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# Twentieth Annual Report, <sup>20th</sup>, 1954

of the

# U.S. Securities and Exchange Commission

Fiscal Year Ended June 30, 1954



UNITED STATES GOVERNMENT PRINTING OFFICE, WASHINGTON : 1955

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**SECURITIES AND EXCHANGE COMMISSION**

**Headquarters Office**

**425 Second Street NW.**

**Washington 25, D. C.**

**COMMISSIONERS**

**RALPH H. DEMMLER, *Chairman***

**PAUL R. ROWEN**

**CLARENCE H. ADAMS**

**J. SINCLAIR ARMSTRONG**

**A. JACKSON GOODWIN, JR.**

**ORVAL L. DUBoIS, *Secretary***

## **LETTER OF TRANSMITTAL**

**SECURITIES AND EXCHANGE COMMISSION,**  
*Washington, D. C., January 31, 1955.*

SIR: I have the honor to transmit to you the Twentieth Annual Report of the Securities and Exchange Commission, covering the fiscal year July 1, 1953 to June 30, 1954, 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; section 216 of the Investment Advisers Act of 1940, approved August 22, 1940; and section 3 of the act of June 29, 1949, amending the Bretton Woods Agreements Act.

Respectfully,

**RALPH H. DEMMLER,**  
*Chairman.*

**THE PRESIDENT OF THE SENATE,**  
**THE SPEAKER OF THE HOUSE OF REPRESENTATIVES,**

*Washington, D. C.*



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## **FOREWORD**

This is the 20th Annual Report of the Securities and Exchange Commission to the Congress for the fiscal year July 1, 1953 to June 30, 1954. The report describes the Commission's activities during the year in discharging its duties under the various statutes which it administers, including the supervision of registration of securities for sale to the public, the surveillance of the securities markets, the regulation of the activities of brokers and dealers, the regulation of registered public utility holding company systems and investment companies and litigation in the courts.

The year was marked by the enactment by the Congress, by unanimous vote, of the first substantial amendment to the laws regulating the offering and sale of securities in many years. This amendment was drafted following extensive conferences with representatives of the securities industry and members of Congressional committees. The most important change accomplished was the revision of the definitions of "offering" and "selling" to provide for increased dissemination of information to prospective investors about securities being offered, thereby furthering the concept of full disclosure. This legislation is described in detail in this report.

During the year the Commission engaged in an intensive program of revising and simplifying its rules, forms and procedures for the purpose of removing unnecessary complexities and duplications. The Commission also reviewed and revised its administrative organization and processes with a view to providing more aggressive and effective enforcement of the securities laws for the greater protection of investors. One aspect of this program is an endeavor to obtain more effective cooperation between the Commission and state securities administrators. The details of the Commission's activities in these respects are also included in this report.

## COMMISSIONERS AND STAFF OFFICERS

(As of November 15, 1954)

### Commissioners

	<i>Term Expires June 6</i>
RALPH H. DEMMLER, of Pennsylvania, <i>Chairman</i> -----	1957
PAUL R. ROWEN, of Massachusetts-----	1955
CLARENCE H. ADAMS, of Connecticut-----	1956
J. SINCLAIR ARMSTRONG, of Illinois-----	1958
A. JACKSON GOODWIN, JR., of Alabama-----	1959

Secretary: ORVAL L. DUBois

### Staff Officers

- JOHN V. BOWSER, Executive Director; Director, Division of Administrative Management.
- EDWARD T. TAIT, Executive Assistant to the Chairman.
- BYRON D. WOODSIDE, Director, Division of Corporation Finance.
- ROBERT A. McDOWELL, Director, Division of Corporate Regulation.
- RAY GARRETT, JR., Associate Director.
- HAROLD C. PATTERSON, Director, Division of Trading and Exchanges.
- WILLIAM H. TIMBERS, General Counsel.
- MYRON S. ISAACS, Associate General Counsel.
- EARLE C. KING, Chief Accountant.
- LEONARD HELFENSTEIN, Director, Office of Opinion Writing.
- BALDWIN B. BANE, Executive Adviser to the Commission.

## REGIONAL AND BRANCH OFFICES

### Regional Administrators

- Region 1.—Francis J. Purcell, 42 Broadway, New York 4, New York
- Region 2.—Philip E. Kendrick, Federal Building, U. S. Post Office and Court-house, Post Office Square, Boston 9, Mass.
- Region 3.—William Green, Peachtree Seventh Building (Room 350), Atlanta 5, Georgia
- Region 4.—Thomas B. Hart, Bankers Building (Room 630), 105 West Adams Street, Chicago 3, Ill.
- Region 5.—Oran H. Allred, United States Courthouse (Room 301) Tenth and Lamar Streets, Fort Worth 2, Texas
- Region 6.—William L. Cohn, New Customhouse (Room 162), Nineteenth and Stout Streets, Denver 2, Colo.
- Region 7.—Andrew D. Orrick, Appraisers Building (Room 334), 630 Sansome Street, San Francisco 11, Calif.
- Region 8.—James E. Newton, 905 Second Avenue Building (Room 304), Seattle 4, Wash.
- Region 9.—William S. Marshall, 131 Indiana Avenue (Room 115), Washington, D. C.

### Branch Offices

- Standard Building (Room 1628), 1370 Ontario Street, Cleveland, Ohio
- 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 400) Fourth and Roberts Streets, St. Paul 1, Minn.

## **COMMISSIONERS**

### **Ralph H. Demmler, Chairman**

Chairman Demmler was born in Pittsburgh, Pa. on August 22, 1904 and has been a lifelong resident of that city. Chairman Demmler received an A. B. degree from Allegheny College in 1925 and an LL. B. degree from the Law School of the University of Pittsburgh in 1928. He was admitted to the Pennsylvania bar in 1928 and thereafter specialized in corporate and banking law. Between 1928 and 1930 he was associated with C. E. Theobald, Esq. and between 1930 and 1938 with the firm of Watson & Freeman. He was a partner in the firm of Hirsch, Shumaker, Demmler & Bash from 1938 to 1941. Between 1941 and 1943 he served as trust officer of Commonwealth Trust Company of Pittsburgh. Between 1943 and 1953 he was associated with the firm of Reed, Smith, Shaw & McClay, and was a partner in that firm from 1948 until June 15, 1953. On June 17, 1953, he took office as a member of the Securities and Exchange Commission for a term of office expiring June 5, 1957 and was designated Chairman of the Commission by the President.

### **Paul R. Rowen**

Commissioner Rowen was born in Brighton, Mass., October 7, 1899. He received an A. B. degree from Georgetown University in 1921, attended Harvard Law School from 1921 to 1924, received an LL. B. degree from Boston University Law School in 1925 and was admitted to the Bar of Massachusetts in 1926. From 1926 to 1932 Mr. Rowen was engaged in the general practice of law in Boston. From 1932 to 1936 he served successively as assistant district attorney in Boston, as assistant counsel, regional litigation attorney, N. R. A., in Washington, D. C., and as legal consultant, Federal Coordinator of Transportation, in Washington, D. C. In 1936 Mr. Rowen became a member of the staff of the Commission at its office in Washington, D. C., and served as an attorney on the staff until 1939. Thereafter, Mr. Rowen was appointed regional administrator of the Commission's Boston regional office and served in that capacity for over 6 years. On May 28, 1948, he took office as a member of the Securities and Exchange Commission and on June 14, 1950, was reappointed for a term of office ending June 5, 1955.

### **Clarence H. Adams**

Commissioner Adams was born in Wells, Maine, on November 1, 1905, and resides in Bloomfield, Conn. In 1925 he moved to Connecticut where he entered the investment banking business. In 1931 he

organized the securities division of the Banking Department and became the first Securities Administrator of Connecticut, responsible for the administration of the Connecticut Securities Act, which position he held until 1950. In 1945 he served as President of the National Association of State Securities Administrators. His business background includes membership in an investment banking firm in Hartford, and he headed a lending institution in that city. On May 8, 1952, he took office as a member of the Securities and Exchange Commission for a term of office expiring June 5, 1956.

**J. Sinclair Armstrong**

Commissioner Armstrong was born in New York City on October 15, 1915. He received an A. B. degree from Harvard College in 1938 and an LL. B. degree from Harvard Law School in 1941. After passing the New York State Bar Examination in 1941 he moved to Chicago, Illinois, in July 1941 was admitted to practice in Illinois in that year, and from 1941 to 1945 was associated with the law firm of Isham, Lincoln & Beale. From 1945 to 1946 he was on active duty in the U. S. Naval Reserve, assigned to the Office of the General Counsel for the Department of the Navy in Washington. In 1946 he returned to Isham, Lincoln & Beale, becoming a partner of the firm in 1950. On July 16, 1953, he took office as a member of the Securities and Exchange Commission for a term of office expiring June 5, 1958. He also serves as the Commission's delegate as a member of the President's Conference on Administrative Procedure.

**A. Jackson Goodwin, Jr.**

Commissioner Goodwin was born in Anniston, Ala., on October 18, 1911 and resides in that city. He received an A. B. degree from Princeton University in 1934 and an M. B. A. degree from Harvard Business School in 1936. Between 1936 and 1940 he was associated with the investment banking firm of Dillon, Read & Co. Between 1946 and 1952, after 5 years military service during which, among other duties, he served as an assistant and aide to Undersecretary of War Robert P. Patterson and in the European Theater of Operations as a Lieutenant Colonel, he was associated with the Anniston National Bank of Anniston, Ala., as vice president and director. In 1952 and 1953 he was a Director of the Federal Reserve Bank of Atlanta, Birmingham Branch, and a Director of the Life Insurance Company of Alabama. On July 16, 1953, he took office as a member of the Securities and Exchange Commission for a term of office expiring June 5, 1954, and was reappointed for a term expiring June 5, 1959.

## PART I

### AMENDMENT OF SECURITIES LAWS AND REVISION OF RULES AND FORMS

#### AMENDMENT OF SECURITIES LAWS

During the fiscal year Congress adopted by a unanimous vote a statute amending the securities acts administered by the Commission, the first such amendment in many years.<sup>1</sup> It effected important changes in the Securities Act of 1933 and limited changes, largely technical, in the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, and the Investment Company Act of 1940. After conferences during the fall of 1953 with representatives of the securities industry and with the Chairmen of the Committees and subcommittees of the Senate and House of Representatives having jurisdiction, the Commission prepared a draft bill. The original bill contained provisions dealing with eight problems, seven of which were enacted as outlined below. The eighth, a proposal to increase the maximum exemption from registration pursuant to section 3(b) of the Securities Act from \$300,000 to \$500,000, was not adopted. The changes made are summarized below:

**1. Dissemination of information during waiting period.**—The Securities Act of 1933 requires the registration with the Commission of securities to be publicly offered. Prior to the amendment, the Act prohibited the offering of a security for sale as well as the actual consummation of a sale prior to the effective date of the registration statement. Although it is a basic purpose of the Act that information concerning securities to be offered to the public shall be given widespread distribution during the so-called waiting period between the filing and effective dates of the registration statement, normally a period of about twenty days, sellers of securities had been reluctant to give full effect to this purpose because of uncertainty whether dissemination of information by means of the preliminary or so-called "red herring" prospectus during this period might be construed as illegal sales activity which would subject them to civil and criminal liabilities and penalties.

To eliminate this deterrent to furnishing prospective investors with information concerning securities to be offered, the amended act per-

<sup>1</sup>Public Law 577, 83d Congress, Chapter 667, 2d Session (68 Stat. 683), approved August 10, 1954, effective October 10, 1954.

mits written offers during the waiting period by means of a prospectus which meets the requirements of the Commission's rules. It thus removes the difficult distinction, inherent in previous practice, that it was lawful and desirable for an underwriter or dealer to disseminate information during the waiting period but illegal to offer to sell or to solicit offers to buy. The Act as amended, however, continues to make sales, contracts of sale, and contracts to sell unlawful before the registration statement becomes effective.

**2. Use of prospectuses after effective date of registration.—**The Securities Act requires persons selling securities to deliver prospectuses to purchasers in the initial distribution of a security, regardless of how long the distribution might take. Prior to its amendment it also required the delivery of a prospectus by securities dealers in trading transactions for one year after the commencement of an offering even though the initial distribution of the security had long been completed. This one-year period for trading transactions, as distinguished from actual distribution, had been recognized as unrealistically long. Accordingly, the Act was amended to reduce the one-year period to 40 days after the effective date of the registration statement or after the commencement of the public offering, whichever date is later. The statutory provision requiring a dealer to deliver a prospectus so long as he is disposing of an unsold allotment or otherwise participating in an initial distribution remains unchanged. For certain types of investment companies which continuously offer securities, the amended Act requires the use of prospectuses in all transactions, so long as securities of the same class are currently being offered or sold by the issuer or by or through an underwriter.

**3. Simplification of information requirements for prospectuses used more than 13 months.—**Before amendment, the Securities Act required that prospectuses which are used more than 13 months after the effective date of a registration statement should contain information as of a date within one year of its use. This produced a hardship in many cases. As amended, the Act provides that where a prospectus is used more than 9 months after the effective date the information contained therein shall be as of a date within 16 months of such use.

**4. Extension of credit by dealers in new issues.—**The Securities Exchange Act of 1934 prohibited the extension of credit by dealers to purchasers of a new issue for six months after the offering period. It was felt that the six-month period was unnecessarily long and that a 30-day period, as provided by the amended Act, would be sufficient to insure against the misuse of credit in distributions.

**5. "When-issued" trading.—**The amendment removes an ambiguity in the Securities Exchange Act by eliminating the last sentence

of section 12 (d) of that Act which placed seemingly unnecessary and irrelevant limitations on the authority of the Commission to adopt rules for the effective regulation of "when-issued" trading.

**6. The offering of institutional type of debt securities.**—The Trust Indenture Act of 1939 required inclusion of a summary of certain specified indenture provisions in a prospectus used in the sale of debt securities. This created problems in the formulation of simpler forms of prospectuses for this type of security. The amendment makes clear that the summary need be included in the prospectus only to the extent required by the rules and regulations of the Commission. It should therefore facilitate the simplification of prospectuses. As discussed below the Commission has adopted a simple and short form for the registration of institutional type debt securities.

**7. Simplified registration procedures for investment companies.**—In order to have a supply of registered shares on hand at all times, investment companies which engage in continuous offerings of their shares have heretofore been required to file new registration statements under the Securities Act periodically. The statutory amendment will permit such a company to increase the number of its registered shares by amendment of its registration statement in lieu of filing a new registration statement.

#### REVISION OF RULES AND FORMS

The Commission constantly reviews its rules and forms with a view to making such revisions and clarifications as are necessary and appropriate to keep pace with changing practices and new developments. During the past fiscal year the Commission gave particular attention to clarifying and simplifying many of the existing rules and forms. A primary objective is to eliminate duplication and to encourage conciseness without the sacrifice of any safeguards necessary for the protection of investors.

Considerable progress was made by the Commission during the 1954 fiscal year in carrying out this program. At the present time it is engaged in preparing further revisions, including those made necessary by the recent amendments of the securities acts. Certain of the changes made during the 1954 fiscal year are outlined below. Other revisions of rules and forms which are of primary interest to special groups, such as brokers and dealers and public utility holding companies, are described in the parts of this report dealing with the regulation of the activities of such persons and companies.

**Form S-5.**—Form S-5 was revised to simplify registration under the Securities Act of 1933 and result in more intelligible prospectuses for open-end management investment companies.<sup>2</sup>

<sup>2</sup> Securities Act release No. 3493 (December 15, 1953).

**Form S-9.**—Form S-9 has been adopted for the registration of non-convertible fixed interest debt securities of American and Canadian companies. It is available for use by an issuer which has been in business at least 10 years, has a prescribed substantial earnings history, and has filed annual and other periodic reports pursuant to section 13 or 15 (d) of the Securities Exchange Act of 1934. The standards prescribed in this new form were developed after a thorough analysis of all debt issues registered with the Commission during the years 1951 to 1953, inclusive. By this process, informational requirements have been limited essentially to five items, namely, financial statements of the issuer consisting principally of a balance sheet and a five-year summary of earnings and surplus; a brief statement of the principal business of the issuer and related matters; a description of the use of proceeds of the financing; a description of the securities being offered; and offering price information. The form does not require the detailed information prescribed by the general registration forms for securities which do not meet the standards prescribed for Form S-9. Because of the substantially shorter prospectuses permissible with this form the Commission expects to be in a position to consider favorably requests to reduce substantially the waiting period between the filing date and the effective date of registration statements for such security issues.<sup>3</sup>

**Rule 173.**—Provisions of various Acts administered by the Commission authorize it to institute injunctive actions and create certain civil liabilities. Since rights arising because of violations of these Acts may prove unenforceable against persons who are not residents of the United States where it is impossible to obtain service upon them, Rule 173 was adopted under the Securities Act to implement the provisions of that Act, and to afford to the Commission and others the same opportunity to enforce rights or obligations against such persons as is available in the case of residents. Similar rules also have been adopted under other acts, and appropriate forms to be used for filing irrevocable consents to service have been adopted.<sup>4</sup>

**Rule 415.**—Rule 415, adopted under the Securities Act, simplifies the registration procedure for securities offered at competitive bidding.

It provides that, under certain conditions, a post-effective amendment reflecting the results of the bidding becomes effective without further order upon the filing thereof with the Commission or a regional or branch office. Appropriate amendments to and rescission of such other rules as were necessary in this connection were also adopted.<sup>5</sup>

**Regulation D.**—Regulation D provides a conditional exemption from registration under the Securities Act for offerings not exceeding

<sup>3</sup> Securities Act release No. 3509 (July 21, 1954).

<sup>4</sup> Securities Act release No. 3506 (June 30, 1954);

<sup>5</sup> Securities Act release No. 3494 (January 13, 1954).

\$300,000 in any one year made by Canadian issuers or by domestic issuers having their principal business operations in Canada. The promulgation of this regulation followed the amendment of the extradition agreements between the United States and Canada. It is a part of a comprehensive program designed to prevent fraud and remedy certain abuses in the sale of Canadian securities in this country in violation of American law.

Its adoption was an experiment in international cooperation in stamping out security frauds across the border. The Securities Commission of the Province of Ontario, after the close of the fiscal year, indicated its dissatisfaction with the operation of the Regulation and the Commission is presently studying whether it should be modified or withdrawn. The Commission is also studying other aspects of the problem of securities sales to United States citizens from the Dominion of Canada. Regulation D is merely one phase of a much larger over-all problem.<sup>6</sup>

**"When-Issued" Trading.**—Regulation X-12D-3 provided for the registration for "when-issued" trading on national securities exchanges of unissued short-term warrants and unissued securities other than short-term warrants. Form 1-J was required to be filed for the registration of warrants and Form 2-J for other unissued securities. Regulation X-12D-3 had been obsolete for most purposes since the Commission amended rule X-12A-4 in June 1950 to provide that an unissued short-term contract as well as an issued short-term warrant could be traded on an exchange as an exempted security and the only cases in which Regulation X-12D-3 still served a substantial practical purpose arose where the securities to be traded were the subject of a voluntary subscription or exchange right granted to the holders of a security traded on the exchange. During the fiscal year rule X-12A-5 was amended to cover these cases and generally to simplify the requirements. As amended, rule X-12A-5 is far less burdensome to issuers and exchanges than the provisions of Regulation X-12D-3, and nevertheless affords adequate protection to investors. Upon the adoption of the amendments to rule X-12A-5 the Commission rescinded Regulation X-12D-3 including Forms 1-J and 2-J.

The Commission also rescinded rules X-12A-6, X-12A-7, X-12A-8, and X-12A-9 providing exemptions from registration under the Securities Exchange Act. Situations to which rules X-12A-6 and rule X-12A-8 related are covered by rule X-12A-5, as amended, and rules X-12A-7 and X-12A-9, having been promulgated in the light of particular circumstances, were no longer of general usefulness.<sup>7</sup>

**Class registration of securities.**—Under Regulation X-12D-1, registration was effective under the Securities Exchange Act only as to a

<sup>6</sup> Securities Act release No. 3495 (January 13, 1954).

<sup>7</sup> Securities Exchange Act release No. 4989 (January 28, 1954).

specified amount of a class of security, so that, if additional shares or amounts of the same class were to be subsequently issued, a new application on Form 8-A was required to be filed for registration of such additional amounts. During the fiscal year the regulation was amended to provide that the original application for registration is deemed to cover the entire class of security, and the subsequent registration of any additional unissued shares or amounts of the same class becomes effective automatically when they are issued, without any further application, certification or order. The new procedure makes unnecessary a large majority of the applications previously filed on Form 8-A, since most such applications have been filed to register additional blocks of a class of security already registered. Consequently, applications on Form 8-A will be filed henceforth only in the event that a new class of securities is to be registered. The Commission believes that the time and expense to be saved by registrants, exchanges and the Commission through the operation of this new procedure will be considerable.

Revisions have also been made in Form 8-A which considerably shorten the old form, principally by deleting certain requirements made unnecessary in view of the new class registration technique.<sup>8</sup>

**Forms 8-K and 10-K.**—These forms, which are used by companies having securities listed on stock exchanges or registered under the Securities Act of 1933 for current reports and annual reports, respectively, were revised during the fiscal year. Form 8-K was revised to eliminate certain items to limit the requirements with respect to exhibits and to clarify those concerning financial statements. One of the principal changes made in the revision of Form 10-K brings its requirements into conformity with corresponding requirements of the Commission's proxy rules. Thus, it is provided that, if a proxy statement has been filed under those rules, certain information furnished in such statement need not be repeated in answer to corresponding items of Form 10-K, and no refiling or incorporation by reference of the proxy statement for this purpose is necessary. In addition, financial statements contained in such proxy statements, or in annual reports to security holders, may be incorporated by reference where such financial statements substantially meet the requirements of Form 10-K.

Clarification also has been made of the provision which permits companies filing reports with the Federal Power Commission to substitute their reports to that Commission and thereby satisfy in large part the requirements of this Commission's Form 10-K. A new general instruction has been added to Form 10-K to make the form available for use by railroads, motor carriers and communication companies which formerly used Forms 12-K and 12A-K, providing

<sup>8</sup> Securities Exchange Act release No. 4990 (January 28, 1954).

for the use of annual reports to the Interstate Commerce Commission or the Federal Communications Commission, or annual reports to stockholders, to satisfy substantially all requirements of this Commission's form. Accordingly, Forms 12-K and 12A-K were rescinded.<sup>9</sup>

**Rule X-12A-1.**—This rule provided an exemption from the registration requirements of the Securities Exchange Act for the capital stock of certain banking institutions traded on a national securities exchange. During the fiscal year the rule was amended to extend the scope of the exemption so that, when a national securities exchange merges into or is absorbed by another exchange, the exemption which was available for such securities on the merged or absorbed exchange will continue in effect on the surviving exchange.<sup>10</sup>

**Rescission of Form 9-K and of Rules X-13A-13 and X-15D-13.**—In reviewing its activities, procedures and requirements to determine the extent to which eliminations, revisions or modifications might be made without a material adverse effect on the public interest, the Commission invited all interested persons to submit their views and comments in regard to a proposal to rescind Form 9-K, the form for quarterly reports for gross sales and operating revenues, and Rules X-13A-13 and 15D-13, the rules relating to the filing of such reports under the Securities Exchange Act. After considering the comments and data submitted, the Commission rescinded this form and its related rules, although the Commission is continuing to keep under study the adequacy of its annual and interim reporting requirements.<sup>11</sup>

**Proxy rules.**—Rule X-14A-8 formerly provided for inclusion in an issuer's proxy material of stockholder proposals which were proper subjects for action by security holders, but did not specifically provide that state law was the standard for determining what constituted "a proper subject for action although the Commission's staff had so interpreted the rule." The proxy rules as amended specifically provide that a security holder's proposal may be omitted from the management proxy material if it is one which, under the laws of the issuer's domicile, is not a proper subject for action by security holders. The rule places the burden of proof upon the management to show that a particular security holder's proposal is not a proper one for inclusion in management's proxy material. Thus, if management contends that a proposal may be omitted because it is not proper under state law, it will be incumbent upon management to refer to the applicable statute or case law and furnish a supporting opinion of counsel satisfactory to the Commission.

Under paragraph X-14A-8 (c) (5) of the amended rule management is specifically permitted to omit from its proxy material a proposal

<sup>9</sup> Securities Exchange Act release No 4991 (January 28, 1954).

<sup>10</sup> Securities Exchange Act release No 4945 (September 29, 1954).

<sup>11</sup> Securities Exchange Act release No 4949 (October 9, 1954).

which is a recommendation or request with respect to the conduct of the ordinary business operations of the issuer.

Prior to recent revisions of the proxy rules, a stockholder proposal included in the management's proxy material had to be repeated in subsequent proxy statements, upon request, provided it received 3% of the total number of votes cast at the last annual or subsequent special meeting. This resulted in repetitive submissions of proposals which had received very modest stockholder interest. The proxy rules now provide that a proposal may be omitted for a period of three years from the last previous submission if the proposal was submitted within the previous five years and received less than a 3% vote in the case of a single submission, less than a 6% vote upon a second submission, or less than a 10% vote upon a third or subsequent submission during such 5-year period.

Rule X-14A-8 of the proxy rules formerly provided that any stockholder proposal submitted to an issuer with respect to an annual meeting would, if submitted more than 30 days in advance of the corresponding date on which proxy material was released for the last annual meeting, be *prima facie* deemed to have been submitted within a reasonable time. The rule has been amended to extend this period from 30 days to 60 days, so as to give more time for the consideration of security holders' proposals.<sup>12</sup>

**Rule X-16B-6.**—This rule which grants a partial exemption from section 16 (b) of the Securities Exchange Act with respect to profits which might otherwise be deemed to have been realized and recoverable where there is a purchase by an officer, director or 10% stockholder of an equity security pursuant to the exercise of an option or similar right and a subsequent sale of such security was amended to clarify the conditions under which the exemption is available.<sup>13</sup>

**Form N-8B-1.**—Form N-8B-1 is the basic form for registration of management investment companies under the Investment Company Act. Recent revisions have been made based on the Commission's experience with these companies and take into consideration the fact that the form is now used chiefly by newly-organized companies and consequently call for much less information than was previously required.<sup>14</sup>

**Forms N-30A-1 and N-30B-1.**—These annual and quarterly reporting forms required to be filed by registered management investment companies pursuant to section 30 of the Investment Company Act and sections 13 and 15 (d) of the Securities Exchange Act have been revised to eliminate the duplication of information filed.<sup>15</sup>

<sup>12</sup> Securities Exchange Act release No. 4979 (January 6, 1954).

<sup>13</sup> Securities Exchange Act release No. 4998 (February 9, 1954).

<sup>14</sup> Investment Company Act release No. 1932 (December 15, 1953).

<sup>15</sup> Investment Company Act release No. 1978 (May 6, 1954).

## PART II

### ADMINISTRATION OF THE SECURITIES ACT OF 1933

The Securities Act of 1933 is designed to provide disclosure to investors of material facts concerning securities publicly offered for sale by use of the mails or other instrumentalities of interstate commerce, and to prevent misrepresentation, deceit or other fraudulent practices in the sale of securities. Disclosure is obtained by requiring the issuer of such securities to file with the Commission a registration statement, and related prospectus, containing significant information about the issuer and the offering. These documents are available for public inspection as soon as they are filed. In addition the prospectus must be furnished to the purchaser at or before delivery of the security. The contents of the registration statement are the primary responsibility of the issuer and the underwriter; the Commission has no authority to control the nature or quality of a security to be offered for public sale or to approve or disapprove its merits or the terms of its distribution.

#### DESCRIPTION OF THE REGISTRATION PROCESS

##### **Registration Statement and Prospectus**

Registration of any security proposed to be publicly offered may be secured by filing with the Commission a registration statement on the applicable form containing prescribed disclosures. The Commission has adopted several such forms designed to disclose appropriately for the type of issue involved the classes of information specified in Schedule A of the Act. In general the registration statement must describe such items as the names of persons who participate in the direction, management, or control of the issuer's business; their security holdings, remuneration paid and options or bonus and profit-sharing privileges allotted to them; the character and size of the business enterprise; its capital structure and past history and earnings; its financial statements, certified by independent accountants; underwriters' commissions; pending or threatened legal proceedings; and the purpose to which the proceeds of the offering are to be applied. The prospectus constitutes a part of the registration statement and presents in summary the more important of the required disclosures.

Although several different registration forms are currently available, the majority of registrants use Form S-1, the general form for busi-

ness companies. Next in demand is Form S-5, designed for open-end management investment companies. During the 1954 fiscal year out of 649 registration statements filed, 432 or two-thirds were on Form S-1 while 123 or nearly one-fifth were on Form S-5.

#### **Examination Procedure**

The commission is charged with the responsibility of preventing the sale of securities to the public on the basis of statements which on their face appear to contain inaccurate or incomplete information. The staff of the Division of Corporation Finance examines each registration statement for compliance with the standards of disclosure and usually notifies the registrant by an informal letter of comment of any material respect in which the statement apparently fails to conform to these requirements. The registrant is thus afforded an opportunity to file an amendment before the statement becomes effective. In addition, the Commission has power, after notice and opportunity for hearing, to issue an order suspending the effectiveness of a registration statement. No such orders were issued during the 1954 fiscal year.

#### **Time Required to Complete Registration**

Because prompt examination of a registration statement is important to industry, the Commission completes its analysis in the shortest possible time consistent with the public interest. Congress provided for a lapse of 20 days in the ordinary case between the filing date of a registration statement and the time it may become effective. The waiting period is designed to provide investors with an opportunity to become familiar with the proposed security. Widespread publicity is given to information disclosed in the registration statement immediately on its filing. The commission is empowered to accelerate the effective date so as to shorten the 20-day waiting period where the facts justify such action. In exercising this power, the Commission is required by statute to take into account the adequacy of the information already available to the public, the complexity of the particular financing, and the public interest and protection of investors.

The median time which elapsed between the filing and the effective date with respect to 629 registration statements that became effective during the 1954 fiscal year was 22 days, one less than the corresponding figure in the preceding year. This time was divided among the three principal stages of the registration process as follows: (a) from date of filing registration statement to date of letter of comment, 10 days;

(b) from date of letter of comment to date of filing first material amendment, 7 days; and (c) from date of filing first amendment to date of filing final amendment and effective date of registration, 5 days.

#### VOLUME OF SECURITIES REGISTERED

Securities effectively registered under the Securities Act of 1933 during the fiscal year 1954 totalled \$9.2 billion, the second highest volume in the twenty-year period of the Commission's history. The amount of registrations in each of the post-war years has exceeded \$5 billion and reached a high point of \$9.5 billion in 1952. These figures cover all registrations including new issues sold for cash by the issuer, secondary distributions, and securities issued for other than cash proceeds, such as exchange transactions and issues reserved for conversion of other securities.

The most important category of registrations, new issues to be sold for cash for account of the issuer, amounted to almost \$7.5 billion in the 1954 fiscal year as compared with an average of somewhat over \$6 billion for the last five fiscal years. In this five-year period, 51 percent of the dollar volume of new cash issues consisted of debt securities, 40 percent common stock, and 9 percent preferred stock. The relatively high proportion of common stock registrations in recent years results in part from the large amount of securities registered by investment companies.

Figures for each of the fiscal years 1935 through 1954 appear in appendix table 1, showing the number of statements, total amounts registered, and a classification by type of security for new issues to be sold for cash for account of the issuing company. More detailed information on registrations for the 1954 fiscal year is given in appendix table 2.

Of the dollar amount of securities registered in the 1954 fiscal year, 80.5 percent was for account of issuers for cash sale, 17.9 percent for account of issuers for other than cash sale and 1.7 percent was for the account of others, as shown below. Most of the registrations involving issues not to be sold for cash cover securities reserved for conversion of other registered securities.

Registered for account of issuers for cash sale-----	\$7,381,199,000
Registered for account of issuers for other than cash sale-----	1,637,951,000
Registered for account of others than the issuers-----	154,352,000
	9,173,502,000

The classification by industry of securities registered for cash sale for account of issuers in the fiscal year 1954 is as follows:

	<i>In millions</i>	<i>Percent of total</i>
Manufacturing-----	\$958	13.0
Mining-----	89	1.2
Electric, gas and water-----	2,722	36.9
Transportation, other than railroad-----	4	0.0
Communication-----	932	12.6
Investment companies-----	1,557	21.1
Other financial and real estate-----	512	6.9
Trade-----	52	0.7
Service-----	13	0.2
Construction-----	8	0.1
Total corporate-----	6,844	92.7
Foreign government-----	537	7.3
Total-----	7,381	100.0

Electric and gas companies have accounted for the largest volume of registrations not only in the 1954 fiscal year but for several years past. Registrations of securities by companies in this field during the last five years have averaged more than two billion dollars per year, the large amount mainly reflecting two factors. First, the great post-war expansion of public utilities plant facilities has been financed to a considerable extent by funds raised in the capital markets, whereas in other industries more reliance has been placed on internal sources of funds, including retained earnings and depreciation accruals. Second, as compared with other industries, more of their securities have been offered publicly and registered under the 1933 Act, rather than placed privately with institutional investors.

The next largest volume of issues in the 1954 fiscal year was registered by investment companies. Issues of these companies, which have formed approximately one-fifth of total registrations of new cash issues in recent years, are classified according to type of organization for the fiscal years 1953 and 1954:

	<i>(In millions)</i>	<i>1953</i>	<i>1954</i>
Management open-end companies-----	\$1,113	\$1,106	
Management closed-end companies-----	36	5	
Unit and face amount certificate companies-----	458	446	
	1,607	1,557	

Manufacturing companies ranked third in volume of registrations in 1954, but accounted for only 13 percent of total registrations. While expenditures for new plant and equipment by manufacturing companies have been at record levels during the last few years, com-

panies in this group have used internal sources of funds to a major extent, and also have sold a large proportion of their securities privately.

About 67 percent of the net proceeds of the corporate securities registered for cash sale for account of issuers in the fiscal year 1954 was designated for new money purposes, including plant, equipment and working capital. Almost 6 percent was for retirement of securities and 27 percent for other purposes, principally the purchase of securities by investment companies. This distribution follows fairly closely the pattern of the last five years.

#### **REGISTRATION STATEMENTS FILED**

During the 1954 fiscal year 649 registration statements were filed covering proposed offerings aggregating \$8,983,752,628, compared with 621 statements covering an aggregate of \$7,399,059,928 in the 1953 fiscal year, an increase of approximately \$1,585,000,000. The 649 statements included 151 filed by companies which had not previously registered securities under the Act.

Particulars regarding the disposition of all registration statements filed are summarized below.

*Number and disposition of registration statements filed*

	Prior to July 1, 1953	July 1, 1953, to June 30, 1954	Total as of June 30, 1954
Registration statements:			
Filed.....	10,360	649	11,018
Effective—net.....	8,853	1,628	9,469
Under stop or refusal order—net.....	184	0	184
Withdrawn.....	1,259	38	1,297
Pending at June 30, 1953.....	73		
Pending at June 30, 1954.....			68
Total.....	10,360		11,018
Aggregate dollar amount: As filed.....	\$85,999,247,566	\$8,983,752,628	\$94,982,820,194

<sup>1</sup> This figure does not include one registration statement which was withdrawn after becoming effective during the current year.

<sup>2</sup> This figure does not include 12 registration statements which became effective prior to July 1, 1953 and were withdrawn during the current year as they are counted in the number withdrawn.

#### **DISCLOSURES OBTAINED BY THE REGISTRATION PROCESS**

Disclosures secured by the staff's examination of registration statements during the 1954 fiscal year are illustrated by the following examples.

**Dealings with promoters.**—A corporation which operated two dog racing tracks proposed a public offering of debentures and common stock by means of a prospectus which failed to disclose adequately transactions with the promoters and certain facts bearing on the risks involved. Before the registration statement was permitted to become effective, a section was inserted at the beginning of the

prospectus disclosing transactions pursuant to which the corporation acquired the tracks from the promoters. It showed, among other things, that the promoters received from the corporation short-term notes in the amount of \$300,000 and debentures of the issue to be registered in the amount of \$300,000, together with rights to purchase at 1¢ per share a total of 167,502 shares of common stock of the corporation which was to be offered to the public at a price of \$1.00 per share; that the promoters and officers were to receive annual salaries aggregating \$62,500 plus a bonus; and that for the corporation's latest fiscal year, its first year in operation, four officers had waived a portion of their salaries to the aggregate extent of \$24,000 to enable the corporation to pay interest on its outstanding debentures. In addition it was pointed out that the book value of the corporation's tangible assets for each \$1,000 of debentures outstanding was \$573.64; that the corporation's first year of operations resulted in a deficit, and its liabilities exceeded its assets as of the date of its most recent balance sheet; and that the value of the common stock had been diluted by the sale of 209,956 shares of such stock at 1¢ per share.

**Effect of declining sales on earnings.**—The prospectus filed in January 1954 with the registration statement of a company engaged in a highly competitive line of manufacture contained somewhat broad generalizations under "Recent Developments" indicating that the volume of sales and level of earnings had fallen off. After the staff elicited from representatives of the company details concerning the extent and effect of this downward trend, the prospectus was amended to include the specific statement that "Sales for the month of December 1953 approximated 62% of average monthly sales for the six months ended August 31, 1953, earnings for the quarter ended November 30, 1953 approximated 52% of average quarterly earnings for the six months ended August 31, 1953, and sales backlog at January 31, 1954 approximated 62% of such backlog at August 31, 1953."

**Estimates of mineral reserves and profit margin.**—The prospectus accompanying a registration statement filed by a company proposing to erect a sulphur mining plant stated that only 25.8 acres of the 308 acres held by the company had been explored and was accompanied by an engineering report which estimated that the 25.8 acres contained 1,027,283 long tons of recoverable sulphur. As to the remaining acreage, the officers were said to "hope and believe" that substantial deposits of sulphur underlay most of the tract. It was added "With domestic prices at around \$30.00 per ton and world prices ranging from \$75 upward, and it is hoped production costs will be around \$5.00 per ton, the Corporation believes it can make a good showing profit-wise." After inquiries by the Commission's staff con-

cerning, among other things, the justification for the engineer's estimate of sulphur in the light of the procedures he employed, the prospectus was amended to disclose that the accomplished drilling indicated there were 115,000 tons of sulphur in the explored part of the acreage; that at that stage the company could not say there was more than 115,000 tons; and that the plant then under construction could not be financially successful if no more than 115,000 tons of sulphur were found. The amended prospectus omitted the estimate of sulphur mining costs and included a statement that the sulphur concentration was such as to make it likely that operating costs would be high. It also disclosed that, whereas the 600,000 shares to be offered for public sale were priced at \$1.00 per share, a total of 2,651,250 shares had been acquired by the promoters "at no substantial cost to themselves other than time and effort spent."

**Reflection in financial statements of rate refund by utility company.**—In 1952, a regulatory agency issued an order permitting a utility company registering securities under the Securities Act to put into effect increased rates, but requiring it to refund any portion of such increase ultimately found not justified by that agency. In a further order issued in 1954, establishing rates to become effective during 1954, that agency stated that it would appear that the refund which would have to be made would be in the neighborhood of \$32,000,000, subject to reduction for adjustment of purchase contracts and income taxes. These facts were disclosed in the registration statement as originally filed but the accompanying financial statements reflected no provision for the net effect of the refund. As a result of the staff's letter of comment and subsequent conference with representatives of the registrant, the financial statements were amended to reduce the net income in excess of 20 per cent for the two years and the interim period affected, being the amounts of the estimated net refund, and to include the sum of these amounts as a liability in the balance sheet.

**Impact of seasonal business on earnings.**—Effective and fair disclosure of results of operations for interim periods is often troublesome, particularly when a company's operations are subject to marked seasonal variation. An aggravated instance of this situation was found in the case of a registrant which has shown a very rapid expansion during the last five years.

The financial statements of this company as initially filed revealed that the net profit for the first five months of the current fiscal year amounted to approximately \$1,500,000, and indicated that, owing to the seasonal nature of the business, earnings for the first five months of a fiscal year had historically been materially greater than for the balance of the year. The extent of the past seasonal variation could

not be determined from the financial data furnished. Therefore, a danger existed that the five months' earnings of \$1,500,000 could be misinterpreted as indicating an annual rate grossly in excess of the amount which reasonably could be anticipated. In order to avoid this danger, the registrant was required to furnish the results of operations for the same period of the previous fiscal year for comparison with the first five months of the current fiscal year. When the comparison was furnished, it was observed that the net profit for the first five months of the previous fiscal year was approximately equal to the net profit for the entire fiscal year. The registrant was thereupon requested also to add a statement in respect of the net profit reported for the first five months of the current fiscal year indicating that substantially all earnings for the entire fiscal year had historically been made during the first five months.

#### EXEMPTION FROM REGISTRATION UNDER THE ACT

The Commission is authorized under Section 3 (b) of the Act to adopt rules providing exemption from the registration requirements for public offerings of securities not exceeding a maximum of \$300,000. Among the six types of exemption provided by the Commission under this authority, the three most commonly used are: *Regulation A*, the general exemption for issues up to \$300,000 for issuers; *Regulation B*, the exemption for fractional undivided interests in oil or gas rights up to \$100,000; and *Regulation D*, the exemption for Canadian securities with the same dollar limitations as Regulation A.

Exemption from registration under Section 3 (b) of the Act does not carry exemption from the civil liabilities for material misstatements or omissions imposed by Section 12 (2) or from the criminal liabilities for fraud imposed by Section 17.

#### Exempt Offerings under Regulation A

**New procedure.**—Regulation A was revised in March 1953 so as to make it mandatory to use an offering circular containing specified information which includes financial statements. In order to assure uniformity in the standards required of offering circulars filed under this new Regulation, the headquarters staff participated with the regional offices in the processing of material filed pursuant to the Regulation. Beginning in the latter part of the fiscal year, the Commission instituted a program of transferring to the regional offices responsibility for the examination and processing of Regulation A cases.

**Denial or suspension of exemption.**—While Regulation A provides for the denial or suspension of the exemption in appropriate cases, the Commission has exercised its power to issue orders thereunder sparingly because it believes it is preferable to resolve disclosure problems in conferences with issuers and underwriters wherever pos-

sible. The four companies subjected to such formal action up to the close of the 1954 fiscal year were:

Dakota-Montana Oil Leaseholds, Inc.; suspension, Securities Act Release No. 3477 (1953); suspension order vacated, Securities Act Release No. 3481 (1953).

Pioneer Enterprises, Inc.; denial, Securities Act Release No. 3486 (1953).

Apartment Owners, Inc.; suspension, Securities Act Releases Nos. 3496 and 3498 (1954); denial, Securities Act Release No. 3507 (1954).

Utah-Wyoming Atomic Corporation; suspension, Securities Act Releases Nos. 3505 and 3508 (1954).

**Volume of filings.**—During the 1954 fiscal year 1,175 notifications were filed under Regulation A covering proposed offerings of \$187,153,226, compared with 1,528 notifications covering proposed offerings of \$223,350,026, in the 1953 fiscal year. Included in the 1954 totals are 142 notifications covering stock offerings of \$24,747,941 with respect to companies engaged in the oil and gas business, and 172 filings covering offerings of \$29,903,097 with respect to mining companies. In addition, 2,382 items of sales literature, excluding initial offering circulars, were filed.

Certain particulars regarding these offerings are set forth in the following table.

*Offerings made under Regulation A in 1954 fiscal year*

	Description	Number
<b>Size:</b>		
\$100,000 or less.....		503
Over \$100,000 but not over \$200,000.....		213
Over \$200,000 but not over \$300,000.....		459
		<hr/> 1,175
<b>Underwriting:</b>		
Employed.....		501
Not used.....		674
		<hr/> 1,175
<b>Offerors:</b>		
Issuing companies.....		1,079
Stockholders.....		92
Issuers and stockholders jointly.....		4
		<hr/> 1,175

Most of the underwritings were undertaken by commercial underwriters who participated in 419 offerings while officers, directors or other persons not regularly engaged in the securities business handled the remaining 82 cases.

#### **Exempt Offerings under Regulation B**

During the 1954 fiscal year, the Commission received 156 offering sheets filed under Regulation B. These filings in connection with exempt offerings of oil and gas securities were examined by the

specialized Oil and Gas Unit which collaborates with the Commission staff generally in the solution of the technical and complex problems peculiar to oil and gas securities which arise under various of the Acts and regulations administered by the Commission.

*Action taken on filings under Regulation B*

Temporary suspension orders—Rule 340 (a) .....	9
Orders terminating proceedings after amendment.....	3
Orders consenting to withdrawal of offering sheet and terminating proceedings.....	3
Order terminating effectiveness of offering sheet.....	1
Orders accepting amendment of offering sheet (no proceeding pending).....	72
Orders consenting to withdrawal of offering sheet (no proceeding pending).....	2
 Total number of orders.....	 90

**Confidential reports of sales.**—As an aid in determining whether violations of law have occurred in the marketing of securities exempt under Regulation B, the Commission obtains confidential reports of actual sales made pursuant to such exemption. During the 1954 fiscal year, 1,699 such reports covering aggregate sales of \$770,042 were filed.

**Exempt Offerings under Regulation D**

By the adoption of Regulation D on March 6, 1953, as a companion to the revised Regulation A, the Commission provided for the first time an exemption from the registration requirements of the Act for public offerings of securities, not exceeding \$300,000 in any one year, made by Canadian issuers or by domestic issuers having their principal business operations in Canada. To obtain the exemption, an offeror must file with the Commission a notification, and in all cases an offering circular, containing pertinent information regarding the issuer and the security proposed to be sold in the United States. This information must include financial statements.

During the 1954 fiscal year 46 notifications were filed under Regulation D covering aggregate offerings of \$11,334,350. They represented 42 issuers proposing to explore for uranium or other minerals, three to engage in the oil and gas business, and one in lumbering.

After the close of the 1954 fiscal year, the Commission on August 16, 1954 issued its first order pursuant to Regulation D suspending exemption with respect to a public offering of securities of Northwest Uranium Corporation.<sup>1</sup> The reasons assigned by the Commission for the suspension included reasonable cause to believe that the use of the company's offering circular would and did operate as a fraud and deceit upon the purchasers of said securities.

<sup>1</sup> Securities Act release No. 3511 (August 16, 1954).

**LITIGATION UNDER THE SECURITIES ACT****Injunctive Actions**

Injunctions are sometimes sought to restrain continued violation of the Securities Act when it appears that damage to the public is threatened.

The cases during the fiscal year 1954 were of a varied nature. In *S. E. C. v. Chemi-Cote Perlite Corporation* and *Otto T. Ball*,<sup>2</sup> the Commission's complaint charged that the defendants had sold personally owned stock of the defendant Ball in Chemi-Cote Perlite Corporation without registration, and that the defendants represented that the corporation was in excellent financial condition with assets in excess of \$23,000,000 when, in fact, the company had a deficit of \$185,000 and assets not exceeding \$100,000; that the company's perlite mining claims were worth \$4,500,000 when, in fact, there was no reasonable basis for any such valuation; that the proceeds from the sale of such securities being sold at \$10 per share would be used by Chemi-Cote Perlite Corporation for the purpose of financing its operation when, in fact, in some instances one-half of the proceeds from the sale of such stock was being paid to salesmen as commissions, and the stock being offered was the personally owned stock of the defendant Otto T. Ball. The defendants consented to a final judgment enjoining them from further violation of the registration and anti-fraud provisions of the Securities Act.

