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30<sup>th</sup>, 1964  
ANNUAL  
REPORT

For the Fiscal Year Ended  
June 30, 1964



U.S.  
SECURITIES  
AND EXCHANGE  
COMMISSION

**SECURITIES AND EXCHANGE COMMISSION**

**Headquarters Office  
425 Second Street NW.  
Washington, D.C. 20549**

**COMMISSIONERS**

**January 4, 1965**

**MANUEL F. COHEN, *Chairman***  
**BYRON D. WOODSIDE**  
**HUGH F. OWENS**  
**HAMER H. BUDGE**  
**FRANCIS M. WHEAT**

**ORVAL L. DUBOIS, *Secretary***

## LETTER OF TRANSMITTAL

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SIR: On behalf of the Securities and Exchange Commission, I have the honor to transmit to you the Thirtieth Annual Report of the Commission covering the fiscal year July 1, 1963 to June 30, 1964, 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; Section 3 of the Act of June 29, 1949, amending the Bretton Woods Agreement Act; and Section 11(b) of the Inter-American Development Bank Act.

Respectfully,

MANUEL F. COHEN,  
*Chairman.*

THE PRESIDENT OF THE SENATE,

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES,

*Washington, D.C.*



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## COMMISSIONERS AND STAFF OFFICERS

(As of January 1, 1965)

| Commissioners                                      | Term expires<br>June 5 |
|--|------------------------|
| MANUEL F. COHEN of Maryland, <i>Chairman</i> ----- | 1968                   |
| BYRON D. WOODSIDE of Virginia-----                 | 1967                   |
| HUGH F. OWENS of Oklahoma-----                     | 1965                   |
| HAMER H. BUDGE of Idaho-----                       | 1969                   |
| FRANCIS M. WHEAT of California-----                | 1966                   |

Secretary : ORVAL L. DuBois

Executive Assistant to the Chairman : LEONARD M. LIEMAN

### Staff Officers

EDMUND H. WORTHY, Director, Division of Corporation Finance.

ROBERT H. BAGLEY, Associate Director.

SOLOMON FREEDMAN, Director, Division of Corporate Regulation.

J. ARNOLD PINES, Associate Director.

HAROLD V. LESE, Associate Director.

WALTER WERNER, Director, Office of Program Planning.

RALPH S. SAUL, Director, Division of Trading and Markets.

IRVING M. POLLACK, Associate Director.

PHILIP A. LOOMIS, JR., General Counsel.

DAVID FERBER, Solicitor.

WALTER P. NORTH, Associate General Counsel.

ANDREW BARR, Chief Accountant.

LEONARD HELFENSTEIN, Director, Office of Opinions and Review.

W. VICTOR RODIN, Associate Director.

WILLIAM E. BECKER, Chief Management Analyst.

FRANK J. DONATY, Comptroller.

ERNEST L. DESSECKER, Records and Service Officer.

HARRY POLLACK, Director of Personnel.

## REGIONAL AND BRANCH OFFICES

### Regional Administrators

- Region 1. New York, New Jersey.—Llewellyn P. Young; John J. Devaney, Associate Regional Administrator, 225 Broadway, New York, N.Y., 10007
- Region 2. Massachusetts, Connecticut, Rhode Island, Vermont, New Hampshire, Maine.—Philip E. Kendrick, Federal Building, Post Office Square, Boston, Mass., 02109
- Region 3. Tennessee, Virgin Islands, Puerto Rico, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Florida, and that part of Louisiana lying east of the Atchafalaya River.—William Green, Suite 138, 1371 Peachtree Street, NE., Atlanta, Ga., 30309
- Region 4. Illinois, Indiana, Iowa, Kansas City (Kansas), Kentucky, Michigan, Minnesota, Missouri, Ohio, Wisconsin.—Thomas B. Hart, U.S. Courthouse & Federal Bldg., 219 South Dearborn Street, Chicago, Ill., 60604
- Region 5. Oklahoma, Arkansas, Texas, and that part of Louisiana lying west of the Atchafalaya River, and Kansas (except Kansas City).—Oran H. Allred, United States Courthouse, Room 301, Tenth and Lamar Streets, Fort Worth, Texas, 76102
- Region 6. Wyoming, Colorado, New Mexico, Nebraska, North Dakota, South Dakota, Utah.—Donald J. Stocking, Room 802, Midland Savings Building, 444 17th Street, Denver, Colo., 80202
- Region 7. California, Nevada, Arizona, Hawaii, Guam.—Arthur E. Pennekamp, Federal Bldg., Box 36042, 450 Golden Gate Ave., San Francisco, Calif., 94102
- Region 8. Washington, Oregon, Idaho, Montana, Alaska.—James E. Newton, 9th Floor, Hoge Bldg., 705 Second Ave., Seattle, Wash., 98104
- Region 9. Pennsylvania, Maryland, Virginia, West Virginia, Delaware, District of Columbia.—Alexander J. Brown, Jr., Room 300, Courts Bldg., 310 Sixth Street NW., Washington, D.C., 20549

### Branch Offices

- Cleveland, Ohio, 44113.—Room 1628, Standard Building, 1370 Ontario Street.
- Detroit, Michigan, 48226.—Room 1503, Washington Boulevard Building, 234 State Street.
- Houston, Texas, 77002.—Room 2226, Federal Office and Courts Building, 515 Rusk Ave.
- Los Angeles, Calif., 90028.—Room 309, Guaranty Building, 6331 Hollywood Blvd.
- Miami, Fla., 33230.—Room 1504, 51 S.W., First Ave.
- St. Louis, Mo., 63103.—Room 4266A, Federal Building, 1520 Market Street.
- St. Paul, Minn., 55101.—Room 1027, Main Post Office and Customhouse, 180 East Kellogg Blvd.
- Salt Lake City, Utah, 84111.—Room 8440, Federal Building, 125 South State Street.

## COMMISSIONERS

### **Manuel F. Cohen, Chairman**

Chairman Cohen was born in Brooklyn, N.Y., on October 9, 1912. He holds a B.S. degree in social science from Brooklyn College of the College of the City of New York. He received an LL.B. degree, cum laude, from Brooklyn Law School of St. Lawrence University in 1936, and was elected to the Philonomic Council. He is a member of the New York bar. In 1933-1934 he served as research associate in the Twentieth Century Fund studies of the securities markets. Chairman Cohen joined the Commission's staff as an attorney in 1942 after several years in private practice, serving first in the Investment Company Division and later in the Division of Corporation Finance, of which he was made Chief Counsel in 1953. He was named Adviser to the Commission in 1959 and in 1960 became Director of the Division of Corporation Finance. He was awarded a Rockefeller Public Service Award by the trustees of Princeton University in 1956 and for a period of 1 year studied the capital markets and the processes of capital formation and of government and other controls in the principal financial centers of Western Europe. In 1961, he was appointed a member of the Council of the Administrative Conference of the United States and received a Career Service Award of the National Civil Service League. From 1958 to 1962 he was lecturer in Securities Law and Regulation at the Law School of George Washington University and he is the author of a number of articles on securities regulation published in domestic and foreign professional journals. In 1962, he received an honorary LL.D. degree from Brooklyn Law School. He took office as a member of the Commission on October 11, 1961, for the term expiring June 5, 1963, and was reappointed for the term expiring June 5, 1968. He was designated Chairman of the Commission on August 21, 1964.

### **Byron D. Woodside**

Commissioner Woodside was born in Oxford, Pa., in 1908, and is a resident of Haymarket, Va. He holds degrees of B.S. in economics from the University of Pennsylvania, A.M. from George Washington University, and LL.B. from Temple University. He is a member of the bar of the District of Columbia. In 1929 he joined the staff of the Federal Trade Commission, and in 1933, following the enactment of the Securities Act of 1933, was assigned to the Securities Division of that Commission which was charged with the administration of

the Securities Act. Commissioner Woodside transferred to the Securities and Exchange Commission upon its establishment by the Securities Exchange Act of 1934. In 1940 he became Assistant Director and in 1952 Director of the Division (now Division of Corporation Finance) responsible for administering the registration and reporting provisions of the Securities Act, Securities Exchange Act, the Trust Indenture Act of 1939, and, in part, the Investment Company Act of 1940. For 14 months commencing in May 1948, he was on loan to the Department of the Army and assigned to duty in Japan as a member of a five-man board which reviewed reorganization plans of Japanese companies under the Occupation's decartelization program; and beginning in December 1950, he served 17 months with the National Security Resources Board and later with the Defense Production Administration as Assistant Deputy Administrator for Resources Expansion. He took office as a member of the Securities and Exchange Commission on July 15, 1960, for the term of office expiring June 5, 1962, and was reappointed effective June 5, 1962, for the term expiring June 5, 1967.

#### **Hugh F. Owens**

Commissioner Owens was born in Muskogee, Oklahoma on October 15, 1909, and moved to Oklahoma City in 1918. He graduated from Georgetown Preparatory School, Washington, D.C., in 1927, and received his A.B. degree from the University of Illinois in 1931. In 1934, he received his LL.B. degree from the University of Oklahoma, College of Law, and became associated with a Chicago law firm specializing in securities laws. He returned to Oklahoma City in January 1936, to become associated with the firm of Rainey, Flynn, Green and Anderson. From 1940 to 1941, he was vice-president of the United States Junior Chamber of Commerce. During World War II he achieved the rank of Lieutenant Commander U.S.N.R. and served as Executive Officer of a Pacific Fleet destroyer. In 1948, he became a partner in the firm of Hervey, May and Owens. From 1951 to 1953, he served as counsel for the Superior Oil Company in Midland, Texas, and thereafter returned to Oklahoma City, where he engaged in the general practice of law under his own name. He also served as a part-time faculty member of the School of Law of Oklahoma City University. In October 1959, he was appointed Administrator of the then newly enacted Oklahoma Securities Act and was active in the work of the North American Securities Administrators, serving as vice-president and a member of the executive committee of that Association. He took office as a member of the Securities and Exchange Commission on March 23, 1964, for the term expiring June 5, 1965.

**Hamer H. Budge**

Commissioner Budge was born in Pocatello, Idaho, on November 21, 1910. He attended the College of Idaho, Caldwell, Idaho, and received an A.B. degree from Stanford University, Palo Alto, California, majoring in political science, and an LL.B. degree from the University of Idaho in Moscow, Idaho. He practiced law in the city of Boise, Idaho, from 1936 to 1950, except for 3½ years in the United States Navy (1942–1945), with final discharge as Lieutenant Commander, United States Naval Reserve. He was elected to the Idaho State Legislature and served three sessions as representative from Ada County; assistant Republican floor leader two sessions; and majority floor leader one session. He was first elected to the 82nd Congress on November 7, 1950, and represented Idaho's Second Congressional District in the United States House of Representatives during the 82nd, 83rd, 84th, 85th, and 86th Congresses. In the House, he was a member of the Rules Committee, Appropriations Committee, and Interior Committee. During the period 1961 until his appointment to the Commission, he was District Judge in Boise. A member of the Idaho and American Bar Associations, he has been admitted to practice before the Supreme Court of Idaho and the Supreme Court of the United States. He took office as a member of the Securities and Exchange Commission on July 8, 1964, for the term of office expiring June 5, 1969.

**Francis M. Wheat**

Commissioner Wheat was born in Los Angeles, California, on February 4, 1921. He received an A.B. degree in 1942 from Pomona College, in Claremont, California, and an LL.B. degree in 1948 from the Harvard Law School. At the time of his appointment to the Commission, Commissioner Wheat was a member of the Los Angeles law firm of Gibson, Dunn & Crutcher, with which he became associated upon his graduation from law school. His practice was primarily in the field of corporation and business law, including the registration of securities for public offering under the Securities Act of 1933. He has been active in bar association work, including service as Chairman of the Committee on Corporations of the Los Angeles County Bar Association and Chairman of the Subcommittee on Investment Companies and Investment Advisers, Committee on Federal Regulation of Securities, American Bar Association (Banking and Business Law Section). He also has written or co-authored articles on various aspects of the securities business and its regulation, both under Federal and state law. He took office as a member of the Commission on October 2, 1964, for the term expiring June 5, 1966.



## PART I

### IMPORTANT RECENT DEVELOPMENTS

#### **Special Study of Securities Markets and its Implementation**

Fiscal year 1964, which marked the 30th year of the Commission's existence, and the months that followed was a period of extraordinary, even historic, significance for the Commission, the parts of the nation's economy which are concerned with the issuance and trading of securities, and, of course, public investors.

Shortly after the beginning of the year, the final two portions of the Report of the Special Study of Securities Markets were transmitted to Congress.<sup>1</sup> The Special Study and the Report, constituting the most thorough examination of the securities markets since the early 1930's, have already had far-reaching consequences. Even while the study was still in progress, it stimulated an extensive self-examination by various segments of the securities industry, most notably the self-regulatory agencies, which resulted in a number of improvements in the rules and practices of those agencies. Secondly, the Report provided a foundation for the far-reaching legislative proposals submitted by the Commission to Congress in June 1963, which, with certain modifications, were enacted into law in August 1964. This legislation (the "Securities Acts Amendments of 1964") is summarized in Part II of this Report and referred to at appropriate points elsewhere in the Report.<sup>2</sup>

The 1964 Amendments represent the most significant statutory advance in Federal securities regulation and investor protection since 1940. In the main, they eliminate the differences in reporting requirements between issuers of securities listed on the exchanges and the larger issuers whose securities are traded over the counter, allow the self-regulatory agencies and the Commission to raise standards for

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<sup>1</sup> For a summary of the contents of the Report, see the 29th Annual Report, pp. 1-3. The Report is available from the Superintendent of Documents, Government Printing Office, Washington, D.C., 20402, as H. Doc. No. 95 of the 88th Cong., 1st Sess. Pt. I: \$2.25, Pt. II: \$3.50, Pt. III: 50 cents, Pt. IV: \$3.75. The letters of transmittal and the Study's conclusions and specific recommendations are set forth in a summary volume, Pt. V: 55 cents.

<sup>2</sup> A more extended summary and discussion of the legislation is contained in Securities Act Release No. 4725 (September 15, 1964).

entry into the securities business, and strengthen the Commission in dealing with broker-dealers and their employees. The legislation was strongly supported in principle by representatives of the securities industry and by others affected by it, and it benefited from extensive hearings by the Congress which permitted a thorough consideration of all of the issues involved. In signing the measure, the President stated: "The law signed today should further strengthen the securities markets and public confidence in them. Industry and government have worked together in the writing of these laws. Industry and government will work together in making these measures succeed."

A number of changes in the Commission's rules have already been effected or proposed to implement the new legislation or to conform the rules to it. One important area still to be implemented relates to the Commission's new authority to prescribe qualification standards and standards of conduct for those registered broker-dealers who are not members of a registered securities association. The Commission is now gathering more precise and fuller information as to the persons and firms affected and assessing the regulatory needs and problems which may be anticipated.

Significant progress has been made in the way of administrative action by the Commission and the self-regulatory agencies in implementing the recommendations of the Special Study Report. This is, of course, a continuing process, and what is referred to herein as prospective action may well be accomplished fact by the time this Report appears in print. In one of the principal areas also dealt with in the Amendments, qualification standards applicable to members and their employees have been tightened by the self-regulatory agencies. Proposed amendments to the Commission's net capital rule establishing for the first time a minimum net capital for broker-dealers were submitted to the industry on an informal basis for comments; comments have now been received and the proposal will be considered by the Commission before it is officially published for comment.

The Commission's staff has devoted considerable effort to assisting the self-regulatory groups in the formulation of effective rules governing selling practices. Primary emphasis was placed on supervision of salesmen by the principals of broker-dealer firms. The New York Stock Exchange (NYSE) adopted a new supervision rule in the spring of 1964. The Board of Governors of the National Association of Securities Dealers, Inc. (NASD) has approved a package of rules which set out in detail members' responsibilities for supervision, maintenance of certain records and handling of discretionary accounts. As of October 1964, these rules were submitted to the NASD membership for adoption. At the same time increased attention is being paid

by the self-regulatory agencies to inspections of brokerage firms and enforcement of selling practice rules. The NYSE, American, and several regional exchanges have adopted new rules and interpretations with respect to advertising and investment advice. The NASD Board of Governors has adopted a comprehensive interpretation with respect to these matters. And the Commission's staff has drafted comparable rules applicable to investment advisers which will be submitted informally to the industry for comment in the very near future.

Two of the areas which were studied in great depth by the Special Study and were subjects in its Report of recommendations for extensive changes were the activities and responsibilities of floor traders and specialists on the exchanges. These recommendations in turn gave rise to extended discussions between members of the staff and of the New York and American stock exchanges, culminating in the adoption, on June 2, 1964, of Rule 11a-1 under the Exchange Act,<sup>3</sup> the first Commission rule ever adopted relating to floor trading, and the announcement, on September 24, 1964, of proposed Rule 11b-1 relating to specialists.<sup>4</sup> Briefly, the purpose of Rule 11a-1 is to eliminate the abuses which the Commission found in floor trading on the two major exchanges. The new provisions require that traders must have substantial capital and they are subjected to high performance standards, various conditions designed to eliminate or minimize possible conflicts with public customers, and other restrictions intended to channel their trading for beneficial purposes.<sup>5</sup> Upon the effectiveness of the rule, about 30 traders became registered on the NYSE, as compared with an estimated 300 persons who engaged in floor trading in recent years.

The proposed specialist rule, which also applies only to the two large New York exchanges, forms an integrated regulatory program together with rules which have been adopted by those exchanges and which will take effect concurrently with the effectiveness of Rule 11b-1. It contains three major parts. The first part would require the exchanges to have adequate rules in certain areas. Thus, for the first time the exchange rules would have to impose an affirmative obligation on specialists to utilize their capital as dealers to assist in the maintenance of a fair and orderly market, and the proposed exchange rules so provide. Additionally each exchange would have to establish adequate minimum capital amounts for specialists and provide effective methods of surveillance of specialist activities. Finally, the ex-

<sup>3</sup> Securities Exchange Act Release No. 7330.

<sup>4</sup> Securities Exchange Act Release No. 7432.

<sup>5</sup> For further discussion of this rule, see p. 13, *infra*.

changes would be required to have rules on the brokerage responsibilities of specialists. Among the changes adopted by the exchanges are rules designed to assure that specialists' brokerage customers receive the best possible prices available and that the specialist does not give himself preferential treatment over his own customers. The second part of Rule 11b-1 would establish a procedure by which the Commission can review and disapprove new exchange rules relating to specialists if the Commission finds that they are inadequate to achieve the purposes described in the rule or are inconsistent with the public interest or the protection of investors. The Commission, of course, would retain the authority contained in Section 11 of the Exchange Act to adopt its own rules regulating the conduct of specialists if that becomes necessary. The third part of Rule 11b-1 would permit the Commission to commence proceedings directly against a specialist in certain cases where an exchange has failed to do so or its action has been inadequate.

Turning to the over-the-counter markets, a new Rule 15c2-7 requires dealers entering quotations in a system such as the "sheets" of the National Quotation Bureau to disclose whether they are acting as correspondents, or have entered into some other financial arrangements with other dealers, and the identity of the latter. This information is to be revealed in the published quotations by symbol, number or otherwise. The rule should improve significantly the reliability of the wholesale quotations system and make it more informative.<sup>6</sup> Extensive consideration is also being given by the Commission and the NASD to revisions of the retail quotations system.

During the 1964 fiscal year, the Commission established an Office of Regulation within its Division of Trading and Markets, one of whose primary responsibilities is to oversee the operations of the self-regulatory agencies. In pursuit of that goal, the Office has conducted continuing inspections of various operations of the exchanges and the NASD. Furthermore, the new Rule 17a-8, requiring the exchanges to file with the Commission reports of newly proposed rules, enables the Commission to be aware, on a continuing basis, of developments in an exchange's policies and to offer the exchange, at an early point, the benefit of its views.<sup>7</sup> Important steps have also been taken by the self-regulatory agencies, particularly the NASD, to effect organizational changes in line with the views expressed in the Special Study Report.

The above are only some of the many steps already taken or under active consideration as a result of the Special Study and its Report.

<sup>6</sup> For further discussion of this rule, see p. 16, *infra*.

<sup>7</sup> This rule is discussed on p. 19, *infra*.

**Enforcement Activity: Proposed Revision of Annual Report Form for Investment Companies**

Although the Commission's attention during the 1964 fiscal year was focused to a considerable extent on the implementation of the Special Study's recommendations, its day-to-day enforcement activities, designed to combat fraudulent and other illegal practices in securities transactions, continued at a vigorous level. Details regarding the various aspects of these activities will be found in the appropriate parts of this Report. Among other things, 50 cases were referred to the Department of Justice for criminal prosecution during the year. On the civil side, 84 injunctive and related enforcement proceedings were instituted by the Commission in the Federal courts. And 458 investigations of securities transactions involving possible violations of the anti-fraud or other provisions of the securities acts were instituted. A substantial number of formal administrative proceedings were instituted with respect to broker-dealers and investment advisers—119 broker-dealer proceedings and 9 investment adviser proceedings.

The Commission's inspection program under the Investment Company Act of 1940, which has proceeded at a steadily accelerating pace since its inception in 1957, resulted in a record total of 146 inspections during the 1964 fiscal year. Even at that rate, however, each of the 617 so-called "active" registered investment companies would be inspected only once every 4.2 years. To place the inspection program even on a 3-year cycle would require additional personnel and entail other related expenses. It also takes time and expense to train inspectors, many of whom must necessarily be new recruits, to achieve a high degree of proficiency. The Commission has proposed expansion of its inspection program because of its proven value.

Even under an expanded inspection program, certain investment companies inevitably require closer or prompter scrutiny. Because of this and the continued growth in the number and size of investment companies, the Commission considered that the public interest and the protection of investors would be served by strengthening the annual report filed by investment companies, and accordingly it published a proposal, shortly after the end of the fiscal year, to revise the present Form N-30A-1, which is the current annual reporting form for all registered management investment companies except those which issue periodic payment plan certificates and small business investment companies licensed as such under the Small Business Investment Act of 1958.<sup>8</sup>

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<sup>8</sup> Investment Company Act Release No. 4026 (August 4, 1964).

The proposed form, which emerged from some 2 years of drafting and redrafting by the staff, with the benefit of discussions and correspondence with committees representing the investment company industry and the accounting profession, is designed to provide better disclosure to the investing public and to channel more effectively the Commission's inspection program. The form, either as published for comment or as it may be modified prior to adoption, should also serve to focus attention of the investment companies and their management more sharply on the prohibitions and requirements of the Investment Company Act and thus provide a significant measure of self-regulation.

### **Registration of New Security Offerings**

The 1964 fiscal year saw a slight increase over the previous year in the number of registration statements filed, but a substantial increase in the dollar amount involved. A total of 1,192 statements was filed during the year for securities with an aggregate offering price of \$18.6 billion, as compared to 1,159 statements and \$14.7 billion the preceding year.

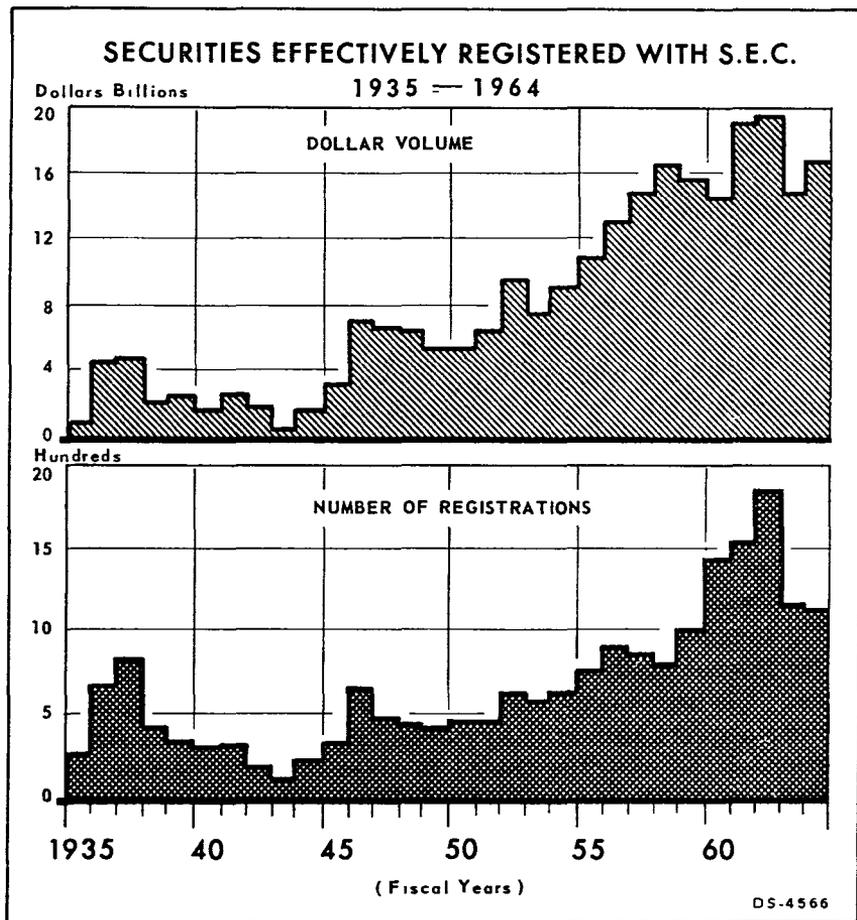
In the course of the fiscal year, the Commission published an extensive guide containing numerous policies and practices of its Division of Corporation Finance with respect to the disclosures required by the Securities Act of 1933 and the rules thereunder in connection with the filing of registration statements under the Act.<sup>9</sup> It is expected that the publication of these policies and practices will not only be of assistance to registrants and their counsel and accountants in the preparation of registration statements, but also that it will relieve the staff of the Commission of the necessity for commenting on these matters in respect of such statements.

The Commission and its staff are constantly striving to reduce the time required to process registration statements, without, of course, diminishing the thoroughness of the examination procedure. During the year, there was a further significant reduction. Thus, with respect to registration statements which became effective during the year (excluding certain investment company filings), the median number of days elapsing from the date of filing to the date of the staff's letter of comment was 16, as compared with 27 the previous year; and the median time from filing to effective date was 36 days as compared to 52 days the year before. A total of 1,121 statements in the amount of

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<sup>9</sup> Securities Act Release No 4666 (February 7, 1964).

\$16.9 billion became effective during the year. The chart below portrays the dollar volume and number of registrations with respect to securities which became registered during the fiscal years 1935 through 1964.



## PART II

### LEGISLATIVE ACTIVITIES

During the fiscal year 1964, Congressional hearings were completed on the Commission's proposals for amendment of the Federal securities laws. Hearings had previously been held in the United States Senate before a Subcommittee of the Committee on Banking and Currency, immediately prior to the close of the fiscal year 1963, and during those hearings the broad purposes of the legislation were strongly endorsed by all segments of the securities industry. S. 1642, the Senate bill embodying the Commission's proposals, was passed by the Senate on July 30, 1963 and referred to the House of Representatives. A Subcommittee of the Committee on Interstate and Foreign Commerce, House of Representatives, held hearings for a total of 13 days on S. 1642 and two companion bills, H.R. 6789 and H.R. 6793.<sup>1</sup> After the close of the fiscal year, S. 1642 was passed by the House with certain amendments agreed to by the Senate, and was enacted as Public Law 88-467 on August 20, 1964. With some exceptions, the legislation as enacted was closely similar to the Commission's original proposals.

The Commission's legislative proposals were based upon the Report of the Special Study of Securities Markets<sup>2</sup> and had two major purposes. The first was to improve investor protections in the over-the-counter markets, primarily by extending to investors in a significant portion of the securities traded in those markets the fundamental protections which had been afforded generally only to investors in securities listed on a national securities exchange. Under the legislation as proposed by the Commission, the registration, periodic reporting, proxy solicitation and insider reporting and trading provisions of the Securities Exchange Act of 1934 were to be extended to over-the-counter companies having more than 750 shareholders (500 share-

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<sup>1</sup> These identical bills had been introduced on June 4, 1963. S. 1642 was introduced (by request) by Senator A. Willis Robertson, Chairman of the Senate Committee on Banking and Currency; H.R. 6789 was introduced by Representative Oren Harris, Chairman of the Committee on Interstate and Foreign Commerce, House of Representatives; H.R. 6793 was introduced by Representative Harley O. Staggers, Chairman of the Subcommittee on Commerce and Finance of the Committee on Interstate and Foreign Commerce, House of Representatives.

<sup>2</sup> For a summary of the Report of the Special Study of Securities Markets, see the Commission's 29th Annual Report, pp. 1-3.

holders at a subsequent date) and more than \$1,000,000 in assets. Companies meeting these standards would be required to file a registration statement containing material information regarding their businesses and to keep such information current by periodic reports; security holders whose proxies are solicited would be furnished with a proxy statement containing adequate and accurate information; and corporate "insiders" would be required to report their transactions in the securities of such companies and would be liable for short-swing trading profits in the securities of their company. Certain classes of companies were exempted from these requirements. The Commission's proposals in this area were embodied in Public Law 88-467, but were modified by the Congress to exempt also insurance companies which meet certain specified requirements.

The second purpose of the Commission's proposals was to strengthen the qualification standards for entrance into the securities business and to make more effective the disciplinary controls of the Commission and the rules of industry self-regulatory organizations over securities brokers and dealers and persons associated with them. Under the Commission's proposals registered securities associations were to be required to adopt rules, subject to Commission approval, establishing standards of training, experience and competence for members and their employees and to establish capital requirements for members. In addition, all over-the-counter broker-dealers would have been required to be members of a registered securities association in order to bring them within the self-regulatory scheme. Public Law 88-467 did not embody the latter proposal, but provides instead that if a broker-dealer is not a member of a registered securities association, the broker-dealer and all natural persons associated with the broker-dealer must meet such specified and appropriate standards with respect to training, experience and such other qualifications as the Commission finds necessary or desirable. Public Law 88-467 includes the Commission's other proposals in this area, including modification of the statutory scheme for disciplining violators so as to permit action directly against an individual; provision for the imposition of intermediate sanctions against a broker-dealer, such as temporary suspension or censure; and clarification of the authority of a national securities association to act directly against offending individuals.

In connection with Congressional consideration of the Commission's legislative proposals, members of the Commission testified before a Subcommittee of the House Committee on Interstate and Foreign Commerce on November 19 and 20, 1963 and on February 18 and 19, 1964. In addition Chairman Cary testified on March 5, 1964 before the House Committee on the District of Columbia in favor of H.R.

9419, a bill to provide for the regulation of the sale of securities in the District of Columbia and the licensing of persons engaged in that activity.<sup>3</sup> On June 23, 1964 Chairman Cary also testified before the Subcommittee on Census and Government Statistics of the House Committee on Post Office and Civil Service in connection with the Subcommittee's inquiry into the reporting and paper work requirements of the various Governmental agencies. During the fiscal year the Commission analyzed a total of 37 bills and legislative proposals submitted by Congressional Committees or the Bureau of the Budget.

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<sup>3</sup> The bill was enacted into law on August 30, 1964, as Public Law 88-503.

## PART III

### REVISION OF RULES, REGULATIONS AND FORMS

Several new rules were either adopted or proposed during the 1964 fiscal year as a direct result of recommendations made in the Report of the Special Study of Securities Markets. In addition, the Commission maintains a continuing program of reviewing its rules, regulations and forms in order to determine whether any changes are appropriate. Certain members of the staff are specifically assigned to this task, but changes are also suggested, from time to time, by other members of the staff and by persons outside of the Commission who are subject to the Commission's requirements or who have occasion to work with those requirements in a professional capacity, such as underwriters, attorneys and accountants. With a few exceptions provided for by the Administrative Procedure Act, proposed new rules, regulations and forms and proposed changes in existing rules, regulations and forms are published in preliminary form for the purpose of obtaining the views and comments of interested persons, including issuers and various industry groups, which are given careful consideration.<sup>1</sup> The changes which were made during the fiscal year as well as those proposed changes which were published in preliminary form and were pending at the end of the year are described below.

#### THE SECURITIES ACT OF 1933

##### Adoption of Rule 156

During the fiscal year, the Commission adopted Rule 156 which defines as "transactions by an issuer not involving a public offering" in Section 4(1) of the Securities Act of 1933, transactions which are exempted from the Investment Company Act of 1940 by Rule 3c-3, recently adopted thereunder.<sup>2</sup>

<sup>1</sup> The rules and regulations of the Commission are published in the Code of Federal Regulations, the rules adopted under the various acts administered by the Commission appearing in the following parts of Title 17 of that Code:

Securities Act of 1933, pt. 230.

Securities Exchange Act of 1934, pt. 240.

Public Utility Holding Company Act of 1935, pt. 250.

Trust Indenture Act of 1939, pt. 260.

Investment Company Act of 1940, pt. 270.

Investment Advisers Act of 1940, pt. 275.

<sup>2</sup> Securities Act Release No. 4627 (August 1, 1963).

Rule 3c-3 exempts from the provisions of the Investment Company Act transactions by any insurance company with respect to certain group annuity contracts with employers or their representatives covering at least 25 employees and providing for the administration of funds held by such companies in one or more so-called "separate accounts" established and maintained pursuant to state law. It has been represented to the Commission that because of the variety and complexity of such contracts, they must be separately negotiated with employers who retain expert advisers, are fully informed in the matter and are in a position to fend for themselves.

The new rule under the Securities Act provides that transactions of the character referred to therein shall come within the rule only if the transaction is not advertised by any written communication which, insofar as it relates to a separate account group annuity contract, does more than identify the insurance company, state that it is engaged in the business of writing such contracts and invite inquiries in regard thereto. The rule provides, however, that the limitation on advertising shall not apply to disclosure made in the course of direct discussion or negotiation of such contracts.

It should be noted that the rule provides an exemption only from the provisions of Section 5 of the Act and does not afford any exemption from the anti-fraud provisions of the Act.

#### **Amendments to Form S-1, Form S-8 and Form S-11**

The Commission announced during the fiscal year that it had under consideration amendments to Forms S-1, S-8, and S-11 believed to be necessary and appropriate in view of changes made by the Revenue Act of 1964 in the provisions of the Internal Revenue Code relating to stock options eligible for special tax treatment. (See Section 221 of the Revenue Act of 1964, Public Law 88-272, 78 Stat. 19).<sup>3</sup> These changes limit the types of stock options which are to receive favorable tax treatment; they eliminate the term "restricted stock options," except with respect to options which have already been granted or may be granted pursuant to existing plans or contracts; and they designate other tax-favored options as "qualified" or as options granted pursuant to "employee stock purchase plans."

The three forms, which are used for the registration of securities under the Securities Act, require the furnishing of certain information regarding options to purchase securities. The proposed amendments were designed to make these forms consistent with the Internal Revenue Code as amended, i.e., to provide for all tax-favored options the

<sup>3</sup> Securities Act Release No. 4686 (April 21, 1964); Securities Act Release No. 4690 (May 12, 1964).

same exemptive or other favorable treatment as had been extended to the previous tax-favored options.

Subsequent to the close of the fiscal year, the proposed amendments were adopted.<sup>4</sup>

### THE SECURITIES EXCHANGE ACT OF 1934

#### Amendments of Rules 10b-6 and 16b-3 and Form 10

In view of the changes made by the Revenue Act of 1964 in the provisions of the Internal Revenue Code relating to stock options eligible for special tax treatment, as previously described,<sup>5</sup> the Commission announced during the fiscal year that it had under consideration the adoption of amendments to Rules 10b-6 and 16b-3 and Form 10 under the Securities Exchange Act of 1934, which would conform those rules and the form to the changes in the Code.<sup>6</sup>

Form 10 is used for the registration of securities on a national securities exchange. Rule 10b-6 makes it unlawful for certain persons participating or expecting to participate in a distribution of securities, including the issuer of the securities involved in such distribution, to purchase any such security, or any security of the same class or series, until completion of their participation in the distribution, subject to specified exceptions. Paragraph (e) of the rule exempts from its provisions certain distributions pursuant to stock option plans. Rule 16b-3 provides an exemption from the insider trading provisions of Section 16(b) for the acquisition of stock options pursuant to a plan meeting specified conditions.

The proposed amendments were adopted subsequent to the close of the fiscal year.<sup>7</sup>

#### Adoption of Rule 11a-1

During the fiscal year, the Commission adopted a new Rule 11a-1<sup>8</sup> under Section 11 of the Exchange Act to limit or restrict floor trading on national securities exchanges. The rule provides that no member of a national securities exchange may, while on the floor of such exchange or other premises made available for the use of members generally, initiate any transaction in any security traded on the exchange for any account in which he has an interest or in which he is vested with more than the usual broker's discretion, unless the transaction

<sup>4</sup> Securities Act Release No. 4718 (August 27, 1964). Corresponding amendments were made to Form 10 and Rules 10b-6 and 16b-3 under the Securities Exchange Act of 1934.

<sup>5</sup> See p. 12, *supra*.

<sup>6</sup> Securities Exchange Act Release No. 7293 (April 21, 1964); Securities Exchange Act Release No. 7315 (May 12, 1964).

<sup>7</sup> Securities Exchange Act Release No. 7403 (August 27, 1964).

<sup>8</sup> Securities Exchange Act Release No. 7330 (June 2, 1964).

comes under specified exemptions or conditions. An important exemption relates to transactions effected in conformity with a plan adopted by an exchange designed to eliminate floor trading activities not beneficial to the market, provided such plan is approved by the Commission.

The propriety of floor trading by members has been a highly controversial subject over the years and was one which particularly concerned Congress in 1934 in its consideration of the Exchange Act. Although early drafts of the legislation contemplated a complete prohibition of the practice, the statute as finally enacted included in Section 11(a) a broad grant of authority to the Commission to prescribe such rules and regulations as it might deem necessary to either regulate or prevent floor trading by members. The Commission in the past preferred not to adopt its own rules but relied instead upon rules adopted by the exchanges to control floor trading. Experience demonstrated, however, and studies by the Commission confirmed, that regulation by the exchanges was not effective and in many respects misdirected. Floor traders retained their significant and unwarranted private trading advantage in the market without contributing any corresponding benefit to public investors, continued to concentrate their activities in the more active stocks where member trading is least needed, continued to accentuate price movements and frequently interfered with the orderly execution of public brokerage orders by delaying their consummation or by adversely affecting the price at which they are executed. Rule 11a-1 and the exchange plans adopted pursuant to it are intended to provide a comprehensive system for the regulation of floor trading.

Both the New York Stock Exchange and the American Stock Exchange have adopted floor trading plans which have been approved by the Commission and declared effective.<sup>9</sup> The regional exchanges have been granted exemptions from the provisions of the rule.

The NYSE and AMEX plans are essentially identical and provide for an exemption from the floor trading prohibition for a new member category known as the "registered trader." These members will be required to meet capital requirements over and above the capital required for other member activities and will be required to pass an examination on the rules and requirements applicable to registered traders. They will be prohibited from executing brokerage orders and floor trading in the same security during a single trading session, will be compelled by a series of new rules to conduct their business

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<sup>9</sup> Securities Exchange Act Releases No. 7330 (June 2, 1964) and No. 7374 (July 23, 1964), respectively.

in a way calculated to contribute to the orderliness of the market and will be prohibited from engaging in transactions which would have a disruptive effect upon the market. Finally, they will be required to yield priority, precedence or parity to public orders. The Commission anticipates that the net effect of Rule 11a-1 and these exchange plans will be to restrict floor trading to a small group of professional dealers whose activities will be of maximum assistance to the public in the execution of orders on the exchange.

#### **Amendment of Rule 14a-3**

Rule 14a-3 relates to the information to be furnished to security holders in connection with the solicitation of proxies. It provides, among other things, that where the management of an issuer solicits proxies for an annual meeting of security holders for the purpose of electing directors, its proxy statement shall be accompanied or preceded by an annual report to such security holders containing such financial statements for the last fiscal year as will in the opinion of management adequately reflect the financial position and operations of the issuer. During the fiscal year, the Commission adopted certain amendments to the rule.<sup>10</sup>

The amended rule requires the inclusion of consolidated financial statements of the issuer and its subsidiaries in such annual reports to security holders if such statements are necessary to reflect adequately the financial position and results of operations of the issuer and its subsidiaries. However, in such cases the individual financial statements of the issuer may be omitted.

Compliance with the requirements for financial statements filed with the Commission is not required, but any material differences between the principles of consolidation or other accounting principles and practices, or methods of applying accounting principles or practices, applicable to such statements and those reflected in the report to security holders must be noted and the effect thereof reconciled or explained in such report. Provision is made, however, for the omission of details and for suitable condensation in the financial statements included in the report to security holders, provided this does not under the circumstances result in the presentation of misleading financial statements.

The amended rule provides that the financial statements included in reports to security holders shall be certified by independent public or certified public accountants, unless certification is not required in annual reports filed with the Commission or the Commission finds that certification would be impracticable or would involve undue effort

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<sup>10</sup> Securities Exchange Act Release No 7324 (May 26, 1964).

or expense. The amended rule also includes certain other minor changes.

#### **Amendment to Rules 13a-15 and 15d-15 and Form 7-K**

Rules 13a-15 and 15d-15 require certain real estate companies to file quarterly reports with respect to distributions to shareholders. Form 7-K is the form prescribed for such reports. During the fiscal year, the Commission adopted certain amendments to Rules 13a-15 and 15d-15 and Form 7-K.<sup>11</sup>

The rules as amended require the filing of quarterly reports on Form 7-K by real estate investment trusts and by real estate companies which as a matter of policy or practice make distributions to shareholders from sources other than current or retained earnings. Other real estate companies are required to file reports with respect to quarters in which a distribution is made from a source other than current or retained earnings. The amended rules provide for the filing of reports not more than 60 days after the end of the fiscal quarter to which they relate except that the report for the last quarter of the fiscal year must be filed not more than 120 days after the close of the fiscal year. Prior to the amendment the quarterly reports were required to be filed within 45 days after the close of the quarter. The extension of the period for filing reports for the first three quarters should provide adequate opportunity for the collection of information called for by the report by issuers holding numerous properties. The extension of the period for filing the report for the fourth quarter should provide opportunity for reflecting in the information reported any year-end adjustments made in connection with the annual audit of the issuer's accounts or otherwise.

Form 7-K has been amended to eliminate the two-column reporting previously required and to clarify the language of the items. In particular, the form has been amplified to provide directions for treatment of minority interests, mortgages received on the sale of property and businesses acquired during the period covered by the report.

#### **Adoption of Rule 15c2-7**

The rule implements a recommendation of the Report of the Special Study of Securities Markets designed to improve the reliability and informativeness of the wholesale quotations system through which dealers advertise their buying or selling interests in securities traded over-the-counter. The "sheets" published by the National Quotation Bureau, Inc., are the primary medium for the dissemination of wholesale or "inside" quotations among broker-dealers in the over-the-

<sup>11</sup> Securities Exchange Act Release No. 7246 (February 28, 1964).

counter markets. Broker-dealers use the sheets to communicate buying and selling interests in securities by placing their names in the sheets, together with accompanying quotations. However, if a broker-dealer submits a quotation to the sheets on behalf of another broker-dealer, there is no indication in the sheets that the appearing broker-dealer is quoting a market on behalf of another. The Special Study pointed out that the failure to differentiate in any way quotations entered for correspondents and quotations representing multiple expressions of the same market, prevents persons using the sheets from determining the actual depth and activity of the market for a particular security and the identity of the actual primary market makers for such security. This failure to differentiate quotations entered by one broker-dealer on behalf of another from other quotations may also result, as documented by the Special Study, in the use of the sheets for fraudulent or manipulative purposes.

The purpose of Rule 15c2-7 is to insure that an inter-dealer quotation system clearly reveals those instances where two or more quotations in different names for a particular security represent a single quotation or where one broker-dealer appears as a correspondent of another. The rule requires a broker-dealer who is a correspondent for another firm for a particular security and enters quotations in the sheets to inform the service of the correspondent arrangement and the identity of his correspondent. By requiring disclosure of the correspondent, as well as of the fact of such an arrangement, the rule permits users of the sheets to determine the identity of dealers making an inter-dealer market for a security—a fact which may be extremely pertinent in evaluating its marketability.

The rule also requires that where two or more broker-dealers place quotations in the sheets pursuant to any other arrangement between or among broker-dealers, the identity of each broker-dealer participating in any such arrangement or arrangements, and the fact that an arrangement exists, must be disclosed. Because of the variety of market-making arrangements between broker-dealers resulting in appearances in the sheets, the rule does not limit the type of arrangement covered; the purpose of the rule is to cover any arrangement between broker-dealers, such as joint accounts, guarantees of profit or against loss, commissions, mark-ups, mark-downs, indications of interest and accommodations.<sup>12</sup>

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<sup>12</sup> The rule was adopted shortly after the end of the fiscal year. See Securities Exchange Act Release No. 7381 (August 6, 1964).

**Adoption of Rule 15c3-2**

The Special Study of Securities Markets found that many customers of broker-dealers were unaware (1) that when they leave free credit balances (funds which the customer has an unrestricted right to withdraw) with a broker-dealer the funds generally are not segregated and held for the customer but are commingled with other funds of the broker-dealer and used in the operation of his business, and (2) that the relationship between the broker-dealer and the customer as a result thereof is that of debtor-creditor. The purpose of Rule 15c3-2 is to put customers on notice that free credit balances left with the broker-dealer may be used in the business and therefore may be at risk. The rule, effective August 3, 1964, prohibits a broker or dealer from using in his business any funds arising out of any free credit balance carried for the account of any customer unless he has established adequate procedures pursuant to which each such customer will be given or sent, together with or as a part of the customer's statement of account, whenever sent, but not less frequently than once every 3 months, a written statement informing the customer of the amount due, and containing a written notice that such funds are not segregated and may be used in the operation of the business of the broker-dealer, and that such funds are payable on demand. The rule provides an exemption for a banking institution supervised and examined by state or Federal authority having supervision over banks.<sup>13</sup>

**Adoption of Rule 16b-9**

During the fiscal year, the Commission adopted a new Rule 16b-9 which exempts from the operation of Section 16(b) of the Securities Exchange Act of 1934 certain transactions in which shares of stock are exchanged for similar shares of stock of the same issuer.<sup>14</sup> Section 16(b) provides for the recovery, by or on behalf of an issuer of equity securities registered under the Exchange Act, of short-term trading profits realized by directors, officers and principal security holders of the issuer. The Commission is authorized to exempt from Section 16(b) transactions not comprehended within the purpose of that section.

The new rule exempts from the operation of Section 16(b) any acquisition or disposition of shares of stock of an issuer in exchange for an equivalent number of shares of another class of stock of the same issuer pursuant to a right of conversion under the terms of the issuer's charter or other governing instruments. The exemption is available only if (1) the shares surrendered and those acquired in

<sup>13</sup> Securities Exchange Act Release No. 7325 (May 27, 1964):

<sup>14</sup> Securities Exchange Act Release No. 7118 (August 19, 1963).

exchange therefor evidence substantially the same rights and privileges except that the shares surrendered may, in the discretion of the board of directors, receive a lesser dividend than the shares for which they are exchanged and (2) the transaction was effected in contemplation of a public sale of the shares acquired in the exchange. This rule is intended to relate only to the typical Class A and B common equity securities.

#### **Adoption of Rule 17a-8**

During the fiscal year, the Commission adopted Rule 17a-8,<sup>15</sup> which requires national securities exchanges to file reports of proposed rule changes with the Commission prior to any final exchange adoption of such changes. Under the Exchange Act the Commission has the responsibility for overseeing the self-regulatory functions of national securities exchanges. Under Sections 11, 19(b) and other sections of the Act, the Commission has broad powers and responsibilities with respect to the rules of such exchanges, including the power to alter or supplement exchange rules in specified areas of exchange operations and the power to enact its own rules in other areas if the exchanges' rules are inadequate to protect investors and assure fair dealing. Chapter XII of the Special Study Report concluded that the Commission's existing procedures for the review of exchange rules did not appear to be sufficient to assure the needed continuous oversight on the part of the Commission to enable it to discharge its responsibilities under the Act. The Report recommended that the exchanges be required to file all proposed rule changes with the Commission in advance of effectiveness, as has always been required in the case of rules of the National Association of Securities Dealers, Inc. Rule 17a-8 was adopted in response to that recommendation and is intended to afford the Commission an adequate interval for orderly review of new exchange rules or amendments before they become effective.

The rule provides that each national securities exchange shall file a report of any proposed change in, or addition to, its rules not less than 3 weeks before it is submitted for any action by the membership or any governing body of the exchange. If any substantive change is made in the proposal after the report is filed with the Commission, a new 3-week notice is required unless the change is made to conform it to a suggestion made by the Commission. The rule also provides that if emergencies arise in which a report cannot be filed as provided above, the exchange shall give the Commission as much advance notice as the circumstances permit, together with a written statement of the reasons why the filing of a report as required was impracticable.

<sup>15</sup> Securities Exchange Act Release No. 7253 (March 3, 1964).

**Proposed Rule 17a-9**

During the fiscal year, the Commission staff drafted a proposed rule and related reporting forms requiring broker-dealers to report certain information concerning over-the-counter trading in common stocks traded on national securities exchanges. The proposed rule, to be designated Rule 17a-9, was published for public comment shortly after the end of the fiscal year.<sup>16</sup> It is intended to implement recommendations of the Special Study of Securities Markets.

The Report of the Special Study describes a striking increase in the volume of off-board trading in common stocks traded on the New York Stock Exchange and other national securities exchanges in recent years. But the Study found "an acute lack of data" concerning this trading, which it described as the "third market." The Study recommended correction of this deficiency by establishment of a system for the identification of market makers and for reporting information concerning trading in this market.

The proposed rule and reporting forms are designed to enable the Commission to obtain information on the third market on a continuous basis and thus keep abreast of any regulatory problems which may develop therein. It would obtain two basic types of information: (1) an identification of broker-dealers making off-board markets in common stocks traded on any national securities exchange; and (2) summaries of over-the-counter trading in common stocks traded on the New York Stock Exchange.

**Proposed Amendments to Form 8-K**

Form 8-K is prescribed for current reports filed pursuant to Sections 13 and 15(d) of the Securities Exchange Act. During the 1962 fiscal year, the Commission announced that it had under consideration certain proposed amendments to Form 8-K and invited public comments.<sup>17</sup> The amendments are designed to bring to the attention of investors prompt information regarding matters such as the pledging of securities of the issuer or its affiliates under circumstances that a default will result in a change in control of the issuer, changes in the board of directors otherwise than by stockholder action, the acquisition or disposition of a significant amount of assets otherwise than in the ordinary course of business, interests of management and others in certain transactions, and the issuance of debt securities by subsidiaries. These amendments were still under consideration at the close of the last fiscal year.

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<sup>16</sup> Securities Exchange Act Release No. 7360 (July 8, 1964).

<sup>17</sup> Securities Exchange Act Release No. 6770 (April 5, 1962).

**THE INVESTMENT COMPANY ACT OF 1940****Amendment of Rule 3c-3**

During the fiscal year, the Commission invited public comments on a proposed amendment of Rule 3c-3 under the Investment Company Act,<sup>18</sup> and, shortly after the close of the fiscal year, the rule was amended.<sup>19</sup>

Prior to its amendment, Rule 3c-3 exempted from the Act transactions of insurance companies with respect to group annuity contracts entered into in connection with a plan of retirement which meets the requirements of Sections 401 or 404(a)(2) of the Internal Revenue Code and which provides for the allocation of part or all of the employer's contributions to a separate account established and maintained pursuant to legislation under which income, gains and losses, whether or not realized, from assets allocated to the account were credited to or charged against that account without regard to other income, gains or losses of the insurance company.<sup>20</sup> In order to qualify for the exemption the group annuity contract was required to provide that the retirement benefits for covered employees would be payable in fixed dollar amounts, i.e., the contract could not permit the retirement benefits payable to employees to reflect or be measured by the investment results of the assets allocated to the separate account.

The rule as amended permits group variable contracts to provide for employees' retirement benefits to be payable in varying amounts but the benefits may vary to the extent, and only to the extent, of the employer's contributions to the separate account. No variable benefits are permitted in respect of the contributions of the employees. In all other respects, the restrictions and conditions of the rule remain intact.

**Adoption of Rule 12d-1**

During the fiscal year the Commission invited public comments on a proposed Rule 12d-1 under the Investment Company Act,<sup>21</sup> and after the close of the fiscal year, the rule was adopted.<sup>22</sup> Rule 12d-1 provides conditional exemptions from the provisions of Section 12(d)(3) of the Act which prohibits a registered investment company from purchasing or acquiring any security issued by, or any other interest in the business of, a person who is a broker, a dealer, is engaged in the business of underwriting, or is an investment adviser of an investment company or an investment adviser registered under the Investment Advisers Act of 1940.

<sup>18</sup> Investment Company Act Release No. 3957 (April 13, 1964).

<sup>19</sup> Investment Company Act Release No. 4007 (July 2, 1964).

<sup>20</sup> See 29th Annual Report, p. 18.

<sup>21</sup> Investment Company Act Release No. 3896 (January 15, 1964).

<sup>22</sup> Investment Company Act Release No. 4044 (September 4, 1964).

The purpose of the rule is to permit registered investment companies, under specified circumstances, to retain in, or acquire for, their portfolios securities of companies which are directly or indirectly engaged in the businesses referred to in Section 12(d) (3), provided that the portfolio companies are primarily and predominantly engaged in other businesses and derive or will derive a relatively insignificant portion of their gross revenues from such businesses.

The exemption is available for securities holdings or acquisitions of securities by registered investment companies if the portfolio company, during each of its most recent 3 fiscal years, derived not more than 15 percent of its total gross revenues from the specified businesses, and if the registered investment company and all companies under the same or affiliated management as the registered company immediately after the acquisition do not, in the aggregate, own more than 10 percent of the total outstanding voting stock of the portfolio company. An exemption is also available for the purchase by a registered investment company of an unlimited percentage of the securities of a portfolio company if the portfolio company, during each of its most recent 3 fiscal years, has not derived more than 1 percent of its total gross revenues from the businesses referred to in Section 12(d) (3) of the Act.

A registered investment company which claims an exemption must examine its portfolio semi-annually to determine whether its holdings are in compliance with the conditions prescribed in the rule, and, if any holding is not, the company is required to dispose of it within 90 days.

The rule further exempts all investments by registered investment companies, without regard to the percentage of voting securities held, in certain types of businesses, such as small loan, factoring and finance companies which technically might be regarded as being engaged in a securities business.

#### **Amendment of Rule 17a-6**

During the fiscal year, the Commission amended Rule 17a-6 under the Investment Company Act to provide certain additional exemptions from the prohibitions of Section 17(a) of the Act.<sup>23</sup>

Prior to its amendment, Rule 17a-6 exempted from the prohibitions of paragraphs (1) and (3) of Section 17(a) of the Act the sale of securities or other property to, and the borrowing of money or other property from, a registered investment company which is a small business investment company licensed under the Small Business Investment Act of 1958 (SBIC) where such transactions were prohibited

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<sup>23</sup> Investment Company Act Release No. 3968 (April 29, 1964).

solely because the SBIC owns, controls, or holds with power to vote, voting securities of a small business concern to an extent that creates an affiliation within the meaning of the Act.

The purpose of both the previous rule and of the rule as amended is to eliminate the need to file and process applications for exemption from Section 17(a) in circumstances in which it appears that there is no likelihood of overreaching of the investment company and that the transaction would not be unreasonable or unfair to such company. The rule as amended is broader in that it extends the exemption so as to include not only transactions to which a registered investment company, which is an SBIC, is a party, but also transactions to which another type of registered investment company (generally referred to as a "venture capital investment company"), or a company controlled by such a registered investment company, is a party. The rule now specifies certain classes of persons who have an affiliation with the registered investment company of a character which creates the possibility of overreaching of the investment company in a transaction involving the registered investment company and such persons. An exemption under the rule is not available, if such a person is a party to the transaction, or has or within 6 months prior to the transaction had, or pursuant to an arrangement will acquire, a direct or indirect financial interest in a party (except the registered investment company) to the transaction.

The amended rule also exempts transactions involving a registered investment company other than an SBIC or venture capital investment company and a company controlled by or affiliated with the registered investment company, if under the standards set forth in the preceding paragraph it appears that there is no likelihood of overreaching of the investment company, and if all the outstanding securities of the controlled or affiliated company are beneficially owned by not more than 100 persons.

The rule as amended deletes the requirement of the original Rule 17a-6 that the pertinent details of each transaction for which exemption is claimed under the rule shall be reported by the investment company in its next annual report to stockholders and in a report filed with the Commission within 30 days after the end of each semi-annual accounting period of the investment company.

#### **Amendment of Rule 17g-1**

During the fiscal year the Commission invited public comments on a proposed amendment of Rule 17g-1,<sup>24</sup> and after the close of the fiscal

<sup>24</sup> Investment Company Act Release No. 3922 (March 3, 1964).

year, an amended rule was adopted.<sup>25</sup> Rule 17g-1 requires that each registered management investment company provide and maintain a fidelity bond against larceny and embezzlement covering each officer and employee of the investment company who may have access to securities or funds of the company.

The rule as amended adds to the provisions of the prior rule requirements that the amount of the fidelity bond be determined at least once each year, and that the registered company shall file with the Commission a copy of each amendment to the bond, shall inform each of its directors of any proposed cancellation, termination or modification of the bond, and shall furnish to such directors and to the Commission information as to the making and settlement of claims under the bond.

In addition, the amended rule requires that each bond must provide, in substance, that if the insurance company proposes to cancel, terminate or modify the fidelity bond, it shall so notify the registered company and the Commission not less than 30 days prior to the effective date of such action.

The rule also places the obligation for filing information with respect to the making and settlement of claims under fidelity bonds on the registered company, rather than requiring, as originally proposed, that the bond contain provisions pursuant to which the insurance company would furnish the information to the Commission. The adopted rule also provides that this information shall be nonpublic unless the Commission determines to the contrary.

#### **Proposed Amendment of Rule 20a-2**

During the fiscal year the Commission invited public comments on a proposed amendment of Rule 20a-2.<sup>26</sup> The rule presently requires that a proxy statement relating to a registered investment company include certain information with respect to, among other things, the investment advisory contract, ownership and control of the investment adviser, and interests of the management of the investment company in the investment adviser. Except where the investment adviser is a bank, a balance sheet of the investment adviser must be included, unless the Commission, for good cause, permits the omission of such balance sheet. Certain information also is required with respect to the relationship between the investment company or the investment adviser and the principal underwriter of the investment company's securities. Where action is to be taken by the security holders of the investment company with respect to an investment advisory contract, information is also to be included with respect to such contract

<sup>25</sup> Investment Company Act Release No. 4020 (July 24, 1964).

<sup>26</sup> Investment Company Act Release No. 3931 (March 18, 1964).

and with respect to certain collateral arrangements or understandings in connection therewith.

The effect of the proposed revision of Rule 20a-2 would be to require: (1) disclosure of information with respect to the principal underwriter, the prospective principal underwriter and the principal underwriting contract comparable to that now required with respect to the investment adviser, the prospective investment adviser and the investment advisory contract; (2) disclosure of certain financial information concerning (a) the investment company, (b) the investment advisory contract where action is to be taken by security holders with respect thereto, and (c) the principal underwriting contract where action is to be taken by security holders with respect thereto; and (3) the inclusion of such financial information with respect to both the investment advisory contract and the principal underwriting contract if action is to be taken by security holders with respect to either and the investment adviser and principal underwriter are the same person or one is an affiliated person of, or an affiliated person of an affiliated person of, the other.

This matter was pending at the close of the fiscal year.

## **PART IV**

### **ADMINISTRATION OF THE SECURITIES ACT OF 1933**

The Securities Act of 1933 is primarily a disclosure statute designed to provide investors with material facts concerning securities publicly offered for sale by an issuing company or any person in a control relationship to such company by the use of the mails or instrumentalities of interstate commerce, and to prevent misrepresentation, deceit, or other fraudulent practices in the sale of securities generally. Disclosure is obtained by requiring the issuer of such securities to file with the Commission a registration statement which includes a prospectus containing significant financial and other information about the issuer and the offering. The registration statement is available for public inspection as soon as it is filed. Although the securities may be offered for sale after the registration statement has been filed, sales may not be made until the registration statement has become "effective." A copy of the prospectus must be furnished to each purchaser at or before the sale or delivery of the security in order that he may have the opportunity to evaluate the securities and make an informed investment decision. The registrant and the underwriter are basically responsible for the contents of the registration statement. The Commission has no authority to control the nature or quality of a security to be offered for public sale or to pass upon its merits or the terms of its distribution. Its action in permitting a registration statement to become effective does not constitute approval of the securities, and any representation to the contrary to a prospective purchaser of securities is made unlawful by Section 23 of the Act.

### **DESCRIPTION OF THE REGISTRATION PROCESS**

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

Registration of any security proposed to be publicly offered may be effected by filing with the Commission a registration statement on the applicable form containing the prescribed disclosure. Generally speaking, when a registration statement relates to a security issued by a corporation or other private issuer, it must contain the information, and be accompanied by the documents, specified in Schedule A of the Act; when it relates to a security issued by a foreign government, the material specified in Schedule B must be supplied. Both schedules specify in considerable detail the disclosure which should be made

available to an investor in order that he may make a realistic appraisal of the company and the securities and thus exercise an informed judgment whether to buy the security. In addition, the Act provides flexibility in its administration by empowering the Commission to classify issues, issuers and prospectuses, to prescribe appropriate forms, and to increase, or in certain instances vary or diminish, the particular items of information required to be disclosed in the registration statement as the Commission deems appropriate in the public interest or for the protection of investors. The Commission has prepared special registration forms which vary in their disclosure requirements so as to provide maximum disclosure of the essential facts pertinent in a given type of offering while at the same time minimizing the burden and expense of compliance with the law.

In general, the registration statement of an issuer other than a foreign government must describe such matters as the names of persons who participate in the direction, management, or control of the issuer's business; their security holdings and remuneration and the options or bonus and profit-sharing privileges allotted to them; the character and size of the business enterprise, its capital structure, past history and earnings, and its financial statements, certified by independent accountants; underwriters' commissions; payments to promoters made within 2 years or intended to be made; the interest of directors, officers and principal stockholders in material transactions; pending or threatened legal proceedings; and the purposes to which the proceeds of the offering are to be applied. The prospectus constitutes a part of the registration statement and presents the more important of the required disclosures.

#### **Examination Procedure**

Registration statements are examined by the staff of the Division of Corporation Finance for compliance with the standards of accurate and full disclosure. The registrant is usually notified by an informal letter of comment of any material respects in which the statement appears to fail to conform with the applicable requirements and is afforded an opportunity to file correcting or clarifying amendments. In addition, the Commission has power, after notice and opportunity for hearing, to issue an order suspending the effectiveness of a registration statement if it finds that material representations are misleading, inaccurate or incomplete. In certain cases, such as where the deficiencies in a registration statement appear to stem from careless disregard of applicable requirements or from a deliberate attempt to conceal or mislead, a letter of comment is generally not sent and the Commission either institutes an investigation to determine whether

“stop-order” proceedings should be instituted or immediately institutes such proceedings. Information about the use of the “stop-order” power during 1964 appears below under “Stop-Order Proceedings.”

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

The Commission’s staff endeavors to complete its examination of registration statements in as short a time as possible. The Act provides that a registration statement shall become effective on the 20th day after it is filed (or on the 20th day after the filing of any amendment thereto). Since most registration statements require one or more amendments, they usually do not become effective until some time after the original 20-day period. The period between filing and effective date is intended to afford investors an opportunity to become familiar with the proposed offering through the dissemination of the preliminary form of prospectus. 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 to take into account the adequacy of the information respecting the issuer theretofore available to the public, the ease with which the facts about the new offering can be disseminated and understood, and the public interest and the protection of investors. The note to Rule 460 under the Act indicates, for the information of interested persons, some of the more common situations in which the Commission considers that the statute generally requires it to deny acceleration of the effective date of a registration statement.

The median number of calendar days which elapsed from the date of original filing to the effective date with respect to the 960 registration statements that became effective during the 1964 fiscal year<sup>1</sup> was 36, compared with 52 days for 985 registration statements in fiscal year 1963 and 78 days for 1,646 registration statements in fiscal year 1962. The number of registration statements filed during fiscal year 1964 was 1,192, as compared with 1,159 and 2,307 in fiscal years 1963 and 1962, respectively.<sup>2</sup>

The following table shows by months during the 1964 fiscal year the number of calendar days elapsed during each of the three principal stages of the registration process for the median registration statement, the total elapsed time and the number of registration statements effective.

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<sup>1</sup> This figure excludes the 161 registration statements filed by investment companies pursuant to the provisions of Section 24(e) of the Investment Company Act of 1940, which became effective during the year. The median elapsed time with respect to these statements was 21 calendar days.

<sup>2</sup> These figures include 153, 174 and 201 registration statements filed by investment companies pursuant to Section 24(e) of the Investment Company Act of 1940 for fiscal years 1964, 1963 and 1962, respectively.

*Time in registration under the Securities Act of 1933 by months during the fiscal year ended June 30, 1964*

## NUMBER OF CALENDAR DAYS

| Months   | From date of original filing to date of staff's letter of comment | From date of letter of comment to date of filing amendment thereafter | From amendment after letter to effective date of registration | Total number of days in registration | Number of registration statements effective * |
|--|---|---|---|--------------------------------------|---|
| July 1963.....   | 21  | 13  | 6   | 40                                   | 87  |
| August.....  | 25  | 16  | 8   | 49                                   | 61  |
| September.....   | 23  | 10  | 8   | 41                                   | 55  |
| October.....   | 20  | 11  | 7   | 38                                   | 87  |
| November.....  | 20  | 11  | 7   | 38                                   | 65  |
| December.....  | 20  | 15  | 7   | 42                                   | 79  |
| January 1964.....  | 19  | 15  | 7   | 41                                   | 63  |
| February.....  | 13  | 23  | 7   | 43                                   | 63  |
| March.....   | 14  | 12  | 6   | 32                                   | 66  |
| April.....   | 12  | 11  | 6   | 29                                   | 108   |
| May.....   | 14  | 11  | 5   | 30                                   | 131   |
| June.....  | 15  | 14  | 7   | 36                                   | 95  |
| Fiscal 1964 for median effective registration statement..... | 16  | 13  | 7   | 36                                   | 960   |

\* See footnote 1 to text, supra.

## VOLUME OF SECURITIES REGISTERED

During the fiscal year 1964, a total of 1,121 registrations of securities in the amount of \$16.9 billion became effective under the Securities Act of 1933. These figures represent a decrease of 3 percent in the number of statements, but an increase of 14 percent in dollar amount of registrations over the preceding fiscal year. The chart on page 7 shows the number and dollar amounts of registrations from 1935 to 1964.

These figures cover all registrations which became effective, including secondary distributions and securities registered for other than cash sale, such as issues exchanged for other securities, and securities reserved for conversion. Of the dollar amount of securities registered in 1964, nearly 88 percent was for account of issuer for cash sale, over 3 percent for account of issuer for other than cash sale, and 9 percent for account of others, as shown below.

*Accounts for which securities were registered under the Securities Act of 1933 during the fiscal year 1964 compared with the fiscal years 1963 and 1962*

|  | 1964 in millions | Percent of total | 1963 in millions | Percent of total | 1962 in millions | Percent of total |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Registered for account of issuer for cash sale.....            | \$14,784         | 87.7             | \$11,869         | 80.2             | \$16,286         | 83.3             |
| Registered for account of issuer for other than cash sale..... | 612              | 3.6              | 1,782            | 12.1             | 1,523            | 7.8              |
| Registered for account of others than issuer.....              | 1,464            | 8.7              | 1,139            | 7.7              | 1,738            | 8.9              |
| Total.....   | 16,860           | 100.0            | 14,790           | 100.0            | 19,547           | 100.0            |

The \$14.8 billion of securities offered for cash sale for account of issuer represented an increase of \$2.9 billion, or 25 percent, over the previous year. Registration of new common stock issues aggregated \$10 billion, \$2.8 billion more than in the 1963 fiscal period. The increase in common stock registered largely reflected a \$1.2 billion issue offered to stockholders by American Telephone & Telegraph Co., (a record-size issue) and a \$200 million issue of the Communications Satellite Corporation, as well as increased registrations of investment company issues and stock options. Registrations of new bonds, notes and debentures were only slightly higher than in the preceding year, and accounted for \$4.6 billion of the 1964 volume. Preferred stock issues registered for account of the issuer amounted to \$224 million, somewhat lower than in 1963. Appendix Table 1 shows the number of statements which became effective and total amounts registered for each of the fiscal years 1935 through 1964, and contains a classification, by type of security, of issues to be offered for cash sale on behalf of the issuer during those years. More detailed information for 1964 is given in Appendix Table 2.

Corporate issues to be offered immediately after effective registration amounted to \$6.5 billion, an increase of \$1.4 billion over the previous year. Of the total, communication companies accounted for \$2.2 billion of issues, including the two issues mentioned above. A larger amount was also registered by companies in the financial and real estate group, the total being \$1 billion, almost double the amount of the preceding year. Among the other major industry groups, electric, gas and water companies registered \$2.1 billion of securities, slightly under the 1963 total, and manufacturing companies registered over \$900 million of issues, a moderately higher amount than in the preceding year. Registration of foreign government issues scheduled for immediate sale decreased to \$120 million from \$265 million in the preceding year, but in addition, one foreign government issue in the amount of \$400 million, planned for offering on a continuous basis over a number of years, was effectively registered.

|  | 1964 in<br>millions | Percent<br>of total | 1963 in<br>millions | Percent<br>of total | 1962 in<br>millions | Percent<br>of total |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Issues offered for immediate sale:</b>          |                     |                     |                     |                     |                     |                     |
| <b>Corporate:</b>                                  |                     |                     |                     |                     |                     |                     |
| Manufacturing.....                                 | \$923               | 6.2                 | \$844               | 7.1                 | \$1,818             | 11.2                |
| Extractive.....                                    | 113                 | .8                  | 141                 | 1.2                 | 92                  | .6                  |
| Electric, gas and water.....                       | 2,103               | 14.2                | 2,266               | 19.1                | 2,327               | 14.3                |
| Transportation, other than railroad.....           | 121                 | .8                  | 16                  | .1                  | 57                  | .4                  |
| Communication.....                                 | 2,156               | 14.6                | 1,135               | 9.6                 | 840                 | 5.2                 |
| Financial and real estate.....                     | 1,010               | 6.8                 | 541                 | 4.6                 | 772                 | 4.7                 |
| Trade.....   | 33                  | .2                  | 88                  | .7                  | 287                 | 1.8                 |
| Service.....                                       | 41                  | .3                  | 52                  | .4                  | 111                 | .7                  |
| Construction and misc.....                         | 14                  | .1                  | 3                   | .0                  | 15                  | .1                  |
| Total.....   | 6,515               | 44.1                | 5,086               | 42.9                | 6,319               | 38.8                |
| Foreign government.....                            | 118                 | .8                  | 266                 | 2.2                 | 247                 | 1.5                 |
| Total for immediate sale.....                      | 6,633               | 44.9                | 5,352               | 45.1                | 6,566               | 40.3                |
| <b>Issues offered over an extended period.....</b> |                     |                     |                     |                     |                     |                     |
| Total for cash sale for account of issuer.....     | 8,151               | 55.1                | 6,516               | 54.9                | 9,721               | 59.7                |
| Total for cash sale for account of issuer.....     | 14,784              | 100.0               | 11,869              | 100.0               | 16,286              | 100.0               |

Issues registered for offering over an extended period amounted to \$8.2 billion, as against \$6.5 billion in fiscal year 1963, classified as follows:

|  | 1964 in<br>millions | 1963 in<br>millions | 1962 in<br>millions |
|--|---------------------|---------------------|---------------------|
| <b>Investment company issues:</b>                    |                     |                     |                     |
| Management open-end.....                             | \$3,822             | \$3,500             | \$4,213             |
| Management closed-end.....                           | 183                 | 69                  | 309                 |
| Unit investment trust.....                           | 851                 | 1,055               | 1,258               |
| Face-amount certificates.....                        | 170                 | 96                  | 176                 |
| Total investment companies.....                      | 5,025               | 4,720               | 5,956               |
| Employee saving plan certificates.....               | 687                 | 667                 | 572                 |
| Securities for employees stock option plans.....     | 1,470               | 990                 | 1,314               |
| Other, including stock for warrants and options..... | 968                 | 139                 | 1,879               |

Of the \$6.5 billion expected from the immediate cash sale of corporate securities for the account of issuer in 1964, 86 percent was designated for new money purposes, including plant, equipment and working capital, 5 percent for retirement of securities, and 9 percent for all other purposes including purchases of securities.

#### REGISTRATION STATEMENTS FILED

During the 1964 fiscal year, 1,192 registration statements were filed for offerings of securities aggregating \$18.6 billion, as compared with 1,159 registration statements filed during the 1963 fiscal year for offerings amounting to \$14.7 billion. This represents an increase of 2.8 percent in the number of statements filed and 26 percent in the dollar amount involved.

Of the 1,192 registration statements filed in the 1964 fiscal year, 322, or 27 percent, were filed by companies that had not previously filed registration statements under the Securities Act of 1933. Comparable

figures for the 1963 and 1962 fiscal years were 357, or 31 percent, and 1,377, or 60 percent, respectively.

From the effective date of the Securities Act of 1933 to June 30, 1964, a cumulative total of 24,046 registration statements has been filed under the Act by 11,185 different issuers, covering proposed offerings of securities aggregating over \$258 billion.

Particulars regarding the disposition of all registration statements filed under the Act to June 30, 1964, are summarized in the following table:

*Number and disposition of registration statements filed*

|                                  | Prior to<br>July 1, 1963 | July 1, 1963 to<br>June 30, 1964 | Total June<br>30, 1964 |
|----------------------------------|--------------------------|----------------------------------|------------------------|
| Registration statements:         |                          |                                  |                        |
| Filed.....                       | 22,854                   | * 1,192                          | 24,046                 |
| Disposition:                     |                          |                                  |                        |
| Effective (net).....             | 19,714                   | <sup>b</sup> 1,110               | <sup>c</sup> 20,805    |
| Under stop or refusal order..... | 220                      | 5                                | 225                    |
| Withdrawn.....                   | 2,609                    | 129                              | 2,738                  |
| Pending at June 30, 1963.....    | 311                      |                                  |                        |
| Pending at June 30, 1964.....    |                          |                                  | 278                    |
| Total.....                       | 22,854                   |                                  | 24,046                 |
| Aggregate dollar amount:         |                          |                                  |                        |
| As filed (in billions).....      | \$240.1                  | \$18.6                           | \$258.7                |
| As effective (in billions).....  | 230.7                    | 16.9                             | 247.6                  |

\* Includes 153 registration statements covering proposed offerings totaling \$4,811,384,381 filed by investment companies under Section 24(e) of the Investment Company Act of 1940, which permits registration by amendment to a previously effective registration statement.

<sup>b</sup> Excludes 11 registration statements that became effective during the year but were subsequently withdrawn; these 11 statements are counted in the 129 statements withdrawn during the year.

<sup>c</sup> Excludes 2 registration statements that became effective prior to July 1, 1963, which were placed under stop order during the year, and 17 registration statements effective prior to July 1, 1963, which were withdrawn during the year; these statements are reflected under stop orders and withdrawn, respectively.

The reasons given by registrants for requesting withdrawal of the 129 registration statements that were withdrawn during the 1964 fiscal year are shown in the following table:

| Reason for registrant's withdrawal request   | Number of<br>statements<br>withdrawn | Percent<br>of total<br>withdrawn |
|--|--------------------------------------|----------------------------------|
| 1. Withdrawal requested after receipt of the staff's letter of comment.....                                    | 14                                   | 11                               |
| 2. Registrant was advised that statement should be withdrawn or stop order proceedings would be necessary..... | 2                                    | 2                                |
| 3. Change in financing plans.....  | 84                                   | 65                               |
| 4. Change in market conditions.....  | 15                                   | 11                               |
| 5. Financing obtained elsewhere.....   | 4                                    | 3                                |
| 6. Registrant was unable to negotiate acceptable agreement with underwriter.....                               | 10                                   | 8                                |
| Total.....   | 129                                  | 100                              |

### STOP ORDER PROCEEDINGS

Section 8(d) provides that, if it appears to the Commission at any time that a registration statement contains an untrue statement of a material fact or omits to state any material fact required to be stated

therein or necessary to make the statements therein not misleading, the Commission may institute proceedings to determine whether a stop order suspending the effectiveness of the registration statement should be issued. Where such an order is issued, the offering cannot lawfully be made, or continued if it has already begun, until the registration statement has been amended to cure the deficiencies and the Commission has lifted the stop order.

The following table shows the number of proceedings under Section 8(d) of the Act pending at the beginning of the 1964 fiscal year, the number initiated during the year, the number terminated and the number pending at the end of the year.

|  |       |
|--|-------|
| Proceedings pending at beginning of fiscal year..... | 10    |
| Proceedings initiated during fiscal year.....        | 0     |
|  | —— 10 |
| Proceedings terminated during fiscal year.....       | 6     |
|  | ——    |
| Proceedings pending at end of fiscal year.....       | 4     |

Three of the proceedings which were terminated during the fiscal year through the issuance of stop orders are described below :

**Advanced Research Associates, Inc.**<sup>3</sup>—In this proceeding, the Commission held that the company's prospectus was highly misleading and denied a request for withdrawal of the registration statement. The Commission found that despite certain caveats, the description of the issuer's business in the prospectus created a misleading impression of a company on the verge of major expansion and successful operation in the advanced electronic field in aviation, when in fact it had sustained substantial losses in its short history and future prospects were at best doubtful. The Commission pointed out, in this connection, that statements may be so distorted that no disclosure or caveat is sufficient to cure their misleading nature. The Commission also found a number of other deficiencies, including a misleading description of one of the company's products, a "Composite Transistor;" the failure to disclose that prior sales of the company's securities, claimed to have been made in reliance on certain exemptions from the registration provisions of the Securities Act, were in fact not exempt and violated those provisions, thereby giving rise to contingent liabilities; and a false statement that the certifying accountant was independent. The Commission's conclusion that the accountant was not independent with respect to the issuer was based on the fact that there had been a number of transactions and associations between him and two of the

<sup>3</sup> Securities Act Release No. 4630 (August 16, 1963).

issuer's principals or companies in which they had a controlling or substantial interest.

**Atlantic Research Corporation.**<sup>4</sup>—The registrant, a Virginia corporation incorporated in January 1949, maintains its principal offices at Alexandria, Virginia, and has operations at various locations throughout the country. It is engaged primarily in research, development and manufacture in the field of solid propellant rockets. A large portion of its sales is generated pursuant to contracts and subcontracts for the United States Government. On July 31, 1962, registrant filed a registration statement covering a proposed offering of 179,000 shares of common stock for the account of certain stockholders.

Information developed by the Commission's staff in an investigation led to a suspension of trading in registrant's stock on October 10, 1962, because of serious questions as to the adequacy and accuracy of information available to the public concerning the financial condition of registrant. More specifically, unconsolidated financial statements contained in registrant's annual report to stockholders for the year ended December 31, 1961, reported profits on a parent only basis in the amount of \$1,473,192. Registrant filed reports with the Commission covering the same period which showed a loss in the amount of \$1,066,015 on a consolidated basis.

Following the Commission's institution of stop order proceedings on November 7, 1962, registrant entered into a stipulation in which it waived a hearing and post-hearing procedures, and agreed that the registration statement was inadequate and inaccurate in certain respects and that the Commission might enter a stop order.

The Commission held that the registration statement was "marked by numerous serious and substantial deficiencies" which "reflected a studied pattern of corporate camouflage and concealment and of artificial market activities, all designed to present to investors and others a fictitious picture of registrant's activities and finances," and it issued a stop order. One of the principal deficiencies related to the failure to disclose registrant's relationships with certain "satellite" corporations. According to the opinion, registrant directed and completely dominated the management, policies and activities of these companies, which had no business activities of their own and were operated together with registrant as one economic unit. The failure to disclose these relationships resulted in the concealment of material aspects of registrant's financial affairs and business operations. Moreover, the Commission held, these satellites were in fact subsidiaries of registrant, and their financial statements should have been consolidated with those of registrant.

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<sup>4</sup> Securities Act Release No. 4657 (December 6, 1963).

The Commission further found that the registration statement failed to disclose the true facts concerning the relationships between members of the management of registrant and certain landlord and other companies, and the interests of such persons in transactions to which registrant or its subsidiaries were parties. Disclosure in these respects would have raised further questions concerning the reliability of the financial statements in the registration statement. In addition, the registration statement failed to disclose the commitment of substantial amounts of registrant's capital to the acquisition of its own stock in the open market at a critical period in the market, for the purpose and with the effect of manipulating the market price and protecting the pledge by registrant's chief executive of his stock.

**South Bay Industries, Inc.**<sup>5</sup>—Registrant was incorporated in Delaware on August 3, 1959, for the purpose of acquiring 100 percent of the stock of two affiliated California corporations which were engaged principally in manufacturing ground handling equipment for aircraft and guided missiles. On December 11, 1959, it filed a registration statement covering a proposed offering of 210,000 shares of Class A common stock at \$5 per share. The registration statement became effective on March 23, 1960, and the offering was completed shortly thereafter.

