.....	Nov. 4, 1946	Sec. 206 (2), Investment Advisers Act of 1940.	Final judgment by consent Nov. 14, 1947. Defendant's motion to vacate consent judgment received Dec 20, 1946. Pending.
Transamerica Corp.....	1	Delaware.....	Apr. 16, 1946	Sec. 14 (a) and regulation X-14, 1934 act.	Action to enjoin violation of regulation X-14 by failing to present a stockholder's proposal to the security holders of Transamerica Corp. Final judgment granting plaintiff's motion for summary injunction in part and denying defendant's motion for dismissal Sept. 9, 1946. Notice of appeal filed on behalf of defendants Sept. 21, 1946. Notice of appeal filed by Commission Oct. 21, 1946. Pending. Permanent injunction on all counts entered June 4, 1947. Closed.
Trapp, Patrick A.....	1	North Dakota.....	June 12, 1946	Secs. 15 (a) and 15 (c) (1), 1934 act; secs. 17 (a) (2) and (3), 1933 act.	Injunction by consent Apr. 19, 1947. Pending.
Vindicator Silver Lead Mining Co., Western Tin Mining Co.....	3	Western District of Washington.	Mar. 13, 1947	Secs. 5 (a) (1) and (2), 1933 act....	Injunction by consent July 8, 1946. Closed.
Wk, Ernest T.....	2	Eastern District of Virginia.	June 11, 1946	Secs. 5 (a), 17 (a) (1), (2) and (3), 1933 act.	Action to enjoin defendants from selling undivided interests in oil and gas leases. Final injunction by consent as to Martin, Shekleton, and Von Martinitz, Dec. 1, 1944. Hearing on motion for preliminary injunction as to Wk pending. Pending.
Wood, Owen A., d/b/a Florida Winter Garden Farms.	1	Northern District of Illinois.	Oct. 18, 1944	Secs. 5 (a) and 17 (a), 1933 act....	Application for preliminary injunction denied Oct 4, 1946. Motion for summary judgment filed Apr. 25, 1947, by defendant. Order granting defendant's motion for summary judgment and dismissing case May 12, 1947. Pending.
Yok, Willard Harris.....	1	Western District of Texas.	Sept. 4, 1946	No.....	Temporary restraining order granted Mar. 19, 1947. Action dismissed as moot July 31, 1947.

TABLE 29.—*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 1947 fiscal year*

Name of principal defendant ¹	Number of defendants	United States district court	Indictment returned	Charges	Status of case
American Cone & Pretzel Co.	2	Eastern District of Pennsylvania.	Apr. 30, 1947	Sec. 10 (b) and rule X-10B-5, 1934 act; sec. 338, title 18, U. S. C. Secs. 17 (a) and (3), 1933 act; sec. 338, title 18, U. S. C. Sec. 17 (a), 1933 act; sees. 15 (a) and 15 (c) (1) and rule X-10C-1-2, 1934 act; sec. 338, title 18, U. S. C.	Both defendants pleaded not guilty. Pending.
Baker, Harry L.	1	Southern District of California.	Mar. 25, 1939	Sec. 17 (a), 1933 act; sec. 338, title 18, U. S. C.	Defendant not apprehended. Pending.
Bates, Gilbert M.	1	Northern District of Iowa.	Nov. 13, 1940	Sec. 17 (a), 1933 act; sees. 15 (a) and 15 (c) (1) and rule X-10C-1-2, 1934 act; sec. 338, title 18, U. S. C.	Bates entered plea of guilty Apr. 7, 1947. He was fined \$4,000 plus costs received a suspended sentence of 18 months imprisonment and was placed on probation for 3 years on condition that fine be paid by Apr. 22, 1947. Pending.
Boul, John H.	1	Northern District of California.	Mar. 19, 1947	Sec. 17 (a), 1933 act; sec. 338, title 18, U. S. C.	Reining found guilty May 1, 1947, and sentenced to 6 years' imprisonment. Notice of appeal filed on June 9, 1947. Boyer reported deceased.
Boyer, James F.	2	Southern District of Florida.	Feb. 23, 1945	Sec. 17 (a), 1933 act; sees. 88 and 338, title 18, U. S. C.	Five defendants have been convicted and one acquitted. Case dismissed as to one and pending as to Thomas, who was granted severance. Judgments of resentence affirmed as to Collins, Fischgrund, and Schrimm. Rehearing denied Nov. 4, 1946. Remaining 2 defendants were previously acquitted.
Brouson, Edmond B. (Bagdad Copper Corp.).	8	Southern District of New York.	Mar. 8, 1939	Secs. 5 (a) (1) and (2) and 17 (a), 1933 act; sec. 338, title 18, U. S. C.	Three defendants convicted, one acquitted. On Feb. 11, 1947, indictment dismissed as to remaining defendant, DuVall, who had died.
Collins, James N. (Union Associated Mines Co.).	5	Southern District of California.	Feb. 4, 1942	Sec. 17 (a), 1933 act; sec. 338, title 18, U. S. C.	Four defendants previously convicted and sentenced. Conviction of Danziger was affirmed on Apr. 23, 1947, by CCA-9 and reversed as to Wake Development Co. and "Trinidad International Petroleum, Ltd.", on jurisdictional grounds. Danziger has filed a petition for rehearing. Indictment dismissed as to Callahan and Wright.
Dagg, Otto B. (Dagg & Co., Inc.).	5	Western District of Washington.	June 29, 1942	Secs. 17 (a), 1933 act; sec. 338, title 18, U. S. C.	Nine defendants convicted and sentenced to terms ranging from 5 years and 1 day to 8 years CCA-5 affirmed convictions July 10, 1946. Certoors denied Oct. 28, 1946. Manzella reported deceased. Pending as to Bryce, Kefler and Adder on the first indictment and as to Johnson and Calhoun on the second indictment.
Danziger, Jacob Morris (Trinidad International Petroleum, Ltd.).	6	Southern District of California.	Dec. 30, 1941	Sec. 5 (a) (2) and 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	Bond fixed at \$3,000. Pending.
Diaz, Gabriel (Plaquemines Land Co.).	13	Eastern District of Louisiana.	Sept. 4, 1942	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	
	2	-----do-----	Nov. 6, 1942	Sec. 338, title 18, U. S. C.-----	
Douglas, Preston E.	1	Northern District of Illinois.	May 23, 1947	Sec. 17 (a) (1) and (2), 1933 Act; sec. 338, title 18, U. S. C.	

¹ Parenthetical reference is to name under which investigation was carried prior to indictment.

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Epstein, Alfred (Fleiffer Brewing Co.)	3	Eastern District of Michigan.	June 7, 1946	Sec. 338, title 18, U. S. C.	All defendants pleaded not guilty. Pending.
Fidelity Investment Association	18	Eastern District of Michigan.	Dec. 1, 1941	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Indictment nolle prossed as to all defendants in May 1945.
Florida Bond & Share, Inc.	5	Southern District of Florida.	Apr. 6, 1944	Secs. 17 (a) (1) and (3), 1933 act; secs. 88 and 338, title 18, U. S. C.	Four defendants found guilty and one not guilty July 11, 1946. Individual defendants placed on probation for 5 years. Corporate defendant fined \$6,000.
Freeman, Mark A. (Consolidated Associates, Inc.).	13	Northern District of Illinois.	Feb. 26, 1943	Secs. 88 and 338, title 18, U. S. C.	7 defendants previously convicted and sentenced, 2 acquitted, 1 deceased and case as to 2 dismissed. Appeal pending as to Freeman.
Gasmiser Corp.	5	Delaware.....	Oct. 10, 1946	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	Two defendants, salesmen, were acquitted by direction of the court. Three other defendants were found guilty by a jury. After the close of the fiscal year the court set aside the verdicts of the jury and directed the acquittal of these defendants.
Grayson Stanley (Stanley Grayson Co.).	4	Southern District of New York.	July 20, 1945	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Berman changed plea to guilty Nov. 29, 1946. Mandel pleaded guilty July 25, 1946. Both sentenced to 1 year and 1 day, sentence suspended and placed on probation for 5 years. Franco pleaded guilty, received a suspended sentence and placed on probation for 3 years. Grayson found guilty and received a 3½ year concurrent sentence on certain substantive counts, a 2-year concurrent sentence on the conspiracy count, a suspended sentence on the remaining substantive counts, and was placed on probation for 4 years.
Griswold, Edgar M., Jr.	1	Northern District of Ohio.	Apr. 4, 1946	Sec. 10 (b) and rule X-10B-5, 1934 act; sec. 338, title 18, U. S. C.	Griswold found guilty April 14, 1947 and sentenced to 18 months' imprisonment. Appeal filed May 6, 1947 withdrawn May 12, 1947, and sentence reduced to 15 months.
Hassett, Joseph L. (W. H. Koch Co.).	9	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.	3 defendants previously convicted and sentenced, 1 acquitted. Nolle pross entered as to Koch Nov. 6, 1946, and as to 4 remaining corporate defendants Mar. 25, 1947.
Baynes, Melvyn D. (Benners, Owens & Company).	7	Eastern District of Michigan.	Oct. 19, 1936	do.....	5 defendants convicted and pending as to 2 defendants, 1 of whom is a fugitive.
Heldner, Theodore P. (American Trusteed Funds, Inc.).	4	Southern District of New York.	June 10, 1941	Sec. 24, 1933 act, sec. 88, title 18, U. S. C.	2 defendants convicted under both indictments and 1 defendant convicted under the first indictment and nolle pross entered as to the second. Nolle pross entered Feb. 13, 1947, as to Heldner. Pending as to Auslander, the remaining defendant.
Helder, Theodore P. (Tiburon Mining Co. Ltd.).	9 do	do.....	Sec. 17 (a) (1), 1933 act, secs. 88 and 338, title 18, U. S. C.	4 defendants pleaded guilty and have been sentenced. Indictment nolle prossed as to Kane Oct. 22, 1944; as to Collins, Sporking, and Mourad Aug. 1, 1946; and as to Emery, the remaining defendant, Oct. 1, 1946.
Herrick, John.	6	Eastern District of Michigan.	July 30, 1942	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C. and conspiracy to violate secs. 17 (a) (1) and (2), 1933 act, and sec. 338, title 18, U. S. C.	Pending.
Hildebrand, Glen Jerome (Hildebrand-Osborne & Co.).	3	Southern District of Illinois.	June 9, 1945	Sec. 15 (c) (1), 8 (c) and 17 (a), 1934 act; secs. 88 and 338, title 18, U. S. C.	Hildebrand pleaded guilty and has been sentenced. Pending as to Hildebrand-Osborne & Co. and Frank, who was apprehended Mar. 7, 1947.

TABLE 29.—*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 1947 fiscal year—Continued*

Name of principal defendant ¹	Number of defendants	United States district court	Indictment returned	Charges	Status of case
Hill, Edward M.-----	12	Northern District of Ohio.	May 21, 1940 Oct. 21, 1943	Secs. 88 and 338, title 18, U. S. C. Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	Eleven defendants have been convicted and sentenced. Pending as to Gould who has not been apprehended. Erdahl previously convicted on nolo contendere plea, received a suspended sentence of 14 months' imprisonment and was placed on probation for 5 years. Indictment dismissed as to Charles E. Johnson. Clifford Johnson entered plea of nolo contendere on July 12, 1946. Court deferred sentence for 1 year pending restitution to defrauded investors. Kells found guilty on a nolo contendere plea and fined \$1,000. Pending as to remaining defendants, 1 of whom is a fugitive. Convictions of King and Werner affirmed by C. C. A. No. 15, 1946. Application for probation by King denied and 2½-year sentence ordered executed. Sentence suspended as to Werner who was placed on probation for 6 years and fined \$3,000. Previous sentence of 1 year and 1 day vacated. Indictment dismissed as to remaining defendant. Case pending as to Low and Hardie who are fugitives.
Johnson, Clifford S. (Cliff's Ice Shaver).	3	Montana-----			
Kells, Robert H. (National Reference Library Corp.) King, George A. (Crown Oil & Refining Co., Ltd.).	4	District of Columbia-----	Feb. 16, 1943	Sec. 17 (a), 1933 act; sec. 338, title 18, U. S. C. Secs. 17 (a) (1) and 5 (a) (2), 1933 act; sec. 338, title 18, U. S. C.	Lucas changed plea to guilty Oct. 25, 1946. On Nov. 27, 1946, he was sentenced to 2 years' imprisonment and 6 years' probation to commence at expiration of prison sentence. Mallen found guilty on all counts Apr. 15, 1947. Imposition of sentence suspended for 2 years and defendant placed on probation for the same period on June 26, 1947. All defendants found guilty Apr. 26, 1945, and all appealed. Bailey died Mar. 6, 1946. OCA-5 affirmed convictions May 23, 1946. Rehearing denied July 2, 1946. Certiorari denied Dec. 16, 1946. Sentence of Dobson reduced from 4 years and 3 months and \$1,000 fine to 2 years and \$1,000 fine. Sentence of Woodward reduced from 3 years and 3 months to 2 years. All other sentences which ranged from 3 years and 3 months to 5 years and 3 months and \$1,000 fines were allowed to stand. 4 defendants previously pleaded guilty and were sentenced. Case nolle prossed as to Sarschik Dec. 15, 1943, and as to Martin and LaVante Mar. 20, 1946.
Low, Harry (Trenton Valley Distillers Corp.) Lucas, Bart Ceech-----	2	Eastern District of Michigan.	Feb. 3, 1939	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C. Sec. 338, title 18, U. S. C.-----	
	1	Southern District of New York.	Aug. 19, 1942	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.-----	
Mallen, Harry J. (Santa Cruz Mining Co.).	1	Northern District of Illinois.	Mar. 15, 1940	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U. S. C.	
Mansfield, Frank (Central Securities Co.).	11	Western District of Texas.	Aug. 8, 1944	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	
Martin, Kenneth B. (Memorial Estates).	7	District of Colorado-----	Sept. 16, 1941	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U. S. C.	