*S. E. C. v. Professional Life Insurance Company, J. Clifton Butler Agencies and J. Clinton Butler*<sup>3</sup> was an action to enjoin the defendants from violating the registration and anti-fraud provisions of the Securities Act. The complaint alleged that the defendants had purchased an office building for the defendant, Professional Life Insurance Company, for \$465,000, and within a few days thereafter arranged to have such building appraised at \$650,000, an appreciation of \$185,000 over cost, and a short time thereafter issued a dividend of stock of the company to J. Clinton Butler based upon the claimed appreciation in value of the building. The shares received by the defendant Butler as a stock dividend were later sold by him without disclosing to purchasers that such shares were owned by him personally and that the proceeds would be retained by him and not placed in the treasury of Professional Life Insurance Company. It was also alleged that the defendants omitted to state to purchasers that Professional Life Insurance Company was operating at a loss and had no surplus or realized profits at the time the shares were sold. A stipulation was entered into between the Commission and the defendants whereby it was agreed that the defendants, J. Clinton

<sup>2</sup> N. D. Texas, No. 2620.

<sup>3</sup> N. D. Texas, No. 2640.

Butler and J. Clinton Butler Agencies, a registered broker-dealer, would consent to the entry of a permanent injunction and that J. Clinton Butler would completely disassociate himself from the management and control of Professional Life Insurance Company. When the Commission was satisfied that the terms of the stipulation had been complied with, it moved for the dismissal of the action against Professional Life Insurance Company. The injunction against J. Clinton Butler and J. Clinton Butler Agencies continued in effect. The broker-dealer registration of J. Clinton Butler Agencies was withdrawn.

A judgment was entered in an action, *S. E. C. v. Glen F. McBurney*<sup>4</sup> in which the Commission's complaint filed in the previous year, alleged that the defendant in the sale of units of interest in oil and gas rights in a leasehold interest had violated the registration and the anti-fraud provisions of the Securities Act. Although the defendant filed an answer to the fraud count, he later consented to the entry of judgment on both counts.

In *S. E. C. v. Kaye, Real & Co., Inc., John A. Kaye and Stanwood Oil Corporation*,<sup>5</sup> the complaint alleged that defendant John A. Kaye has been controlling stockholder of Kaye, Real & Co., Inc., a broker and dealer in securities, and of Stanwood Oil Corporation, and that the defendants had been selling stock of Stanwood Oil Corporation without registration and had been employing a fraudulent scheme involving acquisition of control of the management and operations of Stanwood Oil Corporation by defendants John A. Kaye and Kaye, Real & Co., Inc., to whom approximately 1,000,000 shares out of a total of 1,472,519 shares outstanding had been issued; that the defendants thereupon disseminated numerous false statements concerning the increased value of Stanwood stock by reason of the acquisition by said corporation of various other companies and business enterprises.<sup>6</sup>

Other actions taken by the Commission during the fiscal year resulted in injunctions of violations of the registration provisions of the Securities Act include: *S. E. C. v. Dominaire Constructions, Inc. and V. L. Arnold*,<sup>7</sup> involving an offering of securities to develop mortarless interlocking concrete blocks; *S. E. C. v. Lever Motors Corporation*,<sup>8</sup> involving an offering of securities for the development of a lever-type motor, and *S. E. C. v. H. H. Tucker*,<sup>9</sup> involving an offering of personal notes, evidences of indebtedness, investment contracts and profit-sharing agreements.

<sup>4</sup> N. D. Texas, No. 2640.

<sup>5</sup> S. D. N. Y., No. 90-100.

<sup>6</sup> A permanent injunction was entered after the close of the fiscal year.

<sup>7</sup> W. D. Washington, No. 3558.

<sup>8</sup> N. D. Illinois, No. 53-C-1954.

<sup>9</sup> N. D. Texas, No. 2607.

**Participation as Amicus Curiae**

In *Wilko v. Swan*,<sup>10</sup> in a decision reversing the Court of Appeals for the Second Circuit,<sup>11</sup> the Supreme Court sustained the position urged by the Commission as *amicus curiae* that a customer cannot be deprived by a securities firm of the court remedy afforded him by Section 12 (2) of the Securities Act for alleged misrepresentations in the sale of securities through a pre-transaction stipulation for arbitration of future disputes. In an opinion delivered by Mr. Justice Reed, the Court held that the pre-transaction agreement contravened the anti-waiver provisions of Section 14 of the Act, and conflicted with the remedial purposes of the legislation.

The Commission also participated as *amicus curiae* in *Bentsen v. Blackwell*, in which the Supreme Court granted a writ of certiorari<sup>12</sup> and subsequently dismissed the writ after the oral argument had "developed the undesirability of deciding the questions in this case on the pleadings".<sup>13</sup> Petitioner had sought certiorari solely on the question whether the civil recovery provisions of Section 12 (2) of the Securities Act require that the mails or instruments of interstate commerce be used to transmit the particular misrepresentations complained of, or whether, as the Court of Appeals for the Fifth Circuit had ruled<sup>14</sup> and as the Commission had urged, it sufficed that the mails were used elsewhere in the sale transaction—in this case allegedly to deliver the documents essential to the investment contracts sold.

<sup>10</sup> 346 U. S. 427 (1953).

<sup>11</sup> 201 F. 2d 439 (1953), previously discussed in 19th Annual Report, p. 17.

<sup>12</sup> 346 U. S. 908 (1953).

<sup>13</sup> 347 U. S. 925 (1954).

<sup>14</sup> 203 F. 2d 690 (1953), previously discussed in 19th Annual Report, p. 16.

## PART III

### ADMINISTRATION OF THE SECURITIES EXCHANGE ACT OF 1934

The Securities Exchange Act of 1934 is designed to insure the maintenance of fair and honest markets in securities transactions on the organized exchanges and in the over-the-counter markets. Accordingly, the Act provides for the regulation of such transactions and of matters related thereto. It requires that information as to the condition of corporations whose securities are listed on a national securities exchange shall be made available to the public and provides for the registration of such securities, such exchanges, brokers and dealers in securities, and associations of brokers and dealers. It also regulates the use of credit in securities trading. While the authority to issue rules regarding such credit is lodged in the Board of Governors of the Federal Reserve System, the administration of these rules and of the other provisions of the Act is vested in the Commission.

#### REGULATION OF EXCHANGES AND EXCHANGE TRADING

##### **Registration and Exemption of Exchanges**

At the close of the 1954 fiscal year the following 15 exchanges were registered as national securities exchanges:

American Stock Exchange	New York Stock Exchange
Boston Stock Exchange	Philadelphia-Baltimore Stock Exchange
Chicago Board of Trade	Pittsburgh Stock Exchange
Cincinnati Stock Exchange	Salt Lake Stock Exchange
Detroit Stock Exchange	San Francisco Mining Exchange
Los Angeles Stock Exchange	San Francisco Stock Exchange
Midwest Stock Exchange	Spokane Stock Exchange
New Orleans Stock Exchange	

Four exchanges were exempted from registration at the close of the fiscal year:

Colorado Springs Stock Exchange	Richmond Stock Exchange
Honolulu Stock Exchange	Wheeling Stock Exchange

During the year the Washington Stock Exchange was merged into and absorbed by the Philadelphia-Baltimore Stock Exchange under an arrangement which provided for the creation of a Washington Stock Exchange Branch of the Philadelphia-Baltimore Stock Exchange. Trading commenced on the new branch at the opening of business on October 15, 1953, and on December 31, 1953, the Washington Stock

Exchange was permitted to withdraw its registration as a national securities exchange.

Information pertinent to the organization, rules of procedure, trading practices, membership requirements and related matters of each exchange is contained in its registration or exemption statement, and any changes in such information are required to be reported promptly by the exchanges. During the year, the exchanges reported numerous changes, including the following:

The New York and American stock exchanges rescinded rules which had placed limitations on purchases made by certain members on the floors of these exchanges for accounts in which they had an interest.

The New York, American, Midwest, Los Angeles and San Francisco stock exchanges rescinded rules, commonly referred to as the "Daylight Margin Rules", which had required exchange members to deposit at the close of each trading day an amount which would represent sufficient margin, under the terms of the Federal Reserve Board's regulation T, for the maximum position taken by the member during the trading day. The rescission of these rules had the effect of placing exchange members in the same position as the general public with respect to the initial margining of transactions and the withdrawal of proceeds of sales.

The New York and American stock exchanges rescinded rules which, with certain exceptions, had prohibited partners of member firms or voting stockholders of member corporations from having margin accounts (except at a bank) if their firm or corporation carried margin accounts for customers, and which had prohibited member firms and member corporations carrying margin accounts for customers from making transactions in securities if the market value of securities carried in proprietary accounts was equal to or greater than their net capital.

The Boston Stock Exchange amended its rules relating to the registration of corporations as member corporations of the exchange by rescinding the provisions that prohibited member corporations from carrying margin accounts and required member corporations to segregate customers' free-credit balances in special bank accounts with restrictions on withdrawals from such accounts. This action was designed to bring its rules pertaining to member corporations into conformity with rules of various other exchanges.

The Pittsburgh Stock Exchange amended its rules to permit corporations engaged in the securities business to become members of the exchange.

The Salt Lake Stock Exchange completed the revision of its rules which, together with the new constitution it had adopted in the preceding year, were designed, among other things, to strengthen the financial

responsibility of its members and to improve inspection and audit requirements.

The New York, American, Boston and San Francisco stock exchanges revised the minimum net capital requirements for members, member firms and member corporations by providing, among other things, that aggregate indebtedness may not exceed 2000% of net capital. The previous limit had been 1500%.

The Midwest Stock Exchange changed the minimum net capital requirement of member corporations from 10% to 6½% of aggregate indebtedness, so that aggregate indebtedness may not exceed 1500% of net capital as compared with the previous 1000% limit. The Philadelphia-Baltimore Stock Exchange provided that aggregate indebtedness of member corporations may not exceed 2000% of net capital as compared with the previous 1000% limit. These changes established uniformity in capital requirements between corporate and other members of these two exchanges.

The New York, Boston, Detroit, Los Angeles, Midwest, Philadelphia-Baltimore, Pittsburgh and San Francisco stock exchanges adopted new schedules of increased commission rates. The new rates are substantially identical on these exchanges. They contain an innovation which provides for a discount from the regular commission where a purchase and sale, or sale and purchase, of a single security for one account is completed within 30 calendar days.

The Cincinnati Stock Exchange, effective May 3, 1954, adopted a new schedule of increased commission rates applicable to stocks traded solely on that exchange.

The Honolulu Stock Exchange adopted a revised Constitution and Rules for the purpose of clarifying and strengthening the provisions thereof. The revision included a new schedule of increased commission rates.

#### **Disciplinary Action by Exchanges**

Each national securities exchange reports to the Commission any action of a disciplinary nature taken by it against any of its members, or against any partner or employee of a member, for violation of the Securities Exchange Act or any rule thereunder or of any exchange rule. During the year, 5 exchanges reported 40 cases of disciplinary action against members, member firms and partners of member firms.

The actions reported included fines ranging from \$100 to \$5,000 in 17 cases, with total fines aggregating \$9,807.50, expulsion of 1 individual and suspension of another from exchange membership, revo-

cation of the registration of 1 member as a specialist, and censure of individuals and firms for infractions of exchange rules. The rules violated included those pertaining to specialists, floor traders, short sales, capital requirements and the filing of financial statements.

#### **REGISTRATION OF SECURITIES ON EXCHANGES**

Unless a security is registered under the Act (or is exempt therefrom), it is unlawful to effect any transaction in the security on any national securities exchange. Pursuant to Section 12 an issuer may register a class of securities on an exchange by filing with the Commission and the exchange an application which discloses pertinent information concerning the issuer and its affairs. Each such issuer is required by Section 13 to file periodic reports keeping that information current. These applications and reports furnish details about the issuer's capital structure, the terms of its securities, information about the persons who direct, manage, or control its affairs, remuneration paid its officers and directors, allotment of options and bonus and profit-sharing arrangements; and financial statements certified by independent accountants.

Applications for registration of securities and periodic reports filed under this Act are examined by the staff of the Division of Corporation Finance to determine that the fair and adequate disclosure required by the statute appears to have been made.

The Commission has greatly simplified the registration process by the adoption of new Rule X-12D1-1, under which the old procedure of registration by separate successive applications, each covering a specified number of shares or a certain principal amount of bonds of a given class of security, was changed to a new method providing for the registration by a single application covering an entire class of security, regardless of the amount already issued or which may subsequently be issued.

#### **Statistics of Securities Registered on Exchanges**

At the close of the 1954 fiscal year, 2,204 issuers had 2,641 stock issues and 1,009 bond issues registered on national securities exchanges. During the year, securities of 37 new issuers became registered on exchanges while the registration of all securities of 43 issuers was terminated.

The following table shows for the fiscal year the number of applications filed under Section 12 and of reports filed under Section 13 and, pursuant to undertakings contained in registration statements filed under the Securities Act to supply information equivalent to

that supplied with respect to securities registered on an exchange, under Section 15(d) of the Securities Exchange Act:

Application for registration of classes of securities on exchanges-----	160
Annual reports-----	2,884
Current reports-----	4,413

Information concerning the number of securities traded on each stock exchange is shown in the appendix.

#### Suspension of Trading

The Commission is authorized by the Act, after notice and opportunity for hearing, to suspend for a period not exceeding 12 months or withdraw the registration of a security on an exchange if the issuer fails to comply with any provision of the Act or the rules and regulations; and it may summarily suspend trading in such a security for a period not exceeding 10 days if the public interest so requires.

The Commission summarily prohibited trading in the common stock of Adolph Gobel, Inc. on the American Stock Exchange by ordering successive 10-day suspensions from March 13, 1953 to February 19, 1954. It had received advice from Gobel's accountants that, on the basis of information they had discovered after their audit, certified financial statements included in Gobel's annual report for 1952 understated the reported loss of \$437,070.57 by approximately \$213,000. The Commission also commenced a proceeding to determine whether to suspend or withdraw exchange registration of this stock, and conducted hearings on this question. New accountants retained by Gobel found the amount of loss in question to be \$582,-021.89. Meanwhile certain creditors filed a petition for reorganization of Gobel under Chapter X of the Bankruptcy Act.

The Commission on February 18, 1954 ordered its proceedings terminated and published its findings and opinion stating it was satisfied that, since the disclosures made were substantially correct, there was no further need to deny stockholders access to the exchange market. The Commission pointed out that the report of the new accountants, explored in the record of the proceeding, took into account the allegations of the former accountants, analyzed the transactions which required different accounting treatment on Gobel's books, and contained a detailed reconciliation between the loss reported in the statement certified by the former accountant and reported by the new accountants. In addition, the Commission noted that the affairs of Gobel had come under the direction of a trustee, subject to court supervision.

**MARKET VALUE AND VOLUME OF SECURITIES TRADED ON EXCHANGES**

The unduplicated total market value on December 31, 1953, of all stocks and bonds admitted to trading on one or more of the 19 stock exchanges in the United States was \$236,097,628,000.

	<i>Number of issues</i>	<i>Market value Dec. 31, 1953</i>
<b>Stocks:</b>		
New York Stock Exchange-----	1, 530	\$117, 257, 208, 000
American Stock Exchange-----	808	15, 298, 342, 000
All other exchanges-----	702	2, 788, 227, 000
 Total-----	 3, 040	 135, 343, 777, 000
<b>Bonds:</b>		
New York Stock Exchange-----	984	99, 827, 875, 000
American Stock Exchange-----	84	793, 051, 000
All other exchanges-----	32	132, 925, 000
 Total-----	 1, 100	 100, 753, 851, 000
 Total stocks and bonds-----	 <hr/> 4, 140	 <hr/> 236, 097, 628, 000

The New York Stock Exchange and American Stock Exchange figures are as reported by those exchanges. There is no duplication of issues between those two exchanges. However, over half the issues of stocks listed on the New York Stock Exchange, comprising about 85% of the number of shares so listed, were also admitted to trading on from one to nine regional exchanges, and about 30% of the issues of stocks and number of shares on the American Stock Exchange were also admitted to trading on from one to six regional exchanges.

The amounts shown for "all other exchanges" in the above table were based on the number of shares outstanding exclusive of treasury shares, instead of on the number of registered shares as in previous years, producing slightly smaller aggregates in consequence.

The bonds on the New York Stock Exchange included United States Government and New York State and City issues with an aggregate market value of \$78,109,634,000.

**Market Value of Stocks on Exchanges**

The \$135.3 billion aggregate market value of all stocks available for trading on the exchanges at the close of 1953 compared with \$140.5 billion at the close of 1952. On the New York Stock Exchange, aggregate stock values increased from \$117.3 billion on December 31, 1953 to \$139.2 billion on June 30, 1954. Reports as of the latter date are not available for the other exchanges.

**Comparative Number of Stock Issues on Exchanges***Net number of stock issues on exchanges*

June 30	New York Stock Exchange	American Stock Exchange	Exclusively on other exchanges	Total on exchanges	June 30	New York Stock Exchange	American Stock Exchange	Exclusively on other exchanges	Total on exchanges
1941	1,240	1,045	1,153	3,438	1948	1,425	819	818	3,062
1942	1,254	1,003	1,113	3,370	1949	1,462	804	786	3,052
1943	1,250	968	1,063	3,281	1950	1,484	779	775	3,038
1944	1,270	928	981	3,179	1951	1,495	765	772	3,032
1945	1,293	895	951	3,139	1952	1,528	783	751	3,062
1946	1,351	860	895	3,106	1953	1,539	807	731	3,077
1947	1,377	836	870	3,083	1954	1,546	811	700	3,057

New listings of stocks exclusively on the regional exchanges are not sufficiently numerous to offset the reduction in number of their exclusive listings which goes on continually because of retirements, mergers, loss of exclusive status by listing on a New York stock exchange, and other reasons. Only 7 regional exchanges obtained any exclusive stock listings during 1953, such listings consisting of 4 preferred and 5 common issues. Preferred stock listings are frequently made for other purposes than trading, a usual purpose being compliance with statutes with respect to legality for trust investment. The 5 new common stock issues listed had a year-end market value aggregating only \$5,300,000. The regional exchanges continue to obtain substantial new listings of stocks which are also listed on one or the other of the New York stock exchanges. Their principal acquisitions, however, are unlisted trading privileges in stocks listed elsewhere, predominantly on the New York Stock Exchange. The following shows the aggregate figures relating to stock admissions during 1953 on 1 or more regional exchanges, with market values computed as of December 31, 1953:

	Issues	Shares	Market value
New listings only on regional exchanges	9	8,525,758	\$26,500,000
Simultaneous New York and regional listings	19	18,888,012	352,600,000
New regional listings of stocks already listed in New York	12	30,717,849	571,900,000
New York listed stocks admitted to unlisted trading on regional exchanges	70	380,874,820	11,106,000,000
	110	439,006,439	12,057,000,000
Portion only on regional exchanges	9	8,525,758	\$26,500,000
Portion also on New York Stock Exchange	79	374,587,459	11,816,567,933
Portion also on American Stock Exchange	22	55,893,222	213,932,067
	110	439,006,439	12,057,000,000

**Comparative Volumes on Exchanges**

Market value and volume of sales on all domestic stock exchanges for the year 1953 and for the 6 months ending June 30, 1954, are shown in appendix table 7. Comparable information for prior years is shown in previous annual reports.

**Block Distributions Reported by Stock Exchanges**

Rule X-10B-2, in substance, prohibits any person engaged in distributing a security from paying any other person for soliciting or inducing a third person to buy the security on a national securities exchange. An exemption from the prohibition of the rule is provided for those cases where compensation is paid pursuant to the terms of a plan, filed by a national securities exchange and declared effective by the Commission, authorizing the payment of such compensation in connection with a distribution of securities.

Pursuant to the terms of this exemption, two types of plans have been developed to permit distributions of large blocks of securities to be made on a national securities exchange. The first of these, designated the "Special Offering Plan", was evolved in 1941 as a result of numerous conferences between representatives of the Commission and of various stock exchanges, and the Commission declared effective a special offering plan for each of the following nine exchanges on the date shown opposite each:

New York Stock Exchange-----	Feb. 14, 1942
San Francisco Stock Exchange-----	Apr. 17, 1942
American Stock Exchange-----	May 15, 1942
Philadelphia-Baltimore Stock Exchange-----	Sept. 23, 1943
Detroit Stock Exchange-----	Nov. 18, 1943
Midwest Stock Exchange-----	Mar. 27, 1944
Cincinnati Stock Exchange-----	June 26, 1944
Los Angeles Stock Exchange-----	May 28, 1948
Boston Stock Exchange-----	Sept. 15, 1948

The second type of plan, designated the "Exchange Distribution Plan", was initially declared effective for the New York Stock Exchange on August 21, 1953 for an experimental period expiring on February 26, 1954 which expiration date was subsequently extended to February 28, 1955. The American, Midwest, and San Francisco stock exchanges each filed plans similar to that of the New York Stock Exchange and they were also declared effective for an experimental period expiring on February 28, 1955.

These two types of plans permit a block of securities to be distributed through the facilities of a national securities exchange when it has been determined that the regular market on the floor of the exchange cannot absorb the particular block within a reasonable time and at a reasonable price or prices. They contain antimanipulative controls and also require participating members to make certain disclosures to persons whose orders are solicited. The principal differences between the provisions of the two plans is in the manner of determining the offering price of the security and the charges to buyers on their purchases of the security. In this regard, a special offering is made at a fixed price consistent with the existing auction market price of the security while

an exchange distribution is made in the regular auction market on the floor of the exchange.

Buyers of a security which is the subject of a special offering are not charged any commission on their purchases and obtain the security at the net price of the offering. On the other hand, buyers of a security which is the subject of an exchange distribution on the New York Stock Exchange, American Stock Exchange and San Francisco Stock Exchange pay commissions in agency transactions and are charged net prices in principal transactions. In exchange distributions on the Midwest Stock Exchange, however, purchasers need not be charged commissions in agency transactions and may be charged the equivalent of a commission in principal transactions.

In addition to these two methods of distributing large blocks of securities on stock exchanges, a third method is commonly employed to distribute blocks of securities listed on exchanges to the public over the counter, commonly referred to as a "Secondary Distribution". Such distributions take place when it has been determined that it would not be possible or in the best interest of the various parties involved to sell the shares on the exchange in the regular way or by employing either the special offering or exchange distribution technique. The distributions generally take place after the close of exchange trading. As in the case of special offerings, buyers obtain the security from the dealer at the net price of the offering, which usually is at or about the most recent price registered on the exchange. It is generally the practice of exchanges to require members to obtain the approval of the exchange before participating in such secondary distributions.

The following table shows the number and dollar volume of special offerings and exchange distributions reported by the exchanges having such plans in effect, as well as similar figures for secondary distributions which exchanges have approved for member participation and reported to the Commission.

*Total sales*  
TWELVE MONTHS ENDED DECEMBER 31, 1953<sup>1</sup>

	Number made	Shares in original offer	Shares	Value (thou- sands of dollars)
Special offerings.....	17	470,587	380,680	10,486
Exchange distributions.....				
Secondary distributions.....	68	7,110,533	6,906,017	108,229

SIX MONTHS ENDED JUNE 30, 1954<sup>1</sup>

Special offerings.....	5	62,403	63,383	1,916
Exchange distributions <sup>2</sup> .....	27	297,890	279,690	7,641
Secondary distributions.....	38	2,355,378	2,406,262	77,763

<sup>1</sup> Details of these distributions appear in the *Statistical Bulletin* published monthly by the Commission.

<sup>2</sup> The first exchange distribution was made January 6, 1954.

## UNLISTED TRADING PRIVILEGES ON EXCHANGES

## Number of Issues Admitted to Unlisted Trading

Securities are said to be admitted to unlisted trading on a stock exchange when the admission to trading is approved by the exchange without application by or agreement with the issuer. Such admissions are governed by section 12(f) of the Securities Exchange Act the respective clauses of which section are referred to in the following text and tables.

In the tables, the "Clause 1" stocks are the residue of those admitted to unlisted trading prior to March 1, 1934, and they are shown in two categories, those which are "unlisted only" and those which are also listed and registered on a stock exchange other than that where they are admitted to unlisted trading. The "Clause 2" stocks are those admitted to unlisted trading pursuant to Commission grants of applications by stock exchanges conditioned on existing listing and registration on some other stock exchange. The "Clause 3" stocks are those admitted to unlisted trading pursuant to Commission grants of applications by stock exchanges conditioned upon the availability of information substantially equivalent to that filed in the case of listed issues. The following table, for comparative purposes, also shows the number of listed stock issues on each stock exchange.

*Number of stock issues available for trading June 30, 1954*

Stock exchange	On a listed basis <sup>1</sup>	Unlisted only <sup>2</sup>		Listed and registered on another exchange		
		Clause 1	Clause 3	Clause 1	Clause 2	Clause 3 <sup>3</sup>
American	513	239	2	53	3	1
Boston	88	1	0	157	157	0
Chicago Board of Trade	8	3	0	2	0	0
Cincinnati	53	0	0	0	85	0
Colorado Springs	13	0	0	0	0	0
Detroit	116	0	0	14	105	0
Honolulu	56	31	0	0	0	0
Los Angeles	180	1	0	39	155	0
Midwest	407	0	0	0	94	0
New Orleans	3	9	0	4	2	0
New York	1,546	0	0	0	0	0
Philadelphia-Baltimore	163	4	0	257	140	0
Pittsburgh	54	0	0	16	59	0
Richmond	27	0	0	0	0	0
Salt Lake	94	3	0	0	0	1
San Francisco mining	43	0	0	0	0	0
San Francisco stock	209	36	0	65	82	0
Spokane	25	5	0	1	1	0
Wheeling	16	0	0	0	3	0
Total <sup>4</sup>	3,614	332	2	608	886	2

<sup>1</sup> Includes issues registered, issues temporarily exempted from registration, and issues listed on the 4 exempted exchanges

<sup>2</sup> None of these issues has any listed status on any domestic stock exchange, except that 9 of the 36 San Francisco Stock Exchange issues are also listed on an exempted exchange.

<sup>3</sup> These issues became listed and registered on other exchanges subsequent to their admission to unlisted trading pursuant to Clause 3 on the American and Salt Lake exchanges.

<sup>4</sup> Duplication of issues among exchanges brings the figures to more than the actual number of issues involved.

### Volume of Unlisted Trading in Stocks on Exchanges

The reported volume of shares traded on an unlisted basis on the stock exchanges during the calendar year 1953 included 20,968,165 in stocks admitted to unlisted trading only and 21,457,187 in stocks listed and registered on an exchange other than that where the unlisted trading occurred. These amounts were respectively 3.30% and 3.38% of the total share volume reported on all exchanges.

*Unlisted share volume on exchanges in 1953*

Stock exchange	Unlisted only		Listed and registered on another exchange		
	Clause 1	Clause 3	Clause 1	Clause 2	Clause 3
American	18,399,824	15,640	4,543,529	689,900	13,090
Boston	8,622	0	1,591,663	974,945	0
Chicago Board of Trade	0	0	0	0	0
Cincinnati	0	0	0	260,980	0
Colorado Springs	0	0	0	0	0
Detroit	0	0	179,482	1,150,731	0
Honolulu	41,149	0	0	0	0
Los Angeles	2,154	0	699,821	1,636,904	0
Midwest	0	0	0	4,080,608	0
New Orleans	31,143	0	2,001	6,163	0
New York Stock	0	0	0	0	0
Philadelphia-Baltimore	17,337	0	2,015,492	1,055,034	0
Pittsburgh	0	0	187,996	204,216	0
Richmond	0	0	0	0	0
Salt Lake	298	0	0	0	482
San Francisco Mining	0	0	0	0	0
San Francisco Stock	2,337,218	0	1,160,207	996,065	0
Spokane	114,780	0	1,400	20	0
Washington, D. C. <sup>1</sup>	0	0	0	4,743	0
Wheeling	0	0	0	1,715	0
	20,952,525	15,640	10,381,591	11,062,024	13,572

<sup>1</sup> Prior to merger into Philadelphia-Baltimore Stock Exchange.

The volumes are as reported by the stock exchanges or other reporting agencies, and are less than the actual amounts in some cases, particularly with respect to American Stock Exchange figures, which exclude odd lots and other items not reported on the stock tickers. The figures are exclusive of volumes in short-term rights.

### Applications for Unlisted Trading Privileges

Pursuant to applications filed by the exchanges under Clause 2 of section 12 (f) and approved by the Commission during the fiscal year, unlisted trading privileges were extended as follows:

Stock exchange	Number of stocks
Boston	16
Cincinnati	16
Detroit	9
Los Angeles	14
Philadelphia-Baltimore	6
Pittsburgh	3
San Francisco	5

**Changes in Securities Admitted to Unlisted Trading Privileges**

The usual considerable number of notifications of minor changes in securities admitted to unlisted trading was received during the fiscal year from the stock exchanges pursuant to paragraph (a) of rule X-12F-2.

Applications for continuance of trading in unlisted issues after more important changes than those contemplated under paragraph (a) of rule X-12F-2 are made under paragraph (b) thereof. Three such applications were filed during the fiscal year by the American Stock Exchange, of which 2 were granted and 1 withdrawn.

**DELISTING OF SECURITIES FROM EXCHANGES****Securities Delisted by Application**

During the fiscal year ending June 30, 1954, the Commission granted 20 applications filed by exchanges or issuers to strike securities from exchange listing and registration pursuant to section 12 (d) and rule X-12D2-1. The applications included 11 by exchanges, covering 8 stock and 9 bond issues; and 9 by issuers, covering 8 stock issues, 1 of which was removed from 2 exchanges. The applications by exchanges were based on the undesirability, for various reasons, of further exchange trading. The applications by issuers were based on liquidation in one instance, reduced public holdings and limited trading volumes in two, and on the fact that the stock remained listed on another exchange in the remaining instances.

**Securities Delisted by Notification**

Notifications effecting the removal because of redemption or retirement of 115 issues from listing and registration on national securities exchanges were received during the fiscal year. Removals from more than one exchange brought the total removals to 136. The American Stock Exchange removed 7 issues from listing and registration when they became listed and registered on the New York Stock Exchange. The exempted exchanges removed 3 issues from listed trading thereon.

**MANIPULATION AND STABILIZATION****Manipulation**

The Securities Exchange Act prohibits manipulative practices in the securities markets. The Commission's analysts constantly watch for unusual or unexplained market activity. They observe the tickers of the leading exchanges and examine the quotation sheets of all exchanges. The financial news-ticker, leading newspapers and various financial publications and services are also closely followed. Over-the-counter surveillance is maintained by the examination of the bids and offers appearing in the sheets of the national quotation services and charts are kept on securities having actively quoted markets.

When unusual or unexplained market activity is observed, all known information regarding the security is evaluated and a decision made as to the necessity for an investigation. These investigations take two forms. The "quiz" or "preliminary" investigation is designed rapidly to discover evidence of unlawful activity. If a quiz discloses no evidence of violations it is closed. If violations are discovered, the information obtained in the quiz is made available to the proper division of the Commission or to the appropriate outside agency for punitive or corrective action. If the quiz indicates that more intensive investigation is necessary, a formal order may be issued by the Commission. Such an order empowers members of the staff to subpoena pertinent material and to take testimony under oath. Virtually all of the Commission's investigations are privately conducted so that no unfair reflection will be cast on any persons or securities and the trading markets will not be upset.

The following table shows the number of quizzes and formal investigations initiated in the fiscal year 1954 and the number closed or completed during the same period and the number pending at the ending of the fiscal year:

*Trading investigations*

	Quizzes	Formal investigations
Pending June 30, 1953.....	79	11
Initiated during fiscal year.....	100	3
Total to be accounted for.....	179	14
Closed or completed during fiscal year.....	110	4
Changed to formal during fiscal year.....	3	-
Total disposed of.....	113	4
Pending at end of fiscal year.....	66	10

When securities are to be offered to the public their markets are watched very closely to make sure that the price is not artificially raised prior to the distribution. All registered offerings and all offerings made under Regulations A and D (in all some 1849 offerings having a value exceeding \$9,365,000,000) were so observed during the fiscal year. Hundreds of other smaller offerings, such as secondary distributions and distributions of securities under special plans filed by the exchanges, were also checked and many were kept under special observation for considerable lengths of time.

#### **Stabilization**

All stabilizing operations are very carefully observed. During the fiscal year, stabilizing was effected in connection with stock offerings aggregating 21,759,000 shares having an aggregate public offering price of \$403,086,000. Bond issues having a total offering price of

\$65,000,000 were also stabilized. To accomplish this stabilization, 220,257 shares of stock were purchased by the offerors at a cost of \$3,657,000. Bonds costing \$442,500 were also bought by stabilizers. In connection with these operations more than 7,000 stabilizing reports were received and examined during the fiscal year.

During the fiscal year, the Commission engaged in the formulation and release for public comment of rules relating to the stabilization of securities under the Securities Exchange Act.<sup>1</sup> Three proposed rules deal with (1) permissible underwriters' trading prior to and during a distribution; (2) the times, methods and prices at which stabilizing transactions are permissible; and (3) permissible stabilizing transactions in connection with the offering of rights to security holders to subscribe for additional securities.

Following the Commission's Statement of Policy in 1940,<sup>2</sup> rather than promulgate specific rules in connection with stabilizing practices, the Commission had depended upon informal interpretations, some of which were issued in the form of releases but most of which were individually rendered by letter or telephone in answer to specific request. The Committee on Interstate and Foreign Commerce of the House of Representatives recommended in a report, dated December 30, 1952, that "The Commission should earnestly and expeditiously grapple with the problem of stabilization with the view either of the early promulgation of rules publicly covering these operations, or of recommending to the Congress such changes in legislation as its experience and study show now to be desirable."<sup>3</sup> The proposed rules were circulated for public comment on May 18, 1954, after intensive study by the staff and review by the Commission.

After the close of the fiscal year, a public hearing was held on July 8, 1954, and since that time an *ad hoc* committee of the public has conferred with and submitted additional proposals to the staff. The final recommendations of the staff with respect to the proposed rules are expected to be submitted to the Commission in the near future.

#### SECURITY OWNERSHIP BY CORPORATION INSIDERS

Officers, directors and owners of more than 10% of a listed stock are required by section 16(a) of the Securities Exchange Act to file with the Commission and the exchange, initial reports disclosing their direct and indirect beneficial ownership of each class of stock issued by their company and additional reports disclosing subsequent changes in such ownership. The Public Utility Holding Company Act and the Investment Company Act contain similar requirements.

<sup>1</sup> Securities Exchange Act release No 5040 (May 18, 1954).

<sup>2</sup> Securities Exchange Act release No. 2446 (March 18, 1940).

<sup>3</sup> House of Representatives, Report No 2508, 82d Congress, 2d session, page 3.

All reports are available for public inspection. In addition, in order to make the information filed pursuant to the regulation readily available in usable form, it is condensed and published in the Commission's monthly "Official Summary of Security Transactions and Holdings," which is distributed on a subscription basis by the Government Printing Office.

The steady growth over a number of years in the volume of insiders' reports filed with the Commission, mentioned in last year's annual report, continued during the 1954 fiscal year. Compared with the 14,765 reports filed during the 1944 fiscal year, the 23,199 reports filed in 1954 reflect a 10-year increase in these annual filings approximating 57%. The following tabulation shows details concerning the reports filed during the 1954 fiscal year.

*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, 1954*

Description of report	Original reports	Amended reports	Total
Securities Exchange Act of 1934: <sup>1</sup>			
Form 4.....	19,555	521	20,076
Form 5.....	366	5	371
Form 6.....	2,122	14	2,136
Total.....	22,043	540	22,583
Public Utility Holding Company Act of 1935: <sup>2</sup>			
Form U-17-1.....	57	3	60
Form U-17-2.....	271	0	271
Total.....	328	3	331
Investment Company Act of 1940: <sup>3</sup>			
Form N-30F-1.....	54	0	54
Form N-30F-2.....	231	0	231
Total.....	285	0	285
Grand total.....	22,656	543	23,199

<sup>1</sup> Form 4 is used to report changes in ownership; Form 5 to report ownership at the time any equity security is 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 the issuer.

<sup>2</sup> Form U-17-1 is used for initial reports and Form U-17-2 for reports of changes of ownership.

<sup>3</sup> Form N-30F-1 is used for initial reports and Form N-30F-2 for reports of changes of ownership.

#### Recovery of Insiders' Profits by Company

For the purpose of preventing the unfair use of information which may have been obtained by an insider by reason of his relationship to his company, sections 16 (b) of the Securities Exchange Act, 17 (b) of the Public Utility Holding Company Act, and 30 (f) of the Investment Company Act provide for the recovery by or on behalf of the issuer of any profit realized by the insider from certain purchases and sales, or sales and purchases, of securities of the company within any period of less than 6 months. The Commission is not charged with the enforcement of the civil remedies created by these provisions, which are matters for determination by the courts in actions brought

by the proper parties. However, the Commission has participated as *amicus curiae* in a number of suits instituted under these provisions where questions of statutory interpretation are involved.

### REGULATION OF PROXIES

#### Scope of Proxy Regulation

Under sections 14 (a) of the Securities Exchange Act, 12 (e) of the Public Utility Holding Company Act of 1935, and 20 (a) of the Investment Company Act of 1940 the Commission has adopted Regulation X-14 requiring the disclosure of pertinent information in connection with the solicitation of proxies, consents and authorizations in respect of securities of companies subject to those statutes. The regulation also provides means whereby any security holders so desiring may communicate with other security holders when management is soliciting proxies, either by arranging for the independent distribution of their own proxy statements or by including their proposals in the proxy statements sent out by management.

Copies of proposed proxy material must be filed with the Commission in preliminary form at least 10 days prior to the date of the proposed solicitation. Where preliminary material fails to meet the prescribed disclosure standards, the management or other group responsible for its preparation is notified informally and given an opportunity to avoid such defects in the preparation of the proxy material in the definitive form in which it may be furnished to all stockholders.

#### Statistics Relating to Proxy Statements

During the calendar year 1953 1,860 solicitations were made pursuant to Regulation X-14, of which 1,838 were conducted by management and 22 by non-management groups.

The purpose for which proxies are most often sought is the voting for nominees for directors. In 1953 this was an item of business in 1,715 stockholders' meetings, while at 119 meetings it was not involved. The remaining 26 solicitations sought consents or authorizations from stockholders with respect to proposals not involving any meeting or any election of directors.

The 1,838 management solicitations were made in 1953 by 1,695 companies, the difference of 143 in these figures reflecting repeated solicitations made in certain cases. Such repeated solicitations, whether by management or opposition groups, arise especially in connection with proxy contests.

During the first five months of 1954, twenty-five companies were subject to proxy contests for control or for representation on the board of directors compared to 18 such contests during the entire calendar year 1953.

The nature and the frequency of corporate business other than election of directors on which stockholders' decisions were sought in the calendar year 1953 are shown below.

<i>Nature of business other than election of directors</i>	<i>Number of proxy statements</i>
Mergers, consolidations, acquisition of businesses, and purchases and sales of property-----	66
Issuance of new securities, modification of existing securities, and re-capitalization plans other than mergers and consolidations-----	197
Employee pension plans-----	94
Employee stock purchase and stock option plans-----	98
Bonus and profit-sharing plans-----	31
Indemnification of officers and directors-----	14
Approval of independent auditors-----	463
Amendments to by-laws, and other matters-----	205

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

#### Registration

Section 15 (a) of the Securities Exchange Act requires the registration of brokers and dealers using the mails or instrumentalities of interstate commerce to effect transactions in securities on the over-the-counter markets, except those brokers and dealers whose business is exclusively intrastate or exclusively in exempt securities.

Set forth below are certain data with respect to registrations of brokers and dealers and applications therefor during the fiscal year 1954:

Effective registrations at close of preceding fiscal year-----	4, 053
Applications pending at close of preceding year-----	57
Applications filed during year-----	584
 Total-----	 <hr/> 4, 694 <hr/>
Applications denied-----	5
Applications withdrawn-----	17
Applications cancelled-----	1
Registrations withdrawn-----	383
Registrations cancelled-----	88
Registration suspended pending determination of revocation proceedings-----	1
Registrations revoked-----	20
Registrations effective at end of year-----	4, 132
Applications pending at end of year-----	47
 Total-----	 <hr/> 4, 694 <hr/>

#### Simplification of Forms and Rules Applicable to the Registration of Broker-Dealers

The Commission during the fiscal year substantially revised forms and rules pertaining to the registration of brokers and dealers.<sup>4</sup>

<sup>4</sup> Securities Exchange Act release No. 5000 (February 15, 1954).

This action was taken in connection with a comprehensive review of rules, regulations, forms and procedures, to eliminate duplication and to simplify the requirements wherever practicable without prejudice to the public interest or to the protection of investors.

In adopting the new forms for registration as a broker-dealer and in revising applicable rules, the Commission acted on the view that, wherever possible, an application for registration should be limited generally to information necessary to determine whether a registrant, or an applicant for registration, or any controlled, or controlling person, is subject to a statutory disqualification.

Form BD adopted during the year, applicable to brokers and dealers, is an all-purpose form to be used: (1) as the form of application for registration; (2) as the form to amend such an application; and (3) as the form of supplemental report to be filed by a registered person. The new four page Form BD contains only nine items or questions, whereas Form 3-M previously used as an application for registration, consisted of twelve pages and required furnishing information under twenty-seven items. Adoption of Form BD made it possible to rescind the single-purpose Forms 3-M, 4-M, 5-M and 6-M formerly used by broker-dealers. As a part of these actions the Commission, in each instance, amended applicable rules under the controlling statutes.

Both the previous and the current rules require that the information contained in the application for registration of brokers or dealers be kept current by amendments to the original application. By providing that the new forms may be used as supplements to the old forms, persons registered before adoption of the new forms are now required only to furnish current information with respect to the information in the abbreviated and simplified new forms. It is anticipated that, after these initial supplements have been filed, there will be a substantial reduction in the volume of amendments required to be filed with the Commission by registered broker-dealers.

#### **Administrative Proceedings**

The Commission is empowered, with due regard for the public interest and the protection of investors, to deny or revoke the registration of brokers and dealers pursuant to section 15 (b) of the Act and, pursuant to section 15A and 19 (a) of the Act, to suspend or expel brokers and dealers from membership in a national securities association or national securities exchange, where misconduct of various types on the part of the broker-dealer, or its partners, officers, directors or employees is shown.

The following tabulations reflect the type and number of such administrative proceedings instituted by the Commission during the 1954 fiscal year and their disposition:

*Administrative proceedings to deny and revoke registration, to suspend and expel from membership in a national securities association or exchange*

Proceedings pending at start of fiscal year to:

Revoke registration-----	29
Revoke registration and suspend or expel from NASD <sup>1</sup> or exchanges-----	12
Deny registration to applicant-----	0
Total proceedings pending-----	41

Proceedings insitituted during fiscal year to:

Revoke registration-----	12
Revoke registration and suspend or expel from NASD or exchanges-----	5
Deny registration to applicants-----	18
Total proceedings instituted-----	35

  

Total proceedings current during fiscal year-----	76
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*Disposition of proceedings*

Proceedings to revoke registration:

Dismissed on withdrawal of registration-----	6
Dismissed on cancellation of registration-----	5
Dismissed—registration permitted to continue in effect-----	6
Registration revoked-----	15
Total-----	32

Proceedings to revoke registration and suspend or expel from NASD or exchanges:

Registration revoked and registrant expelled from NASD-----	2
Registration revoked and registrant expelled from NASD and exchanges-----	1
Registration revoked—no action taken on NASD membership-----	2
Dismissed—registration and membership permitted to continue in effect-----	2
Suspended for a period of time from NASD-----	2
Total-----	9

Proceedings to deny registration to applicant:

Dismissed on withdrawal of application-----	9
Discontinued on cancellation of broker-dealer application-----	1
Registration denied-----	5

Total-----	15
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Total proceedings disposed of-----	56
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<sup>1</sup> The National Association of Securities Dealers, Inc. is the only national securities association registered with the Commission.

*Disposition of proceedings—Continued*

Proceedings pending at the end of fiscal year to:

Revoke registration.....	10
Revoke registration and suspend or expel from NASD or exchanges.....	7
Deny registration to applicants.....	3
Total proceedings pending at end of fiscal year.....	20
Total proceedings accounted for.....	76

As shown in the above table, there were no proceedings on<sup>1</sup> the question of denial of registration pending at the beginning of the fiscal year. However, 18 such proceedings were instituted during the year of which 16 related to applications for registration filed by Canadian brokers and dealers. The Commission orders for proceedings in the latter group charged, in effect, that the Canadian brokers and dealers had sold and delivered to persons in the United States stock of certain Canadian companies in violation of the securities registration and anti-fraud provisions of the Securities Act of 1933 and the broker-dealer registration provisions of the Exchange Act. During the pendency of these proceedings, 9 of the respondents withdrew their applications for registration; one application was cancelled because of the death of the respondent and one proceeding is still pending. The Commission issued orders of denial in the remaining 5 cases.<sup>5</sup>

Three administrative proceedings decided during the year involved, among other things, the failure of a firm to comply with the net capital requirements of the Commission. In one case the Commission revoked registrant's registration<sup>6</sup> because its aggregate indebtedness exceeded 2000 per centum of its net capital, and in another the Commission made similar findings with respect to violation of the net capital rule and also found that registrant failed to keep its books and records current and failed to disclose that the controlling interest in the firm had been sold to an undisclosed person.<sup>7</sup> In the third case violation of the net capital rule was also found but the Commission noted that the firm had revised its practices and concluded that a suspension from membership in the National Association of Securities Dealers, Inc. for a period of 10 days was a sufficient sanction.<sup>8</sup>

Some of the other proceedings disposed of during the year involved violations of rule X-17A-5 in that the registrants in some instances filed false and misleading financial statements with this Commission,

<sup>1</sup> *Adelaide Securities, Ltd.*, Securities Exchange Act release No. 5041; *R. W. Brown, Ltd.*, Securities Exchange Act release No. 5042; *Harry Raymond Cory, dba H. R. Cory & Co.*, Securities Exchange Act release No. 5043; *Greenwood Securities Corporation, Ltd.*, Securities Exchange Act release No. 5044; *Torment Trading Corporation, Ltd.*, Securities Exchange Act release No. 5045.

<sup>2</sup> *Miller & Co.*, Securities Exchange Act release No. 4931.

<sup>3</sup> *Kobbe & Co., Inc.*, Securities Exchange Act release No. 4940.

<sup>4</sup> *Douglass & Co.*, Securities Exchange Act release No. 5039.

and in other instances failed to file statements of financial condition as required by the rule. In other instances, permanent injunctions restraining the registrants from engaging in and continuing unlawful acts and practices in connection with the purchase and sale of securities were the basis for the revocation orders.

#### **Broker-Dealer Inspections**

Section 17 (a) of the Securities Exchange Act empowers the Commission to make periodic, special, and other examinations of the books and records of brokers and dealers. Under this section the Commission conducts an inspection program to determine whether brokers and dealers are complying with the requirements of the Acts administered by the Commission.