On the basis of a stipulation of facts, the Commission found that the registration statement was materially deficient in failing to disclose current adverse financial information subsequent to the date of the most recent financial statements in the registration statement. A trial balance prepared prior to the effective date indicated a substantial loss for one of the subsidiaries for its latest fiscal year. Under the circumstances, the Commission stated, registrant should at least have deferred the effective date of the registration statement until the imminent final audit figures were available. The Commission further found that even aside from the trial balance, registrant's president, the underwriter, and the certifying accountant were on notice prior to the effective date that the figures in the registration statement were out of date and that the registration statement gave no indication of registrant's subsequent adverse financial condition.

The Commission also found, among a number of other deficiencies, that the accountant who certified certain financial statements in the registration statement was not in fact independent with respect to registrant since, among other things, he and registrant's president were business associates in another, closely held company, and his conduct in permitting his certification to appear in the registration statement

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<sup>5</sup> Securities Act Release No. 4702 (June 11, 1964).

for financial statements which he knew were no longer representative of registrant's financial condition was not compatible with independence.

#### EXAMINATIONS AND INVESTIGATIONS

The Commission is authorized by Section 8(e) of the Act to make an examination in order to determine whether a stop order proceeding should be instituted under Section 8(d). For this purpose the Commission is empowered to examine witnesses and require the production of pertinent documents. The Commission is also authorized by Section 20(a) of the Act to make an investigation to determine whether any provision of the Act or of any rule or regulation prescribed thereunder has been or is about to be violated. In appropriate cases, investigations are instituted under this Section as an expeditious means of determining whether a registration statement is false or misleading or omits to state any material fact. The following table indicates the number of such examinations and investigations with which the Commission was concerned during the fiscal year:

|  |    |    |
|--|----|----|
| Pending at beginning of fiscal year..... | 35 |    |
| Initiated during fiscal year.....        | 7  |    |
|  |    | 42 |
| Closed during fiscal year.....           |    | 10 |
|  |    | 32 |
| Pending at close of fiscal year.....     |    |    |

#### EXEMPTION FROM REGISTRATION OF SMALL ISSUES

The Commission is authorized under Section 3(b) of the Securities Act to exempt, by its rules and regulations and subject to such terms and conditions as it may prescribe therein, any class of securities from registration under the Act, if it finds that the enforcement of the registration provisions of the Act with respect to such securities is not necessary in the public interest and for the protection of investors by reason of the small amount involved or the limited character of the public offering. The statute imposes a maximum limitation of \$300,000 upon the size of the issues which may be exempted by the Commission in the exercise of this power.

Acting under this authority, the Commission has adopted the following exemptive rules and regulations:

Rule 234: Exemption of first lien notes.

Rule 235: Exemption of securities of cooperative housing corporations.

Rule 236: Exemption of shares offered in connection with certain transactions.

Regulation A: General exemption for United States and Canadian issues up to \$300,000.

**Regulation B: Exemption for fractional undivided interests in oil or gas rights up to \$100,000.**

**Regulation F: Exemption for assessments on assessable stock and for assessable stock offered or sold to realize the amount of assessment thereon.**

Under Section 3(c) of the Securities Act, which was added by Section 307(a) of the Small Business Investment Act of 1958, the Commission is authorized to adopt rules and regulations exempting securities issued by a company which is operating or proposes to operate as a small business investment company under the Small Business Investment Act. Acting pursuant to this authority, the Commission has adopted a Regulation E which exempts upon certain terms and conditions limited amounts of securities issued by any small business investment company which is registered under the Investment Company Act of 1940. This regulation is substantially similar to the one provided by Regulation A adopted under Section 3(b) of the Act.

Exemption from registration under Section 3(b) or 3(c) of the Act does not carry any exemption from the provisions of the Act prohibiting fraudulent conduct in the offer or sale of securities and imposing civil liability or criminal responsibility for such conduct.

#### **Exempt Offerings Under Regulation A**

The Commission's Regulation A implements Section 3(b) of the Securities Act of 1933 and permits a company to obtain needed capital not in excess of \$300,000 (including underwriting commissions) in any one year from a public offering of its securities without registration, if the company complies with the regulation. Upon complying with the regulation a company is exempt from the registration provisions of the Act. A Regulation A filing consists of a notification supplying basic information about the company, certain exhibits, and an offering circular which must be used in offering the securities. However, in the case of a company with an earnings history which is making an offering not in excess of \$50,000 an offering circular need not be used. A notification is filed with the Regional Office of the Commission in the region in which the company has its principal place of business.

During the 1964 fiscal year, 462 notifications were filed under Regulation A, covering proposed offerings of \$89,317,615, compared with 517 notifications covering proposed offerings of \$101,040,982 in the 1963 fiscal year. Included in the 1964 total were 26 notifications covering stock offerings of \$3,729,642 with respect to companies engaged in the exploratory oil and gas business, 11 notifications covering offerings of \$2,734,530 by mining companies and 22 notifications covering

offerings of \$3,953,057 by companies featuring new inventions, products or processes.

The following table sets forth various features of the Regulation A offerings during the past 3 fiscal years:

*Offerings under Regulation A*

|  | Fiscal year |      |       |
|--|-------------|------|-------|
|  | 1964        | 1963 | 1962  |
| <b>Size:</b>                               |             |      |       |
| \$100,000 or less.....                     | 126         | 143  | 160   |
| Over \$100,000 but not over \$200,000..... | 96          | 104  | 208   |
| Over \$200,000 but not over \$300,000..... | 240         | 270  | 697   |
|  | 462         | 517  | 1,065 |
| <b>Underwriters:</b>                       |             |      |       |
| Used.....                                  | 72          | 108  | 528   |
| Not used.....                              | 390         | 409  | 537   |
| <b>Offerors:</b>                           |             |      |       |
| Issuing companies.....                     | 418         | 476  | 1,000 |
| Stockholders.....                          | 39          | 34   | 24    |
| Issuers and stockholders jointly.....      | 5           | 7    | 41    |

**Suspension of Exemption**

Regulation A provides for the suspension of an exemption thereunder where, in general, the exemption is sought for securities for which the regulation provides no exemption or where the offering is not made in accordance with the terms and conditions of the regulation or with prescribed disclosure standards. Following the issuance of a temporary suspension order by the Commission, the respondents may request a hearing to determine whether the temporary suspension should be vacated or made permanent. If no hearing is requested within 30 days after the entry of the temporary suspension order and none is ordered by the Commission on its own motion, the temporary suspension order becomes permanent.

During the 1964 fiscal year, temporary suspension orders were issued in 35 cases, which, added to the 27 cases pending at the beginning of the fiscal year, resulted in a total of 62 cases for disposition. Of these, the temporary suspension order was vacated in 8 cases and became permanent in 35: in 18 by lapse of time, in 6 by withdrawal of the request for hearing, and in 11 after hearing. Thus, there were 19 cases pending at the end of the fiscal year.

Three of the cases disposed of during the year are summarized below to illustrate the type of misrepresentations and other noncompliance with the regulation which led to the issuance of suspension orders:

**Trail-Aire, Inc.**—The issuer, a California corporation, was engaged in the design, rebuilding, manufacture, and sale of moving vans and trailers. Prior to the offering in question, the owners of its principal

customers (the Dean group) purchased a 50 percent interest in the issuer for \$20,000. Shares representing this interest were issued to the attorney for the Dean group as holder of record and nominee for the group. However, the issuer's offering circular and notification listed the attorney as both beneficial and record holder of these shares. This procedure was claimed to be in the issuer's interest because its potential customers included competitors of the Dean group and it was felt a sales problem might be created if it were publicized that the Dean group were the major stockholders of the issuer.

The Commission, in its order permanently suspending the Regulation A exemption,<sup>6</sup> stated that: "Even though the issuance of the Dean group stock in the name of a nominee for the beneficial owners may originally have been motivated by factors considered to be in the best interests of Trail-Aire, when the issuer undertook to make a public offering of its securities, disclosure of the facts as to the true beneficial owners of controlling blocks of stock was necessary. Particularly where such owners are the issuer's principal customers, the possibility exists that the issuer may conduct its affairs in a manner to serve their interests and to subordinate the other aspects of its business."

The Commission further stated that although there was no evidence indicating an intent to subvert the issuer's interests as a whole, the possibility of conflict was of vital interest to public investors, and they had a right to a full presentation of facts which indicated its presence and extent. The Commission concluded that the issuer's officers "exhibited a lack of concern for the complete truth and accuracy of the material filed and used, which is incompatible with the responsibilities of those who seek to avail themselves of the conditional exemption provided by Regulation A."

**Northeast Telecommunications, Inc.**—In its Opinion and Order permanently suspending issuer's exemption,<sup>7</sup> the Commission held, among other things, that no exemption under Regulation A was available because the \$300,000 statutory limitation was exceeded. While the offering consisted of 300,000 shares at \$1 a share, under the regulation 22,000 shares previously issued or sold had to be included in determining the aggregate offering price. These included 10,000 shares owned by officers and directors which had been placed in escrow, but which, pursuant to instructions from the issuer's president, were transferred by the escrow agent to a nominee of the underwriter 7 months prior to termination of the escrow agreement. The Commission stated that "where, as here, the president of an issuer participates with the

<sup>6</sup> Securities Act Release No. 4621 (July 3, 1963).

<sup>7</sup> Securities Act Release No. 4622 (July 17, 1963).

escrow agent in a breach of an escrow agreement the issuer cannot properly claim that 'effective' provision was made (as required by the regulation) to keep the stock in escrow. Moreover, it is immaterial that the underwriter did not sell the 10,000 shares until after the termination of the escrow agreement." The Commission also held that 12,000 shares sold in violation of the registration provisions of the Securities Act within 1 year prior to commencement of the Regulation A offering must be included in determining the aggregate offering price.

**Decorative Interiors, Inc.**—The issuer offered its securities on a best efforts basis through an underwriter who was a sole proprietor whom it knew to be young, inexperienced, and financially irresponsible. When the Commission's staff began to inquire into the offering, questions were put to the underwriter, which he refused to answer and as to which he invoked the privilege against self-incrimination. The Commission then issued a temporary suspension order, based on Rule 261 (a) (7) which provides that an exemption may be suspended wherever "the issuer or any promoter, officer, director, or underwriter has failed to cooperate or has obstructed or refused to permit the making of an investigation by the Commission." At the hearing the issuer maintained that it had not been a party to the underwriter's failure to cooperate and asked for leave to substitute a new underwriter or to withdraw its filing. The Commission rejected the issuer's requests, held that the suspension must be made permanent, and said in its opinion:<sup>8</sup>

Since the offering was on a best efforts basis and the issuer did not intend to return any proceeds to investors if all the shares to be offered were not sold, the experience and responsibility of the underwriter were particularly important . . . Under these circumstances, we think the issuer assumed whatever risks resulted from its action in employing this underwriter as its agent for the public sale of its securities. We think the record shows not only a lack of reasonable care on the part of the issuer in arranging for the selection of the underwriter and the terms of the offering, but also a failure to heed clear warnings of the underwriter's lack of responsibility and reliability.

#### **Exempt Offerings Under Regulation B**

During the fiscal year ended June 30, 1964, 242 offering sheets and 290 amendments thereto were filed pursuant to Regulation B and were examined by the Oil and Gas Section of the Commission's Division of Corporation Finance. During the 1963 and 1962 fiscal years, 231 and 229 offering sheets, respectively, were filed. The following table indicates the nature and number of Commission orders issued in con-

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<sup>8</sup> Securities Act Release No. 4661 (January 8, 1964).

nection with such filings during the fiscal years 1962-64. The balance of the offering sheets filed became effective without order.

*Action taken on offering sheets filed under Regulation B*

|  | Fiscal year |      |      |
|--|-------------|------|------|
|  | 1964        | 1963 | 1962 |
| Temporary suspension orders (under Rule 340(a)) .....                              | 18          | 25   | 34   |
| Orders terminating proceeding after amendment .....                                | 8           | 13   | 9    |
| Orders consenting to withdrawal of offering sheet and terminating proceeding ..... | 3           | 4    | 5    |
| Orders fixing effective date of amendment (no proceeding pending) .....            | 187         | 153  | 138  |
| Orders consenting to withdrawal of offering sheet (no proceeding pending) .....    | 15          | 12   | 11   |
| Orders terminating hearing .....   | 1           |      |      |
| Total number of orders .....   | 232         | 207  | 197  |

**Reports of Sales.**—The Commission requires persons who make offerings under Regulation B to file reports of the actual sales made pursuant to that regulation. The purpose of these reports is to aid the Commission in determining whether violations of laws have occurred in the marketing of such securities. The following table shows the number of sales reports filed under Regulation B during the past 3 fiscal years and the aggregate dollar amount of sales during each of such fiscal years.

*Reports of sales under Regulation B*

|   | 1964        | 1963        | 1962        |
|---|-------------|-------------|-------------|
| Number of sales reports filed .....             | 2,658       | 2,747       | 4,615       |
| Aggregate dollar amount of sales reported ..... | \$2,247,259 | \$2,866,632 | \$2,921,591 |

**Exempt Offerings Under Regulation E**

Regulation E provides a conditional exemption from registration under the Securities Act of 1933 for securities of small business investment companies which are licensed under the Small Business Investment Act of 1958 or which have received the preliminary approval of the Small Business Administration and have been notified by the Administration that they may submit an application for such a license.

The regulation, which is similar in many respects to the general exemption provided by Regulation A, requires the filing of a notification with the Commission and, except in the case of offerings not in excess of \$50,000, the filing and use of an offering circular containing certain specified information.

Regulation E provides for the suspension of exemption in particular cases if the Commission finds that any of the terms and conditions of the regulation have not been met or complied with.

There were no filings under Regulation E during the 1964 fiscal year.

**Exempt Offerings Under Regulation F**

Regulation F provides an exemption from registration under the Securities Act for assessments levied upon assessable stock and for delinquent assessment sales in amounts not exceeding \$300,000 in any one year. It requires the filing of a simple notification giving brief information with respect to the issuer, its management, principal security holders, recent and proposed assessments and other security issues. The regulation requires a company to send to its stockholders, or otherwise publish, a statement of the purposes for which the proceeds from the assessment are proposed to be used. If the issuer should employ any other sales literature in connection with the assessment, copies of such literature must be filed with the Commission.

During the 1964 fiscal year, 28 notifications were filed under Regulation F, covering assessments of \$835,623. Regulation F notifications were filed in three of the nine regional offices of the Commission: Denver, San Francisco and Seattle. Underwriters were not employed in any of the Regulation F assessments.

Regulation F provides for the suspension of an exemption thereunder, as in Regulation A, where the regulation provides no exemption or where the offering is not made in accordance with the terms and conditions of the regulation or in accordance with prescribed disclosure standards.

No Regulation F filings were temporarily suspended during the fiscal year 1964.

## **PART V**

### **ADMINISTRATION OF THE SECURITIES EXCHANGE ACT OF 1934**

The Securities Exchange Act of 1934, as amended by the Securities Acts Amendments of 1964 (enacted on August 20, 1964), provides for the registration and regulation of securities exchanges, the registration of securities listed on such exchanges, and under new Section 12(g), the registration of securities traded over the counter whose issuers have total assets in excess of \$1 million and a class of equity securities held of record by at least 750 persons (after July 1, 1966, the number will be reduced to 500). It establishes, for issuers of securities registered under the Act, financial and other reporting requirements, regulation of proxy solicitations and requirements with respect to trading by directors, officers and principal security holders. The Act also provides for the registration and regulation of national securities associations and of brokers and dealers doing business in the over-the-counter market, contains provisions designed to prevent fraudulent, deceptive and manipulative acts and practices on the exchanges and in the over-the-counter markets and authorizes the Federal Reserve Board to regulate the use of credit in securities transactions. The purpose of these statutory requirements is to ensure the maintenance of fair and honest markets in securities transactions on the organized exchanges and in the over-the-counter markets.

#### **REGULATION OF EXCHANGES AND EXCHANGE TRADING**

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

As of June 30, 1964, 14 stock exchanges were registered under the Exchange Act as national securities exchanges :

American Stock Exchange  
Boston Stock Exchange  
Chicago Board of Trade  
Cincinnati Stock Exchange  
Detroit Stock Exchange  
Midwest Stock Exchange  
National Stock Exchange  
New York Stock Exchange

Pacific Coast Stock Exchange  
Philadelphia-Baltimore-Washington  
Stock Exchange  
Pittsburgh Stock Exchange  
Salt Lake Stock Exchange  
San Francisco Mining Exchange  
Spokane Stock Exchange

Four exchanges were exempted from registration by the Commission pursuant to Section 5 of the Act:

Colorado Springs Stock Exchange  
Honolulu Stock Exchange

Richmond Stock Exchange  
Wheeling Stock Exchange

#### **Exchange Disciplinary Action**

Each national securities exchange reports to the Commission disciplinary actions taken against any member, member firm, or person connected therewith, for violation of any rule of the exchange, of the Securities Exchange Act of 1934, or of any rule or regulation thereunder. During the fiscal year 9 of the 18 exchanges reported 121 such actions, including imposition of fines ranging from \$50 to \$17,500 in 46 cases, with total fines aggregating \$63,000; the suspension from membership of 17 individuals and 7 member organizations; the expulsion of 6 individual members and 3 member organizations; and censures of 59 member organizations and individuals. Various other sanctions were imposed against registered representatives and other employees of member firms including the required re-examination of a number of prospective employees of member organizations.

#### **Commission Inspections of the Exchanges**

The Commission is charged with the responsibility for the oversight of the national securities exchanges. In carrying out its duties in this regard and as part of its expanding program in this area, 9 inspections of the New York and American Stock Exchanges were made during the fiscal year. The major areas inspected included the exchange regulatory programs with regard to the financial responsibility of member firms; disciplinary actions; floor surveillance; and the handling of public complaints. In addition, general inspections were made of the Pacific Coast Stock Exchange, Midwest Stock Exchange and Spokane Stock Exchange.

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

Unless a security is registered on a national securities exchange under the Securities Exchange Act or is exempt from such registration it is unlawful for a member of such exchange or any broker or dealer to effect any transaction in the security on the exchange. In general, the Act exempts from registration obligations issued or guaranteed by a state or the Federal Government or by certain subdivisions or agencies thereof and authorizes the Commission to adopt rules and regulations exempting such other securities as the Commission may find necessary or appropriate to exempt in the public interest or for

the protection of investors. Under this authority the Commission has exempted securities of certain banks, certain securities secured by property or leasehold interests, certain warrants and, on a temporary basis, certain securities issued in substitution for or in addition to listed securities.

Pursuant to Section 12 of the Exchange Act, 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. Information must be furnished regarding the issuer's business, its capital structure, the terms of its securities, the persons who manage or control its affairs, the remuneration paid to its officers and directors, and the allotment of options, bonuses and profit-sharing plans, and financial statements certified by independent accountants must be filed as part of the application.

Form 10 is the form used for registration by most commercial and industrial companies. There are specialized forms for certain types of securities, such as voting trust certificates, certificates of deposit and securities of foreign governments.

Section 13 requires issuers having securities registered on an exchange to file periodic reports keeping current the information furnished in the application for registration. These periodic reports include annual reports, semi-annual reports, and current reports. The principal annual report form is Form 10-K which is designed to keep up-to-date the information furnished in applications filed on Form 10. Semi-annual reports required to be furnished on Form 9-K are devoted chiefly to furnishing mid-year financial data. Current reports on Form 8-K are required to be filed for each month in which any of certain specified events have occurred. A report on this form deals with matters such as changes in control of the registrant, important acquisitions or dispositions of assets, the institution or termination of important legal proceedings and important changes in the issuer's capital securities or in the amount thereof outstanding. Under the 1964 Securities Acts Amendments, the above requirements will be applicable to issuers registered under new Section 12(g).

The following table shows the number of reports filed during the fiscal year pursuant to Section 13 of the Exchange Act and those filed under Section 15(d) of the Act by issuers obligated to file reports by reason of having publicly offered securities registered under the Securities Act of 1933. As of June 30, 1964, there were 2,930 such issuers, including 290 that were also registered as investment companies under the Investment Company Act of 1940. The table also includes the

number of annual reports, quarterly reports and reports to stockholders filed by issuers subject to the reporting requirements of Section 30 of the Investment Company Act.

*Number of annual and other periodic reports filed by issuers under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 during the fiscal year ended June 30, 1964*

| Type of reports                                  | Number of reports filed by                     |   |   | Total reports filed |
|--|--|---|---|---------------------|
|  | Listed issuers filing reports under Section 13 | Over-the-counter issuers filing reports under Section 15(d) | Issuers filing reports under Section 30 of Investment Company Act |                     |
| Annual reports on Forms 10-K, N-30A-1, etc. .... | 2,384  | 2,146   | 521   | 5,051               |
| Semiannual reports on Form 9-K .....             | 1,961  | 1,691   | -----   | 3,652               |
| Current reports on Form 8-K .....                | 4,351  | 3,059   | -----   | 7,410               |
| Quarterly reports on Form 7-K .....              | 34   | 260   | -----   | 294                 |
| Quarterly reports on Form N-30B-1 .....          | -----  | -----   | 280   | 280                 |
| Reports to stockholders (Section 30(d)) .....    | -----  | -----   | 1,496   | 1,496               |
| <b>Total reports filed. ....</b>                 | <b>8,730</b>                                   | <b>7,156</b>  | <b>2,297</b>  | <b>18,183</b>       |

## STATISTICS RELATING TO SECURITIES ON EXCHANGES

### Number of Issuers and Securities

As of June 30, 1964, a total of 2,467 issuers had 4,076 securities listed on registered securities exchanges, of which 2,879 were stocks and 1,197 bonds. Of these totals 1,389 issuers had 1,611 stock issues and 1,115 bond issues listed and registered on the New York Stock Exchange. Thus, 56 percent of the issuers, 56 percent of the stock issues and 93 percent of the bond issues were listed on the New York Stock Exchange.

During the 1964 fiscal year, 138 issuers listed on registered securities exchanges for the first time, while the registration of the securities of 88 issuers were terminated. A total of 269 applications for registration of securities on an exchange was filed during the 1964 fiscal year.

### Market Value of Securities Available for Trading, by Calendar Year

The market value on December 31, 1963, of stocks and bonds, both listed and unlisted, admitted to trading on one or more stock exchanges in the United States was approximately \$561 billion.

|                                     | Number of issues | Market value Dec. 31, 1963 (millions) |
|-------------------------------------|------------------|---------------------------------------|
| <b>Stocks:</b>                      |                  |                                       |
| New York Stock Exchange.....        | 1,572            | \$411,318                             |
| American Stock Exchange.....        | 1,003            | 26,130                                |
| Exclusively on other exchanges..... | 466              | 4,269                                 |
| Total stocks.....                   | 3,041            | 441,717                               |
| <b>Bonds:</b>                       |                  |                                       |
| New York Stock Exchange.....        | 1,185            | 117,909                               |
| American Stock Exchange.....        | 84               | 1,194                                 |
| Exclusively on other exchanges..... | 24               | 136                                   |
| Total bonds.....                    | 1,293            | 119,239                               |
| Total stocks and bonds.....         | 4,334            | 560,956                               |

The New York Stock Exchange and American Stock Exchange figures were reported by those exchanges. There was no duplication of issues between them. The figures for all other exchanges were for the net number of issues appearing only on such exchanges, excluding the many issues on them which were also traded on one or the other of the New York exchanges. The number and market value of issues as shown excluded those suspended from trading and a few others for which quotations were not available. The number and market value as of December 31, 1963, of preferred and common stocks separately was as follows:

|                                     | Preferred stocks |                         | Common stocks |                         |
|-------------------------------------|------------------|-------------------------|---------------|-------------------------|
|                                     | Number           | Market value (millions) | Number        | Market value (millions) |
| Listed on registered exchanges..... | 542              | \$9,317                 | 2,281         | \$418,003               |
| All other stocks *.....             | 46               | 489                     | 172           | 13,908                  |
|                                     | 588              | 9,806                   | 2,453         | 431,911                 |

\* Stocks admitted to unlisted trading privileges only or solely listed on exempted exchanges.

The 3,041 preferred and common stocks represented over 9.8 billion shares, of which over 9.3 billion were included in the 2,823 issues listed on registered exchanges.

The New York Stock Exchange has reported aggregate market values of all stocks listed thereon monthly since December 31, 1924, when the figure was \$27.1 billion. The American Stock Exchange has reported December 31 totals annually since 1936. Aggregates for stocks exclusively on the remaining exchanges have been compiled as of December 31 annually by the Commission since 1948.

*Value of stocks on exchanges, in billions of dollars*

| December 31 | New York Stock Exchange | American Stock Exchange | Exclusively on other Exchanges | Total * |
|-------------|-------------------------|-------------------------|--------------------------------|---------|
| 1936.....   | \$59.9                  | \$14.8                  |                                | \$74.7  |
| 1937.....   | 38.9                    | 10.2                    |                                | 49.1    |
| 1938.....   | 47.5                    | 10.8                    |                                | 58.3    |
| 1939.....   | 46.5                    | 10.1                    |                                | 56.6    |
| 1940.....   | 41.9                    | 8.6                     |                                | 50.5    |
| 1941.....   | 35.8                    | 7.4                     |                                | 43.2    |
| 1942.....   | 38.8                    | 7.8                     |                                | 46.6    |
| 1943.....   | 47.6                    | 9.9                     |                                | 57.5    |
| 1944.....   | 55.5                    | 11.2                    |                                | 66.7    |
| 1945.....   | 73.8                    | 14.4                    |                                | 88.2    |
| 1946.....   | 68.6                    | 13.2                    |                                | 81.8    |
| 1947.....   | 68.3                    | 12.1                    |                                | 80.4    |
| 1948.....   | 67.0                    | 11.9                    | \$3.0                          | 81.9    |
| 1949.....   | 76.3                    | 12.2                    | 3.1                            | 91.6    |
| 1950.....   | 93.8                    | 13.9                    | 3.3                            | 111.0   |
| 1951.....   | 109.5                   | 16.5                    | 3.2                            | 129.2   |
| 1952.....   | 120.5                   | 16.9                    | 3.1                            | 140.5   |
| 1953.....   | 117.3                   | 15.3                    | 2.8                            | 135.4   |
| 1954.....   | 169.1                   | 22.1                    | 3.6                            | 194.8   |
| 1955.....   | 207.7                   | 27.1                    | 4.0                            | 238.8   |
| 1956.....   | 219.2                   | 31.0                    | 3.8                            | 254.0   |
| 1957.....   | 195.6                   | 25.5                    | 3.1                            | 224.2   |
| 1958.....   | 276.7                   | 31.7                    | 4.3                            | 312.7   |
| 1959.....   | 307.7                   | 26.4                    | 4.2                            | 338.4   |
| 1960.....   | 307.0                   | 24.2                    | 4.1                            | 335.3   |
| 1961.....   | 387.8                   | 33.0                    | 5.3                            | 426.2   |
| 1962.....   | 345.8                   | 24.4                    | 4.0                            | 374.2   |
| 1963.....   | 411.3                   | 26.1                    | 4.3                            | 441.7   |

\* Total values 1936-47 inclusive are for the New York Stock Exchange and the American Stock Exchange only.

**Share and Dollar Volume and Market Value of Stocks Traded, by Fiscal Year**

The aggregate market values of all stocks available for trading on all exchanges as of June 30 annually, and the volume of shares actually traded on the exchanges in years ended June 30, have been as follows:

|           | June 30 values (billions) | Volumes in years to June 30 |                  |
|-----------|---------------------------|-----------------------------|------------------|
|           |                           | Share volume                | Dollar volume    |
| 1955..... | \$222.8                   | 1,324,383,000               | \$36,878,540,000 |
| 1956..... | 250.0                     | 1,217,935,000               | 36,228,682,000   |
| 1957..... | 262.0                     | 1,210,807,000               | 32,929,671,000   |
| 1958..... | 257.9                     | 1,209,274,000               | 30,862,129,000   |
| 1959..... | 337.6                     | 1,806,810,000               | 51,577,195,000   |
| 1960..... | 327.8                     | 1,456,919,000               | 47,795,837,000   |
| 1961..... | 381.0                     | 1,971,608,000               | 57,029,271,000   |
| 1962..... | 330.0                     | 1,796,810,000               | 58,348,768,000   |
| 1963..... | 414.0                     | 1,700,456,000               | 54,369,863,000   |
| 1964..... | 493.5                     | 2,099,765,000               | 73,243,469,000   |

The June 30 values were as reported by the New York Stock Exchange and as estimated for all other exchanges. Volumes included shares, warrants and rights. Tables 9 and 10 in the appendix of this Annual Report contain comprehensive statistics of volumes on exchanges.

Aggregate market values over the years are not strictly comparable, since they do not indicate what part of the change is due to factors such as new listings, mergers into listed companies, and removals from listing.

**Foreign Stock on Exchanges**

The market value on December 31, 1963, of all shares and certificates representing foreign stocks traded on the stock exchanges was about \$14.3 billion, of which \$11.5 billion represented Canadian and \$2.8 billion represented other foreign stocks. The market values of the entire Canadian stock issues were included in these aggregates. Most of the other foreign stocks were represented by American depository receipts or American shares, only the outstanding amounts of which were used in determining market values.

*Foreign stocks on exchanges*

| December 31, 1963 | Canadian  |                       | Other Foreign |                      | Total      |                       |
|-------------------|-----------|-----------------------|---------------|----------------------|------------|-----------------------|
|                   | Issues    | Value                 | Issues        | Value                | Issues     | Value                 |
| <b>Exchange</b>   |           |                       |               |                      |            |                       |
| New York.....     | 13        | \$5,038,211,000       | 13            | \$2,039,334,000      | 25         | \$7,077,545,000       |
| American.....     | 73        | 6,415,785,000         | 33            | 773,068,000          | 106        | 7,188,845,000         |
| Others only.....  | 1         | 673,000               | 3             | 13,469,000           | 4          | 14,142,000            |
| <b>Total.....</b> | <b>87</b> | <b>11,454,669,000</b> | <b>49</b>     | <b>2,825,871,000</b> | <b>135</b> | <b>14,280,532,000</b> |

The number of foreign stocks on the exchanges has declined somewhat in recent years, owing principally to a reduction on the American Stock Exchange from 152 in 1956 to 106 in 1963. Trading in foreign stocks on the American Stock Exchange has fallen from 42.4 percent of the reported share volume in 1956, to 14.9 percent in 1963. Trading in foreign stocks on the New York Stock Exchange represented 3.4 percent of its reported share volume in 1956, and about 2 percent in 1963.

Reported volumes in foreign shares during calendar year 1963 included about 31 million Canadian and 16 million other foreign shares on the American Stock Exchange and about 10 million Canadian and 13 million other foreign shares on the New York Stock Exchange. While the share volume on the American exceeded that on the New York Stock Exchange, it would appear that in view of higher average share prices, the latter exchange had a greater dollar volume in foreign shares.

**Comparative Exchange Statistics**

In recent years, the number of stocks listed on the New York Stock Exchange has increased moderately, while the aggregate number of stocks available for trading exclusively on the other exchanges has declined. On the American Stock Exchange there has been a small loss of issues since 1962.

*Net number of stocks on exchanges*

| June 30   | New York<br>Stock<br>Exchange | American<br>Stock<br>Exchange | Exclusively<br>on other<br>exchanges | Total stocks<br>on<br>exchanges |
|-----------|-------------------------------|-------------------------------|--------------------------------------|---------------------------------|
| 1940..... | 1,242                         | 1,079                         | 1,289                                | 3,610                           |
| 1945..... | 1,293                         | 895                           | 951                                  | 3,139                           |
| 1950..... | 1,484                         | 779                           | 775                                  | 3,038                           |
| 1955..... | 1,543                         | 815                           | 686                                  | 3,044                           |
| 1960..... | 1,532                         | 931                           | 555                                  | 3,018                           |
| 1961..... | 1,546                         | 977                           | 519                                  | 3,042                           |
| 1962..... | 1,565                         | 1,033                         | 493                                  | 3,091                           |
| 1963..... | 1,579                         | 1,025                         | 476                                  | 3,080                           |
| 1964..... | 1,613                         | 1,023                         | 463                                  | 3,099                           |

Since 1948, aggregate values of stocks listed on the New York Stock Exchange have represented an increasing proportion of total share values on all the exchanges.

*Share values on exchanges, in percentages*

| December 31 | New York<br>Stock<br>Exchange | American<br>Stock<br>Exchange | Exclusively<br>on other<br>exchanges |
|-------------|-------------------------------|-------------------------------|--------------------------------------|
| 1948.....   | 81.81                         | 14.53                         | 3.66                                 |
| 1950.....   | 84.50                         | 12.52                         | 2.98                                 |
| 1955.....   | 86.98                         | 11.35                         | 1.67                                 |
| 1960.....   | 91.56                         | 7.22                          | 1.22                                 |
| 1961.....   | 91.02                         | 7.74                          | 1.24                                 |
| 1962.....   | 92.41                         | 6.52                          | 1.07                                 |
| 1963.....   | 93.12                         | 5.91                          | 0.97                                 |

The ratio of share volume on the regional exchanges to the total on all exchanges has continued to decline over the years. However, the regional exchange percentage of dollar volume has increased slightly. In the following presentation, shares, warrants and rights are included. Annual data since 1935 are shown in appendix table 10 in this Annual Report.

*Annual sales of stock on exchanges*

| Calendar year           | Percent of share volume |          |           | Percent of dollar volume |          |           |
|-------------------------|-------------------------|----------|-----------|--------------------------|----------|-----------|
|                         | New York                | American | All other | New York                 | American | All other |
| 1940.....               | 75.44                   | 13.20    | 11.36     | 85.17                    | 7.68     | 7.15      |
| 1945.....               | 65.87                   | 21.31    | 12.82     | 82.75                    | 10.81    | 6.44      |
| 1950.....               | 76.32                   | 13.54    | 10.14     | 85.91                    | 6.85     | 7.24      |
| 1955.....               | 68.85                   | 19.19    | 11.96     | 86.31                    | 6.98     | 6.71      |
| 1960.....               | 68.48                   | 22.27    | 9.25      | 83.81                    | 9.35     | 6.84      |
| 1961.....               | 64.99                   | 25.58    | 9.43      | 82.44                    | 10.71    | 6.85      |
| 1962.....               | 71.32                   | 20.12    | 8.56      | 86.32                    | 6.81     | 6.87      |
| 1963.....               | 72.94                   | 18.84    | 8.22      | 85.19                    | 7.52     | 7.29      |
| 1st 6 months, 1964..... | 73.92                   | 18.07    | 8.01      | 82.75                    | 9.46     | 7.79      |

**DELISTING OF SECURITIES FROM EXCHANGES**

Applications may be made to the Commission by exchanges to strike any securities or by issuers to withdraw their securities from listing and registration on exchanges pursuant to Rule 12d2-2 under

Section 12(d) of the Securities Exchange Act. During the fiscal year ended June 30, 1964, the Commission granted applications by exchanges and issuers to remove 56 stock issues and 24 bond issues from listing and registration. Since 3 stocks were each delisted by two exchanges, there was a total of 59 stock removals. The number of issuers of stock involved was 48. The removals were as follows:

| Applications filed by:                                | <i>Stocks</i> | <i>Bonds</i> |
|---|---------------|--------------|
| New York Stock Exchange.....                          | 11            | 23           |
| American Stock Exchange.....                          | 13            | ---          |
| Boston Stock Exchange.....                            | 1             | ---          |
| Cincinnati Stock Exchange.....                        | 3             | ---          |
| Midwest Stock Exchange.....                           | 9             | ---          |
| National Stock Exchange.....                          | 1             | ---          |
| Pacific Coast Stock Exchange.....                     | 9             | ---          |
| Philadelphia-Baltimore-Washington Stock Exchange..... | 4             | 1            |
| Salt Lake Stock Exchange.....                         | 1             | ---          |
| San Francisco Mining Exchange.....                    | 5             | ---          |
| Issuer.....   | 2             | ---          |
| Total.....  | 59            | 24           |

In accordance with the practice in recent years, nearly all of the delisting applications were filed by exchanges. The two applications granted issuers during the year removed from the American Stock Exchange a Canadian stock with little trading volume and the stock of a domestic company which had incurred substantial losses.

The New York Stock Exchange delisted 21 bonds and debentures of German state, municipal and corporate issuers. On March 25, 1964, the Exchange adopted new delisting rules and criteria with respect to lack of earnings, limited distribution of securities and insufficient market value of outstanding stock and publicly held shares.

#### **Delisting and Trading Suspension Proceedings Under Section 19(a)**

Section 19(a) (2) authorizes the Commission to suspend for a period not exceeding 12 months, or to withdraw, the registration of a security on a national securities exchange if, in its opinion, such action is necessary or appropriate for the protection of investors and, after notice and opportunity for hearing, the Commission finds that the issuer of the security has failed to comply with any provision of the Act or the rules and regulations thereunder. Of the two proceedings under Section 19(a) (2) pending at the beginning of the fiscal year, one was terminated during the year, and no additional proceedings were instituted during the year.

In *Precision Microwave Corporation*<sup>1</sup> the Commission found that a Securities Act registration statement, incorporated by reference in the issuer's application for registration of its common stock on the American Stock Exchange, contained false and misleading financial information, including a material understatement of liability for sales commissions, a material overstatement of work-in-process, and distorted comparative sales and earnings figures. It further found that the accountant's certificate was false and misleading because he did not follow generally accepted auditing procedures and was not in fact independent, having employed the office manager and accountant of the issuer's major subsidiary, who was responsible for maintenance of books and records reviewed during the audit, to assist him in the audit. The issuer had subsequently filed and submitted to stockholders an annual report for a more recent period which included financial statements audited by different accountants, but thereafter receivership proceedings and proceedings under Chapter XI of the Bankruptcy Act had been instituted with respect to the issuer, following which required reports were not filed. The Commission (in addition to issuing a stop order with respect to the registration statement) concluded to suspend the exchange registration of the stock for 60 days, with the proviso that if within 30 days the issuer filed reports containing correct up-to-date financial information and disclosing the status of the court proceedings and the extent of the present holdings and relationship to the issuer of the official principally responsible for the falsification of the financial information, and such reports presented a satisfactory basis for permitting the resumption of trading, the suspension would be terminated, but otherwise the exchange registration would be withdrawn. No reports were filed by the company and the registration of its stock was withdrawn.<sup>2</sup>

Section 19(a) (4) authorizes the Commission summarily to suspend trading in any registered security on a national securities exchange for a period not exceeding 10 days if, in its opinion, such action is necessary or appropriate for the protection of investors and the public interest so requires. During the 1964 fiscal year the Commission used this authority with respect to three companies. At the end of the fiscal year two suspensions remained in effect. A new Section 15(c) (5) enacted as part of the 1964 amendments provides the Commission with authority summarily to suspend over-the-counter trading in any security for a period not exceeding 10 days if, in its opinion, the public interest and protection of investors so require.

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<sup>1</sup> Securities Exchange Act Release No. 7319 (May 22, 1964).

<sup>2</sup> Securities Exchange Act Release No. 7377 (July 23, 1964).

**UNLISTED TRADING PRIVILEGES ON EXCHANGES**

Stocks with unlisted trading privileges which are not also listed and registered on other exchanges continued to decline in number, from 168 on June 30, 1963 to 140 on June 30, 1964. The American Stock Exchange accounted for 24 of the 28 removals. The balance of the removals were accounted for by the Chicago Board of Trade, the Honolulu Stock Exchange, and the Pacific Coast Stock Exchange. The distribution of unlisted stocks and share volumes therein among the exchanges is shown in appendix table 8. The statutory provisions regarding unlisted trading were amended in several respects after the close of the fiscal year by the Securities Acts Amendments of 1964.

The reported volume of trading on the exchanges in stock with only unlisted trading privileges for the calendar year 1963, was about 20,121,000 shares or about 1.1 percent of the total share volume on all the exchanges. About 93 percent of this volume was on the American Stock Exchange while three other exchanges contributed the remaining 7 percent. The share volume in these stocks on the American Stock Exchange represented 5.6 percent of the total share volume on that Exchange.

Unlisted trading privileges on exchanges in stocks listed and registered on other exchanges numbered 1,637 on June 30, 1964. The volume of unlisted trading in these stocks, for the calendar year 1963, was reported at about 62,258,000 shares. About 15 percent of this volume was on the American Stock Exchange in stocks listed on regional exchanges, and about 85 percent was on the regional exchanges in stocks listed on the New York or American Stock Exchanges. While the 62,258,000 shares amounted to less than 4 percent of the total share volume on all the exchanges, they constituted substantial portions of the share volumes on the leading regional exchanges, as reflected in the following approximate percentages: Boston 79 percent; Philadelphia-Baltimore-Washington 72 percent; Cincinnati 68 percent; Detroit 61 percent; Pittsburgh 54 percent; Midwest 32 percent; and Pacific Coast Stock Exchange 32 percent.

**Applications for Unlisted Trading Privileges**

Applications by exchanges for unlisted trading privileges in stocks listed on other exchanges, filed pursuant to Rule 12f-1 under Section 12(f) of the Securities Exchange Act, were granted by the Commission during the fiscal year ended June 30, 1964, as follows:

| Stock exchange:                        | <i>Number<br/>of stocks</i> |
|--|-----------------------------|
| Philadelphia-Baltimore-Washington..... | 35                          |
| Detroit.....                           | 20                          |
| Midwest.....                           | 15                          |
| Boston.....                            | 13                          |
| Pacific Coast.....                     | 4                           |
| Pittsburgh.....                        | 2                           |
|  | 89                          |

### BLOCK DISTRIBUTIONS REPORTED BY EXCHANGES

The usual method of distributing blocks of listed securities considered too large for the auction market on the floor of an exchange is to resort to "secondary distributions" over the counter after the close of exchange trading. Secondary distributions, as reported since 1942, reached a peak of \$926,514,294 during the calendar year 1961, and totaled \$814,983,600 during 1963. During the first 6 months of 1964 there were 71 secondary distributions aggregating \$698,667,735 or 85.7 percent of the total for the entire year 1963.

In an effort to keep as much as possible of block business on their floors, Special Offering Plans were adopted by leading exchanges commencing in 1942, and the somewhat more flexible Exchange Distribution Plans commencing in 1953. Special offerings have virtually disappeared, while the number of Exchange distributions has grown. The largest number of Special offerings was 87 in 1944, with \$32,454,000 aggregate value. In 1962, there were only 2 offerings and in 1963, there were none. In 1963, there were 72 Exchange distributions with a total value of \$107,498,026, a new high both in number and value.

#### *Block distributions of stocks reported by exchanges*

|                                     | Number | Shares in offer | Shares sold | Value         |
|-------------------------------------|--------|-----------------|-------------|---------------|
| 12 Months Ended December 31, 1963 * |        |                 |             |               |
| Special Offerings.....              | 0      | 0               | 0           | 0             |
| Exchange Distributions.....         | 72     | 3,060,016       | 2,892,233   | \$107,498,026 |
| Secondary Distributions.....        | 100    | 18,204,018      | 18,937,935  | 814,983,600   |
| 6 Months Ended June 30, 1964        |        |                 |             |               |
| Special Offerings.....              | 0      | 0               | 0           | 0             |
| Exchange Distributions.....         | 32     | 1,438,568       | 1,304,018   | 53,916,892    |
| Secondary Distributions.....        | 71     | 13,704,641      | 14,258,185  | 698,667,735   |

\* Details of these distributions appear in the Commission's monthly Statistical Bulletins. Data for prior years are shown in Appendix table 11 in this Annual Report.

## OVER-THE-COUNTER STATISTICS

Based on information obtained from standard securities manuals and from reports to the Commission, there were, as of December 31, 1963, approximately 4,400 stocks of domestic issuers with 300 holders or more, possessing an aggregate value of about \$98.8 billion, which were quoted only in the over-the-counter market. They included \$26.7 billion in bank stocks, \$25.3 billion in insurance stocks, and \$46.8 billion in industrial, utility, and other miscellaneous stocks. The computation does not include securities issued by registered investment companies.

*Over-the-counter stocks of domestic issuers referred to in the text, as of December 31, 1963*

|                                      | Stocks | Issuers | Market values    |
|--------------------------------------|--------|---------|------------------|
| Reporting pursuant to Section 15(d): |        |         |                  |
| Miscellaneous.....                   | 1,794  | 1,628   | \$25,480,159,000 |
| Insurance.....                       | 141    | 136     | 8,517,200,000    |
| Reporting for other reasons:*        |        |         |                  |
| Miscellaneous.....                   | 141    | 109     | 4,940,700,000    |
|                                      | 2,076  | 1,873   | 38,938,059,000   |
| Not reporting to the Commission:     |        |         |                  |
| Miscellaneous.....                   | 1,348  | 1,284   | 16,360,546,000   |
| Insurance.....                       | 213    | 208     | 16,851,500,000   |
| Banks.....                           | 774    | 773     | 26,683,700,000   |
|                                      | 2,335  | 2,265   | 59,895,746,000   |
| Total.....                           | 4,411  | 4,138   | 98,833,805,000   |

\* These companies have other issues listed on stock exchanges.

In addition to the stocks mentioned above, there is a large number of actively quoted stocks of companies whose coverage by the standard securities manuals is generally limited to brief announcements of the circumstances of the offerings. Their number was in excess of 1,000 on December 31, 1963, at which time they constituted about 29 percent of the actively quoted stocks in the National Quotation Bureau services. These stocks may be presumed to have over 300 holders each. In addition, there is an indeterminate number of stocks with over 300 holders for the most part issued by small companies, which are inactively quoted or not publicly quoted. As far as can be ascertained, they are for the most part stocks of small companies.

A comprehensive view of the number of securities quoted over the counter at any one time is afforded by data supplied by the National Quotation Bureau, which is the principal publisher of over-the-counter

quotations in the United States. The following table shows the number of stocks quoted in the daily service and the corresponding aggregate number of dealer listings, as reported for a day around January 15th annually.

*Number of stocks and dealer listings at about January 15*

|           | Stocks * | Dealer listings |
|-----------|----------|-----------------|
| 1960..... | 6,551    | 25,950          |
| 1961..... | 6,918    | 28,270          |
| 1962..... | 8,127    | 35,050          |
| 1963..... | 8,177    | 34,482          |
| 1964..... | 8,028    | 34,289          |

\* The number annually since 1925 is shown on p. 72 of our 26th Annual Report (1960).

About half of the stocks show substantial concentration of dealer listings, including both bids and offers. Many of the remainder are quoted only on the bid side, indicating sporadic dealings. Some are listed on domestic or Canadian stock exchanges.

#### **Reporting Under Section 15(d)**

Issuers reporting pursuant to Section 15(d) of the Securities Exchange Act continued to increase in number notwithstanding the numerous reductions occasioned by listing on the exchanges or absorption into other companies by purchase of assets or mergers. The number of such issuers increased from 2,647 on December 31, 1962 to 2,730 on December 31, 1963. The issued stock of 1,823 of these companies had a \$39.2 billion aggregate market value at the end of 1963. The remaining 907 issuers included partnerships, voting trusts duplicative of listed shares, stock purchase and employees savings plans, companies with only bonds in public hands, registered investment companies, and numerous issuers for whose shares no quotation was available, including a considerable number registering in 1963, but not offering their shares until 1964.

As amended by the 1964 Amendments, Section 15(d) no longer requires registration statements filed under the Securities Act to contain an undertaking to comply with the reporting requirements of Section 13 of the Exchange Act under certain circumstances. That Section now automatically requires issuers filing registration statements to file reports under the Exchange Act during the year a registration statement becomes effective and thereafter if they have 300 or more security holders. Issuers required to register under Section 12(g) will be required to file reports by virtue of being so registered.

*Issuers reporting under Section 15(d) as of December 31, 1963<sup>a</sup>*

|  | Stocks       | Issuers      | Market Values         |
|--|--------------|--------------|-----------------------|
| <b>Over the counter:</b>               |              |              |                       |
| Miscellaneous.....                     | 1,794        | 1,628        | \$25,480,159,000      |
| Insurance.....                         | 141          | 136          | 8,517,200,000         |
| Foreign.....                           | 34           | 31           | 2,117,700,000         |
|  | 1,969        | 1,795        | 36,115,119,000        |
| <b>On stock exchanges:<sup>b</sup></b> |              |              |                       |
| Miscellaneous.....                     | 25           | 24           | 766,200,000           |
| Insurance.....                         | 2            | 2            | 1,140,600,000         |
| Foreign.....                           | 2            | 2            | 1,226,000,000         |
|  | 29           | 28           | 3,132,800,000         |
| <b>Total.....</b>                      | <b>1,998</b> | <b>1,823</b> | <b>39,247,919,000</b> |

<sup>a</sup> Includes only issuers with stocks for which quotations were available.

<sup>b</sup> These issuers had stocks with only unlisted trading privileges on exchanges. They also had 20 stocks aggregating \$857 million which were traded only over the counter. This amount has been included in the over-the-counter computation of market values above.

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

The Exchange Act describes and prohibits certain forms of manipulative activity in any security registered on a national securities exchange. The prohibited activities include wash sales and matched orders effected for the purpose of creating a false or misleading appearance regarding the trading volume or market for a security; a series of transactions creating actual or apparent active trading in a security or raising or depressing its price, for the purpose of inducing purchases or sales of such security by others; circulation of information concerning market operations conducted for a rise or a decline in the price of a security; and the making of any materially false or misleading statement regarding a security for the purpose of inducing purchases or sales. The Act also empowers the Commission to adopt rules and regulations to define and prohibit the use of these and other forms of manipulative activity in any security registered on an exchange or traded over the counter.

The Commission's market surveillance staff observes the tickertape quotations of securities listed on the New York Stock Exchange and on the American Stock Exchange, the sales and quotation sheets of the various regional exchanges, and the bid and asked prices published by the National Daily Quotation Service for about 6,000 unlisted securities to observe any unusual or unexplained price variations or market activity. The financial news ticker, leading newspapers, and various financial publications and statistical services are also closely followed.

In order to simplify recordkeeping and for other reasons it was decided that as of December 31, 1963, the "quiz" type of trading investigations would be discontinued and such cases assigned a standard

case number. Such investigations are, and hereafter will be, included in the table entitled "Investigations of possible violations of the Acts administered by the Commission," which will be found under the heading COMPLAINTS AND INVESTIGATIONS in Part XI of this Report. However, 54 trading quizzes were pending at the end of the 1963 fiscal year, and 36 others were initiated prior to the change in policy, making a total of 90 such quizzes open at some time during the fiscal year. Only 35 of these remained open at the end of the fiscal year, 39 having been closed and 16 converted into investigations.

When a public distribution of securities is to be made, the markets in such securities are also closely watched to make sure that the price is not unlawfully raised prior to or during the distribution. During the fiscal year, 1,121 registered offerings, with a total offering price of \$16.9 billion, and 462 offerings exempt from registration under Section 3(b) of the Securities Act, with a total offering price of \$89 million, were so observed. In addition, 232 other offerings, such as secondary distributions and distributions of securities under various plans filed by the exchanges, with a total offering price of \$1,284 million were also kept under surveillance.

#### **Stabilization**

Stabilization involves open-market purchases of securities to prevent or retard a decline in the market price in order to facilitate a distribution. It is permitted by the Exchange Act subject to the restrictions provided by the Commission's Rules 10b-6, 7 and 8. These rules are designed to confine stabilizing activity to that necessary for the above purpose, to require proper disclosure and to prevent unlawful manipulation.

During fiscal year 1964 stabilizing was effected in connection with stock offerings totaling 38,358,692 shares having an aggregate public offering price of \$1,397,159,991 and bond offerings having a total offering price of \$235,434,000. In these offerings, stabilizing transactions resulted in the purchase of 788,712 shares at a cost of \$27,972,490 and bonds at a cost of \$2,837,165. In connection with these stabilizing transactions, 6,483 stabilizing reports, showing purchases and sales of securities effected by persons conducting the distribution, were received and examined during the fiscal year.

#### **INSIDERS' SECURITY HOLDINGS AND TRANSACTIONS**

Section 16(a) of the Securities Exchange Act is designed to prevent the unfair use of information by directors, officers and principal stockholders by giving publicity to their security holdings and transactions

and by removing the profit incentive in short-term trading by them in securities of their company. Such persons by virtue of their position may have knowledge of the company's condition and prospects which is unavailable to the general public and be able to use such information to their personal advantage in transactions in the company's securities. Provisions similar to those contained in Section 16 of the Act are also contained in Section 17 of the Public Utility Holding Company Act of 1935 and Section 30 of the Investment Company Act of 1940.

#### **Ownership Reports**

Section 16(a), as it read during the fiscal year, required every person who was a direct or indirect beneficial owner of more than 10 percent of any class of any equity security (other than an exempted security) which was registered on a national securities exchange, or who was a director or officer of the issuer of such securities, to file reports with the Commission and the exchange disclosing his ownership of the issuer's equity securities, and to keep such information current.

After the close of the fiscal year, the Securities Acts Amendments of 1964 expanded the scope of Section 16 so as to apply to insiders connected with issuers which are required by Section 12(g) to register securities traded over the counter with the Commission.

All ownership reports are available for public inspection as soon as they are filed at the Commission's office in Washington and those relating to securities registered on an exchange may also be inspected at the exchanges where copies of such reports are filed. In addition, for the purpose of making the reported information available to interested persons who may not be able to inspect the reports in person, the Commission summarizes such information in a monthly "Official Summary of Security Transactions and Holdings," which is distributed by the Government Printing Office on a subscription basis.

During the fiscal year, the number of ownership reports filed with the Commission reached an all-time high of 44,631 (6,573 initial statements of beneficial ownership on Form 3 and 38,058 statements of changes in beneficial ownership on Form 4). This represents an increase of 2,924 over the 41,807 reports filed during the 1963 fiscal year.

#### **Recovery of Short-Swing Trading Profits by Issuer**

In order to prevent insiders from making unfair use of information which may have been obtained by reason of their relationship with a company, Section 16(b) of the Securities Exchange Act, Section 17(b) of the Public Utility Holding Company Act, and Section 30(f) of the Investment Company Act provide for the recovery by or on behalf of

the issuer of any profit realized by insiders from certain purchases and sales, or sales and purchases, of securities of the company within any period of less than 6 months. The Commission has certain exemptive powers with respect to transactions not comprehended within the purpose of these provisions, but is not charged with the enforcement of the civil remedies created thereby.

## REGULATION OF PROXIES

### Scope of Proxy Regulation

Under Section 14(a) of the Securities Exchange Act, Section 12(e) of the Public Utility Holding Company Act of 1935, and Section 20(a) of the Investment Company Act of 1940, the Commission has adopted Regulation 14 requiring the disclosure in a proxy statement of pertinent information in connection with the solicitation of proxies by companies subject to those statutes in order that shareholders will be able to make decisions intelligently in regard to corporate affairs. The regulation provides, among other things, that when the management is soliciting proxies, any security holder desiring to communicate with other security holders for a proper purpose may require the management to furnish him with a list of all security holders or to mail his communication to security holders for him. A security holder may also, subject to reasonable prescribed limitations, require the management to include in its proxy material any appropriate proposal which such security holder desires to submit to a vote of security holders. Any security holder or group of security holders may at any time make an independent proxy solicitation upon compliance with the proxy rules, whether or not the management is making a solicitation. Certain additional provisions of the regulation are applicable where a contest for control of the management of an issuer is involved.

Copies of proposed proxy material must be filed with the Commission in preliminary form 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 correct such defects prior to the distribution of the proxy material to stockholders.

The Securities Acts Amendments of 1964 extend the proxy solicitation requirements to those companies required to be registered under Section 12(g) of the Act, and grant authority to the Commission to promulgate rules and regulations requiring an issuer to send information to security holders even though a proxy solicitation is not made, and requiring broker-dealers to transmit proxy material to customers.

**Statistics Relating to Proxy Statements**

During the 1964 fiscal year, 2,530 proxy statements in definitive form were filed under the Commission's Regulation 14 for the solicitation of proxies of security holders; 2,513 of these were filed by management and 17 by nonmanagement groups or individual stockholders. These 2,530 solicitations related to 2,310 companies, some 220 of which had more than one solicitation during the year, generally for a special meeting not involving the election of directors.

There were 2,274 solicitations of proxies for the election of directors, 248 for special meetings not involving the election of directors, and 8 for assents and authorizations for action not involving a meeting of security holders or the election of directors.

In addition to the election of directors, the decisions of security holders were sought through the solicitation in the 1964 fiscal year of their proxies, consents and authorizations with respect to the following types of matters:

|  |     |
|--|-----|
| Mergers, consolidations, acquisitions of businesses, purchases and sales of property and dissolutions of companies.....  | 186 |
| Authorizations of new or additional securities, modifications of existing securities, and recapitalization plans (other than mergers, consolidations, etc.)..... | 300 |
| Employee pension and retirement plans (including amendments to existing plans).....  | 60  |
| Bonus or profit-sharing plans and deferred compensation arrangements (including amendments to existing plans and arrangements).....                              | 49  |
| Stock option plans (including amendments to existing plans).....   | 243 |
| Stockholder approval of the selection by management of independent auditors.....   | 949 |
| Miscellaneous amendments to charter and by-laws, and miscellaneous other matters (excluding those involved in the preceding matters.).....                       | 662 |

**Stockholders' Proposals**

During the 1964 fiscal year, a total of 211 proposals submitted by 45 stockholders were included in the proxy statements of 125 companies, pursuant to Rule 14a-8 of Regulation 14.

Typical of such stockholder proposals submitted to a vote of security holders were resolutions relating to amendments to charters or by-laws to provide for cumulative voting for the election of directors, limitations on granting stock options and their exercise by key employees and management groups, sending a post-meeting report to all stockholders, changing the place of the annual meeting of stockholders, and the approval by stockholders of management's selection of independent auditors.

A total of 58 additional proposals submitted by 40 stockholders were omitted from the proxy statements of 36 companies in accord-

ance with Rule 14a-8. The principal reasons for such omissions and the number of times each such reason was involved (counting only one reason for omission for each proposal even though it may have been omitted under more than one provision of Rule 14a-8) were as follows:

*Reason for Omission of Proposals*

|   | <i>Number</i> |
|---|---------------|
| Withdrawn by proponent.....   | 18            |
| Not a proper subject matter under state law.....  | 15            |
| Related to the ordinary conduct of the company's business.....  | 6             |
| Concerned a personal grievance against the company.....   | 6             |
| Not timely submitted.....   | 5             |
| Involved substantially the same matter as one previously proposed.....  | 2             |
| Reason for proposal deemed misleading.....  | 1             |
| Management had included a similar proposal.....   | 1             |
| Company omitted the proposal and stated that in its opinion the proposal was not a proper subject matter..... | 1             |
| Statement constituting amendment of management proposal.....  | 1             |
| Amounted to solicitation of proxies.....  | 1             |
| Converse of management's proposal.....  | 1             |

**Ratio of Soliciting to Nonsoliciting Companies**

Of the 2,467 issuers that had securities listed and registered on national securities exchanges as of June 30, 1964, 2,343 had voting securities so listed and registered. Of the latter group, 1,987, or 85 percent, solicited proxies under the Commission's proxy rules during the 1964 fiscal year for the election of directors.

**Proxy Contests**

During the 1964 fiscal year, 18 companies were involved in proxy contests for the election of directors. A total of 225 persons, both management and nonmanagement, filed detailed statements as participants under the requirements of Rule 14a-11. Proxy statements in 12 cases involved contests for control of the board of directors and those in 6 cases involved contests for representation on the board.

Management retained control in 7 of the 12 contests for control of the board of directors and lost control in 1 contest, and 4 contests were still pending as of June 30, 1964. Of the 6 instances where representation on the board of directors was involved, management retained all seats in 5 instances, and in the remaining case the opposition won 1 place on the board.

**INVESTIGATIONS WITH RESPECT TO REPORTING PROVISIONS**

Section 21(a) of the Act authorizes the Commission to make such investigations as it deems necessary to determine whether any person has violated or is about to violate any provision of the Act or any rule or regulation thereunder. The Commission is authorized, for

this purpose, to administer oaths, subpoena witnesses, compel their attendance, take evidence and require the production of records. In addition to the investigations undertaken in enforcing the anti-fraud, broker-dealer registration, and other regulatory provisions of the Act, which are discussed in Part XI of this Report under "Complaints and Investigations," the following investigations were undertaken in enforcing the reporting provisions of Sections 12, 13, 14 and 15(d) of the Act and the rules thereunder, particularly those provisions relating to the filing of annual and other periodic reports and proxy material:

|   |    |
|---|----|
| Investigations pending at beginning of the fiscal year..... | 27 |
| Investigations initiated during the fiscal year.....        | 8  |
|   | 35 |
| Investigations closed during the fiscal year.....           | 10 |
|   | 25 |

#### REGULATION OF BROKER-DEALERS AND OVER-THE-COUNTER MARKETS

##### Registration

Section 15(a) of the Securities Exchange Act of 1934 requires the registration of all brokers and dealers who use the mails or instrumentalities of interstate commerce to effect or induce transactions in securities in the over-the-counter market. Brokers and dealers conducting an exclusively intrastate business or dealing only in exempted securities, commercial paper, commercial bills or bankers' acceptances are exempt from registration. The 1964 Amendments added a Section 15(a) (2) which permits the Commission to exempt broker-dealers or classes of broker-dealers, either unconditionally or upon specified terms or conditions, from the requirement of registration.

The following tabulation reflects certain data with respect to registrations of brokers and dealers during the fiscal year ended June 30, 1964.

|  |       |
|--|-------|
| Effective registrations at close of preceding fiscal year..... | 5,482 |
| Applications pending at close of preceding fiscal year.....    | 50    |
| Applications filed during fiscal year.....                     | 442   |
| Applications denied.....                                       | 6     |
| Applications withdrawn.....                                    | 10    |
| Registrations withdrawn.....                                   | 914   |
| Registrations cancelled.....                                   | 62    |
| Registrations revoked.....                                     | 78    |
| Registrations suspended.....                                   | 2     |
| Effective registrations at close of year.....                  | 4,871 |
| Applications pending at close of year.....                     | 35    |

**Administrative Proceedings**

Sections 15(b) and 15(A) of the Exchange Act were amended in several significant respects by the Securities Acts Amendments of 1964. Whereas under prior law the Commission could not proceed directly against an individual associated with a broker-dealer firm, but could take disciplinary action solely by proceeding against the firm, the Act, as amended, permits such direct action. The Commission may censure an associated person, may suspend or bar him from being associated with a broker or dealer, and may suspend or bar him from being associated with a member of a registered securities association. The sanctions which may be imposed against a broker-dealer now include censure and suspension of registration (for up to 12 months), in addition to the previously available sanctions of denial or revocation of registration and expulsion or suspension from a registered securities association or national securities exchange.

A sanction may be imposed upon a broker-dealer under Section 15(b) if, after notice and opportunity for hearing, the Commission finds that such sanction is in the public interest and that the broker-dealer, or any person associated with such broker-dealer, is subject to one or more of the specified statutory disqualifications. A direct sanction against an associated person may be imposed where the Commission finds that it is in the public interest and that such person has committed or omitted any act or omission which would be a basis for the imposition of a sanction if such person were a broker-dealer. The statutory disqualifications, which have been enlarged by the 1964 Amendments, include the following:

(1) wilfully false or misleading statements in an application for registration or other report required to be filed under the Exchange Act;

(2) conviction within the previous 10 years of a felony or misdemeanor which involved the purchase or sale of securities; arose out of the conduct of business as a broker-dealer or investment adviser; involved embezzlement, fraudulent conversion, or misappropriation of funds or securities; or involved violation of the provisions of the United States Code dealing with various frauds and swindles committed by use of the mails, telephone, telegraph, radio or television;

(3) injunction by a court of competent jurisdiction against engaging in certain practices related to the securities business;

(4) wilful violation of any provision of the Securities Act of 1933, the Exchange Act, the Investment Advisers Act of 1940 or the

Investment Company Act of 1940 or any of the Commission's rules or regulations thereunder;

(5) wilfully aiding or abetting another person in a violation of the Federal securities laws or rules and regulations thereunder or failing reasonably to supervise other persons who commit such violations; and

(6) employing a person barred or suspended from being associated with a broker-dealer.

Section 15A of the Exchange Act as amended empowers the Commission to suspend or expel a broker-dealer from membership in a registered securities association or to suspend or bar any person from being associated with a member, upon a finding of violation of the Federal securities laws or any rule or regulation thereunder. The National Association of Securities Dealers, Inc. ("NASD") is the only such association. Section 19(a)(3) of the Act gives the Commission power to take similar action against members of national securities exchanges.

Set forth below are statistics with respect to broker-dealer proceedings instituted by the Commission during fiscal year 1964:

|   |             |
|---|-------------|
| Proceedings pending at beginning of fiscal year :   |             |
| Revocation proceedings.....   | 41          |
| Revocation proceedings also raising issue of suspension or expulsion from NASD or exchange..... | 87          |
| Denial proceedings.....   | 11          |
|   | <hr/>       |
| Total proceedings pending at beginning of fiscal year.....                                      | 139         |
|   | <hr/> <hr/> |
| Proceedings instituted during fiscal year :   |             |
| Revocation proceedings.....   | 48          |
| Revocation proceedings also raising issue of suspension or expulsion from NASD or exchange..... | 66          |
| Denial proceedings.....   | 5           |
|   | <hr/>       |
| Total proceedings instituted.....   | 119         |
|   | <hr/> <hr/> |
| Total proceedings current during fiscal year.....   | 258         |
|   | <hr/> <hr/> |
| Disposition of proceedings :  |             |
| Revocation Proceedings :  |             |
| Registration revoked.....   | 35          |
| Registration canceled.....  | 1           |
| Dismissed on withdrawal of registration.....  | 22          |
| Proceedings dismissed and registration continued in effect.....                                 | 2           |
|   | <hr/>       |
| Total .....   | 60          |
|   | <hr/> <hr/> |

|  |            |
|--|------------|
| Revocation proceedings also raising issue of suspension or expulsion<br>from NASD or exchange:     |            |
| Registration revoked.....  | 31         |
| Registration revoked and firm expelled from NASD.....  | 12         |
| Suspended for a period of time from NASD.....  | 5          |
| Dismissed on withdrawal of registration.....   | 16         |
| Registration canceled.....   | 3          |
| Proceedings dismissed and registration continued in effect.....                                    | 4          |
| Total .....  | <u>71</u>  |
| Denial Proceedings:  |            |
| Registration denied.....   | 6          |
| Dismissed on withdrawal of application.....  | 1          |
| Proceedings dismissed and registration permitted to become effective...                            | 1          |
| Total .....  | <u>8</u>   |
| Total proceedings disposed of.....   | <u>139</u> |
| Proceedings pending at end of fiscal year:   |            |
| Revocation proceedings.....  | 29         |
| Revocation proceedings also raising issue of suspension or expulsion<br>from NASD or exchange..... | 82         |
| Denial proceedings.....  | 8          |
| Total proceedings pending at end of fiscal year.....   | <u>119</u> |
| Total proceedings accounted for.....   | <u>258</u> |

#### Decisions of Particular Interest

It is not feasible to summarize in this Report each of the many decisions rendered by the Commission in administrative proceedings with respect to brokers and dealers. However, several cases of unusual interest or significance, including some which involved procedural questions, are set forth in some detail in the following paragraphs:

On the basis of findings that they willfully violated the registration and anti-fraud provisions of the securities acts, the Commission revoked the broker-dealer registrations of *Gearhart & Otis, Inc.* and *McCoy & Willard*, expelled the former firm from membership in the National Association of Securities Dealers, Inc., and found the principals of each firm causes of the action taken against their respective firms.<sup>3</sup> The Commission found that the respondents participated in the distribution of a control block of stock of Air America, Inc., which was not registered, that both firms were underwriters, and that

<sup>3</sup> Securities Exchange Act Release No. 7329 (June 2, 1964).

their sales were therefore not exempt from registration. The Commission further found that in the offer and sale of Air America equipment trust certificates through Gearhart & Otis as underwriter, an offering circular was used which was misleading in that, among other things, it failed to disclose the company's precarious financial condition. In holding that Gearhart & Otis and its principals willfully violated the anti-fraud provisions in this connection, the Commission noted that Gearhart was intimately familiar with all significant developments relating to Air America, that Otis was familiar with certain facts not properly disclosed in the offering circular, and that in any event the firm, as underwriter, and its principals owed a duty to the investing public to exercise reasonable care to assure the substantial accuracy of the offering circular. William D. McCoy, who was president of Air America as well as a partner of McCoy & Willard, and who played a leading role in the preparation of the offering circular, was also held to have willfully violated the anti-fraud provisions.

Among additional violations found with respect to Gearhart & Otis and its principals was a willful violation by Gearhart of Section 7 of the Securities Act (which specifies the information to be included in a Securities Act registration statement) in causing National Lithium Corporation to file a misleading and inadequate registration statement. The Commission noted that Gearhart, who signed the registration statement as a director and as attorney-in-fact for other directors, was primarily responsible for the terms of the contract leading to the creation of the company and was more familiar than anyone else with the facts relating to its promotion and preliminary financing. It held that as a director, and within the areas of his special knowledge, he was accountable for the deficiencies in the registration statement; and that as to those areas in which he did not have special knowledge, and where statements by an expert were not involved, he had a duty to make a reasonable investigation regarding the accuracy and adequacy of the information contained in the registration statement.

In *J. A. Winston & Co., Inc.*,<sup>4</sup> the Commission revoked the registration of the Winston firm and found its principal officials causes of the revocation, on the basis of findings that the respondents willfully violated the anti-fraud provisions of the securities acts. The Commission found that in the sale of stock of Gob Shops of America, Inc., respondents engaged in high-pressure sales tactics including the making of optimistic and flamboyant statements with respect to, among other things, the financial condition and future prospects of the issuer, which statements had no reasonable basis in fact. Respondents argued that

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<sup>4</sup> Securities Exchange Act Release No. 7337 (June 8, 1964).

any misrepresentations were made in good faith in reasonable reliance on information supplied to them by the issuer's officials. The Commission noted, however, that respondents did not see or request any current financial statements, and that the information assertedly given to them was of a general and unsubstantiated nature and did not provide a reasonable basis for the representations made by respondents. The Commission further found that respondents violated the anti-fraud provisions by selling securities at prices not reasonably related to prevailing market prices. It reaffirmed that in the absence of countervailing evidence, a dealer's own contemporaneous cost is the best evidence of current market price, and noted the fact that the registrant purchased securities from other dealers at prices around such other dealers' bid in the "sheets," thus demonstrating that the high asked quotations were not, as claimed, reliable evidence of prevailing market prices.

In *R. J. Hayes & Company, Incorporated*,<sup>5</sup> the Commission denied the application for registration of a broker-dealer, whose president, Ralph J. Hayes, had wilfully violated the anti-fraud and registration provisions of the securities acts while employed as a salesman by another broker-dealer. His employer was the underwriter of a "hot issue" and Hayes, contrary to his employer's instructions not to purchase shares for his own account, opened fictitious accounts with the employer and with other firms and purchased and resold at a profit, shares of the "hot issue." The Commission found that his conduct constituted a fraud on his employer and the other firms.

In 1962, the Commission had issued an order suspending *Amos Treat & Co., Inc.*, from membership in the National Association of Securities Dealers, Inc., for 12 months, pursuant to an offer of settlement. During the 1964 fiscal year, the Commission issued its findings and opinion in the case.<sup>6</sup> It found that in the sale of securities of three different issuers, the firm's salesmen made various misrepresentations. With respect to one offering, as to which the registrant was managing underwriter, the Commission held that since the firm and its officers had actual knowledge that the issuer's financial condition, as reflected in the registration statement, was deteriorating, they should have exercised due diligence to ascertain current financial information, required its inclusion in the registration statement, and disclosed such information to the persons to whom they recommended the stock and made optimistic representations. The Commission again emphasized the responsibility of an underwriter to make a reasonable investigation into the issuer's business and the accuracy and

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<sup>5</sup> Securities Exchange Act Release No. 7102 (July 18, 1963).

<sup>6</sup> Securities Exchange Act Release No. 7341 (June 11, 1964).

adequacy of the information contained in the registration statement.

In *A. T. Brod & Company*,<sup>7</sup> the Commission, pursuant to an offer of settlement submitted by the registrant and Albert T. Brod, a general partner, and a stipulation and consent submitted by Martin Lesser, a former partner who was in charge of the firm's Washington, D.C. office, found that the respondents wilfully violated the registration and anti-fraud provisions of the securities acts in connection with the offer and sale of unregistered shares of stock of Agricultural Research Development, Inc. (AGR). Among other things, Lesser arranged with a controlling person of AGR to place substantial amounts of AGR stock in an account with registrant and to sell substantial amounts to Lesser, for the purpose of distributing and trading in such stock. During the distribution, registrant purchased shares and placed quotations in the "sheets" at increasing prices and engaged in a telephone campaign to sell AGR stock. Respondents were also found to have wilfully violated the record-keeping and credit extension provisions under the Securities Exchange Act. In imposing a 40-day suspension from membership in the National Association of Securities Dealers, Inc., on registrant, as contemplated by the offer of settlement, rather than a more severe sanction, the Commission considered a number of mitigating factors cited by the firm and Brod. Among other things, they asserted that Lesser initially acted with respect to the AGR stock without Brod's knowledge, and disobeyed subsequent instructions to discontinue transactions in such stock; that registrant had discontinued its relationship with Lesser, closed the Washington office, and arranged for restitution to customers who had purchased AGR stock; and that steps giving reasonable assurance of future compliance had been taken.

In *Aircraft Dynamics International Corp.*,<sup>8</sup> the Commission found that a broker-dealer firm, while acting as underwriter for a stock offering pursuant to Regulation A, committed various wilful violations of the securities acts, and it revoked the firm's registration and expelled it from membership in the National Association of Securities Dealers, Inc. In the course of the offering, the firm's salesmen made various misrepresentations and employed other "boiler-room" techniques. The Commission held, among other things, that the firm's president and sole stockholder was responsible for the management of the business even if, as asserted, he did not take an active part in it. It further held that the sales manager was a participant in the violations, even if he himself did not offer or sell any of the stock, since by virtue of his position he assumed responsibility for the supervision of the

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<sup>7</sup> Securities Exchange Act Release No. 7139 (September 11, 1963).

<sup>8</sup> Securities Exchange Act Release No. 7113 (August 8, 1963).

salesmen, and the misrepresentations resulted from his failure to exercise that responsibility.

In *Fred L. Carvalho*, doing business as *Capital Investment Company*,<sup>9</sup> a salesman and public relations consultant for the registrant prepared a brochure used in the sale of securities, which, among other things, contained false and misleading projections of sales and earnings of the issuer and of the market price of the securities. The Commission rejected the salesman's defense that the financial data regarding the issuer had been supplied by the registrant, stating that "in the light of his own unsuccessful attempts to obtain current information directly from [the issuer] and his lack of knowledge of the company's status and affairs, his employment of data deliberately chosen from various sources to present a misleading and deceptive sales appeal having no basis in fact was clearly fraudulent." The Commission also rejected the salesman's claim that he was not acting in the capacity of an employee when performing public-relations functions and that therefore no findings could be made against him. It noted that he was actively involved in the mailing of the brochure, was paid a weekly salary although he did not engage in sales during the period in question, and had no other place of business, and concluded that he was in fact an employee. The Commission revoked registrant's broker-dealer registration and found the salesman a cause of the revocation.

In *Shiels Securities, Inc.*,<sup>10</sup> the registrant and certain associated persons artificially inflated the price of securities by manipulative practices. Among other things, the registrant's president and controlling stockholder, who was also president and controlling stockholder of the issuer, caused the latter to declare a dividend during an offering of its securities through registrant as underwriter even though it had inadequate earned surplus; and following the completion of the offering, the registrant, which was the only dealer actively trading in the issuer's securities, purchased securities at prices which it arbitrarily fixed at successively higher levels. In addition, registrant further wilfully violated the anti-fraud provisions of the securities acts by selling the securities to customers at successfully higher prices without disclosing that the price had been artificially raised, and at excessive mark-ups, and by making materially false and misleading statements in connection with the offer and sale of the securities. The Commission concluded that it was in the public interest to revoke registrant's registration.

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<sup>9</sup> Securities Exchange Act Release No. 7129 (August 29, 1963).

<sup>10</sup> Securities Exchange Act Release No. 7339 (June 11, 1964).

*Advanced Research Associates, Inc.*<sup>11</sup> was a consolidated proceeding consisting of stop order and Regulation A suspension proceedings under the Securities Act of 1933,<sup>12</sup> and broker-dealer proceedings with respect to four broker-dealers. Two of these, The First Washington Corporation and Williams, Widmayer Incorporated, had been organized by Don F. Widmayer and Richard N. Williams. The Commission found that First Washington, Widmayer and Williams, among others, wilfully violated the registration provisions of the Securities Act in the sale of a large quantity of securities issued by Polytronic Research, Incorporated. Certain claimed exemptions, including those provided by Regulation A, the so-called "private offering" exemption, and the exemption provided by Rule 133 under the Securities Act, were held not to be available. The Commission further found that First Washington, aided and abetted by Widmayer and Williams, manipulated the market in Polytronic stock, by engaging in activities which inflated and maintained the market price of the stock at artificially high levels, failed to disclose such facts to purchasers and bid for and purchased Polytronic stock while engaged in a distribution of such stock; and that Widmayer and Williams were responsible for fraudulent statements in brochures regarding Polytronic which were distributed to First Washington's customers and for fraudulent representations by salesmen of that firm, and caused Advanced Research to file a false and misleading registration statement. The Commission revoked the registrations of the two firms and found Widmayer and Williams each a cause of such action.

The Commission addressed itself to the problem of unwarranted delay in the disposition of administrative proceedings in *Herbert Rapp*, doing business as *Webster Securities Company*.<sup>13</sup> In that case, where it was alleged that registrant had failed to file required financial reports and was subject to two injunctions, when the hearing examiner arrived in New York City from Washington to convene the hearings as scheduled, counsel for the registrant advised him that he had just been retained solely to request an adjournment, but that he expected to represent registrant. The examiner granted a 10-day adjournment. Ten days later he again traveled to New York to reopen the hearings. At the reconvened hearings, both registrant and his counsel were present, but counsel requested a further adjournment, stating that registrant, because he had been ill with "flu", had been unable to reach counsel until that day. The hearing examiner granted a 2-hour adjournment, and denied requests for a further adjournment.

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<sup>11</sup> Securities Exchange Act Release No. 7117 (August 16, 1963).

<sup>12</sup> The stop order proceedings are discussed at page 33, *supra*.

<sup>13</sup> Securities Exchange Act Release No. 7243 (February 14, 1964).

The Commission upheld his denial and his refusal to reopen the hearings for the presentation of evidence in defense and mitigation. Noting its continuing concern with the problem of delay in the disposition of administrative proceedings, the Commission stated that "Repeated adjournments granted pursuant to belated requests by neglectful parties not only cause undue interference with the hearing examiner's responsibilities and frustrate our efforts to avoid excessive delays, but unfairly deprive parties in other proceedings of an expeditious hearing."

In *J. H. Goddard & Co., Inc.*,<sup>14</sup> the Commission denied a motion to dismiss the proceedings and to dismiss allegations of violations of Rule 10b-6 under the Exchange Act. With respect to the motion to dismiss the proceedings, the Commission rejected the claim that the institution of public rather than private proceedings denied movants due process. It stated that under the Exchange Act, the determination whether a proceeding shall be public or private rests in the discretion of the Commission, and it noted that in these proceedings there was a substantial public interest in the subject matter of the hearings; that certain allegations were already a matter of public record; and that public proceedings not only apprise investors of possible causes of action against broker-dealers prior to the running of the statute of limitations, but also enable them to institute such actions promptly before witnesses become unavailable. With respect to the second part of the motion, the Commission rejected the claims that Rule 10b-6 was so vague as to be violative of the due process clause, and that interpretation or revision of the rule in these proceedings would contravene the Administrative Procedure Act.

The principal question presented in *Siltronics, Inc.*<sup>15</sup> was the admissibility in evidence against certain broker-dealer respondents of the record of prior consolidated proceedings to which they were parties and which had been terminated as to them without prejudice to the institution of new proceedings. In the prior proceedings, these respondents had claimed that under *Amos Treat & Co. v. S.E.C.*<sup>16</sup> termination was required because of participation in the proceedings by a Commissioner who had served as director of an operating division during its investigation of a stock offering by Siltronics, Inc. Although respectfully disagreeing with that decision, the Commission had terminated the proceedings. Thereafter, without the participation of the Commissioner in question, the Commission had instituted new proceedings based on the same and other charges, and had con-

<sup>14</sup> Securities Exchange Act Release No. 7321 (May 22, 1964).

<sup>15</sup> Securities Exchange Act Release No. 7150 (September 30, 1963):

<sup>16</sup> 306 F 2d 260 (C.A.D.C., 1962).

solidated them with the prior proceedings against those respondents who had not requested termination.

The Commission held the prior record admissible, rejecting the contentions that, under the *Treat* case, a special "taint" attached to that record and that certain evidentiary requirements were not met. The Commission noted that no action by it had affected the evidentiary record. As to the second argument, the Commission pointed out that the rules of evidence in jury trials have no strict application to administrative proceedings; that there had been full opportunity for cross-examination as to those charges made in both proceedings, and that as to new charges, the staff's proposal to recall necessary witnesses at Government expense would fulfill the requirement for such opportunity; and that it was not a material objection to admissibility of the prior record that the witnesses might be available.

The Commission also denied motions by certain of the respondents to dismiss or to sever the new proceedings, based on the assertion that improper *ex parte* communications may have taken place between the Commission and the staff in connection with the termination of the prior proceedings and institution of the new proceedings, with respect to the inclusion of additional charges, the consolidation of the new proceedings with the unterminated proceedings and the offer in evidence of the record of the prior proceedings. The Commission pointed out that following termination, when it considered the institution of new proceedings and consolidation, it was no longer acting in an adjudicatory capacity with respect to the respondents as to whom the proceedings had been terminated, and the separation-of-functions requirements of the Administrative Procedure Act were therefore not applicable.

