Eighteenth Annual Report

of the

Securities and Exchange Commission

Fiscal Year Ended June 30, 1952

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SECURITIES AND EXCHANGE COMMISSION

Headquarters Office

425 Second Street NW.

Washington 25, D. C.

COMMISSIONERS

DONALD C. COOK, *Chairman*
RICHARD B. MCENTIRE
PAUL R. ROWEN
CLARENCE H. ADAMS
J. HOWARD ROSSBACH
ORVAL L. DUBOIS, *Secretary*

LETTER OF TRANSMITTAL

SECURITIES AND EXCHANGE COMMISSION,
Washington, D. C., January 15, 1953.

SIR: I have the honor to transmit to you the Eighteenth Annual Report of the Securities and Exchange Commission, in accordance with the provisions of section 23 (b) of the Securities Exchange Act of 1934, approved June 6, 1934; section 23 of the Public Utility Holding Company Act of 1935, approved August 26, 1935; section 46 (a) of the Investment Company Act of 1940, approved August 22, 1940; section 216 of the Investment Advisers Act of 1940, approved August 22, 1940; and section 3 of the act of April 25, 1949, amending the Bretton Woods Agreements Act.

Respectfully,

DONALD C. COOK,
Chairman.

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

TABLE OF CONTENTS

	Page
Foreword	XI
Commissioners and staff officers	XIII
Regional and branch offices	XIV

PART I

ADMINISTRATION OF THE SECURITIES ACT OF 1933

Description of the registration process	1
The registration statement and prospectus	1
Examination procedure	2
Effective date of registration statement	4
Time required to complete registration	4
Volume of securities registered	5
Number of statements	5
Type of registration	5
Type of industry	6
Type of security	6
Type of offering	6
Investment companies	7
Purpose of issue	7
Investment bankers' compensation	7
Registration statements filed	8
Exemption from registration under the act	9
Exempt offerings under regulation A	10
Exempt offerings under regulation A–M	11
Exempt offerings under regulation B—oil and gas securities	11
Confidential reports of sales	11
Oil and gas investigations	11
Formal action under section 8	12
Stop-order proceedings under section 8 (d)	12
Disclosures resulting from examination of registration statements	13
Changes in rules, regulations and forms	18
Litigation under the Securities Act	26
Injunctive Actions	26
Participation as Amicus Curiae	29

PART II

ADMINISTRATION OF THE SECURITIES EXCHANGE ACT OF 1934

Regulation of exchanges and exchange trading	31
Registration and exemption of exchanges	31
Disciplinary actions by exchanges against members	32
Registration of securities on exchanges	32
Disclosure accomplished by registration process	32
Examination of applications and reports	33
Statistics of securities registered on exchanges	34
Temporary exemption of substituted or additional securities	35
Market value of securities traded on exchanges	35
Market value of stocks	35
Market value of bonds	36
New York Stock Exchange	36
New York Curb Exchange	36
Other stock exchanges	37
Securities available for listing	40
Volume of securities traded on exchanges	40
Stock volume	40
Bond volume	42
Additional data	42

ADMINISTRATION OF THE SECURITIES EXCHANGE ACT OF 1934—Continued | Page
Special offerings on exchanges ... 44
Secondary distributions approved by exchanges ... 45
Unlisted trading privileges on exchanges ... 45
Number of issues admitted to unlisted trading ... 45
Volume of unlisted trading in stocks ... 46
Applications for unlisted trading privileges ... 47
Changes in securities admitted to unlisted trading privileges ... 48
Delisting of securities from exchanges ... 49
Securities delisted by application ... 49
Securities delisted by notification ... 51
Securities removed from listing on exempted exchanges ... 51
Manipulation and stabilization ... 51
The stock markets ... 51
Manipulation ... 52
Stabilization ... 55
Security transactions of corporation insiders ... 56
Purpose of regulation ... 56
Reports of transactions and holdings ... 56
Publication of information reported by insiders ... 57
Volume of reports filed and examined ... 57
Enforcement of reporting requirements ... 58
Preventing unfair use of inside information ... 58
Solicitations of proxies, consents, and authorizations ... 58
Statistics relating to proxy statements ... 59
Examination of proxy material ... 60
Regulation of brokers and dealers in over-the-counter markets ... 61
Registration ... 61
Administrative proceedings ... 62
Broker-dealer inspections ... 64
Investigations ... 65
Financial reports ... 66
Supervision of activities of National Association of Securities Dealers, Inc ... 66
Association membership ... 66
Disciplinary actions ... 66
Commission review of disciplinary action ... 67
Commission review of action on membership ... 70
Commission action on NASD rules ... 71
Changes in rules, regulations and forms ... 71
Litigation under the Securities Exchange Act ... 73
Injunctive actions against broker-dealers ... 73
Injunctive actions against others ... 74
Petitions for review of Commission orders ... 75
Participation as amicus curiae ... 76
The Kaiser-Frazer investigation and the litigation with Otis & Co ... 79

PART III

ADMINISTRATION OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935
Integration and simplification—over-all summary ... 83
Integration and simplification—survey of individual systems ... 86
American & Foreign Power Co., Inc ... 87
American Power & Light Co ... 88
Central Public Utility Corp ... 91
Cities Service Co ... 91
Eastern Utilities Associates ... 93
Electric Bond and Share Co ... 94
International Hydro-Electric System ... 95
Investment Bond and Share Corp ... 96
New England Public Service Co ... 97
Pennsylvania Gas & Electric Corp ... 98
Mission Oil Co ... 99
Southwestern Development Co ... 99
Standard Power and Light Corp ... 101
Standard Gas and Electric Co ... 101
The United Corp ... 103
The United Gas Improvement Co ... 105

ADMINISTRATION OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935—Continued

	Page
Fees and expenses in reorganization proceedings under section 11	105
Activity pursuant to section 30	109
Regulation of continuing holding company systems	110
Registered public utility holding company systems	112
Progress of individual continuing holding company systems	112
American Gas and Electric Co	113
Central and Southwest Corp	114
Columbia Gas System, Inc	115
General Public Utilities Corp	116
Middle South Utilities, Inc	118
National Fuel Gas Company	119
New England Electric System	119
New England Gas and Electric Association	120
Northern States Power Co	121
The North American Co	122
Union Electric Co of Missouri	122
The Southern Co	123
The West Penn Electric Co	124
Public utility financing—review of recent developments	125
Competitive bidding	129
Cooperation with state public utility commissions	131
Affiliates, new holding companies and exempt holding company systems	133
Litigation under act	136
Proceedings to enforce voluntary plans under section 11 (e)	137
Petitions to review orders of the Commission pursuant to section 24 (a) of the act	140
Participation as amicus curiae	142
Proceedings under section 11 (d)	142

PART IV

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

Commission's functions under Chapter X	143
Summary of activities	144
Activities relating to the trusteeship	144
Procedural aspects of reorganization	146
Accessibility and use of lists of security holders	148
Problems in the administration of the estate	150
Responsibilities of fiduciaries	153
Activities with respect to allowances of fees and expenses	154
Applicability and scope of Chapter X proceedings	156
Plans of reorganization	156
Consummation of plan	157