During the fiscal year the Commission's Regional Offices reported on 788 such inspections, 621 of which were inspections of members of the NASD. As in former years, a substantial number of violations of the rules and regulations were discovered, including non-compliance with the capital rule, the hypothecation rule and Regulation T prescribed by the Board of Governors of the Federal Reserve System. There were a very few instances where brokers and dealers were taking secret profits. There were a number of transactions in which the reasonableness of the price charged to the customer in relation to the current market price, or the concurrent cost, was questionable, and a substantial number of miscellaneous infractions too scattered and varied to classify.

The Commission does not necessarily take formal action against a registered broker or dealer who appears from these inspections to have violated the Acts. The character of the activity and the public interest are considered in determining whether action is appropriate. If the violations appear to be inadvertent or the result of misinformation, the Commission affords the broker-dealer an opportunity to correct its practices if possible, or to satisfy the Commission that they will not continue.

The extent of the broker-dealer inspection program depends primarily on the availability of funds. Many members of the investing public have the erroneous impression that every registered broker-dealer firm is inspected regularly in a manner comparable to the examinations made of banking institutions. This, of course, is not so, and would be possible only with a substantial increase in personnel and a corresponding increase in costs.

In addition to the Commission, inspections of brokers and dealers are made by the National Association of Securities Dealers, Inc., some of the national securities exchanges and some of the states. These inspections vary widely in character, scope, and frequency. There have been cases where several agencies have inspected a single

firm in a relatively short period of time, and others where a firm subject to inspection by several agencies has remained uninspected for an extended period. This problem calls for coordination between inspecting agencies designed to avoid multiplicity of inspections of some firms and long-term omission of inspections of other firms.

A survey conducted by the SEC Liaison Committee of the National Association of Securities Administrators, working in cooperation with this Commission, indicated a lack of uniformity in inspection programs and differences in jurisdiction which make impracticable a system whereby the findings of one inspecting agency would be available to other agencies. The results of this survey were discussed with representatives of National Association of Securities Administrators, various national securities exchanges and the National Association of Securities Dealers, Inc.

This study culminated in adoption of a program for the interchange of information as to dates of inspection between inspecting agencies. However, under this program, the results of any inspections are confidential to the inspecting agency. This pooling of information as to when and by whom inspections have recently been made permits the scheduling of routine inspections so as to reduce haphazard duplications of inspections and omissions to inspect. The program applies only to routine inspections, and no inspecting agency is in any way restricted in its freedom to inspect or investigate for good cause, such as on a customer's complaint or an indication of unsatisfactory financial condition. To evaluate the program would be impracticable at this early date, but there are indications that it will effectively reduce the number of uninspected and overinspected firms.

The active participants at the year-end included the Commission, the National Association of Securities Dealers, Inc., the New York Stock Exchange, the American Stock Exchange, the San Francisco Stock Exchange, the Midwest Stock Exchange and practically every state whose laws and procedures provide for an effective inspection or examination program, including the states of California, Connecticut, Illinois, Michigan, Minnesota, Oklahoma, Oregon, Washington and Wisconsin. It is anticipated that, as other exchanges and states develop effective inspection programs, their participation in this cooperative effort will become of increasing importance. In addition to the states named above many others which conduct limited inspection programs have signified their cooperation to the extent of their jurisdiction and inspection facilities.

#### **Investigations**

Investigations of brokers and dealers may result from the inspection program, complaints from members of the public or information

received from sources such as state securities commissions, securities exchanges and associations and "better business bureaus." When investigations are completed and the evidence has been analyzed, the staff, where appropriate, recommends to the Commission that it institute injunctive action or institute proceedings to revoke registration or to suspend or expel from membership in the national securities exchange or association to which the broker or dealer may belong, or refer the matter to the Department of Justice for criminal prosecution.

The number of such investigations during the fiscal year were as follows:

Pending July 1, 1953-----	185
Commenced during year-----	75
Closed during year-----	149
Pending July 1, 1954-----	111

#### Financial Reports

The Commission's rule X-17A-5 requires brokers and dealers to file financial reports each calendar year. During the 1954 fiscal year 3950 such reports were filed. Examination of the financial report filed by a broker-dealer affords the staff an opportunity to determine whether, as of the date of the report, the firm is in compliance with the capital requirements prescribed by rule X-15C3-1, and if it is not, the firm is given an opportunity, if consistent with the public interest and the protection of investors, to bring its financial condition up to the required standards. If the firm fails to do so promptly, the Commission takes appropriate action.

#### SUPERVISION OF ACTIVITIES OF NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

##### Membership

The National Association of Securities Dealers, Inc. continued as the only national securities association registered with the Commission. The Association reported that during the fiscal year its membership increased by 57 to a total of 3,091 at June 30, 1954, as a result of 281 admissions to, and 224 terminations of membership. The Association also reported that at June 30, 1954 there were registered with it as registered representatives 35,679 individuals, including generally all partners, officers, salesmen, traders and other persons associated with, or employed by, member firms in capacities which involve their doing business directly with the public. The number of persons so registered increased by 2,091 during the year as a result of 6,087 initial registrations, 2,250 re-registrations and 6,246 terminations of registration.

##### Disciplinary Actions

During the fiscal year the Commission received from the NASD reports of final action in twenty-seven disciplinary proceedings in

which formal complaints alleging violations of specified provisions of the Association's Rules of Fair Practice had been filed against members, eight of which involved members and the remaining nineteen involved not only members, but also one or more registered representatives of such members.

In five of the proceedings members were expelled, in seven members were fined and in six were censured, and in ten no disciplinary action was taken against the members. With respect to registered representatives, the registrations of seven were revoked, four were suspended, fines were imposed on four representatives and censure upon six, and the complaint was dismissed in one case. In a few of the cases more than one type of sanction was imposed with respect to the person disciplined. The fines imposed ranged from \$100 to \$3,500 and the suspensions from 14 days to one year. In some instances costs were assessed.

#### **Commission Review of NASD Disciplinary Actions**

Section 15A (g) of the Act provides that disciplinary actions by the NASD are subject to review by the Commission on its own motion or on the application of any aggrieved person. Two such petitions, described in earlier Annual Reports, were pending at the close of the last fiscal year and during the year their status remained unchanged.<sup>9</sup> In addition, three other petitions were filed during the year. One of these, filed on behalf of Gilbert Parker Investing, Inc. under this section and in the alternative under section 15A(b) (4) described below, concerned a decision by the NASD that Parker and his firm were not eligible for membership because of a disqualification arising from an earlier NASD disciplinary action. This petition was withdrawn prior to determination by the Commission.

Petitions for review were filed with the Commission with respect to two decisions of the Board of Governors of the NASD expelling members found to have violated designated rules in selling oil royalties to customers at unfair prices and to have by such violations been guilty of conduct inconsistent with just and equitable principles of trade. Both these appeals were pending at the end of the fiscal year.

#### **Commission Review of Action on Membership**

The Act in section 15A (b) (4) and the by-laws of the NASD provide that, except where the Commission with due regard to the public interest approves or directs to the contrary, no broker or dealer may be

<sup>9</sup> The pending cases concern petitions filed by Earl L. Combest from a two-year suspension as registered representative and a fine of \$2,500, and by Otis & Co. from a two-year suspension from membership. Subsequent to the close of the fiscal year the suspension of Combest was cancelled but the action imposing the fine was affirmed. (Securities Exchange Act Release No. 5064, July 13, 1954) and the petition of Otis & Co. was dismissed as moot, following the revocation by the NASD of its suspension order (Securities Exchange Act Release No. 5110, November 4, 1954.)

admitted to or continued in membership if he or any controlling or controlled person is expelled or is currently under suspension from such an association for violation of a rule prohibiting conduct inconsistent with just and equitable principles of trade, or is subject to an order of the Commission denying or revoking his broker-dealer registration, or was a "cause" of any such order of expulsion, current suspension or denial or revocation.

Pursuant to this authority the Commission approved applications for the continuation in membership of three firms while employing persons formerly associated with Charles E. Bailey & Co.<sup>10</sup> and one firm employing a person formerly associated with Mason, Moran & Co.<sup>11</sup>

The status of two other cases pending at the start of this fiscal year was unchanged at the year end.<sup>12</sup>

#### **Commission Action on NASD Rules**

Section 15A (j) of the Act provides that the Commission shall disapprove changes in the rules of a national securities association unless such changes appear to the Commission to be consistent with the requirements for such rules as contained in sub-section 15A(b) of the Act.

The Commission, on June 30, 1952, had disapproved, pending further order, a rule adopted by the Association providing for notice under certain conditions to a member (the "employer member") before another member (the "executing member") knowingly executes purchases or sales of a security for the account of a partner, officer, registered representative or employee of the employer member.<sup>13</sup> At the same time the Commission gave notice that it had under consideration a proposal to adopt rule X-10B-6 which had the same broad objective. Broadly stated, both rules were designed to provide notice to a firm of transactions by employees or associates effected through other firms so that a member, in his own interest and in the interest of his customers, might weigh the effect, if any, of such transactions handled outside his own office.

The Commission on the basis of further study of the problem involved and on the comments received on its proposed rule concluded that its own rule should not be adopted and that the Association's rule should be permitted to become effective. The Commission by order, therefore, vacated its earlier order which had disapproved the Association's proposed rule.<sup>14</sup>

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<sup>10</sup> Securities Exchange Act Release No. 5030 (April 20, 1954).

<sup>11</sup> Securities Exchange Act Release No. 5025 (April 8, 1954).

<sup>12</sup> The pending cases concerned petitions filed on behalf of Franklin Distributors, Inc. (Securities Exchange Act Release No. 4818); and a member firm seeking approval of its continuance as a member with William A. Spanier as an employee and controlled person. (Securities Exchange Act Release No. 4811.)

<sup>13</sup> Securities Exchange Act Release No. 4723 (June 30, 1952).

<sup>14</sup> Securities Exchange Act Release No. 4924 (August 21, 1953).

**Change in Commission Rules Applicable to NASD**

As another step in its program for the simplification of rules, the Commission adopted amendments to paragraph (b) of its rule X-15AJ-1 and to Forms X-15AA-1 and X-15AJ-2 under the Securities Exchange Act which had the effect of reducing the information required to be filed with the Commission by national securities associations.<sup>15</sup> The amendments eliminated a requirement that such an association file annually with the Commission as a part of its registration statement a list of members arranged on a geographical basis and information concerning the amount of dues payable each year by each member. The amendments were adopted at the request of the NASD on the grounds that the information had little value but was difficult and expensive to compile.

In addition the Association during the year amended sections 4, 5 and 6 of Article XV of the by-laws and section 27 (a) of Article III of the Rules of Fair Practice all of which relate to registered representatives. The effect of the integrated amendments to the by-laws was to provide for continuous jurisdiction over a registered representative so that a change of employment from one member to another would no longer terminate the responsibility of the representative for actions committed during a previous employment. Section 27(a) of the Rules of Fair Practice imposed on a member an obligation to supervise certain activities of specified employees. The amendment to this section extended the scope of the rule to encompass all registered representatives, instead of only salesmen, and to all transactions with or for a customer, instead of only sales or offers to customers.

**LITIGATION UNDER THE SECURITIES EXCHANGE ACT**

During the fiscal year the Commission found it necessary to apply to the federal courts on a number of occasions for injunctive relief to prevent continuing violations of the Securities Exchange Act.

One such action was *S.E.C. vs. Lawrence L. Smith*,<sup>16</sup> in which the Commission's complaint charged the defendant with violating the anti-manipulative and anti-fraud provisions of the Act in that he effected a series of transactions in a security registered on a national securities exchange for the purpose of inducing others to purchase or sell shares of such security. The orders were placed with several brokers. The complaint alleged that the defendant represented to brokers that he would pay for the securities purchased for his account on the settlement date when, in fact, the defendant knew that he could not settle and pay on the due date. It was also charged that

<sup>15</sup> Securities Exchange Act release No. 4942 (September 22, 1953).

<sup>16</sup> D. Maine No. 1033.

the defendant issued checks in purported payment for securities purchased on his order when, in fact, the defendant knew he had insufficient funds available to honor such checks. Because of the activities of the defendant, certain brokers and dealers were forced to sell the securities on the market at prices less than the amount agreed to be paid by the defendant and less than the cost of such securities to such brokers and dealers. The defendant consented to the entry of judgment.

In connection with an investigation the Commission found it necessary to file a complaint in *S.E.C. vs. Charles M. Weber, doing business as Weber-Millican Company*,<sup>17</sup> a registered broker-dealer, to require registrant to permit representatives of the Commission to examine certain books and records. The complaint alleged that Weber-Millican refused to make available for reasonable inspection and examination by representatives of the Commission, as required by the Act, books and records which the defendant must keep and make available pursuant to the rules adopted under the statute. The defendant consented to the entry of judgment.

A complaint charging violation of the Commission's net capital rule was filed in *S.E.C. vs. W. E. Buford & Co., Inc.*<sup>18</sup> The complaint alleged that the defendant's aggregate indebtedness to other persons exceeded 2000 per centum of its net capital as defined in the rule. In addition to an injunction the Commission also sought the appointment of a receiver. Subsequent to the filing of the complaint and the entry of a temporary restraining order, the defendant entered into certain transactions and arrangements with creditors which brought its financial condition within the standards prescribed by the rule promulgated for the protection of investors. Under the circumstances the Commission entered into a stipulation with the defendant forming the basis of the court's order wherein W. E. Buford & Co., Inc. consented to the entry of a judgment to enjoin the defendant from future violations of the rule and undertook to file with the Commission monthly financial reports for one year. It was provided that if the defendant is in full compliance with the requirements of the Commission's rule for the one-year period, the court may vacate the judgment on motion of the defendant. However, the defendant agreed that if during that period he should violate the rule, he would not oppose an application by the Commission for the appointment of a receiver of the defendant's business. Jurisdiction was retained by the court for the purpose of giving full effect to this arrangement.

In *S.E.C. vs. George McKaig*,<sup>19</sup> the Commission alleged that McKaig, individually and doing business as George McKaig & Com-

<sup>17</sup> S. D. New York No. 90-147.

<sup>18</sup> W. D. Virginia No. 391.

<sup>19</sup> D. Maine No. 1132.

pany, hypothecated securities of customers under circumstances which permitted the securities to be subjected to liens in excess of those permitted by Commission rules. In addition to charging other violations of the hypothecation rules, the complaint also charged that the defendant permitted his indebtedness to exceed the limitations prescribed by the Commission's net capital rule, that he failed to keep required books and records, and filed uncertified accounts of financial condition, although required to file certified reports. The action was pending at the end of the fiscal year.

#### Participation as Amicus Curiae

In *Connell v. Errion*,<sup>20</sup> the Commission filed a brief as *amicus curiae* by invitation of the Court. It expressed the view that the anti-fraud provisions of rule X-10B-5 under section 10 (b) of the Securities Exchange Act of 1934 were applicable to a combination purchase of securities and property which did not come within the definition of securities under the Act, and that under section 29 (b) of the Act the defrauded seller could obtain rescission of the entire transaction, including the transfer of the non-securities, for violation of the rule, or obtain monetary relief by way of damages as an alternative to specific restitution. Defendants had sought dismissal of the complaint which was based upon alleged violations of the rule. In denying the motion to dismiss, the Court indicated from the bench that its conclusion was based largely upon the Commission's arguments.<sup>21</sup>

*Textron, Inc. v. American Woolen Company*<sup>22</sup> was a suit to enjoin announcement of the results of a vote for officers and directors of the American Woolen Company taken at a stockholders' meeting because a substantial number of proxies counted for and necessary to the existence of a quorum allegedly had been obtained in violation of the Commission's proxy rules under section 14 (a) of the Securities Exchange Act of 1934. The Commission filed a statement with the Court expressing the view, with which the Court subsequently agreed, that a shareholder could maintain a private action in a federal district court based upon an alleged violation of the Commission's proxy rules in a proper case, notwithstanding the fact that the Commission itself did not institute an action. The Court found, however, that the alleged violations did not invalidate the proxies for the purpose of being counted toward a quorum, and that under the circumstances federal jurisdiction could not be based on the Securities Exchange Act, although the Court took jurisdiction on other grounds.

<sup>20</sup> W. D. Wash., Civil Action No. 3556.

<sup>21</sup> Transcript of statement of the Court on January 25, 1954, p. 5.

<sup>22</sup> 122 F. Supp. 305 (D. Mass. 1954).

## **PART IV**

### **ADMINISTRATION OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935**

The Public Utility Holding Company Act of 1935 provides for three separate areas of regulation of holding company systems which control electric utility companies and companies engaged in the retail distribution of natural or manufactured gas. The first embraces those provisions of the Act which require physical integration of the public utility and related properties of holding company systems, and the simplification of intercorporate relationships and financial structures of the systems. The second area of regulation covers financing operations of registered holding companies and their subsidiaries, acquisitions and dispositions of securities and properties, their accounting practices and servicing arrangements and other intercompany transactions. The third area includes the provisions of the Act providing exemptions for intrastate and foreign holding company systems and systems which are only incidentally holding company systems and those provisions of the Act regulating the right of a person who is affiliated with a public utility company to acquire securities resulting in a second such affiliation.

#### **COMPOSITION OF REGISTERED HOLDING COMPANY SYSTEMS— SUMMARY OF CHANGES**

On June 30, 1954 there were 29 public utility holding company systems which were subject to the regulatory provisions of the Act as registered holding company systems. Included were 25 registered holding companies which function solely as holding companies, 10 other registered holding companies which were also operating companies, 133 electric and gas utility subsidiaries and 156 non-utility subsidiaries, a total of 324 companies. For the convenience of discussion these 29 registered systems are referred to as "active systems"

and a table showing the composition of such systems as of June 30, 1954 appears in appendix table 9. In addition there were 6 companies which had registered as holding companies but which had disposed of all of their utility subsidiaries.

On June 30, 1953 there were 35 active registered holding company systems aggregating 372 companies.<sup>1</sup> The six systems which had ceased to be active registered systems as of June 30, 1954,<sup>2</sup> comprised eight registered holding companies, 11 electric and gas utility subsidiaries and six non-utility subsidiaries. One public utility company registered as a holding company during 1954, because it had entered into a contract for the purchase of another utility company, but ceased to be a registered holding company in the same fiscal year following the cancellation of this contract.

Active registered systems added one public utility subsidiary and four non-utility subsidiaries in 1954. Fifteen public utility subsidiaries with net assets aggregating \$265 million and two non-utility subsidiaries with assets of \$5 million<sup>3</sup> were divested by their respective holding company parents and as a result were no longer subject to the Act as components of registered systems.<sup>4</sup> Twenty-three companies were absorbed by mergers or consolidations, 9 were eliminated by dissolution, and 16 companies ceased to be associated with the active systems as a consequence of exemptions and other changes in status. The following table shows the changes which occurred during the year in the composition of active registered holding company systems.

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<sup>1</sup> Not included in these totals were 11 other companies which had registered as holding companies, but as of June 30, 1953 no longer owned any public utility subsidiaries.

<sup>2</sup> These systems consisted of American Power & Light Company, Derby Gas & Electric Corporation, Kinzua Oil & Gas Corporation, North Continent Utilities Corporation, Republic Service Corporation, Southwestern Development Company, and their respective subsidiaries.

<sup>3</sup> The assets of one of these companies at the time of divestment were not reported.

<sup>4</sup> During the 19-year period from Dec. 1, 1935 to June 30, 1954 registered holding companies have divested themselves of 329 subsidiaries with aggregate assets of over \$11,768,000,000 which, as a result of such divestments, ceased to be subject to the Act as of June 30, 1954 as components of registered systems. These companies included 259 electric utility companies with assets of \$9,201,000,000, 158 gas utility companies with assets of \$874,000,000, and 412 non-utility companies with assets of over \$1,693,000,000.

*Summary of changes in the composition of active registered public utility holding company systems*

TWELVE MONTHS ENDED JUNE 30, 1954

	Registered holding companies	Registered holding operating companies	Electric and gas utility companies	Non-utility companies	Total companies in active systems
<b>Companies in active registered holding company systems—June 30, 1953</b>	<b>35</b>	<b>12</b>	<b>164</b>	<b>161</b>	<b>372</b>
<b>Additions:</b>					
Companies acquired during fiscal year 1954.			1	4	5
Holding company systems registered during year.	1				1
Total companies associated with active systems during 1954.	36	12	165	165	378
<b>Deductions:</b>					
Companies divested by holding companies; no longer subject to Act.			15	2	17
Companies dissolved.	4		2	5	11
Companies absorbed in mergers or consolidations.			13	2	15
Companies converted from status of registered holding companies or subsidiaries thereof to status of exempt holding company systems or other status not associated with registered systems.	6		22	3	11
Changes in classification of companies in active registered systems as result of change status.	1	2		(3)	
<b>Companies in active registered holding company systems—June 30, 1954</b>	<b>25</b>	<b>10</b>	<b>133</b>	<b>156</b>	<b>324</b>

<sup>1</sup> Includes 5 companies for the New England Electric System. Four new subsidiary companies were organized in this system to consolidate 9 previously existing subsidiaries. Only the net change is reflected in this table.

<sup>2</sup> The transformation of Republic Service Corporation (Del.) and its two subsidiaries from an active registered system on June 30, 1953 to an exempt holding company system consisting of two companies as of June 30, 1954 is reflected in this table as one nonutility company dissolved, and one registered holding company and one utility company converted to other status. Actually a new Republic Service Corporation (Pa.) was organized to take over the assets and business of the Delaware company. The table shows only the net effect.

<sup>3</sup> Denotes an addition.

## SIGNIFICANT DEVELOPMENTS IN AND LITIGATION INVOLVING HOLDING COMPANY SYSTEMS

### American & Foreign Power Company, Inc.

During the fiscal year the Commission entered an order granting American & Foreign Power Company, Inc. an exemption as a holding company and as a subsidiary of Electric Bond and Share Company pursuant to sections 3 (a) (5) and 3 (b) of the Act.<sup>5</sup> After the close of the fiscal year, the Commission disposed of certain remaining claims in prior reorganizations proceedings for fees and expenses arising out of the section 11 (e) proceedings.<sup>6</sup> As a result of the order active regulatory supervision over the company has been reduced to a minimum, consisting of only such attention as is required by section 3 (c) of the Act in the continuing but limited surveillance of companies exempted from the statute. A summary of the proceedings before the Commission and the courts leading to the corporate simplification of this system pursuant to section 11 (e) of the Act appears in the 18th Annual Report.

<sup>5</sup> Holding Company Act release No. 12196 (November 2, 1953).

<sup>6</sup> Holding Company Act release No. 12677 (October 11, 1954).

**American Gas and Electric Company**

American Gas and Electric Company controls the largest of the regional integrated holding company systems. During the fiscal year the Commission approved a voluntary proposal for the acquisition by Indiana & Michigan Electric Company, a subsidiary operating company, of all of the assets of Citizens Heat, Light and Power Company, another subsidiary operating company, following which the latter was dissolved.<sup>7</sup> The transaction was consummated on April 26, 1954.

As the result of two other proposals approved by the Commission American Gas and Electric Company acquired all of the outstanding common stock of Flat Top Power Company, a non-affiliated public-utility company<sup>8</sup> and The Ohio Power Company, a subsidiary of American Gas and Electric Company, acquired the electric generating and distribution facilities of the village of Arlington, Ohio.<sup>9</sup> The company also holds 37.8 percent of the common stock of Ohio Valley Electric Company, recently organized to generate power for the Atomic Energy Commission's plant at Portsmouth, Ohio.

Pending for determination by the Commission is a proposal filed pursuant to section 11 (e) of the Act providing for, among other things, the merger of two system operating companies, The Ohio Power Company and Central Ohio Light & Power Company.<sup>10</sup>

**American Natural Gas Company**

American Natural Gas Company is solely a holding company with four direct subsidiaries, Michigan Consolidated Gas Company, Milwaukee Gas Light Company, Michigan-Wisconsin Pipe Line Company and American Natural Gas Service Company. An indirect subsidiary, Milwaukee Solvay Coke Company, was owned by Milwaukee Gas at the end of the fiscal year.

At the beginning of the fiscal year the Commission had pending for decision a question concerning the retainability of the interest of American Natural Gas in Milwaukee Solvay, a non-utility, as an "other business" under section 11 (b) (1) of the Act. The Commission decided to permit the retention of this interest on the ground that circumstances giving rise to its earlier order permitting retention had not changed sufficiently to require divestment, subject however, to the Commission's continuing jurisdiction to determine whether future conditions may require such action.<sup>11</sup>

**American Power & Light Company**

The various proceedings before the Commission and the Federal Courts leading to the dissolution and liquidation of this system were-

<sup>7</sup> Holding Company Act release No. 12403 (March 11, 1954).

<sup>8</sup> Holding Company Act release No. 12429 (March 26, 1954).

<sup>9</sup> Holding Company Act release No. 12058 (July 16, 1953).

<sup>10</sup> Holding Company Act release No. 12663 (September 20, 1954).

<sup>11</sup> Holding Company Act release No. 12317 (January 22, 1954).

reported in the 19th and earlier Annual Reports. On December 29, 1953 the Commission released jurisdiction over fees and expenses claimed by certain participants in the proceedings which terminated with the plan of dissolution approved by the Commission on March 21, 1953.<sup>12</sup> This action disposed of the remaining questions connected with the reorganization of the American Power & Light system. The company has filed an application for an order pursuant to section 5 (d) of the Act declaring that it has ceased to be a holding company.

#### Central Public Utility Corporation

At the beginning of the fiscal year the Commission had pending for decision the approval of a plan filed pursuant to section 11 (e) of the Act by Central Public Utility Corporation ("Cenpuc"). This plan provided for the elimination from the system of Central Indiana Gas Company, Cenpuc's only domestic public utility subsidiary; the dissolution of Central Natural Gas Corporation, a non-utility subsidiary; the merger with Cenpuc of Islands Gas and Electric Company, an exempt holding company subsidiary; and an application for exemption pursuant to section 3 (a) (5) of the Act of Cenpuc and its subsidiaries to be granted upon consummation of the preceding steps.<sup>13</sup> Subsequently Cenpuc filed an amendment to this plan requesting that the proposals relating to the merger of Islands Gas with Cenpuc and the application for exemption be eliminated.<sup>14</sup> The Commission approved the plan providing for the distribution by Cenpuc to its stockholders on a pro rata basis of the reclassified stock of Central Indiana Gas Company and the liquidation and dissolution of Central Natural Gas Corporation.<sup>15</sup> Those provisions of the original plan, which the company had requested to have withdrawn, were not considered.

During the year the Commission issued three other orders pertaining to this system under section 11 (e) of the Act. In one the Commission authorized the withdrawal of an application for approval of a plan providing for the recapitalization of Islands.<sup>16</sup> In another it approved certain applications for fees and expenses incurred in connection with an earlier plan of reorganization approved by the Commission on June 13, 1952,<sup>17</sup> and in the third it approved, and released jurisdiction with respect to, the procedures for the selection of a new board of directors of Central Indiana Gas Company following its divestment by Cenpuc.<sup>18</sup>

<sup>12</sup> Holding Company Act release No. 12286.

<sup>13</sup> Holding Company Act release No. 11898 (May 8, 1953).

<sup>14</sup> Holding Company Act release No. 12205 (November 6, 1953).

<sup>15</sup> Holding Company Act release No. 12236 (December 4, 1953).

<sup>16</sup> Holding Company Act release No. 12083 (July 28, 1953).

<sup>17</sup> Holding Company Act release No. 12126 (September 3, 1953).

<sup>18</sup> Holding Company Act release No. 12368 (February 17, 1954).

**Cities Service Company**

Cities Service Company is a registered holding company under commitment pursuant to section 11 (b) of the Act to dispose of all of its utility interests. The only public utility interests still owned by Cities at the beginning of the fiscal year included two domestic gas utility subsidiaries, Arkansas-Louisiana Gas Company and The Gas Service Company, and one foreign gas utility, Dominion Natural Gas Company, Ltd., a subsidiary company exempt pursuant to section 3 (b) of the Act. A contract was entered into with a neighboring public utility company, Missouri Public Service Company, for the sale to it by Cities Service of its holdings of all of the common stock of The Gas Service Company subject to the requisite regulatory approvals. Following hearings before the Commission, in which the Missouri Public Service Commission and the Kansas State Corporation Commission appeared as parties, Cities Service and Missouri Public Service withdrew their respective applications. On April 6, 1954 the Commission approved a proposal for the sale of the stock of Gas Service Company at competitive bidding.<sup>19</sup> The sale was consummated on April 20, 1954.

During the fiscal year the Commission also issued an order releasing jurisdiction over fees and expenses arising out of a plan to bring the system of Arkansas Natural Gas Corporation (formerly a registered holding company subsidiary and now known as Arkansas Fuel Oil Corporation) into compliance with section 11 (b) of the Act.<sup>20</sup>

**Consolidated Natural Gas Company**

This company is a holding company controlling four gas utility subsidiaries, and a gas transmission subsidiary. During the fiscal year the Commission considered two proposals relating to the sale and acquisition of properties. In one the Commission authorized the sale by Hope Natural Gas Company, a subsidiary, of certain gas leases, wells and equipment to The Manufacturers Light and Heat Company, a subsidiary of Columbia Gas System, Inc., also a registered holding company.<sup>21</sup> In the second case, New York State Natural Gas Corporation, a non-utility subsidiary, requested approval of a proposal to acquire certain gas producing and transmission properties from The Manufacturers Light and Heat Company. The Commission dismissed the application for lack of jurisdiction.<sup>22</sup>

**Eastern Utilities Associates**

Eastern Utilities Associates is solely a holding company controlling an electric utility system operating in the states of Rhode Island and Massachusetts. The plan for the reorganization of this holding

<sup>19</sup> Holding Company Act release No. 12445.

<sup>20</sup> Holding Company Act release No. 12506 (May 21, 1954).

<sup>21</sup> Holding Company Act release No. 12191 (October 28, 1953).

<sup>22</sup> Holding Company Act release No. 12257 (December 14, 1953).

company system pursuant to section 11(e) of the Act was described in the Commission's 19th Annual Report. During 1954 \$7 million of collateral trust bonds were issued as contemplated by the plan.<sup>23</sup> The Commission also approved various claims for fees and expenses in connection with the reorganization.<sup>24</sup>

#### **Electric Bond and Share Company**

Pursuant to the provisions of plans approved by the Commission under section 11 (e) in previous fiscal years, Electric Bond and Share Company is in the process of reducing to less than 5 percent its holdings of the common stocks of its only domestic utility subsidiary, United Gas Corporation, with the intention of qualifying for an exemption under section 3 (a) (5) of the Act and of transforming itself into a registered investment company under the Investment Company Act of 1940.

Several remaining residual matters pertaining to the effectuation of plans filed in prior years were acted upon by the Commission during the fiscal year. Among these were transactions pertaining to the disposal of (a) portions of Bond and Share's holdings of United Gas common stock,<sup>25</sup> which holdings had been reduced as of June 30, 1954 to 12.1 percent of such outstanding stock and (b) all of Bond and Share's holdings of 4,256 shares of common stock of Portland Gas and Coke Company,<sup>26</sup> which had been received as a liquidating distribution from Bond and Share's former subsidiary, American Power and Light Company.

Applications for fees and expenses incurred by various participants in connection with Bond and Share's final comprehensive plan of reorganization were also considered by the Commission during the fiscal year, and the Commission issued an order authorizing and directing Bond and Share to pay certain fees and expenses.<sup>27</sup> Certain other applications for approval of fees and expenses were pending at the close of the fiscal year.

#### **Electric Power & Light Corporation**

At the close of the prior fiscal year appeals were pending from an order of the United States District Court for the Southern District of New York sustaining the Commission's determinations with respect to fee claimants in the proceedings for the reorganization and dissolution of Electric Power & Light Corporation, a registered holding company subsidiary of Electric Bond and Share Company.

On February 25, 1954 the United States Court of Appeals for the Second Circuit affirmed in part and reversed in part the decision of

<sup>23</sup> Holding Company Act release No. 12382 (March 2, 1954).

<sup>24</sup> Holding Company Act releases Nos. 12632 (August 24, 1954) and 12681 (October 13, 1954).

<sup>25</sup> Holding Company Act releases Nos. 12255 (December 11, 1953) and 12263 (December 17, 1953).

<sup>26</sup> Holding Company Act release No. 12129 (September 4, 1953).

<sup>27</sup> Holding Company Act release No. 12567 (June 29, 1954).

the District Court.<sup>28</sup> In its reversal the court of appeals held, in effect, that the Commission's jurisdiction to pass upon fees and expenses in a section 11 (e) reorganization of a subsidiary does not extend to fees proposed to be paid by a parent registered holding company to individuals retained by it to perform services in connection with the subsidiary's reorganization. The Commission and a stockholders' committee petitioned the United States Supreme Court for certiorari on June 21, 1954.<sup>29</sup> Certiorari was granted on the Commission's petition on October 14, 1954 and the Committee's petition was denied on the same date.

#### **Engineers Public Service Company**

The application of the Commission to the United States District Court for the District of Delaware for enforcement of its order approving and denying fees and expenses claimed by participants in the proceedings for the reorganization of Engineers Public Service Company,<sup>30</sup> which was referred to in the 19th Annual Report, was decided on February 16, 1954.<sup>31</sup> The district court awarded fees to certain claimants in amounts larger than had been allowed by the Commission. Subsequently the Commission issued a supplemental order approving the payment of additional compensation to one claimant,<sup>32</sup> and filed a notice of appeal in the United States Court of Appeals, Third Circuit, with respect to those portions of the district court's order relating to the allowances to two other claimants.<sup>33</sup>

#### **General Public Utilities Corporation**

General Public Utilities Corporation ("GPU") is a holding company controlling the electric utility system which emerged from the reorganization of the former Associated Gas and Electric Company system. Its seven domestic electric utility subsidiaries operate in the States of New York, New Jersey and Pennsylvania.

Earlier proceedings regarding the integration and simplification of this company's system are described in the 19th Annual Report. Hearings before a hearing examiner were held during the year on a request by GPU that the Commission modify its order, entered December 28, 1951 pursuant to section 11 (b) (1) of the Act insofar as said order directed GPU to divest itself of its subsidiaries Northern Pennsylvania Power Company and the Waverly Electric Light and Power Company.<sup>34</sup> GPU seeks to retain these companies as a part of its integrated system. The matter was still under consideration at the end of the fiscal year.

<sup>28</sup> *In re Electric Power & Light Corporation*, 210 F. 2d 585 (C. A. 2, 1954).

<sup>29</sup> Nos. 153, 154 (1954).

<sup>30</sup> Holding Company Act release No. 11096 (March 26, 1952).

<sup>31</sup> *In re Engineers Public Service Company*, 116 F. Supp. 930 (D. Del. 1954).

<sup>32</sup> Holding Company Act release No. 12470 (April 20, 1954).

<sup>33</sup> Civil Action No. 11,310 (C. A. 3, March 11, 1954);

<sup>34</sup> Holding Company Act release No. 12056 (July 16, 1953).

**International Hydro-Electric System**

During the fiscal year a number of steps were taken in further consummation of the plan for the reorganization of International Hydro-Electric System ("IHES") into an investment company. Details of this plan were summarized in the 19th Annual Report. Steps taken included the retirement of IHES' preferred stock and the sale of 125,-000 shares of the common stock of New England Electric System thus reducing IHES' holdings to 5.07 percent of the outstanding shares. At the end of the fiscal year steps remaining to be taken in consummation of the plan included disposition of applications for fees and expenses aggregating approximately \$1,500,000, disposition of tax claims, resolution of a controversy now pending before the United States District Court for the District of Massachusetts concerning an election for members of the Board of Directors, and the formulation of definitive plans for conversion of IHES into an investment company.

The 19th Annual Report contained a description of the proposal of IHES' Trustee to sell certain properties of Eastern New York Power Corporation, subsidiary of IHES, to the New York State Electric and Gas Corporation. On appeal by the City of Plattsburg, New York, the United States Court of Appeals for the First Circuit on November 12, 1953 affirmed the order of the district court approving the contract of sale.<sup>35</sup>

**Interstate Power Company**

During the fiscal year the Commission issued an order authorizing Interstate Power Company of Delaware to sell, and Wisconsin Power and Light Company, a non-affiliated exempt holding company, to acquire, all of the outstanding capital stock of the Delaware company's subsidiary, Interstate Power Company of Wisconsin.<sup>36</sup> On November 30, 1953 this transaction was consummated. Wisconsin Power and Light has indicated its intention of ultimately merging Interstate Power Company of Wisconsin into itself. The Delaware company now has only one public utility subsidiary, East Dubuque Electric Company.

**Koppers Company, Inc.**

A description of developments with respect to Koppers Company, Inc. and its former subsidiary, Eastern Gas & Fuel Associates, were reported in the 17th Annual Report.

During 1954 Koppers further reduced its common stock holdings in Eastern, as required by the Commission's order of June 26, 1945,<sup>37</sup>

<sup>35</sup> *City of Plattsburg v. Brickley*, 208 F. 2d 800 (C. A. 1, 1953).

<sup>36</sup> Holding Company Act Release No. 12206 (November 6, 1953).

<sup>37</sup> Holding Company Act Release No. 5888.

by selling 100,231 shares of such stock to the public. After the sale, Koppers filed an application requesting the Commission to modify the order of June 26, 1945 so as to permit it to continue ownership of its remaining holdings of 13,000 shares of the common stock of Eastern, and requesting an order under section 5 (d) of the Act declaring that it had ceased to be a holding company. The Commission granted both of these requests and dismissed a pending application by Koppers for exemption pursuant to section 3 (a) of the Act on the ground that the relief granted under section 5 (d) of the Act rendered such application moot.<sup>38</sup>

An application by Eastern requesting an exemption pursuant to section 3 (a) of the Act was still pending at the close of the fiscal year.

Upon application by the Commission for enforcement of its order approving and denying various applications for fees and expenses incident to the reorganization of Eastern Gas & Fuel Associates, the United States District Court for the District of Massachusetts, affirmed the Commission's denial of reimbursement to Koppers for expenses it had incurred in connection with such reorganization. The court reversed the Commission with respect to its denial of fees claimed by a stockholders' committee member by reason of securities transactions effected by the wife of such committee member while the reorganization proceedings were in progress.<sup>39</sup> Both Koppers and the Commission appealed from the decision of the district court to the United States Court of Appeals for the First Circuit, where the appeals are pending.

#### **Long Island Lighting Company**

As discussed in the 19th Annual Report, Long Island has ceased to be a registered holding company. During the fiscal year 1954, however, litigation and administrative proceedings with respect to applications for fees and expenses in connection with the company's reorganization in 1950 were completed. On March 12, 1954 the United States Court of Appeals for the Second Circuit affirmed in part and reversed in part<sup>40</sup> an order of the United States District Court for the Eastern District of New York<sup>41</sup> which enforced in part and remanded in part the order of the Commission<sup>42</sup> awarding and denying the fees and expenses claimed by various participants in the reorganization. Thereafter the Commission issued its second order approving allowances in accordance with the decision of the appellate court.<sup>43</sup>

<sup>38</sup> Holding Company Act Release No. 12320 (January 22, 1954).

<sup>39</sup> In re *Eastern Gas & Fuel Associates*, 120 F. Supp. 460 (D. C. Mass., 1953).

<sup>40</sup> Sub nom. *Nichols et al. v. S. E. C. et al.*, 211 F. 2d 412 (C. A. 2, 1954).

<sup>41</sup> Unreported (E. D. N. Y., Civil Action No. 10,413, May 11, 1953).

<sup>42</sup> Holding Company Act release No. 11695 (February 8, 1953).

<sup>43</sup> Holding Company Act release No. 12581 (July 9, 1954).

In an independent action for damages for alleged fraud in the reorganization proceedings filed by Ennis M. Nichols et al. against Long Island, described at page 83 of the 19th Annual Report, the United States Court of Appeals affirmed the District Court's order of dismissal, but did not indicate explicitly in its judgment that litigation of those charges was also barred in the reorganization proceedings on the ground of res judicata.<sup>44</sup> Subsequently, on the basis of the decision of the Court of Appeals, the District Court held that appellants were barred from proceeding further both in the independent action and directly in the reorganization proceedings.<sup>45</sup> Thereupon, appellants petitioned the Court of Appeals to amend and clarify its earlier judgment so as to eliminate the bar to direct proceedings in the reorganization court. However, the Court of Appeals amended its judgment to state explicitly that further proceedings in the reorganization court were likewise barred under its findings of res judicata.<sup>46</sup> Appellants' petition to the United States Supreme Court for a writ of certiorari from this amended order was denied on October 14, 1954.<sup>47</sup>

#### **Market Street Railway Company**

The fee litigation in connection with the dissolution of Market Street Railway Company, formerly a non-utility subsidiary of Standard Gas and Electric Company, referred to in the 19th Annual Report, was terminated on July 27, 1954 when the Commission issued its order<sup>48</sup> approving allowances of fees and expenses to one of the participants in the reorganization proceedings in accordance with the decision of the United States Court of Appeals, Ninth Circuit.<sup>49</sup> The Commission also approved an application for additional fees and expenses claimed by certain counsel in connection with a section 11(e) plan approved by the Commission involving, among other things, the settlement of an open account indebtedness due Standard Gas and Electric Company from Market Street Railway Company.<sup>50</sup>

The company has not yet been dissolved, as directed in the Commission's order dated October 24, 1950, because of a claim for a refund against the Board of Equalization of the State of California, seeking the return of sales taxes paid under protest in 1950.

#### **Middle South Utilities, Inc.**

Middle South Utilities, Inc. through its subsidiaries, Arkansas Power & Light Company, Louisiana Power & Light Company, Mississippi Power & Light Company and New Orleans Public Service, Inc., operates an integrated electric utility system in the States of

<sup>44</sup> *Nichols et al. v. Long Island Lighting Co. et al.*, 207 F. 2d 931 (C. A. 2, 1953).

<sup>45</sup> *Nichols et al. v. Long Island Lighting Co. et al.*, unreported (E. D. N. Y. Civil Action No. 13,064, January 19, 1954):

<sup>46</sup> *Nichols et al. v. Long Island Lighting Co. et al.*, 211 F. 2d 392 (C. A. 2, 1954).

<sup>47</sup> 348 U. S. 827 (1954):

<sup>48</sup> Holding Company Act Release No. 12599.

<sup>49</sup> *Securities and Exchange Commission v. Cogan*, 201 F. 2d 78 (C. A. 9, 1951) and 201 F. 2d 82 (C. A. 9, 1952).

<sup>50</sup> Holding Company Act Release No. 12563 (June 25, 1954).

Arkansas, Louisiana and Mississippi. The company also owns a 10 percent interest in Electric Energy, Inc., a large generating company organized to furnish electricity for the Paducah, Kentucky, plant of the Atomic Energy Commission.

During the fiscal year Middle South applied pursuant to section 11(c) of the Act for an extension of time to comply with the Commission's order of March 20, 1953<sup>51</sup> requiring Middle South and its subsidiaries to dispose of their direct and indirect interests in the non-electric properties owned by certain subsidiaries. The Commission granted a one year extension from March 20, 1954 to comply with the order, except with respect to certain water properties located at Crystal Springs, Mississippi.<sup>52</sup> Subsequently, on April 15, 1954 Middle South sold the Crystal Springs water properties to Union Water Service Company, a non-affiliated company, for a base price of \$50,000.

#### New England Electric System

New England Electric System ("NEES") and its subsidiary companies constitute the largest utility system in New England. As of December 31, 1953 the system had 30 subsidiaries, including 10 gas utility companies, 16 electric utility companies, two combined gas and electric utility companies, one service company and one real estate company.

The principal problems remaining to be resolved by the system pursuant to section 11 (b) of the Act pertain to the retainability of its gas properties. One attempt to dispose of these properties in 1951 failed because the successful bidder was unable to finance the purchase.<sup>53</sup> However, considerable progress has been made toward the further segregation of the electric and gas properties of the system and in effecting divestments.

Two proposals providing for rearrangement of the gas and electric properties of certain subsidiaries and related financing transactions were approved by the Commission during the fiscal year. In one of these, the gas and electric properties of Beverly Gas and Electric Company, Gloucester Electric Company, Gloucester Gas Light Company, Salem Electric Lighting Company and Salem Gas Light Company were separated and merged respectively into a single newly organized gas company, North Shore Gas Company, and into a single newly organized electric company, Essex County Electric Company.<sup>54</sup> The other proposal provided, among other things, for the transfer by Suburban Gas and Electric Company of its gas properties to the Mystic Valley Gas Company, formerly Malden and Melrose Gas Light Company; the merger of Arlington Gas Light.

<sup>51</sup> Holding Company Act release No. 11782.

<sup>52</sup> Holding Company Act release No. 12475 (April 28, 1954).

<sup>53</sup> Holding Company Act release No. 11252 (May 15, 1952).

<sup>54</sup> Holding Company Act release No. 12168 (October 9, 1953).

Company with Mystic Valley; and the merger of Suburban Gas and Electric into Suburban Electric Company, formerly the Malden Electric Company.<sup>55</sup>

On July 22, 1954, acting pursuant to authority from the Commission, NEES sold all the outstanding capital stock of Berkshire Gas Company, a gas utility subsidiary, to Pittsfield Coal Gas Company, a non-affiliated corporation,<sup>56</sup> and on March 29, 1954, NEES caused Athol Gas Company, another of its gas utility subsidiaries, to sell its assets to non-affiliated interests and dissolve.

#### New England Gas and Electric Association

New England Gas and Electric Association is a Massachusetts trust which directly or indirectly held common stocks of nine subsidiary companies at the close of the fiscal year. Six of these companies are utility companies furnishing either electricity or gas, one is a gas transmission company, one a heating company, and another a service company. All operate in the State of Massachusetts.

Among the physical property rearrangements and divestments during the fiscal year was a merger of one subsidiary, Plymouth Gas Light Company, with another subsidiary, New Bedford Gas and Edison Light Company.<sup>57</sup> NEGEA also was authorized to sell to Public Service Company of New Hampshire, a non-affiliated exempt holding and public utility company, its holdings of all of the outstanding capital stock of New Hampshire Electric Company, an exempt holding company controlling Kittery Electric Light Company.<sup>58</sup>

Shortly after the close of the fiscal year, NEGEA filed a statement on behalf of itself and its remaining subsidiaries claiming and thereby obtaining exemption from the provisions of the Act as an intrastate holding company system as provided by rule U-2, promulgated under section 3 (a) of the Act.

#### The North American Company Union Electric Company of Missouri

A plan filed by The North American Company pursuant to section 11 (e) of the Act providing for its liquidation was fully described in the 18th Annual Report. In brief, under the plan North American proposed to distribute to its stockholders its holdings of all of the common stock of Union Electric Company of Missouri in the form of liquidating dividends over a two-year period ending in January 1955. Union Electric, North American's only remaining utility subsidiary, which also is a registered holding company, is expected to continue as a holding-operating company.

<sup>55</sup> Holding Company Act Release No. 12169 (October 9, 1953).

<sup>56</sup> Holding Company Act Release No. 12511 (May 25, 1954).

<sup>57</sup> Holding Company Act Release No. 12060 (July 16, 1953).

<sup>58</sup> Holding Company Act Release No. 12510 (May 25, 1954).

On January 21, 1954 North American made a second liquidating distribution to its stockholders of the common stock of Union Electric at the rate of one share of Union Electric common stock for each 10 shares of parent company common stock held.