#### **Suspension of Registration**

Section 15(b) of the Securities Exchange Act authorizes the Commission to suspend a broker-dealer's registration pending final determination as to whether registration should be revoked. In order to suspend registration, the Commission must find, after notice and opportunity for hearing, that suspension is necessary or appropriate in the public interest or for the protection of investors. The registrations of two broker-dealers were suspended during the past fiscal year on the basis of such findings.<sup>17</sup> The entry of a suspension order is of course not determinative of the ultimate issue whether registration should be revoked.

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<sup>17</sup> *Financial Counsellors, Inc.*, Securities Exchange Act Release No. 7296 (April 22, 1964) and *Albion Securities Company, Inc.*, Securities Exchange Act Release No. 7259 (March 4, 1964).

**Net Capital Rule**

The basic purpose of Rule 15c3-1, promulgated by the Commission under Section 15(c)(3) of the Exchange Act, is to safeguard funds and securities of customers dealing with registered broker-dealers. This rule, commonly known as the net capital rule, limits the amount of indebtedness which may be incurred by a broker-dealer in relation to its capital. It provides that the "aggregate indebtedness" of a broker-dealer may not exceed 20 times the amount of its "net capital" as computed under the rule.

If it appears from an examination of the reports filed by a registered broker-dealer with the Commission, or through inspection of its books and records, that the ratio is exceeded, the Commission normally notifies the broker-dealer of the deficiency and affords an opportunity for compliance. Unless the capital situation is promptly remedied, injunctive action may be taken by the Commission and in addition proceedings may be instituted to revoke the broker-dealer's registration. During the past fiscal year, violations of the net capital rule were charged in 19 injunctive actions and in 24 revocation proceedings instituted against broker-dealers.

Registered broker-dealers who participate in "firm commitment" underwritings must have sufficient capital to permit the participation provided by the underwriting contract without impairing the capital-debt ratio prescribed by the rule. For the protection of issuers and customers of the broker-dealer, the Commission's staff carefully analyzes the latest available information on the capital position of the participants to determine whether they will be in compliance with the rule upon assumption of the new obligations involved in the underwritings. Acceleration of the effective date of registration statements filed under the Securities Act will be denied where underwriting commitments may engender violations of the net capital rule by any participating underwriter. A participant found to be inadequately capitalized to take down his commitment is notified and given an opportunity to adjust his financial position to meet the requirements of the rule without reducing his commitments. If he is unable to meet such requirements, he must decrease his "firm commitment" until compliance with the rule is reached. If necessary he may have to withdraw from the underwriting or participate on a "best efforts" basis only.

As a result of recommendations of the Special Study of Securities Markets, the Commission is presently in the process of formulating a proposed rule which would establish minimum net capital requirements for broker-dealers.

**Financial Statements**

Rule 17a-5 under Section 17(a) of the Exchange Act requires registered broker-dealers to file annual reports of financial condition with the Commission. Such reports must be certified by a certified public accountant or public accountant who is in fact independent, with certain specified limited exemptions applicable to situations where certification does not appear necessary for customer protection. Under certain circumstances member firms of national securities exchanges are exempt from the necessity of certification and an exemption is available for a broker-dealer who, since his previous report, has limited his securities business to soliciting subscriptions as an agent for issuers, has transmitted funds and securities promptly, and has not otherwise held funds or securities for or owed monies or securities to customers. Also exempt is a broker or dealer who, from the date of his last report, has confined his business to buying and selling evidences of indebtedness secured by liens on real estate and has carried no margin accounts, credit balances or securities for any customers.

After his registration, a broker-dealer's first financial report must reflect his condition as of a date between the end of the 1st and 5th months after the effective date of the registration. All reports must be filed within 45 days after the date as of which the report speaks.

Through these reports the Commission and the public may evaluate the financial position and responsibility of broker-dealers. The financial report is one means by which the staff of the Commission determines whether the registrant is in compliance with the net capital rule. Failure to file the required reports may result in the institution of revocation proceedings. However, it is the policy of the Commission first to advise the broker-dealer of his obligations under the rule and to give him an opportunity to file the report.

During the fiscal year 4,503 reports of financial condition were filed with the Commission compared to the 1963 total of 5,197.

**Broker-Dealer Inspections**

Section 17(a) of the Exchange Act provides for regular and periodic inspections of registered broker-dealers. During the fiscal year the number of such inspections totaled 1,422. The inspection device is a most useful instrument in protecting investors and detecting violations of the Federal securities laws. The inspection, among other things, determines a broker-dealer's financial condition, reviews his pricing practices, evaluates the safeguards employed in handling customers' funds and securities, and determines whether adequate and accurate disclosures are made to customers.

The Commission's inspectors also determine whether brokers and dealers are keeping books and records as required by the Exchange Act and the Commission's rules thereunder and are conforming to the margin and other requirements of Regulation T of the Federal Reserve Board. Inspectors also look for excessive trading or switching in customers' accounts. Inspectors frequently find evidence of the sale of unregistered securities or of fraudulent practices such as use of improper sales literature or sales techniques.

When inspections reveal that a broker-dealer is violating the statutes or rules, the action taken depends on the type of violation and its effect on the public. The Commission does not take formal action as a result of every infraction discovered. Inspections frequently reveal inadvertent violations which are discovered before becoming serious and before customers' funds or securities are in danger. When no harm has come to the investing public the registrant is generally informed of the violations and advised to correct the improper practices. If the violation appears to be wilful and the public interest is best served by formal action against the broker-dealer, the Commission will institute appropriate proceedings.

The table below shows the types of infractions uncovered by the inspection program during the fiscal year:

| <i>Type</i>  | <i>Number<br/>of brokers</i> |
|--|------------------------------|
| Financial difficulties.....                                | 136                          |
| Hypothecation rules.....                                   | 38                           |
| Unreasonable prices in securities purchases and sales..... | 62                           |
| Regulation T of the Federal Reserve Board.....             | 119                          |
| "Secret profit".....                                       | 13                           |
| Confirmation and bookkeeping rules.....                    | 850                          |
| Other.....   | 424                          |
| <br>Total indicated violations.....                        | <br><u>1, 642</u>            |

The National Association of Securities Dealers, Inc., and the principal stock exchanges also conduct inspections of their members, and some states have inspection programs. Each inspecting agency conducts inspections in accordance with its own procedures and with particular reference to its own regulations and jurisdiction. Inspections by the Commission are primarily concerned with the detection of violations of the Federal securities laws and the Commission's regulations. The inspection programs of the self-regulatory agencies and of the states afford added protection to the public. The Commission and certain other inspecting agencies coordinate their inspections to avoid duplication and to obtain the widest possible coverage of brokers and dealers. Agencies now participating in this coordination program

include the New York Stock Exchange, the American Stock Exchange, the Boston Stock Exchange, the Midwest Stock Exchange, the Pacific Coast Stock Exchange, the Philadelphia-Baltimore-Washington Stock Exchange, the Pittsburgh Stock Exchange, and the National Association of Securities Dealers, Inc. It is hoped that even closer coordination may become possible in the future as recommended by the Special Study of Securities Markets. This coordination, however, does not preclude the Commission from inspecting any broker-dealer that has also been inspected by another agency, and such inspections are made whenever reason therefor exists.

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

Section 15A of the Securities Exchange Act of 1934 provides for the registration with the Commission of national securities associations and establishes standards for such associations. The National Association of Securities Dealers, Inc. (NASD) is the only association registered under the Act.

The Act contemplates that such associations will serve as a medium for the cooperative self-regulation of over-the-counter brokers and dealers. Their rules must be designed to protect investors and the public interest, to promote just and equitable principles of trade and to meet other statutory requirements. They are to operate under the general supervision of the Commission which is authorized to review disciplinary actions taken by them and other decisions which affect the membership of members, or of applicants for membership, and to consider all changes in their rules. The Securities Acts Amendments of 1964 significantly changed several statutory provisions regarding registered securities associations. Such associations are now required to adopt appropriate standards regarding the training, experience and other qualifications of members and persons associated with members; to have rules designed to produce fair and informative quotations of over-the-counter securities; and may bring disciplinary action directly against individuals associated with members.

In adopting legislation permitting the formation and registration of such associations, Congress provided an incentive to membership by permitting such associations to adopt rules which preclude a member from dealing with a nonmember, except on the same terms and conditions as the member affords the investing public. The NASD has adopted such rules. Accordingly, membership is necessary to the profitable participation in underwritings and over-the-counter trading since members may properly grant price concessions, discounts and similar allowances only to other members. Loss or denial of member-

ship due to expulsion or suspension or other ineligibility due to a statutory disqualification, or to failure to meet standards of qualification established in NASD rules, thus imposes a severe economic sanction.

At the close of the fiscal year NASD membership was 4,158, reflecting a net decrease of 506 members during the year. This decrease was the result of 270 admissions to and 776 terminations of membership. During the year the registered representative population, which generally includes all partners, officers, traders, salesmen and other persons employed by or affiliated with member firms in capacities which involve their doing business directly with the public, declined by 9,540 to stand at 77,835 at June 30, 1964. This shrinkage was the result of 8,175 initial registrations, 10,966 reregistrations and 28,681 terminations of registrations during the year.

In addition to its review of NASD rules and disciplinary actions, the Commission established during the year a program for periodic inspections of the Association's national and district offices. In fiscal 1964, the Commission staff conducted its first two district inspections which covered a broad range of subjects including surveillance and enforcement of association rules of conduct, the dissemination of quotations for local newspaper publication, and the organization of district business conduct committees.

#### **NASD Disciplinary Actions**

The Commission receives from the NASD copies of its decisions in all disciplinary actions against members and registered representatives. In general, such actions are based on findings that the respondents violated specified provisions of the NASD's Rules of Fair Practice. Where violations are found the NASD may impose one or more sanctions upon a member, including expulsion, suspension, fine or censure. If an individual who is not a member is involved, his registration as a representative may be suspended or revoked, he may be suspended or barred from being associated with all members, and he may be fined or censured. Under Section 15A (b) (4) of the Exchange Act and the NASD's by-laws, no broker-dealer may be admitted to or continued in NASD membership without Commission approval, if he has been suspended or expelled from NASD membership; has been found to be a cause of certain sanctions imposed on a member; is subject to certain sanctions imposed by the Commission or a national securities exchange; or permits a person to associate with him who is subject to one of the above disqualifications, whose registration is suspended or has been revoked, or who is suspended or has been barred from associating with member firms.

During the past fiscal year the NASD reported to the Commission its final disposition in disciplinary complaint actions against 405 member firms and 372 registered representatives. With respect to 73 members, complaints were dismissed on findings that allegations of violations had not been sustained.<sup>18</sup> In the remaining cases violations were found and some penalties were imposed on 332 members and 342 registered representatives or other individuals.

The maximum penalty of expulsion from membership was imposed on 73 different members and 16 members were suspended from membership for periods ranging from 15 days to 2 years. In many of these expulsion or suspension cases, substantial fines were also imposed. In 194 cases the principal penalties imposed were fines ranging from \$25 to \$10,000. In 48 other cases the only sanction imposed was censure, although censure was often a secondary penalty imposed where a fine was the principal penalty imposed.

Various penalties were also imposed on registered representatives found in violation of the NASD's rules. The registrations of 132 representatives were revoked and 43 had their registrations suspended for periods ranging from 15 days to 2 years. In addition, 13 other individuals whose registrations were not revoked were found to have been the causes of the expulsion of 13 member firms and in one instance the cause of a 1-year suspension of a member. Allegations of violations against 30 representatives were dismissed on findings that no violation had occurred.

#### **Commission Review of NASD Disciplinary Action**

Section 15A(g) of the Act, as amended, provides that disciplinary actions by the NASD are subject to review by the Commission on its own motion or on the timely application of any aggrieved person. This Section also provides that the effectiveness of any penalty imposed by the NASD is automatically stayed pending Commission review, unless the Commission otherwise orders after notice and opportunity for hearing. Section 15A(h) of the Act defines the scope of the Commission's review. If the Commission finds that the disciplined party engaged in or omitted such acts or practices as were found by the NASD, that such acts, practices, or omissions to act are in violation of such rules of the association as have been designated in the determination, and that such conduct was inconsistent with just

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<sup>18</sup> The majority of the cases where allegations against members were dismissed involved misuse of customers' and/or firm securities or funds by a representative under such circumstances that the member could not have known of or prevented such impropriety. Association procedures did not, in this period, permit complaint action directed solely against a registered representative but required the naming of the employer-member as a respondent even though it was abundantly clear that the member was blameless.

and equitable principles of trade, the Commission must dismiss the review proceedings unless it finds that the penalties imposed are excessive or oppressive, having due regard to the public interest, in which case it must cancel or reduce such penalties. At the beginning of the fiscal year, 23 review proceedings were pending before the Commission; during the year 17 additional petitions for review were filed, decisions were issued in 18 cases, three petitions were withdrawn prior to determination, and 19 petitions were pending at the year end.

In its review of association disciplinary actions, the Commission issued several significant decisions during the year involving applications of the NASD mark-up policy.

In an important decision reviewing and reappraising the standards for determining the fairness under the NASD's mark-up policy of prices charged by broker-dealers, the Commission sustained the NASD's findings that *Naftalin & Co., Inc.* charged unfair prices in its sale of stock to customers and thus violated the NASD's Rules of Fair Practice.<sup>19</sup> While sustaining the NASD findings of violations, the Commission reduced the penalty imposed against the firm from expulsion to a 20-day suspension from NASD membership, and the penalty against George E. Clark, a registered representative, from revocation of registration to a 20-day suspension. The Commission affirmed the NASD's censure of the firm and Clark and fines of \$4,500 and \$1,000, respectively, and found Neil T. Naftalin, president of the firm, a cause of the firm's suspension.

The NASD had found that the Naftalin firm as principal made 85 sales of Durox of Minnesota, Inc., stock to customers at prices ranging from 25% to 33%, and that such prices represented mark-ups of up to 28.5 percent over same-day costs and an average mark-up over cost on all sales of 17.9 percent. Such prices were found by the NASD to be in contravention of its Rules of Fair Practice which state that a member "shall observe high standards of commercial honor and just and equitable principles of trade" and require that where a member sells a security for his own account to his customer the price must be fair, taking into consideration all relevant circumstances, including market conditions, the expense involved, and the fact that the member is entitled to a profit.

Respondents contended that there were no violations because the firm's retail prices were identical with telephone quotations obtained prior to each sale from another dealer who was making a market in the stock. The Commission found, however, that the other dealer's telephone quotations were regularly subject to negotiation and there-

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<sup>19</sup> Securities Exchange Act Release No. 7220 (January 10, 1964).

fore not reliable as a test of prevailing market price and that the firm's actual, contemporaneous costs were representative, and the best evidence, of the actual market in the Durox stock. The Commission stated:

We note that the NASD mark-up policy expressly states that "[i]n the absence of other bona fide evidence of the prevailing market, a member's own contemporaneous cost is the best indication of the prevailing market price." The use of contemporaneous cost as an appropriate base upon which to compute mark-ups in retail transactions, "absent countervailing evidence," has frequently been recognized in our decisions and has been affirmed by the courts. This rule merely reflects a recognition of the fact that the prices paid for a security by a dealer in actual transactions closely related in time to his sales are normally a highly reliable indication of the prevailing market price. And the rule applies whether or not a dealer has a position in the security, unless it can be shown that the dealer's contemporaneous cost is not representative of the market price prevailing at the time of his sales. [Footnotes omitted]

The respondents urged various considerations in mitigation of the penalties assessed against them. They asserted, among other things, that they acted in good faith, that any violations of the NASD rules were unintentional and due to lack of experience, the violations having occurred in the first few months of the firm's existence, and that the deficiencies were promptly corrected when called to their attention and did not recur. Respondents further urged that while some sanction may have been warranted, the firm was now a thoroughly responsible, professional and reputable concern, with qualified and trained personnel, which was worthy of continuing in the securities business, and that the public interest did not require or warrant expulsion, but at most a short suspension. Because of the mitigating circumstances, including the extensive efforts of the firm to remedy its initial shortcomings and to develop a qualified organization, equipped with adequate facilities and staffed by well-trained or experienced personnel, the Commission concluded that reduced sanctions were appropriate in the public interest.

In another case involving findings by the NASD of excessive mark-ups, the Commission sustained the NASD's action expelling *General Investing Corporation* from membership and revoking the registration of Ralph De Pasquale, its president, as a registered representative.<sup>20</sup> The NASD found that the firm charged mark-ups ranging between 12.5 percent and 37.5 percent in 83 principal sales transactions. In 43 transactions the mark-ups were computed by the NASD on the basis of the firm's same-day cost, and in the remaining transactions on the basis of representative asked quotations in the National Quotation

<sup>20</sup> Securities Exchange Act Release No. 7316 (May 15, 1964).

Bureau's daily sheets. The Commission rejected applicants' contention that with respect to 73 transactions involving 5 security issues the NASD should have computed mark-ups on the basis of the firm's own inside offer because the firm was the primary market maker, maintained a large inventory, and dominated the market in these securities, and the quotations of other dealers appearing in the sheets were unrealistic because these dealers were primarily interested in selling to the firm at its higher bid price.

While noting the problems pointed out by the Special Study of Securities Markets as to the proper base for calculating mark-ups with respect to retail sales by a sole or dominant market-maker, the Commission observed that if, as applicants contended, the firm was the primary market maker and dominated the market, to allow the firm to compute mark-ups on the basis of its own inside offer "when other firms are offering at wholesale prices lower than the firm's inside offer would make a sham of the protection intended by the NASD proscription that a member shall not charge unfair prices in principal transactions with customers." The Commission also noted that the evidence did not appear to support applicants' contention that other dealers were primarily selling to the firm and that, in any event, applicants had not contended that the quotations of other dealers were not bona fide prices at which they were willing to trade with other brokers and dealers. Applicants' contentions that their mark-ups were justified in view of the risk assumed in maintaining an inventory and the expenses incurred in selling these securities through extensive solicitation efforts were rejected by the Commission, which stated that "such factors do not justify retail prices higher than those at which the same securities are generally available to investors through other dealers who operate in the same market."

In *J. A. Winston & Co., Inc.*,<sup>21</sup> another mark-up case, the NASD found that the firm effected 131 retail sales of Atlas Credit Corporation Class A stock and 563 retail sales of Atlas Class B stock at mark-ups over its same-day cost of purchases from other dealers which averaged 26.5 percent and 33.5 percent for each class, respectively.

Respondents contended, among other things, that mark-ups in the Class B stock should have been computed on the basis of the firm's cost of purchases from retail customers, representing the large majority of its purchases, rather than on the lower cost of purchases from other dealers, and, as to the Class A stock, that they properly effected their retail sales at a price equal to or below the high independent asked price quoted in the "sheets." The Commission noted that the

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<sup>21</sup> Securities Exchange Act Release No. 7334 (June 5, 1964).

Winston firm throughout the period in question had virtually complete control over purchase and sale prices, as well as supply and demand, of the Class B stock; that it was buying from other dealers at its own bid prices which it maintained below its retail purchase prices; and that, although it had a short position during most of the period, it was in a position to cover that position merely by adjusting its bid or by shifting the emphasis on retail solicitation from the sale to the purchase side. Under these circumstances, the Commission concluded that "there is little value in basing a determination of unfair pricing on a comparison or percentage relationship between resale prices and cost or any other single factor; it is more meaningful clearly to examine the prices actually charged in light of the surrounding circumstances and to determine whether those prices were fair." On the basis of the relevant factors, including the fact that "market" in the context of a pricing problem generally refers to the inter-dealer market, and the arbitrary pricing of the Class B stock above the independent market for the Class A stock, the Commission sustained the NASD's conclusion that the prices charged were excessive.

With respect to the Class A stock the Commission noted that "the great preponderance of numerical quotations on the offered side and the firm's ability consistently to make purchases . . . from other dealers at prices below the quoted asked prices, make it clear that the quotations were regularly subject to negotiation and therefore not reliable as a test of the prevailing market price." It concluded that under the circumstances the firm's same-day cost in purchases from dealers was the best evidence of the inter-dealer market. In response to respondents' contention that the spread between their purchase and sale prices was not inconsistent with NASD-sponsored retail quotations on other securities published in newspapers, the Commission stated that "the difference, alone, between the bid and asked quotations cannot properly be treated as a measure of what is a fair or reasonable mark-up over contemporaneous cost."

The Commission also found that respondents wilfully failed to register 141 salesmen and "contact men." It sustained the penalties imposed by the NASD of expulsion of the firm from membership and revocation of the registration of its principals.

In a proceeding involving mark-downs, the Commission sustained action by the NASD imposing a fine of \$500 against *Thill Securities Corp.* based on its findings that the firm purchased securities from customers at unfair prices in violation of the NASD Rules of Fair Practice.<sup>22</sup>

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<sup>22</sup> Securities Exchange Act Release No. 7342 (June 11, 1964).

In its decision the Commission disagreed with the position of the NASD that the best indication of the prevailing market price against which to measure the prices paid customers was the price realized by the firm in same-day resales to other dealers. Since the securities were not low-priced or speculative in nature, and had a competitive market and possessed a narrow spread between bids and offers, the Commission found that contemporaneous bid quotations obtained by the firm from dealers making the market were acceptable evidence of the prevailing market price. Based on such concurrent bids, the mark-downs ranged between 5 and 6 percent in eight transactions, between 4 and 5 percent in five transactions, and between 2 and 4 percent in four transactions. The Commission determined that it was "not prepared to disagree" with the NASD's conclusions that "in our experience industry practice does not warrant such mark-downs in the circumstances presented, even with the rendition of extraordinary service to customers."

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

As previously noted, Section 15A(b) of the Act and the by-laws of the NASD provide that, except where the Commission finds it appropriate in the public interest to approve or direct to the contrary, no broker or dealer may be admitted to or continued in membership if he, or any person associated with him, is under any of the several disabilities specified in the statute or the by-laws. A Commission order approving or directing admission to or continuance in association membership, notwithstanding a disqualification under Section 15A(b)(4) of the Act, or under an effective association rule adopted under that Section or Section 15A(b)(3), is generally entered only after the matter has been submitted initially to the association by the member or applicant for membership. The association in its discretion may then file an application with the Commission on behalf of the petitioner. A broker-dealer, however, may file an application directly with the Commission either with or without association sponsorship. The Commission reviews the record and documents filed in support of the application and, where appropriate, obtains additional relevant and pertinent evidence. During the year eight such petitions were filed; five were approved;<sup>23</sup> one was disapproved as discussed below; and two were pending at the end of the year.

The Commission disapproved a petition by the NASD that a member firm be continued in membership with Edgar R. D'Abre in its employ.<sup>24</sup> The transactions giving rise to D'Abre's disqualification

<sup>23</sup> Securities Exchange Act Releases Nos. 7168 (November 8, 1963); 7192 (December 12, 1963); 7249 (March 2, 1964); 7265 (March 9, 1964); and 7297 (April 24, 1964).

<sup>24</sup> Securities Exchange Act Release No. 7213 (January 9, 1964).

occurred in 1959, when D'Abre opened two accounts in a fictitious name and allocated shares of "hot issues" to those accounts, realizing profits of \$6,000 therefrom over a period of several months. When questioned by his then employer, he fabricated a credit report on the nonexistent customer but his explanation was unacceptable to the firm and he was discharged in August 1959. Following a hearing, at which D'Abre presented an elaborate explanation, an NASD District Business Conduct Committee concluded that the accounts were in fact D'Abre's, characterized his explanation as "preposterous," found that D'Abre had effected transactions in those accounts without the consent or knowledge of his employer, and revoked his registration as a registered representative.

Shortly before the decision was issued, D'Abre had obtained employment as a salesman for another firm; and thereafter proceedings were instituted before the NASD to determine whether the new employer should be continued in membership with D'Abre as an employee. Subsequently, an NASD application for approval of such continuance was remanded by the Commission<sup>25</sup> which expressed concern as to D'Abre's appreciation of "the professional obligation to his employer and to the public that further participation in the securities field entails." After further hearings and consideration by the NASD, the latter renewed its application for approval.

In denying the second application the Commission stated, in part:

The violations of NASD rules committed by D'Abre were of a serious nature, involving not only "free riding," but the manufacture over a period of several months of fictitious accounts and records and a false credit report, for the purpose of deceiving his employer and concealing violations of the restrictions upon transactions in new issues. This misconduct was compounded by D'Abre's concoction and presentation of false explanations to the NASD and his persistent failure to disclose the true facts. Only the pressure created by our remand and the ensuing hearing finally caused D'Abre to admit that the accounts were fictitious and to state that he regretted his violation of the trust that had been reposed in him. It was only after some prompting that he admitted his profit motivation in maintaining the accounts. He stated that absent our remand and subsequent hearing, he probably would never have acknowledged the facts. That he made no further denials of his improprieties after the first District Committee decision or that he believed that the Committee members probably knew he had lied to them, cannot excuse his continued lack of candor.

The Commission concluded that these circumstances clearly demonstrated D'Abre's "unreliability and his lack of understanding of his obligation to his employer, to the District Committee, to the Board of Governors of the NASD and to the securities industry."

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<sup>25</sup> Securities Exchange Act Release No. 6821 (June 8, 1962).

## PART VI

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

In administering the Public Utility Holding Company Act of 1935 the Commission regulates interstate public-utility holding-company systems engaged in the electric utility business and/or in the retail distribution of gas. The Commission's jurisdiction also extends to natural gas pipeline companies and other nonutility companies which are subsidiaries of registered holding companies. Although the matters under the Act dealt with by the Commission and its staff embrace a variety of intricate and complex questions of law and fact generally involving more than one area of regulation, briefly there are three principal regulatory areas. The first covers those provisions of the Act, contained principally in Section 11(b)(1), which require the physical integration of public-utility companies and functionally related properties of holding-company systems and those provisions, contained principally in Section 11(b)(2), which require the simplification of intercorporate relationships and financial structures of holding company systems. The second covers the financing operations of registered holding companies and their subsidiaries, the acquisition and disposition of securities and properties, and certain accounting practices, servicing arrangements and intercompany transactions. The third includes the exemptive provisions of the Act, the provisions covering the status under the Act of persons and companies, and those regulating the right of a person affiliated with a public-utility company to acquire securities resulting in a second such affiliation. Matters embraced within this last area of regulation come before the Commission and its staff frequently. Many such matters do not result in formal proceedings and others are reflected in such proceedings only in an indirect manner when they are related to issues principally under one of the other areas of regulation.

The Branch of Public Utility Regulation of the Commission's Division of Corporate Regulation performs the principal functions under the Act. It observes and examines problems which arise in connection with transactions which are or may be subject to regula-

tion under the Act and discusses such problems with interested persons and companies and advises them as to the applicable sections of the Act, the rules thereunder and Commission policy with respect thereto. Questions are raised with and problems presented to the staff daily. These include questions raised by security holders and problems presented by companies contemplating transactions which require the filing of an application or declaration, particularly financing operations and the acquisition and disposition of securities and properties. This day-to-day activity includes pre-filing discussions and conferences, in person and by telephone, with company representatives and with other persons where the matter under consideration affects their interests. In those instances where formal proceedings are held, members of the staff actively participate in hearings and often aid the Commission in the preparation of its decision on a particular matter. The staff continually reexamines the status of exempt companies, examines the annual reports filed with the Commission and those sent to stockholders and must keep abreast of new technical developments in the electric and gas industry, including the use of atomic energy as a source of power.

#### COMPOSITION OF REGISTERED HOLDING-COMPANY SYSTEMS

At the close of the fiscal year there were 24 holding companies registered under the Act. Of these, 18 are included in the 16 remaining holding-company systems which are herein classified as "active registered holding-company systems," 2 of the 18 being subholding companies in these active systems.<sup>1</sup> The remaining 6 registered holding companies are of relatively small size and are excluded from the active holding-company systems.<sup>2</sup> In the 16 active systems there are 84 electric and/or gas utility subsidiaries, 41 nonutility subsidiaries, and 12 inactive companies, or a total, including the 18 parent holding companies, of 155 system companies. The following table shows the number of holding companies and the number of subsidiaries (classified as utility, nonutility, and inactive) in each of the active systems as of June 30, 1964, and the aggregate assets of these systems, less valuation reserves, as of December 31, 1963.

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<sup>1</sup> The two subholding companies are The Potomac Edison Co., a subsidiary of Allegheny Power System, Inc., and Southwestern Electric Power Co., a subsidiary of Central and South West Corp.

<sup>2</sup> These holding companies are American Gas Co.; British American Utilities Corp.; Colonial Utilities Corp.; Kinzua Oil & Gas Corp. and its subholding company, Northwestern Pennsylvania Gas Corp.; and Standard Gas & Electric Co.

## Classification of companies as of June 30, 1964

| System   | Solely registered holding companies | Registered holding-operating companies | Electric and/or gas utility subsidiaries | Non-utility subsidiaries | In-active companies | Total companies | Aggregate system assets, less valuation reserves at Dec. 31, 1963* (thousands) |
|--|-------------------------------------|--|--|--------------------------|---------------------|-----------------|--|
| 1. Allegheny Power System, Inc. ....   | 1                                   | 1                                      | 13                                       | 6                        | 2                   | 23              | \$652,263  |
| 2. American Electric Power Co., Inc. ....  | 1                                   | 0                                      | 12                                       | 8                        | 2                   | 23              | 1,724,460  |
| 3. American Natural Gas Co. ....   | 1                                   | 0                                      | 2  | 4                        | 0                   | 7               | 969,109  |
| 4. Central and South West Corp. ....   | 1                                   | 1                                      | 4  | 1                        | 1                   | 8               | 818,716  |
| 5. Columbia Gas System, Inc., The. ....  | 1                                   | 0                                      | 11                                       | 8                        | 1                   | 21              | 1,404,067  |
| 6. Consolidated Natural Gas Co. ....   | 1                                   | 0                                      | 4  | 3                        | 0                   | 8               | 896,932  |
| 7. Delaware Power & Light Co. ....   | 0                                   | 1                                      | 2  | 0                        | 0                   | 3               | 218,093  |
| 8. Eastern Utilities Associates. ....  | 1                                   | 0                                      | 4  | 0                        | 2                   | 7               | 117,776  |
| 9. General Public Utilities Corp. ....   | 1                                   | 0                                      | 6  | 3                        | 0                   | 10              | 1,119,847  |
| 10. Middle South Utilities, Inc. ....  | 1                                   | 0                                      | 5  | 1                        | 3                   | 10              | 879,965  |
| 11. National Fuel Gas Co. ....   | 1                                   | 0                                      | 3  | 5                        | 0                   | 9               | 244,747  |
| 12. New England Electric System. ....  | 1                                   | 0                                      | 14                                       | 1                        | 0                   | 16              | 748,884  |
| 13. Ohio Edison Co. ....   | 0                                   | 1                                      | 3  | 0                        | 0                   | 4               | 63,550   |
| 14. Philadelphia Electric Power Co. ....   | 0                                   | 1                                      | 1  | 0                        | 1                   | 3               | 1,669,971  |
| 15. Southern Co., The. ....  | 1                                   | 0                                      | 6  | 2                        | 0                   | 8               | 315,786  |
| 16. Utah Power & Light Co. ....  | 0                                   | 1                                      | 1  | 0                        | 0                   | 2               |  |
| Subtotals. ....  | 12                                  | 6                                      | 90                                       | 42                       | 12                  | 162             | 12,558,674   |
| Less: Adjustment to eliminate duplication in count resulting from three companies being subsidiaries in two systems and two companies being subsidiaries in three systems*. ....           | 0                                   | 0                                      | -6                                       | -1                       | 0                   | -7              |  |
| Add: Adjustment to include the assets of these five jointly owned subsidiaries and to remove the parent companies' investments therein which are included in the system assets above. .... |                                     |  |  |                          |                     |                 | 300,082  |
| Total companies and assets in active systems. ....   | 12                                  | 6                                      | 84                                       | 41                       | 12                  | 155             | 12,858,756   |

\* Represents the consolidated assets, less valuation reserves, of each system as reported to the Commission on Form US8 for the year 1963.

\* These five companies are Beachbottom Power Co., Inc. and Windsor Power House Coal Co., which are indirect subsidiaries of American Electric Power Co., Inc. and Allegheny Power System, Inc.; Ohio Valley Electric Corp. and its subsidiary, Indiana-Kentucky Electric Corp., which are owned 37.8 percent by American Electric Power Co., Inc., 16.5 percent by Ohio Edison Co., 12.5 percent by Allegheny Power System, Inc., and 33.2 percent by other companies; and The Arklaohoma Corp., which is owned 32 percent by Central and South West Corp. system, 34 percent by Middle South Utilities, Inc. system and 34 percent by an electric utility company not associated with a registered system.

## SECTION 11 MATTERS IN ACTIVE REGISTERED HOLDING-COMPANY SYSTEMS

On October 10, 1963, a public hearing was held on Step 2 of a plan filed, pursuant to Section 11(e), by Eastern Utilities Associates ("EUA") proposing the sale of all the outstanding common stock of Valley Gas Co., to the shareholders of EUA, and to the public common stockholders of Blackstone Valley Gas and Electric Co. ("Blackstone"), a subsidiary of EUA and the owner of all the outstanding common shares of Valley Gas Co. On March 3, 1964, the Commission issued its Findings and Opinion and Order<sup>2</sup> approving Step 2 and, upon the request of EUA, an application for an order enforcing the plan was filed with the U.S. District Court for the District of Rhode Island. Following a hearing, at which a public stockholder of Blackstone appeared in opposition to the plan, the court approved Step 2

<sup>2</sup> Holding Company Act Release No. 15020.

of the plan by order dated July 14, 1964.<sup>4</sup> Upon its consummation, the separation of the gas utility properties from the EUA system will have been completed. Prior proceedings in this matter are discussed at page 109 of the 27th Annual Report.

In its Order of February 20, 1958, pursuant to Section 11(b) (1), permitting retention by New England Electric System of all its electric properties,<sup>5</sup> the Commission reserved jurisdiction to determine whether the system's gas properties were retainable under that Section of the Act. After further proceedings the Commission, on March 19, 1964, issued its Findings and Opinion and Order directing New England Electric System to divest itself of all its interests in its gas properties.<sup>6</sup> New England Electric System has filed a petition to review this order in the Court of Appeals for the First Circuit. At the close of the fiscal year the case was pending before the court.

The Commission has held, with court approval, that the existence of publicly-held minority interests in the common stock of subsidiary companies of registered holding companies constitutes an inequitable distribution of voting power requiring the elimination of such minority interests under Section 11(b) (2). Through appropriate proceedings under the Act the Commission has heretofore ordered the elimination of public minority interests in most of the registered holding-company systems, but the problem remains in several others. During fiscal 1964, Allegheny Power System, a registered holding company, filed a plan, pursuant to Section 11(e) of the Act, proposing the elimination of a 4.8 percent public minority interest in the common stock of its subsidiary company, West Penn Power Company, through the exchange of 1.7 shares of Allegheny Power's then \$5 par value common stock for each share of publicly-held West Penn common stock. The proposed exchange would involve the issuance of Allegheny's new common stock with an aggregate market value of approximately \$15,600,000 as of June 30, 1964.<sup>7</sup> Public hearings on the plan were held during fiscal 1964; following the close of the fiscal year, the Commission approved the plan.<sup>8</sup>

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<sup>4</sup> In the Matter of *Valley Gas Co., et al.* (D.R.I., Civil Act No. 2685).

<sup>5</sup> See 38 S.E.C. 193.

<sup>6</sup> Holding Company Act Release No. 15035.

<sup>7</sup> During the pendency of the plan each share of Allegheny's \$5 par value common stock was reclassified into two shares of \$2.50 par value common stock. Thus, the exchange ratio became 3.4 shares of Allegheny stock for each share of West Penn stock. Holding Company Act Release No. 15038 (March 27, 1964).

<sup>8</sup> Holding Company Act Release No. 15145 (November 13, 1964). Other holding-company systems in which a minority interest problem exists, and as to which no proceedings have been proposed by the systems or instituted by the Commission, are The Columbia Gas System, Inc., Eastern Utilities Associates, and New England Electric System. The minority interests of the last-named holding-company system are confined to several of the gas utility subsidiaries, a question as to the retainability of which, as noted above, is pending before the court of appeals.

A Section 11(b) (1) problem still exists as to whether Middle South Utilities, Inc. may, through its subsidiary company, New Orleans Public Service, Inc., retain its interest in the gas and transportation properties of that subsidiary company together with the system's electric properties. The electric properties of the Middle South system have heretofore been found by the Commission to constitute a single integrated public-utility system. On January 10, 1963, a bill was introduced in the Congress (H.R. 742, 88th Cong., 1st Sess.) providing, in effect, that New Orleans Public Service, Inc. shall not be required to dispose of its gas or transportation properties pursuant to any provision of the Public Utility Holding Company Act of 1935. At the close of fiscal 1964, the House Committee on Interstate and Foreign Commerce, to which the bill was referred, had taken no action thereon; and no proceedings have been instituted by the Commission.<sup>9</sup>

#### EXEMPT HOLDING COMPANIES

A "holding company" is defined by Section 2(a) (7) (A) of the Act to mean any company which owns or controls 10 percent or more of the outstanding voting securities of an electric or gas public-utility company. Section 3(a) of the Act provides that the Commission shall exempt any holding company (and its subsidiary companies, as such) from the duties and obligations of the Act if the company meets one or more of the exemptive standards set forth in that Section, unless the Commission finds that the exemption would be detrimental to the public interest. Such exemption may be granted by the Commission by order upon application, or (as to certain types of exemption) may be claimed by the holding company by the filing in "good faith" of a statement pursuant to Rule 2 promulgated by the Commission under Section 3. At the close of the fiscal year statements submitted by a total of 55 holding companies under Rule 2 were on file with the Commission. Every initial Rule 2 statement and each annual statement renewing the claimed exemption is carefully examined by the Commission's Division of Corporate Regulation to ensure that the claimant is entitled to its asserted exempt status under Section 3(a). In addition, six applications for exemption orders under Section 3(a) were pending at the beginning of fiscal 1964, and five additional applications were filed during the fiscal year. The Commission issued orders grant-

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<sup>9</sup> No further action was taken during fiscal 1964 with respect to certain Section 11(b) problems of several other registered holding companies referred to at page 104 of the 27th Annual Report.

ing exemptions to five of the applicants during fiscal 1964;<sup>10</sup> and after the close of the year two additional exemption orders were issued.<sup>11</sup>

Exempt holding companies are nevertheless subject to the provisions of Section 9(a) (2) of the Act, which prohibits them from acquiring as much as 5 percent of the voting stock of any other public-utility company unless the acquisition has been approved by the Commission under Section 10. During the fiscal year, Cincinnati Gas & Electric Company (which claims exemption under Rule 2 as "predominantly a public-utility company") applied for and was granted authority to acquire the outstanding voting securities of two neighboring gas utility companies.<sup>12</sup>

### FINANCING OF ACTIVE REGISTERED PUBLIC-UTILITY HOLDING COMPANIES AND THEIR SUBSIDIARIES

Pursuant to authorizations granted by the Commission under Sections 6 and 7 of the Act, nine registered holding-company systems issued and sold for cash to the public and to financial institutions 21 issues of long-term debt and capital stocks aggregating \$400 million<sup>13</sup> in the fiscal year 1964.<sup>14</sup> Seventeen of these issues were sold for the purpose of raising new capital. Of the remaining four issues, three were entirely or in part for the purpose of refunding \$38 million principal amount of outstanding debt securities carrying higher rates of interest and one was for the purpose of refunding \$6 million par value of preferred stock carrying a higher dividend rate.

The following table presents the amounts and types of securities issued and sold for cash by registered holding companies and their subsidiaries during fiscal 1964:

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<sup>10</sup> *The Consumers Gas Co.*, Holding Company Act Release No. 14956 (October 17, 1963); *Penn Fuel Gas, Inc.* (reaffirmation of previous exemption order), Holding Company Act Release No. 14958 (October 21, 1963); *Connecticut Light and Power Co.* and *New England Power Co.*, Holding Company Act Release No. 14968 (November 15, 1963); *Aluminum Company of America*, Holding Company Act Release No. 15078 (May 21, 1964).

<sup>11</sup> *Continental Can Co., Inc.* and *Cow Newsprint, Inc.*, Holding Company Act Release No. 15107 (August 5, 1964).

<sup>12</sup> Holding Company Act Release No. 14993 (January 3, 1964).

<sup>13</sup> Debt securities are computed at their principal amount, preferred stock at par value or at price to the company if no par value stated, and common stock at offering price.

<sup>14</sup> The active systems which did not sell stock or long-term debt securities to the public are: Central and South West Corporation; Consolidated Natural Gas Company; Delaware Power & Light Company; National Fuel Gas Company; Ohio Edison Company; Philadelphia Electric Power Company; and Utah Power & Light Company.

*Securities issued and sold for cash to the public and financial institutions by registered holding companies and their subsidiaries, fiscal year 1964*

[In millions]

| Holding company system   | Bonds      | Debentures | Preferred stock | Common stock |
|--|------------|------------|-----------------|--------------|
| Allegheny Power System, Inc.: Potomac Edison Company, The.....             | \$16       |            |                 |              |
| American Electric Power Company, Inc.: Indiana & Michigan Electric Co..... | 45         |            |                 |              |
| American Natural Gas Co.:<br>Michigan Consolidated Gas Co.....             | 30         |            |                 |              |
| Michigan Wisconsin Pipeline Co.....  | 50         |            |                 |              |
| Columbia Gas System, Inc., The.....  |            | \$50       |                 |              |
| Eastern Utilities Associates: Brockton Edison Co.....                      | 5          |            | \$0             |              |
| General Public Utilities Corp.: Jersey Central Power & Light Co.....       | 19         | 9          |                 |              |
| Middle South Utilities, Inc.: Louisiana Power & Light Co.....              | 25         |            |                 |              |
| New England Electric System:<br>Massachusetts Electric Co.....             | 10         |            |                 |              |
| Narragansett Electric Co.....  | 5          |            |                 |              |
| New England Power Co.....  | 10         |            | 10              |              |
| Southern Company, The:<br>Alabama Power Co.....                            | 29         |            | 6               | \$28         |
| Georgia Power Co.....  | 30         |            | 7               |              |
| Mississippi Power Co.....  | 10         |            |                 |              |
| <b>Total.....</b>  | <b>284</b> | <b>59</b>  | <b>29</b>       | <b>28</b>    |

\* Two issues.

The table does not include securities issued and sold by subsidiary companies to their respective parent holding companies, issuances of short-term notes to banks, portfolio sales by any of the system companies, or securities issued for stock or assets of nonaffiliated companies. These issuances and sales also required authorization by the Commission except in the case of the issuance of notes having a maturity of 9 months or less where the aggregate amount does not exceed 5 percent of the other securities of the company. Such exception is provided for by Section 6 (b) of the Act.

#### Competitive Bidding

All of the 21 issues of securities sold for cash in fiscal 1964, as shown in the preceding table, were offered for competitive bidding pursuant to the requirements of Rule 50 promulgated under the Act.

During the period from May 7, 1941, the effective date of Rule 50, to June 30, 1964, a total of 884 issues of securities with aggregate value of \$13,127 million were sold at competitive bidding under the rule. These totals compare with 231 issues of securities with aggregate value of \$2,371 million which have been sold pursuant to orders of the Commission granting exceptions from the competitive bidding requirements of the rule under paragraph (a)(5) thereof.<sup>15</sup> Of the total

<sup>15</sup> Paragraph (a)(5) of Rule 50 provides for exception from the competitive bidding requirements of the rule where the Commission finds such bidding is not necessary or appropriate under the particular circumstances of the individual case.

amount of securities sold pursuant to orders granting exceptions under this paragraph, 126 issues with a total value of \$1,888 million were sold by the issuers and the balance of 105 issues with a dollar value of \$483 million were portfolio sales. Of the 126 issues sold by issuers, 70 were in amounts of from \$1 to \$5 million and two bond issues were in excess of \$100 million each.<sup>16</sup>

#### **PROTECTIVE PROVISIONS OF FIRST MORTGAGE BONDS AND PREFERRED STOCKS OF PUBLIC-UTILITY COMPANIES**

Statements of policy were adopted by the Commission in 1956 codifying the standards to which provisions covering first mortgage bonds and preferred stocks issued under the Act must conform for the protection of investors in such securities.<sup>17</sup> Prior to 1956 these standards had been established by the Commission on a case-by-case basis. In passing upon the issuance of first mortgage bonds and preferred stocks under the Act, the Commission examines the applicable mortgage indentures and charter provisions to ensure a continuing substantial conformity with the codified standards of the respective statements of policy. Such conformity has been uniformly required except where, in particular circumstances, deviations from the statements of policy are clearly justified.

During the fiscal year, applications or declarations were filed by public-utility companies subject to the Act with respect to 14 first mortgage bond issues involving an aggregate principal amount of \$241,525,000, and 5 preferred stock issues with a total par value of \$34 million.

The statement of policy with respect to first mortgage bonds requires, among other things, that dividends or other distributions to common stockholders be limited so as to preserve an "equity cushion" beneath the claims of the bondholders. This requirement was adequately provided for in the indentures covering the 14 bond issues as filed or as a result of informal discussions between the Commission's staff and representatives of the issuers.

Since the bulk of bondholders' security consists of mortgaged depreciable plant and equipment, the statement of policy for bonds also requires the periodic renewal and replacement of such property so as to preserve the book value of the underlying security. This requirement, in substance, obligates the issuing company to provide for new property additions (or, alternatively, to deposit cash or outstanding

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<sup>16</sup> Ohio Valley Electric Corp., a \$360 million issue, and United Gas Corp., a \$116 million issue.

<sup>17</sup> Holding Company Act Release Nos. 18105 (Feb. 16, 1956) and 18106 (Feb. 16, 1956) as to first mortgage bonds and preferred stocks, respectively.

bonds with the trustee) in an amount which, over the estimated useful life of the mortgaged depreciable property, will maintain the original book cost of the mortgaged property. The statement of policy requires that the mortgage indenture express the periodic renewal and replacement obligation as a percentage of the book cost of the mortgaged depreciable property, but where existing indentures express the provision on some other basis (usually, as a percentage of operating revenues), such alternate provision is permitted to remain unchanged if the issuer can satisfactorily demonstrate to the Commission that the existing provision affords substantially the same protection as that based on a percent-of-property basis. To ensure observance of this standard of the statement of policy, the Commission's staff conducts a continuous study of the depreciation requirements of the various issuers subject to the Act.

Of the 14 bond issues with respect to which applications or declarations were filed during the fiscal year, the indentures of 13 expressed the renewal and replacement provision as a percentage of depreciable property deemed adequate by the Commission. The remaining issue (bonds of a pipe line company) provided for a 100 percent amortization of the issue over its life through the operation of a cash sinking fund, and accordingly no renewal and replacement provision was deemed necessary for the protection of the bondholders.

With respect to the five preferred stock issues as to which applications or declarations were filed during the fiscal year, the existing charter provisions of all but one were in substantial conformity with the statement of policy for preferred stock; and as to the remaining issue, conformance with the statement of policy was effected through conditions imposed by order of the Commission.<sup>18</sup>

In accordance with its long-standing policy under the Act, the Commission has continued to require that bonds and preferred stock sold by registered holding companies and their subsidiaries be fully refundable at the option of the issuer upon reasonable notice and that any redemption premium be reasonable in amount. During fiscal year 1964, as previously noted, three issuers<sup>19</sup> subject to the Act took advantage of the refunding privilege and prevailing favorable market conditions to refund outstanding bonds at lower interest rates; and one issuer<sup>20</sup> refunded a preferred stock issue at a lower dividend rate. The annual interest savings on the three bond issues refunded aggreg-

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<sup>18</sup> *Alabama Power Company*, Holding Company Act Release No 15065 (May 6, 1964).

<sup>19</sup> Michigan Wisconsin Pipe Line Co.; Jersey Central Power & Light Co.; and Brockton Edison Co.

<sup>20</sup> Brockton Edison Co.

gated \$254,328;<sup>21</sup> and the annual dividend savings on the preferred stock issue refunded were \$30,160.<sup>22</sup> Had the outstanding issues been nonrefundable or severely restricted as to refundability, such savings could not have been effectuated.<sup>23</sup>

Continuing studies made by the Commission's staff for fiscal year 1964 with respect to electric and gas utility bond issues sold at competitive bidding, whether or not subject to the Act, indicated that the presence or absence of a restriction on free refundability has not affected the number of bids received by an issuer at competitive bidding or the ability of the winning bidder to market the bonds. The 29th Annual Report, at pp. 85-86, noted that the data for fiscal year 1963 with respect to such ability on the part of the winning bidder were at variance with the data for prior fiscal years. That same report, at the pages referred to, contains a summary of the results of an examination of all electric and gas utility bond issues (including debentures) sold at competitive bidding between May 14, 1957, and June 30, 1963, by companies subject to the Act as well as those not so subject. This study was extended to include fiscal year 1964.

During the period from May 14, 1957 to June 30, 1964, a total of 466 electric and gas utility bond issues, aggregating \$10,401.9 million principal amount, was offered at competitive bidding. The refundable issues numbered 350 and accounted for a total of \$6,601.5 million, while the nonrefundable issues—all being nonrefundable for a period of 5 years, except one which was nonrefundable for a period of 7 years—numbered 116 and totaled \$3,800.4 million principal amount. The number of refundable issues thus represented 75.1 percent of the total number of issues, while, in terms of principal amount, the refundable issues accounted for 63.5 percent.<sup>24</sup>

The weighted average number of bids received on the refundable issues for the period was 4.72, while on the nonrefundable issues it was 4.19. The median number of bids was 5 on the refundable and 4 on

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<sup>21</sup> Based on the cost of money applicable to (a) the refunded issue, computed on the redemption price and coupon rate, from date of redemption to date of maturity, less that of (b) the new issue, computed on the price received by the company and the coupon rate, to date of maturity.

<sup>22</sup> Based on excess of "yield" of refunded issue (ratio of dollar dividend rate to redemption price) over "yield" of new issue (ratio of dollar dividend rate to price received by company).

<sup>23</sup> The significance of the refunding privilege, both as a matter of conformity with the standards of the Act and as a matter of practical finance, was discussed at some length in the 24th Annual Report, at pp. 130-131.

<sup>24</sup> During fiscal year 1964, a total of 46 bond issues was offered, aggregating \$1,146.5 million principal amount, consisting of 34 refundable issues totaling \$670.5 million and 12 nonrefundable issues totaling \$476 million. The number of refundable issues represented 73.9 percent of all the issues, while, in terms of principal amount, the refundable issues accounted for 58.5 percent.

the nonrefundable issues.<sup>25</sup> With respect to the success of the marketing of the bond issues, an issue was considered to have been successfully marketed if at least 95 percent of the issue was sold at the syndicate price up to the date of termination of the syndicate. On this basis, 69.4 percent of the refundable issues were successful, while 65.5 percent of the nonrefundable ones were successful.<sup>26</sup> In terms of principal amount, 66.1 percent of the refundable issues were successful, while 63.4 percent of the nonrefundable ones were successful.<sup>27</sup> Extension of the comparison to include the aggregate principal amounts of all issues which were sold at the applicable syndicate prices up to the termination of the respective syndicates, regardless of whether a particular issue met the definition of a successful marketing, indicates that 86.0 percent of the combined principal amount of all the refundable issues were so sold, as compared with 82.2 percent for the nonrefundable issues.<sup>28</sup> These aggregate statistics, as well as those relating to fiscal year 1964 noted in the margin, support the Commission's policy of requiring free refundability of utility bond issues subject to the Act.

#### OTHER MATTERS

##### Request for Declaratory Order

On May 26, 1963, a hearing was held with respect to an application filed by Pacific Northwest Power Company ("PNPC"), pursuant to Section 5(d) of the Administrative Procedure Act, for a declaratory order requesting a determination as to when, in the construction of a proposed hydroelectric plant at an estimated cost of approximately \$260 million, the company would become an electric utility company within the meaning of Section 2(a)(3) of the Act. PNPC's common stock is owned equally by Pacific Power and Light Company, Montana Power Company, Washington Water Power Company, and Portland General Electric Company. At such time as PNPC becomes an electric utility company within the meaning of the Act, its sponsoring companies become holding companies and, unless exempted, must register as such and comply with the requirements of the Act. On February 5, 1964, the Federal Power Commission granted a license to

<sup>25</sup> During fiscal year 1964, the weighted average number of bids was 5.41 on the refundables and 4.17 on the nonrefundables, while the median number of bids was 6 on the refundables and 4.50 on the nonrefundables.

<sup>26</sup> During fiscal year 1964, 52.9 percent of the refundable issues were successful, as against 50 percent for the nonrefundables.

<sup>27</sup> During fiscal year 1964, in terms of principal amount, 45.6 percent of the refundables were successful, as against 42.0 percent for the nonrefundables.

<sup>28</sup> During fiscal year 1964, the applicable percentages were 78.5 percent for the refundables and 75.8 percent for the nonrefundables.

PNPC for construction and operation of the plant after a hearing in which the grant of the license was contested by certain public-utility districts. On March 3, 1964, this Commission issued a memorandum opinion and declaratory order, pursuant to Section 2(a) (3) of the Act and Section 5(d) of the Administrative Procedure Act, declaring that PNPC will not become an electric utility company within the meaning of Section 2(a) (3) at least prior to the time at which the grant of the license by the Federal Power Commission has become final, either by the expiration of the appeal period in respect thereof, or, in the event of an appeal, by the final determination of the appellate courts affirming the grant.<sup>29</sup> The Commission expressly indicated that it was not then making a final determination as to the point in PNPC's development at which it would become an electric utility company under the Act.

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<sup>29</sup> *Pacific Northwest Power Co., Holding Company Act Release No. 15026.*

## PART VII

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

The Commission's role under Chapter X of the Bankruptcy Act, which provides a procedure for reorganizing corporations in the U.S. district courts, differs from that under the various other statutes which it administers. The Commission does not initiate Chapter X proceedings or hold its own hearings, and it has no authority to determine any of the issues in such proceedings. The Commission participates in proceedings under Chapter X in order to provide independent, expert assistance to the courts, the participants, and investors in a highly complex area of corporate law and finance. It pays special attention to the interests of public security holders who may not otherwise be represented effectively.

Where the scheduled indebtedness of a debtor corporation exceeds \$3 million, Section 172 of Chapter X requires the judge, before approving any plan of reorganization, to submit it to the Commission for its examination and report. If the indebtedness does not exceed \$3 million, the judge may, if he deems it advisable to do so, submit the plan to the Commission before deciding whether to approve it. Where the Commission files a report, copies or a summary must be sent to all security holders and creditors when they are asked to vote on the plan. The Commission has no authority to veto or to require the adoption of a plan of reorganization.

The Commission has not considered it necessary or appropriate to participate in every Chapter X case. Apart from the excessive administrative burden, many of the cases involve only trade or bank creditors and few public investors. The Commission seeks to participate principally in those proceedings in which a substantial public investor interest is involved. However, the Commission may also participate because an unfair plan has been or is about to be proposed, public security holders are not represented adequately, the reorganization proceedings are being conducted in violation of important provisions of the Act, the facts indicate that the Commission can perform a useful service, or the judge requests the Commission's participation.

The Commission has lawyers, accountants and financial analysts in its New York, Chicago and San Francisco regional offices, who are engaged actively in Chapter X cases in which the Commission has filed its appearance. Supervision and review of the regional offices' Chapter X work is the responsibility of the Division of Corporate Regulation of the Commission, which, through its Branch of Reorganization, also serves as a field office in cases arising in the Atlanta and Washington, D.C., regional areas.

### SUMMARY OF ACTIVITIES

In fiscal year 1964, the Commission continued to maintain a high level of activity under Chapter X. During the year, the Commission entered its appearance in 14 new proceedings involving companies with aggregate stated assets of approximately \$72 million and aggregate indebtedness of approximately \$70 million. These proceedings involved the rehabilitation of corporations engaged in various businesses including, among others, real estate and mortgage investments, vending machine manufacture and distribution, operation of hospitals and hotels, and manufacture of chemicals and electronic components.

During the year the Commission was a party in a total of 93 reorganization proceedings, including the new proceedings.<sup>1</sup> The stated assets of the companies involved in these proceedings totaled approximately \$794 million and their indebtedness totaled approximately \$748 million. The proceedings were scattered among district courts in 30 states and the District of Columbia, as follows: 15 in New York; 10 in California; 9 in Florida; 6 in Illinois; 5 each in Kentucky and Michigan; 4 in Oklahoma; 3 each in Iowa, North Carolina, New Jersey, and Pennsylvania; 2 each in Arizona, Colorado, Montana, Maryland, Nevada, Texas, and Washington; and 1 each in the District of Columbia, Arkansas, Louisiana, Kansas, Ohio, Mississippi, Tennessee, New Mexico, Connecticut, Wyoming, West Virginia, Virginia, and Utah. Proceedings involving 6 principal debtor corporations were closed during the year. Thus, at the end of the year the Commission was participating in 87 reorganization proceedings.

### JURISDICTIONAL, PROCEDURAL AND ADMINISTRATIVE MATTERS

In Chapter X proceedings in which it participates, the Commission seeks application of the procedural and substantive safeguards to which all parties are entitled. The Commission also attempts in its interpretations of the statutory requirements to encourage uniformity in the construction of Chapter X and the procedures thereunder.

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<sup>1</sup> Appendix table 12, *infra*, contains a complete list of reorganization proceedings in which the Commission was a party during the year.

In *Beehive Security Thrift & Loan*,<sup>2</sup> the district court granted the Commission's motion to enjoin a committee organized by a former employee of the debtor from soliciting funds from public investors. The Commission stressed, among other things, the dangers inherent in a committee's private assessment of public investors in light of the abuses prevalent in equity receivership proceedings prior to the reforms of Chapter X.

In *Certified Credit Corporation*,<sup>3</sup> a committee was organized by certain of the debtor's former officers and directors and other stockholders to represent debentureholders and preferred stockholders in the proceedings. Some of the officer members were defendants in a class suit brought by other investors under Section 10(b) of the Securities Exchange Act of 1934. Funds to defray expenses were solicited by the committee and were turned over immediately to its counsel who also represented defendant officers in the class suit. The Commission moved to disqualify the committee because of a conflict of interest and to compel a return of the funds solicited. Prior to a decision, the committee, pursuant to a stipulation, disbanded and agreed to return all funds collected.

In *Joe Newcomer Finance Company*,<sup>4</sup> a debentureholders' committee was enjoined, on motion of the Commission, from further soliciting contributions from public investors, and the funds already collected were ordered held in escrow pending a ruling on their disposition. In *Goebel Brewing Company*,<sup>5</sup> an order entered on the Commission's motion permanently restrained further solicitation of funds, approved the committee's accounting which showed that most of the solicited funds had been returned to investors, and reserved jurisdiction with respect to a small amount previously disbursed until a hearing on allowances. In *Cosmo Capital, Inc.*,<sup>6</sup> the committee voluntarily agreed to return the funds collected.

In *Maryvale Community Hospital, Inc.*,<sup>7</sup> the debtor, a charitable organization, objected to the filing of an involuntary Chapter X petition contending that, since under Section 4b of the Bankruptcy Act a charitable corporation may become a voluntary but not an involuntary bankrupt, the court did not have jurisdiction to approve the involuntary petition under Chapter X. In supporting the petition, the Commission urged that Section 4b was inapplicable to Chapter X, since Section 126 of that Chapter permits creditors to file a petition against

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<sup>2</sup> D.C. Nev., No. LV 982.

<sup>3</sup> S.D. Ohio, No. 31984.

<sup>4</sup> D.C. Colo., No. 34452.

<sup>5</sup> E.D. Mich., No. 64-209.

<sup>6</sup> N.D. Ill., No. 3880.

<sup>7</sup> D.C. Ariz., No. B-9352-Phx.

a "corporation," defined in Section 106(3) as any corporation "which could be adjudged a bankrupt . . ." The Commission also urged that Section 4b was intended to prevent liquidation in bankruptcy of a charitable corporation against its will, while Chapter X is designed for the financial rehabilitation, not the liquidation, of the debtor corporation. The court overruled the objection, and by order, without opinion, approved the petition.

In *General Economics Corporation*,<sup>8</sup> the same Chapter X trustees were appointed for the debtor and for its subsidiaries. Certain stockholders of one subsidiary, General Economics Syndicate, Inc. ("Syndicate"), moved to disqualify the trustees for this subsidiary on the ground that they were not disinterested within the meaning of Section 158 since they were also trustees for the parent and for another subsidiary against which Syndicate had possible claims. The Commission urged that a common trusteeship for the parent and subsidiaries was appropriate for the efficient administration of the estates; that such common trusteeship was contemplated by Section 129 which permits a subsidiary to file a Chapter X petition in the parent's Chapter X proceeding; and that separate trustees should not be required in the absence of a showing, on a complete record, that an actual and substantial conflict existed. The district court denied the stockholders' motion, and the court of appeals affirmed on the basis of the arguments advanced by the Commission.<sup>9</sup> The opinion of the court of appeals stated that its affirmance would not bar a similar motion in subsequent stages of the proceedings if a conflict in fact developed.

In *Fleetwood Motel Corporation*,<sup>10</sup> a landlord appealed from the district court's order denying his petition for possession of leased property on which the debtor had built a motel, its sole asset, at a cost of \$1,500,000. The lease provided for its termination upon the filing of a bankruptcy petition. While Section 70b of the Bankruptcy Act declares such a forfeiture provision enforceable in bankruptcy, and *Finn v. Meighan*, 325 U.S. 300 (1945) had held this provision applicable in Chapter X proceedings, the court of appeals as urged by the Commission, affirmed, stating that ". . . the question of enforceability of such a covenant is separate and distinct from the question whether enforcement in a particular case would be consistent with other provisions of the Bankruptcy Act." The court held that it would be inequitable to permit the landlord to secure possession of the debtor's principal asset as a result of the forfeiture and thereby defeat any pos-

<sup>8</sup> S.D.N.Y., No. 63-B-618.

<sup>9</sup> *Katz v. Kilshelmer*, 327 F. 2d 633 (C.A. 2, 1964).

<sup>10</sup> D.C.N.J., No. B-709-60.

sibility of a reorganization of the debtor in which the public had a substantial investment.<sup>11</sup>

In *Goebel Brewing Company*,<sup>12</sup> the trustee recommended court approval of an offer to purchase substantially all of the debtor's assets. The court ordered the offer rejected, agreeing with the Commission that a sale which is tantamount to a liquidation should be made only pursuant to a plan. Subsequently, another offer for substantially all of the assets was incorporated in a plan which the court approved and confirmed. In *The Sire Plan, Inc.*,<sup>13</sup> the district court, over Commission objection, authorized the trustee to sell real estate and a seven-story steel structure thereon, owned by one of the debtor corporations. The court of appeals affirmed on the ground that a sale pursuant to a plan was not required for a partially constructed building, which the district court had found a "wasting asset."<sup>14</sup>

In *Hughes Homes, Inc.*,<sup>15</sup> the district court denied a motion of the parent's trade creditors that the separate corporate entities be disregarded and their claims be treated on a parity with the publicly held debentures of the subsidiary corporations. Committees for debentureholders and the Commission had opposed the motion. The trade creditors have appealed.<sup>16</sup>

In *Doctor's Hospital, Inc.*,<sup>17</sup> the debtor had sold to the public over \$1,600,000 of bonds, and, as a nonprofit corporation, its bond issue was exempt from the provisions of the Trust Indenture Act of 1939. The debtor was reorganized as a for-profit corporation, which assumed the bonds with substantial modification of their terms. The reorganized company at first asserted that the assumption of the bonds under the plan did not involve a "sale" which required compliance with the Trust Indenture Act of 1939 but subsequently submitted the indenture for qualification.

#### TRUSTEE'S INVESTIGATION

A complete accounting for the stewardship of corporate affairs by the old management is a requisite under Chapter X. One of the primary duties of the trustee is to make a thorough study of the debtor

<sup>11</sup> No. 14667, C.A. 3, August 6, 1964.

<sup>12</sup> E. D. Mich., No. 64-209.

<sup>13</sup> S.D.N. Y., No. 63 B 140.

<sup>14</sup> *Mintzer v. Joseph*, 332 F. 2d 497 (C.A. 2, 1964).

<sup>15</sup> D.C. Mont., No. 3174.

<sup>16</sup> In its decision of September 21, 1964, the court of appeals affirmed, stating ". . . that the subsidiaries were operated as separate entities, that on balance the parent corporation was the beneficiary of the corporate interrelationship, that the objecting creditors did not rely upon the credit of the subsidiaries and were benefited rather than prejudiced by the way in which the subsidiaries were operated, that there was no fraud or overreaching attributable to" the subsidiaries and that ". . . there was no unjust enrichment of debenture holders" of the subsidiaries. *Anaconda Building Materials Co. v. Newland*, 336 F. 2d 625 (C.A. 9, 1964).

<sup>17</sup> S.D. Iowa, No. 30-992.

to assure the discovery and collection of all assets of the estate, including claims against officers, directors or controlling persons who may have mismanaged the debtor's affairs. The staff of the Commission often aids the trustee in his investigation.

In *Automatic Washer Company*,<sup>18</sup> the court ordered, on petition of the trustee, which the Commission supported, that the stock interests of Bankers Life & Casualty Company and of Bellanca Corporation (presently Olson Brothers, Inc.) should be subordinated to the extent of \$1.50 per share of the publicly held stock of the debtor. Subordination was based upon wrongful transactions when each of these companies was the dominant stockholder of the debtor. Both companies have appealed.<sup>19</sup>

In *Equitable Plan Company*,<sup>20</sup> the court authorized the trustee to accept \$600,000 in settlement of an action against Manufacturers-Hanover Trust Co. The trustee had alleged, *inter alia*, that the bank improperly permitted Lowell M. Birrell and others to appropriate substantial sums from the debtor's bank accounts.

In *Swan-Finch Oil Corporation*,<sup>21</sup> the trustees settled their action against Manufacturers-Hanover Trust Co. for \$837,500, and Manufacturers withdrew its claim of \$8,300 against the debtor for services rendered as transfer agent. In their action the trustees alleged that Manufacturers, as depository, transfer agent and custodian for Swan-Finch, had, through negligence, aided and abetted Lowell M. Birrell in the illegal distribution of Swan-Finch stock.<sup>22</sup> The settlement of the claim of Equitable Plan Company against Keta Gas & Oil Company, a subsidiary of Swan-Finch, provides that Equitable be paid \$87,500 in cash and retain 10.8 percent of the outstanding common stock of Swan-Finch. The trustees also settled for \$25,000 Keta's counterclaim against Doeskin Products Co., Inc., which has withdrawn its substantial claim against Swan-Finch.

#### REPORTS ON PLANS OF REORGANIZATION

Generally, the Commission files a formal advisory report only in a case involving a substantial public investor interest and presenting

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<sup>18</sup> 226 F. Supp. 834 (S.D. Iowa, 1964).

<sup>19</sup> *Bankers Life & Casualty Co., et al. v. Kirtley*, C.A. 8, Nos. 17,711 and 17,712. For other recoveries in this reorganization proceeding, see 29th Annual Report, pp. 90-91.

<sup>20</sup> S.D. Calif., No. 86,096-T.

<sup>21</sup> S.D.N.Y., No. 93046.

<sup>22</sup> In their suit which is pending against the American Stock Exchange and others, the trustees obtained a settlement of \$17,500 from William P. Hoffman & Co., one of the defendants, who allegedly aided Birrell in the distribution of unregistered Swan-Finch stock through the use of "dummy" accounts. The trustees' action against the other defendants is still pending.

For other settlements and suits in the Swan-Finch reorganization, see 29th Annual Report, p. 91.

significant problems. When no such formal report is filed, the Commission may state its views briefly by letter, and authorize its counsel to make an oral or written presentation to amplify the Commission's views. During this fiscal year the Commission published one formal advisory report.<sup>23</sup> The Commission conveyed its views to the court on 13 other plans, on some by oral statement of its counsel at the hearing, and on the others by letter and supporting memoranda.<sup>24</sup>

The formal advisory report relates to *Bevis Shell Homes, Inc.*, which prior to the Chapter X proceeding was engaged in the construction and sale of shell homes. The plan is predicated in part on the possibility that the reorganized company may resume construction of shell homes or may acquire other types of operating companies under a program of general diversification.

It provides for the retirement of secured indebtedness of over \$5 million, held by institutional investors, out of proceeds to be realized from the liquidation of mortgages and houses in inventory. For the outstanding publicly-held debentures, totaling about \$2 million principal amount, the reorganized company would issue new debentures of the same principal amount, with interest reduced from 9 to 5 percent, and without compensation for past accruals of interest. The plan provides for the initial issuance by the reorganized company of about 1.5 million shares of common stock, 10 cents par value per share, of which 80 percent is to be distributed to the holder of a note for \$1.1 million which was subordinate to the debentures, and the balance, together with warrants, is allotted to the publicly-held common stock.

The Commission's report stated that the proposed building and diversification programs "are too vague and conjectural to be considered as a source of value or earnings for the reorganized company," and, insofar as predicated thereon, the plan is not feasible and, in fact, it "contemplates that these aspects of feasibility are not to be determined by the court but are to be deferred for decision by the management of the reorganized company," after the plan is consummated. The report further stated that it is not appropriate "under the auspices of the court to effect a public distribution of securities whose market prices may reflect in large measure uninformed or speculative appraisals of the conjectural possibilities to which, on this record, no credence

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<sup>23</sup> *Bevis Shell Homes, Inc.*, Corporate Reorganization Release No. 213 (May 25, 1964).

<sup>24</sup> *Bzura Chemical Co., Inc.* and *Bzura, Inc.*, D.C.N.J., No. B-831-62; *Dilbert's Quality Supermarkets, Inc.*, E.D.N.Y., No. 62-B-920; *Doctors' Hospital, Inc.*, S.D. Iowa, No. 30-992; *Equitable Enterprises*, M.D. Fla., No. 4047-T; *Frank Fehr Brewing Co.*, W.D. Ky., No. 27672; *General Economics Corporation, et al.*, S.D.N.Y., No. 63-B-618; *Goebel Brewing Co.*, E.D. Mich., No. 64-209; *Joe Newcomer Finance Company*, D.C. Colo., No. 34452; *The Kentucky Jockey Club*, W.D. Ky., No. 22988; *Scranton Corporation*, M.D. Pa., No. 11388; *Shawano Development Corporation*, D.C. Wyo., No. 3163; *Southern Enterprise Corporation*, S.D. Tex., No. 2548; *St. John's View Sites*, S.D. Calif., No. 142854-TC.

can be given.” Treating the plan as essentially a liquidation of present assets, the report also concludes that the plan is not fair and equitable since the debentures are not accorded full contractual right to interest, and since it provides participation for junior interests, including stockholders.<sup>25</sup>

In *TMT Trailer Ferry, Inc.*,<sup>26</sup> as reported previously,<sup>27</sup> the district court approved and confirmed an internal plan of reorganization, overruling objections by the Commission and the stockholders' committee. On appeal by the committee, which was supported by the Commission, the court of appeals postponed ruling on the issues on appeal, with the exception of the issue whether a plan may be confirmed which contemplates that the trustee will become president of the reorganized company.<sup>28</sup> It held that the law does not preclude the employment of the trustee by the reorganized company. It stated, however, that the trustee would not be disinterested “. . . if the proponents of a plan assured him of emoluments and security rather than merely nominating him for approval by the court and subject to the usual control of the Board of Directors.”

#### ACTIVITIES WITH REGARD TO ALLOWANCES

Every reorganization case ultimately presents the difficult problem of determining the allowance of compensation to be paid out of the debtor's estate to the various parties for services rendered and for expenses incurred in the proceeding. The Commission, which under Section 242 of the Bankruptcy Act may not receive any allowance from the estate for the services it renders, has sought to assist the courts in protecting debtors' estates from excessive charges and at the same time in allocating compensation equitably on the basis of the claimants' contributions to the administration of estates and the formulation of plans. During the fiscal year 205 applications for compensation totaling about \$5.4 million were reviewed. Two applications raised the question whether an allowance is barred because of a conflict of interest.

In *St. John's View Sites*,<sup>29</sup> attorneys for holders of deeds of trust on the debtor's properties filed a series of suits for damages and other relief. Prior to the Chapter X proceeding, these attorneys secured a purchaser for the properties and thereafter the Chapter X proceeding was initiated apparently as the means for effectuating the sale

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<sup>25</sup> After the close of the fiscal year, the court approved the plan, the statutory acceptances were obtained, and the plan was confirmed. *Bevis Shell Homes, Inc.*, M.D. Fla., No. 4204-T-Bk.

<sup>26</sup> S.D. Fla., No. 3659 M Bk.

<sup>27</sup> 29th Annual Report, pp. 91-92.

<sup>28</sup> *Protective Committee, etc. v. Anderson*, 334 F. 2d 118 (C.A. 5, 1964).

<sup>29</sup> S.D. Calif., No. 142854-Y.

and conveying clear title to the purchaser. By separate contract the purchaser was required to pay these attorneys \$10,000 as additional compensation for services to be performed in the Chapter X proceeding. This agreement was not disclosed to the court until sometime after confirmation of the plan of reorganization pursuant to which the properties were sold to the purchaser. The attorneys requested a fee of \$184,500, and the Commission recommended a fee of \$75,000 less the \$10,000 for an estimated 5,000 hours of compensable services before and during the Chapter X proceeding. Subsequently, the Commission filed a memorandum stating that the contract with the purchaser gave rise to a conflict of interest; that under *Woods v. City National Bank & Trust Co.*, 312 U.S. 262, 268 (1941), a conflict of interest is a bar to any allowance; and that some courts have indicated that in special circumstances a conflict of interest may be ground for reduction of an allowance. The special master recommended the full amount requested but, on exceptions filed by the Commission, the district court allowed \$100,000.

In *Windermere Hotel Company*,<sup>30</sup> the Commission recommended that the attorneys for the plan proponent who was the purchaser of the property of the estate should be denied compensation because the interests of their client were adverse to the interests of the estate and of the bondholders who received the net proceeds of the sale. The court, however, awarded the attorneys compensation in the amount recommended by the special master whose report, adopted by the court, concluded that any conflict was practically eliminated since the property was sold at public auction in excess of its appraised value, and the plan proponent had dealt at arms-length with the trustee.<sup>31</sup>

In *Hudson & Manhattan Railroad Company*,<sup>32</sup> in which the Commission submitted its recommendations in the previous fiscal year, the district court rendered its decision awarding, exclusive of interim allowances, final allowances totaling \$1,162,000 to groups of 30 applicants who had applied for compensation totaling \$2,441,000.<sup>33</sup> The Commission had recommended allowances totaling \$1,183,000. The district court stated that it “. . . has, in accordance with the policy laid down by the courts, given great weight to the recommendations of the Securities and Exchange Commission as being an independent agency.” The court also stressed the need for economy in the allowance of fees, stating: “In granting allowances in a situation such as this it is impossible to make allowances commensurate with fees

<sup>30</sup> D.C.N.D. Ill., No. 60 B 8818.

<sup>31</sup> This decision is contrary to the *Woods* case, *supra*, and *London v. Snyder*, 163 F. 2d 621 (C.A. 8, 1947):

<sup>32</sup> S.D.N.Y., No. 90460.

<sup>33</sup> 224 F. Supp. 815 (S.D.N.Y., 1963).

which would be received in ordinary matters. Just as some of the creditors of the debtor had to take some loss, so the attorney and committees participating in the proceeding cannot be expected to be paid what they would be paid by an ordinary client.”<sup>34</sup>

Counsel for one of the committees requested an allowance of \$93,000, computed on the basis of \$50 per hour for partners and \$20 per hour for associates. The court, agreeing with the Commission’s recommendation, allowed \$50,000, stating that the hourly rates proposed by the applicant were “. . . inappropriate for compensable services in a Chapter X proceeding.” The court denied another applicant’s request for \$6,000 and allowed \$4,000. The Commission had not objected to this application because the request was small but the court said that it did not believe “. . . that applications for high allowances should be approved merely because they constituted a ‘small request.’”

The court disallowed several applications, as recommended by the Commission, because of the bar under Section 249. That Section was held applicable to counsel for certain bondholders, where one of the firm’s partners, as co-executor of his father’s estate, had sold bonds of the debtor held in the estate and both partners of the firm were to share in the proceeds of the estate.<sup>35</sup> However, the court awarded an allowance to co-counsel for the same bondholders in an amount recommended by the Commission, stating: “The Court agrees with the conclusion of the SEC that there was not that degree of intimacy among counsel that would call for this Court to bar compensation to co-counsel as well. . . .”

Of eight applications for leave to appeal, the courts of appeals granted two, which the Commission had supported, and these appeals were pending at the close of the fiscal year.

#### INTERVENTION IN CHAPTER XI PROCEEDINGS

Chapter XI of the Bankruptcy Act provides a procedure by which debtors can effect arrangements with respect to their unsecured debts under court supervision. Where a proceeding is brought under that chapter but the facts indicate that it should have been brought under Chapter X, Section 328 of Chapter XI authorizes the Commission to make application to the court to dismiss the Chapter XI proceeding unless the debtor’s petition is amended to comply with the requirements of Chapter X, or a creditors’ petition under Chapter X is filed.

In *Canandaigua Enterprises Corporation*,<sup>36</sup> the debtor and its subsidiary, Finger Lakes Racing Associates, Inc., which operate a horse

<sup>34</sup> Id. at 825.

<sup>35</sup> See also *In the Matter of Chamber of Commerce of the City of Newark, New Jersey*, D.C. N.J., No. B-73-60, summarized in 28th Annual Report, p. 101.

<sup>36</sup> W.D. N.Y., No. Bk-631954.

race track in the Finger Lakes region of New York State, proposed an arrangement under which they would issue new 7 percent non-cumulative income debentures in exchange for the 7 percent fixed interest debentures held by the public. The new debentures would not have a sinking fund but would contain a more favorable convertible feature. The debtor's two classes of stock, 30 percent of which is owned by the debtor's officers and directors, would not be affected. The Commission's motion under Section 328 stated, *inter alia*, that the provisions of the proposed arrangement raised substantial questions as to fairness and equity with respect to the publicly-held debentures, which required the application of the procedural and substantive safeguards found only in Chapter X. The court denied the Commission's motion, and the Commission has appealed.<sup>37</sup>

Motions under Section 328 were filed by the Commission and were granted in *BarChris Construction Corporation*<sup>38</sup> and *Hydrocarbon Chemicals, Inc.*<sup>39</sup> In the *BarChris* case the debtor amended its petition to comply with Chapter X. In the *Hydrocarbon* proceeding the debtor similarly amended its petition after it withdrew its appeal from the order granting the Commission's motion. In *Coast Investors, Inc.*,<sup>40</sup> the debtor, after argument, consented to an order granting the Commission's motion and filed an amended Chapter X petition.

In *American Trailer Rentals Company*,<sup>41</sup> discussed in the 29th Annual Report (p. 95), the district court's order denying the Commission's motion under Section 328 was affirmed by the court of appeals,<sup>42</sup> and the Supreme Court granted the Commission's petition for a writ of certiorari.<sup>43</sup> In *Crumpton Builders, Inc.*<sup>44</sup> and *American Guaranty Corporation*,<sup>45</sup> both summarized in the 29th Annual Report (pp. 95-96), the Commission appealed from orders denying its Section 328 motions. These appeals have been argued and are pending for decision.<sup>46</sup> The Commission, by leave of court, withdrew its motion in *Taste Freez Industries, Inc.*<sup>47</sup> after the receiver in the Chapter XI proceeding had disposed of a major part of the debtor's business.

<sup>37</sup> *S.E.C. v. Canandaigua Enterprises Corporation*, C.A. 2, No. 29012.

<sup>38</sup> S.D.N.Y., No. 62B761.

<sup>39</sup> D.C.N.J., No. B-743-63.

<sup>40</sup> W.D. Wash., No. 53448.

<sup>41</sup> D.C. Colo., No. 33276.

<sup>42</sup> *S.E.C. v. American Trailer Rentals Co.*, 325 F. 2d 47 (C.A. 10, 1963).

<sup>43</sup> *S.E.C. v. American Trailer Rentals Co.*, October Term 1964, No. 35.

<sup>44</sup> M.D. Fla., No. 6342-T.

<sup>45</sup> D.C. R.I., No. 63B17.

<sup>46</sup> *S.E.C. v. Crumpton Builders, Inc.*, C.A. 5, No. 20712; *S.E.C. v. American Guaranty Corp.*, C.A. 1, No. 6223.

<sup>47</sup> N.D. Ill., No. 8493.

## PART VIII

### 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 requires 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 to designated standards of eligibility and qualification of the corporate trustee 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 "in the exercise of the rights and powers invested in it by the indenture" 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 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 during the fiscal year ended June 30, 1964*

|   | Number<br>filed | Aggregate<br>amount |
|---|-----------------|---------------------|
| Indentures pending June 30, 1963.....             | 27              | \$397, 558, 500     |
| Indentures filed during fiscal year.....          | 169             | 4, 212, 840, 552    |
| Total.....  | 196             | 4, 610, 399, 052    |
| Disposition during fiscal year:                   |                 |                     |
| Indentures qualified.....                         | 164             | 4, 061, 924, 272    |
| Indentures deleted by amendment or withdrawn..... | 9               | 90, 086, 500        |
| Indentures pending June 30, 1964.....             | 23              | 458, 378, 280       |
| Total.....  | 196             | 4, 610, 399, 052    |

## **PART IX**

### **ADMINISTRATION OF THE INVESTMENT COMPANY ACT OF 1940**

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

The securities of investment companies which are offered to the public are also required to be registered under the Securities Act of 1933 and the companies must file periodic reports. Such companies are also subject to the Commission's proxy rules and closed-end companies are subject to "insider" trading rules.