PART V

ADMINISTRATION OF THE TRUST INDENTURE ACT OF 1939

Nature of trust indenture regulation	159
Integration with Securities Act of 1933	159
Statistics of indentures qualified	160
Change in rules	161

PART VI

ADMINISTRATION OF THE INVESTMENT COMPANY ACT OF 1940

Registration under the act	163
Types and policies of investment companies registered during fiscal year	164
Selling literature	165
Statistical data	165
Applications filed	166
Changes in rules, regulations, and forms	167

Part VII

Page
ADMINISTRATION OF THE INVESTMENT ADVISERS ACT OF 1940 ... 169

Part VIII

OTHER ACTIVITIES OF THE COMMISSION
Court proceedings ... 171
Civil proceedings ... 171
Criminal proceedings ... 171
Complaints and investigations ... 175
Sales of Canadian securities within the United States ... 179
Section of securities violations ... 180
Activities of the Commission in accounting and auditing ... 180
Developments in accounting principles and procedures ... 182
Office of opinion writing ... 183
International financial and economic matters ... 185
Advisory and interpretative assistance ... 187
Confidential treatment of applications, reports, or documents ... 188
Statistics and special studies ... 189
Capital markets ... 189
All new securities offerings ... 189
Issues registered under Securities Act ... 191
Underwriting statistics ... 191
Investment companies ... 192
Cost of flotation ... 192
Issues placed privately ... 192
Issues registered under Securities Act ... 192
Stock markets ... 192
Stock market indexes ... 192
Other data on stock exchanges ... 192
Saving study ... 193
Plant and equipment expenditures of U. S. business ... 193
Financial position of corporations ... 194
Working capital position ... 194
Balance sheet and income statements ... 194
Personnel ... 194
Fiscal affairs ... 198
Appropriation and expenditures ... 198
Fees and revenue ... 198
Proposed fees and charges ... 198
Publications ... 199
Public releases ... 199
Information available for public inspection ... 200
Public hearings ... 201

Part IX

APPENDIX—STATISTICAL TABLES

Table 1. Registrations fully effective under the Securities Act of 1933 ... 204
Part 1. Distribution by months ... 204
Part 2. Breakdown by method of distribution and type of security of the volume proposed for cash sale for account of issuers ... 204
Part 3. Purpose of registration and industry of registrant ... 205
Table 2. Classification by quality and size of new bond issues registered under the Securities Act of 1933 for cash sale to the general public through investment bankers during the fiscal years 1950, 1951 and 1952 ... 207
Part 1. Number of bond issues and aggregate value ... 207
Part 2. Compensation to distributors ... 208
Table 3. New securities offered for cash sale in the United States ... 209
Part 1. Type of offering ... 209
Part 2. Type of security ... 210
Part 3. Type of issuer ... 211
Part 4. Private placement of corporate securities ... 212

Page

Table 4. Proposed uses of net proceeds from the sale of new corporate securities offered for cash in the United States ... 214
Part 1. All corporate ... 214
Part 2. Public utility ... 215
Part 3. Industrial and miscellaneous ... 217
Part 4. Railroad ... 219
Part 5. Real estate and financial ... 220
Table 5. A summary of corporate securities publicly offered and privately placed in each year from 1934 through June 1952 ... 221
Table 6. Brokers and dealers registered under section 15 of the Securities Exchange Act of 1934—effective registrations as of June 30, 1952, classified by type of organization and by location of principal office ... 222
Table 7. Market value and volume of sales effected on securities exchanges for the 12-month period ended December 31, 1951, and the 6-month period ended June 30, 1952 ... 224
Table 8. Classification by industry of issuers having securities registered on national securities exchanges as of June 30, 1951, and as of June 30, 1952 ... 226
Table 9. Number and amount of securities classified according to basis for the admission to dealing on all exchanges as of June 30, 1952 ... 227
Table 10.
Part 1. Number and amount of securities classified according to the number of registered exchanges on which issue was admitted to dealing as of June 30, 1952 ... 228
Part 2. Proportion of registered issues also admitted to unlisted trading privileges on other exchanges as of June 30, 1952 ... 228
Part 3. Proportion of issues admitted to unlisted trading privileges that are also registered on other exchanges as of June 30, 1952 ... 228
Part 4. Proportion of all issues admitted to dealing on registered exchanges that are admitted to dealing on more than 1 registered exchange as of June 30, 1952 ... 228
Table 11. Number of issuers having securities admitted to dealings on all exchanges as of June 30, 1952, classified according to the basis for admission of their securities to dealing ... 229
Table 12. Number of issuers having stocks only, bonds only and both stocks and bonds admitted to trading on all exchanges as of June 30, 1952 ... 229
Table 13. For each exchange as of June 30, 1952, the number of issuers and securities, basis for admission of securities to trading, and the percentage of stocks and bonds admitted to trading on one or more other exchanges ... 230
Table 14. Supplement to Appendix Table 18 of 17th Annual Report, Entitled "Electric, Gas and Nonutility Companies and Properties Divested by Registered Public Utility Holding Company Systems—Dec. 1, 1935 to June 30, 1951", Listing Additional Divestments to June 30, 1952 and Other Adjustments as Noted ... 231
Table 15. Reorganization cases instituted under chapter X and section 77-B in which the Commission has filed a notice of appearance and in which the Commission actively participated during the fiscal year ended June 30, 1952 ... 234
Table 16. Reorganization proceedings in which the Commission participated during the fiscal year ended June 30, 1952 ... 234
Table 17. 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 ... 236

		Page
Table 18.	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	236
Table 19.	Injunctive proceedings brought by Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Investment Advisers Act of 1940, and the Investment Company Act of 1940, which were pending during the fiscal year ended June 30, 1952	237
Table 20.	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 1952 fiscal year	240
Table 21.	Petitions for review of orders of Commission under Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, and the Investment Company Act of 1940, pending in courts of appeals during the fiscal year ended June 30, 1952	244
Table 22.	Civil contempt proceedings pending during the fiscal year ended June 30, 1952	245
Table 23.	Cases in which the Commission participated as intervenor or as *amicus curiae*, pending during the fiscal year ended June 30, 1952	246
Table 24.	Proceedings by the Commission to enforce subpenas under the Securities Act of 1933 and the Securities Exchange Act of 1934, pending during the fiscal year ended June 30, 1952	247
Table 25.	Miscellaneous actions involving the Commission or employees of the Commission during the fiscal year ended June 30, 1952	247
Table 26.	Actions to enforce voluntary plans under section 11 (e) to comply with section 11 (b) of the Public Utility Holding Company Act of 1935	248
Table 27.	Actions under section 11 (d) of the Public Utility Holding Company Act of 1935 to enforce compliance with Commission's order issued under section 11 (b) of that Act	249
Table 28.	Reorganization cases under chapter X of the Bankruptcy Act pending during the fiscal year ended June 30, 1952, in which the Commission participated when appeals were taken from district court orders	250
Table 29.	A 19-year summary of criminal cases developed by the Commission—1934 through 1952 by fiscal year	251
Table 30.	Summary of criminal cases developed by the Commission which were still pending at June 30, 1952	252
Table 31.	19-year summary classifying all defendants in criminal cases developed by the Commission—1934 to June 30, 1952	252
Table 32.	19-year summary of all injunction cases instituted by the Commission, 1934 to June 30, 1952, by calendar year	253

FOREWORD

This is the eighteenth annual report of the Securities and Exchange Commission to the Congress, summarizing the work of the Commission during the fiscal year July 1, 1951, to June 30, 1952.