E. M. McLean & Co. (Devon Gold Mines, Ltd.)	2	Eastern District Mich.	Oct. 24, 1941	Sec. 15 (a), 1934 act	Cases pending as to first indictment. Kaufman and Niditch convicted on second and third indictments and have been sentenced. Appeal pending as to Kaufman. Lewis pleaded guilty to one count in the second and third indictments and was fined. Pending as to nine persons and firms, remaining defendants, on the second and third indictments.
Do.	7	do.	do.	Secs. 5 (a) (1) and (2), 1933 Act; sec. 88, title 18, U.S.C.	
Do.	12	do.	do.	Secs. 17 (a) (1) and (2), 1933 Act; secs. 88 and 338, title 18, U.S.C.	
Mohler, Hugh B. (The Merle Club.)	5	Delaware	May 26, 1942	Sec. 5 (a) (1), 1933 act; secs. 88 and 338, title 18, U.S.C.	11 defendants previously convicted and sentenced, 3 acquitted and case dismissed as to 1.
Moore, Lloyd T. (Titus Mining Co.)	3	Montana	Sept. 22, 1942	Conspiracy to violate sec. 338, title 18, U.S.C.	Pending as to John Fenton Jones who was granted writ of error coram nobis and a new trial and as to William Martin who has not been tried.
Mulvaney, Thomas P. (M. & L. Oil Syndicate.)	5	Southern District of Iowa	June 18, 1943	Secs. 5 (a) (1), (2) and 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U.S.C.	Indictment dismissed as to Collier and Trelicher Mar. 23, 1946 Pending as to Moore, not apprehended.
Neely, Thomas A.	1	Northern District of Illinois.	Aug. 30, 1946	Secs. 5 (a) (1), (2) and 17 (a), 1933 act; sec. 338, title 18, U.S.C.	Mulvaney, Dunklee, Gorman and Lennon pleaded guilty to 1. Securities Act, count and 1 mail fraud count in second indictment. Remaining counts in both indictments dismissed as to Mulvaney, Dunklee and Lennon received sentences of 5 years on each count to be served concurrently with sentences imposed in other cases. Gorman sentenced to 4 years imprisonment. Pending as to Douerty. Neely apprehended and posted bond. Pending.
Do.	4	Southern District of Mississippi.	Nov. 21, 1946	Sec. 17 (a) (1), 1933 act; secs. 88 and 338, title 18, U.S.C.	
Do.	1	Louisiana	May 6, 1943	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U.S.C.	
Do.	6	Kansas	Apr. 23, 1947	do.	3 defendants convicted and sentenced. Martin reported deceased. Court fixed bond of \$6,000 for Aubrey M. Poynter on both indictments and \$3,000 bond for each of the remaining defendants.
Price, Elbridge, S.	1	Western District of Pennsylvania.	Mar. 9, 1946	Secs. 5 (a) (2) and 17 (a), 1933 Act; sec. 338, title 18, U.S.C.	Pending.
Rubrecht, Charles J.	4	Western District of Pennsylvania.	Sept. 18, 1946	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U.S.C.	All defendants pleaded not guilty. Motion to dismiss indictment denied. Pending.
Schuh, Herman L.	2	Eastern District of Virginia.	July 5, 1945	Sec. 338, title 18, U.S.C.	Both defendants apprehended and pleaded not guilty. Pending.
Stoll, Edward J. (Multi Metals Corp.)	2	Southern District of Iowa	Nov. 30, 1944	Sec. 17 (a) (1), 1933 act; sec. 338, title 18, U.S.C.	Indictment dismissed Jan. 23, 1946 as to McDonald, deceased, and as to Stoll Oct. 2, 1946. Pending.
Taylor, Ellis R. (Taylor Washing Machine Co.)	1	Northern District of Illinois.	Aug. 28, 1946	Sec. 10 (b) and rule X-10B-5, 1934 act; sec. 338, title 18, U.S.C.	
Thurman, Arthur G.	3	Massachusetts	Jan. 19, 1939	Sec. 17 (a) (2), 1933 act; secs. 88 and 338, title 18, U.S.C.	Lincoln and Levinson convicted and sentenced. Case pending as to Thurman, whose true name is George M. Saunders, a fugitive. Both defendants pleaded not guilty. Thurman posted bond of \$3,000. Pending.
Thomle, Marcus G. (Nevada Silver-Dyke Tungsten Company).	2	do.	Jan. 10, 1947	Secs. 17 (a) (1), (2) and 338, title 18, U.S.C.	

TABLE 30.—*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, 1947*

Petitioner	United States Circuit Court of Appeals	Initiating papers filed	Nature and status of case
American Power & Light Co.; Electric Power & Light Corp.	First.....	Oct. 20, 1942	Petitions to review Commission's orders requiring dissolution of both companies under sec. 11 (b) (2) of the 1935 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. Petition for certiorari (unopposed by Commission) filed June 16, 1944 and Granted Mar. 28, 1945 (65 Sup. Ct. 140). On Nov. 25, 1946 the Supreme Court affirmed the judgment of the lower court. Closed.
American Power & Light Co.; Florida Power & Light Co.	do.....	Feb. 9, 1944; Feb. 25, 1944	Petitioner, parent of Florida Power & Light Co., sought review of Commission's order under 1935 Act requiring changes in Florida's accounts. CCA dismissed petition June 19, 1944, on ground that petitioner was not "a person aggrieved" by order within meaning of Act and had no standing to sue (143 F. (2d) 250). CCA reversed by Supreme Court, June 4, 1946 and case reinstated in CCA (65 Sup. Ct. 1254), Dec. 12, 1946, cases consolidated by stipulation. Petition for writ of certiorari filed Apr. 3, 1947 and denied May 19, 1947. Closed.
Arkansas Natural Gas Corp.....	Fifth.....	June 8, 1944	Petition to review order under Sec. 11 (b) (1) of 1935 act directing petitioner, a registered holding company in Cities Service Co. system, to divest itself of oil production, transportation, refining, and marketing business as lacking necessary statutory relationship to its remaining gas utility business. Mar. 22, 1946 opinion handed by CCA 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 and denied Oct. 14, 1946. Closed.
Harry C. Blatchley (New England Public Serv. Inc. Co.)	First.....	Dec. 2, 1945	Petition to review Commission's order, dated Oct. 11, 1945, approving a plan under sec. 11 (e) of the 1935 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. 25, 1945, U. S. D. C. (Maine) entered order enforcing plan and plan was duly consummated. The Commission moved the CCA 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. 22 (a) of the 1936 act, but was subject to review only in district court 11 (e) 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 CCA for leave to adduce additional evidence pursuant to sec. 24 (3) 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 CCA has no jurisdiction. Oct. 29, 1946, court dismissed petition for review and appeal for lack of jurisdiction. Closed.
Cheney Corp., Federal Water & Gas Corp.....	Court of Appeals for the Dist. of Col.	Mar. 22, 1945	Petition for reorganization of Federal Water Service Corp., under sec. 11 (e) of 1935 act, approved by Commission Mar. 24, 1941, provided preferred stock be limited in participation to cost plus 4 percent interest. Petition for review filed Oct. 24, 1941. Commission's order in this respect reversed by Court of Appeals for the District of Columbia Apr. 27, 1942 (128 F. (2d) 303). Supreme Court modified decision and remanded case Feb. 1, 1943 (318 U. S. 80). On remand, Commission reaffirmed earlier decision.

Conrad W. Crooker.....	First.....	Apr. 30, 1947	Feb. 7, 1945. Petitions for review of second order filed Mar. 22, 1945. Supreme Court referred and judgment of CCA June 23, 1947. Pending.
Eastern Utilities Associates	No.	May 26, 1947	Petition for review of Commission's order, dated Apr. 28, 1947, accelerating effective date of registration statement of Burrliville Racing Association. Petition for rehearing filed June 6, 1947, and denied June 9, 1947. Pending.
Engineers Public Service Co.	Court of Appeals for the Dist. of Col.	Nov. 14, 1942	Petition for review of Commission's order, dated May 15, 1947, which denied petitioner's motion to amend the notice of and order for hearing issued Mar. 26, 1947 to provide that the hearings pursuant thereto be held in Boston, Mass., the principal place of petitioner's business. On June 15, 1947 the petition for review was dismissed for lack of jurisdiction. Pending.
Norris & Hirschberg, Inc.	First.....	Dec. 10, 1945	Petition to review Commission's orders dated Sept. 16, 1946 and Nov. 6, 1946 revoking the registration of M. S. Wien & Co. as a broker and dealer under sec. 15 (b) of the 1934 act. Pending.
Northern States Power Co. (Del.)	Second.....	Apr. 29, 1946	Petition to review Commission's order revoking broker-dealer registration for violation of the antifraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. On Feb. 17, 1947, case remanded to the Commission with directions. On Mar. 12, 1947, Commission filed objections to petition for rehearing. On June 5, 1947, court denied petition for rehearing and amended its opinion of Feb. 17, 1947. Motion of Commission for stay of execution of order of June 5, 1947, amending opinion of Feb. 17, 1947, filed June 9, 1947. Motion of Commission filed June 20, 1947 for leave to file amended opinion in response to the opinion dated Feb. 17, 1947, as amended by order of June 5, 1947, and that no order of remand issue under that opinion. Petitioner's answer filed June 30, 1947, and Commission's reply thereto filed July 7, 1947. Pending.
Samuel Okin (American & Foreign Power Co., Inc., and Electric Bond & Share Co.).	Third.....	Jan. 6, 1947 Mar. 29, 1947	Petition for review and modification of Commission's order, dated Nov. 8, 1946, directing the termination of the existence of Northern States Power Co. and the filing by it of a plan for that purpose under Sec. 11 (b) (2) of the 1935 Act and a petition to review and reverse or set aside an order of Commission denying a motion of company for the vacating of order of Commission dated Jan. 29, 1945. The 2 petitions for review were consolidated. Stipulation extending to July 16, 1947 for petitioner's brief to be filed and to Sept. 16, 1947 for respondent's approved by court. Pending.
		Mar. 22, 1944	Petitioner, minority stockholder of Electric Bond & Share Co., sought review of order under 1936 Act involving Bond & Share and American & Foreign Power Co., Inc., its subsidiary. Commission's motion to dismiss on grounds petitioner had no standing to sue unless he could show compliance with rules governing stockholders' derivative actions and that petition was frivolous, was denied July 10, 1944 (14 F. (2d) 1945). Rehearing denied July 22, 1944. Commission's second motion to dismiss filed without opinion, Dec. 2, 1944. Certiorari granted Mar. 12, 1945 (65 Sup. Ct. 886). CCA affirmed by Supreme Court June 4, 1945 (65 Sup. Ct. 1284). Opinion amended June 18, 1945. Thereafter CCA affirmed Commission's order on merits Mar. 2, 1946 (154 F. (2d) 27). Petition for writ of certiorari denied Nov. 12, 1946. Closed.

TABLE 30.—*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, 1947*—Continued

Petitioner	United States Circuit Court of Appeals	Initiating papers filed	Nature and 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. 25, 1945, permitting postponement of maturity date of a \$5,000,000 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. On Mar. 2, 1946, CCA affirmed Commissioner's order (145 F. (2d) 27). Petition for writ of certiorari filed Aug. 12, 1946. Same as above.
Samuel Okin (American & Foreign Power Co., Inc.), Samuel Okin (Electric Bond & Share Co., Electric Power & Light Corp., and United Gas Corp.).	do.....	Oct. 15, 1946	Petition to review order of Sept. 7, 1944, approving reorganization plan under sec. 11 (e) of 1935 act of United Gas Corp. In which petition Electric Power & Light Corp. and Electric Bond & Share Co. joined, Commission sought dismissal on ground that order approving sec. 11 (e) plan may not be reviewed by CCA where plan is subject to district court enforcement. Petition dismissed (145 F. (2d) 26). On Okin's petition for certiorari, Commission conceded that CCA 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 observed by 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 (3) of 1935 act. Judgment vacated and cause remanded for that purpose (165 Sup. Ct. 1669). Subsequently, upon Commission's motion, CCA 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. 15, 1947). Pending in CCA.
Samuel Okin (Electric Bond & Share Co.).	do.....	Oct. 8, 1946	Petition for review of Commission's orders, both dated Sept. 6, 1946, approving Bond & Share's plan II-A, under sec. 11 (e) of 1935 act, and at the same time rendered an order under sec. 11 (b) (2) with regard to the retirement of Bond & Share's preferred stocks. Thereafter, the Commission instituted a proceeding in the district court for enforcement of the 11 (b) order. Order entered Mar. 31, 1947, summarily affirming Commission's order dated Sept. 6, 1946, pertaining to Electric Bond & Share Co., to eliminate its outstanding preferred stocks from its capital structure, the affirmance of the order not in any way to affect the status of the appeal from the other order dated Sept. 6, 1946, of the Commission which approved plan II-A as amended. Motion for an order to dismiss petition for review filed May 12, 1947, as amended. Motion for an order to dismiss memorandum of Commission on motion to dismiss petition for review filed May 23, 1947. Petition dismissed June 16, 1947. Pending.
Philadelphia Co.	Court of Appeals for the District of Columbia.	Mar. 22, 1947	Petition for review and set aside an amendment to Title U-49 (e) under the 1935 act adopted by the Commission effective Feb. 23, 1947. Pending.

Randolph Phillips..... Second..... Feb. 26, 1947 Petition for review of alleged Commission orders, dated Feb. 7, 1947, and Feb. 25, 1947, re a proposal by United Corp. that it be permitted to submit to its common stockholders for their approval a proposal to change the business of United Corp. to that of an investment company. Application for stay denied from bench, Mar. 3, 1947.

Albert Shassol..... No..... Sept. 15, 1945 Petition to review Commission's 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 Apr. 9, 1942, which was entered pursuant to sec. 11 (b) (2) of that act. Stipulation for dismissal of the petition for review without prejudice submitted Nov. 12, 1946. Closed.

Washington Railway & Electric Co..... Court of Appeals for the District of Columbia..... June 12, 1942 On April 14, 1942, the Commission, under sec. 11 (b) (1) of the 1935 act, ordered North American Co. to divest itself of its interest in certain subsidiaries. On June 12, 1942, and ordered petitioners to divest themselves of certain subsidiaries. On June 12, 1942, North American filed a 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 of record in second circuit. To avoid review of order by 2 courts, Commission, on Aug. 20, 1942, filed motion to dismiss petition in Court of Appeals for District of Columbia. On Oct. 7, 1942, motion to dismiss denied and order stayed pending disposition of North American's petition. Order entered Jan. 4, 1947 by court that further proceedings be suspended to July 3, 1947. Pending.

TABLE 31.—*Contempt proceedings pending during the fiscal year ended June 30, 1947*

PART 1.—CIVIL CONTEMPT PROCEEDINGS

Principal defendants	Number of defendants	United States district court	Initiating papers filed	Status of case
Artemisa Mines, Ltd., and Oliver C. Kendall.....	2	Arizona.....	June 28, 1945	Order Nov. 15, 1943, adjudicating Oliver C. Kendall, president of Artemisa Mines, Ltd., and 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.
The Penfield Co. of California.....	4	Southern District of California.....	Jan. 24, 1945	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 \$60. On Sept. 13, 1945 order entered by CCA-0 denying Commission's application for leave to file a petition for a writ of mandamus against the district court judge. On Sept. 26, 1945 notice of appeal from order of July 2, 1945 naming Young \$60 for contempt was filed by Commission to CCA-9. On June 25, 1946 an opinion was rendered reversing the order and remanding the case to the district court for an order requiring Young's imprisonment to compel his obedience to the order to produce the documents in question. Petition for writ of certiorari to CCA-9 filed Sept. 3, 1946 and granted Nov. 18, 1946. Supreme Court affirmed the circuit court judgment Mar. 31, 1947 and remanded case to the district court. Petition for rehearing filed Apr. 21, 1947, and denied May 6, 1947. Records were produced June 2, 1947. Proceedings continued to Sept. 8, 1947, in order to determine whether or not all records were produced. Pending.