#### **COMPANIES REGISTERED UNDER THE ACT**

As of June 30, 1964, there were 731 investment companies registered under the Act, including 72 small business investment companies. Of this total, 617 were "active" companies, whose assets had an aggregate market value of approximately \$41.6 billion. Compared with the corresponding totals at June 30, 1963, these figures represent an overall increase of approximately \$5.6 billion in the market value of assets, while the number of registered companies increased by four. The classification of the registered companies and the respective approximate market values of the assets in each category as of June 30, 1964, are shown in the table on p. 111.

|                              | Number of registered companies |            |            | Approximate market value of assets of active companies (millions) |
|------------------------------|--------------------------------|------------|------------|---|
|                              | Active                         | Inactive * | Total      |   |
| Management open-end.....     | 337                            | 28         | 365        | \$29,878  |
| Management closed-end.....   | 166                            | 42         | 208        | 7,900   |
| Unit investment trust.....   | 107                            | 41         | 148        | 2,856   |
| Face-amount certificate..... | 7                              | 3          | 10         | 978   |
| <b>Total.....</b>            | <b>617</b>                     | <b>114</b> | <b>731</b> | <b>41,612</b>   |

\* "Inactive," as used herein, refers to registered companies which, as of June 30, 1964, were in the process of being liquidated or merged, or which have otherwise gone out of existence and remain registered only until such time as the Commission issues orders under Section 8(f) of the Investment Company Act terminating their registrations.

• During the year, one company changed its classification from closed-end to open-end.

The approximately \$2,856,000,000 of assets of the 107 "active" registered unit investment trusts includes approximately \$2,406,000,000 of assets of 54 registered unit investment trusts which invest in securities of other registered investment companies, substantially all of which are of the open-end type.

During the fiscal year, 52 new companies, including 2 small business investment companies, registered under the Act while the registrations of 48 companies, including 1 small business investment company, were terminated. The classification of these companies is as follows:

|                            | Registered during the fiscal year | Registration terminated during the fiscal year |
|----------------------------|-----------------------------------|--|
| Management open-end.....   | 27                                | 13   |
| Management closed-end..... | 15                                | 24   |
| Unit investment trust..... | 10                                | 11   |
| <b>Total.....</b>          | <b>52</b>                         | <b>48</b>                                      |

#### GROWTH OF INVESTMENT COMPANY ASSETS

The following table illustrates the striking growth of assets of investment companies over the years since the enactment of the Investment Company Act:

*Number of investment companies registered under the Investment Company Act and their estimated aggregate assets, in round amounts, at the end of each fiscal year, 1941 through 1964*

| Fiscal year ended June 30 | Number of companies             |                        |                                     |                           | Estimated aggregate market value of assets at end of year (in millions) * |
|---------------------------|---------------------------------|------------------------|-------------------------------------|---------------------------|---|
|                           | Registered at beginning of year | Registered during year | Registration terminated during year | Registered at end of year |   |
| 1941                      | 0                               | 450                    | 14                                  | 436                       | \$2,600   |
| 1942                      | 436                             | 17                     | 46                                  | 407                       | 2,400   |
| 1943                      | 407                             | 14                     | 31                                  | 390                       | 2,300   |
| 1944                      | 390                             | 8                      | 27                                  | 371                       | 2,200   |
| 1945                      | 371                             | 14                     | 19                                  | 366                       | 3,250   |
| 1946                      | 366                             | 13                     | 18                                  | 361                       | 3,760   |
| 1947                      | 361                             | 12                     | 21                                  | 352                       | 3,600   |
| 1948                      | 352                             | 18                     | 11                                  | 359                       | 3,625   |
| 1949                      | 359                             | 12                     | 13                                  | 358                       | 3,700   |
| 1950                      | 358                             | 26                     | 18                                  | 366                       | 4,700   |
| 1951                      | 366                             | 12                     | 10                                  | 368                       | 5,600   |
| 1952                      | 368                             | 13                     | 14                                  | 367                       | 6,800   |
| 1953                      | 367                             | 17                     | 15                                  | 369                       | 7,000   |
| 1954                      | 369                             | 20                     | 5                                   | 384                       | 8,700   |
| 1955                      | 384                             | 37                     | 34                                  | 387                       | 12,000  |
| 1956                      | 387                             | 46                     | 34                                  | 399                       | 14,000  |
| 1957                      | 399                             | 49                     | 16                                  | 432                       | 15,000  |
| 1958                      | 432                             | 42                     | 21                                  | 453                       | 17,000  |
| 1959                      | 453                             | 70                     | 11                                  | 512                       | 20,000  |
| 1960                      | 512                             | 67                     | 9                                   | 570                       | 23,500  |
| 1961                      | 570                             | 118                    | 26                                  | 663                       | 29,000  |
| 1962                      | 663                             | 97                     | 33                                  | 727                       | 27,800  |
| 1963                      | 727                             | 48                     | 48                                  | 727                       | 36,000  |
| 1964                      | 727                             | 52                     | 48                                  | 731                       | 41,600  |
| <b>Total</b>              |                                 | <b>1,272</b>           | <b>541</b>                          |                           |   |

\* The increase in aggregate assets reflects the sale of new securities as well as capital appreciation. By way of illustration, the Investment Company Institute reported that during the fiscal year ended June 30, 1964, its open-end investment company members, numbering 165 and representing the bulk of the industry, had net sales of their securities amounting to \$1,071 million.

### INSPECTION AND INVESTIGATION PROGRAM

During the fiscal year 1964 a total of 146 investment company inspections was completed pursuant to the statutory authority conferred on the Commission by Section 31(b) of the Investment Company Act. This represented a 76.5 percent increase over the 84 inspections of the previous fiscal year. These inspections were planned and supervised by the Branch of Inspections and Investigations which was established during fiscal 1963 in the Division of Corporate Regulation.

In furtherance of the Investment Company Act training program for staff members, short seminars on Investment Company Act problems and inspection techniques were conducted by members of the Branch of Inspections and Investigations at the regional offices in Denver, Seattle, Fort Worth, and Atlanta. A longer course was conducted at the Washington Regional Office in view of the expectation that increased responsibility for the investment company inspection program will be delegated to that office.

A large number of the inspections disclosed violations not only of the Investment Company Act but also of other statutes administered

by the Commission. Although violations of the Investment Company Act which were uncovered were frequently of a relatively minor nature and were quickly corrected when called to the attention of the company involved, a number were more serious in character. These included inadequate arrangements for safekeeping of the investment company's portfolio securities or failure to observe the safekeeping procedures which had been established. In several instances, the fidelity bonds maintained by the investment company pursuant to Section 17(g) of the Act were found to be inadequate in relation to the company's assets. In one instance it was found that the investment company did not in fact maintain an office at the address given in its prospectus as its head office, and that its books and records were being kept outside the United States. The inspections also disclosed several situations in which the procedures for pricing shares for purposes of purchase or redemption were not in conformity with the statute or the company's prospectus. Several instances were found in which investment company shares were not redeemed within the required statutory period. The inspections further exposed a number of instances in which transactions violating Section 17 of the Act were effected by affiliated persons.

Largely as an outgrowth of information obtained during the inspections, 33 private investigations were commenced during the fiscal year; and, on the basis of the facts obtained, five civil actions seeking injunctions, involving six investment companies, were instituted by the Commission. Two of these actions sought to enjoin further activity by unregistered investment companies.<sup>1</sup> The complaint in one case (*Max J. Royer*) alleged violation of the proxy filing requirements of the Act, while in the other matter (*Midland Basic*) the complaint sought the appointment of a trustee and injunctions against two of the company's officers and directors for serving in those capacities while permanently enjoined by court order, in violation of Section 9(a) of the Act. In connection with this matter, a subpoena enforcement action was instituted.<sup>2</sup> In *S.E.C. v. Continental Growth Fund, Inc.*,<sup>3</sup> the complaint alleged, among other things, conversion, failure to maintain a fidelity bond, unlawful transactions with affiliated persons, and sale of shares at other than the current public offering price. In *S.E.C. v. Fleetwood Securities Corporation*,<sup>4</sup> which involved a unit

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<sup>1</sup> *S.E.C. v. Max J. Royer, Business Dev. Corp., et al.*, Civ. Act. No. IP 63-C-334 (S.D. Ind., July 2, 1963); *S.E.C. v. Midland Basic, Inc., et al.*, Civ. Act. No. 64-275 (Dist. S.D., March 5, 1964).

<sup>2</sup> *S.E.C. v. Midland Trust, Inc.*, Civ. Act. No. Misc. (Dist. S.D., March 27, 1964).

<sup>3</sup> 63 Civ. No. 2252 (S.D.N.Y., July 30, 1963).

<sup>4</sup> 64 Civ. No. 1317 (S.D.N.Y., April 29, 1964).

investment trust which had abandoned its duties as a depositor, the appointment of a receiver was requested. And in *S.E.C. v. James J. Ling, et al.*,<sup>5</sup> the complaint alleged, among other things, that affiliated persons of Electro-Science Investors, Inc., had entered into transactions with that investment company amounting to gross abuse of trust.

Settlements beneficial to shareholders of investment companies were obtained in two instances. In one, the investment company's president had, in effect, converted substantial sums due to failure of the bank which was custodian of the fund's assets to exercise minimal standards of custodial care. The settlement resulted in the return of approximately \$220,300 to the company.<sup>6</sup> In the other instance, the principal underwriter and investment adviser for two registered investment companies had received substantial brokerage commissions on portfolio transactions which could have been executed directly without the payment of commissions, and transactions involving affiliated persons had been effected in violation of Section 17. As a result of administrative proceedings brought against the principal underwriter and investment adviser, a settlement was effected by which more than \$400,000 was returned to the two investment companies.

As a consequence of the training courses and the experience gained by participation in inspections and investigations, a number of the various regional offices of the Commission have assumed an increased responsibility in the inspection program as well as in the processing of formal investigations under the Investment Company Act.

#### SPECIAL STAFF STUDY OF INVESTMENT COMPANIES

During fiscal year 1963 the Wharton School of the University of Pennsylvania submitted to the Commission its Study of Mutual Funds, which the Commission in turn submitted to the Committee on Interstate and Foreign Commerce, House of Representatives.<sup>7</sup> The Study, based on responses to questionnaires, constitutes the most comprehensive analysis of the mutual fund industry since the Commission's study made prior to the adoption of the Investment Company Act of 1940. It analyzes the growth, organization and control, investment policy and performance of open-end investment companies (popularly known as mutual funds), their impact on securities markets, the extent of control of portfolio companies, and the financial and other relationships of mutual funds with their investment advisers and principal underwriters.

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<sup>5</sup> No. CA-3-447 (N.D. Tex., February 24, 1964).

<sup>6</sup> See S.E.C. Litigation Release No. 2973 (June 23, 1964).

<sup>7</sup> H. Rep. No. 2274 (87th Cong. 2d Sess.).

As the Commission stated in its transmittal letter, many of the comments in the Study raise questions of broad policy whether some of the practices and patterns which originated in an earlier time and under different conditions and which have become conventional within the broad tolerances of the 1940 Act should be reconsidered. The study draws attention to the potential for divided loyalties arising from the typical structure of the industry under which a significant part of the funds' activities is performed by affiliated organizations such as advisers, underwriters, and brokers, who control or are represented on the boards of directors of the funds. Questions are also raised as to the relationship, or lack of relationship, between, on the one hand, the growth, size and performance of mutual funds, and, on the other hand, sales commissions, other sales incentives, advisory fees and costs of operation of the mutual funds and of the advisers, including fees charged by advisers to other clients. The Study comments upon the role of and in general questions the effectiveness of "unaffiliated" directors of the typical mutual fund.

In forwarding the Study to the Congress, the Commission stated that it would be premature to attempt an evaluation of the conclusions in the Study, but that it was apparent that the Commission's rules under the 1940 Act and indeed some of the provisions of the statute itself might require reassessment. The Commission accordingly directed its staff to conduct a detailed evaluation of the Study with a view to making such recommendations as may seem appropriate.<sup>8</sup> This evaluation in which members of the staff of the Division of Corporate Regulation were engaged throughout fiscal 1964 includes a review of the structure and operations of the investment company industry generally, and a reassessment of the provisions of the Investment Company Act and the Commission's rules and regulations thereunder.

The Special Study of Securities Markets considered certain aspects of the investment company industry not covered by the Wharton School Study, namely, sales techniques, the adequacy of training and supervision of salesmen, "contractual" or "front-end load" plans for the purchase of investment company shares and the possible use of inside information with respect to portfolio transactions by those closely affiliated with investment companies. The conclusions and recommendations of the Special Study in these areas are contained in Chapter XI of the Special Study Report,<sup>9</sup> transmitted by the Commission to the Congress early in fiscal 1964. In one of the areas covered, that of contractual plans, the Special Study's Report suggested that the Commission recommend legislation amending the Act's

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<sup>8</sup> *Id.* at pp. VI-VII.

<sup>9</sup> H. Doc. No. 95, pt. 4, p. 212 (88th Cong., 1st Sess.).

provisions relating to such plans, that consideration be given to the abolition of any future front-end load or, if it should be concluded that abolition was not called for, that the legislation should both substantially limit the amount and method of application of any such load and prohibit the offering of front-end load contractual plans without the simultaneous offering of a level-load voluntary plan.<sup>10</sup> During fiscal 1964 the Association of Mutual Fund Plan Sponsors submitted to the Commission a statement in reply to the findings and recommendations of the Special Study regarding contractual plans. At the end of fiscal 1964 the Commission had this reply under consideration.

It is expected that the staff study will be completed during fiscal 1965, and that the staff's analysis, together with the reports of the Wharton School and of the Special Study of Securities Markets, will aid the Commission in determining whether to submit recommendations to the Congress for amendment of the Investment Company Act and what action, if any, should be taken to strengthen the rules and regulations under the Act.

#### CURRENT INFORMATION

The Commission's rules promulgated under the Act require that the basic information contained in notifications of registration and in registration statements of investment companies be kept current, through periodic and other reports, except in cases of certain inactive unit trusts and face-amount certificate companies. The following reports and documents were filed during the 1964 fiscal year:

|   |       |
|---|-------|
| Annual reports.....   | 521   |
| Quarterly reports.....  | 280   |
| Periodic reports to stockholders (containing financial statements)..... | 1,496 |
| Copies of sales literature.....   | 1,965 |

The foregoing statistics do not reflect the numerous filings of revised prospectuses by open-end investment companies and unit investment trusts making a continuous offering of their securities. These prospectuses, which must be checked for compliance with the Investment Company Act, are required to show material changes which have occurred in the operations of the companies since the effective date of the latest amendments on file.

#### APPLICATIONS AND PROCEEDINGS

Under Section 6(c) of the Act, the Commission, by rules and regulations, upon its own motion or by order upon application, may exempt

<sup>10</sup> As to the Commission's views with respect to this recommendation, see *id.*, pt. 5, p. 15.

any person, security, or transaction from any provision of the Act if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Other Sections, such as 6(d), 9(b), 10(f), 17(b), 17(d), and 23(c), contain specific provisions and standards pursuant to which the Commission may grant exemptions from particular sections of the Act or may approve certain types of transactions. Also, under certain provisions of Sections 2, 3, and 8 the Commission may determine the status of persons and companies under the Act. One of the principal activities of the Commission in its regulation of investment companies is the consideration of applications for orders under the sections referred to.

During the fiscal year, 245 applications filed under various sections of the Investment Company Act were before the Commission. The sections of the Act with which these applications were concerned and the disposition of such applications are shown in the following table:

*Applications filed with or acted upon by the Commission under the Investment Company Act of 1940 during the fiscal year ended June 30, 1964*

| Sections           | Subject involved  | Pending<br>July 1,<br>1963 | Filed | Closed | Pending<br>June 30,<br>1964 |
|--------------------|---|----------------------------|-------|--------|-----------------------------|
| 2                  | Definition of controlled person   | 6                          | 2     | 1      | 7                           |
| 3 and 6            | Status and exemption  | 9                          | 19    | 14     | 14                          |
| 7(d)               | Registration of foreign investment companies  | 1                          | 0     | 0      | 1                           |
| 8(f)               | Termination of Registration   | 34                         | 41    | 48     | 27                          |
| 9, 10, 16          | Regulation of affiliations of directors, officers, employees, investment advisers, underwriters and others. | 0                          | 5     | 3      | 2                           |
| 12, 13, 14(a), 15  | Regulation of functions and activities of investment companies.   | 10                         | 8     | 11     | 7                           |
| 11, 25             | Regulation of security exchange offers and reorganization matters.  | 3                          | 1     | 3      | 1                           |
| 17                 | Regulation of transactions with affiliated persons  | 29                         | 52    | 51     | 30                          |
| 18, 19, 21, 22, 23 | Requirements as to capital structures, loans, distributions and redemptions, and related matters.           | 8                          | 11    | 12     | 7                           |
| 20, 30             | Proxies, reports, and other documents reviewed for compliance.  | 1                          | 0     | 0      | 1                           |
| 27                 | Periodic payment plans  | 0                          | 1     | 0      | 1                           |
| 28                 | Regulation of face-amount certificate companies   | 2                          | 2     | 2      | 2                           |
|                    | Total   | 103                        | 142   | 145    | 100                         |

Some of the more significant matters in which applications were considered are summarized below:

On June 18, 1964, the Commission issued notice<sup>11</sup> that Financial Industrial Fund, Inc. and Financial Industrial Income Fund, Inc. ("the funds"), two open-end investment companies, and Financial Programs, Inc. ("Programs"), had filed an application under Section 6(c) for an order exempting them from the provisions of Section 15 of the Act to the extent that that section might be deemed to prevent

<sup>11</sup> Investment Company Act Release No. 3997.

Programs from serving as investment adviser of and principal underwriter for the funds.

Prior to the filing of the application, the Division of Corporate Regulation had conducted a private investigation, as a result of which it concluded that the investment advisory and principal underwriting contracts between Programs and the funds had been assigned, and therefore terminated, on or about January 2, 1964, as a result of the execution of certain contracts for the sale of approximately 87 percent of the voting and nonvoting stock of Programs, and the occurrence of certain related events.

While the application did not concede the validity of the Division's position with respect to the assignment of the investment advisory and underwriting contracts, it proposed a basis for compromise of the matter involving the acceptance by Programs, subject to approval of the shareholders of the funds, of reduced fees based on the cost of rendering advisory and underwriting services for the period from January 2, 1964, to the date of the requested order. Shortly after the close of the fiscal year the application was granted by the Commission.<sup>12</sup>

As noted at p. 106 of the Commission's 29th Annual Report, on December 19, 1962, Randolph Phillips, a stockholder of Investors Mutual, Inc. and other registered open-end investment companies for which Investors Diversified Services, Inc. ("IDS") (also a registered investment company) serves as investment adviser, filed an application under Section 2(a)(9) of the Act requesting a determination that Bertin C. Gamble, Gamble-Skogmo, Inc., and General Outdoor Advertising Company, acting collectively (referred to in the application as the "Gamble Group"), either alone or in concert with John D. Murchison, Clint W. Murchison, Jr. and others (referred to as the "Murchison Group"), had acquired control of Alleghany Corporation ("Alleghany"), and of IDS, about 47.5 percent of whose voting securities were owned by Alleghany. On January 2, 1963, the Commission ordered that a hearing be held with respect to these questions of control.<sup>13</sup> On February 15, 1963, IDS filed an application under Section 2(a)(9) seeking determinations that (a) Murchison Brothers; (b) Allan P. Kirby, Sr.; (c) Kirby and certain associates; and (d) Murray D. Lincoln and/or companies controlled by or as-

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<sup>12</sup> On July 8, 1964, the Commission issued its Memorandum Opinion and Order (Investment Company Act Release No. 4009) granting the exemption sought by the application, conditioned on the approval by the shareholders of the funds of the modified payments by the funds to Programs. The Commission's opinion noted that the order did not "constitute authorization for the proposed payments or approval of the amounts thereof" but was "intended only to remove a possible statutory bar to consummation of the proposed compromise."

<sup>13</sup> Investment Company Act Release No. 3604.

sociated with him, controlled Alleghany and that Alleghany controlled IDS. This application was consolidated for purposes of hearing with the Phillips application.<sup>14</sup> The hearings in these consolidated proceedings were concluded in September 1963, and in June 1964, the hearing examiner filed a recommended decision in which he determined, among other things, that the Gamble Group did not "control" Alleghany or IDS, as asserted by Phillips. Exceptions to the recommended decision were filed after the close of the fiscal year.

Hearings were reopened on an application originally filed in 1961 by International Bank, an Arizona corporation, for an order declaring, pursuant to Section 3(b) (2) of the Act, that it was not an investment company.<sup>15</sup> Although the Commission granted the application, it rejected applicant's contention that a company which owns securities as an incident to the operations of its majority-owned subsidiary and of its controlled companies is not "in the business" of owning and holding such securities and is therefore not an investment company within the definition of Section 3(a) (3) of the Act. The Commission held that the section's applicability is not limited to situations where securities are held "merely as investments." However, the Commission concluded that applicant was primarily engaged in non-investment businesses and entitled to the order sought since (a) approximately two-thirds of applicant's total assets were represented by noninvestment businesses engaged in by it directly, through majority-owned subsidiaries, and through controlled companies conducting the business of banking, and (b) over two-thirds of its net income was derived from such businesses.<sup>16</sup>

During the fiscal year, *Townsend Corporation of America* ("TCA"), and *Townsend Management Corporation* ("TMC"), both registered closed-end investment companies, sought an exemption pursuant to Section 17(b) of the Act, and approval pursuant to Section 23(c) (3), with respect to transactions incident to a plan of merger of TCA, TMC and Resort Airlines, Inc., all of which are affiliated companies. The plan grew out of a proceeding instituted by the Commission in the U.S. District Court for the District of New Jersey, in which the Commission alleged violations by TCA, TMC and certain controlling individuals of various provisions of the Act and sought injunctive relief and an order requiring that action be taken to effectuate compliance with the Act.<sup>17</sup> The district court took possession of TCA and TMC for the purpose of enforcing compliance, enjoined the defendants from violations of the Act, appointed an interim board of

<sup>14</sup> Investment Company Act Release No. 3637 (February 20, 1963).

<sup>15</sup> See 27th Annual Report, pp. 150-151, for a prior reference to this matter.

<sup>16</sup> *International Bank*, Investment Company Act Release No. 3986 (June 4, 1964).

<sup>17</sup> *S.E.C. v. Townsend Corp. of America, et al.*, Civ. Act. No. 336-61 (D.N.J.).

directors to carry out the terms of its decree, and ordered that TCA and TMC, among other things, file with the Commission a plan of merger of TCA, TMC and Resort Airlines, Inc.<sup>18</sup> After a hearing, the Commission found, subsequent to the close of the fiscal year, that the terms of the merger plan were reasonable and fair and did not involve overreaching, that the transactions were consistent with the policies of the companies and the general purposes of the Act, and that the purchases by TCA and TMC of securities of which they were the issuers were to be made on a basis which would not unfairly discriminate against the holders of the classes of securities to be purchased. Accordingly, it granted the relief requested.<sup>19</sup> Upon the issuance of its order, the Commission, as had been directed by the district court, applied to that court for an order approving and enforcing the plan of merger.

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<sup>18</sup> The proceedings are described in greater detail in the Commission's 27th Annual Report for the fiscal year ended June 30, 1961, at pp. 153-4.

<sup>19</sup> Investment Company Act Release No. 4045 (September 2, 1964).

## **PART X**

### **ADMINISTRATION OF THE INVESTMENT ADVISERS ACT OF 1940**

The Investment Advisers Act of 1940 establishes a pattern of regulation of investment advisers similar to that contained in the Securities Exchange Act with respect to the conduct of brokers and dealers. With certain specified exceptions, the Act requires persons engaged for compensation in the business of advising others with respect to securities to register with the Commission, and requires investment advisers to conform to statutory standards designed to protect the public interest. The Act prohibits fraudulent conduct, and authorizes the Commission to define, and prescribe means reasonably designed to prevent, fraudulent, deceptive or manipulative acts or practices. Pursuant to such authority, the Commission has adopted a Rule (206(4)-1) relating to advertising practices, which, among other things, proscribes the use of testimonials, circumscribes permissible references to past recommendations and the use of graphs and charts, and prohibits the use of false or misleading statements. Under another Rule (206(4)-2), an investment adviser who has custody or possession of the funds or securities of clients must segregate them, maintain them in the manner provided in the rule and comply with certain other conditions.

The Act prohibits an investment adviser from basing his compensation upon a share of the capital gains or appreciation of his client's funds, and prohibits the assignment of investment advisory contracts without the client's consent. Advisers are also required to make, keep and preserve books and records in accordance with the Commission's rules and the Commission is empowered to conduct inspections of such books and records.

Investment advisers who violate any of the provisions of the Act or of the rules thereunder are subject to appropriate administrative, civil or criminal remedies. With respect to administrative remedies, the Act provides, in Section 203(d), that the Commission shall deny, revoke, or suspend for not more than 12 months, the registration of an investment adviser if it finds that such action is in the public interest and that the investment adviser or any partner, officer, director or

controlling or controlled person of the investment adviser is subject to a specified disqualification. These disqualifications include wilful misstatements in an application or report filed with the Commission, the existence of a conviction or injunction based on or related to specified types of misconduct, wilful violation of any provision of the Securities Act, Securities Exchange Act or Investment Advisers Act or any rule or regulation thereunder, or aiding and abetting any other person's violation of such provisions, rules or regulations. In addition, the Commission may seek injunctions to restrain violations of the Act and may recommend criminal prosecution by the Department of Justice for fraudulent misconduct or wilful violation of the Act or the Commission's rules thereunder.

### Inspection Program

During fiscal 1964, 239 inspections of investment advisers were completed by the Commission's staff (as compared to 219 the preceding year). These inspections disclosed a total of 182 indicated violations of the Act and the rules and regulations promulgated thereunder, as reflected in the following table:

#### *Violations Noted in Investment Adviser Inspection Reports—Fiscal Year 1964*

|   |            |
|---|------------|
| Books and records deficient.....  | 69         |
| Registration application inaccurate.....                                    | 43         |
| False, misleading, or otherwise prohibited advertising.....                 | 24         |
| Improper "hedge clause" <sup>a</sup> .....                                  | 12         |
| Failure to provide for nonassignability in investment advisory contract.... | 11         |
| Others .....  | 23         |
| <b>Total indicated violations.....</b>                                      | <b>182</b> |

<sup>a</sup> "Hedge clauses" used in literature distributed by investment advisers generally state in substance that the information furnished is obtained from sources believed to be reliable, but that no assurance can be given as to its accuracy. A clause of this nature may be improper where the recipient may be led to believe that he has waived any right of action against the investment adviser.

### Administrative Proceedings

The Commission instituted revocation proceedings against seven investment advisers during fiscal year 1964 and initiated two proceedings to determine whether applications for registration should be denied. During the year, it revoked the registrations of six advisers and denied one application. At the close of the fiscal year 13 revocation proceedings and 1 denial proceeding were pending. Those proceedings concluded during the year included the following:

*Anne Caseley Robin* and *Ben Robin*, doing business as *The Profit-maker*<sup>1</sup>—The Commission found, on the basis of stipulated facts, that

<sup>1</sup> Investment Advisers Act Release No. 149 (September 10, 1963).

Anne Robin, a registered investment adviser, violated the Act by failing to disclose in her registration application or by amendment that Ben Robin, her husband, exercised a controlling influence over the business. It further found that the Robins circulated misleading advertisements which represented that "The Profit-maker," a weekly market letter published by them, was staffed by trained and experienced securities analysts and experts, and that each stock discussed in the market letter had the potential of advancing 100 percent within a year. In addition, the Commission found that respondents engaged in fraudulent conduct by publishing an unverified and in fact false tip that a manufacturer, whose stock they recommended, had just received a large government contract. The Commission stated that advisers must meet the same "high degree of care required to insure accurate and adequate representations concerning securities discussed in printed advisory material distributed by a broker-dealer," and that if anything the deception was enhanced rather than dissipated by the use of a qualification at the end of the market letter that "information in this letter is not guaranteed but is gathered from sources we believe to be accurate." Revocation of registrant's registration was found to be in the public interest in view of the serious violations found.

*Justin Federman Stone*<sup>2</sup>—The Commission found that in the course of a publicity campaign designed to gain subscribers for Stone's advisory service, misrepresentations were made concerning the acceptance of the service by institutional investors. In addition, misleading statements were made to the effect that Stone's formula employed "miracle working computer-type techniques" resulting in "uncannily correct anticipation of market trends," and that the profitable results of the system had been proven by "exhaustive" tests. In concluding that Stone violated the anti-fraud provisions of the Act, the Commission noted that the publicity material conveyed the false impression that the advisory service provided an accurate mathematical device for determining when to buy and sell which had been proven by extensive tests and was widely acclaimed by experienced securities specialists and institutions. Stone's contention that the violations were attributable to his public relations counsellor and therefore not wilful was rejected, the Commission finding that Stone knew of and made no serious attempt to correct the misrepresentations and failed to meet his responsibility to comply with the Act. The Commission concluded that it was in the public interest to revoke Stone's registration.

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<sup>2</sup> Investment Advisers Act Release No. 153 (November 26, 1963).

**Registration Statistics**

At the close of the fiscal year 1,613 investment advisers were registered with the Commission. The following tabulation contains other statistics relating to registrations and applications for registration:

*Investment Adviser Registrations—Fiscal Year 1964*

|   |       |
|---|-------|
| Effective registrations at close of preceding year..... | 1,564 |
| Applications pending at close of preceding year.....    | 26    |
| Applications filed during year.....                     | 273   |
| Registrations cancelled or withdrawn during year.....   | 209   |
| Registrations denied or revoked during year.....        | 7     |
| Applications withdrawn during year.....                 | 12    |
| Applications pending at end of year.....                | 22    |

## PART XI

### OTHER ACTIVITIES OF THE COMMISSION

#### CIVIL LITIGATION

The several statutes administered by the Commission authorize the Commission to seek injunctions against continuing or threatened violations of such statutes. Such violations may involve a wide range of illegal practices, including the purchase or sale of securities by fraud, and the sale of securities without compliance with the registration requirements of the Securities Act. The Commission also participates in various other types of proceedings, including appearances as *amicus curiae* in litigation between private parties where it is important that its views regarding the interpretation of the statutes be furnished to the court.

At the beginning of fiscal year 1964 there were pending in the courts 121 injunctive and related enforcement proceedings instituted by the Commission to prevent fraudulent and other illegal practices in the sale or purchase of securities. During the year 84 additional proceedings were instituted and 104 cases were disposed of, leaving 101 such proceedings pending at the end of the year. In addition the Commission participated in a number of corporate reorganization cases under Chapter X of the Bankruptcy Act, in 6 proceedings in the district courts under Section 11 (e) of the Public Utility Holding Company Act; and in 7 miscellaneous actions. The Commission also participated in 49 civil appeals in the U.S. courts of appeals. Of these, 17 came before the courts on petitions for review of administrative order, 12 arose out of corporate reorganizations in which the Commission had taken an active part, 12 were appeals in actions brought by or against the Commission, 1 was an appeal from orders entered pursuant to Section 11(e) of the Public Utility Holding Company Act, and 7 were appeals in cases in which the Commission appeared as *amicus curiae*. The Commission also participated in 8 appeals or petitions for writs of *certiorari* before the U.S. Supreme Court resulting from these or similar actions.

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. This section describes a few of the more noteworthy cases, not including, however, cases arising under the Public Utility Holding Company Act or Chapter X of the Bankruptcy Act; cases arising under those statutes are discussed in the sections of this report dealing with such statutes.

In *J. I. Case Co. v. Borak*,<sup>1</sup> the Supreme Court, accepting the views urged by the Commission as *amicus curiae*, held that in a private suit based upon alleged violations of Section 14(a) of the Securities Exchange Act and the proxy rules thereunder a Federal district court has jurisdiction to grant "all necessary remedial relief" and is not limited to the granting of "prospective" or declaratory relief as was held in *Dann v. Studebaker-Packard Corp.*<sup>2</sup> Noting that the purpose of Section 14(a) "is to prevent management or others from obtaining authorization for corporate action by means of deceptive or inadequate disclosure in proxy solicitation," the Court held that "it is the duty of the courts to be alert to provide such remedies as are necessary to make effective the congressional purpose." The Court also rejected the contention that a stockholders' derivative action may not be brought under the proxy rules, thereby implicitly overruling the decision in *Howard v. Furst*,<sup>3</sup> and indicated that the private right of action under the proxy rules may not be frustrated by such state law "hurdles" as security-for-expense statutes.

During the fiscal year, the Court of Appeals for the Third Circuit, in *The Prudential Insurance Company of America v. Securities and Exchange Commission*,<sup>3a</sup> affirmed an order of the Commission<sup>3b</sup> declaring that the "Investment Fund" resulting from the proposed sale of variable annuity contracts by Prudential would be an investment company required to be registered under the Investment Company Act of 1940, notwithstanding the fact that Prudential, as an insurance company, was excepted from the coverage of the Act. The court upheld the Commission's determination that the variable annuity contracts would constitute the purchasers thereof an "organized group of persons," that such contracts would create a "trust" held by Prudential for the purchasers and that the separate Investment Fund would be a "fund," all within the meaning of those terms as contained in the statutory definition of "company," and that the Investment Fund would be the "issuer" of the contracts for Investment Company Act purposes. It rejected arguments, among others, that the term "fund" referred only to recognizable business entities, that the existence in

<sup>1</sup> 375 U.S. 901 (1964). Earlier stages of the litigation in this case are discussed in the 29th Annual Report, p. 118.

<sup>2</sup> 288 F. 2d 201 (C.A. 6, 1961).

<sup>3</sup> 238 F. 2d 790 (C.A. 2, 1956).

<sup>3a</sup> 326 F. 2d 383 (1964), *cert. den.* 84 S. Ct. 1629 (1964).

<sup>3b</sup> Investment Company Act Release No. 3620 (Jan. 22, 1963).

the Act of a specific exemption for common trust funds showed that regulation under the Act was imposed on an institutional rather than functional basis, and that the exemption for insurance companies was based upon the existence of adequate state regulation. The court concluded by stating that "the mere fact that the investment program in the case at bar is under the aegis of an insurance company ought not to negate compliance with [safeguards provided by the Act for investors in securities] in the absence of compelling circumstances."

Two cases, *Hersh v. Securities and Exchange Commission*<sup>4</sup> and *Lile v. Securities and Exchange Commission*,<sup>5</sup> arose from an order issued by the Commission revoking the broker-dealer registration of J. Logan & Co., expelling the company from membership in the National Association of Securities Dealers, Inc., and finding that various officers and employees of the company, including Hersh and Lile, were each a cause of the revocation and expulsion.<sup>6</sup> The Commission found that the company, aided and abetted by Hersh and Lile, had engaged in the practices of "churning" its customers' accounts and of "switching" securities back and forth between customers. The company had induced its customers to place complete reliance on it and its salesmen to act in the customers' best interests and had then taken gross advantage of the customers' trust and confidence by generating excessive transactions in their accounts and by recommending the purchase of a security to one customer while simultaneously persuading another customer to sell the same security, all in complete disregard of the financial welfare or investment aims of the customers, the objective being rather to produce brokerage fees and profits for the company and its salesmen. The Court of Appeals for the Ninth Circuit, holding that the findings as to Hersh were supported by substantial evidence, affirmed the order as to him on the basis of the opinion of the Commission. The court dismissed Lile's petition for review on the ground that it lacked jurisdiction over the subject matter by virtue of Lile's failure to urge before the Commission any of the objections raised in his petition.

In its motion to dismiss Lile's petition for review, the Commission had urged, as an alternative ground for dismissal, that the court lacked jurisdiction by virtue of Lile's failure to file his petition within 60 days after the "entry" of the Commission's order, as required by Section 25(a) of the Securities Exchange Act. The court rejected that argument on the ground that the Commission does not maintain a court-type docket from which the precise date of the "entry" of its orders can be determined. The court apparently construed the Com-

<sup>4</sup> 325 F. 2d 147 (C.A. 9, 1963).

<sup>5</sup> 324 F. 2d 772 (C.A. 9, 1963).

<sup>6</sup> Securities Exchange Act Release No. 6848 (July 9, 1962).

mission's Rules of Practice as requiring that such a docket be maintained. To avoid the uncertainty created by the *Lile* decision, the Commission subsequently amended its Rules of Practice.<sup>7</sup>

In three cases this year, *Securities and Exchange Commission v. Bill Willoughby Coin Exchange, et al.*,<sup>8</sup> *Securities and Exchange Commission v. Space City Investments, Inc., et al.*,<sup>9</sup> and *Securities and Exchange Commission v. Comstock Coin Co., et al.*,<sup>10</sup> the Commission sought injunctions against violation of the registration provisions of the Securities Act of 1933 in the offer and sale of investment contracts and certificates of interest and participation in profit-sharing agreements issued in connection with coin investment programs. The defendants had solicited funds from investors, agreeing to use the funds in the purchase and sale of coins and to share the profits derived therefrom with the investors. The defendants in all three cases consented to the entry of permanent injunctions.

The Commission filed a complaint against *Continental Growth Fund, Inc., et al.*,<sup>11</sup> an investment company registered as such with the Commission, and certain of its officers and directors, seeking to enjoin the individual defendants from continuing to act as officers and directors on the ground that they had been guilty of gross misconduct and gross abuse of trust. The Commission also asked for the appointment of a receiver for the firm's assets. The complaint charged, among other things, that Richard C. Jacobs, a promoter of the Fund and its former president and director, embezzled \$69,000 of the Fund's monies through a scheme by which he caused the Franklin National Bank as custodian to disburse monies for sham stock purchases by the Fund. The complaint also alleged that Jacobs caused the Fund to deviate from its stated investment policy, that the directors permitted the Fund to operate without a fidelity insurance bond to protect the Fund against larceny and embezzlement and without necessary books and records, that the net asset value at which it sold and redeemed its shares was improperly computed and that Jacobs sold securities to the Fund in violation of the Investment Company Act. The court appointed a receiver for the assets and property of the Fund and the remaining issues were pending at the close of the year.

The Commission filed a complaint against *James J. Ling, Royce B. McKinley, and Joseph F. McKinney*, former officers or directors, and *Paul E. Brodrick*, the present treasurer of *Electro-Science Investors, Inc.*,<sup>12</sup> an investment company registered as such with the Commission.

<sup>7</sup> Securities Act Release No. 4673 (March 5, 1964).

<sup>8</sup> S. D. Calif., No. 64-384-JWC, CCH Fed. Sec. L. Rep. ¶ 91,355.

<sup>9</sup> S. D. Tex., No. 64-H-253.

<sup>10</sup> D. Nev., No. 1682, CCH Fed. Sec. L. Rep. ¶ 91,414.

<sup>11</sup> S. D. N. Y. 63 Civ. 2252.

<sup>12</sup> N. D. Tex., No. CA-3-447.

The complaint alleged, among other things, that Ling, with the assistance of the other defendants, took personal advantage of a corporate opportunity of the company to purchase and resell a large block of common stock of Tamar Electronics Industries, Inc., and that he realized substantial personal profits from the transaction which rightfully belonged to the investment company. The complaint seeks an order directing the defendants to account for and return such profits to the company and also seeks an injunction, pursuant to Section 36 of the Investment Company Act of 1940, preventing any of the defendants from serving in specified capacities for a registered investment company.

In *Securities and Exchange Commission v. United States Diversified Industries Corporation, Jack Yetman and Leonard James*,<sup>13</sup> the district court issued a mandatory injunction directing the defendants to file with the Commission an annual report of the company for the year ended December 31, 1961. The common stock of the company was registered on the Pittsburgh Stock Exchange, a national securities exchange, until February 16, 1962, when it was delisted. The fact that the stock was delisted was held not to relieve the company of the obligation to file an annual report covering the last year during which the stock was still listed.

*Gilson v. Chock Full O'Nuts Corporation*<sup>14</sup> was an action by a stockholder and his attorney seeking allowance of attorney's fees out of a fund paid to Chock Full O'Nuts Corporation by certain of its officers and directors in settlement of suits instituted against them by the corporation to recover "short-swing" trading profits pursuant to Section 16(b) of the Securities Exchange Act. According to the complaint, the stockholder's attorney had investigated possible liability of the insiders to the corporation under Section 16(b) and then had made demand on the corporation on April 10, 1962, that suit be instituted by May 31, 1962, as the statute of limitations would otherwise expire on June 2, 1962. After the corporation replied on April 16, 1962, that its preliminary investigation indicated that no violations had occurred, the stockholder's attorney prepared a complaint. On May 31, 1962, however, the corporation commenced actions against the insiders, resulting in the settlement. The district court granted defendant corporation's motion to dismiss, ruling that the awarding of attorneys' fees is limited to situations where the recovery to the corporation under Section 16(b) has resulted from a suit successfully prosecuted by the stockholder.<sup>15</sup>

<sup>13</sup> S.D.N.Y., No. 63 Civ. 3317.

<sup>14</sup> 331 F. 2d 107 (C.A. 2, 1964).

<sup>15</sup> 224 F. Supp. 234 (S.D.N.Y., 1963).

A panel of the Court of Appeals for the Second Circuit, agreeing with the views expressed in a brief of the Commission filed as *amicus curiae*, reversed.<sup>16</sup> After granting the corporation's petition for rehearing *en banc*, the full bench reversed the district court and held that an attorney who did "considerably more than simple preparation of the statutory request to the corporation to sue" was entitled to fees from the corporation after its successful suit. The court emphasized, however, that it was not deciding the question whether a stockholder's attorney is entitled to compensation from a corporation where he has done "nothing more than find a claim for the recovery of 'short-swing' profits under Section 16(b) . . . which the corporation then successfully brings at the stockholder's request."<sup>17</sup>

In *Levitt v. Johnson*,<sup>18</sup> a stockholder of an investment company, Fidelity Capital Fund, Inc., brought a derivative action on behalf of himself, the Fund, and other similarly situated stockholders of the Fund against the Fund's directors, its corporate investment adviser, and its corporate underwriter. The complaint alleged *inter alia* (1) that the investment advisory fees had been and would continue to be "grossly excessive, unreasonable and illegal and out of proportion to the value of the services rendered" by the adviser and were a "waste and gift of the Fund's assets," in violation of Section 37 of the Investment Company Act and (2) that because of the degree of affiliation of the directors of the Fund with the directors of the adviser and the underwriter, the contracts and agreements for advisory and underwriting services, and all renewals and extensions thereof, were made in violation of Sections 10(a) and 10(b) of the Act and were thus null and void under Section 47 of the Act. The complaint stated that demand had not been made upon the directors of the Fund to bring this action, since they were to be named as defendants, nor had demand been made upon the stockholders, since that was assertedly unnecessary and futile for the reason, among others, that there were more than 48,000 stockholders scattered all over the United States and that to require demand upon these stockholders to take action would cast an unconscionable financial burden upon the plaintiff and would involve the conduct of a proxy fight entailing prohibitive expenses.

Motions to dismiss the complaint were filed by the defendants on the ground, *inter alia*, that the complaint failed to state a claim upon which relief could be granted. The District Court for the District of Massachusetts found that Rule 23(b) of the Federal Rules of Civil Procedure had been complied with but dismissed the complaint for

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<sup>16</sup> 326 F. 2d 246 (1964).

<sup>17</sup> 331 F. 2d at 108-109 (1964).

<sup>18</sup> 334 F. 2d 815 (C.A. 1, 1964).

failure by plaintiff to plead compliance "with the strict Massachusetts rule as to prior demand upon his fellow shareholders in Fund."<sup>19</sup>

An appeal was taken from the district court's dismissal of the complaint and the Commission filed a brief *amicus curiae* in support of the appellant. The Commission took no position on the merits of the case. On July 8, 1964, the court of appeals, in vacating the judgment of the district court, held that demand upon the other stockholders of the Fund in the circumstances of this case would be a "pointless or, alternatively, impossibly burdensome act [and] . . . should be excused." The court also held that the "strict Massachusetts rule" of demand upon stockholders would conflict with the broad declaration of policy contained in Section 1(b) of the Act; it is therefore "the type of hurdle that the Investment Company Act . . . forbids."

During the fiscal year the Commission was granted leave to participate *amicus curiae* in *Miller v. General Outdoor Advertising Corp., et al.*,<sup>20</sup> a case involving the question of the applicability of Section 16(b) of the Securities Exchange Act of 1934 to transactions involving the acquisition of options to purchase and sell securities of a class registered on a national securities exchange. The complaint in this case had alleged that the defendants and the Murchison Brothers, a partnership, had entered into a so-called agreement of put and call, whereby the defendants acquired the right to purchase from Murchison Brothers and Murchison Brothers acquired the right to sell to the defendants certain shares of common stock of Alleghany Corporation, and that within a 6-month period the defendants entered into a contract to sell the stock, thus giving rise to liability for profits under Section 16(b). An appeal was taken from the order of the district court granting defendants' motion for summary judgment.<sup>21</sup> The Commission filed a brief *amicus curiae* urging that the agreement of put and call constituted a purchase of the Alleghany common stock by the defendants against which a sale within a 6-month period could be matched for the purpose of determining liability under Section 16(b). At the end of the fiscal year the appeal was still pending.

### CRIMINAL PROCEEDINGS

The statutes administered by the Commission provide that the Commission may transmit evidence of violations of any provisions of these statutes to the Attorney General, who in turn may institute criminal proceedings. Where facts ascertained as a result of an investigation by a regional office of the Commission or at times its headquarters

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<sup>19</sup> 222 F. Supp. 805 (D. Mass. 1964).

<sup>20</sup> C.A. 2, No. 28781.

<sup>21</sup> 223 F. Supp. 790 (S.D.N.Y., 1963)

office appear to warrant criminal prosecution, a detailed report is prepared. After careful review by the General Counsel's Office, the recommendations of the regional office and the General Counsel's Office are considered by the Commission, and if the Commission believes criminal prosecution is appropriate the case is referred to the Attorney General and to the appropriate U.S. attorney. Commission employees familiar with the case generally assist the U.S. attorney in the presentation of the facts to the grand jury, the preparation of legal memoranda for use in the trial, the conduct of the trial, and the preparation of briefs on appeal.

During fiscal year 1964 the Commission referred 50 cases to the Department of Justice for prosecution. In the course of the year, 39 indictments were returned against 95 defendants in cases referred prior to and during the fiscal year, 2 criminal contempt actions were filed, and 93 convictions were obtained in 46 cases, while convictions were affirmed in 12 cases.

From 1934, when the Commission was established, until June 30, 1964, 3,408 defendants have been indicted in the U.S. district courts in 811 cases developed by the Commission and 1,774 convictions have been obtained.<sup>22</sup> The record of convictions obtained and upheld in completed cases is over 84 percent for the 30-year life of the Commission.<sup>23</sup>

As in prior years, the majority of the criminal cases prosecuted involved the offer and sale of securities by fraudulent representations and other fraudulent practices. These activities included high-pressure long-distance telephone "boiler-room" frauds, conversion of customers' funds and securities by broker-dealers or their salesmen, frauds involving the sale of securities by new as well as established businesses, and fraudulent securities sales in connection with the promotion of insurance companies, mortgage companies, oil and gas and other mining ventures, and other types of enterprises. It is not feasible to describe individually each of the many criminal matters pending during the fiscal year;<sup>24</sup> however, two of the landmark criminal prosecutions which occurred during the year are discussed below.

On February 16, 1964, after 5½ months of trial, Joseph Abrams, Sidney Albert and Richland Securities, a corporation controlled by Abrams, were found guilty by a jury of violating the registration

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<sup>22</sup> This figure does not include convictions in criminal contempt actions.

<sup>23</sup> For a condensed statistical summary of all criminal cases developed by the Commission from fiscal 1934 through fiscal 1964, see Appendix table 25. Table 26 contains a summary based on classification of the defendants.

<sup>24</sup> Appendix table 16 contains a list of all criminal cases developed by the Commission which were pending during the year and in which indictments have been returned, and the status of each case. Table 13 is a summary of criminal cases developed by the Commission which were pending as of June 30, 1964.

provisions of the Securities Act of 1933 by offering and selling unregistered stock of Automatic Washer Company (*United States v. Abrams, et al.*).

In late 1955, defendants Abrams and Albert gained control of Automatic Washer Company by causing a corporation which they controlled to purchase 330,000 shares of Automatic Washer stock at a price considerably below the market price. Thereafter, they caused Automatic Washer Company to issue large blocks of stock to themselves and companies which they controlled in exchange for assets of little value. In this manner defendants obtained a total of 1,585,000 shares out of a total issued and outstanding of 2,155,594. At the trial it was proved that over 950,000 of the shares acquired by the defendants were sold to the public, commencing in January 1956, and continuing through October 1956. In addition, during the period Abrams and Albert distributed their Automatic stock on the Midwest Stock Exchange, the price rose from \$3 in December 1955, the date they obtained control, to \$9 in March 1956.

These convictions were obtained in spite of the fact that the defendants attempted to conceal their unlawful sales by utilizing many of the devices that have been frequently employed to avoid the full disclosure requirements of the registration provisions of the Securities Act. For example, the defendants distributed a large number of shares to the public by permitting banks and brokerage houses to sell out Automatic Washer shares pledged by the defendants as collateral for loans which they had no intention of repaying. The defendants also attempted to disguise the distribution of their control stock by initially making purported "private sales" to various friends and relatives who acted as nominees or conduits. Although the shares so sold were immediately resold to the public, the defendants claimed that since they had made private placements to these "investors" they were not engaging in a public distribution of the stock. Finally, defendant Abrams also attempted to rely on a so-called "change of circumstances" as justification for the resale of the stock he had purchased from Automatic Washer Company.

The conviction of the defendants is significant in demonstrating that unscrupulous promoters cannot evade the registration requirements of the Securities Act by spurious reliance on exemptions from those requirements, and thereby deprive the investing public of full disclosure concerning the affairs of the issuer and its management.

The convictions of Roy B. Kelly, Cecil V. Hagen, Milton J. Shuck and Gulf Coast Leaseholds, Inc., in *United States v. Van Allen, et al.*, are also significant. These defendants, nine other individuals, and eight corporations were charged with violating and conspiring to

violate the anti-fraud and registration provisions of the Securities Act of 1933 and the mail and wire fraud provisions of Title 18 of the U.S. Code in connection with the offer and sale to the public of Gulf Coast Leaseholds, Inc., stock.

Evidence adduced during the trial showed that Gulf Coast Leaseholds, Inc., was a small and unprofitable oil company controlled by Hagen and Kelly. In September 1954, after unsuccessfully attempting to obtain an underwriter for a Gulf Coast Leaseholds stock offering, Hagen and Kelly were introduced to John Van Allen. Although Van Allen's Lichtenstein investment company, Brandel Trust, had only \$20.80 in its bank account, he agreed to have it purchase 750,000 shares of Gulf Coast Leaseholds stock for approximately \$1,300,000.

Using Brandel Trust as a conduit, Van Allen began distributing Gulf Coast Leaseholds stock to the American public even before the deal was closed, using the proceeds from these sales to take delivery of each successive block of stock from Hagen and Kelly. Facilitated by the dissemination of false and misleading information furnished by Hagen and Kelly, the distribution of the 750,000 shares to the public was completed by September 1955, at prices ranging up to \$15 a share. When the deal was closed the previous year the stock had been selling at between \$1.25 and \$1.50 per share.

Subsequently, Kelly and Hagen caused \$2 million of Gulf Coast Leaseholds debentures to be issued to Van Allen. However, these debentures which were convertible into common stock at the rate of \$8 a share could not be resold until after November 17, 1956, because they were purportedly purchased for investment and bore a restrictive legend. Accordingly, the defendants, in order to maintain the market above the conversion price until that time, were forced to purchase Gulf Coast Leaseholds stock on the open market. This stock was resold to investors through two boiler-rooms owned by the defendant Shuck. The experienced salesmen employed by Shuck utilized every high-pressure device to induce unwary investors not only to purchase this stock, but to hold it, thereby reducing the floating supply of stock on the market.

Eight of the defendants pleaded guilty before or during the trial and others were severed for trial. The trial, which began in November 1962, and continued until August 8, 1963, produced a transcript containing nearly 18,000 pages of testimony and over 1,000 exhibits. On October 8, 1963, the court sentenced the defendants to imprisonment totaling 7½ years and \$130,000 in fines.

In addition to the 93 convictions obtained during the fiscal year, 30 convictions were affirmed by appellate courts in 12 cases. A number of the opinions affirming these convictions are extremely significant

to the Commission's enforcement program. Early in the fiscal year the Court of Appeals for the Second Circuit, in *United States v. Ross*,<sup>25</sup> affirmed the convictions of Howard Ross and Paul Gordon, salesmen for Kimball Securities, a "boiler-room" operation. The court rejected the contention of one of the salesmen who made misrepresentations to a customer, that he was warranted in relying on the information about the issuer given to him by his employer. It noted that even the few days during which the salesman had been employed prior to his misrepresentations were enough to "teach anyone . . . exactly what was going on," and that the literature regarding the issuer prepared by his employer "was suspicious on its face to anyone with the slightest financial knowledge."

Shortly after the affirmance in *United States v. Ross*, the Court of Appeals for the Ninth Circuit, in *Farrell v. United States*,<sup>26</sup> affirmed the convictions of David and Oliver Farrell for violations of the securities fraud, mail fraud and conspiracy statutes in connection with the sale of discounted trust deeds and mortgages issued by Los Angeles Trust Deed & Mortgage Exchange. The affirmance culminated one of the Commission's most intensive investigations and prosecutions involving fraudulent mortgage and trust deed promotions. Among other things, the court ruled that whether various instruments or investment programs were securities under the Securities Act was to be determined under Federal law and on the basis of what the defendants represented them to be.

During the fiscal year the final chapter in the prosecution involving the longest trial in the history of Federal criminal law was closed. The convictions of Virgil D. Dardi, Robert B. Gravis, Charles Rosenthal and Charles Berman were affirmed by the Court of Appeals for the Second Circuit, in *United States v. Dardi*.<sup>27</sup> The Court rejected the contention, that the length of the trial (11 months) was prejudicial, stating that: "A multi-defendant stock fraud case, as involved as this one, usually necessitates the delving into many financial transactions. Those who participate in such transactions do not supply the government with a simple and clear picture. The picture, even as a jig-saw puzzle, only comes into vision by the assembling of hundreds of curiously shaped parts, each piece seemingly having no identity until it is fitted into and made a part of the whole."

Finally, the Court of Appeals for the Second Circuit also affirmed the convictions of Martin Benjamin, an attorney, Bernard Howard, an accountant, and Milton Z. Mende in *United States v. Benjamin*.<sup>28</sup>

<sup>25</sup> 312 F. 2d 61 (C.A. 2, 1963), *cert. den.* 375 U.S. 894 (1963).

<sup>26</sup> 321 F. 2d 409 (C.A. 9, 1963), *cert. den.* 375 U.S. 992 (1964).

<sup>27</sup> 330 F. 2d 316 (C.A. 2, 1964).

<sup>28</sup> 328 F. 2d 854 (C.A. 2, 1964), *cert den.* 377 U.S. 990 (1964).

The court noted: "This appeal concerns another of those sickening financial frauds which so sadly memorialize the rapacity of the perpetrators and the gullibility, and perhaps also the cupidity, of the victims. It is unusual in that the vehicle, American Equities Corporation, owned nothing at all—and, in a happier sense, in that the SEC was able to nip the fraud quite early in the bud." With respect to Benjamin and Howard, the court emphasized that "in our complex society the accountant's certificate and the lawyer's opinion can be instruments for inflicting pecuniary loss more potent than a chisel or the crow-bar . . . Congress equally could not have intended that men holding themselves out as members of these ancient professions should be able to escape criminal liability on a plea of ignorance when they had shut their eyes to what was plainly to be seen or represented a knowledge they knew they did not possess."

#### OFFICE OF PROGRAM PLANNING

The Office of Program Planning was established during the fiscal year. A primary responsibility of the Office during its first year was to assist and advise the Commission in the implementation of the recommendations of the Special Study of Securities Markets. To this end the Office participated, in coordination with other Commission Offices and Divisions, in the legislative effort which culminated in the Securities Acts Amendments of 1964, in the drafting and evaluation of various rules which were proposed and/or adopted by the Commission, and in counseling with the self-regulating agencies on rules adopted by the latter. In the latter area, the Office devoted particular attention to the standards applicable to selling practices, market literature and written investment advice. It began an analysis of the over-the-counter market for listed securities with a view toward measuring the impact and effect of trading in listed securities off the national securities exchanges. Toward the end of the fiscal year the Office began preparations for studies to examine problems involved in securities distributions, and analysis of broker-dealer economics.

#### COMPLAINTS AND INVESTIGATIONS

Each of the Acts administered by the Commission specifically authorizes investigations to determine whether violations of the Federal securities laws have occurred.

The nine regional offices of the Commission, with the assistance of their respective branch offices, are chiefly responsible for the conduct of investigations. In addition, the Office of Enforcement of the Division of Trading and Markets of the Commission's headquarters office conducts investigations dealing with matters of particular interest or

urgency, either independently or assisting the regional offices. The Office of Enforcement also exercises general supervision over and coordination of the investigative activities of the regional offices. Its staff examines and analyzes the investigative findings and recommendations of the regional offices and recommends appropriate action to the Commission.

There are available to the Commission several sources of information concerning possible violations of the provisions of the Federal securities laws. The primary source of information is complaints by members of the general public concerning the activities of certain persons in securities transactions. The Division of Trading and Markets and the regional offices give careful consideration to this information and, if it appears that violations of the Federal securities laws may have occurred, an investigation is commenced. Other sources of information which are of assistance to the Commission in carrying out its enforcement responsibilities are the national securities exchanges, brokerage firms, state and Canadian securities authorities, better business bureaus, the National Association of Securities Dealers, Inc., and various law enforcement agencies.

It is the Commission's general policy to conduct its investigations on a confidential basis. Such a policy is necessary to effective law enforcement and to protect persons against whom unfounded or unconfirmed charges might be made. The Commission investigates many complaints where no violation is ultimately found to have occurred. To conduct such investigations publicly would ordinarily result in hardship or embarrassment to many interested persons and might affect the market for the securities in question, resulting in injury to investors with no countervailing public benefits. Moreover, members of the public would have a tendency to be reluctant to furnish information concerning violations if they thought their personal affairs would be made public. Another advantage of confidential investigations is that persons under suspicion of having violated the law are not made aware that their activities are under surveillance, since such awareness might have the effect of frustrating or obstructing the investigation. Accordingly, the Commission does not generally divulge the result of a nonpublic investigation unless it is made a matter of public record in proceedings brought before the Commission or in the courts.

When it appears that a serious violation of the Federal securities laws has occurred or is occurring, a "case" is opened and a full investigation is conducted. Under certain circumstances it becomes necessary for the Commission to issue a formal order of investigation which appoints members of its staff as officers to issue subpoenas, to take testimony under oath and to require the production of documents.

Usually this step is taken when the subjects of the investigation and others who may be involved are uncooperative and it becomes necessary to use the subpoena power to complete the investigation of the case.

During the past year 142 formal orders were issued in connection with investigations handled through the Division of Trading and Markets. In addition, there were 14 formal orders issued upon the recommendation of the Division of Corporate Regulation and 12 upon the recommendation of the Division of Corporation Finance. The latter Division conducts certain investigative work in connection with the processing of filings under the Securities Act of 1933 and the Securities Exchange Act of 1934.

When an investigation has been completed and enforcement action appears appropriate, the Commission may proceed in one of several ways. It may refer the case to the Department of Justice for criminal prosecution. The Commission may also, when appropriate, institute civil proceedings for injunctive relief to halt further violations of law. In that event a complaint is filed in the appropriate U.S. district court and the case is presented by a member of the Commission's staff. Finally, if the case is one where the Commission has the power to institute administrative proceedings, that avenue may be chosen as the most appropriate under the circumstances.

The following table reflects in summarized form the investigative activities of the Commission during fiscal 1964:

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

|                               | Total |
|-------------------------------|-------|
| Pending June 30, 1963.....    | 1,081 |
| New cases.....                | 458   |
| Total.....                    | 1,539 |
| Closed.....                   | 612   |
| Pending at June 30, 1964..... | 927   |

**ENFORCEMENT PROBLEMS WITH RESPECT TO FOREIGN SECURITIES**

The unlawful offer and sale of Canadian securities in the United States remained at a very low level in fiscal 1964. For the most part, the cooperation of Canadian officials and segments of the Canadian securities industry with the Commission has been very good.

The recent trend toward an increase in fraudulent promotions from the Bahamas and Panama continued during fiscal 1964. In dealing with these problems, the Commission is experiencing considerable success with the new and simplified procedures for obtaining foreign postal fraud orders. The success of this program is due in large measure to the continuing cooperation of the Post Office Department.

The Commission is still hampered by jurisdictional problems, including the status of the Supplementary Extradition Convention with Canada.<sup>29</sup>

The Commission continues to maintain its Canadian Restricted List, which consists of Canadian companies whose securities the Commission has reason to believe are being, or recently have been, distributed in the United States in violation of the registration requirements of the Securities Act of 1933. The list and supplements thereto are issued to and published by the press, and copies are mailed to all registered broker-dealers and are available to the public. As a practical matter, most United States broker-dealers refuse to execute transactions in such securities.

Five supplements and a revised cumulative list were issued in fiscal 1964. Reflecting the more effective enforcement activities here and in Canada, it was necessary to add only two names to the list during the year, compared with seven names added in fiscal 1963, 9 in fiscal 1962, 47 in fiscal 1961, and 82 in fiscal 1960. A total of 117 names was deleted during the year, following compliance with established procedures. The number of names on the list as of June 30, 1964, was 139, the smallest in several years.

The current list, as of September 30, 1964, follows:

#### CANADIAN RESTRICTED LIST

|  |  |
|--|--|
| Abbiccan Mines, Ltd.                         | Cable Mines and Oils, Ltd.                       |
| Adonis Mines, Ltd.                           | Caesar Minerals, Ltd.                            |
| Alaska Highway Beryllium Venture             | Cameron Copper Mines, Ltd.                       |
| Alouette Mines, Ltd.                         | Canol Metal Mines, Ltd.                          |
| Anuwon Uranium Mines, Ltd.                   | Canford Explorations, Ltd.                       |
| Ambassador Mining Developments,<br>Ltd.      | Cartier Quebec Explorations, Ltd.                |
| American Mining & Exploration<br>Co., Ltd.   | Central and Eastern Canada Mines<br>(1958), Ltd. |
| Anthony Gas and Oil Explorations,<br>Ltd.    | Centurion Mines, Ltd.                            |
| Associated Livestock Growers of On-<br>tario | Consolidated Exploration & Mining<br>Co., Ltd.   |
| Atlantis Industrial Development Co.,<br>Ltd. | Consolidated Woodgreen Mines, Ltd.               |
| Autofab, Ltd.                                | Crusade Petroleum Corp., Ltd.                    |
| Ava Gold Mining Co., Ltd.                    | Dayjon Explorers, Ltd.                           |
| Barite Gold Mines, Ltd.                      | Devonshire Mining Co., Ltd.                      |
| Bayonne Mine, Ltd.                           | Devonshire Mining Syndicate                      |
| Bengal Development Corp., Ltd.               | Dolmac Mines, Ltd.                               |
| Black Crow Mines, Ltd.                       | Dominion Fluoridators, Ltd.                      |
| Blue Spring Explorations                     | Dominion Granite and Marble, Ltd.                |
| Bonwitha Mining Co., Ltd.                    | Elk Lake Mines, Ltd.                             |
| Burbank Minerals, Ltd.                       | Explorers Alliance, Ltd.                         |
|  | Fairmont Prospecting Syndicate                   |
|  | Federal Chibougamau Mines, Ltd.                  |
|  | Foreign Exploration Corp., Ltd.                  |

<sup>29</sup> See 26th Annual Report, pp 202-203 for a description of some of these problems.

## CANADIAN RESTRICTED LIST—Continued

- Fort Hope Grubstake, The  
 Franksin Mines, Ltd.  
 Gasjet Corp., Ltd.  
 Genex Mines, Ltd.  
 Georay Prospecting Syndicate  
 Golden Algoma Mines, Ltd.  
 Guardian Explorations, Ltd.  
 Haitian Copper Mining Corp., Ltd.  
 Hallmark Explorations, Ltd.  
 Ibsen Cobalt-Silver Mines, Ltd.  
 International Claim Brokers, Ltd.  
 Irando Oil and Exploration, Ltd.  
 Jack Haynes Syndicate  
 Jaylac Mines, Ltd.  
 Kateri Mining Co., Ltd.  
 Keele Industrial Developments, Ltd.  
 Kelkirk Mines, Ltd.  
 Kelly-Desmond Mining Corp., Ltd.  
 Kenilworth Mines, Ltd.  
 Kennament Development Corp., Ltd.  
 Key West Exploration Co., Ltd.  
 Kimberly Copper Mines, Ltd.  
 Kipwater Mines, Ltd.  
 Kordol Explorations, Ltd.  
 Korich Mining Co., Ltd.  
 Kukatush Mining Corp.  
 Kuskokwim Grubstake  
 Ladysmith Explorations, Ltd.  
 Leader Mining Corp., Ltd.  
 Mack Lake Mining Corp., Ltd.  
 Maple Leaf Investing Corp., Ltd.  
 March Minerals, Ltd.  
 Marian Lake Mines, Ltd.  
 Marpoint Gas & Oil Corp., Ltd.  
 Megantic Mining Corp.  
 Merrican International Mines, Ltd.  
 Midas Mining Co., Ltd.  
 Mid-National Developments, Ltd.  
 Millmar-Island Mines, Ltd.  
 Milldale Minerals, Ltd.  
 Mina-Nova Mines, Ltd.  
 Missile Metals and Mining Corp., Ltd.  
 Monarch Asbestos Co., Ltd.  
 Montclair Mining Corp., Ltd.  
 Nationwide Minerals, Ltd.  
 Natto Mining Co., Ltd.  
 New Campbell Island Mines, Ltd.  
 New Hamil Silver-Lead Mines, Ltd.  
 New Mallen Red Lake Mines, Ltd.  
 New Surpass Petrochemicals, Ltd.  
 Norbank Explorations, Ltd.  
 North Lake Mines, Ltd.  
 North Tech Explorations, Ltd.  
 Northport Mineral Explorers, Ltd.  
 Nu-Gord Mines, Ltd.  
 Nu-World Uranium Mines, Ltd.  
 Olympus Mines, Ltd.  
 Outlook Explorations, Ltd.  
 Peace River Petroleum, Ltd.  
 Prestige Lake Mines, Ltd.  
 Rambler Exploration Co., Ltd.  
 Regal Mining & Development, Ltd.  
 Revere Mining Corp., Ltd.  
 Roberval Mining Corp.  
 Rockroft Explorations, Ltd.  
 Rothsay Mines, Ltd.  
 St. Anthony Mines, Ltd.  
 St. Lawrence Industrial Development Corp.  
 Ste. Sophie Development Corp.  
 St. Stephen Nickel Mines, Ltd.  
 Sastex Oil and Gas, Ltd.  
 Savoy Copper Mines, Ltd.  
 Sico Mining Corp., Ltd.  
 Sinclair Prospecting Syndicate  
 Strathcona Mines, Ltd.  
 Sturgeon Basin Mines, Ltd.  
 Success Mines, Ltd.  
 Sudbay Beryllium Mines, Ltd.  
 Tabor Lake Gold Mines, Ltd.  
 Taiga Mines, Ltd.  
 Territory Mining Co., Ltd.  
 Trans-Leduc Oils, Ltd.  
 Trans Nation Minerals, Ltd.  
 Trans-Oceanic Hotels Corp., Ltd.  
 Trenton Petroleum & Minerals Corp., Ltd.  
 Triform Explorations, Ltd.  
 Triform Explorations (B.C.), Ltd.  
 Tumac Mining & Development Co., Ltd.  
 Turbenn Minerals, Ltd.  
 Turzone Explorations, Ltd.  
 Tyndall Explorations, Ltd.  
 Upper Ungava Mining Corp., Ltd.  
 Ver-Million Gold Placer Mining, Ltd.  
 Vimy Explorations, Ltd.  
 Western Allenbee Oil and Gas Co., Ltd.  
 Windy Hill Mining Corp.  
 Wingdam & Lightning Creek Mining Co., Ltd.  
 Yukon Prospectors' Syndicate

**SECTION OF SECURITIES VIOLATIONS**

As a part of its enforcement program, the Commission maintains a Section of Securities Violations whose purpose is to aid the detection and prevention of fraud in securities transactions. The Section maintains files which provide a clearinghouse for other enforcement agencies for information concerning persons who have been charged with or found in violation of various Federal and state securities statutes. The information contained in these files is kept current through the cooperation of various governmental and nongovernmental agencies, including the U.S. Post Office Department, The Federal Bureau of Investigation, parole and probation officials, state securities authorities, Federal and state prosecuting attorneys, the National Association of Securities Dealers, Inc. (NASD), better business bureaus and chambers of commerce. At the end of the fiscal year the files contained information concerning 71,740 persons or firms against whom Federal or state action had been taken in connection with securities violations. During the year items of information concerning 8,599 persons or firms were added, including information as to 3,062 persons or firms not previously identified in these records. A total of 9,538 names was deleted, since the information concerning them was believed to be obsolete.

The Section issues and distributes to officials of cooperating law enforcement and other agencies in the United States and Canada a quarterly securities violations bulletin containing information received during the period concerning alleged and actual violators and showing new charges and developments in pending cases. The bulletin includes a "wanted" section listing the names of persons wanted on securities violations charges, and references to bulletins containing descriptive information regarding them. It also includes a section reporting NASD disciplinary actions which resulted in the expulsion or suspension of an association member, or in the revocation or suspension of the registration of a representative of a member. This section of the bulletin identifies the disciplined member or representative and briefly describes the NASD's findings.

Extensive use is made of the information available in the files of the Section of Securities Violations by regulatory and law enforcement officials. Each year numerous requests are received for special reports on individuals, in addition to the information supplied by the quarterly bulletin. During the fiscal year the Commission received and disposed of 3,174 "securities violations" letters or reports and dispatched 733 communications to cooperating agencies.

### APPLICATIONS FOR NONDISCLOSURE OF CERTAIN INFORMATION

The Commission is authorized under the various Acts administered by it to grant requests for nondisclosure of certain types of information which would otherwise be disclosed to the public in applications, reports or other documents filed pursuant to these statutes. Thus, under paragraph (30) of Schedule A of the Securities Act of 1933, disclosure of any portion of a material contract is not required if the Commission determines that such disclosure would impair the value of the contract and is not necessary for the protection of investors. Under Section 24(a) of the Securities Exchange Act of 1934, trade secrets or processes need not be disclosed in any material filed with the Commission. Under Section 24(b) of that Act, written objection to public disclosure of information contained in any material filed with the Commission may be made to the Commission which is then authorized to make public disclosure of such information only if in its judgment such disclosure is in the public interest. Similar provisions are contained in Section 22 of the Public Utility Holding Company Act of 1935 and in Section 45 of the Investment Company Act of 1940. These statutory provisions have been implemented by rules specifying the procedure to be followed by applicants for a determination that public disclosure is not necessary in a particular case.

The number of applications pending and the action taken on them during the year are set forth in the following table :

*Applications for nondisclosure during 1964 fiscal year*

|  | Number pending July 1, 1963 | Number received | Number granted | Number denied or withdrawn | Number pending June 30, 1964 |
|--|-----------------------------|-----------------|----------------|----------------------------|------------------------------|
| Securities Act of 1933 <sup>a</sup> -----          | 3                           | 28              | 24             | 5                          | 2                            |
| Securities Exchange Act of 1934 <sup>b</sup> ----- | 7                           | 37              | 33             | 8                          | 3                            |
| Investment Company Act of 1940 <sup>c</sup> -----  | 3                           | 20              | 19             | 1                          | 3                            |
| Totals-----  | 13                          | 85              | 76             | 14                         | 8                            |

- <sup>a</sup> Filed under Rule 485.
- <sup>b</sup> Filed under Rule 24b-2.
- <sup>c</sup> Filed under Rule 45a-1.

### ACTIVITIES OF THE COMMISSION IN ACCOUNTING AND AUDITING

The several Acts administered by the Commission recognize the importance of dependable informative financial statements which disclose the financial status and earnings history of a corporation or other commercial entity. These statements, whether filed in compliance with the requirements under those statutes or included in other material available to stockholders or prospective investors, are indispensable to investors as a basis for investment decisions. The Congress, cognizant of the fact that such statements lend themselves

readily to misleading inferences or even deception, whether or not intended, included express provisions in the various Acts with respect to financial information required to be disclosed. Thus, for example, the Securities Act requires the inclusion in the prospectus of balance sheets and profit and loss statements "in such form as the Commission shall prescribe"<sup>30</sup> and authorizes the Commission to prescribe the "items or details to be shown in the balance sheet and earnings statement, and the methods to be followed in the preparation of accounts . . ."<sup>31</sup> Similar authority is contained in the Securities Exchange Act,<sup>32</sup> and even more comprehensive power is embodied in the Investment Company Act<sup>33</sup> and the Public Utility Holding Company Act.<sup>34</sup>

Pursuant to the broad rulemaking power thus conferred with respect to the preparation and presentation of financial statements, the Commission has prescribed uniform systems of accounts for companies subject to the Holding Company Act;<sup>35</sup> has adopted rules under the Securities Exchange Act governing accounting for and auditing of securities brokers and dealers;<sup>36</sup> and has promulgated rules contained in a single comprehensive regulation, identified as Regulation S-X,<sup>37</sup> which governs the form and content of financial statements filed in compliance with the several Acts. This regulation is supplemented by the Commission's Accounting Series Releases, of which 99 have so far been issued.<sup>38</sup> These releases were inaugurated in 1937 and were designed as a program for making 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 which are regulatory reports, prescribe accounting principles to be followed only in certain limited areas. In the large area of financial reporting not covered by such rules, the Commission's principal means of protecting investors from inadequate financial reporting, fraudulent practices and overreaching by manage-

<sup>30</sup> Sections 7 and 10 (a) (Schedule A, pars. 25, 26).

<sup>31</sup> Section 19 (a).

<sup>32</sup> Section 13 (b):

<sup>33</sup> Sections 30, 31.

<sup>34</sup> Sections 14, 15.

<sup>35</sup> Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies (effective August 1, 1936); Uniform System of Accounts for Public Utility Holding Companies (effective January 1, 1937; amended effective January 1, 1943; revised November 24, 1959). (Accounting Series Release No. 84.)

<sup>36</sup> Rule 17a-5 and Form X-17A-5 thereunder.

<sup>37</sup> Adopted February 21, 1940 (Accounting Series Release No. 12); revised December 20, 1950 (Accounting Series Release No. 70).

<sup>38</sup> Releases 98 and 99 were issued during the year, the former being an interpretation of the recordkeeping rules as applied to broker-dealer underwriters of investment company shares and the latter dismissing proceedings under Rule 2(e) of the Commission's Rules of Practice against an accounting firm.

ment is by requiring a certificate of an independent public accountant, based on an audit performed in accordance with generally accepted auditing standards, which expresses an opinion as to whether the financial statements are presented fairly in conformity with accounting principles and practices which are recognized as sound and which have attained general acceptance.

The Securities Act provides that the financial statements required to be made available to the public through filing with the Commission shall be certified by "an independent public or certified accountant."<sup>39</sup> The other three statutes permit the Commission to require that such statements be accompanied by a certificate of an independent public accountant,<sup>40</sup> and the Commission's rules require, with minor exceptions, that they be so certified. The value of certification by qualified accountants has been conceded for many years, but the requirement as to independence, long recognized and adhered to by some individual accountants, was for the first time authoritatively and explicitly introduced into law in 1933. Under the Commission's rules, an accountant who is qualified to practice in his own state is qualified to practice before the Commission unless he has entered into disqualifying relationships with a particular client, such as becoming a promoter, underwriter, voting trustee, director, officer, employee, or stockholder;<sup>41</sup> has demonstrated incompetence or subservience to management; or has engaged in unethical or improper professional conduct.<sup>42</sup>

The Commission endeavors to encourage and foster the independence of the accountant in his relationships with his client so that he may better be able to perform the service to the public contemplated by the Congress in the various Acts administered by the Commission. Because of his special status and responsibility, the accountant has a unique opportunity to be a leader in raising standards of investor protection. The financial statements provide the key information both in the distribution and trading of securities. The work of the accountant in their preparation and publication is vital. Independent accountants lend authority to management's representations by their opinions as experts, and they operate as a check on management in assuring that the financial data are fairly presented in accordance with generally accepted accounting principles.

The Commission is vigilant in its efforts to assure itself that the audits which it requires are performed by independent accountants;

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<sup>39</sup> Sections 7 and 10(a) (Schedule A, pars. 25, 26).

<sup>40</sup> Securities Exchange Act, Sec. 13(a)(2); Investment Company Act, Sec. 30(e); Holding Company Act, Sec. 14.

<sup>41</sup> See, for example, Rule 2-01 of Reg. S-X.

<sup>42</sup> See Rule 2(e) of Rules of Practice.

that the information contained in the financial reports represents full and fair disclosure; and that appropriate auditing and accounting practices and standards have been followed in their preparation. In addition, it recognizes that changes and new developments in financial and economic conditions affect the operations and financial status of the several thousand commercial and industrial companies required to file statements with the Commission and that accounting and auditing procedures cannot remain static and continue to serve well a dynamic economy. The Commission's accounting staff, therefore, studies the changes and new developments for the purpose of establishing and maintaining appropriate accounting and auditing policies, procedures and practices for the protection of investors. The primary responsibility for this program rests with the Chief Accountant of the Commission, who has general supervision with respect to accounting and auditing policies and their application.

Progress in these activities requires continuing contact and consultation between the staff and accountants both individually and through such representative groups as, among others, the American Accounting Association, the American Institute of Certified Public Accountants, the American Petroleum Institute, the Financial Analysts Federation, the Financial Executives Institute, and the National Association of Railroad and Utilities Commissioners, as well as many Government agencies. Recognizing the importance of cooperation in the formulation of accounting principles and practices, adequate disclosure and auditing procedures which will best serve the interests of investors, the American Institute of Certified Public Accountants, the Financial Analysts Federation and the Financial Executives Institute appoint committees which maintain liaison with the Commission's staff.

The Commission on its part has authorized its Chief Accountant to continue to serve as a member of an advisory committee to the Accounting Principle Board of the American Institute of Certified Public Accountants. This committee has been serving as adviser to the Institute's Director of Research who has been engaged in making an inventory of accounting principles and practices recognized by the accounting profession and currently in use. The work on this inventory is nearing completion and will be published soon by the Institute. The Chief Accountant has also served on a somewhat similar committee of the American Accounting Association.

The many daily decisions to be made which require the attention of members of the Chief Accountant's staff include questions raised by the operating divisions of the Commission, the regional offices, and

the Commission itself. As a result of this day-to-day activity and the need to keep abreast of current accounting problems, the Chief Accountant's staff continually reexamines accounting and auditing principles and practices. From time to time members of the staff are called upon to assist in field investigations, to participate in hearings and to review Commission opinions insofar as they pertain to accounting matters.

Prefiling and other conferences with officials of corporations, practicing accountants and others are also an important part of the work of the staff. Resolution of questions and problems in this manner saves registrants and their representatives both time and expense. The 1964 amendments to the securities acts will bring into contact with the Commission many heretofore "unregulated" companies. Undoubtedly, in many cases, the accountant will be a primary bridge between the issuer and the Commission. The accountant will be called on to advise on the establishment of systems and controls which will promote the most effective and comprehensible form of compliance. A little foresight can avoid many unnecessary, and possibly embarrassing, problems. For example, when it is contemplated that a company will have to register in the future—as when the shareholder limit under the 1964 amendments drops to 500 after about 2 years—the appropriate internal controls should be established now to avoid potential problems which might preclude the issuance of an unqualified certificate.

Many specific accounting and auditing problems are found in the examination of financial statements required to be filed with the Commission. Where examination reveals that the rules and regulations of the Commission have not been complied with or that applicable generally accepted accounting principles have not been adhered to, the examining division usually notifies the registrant by an informal letter of comment. These letters of comment and the correspondence or conferences that follow continue to be a most convenient and satisfactory method of effecting corrections and improvements in financial statements, both to registrants and to the Commission's staff. Where particularly difficult or novel questions arise which cannot be settled by the accounting staff of the divisions and by the Chief Accountant, they are referred to the Commission for consideration and decision.

Difficulties often arise in connection with initial filings because accountants and other advisers who serve the registrant have not had any prior experience with the Commission. In some cases these persons have not familiarized themselves with the rules and regulations of the Commission—particularly the instructions as to financial state-

ments required by the forms, the rules relating to independence of the certifying accountant, and those relating to the form and content of financial statements as set forth in Regulation S-X. In an effort to improve this situation several members of the accounting staff of the Commission participated in a course on filings with the Commission, at the invitation of the sponsor, the American Institute of Certified Public Accountants. This course, first offered in 1963, has been given in Chicago, Los Angeles, Milwaukee, New York, San Francisco, Washington, D.C., and elsewhere. In addition the Chief Accountant and other members of the staff have addressed accounting groups in many cities on the financial reporting requirements of the securities acts. This work is continuing and it is believed should facilitate the adjustment of companies becoming subject to those acts for the first time as a result of the 1964 amendments of the Securities Exchange Act of 1934.