The year has been one of continued intensive activity for the Commission, which has operated under difficult conditions of reduced manpower resulting from a substantial cut in the appropriation to the Commission for the fiscal year amounting to almost 16 percent.

Registrations of securities were the largest amount for any fiscal year since securities have been registered with the Commission, and corporations raised more funds in the United States capital market in fiscal year 1952 than in any 12-month period since 1929. Registrations, totaling $9.5 billion in the fiscal year, brought the average for the post-war fiscal years 1946 to 1952 to $6.7 billion, compared with a $2.1 billion average for the fiscal years 1939 to 1945. Total corporate securities offered for cash sale during the 1952 fiscal year exceeded $9.0 billion. The large volume of securities primarily reflected the greater need for funds by corporations, particularly those in defense industries, to finance their record expenditures for plant expansion and new equipment. The successful flotation of securities of this magnitude was possible because of the prevailing favorable economic conditions, with the financial position of corporations generally satisfactory and the securities market strong.

In addition, the Commission, under the statutes which it administers and under Chapter X of the Bankruptcy Act, is charged with many other important duties, such as the surveillance of the securities markets, the regulation of the activities of brokers, dealers and investment advisers, the direction and supervision of the integration and simplification of public utility holding company systems, and advisory participation in Chapter X reorganizations. The Commission's activities under the Public Utility Holding Company Act of 1935 during the past fiscal year and the early months thereafter have been highlighted by a series of successful compromises among various classes of security holders, effected with the assistance of the staff of the Commission, which have substantially reduced the time necessary to conclude many of the pending reorganization proceedings under section 11 of the Act. The report discusses these and the other activities of the Commission.

A significant development during the fiscal year which will aid in the prevention of securities frauds in connection with the sale in the United States of securities by Canadian brokers and dealers was the signing of a Supplementary Extradition Convention between Canada and the United States. This Convention provides for the rendition of such persons charged with securities frauds.

The Commission has endeavored to maintain a high standard of accomplishment in the face of an increasing work-load, notwithstanding successive drastic reductions in its staff in this and preceding fiscal years made necessary by budget limitations. The number of employees of the Commission today is less than one-half of the average number employed in 1941. Since the end of the 1952 fiscal year, the over-all staff was reduced from 866 to 793, or by 8.4 percent, as of December 31, 1952, and because of the unavailability of funds a further decrease to about 770 is likely by June 30, 1953. Despite the streamlining of procedures it has been necessary to eliminate or curtail various services valuable to the public, and the reduction in staff seriously hampers the Commission's performance of essential duties and threatens its ability to cooperate promptly and fully in the financing of the defense effort.

During the fiscal year a subcommittee of the House Committee on Interstate and Foreign Commerce, under the chairmanship of the Honorable Louis B. Heller, was engaged in an extensive investigation of all phases of the Commission's activities, and heard testimony by members of the Commission and staff officials. A large amount of material was prepared and submitted at the request of the subcommittee, relating both to specific cases and to the activities of the Commission generally. The Commission cooperated with the subcommittee in every way possible, devoting about 20,000 man-hours to the matter, which was still pending at the end of the fiscal year.

COMMISSIONERS AND STAFF OFFICERS

(As of November 20, 1952)

Commissioners

	Term Expires June 5
DONALD C. COOK, of Michigan, Chairman	1954
RICHARD B. MCENTIRE, of Kansas	1953
PAUL R. ROWEN, of Massachusetts	1955
CLARENCE H. ADAMS, of Connecticut [1]	1956
J. HOWARD ROSSBACH, of New York [2]	1957

Secretary: ORVAL L. DUBOIS

Staff Officers

BYRON D. WOODSIDE, Director, Division of Corporation Finance.
JEROME S. KATZIN, Director, Division of Public Utilities.
ANTHON H. LUND, Director, Division of Trading and Exchanges. SHERRY T. MCADAM, JR., Associate Director.
ROGER S. FOSTER, General Counsel. MILTON P. KROLL, Associate General Counsel.
EARLE C. KING, Chief Accountant.
LEONARD HELFENSTEIN, Director, Office of Opinion Writing.
WALTER C. LOUCHHEIM, JR., Foreign Economic Adviser to the Commission.
GERALD W. SIEGEL, Executive Assistant to the Chairman; Director, Division of Administrative Management.
HASTINGS P. AVERY, Administrative Services Officer.
WILLIAM E. BECKER, Director of Personnel.
JAMES J. RIORDAN, Budget and Fiscal Officer.

[1] Appointed May 8, 1952, to fill the vacancy created by the resignation of Harry A. McDonald.
[2] Appointed July 9, 1952, during recess of Congress, to succeed Robert I. Millonzi.

REGIONAL AND BRANCH OFFICES

Regional Administrators

Zone 1—Peter T. Byrne, 42 Broadway, New York 4, N. Y.

Zone 2—Philip E. Kendrick, Post Office Square Building (Room 501), 79 Milk Street, Boston 9, Mass.

Zone 3—William Green, Peachtree Seventh Building (Room 350), Atlanta 5, Ga.

Zone 4—Charles J. Odenweller, Jr., Standard Building (Room 1608), 1370 Ontario Street, Cleveland 13, Ohio.

Zone 5—Thomas B. Hart, Bankers Building (Room 630), 105 West Adams Street, Chicago 3, Ill.

Zone 6—Oran H. Allred, United States Courthouse (Room 103), Tenth and Lamar Streets, Fort Worth 2, Tex.

Zone 7—William L. Cohn, New Customhouse, Nineteenth and Stout Streets, Denver 2, Colo.

Zone 8—Howard A. Judy, Appraisers Building (Room 308), 630 Sansome Street, San Francisco 11, Calif.

Zone 9—James E. Newton, Securities Building (Room 202), Third Avenue and Stewart Street, Seattle 1, Wash.

Zone 10—E. Russel Kelly, 425 Second Street, NW., Washington 25, D. C.

Branch Offices

Federal Building (Room 1074), Detroit 26, Mich.

United States Post Office and Courthouse (Room 1737), 312 North Spring Street, Los Angeles 12, Calif.

Pioneer Building (Room 400), Fourth and Roberts Streets, St. Paul, Minn.