TABLE 31.—*Contempt proceedings pending during the fiscal year ended June 30, 1947—Continued*

PART 2.—CRIMINAL CONTEMPT PROCEEDINGS

Principal defendants	Number of defendants	United States district court	Initiating papers filed	Status of case
Hunt, Paul John.....	1	Western District of Washington.	June 4, 1946	Application for order to show cause why defendant should not be held in contempt for the violation of an order of court issued Feb. 18, 1946 permanently enjoining Hunt from violating secs. 5 (a) (1) and 5 (a) (2) of the Securities Act. Judgment of the district court on Aug. 12, 1946, holding Hunt in contempt and ordering him to pay a fine of \$400 affirmed by CCA-9 on Jan. 16, 1947. Petition for rehearing denied Feb. 14, 1947.
Allen, Marion.....	1	Eastern District of Virginia.	Dec. 10, 1946	Application for an order to show cause why defendant should not be held in contempt for violation of an order of court issued July 8, 1946, enjoining defendant from violating secs. 5 (a), 17 (a), (1), (2) and (3) of the Securities Act. Allen found guilty of criminal contempt Jan. 30, 1947. Sentence of 3 years probation and a fine of \$500 imposed Apr. 26, 1947.

TABLE 32.—*Miscellaneous actions against the Commission or employees of the Commission during the fiscal year ended June 30, 1947*

Petitioner	Court	Initiating papers filed	History and nature of case	Status of case
Okin, Samuel.....	Circuit Court of Appeals, Second Circuit.	Aug. 7, 1946.	The Commission, without issuing a formal order, had denied an application made by petitioner. This action was for a writ of mandamus require the Commission to issue and enter a formal order in connection with its denial of petitioner's application. Motion for writ denied Oct. 29, 1946, and order dismissing Okin's petition for writ of mandamus filed Nov. 26, 1946.	Closed.

TABLE 33.—*Cases in which the Commission participated as intervenor or as amicus curiae, pending during the fiscal year ended June 30, 1947*

Name of case	Court	Brief filed	Nature and status of case
Acker V. Schulte.....	S. District Court (Southern District of New York.)	Mar. 8, 1947.....	Actions brought Feb. 6, 1945, by individual stockholders for damages resulting from alleged violations secs. 9 and 10 (b) of the Securities Exchange Act of 1934 and rule XB-B-5 therunder. Defendants seek to require plaintiffs to file an affidavit for costs including counsel fees basing their claim for security on a provision of sec. 9 (e) of the act. On Mar. 8, 1947, the Commission filed a memorandum as amicus curiae submitting that plaintiffs cannot be required to furnish an undertaking for costs in a suit under sec. 10 (b), and as to sec. 9 (e) that the provision therein for an undertaking for costs should not be so construed as in effect to nullify opportunity for relief. Defense motion to dismiss denied May 26, 1947. Pending.

<i>Auburn Savings Bank v. Portland R. R. Co.</i>	Supreme Judicial Court of Maine.	June 25, 1945.	Stockholders' suit filed Feb. 3, 1945, collaterally attacked a Dec. 19, 1944, order of Commission under sec. 11 (e) of the Public Utility Holding Company Act of 1935, approving plan for liquidation and dissolution of defendant, a statutory subsidiary of Central Maine Power Co. Plaintiffs seek to set aside various transactions consummated under the plan and enjoin consummation of others. On June 25, 1945, Commission filed brief as amicus curiae noting subsequent filing (on Feb. 16, 1945) of petition for review of Commission's order in CCA-1, and taking position that, under the act, a State court lacks 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, 1945. Pending.
<i>Austinfar and Butcher as Trustees of Central States Electric Corporation v. Harrison Williams</i>	U. S. District Court (Southern District of New York)	Nov. 8, 1945; Nov. 4, 1946; Apr. 10, 1947.	Trustees of debtor Central States Electric Corp., appointed by district court in Virginia pursuant to ch. X of the Bankruptcy Act, 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 ch. X court. No allegation of diversity 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 memoranda 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 Judicial 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 questions could be decided. Notice of appeal by trustees to CCA-2 filed June 19, 1946. Brief filed by Commission as amicus curiae Nov. 4, 1946. Opinion rendered Dec. 10, 1946, reversing district court and holding that Trustees have right to bring suit in Federal court on a jurisdiction found in the Bankruptcy Act. Petition for writ of certiorari filed Jan. 4, 1947, and granted Feb. 10, 1947. Commission filed brief as amicus curiae Apr. 10, 1947. On June 16, 1947, the Supreme Court affirmed the court of appeals decision. Pending.
<i>Clawson v. Missouri-Kansas-Texas Railroad Co.</i>	U. S. District Court (Southern District of Florida).	Apr. 4, 1946.	Brief not yet filed but SEC made a party defendant. July 18, 1946.
<i>Continental Bank and Trust Co. of New York v. The First National Petroleum Trust; Sadie L. Aberson, et al., intervenors</i>	U. S. District Court (Rhode Island).	U. S. Court of Appeals (First Circuit).	Interposed a claim predicated upon a provision of the Indenture derived from sec. 316 (a) of the Trust Indenture Act of 1939. This construction was contrary to the construction given to the section by the Commission. Plaintiff requested the Commission to join with it in its construction of sec. 316 (a). On Mar. 2, 1946, judgment was entered for Plaintiff. Extensions granted to Oct. 1, 1947, for time in which to print the record. Appeal pending.

TABLE 33.—*Cases in which the Commission participated as intervenor or as amicus curiae, pending during the fiscal year ended June 30, 1947—Continued*

Name of case	Court	Brief filed	Nature and status of case
<i>Dredick, 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.</i>	U. S. District Court (Southern District of New York)	Aug. 8, 1942.....	Derivative suit instituted in 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 preferred stock of its subsidiary at prices below principal amount and liquidation value to compel parent to sell and subsidiary to reacquire 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 the Commission had instituted proceedings under sec. 11 (b) (1) of the Public Utility Holding Company Act of 1935 with respect to North American and subsidiaries, including Light & Power. On Dec. 2, 1941, the Commission instituted proceedings under sec. 11 (b) (2) of the act with respect to Light & Power. On Dec. 30, 1941, the Commission ordered winding up of Light & Power. Motion to dismiss denied Jan. 12, 1943, on ground that complainant does not seek liquidation of Light & Power but action is stayed until determination of the proceedings before Commission. Pending.
<i>Dogie v. Milton.....</i>	Dec. 9, 1946.....		Action by a stockholder of a registered investment company to set aside the results of a stockholders' vote on the ground of alleged violation of the Commission's proxy rules and for other relief. Violation of certain standards of the Investment Company Act was also charged. The Commission advised the court as amicus curiae that, on the basis of information available to it, was of the opinion that the proxy rules had not been violated. Complaint dismissed Apr. 3, 1947, except as to a cause of action charging waste by the corporate management. Pending.
<i>Downing v. Howard.....</i>	May 20, 1947.....		Derivative stockholder's action on behalf of the United Corp. against a number of defendants stating two causes of action predicated upon violations of sec. 4 (a) of the Securities Exchange Act of 1934. Dismissed by district court. Plaintiff appealed to circuit court as to whether or not a private cause of action is available for a violation of sec. 4, no basis having been shown for a determination that a private cause of action is unavailable under all the sections of the act. The circuit court affirmed the judgment of the district court June 24, 1947. Pending.
<i>The Fifth-Third Union Trust Co. v. Block.....</i>	Oct. 23, 1946.....		Complaint filed which raised the issue whether a violation of Sec. 10 of the Securities Exchange Act of 1934 gives rise to a civil cause of action. Commission entered as amicus curiae proposing to show that such a civil action is maintainable. Defendants' motions to dismiss denied Dec. 18, 1946. Closed suit under sec. 16 (b) of the Securities Exchange Act of 1934 recover profits from short-term trading in securities by an insider. Defendant moved to dismiss for improper venue. Commission filed a memorandum in support of venue as laid. On Apr. 2, 1947, court denied motion to dismiss. Pending.
<i>Graff v. Cloughton.....</i>	May 20, 1946.....		Suit under sec. 16 (b) of the Securities Exchange Act of 1934 to recover profits from short-term trading in securities by an insider. The district court denied defendant's motion to dismiss, made on the ground that venue was improperly laid and that the court lacked jurisdiction. Defendant then moved to dismiss on the grounds that the statute of limitation barred the action and that the
<i>Worman and Perlmutter v. A. Young Spring & Wire Corp. v. Young.....</i>	Aug. 20, 1946.....		

corporation had not been given an opportunity to institute the suit. The Commission filed a memorandum that sec. 16 should be construed in a manner which would give practical effect to the fundamental equitable doctrine that a wrongdoer should not be permitted to take advantage of his own fraud.

Pending.

Suit against plaintiff's parent 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 the Public Utility Holding Company Act of 1935 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. District court hearing set for July 31, 1947.

Pending.

Private action founded on alleged violations of sec 10 (b) of the Securities Exchange Act of 1934 and rule X-10B-5 thereunder. The Commission filed as amicus curiae taking the position that such action for damages resulting from a violation of sec. 10 (b) and rule X-10B-5 is maintainable by application of the general common law rule and under the express provisions of sec. 29 (b) of the act. Motions to dismiss allowed Dec. 2, 1946. Argument set for July 16, 1947. Pending.

Suit instituted Sept. 12, 1944, under sec. 16 (b) of the Securities Exchange Act of 1934 to recover profits from short-term trading in securities by an insider. 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 a nonexempt "purchase," and that such construction did not render statutory provision unconstitutional. Petition filed June 18, 1947, by counsel for plaintiff for allowance of counsel fees. Pending.

Complaint filed May 16, 1945, demand judgment for items of interest and other charges and expenses set forth. Notice of motion for summary judgment filed Oct. 16, 1945. Memorandum submitted Oct. 30, 1945, by plaintiff in opposition to motion to dismiss. Petition filed June 18, 1946, by counsel for plaintiff for allowance of counsel fees. Pending.

Suit brought Nov. 17, 1944, under sec. 16 (b) of the Securities Exchange Act of 1934 to recover profits realized from short-term trading in securities by an insider. The Commission, as amicus curiae, filed a brief taking the 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. 13, 1945, Marion D. Kogan, a minority stockholder, sought leave to intervene as party plaintiff, supported by Commission brief as amicus curiae. Intervention was denied on Oct. 23, 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. On Jan. 8, 1947, CCA-2 reversed the order denying intervention to Kogan, vacated the judgment, and remanded the action to the district court for the entry of an increased judgment. Petition of defendants for rehearing filed Jan. 22, 1947, and denied Mar. 20, 1947. Petition of defendants for writ of certiorari filed in the Supreme Court June 21, 1947. Pending.

<i>Mitchell Iowa Power Co. v. North American Light & Power Co.</i>	U. S. District Court (Delaware).	Feb. 13, 1943 (motion to intervene).	Oct. 22, 1946.....	
<i>Kardon v. National Gypsum Co.</i>	U. S. District Court (Eastern District of Pennsylvania).		Mar. 1945; Apr. 16, 1945--	
<i>Kogan v. Schulte</i>	U. S. District Court (Southern District of New York).		Brief not yet filed.....	
<i>Park & Tilford, Inc. v. Schulte, et al., as Trustees.</i>	No.....	Oct. 5, 1945; Mar. 14, 1946; Oct. 14, 1946; Feb. 12, 1947.	Oct. 5, 1945; Mar. 14, 1946; Oct. 14, 1946; Feb. 12, 1947.	

TABLE 33.—*Cases in which the Commission participated as intervenor or as amicus curiae, pending during the fiscal year ended June 30, 1947—*

Continued

Name of case	Court	Date filed	Nature and status of case
<i>Salmone v. Knoxville Gas Co.</i> -----	U. S. District Court (Northern District of Tennessee).	June 19, 1945 (motion to intervene).	Defendant agreed on Jan. 2, 1945, to sell its assets to city of Knoxville, Tenn., to comply with a Commission order of Aug. 17, 1943, under sec. 11 (b) (1) of the Public Utility Holding Company Act of 1935 requiring Cities Power & Light Co. to divest itself of its holdings in defendant. Plaintiff, a preferred stockholder of Knoxville Gas Co., brought suit to enjoin the sale, for the appointment of a receiver, and for a judicial determination, inter alia, of the relative rights of creditors and stockholders. The Commission petitioned for leave to intervene on the ground that the judicial determination sought would affect the Commission's administrative functions under sec. 11 (d) and (e) of the act. A supporting brief was filed June 19, 1945. On June 28, 1945, the injunction was denied, proceeds of the sale were ordered paid into registry of court, and the Commission was granted leave to intervene, but decision was reserved on question of whether, under the act, the Commission or the district court has primary jurisdiction to determine the relative rights of the parties to the proceeds of the sale. On Jan. 23, 1946, an order was entered directing that notice of a proposed compromise be sent to interested parties and setting hearings for Feb. 23, 1946, for preferred stockholders to show cause, if any, why proposed compromise should not be approved by the court. Hearings were held Feb. 25, 1946. A settlement of the representative action on behalf of the public preferred stockholders of Knoxville was approved by decree of the district court entered May 6, 1946. Closed.
<i>Stain and Falens v. Germantown Fire Insurance Co.</i> -----	U. S. District Court (Eastern District of Pennsylvania).	Dec. 4, 1946-----	The Commission filed a brief as amicus curiae taking the position that a private right of action exists to recover damages resulting from a violation of sec. 10 and rule X-10B-5 of the Securities Exchange Act of 1934. The court held that such right of action exists under sec. 10. Pending.
<i>Spoff v. Transamerica Corp.</i> -----	U. S. District Court (Delaware).	Feb. 10, 1947-----	Commission filed as amicus curiae for the purpose of considering the issues raised under sec. 10 (b) of the Securities Exchange Act of 1934 and rule X-10B-5 thereunder. The district court granted defendant's motion for summary judgment in part and denied it in part on May 9, 1947. Defendant's petition for rehearing was filed and denied June 25, 1947. Pending.
<i>United Funds Management Corp., Bankrupt, vs. Rd.</i>	U. S. District Court (Western District of Missouri).	Feb. 10, 1943; Mar. 10, 1945.	The debtor filed a voluntary petition in bankruptcy Sept. 30, 1942, and was adjudicated bankrupt Oct. 1, 1942. Debtor is an investment company which, prior to the Investment Company Act of 1940, issued several series of face-amount certificates pursuant to separate collateral trust indentures securing payment thereof. The Commission is participating in proceedings as amicus curiae by invitation of the court. Hearing to determine nature and extent of certificate holders' claims and security therefor held Mar. 8, 1945. The Commission filed a comprehensive brief on these issues. On Apr. 20, 1945, the court issued a 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. 25, 1945. Final decree incorporating orders issued Aug. 27, 1945. In addition to its brief dealing with problems of distribution, the Commission has filed briefs to assist the court on other questions. During the course of the year claims based on certificates A, F, G, H, K, and L were paid as decreed by the dis-

trict court, and the trustee in bankruptcy has stated that he is about to make his final report. Pending. The district and circuit courts had denied plaintiff's plea, as stockholder, for subordination of the interests of officers and directors of the company. The Commission filed briefs in support of plaintiff's petition to the Supreme Court for a writ of certiorari. The Supreme Court issued an opinion on Feb. 26, 1946, reversing the circuit court decision. On May 6, 1947, the circuit court reversed the judgment of the district court and remanded the case to the district court for further proceedings in conformity with the decision of the Supreme Court. Pending.