On May 28, 1954, the Commission approved a proposal filed by North American and its non-utility subsidiary, 60 Broadway Building Corporation, providing for the liquidation and dissolution of the latter, and for a sale of its office building to the Hanover Bank of New York City for \$3,100,000.<sup>59</sup> North American reported that, in accordance with the plan of liquidation, the proceeds from this sale were transferred to Union Electric on July 15, 1954.

In another proposal approved by the Commission, North American's non-utility subsidiary company, Hevi-Duty Electric Company, was authorized to purchase the total issued and outstanding common stock of a non-affiliated company, Anchor Manufacturing Company.<sup>60</sup>

As a result of the acquisition of all of the common stock of Missouri Edison Company, a non-affiliated public utility company, Union Electric added a subsidiary to its system during the fiscal year.<sup>61</sup> In its order the Commission reserved jurisdiction to determine at a later date the question of the retainability by Union Electric of the gas properties of Missouri Edison.

Union Electric also owns a 40 percent interest in Electric Energy, Inc., a large generating company organized to furnish electricity for the Paducah, Kentucky, plant of the Atomic Energy Commission.

Union Electric was granted an extension until December 31, 1954, of the time to dispose of certain water and ice properties and electric properties located at Clinton, Missouri,<sup>62</sup> as required by the Commission's order of December 28, 1950.<sup>63</sup>

Shortly after the close of the fiscal year Missouri Power & Light Company, a subsidiary of Union Electric, disposed of its water properties at Excelsior Springs, Missouri, by the sale thereof to the City of Excelsior Springs for a base price of \$500,000.

Applications for fees and expenses incurred by various applicants in connection with the plans involving North American and its subsidiaries approved pursuant to section 11 (e) of the Act were also disposed of by the Commission during the fiscal year.<sup>64</sup>

#### **North Continent Utilities Corporation**

At the beginning of the fiscal year North Continent Utilities Corporation had one statutory utility subsidiary, Great Northern Gas Company, Ltd., which was organized and operating in Ontario,

<sup>59</sup> Holding Company Act Release No 12519.

<sup>60</sup> Holding Company Act Release No 12046 (July 9, 1953).

<sup>61</sup> Holding Company Act Release No. 12262 (July 15, 1953).

<sup>62</sup> Holding Company Act Releases Nos 12045 (July 9, 1953), 12304 (Jan 13, 1954), and 12574 (July 2, 1954).

<sup>63</sup> Holding Company Act Release No. 10320.

<sup>64</sup> Holding Company Act Releases Nos 12240 (Dec 4, 1953) and 12241 (Dec. 4, 1953).

Canada. On November 30, 1953, North Continent sold its interest in Great Northern to Alberta Consolidated Gas Utilities, Ltd., a non-affiliated Canadian company now known as Great Northern Gas Utilities, Ltd., for approximately \$533,639. Subsequently, the Board of Directors of North Continent took steps to dissolve the corporation and the Commission authorized the company to distribute its remaining assets in the form of liquidating dividends to its stockholders.<sup>65</sup> In January 1954 the Commission issued an order pursuant to section 5 (d) of the Act declaring that North Continent had ceased to be a holding company and that its registration as a holding company had ceased to be in effect.<sup>66</sup>

**Northern New England Company**

**New England Public Service Company**

Proceedings pertaining to the liquidation of Northern New England Company and New England Public Service Company have been described in the 18th Annual Report. During 1954 the Commission issued orders allowing various fees and expenses.<sup>67</sup> One fee application remains for determination.

**Northern States Power Company (Del.)**

**Northern States Power Company (Minn.)**

In the 19th Annual Report reference was made to appeals taken by the Commission and by Standard Gas and Electric Company (formerly the parent of Northern States (Del.)) from a decision of the United States District Court for the District of Minnesota affirming in part and reversing in part an order of the Commission approving and denying fees and expenses arising out of proceedings for the dissolution of Northern States Power Company (Del.).<sup>68</sup> The United States Court of Appeals for the Eighth Circuit affirmed the decision of the district court on April 19, 1954<sup>69</sup> and Standard Gas filed a petition for certiorari with the United States Supreme Court, which was denied on October 14, 1954.

The 19th Annual Report also described consolidated proceedings involving issues as to compliance by Northern States (Minn.) with section 11 (b) (1) of the Act and whether the company was entitled to an exemption as a holding company pursuant to section 3 (a) (2) of the Act. On February 1, 1954 the Commission granted a severance of the exemption issues and on September 16, 1954, following the presentation of briefs and oral arguments, including a brief and oral argument of the city of St. Paul in favor of exemption, the Commission issued its opinion and order granting an exemption effective October 15, 1954.<sup>70</sup>

<sup>65</sup> Holding Company Act release No. 12261 (Dec. 15, 1953).

<sup>66</sup> Holding Company Act release No. 12326 (Jan. 27, 1954).

<sup>67</sup> Holding Company Act releases Nos. 12605 (July 29, 1954) and 12664 (Sept. 22, 1954).

<sup>68</sup> *In re Northern States Power Co.*, 119 F. Supp. 331 (D. Minn., 1953).

<sup>69</sup> Sub. nom. *Standard Gas and Electric Co., v. S. E. C.*, 212 F. 2d 407 (C. A. 8, 1954).

<sup>70</sup> Holding Company Act release No. 12655.

The order was based, among other things, on the findings that Northern States is predominantly a public-utility company and that an exemption would not be detrimental to the public interest.

In addition to the above proceedings, the Commission authorized Northern States to acquire from the Minneapolis Street Railway Company and the St. Paul City Railway Company, two non-affiliated companies, certain electric generating and distribution facilities for a base purchase price of \$1,500,000.<sup>71</sup> Authorization was also granted to permit United Power and Land Company, a wholly owned subsidiary, to sell, and Northern States to acquire, all of United's utility assets and certain of its non-utility assets.<sup>72</sup>

#### **Pennsylvania Gas & Electric Corporation**

The 19th Annual Report described this company's reorganization plan pursuant to section 11 (e) of the Act. The plan was consummated during 1954, and thereafter the Commission approved fees for services rendered in connection with the plan and related expenses.<sup>73</sup>

#### **Republic Service Corporation**

During the fiscal year this company amended its reorganization plan pursuant to section 11 (e) of the Act, which was described in the 19th Annual Report, in certain minor respects, and the Commission issued its order approving the plan as amended.<sup>74</sup> There emerged from this reorganization an intrastate holding company system consisting of the newly organized Republic Service Corporation (Pennsylvania) and its subsidiary, Cumberland Valley Electric Company (Pennsylvania). On December 8, 1953 Republic of Pennsylvania filed a statement with the Commission on behalf of itself and Cumberland claiming and thereby obtaining exemption as provided by rule U-2, promulgated under section 3 (a) of the Act.

#### **Southwestern Development Company**

Earlier proceedings involving the reorganization of this holding company system were described in the 18th Annual Report. On November 18, 1953 Southwestern Development Company and its subsidiaries filed applications for approval of certain transactions designed to consolidate the seven companies of the system into a single gas utility company, which in turn would hold all the common stock of a single nonutility company. At the time the application was filed, Southwestern had four gas utility subsidiaries, Amarillo Gas Company, Clayton Gas Company, Dalhart Gas Company, and West Texas Gas Company. It also controlled two nonutility subsidiaries, Amarillo Oil Company, and Red River Gas Company. Fifty-one percent of

<sup>71</sup> Holding Company Act Release No. 12035 (July 2, 1953).

<sup>72</sup> Holding Company Act Release No. 12180 (Oct. 21, 1953).

<sup>73</sup> Holding Company Act Releases Nos. 12628 (Aug. 19, 1954) and 12685 (Oct. 21, 1954).

<sup>74</sup> Holding Company Act Release No. 12186 (Oct. 26, 1953).

the voting securities of Southwestern were owned by Sinclair Oil Corporation, which had been granted exemption as a holding company by an order of the Commission pursuant to section 3 (a) of the Act.<sup>75</sup>

The proposed transactions involved the change of the name of Amarillo Gas to Pioneer Natural Gas Company and the merger or consolidation into that company of Southwestern, West Texas, Dallhart and Clayton. It was also proposed that Red River Gas Company be merged into Amarillo Oil and that the latter emerge as a subsidiary of Pioneer. The Commission granted the application<sup>76</sup> and later entered a second order declaring that Southwestern had ceased to be a registered holding company.<sup>77</sup> Fees and expenses which arose out of the consolidation proceedings were allowed by the Commission in a subsequent order.<sup>78</sup>

On June 2, 1954 the Commission issued an order<sup>79</sup> releasing jurisdiction over certain fees and expenses claimed in connection with the original plan for the reorganization of Southwestern which was approved by the Commission on December 21, 1951.<sup>80</sup>

**Standard Power and Light Corporation  
Standard Gas and Electric Company  
Philadelphia Company**

As a result of consummation of various reorganization plans approved by the Commission pursuant to section 11 (e) of the Act, which were described in the 18th and 19th Annual Reports, these three registered holding companies have eliminated all of their previously outstanding senior securities and, except for short-term bank notes and intra-system debt, have reduced their respective capitalizations to a single class of stock.

The remaining steps required of these three companies to complete compliance with outstanding orders of the Commission under section 11 (b) of the Act have been delayed pending determination of certain tax liabilities and the disposition of approximately \$6,000,000 of fee and expense claims arising out of the reorganization proceeding. A question of major importance, which must be settled before the liquidation of Standard Gas and Philadelphia Company can be completed, is the dispute between these companies and the Department of the Treasury as to their Federal income tax liabilities for the years 1942 to 1950, inclusive. The companies anticipate that the examination and review of these tax matters by the Treasury Department will be completed by the middle of the fiscal year 1955. The Commission approved the payments of approximately \$2,000,000 of fees and

<sup>75</sup> Holding Company Act Release No. 10998 (Jan. 10, 1952).

<sup>76</sup> Holding Company Act Release No. 12277 (Dec. 24, 1953).

<sup>77</sup> Holding Company Act Release No. 12432 (Mar. 29, 1954).

<sup>78</sup> Holding Company Act Release No. 12636 (Aug. 26, 1954).

<sup>79</sup> Holding Company Act Release No. 12523.

<sup>80</sup> Holding Company Act Release No. 10969

expenses to all but two of the more than 60 participants in the various proceedings for the reorganization of the Standard Power system under section 11 of the Act.<sup>81</sup> There remain for determination by the Commission one fee claim for \$3,500,000, one undetermined claim, and certain expenses. Upon a challenge by the claimant of the large fee to the jurisdiction of the Commission the United States District Court for the District of Delaware directed that he be permitted to file his claim with the court, but that proceedings thereon be stayed until the Commission had an opportunity to hear and determine such claim.<sup>82</sup>

On May 5, 1954 Standard Power filed a plan pursuant to section 11 (e) of the Act proposing the settlement of all claims between itself and H. M. Byllesby and Company. The alleged claims and cross claims have not heretofore been passed upon by the Commission, although various aspects of them, and the transactions out of which they arose, have been considered. In addition, there is pending in the United States District Court for the District of Delaware, an action for an accounting brought on behalf of Standard Power against Byllesby and others.<sup>83</sup>

On July 8, 1954 a plan for the liquidation of Equitable Auto Company, a wholly owned subsidiary of Philadelphia, was approved by the Commission and subsequently consummated.<sup>84</sup>

The uncertainties respecting the amounts of fee claims and Federal tax liabilities to be borne by Standard Gas and Philadelphia have affected the timing of Standard Power's plans to become a registered investment company as disclosed in the 19th Annual Report. No application for this purpose has been filed with the Commission as yet.

As of the close of the fiscal year 1954, Standard Power's assets consisted mainly of 53.6 percent of the common stock of Standard Gas and small amounts of the common stocks of present and former public utility subsidiaries of Standard Gas and Philadelphia. Standard Gas' assets consisted principally of all of the common stock of Philadelphia and minor investments in other companies. Philadelphia Company's assets comprised 13 percent of the common stock of Duquesne Light Company, 51 percent of the common stock of Pittsburgh Railways Company and miscellaneous other holdings.

#### **The United Corporation**

The United Corporation, a registered holding company, has reached the final stages of compliance with the integration and simplification

<sup>81</sup> Holding Company Act releases Nos. 12496 (May 14, 1954), 12596 (July 23, 1954) and 12647 (Sept 8, 1954).

<sup>82</sup> In re *Standard Gas and Electric Company, et al.*, unreported, (D. C. Del., Civil Action Nos. 489 and 1497, Aug. 30, 1954).

<sup>83</sup> *Homewood, et al., v. Standard Power and Light Corp., H. M. Byllesby and Company, et al.*, (D. C. Del., Civil Action No. 229, 1944).

<sup>84</sup> Holding Company Act Release No. 12579.

standards of section 11 (b) of the Act. The company has reduced its public utility interests to not more than 4.9 percent of the total voting securities of any one utility company and is in the process of transforming itself into a closed-end, non-diversified investment company. The proposals approved by the Commission leading toward the transformation of United Corporation into an investment company and proceedings before the Commission and the Federal courts relating thereto were described in the 18th Annual Report.

The 19th Annual Report contained a description of the litigation instituted by certain stockholders of United Corporation in the United States Court of Appeals for the District of Columbia Circuit, involving certain orders of the Commission approving the final plan for the corporate simplification of the United Corporation system pursuant to section 11 (e) of the Act. A protective committee for the option warrant holders had intervened in these proceedings. The Court of Appeals affirmed the Commission's orders approving the plan and held that it had jurisdiction to review the orders in their entirety, including those provisions subject to enforcement by a district court. The United States Supreme Court granted certiorari to the warrant holders' committee on October 12, 1953<sup>85</sup> and denied the petition of the stockholders on January 11, 1954.<sup>86</sup> On January 4, 1954 the Supreme Court determined that the Court of Appeals had erroneously taken jurisdiction over those provisions of the plan which the Commission had reserved for district court enforcement.<sup>87</sup> These related to the cancellation of United Corporation's option warrants without compensation to the holders thereof and the amendment of the corporation's charter and by-laws to provide for cumulative voting and a 50 percent quorum at stockholders' meetings. The Supreme Court affirmed the decision of the Court of Appeals in respect of other portions of the Commission's order which were not subject to district court enforcement. Subsequently, the Supreme Court denied the petitioners' application for a stay and for leave to file a petition for rehearing.<sup>88</sup> On March 18, 1954, counsel for the Committee representing the holders of option warrants filed an application with the Commission requesting, among other things, the reopening of the proceedings before the Commission so as to permit presentation of further evidence in support of modification of the Commission's opinion and order requiring cancellation of the warrants. The application was denied,<sup>89</sup> and subsequently, on October 11, 1954, the

<sup>85</sup> *General Protective Committee for the Holders of Option Warrants of The United Corp., v. S. E. C.*, 346 U. S. 810 (1953).

<sup>86</sup> *Downing et al., v. S. E. C.*, 346 U. S. 930 (1954).

<sup>87</sup> *The General Protective Committee for the Holders of Option Warrants of The United Corp., v. S. E. C. et al.*, 346 U. S. 521 (1954).

<sup>88</sup> *Downing et al., v. S. E. C. et al.*, 347 U. S. 911 (1954).

<sup>89</sup> Holding Company Act Release No. 12621 (Aug. 17, 1954).

Commission made application to the United States District Court, District of Delaware, for enforcement of this provision of United Corporation's plan as well as the provision for amendment of its charter and by-laws.

At the beginning of the fiscal year there was pending in the United States Court of Appeals for the District of Columbia Circuit a petition by certain stockholders of the corporation under section 24 (a) of the Act for review of the Commission's order dated May 2, 1952,<sup>90</sup> approving a program for the investment of \$24,500,000 of the company's surplus funds pursuant to section 9(c)(3) of the Act. The petition also sought review of an order of the Commission dated June 24, 1952,<sup>91</sup> approving a proposal by United Corporation to make a public offering of its holdings of the common stock of South Jersey Gas Company. The Court of Appeals dismissed the petition.<sup>92</sup> Subsequently the Commission granted United Corporation's application for an amendment of the Commission's order of May 2, 1952 which would allow greater flexibility in respect of the acquisition of securities pursuant to its investment program.<sup>93</sup>

During the fiscal year the Commission participated in three proceedings in the Federal courts relating to its orders approving and denying applications for fees and expenses arising out of the various proceedings for the reorganization of United Corporation. On September 15, 1953 the United States District Court for the Northern District of New York, affirmed<sup>94</sup> an order of the Commission<sup>95</sup> which denied reimbursement to United Corporation for expenses and fees incurred by it in the reorganization of its former subsidiary, Niagara Hudson Power Corporation. An appeal filed by United Corporation in the United States Court of Appeals for the Second Circuit on December 15, 1953 was pending at the close of the fiscal year.

On March 2, 1954, the United States District Court for the District of Delaware affirmed in part and reversed in part an order of the Commission dated June 4, 1952,<sup>96</sup> allowing and denying fees in connection with the reorganization proceedings of United Corporation. The Commission's order made determinations with respect to 14 applications. Three were granted in the amounts requested; eight were granted in substantially reduced amounts; and three applications were denied. The District Court affirmed part of the order, but reversed and remanded the Commission's order as to one applica-

<sup>90</sup> Holding Company Act Release No. 11209.

<sup>91</sup> Holding Company Act Release No. 11349.

<sup>92</sup> *Downing et al., v. S. E. C.*, unreported (Civil Action No. 11478; March 23, 1954).

<sup>93</sup> Holding Company Act Release No. 12488 (May 11, 1954).

<sup>94</sup> In re *Niagara Hudson Power Corp.*, 114 F. Supp. 683.

<sup>95</sup> Holding Company Act Release No. 11667 (Jan. 14, 1953).

<sup>96</sup> Holding Company Act Release No. 11290.

tion with directions to grant increased allowances.<sup>97</sup> No appeal was taken.

The 19th Annual Report contains a description of the Commission's order dated June 16, 1953 approving and denying applications for fees and expenses which arose from the dissolution of Public Service Corporation of New Jersey, a former subsidiary of United Corporation, pursuant to section 11 (e) of the Act. A petition for review was filed in the United States Court of Appeals for the Third Circuit by the counsel to Public Service, whose application for fees was granted in reduced amount, and by United Corporation, whose expenses in connection with the reorganization of Public Service were disallowed by the Commission. The Court of Appeals reversed that portion of the Commission's order approving a reduced allowance for the counsel to Public Service and affirmed the Commission's action denying allowances of expenses to United Corporation.<sup>98</sup> A petition for certiorari filed by United Corporation with the United States Supreme Court on May 27, 1954 was denied on October 14, 1954.

#### **REVISION OF RULES, FORMS AND PROCEDURES**

Early in the fiscal year the Commission initiated a program to reexamine all rules, forms and procedures under the Act. The purpose of this program was to make it possible for the Commission better to carry out its functions with a reduced staff. The program has resulted in substantial revision of rules and forms, thereby reducing duplicative filing requirements, eliminating the demand for material no longer needed in administering the Act, and streamlining procedures where streamlining seemed appropriate.

##### **Revisions of Rules and Regulations**

Rule U-11 was revised on October 5, 1953 so as to facilitate investment in the equity securities of public utilities by certain individuals and corporations. Under the revised rule any individual who has previously been authorized by the Commission to acquire as much as five percent of the voting securities of two or more electric or gas utility companies or holding companies may acquire unlimited amounts of additional securities of such companies without obtaining prior authorization by the Commission. A company which is not itself a holding company or a subsidiary of a registered holding company and which has previously been authorized to acquire as much as five percent of the voting securities of two or more electric or gas utilities or holding companies may acquire additional voting securities of such companies up to, but not including, 10 percent of the total voting power without prior approval. Previously each acquisition above 5 percent required

<sup>97</sup> In re *The United Corporation*, 119 F. Supp. 524 (1954).

<sup>98</sup> In re *Public Service Corp. of New Jersey*, 211 F. 2d 231 (1954).

separate approval. Experience has shown, however, that Commission examination of subsequent acquisitions above 5 percent served no useful purpose, once the creation of an affiliation had been approved, until the acquisitions became sufficient to cause the acquirer to become a holding company. Both the industry and the Commission are saved needless labor and expense by the revision.<sup>99</sup>

A new rule, rule U-13, was adopted on December 24, 1953 to facilitate the conversion of certain registered holding companies into investment companies as a means of compliance with the provisions of section 11 (b) of the Act. Two registered holding companies, Electric Bond and Share Company and The United Corporation, have disposed of the greater part of their domestic utility interests and have been authorized by the Commission to convert themselves into investment companies to be registered as such pursuant to the Investment Company Act of 1940. Standard Power and Light Corporation and the International Hydro-Electric System have indicated a similar intention. The new rule exempts nonutility companies acquired by these registered holding companies, pursuant to an overall investment program previously approved by the Commission, from the obligations and duties imposed upon them by the statute as subsidiaries or affiliates.<sup>100</sup>

Rule U-20 was amended effective September 15, 1954 to prescribe Form U-1 for the filing of all applications and declarations and amendments thereto under sections 6 (b), 7, 9 (c) (3), 10, 12 (b), 12 (c), 12 (d) and 12 (f) of the Act. Previously, a separate form, Form U-A, was required to be used for the filing of amendments. The practical effect of the revision was to eliminate Form U-A in the great majority of cases arising under the Act.<sup>1</sup>

Rule U-22 was amended effective September 15, 1954 for the purpose of extending the privilege of incorporation by reference in the filing of all applications and declarations under the Act. Formerly, the rule permitted applicants and declarants to incorporate by reference only to other documents filed under this statute. The rule, as amended, permits incorporation by reference to documents filed with the Commission under any Act administered by it.<sup>2</sup>

A new rule, rule U-29, was adopted effective April 30, 1954, to require the filing under separate cover by registered holding companies and their subsidiaries of their published reports to stockholders and certain other information, all of which was previously incorporated as exhibits to the annual reports filed by registered holding company systems. The objectives of this revision were to pave the

<sup>99</sup> Holding Company Act Release No. 12161 (Oct. 5, 1953).

<sup>100</sup> Holding Company Act release No. 12276 (Dec. 24, 1953).

<sup>1</sup> Holding Company Act release No. 12611 (Aug. 10, 1954).

<sup>2</sup> Holding Company Act release No. 12611 (Aug. 10, 1954).

way for the consolidation of annual reporting requirements under the Securities Exchange Act of 1934 and the Public Utility Holding Company Act of 1935, as more fully described below, and to permit more efficient disposition of voluminous records after they have ceased to be the subject of active use.<sup>3</sup>

The Commission adopted an amendment to rule U-50<sup>4</sup> which, along with companion revisions of certain rules under the Securities Act of 1933,<sup>5</sup> was designed to eliminate certain mechanical and administrative impediments which hindered the prompt public offering of securities following the receipt of bids from prospective underwriters. Offerings subject to rule U-50 are required to be acted upon by the Commission under both statutes. Formerly, the company selling the securities was required to obtain two sets of orders under each statute. The first orders, in which all provisions of the registration statement and declaration were cleared, except the price of the sale, to be determined at competitive bidding, and the successful bidders' reoffering price to the public, were entered prior to the published invitations for bids. The second orders, giving this information, were entered following determination of the winning bid and offering price and were required to be obtained before the securities could be offered for sale to the public. The rules as amended permit immediate award of the securities to the successful bidder and public offering without the necessity of the second set of clearance orders in all cases where two or more bona fide bids are received unless in a particular case the Commission should reserve jurisdiction. In its prior experience under rule U-50 the Commission had only on rare occasions disapproved an award where two bids were received.

Rule U-40 was amended so as to exempt the acquisitions by registered holding companies and their subsidiaries of securities of companies whose principal business is the ownership or licensing of trade names, trade marks, and service marks used by public utilities in the ordinary course of their business.<sup>6</sup> Previously the acquiring company was required to obtain a specific order of approval from the Commission. This revision was adopted as a result of a petition for such an amendment filed on December 4, 1953, pursuant to section 4 (d) of the Administrative Procedure Act and rule XIX of the Commission's Rules of Practice.<sup>7</sup>

#### Pending Proposals for Revision

Rule U-45 (b) (6) regulates the manner in which the consolidated Federal income tax of a registered holding company system may be

<sup>3</sup> Holding Company Act release No. 12430 (Mar. 29, 1954).

<sup>4</sup> Holding Company Act release No. 12298 (Jan. 13, 1954).

<sup>5</sup> Securities Act of 1933 release No. 3494 (Jan. 13, 1954).

<sup>6</sup> Holding Company Act release No. 12275 (Dec. 23, 1953).

<sup>7</sup> Holding Company Act release No. 12238.

allocated among the associate companies in the system. It provides in substance that the tax shall be allocated so that each company included in the consolidated tax return for the system will bear that percentage of the consolidated income tax which the income tax liability of such company on a separate return basis would be to the aggregate income tax liabilities of the individual companies based on separate returns. Early in 1953 the Commission had occasion to consider a specific request by a registered holding company for a modification of the requirements of this rule. Since the issues raised by this request appeared sufficiently broad in scope to warrant reconsideration of the rule, the Commission published a notice inviting comments on the rule.<sup>8</sup> Numerous comments and recommendations were received from various registered holding companies and from 10 regulatory bodies.

Thereafter the Commission published a notice proposing a change in the rule, the effect of which would have been to eliminate inter-company dividends in allocating the tax.<sup>9</sup> After receiving extensive comments from interested members of the public and holding a public hearing on the proposal, the Commission directed its staff to make further studies of the problem.<sup>10</sup> Since the end of the fiscal year the Commission has revised rule U-45 (b) (6) so as to permit the allocation of taxes among companies in registered holding company systems in accordance with either of the first two methods specified in Section 1552 of the Internal Revenue Code of 1954, subject, however, to certain limitations.<sup>10a</sup>

With minor exceptions, rule U-50 requires competitive bidding in connection with the issuance or sale of securities by registered holding companies and their subsidiaries. During the fiscal year the Commission instituted a study as to whether competitive bidding is a condition which should be imposed upon the statutory exemption afforded by section 6 (b) of the Act. On November 25, 1953 the Commission published a notice of a proposed amendment to rule U-50 which would exempt from the competitive bidding requirements of the rule securities issued by certain public utility subsidiaries of registered holding companies.<sup>11</sup> Such amendment would implement the exemption provisions of section 6 (b) of the Act which, subject to such terms and conditions as the Commission deems appropriate in the public interest or for the protection of investors or consumers, exempt such issues if they have been expressly authorized by a State commission. Extensive written comments on the proposed amend-

<sup>8</sup> Holding Company Act release No. 11761 (Mar. 12, 1953).

<sup>9</sup> Holding Company Act release No. 12206-X (Nov. 9, 1953).

<sup>10</sup> Holding Company Act releases Nos. 12237 (Dec. 7, 1953) and 12288 (Dec. 30, 1953).

<sup>10a</sup> Holding Company Act Release No. 12776 (January 12, 1955).

<sup>11</sup> Holding Company Act release No. 12217-X.

ment were received from representatives of the industry, public regulatory bodies and members of the general public, and on February 18, and March 31, 1954 public hearings were held on the proposal. At the end of the fiscal year the Commission had not acted on the proposal.

The employee stock option plan as a means of incentive compensation for executives and employees has been used only to a very limited extent in the public utility industry. The Commission has not permitted a declaration in respect of any stock purchase plan or stock option plan to become effective. In the fiscal year 1953 the Commission received from holding companies a number of requests concerning the issuance of stock to officers or employees of a registered holding company or any of its subsidiary companies pursuant to an employees' stock option plan. On May 15, 1953, the then Director of the Division of Corporate Regulation, acting upon direction of the Commission, sent a letter to each registered holding company stating that the Commission would give expeditious consideration to stock purchase plans meeting the prescribed standards which, in effect, would have made such plans stock option plans. On February 12, 1954, the Commission promulgated for comment a proposed new rule, Rule U-51, which would make it possible for registered holding companies and their subsidiaries to use employee stock option plans with appropriate safeguards to protect the public interest and the interest of investors and consumers.<sup>12</sup> A public hearing on the proposed rule was held on April 8, 1954. After the close of the fiscal year, the Commission announced that, following thorough consideration of the entire record in the matter, it had decided not to adopt the proposed rule U-51 and it also announced withdrawal of the May 15, 1953 letter referred to above.<sup>13</sup>

The Public Utility Holding Company Act prohibits a registered holding company or subsidiary from having as an officer or director any officer, partner, or representative of any bank, trust company or investment banker, except as permitted by regulations of the Commission as not adversely affecting the public interest and the interests of investors and consumers. Rule U-70, as presently in effect, grants exemptions from this prohibition to persons whose only financial connections are with commercial banking institutions and small banking investment firms meeting certain described requirements. During the fiscal year the Commission published a proposal to revise this rule so as to eliminate the numerous complex exemptions inserted from time to time over the years to meet specific

<sup>12</sup> Holding Company Act release No. 12354 (February 12, 1954).

<sup>13</sup> Holding Company Act release No. 12728 (December 7, 1954).

situations which are no longer of particular significance. The proposed revision would simplify the rule and give registered holding companies and their subsidiaries some additional latitude in the selection of directors.<sup>14</sup> At the end of the fiscal year, the Commission had not acted on the proposal.

During the year the Commission promulgated notices of proposals to adopt statements of policies setting forth the requirements which it considered should be met by public utility companies subject to the regulatory provisions of the Act in their indentures securing first mortgage bonds and in the protective provisions pertaining to their preferred stocks. In the past, the requirements imposed upon issuers of mortgage bonds and preferred stocks have varied from time to time and from issuer to issuer with the result that there have been charges of unequal treatment by some issuers. The object of the proposed statements of policies is to reduce this variation and to provide all interested persons with information as to the standards respecting indenture and preferred stock charter provisions which these types of security issues will be measured against.<sup>15</sup> Voluminous comments were received from representatives of registered holding company systems and from interested members of the public and these are under study by the staff.

#### **Revisions of Forms**

Generally speaking, the forms prescribed for reporting to the Commission by registered holding companies and their subsidiaries had received little attention during the past several years, and much of the required data was either available in other sources or no longer essential. In other respects the reports were inadequate. The three principal forms used by registered systems were revised during the fiscal year by the elimination of some items, the restatement of others and an overall attempt to simplify language. The financial statement requirements in these forms have been strengthened, and now conform generally to the basic accounting regulations promulgated by the Commission under the Securities Act of 1933 and Securities Exchange Act of 1934.

Form U5S, which is the annual system report required to be filed by registered holding companies pursuant to the requirements of the Act, was redesigned so that a single report may now be used to satisfy the annual reporting requirements under both the Public Utility Holding Company Act and the Securities Exchange Act for all associate companies in a particular holding company system.<sup>16</sup> As an example, this has enabled one registered system to reduce the number

<sup>14</sup> Holding Company Act release No. 12242 (December 8, 1953).

<sup>15</sup> Holding Company Act Releases Nos. 12507 and 12508 (May 25, 1954)

<sup>16</sup> Holding Company Act Release No. 12430 (March 29, 1954).

of separate reports required to be filed by the various system companies under both statutes from 11 to one. The revision of Form U5S should result in a real reduction in the time required to be spent by the Commission's staff in examining annual reports of companies subject to both the Public Utility Holding Company Act and the Securities Exchange Act.

Form U-13-60, which is the annual report form for mutual and subsidiary service companies associated with registered holding company systems, was also simplified.<sup>17</sup> Items calling for material contained in the system annual report on Form U5S and for detail no longer deemed necessary were eliminated.

Form U-1, which is used for filing most applications and declarations in respect of financing, acquisitions of securities and assets and certain other transactions regulated by the Act, was revised and brought up to date during the fiscal year.<sup>18</sup> One important new requirement was that the financial statements, required to be filed as exhibits to the form, be prepared in accordance with the Commission's Regulation S-X. The privilege of incorporation by reference of material filed under all statutes administered by the Commission, instead of only to the Holding Company Act, was part of the revision.

#### **Processing of Fee Applications for Services Rendered in Section 11 Reorganization Proceedings**

At the beginning of the present fiscal year the Commission was faced with a substantial backlog of applications for fees rendered in prior Section 11 reorganizations. To facilitate handling this backlog, a new procedure was inaugurated in December 1953 for disposing of such applications. Under the new procedure, after fee applications have been filed, the Commission enters an order directing the company or companies who will pay the fees to file with it a report setting forth, in a manner so as to indicate the proposed allocations thereof among the affected companies, the amounts of fees and expenses which those companies have already paid or, after negotiation with applicants, have agreed to pay, and in cases where negotiations were unsuccessful, the amounts which such companies recommend for payment. To avoid any possibility that its original order might be construed as a waiver of its jurisdiction over fee agreements negotiated pursuant thereto, the Commission reserves jurisdiction therein of its right to exercise the full power with respect to fees and expenses which are conferred upon it by the Act.

While the company is carrying on the negotiations and preparing the report to the Commission referred to above, the staff of the Divi-

<sup>17</sup> Holding Company Act Release No. 12287 (December 30, 1953).

<sup>18</sup> Holding Company Act Release No. 12611 (August 10, 1954).

sion of Corporate Regulation independently studies and prepares an analysis of the fee applications on file and makes a preliminary Division recommendation to the Commission of the amounts which should be approved as fees for each fee applicant. The Commission is then in a position, upon receiving the company report, to compare the figures agreed upon or recommended by the company with those independently recommended by its staff and to determine whether it can approve and direct payment of some or all of the fees agreed upon or the fees recommended or compromise figures without a public hearing. Although this new procedure is not adaptable to all of the fee applications pending before the Commission, the Commission has found generally that its use in appropriate cases has greatly facilitated disposition of the cases and has reduced to a minimum the necessity of holding extensive fee hearings. Since December 1953, the new procedure has been employed for handling fee applications related to reorganizations of five holding company systems.<sup>19</sup>

#### COOPERATION WITH STATE AND LOCAL REGULATORY AUTHORITIES

The Commission has continued to pursue its long established policy of cooperating to the fullest extent with state public utility commissions and municipal regulatory bodies on all matters of mutual interest. Aside from day-to-day contacts, most of which are informal in nature, there were significant instances during the past fiscal year of cooperation on the part of the Commission with state and local authorities on public utility matters.

An underlying objective of the Act is to supplement and strengthen local regulation of public utilities. Notices of proceedings and of proposals to amend or adopt rules, forms and regulations under the Act, which are considered likely to be of interest to state and local authorities, are sent to those agencies. All matters of general interest are circulated in this manner among the members of the National Association of Railroad and Utilities Commissioners.

In response to the Commission's published notice dated November 25, 1953,<sup>20</sup> inviting comments on the proposed amendment to rule U-50, which would exempt from the competitive bidding requirements of the rule securities issued by certain state regulated public utility subsidiaries of registered holding companies, comments and recommendations were received from 41 state commissions and from the Public Utilities Commission of the District of Columbia.

<sup>19</sup> Standard Power and Light Corp., Holding Company Act Releases Nos. 12272 (December 23, 1953) and 12496 (May 14, 1954); Arkansas Natural Gas Corp., Holding Company Act Releases Nos. 12339 (February 2, 1954) and 12506 (May 21, 1954); Pennsylvania Gas & Electric Corp., Holding Company Act releases Nos. 12381 (February 26, 1954) and 12628 (August 19, 1954); Electric Bond and Share Co., Holding Company Act Releases Nos. 12408 (March 15, 1954) and 12567 (June 29, 1954); and Eastern Utilities Associates, Holding Company Act Releases Nos. 12462 (April 14, 1954) and 12632 (August 24, 1954).

<sup>20</sup> Holding Company Act Release No. 12217-X (November 25, 1953).

The proposal by Cities Service Company, a registered holding company, to sell all of its holdings of the common stock of The Gas Service Company to Missouri Public Service Company, discussed more fully in a preceding section of this report, was also the occasion for active participation by state regulatory authorities. Following the filing with the Commission of the proposed contract between Cities Service and Missouri Public Service, the public utility commissions of the States of Missouri, Kansas, Nebraska and Oklahoma, in which Gas Service operated, were notified of the pending proceedings and of the date set for the hearing and were kept fully advised of all subsequent developments. The Missouri Public Service Commission and the Kansas State Corporation Commission appeared and were admitted as parties in the proceedings before the Commission.

#### **FINANCING OF REGISTERED PUBLIC UTILITY HOLDING COMPANY SYSTEMS**

The volume of securities sold for cash or issued in exchange for refunding purposes by registered holding companies and their subsidiaries during the fiscal year 1954 exceeded that for the preceding year, even though 17 companies with assets of \$270 million were removed from the jurisdiction of the Act as a result of divestments pursuant to section 11. A major improvement in the markets for new securities and continuance of the high rate of post-war public utility expansion appear to be the principal contributory factors in the past year's record.

In 1954 registered systems sold \$902.9 million of securities to the public and to institutional investors as compared with \$712.2 million in 1953. In both years this external financing accounted for 26 percent of the total volume of financing by the entire electric and gas utility industries. The aggregate volume of security sales upon which the Commission was required to act pursuant to sections 6 and 7 of the Act, including both sales to the public and intra-system sales, increased to \$1,154.5 million in 1954 from the \$993.2 recorded in the previous year, despite a modest decline in security sales by subsidiaries to their holding company parents from \$281.0 million in 1953 to \$251.6 million in 1954.

The following table sets forth in detail for the two years the volumes of securities of various types issued and sold by registered holding companies and their subsidiaries under sections 6 and 7 of the Act. Portfolio sales and issuances in connection with reorganizations are excluded.

*Sales of securities for cash and refunding exchange offerings authorized pursuant to Sections 6 and 7 of the Public Utility Holding Company Act of 1935 for the fiscal years ended June 30, 1954, and June 30, 1953*

[Dollar figures in thousands]

	For fiscal year ended—									
	June 30, 1954								June 30, 1953	
	Type of sales								Totals	Totals
	Sales to public	Private placements		Sales to parents						
	Gross sales value	Number of issues	Gross sales value	Number of issues	Gross sales value	Number of issues	Gross sales value	Number of issues	Gross sales value	Number of issues
Electric and Gas Utilities										
Bonds.....	\$348 4	27	\$176 0	11	\$26 0	11	\$550 4	49	\$353 6	33
Debentures.....	25 2	1					25 2	1	72 4	2
Notes.....			13 5	4	54 8	54	68 3	58	80 7	126
Preferred stock.....	73 7	10	6 0	1			79 7	11	70 0	9
Common stock.....	88 6	7			126 7	47	215 3	54	202 6	68
Total.....	535 9	45	195 5	16	207 5	112	938 9	173	779 3	238
Holding companies										
Bonds.....			7 0	1			7 0	1		
Debentures.....	132 0	4					132 0	4	25 5	1
Common stock.....	22 5	3					22 5	3	119 5	10
Total.....	154 5	7	7 0	1			161 5	8	145 0	11
Nonutility companies:										
Bonds.....									9 7	1
Debentures.....	10 0	1					10 0	1	17 0	2
Notes.....					19 5	15	19 5	15	22 2	41
Common stock.....					24 6	9	24 6	9	20 0	13
Total.....	10 0	1			44 1	24	54 1	25	68 9	57
Grand totals.....	700 4	53	202 5	17	251 6	136	1,154 5	206	993 2	306

As indicated by the preceding table, the number of issues acted upon by the Commission in 1954 was 100 less than the number for 1953, whereas dollar volume of financing increased \$161.3 million during the past year. This reflects principally a decline in the number of medium term note issues sold by subsidiaries to their respective parents.

The electric and gas utility and non-utility operating companies of registered systems sold \$218 million of common stocks in 1954.<sup>21</sup> This represents the largest volume of equity financing accomplished by such operating companies in any fiscal year since 1949. Of this amount, \$119 million were sold to parent holding companies. The balance of \$99 million represented sales of stock to the public by operating companies which were also top registered holding companies, and by other operating companies in which there was a public

<sup>21</sup> Represents sales of securities by all electric, gas and nonutility operating companies of registered systems, including sales to registered holding company parents, but excluding sales of securities by one operating company to another. Also excludes all sales of securities by those registered holding companies which function solely as holding companies.

interest resulting from partial divestments. While such a comparison may be somewhat affected by differences in the methods of subsidiary financing employed in various systems, it is significant that the total sales of common stocks by the operating companies of registered systems accounted for 25 percent of their security sales in 1954, while total sales of common stocks by all other operating companies in the electric and gas industries not subject to the Act showed a corresponding ratio of 18 percent.

The financing of registered holding companies (exclusive of holding companies which are also operating companies) followed a much different pattern. In the fiscal year 1954 they sold \$139.0 million of debt securities and \$22.5 million of common stock. They sold \$119.5 million of common equity securities in 1953, \$108 million in 1952 and an average of more than \$80 million in each of the three fiscal years 1949 to 1951. The amounts of common equity and debt securities sold for new money purposes in each of the past six fiscal years by these companies are shown in the following table.

*Sales of debt securities and common stocks for new money purposes by registered holding companies which function solely as holding companies. Data for operating-holding companies are excluded*

[In millions of dollars]

Fiscal year	Debt securities	Common stocks
1949	\$24	\$69
1950	40	91
1951	60	82
1952	104	108
1953	26	120
1954	139	22

The debt financing of \$139 million by these registered holding companies in 1954 represented almost entirely debenture issues by holding companies in those systems whose operating subsidiaries have no long-term debt securities in the hands of the public.

The effect of the comparatively small volume of common stock sales by registered holding companies in 1954 was to reduce to 12.3 percent the percentage of the aggregate external financing of registered systems which was represented by common stocks. In 1953, 26 percent of the total external financing of registered systems was accounted for by sales of common stocks.

The sharp decline in holding company common stock financing during 1954 reflects in part the carry-over of funds derived from the sales of unusually large amounts of holding company common stocks in 1952 and 1953 as indicated above. Another factor in the year's results was the financing by one large registered holding company, The Columbia Gas System, Inc., which presented unusual problems. That company finances all of its subsidiaries' requirements and faced

the problem of raising \$130 million to finance the expansion program of its system. Because of the usual lag in the development of earnings power on recent property additions and the lag in the procurement of rate revisions applied for, the company's earnings dropped to a point where management considered it unwise to attempt to raise the needed capital by the sale of common stock. As an alternative Columbia's management proposed and the Commission approved the sale of \$90 million of sinking fund debentures in the fiscal year 1954,<sup>22</sup> representing 62 percent of the total external debt financing of all registered systems in that year. The debentures included \$50 million subordinated debentures convertible into common stock beginning on January 1, 1955. This issue represented the second convertible issue ever authorized by the Commission under section 7 of the Act (the other having been issued in connection with reorganization under section 11 of the Act),<sup>23</sup> and it reflected the extraordinary circumstances present in the case. Columbia sold \$22 million of common stock in 1953 and \$20 million in 1952. The consolidated capitalization of the Columbia system as of June 30, 1954, reflecting both debenture issues, showed a debt ratio of 55.2 percent and a common equity ratio of 44.8 percent.

The continued high level of financing activity by registered systems in 1954 was typical of the electric and gas utility industries as a whole. The first six months of the fiscal year 1954 witnessed a decline of nearly one percent in the cost of public utility bond money with a corresponding improvement in the price structure of the common and preferred stock markets. It is apparent that this development acted as a potent stimulant to both financing plans and expansion plans throughout the year. The drop in financing costs also stimulated a modest revival of refunding operations. Registered systems sold \$20 million of refunding issues in 1954 and all other electric and gas utilities sold \$291 million of securities for that purpose. The latter total includes two bond issues aggregating \$105 million sold for the purpose of refunding two issues which had been outstanding only about 12 months.

Plant construction expenditures by the electric and gas utility industries for the fiscal year 1954 recorded the modest increase predicted in the 19th Annual Report. Industry estimates indicate that construction expenditures for the next two fiscal years may amount to approximately \$3.8 billion in 1955 and approximately \$3.5 billion in 1956.

The rights offering continued to dominate the common stock financing of registered systems in 1954, despite the relaxation in 1953 of the

<sup>22</sup> Holding Company Act releases Nos 12458 (April 13, 1954) and 12554 (May 22, 1954). Columbia has not yet sought approval for the sale of the additional \$40 million of debt contemplated at that time.

<sup>23</sup> In the Matter of New England Gas and Electric Association, Holding Company Act releases Nos 6729 (June 24, 1946), 7181 (February 11, 1947) and 7295 (March 20, 1947).

Commission's former policy of requiring that sales of common stock, be made in this manner except where unusual conditions prevailed. Of the 10 issues offered in 1954 pursuant to sections 6 and 7 of the Act, only two, amounting to 10 percent of the total dollar volume, were sold by means other than rights offerings.<sup>24</sup> 65 percent of the common stock sold in 1954 by all other electric and gas utilities was offered through rights offerings.

*Common equity financing during the fiscal year 1954 by registered holding company systems and by all other electric and gas utility companies, including holding companies, and gas transmission companies. Secondary offerings and intercompany transactions excluded*

[Dollar figures in millions]

Type of offering	Registered holding company systems		All other electric and gas utilities		Total electric and gas utility industries	
	Number of issues	Volume	Number of issues	Volume	Number of issues	Volume
Rights Public	8 2	\$100 11	32 16	\$290 148	40 18	\$390 159
Totals	16	111	48	438	58	549

The trend toward non-underwritten rights offerings noted in 1953 has continued during the past fiscal year. Also in evidence was an increase in the use of the oversubscription privilege in underwritten offerings. These developments are summarized in the following table:

*Rights offerings of common stocks by all electric and gas utility companies, including holding companies and gas transmission companies. Secondary offerings and intercompany transactions excluded*

	1954	1953	1952
Number of issues	40	40	37
Banking arrangements			Percentage of issues
Underwritten, with oversubscription privilege	~	~	30
Underwritten, without oversubscription privilege			40
Nonunderwritten, with oversubscription privilege			20
Nonunderwritten, without oversubscription privilege			10

Offerings of securities by issuing companies pursuant to sections 6 (b) and 7 of the Act and portfolio sales by registered holding companies under section 12 (d) are required to be made at competitive

<sup>24</sup> Duquesne Light Company, Holding Company Act release No. 12130 (September 8, 1953); and Utah Power & Light Company, Holding Company Act release No. 12404 (March 11, 1954).

bidding in accordance with the provisions of rule U-50. Automatic exemptions from competitive bidding requirements for certain types of sales including nonunderwritten sales made to stockholders pursuant to preemptive rights are provided by clauses (1) through (4) of paragraph (a) of the rule. Under paragraph (a) (5) the Commission may by order exempt an offering from competitive bidding if it appears unnecessary or inappropriate to carry out the provisions of the Act. The following table shows the volume of sales of securities at competitive bidding pursuant to rule U-50 by registered holding companies and their subsidiaries, including portfolio sales, for 1954 with cumulative totals from May 7, 1941, the effective date of the rule.

*Sale of securities pursuant to rule U-50*

[In millions of dollars]

	July 1, 1953 to June 30, 1954		May 7, 1941 to June 30, 1954	
	Number of issues	Amount <sup>1</sup>	Number of issues	Amount <sup>1</sup>
Bonds.....	27	\$348	370	\$5,634
Debentures.....	5	157	44	1,106
Notes.....			9	75
Preferred stock.....	10	74	104	885
Common Stock.....	7	89	1C1	1,008
Total.....	49	668	628	8,708

<sup>1</sup> Amounts shown represent principal amounts of bonds, debentures and notes, par or stated values of preferred stocks, and proceeds of sales of common stocks.