During the year the Office of the Chief Accountant devoted considerable time to the various aspects of the 1964 amendments, and in response to a specific request of the Sub-committee on Commerce and Finance of the Committee on Interstate and Foreign Commerce, House of Representatives, prepared a memorandum on H.R. 6789 and H.R. 6793 which was included in the record on those bills. This memorandum set forth what the Commission understands to be some of the areas of accounting where alternative practices could produce materially different results under generally accepted accounting principles and included a statement as to the Commission's policy with respect to financial reporting.

The staff of the Chief Accountant's Office and the staff of the Office of Program Planning had several conferences during fiscal 1964 with representatives of the New York Stock Exchange for the purpose of securing information necessary for a better understanding of the Stock Exchange's commission rate structure and level. As recommended by the Special Study,<sup>43</sup> the Income and Expense Report developed by the Exchange was reviewed to determine whether that report could be revised to be more useful as a basis for studies by this Commission and the Exchange.

Representatives from the Chief Accountant's Office, the New York Stock Exchange, and its consultants Price Waterhouse & Co., and the two odd-lot member firms conferred and made field investigations for the purpose of determining how the recommendation of the Special Study to the effect that "The New York Stock Exchange should recognize and meet its responsibility to regulate odd-lot differentials"

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<sup>43</sup> Report of Special Study of Securities Markets of the Securities and Exchange Commission, 88th Cong., 1st Sess., H. Doc. No. 95, pt. 2, p. 349.

should be implemented.<sup>44</sup> These persons studied the operating methods and financial data of odd-lot dealers for the purpose of developing a financial report which will reflect the income and expenses of the odd-lot functions of brokers and dealers in this area of the securities market.

Conferences were held between members of the Commission's staff from the Division of Trading and Markets, certain regional offices, and the Office of the Chief Accountant and representatives of the New York and Midwest Stock Exchanges, and representatives of the American Institute of Certified Public Accountants, to consider a proposed revision of Form X-17A-5, the annual report of financial condition required to be filed by certain brokers and dealers pursuant to Section 17 of the Securities Exchange Act of 1934. This form is being revised to meet changing conditions and practices in the securities industry and expanded and clarified for its use by small brokers and dealers not fully familiar with stock exchange practices.

Cooperation between the Office of the Chief Accountant and the Division of Corporate Regulation resulted in a proposed new rule and a proposed revision of annual report Form N-30A-1 under the Investment Company Act of 1940.<sup>45</sup> The proposed new rule, Rule 2a-4, defines procedures to be followed in the periodic calculation of the net asset value of any redeemable security issued by a registered investment company for the purposes of distribution, redemption, and repurchase of such redeemable security. The proposed revision of annual report Form N-30A-1 which is filed with the Commission by registered management investment companies will require an accountant, in addition to certifying the financial statements in such reports, to assume varying degrees of responsibility as to the fair presentation of information presented in many other items, e.g., asset coverage of senior securities, portfolio turnover rates, and with respect to items in the minutes relating to financial matters.

#### **INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**

Section 15 of the Bretton Woods Agreements Act, as amended, exempts from registration under both the Securities Act of 1933 and the Securities Exchange Act of 1934, securities issued, or guaranteed as to both principal and interest, by the International Bank for Reconstruction and Development. The Bank is required to file with the Commission such annual and other reports with respect to such securities as the Commission shall determine to be appropriate in view of the special character of the Bank and its operations and necessary in the

<sup>44</sup> *Ibid.*, p. 202.

<sup>45</sup> The announcement of these proposals was made shortly after the close of the fiscal year.

public interest or for the protection of investors. The Commission has, pursuant to the above authority, adopted rules requiring the Bank to file quarterly reports and also to file copies of each annual report of the Bank to its Board of Governors. The Bank is also required to file reports with the Commission in advance of any distribution in the United States of its primary obligations. The Commission, acting in consultation with the National Advisory Council on International Monetary and Financial Problems, is authorized to suspend the exemption at any time as to any or all securities issued or guaranteed by the Bank during the period of such suspension.

During the Bank's last fiscal year ending June 30, 1964, the Bank made 37 loans totaling \$809.9 million, compared with a total of \$448.7 million last year. The loans were made in Algeria, Chile (two loans), China, Colombia (two loans), Costa Rica, Denmark, Ecuador, El Salvador, Ethiopia, Finland, Iran, Japan (two loans), Liberia, Malaysia (two loans), Malta, Mauritius, Mexico, New Zealand (two loans), Nigeria, Norway, Pakistan (three loans), Peru (two loans), Portugal (two loans), Spain, Thailand, Tunisia, Venezuela, and Yugoslavia. This brought the total number of loans to 386 in 73 countries and territories and raised the gross total of commitments to \$7,931.3 million. By June 30, as a result of cancellations, exchange adjustments, repayments and sales of loans, the portion of loans signed still retained by the Bank had been reduced to \$5,191.9 million.

During the year the Bank sold or agreed to sell \$173.3 million principal amounts of loans, compared with sales of \$273.3 million last year. On June 30, the total of such sales was \$1,778.6 million, of which all except \$69 million had been made without the Bank's guarantee.

On June 30, the outstanding funded debt of the Bank was \$2,491.8 million, reflecting a net decrease of \$27.4 million in the past year. During the year, the funded debt was increased by \$104.5 million through the private placement of a \$100 million United States dollar bond issue and the delivery of \$4.5 million of bonds which had been subject to delayed delivery arrangements. The debt was decreased by \$131.9 million as a result of the maturing of the equivalent of \$107.8 million of bonds and of sinking fund and purchase fund transactions amounting to \$24.1 million.

During the fiscal year the following 17 countries became members of the Bank: Algeria, Burundi, Cameroon, Central African Republic, Chad, Congo (Brazzaville), Congo (Leopoldville), Dahomey, Gabon, Guinea, Kenya, Malagasy Republic, Mali, Mauritania, Rwanda, Trinidad and Tobago, and Uganda. Subscribed capital amounted to \$21,186 million on June 30, 1964.

**INTER-AMERICAN DEVELOPMENT BANK**

The Inter-American Development Bank Act, which authorizes the United States to participate in the new Inter-American Development Bank, provides an exemption for certain securities which may be issued by the Bank similar to that provided for securities of the International Bank for Reconstruction and Development. Acting pursuant to this authority, the Commission adopted Regulation IA, which requires the Bank to file with the Commission substantially the same information, documents and reports as are required from the International Bank for Reconstruction and Development. The Bank is also required to file a report with the Commission prior to the sale of any of its primary obligations to the public in the United States.

During the year ended June 30, 1964, the Bank made 22 loans totaling the equivalent of \$119,977,000 from its ordinary capital resources, bringing the gross total of loan commitments outstanding at June 30, to 89, aggregating \$413,509,123. During the year, the Bank sold or agreed to sell \$6,273,524 in participations in the aforesaid loans, all of such participations being without the guarantee of the Bank. The loans from the Bank's ordinary capital resources were made in Argentina, Brazil, Chile, Colombia, Dominican Republic, Ecuador, Guatemala, Mexico, Peru, and Uruguay.

During the year the Bank also made six loans from its Fund for Special Operations totaling the equivalent of \$7,610,000, bringing the gross total of loan commitments outstanding at June 30, to 39, aggregating \$126,521,687. Participations in five loans in the aggregate amount of \$1,645,058 were sold during the year without the guarantee of the Bank. The Bank made 17 loans during the year from the Social Progress Trust Fund, which it administers under an Agreement with the United States, aggregating \$38,435,000, bringing the gross total of loan commitments outstanding at June 30, to 81, aggregating \$386,347,000.

During the year the Bank made its second sale of its primary obligations in the United States with a public issue of dollar bonds in the amount of \$50 million.

The outstanding funded debt of the Bank on June 30, 1964, was the equivalent of \$149,193,548, composed of \$125 million resulting from two sales of dollar bonds and Italian lire equivalent to \$24,193,548 resulting from the sale of bonds in Italy in April 1962.

The subscribed ordinary capital of the Bank on June 30, 1964, was the equivalent of \$813,160,000, of which \$431,580,000 represented callable capital.

**STATISTICS AND SPECIAL STUDIES**

During the past fiscal year the Office of Statistical Studies (formerly Branch of Economic Research) continued its regular work in connection with the statistical activities of the Commission and the overall Government statistical program under the direction of the Office of Statistical Standards, Bureau of the Budget.

The statistical series described below are published in the Commission's Statistical Bulletin and in addition, except for data on registered issues, and on corporate pension funds, current figures and analyses of the data are published in quarterly press releases.

**Issues registered under the Securities Act of 1933**

Monthly statistics are compiled on the number and volume of registered securities, classified by industry of issuer, type of security, and use of proceeds. Summary statistics for the years 1935-64 are given in Appendix Table 1 and detailed statistics for the fiscal year 1964 appear in Appendix Table 2.

**New Securities Offerings**

This is a monthly and quarterly series covering all new corporate and noncorporate issues offered for cash sale in the United States. 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 offerings series includes only securities actually offered for cash sale, and only issues offered for account of issuers. Annual statistics on new offerings for recent years as well as monthly figures from January 1963, through June 1964, are given in Appendix Tables 3, 4, and 5.

Estimates of the net cash flow through securities transactions are prepared quarterly and are derived by deducting from the amount of estimated gross proceeds received by corporations through the sale of securities the amount of estimated gross payments by corporations to investors for securities retired. Data on gross issues, retirements and net change in securities outstanding are presented for all corporations and for the principal industry groups.

**Individuals' Saving**

The Commission compiles quarterly estimates of the volume and composition of individuals' saving in the United States. The series represents net increases in individuals' financial assets less net increases in debt. The study shows the aggregate amount of saving and the form in which the saving occurred, such as investment in securities, expansion of bank deposits, increases 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 by the Department of Commerce as well as in the Securities and Exchange Commission Statistical Bulletin.

#### **Private Pension Funds**

An annual survey is made of private pension plans other than those administered by insurance companies, showing the flow of money into these funds, the types of assets in which the funds are invested and the principal items of income and expenditures. A new quarterly survey has been initiated in cooperation with certain large bank trustees and corporations to obtain quarterly figures on pension fund assets and stock transactions, and similar figures are being collected from property and casualty insurance companies. This information is to be combined with statistics on investments of other financial intermediaries, and it is planned that the data will be published in the current fiscal year.

#### **Financial Position of Corporations**

The series on the working capital position of all United States corporations, excluding banks, insurance companies and savings and loan associations, shows the principal components of current assets and liabilities, and also contains an abbreviated analysis of the sources and uses of corporate funds.

The Commission, jointly with the Federal Trade Commission, compiles a quarterly financial report of all United States manufacturing concerns. This report gives complete balance sheet data and an abbreviated income account, data being classified by industry and size of company.

#### **Plant and Equipment Expenditures**

The Commission, together with the Department of Commerce, conducts quarterly and annual surveys of actual and anticipated plant and equipment expenditures of all United States business, exclusive of agriculture. After the close of each quarter, data are released on actual capital expenditures of that quarter and anticipated expenditures for the next two quarters. In addition, a survey is made at the beginning of each year of the plans for business expansion during that year.

#### **Directory of Registered Companies**

The Commission annually publishes a listing of companies required to file annual reports under the Securities Exchange Act of 1934. In addition to an alphabetical listing, there is a listing of companies by industry group classified according to The Standard Industrial Classification Manual.

**Stock Market Data**

The Office of Statistical Studies regularly compiles statistics 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. Data on round-lot and odd-lot trading on the two New York exchanges are released weekly. The other statistical data mentioned above, as well as these weekly series, are published regularly in the Commission's Statistical Bulletin.

**OPINIONS OF THE COMMISSION**

Administrative proceedings under the statutes administered by the Commission and under its Rules of Practice generally involve a hearing before a hearing examiner and culminate in the issuance of an opinion by the Commission. Under a modified procedure adopted during the fiscal year and applicable to proceedings initiated on or after August 1, 1964, the Commission will adopt the hearing examiner's decision if Commission review is not sought or if the Commission does not deem it appropriate to review that decision.

In the preparation of its opinions, the Commission, or the individual Commissioner to whom a case may be assigned for the preparation of an opinion, is generally assisted by the Office of Opinions and Review (formerly Office of Opinion Writing). This Office is directly responsible to the Commission and is completely independent of the operating divisions, consistent with the principle of separation of functions embodied in the Administrative Procedure Act. Where the parties to a proceeding waive their right to such separation, the operating division of the Commission which participated in the proceeding may assist in the drafting of the Commission's decision.

The Commission's opinions are publicly released and are distributed to the press and to persons on the Commission's mailing list. In addition, they are printed and published periodically by the Government Printing Office in bound volumes entitled "Securities and Exchange Commission Decisions and Reports."

**DISSEMINATION OF INFORMATION**

As indicated elsewhere herein, a wealth of financial and other information is contained in the registration statements and reports filed with the Commission, which are public documents available for inspection by investors and other interested persons. Much of this information finds its way into securities manuals and other financial publications. Various activities of the Commission serve to augment the public

dissemination of financial and other information filed with the Commission and that reflected in decisions issued by and other actions of the Commission.

To facilitate the public dissemination of this information, the Commission publishes a daily "News Digest" containing a resume of each proposal for the public offering of securities for which a registration statement is filed, as well as a summary of each order, decision or rule issued or other action taken by the Commission. Thus, during the year, the Digest included a report on each of the 1,039 registration statements filed with the Commission (not including investment company filings which added additional securities by way of amendments to previous filings); and it also included summaries of the 889 orders, decisions, rules and other actions of the Commission. It also summarized 300 releases announcing injunctive and other enforcement actions of the Commission. The Digest is made immediately available to the press; and it also is reprinted and distributed by the Government Printing Office, on a subscription basis, to some 2,565 investors, securities firms, practicing lawyers and others. The Commission also makes a more limited distribution of the full text of its decisions and other actions.

Through public discussions by individual members of the Commission and staff officers, including addresses before professional, business and other groups and participation in panel discussions, the Commission also seeks to promote a better understanding of the provisions of the laws it administers and the rules promulgated thereunder, thus facilitating compliance therewith.

#### **Information Available for Public Inspection**

The many thousands of registration statements, applications, declarations, and annual and other periodic reports filed each year are available for public inspection at the Commission's principal office in Washington, D.C. In addition, copies of recent reports filed by companies having securities listed on exchanges other than the New York Stock Exchange and the American Stock Exchange, and copies of current reports of many nonlisted companies which have registered securities for public offering under the Securities Act, may be examined in the Commission's New York Regional Office; and recent reports filed by companies whose securities are listed on the New York and American Stock Exchanges may be examined in the Commission's Chicago Regional Office. Moreover, there are available for examination in all regional offices copies of prospectuses relating to recent public offerings of securities registered under the Securities Act; and all regional offices have copies of broker-dealer annual financial reports

and Regulation A letters of notification filed in their respective regions. Reports of companies whose securities are listed on the various exchanges may be seen at the respective exchange offices.

In order to facilitate a wider dissemination of financial and other information contained in corporate reports filed with the Commission under the Federal securities laws (an objective strongly urged by the Special Study Report), the Commission has arranged to take standing orders, on an experimental basis, for photocopies of Form 10-K annual reports filed. This service may be extended later to other reports, depending upon public reception and the experience gained in supplying copies of annual reports.

Under the existing contract with a printing company for the reproduction of material in the Commission's public files in response to requests of members of the public, photocopies may be obtained at a reduced cost of 0.08 cent per page for pages not exceeding 8½" by 14" in size. The detailed per-page prices are given in Release No. 34-7351 which may be obtained from the publications unit of the Commission. The charge for each certification of any document by the Commission is \$2.

So that corporate reports may be more readily available for examination by interested members of the public, the Commission also has made arrangements for the Form 10-K annual reports to be placed on open shelves in the public area of its public reference room in Washington, D.C., thus making these reports available for immediate inspection. There are presently three coin-operated photocopiers in the public reference room to enable visitors to make immediate reproductions of reports at a cost of 25 cents per page. (The New York Regional Office has a similar machine.)

Each year many thousands of requests for photocopies of and information from the public files of the Commission are received by the public reference room in Washington, D.C. During the year 5,132 persons examined material on file in the Washington, D.C. office and several thousand others examined files in the New York and Chicago regional offices. Over 18,268 searches were made for individuals requesting information and approximately 2,164 letters were written with respect to information required.

#### PUBLICATIONS

In addition to the daily News Digest, and releases concerning Commission action under the Acts administered by it and concerning litigation involving securities violations, the Commission issues a number of other publications, including the following:

**Monthly :**

Statistical Bulletin.<sup>a</sup>

Official Summary of Securities Transactions and Holdings of Officers, Directors and Principal Stockholders.<sup>a</sup>

**Quarterly :**

Financial Report, U.S. Manufacturing Corporations (jointly with the Federal Trade Commission).<sup>a</sup>

Plant and Equipment Expenditures of U.S. Corporations (jointly with the Department of Commerce).

New Securities Offerings.

Volume and Composition of Individuals' Saving.

Working Capital of U.S. Corporations.

**Annually :**

Annual Report of the Commission.<sup>a</sup>

Securities Traded on Exchanges under the Securities Exchange Act of 1934.

List of Companies Registered under the Investment Company Act of 1940.

Classification, Assets and Location of Registered Investment Companies under the 1940 Act.<sup>b</sup>

Corporate Pension Funds.

Directory of Companies Filing Annual Reports.<sup>a</sup>

**Other Publications :**

Decisions and Reports of the Commission.<sup>a</sup>

Securities and Exchange Commission—Its Functions and Activities.

A Study of Mutual Funds (by The Wharton School).<sup>a</sup>

Report of Special Study of Securities Markets.<sup>a</sup>

**ORGANIZATION**

The Commission's staff consists of attorneys, security analysts, accountants, engineers, investigators and administrative and clerical personnel.

During the fiscal year, certain organizational changes were effected pursuant to recommendations of the Special Study of Securities Markets.

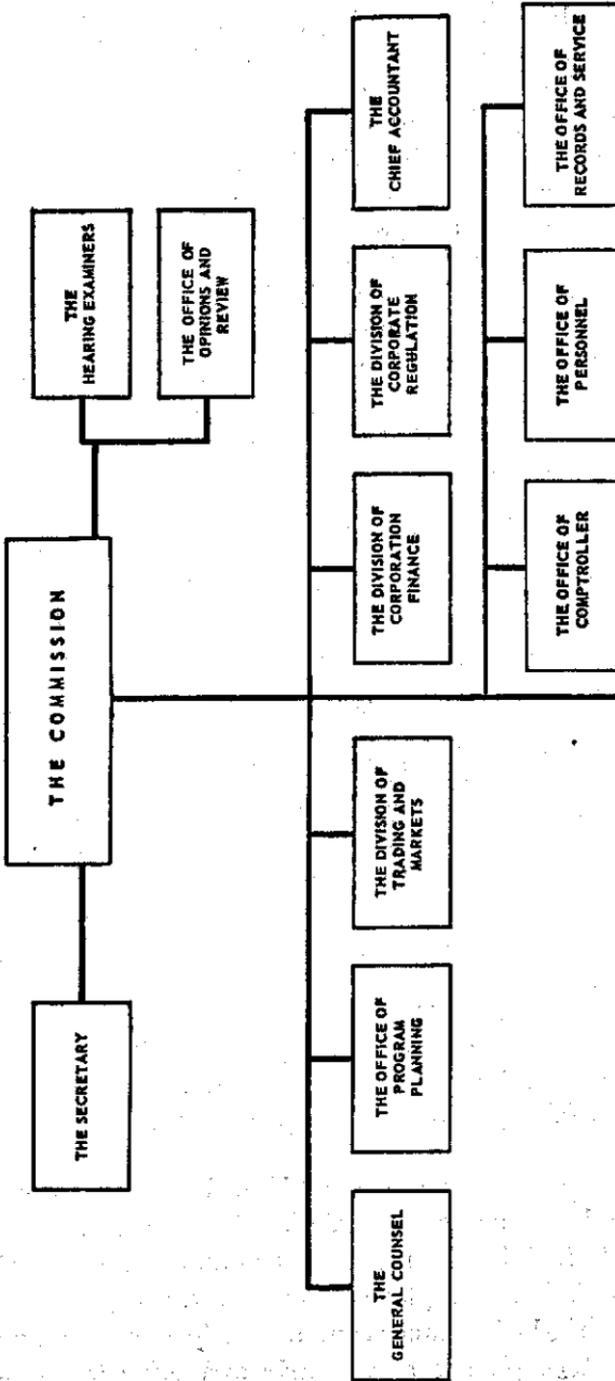
In July 1963, a new Office of Program Planning was established to assist the Commission in reviewing and formulating policy and of coordinating activities in the implementation of the Special Study's recommendations. This work involves, in coordination with other Commission offices and divisions, changes in the rules, regulations and policies of the Commission and self-regulatory agencies; recommendations for legislation; proposals for modifications of industry practices; and procedures for gathering and analyzing economic data about the securities markets.

In October 1963, the Division of Trading and Exchanges was renamed the Division of Trading and Markets, and its functions were

<sup>a</sup> Must be ordered from the Superintendent of Documents, Government Printing Office, Washington, D.C., 20402.

<sup>b</sup> This document is available in photocopy form, at a current cost of \$10.32 plus postage. Purchasers are billed by the printing company which prepares the photocopies.

SECURITIES AND EXCHANGE COMMISSION



THE REGIONAL OFFICES

|                          |                        |                         |  |                            |                             |                               |                         |                                 |
|--------------------------|------------------------|-------------------------|--|----------------------------|-----------------------------|-------------------------------|-------------------------|---------------------------------|
| NEW YORK REGIONAL OFFICE | BOSTON REGIONAL OFFICE | ATLANTA REGIONAL OFFICE | CHICAGO REGIONAL OFFICE  | FORT WORTH REGIONAL OFFICE | DENVER REGIONAL OFFICE      | SAN FRANCISCO REGIONAL OFFICE | SEATTLE REGIONAL OFFICE | WASHINGTON D.C. REGIONAL OFFICE |
|                          |                        | Miami, Fla. Branch      | Cleveland, Ohio Branch<br>Detroit, Mich. Branch<br>St. Paul, Minn. Branch<br>St. Louis, Mo. Branch | Houston, Texas Branch      | Salt Lake City, Utah Branch | Los Angeles, Calif. Branch    |                         |                                 |

realigned to implement the recommendation contained in the Report of the Special Study that the Division be so organized and staffed that it might more adequately oversee the operation of the self-regulatory agencies, examine on a continuous basis changing market circumstances and regulatory needs and appraise the adequacies of existing regulatory measures. In addition, the Report recommended that the Division's research activities be expanded so that greater emphasis be given to the compilation, analysis and, where appropriate, publication of data concerning certain aspects and developments in the trading markets. As reconstituted, the Division consists of six units—the Offices of Chief Counsel, Criminal Reference, Enforcement, Regulation, Special Proceedings, and Statistical Studies.

Another change effected during the year involved the transfer of the Section of Machine Tabulation from the Office of the Comptroller to the Office of Records and Service. This change was made in contemplation of the installation of a computer during fiscal year 1965, which is to be operated by the staff of that Section.

#### PERSONNEL AND FINANCIAL MANAGEMENT

Highlights of the Commission's personnel program in fiscal 1964 included (1) increased activities designed to curb grade escalation, (2) the addition of an important fringe benefit in the form of accident insurance, (3) the conduct of OPERATION SCAN under the incentive awards program, (4) participation in the Federal government's program for hiring mentally retarded persons and (5) the continuation of after-hours training of employees.

In the 6 years from 1958 to 1963, the average grade in the Commission rose from 8.8 to 9.1. This is a 3.4 percent increase as compared with a 12.5 percent increase for all agencies. Similarly, the number of positions in grades GS-13 through GS-18 increased only 10 percent as compared with an increase of 59 percent for all agencies. Although no significant or unwarranted rise in the grades of its positions was found, the Commission instituted measures to control upgradings which could not be fully justified. As of June 30, 1964, the average grade was 9.2.

All employees were offered complete accident insurance coverage at group rates under the Securities Commission Accident Plan (SCAP) adopted in June 1964. This plan is offered as an employee service at no cost to the Commission. Employees pay the total cost of premiums and deal directly with the insurance company or its agent on a private transaction basis. The plan is particularly attractive to employees who perform considerable official travel.

OPERATION SCAN was launched in April 1964 in an all-out effort to spur all Commission employees to propose and devise new ways to improve job performance and to suggest ways to improve methods, reduce costs, increase productivity, and save man-hours. Members of the Commission sent a letter to each employee urging wholehearted participation in the program. Chairman John W. Macy, Jr., of the Civil Service Commission in a letter to the Chairman stated:

My congratulations to you and your associates for this imaginative response to the President's call for an intensified effort aimed at encouraging employee ideas for cutting costs and increasing efficiency during this Tenth Anniversary year of the incentive awards program. We plan to bring this program to the attention of other agencies. . . .

The Commission was one of the first Federal agencies to employ a qualified mentally retarded person under the special appointing authority approved by the Civil Service Commission. The young man entered on duty as a messenger on February 17, 1964 and he has performed satisfactorily.

Formalized training in the work of the Commission continued to be emphasized by several of the divisions and offices. The Division of Trading and Markets conducted its Third Annual Seminar on Investigative Techniques and Trial Practice in the spring of 1964. Eight after-hour sessions were conducted. A highlight of the Seminar was a mock administrative hearing held in the court room of the United States Court of Military Appeals.

The Commission's General Counsel, Philip A. Loomis, Jr., received a Career Service Award from the National Civil Service League in April 1964. He is the third employee to be accorded this honor. Andrew Barr, Chief Accountant of the Commission, received the 1964 Alpha Kappa Psi Foundation Award. Frederick Moss, Chief, Office of Special Proceedings, Division of Trading and Markets, was a semifinalist for one of 10 Arthur S. Flemming Awards presented annually to outstanding young men in the Federal Service.

During the period April 15, 1963 through June 30, 1964, 130 members of the staff received an additional within-grade salary increase in recognition of high quality performance. These awards are authorized by Section 702 of the Classification Act of 1949, as amended by the Salary Reform Act of 1962.

Cash awards totaling \$5,700 and certificates of merit were presented to 48 employees at the Commission's Eighth Annual Service and Merit Awards Ceremony, held in October 1963.

The following comparative table shows the personnel strength of the Commission as of June 30, 1963 and 1964:

|                          | June 30, 1964 | June 30, 1963 |
|--------------------------|---------------|---------------|
| Commissioners.....       | 4             | 5             |
| Staff:                   |               |               |
| Headquarters office..... | 848           | 861           |
| Regional offices.....    | 527           | 522           |
| Total staff.....         | 1,375         | 1,383         |
| Grand total.....         | 1,379         | 1,388         |

The table on page 161 shows the status of the Commission's budget estimates for the fiscal years 1960 to 1965, from the initial submission to the Bureau of the Budget to final enactment of the annual appropriation.

The Commission is required by law to collect fees for registration of securities issued, qualification of trust indentures, registration of exchanges, and sale of copies of documents filed with the Commission.<sup>46</sup>

The following table shows the Commission's appropriation, total fees collected, percentage of fees collected to total appropriation, and the net cost to the taxpayers of Commission operations for the fiscal years 1962, 1963, and 1964:

| Year      | Appropriation | Fees collected | Percentage of fees collected to total appropriation (percent) | Net cost of Commission operations |
|-----------|---------------|----------------|---|-----------------------------------|
| 1962..... | \$11,412,500  | \$3,422,403    | 30  | \$7,990,097                       |
| 1963..... | 13,261,700    | 2,533,986      | 19  | 10,727,714                        |
| 1964..... | 13,937,500    | 3,106,213      | 22  | 10,831,287                        |

<sup>46</sup> Principal rates are (1)  $\frac{1}{100}$  of 1 percent of the maximum aggregate price of securities proposed to be offered but not less than \$25; (2)  $\frac{1}{600}$  of 1 percent of the aggregate dollar amount of stock transactions. Fees for other services are only nominal.

*Securities and Exchange Commission  
Action taken on budget estimates and appropriation from fiscal 1960 through fiscal 1965*

| ACTION  | Fiscal 1960    |             | Fiscal 1961    |             | Fiscal 1962    |              | Fiscal 1963    |              | Fiscal 1964    |              | Fiscal 1965    |              |
|---|----------------|-------------|----------------|-------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
|   | Posi-<br>tions | Money       | Posi-<br>tions | Money       | Posi-<br>tions | Money        | Posi-<br>tions | Money        | Posi-<br>tions | Money        | Posi-<br>tions | Money        |
| Estimate submitted to the Bureau of the Budget.....         | 1,036          | \$8,437,000 | 1,190          | \$9,760,000 | 1,290          | \$11,450,000 | 1,671          | \$14,516,500 | 1,577          | \$14,800,000 | 1,677          | \$17,165,000 |
| Action by the Bureau of the Budget.....                     | -18            | -162,000    | -98            | -860,000    | -36            | -435,000     | -91            | -716,500     | -42            | -400,000     | -84            | -1,460,000   |
| Amount allowed by the Bureau of the Budget.....             | 1,018          | 8,275,000   | 1,092          | 8,900,000   | 1,254          | \$11,015,000 | 1,580          | 13,800,000   | 1,535          | 14,400,000   | 1,593          | 15,715,000   |
| Action by the House of Representatives.....                 | -55            | -475,000    | -46            | -375,000    | -----          | -15,000      | -47            | -500,000     | -67            | -625,000     | -131           | -885,000     |
| Subtotal.....   | 963            | 7,800,000   | 1,046          | 8,525,000   | 1,254          | 11,000,000   | 1,533          | 13,300,000   | 1,468          | 13,775,000   | 1,462          | 14,830,000   |
| Action by the Senate.....                                   | +55            | +475,000    | +101           | +475,000    | +65            | +450,000     | -----          | -----        | -----          | +325,000     | -----          | -----        |
| Subtotal.....   | 1,018          | 8,275,000   | 1,147          | 9,000,000   | 1,310          | 11,450,000   | 1,533          | 13,300,000   | 1,468          | 14,100,000   | 1,462          | 14,830,000   |
| Action by Conference.....                                   | -18            | -175,000    | -57            | -387,500    | -----          | -37,500      | -52            | -500,000     | -----          | -162,800     | -----          | -----        |
| Annual Appropriation.....                                   | 1,000          | 8,100,000   | 1,090          | 8,612,500   | 1,319          | 11,412,500   | 1,481          | 12,800,000   | 1,468          | 13,937,400   | 1,462          | 14,830,000   |
| Supplemental appropriation for statutory pay increases..... | -----          | -----       | -----          | 605,000     | -----          | -----        | -----          | 461,700      | -----          | -----        | -----          | 612,000      |
| Total appropriation.....                                    | 1,000          | 8,100,000   | 1,090          | 9,517,500   | 1,319          | 11,412,500   | 1,481          | 13,261,700   | 1,468          | 13,937,500   | 1,462          | 15,442,000   |

<sup>a</sup> Excludes a supplemental request for \$200,000.  
<sup>b</sup> Includes a supplemental request for \$400,000.  
<sup>c</sup> Includes a supplemental request for \$100,000.

<sup>d</sup> Includes a supplemental request for \$450,000 for the Special Study of the Securities Markets.  
<sup>e</sup> Includes a supplemental request for \$1,266,000.  
<sup>f</sup> Includes 2 supplemental requests; \$800,000 and \$390,000—a total of \$1,190,000.



**PART XII**  
**APPENDIX**  
**STATISTICAL TABLES**



TABLE 1.—A 30-year record of registrations effective under the Securities Act of 1933

1935-1964

[Amounts in millions of dollars]

| Fiscal year ended June 30 | Number of statements <sup>1</sup> | All registrations | For cash sale for account of issuers |                              |                 |              |
|---------------------------|-----------------------------------|-------------------|--------------------------------------|------------------------------|-----------------|--------------|
|                           |                                   |                   | Total                                | Bonds, debentures, and notes | Preferred stock | Common stock |
| 1935                      | 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                        | 182             | 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        |
| 1955                      | 779                               | 10,960            | 8,277                                | 3,951                        | 462             | 3,864        |
| 1956                      | 906                               | 13,096            | 9,206                                | 4,123                        | 539             | 4,544        |
| 1957                      | 876                               | 14,624            | 12,019                               | 5,689                        | 472             | 5,853        |
| 1958                      | 813                               | 16,490            | 13,281                               | 6,857                        | 427             | 6,998        |
| 1959                      | 1,070                             | 15,657            | 12,095                               | 5,265                        | 443             | 6,387        |
| 1960                      | 1,426                             | 14,367            | 11,738                               | 4,224                        | 253             | 7,260        |
| 1961                      | 1,550                             | 19,070            | 16,260                               | 6,162                        | 248             | 9,850        |
| 1962                      | 1,844                             | 19,547            | 16,286                               | 4,512                        | 253             | 11,521       |
| 1963                      | 1,157                             | 14,790            | 11,869                               | 4,372                        | 270             | 7,227        |
| 1964                      | 1,121                             | 16,860            | 14,784                               | 4,554                        | 224             | 10,006       |

<sup>1</sup> Statements registering American Depositary Receipts against outstanding foreign securities as provided by Form S-12 are included.

<sup>2</sup> For 10 months ended June 30, 1935.

TABLE 2.—Registrations effective under the Securities Act of 1933, fiscal year ended June 30, 1964

## PART 1.—DISTRIBUTION BY MONTHS

[Amounts in thousands of dollars <sup>1</sup>]

| Year and month               | All registrations    |                               |             | Proposed for sale for account of issuers <sup>2</sup> |            |                               |                        |
|------------------------------|----------------------|-------------------------------|-------------|---|------------|-------------------------------|------------------------|
|                              | Number of statements | Number of issues <sup>2</sup> | Amount      | Totals <sup>3</sup>                                   |            | Corporate <sup>4</sup>        |                        |
|                              |                      |                               |             | Number of issues <sup>2</sup>                         | Amount     | Number of issues <sup>2</sup> | Amount                 |
| <i>1963</i>                  |                      |                               |             |   |            |                               |                        |
| July.....                    | 101                  | 124                           | \$1,025,116 | 102   | \$915,035  | 43                            | \$423,591              |
| August.....                  | 81                   | 90                            | 1,140,204   | 77  | 1,071,562  | 34                            | 359,683                |
| September.....               | 63                   | 75                            | 622,065     | 59  | 533,601    | 27                            | 269,628                |
| October.....                 | 96                   | 105                           | 1,032,018   | 87  | 949,416    | 46                            | 640,171                |
| November.....                | 66                   | 82                            | 958,113     | 62  | 553,676    | 37                            | 281,906                |
| December.....                | 91                   | 112                           | 956,564     | 83  | 846,223    | 38                            | 452,728                |
| <i>1964</i>                  |                      |                               |             |   |            |                               |                        |
| January.....                 | 80                   | 91                            | 1,729,859   | 76  | 1,293,416  | 36                            | 397,777                |
| February.....                | 75                   | 83                            | 2,753,498   | 68  | 2,643,197  | 27                            | 1,526,718              |
| March.....                   | 82                   | 97                            | 1,422,294   | 78  | 1,293,942  | 42                            | 356,296                |
| April.....                   | 142                  | 162                           | 1,933,936   | 137   | 1,768,349  | 39                            | 415,918                |
| May.....                     | 137                  | 158                           | 1,720,259   | 127   | 1,542,324  | 48                            | 564,971                |
| June.....                    | 107                  | 145                           | 1,565,824   | 112   | 1,372,969  | 56                            | 825,656                |
| Total, fiscal year 1964..... | <sup>5</sup> 1,121   | 1,324                         | 16,859,751  | 1,068   | 14,783,709 | 473                           | <sup>6</sup> 6,515,044 |

## PART 2.—PURPOSE OF REGISTRATION AND TYPE OF SECURITY

[Amounts in thousands of dollars <sup>1</sup>]

| Purpose of registration                                  | All types    | Type of security                          |                 |                           |
|--|--------------|---|-----------------|---------------------------|
|  |              | Bonds, debentures, and notes <sup>7</sup> | Preferred stock | Common stock <sup>4</sup> |
| All registrations (estimated value).....                 | \$16,859,751 | \$4,668,381                               | \$261,522       | \$11,929,848              |
| For account of issuer for cash sale.....                 | 14,783,709   | 4,553,572                                 | 224,154         | 10,005,984                |
| For immediate offering <sup>4</sup> .....                | 6,632,684    | 3,983,713                                 | 217,915         | 2,431,055                 |
| Corporate <sup>4</sup> .....                             | 6,515,044    | 3,866,073                                 | 217,915         | 2,431,055                 |
| Offered to:  |              |   |                 |                           |
| General public.....                                      | 4,518,807    | 3,683,308                                 | 207,790         | 627,709                   |
| Security holders.....                                    | 1,884,444    | 180,870                                   | 8,625           | 1,694,949                 |
| Other special groups.....                                | 111,792      | 1,895                                     | 1,500           | 108,398                   |
| Foreign governments.....                                 | 117,640      | 117,640                                   | 0               | 0                         |
| For extended cash sale and other issues <sup>3</sup> ... | 8,151,025    | 569,858                                   | 6,238           | 7,574,928                 |
| For account of issuer for other than cash sale...        | 612,299      | 27,745                                    | 28,985          | 555,569                   |
| For account of other than issuer.....                    | 1,463,743    | 87,064                                    | 8,383           | 1,368,296                 |
| For cash sale.....                                       | 1,316,596    | 81,545                                    | 1,687           | 1,233,365                 |
| Other.....   | 147,147      | 5,519                                     | 6,697           | 134,931                   |

See footnotes at end of part 4 of table.

TABLE 2.—Registrations effective under the Securities Act of 1933, fiscal year ended June 30, 1964—Continued

## PART 3.—PURPOSE OF REGISTRATION AND INDUSTRY OF REGISTRANT

[Amounts in thousands of dollars <sup>1</sup>]

| Purpose of registration                         | Type of issuer    |               |            |                         |               |                           |                                   |                     |                      |             | Other types |
|---|-------------------|---------------|------------|-------------------------|---------------|---------------------------|-----------------------------------|---------------------|----------------------|-------------|-------------|
|   | All registrations | Manufacturing | Extractive | Electric, gas and water | Communication | Financial and real estate | Commercial and other <sup>2</sup> | Foreign governments | Investment companies | Other types |             |
| Number of statements.....                       | 1,121             | 199           | 49         | 87                      | 28            | 142                       | 106                               | 6                   | 199                  | 305         |             |
| Number of issues <sup>3</sup> .....             | 1,324             | 239           | 62         | 100                     | 30            | 169                       | 138                               | 8                   | 230                  | 358         |             |
| All registrations (estimated value).....        | \$16,869,761      | \$2,221,564   | \$178,961  | \$2,163,830             | \$2,166,244   | \$1,316,994               | \$542,496                         | \$517,640           | \$5,026,516          | \$2,725,536 |             |
| For account of issuer.....                      | 15,396,008        | 1,195,634     | 148,840    | 2,106,427               | 2,167,681     | 1,164,755                 | 354,006                           | 517,640             | 5,025,489            | 2,725,536   |             |
| For cash sale.....                              | 14,783,709        | 923,433       | 113,144    | 2,102,597               | 2,155,926     | 1,010,313                 | 209,631                           | 517,640             | 5,025,489            | 2,725,536   |             |
| For immediate offering.....                     | 6,632,684         | 923,433       | 113,144    | 2,102,597               | 2,155,926     | 1,010,313                 | 209,631                           | 117,640             | -----                | -----       |             |
| Corporate.....                                  | 6,515,044         | 923,433       | 113,144    | 2,102,597               | 2,155,926     | 1,010,313                 | 209,631                           | -----               | -----                | -----       |             |
| Foreign governments.....                        | 117,640           | -----         | -----      | -----                   | -----         | -----                     | -----                             | 117,640             | -----                | -----       |             |
| For extended sale <sup>4</sup> .....            | 8,151,025         | -----         | -----      | -----                   | -----         | -----                     | -----                             | 400,000             | 5,025,489            | 2,725,536   |             |
| Investment companies <sup>5</sup> .....         | 5,025,489         | -----         | -----      | -----                   | -----         | -----                     | -----                             | -----               | 5,025,489            | -----       |             |
| Employee saving plan certificates.....          | 687,019           | -----         | -----      | -----                   | -----         | -----                     | -----                             | -----               | -----                | 687,019     |             |
| Securities for employee stock option plans..... | 1,470,463         | -----         | -----      | -----                   | -----         | -----                     | -----                             | -----               | -----                | 1,470,463   |             |
| Other <sup>1</sup> .....                        | 908,054           | -----         | -----      | -----                   | -----         | -----                     | -----                             | 400,000             | -----                | 568,054     |             |
| For other than cash sale.....                   | 612,299           | 272,201       | 35,696     | 3,880                   | 1,756         | 164,442                   | 144,375                           | -----               | -----                | -----       |             |
| Exchange transactions <sup>1</sup> .....        | 234,404           | 70,328        | 8,986      | 3,880                   | 0             | 114,579                   | 27,684                            | -----               | -----                | -----       |             |
| Reserved for conversion.....                    | 353,355           | 192,083       | 16,888     | 0                       | 1,766         | 34,782                    | 107,819                           | -----               | -----                | -----       |             |
| Other.....                                      | 24,560            | 782           | 9,825      | 0                       | 0             | 5,081                     | 8,872                             | -----               | -----                | -----       |             |
| For account of other than issuer.....           | 1,463,743         | 1,025,980     | 30,091     | 57,403                  | 8,563         | 152,289                   | 188,491                           | -----               | 1,027                | -----       |             |
| For cash sale.....                              | 1,316,596         | 990,625       | 19,323     | 6,405                   | 8,023         | 118,168                   | 183,009                           | -----               | 1,027                | -----       |             |
| Other.....                                      | 147,147           | 45,355        | 10,768     | 50,997                  | 540           | 34,071                    | 5,482                             | -----               | -----                | -----       |             |

See footnotes at end of part 4 of table.

TABLE 2.—Registrations effective under the Securities Act of 1933, fiscal year ended June 30, 1964—Continued  
PART 4.—USE OF PROCEEDS AND INDUSTRY OF REGISTRANT  
(Amounts in thousands of dollars)<sup>1</sup>

| Use of proceeds   | Industry of issuer |               |            |                         |               |                           |                                   |
|---|--------------------|---------------|------------|-------------------------|---------------|---------------------------|-----------------------------------|
|   | All corporate      | Manufacturing | Extractive | Electric, gas and water | Communication | Financial and real estate | Commercial and other <sup>2</sup> |
| Corporate issues for immediate cash offering for account of issuers (estimated gross proceeds)..... | \$6,515,044        | \$923,433     | \$113,144  | \$2,102,597             | \$2,155,926   | \$1,010,313               | \$209,631                         |
| Cost of floatation.....   | 114,365            | 25,613        | 2,987      | 28,749                  | 20,618        | 25,415                    | 10,983                            |
| Commissions and discounts.....  | 76,021             | 19,002        | 2,084      | 18,941                  | 11,416        | 19,407                    | 8,161                             |
| Expenses.....   | 36,346             | 6,611         | 893        | 9,808                   | 9,201         | 6,009                     | 2,822                             |
| Expected net proceeds.....  | 6,400,678          | 897,820       | 110,157    | 2,073,848               | 2,136,308     | 964,898                   | 198,647                           |
| New money purposes.....   | 5,594,695          | 657,465       | 106,111    | 1,890,910               | 1,928,419     | 884,247                   | 167,543                           |
| Plant and equipment.....  | 4,213,810          | 423,017       | 34,399     | 1,812,005               | 1,819,012     | 3,016                     | 122,360                           |
| Working capital.....  | 1,340,885          | 234,448       | 71,711     | 18,905                  | 109,407       | 881,231                   | 46,183                            |
| Retirement of securities.....   | 323,094            | 13,026        | 596        | 236,619                 | 70,242        | 3,680                     | 8,922                             |
| Purchase of securities.....   | 166,480            | 34,192        | 0          | 0                       | 22,664        | 102,765                   | 6,809                             |
| Other.....  | 386,453            | 199,136       | 3,451      | 16,319                  | 113,983       | 44,196                    | 15,374                            |

<sup>1</sup> Dollar amounts are rounded and will not necessarily add to totals shown.  
<sup>2</sup> Warrants are excluded from the count of the number of issues although included in dollar amount.  
<sup>3</sup> Includes issues to be offered for sale continuously over an extended period of time, such as investment company issues and securities reserved for exercise of warrants or options.  
<sup>4</sup> Covers only issues proposed for sale immediately following effective registration.  
<sup>5</sup> Of up to 1921 effective registration statements covered in this table differ from the 1,110 "net" effective statements shown in the text table. Number and disposition of registration statements filed as this table includes 11 statements which became effective during the fiscal year 1964, but which were later withdrawn.  
<sup>6</sup> This total differs from the sum of the monthly figures for offerings shown in Table 3, Part 4, under the heading "Registered under 1933 Act," because of differences in timing between effective registration dates and offering dates, and because parts of issues sold to affiliated companies are excluded from the series on securities offerings.

<sup>7</sup> Includes face amount certificates.  
<sup>8</sup> Includes certificates of participation, warrants and voting trust certificates.  
<sup>9</sup> Includes trade, construction, transportation other than railroad, and service industries.  
<sup>10</sup> Includes registrations of new investment companies organized for the purpose of exchanging investment company shares for individuals' portfolio holdings.  
<sup>11</sup> Includes securities for exercise of warrants, options and other contingent offerings mostly involving parts of issues being registered; the other parts being included elsewhere in the table. Also includes issues offered over an extended period to employees under plans other than savings and stock option plans, and certificates of participation in retirement plans of the self-employed.  
<sup>12</sup> Includes voting trust certificates and certificates of deposit registered for issuance in exchange for original securities deposited.

TABLE 3.—New securities offered for cash sale in the United States<sup>1</sup>

PART I.—TYPE OF OFFERING

[Estimated gross proceeds in thousands of dollars<sup>2</sup>]

| Calendar year or month | All offerings (corporate and non-corporate) | CORPORATE       |                                |                           |                               |                 |  |                                     |                                 |                                 |  | NON-CORPORATE |
|------------------------|---|-----------------|--------------------------------|---------------------------|-------------------------------|-----------------|--|-------------------------------------|---------------------------------|---------------------------------|--|---------------|
|                        |   | Total corporate | Classified by type of offering |                           |                               |                 |  |                                     |                                 | Private placements <sup>3</sup> |  |               |
|                        |   |                 | Total public offerings         | Registered under 1933 act | Public offerings <sup>4</sup> |                 |  | Other exempt offerings <sup>5</sup> | Private placements <sup>6</sup> |                                 |  |               |
|                        |   |                 |                                |                           | Total                         | Railroad issues | Issues exempt because of size <sup>4</sup> |                                     |                                 |                                 |  |               |
| 1933                   |   |                 |                                |                           |                               |                 |  |                                     |                                 |                                 |  |               |
| 1933.....              | 31, 074, 208                                | 9, 748, 069     | 5, 423, 192                    | 568, 982                  | 151, 415                      | 161, 190        | 284, 368                                   | 3, 764, 915                         | 21, 326, 139                    |                                 |  |               |
| 1934.....              | 27, 640, 990                                | 10, 158, 990    | 6, 047, 677                    | 609, 414                  | 193, 744                      | 196, 357        | 219, 314                                   | 3, 496, 898                         | 17, 386, 590                    |                                 |  |               |
| 1935.....              | 35, 527, 314                                | 13, 164, 644    | 7, 476, 502                    | 668, 197                  | 128, 363                      | 237, 239        | 300, 487                                   | 5, 021, 955                         | 22, 362, 670                    |                                 |  |               |
| 1936.....              | 29, 966, 043                                | 10, 704, 652    | 5, 546, 601                    | 520, 571                  | 216, 044                      | 126, 865        | 177, 662                                   | 4, 640, 389                         | 19, 251, 482                    |                                 |  |               |
| 1937.....              | 31, 616, 257                                | 12, 236, 646    | 5, 823, 354                    | 753, 294                  | 381, 469                      | 58, 112         | 313, 983                                   | 6, 413, 262                         | 19, 379, 611                    |                                 |  |               |
| 1938.....              | 2, 707, 993                                 | 694, 811        | 430, 130                       | 40, 808                   | 29, 888                       | 3, 655          | 7, 765                                     | 264, 681                            | 2, 013, 172                     |                                 |  |               |
| 1939.....              | 2, 165, 357                                 | 642, 317        | 341, 941                       | 39, 323                   | 13, 985                       | 4, 850          | 20, 591                                    | 303, 376                            | 1, 523, 240                     |                                 |  |               |
| 1940.....              | 2, 850, 558                                 | 1, 363, 267     | 574, 171                       | 41, 256                   | 31, 601                       | 3, 661          | 5, 973                                     | 789, 095                            | 1, 467, 091                     |                                 |  |               |
| 1941.....              | 2, 927, 100                                 | 1, 048, 652     | 577, 061                       | 549, 447                  | 10, 694                       | 6, 785          | 10, 184                                    | 471, 471                            | 1, 878, 568                     |                                 |  |               |
| 1942.....              | 2, 782, 609                                 | 620, 463        | 637, 361                       | 83, 072                   | 70, 245                       | 6, 430          | 6, 367                                     | 719, 164                            | 1, 442, 982                     |                                 |  |               |
| 1943.....              | 6, 054, 228                                 | 1, 339, 626     | 586, 342                       | 445, 104                  | 76, 450                       | 6, 667          | 8, 141                                     | 709, 442                            | 3, 808, 473                     |                                 |  |               |
| 1944.....              | 2, 098, 800                                 | 859, 752        | 331, 456                       | 24, 862                   | 10, 527                       | 4, 579          | 9, 757                                     | 453, 434                            | 1, 279, 139                     |                                 |  |               |
| 1945.....              | 1, 979, 803                                 | 755, 669        | 368, 379                       | 41, 909                   | 6, 401                        | 2, 702          | 30, 800                                    | 369, 381                            | 1, 224, 284                     |                                 |  |               |
| 1946.....              | 1, 672, 985                                 | 870, 628        | 347, 603                       | 288, 468                  | 40, 892                       | 4, 990          | 3, 463                                     | 623, 125                            | 802, 368                        |                                 |  |               |
| 1947.....              | 2, 977, 183                                 | 1, 116, 210     | 617, 294                       | 92, 148                   | 23, 147                       | 5, 315          | 6, 189                                     | 408, 919                            | 1, 890, 943                     |                                 |  |               |
| 1948.....              | 2, 117, 461                                 | 891, 071        | 330, 421                       | 274, 223                  | 24, 813                       | 6, 146          | 28, 138                                    | 560, 650                            | 1, 226, 361                     |                                 |  |               |
| 1949.....              | 2, 312, 000                                 | 1, 436, 981     | 696, 462                       | 473, 577                  | 41, 642                       | 3, 302          | 178, 631                                   | 762, 528                            | 863, 020                        |                                 |  |               |
| 1964                   |   |                 |                                |                           |                               |                 |  |                                     |                                 |                                 |  |               |
| 1964.....              | 2, 461, 622                                 | 984, 702        | 460, 636                       | 404, 231                  | 27, 631                       | 4, 976          | 2, 997                                     | 845, 767                            | 1, 409, 830                     |                                 |  |               |
| 1965.....              | 2, 021, 741                                 | 803, 157        | 390, 694                       | 301, 291                  | 34, 777                       | 2, 479          | 21, 162                                    | 348, 693                            | 1, 312, 195                     |                                 |  |               |
| 1966.....              | 4, 121, 193                                 | 894, 696        | 446, 117                       | 199, 493                  | 23, 635                       | 2, 844          | 102, 803                                   | 369, 849                            | 3, 219, 217                     |                                 |  |               |
| 1967.....              | 4, 890, 046                                 | 2, 674, 946     | 1, 410, 512                    | 611, 776                  | 47, 612                       | 2, 773          | 18, 744                                    | 469, 533                            | 2, 965, 700                     |                                 |  |               |
| 1968.....              | 2, 269, 101                                 | 1, 166, 476     | 587, 686                       | 37, 792                   | 35, 278                       | 3, 091          | 8, 510                                     | 487, 722                            | 1, 011, 623                     |                                 |  |               |
| 1969.....              | 3, 056, 432                                 | 1, 461, 203     | 826, 280                       | 774, 177                  | 22, 289                       | 3, 212          | 20, 602                                    | 640, 913                            | 1, 565, 280                     |                                 |  |               |

See footnotes at end of part 4 of table.

TABLE 3.—New securities offered for cash sale in the United States<sup>1</sup>—Continued

PART 2.—TYPE OF SECURITY

[Estimated gross proceeds in thousands of dollars<sup>2</sup>]

| Calendar year or month  | All types of securities |            |              |             | Bonds, debentures, and notes |              |              |           | Preferred stock | Common stock |
|-------------------------|-------------------------|------------|--------------|-------------|------------------------------|--------------|--------------|-----------|-----------------|--------------|
|                         | Corporate               |            | Noncorporate |             | Corporate                    |              | Noncorporate |           |                 |              |
|                         | All issuers             | Corporate  | Noncorporate | All issuers | Corporate                    | Noncorporate |              |           |                 |              |
| <b>1965</b>             |                         |            |              |             |                              |              |              |           |                 |              |
| 1965 <sup>3</sup> ..... | 81,074,208              | 9,748,069  | 21,326,139   | 28,515,908  | 7,189,769                    | 21,326,139   | 531,191      | 2,027,109 |                 |              |
| 1960.....               | 27,640,660              | 10,153,980 | 17,386,580   | 25,467,927  | 8,081,346                    | 17,386,580   | 408,625      | 1,664,109 |                 |              |
| 1961.....               | 35,627,314              | 13,164,644 | 22,362,670   | 31,752,472  | 9,419,802                    | 22,362,670   | 450,361      | 3,294,480 |                 |              |
| 1962.....               | 29,956,043              | 10,704,562 | 19,251,482   | 28,220,575  | 8,969,063                    | 19,251,482   | 421,877      | 1,313,591 |                 |              |
| 1963.....               | 31,616,257              | 12,236,646 | 19,379,611   | 30,251,937  | 10,872,326                   | 19,379,611   | 342,037      | 1,022,283 |                 |              |
| January.....            | 2,707,983               | 694,811    | 2,013,172    | 2,606,118   | 592,946                      | 2,013,172    | 30,387       | 71,478    |                 |              |
| February.....           | 2,165,557               | 642,317    | 1,523,240    | 2,071,612   | 548,372                      | 1,523,240    | 17,347       | 76,698    |                 |              |
| March.....              | 2,830,858               | 1,363,297  | 1,467,091    | 2,738,610   | 1,272,519                    | 1,467,091    | 17,132       | 73,616    |                 |              |
| April.....              | 2,927,100               | 1,048,532  | 1,878,568    | 2,710,545   | 831,977                      | 1,878,568    | 26,015       | 190,540   |                 |              |
| May.....                | 2,782,609               | 1,339,626  | 1,442,982    | 2,687,287   | 1,244,305                    | 1,442,982    | 16,990       | 78,381    |                 |              |
| June.....               | 5,054,253               | 1,245,784  | 3,808,473    | 4,941,652   | 1,133,179                    | 3,808,473    | 37,794       | 74,811    |                 |              |
| July.....               | 2,088,800               | 809,752    | 1,279,139    | 1,988,900   | 709,851                      | 1,279,139    | 34,901       | 64,989    |                 |              |
| August.....             | 1,979,803               | 755,699    | 1,224,234    | 1,879,987   | 658,764                      | 1,224,234    | 38,649       | 61,257    |                 |              |
| September.....          | 1,672,985               | 870,628    | 802,358      | 1,586,236   | 783,879                      | 802,358      | 5,379        | 81,370    |                 |              |
| October.....            | 2,977,153               | 1,116,210  | 1,860,943    | 2,852,450   | 991,508                      | 1,860,943    | 33,781       | 90,922    |                 |              |
| November.....           | 2,117,461               | 891,071    | 1,226,391    | 1,957,982   | 731,591                      | 1,226,391    | 63,753       | 105,727   |                 |              |
| December.....           | 2,312,000               | 1,468,981  | 853,020      | 2,226,456   | 1,376,436                    | 853,020      | 29,850       | 52,995    |                 |              |
| <b>1964</b>             |                         |            |              |             |                              |              |              |           |                 |              |
| January.....            | 2,481,022               | 984,792    | 1,496,830    | 2,360,195   | 863,365                      | 1,496,830    | 20,700       | 94,728    |                 |              |
| February.....           | 2,021,741               | 706,557    | 1,315,185    | 1,933,441   | 621,256                      | 1,315,185    | 7,900        | 80,401    |                 |              |
| March.....              | 4,930,045               | 2,234,346  | 2,696,700    | 3,568,584   | 1,714,317                    | 2,696,700    | 22,612       | 87,289    |                 |              |
| April.....              | 2,267,101               | 1,155,478  | 1,111,623    | 2,119,303   | 1,007,740                    | 1,111,623    | 49,809       | 1,345,808 |                 |              |
| May.....                | 3,056,492               | 1,401,203  | 1,655,290    | 2,686,137   | 1,040,847                    | 1,655,290    | 81,793       | 283,662   |                 |              |

See footnotes at end of part 4 of table.

TABLE 3.—New securities offered for cash sale in the United States 1.—Continued

PART 3.—TYPE OF ISSUER

[Estimated gross proceeds in thousands of dollars 2]

| Calendar year or month | Corporate       |               |            |                          |          |                      |               |                             |                      |                     | Noncorporate                                   |  |                     |                                      |                         |
|------------------------|-----------------|---------------|------------|--------------------------|----------|----------------------|---------------|-----------------------------|----------------------|---------------------|--|--|---------------------|--------------------------------------|-------------------------|
|                        | Total corporate | Manufacturing | Extractive | Electric, gas, and water | Railroad | Other transportation | Communication | Financial and real estate 3 | Commercial and other | Total non-corporate | U. S. Government (including issues guaranteed) | Federal agency (issues not guaranteed) | State and municipal | Foreign government and international | Non-profit institutions |
| 1963                   | 9,748,069       | 2,078,820     | 161,396    | 3,257,790                | 173,913  | 792,820              | 717,101       | 1,852,906                   | 719,314              | 21,328,199          | 12,322,475                                     | 709,968                                | 7,681,054           | 545,658                              | 69,955                  |
| 1960                   | 10,153,980      | 2,152,419     | 245,682    | 2,851,215                | 211,244  | 507,296              | 1,049,810     | 2,524,919                   | 611,705              | 17,386,580          | 7,800,326                                      | 1,072,086                              | 7,250,500           | 504,445                              | 74,233                  |
| 1961                   | 13,164,644      | 4,076,671     | 259,259    | 3,032,485                | 180,193  | 513,712              | 1,833,958     | 2,332,477                   | 984,889              | 22,362,670          | 12,262,846                                     | 1,447,508                              | 8,369,512           | 228,644                              | 73,161                  |
| 1962                   | 10,704,592      | 3,249,384     | 208,927    | 2,825,367                | 225,629  | 340,806              | 1,302,528     | 1,892,608                   | 639,429              | 19,251,462          | 8,890,216                                      | 1,187,788                              | 8,508,201           | 733,785                              | 181,613                 |
| 1963                   | 12,236,646      | 3,543,161     | 214,132    | 2,668,319                | 431,268  | 533,269              | 1,094,423     | 3,119,757                   | 632,287              | 19,376,611          | 7,213,142                                      | 1,166,325                              | 10,106,663          | 771,978                              | 118,562                 |
| 1963                   |                 |               |            |                          |          |                      |               |                             |                      |                     |  |  |                     |                                      |                         |
| January                | 694,811         | 142,285       | 17,010     | 181,385                  | 29,388   | 69,939               | 126,807       | 93,451                      | 34,497               | 2,013,172           | 774,046  | 0                                      | 998,748             | 232,248                              | 8,131                   |
| February               | 642,317         | 228,338       | 24,421     | 146,553                  | 13,385   | 16,592               | 68,826        | 113,918                     | 29,866               | 1,523,240           | 424,546  | 148,000                                | 810,072             | 133,653                              | 7,589                   |
| March                  | 1,365,267       | 630,338       | 11,034     | 161,151                  | 43,401   | 100,176              | 46,449        | 290,852                     | 79,859               | 1,467,091           | 396,314  | 0                                      | 989,278             | 76,094                               | 5,497                   |
| April                  | 1,048,832       | 155,392       | 16,126     | 433,637                  | 10,694   | 23,128               | 72,831        | 274,451                     | 62,544               | 1,878,588           | 715,611  | 186,465                                | 914,569             | 57,290                               | 4,064                   |
| May                    | 1,339,624       | 247,548       | 2,693      | 283,064                  | 83,890   | 77,673               | 357,180       | 223,709                     | 61,540               | 3,508,473           | 409,363  | 0                                      | 602,270             | 114,247                              | 17,096                  |
| June                   | 1,244,526       | 238,778       | 83,027     | 413,442                  | 77,180   | 45,401               | 66,140        | 285,048                     | 36,771               | 2,252,008           | 459,425  | 0                                      | 1,071,811           | 11,300                               | 13,930                  |
| July                   | 809,752         | 329,786       | 3,702      | 191,399                  | 26,096   | 45,401               | 82,241        | 335,156                     | 96,771               | 1,270,139           | 307,872  | 0                                      | 788,555             | 62,871                               | 14,828                  |
| August                 | 755,669         | 279,361       | 13,045     | 123,786                  | 8,401    | 28,370               | 64,797        | 160,801                     | 44,797               | 1,302,358           | 346,787  | 0                                      | 451,811             | 82,575                               | 17,528                  |
| September              | 870,628         | 287,486       | 5,655      | 78,976                   | 50,592   | 19,067               | 39,734        | 368,368                     | 30,762               | 1,860,943           | 394,270  | 174,435                                | 1,281,948           | 0                                    | 3,780                   |
| October                | 1,116,210       | 247,326       | 18,237     | 277,653                  | 17,228   | 9,843                | 46,154        | 463,447                     | 46,322               | 1,226,391           | 332,829  | 200,000                                | 688,922             | 0                                    | 5,170                   |
| November               | 891,071         | 225,570       | 17,242     | 174,172                  | 27,167   | 57,107               | 16,112        | 344,904                     | 29,096               | 1,226,391           | 332,829  | 0                                      | 452,947             | 2,430                                | 11,000                  |
| December               | 1,458,981       | 539,816       | 1,940      | 293,111                  | 43,520   | 77,203               | 65,282        | 425,892                     | 111,218              | 883,020             | 356,642  | 0                                      | 452,947             | 0                                    | 0                       |
| 1964                   |                 |               |            |                          |          |                      |               |                             |                      |                     |  |  |                     |                                      |                         |
| January                | 984,792         | 185,712       | 54,100     | 137,098                  | 30,170   | 69,794               | 159,035       | 335,218                     | 33,764               | 1,496,830           | 474,327  | 0                                      | 1,006,491           | 3,550                                | 12,462                  |
| February               | 709,557         | 127,708       | 10,431     | 161,255                  | 24,711   | 125,931              | 84,363        | 112,719                     | 52,343               | 1,312,185           | 412,739  | 0                                      | 810,179             | 81,558                               | 7,709                   |
| March                  | 804,966         | 164,965       | 30,892     | 194,732                  | 23,835   | 7,147                | 35,657        | 328,285                     | 19,052               | 1,316,217           | 396,108  | 0                                      | 844,054             | 69,343                               | 3,712                   |
| April                  | 2,344,345       | 195,187       | 45,026     | 172,522                  | 47,510   | 53,493               | 1,985,377     | 270,361                     | 33,958               | 2,698,700           | 1,446,275                                      | 0                                      | 1,201,022           | 29,969                               | 17,464                  |
| May                    | 1,155,478       | 216,694       | 13,665     | 500,826                  | 25,278   | 101,072              | 277,335       | 231,785                     | 38,833               | 1,111,623           | 366,970  | 0                                      | 659,926             | 74,543                               | 10,186                  |
| June                   | 1,461,208       | 373,725       | 19,651     | 270,951                  | 22,259   | 14,476               | 268,884       | 458,682                     | 32,636               | 1,565,290           | 383,340  | 275,344                                | 896,740             | 25,500                               | 11,366                  |

See footnotes at and of part 4 of table.



<sup>1</sup> The data in these tables cover substantially all new issues of securities offered for cash sale in the United States in amounts over \$100,000 and with terms to maturity of more than 1 year. Included in the compilation are issues privately placed as well as issues publicly offered and unregistered issues as well as those registered under the Securities Act of 1933. The figures on publicly offered issues include a small amount of unaid securities, chiefly nonunderwritten issues of small companies. The figures on privately placed issues include securities actually issued but exclude securities which investors have acquired in the purchase but which had not been taken down during the period covered by the statistics. Also excluded are: (1) issues of Government bonds and notes issued exclusively to commercial banks, trust companies and trust accounts; (2) issues of Government bonds, notes and trust securities and issues to be sold over an extended period such as offerings under employee-purchase plans. The chief sources of data are the financial press and documents filed with the Commission. Data for offerings of State and municipal securities are from 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 1924-28, see 26th Annual Report.

<sup>2</sup> 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 given are due to rounding.

<sup>3</sup> Issues sold by competitive bidding directly to ultimate investors are classified as publicly offered issues.

<sup>4</sup> Issues in this category include those between \$100,000 and \$300,000 in size which are exempt under Regulation A of the Securities Act of 1933.

<sup>5</sup> Chiefly bank stock issues.

<sup>6</sup> The bulk of the securities included in this category are exempt from registration under section 4(1) of the Securities Act of 1933.

<sup>7</sup> Excluding issues of investment companies.

<sup>8</sup> 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 or 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 |                          |                |
| 1959.....                           | 9,748,069                         | 9,526,631                       | 8,577,764       | 6,084,152           | 2,493,612       | 134,548                  | 814,219        |
| 1960.....                           | 10,153,980                        | 9,923,779                       | 8,758,240       | 5,661,567           | 3,096,673       | 270,784                  | 894,765        |
| 1961.....                           | 13,164,644                        | 12,885,435                      | 10,715,467      | 7,412,774           | 3,302,693       | 868,446                  | 1,301,672      |
| 1962.....                           | 10,704,562                        | 10,500,860                      | 8,240,013       | 5,651,790           | 2,588,223       | 754,104                  | 1,506,743      |
| 1963.....                           | 12,238,646                        | 12,080,967                      | 8,992,659       | 5,404,615           | 3,588,044       | 1,527,637                | 1,560,770      |
| <i>1963</i>                         |                                   |                                 |                 |                     |                 |                          |                |
| January.....                        | 694,811                           | 684,390                         | 562,801         | 378,138             | 184,663         | 71,692                   | 49,897         |
| February.....                       | 642,317                           | 631,452                         | 448,217         | 319,456             | 128,761         | 36,966                   | 146,269        |
| March.....                          | 1,363,267                         | 1,348,895                       | 1,055,535       | 755,409             | 300,126         | 204,922                  | 88,438         |
| April.....                          | 1,048,532                         | 1,034,054                       | 811,989         | 528,638             | 283,451         | 103,746                  | 118,818        |
| May.....                            | 1,339,626                         | 1,322,757                       | 829,953         | 497,844             | 332,109         | 419,250                  | 73,555         |
| June.....                           | 1,245,784                         | 1,230,452                       | 783,179         | 511,996             | 271,183         | 216,878                  | 230,285        |
| July.....                           | 809,752                           | 797,307                         | 587,872         | 373,615             | 214,257         | 120,922                  | 88,513         |
| August.....                         | 755,669                           | 744,835                         | 566,231         | 269,291             | 296,940         | 107,256                  | 71,863         |
| September.....                      | 870,628                           | 862,051                         | 729,998         | 373,483             | 356,515         | 67,071                   | 64,982         |
| October.....                        | 1,116,210                         | 1,101,059                       | 912,366         | 368,347             | 544,018         | 88,273                   | 100,420        |
| November.....                       | 891,071                           | 879,215                         | 606,290         | 354,257             | 252,033         | 60,524                   | 212,401        |
| December.....                       | 1,458,981                         | 1,444,479                       | 1,093,229       | 674,241             | 423,988         | 29,937                   | 316,313        |
| <i>1964</i>                         |                                   |                                 |                 |                     |                 |                          |                |
| January.....                        | 984,792                           | 972,300                         | 844,622         | 472,622             | 372,001         | 42,586                   | 85,093         |
| February.....                       | 709,557                           | 701,584                         | 522,719         | 329,622             | 193,097         | 16,515                   | 162,350        |
| March.....                          | 804,966                           | 795,574                         | 676,844         | 340,793             | 336,051         | 41,949                   | 76,960         |
| April.....                          | 2,234,345                         | 2,214,776                       | 2,094,499       | 1,788,477           | 305,022         | 37,173                   | 83,104         |
| May.....                            | 1,155,478                         | 1,140,928                       | 953,236         | 661,728             | 291,507         | 71,845                   | 115,848        |
| June.....                           | 1,461,293                         | 1,441,314                       | 1,292,186       | 719,865             | 572,321         | 63,068                   | 86,060         |

## PART 2.—MANUFACTURING

|                |           |           |           |           |           |         |         |
|----------------|-----------|-----------|-----------|-----------|-----------|---------|---------|
| 1959.....      | 2,072,820 | 2,011,306 | 1,684,071 | 863,709   | 820,362   | 70,419  | 256,815 |
| 1960.....      | 2,152,410 | 2,076,267 | 1,710,743 | 944,632   | 766,111   | 79,327  | 286,196 |
| 1961.....      | 4,076,671 | 3,977,855 | 3,010,744 | 1,827,381 | 1,183,363 | 286,641 | 679,971 |
| 1962.....      | 3,249,364 | 3,186,185 | 2,129,725 | 1,142,471 | 987,254   | 227,854 | 828,607 |
| 1963.....      | 3,543,191 | 3,502,721 | 2,596,280 | 1,446,368 | 1,149,912 | 190,288 | 716,153 |
| <i>1963</i>    |           |           |           |           |           |         |         |
| January.....   | 142,265   | 139,392   | 105,814   | 59,581    | 46,233    | 4,662   | 28,915  |
| February.....  | 228,333   | 225,691   | 145,841   | 89,575    | 56,267    | 5,670   | 74,179  |
| March.....     | 630,338   | 628,956   | 536,334   | 389,574   | 146,760   | 31,283  | 66,049  |
| April.....     | 155,562   | 153,947   | 109,018   | 65,056    | 43,961    | 5,053   | 39,277  |
| May.....       | 247,548   | 244,965   | 195,233   | 39,872    | 155,361   | 29,113  | 20,619  |
| June.....      | 238,776   | 236,662   | 188,719   | 62,933    | 125,786   | 9,676   | 38,286  |
| July.....      | 329,786   | 325,040   | 240,456   | 116,032   | 124,424   | 23,321  | 56,263  |
| August.....    | 279,361   | 275,246   | 231,854   | 108,851   | 123,004   | 3,286   | 40,166  |
| September..... | 257,493   | 254,414   | 188,191   | 148,068   | 40,124    | 47,248  | 48,974  |
| October.....   | 247,326   | 244,860   | 165,942   | 78,575    | 87,367    | 5,165   | 73,782  |
| November.....  | 225,570   | 222,009   | 153,059   | 89,757    | 93,302    | 8,244   | 30,706  |
| December.....  | 530,816   | 527,480   | 305,817   | 198,495   | 107,322   | 12,666  | 208,966 |
| <i>1964</i>    |           |           |           |           |           |         |         |
| January.....   | 165,712   | 163,216   | 130,087   | 79,978    | 50,109    | 14,214  | 18,914  |
| February.....  | 127,708   | 125,625   | 107,868   | 34,726    | 73,142    | 2,753   | 15,004  |
| March.....     | 164,965   | 163,361   | 125,933   | 88,411    | 37,522    | 17,408  | 20,019  |
| April.....     | 196,187   | 191,850   | 159,472   | 104,712   | 54,766    | 6,927   | 26,452  |
| May.....       | 216,684   | 215,601   | 142,185   | 94,257    | 47,927    | 10,031  | 63,385  |
| June.....      | 373,725   | 370,453   | 295,299   | 193,318   | 99,981    | 38,668  | 36,486  |

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—EXTRACTIVE

[Amounts in thousands of dollars <sup>1</sup>]

| Calendar year or 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 |                          |                |
| 1959.....                           | 161,396                           | 154,495                         | 119,555         | 39,190              | 80,365          | 12,245                   | 22,665         |
| 1960.....                           | 245,552                           | 239,469                         | 154,216         | 71,338              | 82,879          | 8,478                    | 76,777         |
| 1961.....                           | 259,259                           | 253,917                         | 183,008         | 91,530              | 96,478          | 1,721                    | 64,188         |
| 1962.....                           | 208,927                           | 204,192                         | 186,302         | 102,745             | 82,567          | 4,914                    | 13,975         |
| 1963.....                           | 214,182                           | 209,269                         | 168,408         | 89,940              | 68,768          | 819                      | 50,042         |
| <i>1963</i>                         |                                   |                                 |                 |                     |                 |                          |                |
| January.....                        | 17,010                            | 16,745                          | 16,509          | 2,667               | 13,842          | 116                      | 120            |
| February.....                       | 24,421                            | 24,038                          | 6,110           | 5,689               | 5,521           | 0                        | 17,928         |
| March.....                          | 11,034                            | 10,847                          | 9,101           | 3,038               | 6,063           | 499                      | 1,248          |
| April.....                          | 16,125                            | 15,620                          | 11,167          | 2,064               | 9,103           | 0                        | 4,454          |
| May.....                            | 2,693                             | 2,659                           | 2,659           | 2,551               | 107             | 0                        | 0              |
| June.....                           | 83,027                            | 81,106                          | 60,475          | 54,405              | 6,070           | 155                      | 20,476         |
| July.....                           | 3,702                             | 3,574                           | 2,824           | 1,223               | 1,601           | 0                        | 769            |
| August.....                         | 13,045                            | 12,490                          | 12,490          | 3,509               | 8,981           | 0                        | 0              |
| September.....                      | 5,655                             | 5,565                           | 5,415           | 2,783               | 2,633           | 50                       | 100            |
| October.....                        | 18,237                            | 17,977                          | 13,649          | 9,621               | 4,027           | 0                        | 4,328          |
| November.....                       | 17,242                            | 16,825                          | 16,187          | 6,355               | 9,833           | 0                        | 638            |
| December.....                       | 1,940                             | 1,822                           | 1,822           | 836                 | 987             | 0                        | 0              |
| <i>1964</i>                         |                                   |                                 |                 |                     |                 |                          |                |
| January.....                        | 54,100                            | 53,063                          | 22,749          | 10,686              | 12,063          | 0                        | 30,314         |
| February.....                       | 10,431                            | 10,280                          | 9,813           | 4,405               | 5,408           | 0                        | 447            |
| March.....                          | 30,392                            | 30,040                          | 21,763          | 7,868               | 13,894          | 0                        | 8,287          |
| April.....                          | 45,026                            | 44,723                          | 44,723          | 41,337              | 3,387           | 0                        | 0              |
| May.....                            | 13,665                            | 13,540                          | 13,067          | 3,680               | 9,387           | 0                        | 473            |
| June.....                           | 19,651                            | 19,248                          | 16,363          | 6,860               | 10,493          | 596                      | 2,299          |

## PART 4.—ELECTRIC, GAS AND WATER

|                |           |           |           |           |        |         |         |
|----------------|-----------|-----------|-----------|-----------|--------|---------|---------|
| 1959.....      | 3,257,790 | 3,204,090 | 3,056,634 | 3,036,644 | 10,990 | 15,250  | 132,205 |
| 1960.....      | 2,851,215 | 2,805,315 | 2,655,559 | 2,624,059 | 31,500 | 51,170  | 98,587  |
| 1961.....      | 3,032,485 | 2,988,702 | 2,768,363 | 2,744,424 | 18,938 | 106,183 | 119,156 |
| 1962.....      | 2,825,367 | 2,785,657 | 2,172,965 | 2,129,809 | 43,156 | 444,202 | 168,491 |
| 1963.....      | 2,668,319 | 2,633,988 | 1,911,668 | 1,839,944 | 71,724 | 698,599 | 23,721  |
| <i>1963</i>    |           |           |           |           |        |         |         |
| January.....   | 181,385   | 178,932   | 113,651   | 70,410    | 43,241 | 64,736  | 546     |
| February.....  | 146,533   | 144,745   | 114,897   | 108,897   | 6,000  | 29,848  | 0       |
| March.....     | 161,161   | 157,718   | 97,064    | 95,966    | 98     | 60,654  | 0       |
| April.....     | 433,637   | 427,733   | 341,139   | 341,029   | 110    | 85,704  | 890     |
| May.....       | 283,064   | 279,760   | 221,037   | 220,700   | 337    | 57,544  | 1,179   |
| June.....      | 413,442   | 409,007   | 218,873   | 218,873   | 0      | 179,484 | 10,660  |
| July.....      | 191,399   | 188,974   | 106,388   | 106,388   | 0      | 81,920  | 666     |
| August.....    | 123,786   | 122,607   | 94,294    | 81,158    | 13,136 | 22,197  | 6,116   |
| September..... | 78,976    | 78,152    | 77,806    | 77,806    | 0      | 248     | 99      |
| October.....   | 277,653   | 274,217   | 199,415   | 190,613   | 8,802  | 73,090  | 1,711   |
| November.....  | 174,172   | 172,233   | 130,404   | 130,404   | 0      | 41,232  | 507     |
| December.....  | 203,111   | 199,910   | 196,700   | 196,700   | 0      | 1,943   | 1,267   |
| <i>1964</i>    |           |           |           |           |        |         |         |
| January.....   | 137,098   | 135,006   | 107,754   | 107,573   | 181    | 25,912  | 1,341   |
| February.....  | 161,355   | 159,477   | 154,451   | 154,434   | 17     | 4,278   | 748     |
| March.....     | 194,732   | 192,587   | 173,200   | 172,657   | 552    | 18,401  | 978     |
| April.....     | 173,522   | 170,862   | 141,295   | 141,298   | 0      | 19,426  | 10,139  |
| May.....       | 500,827   | 494,662   | 433,884   | 433,884   | 0      | 53,347  | 7,431   |
| June.....      | 270,951   | 267,384   | 263,357   | 263,357   | 0      | 3,780   | 248     |

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 or 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 |                          |                |
| 1959.....                           | 173,913                           | 172,244                         | 172,244         | 169,314             | 2,930           | 0                        | 0              |
| 1960.....                           | 211,244                           | 209,146                         | 174,485         | 174,485             | 0               | 34,661                   | 0              |
| 1961.....                           | 180,193                           | 178,307                         | 149,786         | 148,634             | 1,152           | 21,271                   | 7,260          |
| 1962.....                           | 225,529                           | 223,293                         | 198,659         | 185,988             | 12,671          | 15,270                   | 9,365          |
| 1963.....                           | 431,268                           | 427,299                         | 322,820         | 312,478             | 10,342          | 81,823                   | 22,655         |
| <i>1963</i>                         |                                   |                                 |                 |                     |                 |                          |                |
| January.....                        | 29,388                            | 29,154                          | 29,154          | 29,154              | 0               | 0                        | 0              |
| February.....                       | 13,885                            | 13,771                          | 13,771          | 13,771              | 0               | 0                        | 0              |
| March.....                          | 43,401                            | 43,090                          | 43,090          | 43,090              | 0               | 0                        | 0              |
| April.....                          | 10,694                            | 10,607                          | 10,607          | 10,607              | 0               | 0                        | 0              |
| May.....                            | 83,609                            | 82,978                          | 23,235          | 23,235              | 0               | 59,743                   | 0              |
| June.....                           | 77,180                            | 76,419                          | 41,611          | 41,611              | 0               | 12,153                   | 22,655         |
| July.....                           | 26,006                            | 25,768                          | 25,768          | 20,912              | 4,856           | 0                        | 0              |
| August.....                         | 8,401                             | 8,326                           | 8,326           | 8,326               | 0               | 0                        | 0              |
| September.....                      | 50,592                            | 50,094                          | 41,997          | 41,997              | 0               | 8,086                    | 0              |
| October.....                        | 17,228                            | 17,072                          | 15,230          | 15,230              | 0               | 1,842                    | 0              |
| November.....                       | 27,167                            | 26,944                          | 26,944          | 26,944              | 0               | 0                        | 0              |
| December.....                       | 43,520                            | 43,087                          | 43,087          | 37,601              | 5,486           | 0                        | 0              |
| <i>1964</i>                         |                                   |                                 |                 |                     |                 |                          |                |
| January.....                        | 30,170                            | 29,885                          | 29,885          | 29,885              | 0               | 0                        | 0              |
| February.....                       | 34,717                            | 34,457                          | 34,457          | 34,457              | 0               | 0                        | 0              |
| March.....                          | 23,835                            | 23,633                          | 23,633          | 23,633              | 0               | 0                        | 0              |
| April.....                          | 47,510                            | 47,095                          | 47,095          | 47,095              | 0               | 0                        | 0              |
| May.....                            | 25,278                            | 25,100                          | 25,100          | 25,100              | 0               | 0                        | 0              |
| June.....                           | 22,299                            | 22,069                          | 22,069          | 22,069              | 0               | 0                        | 0              |