Young v. The Higbee Co., Boag, and Potts. Sept. 14, 1944; Jan. 5, 1945.

U. S. Supreme Court. Sept. 14, 1944; Jan. 5, 1945.

TABLE 34.—*Proceedings by the Commission, pending during the fiscal year ended June 30, 1947, to enforce subpoenas under the Securities Act of 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.	2	Arizona	Apr. 8, 1943	Sec. 22 (b), 1933 act.	Order May 18, 1943 requiring Artemisa Mines, Ltd. to appear before an officer of the Commission on June 28, 1943, and to produce the records described in a subpoena duces tecum. Sept. 10, 1944, court dismissed application to enjoin enforcement of subpoena with respect to Minas de Artemisa, S. A., a foreign corporation, for lack of jurisdiction. June 26, 1945, CCA-9 reversed the district court. Aug. 1, 1945, order entered requiring Minas de Artemisa, S. A., to respond to the subpoena. Pending. (See pt. 1 of appendix table 31 on civil contempt proceedings.)
The Penfield Co. of California.	1	Southern District of California.	Apr. 13, 1943	Sec. 22 (b), 1933 act.	Order June 1, 1943 required respondents to produce books and records on June 8, 1943. Opinion rendered June 30, 1944 by CCA-9 affirming the district court order. Certiorari denied by Supreme Court Nov. 6, 1944. Records were produced June 2, 1947, as a result of civil contempt proceedings. Closed. (See pt. 1 of appendix table 31 on civil contempt proceedings.)
Vacuum Corp Co.	2	Northern District of Illinois.	Feb. 5, 1946	Sec. 22 (b), 1933 act, and sec. 21 (e), 1934 act.	Order June 14, 1946 requiring respondent to produce documents described in a subpoena duces tecum. June 21, 1946, notice of appeal filed by respondents. Aug. 6, 1946, memorandum of Commission in support of motion to dismiss appeal or affirm. Sept. 16, 1946, court sustained motion to dismiss appeal. Petition for writ of certiorari filed Dec. 16, 1946, and denied Feb. 17, 1947. Documents described in subpoena were produced Apr. 9, 1947. Closed.
Rock Douglass, Afro-American.	1	Northern District of Illinois.	Nov. 30, 1946	Sec. 22 (b) 1934 act.	Order Oct. 30, 1945, requiring to produce books and records on Nov. 9, 1945. Preston Douglass, president, was successful in evading service of the show cause order until Oct. 14, 1946. On Dec. 11, 1946, order entered directing respondent to comply with subpoena on Dec. 16, 1946. Records produced. Closed.

TABLE 35.—Actions to enforce voluntary plans under sec. 11 (e) to comply with sec. 11 (b) of the Public Utility Holding Company Act of 1935

Name of case	United States District Court	Initiating papers filed	Status of case
American Water Works and Electric Co., Inc.	Delaware	Feb. 17, 1947	Order Mar. 19, 1947, approving plan as fair, equitable and appropriate.
Central and Southwest Utilities Co.	do	May 10, 1946	Order June 19, 1946, approving plan as fair, equitable and appropriate. Filed by Oscar Scheiff Sept. 17, 1946. Appeal dismissed Oct. 25, 1946.
Central States Power & Light Corp.	do	Reopened Dec. 8, 1946	Order Dec. 27, 1946, approving plan as fair, equitable and appropriate.
Cities Service Co.	do	Apr. 26, 1947	Order May 27, 1947, approving plan as fair, equitable and appropriate. Pending.
Community Gas & Power Co.	do	Apr. 11, 1946	Order Apr. 10, 1947, approving plan as fair, equitable and appropriate. Appeal June 5, 1947, by Gabriel Caplan. Appeal June 7, 1947, by Vanneck and Moran. Appeal June 8, 1947, by Alfred MacArthur et al. Appeal June 9, 1947 by New York Trust Co., Trustee. Pending.
East Coast Public Service Co.	do	Apr. 3, 1947	Order Apr. 26, 1947, approving plan as fair, equitable and appropriate. Pending.
Eastern Minnesota Power Co.	Minnesota	June 10, 1947	Order Dec. 20, 1946, approving plan as fair, equitable and appropriate. Appeal filed Jan. 2, 1947, by Samuel Okin. Appeal filed Jan. 25, 1947 by Franklin and Marshall College. Motion Mar. 12, 1947 by Commission to dismiss appeal of Franklin and Marshall College. Pending.
Electric Bond & Share Co.	Southern District of New York	Oct. 17, 1945	Order July 11, 1946, approving plan as fair, equitable and appropriate. Appeal filed Aug. 9, 1946 by Eli Auerbach. Pending.
Electric Bond & Share Co.	do	May 27, 1946	Decision by district court May 26, 1947, enforcing the plan exceptsofar as it provided for the payment of more than the liquidation preferences of the preferred stock. Appeal taken to Third Circuit Court of Appeals June 1947. Pending.
Engineers Public Service Co., Inc.	Delaware	Jan. 9, 1947	Order Mar. 25, 1947, approving plan as fair, equitable and appropriate.
Great Lakes Utilities Co.	Eastern District of Pennsylvania	Reopened Feb. 19, 1947	Order Mar. 28, 1947, approving plan as fair, equitable and appropriate. Pending.
Illinois Power Co.	Delaware	May 2, 1947	Order Feb. 14, 1947, approving plan as fair, equitable and appropriate. Appeal taken May 3, 1947. Agreed motion to dismiss appeal May 16, 1947. Pending.
Indiana Service Corp.	Northern District of Indiana	Dec. 20, 1946	Order A.p.r. 24, 1947, approving plan as fair, equitable and appropriate. Pending.
Interstate Power Co.	Delaware	Jan. 24, 1947	Order July 17, 1946, approving plan as fair, equitable and appropriate. Vacated Mar. 10, 1947. New plan approved June 10, 1947.
Kings County Lighting Co.	Eastern District of New York	Jan. 9, 1947	Order June 24, 1946 Supplemental Feb. 11, 1947.
New England Gas & Electric Assn.	Massachusetts	do	Order June 6, 1946, approving plan as fair, equitable and appropriate. Appeal taken July 18, 1946, by Matthew Lahti. Appeal taken Aug. 27, 1946, by Preferred Stockholders Committee. Circuit Court of Appeals affirmed order Apr. 11, 1947. Pending.
New England Power Assn.	do	Mar. 16, 1946	Order Oct. 25, 1945, approving plan as fair, equitable and appropriate. Order Feb. 24, 1947, approving plan as fair, equitable and appropriate. Pending.
New England Public Service Co.	Maine	Oct. 15, 1945	Order Apr. 4, 1946 approving plan as fair, equitable and appropriate.
New York Water Service Corp.	Southern District of New York	Nov. 13, 1946	Order Mar. 11, 1946.
Northern States Power Co. (Delaware), Northern States Power Co. (Minnesota), Scranton Spring Brook Water Service Co.	Minnesota	Jan. 22, 1946	Order Apr. 4, 1946 approving plan as fair, equitable and appropriate.

Seattle Gas Co.....	Western District of Washington.	Jan. 18, 1947.....	Order Feb. 26, 1947 approving plan as fair, equitable and appropriate.
United Gas Corp.....	Delaware.....	Sept. 8, 1944.....	Order Nov. 20, 1944 approving plan as fair, equitable and appropriate. Appeal filed in Third Circuit Court of Appeals by Samuel Okin Feb. 20, 1945. District court order affirmed June 3, 1947. Pending.
United Public Utilities Corp.....	do.....	Oct. 14, 1946.....	Order Nov. 20, 1946 approving plan as fair, equitable and appropriate.
Washington Ry. & Electric Co.....	District of Columbia.....	May 16, 1947.....	Order June 16, 1947 approving plan as fair, equitable and appropriate. Pending.

TABLE 36.—*Actions under sec. 11 (d) of the Public Utility Holding Company Act of 1935 to enforce compliance with Commission's order issued under sec. 11 (b) of that act*

Name of case	United States District Court	Initiating papers filed	Nature and history of case
International Hydro-Electric System.....	Massachusetts.....	Aug. 12, 1943.....	Action by Commission, with consent of company, under secs. 11 (d), 18 (f), and 25 of the 1935 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 a special counsel to investigate an intercompany 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, this suit settled, as well as two stock-holders' suits against International Paper Co. Dec. 25, 1945, district court approved settlement and termination of these suits, and notices of appeal from this approval were filed Jan. 28, 1946, in CCA-1. Nov. 14, 1946, opinion rendered affirming judgment of the district court. Petition for writ of certiorari filed Dec. 28, 1946, and denied Feb. 10, 1947. Petition for rehearing denied Mar. 10, 1947. There are now before the Commission plans of reorganization which, if approved by Commission, will be submitted to the reorganization court. Pending.

TABLE 37.—*Reorganization cases under ch. X, pending during the fiscal year ending June 30, 1947, in which the Commission participated when appeals were taken from district court orders*

Name of case	United States Circuit Court of Appeals	Date SEC entered case	Nature and status of case
<i>Bankers Building, Inc., Debtor; Willibrandt v. Gottlieb, Trustee.</i>	Seventh	June 14, 1946	Appeal from May 24, 1946, order confirming amended plan of reorganization. Commission filed motion Sept. 16, 1946, to dismiss appeal. Order entered Sept. 25, 1946, on the stipulation of trustee and appellant dismissing appeal. Closed.
<i>Bankum Realty Co., Debtor; Brand, Appellant.</i>	Sixth	Dec. 31, 1945	Appeal by Brand from May 23, 1945, order denying him a preferred claim. Commission's memorandum filed about Dec. 31, 1945. Order affirmed Apr. 5, 1946. Petition for rehearing filed Apr. 25, 1946. Order entered Sept. 9, 1946, sustaining petition for rehearing to the extent that the order of the district court is affirmed only insofar as it refuses to recognize claim as a reorganization expense. Order modified so as to be without prejudice to claimant's right to assert his petition in the district court and to be further heard with respect to a claim of a different nature. Closed.
<i>Consolidated Committee v. National Bank of Detroit.</i>		July 11, 1946	Petition of June 22, 1946, for leave to appeal from May 24, 1946 order. Motion for stay of proceedings pending determination of application for leave to appeal dated June 28, 1946. Memorandum of Commission in opposition to motion for stay dated July 11, 1946. Order entered Sept. 9, 1946, granting petition for leave to appeal and staying proceedings in the district court. Appeal withdrawn. Closed.
<i>Central States Electric Corp., Debtor;</i>	Fourth	Mar. 9, 1943	Appeal taken by committee for holders of debtor's 7 percent cumulative preferred stock from Dec. 1, 1943, order confirming trustees report No. 16. Order of appearance of Commission filed Mar. 9, 1943. Per curiam opinion rendered June 12, 1944, reversing order. Mandate issued July 24, 1944.
<i>Committee for Holders of Central States 7% Cum. Pfd. Stock, Appellant; Austrin and Baucher, Plaintiffs, and Central States Electric Corp., Appellee; Do.</i>		Sept. 26, 1945	Appeal from order confirming the appointment of 2 trustees for a corporate debtor to succeed 2 trustees who had resigned. Commission's brief filed Sept. 26, 1945. Per curiam opinion rendered Oct. 3, 1945 affirming order. Closed.
<i>Central States Electric Corp. v. Australian Railways Company, Debtor; Worcester v. Chicago Transit Authority.</i>	Seventh	Mar. 15, 1946	Appeal from Dec. 10, 1945 order. Commission's memorandum filed Mar. 15, 1946. Per curiam opinion rendered Mar. 22, 1946, granting motion to dismiss appeal. Appeal No. 5548 dismissed on agreement of appellant and appellees. Closed.
<i>Childs Company, Debtor; Finn, Appellant; Ziff and Len, Appellees.</i>	Second	November 1946	Consolidated appeals from district court orders. Brief for Commission, appellee, filed Nov. 1946. Opinion rendered Jan. 4, 1947, affirming orders approving and confirming the Transit Authority's plan of reorganization. Mandate issued and forwarded to district court. Emergency motion was made to docket and dismiss other appeals and they were dismissed. Petition for writ of certiorari filed Apr. 3, 1947, and denied Apr. 16, 1947. Closed. Appeal from Aug. 13, 1945 order. Order affirmed Jan. 8, 1946. Petition of 416 6th Ave. Corp. filed Mar. 26, 1946, for writ of certiorari appealing from Jan. 8, 1946, opinion extending time for trustee to vacate the premises at 1551 Broadway. Petition of Meighan filed Apr. 1, 1946, for writ of certiorari appealing