Included in the total of \$668 million of security sales for the fiscal year 1954 are two portfolio divestments of common stocks amounting to \$36 million,<sup>25</sup> leaving total sales by issuers at competitive bidding of \$632 million. The difference between the latter figure and the total external financing by registered systems of \$902.9 million amounted to \$271 million, which represented sales of securities pursuant to the various exemptions from competitive bidding requirements afforded by the rule. Among these exempt sales were \$60 million of securities sold pursuant to the automatic exemptions provided by clauses (1) through (4) of paragraph (a) of the rule.

The balance of \$211 million represented sales of securities by six companies pursuant to exemptions from the competitive bidding requirements of rule U-50 granted by orders of the Commission under paragraph (a) (5) of the rule. Included were sales of three issues aggregating \$48 million which were exempted because of unfavorable market conditions and other unusual circumstances attending the

<sup>25</sup> Includes sale by Cities Service Company on April 13, 1954 of its holdings of the common stock of The Gas Service Company for \$35 million, Holding Company Act Releases Nos 12410, 12445 and 12518, and sale by Standard Power and Light Corporation of 34,739 shares of Duquesne Light Company common stock on September 16, 1953 for \$884,000, Holding Company Act Release No. 12130

offerings.<sup>26</sup> Another company was granted exemption with respect to \$3 million of its common stock representing the unsubscribed portion of a non-underwritten rights offering.<sup>27</sup> Two other companies, organized to construct and operate generating facilities to supply electric power to Atomic Energy Commission plants, issued \$141 million of bonds and \$19 million of notes pursuant to long-term construction loan commitments. These agreements extend over periods of several years and permit the issuing companies to issue their securities to insurance companies from time to time as funds are needed. Since these arrangements did not lend themselves to the mechanics of the competitive bidding procedure they were exempted by orders of the Commission pursuant to paragraph (a) (5) of rule U-50.<sup>28</sup>

There were three additional issues not included in any of the foregoing totals. New England Gas and Electric Association, a registered holding company, sold its holdings of all of the preferred and common stocks of New Hampshire Electric Company to the Public Service Company of New Hampshire, a non-affiliate, for a consideration consisting of 120,000 shares of common stock and a five year note of \$2,240,000 of the latter company.<sup>29</sup> Union Electric Company of Missouri, a registered holding company, acquired the common stock of Missouri Edison Company, a non-affiliate, through the issuance of shares of its common stock in exchange.<sup>30</sup>

In comparison with the 628 issues of securities totalling \$8,708 million sold by registered holding companies and their subsidiaries at competitive bidding from the effective date of rule U-50 to the end of the fiscal year 1954, 216 issues with volume of \$1,825 million were sold by other means in accordance with orders of the Commission granting exemptions from competitive bidding pursuant to paragraph (a) (5) of the rule. The following table sets forth the cumulative totals of issues and dollar volumes of each type of security sold pursuant to these exemptions.

<sup>26</sup> Arkansas Louisiana Gas Company bonds, Holding Company Act release No. 12134 (September 16, 1953); Eastern Utilities Associates bonds, Holding Company Act release No. 12382 (March 2, 1954); and Indiana & Michigan Electric Company preferred stock, Holding Company Act release No. 12140 (September 21, 1954).

<sup>27</sup> General Public Utilities Corporation, Holding Company Act Release No. 12492 (May 12, 1954).

<sup>28</sup> Electric Energy, Inc \$60 million of \$95 million of bonds authorized in Holding Company Act releases Nos. 11689 (January 30, 1953) and 12048 (July 10, 1953); Ohio Valley Electric Corporation \$81 million of \$360 million of bonds and \$19 million of \$60 million of notes authorized in Holding Company Act release No. 12077 (July 27, 1953).

<sup>29</sup> Holding Company Act release No. 12510 (May 25, 1954).

<sup>30</sup> Holding Company Act release No. 12262 (December 15, 1953).

*Sales of securities exempted from competitive bidding requirements pursuant to the provisions of paragraph (a) (5) of rule U-50 by orders of the Commission entered from May 7, 1941 to June 30, 1954.*

[In millions of dollars]

	Underwritten		Nonunderwritten		Total	
	Number of issues	Amount <sup>1</sup>	Number of issues	Amount <sup>1</sup>	Number of issues	Amount <sup>1</sup>
Bonds	4	\$27	64	<sup>2</sup> \$815	68	<sup>2</sup> \$842
Debentures	3	83	5	37	8	120
Notes			21	<sup>2</sup> 55	21	<sup>2</sup> 55
Preferred stock	11	66	25	265	36	331
Common stock	33	279	50	198	83	477
Total ***	51	455	165	<sup>2</sup> 1,370	216	<sup>2</sup> 1,825

<sup>1</sup> Proceeds before expenses.

<sup>2</sup> These amounts include \$241 million of bonds and \$20 million of notes sold up to June 30, 1954 by Electric Energy, Inc. and Ohio Valley Electric Corporation pursuant to long-term loan commitments authorized by the Commission. The entire amounts of these commitments were exempted from competitive bidding requirements by orders of the Commission pursuant to rule U-50 (a) (5). The total authorizations are: Electric Energy, Inc. \$195 million of mortgage bonds of which \$165 million has been taken down; Ohio Valley Electric Corp., \$360 million of mortgage bonds of which \$81 million has been taken down, and \$60 million of notes of which \$20 million has been taken down.

It will be noted from the above table that only 51 issues with an aggregate dollar value of \$455 million were sold through underwriters. Of the \$1,370 million of securities sold by means of non-underwritten transactions exempt from competitive bidding \$752 million represented private placements of bonds. Included in the latter were \$241 million of bonds sold pursuant to the construction loan commitments made by Ohio Valley Electric Corporation and Electric Energy, Inc. as described above. Two subsidiary natural gas pipe line companies sold \$94 million of bonds during the period under similar agreements. Also included among these private placements was an issue of \$100 million of collateral trust bonds as part of a reorganization settlement under section 11 of the Act. All notes sold during the period and more than half of the debentures sold were also in the nature of private placements. Sixteen of the preferred stock issues totalling \$243 million, were refunding exchange offerings, 14 of which, with aggregate volume of \$227 million, were initiated prior to the announcement by the Commission of its general policy requiring competitive bidding in such cases.<sup>31</sup> Sixteen of the common stock sales, totalling \$83 million, represented sales of equity investments in subsidiaries by registered holding companies to other public utility or holding companies. Sixteen other issues, aggregating \$19 million, were in the nature of sales of common stock investments in small non-retainable subsidiaries directly to private individuals or small groups of individuals.

<sup>31</sup> Holding Company Act release No. 6449 (March 5, 1946).

**FINANCING OF ELECTRIC GENERATING COMPANIES SUPPLYING  
FACILITIES OF THE ATOMIC ENERGY COMMISSION**

Two generating companies which have been organized to furnish power to facilities of the Atomic Energy Commission are subject to the Act because they are subsidiaries of registered holding companies. The initial equity financing of the first of these, Electric Energy, Inc. (EEI), was approved by the Commission on January 15, 1951.<sup>32</sup> The purchasers of the common stock were Central Illinois Public Service Company, 20%; Illinois Power Company, 20%; Kentucky Utilities Company, 10%; Middle South Utilities, Inc., 10%; and Union Electric Company of Missouri, 40%; for an aggregate consideration of \$3,500,000. Of these, Middle South and Union Electric are registered holding companies, Kentucky Utilities and Illinois Power are exempt holding companies, and Central Illinois is an independent operating public utility.<sup>33</sup>

EEI has a 25-year contract to furnish the Atomic Energy Commission installation at Paducah, Ky., with 735,000 kw. of power. Since 1951 the Commission has approved additional equity financing of \$2,700,000,<sup>34</sup> and debt financing in the form of 25-year first-mortgage bonds in the amounts of \$100,000,000 at 3 percent, \$65,000,000 at 3½ percent, and \$30,000,000 at 4½ percent.<sup>35</sup> \$740,350 in fees and expenses for the organization and financing of EEI have been approved.<sup>36</sup>

Following a similar pattern, the Ohio Valley Electric Company (OVEC) and its wholly owned subsidiary, Indiana-Kentucky Electric Company, were organized to construct generating capacity for the furnishing of 1,800,000 kw. to the Atomic Energy Commission's plant at Portsmouth, Ohio. The initial equity financing for this system, consisting of 200,000 common shares to be sold for an aggregate of \$20,000,000, was approved by the Commission on November 7, 1952,<sup>37</sup> with the shares being purchased by the sponsors in the following percentages:

<sup>32</sup> Holding Company Act release No. 10340 (January 15, 1951).

<sup>33</sup> See the Commission's 17th Annual Report (1951), pp. 102-103.

<sup>34</sup> Holding Company Act release No. 11689 (January 30, 1953).

<sup>35</sup> Holding Company Act releases Nos. 10639 (June 26, 1951), 11689 (January 30, 1953), and 12048 (July 10, 1953).

<sup>36</sup> Holding Company Act release Nos. 11392 (July 21, 1952), 12353 (February 10, 1954), and 12457 (April 12, 1954).

<sup>37</sup> Holding Company Act release No. 11578 (November 7, 1952).

<i>Company</i>	<i>Equity participation ratio (percent)</i>
American Gas & Electric Company-----	37. 8
Cincinnati Gas & Electric Company-----	9. 0
Columbus & Southern Ohio Electric Company-----	4. 3
Dayton Power & Light Company-----	4. 9
Kentucky Utilities Company-----	2 5
Louisville Gas & Electric Company-----	7. 0
Ohio Edison Company-----	16. 5
Southern Indiana Gas & Electric Company-----	1. 5
Toledo Edison Company-----	4. 0
West Penn Electric Company-----	12. 5

Of the sponsors, American Gas, West Penn, and Ohio Edison are registered holding companies, Cincinnati, Kentucky, and Louisville are exempt holding companies, and the others independent operating utilities.

Subsequently the Commission has approved the issue by OVEC of \$360,000,000 principal amount of 25-year 3½ percent bonds, \$60,000,000 of 4 percent notes to banks, due January 1, 1967, and \$8,000,000 of 2 percent subordinated notes purchased by the sponsors.<sup>38</sup> \$1,026,532 in fees and expenses has been approved since the end of the fiscal year.<sup>39</sup>

The debt financing arrangements of both EEI and OVEC permit them to issue their securities to the institutional purchasers from time to time as funds are needed. Since these mechanics did not lend themselves to the mechanics of the competitive procedure, they were exempted from Rule U-50 by orders of the Commission.<sup>40</sup>

<sup>38</sup> Holding Company Act release No 12077 (July 27, 1953).

<sup>39</sup> Holding Company Act release No. 12764 (December 29, 1954)

<sup>40</sup> See notes 35 and 39, *supra*

## PART V

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

Chapter X of the Bankruptcy Act provides a procedure for reorganizing corporations in the federal courts. The Commission's duties under Chapter X are, at the request or with the approval of the court, to provide the court and investors with independent expert assistance on the various legal and financial questions that arise in the proceeding and to prepare advisory reports on plans of reorganization. The Commission has no right of appeal in a Chapter X proceeding, but it may participate in appeals taken by others.

The Commission acts in a purely advisory capacity. It has no authority either to veto or to require the adoption of a plan of reorganization or to render a decision on any other issue in the proceeding. Its recommendations are made for the benefit of the judge and the security holders, affording them its disinterested views in a highly complex area of corporate law and finance. Generally, the Commission participates only in proceedings in which there is a substantial public investor interest.

The Commission, due to budget considerations and the need to make the most effective use of its reduced personnel, is engaged in a re-examination of its functions under Chapter X of the Bankruptcy Act. In view of the impact upon the federal courts of any curtailment of the activities of the Commission under Chapter X, the Commission has sought to obtain the views of the Federal Judiciary as an aid to the Commission's study of its Chapter X activities. This problem was presented to the Judicial Conference of the United States on September 23, 1954 and it was suggested that the Federal Judges be invited to comment upon the functions of the Commission in Chapter X. The Judicial Conference approved the suggestion and a questionnaire has been sent to the Federal Judges through the Administrative Office of the United States Courts, the results of which will be carefully studied by the Commission.

#### SUMMARY OF ACTIVITIES

The Commission participated during the 1954 fiscal year in 49 proceedings involving the reorganization of 69 companies with aggregate stated assets of \$553,998,000 and aggregate stated indebtedness of \$329,286,000. During the year the Commission, with court ap-

proval, filed notices of appearances in 4 new proceedings under Chapter X involving 6 companies with aggregate stated assets of \$8,520,000 and aggregate stated indebtedness of \$17,373,000. Proceedings involving 13 principal debtor corporations and 1 subsidiary debtor were closed during the year. At the end of the year, the Commission was actively participating in 36 reorganization proceedings involving 55 companies with aggregate stated assets of \$489,029,000 and aggregate stated indebtedness of \$307,340,000.

#### **Problems in the Administration of the Estate**

A fundamental aim of Chapter X is to make available to the court, the parties and the security holders full and accurate information regarding the debtor's affairs. The independent trustee customarily transmits to security holders a report on the history and financial condition of the debtor, the operation of its business, and the desirability of its continuance. Such reports enable security holders to consider suggestions for a plan of reorganization or proposed plans of others and aid the court in considering problems before it. The Commission has consulted through its staff with trustees in connection with their investigations and the preparation of their reports.

The Commission generally renders assistance in connection with the varied problems that arise in the administration of the estate. For example, the Commission has rendered significant aid in the discovery and prosecution of causes of action against former management or other fiduciaries who may have misused their positions of trust. In this field of activity, the Commission had occasion to investigate the affairs of *Texas Gas Utilities Company* in reorganization under Chapter X in the United States District Court for the Western District of Texas. The Commission's inquiry uncovered substantial evidence of mismanagement and overreaching on the part of the former president of the company. The trustee, using the evidence developed by the Commission, obtained a substantial judgment from the former president and others for the benefit of the estate of the debtor.<sup>1</sup>

#### **Activities with Respect to Allowances**

The Commission makes specific recommendations to the courts respecting allowances for fees and expenses. The Commission itself receives no fees or expenses from estates in reorganization and is primarily concerned with the fairness of the result to the parties and the public investors.

The reorganization under Chapter X of *Central States Electric Corporation* was conducted in the District Court for the Eastern District of Virginia. The trustees brought an action in the District Court

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<sup>1</sup> *Huff v. Duke, et al.*, Unreported, W. D. Tex., 1954.

for the Southern District of New York against former officers and directors of the debtor and others. This action was ultimately unsuccessful<sup>2</sup> and certain of the defendants made an application in the District Court in New York for allowances of expenses and attorneys' fees pursuant to Article 6A of the New York Corporation Law which provides for indemnification to officers and directors of litigation expenses under certain conditions. One defendant, who was not an officer, sought such an allowance on general equitable principles. The District Court granted awards to all the applicants,<sup>3</sup> and the trustees appealed. On the appeal, the Commission, as *amicus curiae*, urged that the state indemnification statute should not have been held applicable to a debtor in a Chapter X proceeding, pointing out among other things that the awards contemplated by the state statutes were inconsistent with the purpose of Chapter X to insure prosecution of all causes of action in favor of the estate. The Commission urged that in any event awards made for legal services and expenses in connection with an action on behalf of the debtor's estate were within the exclusive jurisdiction of the District Court in Virginia, where the reorganization proceeding was pending. The Court of Appeals agreed that the reorganization court "had the sole power to determine and measure the rights of the defendants to reimbursement,"<sup>4</sup> Accordingly, the Circuit Court for the Second Circuit reversed the order granting awards.

In another significant appeal involving allowances, in a case where the Commission was an active participant from the outset, the District Judge had granted overall allowances substantially in excess of the Commission's recommendations, although the allowances to certain creditors' representatives were less than the amounts recommended by the Commission. The Commission supported an appeal by the creditors' representatives. The Court of Appeals agreed that the overall fees awarded were too high in view of the size of the estate and the work involved. It pointed out among other things that the record showed that thousands of hours of the trustees' work was without commensurate accomplishment or benefit to the estate. The Court also agreed that creditors' representatives who had been responsible for increasing the size of the estate and had performed other valuable services should be awarded more than the District Judge had granted them. The Court of Appeals revised the allowances in substantial conformity with the Commission's recommendations.<sup>5</sup>

<sup>2</sup> *Austrian v. Williams*, 103 F. Supp. 64 (S. D. N. Y., 1952) reversed, 198 F. 2d 697 (C. A. 2, 1952), certiorari denied 334 U. S. 909 (1952).

<sup>3</sup> *Austrian v. Williams*, Unreported, Civ. No. 32-149, August 21, 1953

<sup>4</sup> *Austrian v. Williams*, — F. 2d — (C. A. 2, 1954).

<sup>5</sup> *In re Solar Manufacturing Corporation*, *Samuel Marion appellant*, 215 F. 2d 555 (C. A. 3, 1954).

**Consummation of Plan**

The Commission examines the corporate charters, by-laws, trust indentures, and other instruments which are to govern the internal structure of the reorganized debtor, and in general strives to assure investors the inclusion of protective features and safeguards which its experience has shown to be desirable. Another matter with which the Commission has been concerned in connection with the consummation of plans of reorganization is the problem of unexchanged securities. Chapter X provides that a period of not less than five years following the final decree may be fixed by the judge within which security holders may make the exchange called for by the plan, after which they are barred from any participation. The Commission has been anxious to assure that all security holders obtain the new securities or cash distributable to them under the plan of reorganization. Accordingly, it has endeavored to see that adequate notice and publicity is given of the bar date, that a professional search is made where possible, and that the bar date is extended when appropriate.

In the reorganization of *Chicago, Aurora & Elgin Railroad Company*, the plan provided that holders of the outstanding bonds of the company would upon surrender of their bonds on or before January 15, 1954, receive in exchange therefor shares of common stock of the successor companies. In December 1953, the Commission learned that the exchange agent was holding 55,732 shares of stock and \$18,370 in accrued dividends for bondholders of the debtor. The Commission petitioned for an order extending the date for exchanging the outstanding bonds and directing the exchange agent to publish a notice of the new bar date and to mail written notices to holders of the unexchanged bonds. The District Court granted the Commission's request and as a result of the notices given by the exchange agent, some 33,000 shares were claimed by and delivered to their owners. In this, as in several other cases, the extension of time granted by the court proved efficacious in reducing the number of security holders who failed to make the exchange.

## PART VI

### ADMINISTRATION OF THE TRUST INDENTURE ACT OF 1939

The Trust Indenture Act of 1939 requires that bonds, notes, debentures, and similar securities publicly offered for sale, 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 Act operates by requiring that indentures to be qualified include specified provisions which provide means by which the rights of holders of securities issued under such indentures may be protected and enforced. These provisions relate primarily to designated standards of eligibility and qualification of the corporate trustee so as to provide reasonable financial responsibility and to minimize conflicting interests. The Act outlaws exculpatory provisions formerly used to eliminate all liability of the indenture trustee, and imposes on the trustee, after default, the duty to use the same degree of care and skill as a prudent man would use in the conduct of his own affairs.

The provisions of the Trust Indenture Act are closely integrated with the requirements of the Securities Act. Registration pursuant to the Securities Act of securities to be issued under a trust indenture subject to the Trust Indenture Act is not permitted to become effective unless the indenture conforms to the requirements of the latter Act, and necessary information as to the trustee and the indenture must be contained in the registration statement. In the case of securities issued in exchange for other securities of the same issuer and securities issued under a plan approved by a court or other proper authority which, although exempted from the registration requirements of the Securities Act, are not exempted from the requirements of the Trust Indenture Act, the obligor must file an application for the qualification of the indenture, including a statement of the required information concerning the eligibility and qualification of the trustee.

#### *Indentures filed under the Trust Indenture Act of 1939*

	Number	Aggregate amount
Indentures pending June 30, 1953.....	8	\$114,948,849
Indentures filed during fiscal year.....	145	3,688,733,320
Total.....	153	3,803,632,160
Disposition during fiscal year:		
Indentures qualified.....	139	3,378,298,960
Indentures deleted by amendment or withdrawn.....	2	37,633,300
Indentures pending June 30, 1954.....	12	387,750,000
Total.....	153	3,803,632,160

## PART VII

### ADMINISTRATION OF THE INVESTMENT COMPANY ACT OF 1940

The Investment Company Act of 1940 provides for the registration and regulation of companies engaged primarily in the business of investing, reinvesting, and trading in securities. The Act requires, among other things, disclosure of the finances and investment policies of these companies, prohibits such companies from changing the nature of their business or their investment policies without the approval of their stockholders, regulates the means of custody of the companies' assets, prohibits underwriters, investment bankers, and brokers from constituting more than a minority of the directors of such companies, requires management contracts to be submitted to security holders for their approval, prohibits transactions between such companies and their officers, directors and affiliates except with the approval of the Commission, and regulates the issuance of senior securities. The Act requires face-amount certificate companies to maintain reserves adequate to meet maturity payments upon their certificates.

#### COMPANIES REGISTERED UNDER THE ACT

As of June 30, 1954, 384 investment companies were registered under the Act, and it is estimated that on that date the aggregate value of their assets was approximately \$8,700,000,000. This represents an increase of approximately \$1,700,000,000 over the corresponding total at the beginning of the 1954 fiscal year. During the latest period for which data are available, the 12 months ended March 31, 1954, about 219 registered open-end management and closed-end management investment companies reported to the Commission sales to the public of approximately \$673,000,000 of their securities and redemptions and retirements of approximately \$267,000,000 leaving a net investment by the public in such companies of approximately \$406,000,000, compared with a corresponding net investment for the preceding 12-month period of approximately \$545,000,000.

Investment companies registered at the end of the 1954 fiscal year were classified as follows:

Management open-end-----	174
Management closed-end-----	106
Unit-----	89
Face amount-----	15
 <b>Total-----</b>	 <b>384</b>

**TYPES OF NEW INVESTMENT COMPANIES REGISTERED**

During the 1954 fiscal year 20 new investment companies were registered under the Act, of which 8 were open-end management companies (which redeem their shares on presentation by the shareholder) and 10 were of the closed-end management type (in which the shareholder does not have a redemption privilege). Two companies of the unit type were also registered. During the year registration was terminated with respect to 5 management companies of which 1 was open-end and 4 were closed-end.

Among the open-end management investment companies which registered during the year one was a company incorporated in Canada which secured authority to register in accordance with the Commission's policies regarding Canadian investment companies described below. Another open-end company had a stated investment policy emphasizing investments in securities of corporations with substantial interests in California. Of the closed-end companies which registered during the year, three were industrial companies which had disposed of their business assets and invested the proceeds in securities, one was organized to provide a medium for the investment of American funds in Israel, and one was an employees' securities company. The two unit investment companies registered during the year were organized for the purpose of operating periodic payment plans for the purchase of securities of open-end investment companies.

**REGISTRATION OF CANADIAN INVESTMENT COMPANIES**

Under the terms of the Act, an investment company not incorporated within the United States may publicly offer its own securities in the United States only by special authorization of the Commission, where the Commission has found that "by reason of special circumstances or arrangements, it is both legally and practically feasible effectively to enforce the provisions of" the Act with respect to such company. At the beginning of the fiscal year, several applications were pending upon behalf of investment companies incorporated under the laws of Canada seeking authority to register under the Act and to sell their securities in this country. Pursuant to Commission direction, our staff held extended discussions with representatives of the Canadian companies which had applied for registration and formulated conditions and arrangements designed to facilitate registration by these companies, with adequate protection for the interests of investors comparable to that afforded investors in American companies.

In order to establish definitive standards for all registrations by Canadian companies, the Commission, after public notice and opportunity for comment by interested persons, adopted rule N-7D-1 under the Investment Company Act, which prescribes the conditions and arrangements to be entered into by a management investment company organized under the laws of Canada prior to the issuance of an order under Section 7 (d) of the Act permitting the company to register under the Act and to make an offering of its securities in the United States. The rule is applicable only to Canadian management investment companies, and the Commission announced that any conditions and arrangements proposed by investment companies organized under the laws of other foreign countries would be considered by the Commission on a case-by-case basis in the light of the statutory standards.

Rule N-7D-1 provides, among other things, that in order to implement the statutory means of enforcement of the Investment Company Act and to assure its effectiveness, the charter and by-laws of the Canadian company must contain the substantive provisions of the Act, so that the company in effect agrees that the provisions of the Act may be enforced as a matter of contract right by shareholders either in the United States or Canada. Under the rule, a majority of the officers and directors are required to be citizens of the United States, and all of such officers and directors must agree to comply with the Act and consent to the enforcement of such agreements in a similar manner. In order to effectuate the statutory objectives, the rule also requires that the company maintain its assets in the United States, and agree that in the event of noncompliance by the company or its officers and directors with their agreements or the Commission's order permitting registration, proceedings for liquidation and distribution of assets may be instituted. The rule also imposes duties and obligations upon certain affiliated persons of Canadian investment companies. It is the Commission's view that in substance the rule will accord protection to investors equal to, although not necessarily identical with, the protection afforded by the Investment Company Act to investors in domestic companies.

Contemporaneously with the adoption of rule N-7D-1, the Commission issued two orders granting pending applications for registration of Canadian companies where the applicants had agreed to the various undertakings prescribed by the rule. Shortly after the close of the fiscal year, the Commission granted four more applications for registration by Canadian companies. Each applicant undertook to comply with all of the requirements of the new rule. As of September 1, 1954, four of the registered Canadian companies had made public

offerings of their stock, after registration under the Securities Act of 1933, the offering price of the stock sold aggregating \$102,000,000.

### CURRENT INFORMATION

The basic information disclosed in notifications of registration and registration statements is required by statute to be kept up to date. During the 1954 fiscal year the following current reports and documents were filed:

Annual reports-----	=	252
Quarterly reports-----	=	868
Periodic reports to stockholders (containing financial statements)-----	=	686
Copies of sales literature-----	=	1,829

### APPLICATIONS FILED

Various provisions of the Act provide that applications may be filed for exemptions or other relief which the Commission may grant if the statutory standards are met. During the fiscal year a total of 71 applications were filed, including 25 seeking exemption of proposed transactions between investment companies and affiliates and 5 seeking a determination that the applicant had ceased to be an investment company within the meaning of the Act. Since there were 49 applications pending at the beginning of the year, a total of 120 applications required examination and consideration during the year. Eighty-four were disposed of and 36 were pending at the close of the year. The sections of the Act under which these applications were filed, and the number disposed of in each category, are shown in the following table.

*Applications filed with and acted upon by the Commission under the Investment Company Act of 1940 during fiscal year ended June 30, 1954*

Sections	Subject involved	Pend-ing July 1, 1953	Filed	Dis-posed of	Pend-ing June 30, 1954
2, 3, 6-----	Status and exemption-----	9	24	22	11
7 (a)-----	Transactions of an unregistered investment company-----	0	1	1	0
7 (d) -----	"-----	4	0	2	2
8, 35-----	Registration of foreign investment companies-----	1	0	0	1
8 (f)-----	Compliance with registration requirements-----	10	5	5	10
9, 10, 16 -----	Termination of registration-----	13	2	15	0
11, 25-----	Regulation of affiliations of directors, officers, employees, investment advisers, underwriters and others-----	0	1	0	1
12, 13, 14 (a), 15-----	Regulation of security exchange offers and reorganization matters-----	0	5	5	0
17-----	Regulation of functions and activities of investment companies-----	9	25	25	9
18, 19, 21, 22, 23-----	Regulation of transactions with affiliated persons-----	1	5	5	1
20, 30-----	Requirements as to capital structures, loans, distributions and redemptions, and related matters-----	1	1	2	0
26 (a) (2) (C)-----	Proxies, reports and other documents reviewed for compliance-----	0	1	0	1
28-----	Trustee compensation-----	1	1	2	0
	Regulation of face amount certificate companies-----				
	Total-----	49	71	84	36

In keeping with the Commission's policy of encouraging the free operation of business management consistent with the protection of investors, in processing applications under the Investment Company Act, the endeavor is made so far as possible to resolve any problems on an informal basis, by discussion and correspondence rather than by formal hearing procedures. By the use of such techniques it has been practicable to dispose of most applications without the necessity of formal hearings.<sup>1</sup>

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<sup>1</sup> In one case a hearing was held at the request of an interested investor and the application was disposed of on the basis of the facts disclosed by the record, including those developed at the hearing. (In the Matter of *Portsmouth Steel Corporation*, Investment Company Act Release No. 1894, August 12, 1953.)

## PART VIII

### ADMINISTRATION OF THE INVESTMENT ADVISERS ACT OF 1940

The Investment Advisers Act of 1940 requires registration of persons engaged for compensation in the business of advising others with respect to securities. The Commission is empowered to deny registration to or revoke the registration of any investment adviser who, after notice and opportunity for hearing, is found by the Commission to have been convicted or enjoined because of misconduct arising out of securities transactions or to have made false statements in his application for registration. The Act makes it unlawful for investment advisers to engage in acts and practices which would constitute fraud or deceit, requires investment advisers to disclose the nature of their interest in transactions executed for their clients, and prohibits profit-sharing arrangements and assignments of investment advisory contracts without the client's consent.

*Statistics of investment adviser registrations—1954 fiscal year*

Effective registrations at close of preceding fiscal year-----	1,093
Applications pending at close of preceding fiscal year-----	9
Applications filed during fiscal year-----	124
Total-----	1,226
Registrations cancelled or withdrawn during year-----	79
Registrations denied or revoked during year-----	2
Registrations effective at end of year-----	1,134
Applications pending at end of year-----	11
Total-----	1,226

During the fiscal year the Commission revoked the registrations of two investment advisers. In one of the cases the Commission found, among other things, that respondent, contrary to representations made in his application for registration and amendment thereto, had previously used and been known by a name other than the name under which he registered, took powers of attorney from clients, and based his fees on profit-sharing arrangements.<sup>1</sup> In the other case, the Commission found that the investment adviser corporation and its

<sup>1</sup> *Samuel N. Savitt*, Investment Advisers Act Release No. 70 (January 27, 1954).

president had been convicted in a United States District Court of felonies for violating the fraud provisions of the Investment Advisers Act.<sup>2</sup>

#### LITIGATION UNDER THE INVESTMENT ADVISERS ACT OF 1940

During the fiscal year 1954 the Commission filed a complaint to enjoin Ralph H. Seipel, a registered Investment adviser doing business as Investors Surety Company, from further violations of Sections 206 (1) and (2) of the Investment Advisers Act of 1940.<sup>3</sup> The complaint charged the defendant with falsely representing, among other things, that Investors Surety Company absolutely guaranteed against loss in the stock market, that it was the only organization in the world providing professional trading services for investments and at the same time maintaining cash reserves to protect against any possible loss, that it never handled either cash or securities belonging to its many customers, that it was composed of professional traders in securities listed on the New York Stock Exchange and had been such for over 25 years, and that it maintained branch offices in the principal cities and had a foreign exchange department to convert foreign currency into dollars.

<sup>2</sup> *Hageman Corporation*, Investment Advisers Act Release No. 69 (December 23, 1953).

<sup>3</sup> D. C. D. C., No 3431-53.

## PART IX

### RELATED ACTIVITIES OF THE COMMISSION

#### COURT PROCEEDINGS

##### **Civil Proceedings**

At the beginning of the 1954 fiscal year there were pending in the courts 13 injunctive and related enforcement proceedings instituted by the Commission to prevent fraudulent and other illegal practices in the sale of securities. During the year 19 additional proceedings were instituted and 16 cases were disposed of, leaving 16 of such proceedings pending at the end of the year. In addition the Commission participated in a large number of reorganization cases under Chapter X of the Bankruptcy Act, in 9 proceedings in the district courts under section 11 (e) of the Public Utility Holding Company Act; and in 10 miscellaneous actions, usually as *amicus curiae*, to advise the court of its views regarding the construction of provisions of statutes administered by the Commission which were involved in private lawsuits. The Commission also participated in 36 appeals. Of these, 10 came before the courts on petitions for reviews of administrative orders; 10 arose out of corporate reorganizations in which the Commission had taken an active part; 2 were appeals in actions brought by or against the Commission; 8 were appeals from orders entered pursuant to section 11 (e) of the Public Utility Holding Company Act; and 6 were appeals in cases in which the Commission appeared as *amicus curiae*.

Complete lists 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, are contained in the appendix tables.

Certain significant aspects of the Commission's litigation during the year are discussed in the sections of this report relating to the statutes under which the litigation arose.

##### **Criminal Proceedings**

The statutes administered by the Commission provide for the transmission of evidence of violations to the Attorney General, who may institute criminal proceedings. The Commission, largely through its regional offices, investigates suspected violations and, in cases where the facts appear to warrant criminal prosecution, prepares detailed reports which after careful review by the General Counsel's office and consideration by the Commission, are forwarded to the Attorney General. Commission employees familiar with the case often assist

the United States attorneys in its presentation to the grand jury, the conduct of the trial, and the preparation of briefs on appeal. The Commission also submits parole reports prepared by its investigators relating to convicted offenders. Where an investigation discloses violations of statutes other than those administered by the Commission, the Commission advises the appropriate federal or state agency.

Indictments were returned against 2,245 defendants in 525 cases developed by the Commission prior to June 30, 1954.<sup>1</sup> These figures include 61 defendants in 20 cases in which indictments were returned during the past fiscal year. At the close of the fiscal year, of the 481 cases disposed of as to one or more defendants, convictions had been obtained in 418,<sup>2</sup> or 87 percent, against a total of 1,196 defendants. Convictions were obtained against 25 defendants in 15 cases during the past fiscal year.<sup>3</sup> In addition, two defendants in two cases were convicted of criminal contempt for violation of injunctive decrees previously entered against them.<sup>4</sup>

In the single appellate case decided during the fiscal year judgments of conviction were affirmed as to all 7 defendants who appealed. At the close of the fiscal year 7 cases involving 8 defendants were pending on appeal.

As in prior years, the criminal cases developed and prosecuted during the fiscal year covered a wide variety of fraudulent activities. They included fraud relating to mining and oil and gas ventures, the operation of purported investment plans, the promotion of inventions and new businesses and the manipulation of securities on a national securities exchange, as well as fraudulent practices on the part of securities brokers and dealers and their representatives. In a number of fraud cases, the defendants were also charged with wilfully violating the registration provisions of the Securities Act.

Convictions for the fraudulent sale of securities in connection with oil and gas ventures were obtained in *U. S. v. Hamilton* (D. Mont.), *U. S. v. Vasen* (N. D. Ill.), *U. S. v. Frank* (W. D. Okla.) and in *U. S. v. Henderson* (W. D. Tenn.).<sup>5</sup> Henderson previously had been convicted on the same charge, violating the Mail Fraud Statute in connection with the sale of fractional undivided interests in oil and gas rights, but the conviction was reversed upon appeal because of certain trial errors.

<sup>1</sup> A condensed statistical summary of all criminal cases developed by the Commission from fiscal year 1934 through fiscal year 1954 is set forth in appendix table 23. The status of criminal cases developed by the Commission which were pending at the end of the fiscal year is set forth in appendix table 24.

<sup>2</sup> The 63 remaining cases, which resulted in acquittals or dismissals as to all defendants, included a number where the indictments were dismissed because of the death of defendants involved.

<sup>3</sup> One of these cases is still pending as to two defendants.

<sup>4</sup> Another criminal contempt case against a single defendant was pending at the close of the year. See Criminal Contempt Proceedings, appendix table 16. \*

<sup>5</sup> Appeals have been filed in the *Vasen*, *Frank* and *Henderson* cases which were pending at the close of the fiscal year.

In the *Vasen* case, which involved a well that reached a depth of 20,450 feet, stated to be the second deepest well in existence, it was charged that as part of a scheme to defraud, the defendant made false representations such as that the well was going through an "Atlantic Ocean of oil," that geologists believed that the producing formation extended completely across the State of Mississippi and possibly up to Pennsylvania, and that the oil sands encountered assured production of thousands of barrels of oil per day. *Vasen* was sentenced to a prison term of 5 years to be followed by 5 years probation, and a fine of \$25,000 was imposed. The *Frank* case included charges of misrepresentation concerning a so-called "magnetic logger" device which was held out to investors as assuring 100 percent accuracy in the location of oil pools. *Frank* was sentenced to a term of 18 months imprisonment. In the *Hamilton* case the defendant was charged with making false representations with respect to his holdings and his plans to drill for oil and gas. He falsely stated the monies received from investors would be used to drill an oil well. *Hamilton* was placed on probation for 5 years but the imposition of the sentence was suspended on condition that full restitution was made to all investors within a period of 1 year. In the *Henderson* case the defendant was sentenced to 5 years imprisonment and fined \$1,000.

Convictions for the fraudulent selling of securities in mining ventures were obtained in *U. S. v. Kendall* (W. D. Tex.), *U. S. v. Wickham et al.* (D. Nev.), *U. S. v. Cottrelle* (D. Mont.) and *U. S. v. Swift* (N. D. Calif.). The misrepresentations followed a common pattern. The defendants claimed that the mines involved had high grade ore which was being currently produced when in fact they were barren. Cottrelle had been a fugitive for 10 years, the indictment against him having been returned in 1943. He returned voluntarily from Canada and was sentenced to 3 years imprisonment and a \$2,000 fine. Swift was charged with causing false and misleading statements regarding a new "ore chute" which were published and caused the stock to rise on the exchange on which it was listed. Swift was fined \$5,000. The defendants in the other cases were sentenced to terms varying from 2 to 3 years imprisonment.

The promotion of spurious inventions and new businesses continued, during the past fiscal year, to be the subject of abuses in the sale of securities. In *U. S. v. Owens et al.* (S. D. Fla.) the defendants set up dummy corporations and obtained money from their victims by a variety of misrepresentations and false promises. In *U. S. v. Ross* (S. D. Ala.) the indictment charged that the defendant made false representations concerning the establishment and financing of a tung oil plant through money obtained from investors and funds purportedly available from the defendant and the Reconstruction Finance

Corporation. However, the indictment charged, the defendant converted the money to his own use. In *U. S. v. Klein* (N. D. Ill.) the defendant was charged with falsely representing that he was in a position to purchase a sizable small loan company in Pennsylvania at a price less than its actual worth and that the investors would receive an annual return of 10 percent pending completion of the transaction and 15 percent thereafter. Actually, the indictment charged, Klein appropriated and converted a large part of the money to his own use. Another finance company was involved in *U. S. v. Palmer* (D. Colo.). There it was charged that defendant, in the sale of stock of the finance company, falsely represented that the investors were insured by an agency of the Federal government, that the company was audited every 3 months by the State of Colorado, and that the company paid 6 percent dividends regardless of profit or loss. The case of *U. S. v. Cox* (D. N. Mex.) involved the sale of securities by means of false representations concerning the alleged returns which investors would receive upon the purchase of an interest in a dry ice plant. In *U. S. v. Estep* (N. D. Tex.) the defendant sold interests in a company manufacturing an alleged fuel-less self-energizing power unit and a machine which would keep people alive forever. The defendants in these various cases received sentences of up to 5 years in prison.

In *U. S. v. Martin* (D. N. Mex.) the defendant was convicted of falsely representing to his customers that he had executed their orders to buy securities, that he was holding securities purchased and paid for by them, and that payments made to them represented dividends which Martin had received on the stock he was holding for them. In fact, the indictment charged, Martin had not executed customers' orders but instead had appropriated and converted to his own use the securities and money he obtained from them. The defendant was sentenced to probation for two years and the sentence was suspended.

Following an extensive investigation by the Commission, indictments were returned against 13 individual and 2 corporate defendants in the United States District Court at Detroit, Mich., charging them with violating the anti-fraud provisions of the Securities Act, the mail fraud statute, and the broker-dealer registration provisions of the Securities Exchange Act, in connection with a stock sale promotion conducted by long distance telephone and the mails from Montreal, Canada, which allegedly resulted in the defrauding of a large number of investors residing in some 40 States and the District of Columbia, of over \$300,000.<sup>6</sup> It is charged in the indictments that defendants used over 200 false and fraudulent representations relating to alleged "rights" which investors had as shareholders to purchase additional shares at prices below the current market price, the pur-

\* *U. S. v. T. M. Parker, Inc.*, et al. (E. D. Mich.).

ported market and market price for such securities, alleged discoveries and developments which had taken place on properties owned by the corporations, the listing of the securities involved on various Canadian exchanges, guaranteed profits investors were supposed to make, and numerous other similar matters. A conspiracy indictment was also returned in connection with this "boiler room" operation against these 15 defendants and 1 other. One of the defendants was also indicted for perjury committed during the investigation. Nine of the individual defendants who were in the United States have been arraigned.

#### **COMPLAINTS AND INVESTIGATIONS**

Each of the Acts administered by the Commission specifically authorizes it to conduct investigations of possible violations. These investigations are conducted primarily by the regional offices under the general administrative supervision of the principal office.

Investigations by the Commission are classified as preliminary or docketed. Preliminary investigations are initiated when information is received indicating a possible violation of one of the Acts and are usually conducted informally by telephone inquiries, interviews and a limited amount of correspondence. Frequently this limited investigation will disclose that no violation has taken place or that through a misunderstanding or ignorance of the law one of the statutes has been inadvertently violated. When an inadvertent violation has taken place, the investigation serves the purpose of informing the violator and brings about a compliance with the law before any serious damage or loss results to the investing public. However, should a preliminary investigation reveal the likelihood of substantial violations or widespread public interest, a docketed investigation file is opened and a full-scale investigation undertaken.

The Commission by the various statutes it administers is authorized to issue subpoenas and administer oaths, and to delegate this power to staff members. In a particular case, an officer designated by the Commission may issue a subpoena requiring the attendance of witnesses to testify under oath and may also require the production of books, records and other documents for examination. The subpoena power is used only in specific instances and only after it appears that the necessary evidence cannot be otherwise obtained. This delegation of power by the Commission is made through the issuance of an order limited to the persons designated therein as officers and to the purposes of the particular investigation. During the fiscal year, 36 such orders were issued.

After the investigation is completed, the regional office prepares a report with the Regional Administrator's recommendation for the

institution of appropriate action or for closing the investigation. In all instances, these reports are first reviewed by the staff of the principal office and subsequently, if the situation warrants, presented to the Commission for consideration. Where appropriate, further steps may be taken such as civil proceedings to enjoin violations, reference of evidence to the Attorney General, where it appears that criminal prosecution is warranted, or administrative proceedings with respect to registered securities, broker-dealers and investment advisers.

During the fiscal year, the Commission expanded the area of co-operation with state securities authorities by authorizing Regional Administrators to refer to local authorities evidence obtained in informal investigations indicating violations of state statutes. The object of this procedure is to turn over to the states those cases in which it appears there is a clear violation of state law and the Regional Administrator has reason to believe that the state authorities will take appropriate action. It is believed that this program will afford the public greater protection since the enforcement activities of the Commission can be concentrated on those cases which cannot be effectively handled by the states. The Commission also co-operates with other Federal authorities by making available evidence of violation of other Federal statutes.

The following table shows the investigative activities of the Commission during the fiscal year:

*Investigations of possible violations of the acts administered by the commission*

	Preliminary	Docketed	Total
Pending June 30, 1953.....	224	744	968
New cases.....	181	140	321
Transferred from preliminary.....		22	22
	405	906	1,311
Closed.....	185	379	564
Transferred to docketed.....	22		22
Pending at June 30, 1954.....	198	527	725

#### SECTION OF SECURITIES VIOLATIONS

The Commission maintains a Section of Securities Violations for assistance 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. This Section has developed files which serve as a clearing house of information concerning persons who have been charged with violations of various Federal and state securities statutes. The specialized information in these files has been kept current through the co-operation 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 officers, Better Business Bureaus, and members of the United States Chamber of Commerce. By the end of the 1954 fiscal year, these records contained data concerning 59,625 persons against whom Federal or state action had been taken in connection with Securities Violations.

During the past year, additional items of information relating to 3,785 persons were added to the records of this Section, including information concerning 1,414 persons not previously identified therein.

Extensive use is made of this clearing house of information. During the past year, the Section of Securities Violations received 2,937 letters or reports and sent 1,577 communications to co-operating agencies.

#### \* ACTIVITIES OF THE COMMISSION IN ACCOUNTING AND AUDITING

The considerable quantity and variety of financial statements filed with the Commission pursuant to the various statutes give rise to many questions pertaining to accounting practices and procedures. It has been the consistent policy of the Commission to insist that such financial statements clearly and unequivocally present to the users thereof, particularly investors and prospective investors, dependable data upon which to make their financial decisions. To this end, accounting rules and regulations and changes therein considered necessary to obtain compliance with the applicable statutes are adopted by the Commission after extensive study and research by the Office of the Chief Accountant.

Such study and research usually involve correspondence and/or consultations with persons and groups having an interest in the contemplated action, including among others the American Accounting Association, American Institute of Accountants, Controllers Institute of America, National Association of Railroad and Utilities Commissioners, economists, attorneys, investment advisers and analysts, corporate officials, and other Federal agencies. Where the desirability therefor is indicated, public hearings are held.

The Commission has prescribed uniform systems of accounts for companies subject to the provisions of the Holding Company Act,<sup>7</sup> has adopted rules under the Securities Exchange Act governing accounting and auditing of securities brokers and dealers, and has promulgated rules containing in a single, comprehensive regulation, known as Regulation S-X,<sup>8</sup> which govern the form and content of financial statements filed in compliance with the various Acts. These regula-

<sup>7</sup> Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies (effective August 1, 1936); Uniform Systems of Accounts for Public Utility Holding Companies (effective January 1, 1937; amended effective January 1, 1943).

<sup>8</sup> Adopted February 21, 1940 (Accounting Series Release No. 12); revised December 20, 1950 (Accounting Series Release No. 70).

tions are implemented by the Accounting Series releases, of which 77 have been issued, designed to make public from time to time opinions on accounting principles for the purpose of contributing to the development of uniform standards and practice in major accounting questions. The rules and regulations thus established, except for the uniform systems of accounts, prescribed the accounting to be followed only in certain basic respects. In the large area not covered by such rules, the Commission's principal reliance for the protection of investors is on the determination and application of accounting principles and standards which are recognized as sound and which have obtained general acceptance. Most financial statements filed with the Commission are required to be certified by independent public accountants or certified public accountants.

The 19th Annual Report of the Commission contained a statement of the circumstances leading up to the adoption, during the current fiscal year, of Rule 3-20 (d) of Regulation S-X, which sets forth the disclosure required with respect to all stock option arrangements in financial statements filed with the Commission.<sup>9</sup>

Because of the divergence of views as to the appropriate manner of accounting for so-called emergency facilities in financial statements filed with the Commission, the Commission adopted the policy of accepting financial statements wherein the portion of the cost of properties covered by certificates of necessity is amortized over the five-year statutory period as well as statements wherein the cost of such facilities is depreciated over the probable useful life of the facilities but which give recognition to the resulting reduction in income tax benefit after the close of the amortization period. Pursuant to this policy, registrants in filing statements on either basis make adequate disclosures as to the method followed and the effect which would have been produced if the alternative method had been followed.

The Commission again had occasion during the fiscal year to consider the problem raised by departures from cost in the handling of depreciation, and denied a formal application to adopt a requirement that economic depreciation (based on replacement at current prices) be reflected either in the accounts or by other appropriate disclosures.