## PART 6.—OTHER TRANSPORTATION

|                |         |         |         |         |        |        |        |
|----------------|---------|---------|---------|---------|--------|--------|--------|
| 1959.....      | 782,829 | 784,469 | 747,347 | 699,873 | 47,474 | 15,077 | 22,045 |
| 1960.....      | 507,286 | 501,031 | 451,064 | 423,993 | 27,071 | 3,908  | 46,059 |
| 1961.....      | 513,712 | 507,683 | 445,360 | 426,572 | 18,788 | 13,278 | 49,045 |
| 1962.....      | 340,809 | 335,799 | 327,797 | 318,060 | 9,718  | 479    | 7,522  |
| 1963.....      | 533,269 | 528,773 | 506,651 | 496,141 | 12,510 | 1,497  | 18,624 |
| <i>1963</i>    |         |         |         |         |        |        |        |
| January.....   | 69,939  | 69,718  | 69,718  | 69,222  | 496    | 0      | 0      |
| February.....  | 16,509  | 16,103  | 14,380  | 14,157  | 194    | 0      | 1,723  |
| March.....     | 100,175 | 99,933  | 99,933  | 99,532  | 401    | 0      | 0      |
| April.....     | 23,128  | 22,958  | 22,958  | 22,958  | 0      | 0      | 0      |
| May.....       | 77,673  | 77,285  | 75,946  | 72,229  | 3,716  | 0      | 1,339  |
| June.....      | 45,401  | 44,882  | 44,745  | 42,136  | 2,609  | 0      | 137    |
| July.....      | 8,855   | 8,754   | 8,754   | 8,590   | 164    | 0      | 0      |
| August.....    | 28,370  | 27,638  | 16,208  | 15,972  | 236    | 0      | 11,430 |
| September..... | 19,067  | 18,993  | 16,997  | 16,997  | 0      | 0      | 1,996  |
| October.....   | 9,843   | 9,793   | 9,793   | 9,590   | 173    | 0      | 0      |
| November.....  | 57,107  | 56,248  | 54,243  | 52,941  | 1,307  | 0      | 2,009  |
| December.....  | 77,203  | 76,528  | 75,031  | 71,817  | 3,214  | 1,497  | 0      |
| <i>1964</i>    |         |         |         |         |        |        |        |
| January.....   | 69,704  | 68,394  | 68,394  | 68,094  | 301    | 0      | 0      |
| February.....  | 125,931 | 125,533 | 54,886  | 42,343  | 12,544 | 5,529  | 65,118 |
| March.....     | 7,147   | 7,086   | 7,086   | 6,942   | 144    | 0      | 0      |
| April.....     | 53,403  | 52,154  | 36,804  | 34,531  | 1,332  | 7,779  | 8,510  |
| May.....       | 101,072 | 99,849  | 74,260  | 53,823  | 20,437 | 5,615  | 19,974 |
| June.....      | 14,475  | 14,303  | 13,155  | 9,096   | 4,059  | 1,148  | 0      |

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 or 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 |                          |                |
| 1959.....                           | 717,101                           | 707,265                         | 702,959         | 701,347             | 1,612           | 113                      | 4,192          |
| 1960.....                           | 1,049,810                         | 1,036,460                       | 1,031,659       | 1,022,870           | 8,790           | 682                      | 4,119          |
| 1961.....                           | 1,833,958                         | 1,817,518                       | 1,396,463       | 1,384,641           | 11,822          | 382,219                  | 38,837         |
| 1962.....                           | 1,302,628                         | 1,287,059                       | 1,210,695       | 1,208,506           | 2,189           | 11,364                   | 65,000         |
| 1963.....                           | 1,094,423                         | 1,081,304                       | 606,938         | 594,909             | 12,029          | 355,763                  | 118,603        |
| <i>1963</i>                         |                                   |                                 |                 |                     |                 |                          |                |
| January.....                        | 126,807                           | 125,274                         | 124,232         | 124,232             | 0               | 0                        | 1,042          |
| February.....                       | 68,626                            | 68,089                          | 68,089          | 68,089              | 0               | 0                        | 0              |
| March.....                          | 46,449                            | 46,041                          | 42,900          | 42,900              | 0               | 3,141                    | 0              |
| April.....                          | 72,991                            | 71,145                          | 20,370          | 20,370              | 0               | 0                        | 50,774         |
| May.....                            | 357,180                           | 353,981                         | 92,111          | 91,127              | 984             | 261,796                  | 74             |
| June.....                           | 66,140                            | 65,426                          | 56,204          | 55,854              | 350             | 7,722                    | 1,100          |
| July.....                           | 92,241                            | 90,760                          | 73,200          | 73,200              | 0               | 4,654                    | 12,906         |
| August.....                         | 97,108                            | 96,222                          | 24,317          | 23,823              | 493             | 71,350                   | 554            |
| September.....                      | 39,734                            | 39,609                          | 38,638          | 37,652              | 986             | 647                      | 324            |
| October.....                        | 46,154                            | 44,306                          | 39,676          | 30,792              | 8,884           | 3,508                    | 1,123          |
| November.....                       | 16,112                            | 15,757                          | 11,610          | 11,408              | 202             | 2,692                    | 1,455          |
| December.....                       | 65,282                            | 64,694                          | 15,591          | 15,462              | 129             | 252                      | 48,851         |
| <i>1964</i>                         |                                   |                                 |                 |                     |                 |                          |                |
| January.....                        | 159,035                           | 157,096                         | 154,091         | 139,925             | 14,166          | 304                      | 2,700          |
| February.....                       | 84,353                            | 83,185                          | 22,623          | 22,326              | 297             | 337                      | 60,225         |
| March.....                          | 35,657                            | 34,718                          | 10,682          | 10,682              | 0               | 1,218                    | 22,819         |
| April.....                          | 1,385,377                         | 1,377,862                       | 1,360,478       | 1,354,704           | 5,774           | 421                      | 16,963         |
| May.....                            | 27,335                            | 26,844                          | 24,844          | 24,497              | 348             | 0                        | 2,000          |
| June.....                           | 268,884                           | 263,493                         | 255,438         | 161,588             | 93,850          | 5,248                    | 2,807          |

## PART 8.—FINANCIAL AND REAL ESTATE

|                |           |           |           |         |           |         |         |
|----------------|-----------|-----------|-----------|---------|-----------|---------|---------|
| 1959.....      | 1,852,906 | 1,807,390 | 1,568,999 | 300,592 | 1,268,398 | 6,116   | 232,285 |
| 1960.....      | 2,524,619 | 2,472,229 | 2,143,135 | 267,586 | 1,875,549 | 71,366  | 257,728 |
| 1961.....      | 2,333,477 | 2,270,103 | 2,051,126 | 528,198 | 1,527,928 | 22,446  | 196,531 |
| 1962.....      | 1,892,608 | 1,847,698 | 1,569,131 | 372,129 | 1,197,002 | 22,519  | 316,017 |
| 1963.....      | 3,119,757 | 3,077,846 | 2,388,320 | 438,276 | 1,950,044 | 144,458 | 645,068 |
| <i>1963</i>    |           |           |           |         |           |         |         |
| January.....   | 93,621    | 91,367    | 73,863    | 17,075  | 56,788    | 596     | 16,908  |
| February.....  | 113,918   | 109,893   | 60,488    | 16,382  | 44,106    | 370     | 49,035  |
| March.....     | 299,352   | 288,663   | 165,105   | 62,932  | 102,173   | 105,226 | 18,331  |
| April.....     | 274,451   | 271,645   | 264,793   | 52,275  | 202,518   | 798     | 16,054  |
| May.....       | 225,709   | 221,589   | 166,426   | 25,242  | 140,184   | 9,341   | 45,821  |
| June.....      | 285,048   | 281,150   | 142,844   | 28,488  | 114,356   | 4,845   | 133,461 |
| July.....      | 93,156    | 90,662    | 73,738    | 13,547  | 60,192    | 1,893   | 15,030  |
| August.....    | 160,801   | 158,303   | 143,583   | 19,292  | 124,291   | 3,748   | 10,971  |
| September..... | 358,358   | 355,099   | 336,060   | 35,995  | 300,065   | 6,949   | 11,191  |
| October.....   | 453,447   | 447,391   | 427,175   | 24,195  | 402,980   | 1,194   | 19,062  |
| November.....  | 344,604   | 340,455   | 162,749   | 26,908  | 135,841   | 3,521   | 174,185 |
| December.....  | 425,892   | 421,629   | 380,597   | 114,947 | 265,650   | 6,016   | 35,016  |
| <i>1964</i>    |           |           |           |         |           |         |         |
| January.....   | 335,218   | 332,871   | 307,551   | 26,661  | 280,890   | 740     | 24,580  |
| February.....  | 112,719   | 111,434   | 101,989   | 17,780  | 84,209    | 1,289   | 8,156   |
| March.....     | 329,285   | 325,450   | 298,186   | 23,064  | 275,121   | 3,695   | 23,569  |
| April.....     | 270,361   | 267,980   | 249,864   | 50,870  | 198,994   | 3,457   | 14,659  |
| May.....       | 231,785   | 227,117   | 215,664   | 14,893  | 200,771   | 1,435   | 10,017  |
| June.....      | 458,882   | 452,572   | 397,412   | 50,220  | 347,192   | 13,219  | 41,941  |

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 <sup>1</sup>]

| Calendar year or 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 |                          |                |
| 1959.....                           | 719,314                           | 685,374                         | 525,963         | 273,483             | 252,480         | 15,328                   | 144,082        |
| 1960.....                           | 611,705                           | 583,860                         | 437,378         | 132,604             | 304,774         | 21,194                   | 125,288        |
| 1961.....                           | 934,889                           | 891,900                         | 710,619         | 266,395             | 444,224         | 34,688                   | 146,593        |
| 1962.....                           | 659,429                           | 631,006                         | 505,739         | 192,061             | 313,678         | 27,502                   | 97,765         |
| 1963.....                           | 632,287                           | 619,768                         | 499,574         | 186,860             | 312,715         | 54,289                   | 65,905         |
| <i>1963</i>                         |                                   |                                 |                 |                     |                 |                          |                |
| January.....                        | 34,497                            | 33,807                          | 29,861          | 5,799               | 24,062          | 1,581                    | 2,365          |
| February.....                       | 29,866                            | 29,223                          | 24,640          | 7,966               | 16,674          | 1,178                    | 3,405          |
| March.....                          | 79,859                            | 78,936                          | 62,007          | 17,377              | 44,631          | 4,119                    | 12,810         |
| April.....                          | 62,544                            | 60,998                          | 41,937          | 14,179              | 27,758          | 12,191                   | 6,870          |
| May.....                            | 61,950                            | 59,542                          | 53,306          | 21,887              | 31,419          | 1,713                    | 4,523          |
| June.....                           | 36,771                            | 35,782                          | 29,708          | 7,695               | 22,012          | 2,944                    | 3,130          |
| July.....                           | 64,607                            | 63,776                          | 56,745          | 33,725              | 23,020          | 4,134                    | 2,897          |
| August.....                         | 44,797                            | 44,025                          | 35,159          | 8,361               | 26,799          | 6,674                    | 2,191          |
| September.....                      | 30,760                            | 30,136                          | 23,994          | 12,186              | 11,807          | 3,843                    | 2,299          |
| October.....                        | 46,322                            | 45,472                          | 41,545          | 9,761               | 31,784          | 3,513                    | 413            |
| November.....                       | 29,096                            | 28,743                          | 21,089          | 9,541               | 11,549          | 4,834                    | 2,820          |
| December.....                       | 111,218                           | 109,329                         | 79,584          | 38,384              | 41,200          | 7,563                    | 22,182         |
| <i>1964</i>                         |                                   |                                 |                 |                     |                 |                          |                |
| January.....                        | 33,754                            | 32,771                          | 24,111          | 9,820               | 14,291          | 1,415                    | 7,245          |
| February.....                       | 52,343                            | 51,613                          | 36,631          | 19,151              | 17,480          | 2,329                    | 12,653         |
| March.....                          | 19,052                            | 18,879                          | 16,362          | 7,535               | 8,827           | 1,228                    | 1,288          |
| April.....                          | 63,958                            | 62,240                          | 55,704          | 13,930              | 41,775          | 164                      | 6,381          |
| May.....                            | 38,833                            | 38,217                          | 24,233          | 11,694              | 12,638          | 1,417                    | 12,567         |
| June.....                           | 32,636                            | 31,793                          | 29,104          | 12,358              | 16,745          | 410                      | 2,279          |

<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 25th 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.

TABLE 5.—A summary of corporate securities publicly offered and privately placed in each year from 1934 through June 1964  
 (Amounts in millions of dollars)

| Calendar year       | Total      |             |               | Public offerings |             |               | Private placements |             |               | Private placements as percent of total |             |
|---------------------|------------|-------------|---------------|------------------|-------------|---------------|--------------------|-------------|---------------|--|-------------|
|                     | All issues | Debt issues | Equity issues | All issues       | Debt issues | Equity issues | All issues         | Debt issues | Equity issues | All issues                             | Debt issues |
|                     |            |             |               |                  |             |               |                    |             |               |  |             |
| 1934                | 387        | 372         | 25            | 305              | 280         | 25            | 92                 | 92          | 0             | 23.2                                   | 24.7        |
| 1935                | 2,332      | 2,225       | 108           | 1,945            | 1,840       | 106           | 387                | 385         | 2             | 16.6                                   | 17.8        |
| 1936                | 4,572      | 4,029       | 543           | 3,660            | 3,660       | 589           | 378                | 369         | 4             | 8.2                                    | 9.2         |
| 1937                | 2,809      | 1,618       | 691           | 1,979            | 1,261       | 688           | 330                | 327         | 3             | 14.3                                   | 20.2        |
| 1938                | 2,156      | 2,044       | 111           | 1,463            | 1,353       | 110           | 692                | 691         | 1             | 32.1                                   | 33.8        |
| 1939                | 2,164      | 1,979       | 185           | 1,458            | 1,276       | 181           | 706                | 703         | 4             | 32.6                                   | 35.5        |
| 1940                | 2,677      | 2,386       | 291           | 1,912            | 1,628       | 284           | 755                | 758         | 7             | 28.6                                   | 31.8        |
| 1941                | 2,667      | 2,369       | 277           | 1,854            | 1,578       | 276           | 813                | 811         | 2             | 30.5                                   | 33.9        |
| 1942                | 1,062      | 917         | 146           | 642              | 506         | 136           | 420                | 411         | 9             | 39.5                                   | 44.8        |
| 1943                | 1,170      | 990         | 180           | 621              | 482         | 179           | 372                | 369         | 3             | 31.8                                   | 37.3        |
| 1944                | 3,202      | 2,670       | 532           | 2,415            | 1,892       | 524           | 787                | 778         | 9             | 24.6                                   | 29.1        |
| 1945                | 6,011      | 4,855       | 1,156         | 4,989            | 3,851       | 1,138         | 1,022              | 1,004       | 18            | 17.0                                   | 20.7        |
| 1946                | 6,500      | 5,832       | 2,016         | 4,963            | 3,019       | 1,965         | 1,917              | 1,893       | 54            | 27.8                                   | 38.2        |
| 1947                | 9,077      | 5,038       | 1,641         | 4,342            | 2,889       | 1,452         | 2,235              | 2,147       | 88            | 34.0                                   | 42.6        |
| 1948                | 7,076      | 4,973       | 1,106         | 3,991            | 2,965       | 1,028         | 3,087              | 3,066       | 79            | 43.6                                   | 50.4        |
| 1949                | 4,866      | 4,866       | 1,101         | 3,530            | 2,457       | 1,112         | 2,602              | 2,453       | 49            | 41.3                                   | 50.2        |
| 1950                | 9,362      | 5,820       | 1,822         | 5,081            | 2,360       | 1,321         | 2,680              | 2,560       | 120           | 42.1                                   | 58.4        |
| 1951                | 6,534      | 7,601       | 1,032         | 4,526            | 2,304       | 1,321         | 3,415              | 3,325       | 88            | 44.1                                   | 58.4        |
| 1952                | 8,908      | 7,083       | 1,815         | 5,585            | 4,002       | 1,588         | 4,002              | 3,925       | 45            | 37.9                                   | 52.1        |
| 1953                | 9,516      | 7,468       | 2,030         | 6,830            | 5,093       | 1,734         | 3,818              | 3,757       | 40            | 37.0                                   | 52.1        |
| 1954                | 10,240     | 7,490       | 2,820         | 7,493            | 4,110       | 2,844         | 3,495              | 3,404       | 184           | 39.0                                   | 49.3        |
| 1955                | 10,930     | 8,002       | 2,927         | 7,959            | 4,225       | 2,897         | 3,568              | 3,477       | 109           | 35.5                                   | 47.2        |
| 1956                | 12,884     | 9,857       | 3,027         | 9,089            | 6,118       | 2,981         | 3,695              | 3,530       | 160           | 30.5                                   | 38.4        |
| 1957                | 11,558     | 8,653       | 2,905         | 8,098            | 6,139       | 1,956         | 3,460              | 3,350       | 110           | 38.5                                   | 50.5        |
| 1958                | 9,748      | 7,190       | 2,558         | 6,857            | 4,557       | 2,299         | 3,755              | 3,632       | 123           | 34.4                                   | 40.1        |
| 1959                | 10,164     | 8,081       | 2,073         | 6,857            | 4,806       | 1,851         | 3,022              | 2,970       | 221           | 38.1                                   | 50.1        |
| 1960                | 13,165     | 9,420       | 3,745         | 8,143            | 4,700       | 1,693         | 4,520              | 4,370       | 312           | 43.3                                   | 50.1        |
| 1961                | 8,969      | 8,969       | 1,736         | 6,064            | 4,440       | 1,624         | 4,640              | 4,520       | 102           | 43.3                                   | 50.1        |
| 1962                | 10,705     | 10,872      | 1,364         | 5,823            | 4,714       | 1,109         | 6,413              | 6,158       | 255           | 52.4                                   | 58.6        |
| 1963                | 12,237     | 10,872      | 1,364         | 5,823            | 4,714       | 1,109         | 6,413              | 6,158       | 255           | 52.4                                   | 58.6        |
| 1964 (January-June) | 7,350      | 5,160       | 2,190         | 4,394            | 2,299       | 2,094         | 2,957              | 2,861       | 96            | 40.2                                   | 55.4        |

TABLE 6.—Brokers and dealers registered under the Securities Exchange Act of 1934—effective registrations as of June 30, 1964, 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>1</sup> |                      |              |                           |
|------------------------------------|-----------------------|----------------------|--------------|---------------------------|--|----------------------|--------------|---------------------------|
|                                    | Total                 | Sole proprietorships | Partnerships | Corporations <sup>4</sup> | Total  | Sole proprietorships | Partnerships | Corporations <sup>4</sup> |
| Alabama                            | 33                    | 9                    | 2            | 22                        | 114  | 9                    | 5            | 100                       |
| Alaska                             | 4                     | 4                    | 0            | 0                         | 4  | 4                    | 0            | 4                         |
| Arizona                            | 29                    | 6                    | 3            | 20                        | 118  | 6                    | 8            | 104                       |
| Arkansas                           | 26                    | 5                    | 2            | 19                        | 98   | 5                    | 4            | 89                        |
| California                         | 419                   | 145                  | 79           | 195                       | 1,799  | 145                  | 570          | 1,084                     |
| Colorado                           | 78                    | 22                   | 6            | 50                        | 286  | 22                   | 22           | 242                       |
| Connecticut                        | 44                    | 11                   | 11           | 22                        | 197  | 11                   | 51           | 135                       |
| Delaware                           | 19                    | 4                    | 6            | 9                         | 83   | 4                    | 28           | 51                        |
| District of Columbia               | 97                    | 20                   | 12           | 65                        | 433  | 20                   | 56           | 357                       |
| Florida                            | 119                   | 33                   | 10           | 76                        | 375  | 33                   | 28           | 314                       |
| Georgia                            | 39                    | 6                    | 8            | 25                        | 248  | 8                    | 32           | 208                       |
| Hawaii                             | 26                    | 10                   | 3            | 23                        | 166  | 10                   | 8            | 148                       |
| Idaho                              | 16                    | 6                    | 0            | 10                        | 50   | 6                    | 0            | 44                        |
| Illinois                           | 187                   | 29                   | 52           | 106                       | 915  | 29                   | 264          | 622                       |
| Indiana                            | 59                    | 22                   | 4            | 33                        | 200  | 22                   | 8            | 170                       |
| Iowa                               | 39                    | 9                    | 5            | 25                        | 165  | 9                    | 14           | 142                       |
| Kansas                             | 31                    | 9                    | 5            | 17                        | 133  | 9                    | 15           | 109                       |
| Kentucky                           | 19                    | 6                    | 5            | 8                         | 69   | 6                    | 26           | 36                        |
| Louisiana                          | 46                    | 19                   | 9            | 18                        | 136  | 19                   | 43           | 74                        |
| Maine                              | 25                    | 9                    | 2            | 14                        | 72   | 9                    | 10           | 53                        |
| Maryland                           | 55                    | 16                   | 13           | 26                        | 231  | 16                   | 83           | 132                       |
| Massachusetts                      | 200                   | 81                   | 28           | 91                        | 899  | 81                   | 233          | 585                       |
| Michigan                           | 58                    | 10                   | 13           | 35                        | 345  | 10                   | 91           | 244                       |
| Minnesota                          | 63                    | 8                    | 7            | 48                        | 339  | 8                    | 40           | 291                       |
| Mississippi                        | 20                    | 8                    | 5            | 7                         | 61   | 8                    | 15           | 38                        |
| Missouri                           | 86                    | 24                   | 13           | 49                        | 579  | 24                   | 149          | 406                       |
| Montana                            | 13                    | 6                    | 1            | 6                         | 32   | 6                    | 2            | 24                        |
| Nebraska                           | 27                    | 9                    | 0            | 18                        | 102  | 9                    | 0            | 93                        |
| Nevada                             | 6                     | 2                    | 1            | 3                         | 15   | 2                    | 2            | 11                        |
| New Hampshire                      | 9                     | 5                    | 0            | 4                         | 22   | 5                    | 0            | 17                        |
| New Jersey                         | 204                   | 100                  | 32           | 72                        | 493  | 100                  | 80           | 313                       |
| New Mexico                         | 7                     | 3                    | 3            | 1                         | 20   | 3                    | 10           | 7                         |
| New York (excluding New York City) | 386                   | 184                  | 42           | 160                       | 900  | 184                  | 155          | 561                       |
| North Carolina                     | 39                    | 8                    | 7            | 24                        | 212  | 8                    | 20           | 184                       |
| North Dakota                       | 9                     | 1                    | 0            | 8                         | 33   | 1                    | 0            | 32                        |
| Ohio                               | 118                   | 19                   | 32           | 67                        | 620  | 19                   | 196          | 405                       |
| Oklahoma                           | 40                    | 16                   | 4            | 20                        | 100  | 16                   | 8            | 76                        |
| Oregon                             | 29                    | 6                    | 5            | 18                        | 100  | 6                    | 10           | 84                        |
| Pennsylvania                       | 222                   | 60                   | 74           | 88                        | 973  | 60                   | 397          | 516                       |
| Rhode Island                       | 22                    | 3                    | 7            | 12                        | 73   | 3                    | 21           | 49                        |
| South Carolina                     | 21                    | 4                    | 2            | 15                        | 73   | 4                    | 4            | 65                        |
| South Dakota                       | 4                     | 2                    | 0            | 2                         | 9  | 2                    | 0            | 7                         |
| Tennessee                          | 44                    | 9                    | 4            | 31                        | 231  | 9                    | 18           | 204                       |
| Texas                              | 179                   | 68                   | 16           | 95                        | 637  | 68                   | 61           | 508                       |
| Utah                               | 40                    | 13                   | 6            | 21                        | 117  | 13                   | 14           | 90                        |
| Vermont                            | 4                     | 3                    | 0            | 1                         | 6  | 3                    | 0            | 3                         |
| Virginia                           | 49                    | 13                   | 12           | 24                        | 210  | 13                   | 72           | 125                       |
| Washington                         | 84                    | 42                   | 2            | 40                        | 296  | 42                   | 4            | 280                       |
| West Virginia                      | 11                    | 5                    | 3            | 3                         | 27   | 5                    | 7            | 15                        |
| Wisconsin                          | 50                    | 7                    | 2            | 41                        | 246  | 7                    | 27           | 212                       |
| Wyoming                            | 9                     | 6                    | 0            | 3                         | 14   | 6                    | 0            | 8                         |
| Total (excluding New York City)    | 3,473                 | 1,125                | 558          | 1,790                     | 13,675   | 1,127                | 2,911        | 9,637                     |
| New York City                      | 1,347                 | 285                  | 509          | 553                       | 7,387  | 285                  | 3,795        | 3,307                     |
| Total                              | 4,820                 | 1,410                | 1,067        | 2,343                     | 21,062   | 1,412                | 6,706        | 12,944                    |

<sup>1</sup> Does not include 51 registrants whose principal offices are located in foreign countries or other territorial jurisdictions not listed.

<sup>2</sup> Includes directors, officers, trustees, and all other persons occupying similar status or performing similar functions.

<sup>3</sup> Allocations made 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, 1964.

<sup>4</sup> Includes all forms of organizations other than sole proprietorships and partnerships.

TABLE 7.—Number of issuers and security issues on exchanges

PART 1.—UNDUPLICATED NUMBER OF STOCK AND BOND ISSUES ADMITTED TO TRADING ON EXCHANGES AND THE NUMBER OF ISSUERS INVOLVED, AS OF JUNE 30, 1964

| Status under the Act <sup>1</sup>   | Stocks | Bonds | Total stocks and bonds | Issuers involved |
|---|--------|-------|------------------------|------------------|
| Registered pursuant to Section 12 (b), (c), and (d)-----  | 2,879  | 1,197 | 4,076                  | 2,467            |
| Temporarily exempted from registration by Commission rule-----  | 10     | 3     | 13                     | 7                |
| Admitted to unlisted trading privileges on registered exchanges pursuant to Section 12(f)-----              | 128    | 20    | 148                    | 116              |
| Listed on exempted exchanges under exemption orders of the Commission-----                                  | 69     | 7     | 76                     | 56               |
| Admitted to unlisted trading privileges on exempted exchanges under exemption orders of the Commission----- | 13     | 0     | 13                     | 13               |
| Total-----  | 3,099  | 1,227 | 4,326                  | 2,659            |

<sup>1</sup> Registered: Section 12(b) of the Act provides that a security may be registered on a national securities exchange by the issuer filing an application with the exchange and with the Commission containing certain types of specified information. Section 12(c) authorizes the Commission to require the submission of information of a comparable character if in its judgment information specified under Section 12(b) is inapplicable to any specified class or classes of issuers. Section 12(d) provides that if the exchange authorities certify to the Commission that the security has been approved by the exchange for listing and registration, the registration shall become effective 30 days after the receipt of such certification by the Commission or within such shorter period of time as the Commission may determine.

Temporarily exempted: These are stocks of certain banks and other securities resulting from merger consolidations, etc., which the Commission has by published rules exempted from registration under specified conditions and for stated periods.

Admitted to unlisted trading privileges: Section 12(f) provides, in effect, that securities which were admitted to unlisted trading privileges on Mar. 1, 1934 (i.e., without applications for listing filed by the issuers), may continue such status. Additional securities may be granted unlisted trading privileges on exchanges only if they are listed and registered on another exchange or the issuer is subject to the reporting requirements of the Act under Section 15(d).

Listed on exempted exchanges: Certain exchanges were exempted from full registration under Section 6 of the Act because of the limited volume of transactions. The Commission's exemption order specifies that securities which were listed on the exchange at the date of such order may continue to be listed thereon, and that thereafter no additional securities may be listed except upon compliance with Section 12 (b), (c), and (d).

Unlisted on exempt exchanges: The Commission's exemption order specifies that securities which were admitted to unlisted trading privileges thereon at the date of such order may continue such privileges, and that no additional securities may be admitted to unlisted trading privileges except upon compliance with Section 12(f).

PART 2.—NUMBER OF STOCK AND BOND ISSUES ON EACH EXCHANGE AND NUMBER OF ISSUERS INVOLVED, AS OF JUNE 30, 1964

| Exchanges                   | Issuers | Stocks |       |       |       |       | Total | Bonds |       |       |       |       |
|-----------------------------|---------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                             |         | R      | X     | U     | XL    | XU    |       | R     | X     | U     | XL    | Total |
| American-----               | 972     | 873    | 1     | 149   | ----- | ----- | 1,023 | 64    | 1     | 21    | ----- | 86    |
| Boston-----                 | 411     | 54     | 2     | 363   | ----- | ----- | 419   | 10    | ----- | ----- | ----- | 10    |
| Chicago Board of Trade----- | 9       | 6      | ----- | 3     | ----- | ----- | 9     | ----- | ----- | ----- | ----- | ----- |
| Cincinnati-----             | 151     | 34     | 1     | 121   | ----- | ----- | 156   | 10    | 1     | ----- | ----- | 11    |
| Colorado Springs-----       | 11      | -----  | ----- | ----- | 11    | ----- | 11    | ----- | ----- | ----- | ----- | ----- |
| Detroit-----                | 293     | 102    | 2     | 196   | ----- | ----- | 300   | ----- | ----- | ----- | ----- | ----- |
| Honolulu-----               | 49      | -----  | ----- | ----- | 46    | 13    | 59    | ----- | ----- | ----- | 7     | 7     |
| Midwest-----                | 463     | 381    | 1     | 130   | ----- | ----- | 512   | 14    | ----- | ----- | ----- | 14    |
| National-----               | 11      | 12     | ----- | ----- | ----- | ----- | 12    | ----- | ----- | ----- | ----- | ----- |
| New York Stock-----         | 1,389   | 1,611  | 2     | ----- | ----- | ----- | 1,613 | 1,115 | 2     | ----- | ----- | 1,117 |
| Pacific Coast-----          | 535     | 366    | 4     | 231   | ----- | ----- | 601   | 25    | ----- | ----- | ----- | 25    |
| Phila.-Balt.-Wash-----      | 579     | 175    | 6     | 485   | ----- | ----- | 666   | 52    | ----- | ----- | ----- | 52    |
| Pittsburgh-----             | 110     | 39     | ----- | 78    | ----- | ----- | 117   | 1     | ----- | ----- | ----- | 1     |
| Richmond-----               | 15      | -----  | ----- | ----- | 25    | ----- | 25    | ----- | ----- | ----- | ----- | ----- |
| Salt Lake-----              | 67      | 65     | ----- | 3     | ----- | ----- | 68    | ----- | ----- | ----- | ----- | ----- |
| San Francisco Mining-----   | 31      | 31     | ----- | ----- | ----- | ----- | 31    | ----- | ----- | ----- | ----- | ----- |
| Spokane-----                | 25      | 22     | ----- | 6     | ----- | ----- | 28    | ----- | ----- | ----- | ----- | ----- |
| Wheeling-----               | 13      | -----  | ----- | ----- | 11    | 3     | 14    | ----- | ----- | ----- | ----- | ----- |

Symbols: R—registered; X—temporarily exempted; U—admitted to unlisted trading privileges; XL—listed on an exempted exchange; XU—admitted to unlisted trading privileges on an exempted exchange.

NOTE.—Issues exempted under Section 3(a)(12) of the Act, such as obligations of the U.S. Government, the states and cities, are not included in this table.

TABLE 8.—Unlisted stocks on exchanges<sup>1</sup>PART 1.—NUMBER OF STOCKS ON THE EXCHANGES IN THE VARIOUS UNLISTED CATEGORIES AS OF JUNE 30, 1964<sup>2</sup>

| Exchange                    | Unlisted only <sup>3</sup> |          | Listed and registered on another exchange |          |                       |
|-----------------------------|----------------------------|----------|---|----------|-----------------------|
|                             | Clause 1                   | Clause 3 | Clause 1                                  | Clause 2 | Clause 3 <sup>4</sup> |
| American.....               | 122                        | 2        | 20  | 4        | 1                     |
| Boston.....                 | 0                          | 0        | 123                                       | 240      | 0                     |
| Chicago Board of Trade..... | 0                          | 0        | 3   | 0        | 0                     |
| Cincinnati.....             | 0                          | 0        | 0   | 121      | 0                     |
| Detroit.....                | 0                          | 0        | 13  | 183      | 0                     |
| Honolulu.....               | 13                         | 0        | 0   | 0        | 0                     |
| Midwest.....                | 0                          | 0        | 0   | 130      | 0                     |
| Pacific Coast.....          | 1                          | 0        | 55  | 176      | 0                     |
| Phila.-Balt.-Wash.....      | 2                          | 0        | 205                                       | 278      | 0                     |
| Pittsburgh.....             | 0                          | 0        | 18  | 62       | 0                     |
| Salt Lake.....              | 2                          | 0        | 0   | 0        | 1                     |
| Spokane.....                | 3                          | 0        | 1   | 2        | 0                     |
| Wheeling.....               | 0                          | 0        | 0   | 3        | 0                     |
| Total.....                  | 143                        | 2        | 486                                       | 1199     | 2                     |

PART 2.—UNLISTED SHARE VOLUME ON THE EXCHANGES—CALENDAR YEAR 1963

| Exchange                    | Unlisted only <sup>3</sup> |          | Listed and registered on another exchange |            |                       |
|-----------------------------|----------------------------|----------|---|------------|-----------------------|
|                             | Clause 1                   | Clause 3 | Clause 1                                  | Clause 2   | Clause 3 <sup>4</sup> |
| American.....               | 18,701,495                 | 17,550   | 5,857,827                                 | 3,460,700  | 19,980                |
| Boston.....                 | 0                          | 0        | 2,172,430                                 | 2,159,765  | 0                     |
| Chicago Board of Trade..... | 0                          | 0        | 0   | 0          | 0                     |
| Cincinnati.....             | 0                          | 0        | 0   | 565,394    | 0                     |
| Detroit.....                | 0                          | 0        | 431,916                                   | 4,959,363  | 0                     |
| Honolulu.....               | 89,185                     | 0        | 0   | 0          | 0                     |
| Midwest.....                | 0                          | 0        | 0   | 14,235,943 | 0                     |
| Pacific Coast.....          | 453,898                    | 0        | 6,137,760                                 | 10,370,614 | 0                     |
| Phila.-Balt.-Wash.....      | 0                          | 0        | 5,630,505                                 | 5,698,489  | 0                     |
| Pittsburgh.....             | 0                          | 0        | 217,360                                   | 213,543    | 0                     |
| Salt Lake.....              | 0                          | 0        | 0   | 0          | 0                     |
| Spokane.....                | 868,675                    | 0        | 14,588                                    | 211,214    | 0                     |
| Wheeling.....               | 0                          | 0        | 0   | 467        | 0                     |
| Total.....                  | 20,103,251                 | 17,550   | 20,462,366                                | 41,775,492 | 19,980                |

<sup>1</sup> Refer to text under heading "Unlisted Trading Privileges on Exchanges." Volumes are as reported by the stock exchanges or other reporting agencies and are exclusive of those in short-term rights.<sup>2</sup> The categories are according to Clauses 1, 2, and 3 of Section 12(f) of the Securities Exchange Act, as in effect prior to the 1964 Amendments.<sup>3</sup> None of these issues has any listed status on any domestic exchange.<sup>4</sup> These issues became listed and registered on other exchanges subsequent to their admission to unlisted trading on the exchanges as shown.<sup>5</sup> Duplication of issues among exchanges brings the figures to more than the actual number of issues involved.

TABLE 9.—Dollar volume and share volume of sales effected on securities exchanges in the calendar year 1963 and the 6-month period ended June 30, 1964

PART 1.—12 MONTHS ENDED DECEMBER 31, 1963  
[Amounts in thousands]

|                             | Total dollar volume | Bonds         |                  | Stocks        |              | Rights and warrants |                 |
|-----------------------------|---------------------|---------------|------------------|---------------|--------------|---------------------|-----------------|
|                             |                     | Dollar volume | Principal amount | Dollar volume | Share volume | Dollar volume       | Number of units |
| Registered exchanges.....   | 66,157,485          | 1,740,458     | 1,653,777        | 64,313,920    | 1,838,359    | 103,107             | 40,949          |
| American.....               | 4,917,837           | 72,925        | 67,457           | 4,755,286     | 336,261      | 89,626              | 18,044          |
| Boston.....                 | 270,504             | 0             | 0                | 270,477       | 5,505        | 27                  | 46              |
| Chicago Board of Trade..... | 0                   | 0             | 0                | 0             | 0            | 0                   | 0               |
| Cincinnati.....             | 40,856              | 87            | 112              | 40,768        | 834          | 1                   | 4               |
| Detroit.....                | 334,893             | 0             | 0                | 334,883       | 8,775        | 10                  | 38              |
| Midwest.....                | 1,755,705           | (*)           | (*)              | 1,755,659     | 43,773       | 46                  | 35              |
| National.....               | 408                 | 0             | 0                | 408           | 389          | 0                   | 0               |
| New York.....               | 56,564,379          | 1,667,283     | 1,586,041        | 54,886,501    | 1,350,885    | 10,595              | 20,923          |
| Pacific Coast.....          | 1,542,511           | 68            | 67               | 1,539,647     | 51,293       | 2,796               | 1,844           |
| Phila.-Balt.-Wash.....      | 685,875             | 95            | 100              | 685,774       | 15,701       | 6                   | 15              |
| Pittsburgh.....             | 33,368              | 0             | 0                | 33,368        | 796          | 0                   | 0               |
| Salt Lake.....              | 4,766               | 0             | 0                | 4,766         | 13,802       | 0                   | 0               |
| San Francisco.....          | 256                 | 0             | 0                | 256           | 4,855        | 0                   | 0               |
| Spokane.....                | 6,127               | 0             | 0                | 6,127         | 5,490        | 0                   | 0               |
| Exempted exchanges.....     | 21,055              | 9             | 10               | 20,980        | 1,208        | 66                  | 282             |
| Colorado Springs.....       | 84                  | 0             | 0                | 84            | 415          | 0                   | 0               |
| Honolulu.....               | 20,207              | 9             | 10               | 20,132        | 771          | 66                  | 282             |
| Richmond.....               | 390                 | 0             | 0                | 390           | 9            | 0                   | 0               |
| Wheeling.....               | 374                 | 0             | 0                | 374           | 13           | 0                   | 0               |

PART 2.—6 MONTHS ENDED JUNE 30, 1964

|                             | Total dollar volume | Bonds         |                  | Stocks        |              | Rights and warrants |                 |
|-----------------------------|---------------------|---------------|------------------|---------------|--------------|---------------------|-----------------|
|                             |                     | Dollar volume | Principal amount | Dollar volume | Share volume | Dollar volume       | Number of units |
| Registered exchanges.....   | 39,859,731          | 1,559,364     | 1,402,277        | 38,103,922    | 1,057,326    | 196,445             | 68,058          |
| American.....               | 3,660,921           | 37,673        | 36,616           | 3,514,702     | 194,809      | 108,546             | 8,612           |
| Boston.....                 | 159,912             | 0             | 0                | 159,330       | 3,035        | 582                 | 278             |
| Chicago Board of Trade..... | 0                   | 0             | 0                | 0             | 0            | 0                   | 0               |
| Cincinnati.....             | 23,769              | 26            | 33               | 23,736        | 442          | 7                   | 3               |
| Detroit.....                | 251,524             | 0             | 0                | 251,423       | 6,141        | 101                 | 49              |
| Midwest.....                | 1,153,170           | 0             | 0                | 1,151,125     | 25,239       | 2,045               | 1,016           |
| National.....               | 157                 | 0             | 0                | 157           | 172          | 0                   | 0               |
| New York.....               | 33,223,562          | 1,520,900     | 1,364,804        | 31,627,600    | 778,094      | 75,062              | 54,183          |
| Pacific Coast.....          | 927,472             | 86            | 86               | 919,754       | 27,206       | 7,632               | 2,764           |
| Phila.-Balt.-Wash.....      | 429,541             | 679           | 738              | 426,392       | 9,947        | 2,470               | 1,153           |
| Pittsburgh.....             | 24,267              | 0             | 0                | 24,267        | 570          | 0                   | 0               |
| Salt Lake.....              | 1,589               | 0             | 0                | 1,589         | 4,298        | 0                   | 0               |
| San Francisco Mining.....   | 262                 | 0             | 0                | 262           | 3,415        | 0                   | 0               |
| Spokane.....                | 3,585               | 0             | 0                | 3,585         | 3,958        | 0                   | 0               |
| Exempted exchanges.....     | 9,121               | 8             | 7                | 9,113         | 557          | 0                   | 0               |
| Colorado Springs.....       | 42                  | 0             | 0                | 42            | 215          | 0                   | 0               |
| Honolulu.....               | 8,366               | 8             | 7                | 8,358         | 326          | 0                   | 0               |
| Richmond.....               | 528                 | 0             | 0                | 528           | 13           | 0                   | 0               |
| Wheeling.....               | 185                 | 0             | 0                | 185           | 3            | 0                   | 0               |

NOTE.—Data on the value and volume of securities sales on the registered exchanges are reported in connection with fees paid under Section 31 of the Securities Exchange Act of 1934. Included are all securities sales, odd-lot as well as round-lot transactions, effected on exchanges except sales of bonds of the U. S. Government which are not subject to the fee. Comparable data are also supplied by the exempted exchanges. Reports of most exchanges for a given month cover transactions effected during the calendar month, but the reports may be of transactions cleared during the calendar month. Clearances generally occur on the fourth business day after that on which the trade was effected. Figures are rounded and will not necessarily add to the totals as shown.

\*Less than 500.

TABLE 10.—Comparative share sales and dollar volumes on exchanges

[Annual sales, including stocks, warrants and rights, as reported by all U.S. exchanges to the Commission. Figures for merged exchanges are included in those of the exchanges into which they were merged.]

| Year                              | Share sales                    | NYS<br>% | AMS<br>% | MSE<br>% | PCS<br>% | PBS<br>% | BSE<br>% | DSE<br>% | PIT<br>% | CIN<br>% | Other<br>% |
|-----------------------------------|--------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|------------|
| 1935                              | 681,970,500                    | 73.13    | 12.42    | 1.91     | 2.69     | 0.78     | 0.96     | 0.85     | 0.34     | 0.03     | 6.91       |
| 1936                              | 982,135,940                    | 73.02    | 16.43    | 2.18     | 2.96     | .69      | .72      | .74      | .32      | .04      | 2.90       |
| 1937                              | 838,499,889                    | 73.19    | 14.75    | 1.79     | 3.23     | .70      | .83      | .59      | .35      | .03      | 4.51       |
| 1938                              | 643,331,878                    | 78.08    | 10.55    | 2.27     | 2.67     | .79      | 1.03     | .75      | .25      | .04      | 3.57       |
| 1939                              | 468,930,340                    | 78.23    | 11.39    | 2.26     | 2.35     | .93      | 1.13     | .76      | .25      | .05      | 2.60       |
| 1940                              | 377,896,572                    | 75.44    | 13.20    | 2.11     | 2.78     | 1.02     | 1.19     | .82      | .31      | .08      | 2.05       |
| 1941                              | 311,150,395                    | 73.96    | 12.73    | 2.72     | 2.69     | 1.24     | 1.50     | .87      | .26      | .14      | 3.70       |
| 1942                              | 221,159,616                    | 76.49    | 11.64    | 2.70     | 2.62     | 1.08     | 1.39     | .90      | .29      | .12      | 2.77       |
| 1943                              | 486,290,926                    | 74.58    | 16.72    | 2.29     | 1.92     | .85      | .76      | .64      | .20      | .07      | 2.06       |
| 1944                              | 465,523,183                    | 73.40    | 16.87    | 2.07     | 2.49     | .79      | .81      | .86      | .26      | .06      | 2.48       |
| 1945                              | 769,018,138                    | 65.87    | 21.31    | 1.77     | 2.98     | .66      | .66      | .79      | .49      | .05      | 6.51       |
| 1946                              | 803,076,532                    | 66.07    | 19.37    | 1.74     | 3.51     | .68      | .84      | .63      | .28      | .05      | 6.83       |
| 1947                              | 513,274,867                    | 69.82    | 16.98    | 1.67     | 4.22     | .90      | 1.05     | .66      | .19      | .08      | 4.43       |
| 1948                              | 571,107,842                    | 72.42    | 15.07    | 1.63     | 3.95     | .87      | .76      | .68      | .18      | .08      | 4.36       |
| 1949                              | 516,408,706                    | 73.51    | 14.49    | 1.67     | 3.72     | 1.21     | .93      | .73      | .18      | .09      | 3.47       |
| 1950                              | 893,320,458                    | 76.32    | 13.54    | 2.16     | 3.11     | .79      | .65      | .55      | .18      | .09      | 2.61       |
| 1951                              | 863,918,401                    | 74.40    | 14.60    | 2.10     | 3.54     | .76      | .70      | .58      | .16      | .08      | 3.08       |
| 1952                              | 732,400,451                    | 71.21    | 16.08    | 2.43     | 3.85     | .85      | .73      | .55      | .16      | .09      | 4.05       |
| 1953                              | 716,732,406                    | 72.64    | 15.85    | 2.28     | 3.90     | .83      | .81      | .55      | .15      | .11      | 2.88       |
| 1954                              | 1,053,841,443                  | 71.04    | 16.87    | 2.00     | 3.24     | .88      | .50      | .53      | .13      | .07      | 4.74       |
| 1955                              | 1,321,400,711                  | 68.85    | 19.19    | 2.09     | 3.08     | .75      | .48      | .39      | .10      | .05      | 5.02       |
| 1956                              | 1,182,487,085                  | 66.31    | 21.01    | 2.32     | 3.25     | .72      | .47      | .49      | .11      | .05      | 5.27       |
| 1957                              | 1,293,021,856                  | 70.70    | 19.14    | 2.33     | 2.73     | .98      | .40      | .39      | .13      | .06      | 4.14       |
| 1958                              | 1,400,578,512                  | 71.31    | 18.14    | 2.13     | 2.99     | .73      | .45      | .35      | .11      | .05      | 2.74       |
| 1959                              | 1,099,696,619                  | 65.59    | 24.50    | 2.00     | 2.81     | .90      | .37      | .31      | .07      | .04      | 3.41       |
| 1960                              | 1,441,047,584                  | 68.48    | 23.27    | 2.20     | 3.11     | .89      | .39      | .34      | .06      | .05      | 2.21       |
| 1961                              | 2,142,523,490                  | 64.99    | 25.58    | 2.22     | 3.42     | .79      | .31      | .31      | .05      | .04      | 2.29       |
| 1962                              | 1,711,945,297                  | 71.32    | 20.12    | 2.34     | 2.95     | .87      | .31      | .36      | .05      | .05      | 1.63       |
| 1963                              | 1,880,798,423                  | 72.94    | 18.84    | 2.33     | 2.83     | .84      | .29      | .47      | .04      | .04      | 1.38       |
| Six months<br>to June 30,<br>1964 | 1,125,940,568                  | 73.92    | 18.07    | 2.33     | 2.66     | .99      | .29      | .65      | .05      | .05      | 1.10       |
|                                   | Dollar volume<br>(000 omitted) |          |          |          |          |          |          |          |          |          |            |
| 1935                              | \$15,396,139                   | 86.64    | 7.83     | 1.32     | 1.39     | .68      | 1.34     | .40      | .20      | .04      | .16        |
| 1936                              | 23,640,431                     | 86.24    | 8.69     | 1.39     | 1.33     | .62      | 1.05     | .31      | .20      | .03      | .14        |
| 1937                              | 21,023,865                     | 87.85    | 7.56     | 1.06     | 1.25     | .60      | 1.10     | .24      | .20      | .03      | .11        |
| 1938                              | 12,345,419                     | 89.24    | 5.57     | 1.03     | 1.27     | .72      | 1.51     | .37      | .18      | .04      | .07        |
| 1939                              | 11,434,528                     | 87.20    | 6.56     | 1.70     | 1.37     | .82      | 1.70     | .34      | .18      | .06      | .07        |
| 1940                              | 8,419,772                      | 85.17    | 7.68     | 2.07     | 1.62     | .92      | 1.91     | .36      | .19      | .09      | .05        |
| 1941                              | 6,248,055                      | 84.14    | 7.45     | 2.59     | 1.67     | 1.10     | 2.27     | .33      | .21      | .12      | .12        |
| 1942                              | 4,314,294                      | 85.16    | 6.63     | 2.43     | 1.71     | .96      | 2.33     | .34      | .23      | .13      | .11        |
| 1943                              | 9,033,907                      | 84.93    | 8.90     | 2.02     | 1.43     | .80      | 1.30     | .30      | .16      | .07      | .09        |
| 1944                              | 9,810,149                      | 84.14    | 9.30     | 2.11     | 1.70     | .79      | 1.29     | .34      | .15      | .07      | .11        |
| 1945                              | 16,284,552                     | 82.75    | 10.81    | 2.00     | 1.78     | .82      | 1.16     | .35      | .14      | .06      | .13        |
| 1946                              | 18,328,477                     | 82.65    | 10.73    | 2.00     | 1.87     | .79      | 1.23     | .33      | .16      | .07      | .17        |
| 1947                              | 11,596,806                     | 84.01    | 8.77     | 1.82     | 2.26     | .91      | 1.51     | .36      | .14      | .11      | .11        |
| 1948                              | 12,911,665                     | 84.67    | 8.07     | 1.85     | 2.53     | .88      | 1.33     | .34      | .14      | .10      | .09        |
| 1949                              | 10,746,935                     | 83.85    | 8.44     | 1.95     | 2.49     | 1.11     | 1.43     | .39      | .13      | .12      | .09        |
| 1950                              | 21,808,284                     | 85.91    | 6.85     | 2.35     | 2.19     | .92      | 1.12     | .39      | .11      | .11      | .05        |
| 1951                              | 21,306,087                     | 86.48    | 7.66     | 2.30     | 2.06     | .89      | 1.06     | .36      | .11      | .11      | .07        |
| 1952                              | 17,394,395                     | 84.86    | 7.39     | 2.67     | 2.20     | .99      | 1.11     | .43      | .15      | .12      | .08        |
| 1953                              | 16,715,533                     | 85.25    | 6.79     | 2.84     | 2.20     | 1.06     | 1.04     | .46      | .16      | .13      | .07        |
| 1954                              | 28,140,117                     | 86.23    | 6.79     | 2.42     | 2.02     | .94      | .89      | .39      | .14      | .10      | .08        |
| 1955                              | 38,039,107                     | 86.31    | 6.98     | 2.44     | 1.90     | .90      | .78      | .39      | .13      | .10      | .08        |
| 1956                              | 35,143,115                     | 84.95    | 7.77     | 2.75     | 2.08     | .96      | .80      | .42      | .12      | .08      | .07        |
| 1957                              | 32,214,846                     | 85.51    | 7.33     | 2.69     | 2.02     | 1.00     | .76      | .42      | .12      | .08      | .07        |
| 1958                              | 38,419,560                     | 86.42    | 7.45     | 2.71     | 2.11     | 1.01     | .71      | .37      | .09      | .08      | .05        |
| 1959                              | 52,001,255                     | 83.66    | 9.53     | 2.67     | 1.94     | 1.01     | .66      | .33      | .08      | .07      | .05        |
| 1960                              | 45,806,603                     | 83.81    | 9.35     | 2.73     | 1.95     | 1.04     | .80      | .34      | .06      | .08      | .04        |
| 1961                              | 64,071,623                     | 82.44    | 10.71    | 2.75     | 2.00     | 1.04     | .50      | .37      | .06      | .07      | .06        |
| 1962                              | 54,855,894                     | 86.32    | 6.81     | 2.76     | 2.60     | 1.05     | .46      | .42      | .06      | .07      | .05        |
| 1963                              | 64,438,073                     | 85.19    | 7.52     | 2.73     | 2.39     | 1.07     | .42      | .52      | .05      | .06      | .06        |
| Six months<br>to June 30,<br>1964 | 38,369,480                     | 82.75    | 9.46     | 3.01     | 2.42     | 1.12     | .42      | .66      | .06      | .06      | .04        |

Symbols: NYS, New York Stock Exchange; AMS, American Stock Exchange; MSE, Midwest Stock Exchange; PCS, Pacific Coast Stock Exchange; PBS, Philadelphia-Baltimore-Washington Stock Exchange; BSE, Boston Stock Exchange; DSE, Detroit Stock Exchange; PIT, Pittsburgh Stock Exchange; CIN, Cincinnati Stock Exchange.

TABLE 11.—Block distributions of stocks reported by exchanges

[Value in thousands of dollars]

| Calendar year     | Special offerings |             |        | Exchange distributions |             |         | Secondary distributions |             |         |
|-------------------|-------------------|-------------|--------|------------------------|-------------|---------|-------------------------|-------------|---------|
|                   | Number            | Shares sold | Value  | Number                 | Shares sold | Value   | Number                  | Shares sold | Value   |
| 1942 <sup>1</sup> | 79                | 812,390     | 22,694 |                        |             |         | 116                     | 2,397,454   | 82,840  |
| 1943              | 80                | 1,097,338   | 31,054 |                        |             |         | 81                      | 4,270,580   | 127,462 |
| 1944              | 87                | 1,053,667   | 32,454 |                        |             |         | 94                      | 4,097,298   | 135,760 |
| 1945              | 79                | 947,231     | 29,878 |                        |             |         | 115                     | 9,457,358   | 191,961 |
| 1946              | 23                | 308,134     | 11,002 |                        |             |         | 100                     | 6,481,291   | 232,398 |
| 1947              | 24                | 314,270     | 9,133  |                        |             |         | 73                      | 3,961,572   | 124,671 |
| 1948              | 21                | 238,879     | 5,406  |                        |             |         | 95                      | 7,302,220   | 175,991 |
| 1949              | 32                | 500,211     | 10,956 |                        |             |         | 86                      | 3,737,249   | 104,062 |
| 1950              | 20                | 160,308     | 4,940  |                        |             |         | 77                      | 4,280,681   | 88,743  |
| 1951              | 27                | 323,013     | 10,751 |                        |             |         | 85                      | 5,193,756   | 146,450 |
| 1952              | 22                | 357,897     | 9,931  |                        |             |         | 76                      | 4,223,258   | 149,117 |
| 1953              | 17                | 380,680     | 10,486 |                        |             |         | 68                      | 6,906,017   | 108,229 |
| 1954              | 14                | 189,772     | 6,670  | 57                     | 705,781     | 24,684  | 84                      | 5,738,350   | 218,490 |
| 1955              | 9                 | 161,850     | 7,223  | 19                     | 258,348     | 10,211  | 116                     | 6,756,767   | 344,871 |
| 1956              | 8                 | 131,755     | 4,557  | 17                     | 156,481     | 4,645   | 146                     | 11,696,174  | 520,966 |
| 1957              | 5                 | 63,408      | 1,845  | 38                     | 390,832     | 15,855  | 99                      | 9,324,599   | 339,062 |
| 1958              | 5                 | 88,152      | 3,286  | 38                     | 619,876     | 29,454  | 122                     | 9,598,505   | 361,886 |
| 1959              | 3                 | 33,500      | 3,730  | 28                     | 545,038     | 26,491  | 148                     | 17,330,941  | 822,336 |
| 1960              | 3                 | 63,663      | 5,439  | 20                     | 441,664     | 11,108  | 92                      | 11,439,065  | 424,688 |
| 1961              | 2                 | 35,000      | 1,504  | 33                     | 1,127,266   | 58,072  | 130                     | 19,910,013  | 926,514 |
| 1962              | 2                 | 48,200      | 588    | 41                     | 2,345,076   | 65,459  | 59                      | 12,143,656  | 658,780 |
| 1963              | 0                 | 0           | 0      | 72                     | 2,892,233   | 107,498 | 100                     | 18,937,935  | 814,984 |

<sup>1</sup> The first special offering plan was made effective Feb. 14, 1942; the plan of exchange distribution was made effective Aug. 21, 1953; secondary distributions are not made pursuant to any plan but generally exchanges require members to obtain approval of the exchange to participate in a secondary and a report on such distribution is filed with this Commission.

TABLE 12.—Reorganization proceedings under Chapter X of the Bankruptcy Act in which the Commission participated during the fiscal year 1964

| Debtor   | District Court | Petition filed | Petition approved | Securities and Exchange Commission notice of appearance filed |
|--|----------------|----------------|-------------------|---|
| Admiral Oils, Inc.   | W.D. Okla.     | June 27, 1962  | June 27, 1962     | July 30, 1962   |
| Alaska Telephone Corp. <sup>1</sup>                                    | W.D. Wash.     | Nov. 2, 1955   | Nov. 21, 1955     | Nov. 7, 1955  |
| American Bonded Mortgage Co., Inc. <sup>1</sup>                        | S.D. Fla.      | Feb. 12, 1962  | July 22, 1963     | Aug. 20, 1963   |
| American Fuel & Power Co. (4 subsidiaries) <sup>2</sup>                | E.D. Ky.       | Dec. 6, 1935   | Dec. 20, 1935     | May 1, 1940   |
| Arizona Lutheran Hospital <sup>1</sup>                                 | D. Ariz.       | May 11, 1964   | May 18, 1964      | May 25, 1964  |
| Aspic Investments Corp.  | S.D. Fla.      | June 29, 1962  | July 24, 1962     | Aug. 29, 1962   |
| Atlas Sewing Centers, Inc. (49 Subsidiaries)                           | do.            | June 22, 1962  | June 22, 1962     | July 26, 1962   |
| Automatic Washer Co. <sup>1</sup>                                      | S.D. Iowa      | Oct. 17, 1956  | Nov. 2, 1956      | Nov. 2, 1956  |
| Bevis Shell Homes, Inc. (2 subsidiaries)                               | M.D. Fla.      | June 27, 1962  | June 28, 1962     | July 20, 1962   |
| Brookdale Lodge, Inc.  | N.D. Calif.    | Sept. 18, 1962 | Sept. 24, 1962    | Oct. 5, 1962  |
| Brookwood Country Club   | N.D. Ill.      | Feb. 17, 1959  | Mar. 3, 1959      | Mar. 19, 1959   |
| Bzura Chemical Co., Inc. (1 subsidiary) <sup>1</sup>                   | N. D. J.       | Feb. 6, 1963   | Feb. 6, 1963      | Feb. 11, 1963   |
| Cal-West Aviation, Inc.  | N.D. Calif.    | Oct. 26, 1961  | Oct. 26, 1961     | Oct. 26, 1961   |
| Central States Electric Corp. <sup>1</sup>                             | E.D. Va.       | Feb. 26, 1942  | Feb. 27, 1942     | Mar. 11, 1942   |
| Certified Credit Corp. (4 subsidiaries)                                | S.D. Ohio      | Nov. 2, 1963   | Apr. 2, 1963      | Apr. 10, 1963   |
| Charlotte Motor Speedway, Inc. <sup>1</sup>                            | W.D. N.C.      | Nov. 3, 1961   | Nov. 3, 1961      | Nov. 3, 1961  |
| Clute Corp., The   | D. Colo.       | Nov. 5, 1962   | Nov. 7, 1962      | Jan. 28, 1963   |
| Coast Investors, Inc. <sup>1</sup>                                     | W. Wash.       | June 9, 1964   | June 9, 1964      | June 10, 1964   |
| Coastal Finance Corp. <sup>1</sup>                                     | D. Md.         | Feb. 15, 1956  | Feb. 18, 1956     | Apr. 16, 1956   |
| Coffeyville Loan & Investment Co., Inc. <sup>2</sup>                   | D. Kans.       | July 17, 1959  | July 17, 1959     | Aug. 10, 1959   |
| Continental Vending Machine Co. <sup>1</sup>                           | S.D. N.Y.      | July 10, 1963  | July 12, 1963     | Aug. 7, 1963  |
| Cosmo Capital Inc.   | N.D. Ill.      | Apr. 22, 1963  | Apr. 22, 1963     | Apr. 26, 1963   |
| DePaul Educational Aid Society <sup>1</sup>                            | do.            | Jan. 6, 1959   | Jan. 13, 1959     | Feb. 4, 1959  |
| Dilbert's Leasing & Development Corp.                                  | E.D. N.Y.      | Mar. 14, 1963  | Mar. 14, 1963     | Mar. 15, 1963   |
| Dilbert's Quality Super-Markets, Inc.                                  | do.            | do.            | do.               | Do.   |
| Dixie Fertilizer Co., Inc. <sup>1</sup>                                | S.D. Miss.     | July 21, 1961  | July 22, 1961     | Aug. 18, 1961   |
| Doctors' Hospital, Inc. <sup>2</sup>                                   | S.D. Iowa      | Dec. 14, 1962  | Feb. 15, 1963     | Jan. 25, 1963   |
| Dumont-Airplane & Marine Instruments, Inc. (1 subsidiary) <sup>1</sup> | S.D. N.Y.      | Oct. 27, 1958  | Oct. 27, 1958     | Nov. 10, 1958   |
| EL-Tronics, Inc. <sup>1</sup>  | E.D. Pa.       | Nov. 25, 1958  | Nov. 25, 1958     | Jan. 16, 1959   |

See footnotes at end of table.

TABLE 12.—Reorganization proceedings under Chapter X of the Bankruptcy Act in which the Commission participated during the fiscal year 1964—Continued

| Debtor  | District Court | Petition filed | Petition approved | Securities and Exchange Commission notice of appearance filed |
|---|----------------|----------------|-------------------|---|
| Equitable Enterprises, Inc.                                       | M.D. Fla.      | June 19, 1962  | July 5, 1962      | July 24, 1962   |
| Equitable Plan Co. <sup>2</sup>                                   | S.D. Calif.    | Mar. 18, 1958  | May 29, 1958      | Mar. 27, 1958   |
| Fehr Brewing Co., Frank   | W.D. Ky.       | Oct. 9, 1962   | Oct. 10, 1962     | Nov. 26, 1962   |
| Fleetwood Motel Corp.   | D.N.J.         | Sept. 26, 1960 | Oct. 27, 1960     | Nov. 3, 1960  |
| Flora Sun Corp (6 subsidiaries)                                   | S.D. Fla.      | Feb. 27, 1962  | Apr. 25, 1962     | June 5, 1962  |
| Florida Southern Corp. <sup>3</sup>                               | do             | May 17, 1962   | May 17, 1962      | July 12, 1962   |
| Food Town, Inc. <sup>1</sup>                                      | D. Md.         | July 29, 1959  | July 29, 1959     | Aug. 13, 1959   |
| GFE Industries, Inc.  | S.D. Iowa      | Sept. 19, 1963 | Sept. 20, 1963    | Dec. 14, 1963   |
| General Economics Corp. <sup>1</sup>                              | S.D.N.Y.       | July 17, 1963  | July 17, 1963     | Aug. 8, 1963  |
| General Stores Corp. <sup>2</sup>                                 | S.D.N.Y.       | Apr. 30, 1956  | May 1, 1956       | May 23, 1956  |
| Goebel Brewing Co. <sup>1</sup>                                   | E.D. Mich.     | Jan. 24, 1964  | Jan. 24, 1964     | Feb. 12, 1964   |
| Great American Development Co.                                    | W.D. Tex.      | June 1, 1961   | June 3, 1961      | July 28, 1961   |
| Guaranty Trust Deed Corp.   | D. Utah        | Jan. 17, 1963  | Jan. 18, 1963     | Mar. 4, 1963  |
| Hotel St. George Corp. <sup>2</sup>                               | E.D.N.Y.       | Jan. 15, 1964  | Dismissed         | Jan. 17, 1964   |
| Hudson & Manhattan Railroad Co. <sup>3</sup>                      | S.D.N.Y.       | Aug. 11, 1954  | Dec. 14, 1954     | Jan. 7, 1955  |
| Hughes Homes, Inc. (4 subsidiaries)                               | D. Mont.       | Sept. 8, 1961  | Sept. 15, 1961    | Oct. 19, 1961   |
| Human Relations Research Foundation (4 subsidiaries) <sup>1</sup> | S.D. Calif.    | Jan. 31, 1964  | Jan. 31, 1964     | Feb. 14, 1964   |
| Hydrocarbon Chemicals, Inc. (6 subsidiaries) <sup>1</sup>         | D.N.J.         | Mar. 17, 1964  | Mar. 18, 1964     | Mar. 18, 1964   |
| Inland Gas Corp. <sup>2</sup>                                     | E.D. Ky.       | Oct. 14, 1935  | Nov. 1, 1935      | Mar. 28, 1939   |
| F.L. Jacobs Co.   | E.D. Mich.     | Mar. 17, 1959  | Mar. 18, 1959     | Mar. 20, 1959   |
| Kentucky Fuel Gas Corp. <sup>2</sup>                              | E.D. Ky.       | Oct. 25, 1935  | Nov. 1, 1935      | Mar. 28, 1939   |
| Kentucky Jockey Club, Inc., The                                   | W.D. Ky.       | Dec. 9, 1959   | Dec. 9, 1959      | Jan. 18, 1960   |
| Kirchofer & Arnold, Inc.  | E.D. N.C.      | Nov. 5, 1959   | Nov. 5, 1959      | Nov. 9, 1959  |
| Kish Industries, Inc. <sup>1</sup>                                | W.D. Mich.     | Apr. 23, 1964  | May 13, 1964      | June 9, 1964  |
| Leeds Homes, Inc. (52 subsidiaries)                               | E.D. Tenn.     | June 15, 1962  | June 16, 1962     | July 26, 1962   |
| Liberty Baking Corp. <sup>2</sup>                                 | S.D. N.Y.      | Apr. 22, 1957  | Apr. 22, 1957     | May 2, 1957   |
| Magnolia Park, Inc.   | E.D. La.       | Oct. 16, 1957  | Feb. 26, 1958     | Oct. 24, 1957   |
| Maryvale Community Hospital, Inc. <sup>1</sup>                    | D. Ariz.       | Aug. 1, 1963   | May 11, 1964      | Sept. 11, 1963  |
| Mason Mortgage & Investment Corp. (3 subsidiaries)                | D.D.C.         | Oct. 31, 1960  | Oct. 31, 1960     | Nov. 9, 1960  |
| Morehead City Shipbuilding Corp.                                  | E.D.N.C.       | Nov. 5, 1959   | Nov. 5, 1959      | Nov. 9, 1959  |
| H. H. Mundy Corp. (1 subsidiary)                                  | N.D. Okla.     | Apr 17, 1961   | Apr. 17, 1961     | May 22, 1961  |
| Muskegon Motor Specialties Co.                                    | E.D. Mich.     | May 11, 1961   | May 11, 1961      | May 12, 1961  |
| Nevada Industrial Guaranty Co. (1 subsidiary) <sup>1</sup>        | D. Nev.        | May 7, 1963    | May 7, 1963       | July 2, 1963  |
| Joe Newcomer Finance Co.  | D. Colo.       | Apr. 26, 1963  | Apr. 26, 1963     | May 2, 1963   |
| New-Kanawha Industrial Corp. (1 subsidiary)                       | S.D. W. Va.    | Nov. 2, 1962   | Nov. 2, 1962      | Dec. 3, 1962  |
| Parker Petroleum Co., Inc. <sup>2</sup>                           | W.D. Okla.     | May 6, 1958    | May 6, 1958       | June 9, 1958  |
| Pickman Trust Deed Corp.  | N.D. Calif.    | June 13, 1960  | June 13, 1960     | June 13, 1960   |
| Precision Transformer Corp.                                       | N.D. Ill.      | Aug. 13, 1962  | Aug. 13, 1962     | Aug. 13, 1962   |
| Prudential Diversified Services (4 subsidiaries)                  | D. Mont.       | Mar. 26, 1963  | Mar. 26, 1963     | May 3, 1963   |
| Rimak Electronics, Inc. (1 subsidiary) <sup>1</sup>               | S.D. Calif.    | Dec. 9, 1963   | Dec. 9, 1963      | Feb. 3, 1964  |
| Scranton Corp., The (3 subsidiaries)                              | M.D. Pa.       | Apr. 3, 1959   | Apr. 3, 1959      | Apr. 15, 1959   |
| Shawano Development Corp.   | D. Wyo.        | Apr. 3, 1959   | Apr. 13, 1959     | May 20, 1959  |
| Sire Plan, Inc., The (13 subsidiaries)                            | S.D.N.Y.       | Feb. 16, 1963  | Feb. 16, 1963     | Feb. 18, 1963   |
| Sire Plan Management Corp., The (4 subsidiaries, 1 affiliate)     | do             | Mar. 4, 1963   | Mar. 4, 1963      | Apr. 30, 1963   |
| Southern Enterprise Corp. (1 subsidiary)                          | S.D. Tex.      | Oct. 31, 1958  | Nov. 3, 1958      | June 18, 1960   |
| Southwest Factories, Inc. <sup>2</sup>                            | W.D. Okla.     | July 27, 1962  | July 27, 1962     | Aug. 23, 1962   |
| Southwest Foundation Inc.   | D. N. Mex.     | May 19, 1960   | June 22, 1960     | Oct. 31, 1961   |
| St. John's View Sites   | S.D. Calif.    | July 6, 1962   | July 6, 1962      | Aug. 20, 1962   |
| Stardust, Inc. <sup>2</sup>                                       | D. Nev.        | July 19, 1956  | Sept. 10, 1956    | Sept. 7, 1956   |
| Swan-Finch Oil Corp. (1 subsidiary)                               | S.D.N.Y.       | Jan. 2, 1958   | Jan. 2, 1958      | Jan. 27, 1958   |
| Taylor International Corp. (1 subsidiary)                         | S.D. Fla.      | Dec. 28, 1962  | Jan. 2, 1963      | Feb. 27, 1963   |
| Tele-Tronics Co. <sup>3</sup> The                                 | E.D. Pa.       | July 26, 1962  | July 27, 1962     | Sept. 13, 1962  |
| Tenax, Inc. (1 subsidiary)  | S.D.N.Y.       | Nov. 30, 1962  | Nov. 30, 1962     | Nov. 30, 1962   |
| Third Avenue Transit Corp. (5 subsidiaries) <sup>2</sup>          | do             | Oct. 25, 1948  | June 21, 1949     | Jan. 3, 1949  |
| TMT Trailer Ferry Inc. (4 subsidiaries)                           | S.D. Fla.      | June 27, 1957  | Nov. 15, 1957     | Nov. 25, 1957   |
| Townsend Growth Fund, Inc.  | S.D.N.Y.       | May 10, 1961   | May 10, 1961      | May 10, 1961  |
| Trans-United Industries, Inc.                                     | D. Conn.       | Apr. 8, 1963   | Apr. 29, 1963     | May 27, 1963  |
| Tri-State Petroleum Inc. <sup>1</sup>                             | S.D. Calif.    | June 17, 1963  | June 24, 1963     | Sept. 27, 1963  |
| Trustors' Corp.   | N.D. Calif.    | Sept. 14, 1961 | Oct. 9, 1961      | Oct. 17, 1961   |
| Twentieth Century Foods Corp.                                     | E.D. Ark.      | Oct. 30, 1961  | Nov. 9, 1961      | Feb. 21, 1962   |
| Vinco Corp.   | E.D. Mich.     | Apr. 1, 1963   | Apr. 8, 1963      | Apr. 9, 1963  |
| Walco Building Corp.  | N.D. Ill.      | July 31, 1961  | Sept. 15, 1961    | Sept. 15, 1961  |
| Windermere Hotel Co. <sup>3</sup>                                 | do             | Sept. 13, 1960 | Oct. 12, 1960     | Oct. 24, 1960   |
| Yuba Consolidated Industries, Inc.                                | N.D. Calif.    | Mar. 21, 1962  | Mar. 21, 1962     | Mar. 23, 1962   |

<sup>1</sup> Commission filed notice of appearance in fiscal year 1964.<sup>2</sup> Reorganization proceeding closed during fiscal year 1964.<sup>3</sup> Plan has been substantially consummated but no final decree has been entered because of pending matters.

TABLE 13.—Summary of criminal cases developed by the Commission which were still pending at June 30, 1964

|  | 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.....  | 0     | 0                                  | 0  | 0   | 0              | 0               |
| 1939.....  | 0     | 0                                  | 0  | 0   | 0              | 0               |
| 1940.....  | 0     | 0                                  | 0  | 0   | 0              | 0               |
| 1941.....  | 0     | 0                                  | 0  | 0   | 0              | 0               |
| 1942.....  | 0     | 0                                  | 0  | 0   | 0              | 0               |
| 1943.....  | 1     | 3                                  | 0  | 1   | 2              | 0               |
| 1944.....  | 0     | 0                                  | 0  | 0   | 0              | 0               |
| 1945.....  | 1     | 0                                  | 0  | 0   | 0              | 0               |
| 1946.....  | 1     | 1                                  | 0  | 1   | 0              | 0               |
| 1947.....  | 4     | 15                                 | 0  | 15  | 0              | 0               |
| 1948.....  | 1     | 4                                  | 0  | 4   | 0              | 0               |
| 1948.....  | 0     | 0                                  | 0  | 0   | 0              | 0               |
| 1949.....  | 0     | 0                                  | 0  | 0   | 0              | 0               |
| 1950.....  | 0     | 0                                  | 0  | 0   | 0              | 0               |
| 1951.....  | 0     | 0                                  | 0  | 0   | 0              | 0               |
| 1952.....  | 0     | 0                                  | 0  | 0   | 0              | 0               |
| 1953.....  | 1     | 1                                  | 0  | 1   | 0              | 0               |
| 1954.....  | 1     | 7                                  | 0  | 7   | 0              | 0               |
| 1955.....  | 0     | 0                                  | 0  | 0   | 0              | 0               |
| 1956.....  | 0     | 1                                  | 1  | 0   | 0              | 0               |
| 1957.....  | 3     | 35                                 | 5  | 0   | 30             | 0               |
| 1958.....  | 1     | 4                                  | 0  | 0   | 4              | 0               |
| 1959.....  | 8     | 89                                 | 10   | 24  | 55             | 0               |
| 1960.....  | 9     | 51                                 | 10   | 7   | 32             | 2               |
| 1961.....  | 15    | 155                                | 38   | 35  | 81             | 1               |
| 1962.....  | 19    | 83                                 | 43   | 1   | 37             | 2               |
| 1963.....  | 23    | 86                                 | 27   | 1   | 58             | 0               |
| 1964.....  | 15    | 30                                 | 2  | 0   | 28             | 0               |
| Total.....   | 102   | 565                                | 136  | 97  | 327            | 5               |

## SUMMARY

|  |     |
|--|-----|
| Total cases pending <sup>1</sup> .....                           | 153 |
| Total defendants <sup>1</sup> .....                              | 759 |
| Total defendants as to whom cases are pending <sup>1</sup> ..... | 640 |

<sup>1</sup> As of the close of the fiscal year, indictments had not yet been returned as to 214 proposed defendants in 51 cases referred to the Department of Justice. These are reflected only in the recapitulation of totals at the bottom of the table.

<sup>2</sup> This figure also includes five defendants on appeal who have been reported as convictions in column 3.