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<p>Brodsky v. Finn......</p> <p>Commonwealth Light & Power Co., Debtor; London v. Snyder, Trustee; Land Con- gress & Senate Co., Debtor; Koplar v. Henkler; Koplar v. Snyder, Trustee;</p> <p>80 John Street Corp., Debtor; Hokin, Trustee, and Manufacturers Trust Co. v. Central Hanover Bank & Trust Co.</p> <p>The Embassy Company, Debtor; Stein v. Henkler.</p> <p>Equitable Office Building Corp., Debtor; Dana v. Securities and Exchange Com- mision and Duncan.</p> <p>Dana, Equitable Office Building Corp., Knight, and Doyle, Appellants.</p>	<p>Sept. 16, 1943.....</p> <p>Apr. 24, 1947.....</p> <p>Feb. 26, 1947.....</p> <p>June 12, 1946.....</p> <p>Jan. 7, 1942.....</p> <p>Nov. 4, 1946.....</p>	<p>Congress & Senate Co., Debtor; London v. Snyder, Trustee; Land Con- gress & Senate Co., Debtor; Koplar v. Henkler; Koplar v. Snyder, Trustee;</p> <p>80 John Street Corp., Debtor; Hokin, Trustee, and Manufacturers Trust Co. v. Central Hanover Bank & Trust Co.</p> <p>The Embassy Company, Debtor; Stein v. Henkler.</p> <p>Equitable Office Building Corp., Debtor; Dana v. Securities and Exchange Com- mision and Duncan.</p> <p>Dana, Equitable Office Building Corp., Knight, and Doyle, Appellants.</p>	<p>Seventh.....</p> <p>Eighth.....</p> <p>Second.....</p> <p>Eighth.....</p> <p>Second.....</p> <p>Second.....</p>	<p>from Jan. 8, 1946, opinion. Petitions for writs of certiorari denied May 6, 1946. Notice of motion returnable Mar. 3, 1947, for an order limiting the time for filing briefs and setting a date for argument of appeal, filed Feb. 28, 1947. Pending.</p> <p>Appeal from June 22, 1942 order approving July 21, 1942 report of special master Commission's brief filed Sept. 16, 1943. Order affirmed Feb. 26, 1944. Petition for rehearing filed Mar. 11, 1944, and denied Apr. 6, 1944. Mandate of CCA issued May 27, 1944, regarding dismissal of petition for writ of certiorari. Petition dismissed on motion of petitioner on May 22, 1944. Petition of Lawson for leave to appeal from district court order. Commission's brief in opposition to petition filed Aug. 20, 1946. Order entered Aug. 23, 1946 denying petition. Closed.</p> <p>Consolidated appeals from Dec. 16, 1946, orders disallowing legal fees to London & Burch and allowing compensation to Henkler. Commission filed brief in support of district court decisions. CCA refused to grant petition of Koplar for review of the fee allowed trustee. Pending.</p> <p>Appeal from Nov. 6, 1946, order fixing the rate at which interest is payable on a consolidated first mortgage on property involved. CCA affirmed order June 26, 1947. Pending.</p> <p>Appeal from Feb. 26, 1946, allowing appellant only \$2,000 compensation for legal services. Commission entered as appellee in support of district court's order. Affirmed Oct. 24, 1946. Mandate issued Nov. 16, 1946. Closed.</p> <p>Appeal from July 22, 1941 order denying motion for leave to intervene. Commission's brief filed about Jan. 7, 1942. Opinion rendered Jan. 22, 1942, affirming order.</p> <p>Petition of Charles A. Dana, common stockholders committee, for stay of proceedings for consumption of trustee's plan pending appeals taken, together with an order to show cause why these proceedings should not be dismissed, dated July 17, 1946. Commission's brief filed Nov. 4, 1946. Opinion dated Dec. 31, 1946, reversing order which denied petition for modification and alteration of the plan of reorganization after entry of an order in aid of consumption of said plan. Memorandum dated Jan. 28, 1947, reversing order appealed from and directing further proceedings consistent with Dec. 31, 1946, opinion of CCA.</p> <p>Petitions for writs of certiorari filed Oct. 21, 1946 on behalf of Equitable Office Building Corp., Dana, and Knight regarding appeals from judgments entered July 18, 1946, and July 31, 1946. Petition dated Mar. 27, 1947, of debenture holders protesting committee and the trustee of the debtor to the Supreme Court for writs of certiorari, re appeal from judgments of CCA dated Dec. 31, 1946, and Jan. 28, 1947. Petition of McCutre for writs of certiorari re appeal from judgments dated Dec. 31, 1946, and Jan. 28, 1947, and asking for a reversal of said judgments. Certiorari denied May 6, 1947. Closed.</p> <p>Appeal from July 26, 1946, order determining that upon the subordination of appellant's certificates of participation in the mortgage on the debtor's property and the payment in full of the principal amount of certificates held by other certificate holders, the latter are entitled to interest at the rate of 6 percent from Oct. 1, 1932, the maturity date of the certificates even though the certificates provide for interest at 5½ percent after, as well as before, maturity. Pending.</p>
<p>767629-48-16</p>				<p>Nov. 4, 1946.....</p> <p>Second.....</p>

TABLE 37.—Reorganization cases under ch. X, pending during the fiscal year ending June 30, 1947, in which the Commission participated when appeals were taken from district court orders—Continued

Name of case	United States Circuit Court of Appeals	Date SEC entered case	Nature and status of case
<i>Inland Gas Corp., Debtor.</i> <i>Columbia Gas & Elec. Corp. v. United States, Williamson, Trustee, and Inland Gas Corp.</i>	Sixth.....	Feb. 3, 1945.....	Consolidated appeals from district court order. On Oct. 9, 1945, CCA affirmed order. Petition for rehearing filed Oct. 26, 1945, and denied Jan. 21, 1946. Petition for writ of certiorari denied Oct. 19, 1946. Green committee and Early committee appeals. On Oct. 9, 1946, CCA affirmed district court order, reversing re allowance of interest upon interest coupons. Remanded to district court for further proceedings. Petition for rehearing denied Nov. 26, 1946.
<i>Columbia Gas & Elec. Corp. v. United States, Williamson, Trustee, Kentucky Fuel Gas Corp.</i>	Feb. 5, 1945.....	Petition for writ of certiorari filed Feb. 15, 1946. Opinion rendered Dec. 9, 1946, affirming CCA.
<i>Columbia Gas & Elec. Corp. v. United States, Habitation, Trustee, and American Fuel & Power Co.</i> <i>Vanson Bondholders Committee v. Green and Early.</i>	Supreme Court.....	Oct. 15, 1946.....	Petition for writ of certiorari filed Feb. 14, 1946, granted Mar. 26, 1946. On Dec. 9, 1946, Supreme Court affirmed CCA. Petition for rehearing filed Jan. 8, 1947, and denied Jan. 13, 1947.
<i>Columbia Gas & Electric v. United States,</i> <i>Green Committee v. Williamson.</i>	Oct. 16, 1946.....	Petition for writs of certiorari filed May 29, 1946. Denied Oct. 14, 1946 (67 S. Ct. 49).
<i>International Mining & Milling Co., Debtor;</i> <i>Humphrey v. Hart.</i>	Ninth.....	Jan. 25, 1946.....	Appeal from Dec. 11, 1944, order. Commission filed brief in support of district court decision. Judgment reversed Nov. 4, 1946, and case remanded for further proceedings in conformity with opinion. Petition for rehearing filed Dec. 3, 1946, and denied Dec. 6, 1946. Closed.
<i>Title Insurance & Guaranty Co. v. Hart.</i>	July 22, 1946.....	Appeal filed June 17, 1946, from Nov. 1, 1945, order. Commission filed brief re issue raised by appellants that sec. 708 of the Bankruptcy Act is applicable in its entirety to ch. X proceedings and that in consequence any lease not assumed by trustee within 60 days after adjudication shall be deemed to be rejected. It is the position of the Commission that this provision of sec. 708 is inapplicable because it is inconsistent or in conflict with the provisions of ch. X within the meaning of sec. 102. Opinion rendered Jan. 8, 1947, amended Mar. 24, 1947, affirming judgment of district court. Mandate stayed to June 24, 1947. Petition for writ of certiorari filed June 21, 1947. Pending.
<i>Krystone Reality Holding Co., Debtor;</i> <i>Wick, Appellant.</i>	Third.....	June 27, 1946.....	June 3, 1946 order dismissing appeals Nos. 9111 and 9112 but denying motion of trustee to dismiss Nos. 9111 and 9112. Two consolidated appeals from Apr. 8, 1946, order confirming trustee's amended plan of reorganization, and from the denial by the district court of Wick's petition seeking to disqualify Sheraton Corp., a substantial first mortgage bondholder, from voting on the plan. The Commission supported the rulings of the district court. CCA affirmed district court's orders on Aug. 6, 1946. Closed.

<i>Lorraine Castle Apartments Building Corp., Inc.; Debtor; Bart v. Castellan, Middland United Co., Debtor; Gilbert, Appellant.</i>	Seventh..... Aug. 27, 1946..... March 1944; March 26, 1946	Appeal by William Bart from order of district court. Order affirmed Nov. 19, 1946. Closed. No. 8850—Motion to dismiss appeal, for the assessment of damages, and for hearing. Commission filed in support of so much of the motion as seeks the dismissal of this appeal. CCA dismissed appeal Mar. 21, 1944.
<i>Evans, Appellant.....</i>	Third..... Mar. 1944; March 26, 1946	No. 8813—Motion to dismiss appeal. CCA dismissed appeal Apr. 5, 1945.
<i>Midwest Athletic Club, Debtor; Chicago Title & Trust Co. v. Ryan.</i>	Seventh..... Apr. 30, 1947.....	No. 8829—Motion for order dispensing with filing of complete transcript. On May 8, 1945, CCA extended time for record 60 days and denied other prayers in motion. No. 9138—Petition for leave to appeal filed Mar. 22, 1946, and granted. On Mar. 25, 1946, Commission filed in opposition. Opinion rendered Jan. 30, 1947, affirming district court. Mandate issued Mar. 1, 1947. Closed. 4 consolidated appeals from orders dated Dec. 20, 1946, Jan. 21, 1947, Jan. 24, 1947, and Mar. 4, 1947, approving the involuntary plan for reorganization under ch. X. Commission's brief filed Apr. 30, 1947. Opinion rendered June 6, 1947, reversing the order in the district court in appeals 9284 and 9285 and remanding the cause with directions to dismiss the petition for want of jurisdiction. In view of the disposition of these causes, there is no need to consider Nos. 9315 and 9324. Pending. Consolidated appeals of Vermillion Bay Land Co., and 10 other cases (Nos. 10160 to 10170), from district court orders. Entry of appearance of Commission as appellee filed November 1945. Commission's brief filed Apr. 5, 1946. Orders of the district court affirmed Oct. 9, 1946. Closed.
<i>Mt. Forest Fur Farms of America, Inc., Debtor.</i>	Sixth..... November 1945.....	Appeal from Oct. 9, 1945, order denying application for interest in excess of \$7,517.71 due holders of first and refunding mortgage 5 percent gold bonds. On July 6, 1946, CCA affirmed order of district court. Closed.
<i>Oklahoma Railroad Co., Debtor; Mississippi Valley Trust Co. v. Oklahoma Railway Co., Railways Co., Debtor, and Pittsburgh Motor Coach Co., Subdebtor; Guggenheim v. George, Trustee.</i>	Tenth..... Dec. 3, 1946.....	Appeal from Jan. 12, 1945, order enjoining, denying, and preventing a hearing on appellant's petition. Opinion of Jan. 1, 1945, dismissed appeal as moot without prejudice to the right of appellant to pursue his remedy in the district court for such relief as he may be entitled to receive. Petition for rehearing filed July 13, 1946. Three appeals from April 30, 1945 order. Commission supported the petition of city of Pittsburgh in court below. On May 7, 1946, CCA reversed judgment of district court in all three appeals and remanded for further proceedings not inconsistent with its opinion. Petition of trustee George for clarification of court's opinion re appeals, filed and denied June 28, 1946. Petition for writs of certiorari filed Aug. 5, 1946. Commission filed brief Sept. 14, 1946 in opposition to petition. All 6 petitions were denied Oct. 14, 1946. Closed.
<i>City of Pittsburgh, Appellant; Guggenheim, Appellant; Baker, Appellant.</i>	Third..... Jan. 16, 1946.....	Appeals from orders dated Jan. 21, 1946, and May 1, 1946. Commission filed brief Sept. 30, 1946, taking position that orders should be affirmed. Affirmed Dec. 31, 1946. Mandate issued Jan. 21, 1947.
<i>Philadelphia Co. v. City of Pittsburgh; Guggenheim and Baker, Defendants; Street Ry. Co. v. Guggenheim, City of Pittsburgh and Baker, Appellant.</i>	Supreme Court..... September 1946.....	Petition for writ of certiorari filed Apr. 3, 1947 re CCA order dated Dec. 31, 1946. Commission filed brief in opposition to petition. Petition denied May 5, 1947. Closed. Appeal from order of Nov. 16, 1945 (amended Apr. 4, 1946), awarding allowances to the Union Trust Co. of Pittsburgh and Smith, Buchanan & Ingersoll. Order signed Jan. 13, 1947, discontinuing the appeal. Closed.
<i>Philadelphia Co. v. Guggenheim.</i>	Third..... Sept. 30, 1940.....	
<i>Philadelphia Co. v. Guggenheim.</i>	Supreme Court.....	
<i>Philaburgh Terminal Coal Corp., Debtor; Pittsburgh Terminal Realization Corp. v. The Union Trust Co. of Pittsburgh.</i>	Third..... August 1946.....	

TABLE 37.—Reorganization cases under ch. X, pending during the fiscal year ending June 30, 1947, in which the Commission participated when appeals were taken from district court orders—Continued

Name of case	United States Circuit Court of Appeals	Date SEC entered case	Nature and status of case
<i>Portland Electric Power Co., Debtor; White v. Portland Electric Power Co., Debtor.</i>	Ninth.....	Mar. 17, 1947.....	<p>Appeal from order approving plan of reorganization (No. 11441). Commission's brief in opposition to appeal filed Mar. 17, 1947. Opinion rendered June 17, 1947, affirming order. Opinion also rendered June 17, 1947 on appeal No. 11,574 (<i>White v. Debtor</i>). The parties stipulated that the appeal in cause No. 11,441, decided same day, should be determinative in the appeal in this case. District court order therefore affirmed.</p> <p>Petition for writ of prohibition filed Dec. 28, 1946. Memorandum of Commission in opposition to petition filed Jan. 14, 1947. Order entered June 19, 1947, dismissing petition. Pending.</p> <p>Appeal allowances from orders dated July 7, 1946 and Feb. 15, 1946. Opinion rendered July 11, 1946 affirming orders with respect to allowances. Closed.</p> <p>Petition for a stay pending appeal to CCA from Aug. 5, 1946, re guaranty payments. CCA opinion affirmed findings of district court.</p>
<i>Portland Electric Power Co., Prior Preference Stockholders Committee v. District Court, Judges for the District of Oregon, Reilly Associates Securities Corp., Debtor, et al., Appellants; Reilly Associates Securities Corp., Debtor; Reily v. Manufacturers Trust Co., Reilly Associates Securities Corp., v. Manufacturers Trust Co., Debtor; Slatkin-American Corp., Debtor v. Markham, Alien Property Custodian.</i>	Second..... do..... do.....	Jan. 14, 1947..... June 12, 1946..... Mar. 7, 1947.....	<p>Petition in opposition to petition filed June 17, 1947 on appeal No. 11,574. The parties stipulated that the appeal in cause No. 11,441, decided same day, should be determinative in the appeal in this case. District court order therefore affirmed.</p> <p>Petition for writ of prohibition filed Dec. 28, 1946. Memorandum of Commission in opposition to petition filed Jan. 14, 1947. Order entered June 19, 1947, dismissing petition. Pending.</p> <p>Appeal allowances from orders dated July 7, 1946 and Feb. 15, 1946. Opinion rendered July 11, 1946 affirming orders with respect to allowances. Closed.</p> <p>Petition for a stay pending appeal to CCA from Aug. 5, 1946, re interest payable on debtor's bonds after maturity. Pending.</p> <p>Appeal filed Dec. 10, 1945. From Oct. 30, 1945 order directing trustee to cancel certain shares of stock and issue new certificates thereto to the Alien Property Custodian. Circuit court affirmed order July 3, 1946 (156 F. 2d 793). Writ of certiorari denied Oct. 14, 1946 (67 S. Ct. 87). Closed.</p>
<i>35-38 North State Street Building Corp., Debtor; State-Washington Stores Co., Appellant; United State Realty & Improvement Co., Debtor; National City Bank of New York v. James J. O'Connell, Trustee.</i>	Second..... Second..... Sixth.....	Aug. 1, 1947..... Dec. 5, 1945..... February 1946	<p>Appeal from May 13, 1947, order disallowing compensation for legal services to appellant's attorneys and allowing compensation to other fee applicants. Commission filed brief in support of district court order. Pending.</p> <p>Appeal from Sept. 25, 1946, order enjoining the appellant from selling or otherwise disposing of the note bond, and mortgage pledged by debtor. Opinion rendered Feb. 28, 1946, affirming order. Stipulation dated Apr. 15, 1947, extended to May 16, 1947, the time in which Gussaroff may file his record and brief on appeal. Motion of Gussaroff for leave to appeal denied May 5, 1947. Closed.</p> <p>Appeal from order dated Mar. 6, 1945. Order affirmed May 31, 1946. Petition for writ of certiorari and brief in support thereof filed Aug. 3, 1946, in the Cleveland Hotel Protective Committee's appeal from the order confirming the Cleveland Hotel plan. Certiorari denied Oct. 28, 1946. Closed.</p>
<i>Van Swertingen Building Co., Debtor.</i>			