COMMISSIONERS APPOINTED SINCE PRECEDING FISCAL YEAR

Clarence H. Adams

Commissioner Adams was born in Wells, Maine, on November 1, 1905, and resides in Bloomfield, Connecticut. In 1925 he moved to Connecticut where he entered the investment banking business. In 1931 he organized the securities division of the Banking Department and became the first Securities Administrator of Connecticut, responsible for the administration of the Connecticut Securities Act, which position he held until 1950. In 1945 he served as President of the National Association of State Securities Administrators. His business background includes membership in an investment banking firm in Hartford, and he headed a lending institution in that city. On May 8, 1952, he was appointed a member of the Securities and Exchange Commission for a term of office expiring June 5, 1956.

J. Howard Rossbach

Commissioner Rossbach was born in New York City on December 19, 1913. He received an A. B. degree from Yale University in 1935 and an LL. B. degree from the Yale Law School in 1938. He was admitted to practice in New York the same year. From 1938 to 1940, he was associated with the law firm of Cook, Nathan, Lehman & Greenman in New York City. After five years of military service, he was associated with the law firm of Guggenheimer & Untermyer in the same city from 1946 to 1950. From September 1950 until he came to the Securities and Exchange Commission, he was Attorney-in-Chief of The Legal Aid Society in New York City. He serves under a recess appointment to the Commission, dated July 9, 1952, Congress having adjourned before acting upon his appointment for a term of office expiring June 5, 1957.

PART I

ADMINISTRATION OF THE SECURITIES ACT OF 1933

The objectives of the Securities Act of 1933 are to provide investors with full disclosure of material facts regarding securities publicly offered for sale through the mails or instrumentalities of interstate commerce, and to prevent misrepresentation, deceit, or other fraudulent practices in the sale of securities. Disclosure is obtained by requiring the issuer of such securities to file with the Commission a registration statement, and related prospectus, containing significant information about the issuer and the offering which meets the standards prescribed by the statute. These documents are available for inspection by the public as soon as they are filed. In addition, the prospectus, which must be furnished to prospective investors at or before delivery of the security, effectually brings the prescribed disclosure directly to the attention of the individual investor.

It is the underlying theory of the Act that an investor equipped with such information will be in a position intelligently to decide for himself whether or not to buy the security offered. Thus, the Commission is not empowered by this legislation to pass upon the merits of the security; and, in order to make this fundamental principle abundantly clear, every prospectus is required by the Act and the Commission's rules and regulations to carry the following statement boldly on its face:

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

DESCRIPTION OF THE REGISTRATION PROCESS

The Registration Statement and Prospectus

Any security may be registered with the Commission under the Act by filing a registration statement on the appropriate form. Correspondingly, no security may be sold in interstate and foreign commerce and through the mails unless it has been so registered.[1] Listed below are the various forms prescribed for registration of securities:

Form S–1. General Form for Commercial and Industrial Companies.

Form S–2. For Shares of Certain Corporations in the Development Stage.

Form S–3. For Shares of Mining Corporations in the Promotional Stage.

Form S–4. For Closed-End Management Investment Companies Registered on Form N–8B–1.

Form S–5. For Open-End Management Investment Companies Registered on Form N–8B–1.

Form S–6. For Unit Investment Trusts Registered on Form N–8B–2.

Form S–10. For Oil or Gas Interests or Rights.

[1] There is a limited exemption of securities specified in sec. 3, and of transactions specified in sec. 4 of the Act.

Form S-11. For Shares of Exploratory Mining Corporations.
Form C-2. For Certain Types of Certificates of Interest in Securities.
Form C-3. For American Certificates Against Foreign Issues and for the Underlying Securities.
Form D-1. For Certificates of Deposit.
Form D-1A. For Certificates of Deposit Issued by Issuer of Securities Called for Deposit.
Form F-1. For Voting Trust Certificates.

Each form is designed to disclose appropriately for the class of issuer involved the types of information prescribed in Schedule A of the Act. As provided therein, these disclosures therefore cover such matters as the names of persons who exercise control and direction of the business enterprise; the security holdings, remuneration, options, and bonus and profit-sharing privileges, of each such corporation insider; the character and size of the business; financial statements, certified by independent public or certified accountants, showing the profitableness or unprofitableness of operations; the capital structure; underwriters' commissions; pending or threatened legal proceedings; and the specific detailed purposes to which the proceeds of the offering are to be applied.

The prospectus, which as heretofore stated must be furnished to the purchaser at or before the delivery of the security, and which is an integral part of the registration statement, contains in abbreviated form the more essential items disclosed in the registration statement proper.

Schedule B of the Act specifies the corresponding types of information that must be disclosed in registration statements filed by foreign governments. The Commission has adopted no particular form for the use of Schedule B registrants; hence, foreign governments may employ any form which adequately discloses the specified information.

As a part of its continuing program to make the prospectus a more readable and understandable document, the Commission gave public notice immediately after the close of the fiscal year of a proposal further to change its rules governing the preparation and use of this document which is so vital to the accomplishment of the objectives of the Act. In view of the importance of the proposed changes, they will be discussed at some length elsewhere in this report.

Examination Procedure

The staff of the Division of Corporation Finance examines each registration statement to determine its compliance with the Act and the Commission's rules and regulations which implement the Act. This analysis of a registration statement is never a simple or routine undertaking for the security analysts, accountants and lawyers who must work together as a coordinated team in completing the examination procedure within the short time limitation imposed by statute. Always comprehensive, the processing frequently is an exacting task. Especially is this so when the staff encounters in the registration statement novel or complex financial problems peculiar to the line of business in which the registrant is engaged, or finds that the registrant has an unusually complicated capital structure, or multiple and far-flung subsidiary companies.

From the outset of its administration of the Act, the Commission has employed various informal techniques which have simplified, speeded-up, and made more effective the examination procedure. Devices used for these purposes have elicited widespread commendation of registrants generally and are continually being improved.

Even before a statement is filed, the registrant's lawyer, accountant or other representative has the opportunity to visit the Commission and engage in an informal prefiling conference freely made available by the Commission's expert staff in any case where such help is desired in solving any problem that has arisen or may be anticipated in the preparation of the proposed registration statement. As a result, types or methods of disclosure appropriate under the circumstances of the particular case are determined in advance of the filing.

Where a statement has been filed and is shown upon examination to be inaccurate or incomplete in disclosure of material information, the registrant is customarily advised by means of an informal letter of comment specifying the information which must be corrected or supplemented in order to meet the prescribed standards of disclosure. The significance of this device lies in the opportunity it affords the registrant to file correcting amendments before the statement becomes effective.

It is not desired by the Commission, the issuer, or the underwriter, that a registration statement should become effective unless it complies with the Act. Often when the staff discovers deficiencies in the statement as filed, or when the issuer or underwriter on its own motion wishes to amend the statement or simply to delay its effectiveness because of swift-moving developments in the highly sensitive and competitive securities market or other business reasons, some risk is created that the registration statement may become effective in defective form or inopportunely for the purposes of the registrant. Accordingly a practice has been developed whereby a registrant facing such a risk may file a delaying amendment which has the sole purpose of starting the statutory 20-day waiting period running anew. During the 1952 fiscal year a total of 678 delaying amendments and 1055 material amendments were filed before the effective date of registration.