**TABLE 14.—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 1964 fiscal year | Total cases closed up to end of 1964 fiscal year | Cases pending at end of 1964 fiscal year | Cases pending at end of 1963 fiscal year | Cases instituted during 1964 fiscal year | Total cases pending during 1964 fiscal year | Cases closed during 1964 fiscal year |
|---|--|--|--|--|--|---|--------------------------------------|
| Actions to enjoin violations of the above Acts.....   | 1,350  | 1,254  | 101                                      | 114                                      | 76                                       | 190   | 94                                   |
| Actions to enforce subpoenas under the Securities Act and the Securities Exchange Act.....        | 98   | 93   | 5  | 7  | 8  | 15  | 10                                   |
| Actions to carry out voluntary plans to comply with Section 11(b) of the Holding Company Act..... | 146  | 140  | 6  | 6  | 1  | 7   | 1                                    |
| Miscellaneous actions.....  | 60   | 46   | 11                                       | 5  | 10                                       | 15  | 4                                    |
| Total.....  | 1,654  | 1,533  | 123                                      | 132                                      | 95                                       | 227   | 109                                  |

**TABLE 15.—Summary of cases instituted against the Commission, cases in which the Commission participated as intervenor or amicus curiae, and reorganization cases on appeal under Chapter X in which the Commission participated**

| Types of cases  | Total cases instituted up to end of 1964 fiscal year | Total cases closed up to end of 1964 fiscal year | Cases pending at end of 1964 fiscal year | Cases pending at end of 1963 fiscal year | Cases instituted during 1964 fiscal year | Total cases pending during 1964 fiscal year | Cases closed during 1964 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..... | 66   | 59   | 6  | 6  | 1  | 7   | 1                                    |
| Actions to enjoin enforcement of or compliance with subpoenas issued by the Commission.....   | 10   | 10   | 0  | 0  | 1  | 1   | 1                                    |
| Petitions for review of Commission's orders by Courts of Appeals under the various Acts administered by the Commission.....   | 264  | 259  | 5  | 12                                       | 6  | 18  | 13                                   |
| Miscellaneous actions against the Commission or officers of the Commission and cases in which the Commission participated as intervenor or amicus curiae.....                 | 273  | 249  | 24                                       | 14                                       | 15                                       | 29  | 5                                    |
| Appeal cases under Ch. X in which the Commission participated.....  | 199  | 188  | 12                                       | 7  | 7  | 14  | 2                                    |
| Total.....  | 812  | 765  | 47                                       | 39                                       | 30                                       | 69  | 22                                   |

TABLE 16.—*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 1964 fiscal year—Continued*

| Name of principal defendant                  | Number of defendants | U.S. District Court                | Indictment returned | Charges   | Status of case   |
|--|----------------------|------------------------------------|---------------------|---|--|
| Asberg, Henry O. (Titanol, Inc)              | 2                    | Wyoming                            | Sept. 4, 1962       | Sees. 5(a)(2), 17(a), 1933 Act, Secs. 371, 1341, Title 18, U.S.C.   | One defendant pleaded guilty to 7 counts and was sentenced to 3 years in prison, remaining defendant sentenced to 3 years and placed on probation on his guilty plea of 2 counts of the indictment. Pending.   |
| Abbott, Roger D. (Franklin Acceptance Corp.) | 8                    | Southern District of Florida       | Nov. 5, 1963        | Sec. 17(a), 1933 Act; Sec. 371, Title 18, U.S.C. and Sec. 571, Title 18, U.S.C.                                       | Three defendants found guilty; sentencing deferred. One defendant acquitted, one defendant dismissed and one defendant deceased. Pending.  |
| Abrams, Joseph (Automatic Washer Co., Inc.)  | 6                    | Southern District of New York      | Apr. 3, 1961        | Sees. 5(a)(1) and 5(a)(2), 1933 Act; Sec. 371, Title 18, U.S.C.   | Appeal filed Feb. 21, 1961, from the conviction of six defendants. Opinion rendered affirming convictions, May 24, 1963. Indictment dismissed as to three corporate defendants. Pending as to remaining defendant.                                       |
| Addison, John Milton                         | 10                   | Northern District of Texas         | May 16, 1960        | Sees. 5(a)(2), 5(c) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.   | All defendants arraigned; pleaded not guilty and posted bonds. Pending.  |
| Albert, Sydney L. (Bellanca Corp.)           | 7                    | Southern District of New York      | Mar. 14, 1960       | Sees. 5(a)(1) and (2), 1933 Act, Secs. 164(a)(2), 164(a) and 32(a), 1934 Act; Secs. 2, 371 and 1021, Title 18, U.S.C. | On plea of guilty defendant was sentenced to 5 years confinement.  |
| Albrecht, Harry William                      | 1                    | Western District of Oklahoma       | Nov. 9, 1960        | Sees. 5(a)(2) and 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C.  | All defendants acquitted.  |
| Amigos Gas & Oil Corp.                       | 4                    | Eastern District of Oklahoma       | Dec. 5, 1962        | Sees. 5(a), 17(a), 1933 Act, Secs. 371, 1341, Title 18, U.S.C.  | Pending.   |
| Bennett, Marion Edmond                       | 4                    | Western District of Oklahoma       | June 2, 1964        | Sec. 17(a), 1933 Act; Sec. 371, Title 18, U.S.C. and Sec. 571, Title 18, U.S.C.                                       | Defendant found guilty and sentenced from 4 to 12 months and a day on violations of Secs. 1905 and 1022. Pending appeal.   |
| Batten, Franklin L. (Batten and Co., Inc)    | 1                    | District of Columbia               | Aug. 27, 1962       | Sees. 160 and 1622, Title 18, U.S.C.  | Four defendants found guilty. Sentences imposed ranging from 6 months to 1 year and 1 day. Appeal filed by four defendants from their convictions. One defendant acquitted. CA-2 affirmed convictions. Petition for writ of certiorari filed and denied. |
| Benjamin, Martin (American Equities Corp.)   | 5                    | Southern District of New York      | Feb. 20, 1962       | Sees. 5(a), 5(c), 17(a) and 24, 1933 Act; Secs. 2, 1341 and 2314, Title 18, U.S.C.                                    | Pending.   |
| Bennett, Sterling W.                         | 4                    | Eastern District of South Carolina | June 3, 1963        | Sec. 17(a), 1933 Act, Secs. 1341, Title 18, U.S.C. and Sec. 371, Title 18, U.S.C.                                     | Both defendants filed notices of appeal from the judgment of their convictions entered Aug. 2, 1962. Convictions affirmed by CA-5. Petition for writ of certiorari filed Apr. 15, 1964. Pending.   |
| Bergman, Vernon Evans (Solomon)              | 2                    | Eastern District of Texas          | Jan. 24, 1962       | 1941 and 2314, Title 18, U.S.C.   | Opinion filed denying motions of three defendants for severance and granting limited inspection and certain particulars. Pending.  |
| Bernart, Charles E. (Cornells DeVroedt Co.)  | 25                   | Southern District of New York      | Dec. 2, 1958        | Sec. 17(a), 1933 Act, Secs. 371, 1341 and 1343, Title 18, U.S.C.  |  |

TABLE 16.—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 1964 fiscal year—Continued

| Name of principal defendant                                    | Number of defendants | U. S. District Court               | Indictment returned  | Charges   | Status of case  |
|--|----------------------|------------------------------------|--|---|---|
| Bernstein, Albert<br>U. A. Winston &<br>Co.,<br>Do.            | 6                    | do                                 | Oct. 8, 1961   | Sec. 371, Title 18, U. S. C.  | Pending.  |
| Berry, Robert K.   | 2                    | New Jersey                         | Jan. 15, 1962<br>Jan. 8, 1964                                | do<br>Secs. 17(a) and 2, 1933 Act;<br>Sec. 1341 Title 18, U. S. C.  | Do.<br>Do.  |
| Birell, Lowell M.<br>(Deeskin Products,<br>Inc.).              | 16                   | Southern District<br>of New York.  | Mar. 1, 1961   | Secs. 17(a) and 24, 1933 Act;<br>Secs. 10(b), 32(a) and Rule<br>10b-5, 1934 Act; Secs. 2,<br>1341 and 2314, Title 18,<br>U. S. C. | Four individual defendants and two corporate defendants pleaded guilty to various counts of the indictment; another defendant pleaded guilty to an information charging violations of Sec. 10(b) of the 1934 Act. Appeal filed by one defendant Sept. 12, 1963. CA-2 affirmed judgment of district court. |
| Black, Morris (Great<br>Sweet Grass Oils,<br>Ltd.).            | 4                    | do                                 | Oct. 5, 1961   | Sec. 371, Title 18, U. S. C.  | One defendant dismissed. Pending as to remaining three defendants.  |
| Bowen, Norman E.<br>(S. D. C. Distributors<br>& Sales Co.).    | 1                    | Northern District<br>of Georgia.   | Aug. 31, 1960  | Secs. 5(a)(2), 17(a)(1), 1933<br>Act; Sec. 1341, Title 18,<br>U. S. C.  | Closed.   |
| Do.  | 7                    | do                                 | Mar. 6, 1962<br>(Superseding<br>indictment)<br>Jan. 27, 1964 | Secs. 5(a)(2), 17(a), 1933 Act;<br>Secs. 371 and 1341, Title<br>18, U. S. C.  | All defendants apprehended. Five defendants pleaded not guilty. Pending.  |
| Bradford, Philip L.  | 2                    | Southern District<br>of New York.  | Jan. 27, 1964  | Secs. 2314 and 2, and Sec.<br>371, Title 18, U. S. C.   | Pending.  |
| Brenek, Francis J.   | 1                    | Western District<br>of Washington. | Mar. 7, 1963   | Sec. 17(a), 1933 Act; Sec.<br>1341, Title 18, U. S. C. and<br>Sec. 1001, Title 18, U. S. C.                                       | Defendant sentenced to 18 months in prison on count 5 and placed on probation for a period of 3 years on count 6 charging violations of Sec. 1001.  |
| Broadley, Albert E.<br>(Hudson Securities).                    | 5                    | Western District<br>of New York.   | July 17, 1947  | Secs. 5(a)(1) and (2) and 17<br>(a)(1), 1933 Act; Secs. 371<br>and 1341, Title 18, U. S. C.                                       | One defendant deceased. Pending as to remaining four defendants.  |
| Brown, Darwin<br>Charles (Inter-<br>American Timber<br>Corp.). | 2                    | District of<br>Columbia.           | Mar. 11, 1964  | Sec. 17(a), 1933 Act; Sec. 371,<br>Title 18, U. S. C.   | Pending.  |
| Brown, Darwin<br>Charles (Venezuela<br>Mines, Inc.).           | 3                    | do                                 | Mar. 18, 1964  | do  | Do.   |
| Butler, J. Clinton.  | 2                    | Nevada.                            | July 11, 1963  | Secs. 5(a)(2) and 17(a), 1933<br>Act.   | On plea of nolo contendere one defendant was sentenced for 1 year and 1 day. Sentence suspended and defendant placed on probation for 2 years. Remaining defendant dismissed.   |

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| Byrnes, Joe H. (In-vestors Mortgage Corp.)   | Southern District of Florida.    | Feb. 26, 1962                 | Secs. 5(a)(2), 17(a) 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.                          | All defendants found guilty and sentences imposed ranging from 18 months to 3 years June 18, 1963.   |
| Cage, Ben Jack (Bankers Bond Co., Inc.)      | Northern District of Texas.      | Apr. 22, 1960                 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.                                   | \$10,000 bond set for five defendants. One defendant deceased and one defendant dismissed. Pending as to the four remaining defendants.  |
| Cannon, Jr., Thomas P. (Capital Funds, Inc.) | Alaska                           | Mar. 29, 1962                 | Secs. 5(a)(2) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.                      | Order entered Dec. 27, 1962, dismissing the indictment as to one defendant. Notice of appeal filed to the USSC from the order entered Dec. 27, 1962. Pending.  |
| Carter, Michael (Belmont Oil Corp.)          | Southern District of New York.   | May 14, 1964                  | Secs. 5(a)(2), 17(a) and 24, 1933 Act; Secs. 2 and 371 Title 18, U.S.C.                      |  |
| Carroll, Howard P. (H. Carroll & Co.)        | Southern District of California. | May 23, 1962                  | Sec. 17(a), 1933 Act.  |  |
| Casavan Industries Inc.                      | New Jersey                       | Oct. 30, 1963                 | Secs. 17(a), 17(a)(2), 1933 Act; Secs. 2, 1341 and 371 Title 18, U.S.C.                      | Both defendants found guilty on all counts of the indictment; corporate defendant fined a nominal fine of \$50 since company is defunct; remaining defendant fined \$2,500 and placed on probation for 1 year. Appeal filed by individual defendant. Convictions affirmed by CA-9. Pending.      |
| Charney, David B. (Walker-Stevens, Inc.)     | Southern District of New York.   | June 21, 1962                 | Sec. 1621 Title 18, U.S.C.   | Indictment nolle prossed.  |
| Do.  | do.                              | June 24, 1963                 |  | Pending.   |
| Childs, Kenneth R.                           | Kansas                           | Aug. 19, 1963                 | Secs. 17(a) and 24, 1933 Act; Secs. 9(a)(2) and 32(a), 1934 Act.                             | Do.  |
| Chron, Robert T.                             | New Hampshire                    | May 27, 1963                  | Sec. 17(a), 1933 Act and Sec. 1341 Title 18, U.S.C.  | Do.  |
| Cohn, David M.                               | Eastern District of Arkansas.    | Sept. 6, 1962                 | Secs. 5(a)(1), 5(a)(2) and 17(a), 1933 Act; Sec. 16(a), 1934 Act; Sec. 1341 Title 18, U.S.C. | Defendant found guilty on 10 counts of an 11-count indictment charged with mail fraud statutes. Remaining count dismissed. Defendant sentenced to 30 days confinement and fined \$10,000.  |
| Columbus Rexall Consolidated Mines Co.       | Southern District of Florida.    | May 31, 1961                  | Secs. 5(a)(1), 5(a)(2), 5(c) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.       | Fifteen defendants convicted various sentences and fines ranging from \$200 to \$36,000 were imposed. One defendant was dismissed; three defendants were acquitted and five defendants appealed from their convictions. CA-5 affirmed judgment of district court. Pending as to four defendants. |
| Vidalakis, Nick S.                           | do.                              | (Nov. 30, 1961 (Informa-tion) | Rule 10b-5, 1934 Act.  | Closed.  |
| Cayias, William J.                           | do.                              | Jan. 11, 1962 (Informa-tion)  | do.  | Do.  |
| Cromer, L. L.                                | do.                              | Jan. 12, 1962 (Informa-tion)  | Rule 10-6(3), 1934 Act.  | Do.  |

TABLE 16.—*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 1944 fiscal year—Continued*

| Name of principal defendant   | Number of defendants | U.S. District Court           | Indictment returned         | Charges  | Status of case   |
|---|----------------------|-------------------------------|-----------------------------|--|--|
| Corrigan, Herbert E. (Title Mortgage & Title Corp.)<br>Crowell, Alec M. | 1                    | do.                           | Feb. 26, 1962               | Sec. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C.                                    | Defendant apprehended May 2, 1963. Pending.  |
| de Lyra, John L.  | 2                    | Eastern District of Louisiana | Aug. 2, 1962                | Secs. 5(a)(1), 5(c) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.        | Both defendants pleaded guilty to 2 counts of the indictment for violations of 1933 Act and mail fraud statutes. Sentencing deferred. Pending.   |
| De Pasquale, Ralph (General Investing Corp.)                            | 3                    | Southern District of New York | Oct. 10, 1963               | Secs. 371, 1001 and 2 Title 18, U.S.C.   | Pending.   |
| Di Roma, Jr., Agostino (Di Roma, Alewik & Co.)                          | 8                    | do.                           | July 21, 1961               | Secs. 17(a) and 24, 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.                   | Do.  |
| Dotson, Leighton G.   | 3                    | Massachusetts                 | July 2, 1963                | Secs. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C. and Sec. 371, Title 18, U.S.C.    | All defendants arraigned July 17, 1963; pleaded not guilty and posted bond of \$1,000. Pending.  |
| Duncan, Donald L.   | 4                    | Northern District of Texas    | Apr. 21, 1964               | Secs. 371, 1341, 1343 and 2, Title 18, U.S.C. and 1341, Title 18, U.S.C.             | Pending.   |
| Edmonds, Stuart C.  | 2                    | Southern District of New York | Mar. 13, 1964               | Secs. 17(a) and 24, 1933 Act; Secs. 371, 1341, 1343 and 2, Title 18, U.S.C.          | Do.  |
| Eichler, Robert (Afree Associates)                                      | 1                    | Massachusetts                 | May 26, 1964                | Sec. 17(a), 1933 Act; Sec. 10(b) and Title 18, U.S.C. and Sec. 1341 Title 18, U.S.C. | Do.  |
| Eizenman, Ray (Inter-City Finance Corp)                                 | 7                    | Southern District of New York | May 28, 1962                | Secs. 2, 371 and 2314, Title 18, U.S.C.  | Three defendants were given sentences ranging from 6 months to 2 years and fines of \$2,500 and \$10,000 imposed on said defendants. One defendant absconded. Pending as to the remaining three defendants.  |
| Do.   | 4                    | Southern District of Florida  | Aug. 23, 1962               | Sec. 17(a), 1933 Act; Secs. 371 and 1341 Title 18 U.S.C.                             | One defendant pleaded guilty to violating the anti-fraud provisions of 1933 Act and mail fraud statute and sentenced to 3 years. Two defendants found guilty Apr. 17, 1963, sentenced to 5 years imprisonment and one defendant fined \$10,000. Indictment dismissed as to the remaining defendant in June 1963. |
| Do.   | 4                    | do.                           | Nov. 19, 1962 (Superseding) | do.  | Defendant found guilty on 7 counts of the indictment in violation of Sec. 17(a) of 1933 Act and 8 counts of Sec. 1341. Sentenced to 15 years imprisonment. Pending appeal.   |
| Eibel, Donald R. (The Coffeyville Loan & Investment Co., Inc.)          | 1                    | Kansas                        | Sept. 20, 1962              | Secs. 5(a)(1), 5(a)(2), 17(a), 1933 Act; Sec. 1341 Title 18, U.S.C.                  |  |

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| Farrell, David (Los Angeles Trust Deed and Mortgage Exchange). | 3  | Southern District of California. | Mar. 8, 1961                             | Sec. 17(a)(1), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.   | Closed.  |
| Do.  | 3  | do.                              | Dec. 10, 1961 (Super-seding indictment). | do.   | One defendant found not guilty. Two defendants found guilty on 32 counts of indictment; one defendant sentenced to a total of 10 years and fined \$8,500; the other defendant sentenced to a total of 4 years and fined \$52,000. Appeal filed by two defendants. Decision by CA-9 affirming the convictions.  |
| Fewell, George Hamilton (Perman Operating Co., Inc.).          | 2  | Western District of Tennessee.   | Dec. 14, 1962                            | Secs. 5(a)(1), 5(a)(2), 17(a) and 5(c), 1933 Act; Sec. 1341 Title 18, U.S.C. and Sec 371 Title 18, U.S.C.                   | One defendant convicted and sentenced to 5 years in prison and fined \$2,600. Remaining defendant deceased. Appeal filed.  |
| Filbert, Raymond R. (Douglas Precision Parts, Inc.).           | 6  | Southern District of New York.   | Jan. 21, 1964                            | Secs. 17(a), 2 and 24, 1933 Act; Sec. 371 Title 18, U.S.C.  | Pending.   |
| Franklin, H. Wayne.  | 6  | New Mexico.                      | Apr. 25, 1963                            | Secs. 5(a)(2) and 17(a), 1933 Act; Sec 15(a) and Sec 24, 1934 Act; Sec. 1341 Title 18, U.S.C. and Sec. 371 Title 18, U.S.C. | Do.  |
| Fricke, Paul G. (Dulac Drive, Inc.).                           | 1  | Northern District of Illinois.   | Feb. 28, 1963                            | Sec. 17(a), 1933 Act. and Sec. 1341 Title 18, U.S.C   | Do.  |
| Garfield, Samuel (Shawano Development Corp.).                  | 12 | Southern District of New York.   | Apr. 13, 1961                            | Secs. 5(a), 5(c), 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.   | One defendant pleaded guilty; sentencing deferred. Pending.  |
| Garfield, Samuel S. (United Dye & Chemical Corp.).             | 33 | do.                              | July 14, 1961                            | Secs 5(a)(1) and 24, 1933 Act; Secs 9(a)(2), 9(a)(6) and 32(a), 1934 Act, Secs. 2 and 371, Title 18, U.S.C.                 | Nineteen defendants found guilty on various counts of the indictment; one defendant pleaded nolo contendere, and four defendants appealed from their convictions. CA-2 affirmed judgments of district court. Pending as to 13 defendants.  |
| Gilbert, Edward M. (Celotex Corp.).                            | 1  | do.                              | June 28, 1962                            | Secs. 5(a)(1), 17(a), 24, 1933 Act; Secs. 16(a), 32(a), 1934 Act, Secs. 2, 1341, 1343 and 2314, Title 18, U.S.C.            | Pending.   |
| Glezerman, Allan M.  | 1  | Northern District of Ohio.       | Oct. 9, 1963                             | Sec 10(b) and Rule 10b-5, 1934 Act, Sec. 1341 Title 18, U.S.C.  | Do.  |
| Goldstein, Benjamin.   | 15 | Southern District of New York.   | May 2, 1963                              | Secs. 5(a)(2), 17(a), 24 and 2, 1933 Act, Sec. 371, Title 18, U.S.C.  | One defendant entered plea of guilty. Pending as to remaining 14 defendants.   |
| Gradsky, Norman (Credit Finance Corp.).                        | 30 | Southern District of Florida.    | June 14, 1961                            | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.  | Ten defendants found guilty on all counts of the indictment; sentences ranging from 1 to 20 years. Appeal filed by each defendant from their convictions. Remaining defendant not yet apprehended. Pending.  |
| Grant, Harry L.  | 2  | Northern District of Illinois.   | Sept. 19, 1961                           | Secs. 5(a)(1), 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C.   | On pleas of guilty both defendants placed on probation for 2 years.  |
| Gray, Chester (Imperial Petroleum Co.).                        | 6  | Southern District of Florida.    | Aug. 2, 1961                             | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.  | One defendant acquitted May 23, 1962. One defendant on plea of guilty sentenced to 1 year, suspended and placed on probation and fined \$500. Two defendants sentenced to 3 years imprisonment; filed notice of appeal on their convictions. Opinion rendered affirming the convictions of March 29, 1963. Petition for writ of certiorari filed by one defendant. Pending as to three defendants. |

TABLE 16.—Indictments returned for violation of the acts administered by the Commission, the Mail Fraud Statute (Sec. 1341, formerly Sec. 538, 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 1964 fiscal year—Continued

| Name of principal defendant                                     | Number of defendants | U.S. District Court           | Indictment returned | Charges  | Status of case   |
|---|----------------------|-------------------------------|---------------------|--|--|
| Graye, James C.<br>(James C. Graye Co.)                         | 50                   | Connecticut                   | May 18, 1960        | Secs. 5(a) (1) and (2) and Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.            | Judgments of guilty were entered as to 25 defendants, 1 defendant dismissed and 3 defendants deceased as noted in previous report. One defendant sentenced to 3 years, execution of sentence suspended after 6 months and placed on probation for 5 years. Court revoked probation of two defendants, and sentenced them to 1 year. Pending as to remaining 20 defendants. |
| Yetman, Jack  | 2                    | do                            | Sept. 15, 1960      | Secs. 5(a) (1), 5(a) (2), 5(c) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.         | Pending as to one defendant.   |
| Greenberg, Jacob H.<br>(Morris Mac Schwebel)                    | 2                    | Southern District of New York | Feb. 6, 1961        | Sec. 371, Title 18, U.S.C.   | On plea of guilty one defendant sentenced to 1 year and 1 day and fined \$15,000; placed on probation for 2 years after serving sentence. Pending as to one defendant.   |
| Do  | 2                    | do                            | do                  |  | Do.  |
| Gregory, Kenneth H.<br>(Canam Investments, Ltd.)                | 28                   | New Hampshire                 | Sept. 21, 1961      | Secs. 5(a) (1), 5(a) (2) and 17(a), 1933 Act; Secs. 2 and 371, Title 18, U.S.C.                  | One defendant arraigned and pleaded guilty to counts 11 and 12 of Sec 1341, Title 18, U.S.C.; sentence of 1 year imposed and suspended and defendant placed on probation for a period of 2 years. One defendant acquitted. Pending as to remaining 26 defendants.  |
| Grene, Robert (Security Guaranty Co., Inc.)                     | 4                    | Southern District of Florida  | Aug. 3, 1962        | Sec. 5(a), (1) and (2) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.                 | One defendant acquitted; one defendant received a 2-year prison sentence on his plea of guilty; one defendant received a 3-year suspended sentence and placed on probation for 5 years. Remaining defendant sentenced to 3 years imprisonment.   |
| Guterman, Alexander L.<br>(United Dye & Chemical Corp.)         | 8                    | Southern District of New York | Aug. 25, 1959       | Sec. 17(a) and 24, 1933 Act; Secs. 13, 14, 20(c), 32(a), 1934 Act and Sec. 371, Title 18, U.S.C. | One defendant pleaded guilty. Imposition of sentence suspended and defendant placed on 6 years probation.  |
| Garfield, Samuel S.   | 6                    | do                            | Nov. 2, 1960        | Secs. 5(a) (1) and 24, 1933 Act and Sec. 371, Title 18, U.S.C.                                   | Do.  |
| Hayutin, Marvin   | 1                    | do                            | Mar. 12, 1964       | Sec. 5(a) (1) and Sec. 24, 1933 Act; Sec. 2, Title 18, U.S.C.                                    | Pending.   |
| Herr, Walter E.<br>(American Sales Training and Research, Inc.) | 2                    | Northern District of Illinois | Nov. 30, 1961       | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.                                       | One defendant sentenced to 2 years and remaining defendant sentenced to 3 years.   |

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|---|--------|---------------------------------|--------------------------------|---|---|
| Howard, Robert A.-----  | 1      | Colorado-----                   | Dec. 7, 1960                   | Sec. 17(a), 1933 Act; Sec. 1001, Title 18, U.S.C.   | Defendant found guilty and sentenced to serve a maximum of 3 years imprisonment. Appeal filed Apr. 27, 1964. Pending.   |
| Hughes, Paul M.<br>(World Wide Investors Corp.).              | 13     | Southern District of New York.  | Nov. 12, 1960                  | Secs. 5(a)(1), 5(a)(2), 17(a) and 24, 1933 Act; Secs. 2 and 371, Title 18, U.S.C.                   | Two defendants pleaded guilty; sentencing deferred. Six other defendants pleaded not guilty and were admitted to bail in amounts ranging from \$500 to \$15,000. One defendant sentenced to 18 months imprisonment. Appeal pending.   |
| Humphreys, Vincent Lee.                                       | 1      | Western District of Washington. | Apr. 15, 1964                  | Sec. 17(a), 1933 Act and Sec. 1341, Title 18, U.S.C.  | One defendant pleaded guilty and was sentenced to 5 years imprisonment, suspended and placed on probation. Corporate defendant fined \$25,000. Pending as to the remaining defendant.   |
| Johnston, S. Brooks<br>(Johnston and Co., Inc.).              | 3      | Northern District of Ohio.      | Sept. 12, 1962                 | Sec. 17(a), 1933 Act; Secs. 371, 1341, Title 18, U.S.C.   | Defendant pleaded guilty Dec. 21, 1962, to 3 counts of a 6-count indictment and was sentenced to 3 years imprisonment.  |
| Johnson, Stuart   | 1      | Southern District of Florida.   | Oct. 10, 1962                  | Secs. 1341, 1343 and 2314, Title 18, U.S.C.   | Defendant pleaded guilty and received suspended 7-year prison sentence and placed on probation for 5 years. Pending as to remaining three defendants.   |
| Kay & Co.-----  | 4      | Southern District of Texas.     | Feb. 5, 1963                   | Sec. 10(b) and Rule 10b-5, 1934 Act; Sec. 1341, Title 18, U.S.C.                                    | Defendant pleaded guilty to 4 counts of the indictment and received sentence of 6 months imprisonment.  |
| Keller, Herman J.-----  | 1      | Massachusetts-----              | June 27, 1963                  | Sec. 10(b) and Rule 10b-5, 1934 Act.  | One defendant pleaded guilty to counts 1 through 10 of the indictment and was sentenced to 6 months imprisonment; the remaining defendant received a fine of \$1 on his plea of guilty.   |
| Keller, Herman J. and Keller Brothers Securities Co., Inc.    | 2      | Idaho-----                      | June 27, 1963                  | Sec. 17(a), 1933 Act; 1341 Title 18, U.S.C. and Sec. 371, Title 18, U.S.C.                          | Five defendants given imprisonments ranging from 6 months to 3 years; six defendants suspended sentences from 1 year to 5 years; one defendant sentence suspended and fined \$5,000; sentencing deferred as to one defendant; one defendant acquitted and two deceased. Appeal filed by three defendants from the judgment of their convictions. CA-2 affirmed judgment. Writ of certiorari filed and denied. One defendant found guilty and sentence deferred. Pending as to three defendants. |
| Kimball Securities, Inc.                                      | 20     | Southern District of New York.  | Dec. 7, 1959                   | Secs. 5(a)(1), 17(a) and 24, 1933 Act; Secs. 2 and 371, Title 18, U.S.C.                            | Two defendants sentenced to 3½ years and fined \$5,000. Sentence and all except \$2,000 of the fine suspended; one defendant given a sentence of 1 year and 1 day, suspended and placed on probation for 2 years; one defendant sentenced to 3 years and suspended. Remaining two defendants dismissed.   |
| Algranati, Mayer<br>Klimes, Arnold L.<br>(Douglas Corp.).     | 1<br>6 | Idaho-----<br>Colorado-----     | Mar. 25, 1960<br>Oct. 25, 1962 | Sec. 1621, Title 18, U.S.C.---<br>Secs. 5(a)(2), 17(a), 1933 Act; Secs. 371, 1341, Title 18, U.S.C. | All defendants found guilty on nolo contendere pleas and sentenced to various fines.  |
| Larson, Richard A.<br>(National Security Life Insurance Co.). | 4      | Southern District of Indiana.   | Mar. 19, 1963                  | Sec. 37(a), 1933 Act; Sec. 10(b), 1934 Act and Sec. 371, Title 18, U.S.C.                           | Indictment dismissed as to all defendants Jan. 29, 1964.  |
| Leason, Hayden<br>(Leason & Co., Inc.).                       | 7      | Eastern District of Missouri.   | Jan. 9, 1963                   | Secs. 5(a)(2), 17(a), 1933 Act; Sec. 10(b), 1934 Act; Secs. 371 and 1341, Title 18, U.S.C.          | Two defendants pleaded guilty to Count 1 of Sec. 371, Title 18, U.S.C. Pending.   |
| Lederer, Joseph H.-----                                       | 6      | Southern District of New York.  | Sept. 14, 1961                 | Secs. 5(a)(1) and 24, 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.                                | Sentencing imposed on 13 defendants ranging from 18 months to 2 years with various conditions for probation as to some defendants, fines from \$1,000 to \$3,500; four defendants dismissed and one deceased. Pending.  |
| Lincoln Securities Corp.                                      | 21     | Ohio-----                       | Apr. 19, 1960                  | Secs. 5(a)(1) and (2), 5(c) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.               |   |

TABLE 16.—*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 1964 fiscal year—Continued*

| Name of principal defendant                           | Number of defendants | U. S. District Court             | Indictment returned | Charges  | Status of case   |
|---|----------------------|----------------------------------|---------------------|--|--|
| Little, James E.-----                                 | 1                    | Eastern District of Missouri.    | Dec. 5, 1962        | Sec. 5(a)(1) and Sec 17(a), 1933 Act.  | Defendant found guilty on 8 counts of a 10-count indictment and sentenced to 4 years in prison June, 1963. Remaining 2 counts dismissed. Appeal filed Sept. 17, 1963. Opinion rendered affirming the judgment of the district court. Petition for writ of certiorari filed.  |
| Lombard, Earl J.<br>(Guardian Investment Corp.).      | 2                    | District of Columbia.            | May 21, 1963        | Sec. 17(a), 1933 Act; Secs. 1202, 2201, and 2203, Title 22, D. C.                          | One defendant sentenced 20 months to 5 years imprisonment on violations of the anti-fraud provisions of 1933 Act and 9 counts of embezzlement. Sentences to run concurrently. Remaining defendant fined \$1,000 for violations of 1933 Act and \$500 for violations of embezzlement under D. C. Code. Pending appeal.  |
| Lowell, Murphy & Co.,<br>Inc.                         | 4                    | Colorado.....                    | Jan. 29, 1964       | Sec. 17(a), 1933 Act and Sec 1341, Title 18, U.S.C   | Defendant received 18-month prison sentence upon his plea of guilty to one count of the indictment   |
| Malloy, Bernard<br>Charles.                           | 1                    | Middle District of Florida       | Sept. 10, 1963      | Secs. 10(b) and 17(a), and Rules 10b-5, 17a-3 and 17a-4, 1934 Act.                         | Defendant found guilty and was sentenced to 2 years and fined \$1,000. Sentence suspended and defendant placed on probation for a period of 2 years. Pending possible appeal.  |
| Mann, Wayne M.-----                                   | 1                    | Northern District of Illinois.   | May 29, 1962        | Secs 5(c), 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C.                                    | Indictment dismissed.  |
| Matheson, Harry B.<br>(San Juan Petroleum Corp.).     | 1                    | Massachusetts.....               | July 26, 1962       | Secs. 5(a), 17(a), 1933 Act; Sec. 371, Title 18, U.S.C.                                    | Pending  |
| Maxfield, Reed R.-----                                | 2                    | Utah.....                        | Dec. 11, 1963       | Sec. 17(a), 1933 Act; Sec 1341, Title 18, U.S.C and Sec 371, Title 18, U.S.C.              | Two defendants acquitted; one defendant sentenced to 18 months in prison and fined \$14,100. An additional 5-year suspended sentence to run consecutively was imposed. Appeal filed.   |
| McDaniel, Paul E.<br>(Ambrosia Minerals, Inc.).       | 4                    | Southern District of Texas.      | July 10, 1962       | Secs. 5(a) and 17(a), 1933 Act; Secs. 9(a)(2) and 32, 1934 Act; Sec. 371, Title 18, U.S.C. | Pending.   |
| McGee, John A.-----                                   | 3                    | Southern District of New York.   | Aug. 9, 1963        | Sec. 371 and Sec. 2 Title 18, U.S.C. Secs. 5(a)(1), (17a) and 24, 1933 Act.                | Do   |
| McKee, Robert A.<br>(Commercial Capital Corp.).       | 4                    | Southern District of Florida.    | Feb 26, 1964        | Sec. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C. and Sec. 371, Title 18, U.S.C.           | One defendant pleaded guilty on 2 Sec. 17(a) counts; sentenced to 1 year on each count to run concurrently; execution suspended and placed on probation for 3 years following present incarceration on a mail fraud conviction; indictment dismissed as to two defendants. On plea of nolo contendere remaining defendant sentenced to 6 months imprisonment, suspended and placed on probation. |
| Mande, Milton Z.<br>(North American Petroleum Corp.). | 4                    | Southern District of California. | Apr. 26, 1961       | Secs. 5(a), 5(a)(1), and 17(a), 1933 Act; Secs. 2, 371 and 1341, Title 18, U.S.C.          |  |

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|--|----|----------------------------------|---------------|--|---|
| Meyer, Harold A. ....                                      | 1  | Southern District of Illinois.   | Aug. 13, 1963 | Sec. 17(a), 1933 Act; and Sec. 1341, Title 18, U.S.C.  | Pending.  |
| Meyer, John (Treasurer State Life Insurance Co.)           | 13 | Eastern District of Washington.  | Mar. 21, 1961 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.   | Eight defendants found guilty and received sentences ranging from 30 days to 30 months; two defendants fined \$5,000 each; three defendants acquitted. Appeal filed by two defendants and affirmed by CA-9. Closed.   |
| Swanson, Glenn G.  | 2  | do.                              | do.           | do.  | Pending.  |
| Miller, Howard S. ....                                     | 6  | Southern District of California. | Dec. 5, 1963  | Secs. 17(a) and 24, 1933 Act.  |   |
| Mitchell, Bancroft   | 1  | do.                              | Aug. 28, 1963 | Sec. 17(a), 1933 Act.  | Plea of guilty to all charges entered by defendant. Sentenced to 5 years imprisonment.  |
| Murdow, William Mark.                                      | 1  | Northern District of Illinois.   | June 27, 1963 | Secs. 5(a) and 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C.  |   |
| Nelly, Rupert, Jr. ....                                    | 1  | Massachusetts.                   | Jan. 30, 1964 | Sec. 1001, Title 18, U.S.C., and Sec. 17(a), 1933 Act.   | Do.   |
| Newman Associates, Philip.                                 | 28 | New Hampshire.                   | June 16, 1960 | Secs. 5(a)(1), 5(a)(2), 5(c) and 17(a)(1), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.                    | Fourteen defendants pleaded guilty and four defendants pleaded nolo contendere; received sentences ranging from 3 months to 3 years. Other sentences suspended and defendants placed on probation and two defendants fined \$400. Indictment dismissed as to two defendants. Pending as to remaining eight defendants.  |
| Parker, Inc., T. M. ....                                   | 16 | Eastern District of Michigan.    | Apr. 27, 1964 | Sec. 371, Title 18, U.S.C.   | Pending.  |
| Do.  | 15 | do.                              | do.           | Sec. 1341, Title 18, U.S.C.  | Do.   |
| Do.  | 15 | do.                              | do.           | Sec. 17(a), 1933 Act.  | Do.   |
| Do.  | 15 | do.                              | do.           | Sec. 15(a), 1934 Act.  | Do.   |
| Peel, Jr., Joseph A. (Insured Capital Corp.).              | 6  | Southern District of Florida.    | June 14, 1961 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C.   | Five defendants convicted by jury on Apr. 12, 1962, on 9 counts of the 11-count indictment; sentenced to serve 2 years on each count to run consecutively, or a total of 18 years as to each defendant. Notices of appeal filed by five defendants. Opinion rendered affirming the convictions of appellants. Writ of certiorari filed and denied. Remaining defendant dismissed. |
| Pennell, Truman Kenneth (Security Enterprises, Inc.).      | 3  | Northern District of Texas.      | July 13, 1962 | Sec. 17(a), 1933 Act; Secs. 10(b), 15(c)(1) and Rules 10b-5 and 1e1-4, 1934 Act, Sec. 1341, Title 18, U.S.C. | One defendant pleaded guilty, sentenced to 5 years in prison and fined \$25,000; another defendant placed on probation for 2 years and fined \$2,000. The remaining defendant was fined \$5,000.  |
| Powell, Irwin Vincent                                      | 1  | Southern District of New York.   | Jan. 15, 1962 | Secs. 2, 1991 and 1605, Title 18, U.S.C.   | On plea of guilty defendant was sentenced to 1 year and 1 day suspended and placed on probation.  |
| Powis, Francis Algon Gaylord (A. G. Powis & Co., Ltd.).    | 22 | Connecticut.                     | May 10, 1961  | Secs. 5(a)(1), 5(a)(2) and 17(a), 1933 Act, Secs. 371 and 1341, Title 18, U.S.C.                             | Order entered dismissing one defendant Nov. 8, 1961. One defendant pleaded guilty to count 14 charging violation of Sec. 5(a)(2) of 1933 Act and sentenced to 1 year imprisonment, execution suspended and placed on probation for 2 years and fined \$200 to stand committed until paid. Pending as to the remaining 20 defendants.  |
| Re, Gerardo A. (Re. Re and Searose, Swan Finch Oil Corp.). | 7  | Southern District of New York.   | Apr. 2, 1962  | Sec. 5(a)(7), 1933 Act; Secs. 2, 371, and 1001, Title 18, U.S.C.   | Three defendants received sentences of 3 years of which 6 months were to be served in prison with remaining 24 years suspended and fined \$15,000; one defendant given a suspended sentence of 3 years and fined \$14,000; one defendant received a suspended sentence of 1 year and fined \$1,000; probation for 3 years. One defendant acquitted. Appeal filed. Pending.        |

TABLE 16.—Indictments returned for violation of the acts administered by the Commission, the Mail Fraud Statute (Sec. 1941, 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 1964 fiscal year—Continued

| Name of principal defendant                                   | Number of defendants | U.S. District Court            | Indictment returned | Charges   | Status of case   |
|---|----------------------|--------------------------------|---------------------|---|--|
| Rowitz, Abraham L.  | 1                    | Northern District of Illinois. | Nov. 8, 1962        | Sec. 17(a), 1933 Act; Sec. 1341 Title 18, U.S.C.  | Defendant pleaded guilty and was sentenced to 2 years imprisonment on all counts of the indictment to be served concurrently; suspended sentence and placed on 3 years probation.  |
| Do.   | 1                    | Southern District of New York. | Feb. 1, 1963        | Sec. 17(a), 1933 Act and Sec. 1341 Title 18, U.S.C.   | Defendant on his plea of guilty was sentenced on June 18, 1963, to 2 years imprisonment on each of 3 counts of the indictment. Sentence suspended on plea of guilty; one defendant sentenced to 3 years probation. One defendant sentenced to 18 months in prison. Remaining defendant deceased. |
| Seub, Herman L. (Ete-N-Runt, Inc.).                           | 2                    | Wyoming.                       | Aug. 5, 1963        | Sec. 17(a), 1933 Act; Sec. 1341 Title 18, U.S.C. and Sec. 371 Title 18, U.S.C.                      | Pending.   |
| Setles, Wayne and Setles Oil Co. Inc.                         | 2                    | Northern District of Illinois. | Mar. 28, 1963       | Sec. 17(a), 1933 Act and Sec. 1341 Title 18, U.S.C.   | Do.  |
| Shervood, Robert Maurer.                                      | 4                    | Connecticut.                   | July 3, 1962        | Secs. 5(a)(1), 5(a)(2), 17(a) and 17(b), 1933 Act.  | One defendant deceased, other defendants awaiting trial. Pending.  |
| Shandler, David L.  | 4                    | Southern District of New York. | June 28, 1957       | Sec. 17(a)(2), 1933 Act; Sec. 9(a)(2), 1934 Act; Sec. 371, Title 18, U.S.C.                         | Do.  |
| Silver State Farms, Inc. (Valley Farms, Inc.)                 | 6                    | Nevada.                        | Jan. 26, 1960       | Sec. 371, Title 18, U.S.C.  | One defendant deceased, other defendants awaiting trial. Pending.  |
| South, Dudley Pritchett (William Newman & Co.).               | 8                    | New Jersey.                    | Dec. 11, 1958       | Secs. 5(a)(1) and 17(a), 1933 Act; Secs. 2, 371 and 1341, Title 18, U.S.C.                          | Three defendants found guilty on 1 count of the indictment charging conspiracy to commit mail fraud; two defendants pleaded nolo contendere; one defendant acquitted. Pending on appeal as to one defendant.   |
| Spivey, Vernon M.   | 1                    | Eastern District of Wisconsin. | Aug. 30, 1961       | Sec. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C.   | One defendant deceased; two defendants are still fugitives and remaining defendants awaiting trial. Pending.   |
| Springer, Alan C. (Arkansas Business Development Corp.).      | 1                    | Eastern District of Arkansas.  | Feb. 20, 1961       | Sec. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C.   | On plea of guilty defendant sentenced to 1 year and 1 day on count 1 of the indictment and was sentenced to 3 years suspended sentence on remaining counts.  |
| Steel, Herbert Johannes.                                      | 1                    | Southern District of New York. | June 14, 1963       | Secs. 5(a)(1), 5(a)(2) and 24, 1933 Act; Sec. 371, Title 18, U.S.C. and Sec. 1001, Title 18, U.S.C. | Defendant sentenced to 5 years imprisonment.   |
| Stefanich, Robert J. (Isthmus Steamship & Salvage Co., Inc.). | 1                    | Northern District of Georgia.  | Nov. 5, 1963        | Sec. 1001, Title 18, U.S.C.   | Defendant deceased. Indictment dismissed.  |
| Steifes, Leo V.   | 2                    | Montana.                       | July 9, 1963        | Sec. 17(a), 1933 Act and Sec. 371, Title 18, U.S.C.   | Pending.   |

|   |    |                                   |  |  |   |
|---|----|-----------------------------------|--|--|---|
| Strong, Lisa B  | 1  | Northern District of California.  | Jan. 22, 1964                            | Sec. 5(a)(2), 1933 Act.  | On plea of guilty defendant placed on probation for 2 years on 1 count of indictment.<br>Closed.  |
| Talenfeld, Murray A.  | 4  | Western District of Pennsylvania. | Mar. 15, 1960                            | Sees. 9(a)(2) and 32(e), 1934 Act; Secs. 2, 371, 1001, 1341, 1343 and 2314, Title 18, U. S. C.       | One defendant on nolo contendere plea fined \$7,600, given suspended sentence and placed on probation for a period of 5 years; two defendants on pleas of guilty sentenced to 1 year and placed on probation for 5 years and fined \$10,000 each. Remaining defendant sentenced to serve 2½ years in prison and fined \$10,000.<br>Closed.  |
| Do.   | 4  | do.                               | Mar. 8, 1961<br>(Superseding indictment) | Sec. 371, Title 18, U. S. C.   | Do.   |
| Do.   | 4  | do.                               | do.                                      | Sees. 2, 1341, 1343 and 2314, Title 18, U. S. C.   | Do.   |
| Do.   | 4  | do.                               | do.                                      | Sec. 5(b)(2), 1933 Act; Secs. 9(a)(2) and 32, 1934 Act; Sec. 1001, Title 18, U. S. C.                | Do.   |
| Tailler, Walter F.<br>(Consolidated Uranium Mines, Inc.)                      | 1  | Eastern District of New York.     | Apr. 26, 1956                            | Sec. 17(e), 1933 Act; Sec. 1341, Title 18, U. S. C.  | Indictment dismissed.   |
| Tailler, Walter F.  | 7  | do.                               | Aug. 3, 1956                             | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U. S. C.   | On pleas of nolo contendere 2 defendants sentenced to fines of \$500 and \$5,000. One defendant on plea of guilty sentenced to fine of \$11,000 on 2 counts of indictment. Two defendants dismissed. Pending as to remaining two defendants.  |
| Metz, Abraham M.  | 1  | do.                               | do.                                      | Sec. 1621, Title 18, U. S. C.  | Pending.  |
| Thayer, Sylvester A.  | 1  | Colorado.                         | Feb. 27, 1962                            | do.  | Defendant convicted on 4 counts of the indictment; sentencing deferred. Opinion and order entered vacating conviction and granting a new trial.   |
| Thompson, John W.<br>(First American Acceptance Corp.)                        | 3  | Northern District of Illinois.    | Sept. 19, 1963                           | Sec. 17(e), 1933 Act and Sec. 1341 Title 18, U. S. C.  | Defendant convicted on state action and sentenced from 1 to 10 years. One defendant deceased and one defendant acquitted. Pending as to the remaining defendant.  |
| Van Allen, John (Gulf Coast Leaseholds, Inc.)                                 | 20 | Southern District of New York.    | Mar. 24, 1960                            | Sees. 5(a)(1) and (2), 5(c), 17 and 24, 1933 Act; Secs. 2 and 1341, Title 18, U. S. C.               | Three defendants entered pleas of guilty; four defendants on pleas of guilty were sentenced to prison terms ranging from 15 months to 3 years and fines ranging from \$5,000 to \$60,000; three defendants received prison terms ranging from 18 months to 3 years and fines \$25,000 each; one defendant placed on 8 years probation and fined \$25,000; indictment dismissed as to the remaining defendants. One defendant found guilty and sentence deferred. Three defendants appealed Apr. 30, 1964. Pending. Both defendants dismissed. |
| Do.   | 2  | do.                               | June 16, 1960                            | Sees. 2 and 1001, Title 18, U. S. C.   | On plea of guilty defendant was placed on probation for 5 years.  |
| Vandenbergh, Jack   | 1  | Montana.                          | July 9, 1963                             | Sec. 17(e), 1933 Act and Sec. 1341 Title 18, U. S. C.  | Pending.  |
| Veditz Co., Inc.<br>Jean R. (Monck-Kear-<br>sarge Consolidated<br>Mining Co.) | 4  | Southern District of New York.    | Apr. 5, 1963                             | Sec. 371, Title 18, U. S. C.; Sec. 17(e) and Sec. 24, 1933 Act; Secs. 1341 and 2, Title 18, U. S. C. |   |
| Votraino, Joseph D.   | 1  | Eastern District of Michigan.     | Feb. 15, 1963                            | Sec. 17(e), 1933 Act; Sec. 10(b) and Rule 10b-6, 1934 Act; and Sec. 1341, Title 18, U. S. C.         | Defendant was sentenced to 3 years on his plea of guilty to 3 counts of the indictment.   |

TABLE 16.—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 1964 fiscal year—Continued

| Name of principal defendant        | Number of defendants | U.S. District Court             | Indictment returned | Charges   | Status of case  |
|------------------------------------|----------------------|---------------------------------|---------------------|---|---|
| Wallach, Donald                    | 1                    | Massachusetts                   | June 27, 1963       | Sec. 17(a), 1933 Act.   | Defendant sentenced to 1 year imprisonment; suspended and placed on probation for 2 years.  |
| Warner, J. Arthur & Co., Inc.      | 11                   | do                              | July 7, 1953        | Sec. 17(a)(3), 1933 Act, Secs. 371 and 1341, Title 18, U.S.C.                           | Six defendants found guilty with sentences ranging from 1 to 2 years probation and fines of \$1,000 to \$5,000 imposed on said defendants. One defendant deceased. Dismissal as to three defendants. Pending as to one defendant. |
| Watkins, Horace Edwin.             | 1                    | Arizona                         | Oct. 25, 1963       | Sec. 1343 Title 18, U.S.C. and Sec. 5(a)(1), 1933 Act.                                  | Do.   |
| Wentland, Ernest John.             | 1                    | District of Columbia.           | Feb. 10, 1964       | Sec. 24, 1933 Act.  |   |
| Wilensky, Joseph J.                | 1                    | Southern District of Florida.   | Apr. 17, 1963       | Sec. 10(b) and Rule 10b-6, 1934 Act.  | Defendant found guilty and placed on probation for a period of 3 years.   |
| Winston & Co. Inc., J. A.          | 14                   | Southern District of New York.  | July 20, 1961       | Secs. 5(a)(1), 5(a)(2), 17(a) and 24, 1933 Act, Secs. 2, 371 and 1341, Title 18, U.S.C. | Four defendants pleaded guilty. Sentencing deferred. Pending as to 10 defendants.   |
| World Wide Auto-made Archery, Inc. | 5                    | Western District of Washington. | May 20, 1964        | Sec. 17(a), 1933 Act; Sec. 1341 Title 18, U.S.C. and Sec. 371 Title 18, U.S.C.          | Pending.  |

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1964*

| Name of principal defendant                                 | Number of defendants | U. S. District Court             | Initiating papers filed | Alleged violations   | Status of case   |
|---|----------------------|----------------------------------|-------------------------|--|--|
| Adams, Norman Joseph, dba Adams & Co.                       | 1                    | Southern District of California. | Oct. 31, 1962           | Sec. 17(a)(3), 1933 Act; Secs. 10(b), 15(c)(1), 15(c)(3), and 17(e) and Rules 10b-5, 15c1-2, 15c1-5, 15c3-1 and 17a-3, 1934 Act. | Complaint and request for the appointment of a receiver filed Oct. 31, 1962. Final judgment by consent entered Nov. 13, 1962. Order June 5, 1964, revoking broker-dealer and investment adviser registrations and request for appointment of receiver not warranted. Closed.   |
| Aldred Investment Trust.                                    | 3                    | Southern District of New York    | Aug. 11, 1961           | Sec. 10(b) and Rule 10b-5, 1934 Act.   | Complaint filed Aug. 11, 1961. Stipulation extending the time for filing note of issue to Jan. 6, 1964. Pending.   |
| Allen, McFarland & Co., Inc.                                | 3                    | District of Columbia.            | Dec. 21, 1960           | Secs. 15(c)(1), 15(c)(3) and Rules 15c1-2 and 15c3-1, 1934 Act.  | Complaint and request for the appointment of a receiver filed Dec. 21, 1960. Final judgment by consent as to three defendants entered Dec. 22, 1960. Receiver appointed Feb. 27, 1961. Pending.  |
| Alumont, Inc.   | 2                    | Idaho.                           | Mar. 6, 1964            | Secs. 5(a) and 5(c), 1933 Act.   | Complaint filed and final judgment by consent entered Mar. 6, 1964. Closed.  |
| American Capital Corp.                                      | 1                    | District of Columbia.            | May 31, 1962            | Sec. 17(a)(3), 1933 Act.   | Complaint and request for the appointment of a receiver filed May 31, 1962. Order appointing a receiver entered June 8, 1962. Final judgment by default as to the defendant entered Jan. 16, 1963. Order entered Nov. 8, 1963 discharging receiver. Closed.  |
| American Commerce Life Insurance Co                         | 8                    | Eastern District of Arkansas.    | May 11, 1964            | Secs. 5(a)(1), 5(a)(2) and 5(c), 1933 Act.   | Complaint filed May 11, 1964. Final judgment by consent entered May 14, 1964, as to all defendants. Closed.  |
| American Diversified Securities, Inc.                       | 1                    | District of Columbia.            | Apr. 6, 1961            | Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.   | Final judgment by consent entered Apr. 13, 1961. Order entered appointing a receiver Apr. 25, 1961. Order entered referring action to the referee in bankruptcy Sept. 14, 1961. On Oct. 20, 1961, final report of equity receiver filed. Order entered approving receiver's final account and discharging equity receiver Apr. 24, 1963. Closed. |
| American Equities Corp.                                     | 4                    | Southern District of New York    | Mar. 22, 1961           | Secs. 5(a), 5(c) and 17(a), 1933 Act.  | Complaint filed Mar. 22, 1961. Default judgment entered as to three defendants May 31, 1961. Order entered Nov. 21, 1963, dismissing the action as to the remaining defendant. Closed.   |
| American Foundation For Advanced Education Of Arkansas, The | 5                    | Western District of Louisiana.   | Sept. 12, 1963          | Secs. 5(a)(1) and 5(c), 1933 Act; Sec. 15(e), 1934 Act.  | Complaint filed Sept. 12, 1963. Final judgment by consent entered Mar. 18, 1964, as to all defendants. Closed.   |
| American Health Credit Plan, Inc., of Wyoming.              | 6                    | Wyoming.                         | Aug. 5, 1963            | Sec. 17(a), 1933 Act.  | Complaint filed Aug. 5, 1963. Final judgment by consent as to four defendants entered Aug. 20, 1963. Final judgment by consent entered as to one defendant Aug. 23, 1963. Final judgment by default entered as to one defendant Aug. 28, 1963. Closed.   |
| American Molybdenum Corp.                                   | 6                    | Oregon.                          | Jan. 6, 1964            | Secs. 5(a), 5(c) and 17(a), 1933 Act.  | Complaint filed Jan. 6, 1964. Final judgment by consent as to five defendants and order of dismissal as to one defendant entered Feb. 17, 1964. Closed.  |

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1964*—Continued.

| Name of principal defendant               | Number of defendants | U. S. District Court             | Initiating papers filed | Alleged violations   | Status of case   |
|---|----------------------|----------------------------------|-------------------------|--|--|
| American Orbitronics Corp.                | 19                   | District of Columbia.            | Aug. 16, 1961           | Secs. 5(a) and (c) and 17(a), 1933 Act.  | Complaint filed Aug. 16, 1961. Action dismissed as to two defendants Oct. 16, 1961. Final judgment by consent entered as to five defendants Oct. 30, 1961. Final judgments by consent entered as to six defendants Sept. 18, 1962, as to one defendant Oct. 9, 1962 and as to one defendant Oct. 17, 1962. Final judgment by default entered as to one defendant July 8, 1963. Action dismissed as to two defendants and final judgment by consent entered as to remaining defendant Feb. 4, 1964. Closed. |
| American Seal Savings & Loan Assoc., Inc. | 2                    | Maryland.....                    | May 9, 1960             | Secs. 17(a) (2) and (3), 1933 Act.   | Conservator appointed June 30, 1960, as to one corporate defendant and one related corporation enjoined in a prior case. Petition under Chapter X filed and approved by court. Final judgment by consent as to corporate defendant entered June 19, 1963. Pending as to remaining defendant.   |
| Ampet Corp.....                           | 26                   | Colorado.....                    | Mar. 9, 1962            | Secs. 5(a) and (c) and 17(a), 1933 Act; Sec. 10(b) and Rule 10b-5, 1934 Act.             | Complaint filed Mar. 9, 1962. Final judgment by default as to one defendant entered May 16, 1962. Pending as to remaining defendants.  |
| Arlee Associates, Inc.....                | 4                    | Southern District of New York.   | June 1, 1961            | Sec. 17(a), 1933 Act; Secs. 10(c), 15(a) and Rule 10b-5, 1934 Act.                       | Complaint and request for the appointment of a receiver filed June 1, 1961. Final judgment by consent as to all defendants and order appointing a receiver entered June 1, 1961. Receivership pending.   |
| Armstrong & Company Inc.                  | 3                    | do.....                          | Feb. 15, 1962           | Sec. 17(a) and Rule 17a-3, 1934 Act.   | Complaint and request for the appointment of a receiver filed Feb. 15, 1962. Receiver appointed Feb. 20, 1962. Final judgment by consent entered as to two defendants May 25, 1962. Final judgment by the court entered as to the remaining defendant Aug. 27, 1962. Pending as to receiver.   |
| Arnold & Co., Lloyd.....                  | 2                    | Southern District of California. | Feb. 27, 1961           | Sec. 17(a) (3), 1933 Act; Secs. 15(c) (1), 15(c) (3) and Rules 15c1-2, 15c3-1, 1934 Act. | Complaint and request for the appointment of a receiver filed Feb. 27, 1961. Receiver appointed Apr. 10, 1961. Final judgment by consent entered as to two defendants Dec. 19, 1961. Receivership pending.   |
| Bailey, John B. dba Bailey & Co.          | 1                    | do.....                          | Oct. 18, 1963           | Sec. 15(c) (3) and Rule 15c3-1, 1934 Act.  | Complaint filed and temporary restraining order signed, Oct. 18, 1963. Preliminary injunction entered Feb. 10, 1964, as to the defendant. Pending.   |
| Ball, Pablo & Co.....                     | 3                    | District of Columbia.            | Aug. 25, 1960           | Sec. 17(a) and Rule 17a-3, 1934 Act.   | Complaint filed and preliminary injunction by consent entered Aug. 25, 1960. Receiver appointed Dec. 20, 1960. Commission's motion to certify the case for the ready calendar was granted over defendants' objections. Defendant's motion to dismiss denied. Final judgment pending by the court Mar. 13, 1964, as to all defendants. Receivership pending.  |
| Banner Securities, Inc.                   | 13                   | Eastern District of New York.    | Nov. 27, 1962           | Secs. 5(a) and 17(a), 1933 Act.  | Complaint filed Nov. 9, 1962. Preliminary injunction entered as to two defendants June 7, 1963. Final judgment by consent entered as to two defendants June 7, 1963. Pending as to the remaining 11 defendants.  |

|  |    |                                   |               |  |   |
|--|----|-----------------------------------|---------------|--|---|
| Belmont Oil Corp.-----                                       | 10 | Southern District<br>of New York. | Aug. 3, 1959  | Sec. 17(a), 1933 Act.  | Final judgment by consent entered as to one defendant Dec. 8, 1959. Preliminary injunction entered as to seven defendants Dec. 15, 1959. Notice of appeal from the order of preliminary injunction filed by one defendant Jan. 7, 1960. Opinion rendered Oct. 27, 1960, by CA-2 affirming order of the district court entered Dec. 15, 1959. Final judgment by consent entered as to one defendant June 12, 1963. Final judgment by default entered as to three defendants July 8, 1963. Order entered May 13, 1964 dismissing the action as to one defendant. Pending as to the remaining four defendants. |
| Do-----  | 15 | do-----                           | June 30, 1959 | Sec. 5, 1933 Act.  | Final judgment by consent entered as to two defendants Nov. 6, 1959. Appeal filed by one defendant Jan. 7, 1960. Opinion rendered Oct. 27, 1960, by CA-2 affirming the order of the district court entered Dec. 15, 1959. Final judgment by consent entered as to one defendant June 12, 1963. Final judgment by default entered as to seven defendants July 8, 1963. Final judgment by default entered May 12, 1964, as to two defendants and final judgment by consent entered May 13, 1964, as to one defendant. Pending.  |
| Bedmont, Paul N.-----  | 16 | New Jersey-----                   | Apr. 16, 1964 | Secs. 5(a) and 5(c), 1933 Act.   | Complaint filed Apr. 16, 1964. Final judgments by consent entered on various dates as to 16 defendants. Closed.   |
| Bennett & Co.-----   | 3  | do-----                           | May 21, 1962  | Sec. 17(a), 1933 Act.  | Complaint and request for the appointment of a receiver filed May 21, 1962. Appointment of receiver denied. Final judgment by consent entered as to three defendants Apr. 2, 1963. Closed.  |
| Big Top, Inc.-----   | 4  | Nevada-----                       | July 1, 1963  | Secs. 5(a), 5(c) and 17(a),<br>1933 Act.   | Complaint filed July 1, 1963. Final judgment by default entered as to one defendant Aug. 23, 1963. Final judgment by consent entered as to three defendants Sept. 24, 1963. Closed.   |
| Black Angus Steak<br>Houses, Inc.<br>Bond and Share Corp.--- | 2  | Colorado-----                     | Feb. 5, 1963  | do-----  | Complaint filed Feb. 5, 1963. Final judgment by default entered as to both defendants Nov. 14, 1963. Closed.  |
|  | 26 | Western District<br>of Oklahoma.  | Dec. 13, 1961 | Secs. 5(a) and (c), 17(a)(1),<br>17(a)(2) and 17(a)(3), 1933<br>Act; Sec. 10(b) and Rule<br>10b-6, 1934 Act. | Complaint filed Dec. 13, 1961. Final judgment by consent as to two defendants entered Jan. 29, 1962. Final judgment by consent as to one defendant entered Apr. 3, 1963. Judgment denied Dec. 30, 1963, as to three defendants. Final judgment by the court entered Jan. 17, 1964, as to 19 defendants. Order entered Mar. 16, 1964, dismissing the action as to one defendant. Appeals filed on various dates by 14 defendants from the memorandum opinion entered Dec. 30, 1963, and the judgment entered Jan. 17, 1964. Pending.   |
| Brandel Trust.-----  | 16 | Southern District<br>of New York. | July 15, 1958 | Secs. 5(b) and 17(a), 1933<br>Act; Secs. 18(c)(1) and (2)<br>and Rules 1661-2 and<br>1663-1, 1934 Act.       | Receiver appointed July 21, 1958. Final judgment by consent as to two defendants entered July 22, 1958. Pending.  |
| Brown, Barton &<br>Engel.                                    | 9  | New Jersey-----                   | May 1, 1962   | Sec. 17(a), 1933 Act.  | Complaint filed May 1, 1962. Final judgments by consent entered as to three defendants May 24, 1962. Final judgments by consent entered as to three defendants May 28, 1963. Final judgments by default entered as to two defendants July 8, 1963. Final judgment by default entered Sept. 10, 1963, as to the remaining defendant. Closed.   |
| Brown, Lester D., dba<br>L. D. Brown Co.                     | 1  | Southern District<br>of New York. | May 28, 1964  | Secs. 10(b), 15(c)(1), 17(a)<br>and Rules 10b-6, 16c1-2<br>and 17a-3, 1934 Act.                              | Complaint and request for the appointment of a receiver filed May 28, 1964. Final judgment by consent entered June 3, 1964, as to the defendant. Pending as to receiver.  |
| Business and Profes-<br>sional Women's<br>Holding Co.        | 2  | Southern District<br>of Illinois. | May 10, 1963  | Secs. 5(a) and 5(c), 1933 Act.   | Complaint filed May 10, 1963. Preliminary Injunction entered as to two defendants, May 17, 1963. Pending.   |

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1964—Con.*

| Name of principal defendant                                  | Num-ber of defend-ants | U. S. District Court  | Initiating papers filed         | Alleged violations   | Status of case  |
|--|------------------------|---|---------------------------------|--|---|
| Caballero, Empresas S. A. de C. V.                           | 5                      | Arizona.....  | June 22, 1964                   | Secs 5(a), (c) and 17(a)(3), 1933 Act, Sec 15(c), 1934 Act                                   | Complaint filed June 22, 1964. Final judgment by consent entered June 25, 1964, as to three defendants. Pending as to the remaining two defendants.   |
| Cabeza Petroleum Corp.                                       | 2                      | Western District of Oklahoma.   | Apr 21, 1964                    | Secs. 5(a) and 5(c), 1933 Act.   | Complaint filed Apr. 21, 1964. Final judgment by consent entered Apr. 23 1964, as to both defendants. Closed.   |
| Canadian Javelin Ltd.  | 24                     | Southern District of New York.  | Sept. 23, 1958                  | Secs. 5(a)(1) and (2), 17(a)(1), (2) and (3) and 17(b), 1933 Act; Sec. 10(b), 1934 Act       | Final judgments by consent entered on various dates as to 15 defendants. Final judgment and final judgment by consent as to three defendants. Action dismissed as to one defendant and final judgment by consent as to one defendant entered May 29, 1963. Pending as to remaining five defendants.   |
| Capital Gains Research Bureau, Inc.                          | 2                      | Mo.....   | Nov. 17, 1960.                  | Sec. 206(1) and (2), Inv. Adv. 1940 Act.   | Complaint filed Nov 17, 1960. Motion for preliminary injunction Mar. 1, 1961. Notice of appeal filed Apr. 1961. District Court order affirmed by Court of Appeals for Second Circuit, Dec. 18, 1961. District Court order reaffirmed by court of appeals in banc July 13, 1962. Petition for writ of certiorari filed Nov. 26, 1962, and granted Jan. 21, 1963. Opinion rendered Dec 9, 1963, reversing the judgment of the court of appeals and remanding case to district court. Final judgment by consent entered Mar. 10, 1964, as to both defendants. Closed.            |
| Cardinal Drilling Co., Inc.                                  | 5                      | Northern District of Ohio.  | Feb. 19, 1963                   | Secs 5(a), 5(c) and 17(a), 1933 Act, Secs 10(f), 15(a) and Rules 10b-5(2) and (3), 1934 Act. | Complaint filed Feb. 19, 1963. Final judgment by consent entered as to all defendants Sept. 10, 1963. Closed.   |
| Central American Land and Cattle Co. Chamberlain Associates. | 6<br>7                 | Southern District of Iowa.<br>Southern District of New York.          | Sept. 16, 1963<br>June 19, 1961 | Secs. 5(a), 5(c) and 17(a), 1933 Act.  | Complaint filed Sept. 16, 1963. Final judgment by consent entered as to five defendants Oct. 10, 1963. Pending as to remaining defendant. Complaint filed June 19, 1961. Final judgments by consent as to one defendant entered Apr. 23, 1962, and as to one defendant Dec. 7, 1962. Action dismissed as to one defendant May 17, 1963. Final judgment by the court as to two defendants and final judgment by default as to the remaining two defendants entered July 10, 1963. Appeal filed by two defendants Aug. 8, 1963. Appeal dismissed by CA-2 Mar. 16, 1964. Closed. |
| Charolais Cattle Co.....                                     | 2                      | Eastern District of North Carolina.<br>Southern District of New York. | Aug. 24, 1963<br>Jan. 17, 1964  | Secs. 5(a) and 5(c), 1933 Act.<br>Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.                   | Complaint filed Aug. 24, 1963. Final judgment by default entered as to both defendants Oct. 22, 1963. Closed.   |
| Christopher & Co., Inc.                                      | 3                      | Southern District of New York.  | Sept. 27, 1963                  | Secs. 15(c)(3) and 17(a), Rules 15c3-1 and 17a-3, 1934 Act.                                  | Complaint and request for the appointment of a receiver filed Jan. 17, 1964. Final judgment by consent entered Jan. 17, 1964, as to all defendants and receiver appointed. Pending as to receiver.  |
| Clements, Publick dba Patrick Clements & Associates, et al   | 2                      | Southern District of California.                                      |                                 |  | Complaint and request for the appointment of a receiver filed Sept. 27, 1963. Final judgment by consent entered Mar. 24, 1964, as to one defendant. Preliminary injunction entered Mar. 24, 1964, as to one defendant. Pending.   |

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| 12 | Cloud Mine, Inc.-----   | Utah-----                          | Nov. 2, 1962   | Secs. 5(a), 5(c), and 17(a), 1933 Act.   | Complaint filed Nov. 2, 1962. Final judgment by consent entered Nov. 14, 1962, as to one defendant. Final judgment by consent as to three defendants entered Dec. 26, 1962. Final judgment by consent as to seven defendants entered Feb. 20, 1963. Final judgment by default as to the remaining defendant entered May 14, 1963. Closed.  |
| 6  | Colorado Trust Deed Funds, Inc. Commonwealth Investment Corp. | Colorado-----                      | Apr. 25, 1961  | Sec. 17(a)(2) and (3), 1933 Act.   | Final judgment by consent entered as to five defendants May 2, 1961. Order entered Dec. 6, 1961, appointing a receiver. Pending as to two all defendants. Closed.  |
| 7  |   | South Dakota-----                  | Apr. 1, 1963   | Sec. 17(a), 1933 Act; Secs. 10(b), and 15(c)(1) and Rules 10b-5 and 16c1-2, 1934 Act.  | Complaint filed Apr. 1, 1963. Final judgment by consent entered as to all defendants. Closed.  |
| 2  | Comstock Coin Co.-----  | Nevada-----                        | May 4, 1964    | Secs. 5(a) and 5(c), 1933 Act.   | Complaint filed May 4, 1964. Final judgment by consent entered June 16, 1964 as to two defendants. Closed.   |
| 9  | Continental Growth Fund, Inc.                                 | Southern District of New York----- | July 30, 1963  | Secs. 13(a)(2), 15(a)(b); 17(a)(1)(c); 22(d); 31(a); 32(a); 34(b); 36 and 37 and Rules 17f-2, 17g-1, 31a-1, 31a-2 and 31a-3, Inv. Co., 1940 Act. | Complaint and request for the appointment of a receiver filed July 30, 1963. Order entered Aug. 15, 1963, appointing receiver. Appeal filed Sept. 16, 1963, by two defendants from the order entered Aug. 15, 1963, appointing a receiver. Involuntary judgment granting permanent injunction and accounting on default entered Nov. 13, 1963, as to three defendants. Supplemental complaint filed Nov. 14, 1963, adding one additional defendant. Order entered Nov. 22, 1963, appointing a receiver for the additional defendant. Stipulation and order entered June 23, 1964, dismissing action as to three defendants. Pending. |
| 10 | Continental Vending Machine Corp.                             | do-----                            | Mar. 30, 1963  | Secs. 13, 15(d) and 20(c), 1934 Act.   | Complaint filed Mar. 30, 1963. Mandatory judgment entered as to one defendant and appointing a conservator; default judgment entered as to three defendants and order dismissing action as to two defendants Apr. 8, 1963. Order entered Oct. 22, 1963, dismissing action as to three defendants. Pending as to the remaining defendant.   |
| 4  | DiRoma, Alexik & Co.  | Massachusetts-----                 | July 19, 1960  | Sec. 17(a), 1933 Act; Sec. 10(c)(3) and Rule 16c3-1, 1934 Act.   | Complaint filed July 19, 1960. Complaint amended to include additional violations and appointment of receiver requested, Aug. 17, 1960. Final judgment by consent as to three defendants and dismissal as to one defendant entered Sept. 8, 1960. Order entered Sept. 19, 1960, appointing a new receiver. Pending.  |
| 2  | DuPont, Homsey & Co.  | Idaho-----                         | Sept. 17, 1960 | Secs. 8(c), 8(d), 10(b), 10(c)(1) and Rules 8c-1, 10b-6 and 16c1-2, 1934 Act.  | Complaint and request for the appointment of a receiver filed Sept. 17, 1960. Receiver appointed Sept. 17, 1960. Final judgment as to two defendants entered Sept. 20, 1960. Final decree entered by the court Dec. 10, 1963, discharging receiver. Closed.  |
| 1  | Eastern Investment Corp.                                      | Idaho-----                         | Apr. 15, 1963  | Secs. 10(b) and 15(c)(1) and Rules 10b-5 and 16c1-2, 1934 Act.   | Complaint and request for appointment of a receiver filed Apr. 15, 1963. Final judgment by consent entered and receiver appointed Apr. 15, 1963. Pending.  |
| 2  | Ellot, Roberts & Co., Inc.                                    | New Jersey-----                    | Nov. 6, 1962   | Secs. 15(c)(3), 17(a) and Rules 16c3-1 and 17a-3, 1934 Act.  | Complaint filed Nov. 6, 1962. Final judgment by consent entered as to two defendants, Jan. 23, 1964. Closed.   |
| 2  | Ernst & Co., Inc., F. R.                                      | Maryland-----                      | June 22, 1962  | Secs. 15(c)(1), 15(c)(3) and 17(a) Rules 15c1-2, 16c3-1 and 17a-3, 1934 Act.   | Complaint and request for the appointment of a receiver filed June 22, 1962. Application for receiver denied. Order entered Mar. 13, 1964, dismissing the complaint for want of due diligence. Closed.   |
| 6  | Fairfax Investment Corp                                       | District of Columbia-----          | Mar. 29, 1962  | Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.   | Complaint and request for the appointment of a receiver filed Mar. 29, 1962. Receiver appointed Mar. 30, 1962. Final judgment by default entered Aug. 9, 1963 as to one defendant. Final judgment by consent entered June 2, 1964 as to one defendant. Final judgment by consent entered June 30, 1964, as to two defendants and order entered June 30, 1964, dismissing the action as to the remaining defendant. Pending as to receiver.   |

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1964—Con.*

| Name of principal defendant             | Number of defendants | U.S. District Court                 | Initiating papers filed | Alleged violations   | Status of case   |
|---|----------------------|-------------------------------------|-------------------------|--|--|
| Financial Equity Corp.                  | 2                    | Southern District of California.    | Nov. 21, 1961           | Sec. 15(c)(3) and Rule 163-1, 1934 Act.  | Complaint filed Nov. 21, 1961. Final judgment by default entered as to one defendant Feb. 6, 1963. Pending as to the remaining defendant.  |
| First Consolidated Investment Fund,     | 11                   | South Dakota.....                   | Apr. 3, 1964            | Sec. 17(a), 1933 Act; Sec. 10(b), and Rule 10b-5 1934 Act.                         | Complaint and request for the appointment of a receiver filed Apr. 3, 1964. Preliminary injunction entered May 1, 1964, as to 11 defendants. Pending.  |
| Fleetwood Securities Corp., of America, | 1                    | Southern District of New York.      | Apr. 29, 1964           | Secs. 27(c)(2), 31(a), 36 and Rules 31a-1(d) and 31a-2(c), Inv. Co. 1940 Act.      | Complaint and request for the appointment of a receiver filed Apr. 29, 1964. Order entered May 6, 1964, appointing receiver. Pending.  |
| Florida Citrus Industries, Inc.         | 2                    | Southern District of Florida.       | June 3, 1963            | Secs. 5(a) and 5(c), 1933 Act.   | Complaint filed June 3, 1963. Final judgment by consent entered as to both defendants Sept. 25, 1963. Closed.  |
| Food Buyers Co-op....                   | 4                    | Utah.....                           | Aug. 16, 1963           | Secs. 5(a), 5(c) and 17(a), 1933 Act.  | Complaint filed Aug. 16, 1963. Final judgment by consent entered as to all defendants Sept. 9, 1963. Closed.   |
| Fowler, John Gatch....                  | 1                    | Northern District of Texas.         | Dec. 27, 1963           | Secs. 5(c) and 17(a), 1933 Act; Sec. 206(4) and Rule 206(4)-1, Inv. Act. 1940 Act. | Complaint filed and final judgment by consent entered Dec. 27, 1963. Closed.   |
| Fox, Herbert J.....                     | 1                    | Nebraska.....                       | Mar. 30, 1964           | Secs. 5(c) and 17(a), 1933 Act; Sec. 206(4) and Rule 206(4)-1, Inv. Act. 1940 Act. | Complaint filed Mar. 30, 1964. Final judgment by consent entered Mar. 31, 1964. Closed.  |
| Fraser & Co., Inc.....                  | 3                    | Eastern District of Pennsylvania.   | Oct. 20, 1961           | Secs. 15(c)(1), 15(c)(3) and Rules 15c1-2 and 15c3-1, 1934 Act.                    | Final judgment as to three defendants and order appointing receiver entered Oct. 24, 1961. Pending as to receiver.   |
| Freeman, Jack A.....                    | 3                    | Southern District of Florida.       | Sept. 16, 1963          | Secs. 5(a) and 5(c), 1933 Act.   | Complaint filed Sept. 16, 1963. Final judgment by consent entered Sept. 17, 1963 as to all defendants. Closed.   |
| Frontier Petroleum Corp.                | 3                    | Northern District of Illinois.      | May 7, 1964             | .....do.....   | Complaint filed May 7, 1964. Final judgment by consent entered June 1, 1964, as to three defendants. Closed.   |
| Fund Investments, Inc.                  | 3                    | Western District of North Carolina. | Jan. 23, 1964           | Sec. 15(c)(3) and Rule 15c3-1, 1933 Act.   | Complaint filed Jan. 23, 1964. Final judgment by consent entered May 1, 1964, as to three defendants. Closed.  |
| Fund Investments Inc. of Florida.       | 3                    | Middle District of Florida.         | Jan. 29, 1964           | .....do.....   | Complaint filed Jan. 29, 1964. Final judgment by consent entered Apr. 29, 1964, as to three defendants. Closed.  |
| General Manufacturing Corp.             | 7                    | Nebraska.....                       | Jan. 7, 1964            | Secs. 5(a), 5(c) and 17(a), 1933 Act.  | Complaint filed Jan. 7, 1964. Final judgment by consent as to four defendants and final judgment by default as to three defendants entered June 18, 1964. Pending.   |
| General Securities Co., Inc.            | 3                    | Southern District of New York.      | Mar. 1, 1963            | Secs. 15(c)(2), 17(a), and Rules 15c3-1 and 17a-3 1934 Act.                        | Complaint filed Mar. 1, 1963. Final judgment by consent entered as to two defendants, Mar. 9, 1964. Stipulation and order entered Apr. 2, 1964, dismissing the action as to remaining defendant. Closed.   |
| Globe Securities Corp..                 | 10                   | .....do.....                        | Apr. 29, 1963           | Sec. 17(a), 1933 Act.....  | Final judgments entered as to one defendant by consent on Apr. 4, 1960, and by default as to six defendants, Apr. 12, 1960. Stipulation of discontinuance as to one defendant Apr. 10, 1961. Stipulation of discontinuance as to the remaining defendant July 29, 1963. Final judgment by default entered as to the remaining defendant July 29, 1963. Closed. |

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| Great Plains Acceptance Corp.             | 5  | Montana                       | Dec. 3, 1962   | .....do.....  | Complaint filed Dec. 3, 1962. Preliminary injunction as to three defendants and final judgment as to two defendants entered Jan. 16, 1963. Pending.  |
| Great Western Land & Development, Inc.    | 10 | Arizona                       | Aug. 30, 1962  | Secs. 5(a) and 5(c), 1933 Act.  | Complaint filed Aug. 30, 1962. Order to show cause and temporary restraining order signed, Aug. 30, 1962. Preliminary injunction entered Mar. 19, 1964, as to two defendants and defendant's motion to dismiss for mootness denied. Pending.   |
| Greenwald, William...                     | 3  | Southern District of New York | Mar. 11, 1960  | Secs. 10(b) and Rule 10b-5, 1934 Act.   | Final judgment by consent as to one defendant entered Dec. 31, 1962. Final judgment by default as to one defendant entered Jan. 18, 1963. Pending.   |
| Guardian Investment Corp.                 | 2  | District of Columbia          | Jan. 26, 1962  | Secs. 15(c)(3) and 17(a) and Rules 15c3-1 and 17a-3, 1934 Act.  | Complaint filed Jan. 26, 1962. Final judgment by default entered as to both defendants June 21, 1963. Closed.  |
| Guild Films Co., Inc.                     | 4  | Southern District of New York | Sept. 25, 1959 | Sec. 5, 1933 Act.   | Notice of appeal filed from the order of preliminary injunction. Order entered by CA-2 affirming the judgment of the district court. Petition for certiorari denied on Oct. 10, 1960. Final judgment by default entered Oct. 28, 1963, as to two defendants. Final judgment by consent entered Dec. 4, 1963, as to the two remaining defendants. Closed. |
| Gulf Intercontinental Finance Corp., Ltd. | 11 | Southern District of Florida  | Jan. 25, 1963  | Sec. 17(a), 1933 Act; Sec. 10(b) and Rule 10b-5, 1934 Act.  | Complaint and request for the appointment of a receiver filed Jan. 25, 1963. Preliminary injunction entered as to 11 defendants and receiver appointed Feb. 15, 1963. Pending.   |
| Guterman, Alexander L. (F. L. Jacobs Co.) | 2  | Southern District of New York | Feb. 11, 1959  | Secs. 5(a) and (c) and 17(a), 1933 Act; Secs. 10(b), 13 and 10(a) and Rules 10b-5, 13a-1, 11 and 16a-1, 1934 Act. | Mandatory injunction by consent entered as to one defendant Feb. 28, 1959. Stipulation dismissing the remaining defendant Aug. 5, 1963. Closed.  |
| Hart & Co., N. A.                         | 3  | Eastern District of New York  | Jan. 8, 1962   | Secs. 15(c)(1), 15(c)(2), 17(a) and Rules 15c2-2, 15c3-1 and 17a-3, 1934 Act.                                     | Complaint and request for the appointment of a receiver filed Jan. 8, 1962. Final judgment entered as to three defendants and receiver appointed Dec. 31, 1962. Pending as to receiver.  |
| Harwyn Publishing Corp.                   | 9  | Southern District of New York | Apr. 8, 1964   | Secs. 5(a) and 5(c), 1933 Act.  | Complaint filed Apr. 8, 1964. Final judgment by consent entered Apr. 9, 1964, as to two defendants. Order of preliminary injunction by consent entered Apr. 16, 1964, as to two defendants and by default as to three defendants. Pending.   |
| Harwyn Securities, Inc.                   | 6  | .....do.....                  | Jan. 16, 1961  | Sec. 17(a), 1933 Act; Secs. 10(b), 15(c)(3), 17(a) and Rules 10b-6, 15c3-1 and 17a-3, 1934 Act.                   | Complaint filed Jan. 16, 1961. Final judgment by consent entered as to three defendants Feb. 8, 1961. Final judgment by default entered as to one defendant Mar. 22, 1961. Final judgment by default entered as to one defendant Sept. 19, 1961. Final judgment by consent entered Oct. 22, 1963, as to the remaining defendant. Closed.                 |
| Haynes, Byron dba Haynes Oil & Gas Co.    | 2  | Middle District of Florida    | Dec. 18, 1963  | Secs. 5(a) and 5(c), 1933 Act.  | Complaint filed Dec. 18, 1963. Preliminary injunction entered Dec. 23, 1963, as to both defendants. Pending.   |
| Hengstebeck, Frank A.                     | 1  | Eastern District of Michigan  | Mar. 11, 1964  | Secs. 5(a), 5(c) and 17(a), 1933 Act.   | Complaint filed and final judgment by consent entered Mar. 11, 1964. Closed.   |
| Hiner, Donald M. dba Hiner & Co.          | 1  | District of Columbia          | Mar. 30, 1962  | Secs. 15(c)(3) and 17(a) and Rules 15c3-1, 17a-3 and 17a-5, 1934 Act.   | Complaint filed Mar. 30, 1962. Receiver appointed Apr. 2, 1962. Final judgment by consent as to the defendant entered Dec. 31, 1962. Order entered May 13, 1964, terminating receivership. Closed.   |
| Holman & Co., Inc., R.A.                  | 5  | Southern District of New York | Mar. 15, 1966  | Sec. 17(a), 1933 Act; Sec. 15(c)(1) and Rule 15c2-2, 1934 Act; Sec. 21(e), 1934 Act.                              | Complaint filed and order to show cause signed Mar. 15, 1963. Answers filed. Preliminary injunctions denied June 26, 1963. Pending.  |
| Houser Drilling Co.                       | 2  | Colorado                      | June 19, 1964  | Secs. 5(a) and 5(c), 1933 Act.  | Complaint filed June 19, 1964. Pending.  |

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1964*—Continued.