TABLE 38.—*Cases involving statutes administered by the Securities and Exchange Commission—July 1, 1944 through June 30, 1947*¹

PART 1.—SECURITIES ACT OF 1933

Title	Citation	Sections of statute involved
<i>Ascher v. U. S.</i>	143 F. (2d) 592 (C. C. A. 6, 1944)-----	17 (a) (1).
<i>Baker v. U. S.</i>	156 F. (2d) 3866 (C. C. A. 5, 1946); certiorari denied, 329 U. S. 763.)-----	17 (a) (1).
<i>Bowen v. U. S.</i>	153 F. (2d) 747 (C. C. A. 8, 1946); certiorari denied, 328 U. S. 535-----	5 (a), 17 (a).
<i>Brewer v. S. E. C.</i>	145 E. (2d) 233 (C. C. A. 9, 1944)-----	22 (b)*; 20 (a)*; 19 (b)*.
<i>Bronson; U. S. v.</i>	145 F. (2d) 939 (C. C. A. 2, 1944)-----	17 (a) (1).
<i>Caruthers; U. S. v.</i>	152 F. (2d) 512 (C. C. A. 7, 1945)-----	17 (a) (1).
<i>Collins v. U. S.</i>	157 F. (2d) 409 (C. C. A. 9, 1946)-----	17 (a) (1).
<i>Crooker v. S. E. C.</i>	161 F. (2d) 944 (C. C. A. 1, 1947)-----	5 (a), 6, 7, 8 (a), 8 (b), 8 (d), 9 (a), 11, 12 (1), 12 (2), 17, 20 (a), 20 (b), 20 (c), 23, 24.
<i>Danziger v. U. S.</i>	161 F. (2d) 299 (C. C. A. 9, 1947)-----	17 (a) (1).
<i>Hunt v. S. E. C.</i>	158 F. (2d) 981 (C. C. A. 9, 1947)-----	3 (a) (11)*; 5*, 18*.
<i>McGarry; S. E. C. v.</i>	56 F. Supp. 791 (Colo. 1944); 147 F. (2d) 389 (C. C. A. 10, 1945)-----	5 (a); 17 (a); 19 (b); 20 (a).
<i>Mansfield v. U. S.</i>	155 F. (2d) 952 (C. C. A. 5, 1946)-----	2 (1), 17 (a) (1).
<i>Minas de Artemisa S. E. C. v.</i>	150 F. (2d) 215 (C. C. A. 9, 1945)-----	19 (b); 22 (b).
<i>Monjar; U. S. v.</i>	47 F. Supp. 421 (Del. 1942); 147 F. (2d) 916 (C. C. A. 3, 1944)-----	2 (1); 2 (3); 5 (a) (1); 17 (a) (1): 20 (b); 23; 24.
<i>Penfield Co. of California and A. W. Young, v. S. E. C.</i>	157 F. (2d) 65 (C. C. A. 9, 1946); 330 U. S. 685-----	19 (b), 20 (a), 22 (b).
<i>S. E. C. v. Howey Co., and Howey-in-the-Hills Service, Inc.</i>	60 F. Supp. 440 (Fla. 1945); 151 F. (2d) 714 (C. C. A. 5, 1945); 328 U. S. 293-----	2 (1), 3 (b), 5 (a).
<i>S. E. C. v. Trapp</i>	Civil Action No. 1288 (D. N. Dak. 1947). Unreported.	17 (a) (2), 17 (a) (3).
<i>Thomasson Panhandle Co.; S. E. C. v.</i>	145 F. (2d) 408 (C. C. A. 10, 1944)-----	17 (a) (2); 17 (a) (3); 20 (b).
<i>U. S. v. Barnhardt</i>	153 F. (2d) 472 (C. C. A. 7, 1946); certiorari denied, 328 U. S. 858-----	17 (a).
<i>S. E. C. v. Vacuum Can Co., and Burton O. Smith</i>	157 F. (2d) 530 (C. C. A. 7, 1946); certiorari denied, 330 U. S. 820-----	22 (b).
<i>U. S. v. Weese</i>	145 F. (2d) 135 (C. C. A. 2, 1944)-----	17 (a)*.
<i>U. S. v. Wernes (U. S. v. King)</i>	157 F. (2d) 797 (C. C. A. 7, 1946)-----	2, 17 (a)*.

PART 2.—SECURITIES EXCHANGE ACT OF 1934

<i>Acker v. Schulte (Schmolka v. Schulte).</i>	— F. Supp.—(S. D. N. Y. 1947)-----	9 (e), 10 (b).
<i>American Distilling Co. v. Brown.</i>	148 Misc. 431; 51 N. Y. S. (2d) 614 (S. Ct. 1944); 54 N. Y. S. (2d) 855 (App. Div. 1945); 295 N. Y. 36 (1945).	16 (b); 27.
<i>Avery v. Moffatt.</i>	55 N. Y. S. (2d) 215 (S. Ct. N. Y. 1946).	19*.
<i>Bach v. Quiglan</i>	C. C. H. Fed. Sec. L. S. Pars. 90, 328-9 (E. D. N. Y. 1945).	9 (a) (4); 9 (e).
<i>Baird v. Franklin.</i>	Certiorari denied 323 U. S. 737-----	See tenth annual report.
<i>Bennett; S. E. C. v.</i>	62 F. Supp. 609 (S. D. N. Y. 1945)-----	9 (a) (2); 21 (e); 27.
<i>Commonwealth v. Green</i>	Ct. C. P., Allegheny Co., Pa. (July 1944).	14 (a)*.
<i>Craftsmen Finance & Mortgage Co. v. Brown.</i>	64 F. Supp. 168 (S. D. N. Y. 1945)-----	See <i>American Distilling Co. v. Brown.</i>
<i>Dotenheim v. Emerson Electric Mfg. Co.</i>	— F. Supp.—(E. D. N. Y. 1947)-----	9 (e), 16 (b), 18 (a).
<i>Doyle v. Milton.</i>	73 F. Supp. 281 (S. D. N. Y. 1947)-----	14 (a).
<i>Eisenlohr v. Kalodner</i>	145 F. (2d) 316 (C. C. A. 3, 1944); certiorari denied 325 U. S. 867.	10 (b); 23 (a).
<i>Fifty-Third Union Trust Co. v. Block.</i>	Civil Action No. 1507 (S. D. Ohio, Dec. 11, 1946). Opinion took the form of a letter to counsel. Unreported.	10 (b)*, 27*.
<i>Fry v. Schumaker.</i>	— F. Supp.—(E. D. Pa. 1947)-----	10 (b), 27*.
<i>Genecor v. Federal Petroleum Board.</i>	146 F. (2d) 596 (C. C. A. 5, 1944); certiorari denied, 324 U. S. 865.	21.
<i>Goldstein v. Groesbeck.</i>	Certiorari denied, 323 U. S. 737-----	See tenth annual report.
<i>Gratz v. Cloughton and Missouri Kansas Texas Railroad Co.</i>	— F. Supp.—(S. D. N. Y. 1947)-----	16 (b), 27.
<i>Grossman and Temin v. Leonard A. Young and L. A. Young Spring and Wire Corp.</i>	70 F. Supp.-970 (S. D. N. Y. 1947)-----	16 (b), 27.

¹ This table brings up to date table 32 of the tenth annual report which includes cases decided through June 30, 1944. The only cases omitted from this table are those in which no opinion was rendered and which in addition, did not involve a novel legal problem.

*Section not mentioned in case, but necessarily involved.

TABLE 38.—*Cases involving statutes administered by the Securities and Exchange Commission—July 1, 1944 through June 20, 1947—Continued*

PART 2.—SECURITIES EXCHANGE ACT OF 1934—Continued

Title	Citation	Sections of statute involved
<i>Investment Associates, Inc. v. Standard Power & Light Corp.</i>	48 Atl. (2d) 501 (Ch. Del. 1946)-----	16 (b), 27.
<i>Kardon v. National Gypsum Co., William Slavin and Leon Slavin</i>	69 F. Supp. 512 (E. D. Pa. 1946)-----	10 (b), 27, 29 (b).
<i>Kogan v. Schulte</i>	61 F. Supp. 604 (S. D. N. Y. 1945)-----	3 (a) (13); 16 (b). See tenth annual report.
<i>Mtinuse; U. S. v. National Association of Securities Dealers, In re</i>	Certiorari denied, 323 U. S. 716. C. C. A. 2, March 9, 1946. No opinion.	15A.
<i>Norris & Hirshberg, Inc. v. S. E. C.</i>	160 F. (2d) 15 (App. D. C. 1947)-----	15 (b), 15A (e) (2), 25.
<i>Okin; S. E. C. v. Oppenheimer v. J. F. Young & Co.</i>	58 F. Supp. 20 (S. D. N. Y. 1944)----- 144 F. (2d) 387 (C. C. A. 2, 1944)-----	14 (s); 26. 10 (b)*; 18 (e)*; 29 (b)*.
<i>Park & Tilford, Inc. v. Schulte (U. S. intervenor)</i>	160 F. (2d) 984 (C. C. A. 2, 1947); re-hearing denied, 160 F. (2d) 989.	3 (a) (13), 16 (b).
<i>Potish v. Divak and Robert Reiss & Co.</i>	71 F. Supp. 737 (S. D. N. Y. 1947)-----	16 (b).
<i>S. E. C. v. Raymond, Bliss, Inc.</i>	Civil Action No. 5999 (D. Mass., September 25, 1946). Unreported.	10 (b), 15 (c), (1), 21 (e).
<i>S. E. C. v. Sharkey</i>	W. D. Wash., Dec. 1945. Unreported.	
<i>S. E. C. v. Vacuum Can Co.</i>	157 F. (2d) 530 (C. C. A. 7, 1946); certiorari denied, 330 U. S. 820.	21 (c).
<i>S. E. C. v. Trapp</i>	Civil Action No. 1288 (D. N. Dak. 1947). Unreported.	15 (a), 15 (c) (1).
<i>S. E. C. v. Transamerica Corp. and its Officers and Directors</i>	67 F. Supp. 326 (D. Del. 1946)-----	14 (a), 21 (e), 23 (a), 27.
<i>Shawmut Association v. S. E. C.</i>	146 F. (2d) 791 (C. C. A. 1, 1945)-----	12 (d); 25 (e).
<i>Slavin v. Germantown Fire Insurance Co.</i>	Civil Action No. 6564 (E. D. Pa., December 5, 1946). Unreported.	10 (b)*.
<i>Speed v. Transamerica Corp.</i>	71 F. Supp. 457 (Del. 1947)-----	10 (b).
<i>Twentieth Century Fox Film Corp. v. Jenkins</i> .	— F. Supp. — (S. D. N. Y. 1947)-----	16 (b).

PART 3.—PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

<i>American & Foreign Power Co., In re (Okin v. SEC)</i>	143 F. (2d) 945 (C. C. A. 2, 1944); 325 U. S. 385	24 (a):
<i>American Power & Light Co. v. S. E. C.</i>	143 F. (2d) 250 (C. C. A. 1, 1944), 325 U. S. 385.	11 (b) (2), 12 (b), 12 (c), 12 (f), 15 (f), 19, 24 (a).
<i>American Power & Light Co. v. S. E. C. (Electric Power & Light Co v. S. E. C.)</i>	141 F. (2d) 606 (C. C. A. 1, 1944); 329 U. S. 90.	1 (a), 1 (b), 1 (c), 4 (a), 11 (b) (1), 11 (b) (2), 11 (c), 11 (e), 11 (f), 11 (g).
<i>American Power & Light Co. v. S. E. C. (Florida Power and Light Co.)</i>	158 F. (2d) 771 (C. C. A. 1, 1946); certiorari denied, 311 U. S.	1 (b), 15 (a), 15 (f), 24 (a).
<i>Arkansas Natural Gas Corp. v. S. E. C.</i>	154 F. (2d) 597 (C. C. A. 5, 1946); certiorari denied, 329 U. S. 738.	2 (a) (3), 2 (a) (4), 2 (a) (29), 11 (b) (1).
<i>Associated Gas & Electric Co., In re</i>	71 F. Supp. 538 (S. D. N. Y. 1947)-----	11 (f)*
<i>Blatchley, Petition of</i>	157 F. (2d) 894 (C. C. A. 1, 1946)-----	11 (b), 11 (e), 18 (f), 24 (a).
<i>Blatchley v. S. E. C.</i>	157 F. (2d) 898 (C. C. A. 1, 1946)-----	11 (e), 24 (a).
Do	157 F. (2d) 900 (C. C. A. 1, 1946)-----	11 (e).
<i>Central & South West Utilities Co., In re</i>	157 F. (2d) 901 (C. C. A. 1, 1946)-----	11 (e).
<i>Central States Power & Light Corp., In re</i>	66 F. Supp. 690 (Del. 1946)-----	2 (a) (7), 2 (a) (8), 11 (b), 11 (e) 18 (f), 25.
<i>Cheney Corp. v. S. E. C. (Federal Water and Gas Corp. v. S. E. C.)</i>	58 F. Supp. 877 (Del. 1944)-----	2*, 5 (a), 11 (b), 11 (e), 24 (a)*.
<i>Cities Service Co., In the Matter of</i>	154 F. (2d) 6 (App. D. C. 1946), — U. S. — (1947).	7 (d) (6), 7 (e), 11 (e).
<i>City of North Miami Beach v. Federal Water & Gas Corp. and S. E. C.</i>	71 F. Supp. 1003 (Del. 1947)-----	11 (b)*, 11 (e), 18 (f).
<i>The Commonwealth & Southern Corp., In re (Lownsbury v. S. E. C. and The Commonwealth & Southern Corp.)</i>	151 F. (2d) 420 (C. C. A. 5, 1945)-----	11 (b) (1), 11 (e), 12 (d), 24 (a).
<i>Community Gas & Power Co., In re (American Gas and Power Co.)</i>	151 F. (2d) 217 (C. C. A. 3, 1945); certiorari denied, 326 U. S. 782.	11 (a)*, 11 (b) (2)*, 11 (c)*, 11 (d)*, 11 (e), 18 (f), 24 (a).
	71 F. Supp. 171 (Del. 1947)-----	2 (a) (16), 7 (e), 11 (b) (2), 11 (d), 11 (e), 26 (c).

*Section not mentioned in case, but necessarily involved.