The Commission has power to issue a formal order under section 8 of the Act preventing or suspending the effectiveness of a registration statement. The substantial nature of the deficiencies found in a statement against which a stop order was issued under section 8 (d) during the 1952 fiscal year will be discussed elsewhere in this report.

The Commission's vital examination functions face a risk of serious impairment resulting from the continued reductions in appropriations to the Commission in recent years. During the year, budgetary limitations forced the Commission to close its registration unit in the San Francisco Regional Office where registrants located in the Pacific Coast area or in Hawaii could conveniently file their registration statements instead of being required to submit them to the headquarters office of the Commission in Washington. It also became necessary to abolish the small field office in Tulsa in charge of a staff geologist which had made effective contributions in the prevention and punishment of fraud in the sale of registered and exempt oil and gas securities.

Effective Date of Registration Statement

Congress provided for a lapse of 20 days in the ordinary case between the filing date of a registration statement and the time it may become effective. The purpose of the waiting period is to provide investors with an opportunity to become familiar with the proposed security before it may lawfully be offered to them. The possibility of achieving this purpose is greatly enhanced by the fact that immediately upon the filing of a registration statement extra copies of it are made available by the Commission to representatives of financial news services, financial writers, and newspapers generally. These representatives in turn prepare releases covering all information disclosed in the registration statement, or various items selected therefrom as they prefer, and set in motion widespread publicity about the contemplated offering which is immediately put on the wire and distributed to their subscribers scattered from coast to coast.

The Commission is empowered in its discretion to accelerate the effective date so as to shorten the 20-day waiting period where the facts are deemed to justify such action. In exercising this power, the Commission must take into account the adequacy of the information about the security which is already available to the public, the complexity of the particular financing, and the public interest and protection of investors.

Time Required to Complete Registration

The time required to complete the registration process is influenced by certain variable factors, largely beyond the control of the Commission, such as the following: the time required by the staff to examine the registration statement and send its letter of comment; the time required by the registrant to prepare and file a correcting amendment; and finally the time required by the staff to examine such an amendment in the same manner as the original filing—including any extension of time which may have resulted from the filing by the registrant of a delaying amendment. The average time required in each month of the 1952 fiscal year for each of these principal stages as well as for all steps combined in the registration process is shown in the accompanying table. This table shows little change from results achieved during

Time elapsed in registration process—1952 fiscal year

	1951						1952					
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Total number of registration statements becoming effective	46	30	37	60	60	44	52	42	74	77	61	53
Number of days elapsed (median):												
From date of filing registration statement to date of first letter of comment	10	10	10	10	10	12	10	10	11	12	12	10
From date of letter of comment to date of filing registrant's first material amendment	6	8	5	5	6	5	8	6	5	6	6	5
From date of filing first material amendment to effective date of registration	6	5	5	5	4	4	6	4	4	5	5	5
Total number of days elapsed (median)	22	23	20	20	20	21	24	20	20	23	23	20

the preceding two fiscal years. The average time required to complete the registration process for the median statement, which amounted to 21 1/12 days in both 1950 and 1951, was 21 1/3 days in 1952. In view of the currently increased work load, aggravated by the acute manpower shortage, this favorable result is attributable in no small part to the loyalty and devotion of the members of the staff, many of whom frequently work a considerable number of hours of overtime without receiving extra compensation therefor.

VOLUME OF SECURITIES REGISTERED

The amount of securities effectively registered during the 1952 fiscal year was $9,500,000,000, the greatest amount for any fiscal year since securities have been registered with the Commission and a third greater than the previous high of $7,073,000,000, the amount for the 1946 fiscal year.[2] This is the seventh consecutive fiscal year for which registrations were in excess of $5,000,000,000. Figures are presented below on the annual volume of effective registrations since 1939 and the extent to which these registrations were for cash sale for account of issuers. More detailed information on registered issues for fiscal year 1952, including monthly figures on the number and volume of registrations, is given in tables 1 and 2 of the Appendix.

Effective registrations [1]

Fiscal year ended June 30	All registrations	For cash sale for account of issuers			
		Total	Bonds	Preferred	Common
1952	$9,500	$7,529	$3,346	$851	$3,332
1951	6,459	5,169	2,838	427	1,904
1950	5,307	4,381	2,127	468	1,786
1949	5,333	4,204	2,795	326	1,083
1948	6,405	5,032	2,817	537	1,678
1947	6,732	4,874	2,937	787	1,150
1946	7,073	5,424	3,102	991	1,331
1945	3,225	2,715	1,851	407	456
1944	1,760	1,347	732	343	272
1943	659	486	316	32	137
1942	2,003	1,465	1,041	162	263
1941	2,611	2,081	1,721	164	196
1940	1,787	1,433	1,112	110	210
1939	2,579	2,020	1,593	109	318

[1] Figures in millions of dollars, rounded to even millions. Bonds include face-amount certificates. Common stock includes certificates of participation and all other equity securities except preferred stock. Earlier years are shown on p. 5 of the Sixteenth Annual Report.

Number of Statements

The amount registered in the 1952 fiscal year was represented by 635 statements covering 881 issues, compared with 487 statements covering 702 issues during the previous fiscal year. The number of statements differs slightly from that shown under "Registration Statements Filed" on a subsequent page, as explained in table 1 of the Appendix, note 2.

Type of Registration

Of the dollar amount of securities registered in the 1952 fiscal year, 79.3 percent was for cash sale for account of issuers, 2.2 percent was for cash sale for account of others than issuers, and 18.5 percent was

[2] A discussion of all securities offerings, including issues registered under the Securities Act of 1933 and unregistered issues, appears on pages 189–91 of this report, while statistical data thereon appear in tables 3, 4, and 5 of the Appendix.

for other than cash sale as itemized in Appendix table 1, part 3. Comparative figures for the 1952 and 1951 fiscal years are as follows:

Registered for	*1952*	*1951*
Cash sale for account of issuers	$7, 529, 287, 000	$5, 169, 092, 000
Cash sale for others than issuers	209, 673, 000	146, 912, 000
Other than cash sale	1, 760, 623, 000	1, 143, 330, 000
Total	9, 499, 583, 000	6, 459, 333, 000

Type of Industry

The industries represented by the securities registered for cash sale for account of issuers were as follows in fiscal years 1952 and 1951:

	1952	*1951*
Electric, gas and water	$2, 246, 560, 000	$1, 692, 604, 000
Manufacturing	1, 819, 300, 000	680, 950, 000
Financial and investment	1, 553, 637, 000	1, 319, 707, 000
Transportation and communication	1, 536, 633, 000	667, 351, 000
Foreign government	166, 141, 000	678, 484, 000
Extractive	131, 993, 000	57, 076, 000
Merchandising	59, 825, 000	64, 239, 000
Service	9, 800, 000	2, 980, 000
Construction	2, 948, 000	0
Real estate	2, 450, 000	5, 700, 000
Total	7, 529, 287, 000	5, 169, 092, 000

From this and similar tables in recent annual reports, it can be ascertained that of approximately $36.6 billion effective registrations for cash sale for account of issuers during the past seven fiscal years, $12.3 billion were electric, gas, and water, $7.6 billion were manufacturing, $7.4 billion were transportation and communication, $7.0 billion were financial and investment, $1.3 billion were foreign government, and all others were somewhat over $1.0 billion. The transportation group does not include issues, primarily railroad securities, subject to Interstate Commerce Commission filings and therefore exempt from registration. Electric, gas, and water company issues were the largest during the past four fiscal years, transportation and communication issues the largest for the 1948 fiscal year, and manufacturing issues the largest for the 1947 and 1946 fiscal years.