During the year, several problems arose in respect to foreign issuers of securities. Foreign standards of accounting and financial reporting differ in many respects from American standards, and vary from country to country. In the few, but sizable, filings during the year by foreign issuers, there have been reflected some departures from what are considered by American standards to be generally accepted accounting procedures. In each such instance comprehensive dis-

<sup>9</sup> Accounting Series release No. 76. (Nov. 3, 1954).

closure of the circumstances and the effects upon the financial statements has been required.

During the fiscal year, the Commission disposed of a proceeding under Rule II (e) of its Rules of Practice against certifying accountants alleged to have failed to observe appropriate audit requirements as to financial statements of a broker-dealer filed pursuant to the requirements of rule X-17A-5 adopted under Section 17 (a) of the Securities Exchange Act of 1934. After examining the record in the proceeding, the Commission was of the opinion that while more thorough auditing procedures might have resulted in the discovery of certain fictitious commodity transactions, the record did not disclose a lack of integrity or improper professional conduct within the meaning of Rule 11 (e), and accordingly the proceedings against the accountants were dismissed. The Commission, in taking this action, noted that no member of the public suffered any loss as a result of the transactions involved.<sup>10</sup>

#### **OPINIONS OF THE COMMISSION**

Findings and opinions are issued by the Commission in all cases where the matter to be decided, whether substantive or procedural, is of sufficient importance to warrant a formal expression of views. The Office of Opinion Writing, a staff office which is directly responsible to the Commission, aids the Commission in the preparation of findings and opinions in contested and other cases arising under statutes administered by it. In accordance with the provisions of the Administrative Procedure Act requiring a separation between quasi-prosecutorial functions and quasi-judicial functions, the personnel of the Office of Opinion Writing is entirely independent of the divisions engaged in the investigation and prosecution of cases. In some cases, the interested operating division, with the consent of all parties, participates in the drafting of opinions. During the fiscal year the Commission issued findings and opinions in 81 matters. This figure does not include numerous orders which, although of a dispositive nature, were not accompanied by detailed findings or a formal opinion. With minor exceptions, all findings, opinions and orders are publicly released and constitute a source of information for the bar and other interested persons.

#### **INTERNATIONAL FINANCIAL AND ECONOMIC MATTERS**

During the fiscal year registration statements covering \$591,571,960 of securities issued by foreign issuers, government and private, were effectively registered under the Securities Act. Of this amount \$95,430,960 represented offerings by Canadian private issuers, including one Canadian investment company, and \$137,866,000 represented

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<sup>10</sup> Accounting Series release No. 77. (Feb. 19, 1954).

offerings by Provinces and cities of Canada. Of the balance, \$354,000,000 represented Israeli offerings, including \$350,000,000 by the State of Israel and \$4,000,000 by two private issuers. The total was completed by a \$4,275,000 offering of a Dutch private issuer.

The Commission acted as one of the hosts of missions from Germany and Mexico which came to the United States under the auspices of the Foreign Operations Administration to make a study of the organizations, institutions, methods and regulations of the capital markets in this country.

In September 1953 the Validation Board for German Dollar Bonds, a joint German and American Board established in this country under an Agreement dated February 27, 1953 between the United States Government and the Federal Republic of Germany, began registration of West German dollar bonds for validation. There are 92 issues of such bonds subject to validation, which is required by legislation enacted by the German Government and is a necessary step before a bondholder may participate in a settlement which may be offered pursuant to the London Debt Agreement. After the establishment of validation procedures the Commission adopted rule X-15C2-3, governing the conditions under which West German securities could again be traded in the United States markets, such trading having been suspended since December 8, 1941.<sup>11</sup> At the same time the Commission withdrew its request that brokers and dealers refrain from effecting transactions in West German securities to the extent that such trading is not prohibited under the provisions of rule X-15C2-3. The preparation and adoption of this rule and the proposed re-entry of the West German dollar bond issues into the markets of the United States presented many problems which required frequent consultations between members of the Commission's staff, the Department of State and the Validation Board for German Dollar Bonds. Many of these problems will continue as settlement offers to American bondholders are forthcoming under the London Debt Agreement.

In connection with the resumption of trading in this country in West German dollar bonds the Commission has been concerned with obtaining recent information about the various issuers of these securities and had taken initial steps in November 1952 by requesting the cooperation of the West German Government in securing such information. Information about the Federal Republic of Germany was furnished in a circular dated October 6, 1953 relating to an exchange offer made by that government to the holders of two classes of its old dollar bonds and old dollar bonds of the Free State of Prussia and the Conversion Office for German Foreign Debts. Since information about other West German issuers had not been furnished, the Commission in November 1953, after consultation with the Department

<sup>11</sup> Securities Exchange Act release No 4983 (January 11, 1954).

of State, sent direct requests to 63 issuers of German dollar obligations, including the issuers of the 92 bond issues subject to validation, and again requested the assistance of the Government of the Federal Republic in securing this information. As a result of these efforts, 37 German issuers have sent to the Commission copies of their published annual reports (in the German language), which are available for public inspection at the Commission's Washington office, and where sufficient copies have been received, are also available for public inspection at the Commission's regional offices in New York, Chicago and San Francisco.

During the fiscal year the Department of State and the Commission continued discussions of the proposed treaty relating to the validation of Austrian dollar bonds. During this period the Commission publicly renewed its request that the securities industry refrain from trading in Austrian securities until further notice after the establishment of validation procedures. In June 1954 the Commission, after consultation with the Department of State, sent direct requests to seven Austrian issuers of dollar bonds that they furnish information which would be helpful to the American holders of such bonds. In response to these requests, three Austrian issuers have sent the Commission copies of their recent annual reports.

The International Bank for Reconstruction and Development announced that during the fiscal year it raised more portfolio capital for international investment, and from investors in more countries, than in any earlier period. It offered two issues of United States bonds, two issues of Swiss franc bonds and one issue of Canadian dollar bonds. In the distribution of these issues of bonds, the Bank made available a prospectus giving information about the Bank's structure and operation. It also filed with the Commission, pursuant to Regulation BW adopted by the Commission under the amendment to the Bretton Woods Agreements Act, information comparable to that which would be required if its securities had been registered under the Securities Act and the Securities Exchange Act.

#### **CONFIDENTIAL TREATMENT OF APPLICATIONS, REPORTS, AND DOCUMENTS**

The Commission is empowered under various of the Acts administered by it to grant upon application confidential treatment with respect to certain types of information which would otherwise be disclosed to the public in applications, reports, or other documents filed pursuant to these statutes. In the exercise of such authority, under the Securities Act, it has adopted rule 485 providing that information as to material contracts, or portions thereof, filed as a part of a registration statement will be held confidential where it determines that disclosure would impair the value of the contracts and is not necessary

for the protection of investors. Circumstances under which other rules provide for confidential treatment of information include cases where disclosure would be detrimental to the national security.

The number of applications granted, denied or otherwise accounted for during the year may be noted below.

*Applications for confidential treatment—1954 fiscal year*

Act under which filed	Number pending July 1, 1954	Number received	Number granted	Number denied or withdrawn	Number pending June 30, 1954
Securities Act of 1933 <sup>1</sup> .....	4	23	26	0	1
Securities Exchange Act of 1934 <sup>2</sup> .....	0	14	7	6	1
Investment Company Act of 1940 <sup>3</sup> .....	0	56	56	0	0
Total.....	4	93	89	6	2

<sup>1</sup> Filed under Rules 485 and 171.

<sup>2</sup> Filed under Rules X-24B and X-6.

<sup>3</sup> Filed under Rule N-45A-1.

The total of 93 applications filed during the year compares with 121 in the 1953 fiscal year and 145 in the 1952 fiscal year.

#### STATISTICS AND SPECIAL STUDIES

During the past fiscal year the Commission maintained its statistical series relating to the capital market, savings and investment. These data which are used by the Congress, other Government agencies, investment and financial institutions are also made available to the general public in the Commission's monthly Statistical Bulletin or in press releases. The various series are described below.

#### CAPITAL MARKETS

##### All New Securities Offerings

A monthly series on new securities offerings, including corporate and non-corporate securities, is published in the Statistical Bulletin of the Commission. In addition, a quarterly series covering corporate issues is published in press release form and contains an analysis of the data.

The statistics show the volume and character of all new securities offered for cash in the United States and differ in concept and coverage from the statistics of registrations shown in other parts of this report. The offerings series includes only securities actually offered for cash sale, and only issues offered for account of issuers. The series includes not only issues publicly offered but also issues privately placed, as well as other issues exempt from registration under the Securities Act such as intrastate offerings and railroad securities. The statistics on new offerings are given in tables 3 through 5 of the appendix.

New corporate securities offered for cash sale in the fiscal year ended June 1954 amounted to \$8.5 billion, comparing with \$9.3 billion in the preceding fiscal year, which was the highest since 1929. Proceeds from new issues to be used for new plant and equipment expenditures totalled \$5.6 billion, only \$200 million less than in the 1953 fiscal year, reflecting a continuation at near-record levels of the large-scale capital expansion of corporations. Funds raised in the capital market for working capital purposes totalled \$1.6 billion, \$400 million lower than in the preceding year. The balance of net proceeds from new issues, amounting to \$1.1 billion, was to be used for repayment of outstanding securities, bank loans and other purposes. Issues of electric, gas and water companies were of considerable importance in the past fiscal year, aggregating \$3.6 billion, and accounting for 34 percent of all issues. Issues of manufacturing companies, in contrast, amounted to only \$1.8 billion, or 21 percent of total issues, as compared to the preceding year when such issues amounted to \$3.2 billion and comprised 34 percent of all issues. The distribution of issues among other industry groups for the current year was as follows: financial and real estate (excluding investment companies), 12 percent; communication, 11 percent; mining, 4 percent; commercial and other, 4 percent; railroad, 3 percent; and other transportation, 3 percent.

Of total corporate securities issued in the 1954 fiscal period, 63 percent were publicly offered and 37 percent privately placed. Private placements, which amounted to \$3.1 billion, were \$700 million lower than in the 1953 period, primarily because of the smaller volume of financing by manufacturing companies. Statistics on private placements of corporate issues, classified by type of security and industry of issuer, appear in appendix table 3, part 4, while comparisons of the volumes of public and private offerings are given in appendix table 5.

Statistics on non-corporate securities sold for cash are also included in appendix table 3. During the fiscal year ended June 1954, non-corporate flotations included \$12.5 billion of U. S. Government securities, \$6.7 billion of state and local issues, \$200 million of Federal agency securities and \$400 million of foreign government and other issues.

#### **Issues Registered under Securities Act of 1933**

Statistics of all securities registered under the Securities Act of 1933 are published in the Statistical Bulletin at quarterly intervals. Statistics covering data on the number and volume of registrations during the past twenty years and more detailed information for the months of the fiscal year 1954 are given in appendix tables 1 and 2.

**Corporate Securities Outstanding**

Beginning this year quarterly figures on the flow of cash through securities transactions between corporations and investors have been published in the Statistical Bulletin. Previously, they had been compiled for internal use within the government. The data comprise the only series in this field and are used in preparing estimates of saving in the form of securities, in analysis of sources and uses of corporate funds, moneyflows analysis, and estimates of changes in private debt. A description of the scope and limitations of the series appears in the Statistical Bulletin.

In the fiscal year ended June 30, 1954, proceeds from new corporate securities, net of retirements, amounted to \$6.7 billion. This was a billion dollars less than in the preceding fiscal year and reflected a lower volume of new issues and a higher amount of repayments. Retirements of securities in the fiscal year totaled \$3.2 billion, \$400 million more than in the preceding year chiefly due to an increase in refunding activity in the final quarter of the period.

**Investment Companies**

From 1942 through the first quarter of 1954 data were published quarterly in the Statistical Bulletin for over 200 management investment companies registered under the Investment Company Act of 1940. The statistics included purchases and sales of their own securities, portfolio changes, and aggregates of securities investments and assets, segregated by open-end and closed-end types. These statistics were discontinued after the first quarter of 1954 due to the fact that automatic quarterly reports from investment companies are no longer required under the Commission's regulations, and also because similar data are prepared by the National Association of Investment Companies. Net sales of these companies amounted to approximately \$400 million during the fiscal year ended June 1954.

**STOCK MARKETS**

Statistics are regularly compiled and published in the Statistical Bulletin on the market value and volume of sales on registered and exempted securities exchanges, round-lot stock transactions on the New York exchanges for accounts of members and nonmembers, odd-lot stock transactions on the New York exchanges, special offerings and secondary distributions.

The indexes of stock market prices were continued during the 1954 fiscal year. These indexes are based upon the weekly closing market prices of 265 common stocks listed on the New York Stock Exchange, and are composed of seven major industry groups, 29 subordinate groups, and a composite group. These data are published in the Statistical Bulletin and are also released weekly. Figures on round-lot

and odd-lot stock transactions are also included in the weekly release on stock market indexes.

### SAVING STUDY

Estimates of the volume and composition of individuals' saving in the United States are compiled and released at quarterly intervals. The study shows the aggregate value of saving in each quarter and the form in which the saving occurred, such as investment in securities, expansion of bank deposits, increase in insurance and pension reserves, etc.

A reconciliation of the Commission's estimates with the personal saving estimates of the Department of Commerce (derived in connection with its national income series) is published annually in the National Income Supplement of the Survey of Current Business. The methods used in deriving the Commission's estimates of individuals' saving, together with a description of sources of data were published recently.

The rate of individuals' saving in liquid form during the fiscal year ended June 30, 1954 was maintained at a high level, amounting to \$15.0 billion, and comparing with \$15.5 billion in the 1953 fiscal year. Individuals invested \$4.2 billion in securities, added \$8.2 billion to their equity in insurance and Government pension reserves, such as Social Security funds, increased their currency and bank deposits by \$5.4 billion, and increased their shareholdings in savings and loan associations by \$4.0 billion. During the same period, individuals increased their mortgage debt by \$6.5 billion and other consumer debt by \$300 million.

### FINANCIAL POSITION OF CORPORATIONS

#### Working Capital

Data are prepared and released at quarterly intervals on the working capital position of all United States corporations, excluding banks and insurance companies. These releases show the principal components of current assets and liabilities and an abbreviated analysis of the sources and uses of corporate funds. At the end of June 1954, corporate net working capital position was estimated at an all-time high of \$94.1 billion, comparing with a previous peak at the end of September 1953 of \$93.3 billion. The data are used in measuring the liquid position of corporations and the figures indicate that there has been little change in liquidity since mid-1951, as measured by the ratio of cash and government securities to current liabilities. At the end of June 1954 this ratio stood at 54 percent. The highest point of corporate liquidity was reached in 1949 when the ratio was 71 percent.

### **Balance Sheet and Income Statements**

A quarterly financial report for all United States manufacturing concerns is prepared jointly by the Commission and the Federal Trade Commission. This report, an outgrowth of the working capital series, gives complete balance sheet data and an abbreviated income account for all manufacturing companies. Data are classified by industry and size of company.

### **PLANT AND EQUIPMENT EXPENDITURES OF U. S. BUSINESS**

The Commission and the Department of Commerce jointly compile and release, at quarterly intervals, data on the plant and equipment expenditures of U. S. business. The series is used as an index of future business activity and production, as well as capital market activity. At the close of each quarter, actual capital expenditures for that quarter are presented, and in addition, anticipated expenditures for the next two quarters are given. A survey is also made at the beginning of each year of the expansion plans of business during the coming year.

During the fiscal year ended June 1954 expenditures for plant and equipment by American concerns amounted to a record \$27.9 billion, exceeding the previous record figure in the 1953 fiscal year by \$800 million. The higher total for the current fiscal year resulted from peak expenditures during the closing months of 1953; in the first six months of 1954 (the second half of the 1954 fiscal year) expenditures were approximately two percent less than in the similar months of the 1953 fiscal year. According to plans at mid-1954, expenditures for the full calendar year 1954 will be about 6 percent less than in calendar year 1953, and are expected to aggregate \$26.7 billion, with most of the decline attributed to lower expenditures of manufacturing and railroad companies.

### **PERSONNEL**

The personnel of the Commission was further reduced by 74 employees in the fiscal year 1954, and as of June 30, 1954, consisted of the following:

Commissioners.....	5
Staff:	
Headquarters office.....	447
Regional Offices.....	247
	<hr/>
Total.....	694
	<hr/>

The efforts of the Commission to perform its important functions effectively and economically continued in the past fiscal year with the need for individual positions being critically reviewed and those

found unnecessary being abolished. Some of the organizational and operating changes effected by the Commission in fiscal 1954 are indicated below.

The position of Foreign Economic Adviser was abolished. Such of his functions as are required by statute are now performed by the Commission's regular divisions.

The Commission's Cleveland Regional Office became a branch office of the Commission's Chicago Regional Office. Several positions, including that of a Regional Administrator, were abolished.

The Commission's Division of Corporate Regulation was reorganized into four operating branches in lieu of the former five branches.

The Commission's Division of Trading and Exchanges was reorganized, two branches replacing the former four Branches. This has reduced the number of supervisory personnel, consolidated the enforcement and interpretative activities of the Division in one branch and concentrated in the second branch other activities such as financial analysis, exchange registration and regulation, and stabilization. In addition, certain market surveillance work has been transferred to the New York Regional Office. A number of positions, including two Assistant Directorships were abolished.

### FISCAL AFFAIRS

#### **Appropriation and Expenditures**

The following is a summary of the appropriation and expenditures for the fiscal year 1954 as compared to the fiscal year 1953:

	<i>Fiscal year—</i>	
	<i>1954</i>	<i>1953</i>
Appropriation-----	\$5,000,000	\$5,245,080
Expenditures-----	4,988,414	5,236,086

Unexpended balance----- 11,586 8,994

#### **Fees and Revenues:**

The following fees were collected in the fiscal year 1954:

#### **Character of fee:**

Registration of securities issued-----	\$848,623
Qualification of trust indentures-----	500
From registered exchanges-----	349,769
Sale of copies of documents or portions thereof-----	14,447
Miscellaneous collections-----	2,410
Total-----	1,215,749

Fees are turned over to the General Fund of the Treasury and are not available for expenditure by the Commission.

**PUBLICATIONS**

Publications issued during the fiscal year include:

Statistical Bulletin. Monthly

Volumes Nos. 24, 25, 26, and 27 of Commission's Decisions and Reports.

Official Summary of Securities Transactions and Holdings of Officers, Directors and Principal Stockholders. Monthly.

Nineteenth Annual Report of the Commission.

Securities Traded on Exchanges under the Securities Exchange Act of 1934, as of December 31, 1953.

Companies Registered under the Investment Company Act of 1940, as of December 31, 1953.

Registered Public Utility Holding Companies, December 31, 1953

Financial Report, U. S. Manufacturing Corporations. (Jointly with Federal Trade Commission). Quarterly, 1953.

Regulation S-X as of November 3, 1953.

Rules and Regulations under the Securities Act of 1933, February 1, 1954.

Securities Required to be Exchanged for Cash or New Securities, Jan. 1, 1954.

Working Capital of United States Corporations. Quarterly.

Volume and Composition of Saving. Quarterly.

New Securities Offered for Cash. Quarterly.

Plant and Equipment Expenditures of U. S. Corporations. (Jointly with Department of Commerce). Quarterly.

The Work of the Securities and Exchange Commission, November 1, 1954.

**INFORMATION AVAILABLE FOR PUBLIC INSPECTION**

The Commission maintains Public Reference Rooms at the headquarters office in Washington, D. C., and at its Regional Offices in New York City and Chicago, Ill.

Copies of all public information on file with the Commission contained in registration statements, applications, declarations and other public documents are available for inspection in the Public Reference Room in Washington. During the fiscal year 2,368 persons made personal visits to the Public Reference Room seeking public information and an additional 20,393 requests for registered public information and copies of forms, releases and other material of a public nature were received. Through the facilities provided for the sale of reproductions of public information, 1,797 orders involving a total of 81,710 page units were filled and 662 certificates attesting to the authenticity of copies of Commission records were prepared. The Commission also mailed 361,265 copies of publications to persons requesting them.

There are available in the New York Regional Office copies of recent filings made by companies which have securities listed on exchanges other than the New York exchanges and copies of current periodical reports of many other companies which have filed registration state-

ments under the Securities Act of 1933. During the fiscal year, 10,793 persons visited this Public Reference Room and more than 7,061 telephone calls were received from persons seeking public information and copies of forms, releases and other material. In the Chicago Regional Office there are available copies of recent filings made by companies which have securities listed on the New York exchanges.

Copies of recent prospectuses used in the public offering of securities registered under the Securities Acts are available in all Regional Offices, as are copies of active broker-dealer and investment adviser registration applications and Regulation A Letters of Notification filed by persons or companies in the respective regions.

Copies of certain reports filed with the Commission are also available at the respective national securities exchanges upon which the securities of the issuer are registered.

#### PUBLIC HEARINGS

The following hearings were held by the Commission during the fiscal year:

	<i>Public proceedings</i>	<i>Number of hearings</i>
Securities Act of 1933-----		4
Securities Exchange Act of 1934-----		26
Public Utility Holding Company Act of 1935-----		14
Investment Company Act of 1940-----		2

	<i>Private proceedings</i>	
Securities Act of 1933-----		2
Securities Exchange Act of 1934-----		4
Rules of Practice-----		2

Included in the above are four hearings relating to revisions of the Commission's rules.

**PART X**

**APPENDIX**

**STATISTICAL TABLES**

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TABLE 1.—*Twenty year record of registrations fully effective under the Securities Act of 1933*

1935-1954

[Amounts in millions of dollars]

Fiscal year ended June 30	Number of statements	All registrations	For cash sale for account of issuers			
			Total	Bonds, debentures, and notes	Preferred	Common
1935 <sup>1</sup>	284	\$913	\$686	\$490	\$28	\$168
1936	689	4,835	3,936	3,153	252	531
1937	840	4,851	3,635	2,426	406	802
1938	412	2,101	1,349	666	209	474
1939	344	2,579	2,020	1,593	109	318
1940	306	1,787	1,433	1,112	110	210
1941	313	2,611	2,081	1,721	164	196
1942	193	2,003	1,465	1,041	162	263
1943	123	659	486	316	32	137
1944	221	1,760	1,347	732	343	272
1945	340	3,225	2,715	1,851	407	456
1946	661	7,073	5,424	3,102	991	1,331
1947	493	6,732	4,874	2,937	787	1,150
1948	435	6,405	5,032	2,817	537	1,678
1949	429	5,333	4,204	2,795	326	1,083
1950	487	5,307	4,381	2,127	468	1,786
1951	487	6,459	5,169	2,838	427	1,904
1952	635	9,500	7,529	3,346	851	3,332
1953	593	7,507	6,326	3,093	424	2,808
1954	631	9,174	7,381	4,240	531	2,610

<sup>1</sup> For 10 months ended June 30, 1935.

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TABLE 2.—*Registrations fully effective under the Securities Act of 1933*

## PART 1.—DISTRIBUTION BY MONTHS, FISCAL YEAR ENDED JUNE 30, 1954

[Amounts in thousands of dollars <sup>1</sup>]

Year and month	All registrations			Proposed for sale for account of issuers		
	Number of statements	Number of issues	Amount	Number of statements	Number of issues	Amount
<i>1953</i>						
July.....	47	61	397,481	44	54	373,485
August.....	42	62	254,300	37	55	216,455
September.....	41	51	676,158	38	48	667,011
October.....	50	64	1,977,974	43	54	960,072
November.....	44	57	355,278	42	49	319,238
December.....	40	61	666,450	35	50	580,542
<i>1954</i>						
January.....	43	52	606,958	38	45	554,611
February.....	47	74	362,019	45	68	335,208
March.....	65	76	1,025,042	60	65	959,161
April.....	79	102	1,058,678	74	92	902,415
May.....	73	96	903,859	65	85	803,044
June.....	60	75	889,304	58	66	709,956
Total, fiscal year 1954.....	2,631	831	9,173,502	579	731	7,381,199

## PART 2.—PURPOSE OF REGISTRATION AND TYPE OF SECURITY, FISCAL YEAR ENDED JUNE 30, 1954

[Amounts in thousands of dollars <sup>1</sup>]

Purpose of registration	Type of security			
	All types	Bonds, debentures, and notes <sup>3</sup>	Preferred stock	Common <sup>4</sup> stock
All registrations.....	9,173,502	4,248,730	566,440	4,358,332
For account of issuers for cash sale.....	7,381,199	4,240,036	531,142	2,610,021
Corporate.....	6,844,411	3,703,248	531,142	2,610,021
Offered to				
General public.....	5,045,187	2,978,142	414,259	1,652,786
Security holders.....	1,452,195	710,636	115,893	625,666
Other special groups.....	347,028	14,470	990	331,568
Foreign governments.....	536,789	536,789	0	0
For account of issuers for other than cash sale.....	1,637,951	8,693	35,298	1,503,959
For account of others than issuers.....	154,352	0	0	154,352

See footnotes at end of table.

TABLE 2.—*Registrations fully effective under the Securities Act of 1933—Continued*

## PART 3.—PURPOSE OF REGISTRATION AND INDUSTRY OF REGISTRANT, FISCAL YEAR ENDED JUNE 30, 1954

[Amounts in thousands of dollars<sup>9</sup>]

Purpose of registration	Industry <sup>9</sup>						Foreign governments
	All registrations	Manufacturing	Mining	Electric, gas and water	Transportation other than railroad	Communication	
Number of statements.....	631	108	44	384	3	20	145
Number of issues.....	831	143	54	218	4	32	80
All registrations (estimated value).....	9,473,502	1,406,064	126,335	2,014,862	5,600	1,894,001	1,556,560
For account of issuers.....	9,019,160	1,339,833	103,546	2,861,400	5,600	1,838,261	1,556,580
For cash sale.....	7,381,169	958,161	88,929	2,721,551	3,600	931,683	1,556,580
Corporate.....	96,844,411	958,161	88,929	2,721,551	3,600	931,683	1,556,580
Noncorporate.....	536,739	0	0	0	0	0	0
For other than cash sale.....	1,637,951	381,672	14,717	139,849	2,000	956,578	0
For exchange for other securities <sup>7</sup> .....	188,779	96,299	6,497	5,480	0	900	0
Reserve for conversion.....	1,249,991	131,152	6,238	118,646	0	955,778	0
For other purposes.....	169,181	164,222	2,047	15,723	2,000	0	13,810
For account of others than issuers.....	154,352	66,231	22,789	53,462	0	2,800	0

See footnotes at end of table.

TABLE 2.—Registrations fully effective under the Securities Act of 1933—(Continued)

## PART 4.—USE OF PROCEEDS AND INDUSTRY OF REGISTRANT

[Amounts in thousands of dollars]<sup>1</sup>

Use of proceeds	Industry <sup>5</sup>				
	All corporate	Manufacturing	Mining	Electric, gas and water	Transportation other than railroad
Corporate issues for cash sale for account of issuers (estimated gross proceeds).....	\$ 6,844,411	958,164	88,829	2,721,554	3,600
Cost of flotation.....	210,020	23,248	10,779	46,530	351
Commission and discounts.....	184,465 <sup>2</sup>	17,721	9,171	29,856	240
Expenses.....	34,564	5,498	1,008	16,674	111
Expected net proceeds.....	\$ 625,382	934,943	78,050	2,675,020	3,249
New money purposes.....	4,400,388	844,974	73,745	2,307,348	3,249
Plant and equipment.....	3,094,672	408,326	28,327	2,764	920,988
Working capital.....	710,715	436,445	45,419	1,185	485
Retirement of securities.....	305,112	23,105	678	331,490	0
Other purposes <sup>3</sup> .....	1,749,832	66,867	3,687	35,638	0
					2,765
					1,437,482
					247,985
					5,009

<sup>1</sup> Dollar amounts are rounded and will not necessarily add to totals shown.<sup>2</sup> The 631 statements shown in this table as "fully effective," differ from the 628 statements shown in the table on page — by reason of (a) the exclusion of two statements which became effective during the 1954 fiscal year subject to amendments which were not filed by the end of the fiscal year, (b) the inclusion of four statements which became effective during the previous fiscal year subject to amendments which were filed during the 1954 fiscal year, and (c) the inclusion of one statement which became effective in the 1954 fiscal year but was later withdrawn.<sup>3</sup> Includes face amount certificates.<sup>4</sup> Includes certificates of participation.<sup>5</sup> There have been some revisions in the industry classification from that shown in previous annual reports. "Transportation other than railroad" and "Communication" are shown separately. "Investment companies" are shown separately, and "Financial" has been combined with "Real Estate". "Merchandising" is included in "Commercial and Other" financial and real estate.

<sup>6</sup> This total differs from the sum of the monthly figures on securities offerings shown in Table 2, Part I, under the heading "Registered under 1933 Act," as follows:

*Excluded from this table but included in offerings*  
*Offerings of issues effectively registered prior to July 1, 1953.* ----- \$33,069,000  
*Included in this table but excluded from offerings*  
*Issues offered continuously.* -----

Investment companies—

Employee purchase plans and other

Effectively registered issues not yet offered for sale

Issues sold outside the United States, international offerings, etc.

126,761,000

Includes voting trust certificates and certificates of deposit registered for issuance in exchange for the original securities deposited.

shown as "Substitute securities"

Principally the purchase of securities

Commercial and other

Other financial and real estate

72,415

3,287

2,446

841

3,383

1,902

503,597

68,827

54,587

253,145

0

247,985

30,318

251,658

408

8,922

5,009

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## SECURITIES AND EXCHANGE COMMISSION

TABLE 3.—*New securities offered for cash sale in the United States 1*

## PART 1.—TYPE OF OFFERING

[Estimated gross proceeds in thousands of dollars 2]

Calendar year or month	All offerings (corporate and non-corporate)	Corporate			Public offerings 3			Non-corporate
		Total corporate	Total public offerings	Registered under 1933 Act	Total	Railroad issues	Issues exempt because of size 4	
		Not registered under 1933 Act	Other exempt offerings 3					
21,110,008	6,051,550	3,849,254	2,945,510	600,744	457,969	107,864	34,911	2,502,296
19,392,739	6,361,043	3,881,441	2,904,783	776,637	542,022	116,946	117,690	13,531,750
19,505,000	4,226,098	4,226,407	3,684,286	642,121	331,097	133,273	3,414,692	13,523,408
19,511,751	5,534,159	5,532,619	4,807,299	724,660	472,227	169,484	82,979	4,001,543
19,552,272	5,867,986	5,860,424	5,004,782	575,642	285,913	159,846	118,883	17,674,998
19,553,183							3,317,572	19,926,489
January.....	1,773,785	654,988	346,475	288,331	58,144	37,157	13,608	7,379
February.....	1,547,419	688,301	464,636	374,846	89,790	50,054	16,114	23,621
March.....	1,634,712	695,540	328,253	272,930	55,333	30,378	19,920	5,025
April.....	676,188	815,761	627,156	480,577	47,379	24,694	11,363	367,287
May.....	4,612,961	713,686	523,985	490,639	33,046	14,950	13,465	287,601
June.....	3,065,802	1,166,012	700,292	711,505	48,776	22,818	14,947	1,631
July.....	1,927,941	550,173	216,403	182,727	33,676	7,494	12,079	14,103
August.....	1,453,101	325,687	182,272	160,985	21,367	8,698	10,136	303,776
September.....	2,569,360	708,001	536,530	498,137	38,363	24,526	9,274	153,395
October.....	2,229,148	602,804	369,556	328,809	41,047	5,886	12,390	4,592
November.....	3,505,912	459,144	195,809	163,486	32,323	9,640	13,684	232,948
December.....	2,735,045	1,478,438	1,128,556	1,052,029	76,428	59,719	12,867	3,046,335
January.....	571,242	301,861	255,080	36,751	22,953	8,884	4,944	179,381
February.....	435,575	259,865	205,310	52,589	30,205	9,847	12,497	195,710
March.....	726,371	420,832	389,110	31,722	14,602	14,635	2,424	305,538
April.....	946,588	627,977	418,849	374,363	43,887	19,049	15,060	9,788
May.....	4,386,417	849,775	597,336	581,078	16,288	9,751	14,160	1,127
June.....	3,388,077	568,799	555,049	33,750	7,379	19,581	6,790	407,928

See footnotes at end of table.

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## PART 2.—TYPE OF SECURITY

[Estimated gross proceeds in thousands of dollars.]

Calendar year or month	All types of securities				Bonds, debentures, and notes				Preferred stock	Common stock
	All issuers		Corporate	Noncorporate	All issuers	Corporate	Noncorporate			
1949--	21,110	6,051	550	15,058	518	19,949	918	4,890	500	15,058,518
1950--	19,892	793	361	043	13,531	750	18,451	317	4,919	567
1951--	21,294	507	7,741	089	13,523	408	19,214	357	5,690	949
1952--	27,200	159	9,534	162	17,674	988	25,276	111	7,601	113
1953--	28,324	495	8,887	996	19,925	489	27,000	903	7,085	419
<i>1953</i>										
January--	1,773	785	654	668	1,118	818	1,608	130	489	312
February--	1,547	419	638	301	859	118	537	336	517	218
March--	1,634	712	605	540	939	172	1,468	560	517	388
April--	1,676	198	815	257	860	941	1,516	618	677	677
May--	4,612	961	713	696	3,893	276	4,307	020	467	744
June--	3,085	802	1,666	012	1,886	701	2,876	717	976	926
July--	1,927	941	520	778	1,407	768	1,814	839	407	077
August--	1,453	101	335	857	1,117	434	1,380	834	263	400
September--	2,599	360	768	601	1,831	359	2,150	206	675	847
October--	2,201	348	602	804	1,688	544	2,038	741	375	197
November--	3,505	912	459	144	3,046	768	3,399	815	353	046
December--	2,725	945	1,475	438	1,257	506	2,642	092	1,394	586
<i>1954</i>										
January--	1,654	609	571	242	1,083	367	1,545	224	461	857
February--	1,388	989	455	675	930	414	1,296	627	360	113
March--	1,960	699	726	371	1,234	328	1,746	933	512	605
April--	1,946	588	627	977	1,318	611	1,726	231	407	620
May--	4,386	417	846	775	3,536	642	4,183	875	647	233
June--	2,388	077	1,056	727	1,381	360	2,188	900	807	610

See footnotes at end of table.

TABLE 3.—*New securities offered for cash sale in the United States<sup>1</sup>—Continued*

## PART 3.—TYPE OF ISSUER

Estimated gross proceeds in thousands of dollars.<sup>2</sup>

Calendar year or month	Corporate						Noncorporate					
	Total corporate	Manufacturing	Mining <sup>7</sup>	Electric, gas and water	Railroad	Other transportation	Communication	Financial and real estate <sup>8</sup>	Commercial and other	Total non-corporate	U. S. Government agency (including issues not guaranteed)	State and municipal
1949.....	6,051,550	1,414,176	(7)	2,319,828	450,982	340,315	571,080	599,105	347,064	15,058,518	215,538	116,250
1950.....	6,381,043	1,200,017	(7)	2,618,822	554,100	259,017	398,391	746,750	512,916	13,531,750	9,687,497	30,000
1951.....	7,741,090	3,121,833	(7)	2,454,856	335,087	159,227	612,080	524,616	533,383	13,523,408	9,778,151	110,000
1952.....	8,534,162	4,638,754	(7)	2,674,674	684	525,305	467,084	769,239	515,178	17,674,098	12,557,446	4,401,317
1953.....	8,897,996	2,253,551	235,368	3,029,122	302,397	283,036	881,853	1,576,048	326,640	19,926,489	13,956,613	5,957,887
<i>1953</i>												
January.....	634,968	291,220	4,286	217,670	36,644	16,733	28,041	42,804	14,459	1,118,818	610,752	28,943
February.....	688,301	150,133	5,383	257,717	50,054	7,455	131,630	84,228	859,118	493,746	362,629	1,270
March.....	695,540	201,083	22,140	215,757	32,368	50,720	16,386	140,861	16,225	939,772	502,948	0
April.....	816,257	314,611	3,387	227,849	24,694	41,791	13,686	162,252	21,261	850,941	491,167	0
May.....	713,686	111,495	37,867	339,476	14,050	25,806	7,331	95,500	3,243,991	0	3,243,991	0
June.....	1,168,012	287,487	31,817	339,316	22,818	22,850	37,806	415,855	8,053	1,899,791	1,453,501	0
July.....	520,178	134,757	20,717	213,659	9,500	37,256	43,189	40,765	1,407,763	884,164	0	443,040
August.....	335,667	47,857	6,589	97,817	8,006	6,300	30,768	123,644	13,607	1,117,434	853,163	0
September.....	788,001	134,171	5,349	245,778	24,526	7,843	88,653	246,027	14,724	1,831,359	1,320,139	1,894
October.....	602,804	56,073	41,399	362,477	5,886	30,580	13,341	86,518	1,930	1,688,544	1,070,333	475,505
November.....	459,144	100,533	18,503	249,284	6,640	5,610	45,393	7,347	3,046,108	2,005,635	482,876	58,740
December.....	1,478,438	423,483	37,941	202,251	50,719	28,622	61,112	47,935	1,257,306	423,182	0	410,662
<i>1954</i>												
January.....	571,242	135,917	33,818	279,398	47,973	17,227	26,678	12,209	18,022	1,083,367	561,230	121,148
February.....	455,575	52,683	18,501	272,293	30,305	13,477	7,192	51,639	8,285	930,414	615,198	0
March.....	726,371	108,865	28,354	367,192	16,402	42,427	31,460	86,669	36,971	1,294,328	601,779	563,860
April.....	627,977	87,881	31,820	313,820	31,049	27,084	24,945	51,909	49,058	1,318,611	511,231	735,074
May.....	839,775	207,831	36,024	507,222	971	19,688	41,267	26,831	10,040	3,530,642	2,668,842	782,572
June.....	1,036,727	310,601	76,095	448,372	7,379	30,328	9,332	160,278	14,342	1,331,350	522,992	3,569,0

PART 4.—PRIVATE PLACEMENT OF CORPORATE SECURITIES\*

[Estimated gross proceeds in thousands of dollars.]

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Calendar year or month	Industry of issuer						Commercial and other			
	Type of security	Bonds, debentures, and notes	Stocks	Manufacturing	Mining?	Electric, gas, and water	Railroad	Other transportation	Communication	Financial and real estate
All private placements										
2,502,296	2,453,490	48,316	331,899	536,010	2,013	338,262	51,607	424,840	267,078	
2,670,602	2,559,235	120,169	809,715	683,835	12,078	181,074	54,505	641,218	397,178	
3,414,691	88,234	1,976,318	637,137	3,980	154,326	53,314	223,314	365,280	365,280	
3,326,467	326,467	45,018	2,246,788	655,115	52,978	71,494	311,880	333,986	333,986	
3,956,325	3,956,325	90,059	1,070,888	731,349	6,484	234,242	63,182	886,967	217,744	
3,317,572	3,227,614									
<b>1953</b>										
January.....	308,493	303,043	5,450	176,440	700	66,740	2,487	15,158	4,423	
February.....	223,665	210,169	13,486	47,735	700	58,235	0	30,397	12,148	
March.....	362,041	5,246	175,141	1,850	62,654	1,980	22,460	6,275	28,390	
April.....	287,287	280,481	7,020	56,446	0	41,246	0	89,976	11,445	
May.....	180,001	180,501	9,560	64,633	6,050	18,118	0	141,983	16,923	
June.....	402,375	402,375	3,345	107,915	25,980	63,792	0	105,100	19,914	
July.....	303,776	301,048	2,728	125,469	6,066	64,166	2,007	36,671	10,344	
August.....	163,395	163,385	0	33,470	2,000	30,404	0	12,588	23,957	
September.....	231,471	226,471	5,000	60,695	2,500	78,843	0	775	32,872	
October.....	232,048	232,384	10,564	43,950	15,232	84,373	0	6,198	8,760	
November.....	263,335	258,335	5,900	80,758	14,500	104,714	0	62,814	12,600	
December.....	349,862	327,273	22,708	98,386	31,139	80,239	0	45,212	8,250	
<b>1954</b>										
January.....	179,381	177,381	1,450	75,075	18,600	20,756	26,020	16,784	3,000	
February.....	195,710	188,380	7,350	38,436	8,000	100,641	0	12,987	4,437	
March.....	306,538	286,326	16,213	73,309	15,221	85,706	1,800	1,950	15,708	
April.....	206,128	191,501	17,627	33,360	30,292	52,570	12,000	41,988	6,808	
May.....	262,439	223,697	28,842	104,197	27,078	26,304	0	47,785	21,234	
June.....		467,928	465,087	2,861	99,945	60,404	0	30,028	14,025	

\* The data in these tables cover substantially all new issues of securities offered for cash sale in the United States in amounts over \$10,000 and with terms to maturity of more than one year. Included in the compilation are issues privately placed as well as those registered under the Securities Act of 1933. The figures on publicly offered issues include a small amount of so-called "securities, chiefly nonunderwritten issues of small companies." The figures on privately offered issues include securities actually issued but evade securities which institutions have contracted to purchase but which had not been taken down during the period covered by the statistics. Also 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 bonds and documents from totals published by the *Commercial and Financial Chronicle* and the *Bond Buyer*; these represent principal amounts instead of gross proceeds. All figures are subject to revision as new data are received. For data for the years 1934-1948, see 18th Annual Report.

? Gross proceeds are derived by multiplying principal amounts or numbers of units by offering prices, except for state and 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.

^ Issues sold by competitive bidding directly to ultimate investors are classified as publicly offered issues.

4 Issues in this group include those between \$100,000 and \$100,000 in size which are exempt under Registrations A and D under the Securities Act of 1933.

5 Chiefly bank stock issues.

6 The bulk of the securities included in this category are exempt from registration under Section 4 (1) of the Securities Act of 1933.

7 Prior to 1953 issues of mining companies are included in the category "Commercial and other."

Excluding issues sold by competitive bidding directly to ultimate investors.

TABLE 4.—*Proposed uses of net proceeds from the sale of new corporate securities offered for cash in the United States*

## PART 1.—ALL CORPORATE

[Amounts in thousands of dollars <sup>1</sup>]

Calendar year and month <sup>2</sup>	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds <sup>3</sup>	Total net proceeds <sup>3</sup>	Total new money	Plant and equipment	Working capital		
1949	6,051,550	5,959,260	4,606,326	3,724,165	882,160	400,966	951,968
1950	6,361,043	6,261,444	4,006,480	2,965,598	1,040,881	1,271,230	963,734
1951	7,741,099	7,606,520	6,531,403	5,110,105	1,421,298	486,413	588,703
1952	9,534,162	9,380,302	8,179,548	6,311,802	1,867,746	664,056	536,698
1953	8,897,996	8,754,721	7,959,966	5,646,840	2,313,126	260,023	534,733
<i>1953</i>							
January	654,968	645,614	584,446	481,008	103,438	22,406	38,763
February	688,301	676,369	586,194	352,199	234,084	53,827	36,348
March	695,540	683,675	627,791	438,932	188,858	17,433	38,451
April	815,257	802,453	747,826	525,201	222,625	23,080	31,547
May	713,686	697,266	590,507	463,094	127,413	21,947	84,812
June	1,166,012	1,147,101	1,033,967	597,134	436,833	24,161	88,973
July	520,178	509,724	459,037	364,462	94,574	26,526	24,162
August	335,667	329,839	270,100	160,632	109,468	5,232	54,607
September	768,001	757,420	691,288	423,326	267,962	4,372	61,760
October	602,804	589,632	549,544	429,676	119,868	12,241	27,847
November	459,144	451,381	406,061	300,742	105,320	22,363	22,956
December	1,478,438	1,464,248	1,413,206	1,110,525	302,681	26,434	24,609
<i>1954</i>							
January	571,242	562,800	530,990	484,554	46,437	18,398	13,412
February	455,575	448,292	410,093	338,290	71,802	9,086	29,113
March	726,271	712,578	590,028	473,017	117,011	52,755	69,795
April	627,977	615,740	470,612	388,876	81,735	129,398	15,731
May	849,775	835,741	614,466	472,140	142,326	183,376	37,899
June	1,056,727	1,041,353	812,300	635,313	176,987	181,910	47,143
PART 2.—MANUFACTURING							
1949	1,414,176	1,390,872	851,257	542,078	309,180	44,303	495,311
1950	1,200,017	1,175,363	688,074	312,701	375,374	149,010	335,279
1951	3,121,853	3,066,352	2,617,233	1,832,777	784,456	220,828	228,291
1952	4,038,794	3,973,363	3,421,892	2,179,563	1,242,329	260,850	290,621
1953	2,253,531	2,217,721	1,914,853	1,324,675	590,178	90,115	212,753
<i>1953</i>							
January	291,220	287,630	263,919	217,547	46,372	7,856	15,856
February	150,133	146,449	129,284	67,564	61,720	6,411	10,755
March	201,083	198,876	182,581	130,436	52,145	6,735	9,561
April	314,611	309,139	300,417	244,340	56,077	7,034	1,688
May	111,495	108,572	68,293	46,482	21,811	19,118	21,162
June	287,487	283,442	210,885	183,717	27,168	6,984	65,573
July	134,787	133,018	107,631	86,187	21,443	16,629	8,758
August	47,855	46,389	32,948	23,652	9,296	1,946	11,495
September	134,171	132,011	92,794	66,236	26,558	519	39,699
October	56,673	55,543	49,863	35,005	14,858	2,066	3,615
November	100,533	98,860	76,608	21,886	54,723	5,889	16,363
December	423,483	417,790	399,632	201,623	198,009	8,930	9,228
<i>1954</i>							
January	135,917	134,460	111,186	91,322	19,864	16,494	6,780
February	52,683	51,536	46,355	23,325	23,030	323	4,857
March	109,955	106,827	95,068	57,798	37,270	0	11,759
April	87,837	85,686	75,520	42,840	32,680	6,402	3,764
May	207,831	203,551	180,563	76,207	104,356	7,540	15,448
June	310,601	305,264	256,060	152,954	103,106	20,800	28,404

See footnotes at end of table.