TABLE 38.—*Cases involving statutes administered by the Securities and Exchange Commission—July 1, 1944 through June 30, 1947—Continued*

PART 3.—PUBLIC UTILITY HOLDING COMPANY ACT OF 1935—Continued

Title	Citation	Sections of statute involved
<i>Disman v. S. E. C.</i> -----	147 F. (2d) 679 (C. C. A. 7, 1945); certiorari denied, 325 U. S. 863.	11 (b)*, 11 (e), 24 (a)*.
<i>Downing v. Howard</i> -----	68 F. Supp. 6 (Del. 1946); — F. (2d) — (C. C. A. 3, 1947).	1 (b), 1 (c), 4, 5, 11, 25.
<i>Eastern Utilities Associates v. S. E. C.</i>	162 F. (2d) 385 (C. C. A. 1, 1947)-----	11 (b) (1), 11 (b) (2), 15 (f), 20 (a), 24 (a).
<i>Electric Bond and Share Co., In re</i> (Okin application).	65 N. Y. Supp. (2d) 23, 187 Misc. 697 (Sup. Ct. 1946).	11.
<i>Electric Bond and Share Co., In re</i> (Okin motion for order discharging jurisdiction) (see <i>Okin v. S. E. C.</i>).	Unreported, Civil Action No. 33-343, S. D. N. Y., Sept. 11, 1946, affirmed sub nomine, <i>Okin v. S. E. C. and Electric Bond and Share Co.</i> , 161 F. (2d) 978.	11.
<i>Electric Bond and Share Co., In re</i> .	— F. Supp. — (S. D. N. Y. 1946)-----	11 (a), 11 (b) (1), 11 (b) (2), 11 (e), 18 (f), 19, 24 (a).
<i>Electric Bond & Share Co., et al., In re</i> (<i>Okin v. S. E. C.</i>)	143 F. (2d) 960 (C. C. A. 2, 1944)-----	19, 24 (a)*, 24 (b).
<i>Electric Power & Light Corp., In re</i> (<i>Okin v. S. E. C.</i>)	145 F. (2d) 913 (C. C. A. 2, 1944)-----	11 (b) (1), 11 (b) (2), 24 (a)*.
<i>Electric Power & Light Corp., In the Matter of</i> (application by Samuel Okin for mandamus).	Unreported (C. C. A. 2, Aug. 17, 1946, and October 29, 1946).	11 (d), 11 (e).
<i>Electric Power & Light Co. v. S. E. C. (American Power & Light Co. v. S. E. C.)</i>	141 F. (2d) 606 (C. C. A. 1, 1944); 329 U. S. 90.	1 (a), 1 (b), 1 (c), 4 (a), 11 (b) (1), 11 (b) (2), 11 (c), 11 (e), 11 (f), 11 (g).
<i>Engineers Public Service Co., In re</i> .	71 F. Supp. 797 (Del. 1947)-----	11 (b)*, 11 (e).
<i>Federal Water & Gas Corp., In re</i> (<i>City of North Miami Beach, Fla. v. Federal Water & Gas Corp. and S. E. C.</i>)	151 F. (2d) 420 (C. C. A. 5, 1945)-----	11 (b) (1), 11 (e), 12 (d), 24 (a).
<i>Federal Water and Gas Corp. v. S. E. C. (Chenery Corp. v. v. S. E. C.)</i>	154 F. (2d) 6 (App. D. C. 1946); — U. S. — (1947).	7 (d) (6), 7 (e), 11 (e).
<i>Florida Power & Light Co., In re</i> (<i>American Power & Light Co. v. S. E. C.; Okin v. S. E. C.</i>)	143 F. (2d) 250 (C. C. A. 1, 1944); 143 F. (2d) 943 (C. C. A. 2, 1944); 325 U. S. 385.	11 (b) (2), 12 (b), 12 (c), 12 (f), 15 (f), 19, 24 (a), 24 (b).
<i>Gilbert v. S. E. C.; Pike v. S. E. C.</i>	146 F. (2d) 513 (C. C. A. 7, 1944). Petition for rehearing denied, 2-10-45.	11 (e), 11 (f), 24 (a).
<i>Golafeld v. S. E. C.</i> ----- Do -----	157 F. (2d) 899 (C. C. A. 1, 1946)-----	11 (e), 24 (a).
<i>Interstate Power Co. (In the Matter of Ogden Corporation)</i> .	157 F. (2d) 900 (C. C. A. 1, 1946)-----	11 (e).
<i>The Laclede Gas Light Co., In re</i> (See also <i>Massachusetts Mutual Life Ins. Co. v. S. E. C.</i>)	71 F. Supp. 164 (Del. 1947)-----	11 (b), 11 (e).
<i>Ladd v. Brickley</i> -----	57 F. Supp. 997 (E. D. Mo. 1944)-----	11 (c), 11 (b) (1), 11 (b) (2), 11 (e), 24 (a), 26 (a), 26 (c), 31.
<i>Lahti v. New England Power Association</i> (<i>Godfrey B. Simonds v. New England Power Assn.</i>) (See also <i>New England Power Association, In re</i>).	158 F. (2d) 212 (C. C. A. 1, 1946); certiorari denied, 330 U. S. 819.	11 *
<i>Long Island Lighting Co.; S. E. C. v.</i>	160 F. (2d) 845 (C. C. A. 1, 1947)-----	2 (a) (7), 11 (b) (2), 11 (e), 18 (f), 24 (a), 25.
<i>Lownsbury v. S. E. C. and The Commonwealth & Southern Corp.</i>	59 F. Supp. 610 (E. D. N. Y. 1944)-----	2 (a) (7) (b), 3 (a) (1), 4.
<i>Massachusetts Mutual Life Ins. Co. v. S. E. C. (The Laclede Gas Light Co., In re)</i>	148 F. (2d) 252 (C. C. A. 2, 1945). Cause became moot, remanded to D. C. E. D. N. Y. for dismissal, 325 U. S. 833.	1 (c), 2 (a) (7), 3 (a), 3 (c), 11 (d), 11 (e), 11 (f), 18 (a), 18 (d), 18 (f), 20 (a), 25.
<i>Midland United Co., In re</i> (<i>Gilbert v. S. E. C.</i>)	151 F. (2d) 217 (C. C. A. 3, 1945); certiorari denied, 326 U. S. 782.	11 (a), 11 (b) (2), 11 (e), 11 (d), 11 (e), 18 (f), 24 (a).
<i>Midland United Co., In re</i> (<i>Harold Evans, appellant</i>).	151 F. (2d) 424 (C. C. A. 8, 1945); certiorari denied, 327 U. S. 795.	11 (b) (2), 11 (e), 24 (a)* 26 (c).
<i>New England Power Association, In re</i> (<i>Lahti v. New England Power Association</i>).	58 F. Supp. 667 (Del. 1944); 146 F. (2d) 513 (C. C. A. 7, 1944). Petition for rehearing denied 2-10-45.	11 (e), 11 (f), 12 (a), 12 (b), 24 (a).
	64 F. Supp. 399 (Del. 1946); 159 F. (2d) 340 (C. C. A. 3, 1947).	11 (f)*
	66 F. Supp. 378 (Mass. 1946); 160 F. (2d) 845 (C. C. A. 1, 1947).	2 (a) (3), 2 (a) (4), 2 (a) (7), 2 (a) (8), 11 (b) (2), 11 (e), 18 (f), 24 (a), 25.

TABLE 38.—*Cases involving statutes administered by the Securities and Exchange Commission—July 1, 1944 through June 30, 1947—Continued*

PART 3.—PUBLIC UTILITY HOLDING COMPANY ACT OF 1935—Continued

Title	Citation	Sections of statute involved
<i>North American Co. v. S. E. C.</i>	133 F. (2d) 148 (C. C. A. 2, 1943); 327 U. S. 656.	1 (a), 1 (b), 1 (c), 2 (a) (7), 2 (a) (28), 3 (a), 4 (a), 4 (b), 11 (a), 11 (b) (1), 11 (d), 11 (e).
<i>North Continent Utilities Corp., In re.</i>	61 F. Supp. 419 (Del. 1945).	11 (e), 12 (d), 24 (a).
<i>Okin v. S. E. C.</i>	58 F. Supp. 20 (S. D. N. Y. 1944).	12 (e), 25.
Do-----	143 F. (2d) 943 (C. C. A. 2, 1944).	24 (a).
Do-----	143 F. (2d) 945 (C. C. A. 2, 1944); 325 U. S. 385.	24 (a).
Do-----	143 F. (2d) 960 (C. C. A. 2, 1944).	19, 24 (a), * 24 (b).
Do-----	145 F. (2d) 206 (C. C. A. 2, 1944); certiorari denied, 325 U. S. 840.	11 (b), 11 (e), 11 (f), 18 (f), 24 (a).
Do-----	145 F. (2d) 913 (C. C. A. 2, 1944).	11 (b) (1), 11 (b) (2), 24 (a), * 2 (a) (5), 2 (a) (7), 2 (a) (8), 2 (a) (16), 3 (a) (5), 3 (b), 6 (a), 7 (d), 7 (f), 11, 12 (c), 12 (f), 18 (f), 26 (c), 29.
Do-----	154 F. (2d) 27 (C. C. A. 2, 1946); certiorari denied, 329 U. S. 755.	11 (e), 25*.
<i>Okin v. S. E. C. and Electric Bond and Share Co.</i>	161 F. (2d) 978 (C. C. A. 2, 1947).	11 (b) (1), 15.
<i>Osborne v. U. G. I.</i>	46 A. (2d) 208 (Pa. 1946).	1 (c), 2 (a) (8), 2 (a) (10), 5, 11 (a), 11 (b) (2), 11 (e), 24 (a)*, 25.
<i>Otis & Co. v. S. E. C. (Securities & Exchange Commission, In re).</i>	142 F. (2d) 411 (C. C. A. 3, 1944); 323 U. S. 624 (Petition for rehearing denied, 324 U. S. 887).	See tenth annual report.
<i>Pacific Gas & Electric Co. v. S. E. C.</i>	324 U. S. 826 (affirmed without opinion by equally divided court).	5, 11 (b) (2), 11 (c), 11 (d), 11 (e), 11 (f), 24 (a), 25.
<i>Phillips v. S. E. C. and The United Corporation.</i>	153 F. (2d) 27 (C. C. A. 2, 1946); certiorari denied, 328 U. S. 860.	10 (c) (2), 11 (b) (2), 11 (e), 24 (a).
<i>Phillips v. S. E. C.</i>	156 F. (2d) 606 (C. C. A. 2, 1946).	11 (f)*.
<i>Portland Electric Power Co., In the Matter of the Petition of (White v. Portland Electric Power Co.)</i>	162 F. (2d) 618 (C. C. A. 9, 1947).	11 (b) (2), 11 (e) 24 (a)*.
<i>Southern Colorado Power Co., In re (Disman v. S. E. C.)</i>	2 S. E. C. Jud. Dec.—(D. C. Colo. 1944); 147 F. (2d) 679 (C. C. A. 7, 1945); certiorari denied, 325 U. S. 863.	11 (e), 12 (c)* 18 (f).
<i>Standard Gas & Electric Co., In re.</i>	63 F. Supp. 876 (Del. 1946).	11 (b) (1), 11 (b) (2), 11 (e), 18 (f) 24 (a).
<i>Standard Gas & Electric Co., In re (Guaranty Trust Co. of N. Y. v. S. E. C.).</i>	59 F. Supp. 274 (D. Del. 1945); 151 F. (2d) 326 (C. C. A. 3, 1945); certiorari denied 327 U. S. 796.	2 (a) (7), 11 (b) (2), 11 (e), 12 (b) 12 (c), 12 (f), 18 (a), 18 (b) 18 (f), 24 (a), 26 (c).
<i>United Gas Corp. In the Matter of (Samuel Okin, Appellant).</i>	58 F. Supp. 501 (Del. 1944); 162 F. (2d) 409 (C. C. A. 3, 1947).	1 (c), 2 (a) (8), 2 (a) (10), 5, 11 (a) 11 (b) (2), 11 (e), 24 (a)*, 25.
<i>United Light & Power Co., In re (Securities & Exchange Commission, In re) (Otis & Co. v. S. E. C.).</i>	51 F. Supp. 217 (Del. 1943) 142 F. (2d) 411 (C. C. A. 3, 1944); 323 U. S. 624. Petition for rehearing denied, 324 U. S. 887.	

* Section not mentioned but necessarily involved.

PART 4.—TRUST INDENTURE ACT OF 1939 AND INVESTMENT COMPANY ACT OF 1940

Title	Citation	Sections of statute involved	
		Trust Indenture Act of 1939	Investment Company Act of 1940
<i>Aldred Investment Trust v. S. E. C.</i>	58 F. Supp. 724 (Mass. 1945); 151 F. (2d) 254 (C. C. A. 1, 1945); certiorari denied, 326 U. S. 795.	-----	1, 8, 36.
<i>Allen v. Investors Syndicate.</i>	24 So. 2d 909 (Ala. 1946).	-----	11, * 42 (e).
<i>Bailey v. McLennan</i> -----	159 F. (2d) 1014 (C. C. A. 1, 1947); certiorari denied, — U. S. —.	-----	36.
<i>Bailey v. Proctor</i> -----	160 F. (2d) 78 (C. C. A. 1, 1947); certiorari denied, — U. S. —.	-----	36.
<i>Bailey, In the Matter of</i> -----	156 F. (2d) 980 (C. C. A. 1, 1946).	-----	36*.
<i>Bailey v. S. E. C.</i> -----	156 F. (2d) 980 (C. C. A. 1, 1946).	-----	36*.
<i>Bankers Securities Corp. v. S. E. C.</i>	146 F. (2d) 88 (C. C. A. 3, 1944).	-----	3 (a); 3 (b) (2); 3 (c); 6 (c); 7; 42.
<i>Continental Bank & Trust Co. of N. Y. v. First National Petroleum Trust.</i>	67 F. Supp. 859 (R. I. 1946).	316, 317, 318.	
<i>Doyle v. Milton</i> -----	73 F. Supp. 281 (S. D. N. Y. 1947).	-----	1 (b) (4).
<i>Upson v. Otis</i> -----	155 F. (2d) 606 (C. C. A. 2, 1946).	-----	17 (a), 17 (b)

SPECIAL TABLES

The nine tables following were prepared for and submitted to the Committee on Interstate and Foreign Commerce of the House of Representatives. They include over-all data as to securities registered under the Securities Act of 1933 (table 39), new securities offered for cash sale in the United States (table 40), corporate bonds publicly or privately placed (table 41), divestments under the Public Utility Holding Company Act of 1935 (table 42), and administrative, criminal, and injunction proceedings instituted by the Commission under the various acts which it administers (tables 43-47).

The tables are all condensed summaries, in statistical form, covering 12- to 14-year periods of Commission activity. They have been included in this report because the information which they contain is not otherwise available in similar form and because some of the data has never before been compiled.