Type of Security

Bonds amounted to 44.4 percent of the total registered in the 1952 fiscal year for cash sale for account of issuers, preferred stocks 11.3 percent, and all other equity securities 44.3 percent, as shown by the following comparative figures for fiscal years 1952 and 1951:

	1952	*1951*
Bonds [1]	$3, 345, 696, 000	$2, 838, 001, 000
Preferred stock	851, 432, 000	426, 649, 000
All other equity securities	3, 332, 159, 000	1, 904, 441, 000
	7, 529, 287, 000	5, 169, 092, 000

[1] Bonds include face-amount certificates.

Type of Offering

About 58 percent of the securities registered for cash sale for account of issuers in the 1952 fiscal year were to be sold through investment bankers pursuant to agreements to purchase for resale. Over 18 percent were to be sold on a best-efforts basis. The term "best-efforts" as used here means all offerings through investment bankers other than those pursuant to agreements to purchase for resale. The remaining 23 percent were to be sold direct by issuers to investors. Comparative figures follow:

	1952	1951
Through investment bankers:		
Under agreements to purchase for resale	$4, 373, 737, 000	$2, 547, 477, 000
On "best-efforts" basis	1, 390, 517, 000	[1] 1, 744, 573, 000
By issuers to investors	1, 765, 034, 000	877, 041, 000
	$7, 529, 287, 000	$5, 169, 092, 000

[1] Includes $500,000,000 State of Israel bonds.

Investment Companies

Data on securities registered for cash sale by investment companies, although included with data on all securities registered for cash sale, are presented here separately. This group of securities amounted to $1.4 billion in the 1952 fiscal year and $1.2 billion in the 1951 fiscal year. The registrants of these securities are divided into three main categories: (1) Open-end companies, (2) closed-end companies, and (3) issuers of unit and face-amount certificates. Comparative data for the two years are shown:

	1952	1951
Management open-end companies:		
Common stocks and certificates of participation:		
Through investment bankers on "best-efforts" basis	$1,047,620, 000	$840, 960, 000
By issuers to investors	31, 641, 000	16, 082, 000
Total	1,079, 261, 000	857, 042, 000
Management closed-end companies:		
Common stocks and certificates of participation:		
Through investment bankers:		
Under agreements to purchase for resale	10, 200, 000	
On "best-efforts" basis	1, 647, 000	5, 566, 000
By issuers to investors	8, 712, 000	33, 000
Total	20, 559, 000	5, 599, 000
Units and face-amount certificates:		
Face-amount certificates:		
Through investment bankers on "best-efforts" basis	151, 660, 000	254, 808, 000
By issuers to investors	16, 706, 000	14, 288, 000
Common stock and certificates of participation:		
Through investment bankers on "best-efforts" basis	106, 150, 000	59, 731, 000
Total	274, 515, 000	328, 828,000

Purpose of Issue

Nearly 73 percent of the net proceeds of the securities registered for cash sale for account of issuers in the 1952 fiscal year were for new money purposes including plant, equipment, working capital, etc. About 4 percent were for retirement of debt and preferred stock. About 21 percent were for the purchase of securities, principally by investment companies. The remaining 2 percent were for use of foreign governments. The figures are shown in detail in Appendix table 1, part 3.

Investment Bankers' Compensation

Commissions and discounts to investment bankers, in the case of new issues effectively registered for cash sale through them to the general public, have amounted to approximately the following percents of gross proceeds in fiscal years 1943 to 1952:

Fiscal year ended June 30	Bonds	Preferred	Common	Fiscal year ended June 30	Bonds	Preferred	Common
1943	1.7	3.6	9.7	1948	0.6	4.5	10.2
1944	1.5	3.1	8.1	1949	.8	3.8	7.1
1945	1.3	3.1	9.3	1950	.6	2.7	6.4
1946	.9	3.1	8.0	1951	.8	3.6	6.1
1947	.9	2.8	9.3	1952	1.0	3.2	5.8

The above showing is exclusive of investment company securities, offerings through rights to existing stockholders, securities sold to special groups such as officers and employees, and securities registered for other than cash sale. The commissions and discounts shown on bonds in the above table are broken down by quality and size of issue in Appendix table 2 of this report and its predecessors.

REGISTRATION STATEMENTS FILED

The amount of new financing proposed to be offered under the Securities Act during the 1952 fiscal year rose to an all-time high of $9,045,035,056 represented by 665 registration statements filed. The previous record was established in the 1946 fiscal year when the aggregate offering was $7,401,260,809 represented by 752 statements. As shown in the following table, the new high exceeds the amount in the 1951 fiscal year by over 40% and that in the 1950 fiscal year by over 70%.

Registration statements filed—1949–52

Fiscal year—	Number	Amount	Fiscal year—	Number	Amount
1949	455	$5,124,439,119	1951	544	$6,371,827,423
1950	496	5,220,654,010	1952	665	9,045,035,056

These expanding figures deal with proposed offerings and not necessarily sales. Nevertheless they reflect informed underwriters' opinion that the public has a growing ability and willingness to invest in additional securities. Especially significant of the increasing work load carried by the reduced staff available for processing these registration statements is the fact that the 665 statements filed during the 1952 fiscal year represent 22% more statements than the number filed in 1951 and 34% more than the number filed in 1950. It is also significant in this connection that new registrants—those without previous experience in filing registration statements—accounted for 119, or 22%, of all statements filed in 1951. The number and proportion of such new registrants rose in the 1952 fiscal year to 165, or 25% of the total filing statements. In all cases the examination process is necessarily exhaustive and time-consuming; in the case of new registrants it undeniably requires the application of additional man-hours.

Particulars regarding the disposition of all registration statements filed are summarized in the following tables:

Number and disposition of registration statements filed

	Prior to July 1, 1951	July 1, 1951 to June 30, 1952	Total as of June 30, 1952
Registration statements:			
Filed	9,083	665	9,748
Effective—net	7,629	[1] 634	[2] 8,259
Under stop or refusal order—net	183	1	184
Withdrawn	1,202	31	1,233
Pending at June 30, 1951	69		
Pending at June 30, 1952			72
Total	9,083		9,748
Aggregate dollar amount:			
As filed	$69,555,152,582	$9,045,035,056	$78,600,187,638
As effective	65,900,108,254	9,499,583,240	75,399,791,494

[1] This figure does not include two registration statements which were withdrawn after becoming effective;
[2] This figure does not include three registration statements which became effective prior to July 1, 1951, and were withdrawn, and one which became effective prior to this period and was placed under stop order, and these are counted in the number withdrawn.