TABLE 4.—*Proposed uses of net proceeds from the sale of new corporate securities offered for cash in the United States—Continued*

## PART 3.—MINING

[Amounts in thousands of dollars ]

Calendar year and month <sup>2</sup>	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds <sup>3</sup>	Total net proceeds <sup>3</sup>	Total new money	Plant and equipment	Working capital		
1949							
1950	(4)	(4)	(4)	(4)	(4)	(4)	(4)
1951							
1952							
1953	235,368	222,051	199,151	113,104	86,048	1,912	20,988
<i>1953</i>							
January	4,286	3,638	2,733	1,731	1,003	0	905
February	5,383	4,872	2,477	759	1,717	500	1,895
March	22,140	20,672	14,809	3,873	10,936	0	5,863
April	3,387	3,030	2,649	990	1,659	0	381
May	37,867	35,847	32,058	16,459	15,599	470	3,319
June	31,817	30,770	29,853	27,022	2,831	0	917
July	20,707	19,097	17,599	8,278	9,320	0	1,488
August	6,589	6,028	5,145	2,196	2,949	99	783
September	5,349	5,049	2,756	1,154	1,602	0	2,292
October	41,399	37,800	37,197	13,396	23,801	45	559
November	18,503	17,895	17,422	15,663	1,759	0	473
December	37,941	37,355	34,454	21,583	12,871	798	2,103
<i>1954</i>							
January	33,818	32,220	29,469	20,192	9,277	928	1,823
February	19,501	17,888	17,294	15,182	2,112	0	594
March	29,354	28,815	28,242	16,258	11,984	0	572
April	40,769	38,530	24,902	16,123	8,779	12,340	1,288
May	36,024	34,483	31,526	19,735	11,791	678	2,270
June	76,095	74,014	61,052	46,814	14,237	0	12,963

## PART 4.—ELECTRIC, GAS AND WATER

1949	2,319,828	2,275,898	1,837,545	1,818,560	18,986	233,390	204,963
1950	2,646,822	2,608,491	1,728,378	1,711,320	17,058	681,577	198,537
1951	2,454,853	2,411,714	2,186,248	2,158,823	27,425	85,439	140,027
1952	2,674,694	2,626,377	2,457,823	2,441,862	15,961	87,726	80,827
1953	3,029,122	2,971,911	2,755,852	2,737,082	18,770	67,034	149,025
<i>1953</i>							
January	217,690	214,344	205,298	193,027	12,271	0	9,046
February	257,717	253,307	236,924	235,681	1,243	8,183	8,200
March	215,757	211,968	204,476	204,329	148	2,061	5,431
April	227,899	223,204	198,932	198,620	312	8,137	16,135
May	399,476	390,845	348,198	348,010	188	341	42,306
June	339,316	330,897	299,600	299,065	535	16,994	14,303
July	213,659	208,551	206,423	206,268	154	1,232	896
August	97,817	96,822	86,366	86,346	20	0	10,456
September	245,778	241,895	226,929	226,512	416	644	14,322
October	362,477	355,506	333,981	332,692	1,288	5,145	16,381
November	249,284	244,975	224,733	223,383	1,350	15,856	4,386
December	202,251	199,599	183,993	183,149	844	8,442	7,164
<i>1954</i>							
January	279,398	275,583	274,824	274,780	44	148	611
February	272,293	269,469	258,076	254,967	3,109	0	11,392
March	367,192	361,613	305,934	305,889	45	45,695	9,984
April	313,820	309,478	236,800	235,957	843	72,679	0
May	507,222	500,936	327,243	327,112	131	172,595	1,097
June	448,372	442,285	381,103	379,910	1,193	60,183	1,000

See footnotes at end of table.

TABLE 4.—*Proposed uses of net proceeds from the sale of new corporate securities offered for cash in the United States—Continued*

## PART 5.—RAILROAD

[Amounts in thousands of dollars ]

Calendar year and month <sup>2</sup>	Proceeds		New money			Retire- ment of securities	Other purposes
	Total gross proceeds <sup>3</sup>	Total net proceeds <sup>3</sup>	Total new money	Plant and equipment	Working capital		
1949 . . . . .	459,982	456,353	441,392	441,392	0	11,164	3,797
1950 . . . . .	554,100	548,366	301,408	281,890	19,518	192,651	54,307
1951 . . . . .	335,087	331,864	296,017	201,886	5,030	34,214	733
1952 . . . . .	525,205	520,817	286,526	286,476	50	223,532	10,758
1953 . . . . .	302,397	298,904	267,024	244,254	22,770	31,879	0
<i>1953</i>							
January . . . . .	39,644	39,145	25,613	25,613	0	13,531	0
February . . . . .	50,054	49,255	30,907	22,928	7,979	18,348	0
March . . . . .	32,363	32,006	32,006	32,006	0	0	0
April . . . . .	24,594	24,373	24,373	24,373	0	0	0
May . . . . .	14,950	14,780	14,780	14,780	0	0	0
June . . . . .	22,818	22,551	22,551	22,551	0	0	0
July . . . . .	9,500	9,425	9,425	9,425	0	0	0
August . . . . .	8,696	8,612	8,612	8,612	0	0	0
September . . . . .	24,526	24,318	24,318	24,318	0	0	0
October . . . . .	5,886	5,815	5,815	5,815	0	0	0
November . . . . .	9,640	9,562	9,562	9,562	0	0	0
December . . . . .	59,719	59,062	59,062	44,271	14,791	0	0
<i>1954</i>							
January . . . . .	47,973	47,701	47,701	47,701	0	0	0
February . . . . .	30,205	29,858	22,517	22,517	0	7,340	0
March . . . . .	16,402	16,274	14,483	14,432	51	1,791	0
April . . . . .	31,049	30,834	18,890	18,890	0	11,944	0
May . . . . .	971	964	964	964	0	0	0
June . . . . .	7,379	7,310	7,310	7,310	0	0	0

## PART 6.—OTHER TRANSPORTATION

1949 . . . . .	340,315	338,695	302,320	298,865	3,455	272	36,102
1950 . . . . .	259,057	257,182	242,902	241,599	1,303	3,421	10,860
1951 . . . . .	159,227	158,240	131,009	123,217	7,792	18,478	8,753
1952 . . . . .	467,094	462,006	410,778	377,064	33,713	1,119	50,109
1953 . . . . .	293,036	289,889	264,880	260,568	4,312	3,949	21,031
<i>1953</i>							
January . . . . .	16,733	16,477	12,223	9,961	2,262	0	4,254
February . . . . .	1,693	1,605	1,605	1,372	233	0	0
March . . . . .	50,720	49,993	49,743	49,388	355	0	250
April . . . . .	41,791	41,534	41,534	41,452	82	0	0
May . . . . .	25,806	25,420	10,420	10,420	0	0	15,000
June . . . . .	22,860	22,383	22,383	22,251	131	0	0
July . . . . .	37,266	37,041	36,742	36,652	89	0	299
August . . . . .	6,300	6,163	5,963	5,773	190	0	200
September . . . . .	7,843	7,815	7,069	7,069	0	0	747
October . . . . .	30,580	30,401	30,352	29,759	592	0	50
November . . . . .	22,823	22,553	21,827	21,529	298	495	231
December . . . . .	28,622	28,474	25,021	24,941	80	3,454	0
<i>1954</i>							
January . . . . .	17,227	17,043	16,739	16,672	66	0	304
February . . . . .	13,477	13,341	12,922	12,748	74	0	520
March . . . . .	42,427	42,025	41,287	41,197	90	0	738
April . . . . .	27,084	26,918	26,809	26,809	0	0	110
May . . . . .	19,588	19,476	4,596	4,559	38	420	14,460
June . . . . .	30,328	30,108	29,949	29,712	237	0	158

See footnotes at end of table.

TABLE 4.—*Proposed uses of net proceeds from the sale of new corporate securities offered for cash in the United States—Continued*

## PART 7.—COMMUNICATION

[Amounts in thousands of dollars <sup>1</sup>]

Calendar year and month <sup>2</sup>	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds <sup>3</sup>	Total net proceeds <sup>4</sup>	Total new money	Plant and equipment	Working capital		
1949	571,080	566,566	504,557	502,679	1,877	49,277	12,732
1950	399,391	395,172	304,006	300,264	3,741	81,002	10,184
1951	612,080	605,095	594,324	574,417	19,907	5,231	5,540
1952	760,239	753,169	738,924	736,998	1,028	6,095	8,151
1953	881,853	873,726	860,967	841,600	19,367	3,164	9,596
<i>1953</i>							
January	28,041	27,882	27,557	27,557	0	0	325
February	7,455	7,321	6,419	1,322	5,097	0	902
March	16,386	15,595	14,650	14,614	36	0	945
April	13,636	13,249	11,907	11,416	492	0	1,342
May	7,331	7,136	5,917	5,878	39	500	718
June	37,806	37,182	37,182	36,974	208	0	0
July	20,765	20,167	14,989	10,913	4,076	2,203	2,975
August	30,768	29,803	29,143	29,098	45	235	425
September	89,583	88,586	88,207	87,142	1,065	226	153
October	13,341	13,203	11,393	10,391	1,002	0	1,810
November	5,619	5,482	5,482	5,419	63	0	0
December	611,121	608,120	600,876	7,244	0	0	0
<i>1954</i>							
January	26,678	26,277	24,564	24,396	168	228	1,485
February	7,192	6,890	6,890	6,862	28	0	0
March	31,400	30,298	22,202	22,157	45	0	8,096
April	25,945	25,655	25,494	25,370	35	0	251
May	41,267	40,413	40,298	40,253	45	0	115
June	9,332	9,071	8,240	8,240	0	0	831

## PART 8.—FINANCIAL AND REAL ESTATE

1949	599,105	592,559	440,453	43,079	397,374	34,530	117,576
1950	746,740	739,263	480,154	24,309	455,846	100,429	158,679
1951	524,616	515,267	368,485	15,686	352,800	66,030	80,751
1952	515,178	508,184	409,630	14,243	395,387	60,498	38,056
1953	1,576,048	1,560,672	1,452,279	32,116	1,420,162	24,225	84,168
<i>1953</i>							
January	42,894	42,377	39,596	4,474	35,122	645	2,136
February	131,639	130,603	123,317	3,076	120,241	5,393	1,993
March	140,861	138,955	119,675	0	119,675	7,151	12,129
April	162,292	161,637	151,276	79	151,197	1,854	8,507
May	95,500	93,579	91,187	6,749	84,438	287	2,105
June	415,855	412,425	405,576	1,097	404,479	0	6,849
July	43,189	42,868	32,203	3,607	28,596	2,507	8,158
August	123,944	122,785	92,214	112	92,102	403	30,168
September	246,027	243,335	238,535	6,185	232,350	1,735	3,066
October	80,518	79,913	74,285	1,381	72,904	3,000	2,628
November	45,393	45,057	44,273	98	44,175	0	783
December	47,935	47,138	40,140	5,258	34,882	1,250	5,748
<i>1954</i>							
January	12,209	11,772	10,906	105	10,801	0	865
February	51,939	51,167	39,727	443	39,284	0	11,439
March	89,669	87,869	54,052	100	53,953	0	33,817
April	51,909	51,222	18,306	222	18,085	24,663	8,253
May	26,831	26,253	22,363	108	22,255	830	3,061
June	160,278	159,407	59,486	4,708	54,778	96,845	3,076

See footnotes at end of table.

TABLE 4.—*Proposed uses of net proceeds from the sale of new corporate securities offered for cash in the United States—Continued*

## PART 9—COMMERCIAL AND OTHER

[Amounts in thousands of dollars ]

Calendar year and month <sup>1</sup>	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds <sup>2</sup>	Total net proceeds <sup>3</sup>	Total new money	Plant and equipment	Working capital		
1949.....	347,064	338,317	228,801	77,513	151,288	28,030	81,486
1950.....	552,916	537,606	261,559	93,516	168,043	63,139	212,908
1951.....	533,383	517,988	337,187	113,299	223,888	56,194	124,607
1952.....	552,958	536,386	453,975	275,598	178,377	24,235	58,176
1953.....	326,640	319,877	244,960	93,441	151,519	37,745	37,172
<i>1953</i>							
January.....	14,459	14,122	7,507	1,098	6,409	374	6,242
February.....	84,228	82,957	55,261	19,407	35,854	14,993	12,703
March.....	16,225	15,610	9,851	4,288	5,564	1,487	4,272
April.....	27,046	26,287	16,738	3,931	12,807	6,055	3,494
May.....	21,261	21,088	19,655	14,316	5,338	1,231	202
June.....	8,053	7,450	5,937	4,456	1,480	183	1,330
July.....	40,305	39,557	34,025	3,130	30,895	3,934	1,578
August.....	13,697	13,237	9,709	4,842	4,867	2,549	979
September.....	14,724	14,411	10,681	4,711	5,970	1,249	2,481
October.....	11,930	11,450	6,659	1,236	5,423	1,986	2,805
November.....	7,347	6,998	6,154	3,202	2,952	124	720
December.....	67,366	66,711	62,784	28,824	33,960	3,560	366
<i>1954</i>							
January.....	18,022	17,745	15,601	9,385	6,216	600	1,543
February.....	8,285	8,143	6,410	2,245	4,166	1,423	310
March.....	39,971	38,858	28,759	15,186	13,573	5,269	4,830
April.....	49,565	47,415	43,980	22,667	21,313	1,370	2,065
May.....	10,040	9,665	6,913	3,202	3,710	1,314	1,439
June.....	14,342	13,894	9,101	5,665	3,436	4,082	711

<sup>1</sup> Slight discrepancies between the sum of figures in the tables and the totals shown are due to rounding.<sup>2</sup> For earlier data see 18th annual report.<sup>3</sup> 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.<sup>4</sup> Included with "Commercial and other."

TABLE 5.—A summary of corporate securities publicly-offered and privately-placed in each year from 1984 through June 1994

[Amounts in millions of dollars]

Calendar Year	Public offerings				Private placements as percent of total			
	Total				All issues		Debt issues	
	All issues	Debt issues	Equity issues	All issues	Debt issues	Equity issues	All issues	Debt issues
1934	307	372	25	305	240	25	92	23
1935	2,332	2,225	108	1,945	1,840	106	387	16
1936	4,572	4,029	543	4,199	3,680	539	373	6
1937	2,300	1,618	691	1,979	1,201	688	330	4
1938	2,155	2,044	111	1,463	1,153	110	692	1
1939	2,164	1,979	186	1,458	1,276	181	706	4
1940	1,677	1,386	201	1,628	1,284	236	758	7
1941	2,667	2,389	277	1,854	1,778	276	813	11
1942	1,032	917	146	642	606	136	420	9
1943	1,170	900	180	798	621	178	372	3
1944	3,202	2,670	532	2,415	1,892	524	787	9
1945	6,011	4,955	1,155	4,980	3,651	1,138	1,032	18
1946	6,900	4,882	2,018	4,983	3,619	1,963	1,917	18
1947	5,036	4,577	1,641	4,942	3,889	1,482	2,235	14
1948	5,973	5,078	973	1,106	3,901	2,865	1,028	3
1949	6,052	4,890	1,161	3,650	2,437	1,112	2,592	1
1950	6,312	4,920	1,442	3,681	2,300	1,321	2,680	1
1951	7,741	6,921	2,050	4,226	3,364	1,962	3,415	1
1952	6,534	7,601	1,933	5,533	3,645	1,988	4,992	1
1953	8,898	7,083	1,815	5,590	3,656	1,735	3,318	1
1954 (January-June)	4,286	3,203	1,085	2,678	1,670	1,007	1,610	1

TABLE 6.—*Brokers and dealers registered under the Securities Exchange Act of 1934<sup>1</sup>—effective registrations as of June 30, 1954, classified by type of organization and by location of principal office*

Location of principal office	Number of registrants				Number of proprietors, partners, officers, etc. <sup>2</sup>			
	Total	Sole proprietorships	Partnerships	Corporations <sup>4</sup>	Total	Sole proprietorships	Partnerships	Corporations <sup>4</sup>
Alabama.....	22	6	8	8	66	6	25	35
Arizona.....	18	10	4	4	48	10	12	26
Arkansas.....	20	10	3	7	47	10	6	31
California.....	246	92	79	75	958	92	425	441
Colorado.....	69	39	11	19	188	39	44	105
Connecticut.....	42	14	15	13	141	14	55	72
Delaware.....	5	0	3	2	36	0	27	9
District of Columbia.....	77	30	18	29	278	30	77	171
Florida.....	53	27	10	16	117	27	25	65
Georgia.....	28	10	6	12	100	10	21	69
Idaho.....	12	6	4	2	27	6	12	9
Illinois.....	192	48	68	76	854	48	304	502
Indiana.....	49	22	6	21	138	22	13	103
Iowa.....	32	10	5	17	107	10	11	86
Kansas.....	37	18	4	15	118	18	9	91
Kentucky.....	15	5	4	6	50	5	14	31
Louisiana.....	53	28	21	4	111	28	67	16
Maine.....	31	14	2	15	83	14	6	63
Maryland.....	42	19	18	5	132	19	87	26
Massachusetts.....	217	97	42	78	821	97	242	482
Michigan.....	54	10	18	26	231	10	89	132
Minnesota.....	56	11	7	38	277	11	26	240
Mississippi.....	16	8	6	2	27	8	13	6
Missouri.....	87	17	26	44	399	17	130	252
Montana.....	9	3	3	3	19	3	6	10
Nebraska.....	30	10	1	19	109	10	2	97
Nevada.....	6	3	2	1	11	3	5	3
New Hampshire.....	10	7	0	3	27	7	0	20
New Jersey.....	149	95	27	27	314	95	69	150
New Mexico.....	12	8	2	2	19	8	4	7
New York State (excluding New York City).....	250	175	28	47	460	175	83	202
North Carolina.....	26	9	5	12	101	9	11	81
North Dakota.....	3	1	1	1	11	1	5	5
Ohio.....	131	33	40	58	482	33	176	273
Oklahoma.....	41	28	8	5	67	28	16	23
Oregon.....	21	7	5	9	55	7	12	36
Pennsylvania.....	265	64	82	59	731	64	372	295
Rhode Island.....	28	14	10	4	55	14	30	11
South Carolina.....	27	12	6	9	68	12	14	42
South Dakota.....	8	6	0	2	13	6	0	7
Tennessee.....	40	11	10	19	147	11	29	107
Texas.....	188	109	28	51	479	109	78	292
Utah.....	36	14	13	9	96	14	39	43
Vermont.....	2	1	0	1	10	1	0	9
Virginia.....	37	16	11	10	121	16	56	49
Washington.....	87	48	8	31	222	48	20	184
West Virginia.....	12	7	3	2	34	7	9	18
Wisconsin.....	51	13	7	31	200	13	28	159
Wyoming.....	7	7	0	0	7	7	0	0
Total (excluding New York City).....	2,889	1,252	688	949	9,212	1,252	2,804	5,156
New York City.....	1,164	336	587	241	4,854	336	3,200	1,318
	4,053	1,588	1,275	1,190	14,066	1,588	6,004	6,474

<sup>1</sup> Domestic registrants only, excludes 79 outside continental limits of the United States.

<sup>2</sup> Includes directors, officers, trustees, and all other persons occupying similar status or performing similar functions.

<sup>3</sup> Allocations made among States on the basis of location of principal offices of registrants, not actual location of persons. Information taken from latest reports filed prior to June 30, 1954.

<sup>4</sup> Includes all forms of organizations other than sole proprietorships and partnerships.

TABLE 7.—*Market value and volume of sales effected on securities exchanges in the 12-month period ended December 31, 1953, and the 6-month period ended June 30, 1954*

PART 1.—12 MONTHS ENDED DEC. 31, 1953

[Amounts in thousands]

	Total market value (dollars)	Stocks <sup>1</sup>		Bonds <sup>2</sup>		Rights and warrants	
		Market value (dollars)	Number of shares	Market value (dollars)	Principal amount (dollars)	Market value (dollars)	Number of units
Registered exchanges	17,488,452	16,660,515	633,532	780,782	909,032	47,155	82,128
American	1,153,636	1,125,699	110,110	18,747	31,581	9,190	3,498
Boston	173,514	171,839	3,938			1,675	1,839
Chicago Board	4	4	(1)				
Cincinnati	21,711	20,151	600	530	897	1,030	187
Detroit	77,740	77,649	3,739			91	216
Los Angeles	163,642	163,221	9,960			421	521
Midwest	474,457	473,120	14,960	67	67	1,270	1,416
New Orleans	1,326	1,322	48	4	4	(1)	3
New York	15,009,939	14,218,019	449,327	760,243	875,322	31,677	71,275
Philadelphia-Baltimore	174,045	173,203	4,817	194	277	648	810
Pittsburgh	27,395	27,271	1,053			124	51
Salt Lake	1,549	1,549	12,964				
San Francisco Mining	359	359	5,196				
San Francisco Stock	204,883	203,039	15,356	829	717	1,015	2,118
Spokane	687	687	1,300				
Washington	3,565	3,383	155	168	167	14	194
Exempted exchanges	7,938	7,862	1,073	76	82		
Colorado Springs	112	112	216				
Honolulu	6,831	6,755	827	76	82		
Richmond	455	455	10				
Wheeling	540	540	20				

PART 2—6 MONTHS ENDED JUNE 30, 1954

Registered exchanges	12,140,558	11,652,971	417,292	464,397	525,788	23,190	40,920
American	766,646	744,235	68,514	9,965	14,627	12,446	2,437
Boston	112,926	112,926	2,418				
Chicago Board							
Cincinnati	13,076	12,776	304	101	178	199	109
Detroit	49,324	49,049	2,147			275	717
Los Angeles	106,723	106,617	6,982	21	19	85	366
Midwest	302,070	301,820	8,962	45	38	205	955
New Orleans	1,818	1,818	50				
New York	10,507,345	10,044,250	295,681	453,528	510,220	9,567	34,187
Philadelphia-Baltimore	121,736	120,917	3,369	435	453	384	2,033
Pittsburgh	18,250	18,249	582			1	5
Salt Lake	1,619	1,619	12,328				
San Francisco Mining	838	838	8,196				
San Francisco Stock	137,848	137,518	6,875	302	253	28	111
Spokane	339	339	884				
Exempted exchanges	4,622	4,581	518	38	40	3	3
Colorado Springs	55	55	81				
Honolulu	4,165	4,124	422	38	40	3	3
Richmond	235	235	8				
Wheeling	167	167	7				

<sup>1</sup> "Stocks" include voting trust certificates, American depositary receipts, and certificates of deposit.<sup>2</sup> "Bonds" include mortgage certificates and certificates of deposit for bonds. Since Mar. 18, 1944, United States Government bonds have not been included in these data.<sup>3</sup> 350 shares.<sup>4</sup> \$176.<sup>5</sup> The Washington Stock Exchange was merged on Oct. 15, 1953, into the Philadelphia-Baltimore Stock Exchange.

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 data in the Statistical Bulletin due to revisions of data by exchanges.

TABLE 8.—*Issues and issuers on exchanges*<sup>1</sup>

PART 1.—NUMBER OF ISSUES ON EACH EXCHANGE AS OF JUNE 30, 1954

Exchanges	Stocks						Bonds					
	R	X	U	XL	XU	Total	R	X	U	XL	Total	
American.....	508	5	298	—	—	811	19	—	62	—	81	
Boston.....	87	1	315	—	—	403	20	—	—	—	20	
Chicago Board of Trade.....	8	—	5	—	—	13	—	—	—	—	—	
Cincinnati.....	53	—	85	—	—	138	5	1	—	—	6	
Colorado Springs.....	—	—	—	—	—	—	—	—	—	—	—	
Detroit.....	116	—	119	13	—	235	—	—	—	—	—	
Honolulu.....	—	—	—	—	—	—	—	—	8	8	—	
Los Angeles.....	172	8	195	56	31	375	4	—	—	—	4	
Midwest.....	406	1	94	—	—	501	16	—	—	—	16	
New Orleans.....	3	—	15	—	—	18	1	—	2	—	3	
New York Stock.....	1,544	2	—	—	—	1,546	964	4	—	—	968	
Philadelphia-Baltimore.....	148	15	401	—	—	564	57	—	—	—	57	
Pittsburgh.....	54	—	75	—	—	129	1	—	—	—	1	
Richmond.....	—	—	—	27	—	27	—	—	—	—	—	
Salt Lake.....	94	—	4	—	—	98	—	—	—	—	—	
San Francisco Mining.....	43	—	—	—	—	43	—	—	—	—	—	
San Francisco Stock.....	205	4	183	—	—	392	21	—	—	—	21	
Spokane.....	25	—	7	—	—	32	—	—	—	—	—	
Wheeling.....	—	—	—	16	3	19	—	—	—	—	—	

Symbols: R—registered; X—temporarily exempted from registration; U—unlisted on a registered exchange; XL—listed on an exempted exchange; XU—unlisted on an exempted exchange.

PART 2.—UNDUPLICATED NUMBER OF ISSUES ON ALL EXCHANGES AS OF JUNE 30, 1954<sup>2</sup>

Status under the Act	Stocks	Bonds	Total issues
Registered.....	2,641	1,009	3,650
Temporarily exempted from registration.....	20	4	24
Unlisted on registered exchanges.....	200	60	350
Listed on exempted exchanges.....	76	8	84
Unlisted on exempted exchanges.....	30	0	30
Totals.....	3,057	1,081	4,138

PART 3.—UNDUPLICATED NUMBER OF ISSUERS HAVING SECURITIES TRADED ON EXCHANGES AS OF JUNE 30, 1954<sup>2</sup>

Status under the Act:	Number of issuers
Registered.....	2,204
Temporarily exempted from registration.....	19
Unlisted on registered exchanges.....	273
Listed on exempted exchanges.....	64
Unlisted on exempted exchanges.....	28
Totals.....	2,588

<sup>1</sup> Issues exempted under sec. 3 (a) (12) of the Securities Exchange Act, such as those of the United States and its subdivisions, are not included herein.

<sup>2</sup> For the purpose of obtaining net figures, each security in part 2 and each issuer in part 3 of these tables is counted but once, in the first of the 5 categories mentioned above where it appears; e. g., an issue registered on several exchanges and admitted to unlisted trading on several others is counted but once and only under "Registered."

TABLE 9.—*Companies in active registered public utility holding company systems as of June 30, 1954*<sup>1</sup>

	Registered holding companies <sup>2</sup>	Registered operating-holding companies <sup>3</sup>	Electric and gas utility companies	Nonutility companies	Total companies in systems
1. American Gas and Electric Co.	1		12	10	23
2. American Natural Gas Co.	1		2	4	7
3. Central Public Utility Corp.	1		5	7	13
4. Central and South West Corp.	1		6	0	7
5. Cities Service Co.	1		2	56	59
6. Columbia Gas System, Inc., The	1		10	5	16
7. Consolidated Natural Gas Co.	1		4	1	6
8. Delaware Power & Light Co.		1	2	0	3
9. Eastern Gas and Fuel Associates		1	1	16	18
10. Eastern Utilities Associates	1		4	0	5
11. Electric Bond and Share Co.	1		1	9	11
12. General Public Utilities Corp.	2		9	4	15
13. Granite City Generating Co. (Voting Trust)	1		1	0	2
14. International Hydro-Electric System (Trustee)	2		2	2	6
15. Interstate Power Co.		1	1	0	2
16. Middle South Utilities, Inc.	1		6		7
17. National Fuel Gas Co.	1		5	5	11
18. New England Electric System	1		27	2	30
19. New England Gas and Electric Association	1		6	3	10
20. North American Co., The	1	1	4	7	13
21. Northern States Power Co. (Minn.)		1	5	7	13
22. Ohio Edison Co.		1	3	0	4
23. Philadelphia Electric Power Co.		1	1	0	2
24. Southern Co., The	1		4	3	8
25. Standard Power and Light Corp.	3		1	4	8
26. Utah Power & Light Co.		1	1	0	2
27. West Penn Electric Co., The	1	1	12	11	25
28. Wisconsin Electric Power Co.		1	2	2	5
29. Wisconsin Southern Gas Co., Inc.	1		1	0	2
Corrections for duplication—Deduct:					
Five companies which are subsidiaries in two systems	0	0	3	2	5
Two companies which are subsidiaries in three systems	0	0	4	0	4
Total companies in 29 active systems	25 <sup>4</sup>	10	133	156	324

<sup>1</sup> In addition there were 6 other companies which had registered as holding companies, but no longer have any public utility subsidiaries, and their problems under section 11 of the Act are approaching final disposition. These 6 companies were The Mission Oil Company, New England Public Service Company, North Penn Gas Company, Northern New England Company, Pennsylvania Gas & Electric Corporation and The United Corporation.

<sup>2</sup> These companies function solely as holding companies.

<sup>3</sup> Utility or nonutility operating companies which are also registered holding companies deriving other income from investments in public utility subsidiaries.

TABLE 10.—*Reorganization proceedings in which the Commission participated during the fiscal year 1954*

Debtor	District court	Petition—		Securities and Exchange Commission notice of appearance filed
		Filed	Approved	
American Bantam Car Co.	W. D. Pa.	Apr. 19, 1950	Apr. 19, 1950	May 29, 1950
American Fuel & Power Co.	E. D. Ky.	Dec. 6, 1935	Dec. 20, 1935	May 1, 1940
Buckeye Fuel Co.	do	Nov. 28, 1939	Nov. 28, 1939	Do.
Buckeye Gas Service Co.	do	do	do	Do.
Carbreath Gas Co.	do	do	do	Do.
Inland Gas Distributing Co.	do	do	do	Do.
American Silica-Sand Co., The	N. D. Ill.	Feb. 16, 1951	Mar. 5, 1951	May 10, 1951
Blackhawk Brewing Co.	S. D. Iowa	Jan. 4, 1952	Jan. 7, 1952	Mar. 7, 1952
Brand's Restaurant Control Corp.	S. D. N. Y.	Aug. 2, 1939	Aug. 10, 1939	Aug. 30, 1939
Calumet & South Chicago Railway Co.	N. D. Ill.	June 29, 1950	Sept. 18, 1944	Oct. 20, 1944
Central States Electric Corp.	E. D. Va.	Feb. 26, 1942	Feb. 27, 1942	Mar. 11, 1942
Chicago City Railway Co.	N. D. Ill.	Nov. 27, 1938	Sept. 18, 1944	Oct. 20, 1944
Chicago Railways Co.	do	Oct. 15, 1938	do	Do.
Chicago & West Towns Railways, Inc.	S. D. N. Y.	June 30, 1947	July 1, 1947	July 24, 1947
Childs Co.	do	Aug. 26, 1943	Aug. 27, 1943	Aug. 26, 1943
Omnisolidated Caribou Silver Mines, Inc.	D. Colo.	Nov. 14, 1952	Nov. 14, 1952	Jan. 21, 1953
Dallas Parcel Post Station, Inc.	N. D. Ill.	Sept. 22, 1950	Sept. 22, 1950	Oct. 26, 1950
Federal Facilities Realty Trust	do	Dec. 26, 1934	Apr. 25, 1934	Oct. 29, 1940
Ferry Station Post Office, Inc.	do	June 18, 1953	Dec. 2, 1953	Jan. 29, 1954
Franklin County Coal Corp.	E. D. Ill.	Oct. 3, 1952	Oct. 3, 1952	Oct. 3, 1952
General Public Utilities Corp.	S. D. N. Y.	Jan. 10, 1940	Jan. 10, 1940	Jan. 15, 1940
Associated Gas & Electric Corp.	do	do	do	Do.
Adolf Gobel, Inc.	D. N. J.	July 23, 1953	Sept. 8, 1953	Dec. 28, 1953
Hankey Baking Co.	W. D. Pa.	Sept. 16, 1952	Sept. 16, 1952	Nov. 7, 1952
Hotel Martin Co. of Utica	N. D. N. Y.	June 6, 1935	June 19, 1935	June 24, 1939
Industrial Office Building Corp.	D. N. J.	Oct. 3, 1947	Oct. 3, 1947	Oct. 10, 1947
Inland Gas Corp.	E. D. Ky.	Oct. 14, 1935	Nov. 1, 1935	Mar. 28, 1939
International Power Securities Corp.	D. N. J.	Feb. 24, 1941	Feb. 24, 1941	Mar. 3, 1941
International Railway Co.	W. D. N. Y.	July 28, 1947	July 28, 1947	Aug. 4, 1947
Keeshin Freight Lines, Inc.	N. D. Ill.	Jan. 31, 1946	Jan. 31, 1946	Apr. 25, 1949
Keeshin Motor Express Co., Inc.	do	do	do	Do.
Seaboard Freight Lines, Inc.	do	do	do	Do.
National Freight Lines, Inc.	do	do	do	Do.
Kellett Aircraft Corp.	E. D. Pa.	Oct. 18, 1946	Oct. 18, 1946	Dec. 4, 1946
Kentucky Fuel Gas Corp.	E. D. Ky.	Oct. 25, 1935	Nov. 1, 1935	Mar. 28, 1939
Kerotest Manufacturing Co.	W. D. Pa.	Mar. 23, 1953	Mar. 23, 1953	May 4, 1953
Last Vegas Thoroughbred Racing Association.	D. Nev.	Jan. 22, 1952	Mar. 1, 1952	Feb. 27, 1952
Midland United Co.	D. Del.	June 9, 1934	June 9, 1934	June 10, 1940
Midland Utilities Co.	do	do	do	Do.
Momence Milk Cooperative Association	E. D. Ill.	June 18, 1949	June 18, 1949	Sept. 12, 1949
Muntz TV, Inc.	N. D. Ill.	Mar. 2, 1954	Mar. 3, 1954	Mar. 4, 1954
Tel-A-Vogue.	do	do	do	Do.
Muntz Industries, Inc.	do	do	do	Do.
National Reality Trust	N. D. Ill.	Dec. 19, 1934	Apr. 25, 1935	Oct. 29, 1940
Norwile Tire & Rubber Co., The	D. Conn.	May 20, 1949	May 20, 1949	June 8, 1949
Pittsburgh Railways Co.	W. D. Pa.	May 10, 1938	May 10, 1938	Jan. 4, 1939
Pittsburgh Motor Coach Co.	do	do	do	Do.
Pittsburgh Terminal Coal Corp.	E. D. Tex.	Dec. 4, 1939	Jan. 2, 1940	Jan. 6, 1940
Power Manufacturing Co.	E. D. Pa.	Feb. 11, 1954	Feb. 11, 1954	June 11, 1954
Quaker City Cold Storage Co.	D. Nev.	Dec. 17, 1941	Feb. 13, 1942	Jan. 28, 1942
Sierra Nevada Oil Co.	do	June 22, 1951	June 22, 1951	July 25, 1951
Silesian American Corp.	S. D. N. Y.	July 29, 1941	July 29, 1941	Aug. 1, 1941
Solar Manufacturing Corp.	D. N. J.	Dec. 14, 1948	Dec. 14, 1948	Dec. 27, 1948
South Bay Consolidated Water Co., Inc.	S. D. N. Y.	Apr. 26, 1949	Apr. 26, 1949	May 23, 1949
Tele-Tone Radio Corp.	D. N. J.	Feb. 7, 1952	Apr. 21, 1952	Apr. 28, 1952
Tele-Tone National Corp.	do	July 21, 1952	July 21, 1952	Oct. 13, 1952
Tele-Tone New York Corp.	do	do	do	Do.
Rico Television Corp.	do	June 3, 1952	June 3, 1952	July 7, 1952
Texas Gas Utilities Co.	W. D. Tex.	Sept. 4, 1951	Sept. 21, 1951	Sept. 11, 1951
Third Avenue Transit Corp.	S. D. N. Y.	Oct. 25, 1948	Oct. 25, 1948	Jan. 3, 1949
Surface Transportation Corp.	do	June 21, 1949	June 21, 1949	July 7, 1949
Westchester Street Transportation Co., Inc.	do	do	do	Do.
Westchester Electric Railroad Co.	do	do	do	Do.
Waronton Press, Inc.	do	Sept. 8, 1949	Sept. 8, 1949	Oct. 24, 1949
Yonkers Railroad Co.	do	June 21, 1949	June 21, 1949	July 7, 1949
Trinity Buildings Corp. of New York	S. D. N. Y.	Jan. 18, 1945	Jan. 18, 1945	Feb. 19, 1945
Union League Club of Chicago	N. D. Ill.	Feb. 14, 1950	Feb. 14, 1950	Apr. 10, 1950
U. S. Realty & Improvement Co.	S. D. N. Y.	Feb. 1, 1944	Feb. 1, 1944	Feb. 7, 1944
Warner Sugar Corp.	do	June 7, 1940	July 9, 1940	July 9, 1940

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TABLE 11.—*Summary of cases instituted in the courts 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 1954 fiscal year	Total cases closed up to end of 1954 fiscal year	Cases pending at end of 1954 fiscal year	Cases pending at end of 1953 fiscal year	Cases instituted during 1954 fiscal year	Total cases pending during 1954 fiscal year	Cases closed during 1954 fiscal year
Actions to enjoin violations of the above acts.....	653	637	16	13	17	30	14
Actions to enforce subpoenas under the Securities Act and the Securities Exchange Act.....	57	57	0	0	2	2	2
Actions to carry out voluntary plans to comply with section 11 (b) of the Holding Company Act.....	110	102	8	10	2	12	4
Miscellaneous actions.....	19	17	2	2	2	4	2
Total.....	839	813	26	25	23	48	22

TABLE 12.—*Summary of cases instituted against the Commission, cases in which the Commission participated as intervenor or amicus curiae, and reorganization cases on appeal under ch. X in which the Commission participated*

Types of cases	Total cases instituted up to end of 1954 fiscal year	Total cases closed up to end of 1954 fiscal year	Cases pending at end of 1954 fiscal year	Cases pending at end of 1953 fiscal year	Cases instituted during 1954 fiscal year	Total cases pending during 1954 fiscal year	Cases closed during 1954 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 courts of appeals under the various acts administered by the Commission.....	175	174	1	4	4	8	7
Miscellaneous actions against the Commission or officers of the Commission and cases in which the Commission participated as intervenor or amicus curiae.....	169	163	6	9	4	13	7
Appeal cases under ch. X in which the Commission participated.....	135	131	4	7	3	10	6
Total.....	551	540	11	20	11	31	20

TABLE 13.—*Injunctive proceedings brought 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 Advisers Act of 1940, and the Investment Company Act of 1940, which were pending during the fiscal year ended June 30, 1954.*

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
Adams & Co. ....	4	Northern District of Illinois.	July 18, 1949	Secs. 10 (b) and 15 (c) (1), 1934 Act; secs. 17 (a) (2) and (3), 1933 Act.	Temporary restraining order entered July 18, 1949, and receiver appointed. Final judgment by consent Jan. 30, 1951, as to 3 defendants and by default as to Adams & Co. Order May 19, 1954, discharging Receiver and closing estate. Closed. Injunction by consent June 25, 1954. Pending.
W. E. Bulford & Co., Inc. ....	1	Western District of Virginia.	Mar. 17, 1954	Sec. 15 (c) (3) and rule X-15C3-1, 1934 Act.	Injunction by consent Sept. 27, 1948. Receiver appointed. Receiver's final report approved Jan. 4, 1954. Closed.
Carver, H. P., Corp. ....	1	Massachusetts ....	Sept. 24, 1948	Secs. 10 (b) and 15 (c) (3) and rules X-10B-5 and X-15C3-1, 1934 Act.	Injunction by consent as to both defendants Aug. 28, 1953. Closed.
Chemi-Cote Perlite Corp. ....	2	Northern District of Texas.	Aug. 27, 1953	Secs. 5 (a) and 17 (a), 1933 Act....	Injunction by consent as to both defendants Sept. 8, 1953. Closed.
Dominante Constructors, Inc. ....	2	Western District of Washington.	Sept. 3, 1953	Sec. 5 (a) (1) and (2), 1933 Act....	Complaint filed May 23, 1954. Answer filed June 28, 1954. Motion for summary judgment filed July 25, 1954. Pending.
East Boston Company. ....	1	Massachusetts ....	May 23, 1954	Sec. 13 and rule X-13A-1, 1934 Act.	Order Aug. 8, 1953, pursuant to stipulation, restraining defendants. Answers of defendants filed (various dates). Order of dismissal as to 1 defendant, Oct. 20, 1953. Permanent injunction by consent as to 9 defendants and by default as to 1 defendant. Nov. 20, 1953. Order of Dec. 16, 1953, continuing previous restraining orders. Closed.
Errion, Edgar Robert. ....	11	Oregon. ....	Aug. 4, 1953	Sec. 17 (a) (1), (2) and (3), 1933 Act.	Temporary restraining order July 1, 1953. Order July 21, 1953, denying motion for preliminary injunction. Order Dec. 7, 1953, pursuant to stipulation dismissing action. Closed.
First National Bankers, Inc. ....	2	Delaware ....	July 1, 1953	Secs. 5 (a) (1) and 17 (a) (2), 1933 Act.	Complaint filed Dec. 8, 1952. Defendants' answer to complaint filed Feb. 5, 1953. Order entered Mar. 26, 1953, authorizing intervention by Vatic Investment Corp., Ltd., Ver A. B. Richard and H. Van Buren Richard. Motions by Commission and Intervenors for partial summary judgment. Pending.
Horne and Foreign Securities Corporation. ....	7	Southern District of New York.	Dec. 8, 1952	Secs. 12 (d), 17 (a), 18, 21 (b) and 36, Investment Company Act of 1940.	Defendants' answers served May 17, 1954. Preliminary injunction as to sec. 5 entered by court May 17, 1954. Pending.
Horton Aircraft Corporation. ....	3	Southern District of California.	Apr. 23, 1954	Secs. 5 (a) and 17 (a), 1933 Act....	Preliminary injunction as to all defendants Jan. 16, 1954. Defendants' answers to complaint Jan. 25, and 26, 1954. Pending.
Kaye, Real & Co., Inc., et al. ....	3	Southern District of New York.	Dec. 17, 1953	Secs. 5 (a) (1) and (2) and 17 (a) (1), (2) and (3), 1933 Act.	Pending.

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1	Northern District of Illinois.	Dec. 26, 1950	Secs. 10 (b), 15 (c) (1) and rule X-10B-5, 1934 Act.
1	Northern District of Illinois.	Sept. 24, 1953	Sec. 5 (a), 1933 Act.
2	New Jersey	Jan. 15, 1953	Secs. 5 (a) (1) and (2) and 17 (a) (1), 1933 Act.
1	New Mexico	Jan. 27, 1953	Sec. 17 (a), 1934 Act.
6	Middle District of Tennessee.	Mar. 10, 1954	Sec. 5 (b), 1933 Act.
1	Northern District of West Virginia.	June 18, 1953	Secs. 5 (a) (1) and (2) and 17 (a) (2), 1933 Act.
1	Nevada	Feb. 26, 1954	Secs. 15 (c) (2) and (3) and 17 (a) and rules X-15C2-1 (0), X-15C3-1, X-15C2-1 (0), X-15C3-1, X-17A-3 and X-17A-5, 1934 Act. Sec. 12 (1) and rule U-71, 1935 Act.
23	Eastern District of Pennsylvania.	Sept. 26, 1952	Sec. 17 (a) and rule X-17A-3, 1934 Act.
2	District of Columbia.	Aug. 13, 1953	Secs. 5 (a) (1) and (2) and 17 (a) (3), 1933 Act.
3	Northern District of Texas.	Sept. 22, 1953	Sec. 206 (1) (2), IA Act of 1940.
1	District of Columbia.	July 27, 1953	Sec. 206 (1) (2), IA Act of 1940.
1	Maine	Nov. 6, 1953	Secs. 9 (a) (2) and 10 (b) and rule X-10-5, 1934 Act.
4	Oregon	June 21, 1951	Sec. 5 (a), 1933 Act.
9	Massachusetts	Sept. 1, 1949	Secs. 5 (b) (2), 17 (a) (1), (2) and (3), 1933 Act; sees 24 (b) and 35 (a), Investment Company Act of 1940.

Temporary restraining order entered Dec. 26, 1950, and receiver appointed. Preliminary injunction entered Jan. 4, 1951. Injunction by consent Apr. 27, 1951. Pending on reconsent as of Feb. 1, 1953.
Injunction by court Nov. 19, 1953. Closed.
Defendants' answer to complaint Feb. 3, 1953. Preliminary injunction by consent as to both defendants Feb. 9, 1953. Defendants' admissions filed Sept. 17, 1953. Pending. Temporary restraining order Jan. 27, 1953, and receiver appointed. Preliminary injunction Feb. 5, 1953. Injunction by consent May 22, 1953. Pending on receivership.
Injunction by consent as to 3 defendants who did not consent filed Mar. 29, 1954. Oral Memorandum of court Apr. 5, 1954, denying preliminary injunction. Pending. Defendants' answer admitting violation of sec. 5 (a) and denying violation of sec. 17 (a) filed July 8, 1953. An injunction on both counts was entered by the court July 17, 1953, upon consent of the defendant. Closed. Preliminary injunction by consent Mar. 5, 1954. Defendant's answer Apr. 2, 1954. Pending.
Final judgment, decree and order of District Court requiring defendants to file informational statements pursuant to sec. 12 (1) and rule U-71, entered June 18, 1953. Judgment of District Court affirmed by CA-3, Dec. 23, 1953. Closed.
Defendants' answers to complaint Sept. 8, and 10, 1953. Pending. Injunction by consent as to 2 defendants Dec. 16, 1953. After disassociation of individual defendant from corporation, action dismissed by consent as to remaining corporate defendant Apr. 26, 1954. Closed. Preliminary injunction Aug. 6, 1953. Motion for judgement by default and defendant's motion for a 3-Judge Court denied May 28, 1954. Answer to complaint filed June 10, 1954. Pending.
Injunction by consent Nov. 6, 1953. Closed.
Memorandum opinion of court, May 16, 1953, denying injunction but maintaining jurisdiction for surveillance of defendants' activities by Commission. Case continued on calendar, Feb. 15, 1954. Pending.
Injunction by consent as to 8 defendants Sept. 9, 1949. Special counsel appointed. Notice of dismissal of action as to 1 defendant Feb. 20, 1953. Special Counsel report filed and approved by the court Nov. 29, 1950. Closed.

TABLE 13.—*Injunctive proceedings brought 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 Advisers Act of 1940, and the Investment Company Act of 1940, which were pending during the fiscal year ended June 30, 1954*—Continued

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
Tucker, H. H., Jr. .... Warner, J. Arthur, & Co., Inc. ....	1	Northern District of Texas, Massachusetts.....	Aug. 14, 1953 Oct. 31, 1951	Sec. 5 (a) (1) and (2), 1933 Act... Secs. 5 (b) (2) and 17 (a) (3), 1933 Secs. 7 (c) (1) and (2), 1933 9 (a) (4), 10 (b) and 15 (c) (1) and rules X-10B-5 (3) and X-15C1-2 and Regulation T, 1934 Act.	Injunction by consent Sept. 15, 1953. Closed. Preliminary injunction by consent as to all defendants on Nov. 21, 1951. Separate injunction of Commission to motion by each defendant for particular statement as to the grounds or elements for action. Pending.
	12			Rules X-17A-3 and X-17A-4, 1934 Act. Secs. 5 (a) (1) and (2) and 17 (a) (2), 1933 Act.	Mandatory injunction by consent Jan. 12, 1954. Closed. Temporary restraining order entered Oct. 29, 1947. Preliminary injunction entered Nov. 18, 1947. Defendants motion to dismiss complaint denied Mar. 3, 1948. Trial date postponed indefinitely due to illness of defendant. Pending.
Weber, Charles M. .... Wimer, Nye A. ....	1	Southern District of New York, Western District of Pennsylvania.	Dec. 22, 1953 Oct. 29, 1947	Sec. 15 (c) (1), 1934 Act.....	Temporary restraining order Jan. 13, 1953, and receiver appointed. Preliminary injunction Jan. 22, 1953. In- junction by consent Feb. 5, 1953. Pending on receivership.
	1	Northern District of Illinois.	Jan. 13, 1953		
Zippin & Co. ....	1				

TABLE 14.—*Indictments returned for violation of the acts administered by the Commission, the Mail Fraud Statute (sec. 1341, formerly sec. 388 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 1954 fiscal year*

Name of principal defendant	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
Adams & Co. ....	3	Northern District of Illinois.	May 1, 1952	Secs. 17 (a) and 32 (a), rule X- 17A-5, 1934 Act.	Hoshor acquitted by court. Schmitt withdrew plea of no contest and entered plea of not guilty, and was acquitted by court. Indictment dismissed as to Adams & Co., on motion of U. S. Attorney.
Bank, Harry W. (Cosmo Records, Inc.)	9	Southern District of New York.	Dec. 1, 1948	Sec. 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Seven defendants pleaded not guilty and were released on bond. Two remaining defendants, Cosmo Records, Inc. and E. F. Gillespie & Co., Inc. have not entered pleas. Pending.