| Name of principal defendant          | Number of defendants | U. S. District Court            | Initiating papers filed | Alleged violations   | Status of case   |
|--------------------------------------|----------------------|---------------------------------|-------------------------|--|--|
| Howell & Co., Inc., J.P.             | 2                    | New Jersey                      | June 20, 1960           | Secs. 15(c)(1), 15(c)(3) and Rules 1561-2 and 1563-1, 1934 Act.  | Complaint and request for the appointment of a receiver filed June 20, 1960. Final judgment by the court entered as to two defendants Jan. 17, 1963. Appointment of a receiver denied. Appeal filed Mar. 14, 1963, from final judgment entered Jan. 17, 1963. Court of Appeals affirmed the order of the district court. Closed.   |
| Hughes Homes Acceptance Corp.        | 3                    | Montana                         | July 26, 1961           | Secs. 17(a)(2) and 17(a)(3), 1933 Act.   | Final judgment by consent entered as to three defendants and receiver appointed July 28, 1961. Pending as to receiver.   |
| Idemont Oil & Mining Co.             | 4                    | do                              | Mar. 17, 1964           | Secs. 5(a) and 5(c), 1933 Act.   | Complaint filed Mar. 17, 1964. Preliminary injunction by consent entered Apr. 10, 1964, as to all defendants. Pending.   |
| Insured Mortgage and Title Corp.     | 4                    | Southern District of Florida    | Nov. 15, 1960           | Secs. 5(a), 5(c) and 17(a), 1933 Act, Sec. 15(a), 1934 Act.  | Complaint and request for the appointment of a receiver filed Nov. 15, 1960. Preliminary injunction entered Dec. 14, 1960. Receiver appointed Mar. 9, 1961. First receiver discharged and a new receiver appointed Mar. 27, 1961. Pending.   |
| Johns & Co., Inc., F.S.              | 6                    | New Jersey                      | June 20, 1962           | Sec. 17(a), 1933 Act.  | Complaint filed June 20, 1962. Preliminary injunction entered as to six defendants June 29, 1962. Final judgment by default entered as to one defendant June 20, 1963. Final judgment by consent entered Mar. 25, 1964, as to five remaining defendants. Closed.   |
| Jonah & Co., Inc., S. E.             | 2                    | Northern District of California | May 23, 1964            | Sec. 15(c)(3) and Rule 1563-1, 1934 Act.   | Complaint filed Mar. 16, 1964. Final judgment by consent entered Mar. 25, 1964, as to one defendant. Pending.  |
| Juristic, Bogdan                     | 6                    | Southern District of Texas      | Mar. 19, 1964           | Secs. 5(a) and 5(c), 1933 Act.   | Complaint filed Feb. 27, 1964. Final judgment by consent entered Mar. 8, 1964. Closed.   |
| Kallwara, Larry Kazuto               | 1                    | Hawaii                          | Feb. 27, 1964           | Sec. 15(c)(3) and Rule 1563-1, 1934 Act.   | Complaint filed Aug. 5, 1963. Preliminary injunctions by consent entered Aug. 9, 1963, as to two defendants and Aug. 13, 1963, as to one defendant.  |
| Kamon & Co.                          | 12                   | Southern District of New York   | Aug. 4, 1963            | Sec. 17(a), 1933 Act; Sec. 10(b) and Rule 10b-5, 1934 Act.   | Final judgment by consent entered Aug. 13, 1963, as to two defendants. Preliminary injunction entered Sept. 13, 1963, as to five defendants. Final judgment by default entered May 25, 1964, as to two defendants. Pending as to remaining eight defendants.   |
| Kay & Co.                            | 4                    | Southern District of Texas      | Aug. 1, 1962            | Secs. 17(a), 10(b), 15(c)(3) and Rules 17a-3, 10b-5 and 1563-1, 1934 Act.                                | Complaint and request for the appointment of a receiver filed Aug. 1, 1962. Receiver appointed Aug. 10, 1962. Final judgment by consent as to four defendants entered Aug. 20, 1962. Pending as to receiver.   |
| Keller Brothers Securities Co., Inc. | 2                    | Massachusetts                   | May 15, 1961            | Secs. 10(b), 15(c)(1), 15(c)(3) and Rules 10b-5, 15c1-2 and 1563-1, 1934 Act.                            | Complaint and request for the appointment of a receiver filed May 15, 1961. Final judgment entered by the court as to two defendants Oct. 6, 1961, and permanent co-receivers appointed. Pending.  |
| Keller Corporation, The              | 6                    | Southern District of Indiana    | Nov. 30, 1962           | Secs. 17(a)(1), 17(a)(2) and 17(a)(3), 1933 Act, Secs. 7(a)(1), 7(a)(2) and 42(e) of Inv. Co., 1940 Act. | Complaint filed Nov. 30, 1962. Preliminary injunction entered as to four defendants and denied as to two defendants, and receiver appointed Dec. 20, 1962. Notice of appeal filed Dec. 21, 1962, by four defendants from the order of Preliminary Injunction entered Dec. 20, 1962. Opinion rendered Oct. 8, 1963, affirming the judgment of the district court Pending. |

| Kirsch Co., Inc., T. M. Kresner-American Corp. Lammardine Mines, Inc. Letta, Estelle. Leavitt, Hafen. Ledeher Co. Inc., J. H. Bing, James J. Lloyd, Miller & Co. Long Island Plastics Corp. Lovera Exploration Co., Inc. Lowell, Murphy & Co., Inc. Luebbehusen, Leo A., (as Leo Luebbehusen Associates. Mackey, William P., T/A Mackey & Co. | 2 Southern District of New York. 9 Southern District of California. 8 Colorado. 1 Northern District of California. 4 Northern District of Iowa. 46 Southern District of New York. 5 Northern District of Texas. 4 Southern District of New York. 10 Eastern District of New York. 2 Northern District of Texas. 3 Colorado. 2 Northern District of Texas. 1 Eastern District of Pennsylvania. | Nov. 27, 1962. Apr. 8, 1964. June 12, 1963. Mar. 11, 1963. Aug. 30, 1963. Dec. 9, 1963. Feb. 24, 1964. Apr. 27, 1962. Oct. 28, 1963. May 14, 1964. Oct. 11, 1961. Feb. 27, 1964. Feb. 5, 1964. | Sec. 15(c)(3) and Rule 16c2-1, 1934 Act. Secs. 5(a) and 5(c), 1933 Act. Secs. 5(a), 5(c) and 17(b), 1933 Act. do. do. Secs. 5(b) (1) and (2), 17(a) (1), (2) and (3), 1933 Act. Secs. 36, 17 (a) and (d) and Rule 17d-1, Inv. Co. 1940 Act. Secs. 5(b), 17(a) and Rules 15b-2 and 17a-3, 1933 Act. Secs. 5(a) and 5(c), 1933 Act. do. Sec. 15(c)(1), and Rule 16c1-2, 1934 Act. Secs. 15(c)(3), 15(c)(1), 17(a), 16(b) and Rules 16c3-1, 16c1-2(a), 15c1-4, 17a-3, 17a-5 and 15b-2(b), 1934 Act. Secs. 15(c)(3) and 17(a) and Rules 16c3-1, 17a-3, 17a-4 and 17a-5, 1934 Act. | Complaint filed Nov. 27, 1962. Final judgment by default entered as to one defendant. Pending as to the remaining defendant. Complaint filed Apr. 8, 1964. Final judgment by consent entered Apr. 14, 1964, as to two defendants. Pending. Complaint filed June 12, 1963. Final judgments by consent as to six defendants entered June 19, 1963, and as to one defendant June 19, 1963. Final judgment by default entered as to the remaining defendant Aug. 2, 1963. Closed. Complaint filed Mar. 11, 1963. Preliminary injunction entered as to one defendant Apr. 16, 1963. Amended complaint filed Oct. 11, 1963, adding additional violations. Pending. Final judgments by consent entered as to all defendants Oct. 9, 1963. Closed. Final judgment by consent as to two defendants entered Dec. 19, 1963. Order entered dismissing action as to one defendant Dec. 21, 1961. Order directing clerk to mark case closed on Mar. 13, 1962. Motion for an order to set aside said order was denied Apr. 24, 1962. Closed. Complaint filed Feb. 24, 1964. Pending. Complaint filed Apr. 27, 1962. Final judgment by consent entered as to three defendants Apr. 19, 1963. Pending as to remaining defendant. Complaint filed Oct. 28, 1963. Final judgments by consent entered Nov. 6, 1963, as to one defendant; Nov. 7, 1963 as to three defendants; Nov. 21, 1963, as to three defendants and Dec. 27, 1963, as to one defendant. Final judgments by consent entered Feb. 14, 1964, as to one defendant; and Feb. 28, 1964, as to one defendant. Closed. Complaint filed May 14, 1964. Final judgment by consent entered May 18, 1964, as to both defendants. Closed. Preliminary injunction entered Oct. 18, 1961, as to three defendants. Order entered Oct. 20, 1961, denying motion for appointment of a receiver, and granting removal of said motion if defendant company does not comply with stipulation dated Oct. 18, 1961. Order to show cause and temporary restraining order signed Feb. 2, 1962. Order permitting withdrawal of attorneys filed Apr. 3, 1962. Order entered Apr. 4, 1962, adjourning hearing to May 21, 1962, on plaintiff's application for appointment of receiver and on all pending motions. Order continuing date for hearing to Apr. 8, 1963. Pending. Complaint filed Feb. 27, 1964. Final judgment by consent entered Mar. 5, 1964, as to two defendants. Closed. Complaint filed and final judgment by consent entered Feb. 5, 1964. Closed |
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TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1964—Con.*

| Name of principal defendant                                   | Number of defendants | U. S. District Court             | Initiating papers filed | Alleged violations  | Status of case  |
|---|----------------------|----------------------------------|-------------------------|---|---|
| MacLaughlin Securities Co., Leo G.                            | 4                    | Southern District of California. | July 2, 1962            | Secs. 15(c)(3), 15(c)(1), 17(a) and Rules 15c3-1, 15c1-2 and 17a-3, 1934 Act.   | Complaint seeking a mandatory order and appointment of a receiver filed July 2, 1962. Final judgment by consent as to one defendant entered July 26, 1962. Order entered Aug. 14, 1962, dismissing action as to three defendants. This matter is now in Bankruptcy proceedings. Closed.   |
| Mark & Co., Inc., Ronald.                                     | 5                    | Southern District of New York    | July 3, 1961            | Sec. 17(a), 1933 Act; Sec. 15(c)(1), 1934 Act.  | Complaint filed July 3, 1961. Order of dismissal entered Dec. 3, 1963, dismissing the action as to all defendants. Closed.  |
| Market Securities, Inc.                                       | 1                    | Utah                             | Dec 6, 1962             | Secs. 15(c)(3) and 17(a) and Rules 15c3-1 and 17a-3, 1934 Act.  | Complaint and request for mandatory injunction and appointment of a receiver filed Dec. 6, 1962. Final judgment by consent entered and receiver appointed Dec. 12, 1962. Pending as to receiver.  |
| Martin Associates, Robert A.                                  | 4                    | Southern District of New York.   | Aug. 1, 1962            | Secs. 15(c)(3) and 15(c)(1) and Rules 15c1-2 and 15c3-1, 1934 Act.  | Complaint filed Aug. 1, 1962. Supplemental complaint filed Oct. 26, 1962, adding additional violations. Final judgments by consent entered as to all defendants Nov. 14, 1963. Closed.  |
| Marx & Co., Inc., R. B.                                       | 2                    | Southern District of Florida.    | July 24, 1963           | Sec 15(c)(3), and Rule 15c3-1, 1934 Act.  | Complaint and request for the appointment of a receiver filed July 24, 1963. Final judgment by consent entered as to both defendants and receiver appointed July 24, 1963. Pending as to receiver.  |
| McKeown & Co.   | 7                    | Northern District of Illinois.   | Sept. 19, 1963          | Secs 15(c)(1), 15(c)(3), 10(b) and 17(a) and Rules 15c1-2, 15c3-1, 10b-5 and 17a-3, 1934 Act; Secs. 17(a)(2) and 17(a)(3), 1933 Act               | Complaint and request for the appointment of a receiver filed Sept. 19, 1963. Preliminary injunction entered as to both defendants and receiver appointed Sept. 27, 1963. Supplemental complaint filed Nov. 20, 1963 naming five additional defendants. Final judgment by default entered June 19, 1964, as to one defendant and order entered appointing special master. Pending as to remaining six defendants.   |
| Midland Basic, Inc.   | 5                    | South Dakota.                    | Mar. 5, 1964            | Secs 5(a), 5(c), 17(a)(1), (a) (2) and (a)(3), 1933 Act; Secs. 10(b), 15c1 and Rules 10b-5 and 15c1-2, 1934 Act.                                  | Complaint and request for the appointment of a receiver filed Mar. 5, 1964. Amendment to complaint filed adding additional violations. Pending.   |
| Midwest Technical Development Corp.                           | 24                   | Minnesota.                       | May 1, 1962             | Secs. 17(a), 17(d), 17(e) and Rules 17d-1 and Sec. 20(a), Sec. 38 and Rule 20a-1, Inv. Co. 1940 Act; and Rules 14a-3, 14a-6 and 14a-9 of Reg. 14. | Complaint and request for the appointment of a receiver filed May 1, 1962. Stipulations of June 1, and Aug. 10, 1962, dismissing the action as to two defendants. Amended complaint filed Nov. 9, 1962, adding two defendants to the above case. Orders of dismissal as to four defendants entered Nov. 13, 1962, as to one defendant Nov. 15, 1962, as to one defendant Nov. 16, 1962. Three other defendants dismissed. Final judgment by the court entered Dec. 13, 1963, as to seven defendants and judgment denied as to six defendants. Closed. |
| Mineral King Mining Co.                                       | 8                    | Eastern District of Washington.  | Apr. 7, 1964            | Secs. 5(a) and 5(c), 1933 Act.  | Complaint filed Apr. 7, 1964. Final judgment by consent entered June 9, 1964, as to six defendants. Pending as to remaining two defendants.   |
| Murphy, Frank John, dba Frank J. Murph Investment Securities. | 1                    | Northern District of California. | Apr. 16, 1963           | Sec. 10(b) and Rule 10b-5, 1934 Act.  | Complaint and request for the appointment of a receiver filed Apr. 16, 1963. Appointment of receiver denied. Final judgment by consent entered Sept. 4, 1963. Closed.   |

|                                      |    |                                  |               |  |  |
|--------------------------------------|----|----------------------------------|---------------|--|--|
| Mueskamp & Co., G. H.                | 2  | Southern District of Ohio.       | Jan. 15, 1964 | Sees. 17(a)(2) and 17(c)(3), 1933 Act, Secs. 16(c)(1), 16(c)(2), 15(c)(3), Rules 17(a), 16-2, and 15-3-1, 1933 Act, and 17(a), 1934 Act. | Complaint filed Jan. 15, 1964. Final judgment by consent entered Mar. 5, 1964, as to two defendants. Pending as to receiver.   |
| Mutual Real Estate Investors, Inc.   | 2  | Connecticut                      | Oct. 19, 1962 | Sees. 5(a), 5(b)(1), 5(c) and 17(b), 1933 Act; and Sec. 15(b), 1934 Act.   | Complaint filed Oct. 19, 1962. Final judgment by consent entered Mar. 20, 1964, as to both defendants. Closed.   |
| Nadler & Co., Joseph                 | 2  | Southern District of New York.   | Mar. 11, 1964 | Sec. 15(c)(3), and Rule 16-2-1, 1934 Act   | Complaint filed Mar. 11, 1964. Final judgment by consent entered Mar. 12, 1964, as to both defendants. Closed.   |
| National Petroleum                   | 2  | Southern District of Florida.    | Mar. 28, 1963 | Sees. 5(a) and 5(c), 1933 Act.   | Complaint filed Mar. 28, 1963. Final judgment by consent entered as to both defendants Aug. 30, 1963. Closed.  |
| Nevada Industrial Guaranty Co.       | 4  | Nevada                           | Apr. 16, 1963 | Sees. 5(a), 5(c) and 17(a), 1933 Act.  | Complaint filed Apr. 16, 1963. Final judgment by consent as to three defendants entered Apr. 30, 1963. Pending as to the remaining defendant.  |
| Newcomer Finance Co., Joe.           | 4  | Colorado                         | Apr. 19, 1963 | Sees. 5(a) and (c), 17(a) and 19(b), 1933 Act; Secs. 10(b) and 21(b), and (c) and Rule 10b-5, 1934 Act.                                  | Complaint and request for the appointment of a receiver filed Apr. 19, 1963. Final judgment by consent entered Oct. 25, 1963. Final judgment by the court entered Jan. 8, 1964, as to two defendants. Case discontinued as to the remaining defendant. Closed.   |
| New Rufus Argentina Mines, Ltd.      | 4  | Western District of Washington.  | Dec. 4, 1963  | Sees. 5(a), 5(c) and 17(a), 1933 Act.  | Complaint filed Dec. 4, 1963. Final judgment by consent entered Dec. 9, 1963, as to all defendants. Closed.  |
| Northeastern Financial Corp., et al. | 7  | New Jersey                       | Feb. 14, 1963 | Sees. 5(a), 5(c) and 17(a), 1933 Act, Secs. 17(a)(1), 8(b), 17(a)(1), 17(c)(1), 23(b) and 36, Inv. Co. 1940 Act.                         | Complaint filed Feb. 14, 1963. Preliminary injunction entered as to two defendants, Apr. 22, 1963. Order entered May 3, 1963, appointing trustee. Preliminary injunction entered as to four defendants Feb. 14, 1964. Pending.   |
| Odzer, Harry, dba Harry Odzer Co.    | 1  | Southern District of New York.   | June 15, 1962 | Sees. 16(c)(1), 15(c)(3), 17(a) and Rules 16c-2, 16c3-1 and 17a-3, 1934 Act.   | Complaint and request for the appointment of a receiver filed June 15, 1962. Preliminary injunction by consent entered July 11, 1962. Order entered July 12, 1962, withdrawing motion for the appointment of a receiver. Pending.  |
| Osborne, Clark & Van Buren, Inc.     | 2  | do                               | Mar. 16, 1961 | Sec. 17(a) and Rule 17a-3, 1934 Act.   | Complaint filed Mar. 16, 1961. Final judgment by default entered as to one defendant Nov. 30, 1961. Final judgment by default entered June 29, 1964, as to the remaining defendant. Pending.   |
| Osborne & Sons, Inc. V. K.           | 2  | Southern District of California. | Nov. 12, 1963 | Sees. 15(c)(1) and 17(a) and Rules 16c-2, 17a-3, and 17a-5, 1934 Act   | Complaint and request for the appointment of a receiver filed Nov. 12, 1963. Preliminary injunction entered as to both defendants and order appointing receiver Nov. 20, 1963. Pending.  |
| Peerless-New York, Inc.              | 6  | Southern District of New York.   | Feb. 13, 1960 | Sees. 5 and 17(a), 1933 Act; Sec. 10(b) and Rule 10b-6, 1934 Act.  | Final judgment by consent as to three defendants and receiver appointed Feb. 28, 1960. Final judgment by consent as to remaining defendants by violation of Sec. 5 of 1933 Act, Mar. 22, 1960. Receiver discharged. Closed.  |
| Petroleum Lease Corp.                | 4  | District of Columbia.            | Mar. 9, 1963  | Sees. 5(a), 5(c) and 17(a) of 1933 Act.  | Complaint filed Mar. 9, 1963. Final judgment by consent entered as to one defendant Mar. 16, 1963. Closed.   |
| Petrolin Corp.                       | 2  | Northern District of Illinois.   | May 8, 1964   | Sees. 5(a) and 5(c), 1933 Act.   | Complaint filed May 8, 1964. Order of preliminary injunction entered as to both defendants June 30, 1964. Pending.   |
| Phoenix Securities                   | 10 | New Jersey                       | Apr. 24, 1962 | Sec. 17(a), 1933 Act.  | Complaint filed Apr. 24, 1962. Final judgment by default entered Feb. 11, 1964, as to all defendants. Closed.  |
| Prudential Diversified Services.     | 8  | Montana                          | Feb. 28, 1963 | do   | Complaint and request for the appointment of a receiver filed Feb. 28, 1963. Final judgment by consent entered as to five defendants and conservator appointed Mar. 9, 1963. Stipulation and order entered dismissing the action as to three defendants Apr. 22, 1963. Order entered accepting the resignation of conservator. Closed. |

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1964—Con.*

| Name of principal defendant               | Number of defendants | U. S. District Court           | Initiating papers filed | Alleged violations  | Status of case  |
|---|----------------------|--------------------------------|-------------------------|---|---|
| Pruett & Co., Inc.                        | 3                    | Northern District of Georgia.  | May 15, 1961            | Secs. 17(a)(2), 17(a)(3), 1933 Act; Secs. 15(c)(1), 15(c)(3), 10(b), 17(a) and Rules 15c1-2, 15c2-1, 10b-5 and 17a-3, 1934 Act. | Final judgment by consent entered as to three defendants and receiver appointed May 15, 1961. Order entered Jan. 2, 1964, discharging receiver. Closed.   |
| Ram Oil Co.                               | 3                    | Arizona.                       | May 6, 1964             | Secs. 5(a) and 5(c), 1933 Act.  | Complaint filed May 6, 1964. Final judgment by consent entered June 30, 1964, as to three defendants. Closed.   |
| Rapp, Herbert, dba Webster Securities Co. | 10                   | Southern District of New York. | Apr. 29, 1963           | Sec. 17(a), 1933 Act.   | Final judgment by consent as to two defendants. Opinion rendered dismissing action by consent as to two defendants, Sept. 15, 1961. Appeal filed from the decision of the district court, Oct. 18, 1961. Shipman dismissing appeal as to one defendant, Jan. 24, 1962. Decision rendered by CA-2 reversing and remanding for further proceedings as to one defendant and granting final judgment as to one defendant, June 21, 1962. Pending as to one defendant. |
| Raymond & Co., Inc., R. P.                | 3                    | do.                            | Aug. 28, 1962           | Secs. 15(b), 15(c)(1), 15(c)(8) and 17(a) and Rules 15b-2, 15c1-2, 15c3-1 and 17a-5, 1934 Act.                                  | Complaint filed Apr. 28, 1962. Final judgment entered Apr. 28, 1964, as to all defendants. Closed.  |
| Rhubottom, Andrew                         | 5                    | Middle District of Florida     | Apr. 15, 1964           | Secs. 5(a) and 5(c), 1933 Act.  | Complaint filed Apr. 15, 1964. Final judgment by consent entered May 1, 1964, as to five defendants. Closed.  |
| Reiter, Paul, dba Meade & Co.             | 2                    | Southern District of New York. | June 3, 1963            | Secs. 15(c)(1), 15(c)(2), 15(c)(3), 17(c), and Rules 15c1-2, 15c2-1, 15c3-1 and 17a-3, 1934 Act.                                | Complaint and request for the appointment of a receiver filed June 3, 1963. Final judgment by default entered Apr. 20, 1964, as to both defendants. Pending as to receiver.   |
| Riley, James W.                           | 4                    | Southern District of Florida.  | Dec. 23, 1963           | Secs. 5(a), and 5(c), 1933 Act.   | Complaint filed Dec. 23, 1963. Final judgments by consent entered Jan. 3, 1964, as to three defendants. Final judgment by default entered May 4, 1964, as to the remaining defendant. Pending.  |
| Rogers & Co., Inc., Casper.               | 2                    | Southern District of New York. | Apr. 7, 1961            | Secs. 15(c)(3), 17(a) and Rules 15c3-1 and 17a-9, 1934 Act.   | Complaint filed Apr. 7, 1961. Opinion rendered May 15, 1961, denying plaintiff's motion for preliminary injunction. Amended and substituted complaint filed and final judgment by consent entered as to both defendants, Dec. 6, 1963. Closed.  |
| Ronwin Securities Corp.                   | 2                    | Eastern District of New York.  | Mar. 20, 1962           | Secs. 15(c)(1), 15(c)(3) and 17(a) and Rules 15c1-2, 15c2-1 and 17a-3, 1934 Act.  | Complaint and request for the appointment of a receiver filed Mar. 20, 1962. Final judgment by consent as to two defendants and order appointing a receiver entered Mar. 20, 1962. Pending.   |
| Royer, Max J., et al.                     | 3                    | Southern District of Indiana.  | July 2, 1963            | Secs. 17(a)(1), 17(a)(2), 1933 Act; Secs. 7(a)(1) and 7(a)(2), Inv. Co. 1940 Act; Sec. 20(a), Inv. Adv. 1940 Act.               | Complaint filed July 2, 1963. Preliminary injunction by consent as to all defendants entered July 2, 1963. Pending.   |

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| Sandblom, Paul A.....                                | 1  | Southern District of Texas.....    | Jan. 21, 1964 | Secs. 5(a) and 5(c), 1933 Act.  | Complaint filed Jan. 21, 1964. Final judgment entered Jan. 29, 1964. Closed.   |
| Sandkuhl & Co., Inc.....                             | 6  | New Jersey.....                    | July 3, 1962  | Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.  | Complaint filed July 3, 1962. Action dismissed as to one defendant Oct. 23, 1962. Supplemental complaint filed requesting the appointment of a receiver and naming one additional defendant, and order entered appointing receiver, Jan. 29, 1963. Final judgment by consent entered as to two defendants June 18, 1963. Pending as to the remaining three defendants.                               |
| Sano, Anthony J.....                                 | 2  | Southern District of New York..... | June 30, 1959 | Secs. 15(c)(1) and 15(c)(3) and Rules 15c1-2 and 15c3-1, 1934 Act.  | Final judgment by consent entered as to two defendants and receiver appointed July 1, 1959. Order entered Aug. 27, 1962 discharging receiver and referring final accounts to special master. Pending.  |
| Sauve Co., W. R.....                                 | 2  | do.....                            | Oct. 25, 1963 | do.....   | Complaint and request for the appointment of a receiver filed; final judgment entered as to one defendant and receiver appointed Oct. 25, 1963. Final judgment by default entered Jan. 6, 1964, as to remaining defendant. Pending as to receiver.   |
| Science Investments, Inc.....                        | 13 | Massachusetts.....                 | Apr. 24, 1963 | Secs. 5(a)(1), 5(a)(2) and 5(c), 1933 Act; Secs. 7(a), 7(c), 14(a), 15(a), 16(a), 17(c), 17(d), 17(f), 20(a), 23(c)(3), 30(a), 34(b), 35(d), 36 and 37 and Rules 17c-1, 20a-1 and 23c-1 of Inv. Co. 1940 Act; Rules 14a-3 and 14a-6, Reg. 14, 1934 Act. | Complaint and request for the appointment of a receiver filed Apr. 24, 1963. Final judgment by consent entered as to three defendants. June 25, 1963, and further appointing receivers. Order entered June 25, 1963, dismissing action as to the remaining defendants. Pending as to receivers.  |
| Seawright, Abait & O'Connor, Inc.....                | 4  | Southern District of New York..... | Jan. 18, 1963 | Sec. 15(c)(3) and Rule 15c3-1, 1934 Act.  | Complaint filed Jan. 18, 1963. Final judgment by consent entered as to one defendant Jan. 3, 1964. Final judgment by default entered as to two defendants Jan. 29, 1964. Final judgment by consent entered Apr. 1, 1964, as to remaining defendant. Closed.  |
| Sessler & Co., Fred F.....                           | 2  | do.....                            | Dec. 10, 1962 | Secs. 15(c)(1), 15(c)(3), 17(a) and Rules 15c1-2, 15c3-1 and 17a-3, 1934 Act.   | Complaint filed Dec. 10, 1962. Order entered appointing a receiver Dec. 17, 1962. Final judgment by consent entered as to two defendants Feb. 27, 1963. Pending as to the receiver.  |
| Shanman, Neil James.....                             | 4  | do.....                            | Nov. 15, 1960 | Secs. 15(c)(3) and 17(a) and Rules 15c3-1 and 17a-3, 1934 Act.  | Complaint filed Nov. 15, 1960. Amended complaint adding additional violations and request for the appointment of a receiver filed. Stipulation consenting to withdrawal of motion for receiver filed. Final judgment by consent entered as to two defendants Apr. 24, 1961. Supplemental and amended complaint filed alleging additional violations and for an order appointing a receiver. Pending. |
| Shernov, Joseph, dba Central Securities Co., Do..... | 5  | do.....                            | Oct. 29, 1963 | Secs. 5(a) and 5(c), 1933 Act.  | Complaint filed Oct. 29, 1963. Final judgment by consent entered as to all defendants. Closed.   |
| Silva, Foster L.....                                 | 5  | do.....                            | Oct. 29, 1963 | Secs. 5(a), 5(c) and 17(a), 1933 Act.   | Complaint filed Oct. 29, 1963. Closed.   |
| Simmons, Charles M.....                              | 2  | Massachusetts.....                 | Apr. 28, 1964 | Secs. 5(c) and 17(a), 1933 Act.   | Complaint filed Apr. 28, 1964. Final judgment by consent entered Apr. 30, 1964, as to both defendants. Closed.   |
|  | 14 | Oregon.....                        | July 24, 1963 | Secs. 5(a), 5(c) and 17(a), 1933 Act.   | Complaint filed July 24, 1963. Final judgment by consent entered as to one defendant and order dismissing action as to three defendants entered May 5, 1964. Closed.   |

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1964—Con.*

| Name of principal defendant                 | Num-ber of defend-ants | U. S. District Court              | Initiating papers filed | Alleged violations   | Status of case  |
|---|------------------------|-----------------------------------|-------------------------|--|---|
| Simmons & Co. Inc., H. S.                   | 2                      | Southern District of New York.    | Jan. 6, 1961            | Secs. 15(c)(1), 15(c)(3), 10(b) and rule 15c1-2, 15c3-1 and 10b-5, 1934 Act.     | Complaint and request for the appointment of a receiver filed Jan. 6, 1961. Receiver appointed Jan. 23, 1961. Final judgment by consent entered as to both defendants May 24, 1963. Receiver pending.   |
| Simplified Tax Records, Inc.                | 3                      | New Hampshire.                    | Feb. 26, 1963           | Secs. 5(a), 5(c) and 17(a), 1933 Act.  | Complaint filed Feb. 26, 1963. Final judgment by consent entered as to all defendants Feb. 27, 1964. Closed.  |
| Southeastern Securities Corp.               | 2                      | Southern District of New York.    | Nov. 8, 1963            | Secs. 15(c)(1) and 15(c)(3) and Rules 15c1-2 and 15c3-1, 1934 Act.               | Complaint and request for the appointment of a receiver filed Nov. 8, 1963. Receiver appointed Dec. 12, 1963. Final judgment by default entered Feb. 29, 1964, as to both defendants. Receivership pending.   |
| Southridge Corp.                            | 4                      | Nevada.                           | Sept. 17, 1963          | Secs. 5(a), 5(c) and 17(a), 1933 Act.  | Complaint filed and temporary restraining order signed Sept. 17, 1963. Amended and supplemental complaint filed Jan. 20, 1964, adding additional violations. Pending.   |
| Space City Investments, Inc.                | 4                      | Southern District of Texas.       | May 28, 1964            | Secs. 5(a) and 5(c), 1933 Act.   | Complaint filed May 28, 1964. Closed.   |
| Sparrow, Robert D.                          | 8                      | Idaho.                            | Oct. 17, 1963           | Secs. 5(a), 5(c) and 17(a), 1933 Act; and Secs. 10(b) and 15(e), 1934 Act.       | Complaint filed Oct. 17, 1963. Preliminary injunction entered as to one defendant and final judgment by consent as to three defendants Nov. 7, 1963. Final judgments by consent entered as to four defendants Dec. 11, 1963. Pending as to one defendant. |
| Spring Tide Petroleum, Inc.                 | 2                      | Northern District of Oklahoma.    | Aug. 6, 1963            | Secs. 5(a)(1), 5(a)(2) and 17(a), 1933 Act.                                      | Complaint filed Aug. 6, 1963. Final judgment by consent as to both defendants entered Aug. 7, 1963. Closed.   |
| Starco, Inc.                                | 6                      | District of Columbia.             | Dec. 20, 1962           | Secs. 5(a) 5(c) and 17(e), 1933 Act.   | Complaint filed Dec. 20, 1962. Final judgment by consent entered as to three defendants May 14, 1963. Final judgment by consent entered Feb. 5, 1964, as to remaining defendant. Closed.  |
| Starn & Co., Edward H.                      | 3                      | Southern District of New York.    | May 14, 1963            | Secs. 15(c)(3), 15(c)(2), 17(a) and Rules 15c2-4, 15c3-1 and 17a-3, 1934 Act.    | Complaint filed May 14, 1963. Final judgment by consent entered as to two defendants May 24, 1963. Final judgment by consent entered as to the remaining defendant Apr. 15, 1964. Closed.   |
| Strong Productions, Inc.                    | 3                      | Northern District of California.  | Dec. 6, 1960            | Secs. 5(a) and 5(c), 1933 Act.   | Complaint filed Dec. 6, 1960. Final judgment by consent entered as to one defendant Jan. 29, 1964. Final judgment by consent entered as to the two remaining defendants Jan. 27, 1964. Closed.  |
| Tague, W. Edward.                           | 1                      | Western District of Pennsylvania. | Mar. 30, 1961           | Secs. 15(c)(1), 15(c)(2) and 17(a) and Rules 15c1-2, 15c3-1 and 17a-3, 1934 Act. | Final judgment by consent entered May 24, 1961. Order entered Apr. 9, 1963, discharging receiver. Closed.   |
| Temptronic Corp.                            | 3                      | Utah.                             | May 5, 1964             | Sec. 17(a) 1933 Act; Sec. 10(b) and Rule 10b-5, 1934 Act.                        | Complaint filed May 5, 1964. Preliminary injunctions entered May 18, 1964, as to one defendant and June 1, 1964, as to two defendants. Pending.   |
| Texas Independent Coffee Organization, Inc. | 6                      | Southern District of Texas.       | Aug. 16, 1963           | Secs. 5(a) and 5(c), 1933 Act.   | Complaint filed Aug. 16, 1963. Preliminary injunction entered as to all defendants Aug. 30, 1963. Pending.  |
| Thermal Dynamics Corp.                      | 2                      | Utah.                             | Mar. 20, 1964           | Secs. 5(a), 5(c) and 17(a), 1933 Act.  | Complaint filed Mar. 20, 1964. Preliminary injunction entered Apr. 9, 1964 as to both defendants. Pending.  |
| Thomas, Williams & Lee, Inc.                | 2                      | Southern District of New York.    | Jan. 28, 1963           | Sec. 15(c)(3), 1934 Act.   | Complaint filed Jan. 28, 1963. Final judgment by default entered as to both defendants Mar. 2, 1964. Closed.  |

|    |   |                                 |               |   |   |
|----|---|---------------------------------|---------------|---|---|
| 2  | Timpson, Maurice H.                         | Utah                            | June 13, 1963 | Sec. 17(a), 1933 Act and 15(a), 1934 Act.                                       | Complaint filed June 13, 1963. Final judgments by consent entered as to one defendant June 26, 1963, and as to the remaining defendant Sept. 23, 1963. Closed.  |
| 3  | Titan Mines, Inc.                           | Colorado                        | June 25, 1962 | Secs. 5(a), 5(c) and 17(a), 1933 Act.   | Complaint and request for the appointment of a receiver filed June 25, 1962. Final judgment by consent as to three defendants entered July 19, 1962. Receivership pending.  |
| 14 | Townsend Corp. of America.                  | New Jersey                      | Apr. 24, 1961 | Secs. 7, 12, 18, 20, 21, 30, 34, 36, 48 and Rule 30d-1 Inv. Co. 1940 Act.       | Final judgments by consent as to five defendants entered May 31, 1961. Dismissal as to the remaining defendants entered May 31, 1961. Order entered appointing interim board of directors. Pending.   |
| 1  | United Benefit Life Insurance Co.           | District of Columbia            | Oct. 1, 1962  | Secs. 5(a)(1), 5(a)(2) and 5(c), 1933 Act, Secs. 7(b), 42(c) Inv. Co. 1940 Act. | Complaint filed Oct. 1, 1962. Motion for summary judgment filed Sept. 12, 1963, and denied Jan. 16, 1964. Pending.  |
| 3  | U.S. Diversified Industries Corp.           | Southern District of New York   | Nov. 13, 1963 | Sec. 13(a) and Rule 13a-1, 1934 Act.  | Complaint and request for mandatory injunction filed Nov. 13, 1963. Court entered mandatory injunction June 30, 1964, as to three defendants; further ordering said defendants to file annual report on Form 10-K for fiscal year 1961. Pending compliance with court order.  |
| 2  | Valley Homes Corp.                          | Montana                         | Jan. 3, 1963  | Sec. 17(a), 1933 Act.   | Complaint and request for receivers entered and receiver appointed Mar. 6, 1963. Receiver discharged. Closed.   |
| 1  | Veditz Co., Inc., Jean R.                   | Southern District of New York   | Oct. 13, 1957 | Sec. 15(c)(2) and Rule 15c-1, 1934 Act.   | Notice of appeal filed Jan. 12, 1969, by Commission from the order of the district court denying final judgment Jan. 6, 1959. Pending.  |
| 3  | Vickers, Christy & Co., Inc.                | do                              | Feb. 6, 1961  | Secs 15(c)(3), 15(c)(1), 17(a) and Rules 15c-1, 15c1-2 and 17a-3, 1934 Act.     | Complaint filed Feb. 6, 1961. Amended complaint filed Feb. 14, 1961, seeking additional violations of Sec. 15(c)(1) and Rule 15c1-2 of 1934 Act and for an order appointing a receiver. Receiver appointed Mar. 30, 1961. Permanent injunction by default entered as to all defendants, Dec. 1, 1961. Pending as to receiver.   |
| 6  | Visutronics Corp of America.                | Nevada                          | July 24, 1963 | Secs 5(a), 5(c) and 17(a), 1933 Act   | Complaint filed July 24, 1963. Final judgment by consent entered as to five defendants Nov. 21, 1963. Final judgment by consent entered as to one defendant Dec. 26, 1963. Closed.  |
| 2  | Wagner, Inc., R. B.                         | Maryland                        | July 3, 1962  | Sec. 15(c)(3) and Rule 15c-1, 1934 Act  | Complaint and request for appointment of a receiver entered July 3, 1962. Motion for receiver withdrawn. Closed.  |
| 3  | Well & Co., Inc.                            | District of Columbia            | Mar. 5, 1963  | Secs. 17(a), 1933 Act; Secs. 7, 17(a), 4, and Rules 17a-3 and 17a-5, 1934 Act.  | Complaint and request for the appointment of a receiver filed Mar. 5, 1963. Order entered Mar. 6, 1963, appointing receiver. Final judgment by default entered as to one defendant July 29, 1963. Order entered Nov 19, 1963, vacating judgment on condition that defendant will not challenge either the appointment of a receiver or the preliminary injunction entered Apr. 10, 1963, and ordering defendant to file an answer. Pending. |
| 2  | Welders Supply Co., Inc.                    | Nevada                          | Apr. 12, 1963 | Sec 17(a), 1933 Act.  | Complaint filed Apr. 12, 1963. Final judgment by default entered as to one defendant July 5, 1963. Pending as to the remaining defendant 1964, as to all defendants. Closed.  |
| 3  | Willoughby Coin Exchange, Bill.             | Southern District of California | Mar. 24, 1964 | Secs. 5(a) and 5(c), 1933 Act.  | Complaint filed Mar. 24, 1964. Final judgment by consent entered Apr. 3, 1964, as to all defendants. Closed.  |
| 3  | Wingdam & Lightening Creek Mining Co., Ltd. | Western District of Washington  | May 11, 1964  | do  | Complaint filed May 11, 1964. Pending   |
| 3  | Wolke & Co., Richard.                       | Southern District of New York   | June 7, 1962  | Secs 15(a) and 17(a), Rule 17a-3, 1934 Act.                                     | Complaint filed June 7, 1962. Final judgment by consent entered as to two defendants Feb. 20, 1963. Final judgment by default entered as to one defendant May 31, 1963. Closed.   |
| 3  | World Wide Automatic Archery, Inc.          | Western District of Washington  | Oct. 2, 1963  | Secs. 5(a) and 5(c), 1933 Act.  | Complaint filed Oct. 2, 1963. Final judgment by consent entered as to all defendants Oct. 25, 1963. Closed.   |
| 5  | Zimet Bros., Inc.                           | Southern District of New York   | May 14, 1964  | Secs 5(a), 5(c) and 17(a), 1933 Act.  | Complaint filed and final judgment by consent entered May 14, 1964, as to all defendants. Closed.   |

TABLE 18.—Proceedings by the Commission to enforce subpoenas pending during the fiscal year ended June 30, 1964

| Principal defendants                 | Number of defendants | U.S. District Court            | Initiating papers filed | Sections of Act involved   | Status of case  |
|--------------------------------------|----------------------|--------------------------------|-------------------------|----------------------------|---|
| Balkie, James J. ....                | 5                    | Southern District of Alabama.  | June 3, 1964            | Sec. 22(b), 1933 Act. .... | Application June 3, 1964, for an order directing respondents to show cause why an order should not issue requiring compliance with subpoena duces tecum. Order to show cause returnable June 12, 1964. Pending.   |
| Blaustein, Stanley (Stan-Bee & Co.). | 1                    | Southern District of New York. | Aug. 22, 1963           | .....do.....               | Application Aug. 22, 1963, for an order directing respondent to show cause why an order should not issue requiring compliance with subpoena duces tecum. Order to show cause returnable Sept. 4, 1963. Order entered Sept. 27, 1963, requiring obedience to subpoena. Closed. |
| First National Bank of Denver, The.  | 3                    | Colorado.....                  | Apr. 6, 1964            | .....do.....               | Application Apr. 6, 1964, for an order compelling the respondents to appear and produce documentary evidence in compliance with subpoena duces tecum. Order entered Apr. 22, 1964, requiring obedience to subpoenas. Closed.  |
| Do.....                              | 1                    | .....do.....                   | Mar. 17, 1964           | .....do.....               | Application Mar. 17, 1964, for an order compelling the respondents to appear and produce documentary evidence in compliance with subpoena duces tecum. Order entered Mar. 19, 1964, compelling the respondent to comply with subpoena. Closed.                                |
| Gianetti, Sr., Henry S.              | 1                    | New Jersey.....                | June 14, 1963           | .....do.....               | Application June 14, 1963, for an order directing respondent to show cause why an order should not issue requiring compliance with subpoena duces tecum. Order entered June 14, 1963, directing respondent to appear. Closed.   |
| Leighton, Sheldon.....               | 1                    | Southern District of New York. | June 12, 1964           | .....do.....               | Application June 12, 1964, for an order compelling the respondents to appear and produce documentary evidence in compliance with subpoena duces tecum. Order entered June 12, 1964, requiring obedience to subpoenas. Closed.   |
| Midland Trust, Inc.....              | 9                    | South Dakota.....              | Mar. 27, 1964           | .....do.....               | Application Mar. 27, 1964, for an order compelling the respondents to appear and produce documentary evidence in compliance with subpoena duces tecum. Order entered May 1, 1964, requiring obedience to subpoena. Closed.  |

|                                  |   |                                 |                |      |  |
|----------------------------------|---|---------------------------------|----------------|------|--|
| Parrott, Forrest.                | 3 | Colorado                        | Sept. 20, 1962 | .do. | Application Sept. 20, 1962, for an order directing respondents to show cause why order should not issue requiring compliance with subpoena. Order entered consolidating related subpoena actions with the S.E.C. filed by O. Breimer with S. E. Foster, Parrott. Notice of appeal filed. Petition for writ of certiorari filed Dec. 6, 1963, from the order CA-10 enforcing the subpoenas. Writ of certiorari denied Jan. 24, 1964. Motion for appeal to vacate order entered Oct. 4, 1965, was denied Feb. 10, 1966. Pending. |
| Shasta Minerals & Chemical Co.   | 1 | Utah (CA-10)                    | Sept. 28, 1962 | .do. | Order Sept. 28, 1962, directing respondent to show cause why an order should issue requiring compliance with subpoena. Order entered Dec. 6, 1962, compelling respondent to comply with order of Sept. 28, 1962. Notice of appeal filed. Petition order entered Dec. 5, 1962. Opinion rendered by CA-10 Feb. 28, 1964, setting aside judgment and remanding case to district court for further proceedings. Pending.   |
| Sims, Jack.                      | 1 | Western District of Texas.      | Nov. 8, 1963   | .do. | Application Nov. 8, 1963, for an order directing respondent to show cause why an order should not issue requiring compliance with subpoena duces tecum. Order to show cause returned Nov. 29, 1968. Order entered Dec. 18, 1963, dismissing the action. Closed.  |
| Sound Mortgage Co., Inc.         | 2 | Western District of Washington. | Mar. 3, 1964   | .do. | Application Mar. 3, 1964, for an order compelling the respondents to appear and produce documentary evidence in connection with subpoena duces tecum. Order to show cause returned Mar. 3, 1964. Order entered requiring evidence to subpoena. Closed.   |
| Sylvester-Anderson Oil Co., Inc. | 1 | Northern District of Indiana.   | June 12, 1962  | .do. | Order June 12, 1962, directing respondent to show cause why order should not issue requiring compliance with subpoena. Order to show cause returned July 5, 1962. Order entered dismissing proceedings. Closed.  |
| Tidwell, Jr., John Anthony.      | 1 | New Jersey                      | Aug. 17, 1962  | .do. | Order Aug. 17, 1962, directing respondent to show cause why order should not issue requiring compliance with subpoena. Order to show cause returned Aug. 31, 1962. Pending.  |

TABLE 19.—Actions pending during fiscal year ended June 30, 1964, to enforce voluntary plans under Section 11(c) to comply with Section 11(b) of the Public Utility Holding Company Act of 1935

| Name of case  | U.S. District Court               | Initiating papers filed | Status of case  |
|---|-----------------------------------|-------------------------|---|
| Arkansas Fuel Oil Corp., et al.                     | Delaware                          | July 19, 1960.          | Application filed by Commission for an order enforcing the carrying out of a plan pursuant to Sec. 11(d) and 18(f) of the 1935 Act as per Commission order of July 14, 1960. Order Sept. 2, 1960 approving and enforcing plan with the court taking jurisdiction and possession of Arkansas Fuel Oil Corp. and its assets. Plan consummated Dec. 2, 1960. Fees and expenses hearings held. Record thereon closed Dec. 5, 1961. Certain fees approved and paid. Certain other fees claims pending. Pending.                        |
| Granite City Generating Co.,<br>Voting Trustees of. | Southern District of<br>Illinois. | Nov. 14, 1962           | Application filed by Commission for an order enforcing the carrying out of an amended plan pursuant to Sec. 11(c) of the 1935 Act as per Commission order of Nov. 5, 1962, and to enjoin interference with the plan. Order Dec. 18, 1962, approving and enforcing the amended plan. Pending.  |
| Louisiana Gas Service, et al.,<br>In re.            | Eastern District of<br>Louisiana. | Reopened Aug. 12, 1960. | Supplemental application filed by Commission for an order enforcing the carrying out of amendments to plan pursuant to Sec. 11(c) and 18(f) of the 1935 Act approved by Commission order of Aug. 11, 1960, and to enjoin interference with amended plan. Order Sept. 14, 1960 approving and enforcing amendments to the plan. Closed.   |
| New England Electric System,<br>et al., In re.      | CA-1.                             | May 18, 1964.           | Petition of New England Electric System and its subsidiary companies listed above to review and set aside that part of the order of the Commission entered Mar. 19, 1964, which requires that petitioners dispose of the gas utility properties presently controlled by it and terminate its relationship with its utility subsidiaries. Pending.   |
| New Orleans Public Service<br>Inc, et al., In re.   | Eastern District of<br>Louisiana. | Oct. 23, 1961.          | Application filed by Commission for an order enforcing the carrying out of a plan pursuant to Sec. 11(c) of the 1935 Act approved by Commission order entered Oct. 19, 1961, and to enjoin interference with the plan. Order Dec. 1, 1961, approving and enforcing plan. Pending.   |
| Standard Gas and Electric<br>Co., et al., In re.    | Delaware.                         | Reopened Jan. 26, 1961. | Supplemental application filed by Commission for an order enforcing the carrying out of Step V as amended of the Standard Plan pursuant to Sec. 11(c) of the 1935 Act approved by Commission order of Jan. 19, 1961, and to enjoin interference with carrying out of the plan. Order Apr. 22, 1961, approving and enforcing plan and reserving jurisdiction to the court. Pending.  |
| Valley Gas Company, In re.                          | Rhode Island.<br>{CA-1.           | Aug. 12, 1960.          | Application filed by Commission for an order enforcing Step I of a plan pursuant to Sec. 11(c) of the 1935 Act as approved by Commission order of Aug. 10, 1960. Court's order Oct. 21, 1960, enforcing provisions of Step I of plan. Judgment by CA-1, Mar. 24, 1961, affirming order of the district court. Application filed by Commission for an order enforcing Step II of a plan pursuant to Sec. 11(c) of the 1935 Act as approved by Commission order of March 3, 1964, enforcing provisions of Step II of plan. Pending. |

TABLE 20.—Contempt proceedings pending during the fiscal year ended June 30, 1964

## PART 1.—CIVIL CONTEMPT PROCEEDINGS

| Name of Principal defendant | Number of defendants | U. S. District Court | Initiating papers filed | Status of case  |
|-----------------------------|----------------------|----------------------|-------------------------|---|
| Parrott, Forest.....        | 2                    | Colorado.....        | May 6, 1964             | Order of May 16, 1964, directing defendants to show cause why they should not be adjudged in civil contempt for failure to comply with the order entered Apr. 3, 1964, requiring respondents to testify before the Commission re <i>Walter Allen Raligh dba Raligh Securites</i> . Conclusions of Law 7 Judgment entered May 20, 1964, finding respondents guilty of civil contempt. Appeal filed May 22, 1964, from the judgment. Pending. |

## PART 2.—CRIMINAL CONTEMPT PROCEEDINGS

| Principal defendants   | Number of defendants | U. S. District Court           | Initiating papers filed | Status of case   |
|------------------------|----------------------|--------------------------------|-------------------------|--|
| Birrell, Lowell M..... | 1                    | Southern District of New York. | Oct. 11, 1967           | Pending.   |
| Kornel, Inc.....       | 3                    | Nevada.....                    | Mar. 2, 1962            | Order of Mar. 2, 1962, directing the defendants to show cause why they should not be adjudged in criminal contempt of injunction prohibiting violations of Sec. 17 of the 1933 Act. Contempt proceedings dismissed as to one defendant Jan. 7, 1963. Corporate defendant fined \$1,000. Remaining defendants' sentence suspended and placed on probation for 3 years. Pending possible appeal. |
| Newman, Hal C.....     | 1                    | Northern District of Texas.    | Jan. 3, 1964            | Order of Jan. 3, 1964, directing the defendant to show cause why he should not be adjudged in criminal contempt of final judgment prohibiting violations of Secs. 5(a)(1), 5(a)(2) and 5(c) of 1933 Act. Defendant found guilty and sentenced to 1 year imprisonment; suspended and placed on probation for a period of 1 year.  |
| Sandkuh, Henry.....    | 1                    | New Jersey.....                | May 4, 1964             | Application for order to show cause why defendant should not be punished in criminal contempt of the court for violations of and disobedience to the orders and decrees dated Sept. 13, 1962, and Jan. 17, 1963. Pending.  |

TABLE 21.—Petitions for review of orders of Commission pending in courts of appeals during the fiscal year ended June 30, 1964

| Petitioner  | U.S. Court of Appeals | Initiating papers filed | Commission action appealed from and status of case  |
|---|-----------------------|-------------------------|---|
| Aurell, Walter A.....                                 | 2d Circuit.....       | May 21, 1962            | Petition to review order Mar. 28, 1962, affirming the disciplinary action taken against petitioner by NASD, Inc. Petition dismissed by CA-2 Mar. 16, 1964. Closed.  |
| Barnett, Jr., Maurice.....                            | 8th Circuit.....      | Oct. 13, 1962           | Order of Aug. 15, 1962, revoking the broker-dealer registration of Investment Service Co and finding petitioner as cause of such revocation. Opinion rendered by CA-8 affirming the order of the Commission July 2, 1963. Closed.   |
| Batten & Co., Inc.....                                | CADC.....             | July 28, 1963           | Petition filed by Batten & Co., Inc., Mutual Funds of America, Inc and Franklin L. Batten for review of findings, opinion and order of Commission revoking petitioner's broker-dealer registrations. Opinion rendered Apr. 16, 1964, affirming the order of the Commission. Closed.   |
| Childree, Lewis F.....                                | 3d Circuit.....       | Sept. 16, 1963          | Petition for review filed seeking to set aside the order issued by the Commission on Aug. 8, 1963, terminating administrative proceedings against the petitioner. Pending.  |
| Financial Counsellors, Inc..                          | 2d Circuit.....       | May 22, 1964            | Petition filed by Financial Counsellors, Inc., to review and set aside the opinion and findings of the Commission dated Apr. 22, 1964, and the order suspending the broker-dealer registration of petitioner. Pending.  |
| Filgel, Marshall A.....                               | do.....               | Nov. 15, 1962           | Order Sept. 13, 1962, revoking the broker-dealer registration of B. Fennekohl & Co. and Fennekohl & Co., Incorp. and finding petitioner cause of such revocation. Petition for stay pending appeal granted Jan. 15, 1963. Order entered June 10, 1964, dismissing the petition for review. Closed.  |
| Gordon, S. Paul.....                                  | do.....               | Dec. 10, 1962           | Petition to review Commission order Oct. 29, 1962, revoking the broker-dealer registration of Reilly Hoffman & Co., Inc., and naming petitioner as cause of such revocation. Petition dismissed by CA-2 Mar. 16, 1964. Closed.  |
| Hersh, Theodore.....                                  | 6th Circuit.....      | Aug. 30, 1962           | Petition for review of Commission order dated July 9, 1962, revoking broker-dealer registration and expelling from membership in NASD and finding petitioner a cause thereof. Order entered affirming the order of July 9, 1962. Petition for writ of certiorari filed Feb. 17, 1964, and denied. Closed.   |
| Irish, Russell L., dba Russell L. Irish, Investments. | do.....               | Jan. 13, 1964           | Petition filed by Russell L. Irish dba Russell L. Irish Investments for review of the order entered Dec. 12, 1963, which denied petitioner's motions for permanent stay or dismissal of proceedings and overruled the hearing examiner's denial to reconvene the broker-dealer proceedings. Petitioner's motion for stay denied Feb. 11, 1964. Order entered May 4, 1964, dismissing the petition for review. Closed. |

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|---|-----------------|----------------|---|
| Lite, Trennis K.                          | .....do.....    | Sept. 10, 1962 | Petition for review of Commission order dated July 9, 1962, revoking broker-dealer registration and expelling from membership in NASD and finding petitioner a cause thereof. Order entered by CA-9 dismissing the petition for review Nov. 20, 1963. Closed.   |
| Phillips, Randolph.                       | 2d Circuit..... | Feb. 23, 1963  | Petition to review order Dec. 27, 1962, dismissing an application in the Matter of <i>Investors Mutual, Inc.</i> Petition dismissed by CA-2 Mar. 16, 1964. Closed.  |
| Powell, I. Vincent.                       | .....do.....    | May 3, 1961    | Petition to review orders of the Commission of Mar. 8, and Mar. 31, 1961, instituting proceedings to determine whether to deny broker-dealer registration and postponing the effective date of registration until a final determination on the question of denial. Response of the Commission to petitioner's motion to stay the Commission orders filed June 1, 1961. Memorandum of petitioner in support of motion for stay filed, June 3, 1961, and denied. Pending. |
| Prudential Insurance Co. of America, The. | 3d Circuit..... | Mar. 15, 1963  | Petition for review of order dated Jan. 22, 1963, denying certain exemptions under Sec. 6(c) of 1940 Act. Opinion rendered Jan. 20, 1964, affirming the order. Petition for writ of certiorari denied June 1, 1964. Closed.   |
| Rotter, Bernard.                          | CADC.....       | Feb. 26, 1963  | Petition for review of Commission order Dec. 28, 1962, revoking the broker-dealer registration of Banner Securities and naming petitioner as cause of such revocation. Application for stay pending appeal denied by CADC. Order entered Dec. 17, 1963, dismissing petition for review. Closed.   |
| Stanford Corp., The.                      | .....do.....    | Oct. 12, 1963  | Petition filed by The Stanford Corporation and George W. Stanford, for review of an order of the Commission entered Aug. 16, 1963, revoking the registration of the corporate petitioner as a broker-dealer and holding the individual petitioner as a cause of such revocation. Order entered Dec. 18, 1963, dismissing the above-entitled action. Closed.   |
| Warren, Claude V.                         | .....do.....    | June 10, 1963  | Petition filed by Claude V. Warren for review of a Commission order suspending Sutro Bros. and Co., from the NASD for 16 days. Order entered Aug. 1, 1963, dismissing the petition. Closed.   |
| Widmayer, Don F.                          | .....do.....    | Oct. 14, 1963  | Petition filed by Don F. Widmayer for review of a Commission order Aug. 16, 1963, suspending the effectiveness of the registration statement of Advanced Research Associates, Inc., permanently suspending exemption under Regulation A of Polytronic Research, Inc., and revoking broker-dealer registrations of The First Washington Corp., and Williams, Widmayer, Inc. Pending.   |

TABLE 22.—Miscellaneous actions involving the Commission or employees of the Commission during the fiscal year ended June 30, 1964

| Plaintiff                                       | Court                                  | Initiating papers filed | Status of case  |
|---|--|-------------------------|---|
| Holman & Co., Inc., R. A.-----                  | CADC-----                              | Jan. 2, 1964            | Petition for writs of mandamus and prohibition, memorandum in support, and motion for stay of administrative proceeding, filed. Order entered Jan. 28, 1964, denying the petition. Closed.  |
| Do-----   | { District of Columbia.<br>{ CADC----- | June 13, 1962           | Complaint filed June 13, 1962, seeking to enjoin the Commission from continuing administrative proceedings entitled, In the Matter of R. A. Holman & Co., Inc. Pearson Corp. Order entered July 6, 1962, granting plaintiff's motion for preliminary injunction. Notice of appeal filed July 10, 1962. District Court order reversed by court of appeals June 13, 1963. Appellee's motion for rehearing denied Aug. 1, 1963. Petition for writ of certiorari filed Sept. 27, 1963, and denied. District Court denied plaintiff's second motion for preliminary injunction on Dec. 27, 1963, and denied its motion for summary judgment on Jan. 30, 1964. Plaintiff's appeal from both orders is pending. Order entered Apr. 14, 1964, granting motion to consolidate in appeals Nos. 1838-62 and 18,444 with No. 18,295. Pending. |
| Holmes, John V.-----                            | Western District of North Carolina.    | May 24, 1963            | Complaint filed by John V. Holmes seeking an order of injunction against interference with plaintiffs' business and contracts, and disclosure of certain alleged confidential layouts, plans and designs. Plaintiffs seek damages of \$22,750,000 against the United States. Order entered Apr. 1, 1964, denying plaintiff's motion for summary judgment and granting summary judgment for the Commission. Appeal filed June 1, 1964, from the order entered Apr. 2, 1964. Pending.   |
| Do-----   | Northern District of Georgia.          | Dec. 13, 1963           | Complaint filed for declaratory judgment and damages Dec. 13, 1963, by John V. Holmes and Durward E. Willis. Order entered June 30, 1964, granting defendants motion for summary judgment. Closed.  |
| Do-----   | do-----                                | May 11, 1964            | Application for mandatory injunction or order demanding that the Commission make the registration statement available to the public as required by Sec. 6(d) of 1933 Act. Pending.  |
| Holmes, John V. and Hydranotive Mfg. Corp.----- | Western District of North Carolina.    | Apr. 2, 1963            | Complaint filed seeking an order enjoining the defendants from circulating harmful untruths and for damages in total amount of \$20,000. Motions to dismiss or in the alternative for summary judgment filed. Order entered Nov. 15, 1963, denying plaintiff's motion for summary judgment and granting summary judgment for Commissions defendant. Appeal filed Mar. 16, 1964, from the order entered Nov. 15, 1963. Pending.  |

|                                     |  |               |  |
|-------------------------------------|--|---------------|--|
| Imperial Fund, Inc.                 | Minnesota                                | May 7, 1963   | Complaint for a mandatory injunction seeking an order requiring the defendants to declare effective post effective amendments to the registration statement of plaintiff, Imperial Fund Inc. under the 1933 Act. Stipulation dismissing the action filed Feb. 26, 1963. Closed.  |
| Blind, Sandra Jenny                 | (Southern District of New York.<br>C.A.2 | Nov. 4, 1963  | Order to show cause Nov. 12, 1963, why the aforesaid subpoena duces tecum served upon plaintiff should not be declared void and set aside. Order entered Jan. 24, 1964, denying plaintiff's application. Notice of appeal filed by petitioner Jan. 29, 1964. Stipulation filed Feb. 26, 1964, dismissing the appeal. Closed.   |
| Osborne and Sons, V. K.             | Southern District of California.         | Oct. 26, 1963 | Complaint filed seeking a final judgment permanently enjoining the defendants on contacting false statements and for damages in total amount of \$250,000. Order entered Oct. 17, 1964, dismissing complaint with 90 days leave to answer. First amended complaint filed Feb. 3, 1964. Defendants on Apr. 17, 1964, filed motions to be assessed for summary judgment. Pending.                            |
| Parrott Forrest and Parrott Donald. | Colorado.                                | Mar. 4, 1964  | Complaint filed seeking to enjoin the Commission, from continuing its broker-dealer revocation proceeding against W. Allen Raleigh dba Raleigh Securities Co. or to have the Commission rescind Raleigh's registration and to refrain the Commission from enforcing any subpoenas directed to the plaintiffs in Washington. Amended complaint filed. Second amended complaint filed May 20, 1964. Pending. |
| Wills, Durward E.                   | Western District of Oklahoma.            | May 20, 1964  | Application for mandatory injunction or order demanding that the Commission make the registration statement available to the public as required by Sec. 8(d) of 1933 Act. Pending.   |
| Wolf Corporation, The               | (District of Columbia.<br>CADC.<br>USSC. | Oct. 20, 1962 | Complaint filed seeking a final judgment permanently enjoining the Commission from further continuing and prosecuting the stop order proceedings now pending. Order entered Oct. 24, 1962 denying motion for preliminary injunction. Appeal from said order filed Oct. 24, 1962. Decision rendered by CADC affirming the district court's order. Action dismissed by stipulation June 3, 1964. Closed.     |
| Wright, Edward D.                   | Southern District of New York.           | June 8, 1964  | Application filed by petitioner to show cause June 16, 1964, why an order should not be made setting aside the purported service upon petitioner of three subpoenas addressed to said petitioner. Pending.   |

TABLE 23.—Cases in which the Commission participated as intervenor or as amicus curiae pending during the fiscal year ended June 30, 1964

| Name of case  | U. S. District Court, Court of Appeals, or U. S. Supreme Court | Date of entry | Nature and status of case   |
|---|--|---------------|---|
| American Trailer Rentals Co., In re.                | U. S. District Court, Court of Appeals, or U. S. Supreme Court | Mar. 22, 1963 | Petition for leave to intervene in proceedings for an arrangement under Chapter XI of the Bankruptcy Act to show violations of Sec 17(a) of the 1933 Act, filed. Referee in Bankruptcy entered order denying intervention of Commission. District court granted intervention but denied the relief sought. Appeal filed by Commission Aug. 29, 1963, from the order of the district court dated Aug. 20, 1963. CA-10 affirmed the order of the district court on Dec. 9, 1963. Closed.  |
| Bellanca Corp. v. Sydney L. Albert, et al.          | Northern District of Ohio.                                     | Feb. 21, 1961 | Action under Secs. 20(c) and 10(b) of the 1934 Act and Rule 10b-5 thereunder alleging that the plaintiff was fraudulently induced by Albert to transfer its stock or other assets in connection with transactions whereby Bellanca acquired assets of other companies and that Albert hindered the filing of reports required by the Act. The defendant-directors of Bellanca aided and abetted the fraud on the corporation by authorizing, acquiescing in or ratifying Albert's actions in connection with these transactions. Commission's memorandum Mar. 6, 1961, as amicus curiae in opposition to motion to dismiss the complaint served. Pending.   |
| Blau, Isadore, v. Davis Factor, et al.              | 9th Circuit.   | June 12, 1964 | This is an action in which the Commission appears as amicus curiae in order to urge that the Commission's Rule 10b-9 under the 1934 Act be sustained by the court as a valid exercise of the Commission's rule-making authority under the Act. Brief of Commission filed June 12, 1964. Pending.  |
| Blau, Isadore v. Edward Lamb, et al.                | 2d Circuit.  | Jan. 11, 1963 | This is an action under Sec. 16(b) of the 1934 Act seeking recovery of "short swing" profits. Brief of Commission amicus curiae filed in support of a reversal of judgment of the district court. Opinion rendered reversing the decision of district court, Mar. 8, 1963. Petition for writ of certiorari filed May 13, 1963. Pending.   |
| Borak, Carl H. v. J. I. Case Co.                    | 7th Circuit.   | Jan. 4, 1963  | The above action was brought by a stockholder of J. I. Case Co., alleging that the merger between said company and American Tractor Corp., followed false and misleading proxy solicitation in violation of Sec. 14(a) of 1934 Act, and that the market price of American Tractor stock at the time of the merger was artificially high as a result of a series of manipulative practices in violation of Sec. 10(b). Brief of Commission amicus curiae filed Jan. 4, 1963. Opinion rendered reversing order dismissing plaintiff's third amended complaint and remanding case to lower court. Petition for writ of certiorari granted. Brief of Commission amicus curiae filed. USSC affirmed decision of CA-7 June 8, 1964. Closed. |
| Brown, Frank, v. Union Pacific Railroad Co., et al. | Northern District of Illinois.                                 | Aug. 16, 1963 | This action arises from a recent advertisement of Union Pacific Railroad Co. relating to the proposed merger of Union Pacific with the Chicago Rock Island and Pacific Railroad Co. alleging violation of Sec. 14(a) of 1934 Act and rule thereunder. Order entered Aug. 16, 1963, granting Commission leave to participate. Orders entered Aug. 23 and Sept. 16, 1963, dismissing the action. Appeal filed Sept. 19, 1963. Opinion rendered Feb. 10, 1964, affirming the order of the district court. Closed.  |

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|--|---|------------------------|---|
| <p>Gilson, Jerome I., et al., v. Chock Full O'Nuts Corp.</p>                             | <p>2d Circuit.....</p>                                  | <p>Sept. 5, 1963</p>   | <p>This is an action under Sec 16(b) of the 1934 Act which involves the issue of whether a district court erred in dismissing the suit of a stockholder and his attorney for attorney's fees where after the attorney's investigation and written demand, the defendant corporation had sued for and recovered short-swing trading profits. Brief of Commission, amicus curiae, filed in support of a reversal of judgment of the district court. Opinion rendered reversing the judgment of dismissal and remanding the case for further proceedings. Pending.</p>   |
| <p>Gluck, Maxwell H., v. Shearson, Hammill &amp; Co.</p>                                 | <p>Southern District of California.</p>                 | <p>June 25, 1963</p>   | <p>This is an action in which the Commission appears as amicus curiae in support of the complaint filed by plaintiff seeking to secure a precedent to investors in construing and enforcing Sec. 10(b). Motion by Commission for leave to participate as amicus curiae filed June 25, 1963. The action is still pending. An action based upon alleged violations of Sec. 16(b) of the 1934 Act in which recovery is sought of profits realized by an "insider" through "short swing" transactions in securities. Memorandum of Commission amicus curiae served Dec 8, 1962. Opinion rendered granting defendants' motion for summary judgment. Appeal filed May 22, 1963. Order entered July 8, 1963, granting motion of Commission to participate. Brief of Commission filed in support of decision of the district court. Order entered affirming decision of district court. Closed.</p> |
| <p>Kornfeld, Harold, et al., v. Thomas J. Eaton and Norwich Pharmaceutical Co., The.</p> | <p>{ Southern District of New York.<br/>{ CA-2.....</p> | <p>} Dec. 8, 1962</p>  | <p>This is an action under Sec 16(b) of the 1934 Act in which a minority shareholder seeks to recover short-swing profits realized by the defendants through the use of options. Brief of Commission, amicus curiae, filed May 8, 1964. Pending.</p>  |
| <p>Levitt, S. Harold, v. Edward C. Johnson.</p>  | <p>1st Circuit.....</p>                                 | <p>Mar. 17, 1964</p>   | <p>Appeal from district court order dismissing complaint alleging a cause of action based on a Federal statute, and complying fully with Rule 23(b) because state requirement of prior demand upon shareholders was not in compliance. Brief of Commission, amicus curiae, filed Mar. 17, 1964. Pending.</p>  |
| <p>Miller, Irving, v. General Outdoor Advertising Co.</p>                                | <p>2d Circuit.....</p>                                  | <p>May 8, 1964</p>     | <p>This is an action under Sec 16(b) of the 1934 Act in which a minority shareholder seeks to recover short-swing profits realized by the defendants through the use of options. Brief of Commission, amicus curiae, filed May 8, 1964. Pending.</p>  |
| <p>Saminsky, Hyman, et al., v. Charles C. Abbott, et al.</p>                             | <p>Court of Chancery of the State of Delaware.</p>      | <p>Mar. 30, 1962</p>   | <p>Action in which Chancellor Seltz decided that the Keystone Funds' principal underwriting contract was void under Sec. 47(b) of the Investment Company Act of 1940, because it had extended over a longer period than is permitted under Sec. 15(b) of that Act. Motion filed by Commission for amicus curiae participation on Mar. 30, 1962. Order Apr. 24, 1962, appointing Commission an amicus curiae. Case settled. Closed.</p>  |
| <p>Silver, Harold J., et al., v. New York Stock Exchange.</p>                            | <p>{ 2d Circuit.....<br/>{ USSC.....</p>                | <p>} Nov. 20, 1961</p> | <p>Action in which the Commission appears as amicus curiae to insure the right and duty of registered stock exchanges to discipline their members for violations of the Securities Exchange Act of 1934. Memorandum of the Commission amicus curiae filed Dec. 24, 1961. Opinion of CA-2 reversing judgment of district court granting plaintiff's motion for summary judgment Apr. 4, 1962. Petition for writ of certiorari filed May 31, 1962, from the order of Apr. 4, 1962. Memorandum of the United States amicus curiae in support of the petition for a writ of certiorari filed Nov. 1962. Writ of certiorari granted Oct. 8, 1962. Brief for the United States amicus curiae filed Jan. 14, 1963. Opinion of Supreme Court reversing judgment of court of appeals and remanding cause May 20, 1963. Closed.</p>   |
| <p>Wilhelm, Elise, et al., v. John D. Murchison, et al.</p>                              | <p>2d Circuit.....</p>                                  | <p>Apr. 20, 1962</p>   | <p>This action is one brought by the plaintiffs derivative and representatively as stockholders of Investors Mutual, Inc., a registered investment company, to enjoin the performance of the investment advisory and underwriting distribution contracts heretofore entered into between the defendants, Investors Diversified Services, Inc., and Investors Mutual, Inc. Motion of Commission for leave to participate amicus curiae filed Apr. 20, 1962. Brief filed May 2, 1962. Decision by CA-2 affirming the order of the district court. Petition for rehearing filed June 1, 1962, and denied June 7, 1962. Motion for recall of mandate and for resettlement of judgment denied Jan. 14, 1964. Order entered granting motion for summary judgment dismissing the complaint June 22, 1964. Closed.</p>  |

**TABLE 24.—Proceedings under the Bankruptcy Act pending during the fiscal year ended June 30, 1964, in which the Commission participated when district court orders were challenged in appellate courts**

| Name of case and U.S. Court of Appeals  | Nature and status of case   |
|---|---|
| American Guaranty Corp., debtor; In re Securities and Exchange Commission, appellants Harry H. Burton, receiver et al., appellees (1st Circuit).  | Notice of appeal filed by Commission from the order of Sept. 11, 1963, denying the motion of Commission to dismiss the debtor's petition for relief under Chapter XI of the Bankruptcy Act. Order entered June 8, 1964, granting motion for authority to seek distribution. Pending.  |
| American Trailer Rentals Co., debtor; In re Securities and Exchange Commission, appellants (10th Circuit).  | Notice of appeal filed by Commission from the order entered May 20, 1963, denying the motion of Commission to dismiss the debtor's petition for relief under Chapter XI of the Bankruptcy Act on the ground that any proceeding for the rehabilitation of the debtor under the Bankruptcy Act should have been brought under Chapter X of that Act. CA-10 affirmed the order of district court denying Commission's motion to dismiss proceedings. Petition for writ of certiorari filed Feb. 12, 1964, and granted Mar. 23, 1964. Pending.                         |
| Automatic Washer Co., debtor, Securities and Exchange Commission, appellee. (8th Circuit)   | Notices of appeal filed by Olson Brothers, Inc., and Bankers Life and Casualty Co. from the order entered Feb. 17, 1964, directing that Bellanca Bankers "shall not share in any of the assets of the debtor upon liquidation of said assets until all other shareholders have received in redemption of their stock a sum equivalent to \$1 50 per share." Pending.  |
| Crumpton Builders, Inc., debtor; In re Securities and Exchange Commission, appellants (5th Circuit)   | Notice of appeal filed by Commission from that portion of the order entered May 14, 1963, denying the motion of Commission to dismiss the proceedings under Chapter XI of the Bankruptcy Act. Pending.  |
| Fleetwood Motel Corp., debtor, In re Securities and Exchange Commission, appellants (3d Circuit).   | Notice of appeal filed by Joseph F. Bradway from the order on Landlord's Petition and Trustee's Counter Petition for Review entered July 26, 1963, which order affirms orders of the Referee in Bankruptcy dated May 14, and Nov. 21, 1962. Commission filed brief Jan. 31, 1964. Pending.  |
| GFE Industries, Inc., debtor; Lester M. Entin and Joseph Waters, dba Lester M. Entin Associates, appellants v. John C. Stevens, trustee and Securities and Exchange Commission. (8th Circuit)   | Notice of appeal filed by Lester M. Entin and Joseph Waters dba Lester M. Entin Associates, from the "Order Authorizing Sale" entered Mar. 1, 1963, and from the "Recommended Order Authorizing Sale of Private Brands and Order Granting Stay" filed Dec. 17, 1962 and from the "Order Authorizing Sale of Private Brands Division of Debtor entered Mar. 4, 1963. Opinion rendered affirming the orders entered Mar. 1 and Mar. 4, 1963. Closed.  |
| Hudson & Manhattan Railroad Co. In re debtor. (2d Circuit)  | This appeal is filed from the order of the district court, dated Jan. 17, 1964, granting and denying final allowances of compensations. Pending.  |
| Hughes Homes, Inc. et al., debtors; John N. Newland, trustee, Securities and Exchange Commission, appellees (9th Circuit).  | Notice of appeal filed by Anaconda Building Materials Co., the M & L Supply Co., and the Billings Sash & Door Co. from an order entered Dec. 9, 1963, classifying creditors of Hughes Homes, Inc. and its wholly owned subsidiaries. An appeal was also taken from Findings of Fact and Conclusions of law entered Sept. 6, 1963, pursuant to which the classification order was entered pending. Consolidated with Civil Action No. 19027. Pending.  |
| Hydrocarbon Chemicals, Inc. In re debtor; Securities and Exchange Commission, appellees. (3d Circuit)   | Appeals filed by debtors and the Creditors Committee from an order of the district court granting Commission's motion made under Sec. 328 of the Bankruptcy Act to dismiss a Chapter XI proceeding. Order entered Mar. 13, 1964, dismissing the appeals. Closed.  |
| Kish Industries, Inc. In re debtor, Securities and Exchange Commission, appellee (2d Circuit, 6th Circuit).   | These appeals arise out of the orders entered May 13, 15, and 21, 1964, transferring the proceeding from the USDC, SDNY, appointing a trustee, and setting various administrative procedures in motion. Appeal dismissed in CA-6. Appeal still pending in CA-2.   |
| Muskegon Motor Specialties Co., debtor; International Union, United Automobile, Aircraft and Agricultural Implement Workers of America, AFL-CIO, and its local 1272, Voluntary Unincorporated Associations, appellants (6th Circuit). | This action arises out of a question whether or not the district court has discretion to refuse to compel the trustee of a corporation in reorganization under Chapter X of the Bankruptcy Act to submit to arbitration a claim for vacation pay arising out of a previously expired collective bargaining agreement with a defunct subdivision of the debtor corporation. Petition for writ of certiorari filed May 27, 1963. Pending.   |
| Shawano Development Corp., debtor; Securities and Exchange Commission, appellee, supporting appellants (10th Circuit).  | Appeal filed from an order entered in Chapter X proceedings involving Shawano Development Corp., which order adjudicated the debtor a bankrupt and appointed a receiver. Pending.   |
| TMT Trailer Ferry, Inc., debtor; The Protective Committee for Independent Stockholders of TMT Trailer Ferry, Inc., appellant v. C. Gordon Anderson as trustee, appellee (5th Circuit).  | Appeal filed July 11, 1962, by the Protective Committee for Independent Stockholders of TMT Trailer Ferry, Inc., from "Opinion and Order on Valuation and Insolvency" of the Hon. Emmett C. Choate. Appeal taken by Committee from the order confirming the plan of reorganization entered Feb. 14, 1963. Order entered July 18, 1963, consolidating appeals Nos. 20563, 20400 and 20659. Opinion rendered June 8, 1964, reversing and remanding the consolidated cases for further proceedings. Petition of Commission for rehearing filed June 25, 1964. Pending. |

TABLE 24.—Proceedings under the Bankruptcy Act pending during the fiscal year ended June 30, 1964, in which the Commission participated when district court orders were challenged in appellate courts—Continued

| Name of case and U.S. Court of Appeals  | Nature and status of case  |
|---|--|
| United Star Companies, Inc., et al., debtors-appellees; In re Securities and Exchange Commission, appellants (6th Circuit).<br>Walco Building Corp., debtor; Hortense Mayer Hirsch, et al., appellants v. Nathan Yorke, trustee, et al., appellees (7th Circuit). | Notice of appeal filed by Commission from that portion of the order entered on Mar. 22, 1963, denying the motion of the Commission to dismiss the proceedings under Chapter XI of the Bankruptcy Act. Pending.<br>Appeal filed in No. 14125 from the order of the district court entered Feb. 8, 1963, enjoining appellants from "proceeding or continuing in any manner" with their state action. Commission filed a memorandum in support of the motion of certain bondholders to dismiss the appeal, May 27, 1963. Pending. |

TABLE 25.—A 31-year summary of criminal cases developed by the Commission—fiscal years 1934—64

[See table 26 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 U.S. 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 U.S. 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                                   | 46   | 0  |
| 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                                   | 83   | 0  |
| 1943        | 31   | 91  | 28  | 108  | 62                                   | 10                                   | 33   | 3  |
| 1944        | 27   | 69  | 24  | 79   | 48                                   | 6                                    | 25   | 0  |
| 1945        | 19   | 47  | 18  | 61   | 36                                   | 10                                   | 14   | 1  |
| 1946        | 16   | 44  | 14  | 40   | 13                                   | 8                                    | 4  | 15   |
| 1947        | 20   | 80  | 13  | 34   | 9                                    | 5                                    | 16   | 4  |
| 1948        | 16   | 32  | 15  | 29   | 20                                   | 3                                    | 6  | 0  |
| 1949        | 27   | 44  | 26  | 37   | 19                                   | 13                                   | 25   | 0  |
| 1950        | 18   | 28  | 15  | 27   | 21                                   | 1                                    | 5  | 0  |
| 1951        | 29   | 42  | 24  | 48   | 37                                   | 5                                    | 6  | 0  |
| 1952        | 14   | 26  | 13  | 24   | 17                                   | 4                                    | 3  | 0  |
| 1953        | 18   | 32  | 15  | 33   | 20                                   | 7                                    | 5  | 1  |
| 1954        | 19   | 44  | 19  | 52   | 29                                   | 19                                   | 6  | 7  |
| 1955        | 8  | 12  | 8   | 13   | 7                                    | 0                                    | 6  | 0  |
| 1956        | 17   | 43  | 16  | 44   | 28                                   | 5                                    | 11   | 0  |
| 1957        | 26   | 132   | 18  | 80   | 35                                   | 5                                    | 10   | 30   |
| 1958        | 15   | 51  | 14  | 37   | 17                                   | 5                                    | 11   | 4  |
| 1959        | 45   | 217   | 39  | 234  | 116                                  | 20                                   | 19   | 79   |
| 1960        | 53   | 281   | 44  | 207  | 110                                  | 11                                   | 47   | 39   |
| 1961        | 42   | 240   | 42  | 276  | 127                                  | 22                                   | 11   | 116  |
| 1962        | 60   | 191   | 40  | 142  | 63                                   | 6                                    | 35   | 38   |
| 1963        | 48   | 168   | 36  | 95   | 24                                   | 5                                    | 7  | 59   |
| 1964        | 48   | 164   | 17  | 30   | 1                                    | 0                                    | 1  | 28   |
| Total       | 992  | 3,594   | 481   | 3,408  | 1,774                                | 366                                  | 844  | 424  |

<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. Also more than one indictment may result from a single reference.

<sup>2</sup> See table 13 for breakdown of pending cases.

<sup>3</sup> Thirty of these references as to 115 proposed defendants were still being processed by the Department of Justice as of the close of the fiscal year, and also 18 of the prior year's references as to 103 proposed defendants.

<sup>4</sup> Seven hundred and eighteen of these cases have been completed as to one or more defendants. Convictions have been obtained in 606 or 84 percent of such cases. Only 113, or 16 percent, of such cases have resulted in acquittals or dismissals as to all defendants. This includes numerous cases in which indictments were dismissed without trial because of the death of defendants or for other administrative reasons. See note 5, infra.

<sup>5</sup> Includes 79 defendants who died after indictment.

<sup>6</sup> Does not include five defendants convicted who are waiting on appeal.

TABLE 26.—A 31-year summary classifying all defendants in criminal cases developed by the Commission—1934 to June 30, 1964

|   | Number indicted | Number convicted | Number acquitted | Number as to whom cases were dismissed on motion of U. S. attorneys | Number as to whom cases are pending |
|---|-----------------|------------------|------------------|---|-------------------------------------|
| Registered broker-dealers <sup>1</sup> (including principals of such firms).....  | 538             | 316              | 43               | 127   | 53                                  |
| Employees of such registered broker-dealers. Persons in general securities business but not as registered broker-dealers (includes principals and employees)..... | 275             | 122              | 19               | 62  | 72                                  |
| .....   | 836             | 415              | 66               | 276   | 79                                  |
| All others <sup>2</sup> .....   | 1,769           | 922              | 238              | 379   | 220                                 |
| Total.....  | 3,408           | 1,774            | 366              | 844   | 424                                 |

<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 27.—A 31-year summary of all injunction cases instituted by the Commission—1934 to June 30, 1964, 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.....              | 22  | 59         | 22  | 62         |
| 1955.....              | 23  | 54         | 19  | 43         |
| 1956.....              | 53  | 122        | 42  | 89         |
| 1957.....              | 68  | 192        | 32  | 93         |
| 1958.....              | 71  | 408        | 51  | 158        |
| 1959.....              | 58  | 206        | 71  | 179        |
| 1960.....              | 99  | 270        | 84  | 222        |
| 1961.....              | 84  | 368        | 85  | 272        |
| 1962.....              | 99  | 403        | 82  | 229        |
| 1963.....              | 91  | 358        | 98  | 363        |
| 1964 (to June 30)..... | 43  | 185        | 49  | 209        |
| Total.....             | 1,349   | 4,525      | 1,224   | 3,417      |

<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 26 cases which were counted twice in this column because injunctions against different defendants in the same cases were granted in different years.

TABLE 27.—*A 31-year summary of all injunction cases instituted by the Commission—1934 to June 30, 1964, by calendar year—Continued*

## SUMMARY

|                                       | Cases | Defendants |
|---------------------------------------|-------|------------|
| Actions instituted.....               | 1,349 | 4,525      |
| Injunctions obtained.....             | 1,198 | 3,417      |
| Actions pending <sup>1</sup> .....    | 36    | 289        |
| Other dispositions <sup>2</sup> ..... | 115   | 819        |
| Total.....                            | 1,349 | 4,525      |

<sup>1</sup> Includes 43 defendants in 13 cases in which injunctions have been obtained as to 46 co-defendants.

<sup>2</sup> Includes (a) actions dismissed (as to 718 defendants), (b) actions discontinued, abated, abandoned, stipulated or settled (as to 63 defendants); (c) actions in which judgment was denied (as to 34 defendants); (d) actions in which prosecution was stayed on stipulation to discontinue misconduct charged (as to 4 defendants).