Additional documents filed in the 1952 fiscal year under the Act

Nature of document:	*Number*
Material amendments to registration statements filed before the effective date of registration	1,055
Formal amendments filed before the effective date of registration for the purpose of delaying the effective date	678
Material amendments filed after the effective date of registration	683
Total amendments to registration statements	2,416
Supplemental prospectus material, not classified as amendments to registration statements	1,208

EXEMPTION FROM REGISTRATION UNDER THE ACT

The Congress, recognizing the need to encourage small business enterprise, authorized the Commission under section 3 (b) of the Act by its rules and regulations to exempt from the registration requirements security offerings up to $100,000, subsequently raised by statutory amendment enacted May 15, 1945, to $300,000. Acting under this authority the Commission has adopted five types of exemptions of small offerings as identified below:

Regulation A. General exemption for small issues up to $300,000 for issuers (limited to $100,000 for controlling stockholders).
Regulation A–R. Special exemption for notes and bonds secured by first liens on family dwellings up to $25,000.
Regulation A–M. Special exemption for assessable shares of stock of mining companies up to $100,000.
Regulation B. Exemption for fractional undivided interests in oil or gas rights up to $100,000.
Regulation B–T. Exemption for interests in oil royalty trusts or similar types of trusts or unincorporated associations up to $100,000.

By far the most frequent of these exemptions are the ones provided by Regulations A and B, which call for the filing, respectively, of a letter of notification and an offering sheet. These documents call for a disclosure in brief summary of pertinent information regarding the security which is far less complete than what is prescribed by the Act for a registered security. After such filing, little time elapses before the offering may be made—five business days under Regulation A, and eight calendar days under Regulation B. Any sales literature to be used must be filed in advance with the Commission.

Exemption from registration afforded by any of the regulations adopted pursuant to section 3 (b) does not carry exemption from the civil liabilities for material untruths or omissions imposed by section 12 or from the criminal liabilities for fraud imposed by section 17.

Exempt Offerings Under Regulation A

During the 1952 fiscal year 1,494 letters of notification were filed to cover proposed offerings of $210,672,956. While the amount of these offerings does not represent an increase comparable to that shown for the year in offerings of registered securities, it reflects a substantial increase over the 1,358 filings in the amount of $174,277,762 under Regulation A in the preceding year. Comparative figures for the past two years for each regional office are shown below.

Regional office	1951 fiscal year		1952 fiscal year		
	Number of letters of notification filed	Aggregate offering price	Number of letters of notification filed	Aggregate offering price	Percent of increase in aggregate offering price
Atlanta	75	$11,526,403	97	$16,874,175	46
Boston	89	10,844,052	89	12,286,417	13
Chicago	132	18,590,277	149	20,578,110	11
Cleveland	89	12,026,985	106	16,015,445	33
Denver	102	12,650,509	132	19,237,418	52
Fort Worth	80	11,751,293	101	15,506,735	32
New York	372	45,669,680	381	50,855,271	11
San Francisco	208	25,846,180	216	29,673,367	15
Seattle	117	15,649,244	123	17,339,020	11
Washington	94	9,723,139	100	12,306,998	27
Total	1,358	174,277,762	1,494	210,672,956	21

Included in the 1952 fiscal year totals are 196 letters of notification covering stock offerings of $25,531,264 with respect to companies engaged in the oil and gas business.

In connection with the total of 1,494 letters of notification there were also received and examined by the staff during the fiscal year 1,417 amendments, so that roughly speaking the average letter of notification required the filing of one amendment in order to meet the limited applicable standards. Likewise received and examined were 1,831 copies of sales literature to be used to promote these offerings.

Information is available as to 1,488 of the small offerings filed in the 1952 fiscal year to show their relative size; whether made by the issuer or stockholders; and the extent to which and by what class of persons underwritten. As to size, 756 covered offerings of $100,000 or less; 276 over $100,000 and not over $200,000; and 456 over $200,000 but less than $300,000. Issuers made 1,209 of these offerings; stockholders 267; and issuers and stockholders jointly 12. Practically half, or 742 of the offerings were underwritten, mostly by commercial underwriters who handled 568, and otherwise by officers and directors or other persons not regularly engaged in the underwriting business who accounted for the remaining 174.

Exempt Offerings Under Regulation A–M

During the year the Commission received a total of five prospectuses under Regulation A–M covering an aggregate offering price of $203,368 of assessable shares of stock of mining companies. All were filed at the Seattle Regional Office.

Exempt Offerings Under Regulation B—Oil and Gas Securities

The Commission maintains in the Division of Corporation Finance an Oil and Gas Unit dealing especially with the technical and complex problems peculiar to offerings of oil and gas securities. As noted above, it was necessary during the year to abolish the Tulsa office previously maintained as an important outpost to handle this specialized work.

During the 1952 fiscal year the staff of the Oil and Gas Unit examined a total of 93 offering sheets filed with the Commission under Regulation B, and 54 amendments to such offering sheets; 196 of the letters of notification filed under Regulation A which covered stock of companies engaged in the oil and gas business; and 114 of the registration statements, and 101 amendments thereto, filed under the Act by oil, natural gas, or refining companies. A by-product of these examinations was the necessary preparation of 135 memoranda dealing with such technical matters as the accuracy or reasonableness of geological reports, estimates of oil reserves, etc., intended to be used by offerors of registered securities as a part of their registration statements. In addition, as an aid to the Commission's enforcement of the provisions of sections 12 and 17, regional offices submitted to this specialized staff for technical analysis and review 315 exhibits of sales literature proposed to be used by offerors of exempt oil and gas securities.

The following formal actions were taken during the year with respect to the filings under Regulation B.

Action taken on filings under Regulation B

Temporary suspension orders—rule 340 (a)	9
Order terminating proceeding after amendment	1
Order consenting to withdrawal of offering sheet and terminating proceeding	1
Orders consenting to withdrawal of offering sheet (no proceeding pending)	4
Orders terminating effectiveness of offering sheet	5
Orders accepting amendment of offering sheet	40
Total number of orders	60

Confidential reports of sales.—The Commission obtains certain confidential reports of actual sales of securities exempt under Regulation B which are also examined by the staff to assist in determining whether violations of the law have occurred in such sales. During the 1952 fiscal year, 1,322 such confidential written reports of sales on Forms 1–G and 2–G, pursuant to rules 320 (e) and 322 (c) and (d), were received and examined. They covered aggregate sales of $1,508,868.

Oil and gas investigations.—The Commission conducts numerous investigations, which arise largely out of complaints received from individual investors, to determine whether there has been any violation of any other provision of law in the sale of oil and gas securities exempted under Regulation B. Litigation resulting from these investigations is discussed later in this report.

FORMAL ACTION UNDER SECTION 8

As previously indicated, the Commission has power to institute formal proceedings under section 8 (b) to determine whether to issue a stop order to prevent a registration statement from becoming effective when it appears to be inaccurate or incomplete in any material respect; under section 8 (d) to determine whether to issue a stop order to suspend the effectiveness of a registration statement so defective; and under section 8 (e) to make an examination to determine whether to issue a stop order under section 8 (d).