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2	District of Nevada-----	Feb. 9, 1951	Sec. 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U.S.C.	Bobbroff, James D. (Eversharp Laundry, Inc.).
5	Western District of New York.	July 17, 1947	Secs. 5 (a) (1), (2) and 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U.S.C.	Broadley, Albert E. (Hudson Securities).
1	Northern District of Illinois	Jan. 30, 1953	Sec. 17 (a) (1), 1933 Act; sec. 1341, title 18, U.S.C.	Campbell, Francis N. (Francis N. Campbell & Son Oil Corp.).
1	District of Montana-----	June 17, 1954	Sec. 17 (a) (1), 1933 Act; sec. 1341, title 18, U.S.C.	Carney, Thomas H.....
2	Southern District of New York.	Apr. 14, 1949	Sec. 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U.S.C.	Carter, Philip M. (American Acoustics, Inc.).
1	District of New Mexico.	Jan. 14, 1954	Sec. 5 (a) (1) and 17 (a) (1), 1933 Act; sec. 1341, title 18, U.S.C.	Cox, Homer J. (U.S. Frigidaire, Inc.)
2	District of South Dakota.	Mar. 19, 1954	Sec. 10 (b) and rule X-10B-5, 1934 Act; sec. 1341, title 18, U.S.C.	Crawford, D. W.....
1	Northern District of Ohio.	June 11, 1947	Secs. 5 (a) (1), (2) and 17 (a) (1), 1933 Act; sec. 338 (now sec. 1341), title 18, U.S.C.	DePalma, Albert Edward (A. E. DePalma & Co.).
2	District of Montana-----	June 16, 1954	Sec. 17, 1933 Act; secs. 1341 and 371, title 18, U.S.C.	Donaldson, Arthur V.....
1	Southern District of New York.	Sept. 29, 1948	Sec. 17 (a) (1) and (2), 1933 Act; sec. 338 (now sec. 1341), title 18, U.S.C.	Elliott, N. James.....
1	Northern District of Texas.	Jan. 21, 1954	Secs. 5 (a) (1) and 17 (a) (1), 1933 Act; sec. 1341, title 18, U.S.C.	Estep, William (Automotor Mfg. Co., Inc.).
4	Eastern District of Washington.	Apr. 2, 1954	Secs. 5 (a) (2) and 17, 1933 Act; secs. 371 and 1341, title 18, U.S.C.	Florence, Gius H. (Inter-Lock In Products Corp., et al.).
1	Western District of Oklahoma	Oct. 8, 1952	Sec. 17 (a) (1), 1933 Act; sec. 1341, title 18, U.S.C.	Frank, Ben H. (Sungold Oil Co. of Colorado).
1	Southern District of New York.	Oct. 30, 1953	Sec. 1621, title 18, U.S.C.	Geller, George B.....
2	Southern District of Florida.	June 10, 1954	Sec. 17 (a) (1), 1933 Act; secs. 1001 and 341, title 18, U.S.C.	Conterman, Courtney J. (Oseola Groves, Inc.).
1	Southern District of New York	June 25, 1954	Sec. 1621, title 18, U.S.C.	Gould, Oscar U.....
1	Northern District of Illinois.	May 27, 1954	Sec. 17 (a) (1), 1933 Act; sec. 1341, title 18, U.S.C.	Hallock, Dan (Chinchilla, Inc., et al.)

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TABLE 14.—*Indictments returned for violation of the acts administered by the Commission, the Mail Fraud Statute (sec. 1311, formerly sec. 838, 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 1954 fiscal year—Continued*

Name of principal defendant	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
Hamilton, Ralph Franklin.....	1	District of Montana....	Oct. 1, 1952	Sec. 17, 1933 Act; sec. 1341, title 18, U. S. C.	Hamilton pleaded guilty to 2 sec. 17 counts and 3 mail fraud counts of indictment, remaining counts dismissed; imposition of sentence was deferred and he was placed on probation for 5 years on condition that full restitution be made within one year. Defendant not apprehended. Pending.
Hawley, Edwin.....	1	District of Arizona.....	Nov. 10, 1949	Sec. 17 (a), (3), 1933 Act; sec. 32 (a), 1934 Act. Secs. 5 (a), (1), (2) and 17 (a) (1), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Conviction of Henderson on mail fraud count reversed by CA-6 on Feb. 27, 1953, for trial errors, and remanded for new trial. Upon retrial, Henderson convicted again and sentenced to 5 years imprisonment and fined \$1,000. Motion for new trial overruled and defendant posted \$10,000 bond pending appeal to CA-6. Pending. Herk pleaded not guilty. Remaining defendants are fugitives. Pending as to all defendants.
Henderson, J. Stacey.....	3	Western District of Tennessee.....	Sept. 6, 1950	Sec. 17 (a) (1), 1933 Act; sec. 32 (a), (1), (2) and 17 (a) (1), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Conviction of Henderson on mail fraud count reversed by CA-6 on Feb. 27, 1953, for trial errors, and remanded for new trial. Upon retrial, Henderson convicted again and sentenced to 5 years imprisonment and fined \$1,000. Motion for new trial overruled and defendant posted \$10,000 bond pending appeal to CA-6. Pending. Herk pleaded not guilty. Remaining defendants are fugitives. Pending as to all defendants.
Herck, John.....	6	Eastern District of Michigan.....	July 30, 1942	Sec. 17 (a) (1), 1933 Act; secs. 328 (now sec. 341) and 88 (now sec. 371), title 18, U. S. C.	Conviction of Henderson on mail fraud count reversed by CA-6 on Feb. 27, 1953, for trial errors, and remanded for new trial. Upon retrial, Henderson convicted again and sentenced to 5 years imprisonment and fined \$1,000. Motion for new trial overruled and defendant posted \$10,000 bond pending appeal to CA-6. Pending. Herk pleaded not guilty. Remaining defendants are fugitives. Pending as to all defendants.
Do.....	1	do.....	do.....	Sec. 16 (a), 1934 Act.	Conviction of Henderson on mail fraud count reversed by CA-6 on Feb. 27, 1953, for trial errors, and remanded for new trial. Upon retrial, Henderson convicted again and sentenced to 5 years imprisonment and fined \$1,000. Motion for new trial overruled and defendant posted \$10,000 bond pending appeal to CA-6. Pending. Herk pleaded not guilty. Remaining defendants are fugitives. Pending as to all defendants.
Do.....	6	do.....	do.....	Sec. 5 (a) (1) and (2), 1933 Act; sec. 88 (now sec. 371), title 18, U. S. C.	Conviction of Henderson on mail fraud count reversed by CA-6 on Feb. 27, 1953, for trial errors, and remanded for new trial. Upon retrial, Henderson convicted again and sentenced to 5 years imprisonment and fined \$1,000. Motion for new trial overruled and defendant posted \$10,000 bond pending appeal to CA-6. Pending. Herk pleaded not guilty. Remaining defendants are fugitives. Pending as to all defendants.
Hoyle, Charles A. (Maryland-Nevada Operating Company, Inc.)	3	Southern District of Ohio.....	Dec. 7, 1951	Secs. 5 (a) and 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Conviction of Henderson on mail fraud count reversed by CA-6 on Feb. 27, 1953, for trial errors, and remanded for new trial. Upon retrial, Henderson convicted again and sentenced to 5 years imprisonment and fined \$1,000. Motion for new trial overruled and defendant posted \$10,000 bond pending appeal to CA-6. Pending. Herk pleaded not guilty. Remaining defendants are fugitives. Pending as to all defendants.
Kendall, Oliver O. (Artemissa Mines, Ltd.)	1	District of Arizona.....	Sept. 20, 1944	Sec. 231 (now sec. 1621), title 18, U. S. C.	Kendall apprehended June 21, 1954. After the fiscal year, on July 15, 1954, he pleaded guilty to various counts covering violations charged in 1954 indictment and on July 30, 1954, he pleaded guilty to 3 counts of 1944 perjury indictment which was made public after his apprehension. Kendall was sentenced to a 3-year prison term.
Kendall, Oliver O. (United Mines, S. A.)	1	Western District of Texas.....	Apr. 6, 1954	Secs. 5 (a), (1) and (2) and 17 (a), 1933 Act; secs. 1341 and 1343, title 18, U. S. C.	Kendall apprehended June 21, 1954. After the fiscal year, on July 15, 1954, he pleaded guilty to various counts covering violations charged in 1954 indictment and on July 30, 1954, he pleaded guilty to 3 counts of 1944 perjury indictment which was made public after his apprehension. Kendall was sentenced to a 3-year prison term.
Klein, Edwin R. (Superior Finance Service)	1	Northern District of Illinois.....	July 31, 1953	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Kendall found guilty on 3 sec. 17 (a) counts and was sentenced to 5 years imprisonment. Remaining counts dismissed. Appeal to CA-7 pending.
Lighthfoot, Melton E.....	1	Southern District of Florida.....	Apr. 23, 1953	Sec. 17 (a), (1), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant posted bond of \$1,000. Pending.
Liangas, Aljandero D.....	9	District of Hawaii.....	Apr. 2, 1951	Sec. 17 (a), (1), 1933 Act; secs. 328 (now sec. 341) and 88 (now sec. 371), title 18, U. S. C.	Convictions and sentences of Liangas and 6 other defendants affirmed by CA-9 on Sept. 4, 1953, and petition for certiorari denied by CA-9 on Sept. 4, 1954. Sec. 234 indictment dismissed by U. S. Attorney.
Do.....	2	do.....	do.....	Sec. 2314, title 18, U. S. C.	

Low, Harry (Trenton Valley Distillers Corporation).	2	Eastern District of Michigan.	Feb. 3, 1939	Sec. 17 (a) (1), 1933 Act; sec. 338 (now sec. 1341), title 18, U. S. C.	Low apprehended Dec. 9, 1933, and indictment dismissed as to him after he pleaded guilty to one count of another indictment, charging evasion of income tax. He was sentenced to year and a day; execution of sentence was suspended and he was placed on probation for 5 years on condition that he not enter U. S. during such period and he was committed to custody of immigration authorities for deportation. Pending as to Hardle, who is a fugitive. Martin pleaded guilty to 3 sec. 17 (a) counts, 1933 Act; 4 sec. 10 (b) counts 1 sec. 15 (c), (1) count and 1 sec. 17 (a) 1934 Act; count of indictment, remaining counts were dismissed. Imposition of sentence suspended and defendant placed on probation for 2 years.
Martin, Edward H. (E. H. Martin & Co.).	1	District of New Mexico.	Jan. 14, 1934	Sec. 17 (a) 1933 Act; secs. 10 (b), 15 (c) (1) and 17 (a) and rules X-10B-5, X-15C1-2, X-17A-3 and X-17A-4, 1934 Act.	Case pending as to 1st indictment. 3 defendants previously convicted and sentenced on 2d and 3d indictments. Pending as to remaining 9 defendants on the 2d and 3d indictments. Pending.
E. M. McLean & Co. (Devon Gold Mines, Ltd.).	2	Eastern District of Michigan.	Oct. 21, 1941	Sec. 16 (a), 1934 Act-----	All defendants arraigned and released on bail on own recognizance. Pending.
Do-----	7	do-----	do-----	Sec. 5 (e) (1) and (2), 1933 Act; sec. 388 (now sec. 371), title 18, U. S. C.	Indictment previously dismissed as to 2 defendants. Moore pleaded guilty to 1 sec. 17 (a) count of indictment and was sentenced to 3 years in prison and fined \$2,000.
Do-----	12	do-----	do-----	Sec. 17 (a) (1) and (2), 1933 Act; secs. 338 (now sec. 341) and 88 (now sec. 371), title 18, U. S. C.	Owens convicted on all counts of indictment except one dismissed and sentenced to 5 years imprisonment. Cordill convicted on conspiracy count and 4 mail fraud counts and sentenced to 2 years imprisonment. Remaining defendant acquitted by court. Notice of appeal to CA-5 filed by Owens and Cordill. Pending.
Monarch Radio and Television Corp., Moore, Lloyd T. (Flitum Mining Co.).	9	Southern District of New York.	June 4, 1934	Sec. 17, 1933 Act; secs. 371 and 1934, title 18, U. S. C.	Both defendants pleaded not guilty to information and released on bond. Pending.
Do-----	3	District of Montana...	June 18, 1943	Secs. 5 (a) (1), (2) and 17 (a) (1), 1933 Act; secs. 338 (now sec. 341) and 88 (now sec. 371), title 18, U. S. C.	Eight defendants arraigned and pleaded not guilty to all indictments and posted bond. One defendant released on bond pending arraignment. Other defendants not apprehended. Pending.
Owens, Hardy Joseph -----	3	Southern District of Florida.	Oct. 3, 1932	Sec. 17 (a) 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Defendant pleaded not guilty and released on \$1,000 bond. Pending.
Palmer, James Robert (Ace Finance, Inc.).	2	District of Colorado.	Mar. 24, 1934	Sec. 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C.	Ross made restitution, withdrew plea of not guilty and was convicted on nolo contendere plea, fined \$500 and placed on probation for one year.
Parker, T. M., Inc.-----	16	Eastern District of Michigan.	Apr. 27, 1934	Sec. 371, title 18, U. S. C.-----	Defendants Shindler and Ozoba pleaded not guilty and were released on bonds of \$2,500 each. Pending.
Do-----	15	do-----	do-----	Sec. 17 (a), 1933 Act-----	Defendants found not guilty on all counts of indictment.
Do-----	15	do-----	do-----	Sec. 15 (a), 1934 Act-----	
Do-----	15	do-----	do-----	Secs. 5 (a) (2) and 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C.	
Pattn, Pierre P. (Modern Products Corp.).	1	Southern District of Alabama.	Oct. 31, 1932	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	
Ross, Leroy Williams (Gulf Coast Oil Processing, Inc.).	2	Southern District of New York.	Sept. 12, 1932	Sec. 9 (a) (1) (A) and (2), 1934 Act; sec. 371, title 18, U. S. C.	
Shindler, David L. (Universal Laboratories).	1	Western District of Tennessee.	Feb. 16, 1934	Secs. (a) and 17 (a) (1), 1933 Art. secs. 371 and 1341, title 18, U. S. C.	

TABLE 14.—*Indictments returned for violation of the acts administered by the Commission, the Mail Fraud Statute (sec. 1341, formerly 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 1954 fiscal year—Continued*

Name of principal defendant	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
Swift, Jesse D. (Central Eureka Mining Co.).	1	Northern District of California.	Sept. 2, 1953	Sec. 17 (a) (3), 1933 Act; secs. 9 (a), (4) and 10 (b), rule X-10B-6, 1933 Act.	Swift pleaded guilty to information filed Feb. 23, 1954, charging rule X-10B-5 violation and was fined \$5,000. Indictment dismissed.
Thomas, Richard (Thomascolor, Inc.).	2	District of Arizona....	Oct. 26, 1951	Sec. 17 (a) (2), 1933 Act; sec. 371, title 18, U. S. C.	Thomas and Powell found guilty on 3 sec. 17 (a) (2) counts and acquitted on the conspiracy count. Thomas sentenced to 18 months and fined \$1,000. Imposition of sentence suspended for five years as to Powell. Notice of appeal to CA-9 filed by Thomas. Pending. Vason convicted on 1 sec. 5 (a) count, 3 sec. 17 (a) counts, and 5 mail fraud counts, remaining counts dismissed. Sentenced to 5 years imprisonment, to be followed by 5 years probation and fined \$25,000. Notice of appeal to CA-7 filed. Pending.
Vasen, George F. ....	1	Northern District of Illinois.	May 27, 1953	Secs. 5 (a) and 17 (b), 1933 Act, sec. 1341, title 18, U. S. C.	Adolph and Mary von Soden found guilty on all counts and each sentenced to 3 years imprisonment and fined \$6,000. Remaining defendant acquitted. Defendant released on \$2,500 bond. Pending.
von Soden, Adolph F. (The American Patent Protective Assoc., Inc.).	3	District of Nevada....	Oct. 3, 1952	Sec. 17 (a) (1), 1933 Act; sec. 371, title 18, U. S. C.	One defendant deceased. Remaining defendants entered pleas of not guilty and all except corporate defendant released on bond. Pending. Defendant pleaded not guilty and posted bond of \$500. Pending.
Walters, J. Jr. (Cedar Tailman Cons. Mines Co.).	1	District of Nevada....	Dec. 18, 1953	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant deceased.
Warner, J. Arthur & Co., Inc. ....	11	District of Massachusetts.	July 7, 1953	Sec. 17 (a) (3), 1933 Act; secs. 1341 and 371, title 18, U. S. C. sets.	Remaining counts dismissed.
White, George L. (S-M-P Co.) ....	1	Northern District of Illinois.	Jan. 4, 1952	Sec. 17 (b), 1933 Act.....	Defendant pleaded not guilty and posted bond of \$500. Pending.
White, Jack R. ....	1	District of Nebraska.	Oct. 17, 1950	Sec. 17 (a) (1), 1933 Act; sec. 338 (now sec. 1341), title 18,	Wilder Frank Wickham and William Kelso withdrew not guilty pleas and entered nolo contendere pleas to sec. 17 (a) count and were sentenced to 3 years and 2 years respectively. Remaining counts dismissed. Motions for continuance granted as for continuing 2 defendants because of alleged illness. Pending.
Wickham, Wilder Frank (El Dorado Gold Mines, Ltd.).	4	District of Nevada....	May 1, 1952	Sec. 17 (a) (1), 1933 Act; sec. 371, title 18, U. S. C.	Arraignment and trial postponed because of alleged illness of defendant. Pending.
Wimer, Nye A. (Tennessee Schuykill Corporation).	1	District of New Jersey.	Aug. 3, 1948	Secs. 5 (a) (2) and 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341), title 18, U. S. C.	

TABLE 15.—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 courts of appeals during the fiscal year ended June 30, 1954.

Petitioner	United States Court of Appeals	Initiating Papers filed	Commission action appealed from and status of case
Downing, Edward R., et al. ....	District of Columbia....	Aug. 23, 1951	Order of June 26, 1951, approving comprehensive plan of United Corn, under sec. 11 (e) of Holding Company Act, for the purpose of transforming United from holding company to investment company; and orders of Feb. 7 and 25, 1947, permitting United to obtain vote of common stockholders on United's program for future operations as investment company. Judgment stay pending review; granting motion by Committee for Warrant Holders to intervene, and denying motions of Committee to adduce additional testimony and evidence. Order Apr. 22, 1953, denying petition of Committee for rehearing. Joint petition for writ of certiorari filed June 27, 1953, and denied Jan. 15, 1954. Closed.
Do.....	do.....	July 1, 1952	Order of May 2, 1952, approving application with respect to proposed acquisition of securities and order of June 24, 1952, permitting declaration to become effective with respect to sale of common stock of a subsidiary company. Orders to show cause Oct. 20, 1953, and Mar. 9, 1954, why appeal should not be dismissed. Order of O.A.D.C. Mar. 23, 1954, dismissing petition for review. Closed.
Drinker, Henry S., et al. ....	3d circuit.....	July 24, 1953	Order of June 16, 1953, allowing compensation and reimbursement for expenses incurred in connection with a reorganization under sec. 11 (e) of Holding Company Act. Decision, Feb. 26, 1954, reversing the Commission's denial of additional compensation. Closed.
Emacio, R. L., & Co. and Robert L. Emacio. ....	9th circuit.....	Aug. 5, 1953	Order of June 16, 1953, revoking the registration of R. L. Emacio & Co., Inc. as a broker and dealer under sec. 15 (b) of Securities Exchange Act, and expelling that corporation and Robert L. Emacio from membership in national securities exchange. Dismissed on application of petitioners, Oct. 8, 1953. Closed.
Sanborn, Orville C. ....	2d circuit.....	Feb. 19, 1954	Order of Jan. 8, 1954, denying petitioner's application for withdrawal of his registration as a broker and dealer under sec. 15 (b) of Securities Exchange Act and revoking his registration. Petitioner died. Closed.
Securities National Corp. ....	District of Columbia....	June 12, 1953	Order of May 20, 1953, revoking the registration of Securities National Corp. as a broker-dealer under sec. 15 (b) of Securities Exchange Act. Petition for review dismissed July 7, 1953. Closed.
The United Corp. ....	3d circuit.....	Aug. 7, 1953	Order of June 16, 1953, denying reimbursement for fees and expenses incurred in reorganization of subsidiary pursuant to sec. 11 (e) of Holding Company Act. Judgment, Feb. 26, 1954, affirming the Commission decision. Petition for certiorari filed May 26, 1954; brief in opposition filed July 2, 1954. Pending.
Wallach, Samson, St. ....	District of Columbia....	Jan. 23, 1952	Order of Nov. 20, 1951, finding that Samson Wallach, St., and others are causes of revocation of registration of Henry P. Rosenthal as broker and dealer under sec. 15 (b) of Securities Exchange Act. Judgment and decree entered as of Feb. 26, 1953, remanding the cause to the Commission for modification of the order under review. Order May 5, 1953, denying petitioner's motion for order enjoining respondent from continuing related administrative proceeding (in the matter of Securities National Corp.) Order July 7, 1953, denying petitioner's motion for leave to file petition for further relief. Order Aug. 21, 1953, denying petitioner's motion for rehearing. Closed.

TABLE 16.—*Criminal contempt proceedings pending during the fiscal year ended June 30, 1954*

Principal defendants	Number of defendants	United States District Court	Initiating papers filed	Status of case
Thomas B. Greening.....	1	Western District of Washington.	Feb. 12, 1954	Defendant found guilty of criminal contempt on Mar. 1, 1954, for violating injunction decree entered June 30, 1945, and was sentenced to six months imprisonment. Closed.
E. Randall Henderson, aka Everett Randall Henderson.	1	Eastern District of Michigan.	Jan. 20, 1953	Henderson was found guilty of criminal contempt on Nov. 24, 1953, for violating injunction decree entered Feb. 10, 1947, and was fined \$5,000, \$1,000 is to be paid within 30 days, payment of remaining \$4,000 suspended for a period of 6 years, and Henderson placed on probation for that period. Closed. Order to show cause issued June 4, 1954, returnable Oct. 6, 1954, why Mills should not be held in criminal contempt for violating injunctive decree entered Mar. 17, 1953. Pending.
Homer C. Mills.....	1	District of Nevada.....	June 4, 1954	

TABLE 17.—*Cases in which the Commission participated as amicus curiae, pending during the fiscal year ended June 30, 1954*

Name of case	United States District Court, Court of Appeals, or U. S. Supreme Court	Date of entry	Nature and status of case
<i>Austrian and Butcher as Trustees of Central States Electric Corp. v. Harrington Williams et al.</i>	2d circuit.....	Reopened Apr. 9, 1954.	Appeal by trustee from order of District Court entered Oct. 17, 1953, applying New York indemnity provisions to action brought in U. S. District Court in New York by Chapter X trustee. Decision May 17, 1954, reversing judgment of court, below and directing dismissal of proceeding for lack of jurisdiction. Petition for rehearing and briefs in opposition filed. Pending.
<i>Blackwell et. al. v. Bentleman et al.</i>	Southern District of Texas; Fifth Circuit; U. S. Supreme Court.	Nov. 6, 1951; Aug. 1, 1952; Nov. 24, 1953; Mar. 5, 1954.	Action under sec. 12 (2) and 17 (a) of Securities Act. Motions to dismiss complaint because no "security" involved and because of inefficiency of mailings, granted Apr. 10, 1952. A appeal to CA-5. Opinion Apr. 27, 1953, reversing judgment of district court and remanding case. Petition for certiorari filed Oct. 21, 1953, and granted Dec. 7, 1953. Writ of certiorari dismissed on Mar. 15, 1954, following oral argument on merits on Mar. 9, 1954. Closed.
<i>Carr Consolidated Biscuit Co. v. Moore</i>	Middle District of Pennsylvania; District of Washington.	Dec. 6, 1951.....	Action under sec. 16 (b) of Securities Exchange Act. Motion for summary judgment filed by plaintiff and motion to dismiss by defendant. Pending.
<i>Connell v. Eritton et al.</i>	Southern District of New York; Second Circuit.	Jan. 14, 1954.....	Action under sec. 10 (D) and 29 and rule X-10B-5 of Securities Exchange Act. Order Jan. 26, 1954, denying defendants' motions to dismiss complaint and various other motions. Closed.
<i>Falco et al. v. Donner Foundation, Inc., et al.</i>	Eastern District of Louisiana; Fifth Circuit.	Jan. 23, 1953; Nov. 2, 1953.	Action under sec. 16 (b) of the Securities Exchange Act, to recover profits from short term trading in securities. Order Mar. 3, 1953, granting partial summary judgment to plaintiff. Appeal to CA-2 by plaintiff and defendant. Decision Dec. 8, 1953, granting summary judgment for defendant. Closed.
<i>Jefferson Lake Sulphur Co., Inc. v. Waite, Jr.</i>	Eastern District of New York; Second Circuit.	Mar. 13, 1952; Nov. 10, 1952.	Action under sec. 16 (b) of Securities Exchange Act. Judgment for plaintiff Apr. 20, 1952. Appeal to CA-5. Affirmed by CA-5, Mar. 11, 1953. Order Apr. 4, 1953, denying petition for rehearing. Mandate to lower court, Apr. 28, 1953. Petition for certiorari filed by both parties. Certiorari denied. Closed.
<i>Nichols et al. v. Long Island Lighting Company.</i>	Southern District of New York.	Dec. 11, 1952; Apr. 13, 1953.	Action under sec. 16 (b) of the Securities Exchange Act, to recover profits from consummation of Holding Company Act plan. Order Jan. 12, 1953, denying defendant's motion for summary judgment. Order Jan. 22, 1953, granting SEC's motion to intervene and to dismiss action. Appeal from orders of Jan. 12 and 22, 1953, by Nichols, et al. Opinion of CA-2, Nov. 12, 1953, affirming order of dismissal. Amended decision, Mar. 22, 1954. Order Apr. 7, 1954, denying petition for rehearing. Petition for certiorari filed. Pending.
<i>Rosenfeld, etc. v. Buckley et al.</i>	Southern District of New York.	Mar. 18, 1954.....	Action under sec. 16 (b) of the Securities Exchange Act. Gross-motions for summary judgment filed. Case settled for \$19,000 on Mar. 18, 1954. Closed.
<i>Speed et al. v. Transametica Corp.</i>	District of Massachusetts - do. - do. - do.	Feb. 19, 1947; Oct. 14, 1948; Jan. 14, 1949.	Action for violation of rule X-10B-5 under sec. 10 (b) of Securities Exchange Act. Motion to dismiss denied May 9, 1947. Rehearing denied June 25, 1947. Case tried on merits. Reargument on questions of law June 22-23, 1950. Opinion in favor of plaintiffs Aug. 3, 1951. Special master appointed Oct. 18, 1951, to recommend amount of damages. Pending.
<i>Sullivan v. Burns.</i>	District of Massachusetts	Mar. 31, 1952.....	Action for services rendered to defendant, partly in connection with proceedings under Holding Company Act in the matter of Eastern Gas & Fuel Associates. Motion for stay by defendant. Pending.
<i>Textron Incorporated v. American Woolen Company.</i>	- do. - do. - do.	May 13, 1954.....	Action under sec. 14 (a) of Securities Exchange Act and regulation X-14 thereunder. Preliminary injunction entered June 9, 1954. Defendant's answer served June 11, 1954. Appeal filed by defendants June 15, 1954. Action dismissed pursuant to stipulation, July 27, 1954. Closed.
<i>Wilk v. Swan et al.</i>	Southern District of New York; Second Circuit; U. S. Supreme Court.	Mar. 28, 1952; Apr. 18, 1952; Oct. 24, 1952; Apr. 30, 1953; May 28, 1953; Oct. 8, 1953.	Action under sec. 12 (2) of Securities Act. Motion of defendants to stay proceedings pending arbitration denied by district court June 11, 1952. Order of district court reversed by CA-2 and case remanded, Jan. 16, 1953. Petition for certiorari filed Apr. 14, 1953, and granted June 1, 1953. CA-2 reversed by Supreme Court, Dec. 7, 1953. Closed.

TABLE 18.—*Proceedings by the Commission to enforce subpoenas under the Securities Act of 1933 and the Securities Exchange Act of 1934, pending during the fiscal year ended June 30, 1954*

Principal defendants	Number of defendants <sup>15</sup>	United States Court	Initiating papers filed	Section of act involved	Status of case
Horton Aircraft Corp.-----	2	Southern District of California.	Nov. 4, 1953	Sec. 22 (b), 1933 Act-- duces tecum.	Order Nov. 4, 1953, directing respondents to show cause why an order should not be issued requiring respondents to comply with subpoenas duces tecum. Order Dec. 7, 1953, directing respondents to comply with subpoenas Closed.
Uranium Oil & Trading Co.---	3	District of Utah-----	June 4, 1954	Sec. 22 (b), 1933 Act-- duces tecum.	Order June 4, 1954, directing respondents to show cause why an order should not be issued requiring respondents to comply with subpoenas duces tecum. Order June 10, 1954, directing compliance with subpoenas Closed.

TABLE 19.—*Miscellaneous actions involving the Commission or employees of the Commission during the fiscal year ended June 30, 1954*

Plaintiff	Court	Initiating papers filed	Status of case
Masterson, James F.-----	Eastern District of Pennsylvania.	June 12, 1953	Summons, complaint and rule to show cause reocketing an order quashing and vacating the subpoenas and prohibiting the Commission from issuing any further subpoenas to plaintiffs in connection with present investigation, served on United States Attorney on June 12, 1953. Commission's motion to dismiss June 16, 1953, for lack of jurisdiction granted and stay vacated Aug. 21, 1953. Closed.

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TABLE 20.—Actions pending during fiscal year ended June 30, 1954, to enforce voluntary plans under section 11 (e) to comply with section 11 (b) of the Public Utility Holding Company Act of 1935

Name of case	United States District Court	Initiating papers filed	Status of case
Arkansas Natural Gas Corp. v. Derby Gas & Electric Corp., Eastern Gas and Fuel Associates v. Electric Bond & Share Co.	Delaware	Oct. 1, 1952	Application filed Oct. 1, 1952. Plan approved and enforced Jan. 26, 1953. (109 F. Supp. 522). Appeal by Public Common Stockholders Protective Committee, Feb. 27, 1953. Judgment by CA-3, May 28, 1953, affirming the judgment of the district court (204 F. 2d 707). Order of district court, July 3, 1953, granting leave to petitioners to submit amendment to Commission. Order July 26, 1953, on supplemental application, approving and enforcing plan. Petition for writ of certiorari denied Aug. 20, 1953, by Public Common Stockholders' Committee. Petition for certiorari denied Oct. 26, 1953. Closed.
	Connecticut	Oct. 13, 1953	Application filed Oct. 13, 1953. Plan approved and enforced Nov. 16, 1953. Closed.
	Massachusetts	Reopened July 27, 1953.	Supplemental application filed July 27, 1953. Objections by Koppers Company, Inc. and by F. C. Dumaine, Jr., et al., as a Committee for 6% Preferred Shares. Supplemental order Mar. 11, 1954, approving and enforcing plan except as to F. C. Dumaine, Jr. Notice of appeals filed by Koppers Company, Inc. and by the Commission. Pending.
	Southern District of New York	Feb. 26, 1953	Application filed by Koppers Company, Inc. and by the Commission Stockholders' Committee. Order July 7, 1953, returning proceeding to Commission for amendment. Supplemental application filed July 10, 1953. Plan approved and enforced July 16, 1953. Closed.
	Southern District of New York	Reopened June 20, 1952.	Supplemental application on fees filed June 20, 1952. Order Feb. 18, 1953, overruling objections and approving and enforcing plan. Notice of appeals filed by Drexel & Co. and Christian A. Johnson and Cameron Blewend on Apr. 10, 1953. Judgment by CA-2, Feb. 26, 1954, affirming the order of the district court, except as to fee of Drexel & Co., which is reversed. Order Mar. 23, 1954, denying petition of Christian A. Johnson and Cameron Blewend for rehearing. Petitions for writ of certiorari filed by Commission and Christian A. Johnson, et al. June 21, 1954. Pending.
Electric Power & Light Corp. v. Engineers Public Service Co.	Delaware	Reopened May 8, 1952.	Supplemental application II on fees filed May 8, 1952. Objections by Louis Boehm, Frances Boehm, Guggenheim & Untermeyer, Raymond L. Wise and Lawrence R. Condon. Order of district court Feb. 16, 1954, directing allowance of additional compensation to Lawrence R. Condon, Guggenheim & Untermeyer, and Louis Boehm and Raymond L. Wise. Appeal by Commission Mar. 11, 1954, from additional allowances except that to Condon. Pending.
Illinois Power Co. (North American Light & Power Co.) v. Long Island Lighting Co.	do	Reopened June 14, 1951.	Supplemental application II filed June 14, 1951. Opinion Dec. 3, 1951 (101 F. Supp. 931). Granting application except as to Masterson's claim, which was disallowed. Memorandum on rehearing as to Masterson issued July 16, 1952 (106 F. Supp. 880), reaching same result. Order entered Aug. 15, 1952, affirmed Mar. 11, 1953 (202 F. 2d 638). Petition for writ of certiorari filed June 9, 1953, denied Oct. 12, 1953. Closed.
	Eastern District of New York	Dec. 5, 1952	Supplemental application filed Feb. 25, 1953. Order May 11, 1953, approving Commission's fee allowances as to all claimants with the exception of the Leeney Committee, which was allowed additional expenses. Notice of appeal filed by Nichols Committee, which was Decision of CA-2 Mar. 12, 1954, affirming in part and reversing in part, Order Apr. 7, 1954, denying Committee's petition for rehearing. Order of district court July 7, 1954, remanding cause to Commission pursuant to mandate of CA-2. Pending.

TABLE 20.—Actions pending during fiscal year ended June 30, 1954, to enforce voluntary plans under section 11 (e) to comply with section 11 (b) of the Public Utility Holding Company Act of 1936—Continued \*

Name of case	United States District Court	Initiating papers filed	Status of case
Market Street Railway Co. . . . .	Northern District of California.	May 3, 1950 . . . . .	Order July 11, 1950, approving principal provisions of the plan for disapproving plan, insofar as it failed to provide an allowance of fees for attorney for the Van Kirk Committee for prior preference stockholders and remanding case to Commission. Appeal taken by Commission from those portions of order which disapproved Commission's determination with respect to fee. Appeals taken by William J. Cogan and Charles T. Jones from provisions of the order which approved the plan in substantially all other respects. Cogan and Jones also appealed from order of Nov. 21, 1950, which both approved and directed enforcement of Step One of an amended plan, consisting of those provisions of earlier plan approved by July 11, 1950, order, and which Commission, after remand, had severed from fee provisions constituting Step Two. Appeals from both orders consolidated Mar. 7, 1951. District Court order of Nov. 21, 1950, approving Step One, affirmed Dec. 27, 1951, portion of order of July 11, 1950, relating to Cogan's fee reversed. Petition filed by Cogan for rehearing as to his fee granted Feb. 13, 1952. Opinion by CA-9, Dec. 22, 1952 (201 F. 2d 78), affirming all orders of the district court. Supplemental application II filed May 15, 1953. Order July 3, 1953, overruling objections and approving and enforcing plan. Pending. Supplemental application II on fees filed Mar. 12, 1953. Objections of The United Corp. filed Apr. 13, 1953. Supplemental order May 12, 1953, overruling objections and approving and enforcing plan. Notice of appeal filed by The United Corp., Dec. 15, 1953. Pending.
Niagara Hudson Power Corp. . . . .	Northern District of New York.	Reopened Mar. 12, 1953.	Supplemental application on fees filed June 2, 1952, direct ing modification of Commission orders with respect to claims of certain persons. Appeals to CA-8 on Commission and Standard Gas and Electric Co. District Court order affirmed by CA-8 on Apr. 18, 1954. Petition for writ of certiorari filed July 16, 1954, by Standard Gas and Electric Co. Pending.
Northern States Power Co. . . . .	Minnesota . . . . .	Reopened June 2, 1952.	Supplemental application on fees filed July 9, 1952. Objections filed by The United Corporation, by Counsel for the Committee of Holders of \$3 Cumulative Preference Stock, and by Randolph Phillips. Opinion Mar. 2, 1955, affirming Commission orders relating to fees with exemption of order pertaining to Preference Stockholders Committee, which was remanded. Pending.
The United Corporation. . . . .	Delaware . . . . .	Reopened July 9, 1952.	

TABLE 21.—Actions under sec. 11(d) of the Public Utility Holding Company Act of 1935 pending during the fiscal year ended June 30, 1954, to enforce compliance with the 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 . . . . .	May 1, 1953 . . . . .	Dissolution of this holding company was ordered by the Commission on July 21, 1942, pursuant to sec. 11 (b) (2) of the Act. 11 S. E. C. 88, affirmed 157 F. 2d 475, modification 157 F. 2d 477, pursuant to sec. 11 (d). In 1943 Proceedings were instituted under sec. 11 (d) in the U. S. District Court (Mass.). In 1944 a trustee was appointed. Plan for retirement of debentures was approved and consummated in 1950. Sales of certain system properties approved by orders entered on June 6 (affirmed 208 F. 2d 800) and June 16, 1953. Plan for retirement of preferred stock approved by order Nov. 16, 1953. Order Nov. 30, 1953, approved Trustee's petition to sell shares of New England Electric System. Pending.

TABLE 22.—*Reorganization cases under ch. X of the Bankruptcy Act pending during the fiscal year ended June 30, 1954, in which the Commission participated when appeals were taken from district court orders*

Name of case and United States Court of Appeals	Nature and status of case
Central States Electric Corp., debtor; Sidney S. Henis, et al. v. Thomas C. Egan, et al. Joseph L. O'Brien, petitioner (4th circuit).	Appeals from order of Apr. 23, 1953, authorizing allowances to certain persons and firms and denying a fee to O'Brien. Statement of Commission, May 22 and May 28, 1953, in response to motions for leave to appeal. Supplementary statements of Commission, June 30 and July 9, 1953, in response to briefs filed by Kelly Committee. Opinion, July 16, 1953, denying motions for leave to appeal. Petition by Henis for writ of certiorari Oct 10, 1953. Certiorari denied Nov 30, 1953. Closed.
Industrial Office Building Corp., debtor; Howard Grad and Bernard J. Grad, appellants (3d circuit).	Appeal from order of Feb 11, 1953, disallowing the claims of the appellants. Brief by Commission Sept. 15, 1953, in support of district court order. Judgment of CA-3, Oct 29, 1953, affirming order of district court. Closed.
Inland Gas Corp., et al., debtors; Paul E. Kern, appellant (6th circuit).	Appeal from order of Oct. 6, 1952, dismissing appellant's petition for instructions to Trustee to file a claim against Inland Gas Corp. and denying motion to appoint an independent trustee or in the alternative to appoint independent counsel for Trustee of Kentucky Fuel Gas Corp. Commission filed brief June 26, 1953, in support of district court order. Order affirmed Dec. 4, 1953. Closed.
Inland Gas Corp., et al., debtors; Vanston Committee, Green Committee, Paul E. Kern and Clinton M. Harbison, Trustee, appellants (6th circuit).	Appeals from order of Feb 12, 1953, approving the amended plan of reorganization. Commission filed brief Oct 5, 1953, in support of plan. Decision of CA-6, Mar. 18, 1954, affirming the plan of reorganization. Order Apr. 7, 1954, denying petition for rehearing. Pending.
Pittsburgh Railways Company, debtor; Securities and Exchange Commission, appellant (3d circuit).	Appeal from order of Jan. 28, 1954, granting counsel for the Estate of W. D. George, Deceased, access to records of the Commission for the purpose of inspection. Appeal dismissed May 5, 1954, on stipulation of parties. Closed.
Silesian-American Corp., debtor; Francis X. Conway, Trustee, et al., appellants (2d circuit).	Appeals from order of June 17, 1952, dismissing petition of Trustee for an accounting and other relief against the Swiss Banks. Commission filed briefs Jan. 23 and Mar. 3, 1953, supporting appeals and contending court had jurisdiction over claims against the banks. Opinion Apr. 13, 1953, affirming the order of the district court. Petition for rehearing denied June 8, 1953. Petitions for writ of certiorari supported by Commission filed in Nov. 1953. Time to answer petitions extended by stipulation. Pending.
Solar Manufacturing Corp., debtor; The Marine Midland Trust Co., appellant (3d circuit).	Appeal from order of Mar. 3, 1952, denying 2 motions of appellant to dismiss counter-claims asserted by Trustee of Debtor to claims filed by appellant as creditor and to accounting by appellant as former indenture trustee for debtor's debenture holders. Commission filed brief Sept. 17, 1952, in support of district court order. Order affirmed Dec. 3, 1952. Petition for writ of certiorari filed Mar. 2, 1953, by The Marine Midland Trust Co. of New York. Commission's brief in opposition filed Apr. 10, 1953. Certiorari denied Apr. 27, 1953. Closed.
Solar Manufacturing Corp., debtor; Samuel Marion, Milton M. Unger and Edward Endelman, and Morton Stavis, appellants (3d circuit).	Appeals from order of Mar. 17, 1953, fixing final allowances. Commission's brief filed May 28, 1953, in support of appeals. Order of CA-3 vacating order and remanding for further proceedings pursuant to opinion. Closed.
Solar Manufacturing Corp., debtor; Samuel Marion, Milton M. Unger and Edward Endelman, and Morton Stavis, appellants (3d circuit).	Appeals from order of Dec. 11, 1953, fixing allowances for services rendered. Briefs filed in April 1954. Commission's brief took position that overall fees were too high while fees awarded certain creditors' representatives were too low. Pending.
Transvision, Inc., debtor; Securities and Exchange Commission, appellant (2d circuit).	Appeal from order Jan. 12, 1954, denying the Commission's motion to dismiss the Chapter XI proceedings for Transvision, Inc., on ground that Chapter XI was inappropriate since debtor has a substantial number of public investors. Brief for Commission Apr. 26, 1954, in support of appeal, and appellees brief filed June 30, 1954. Pending.

TABLE 23.—*A 21-year summary of criminal cases developed by the Commission—1934 through 1954 by fiscal year*

[See table 25 for classification of defendants as broker-dealers, etc.]

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 <sup>1</sup>	Number of these defendants convicted	Number of these defendants acquitted	Number of these defendants as to whom proceedings were dismissed on motion of United States attorneys	Number of these defendants as to whom cases are pending <sup>2</sup>
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	34	0
1938	40	113	33	134	75	13	45	1
1939	52	245	47	292	199	33	60	0
1940	59	174	51	200	96	38	66	0
1941	54	150	47	145	94	15	36	0
1942	50	144	46	194	108	23	48	15
1943	31	91	28	108	62	10	33	3
1944	27	69	24	79	47	6	19	7
1945	19	47	18	61	36	10	14	1
1946	16	44	14	40	13	8	4	15
1947	20	50	13	34	9	5	14	6
1948	16	32	15	29	20	3	6	0
1949	27	44	25	57	17	13	15	12
1950	18	28	15	27	20	1	5	1
1951	29	42	24	48	33	5	5	5
1952	14	26	13	24	15	4	1	4
1953	18	32	15	33	8	4	2	19
1954	19	44	16	47	1	2	0	44
Total:	630	2,095	525	2,245	1,196	276	640	133

<sup>1</sup> 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. For the purpose of this table, an individual named as a defendant in 2 or more indictments in the same case is counted as a single defendant.

<sup>2</sup> See table for breakdown of pending cases.

<sup>3</sup> Three of these references as to 5 proposed defendants were still being processed by the Department of Justice as of the close of the fiscal year.

<sup>4</sup> 481 of these cases have been completed as to 1 or more defendants. Convictions have been obtained in 418 or 87 percent of such cases. Only 63 or 13 percent of such cases have resulted in acquittals or dismissals as to all defendants.

<sup>5</sup> Includes 48 defendants who died after indictment.

TABLE 24.—*Summary of criminal cases developed by the Commission which were still pending on June 30, 1954*

	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 therefor		
				Not Yet apprehended	Awaiting trial	Awaiting appeal
Pending, referred to Department of Justice in the fiscal year.						
1938	1	2	1	1	0	0
1939	0	0	0	0	0	0
1940	0	0	0	0	0	0
1941	0	0	0	0	0	0
1942	2	18	3	14	1	0
1943	1	5	2	2	1	0
1944	2	8	1	6	1	0
1945	1	1	0	1	0	0
1946	4	16	1	15	0	0
1947	3	9	3	6	0	0
1948	0	0	0	0	0	0
1949	4	12	0	3	9	0
1950	1	3	2	0	0	1
1951	3	6	1	0	5	0
1952	3	7	3	0	3	1
1953	8	21	2	0	14	5
1954	14	44	0	8	35	1
Total	1,47	1,152	19	56	69	8

## SUMMARY

Total cases pending <sup>1</sup>	50
Total defendants <sup>1</sup>	157
Total defendants as to whom cases are pending <sup>1</sup>	138

<sup>1</sup> Except for 1954, indictments have been returned in all pending cases. As of the close of the fiscal year, indictments had not yet been returned as to 5 proposed defendants in 3 cases referred to the Department of Justice in 1954. These are reflected only in the recapitulation of totals at the bottom of the table.

TABLE 25.—*A 21-year summary classifying all defendants in criminal cases developed by the Commission—1934 to June 30, 1954*

	Number indicted	Number convicted	Number acquitted	Number as to whom cases were dismissed on motion of United States attorneys	Number as to whom cases are pending
Registered broker-dealers <sup>1</sup> (including principals of such firms)	339	209	24	96	10
Employees of such registered broker-dealers	123	59	16	38	10
Persons in general securities business but not as registered broker-dealers (includes principals and employees)	715 1,068	356 572	57 179	257 249	45 68
Total	2,245	1,196	276	640	133

<sup>1</sup> Includes persons registered at or prior to time of indictment.

<sup>2</sup> 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 26.—*A 21-year summary of all injunction cases instituted by the Commission, 1934 to June 30, 1954, 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. <sup>1</sup>	
	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	57
1946	21	45	15	34
1947	20	40	20	47
1948	19	44	15	26
1949	25	59	24	55
1950	27	73	26	71
1951	22	67	17	43
1952	27	103	18	50
1953	20	41	23	68
1954 (to June 30)	5	12	3	5
Total	653	1,932	592	1,503

## SUMMARY

	Cases	Defendants
Actions instituted	653	1,932
Injunctions obtained	585	1,503
Actions pending	12	42
Other dispositions <sup>2</sup>	56	387
Total	653	1,932

<sup>1</sup> 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.

<sup>2</sup> Includes 7 cases which were counted twice in this column because injunctions against different defendants in the same cases were granted in different years.

<sup>3</sup> Includes 3 defendants in 1 case in which injunctions have been obtained as to 3 co-defendants.

<sup>4</sup> Includes (a) actions dismissed (as to 322 defendants); (b) actions discontinued, abated, vacated, abandoned, or settled (as to 51 defendants), (c) actions in which judgment was denied (as to 11 defendants); (d) actions in which prosecution was stayed on stipulation to discontinue misconduct charged (as to 3 defendants).