TABLE 39.—*A 13-year summary of data respecting securities registered under the Securities Act of 1933 and the amount of proceeds for new money purposes—July 1933 through June 1947, by fiscal year*

Fiscal year ended	Number of registration statements filed	Number of registration statements effective	Total amount of securities effectively registered	Amount of proceeds for new money purposes	Amount of proceeds for new money purposes as a percent of total amount registered
14 months ended Sept. 1, 1934 (F. T. C.) ¹	1,093	794	\$1,245,469,000	(*)	-----
10 months ended June 30:					
1935-----	440	284	913,130,000	\$210,285,000	23.02
1936-----	781	669	4,835,049,000	763,833,000	15.80
1937-----	967	880	4,851,463,000	1,334,650,000	27.51
1938-----	459	412	2,101,186,000	811,706,000	38.63
1939-----	375	344	2,579,193,000	708,840,000	27.48
1940-----	338	306	1,786,537,000	311,689,000	17.45
1941-----	337	313	2,610,684,000	533,060,000	20.41
1942-----	235	193	2,003,421,000	681,852,000	34.03
1943-----	150	123	659,480,000	180,401,000	27.35
1944-----	245	221	1,759,780,000	476,655,000	27.09
1945-----	400	340	3,224,584,000	913,974,000	28.34
1946-----	752	661	7,073,280,000	2,087,751,000	29.51
1947-----	567	493	6,732,447,000	3,196,815,000	47.49
Total-----	7,139	6,033	42,375,703,000	12,211,511,000	* 28.91

¹ The administration of the Securities Act of 1933 was transferred from the Federal Trade Commission to the Securities and Exchange Commission on Sept. 1, 1934.

² Adjusted figure.

³ Not compiled.

⁴ The amount of \$1,245,469,000, effective to Sept. 1, 1934, was excluded in calculating this percentage figure.

TABLE 40

A FOURTEEN-YEAR SUMMARY OF NEW SECURITIES
OFFERED FOR CASH IN THE UNITED STATES

AS TO TYPE OF ISSUER, TYPE OF SECURITY, WHETHER PUBLICLY OFFERED OR PRIVATELY PLACED,
AND THE INTENDED USE OF THE PROCEEDS—1934 THROUGH 1947, BY CALENDAR YEAR

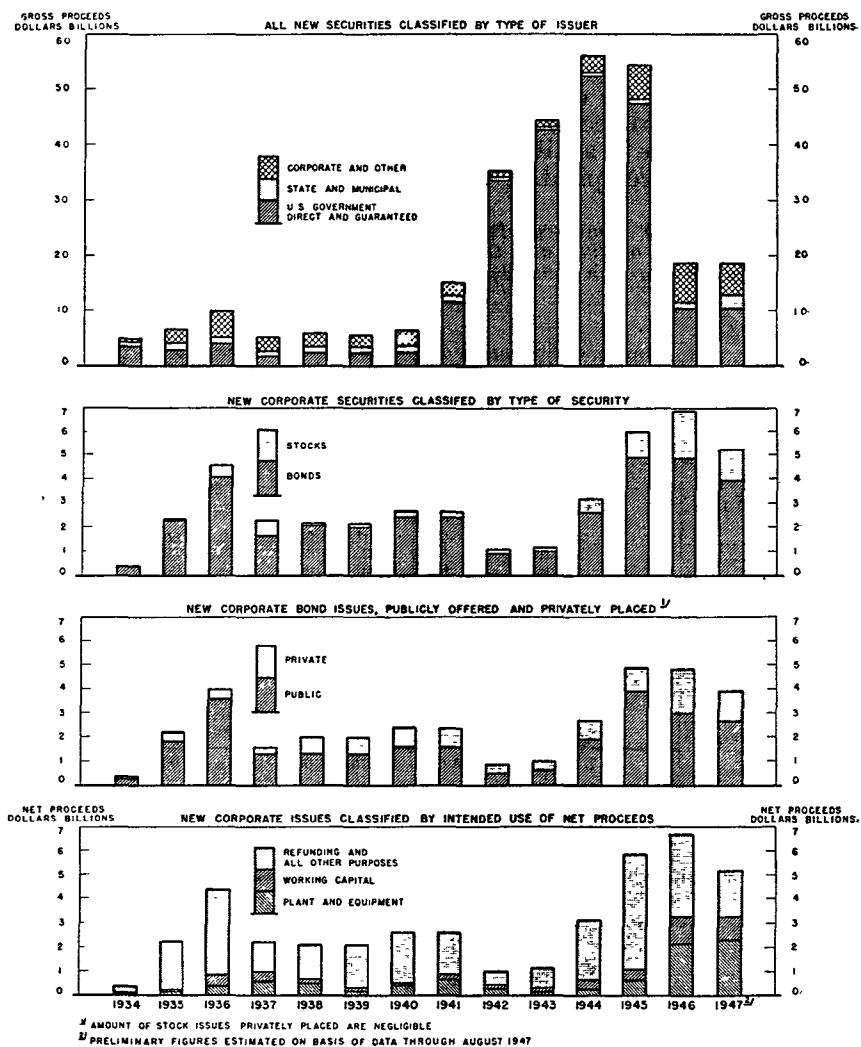


TABLE 41.—*A 14-year summary of corporate bonds¹ publicly offered and privately placed in each year—1934 through 1947—by calendar year*

[Millions of dollars]

Year	Total offerings	Publicly offered	Placed privately	Percent of total placed privately
1934.....	372	280	92	24.7
1935.....	2,225	1,840	385	17.3
1936.....	4,029	3,660	369	9.2
1937.....	1,618	1,291	327	20.2
1938.....	2,044	1,353	691	33.8
1939.....	1,979	1,276	703	35.5
1940.....	2,386	1,628	758	31.8
1941.....	2,389	1,578	811	33.9
1942.....	917	506	411	44.8
1943.....	990	621	369	37.3
1944.....	2,670	1,892	778	29.1
1945.....	4,855	3,851	1,004	20.7
1946.....	4,870	3,020	1,850	38.0
1947.....	1,977	1,417	560	28.3

¹ Bonds, notes, and debentures.

TABLE 42.—*A 12-year summary of dollar amounts of divestments in each year under the Public Utility Holding Company Act of 1935—from 1936 to July 1, 1947*

The following table shows for the calendar years 1936 through 1940, the first 6 months of 1941, the fiscal years ended June 30, 1942, through 1946, and the period July 1, 1946 to July 1, 1947, the total gross assets divested, and the amounts of such divested assets which are no longer subject to Commission jurisdiction:

Year	Total divested	Divested and no longer subject to Commission jurisdiction
1936.....	\$89,201,652	\$89,201,652
1937.....	5,064,770	2,347,112
1938.....	36,769,819	32,182,867
1939.....	193,420,800	192,462,533
1940.....	128,362,517	128,362,517
1941 (first 6 months)	254,231,009	253,937,497
1941-42.....	51,489,817	45,518,140
1942-43.....	1,707,764,320	896,664,265
1943-44.....	573,459,759	367,288,396
1944-45.....	1,313,816,403	1,137,235,308
1945-46.....	1,719,794,886	1,434,799,286
1946-47.....	1,978,000,000	870,000,000
Total.....	8,051,375,752	5,449,999,573

TABLE 43.—A 12-year summary of disciplinary proceedings under the Securities Exchange Act of 1934 taken by the Commission respecting over-the-counter brokers and dealers—1936 through 1947, by fiscal year

Fiscal year	Disposition of proceedings				Principal ground for instituting proceeding			
	Revocation or suspension of registration as broker-dealer firms		Expulsion or suspension from NASD*		Proceedings dismissed		Cases involving misrepresentation in applications or reports	
	Number of cases	Number of principals in firms ¹	Number of cases	Number of principals in firms ¹	Number of cases	Number of principals in firms ¹	Cases involving prior convictions ⁴	Cases involving fraudulent transactions ⁵
1936	5	8	(6)	(6)	13	26	27	11
1937	16	24	(6)	(6)	30	4	9	0
1938	18	29	(6)	(6)	21	48	3	6
1939	25	45	0	0	14	22	1	4
1940	24	46	0	0	6	13	3	3
1941	21	41	4	27	6	15	3	1
1942	28	70	0	0	4	8	2	0
1943	25	46	0	0	4	0	0	1
1944	17	31	1	22	1	1	2	0
1945	8	20	4	46	1	1	2	3
1946	9	20	1	6	0	0	0	0
1947	10	17	1	8	6	5	1	0
Total	206	366	11	109	99	103	46	49

¹ In a revocation case, registration is customarily suspended pending personal appearance or service where personal service could not be obtained. There are 23 such cases.
² These include only those cases where registration as a broker-dealer was not revoked or suspended. Where registration is revoked, there is an automatic termination of membership in the National Association of Securities Dealers, Inc.
³ "Principals" includes sole proprietors, partners, officers, and directors of broker-dealer firms.
⁴ Section 15 (b) of the Securities Exchange Act provides that registration may be revoked if the broker-dealer or a principal of the broker-dealer had been or is convicted of any felony or misdemeanor involving the purchase or sale of a security or arising out of the conduct of his business as a broker-dealer.

⁵ Section 15 (b) of the Securities Exchange Act provides that registration may be revoked if the broker-dealer or a principal of the broker-dealer is permanently or temporarily enjoined by a court from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security.
⁶ Includes, e. g., manipulation, misuse of customers' property, abuse of fiduciary duties, misrepresentation, false statements, and omissions, transactions at prices bearing no reasonable relation to current market prices, and other schemes to defraud.
⁷ Includes violations of proxy rules, sales of unregistered securities, etc.
⁸ The National Association of Securities Dealers, Inc., was not in existence in these years.

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TABLE 44.—A 14-year summary of criminal cases developed by the Commission—1934 through 1947, by fiscal year

Fiscal year	Number of cases referred to Department of Justice in each year	Number of persons as to whom prosecution was recommended in each year	Number of such cases in which indictments were obtained by United States attorneys	Number of defendants indicted in such cases ¹	Number of these defendants convicted	Number of these defendants acquitted	Number of these defendants as to whom proceedings were dismissed by United States attorneys	Number of these defendants as to whom cases are pending ²
1	2	3	4	5	6	7	8	9
1934.....	7	36	3	32	17	0	15	0
1935.....	29	177	14	149	84	5	60	0
1936.....	43	379	34	368	164	46	158	0
1937.....	42	128	30	144	78	32	32	2
1938.....	40	113	33	134	75	13	43	3
1939.....	52	245	47	292	199	33	58	2
1940.....	59	174	51	200	96	38	65	1
1941.....	54	150	47	145	94	15	32	4
1942.....	50	144	46	194	105	21	44	24
1943.....	31	91	28	108	60	10	16	22
1944.....	27	69	24	79	47	6	18	8
1945.....	19	47	18	61	34	10	11	6
1946.....	16	44	14	40	11	5	0	24
1947.....	20	50	10	26	1	2	0	23
Total....	489	1,847	4399	1,972	1,065	236	552	119

¹ The number of defendants in a case is sometimes increased by the Department of Justice over the number against whom prosecution was recommended by the Commission.

² See Table 45 for break-down of pending cases.

³ 10 of these references as to 27 proposed defendants are still being processed by the Department of Justice. ⁴ 371 of these cases have been completed as to one or more defendants. Convictions have been obtained in 333, or 89.6 percent of such cases. Only 37, or 10.1 percent of such cases have resulted in acquittals of all defendants.

⁵ Includes 34 defendants who died after indictment.

TABLE 45.—An 11-year summary of criminal cases developed by the Commission which are still pending—1937 through 1947, by fiscal year

Pending, referred to Department of Justice in—	Cases	Number of defendants in such cases	Number of such defendants as to whom cases have been completed	Number of such defendants as to whom cases are still pending and reasons thereof		
				Not yet apprehended ¹	Awaiting trial ²	Awaiting appeals
1937.....	1	7	5	1	1	0
1938.....	2	5	2	3	0	0
1939.....	2	9	7	1	1	0
1940.....	1	12	11	1	1	0
1941.....	2	9	5	1	3	0
1942.....	5	54	30	16	3	5
1943.....	5	33	11	20	2	0
1944.....	2	8	0	8	0	0
1945.....	4	7	1	1	4	1
1946.....	9	28	4	16	8	0
1947.....	9	25	2	5	15	3
Total.....	42	197	78	73	37	9

SUMMARY

Total cases pending ⁴	52
Total defendants ⁵	224
Total defendants as to whom cases are pending ⁴	146

¹ Almost without exception, these defendants are residents of Canada and cannot be extradited.

² Includes one defendant awaiting retrial.

³ Fiscal year ended June 30 of the year indicated.

⁴ Except for 1947, indictments have been returned in all pending cases. Indictments have not yet been returned as to 27 proposed defendants in 10 cases referred to the Department of Justice in 1947. These are reflected only in the recapitulation of totals at the bottom of the table.

TABLE 46.—*A 14-year summary classifying all defendants in criminal cases developed by the Commission—1934 to July 1, 1947*

	Number indicted	Number convicted	Number acquitted	Number as to whom cases were dismissed by United States attorneys	Number as to whom cases are pending
Registered broker-dealers ¹ (including principals of such firms).....	316	199	21	90	6
Employees of such registered broker-dealers.....	92	47	15	27	3
Persons in general securities business but not registered as broker-dealers (includes principals and employees).....	681	344	55	240	42
All others ²	883	475	145	195	68
Total.....	1,972	1,065	236	552	119

¹ Includes persons registered at or prior to time of indictment.² The persons referred to in this column, while not engaged in a general business in securities, were almost without exception prosecuted for violations of law involving securities transactions.TABLE 47.—*A 14-year summary of all injunction cases instituted by the Commission—1934 to July 1, 1947, by calendar year*

Calendar year	Number of cases instituted by the Commission and the number of defendants involved		Number of cases in which injunctions were granted and the number of defendants enjoined ¹	
	Cases	Defendants	Cases	Defendants
1934.....	7	24	2	4
1935.....	36	242	17	56
1936.....	42	116	36	108
1937.....	96	240	91	211
1938.....	70	152	73	153
1939.....	57	154	61	165
1940.....	40	100	42	99
1941.....	40	112	36	90
1942.....	21	73	20	54
1943.....	19	81	18	72
1944.....	18	80	14	35
1945.....	21	74	21	56
1946.....	21	45	14	32
1947 (to June 30).....	12	24	12	31
Total.....	500	1,517	457	1,166

SUMMARIZATION

	Cases	Defendants
Actions instituted	500	1,517
Injunctions obtained.....	450	1,166
Actions pending.....	10	43
Other dispositions ⁴	40	308
Total.....	500	1,166

¹ These columns show disposition of cases by year of disposition and do not necessarily reflect the disposition of the cases shown as having been instituted in the same years.² Includes seven cases which were counted twice in this column because injunctions against different defendants in the same cases were granted in different years.³ Includes 31 defendants in 6 cases in which injunctions have already been obtained as to 20 codefendants.⁴ Includes: (a) actions dismissed (as to 248 defendants); (b) actions discontinued, abated, vacated, abandoned, or settled (as to 50 defendants); (c) actions in which judgment was denied (as to 7 defendants); (d) actions in which prosecution was stayed on stipulation to discontinue misconduct charged (as to 3 defendants).