Stop-order Proceedings Under Section 8 (d)

Cristina Copper Mines, Inc.—File No. 2–8487.—During the 1952 fiscal year a stop order was issued under section 8 (d) suspending the effectiveness of the registration statement of Cristina Mines, Ltd., a Delaware corporation organized in 1945. This registration statement became effective August 22, 1950, as to 400,000 shares of 50¢ par value common stock to be offered publicly at $1.00 per share. After the sale of 31,610 shares pursuant to the registration statement, Cristina withdrew the unsold 368,390 shares from registration on June 13, 1951. Between May 23 and 29, 1951, an examination was held under section 8 (e), and after the institution of stop-order proceedings on June 29, 1951, the record of that examination was incorporated in these proceedings. The Commission's findings and opinion resulting in the issuance of a stop order suspending the effectiveness of this registration statement on May 1, 1952, is available as Securities Act Release No. 3439. Certain data relating to Cristina's public offering of unregistered shares, the sale of promoters' holdings, the market price of its shares, and the false and misleading character of relevant financial statements which were held to require the stop order are briefly discussed below.

Cristina holds 37 leases of mining properties covering a total area of about ten square miles in Cuba. It acquired these leases in 1945 from its president and principal promoter, H. Cortez Johnson. The only shipment of ore from the property in the nine years the leases had been held by Cristina or Johnson was of approximately 2,200 tons in 1948 from which proceeds of $41,350.87 were received. The registration statement recited that the proceeds of $340,000 expected from the offering were to be expended, after payment of the expenses of the offering, to explore and develop the present mine area and to extend workings into new areas.

The registration statement represented that Cristina had sold 162,000 shares of its stock "privately" by April 1950 to "eighteen private individuals for investment purposes only and not for distribution." However, the record developed in these proceedings shows that these 162,000 shares were in fact sold to approximately seventy persons, and that an additional 28,000 shares, of which no mention was made in the registration statement, were also sold by Cristina in July and August 1950. The Commission, after reviewing the record, found that the statement that 162,000 shares had been privately offered, and the failure to disclose the offering of the 28,000 shares and the existence of a contingent liability under the Act because of Cristina's failure to register any of these 190,000 shares, rendered the registration statement materially false and misleading.

During the period the registration statement was in effect and the registered shares were being offered at $1.00 per share, at least 28,650 shares of Cristina stock owned personally by individuals who were directors or promoters of Cristina or closely associated with the company were offered and sold by them at prices ranging from 40¢ to 75¢ per share. In addition, beginning about January 1951, there was an active over-the-counter market in Cristina stock at prices substantially lower than the $1.00 offering price of the registered shares, and transactions were effected between January 17 and March 5, 1951, in the total amount of 22,900 shares, at prices ranging from 50¢ to 75¢. Although Cristina filed several amendments to the registration statement after these sales had been made by these individuals and the over-the-counter market had been developed, disclosure of those facts was not made therein. The Commission found that such disclosure should have been made in connection with the continued use of the stated offering price of $1.00 per share, since it would have indicated that such price was considerably higher than the current price on the open market.

The registration statement filed by Cristina disclosed no liabilities. The record in these proceedings showed, however, that as of June 30, 1950, Cristina owed approximately $2,000 for expenses incurred in connection with its operations; around $1,000 to its accountant; approximately $6,000 to one promoter for back commissions; $3,000 to another promoter; and was in default on its royalty payments to the extent of over $9,000. In addition, Cristina owed its attorney an amount that was in dispute, and, as suggested above, it was contingently liable for selling unregistered securities in violation of the statute. Besides the materially misleading omission of liabilities, which exceeded the current assets of the company stated at $6,536.11, the financial data included in the registration statement were found by the Commission to be inaccurate and incomplete in certain other respects.

The Commission concluded that, in view of the substantial nature of the various deficiencies found in this registration statement, the issuance of a stop order was required in the public interest.

DISCLOSURES RESULTING FROM EXAMINATION OF REGISTRATION STATEMENTS

The results of the Commission's work in the examination of registration statements are illustrated below.

Summaries of earnings.—In announcing the adoption on November 1, 1951, of the revised Form S–1 for the registration of securities under the Securities Act, which will be discussed more fully later in this report, the Commission called particular attention to a new provision in the form pertaining to the summary of earnings in the prospectus. Under this provision, if the summary of earnings set forth in the prospectus is certified for the required period and contains the same disclosure as would be contained in conventional profit and loss statements, the summary will be accepted as meeting the requirements for profit and loss statements and such statements will not be required to be included elsewhere in the prospectus or in the registration statement. It was anticipated that this provision for the elimination of unnecessary duplication and the consequent reduction in the length of the prospectus would appeal particularly to registrants in the public utilities field since it had been customary for such registrants to include practically the same detail in the summaries as was prescribed for the profit and loss statements. Not surprisingly, therefore, the first use of this permissive rule, commencing in December, was made by certain utility registrants. Of course the new rule does not apply solely to public utilities, and it has subsequently been used by various manufacturing and industrial registrants with equally beneficial results.

The summary of earnings is generally considered to be one of the most important parts of the prospectus and as such must be prepared with great care to be sure that no misleading inferences may be drawn from it. The following cases illustrate the results achieved by the staff's examination of the summary.

The registration statement, as originally filed by a company deriving its income principally from long-term contracts, included in the summary of earnings and in the financial statements unaudited interim figures for the 12-week period subsequent to the close of its last fiscal year. The summary, in addition to its figures for ten full fiscal years and the 12-week interim period, also included figures for the 16-week period subsequent to the close of the fiscal year. Comparison of the two interim periods disclosed net income in the last 4 weeks of the 16-week period approximately equal to the net income in the first twelve weeks. In view of the possible interpretation that this comparison indicated a substantial improvement in earnings, which was unwarranted because of the nature of the business, it was agreed in a discussion between members of the staff and counsel for the company to delete the 12-week figures from the summary of earnings and to substitute the 16-week for the 12-week figures in the financial statements.

In another case the prospectus submitted as a part of the registration statement, as originally filed, contained a consolidated summary of earnings for five fiscal years and for an interim period of 5 months. It was noted in the process of examination that a company with approximately equal sales and assets was merged into the registrant near the close of the second fiscal year but was not included in the summary until the year after the merger, which was the third year included in the summary. Under the circumstances, it did not appear to the staff that the information furnished for the first 2 years was fairly comparable to that shown for subsequent periods. Consequently, this registrant, at the staff's request, restated the results of operations for the first 2 years on a combined basis to reflect the effect of the merger, and made corresponding changes in the paragraph in the text which discussed the growth of the company. As originally filed, it was asserted that in 5 years sales increased from $29,000,000 to $206,000,000 and total assets from $24,000,000 to $130,000,000. As amended, it was stated that sales on a combined basis increased from $63,000,000 to $206,000,000 and combined assets from $40,000,000 to $130,000,000.

Accounting for a "pooling of interests."—A foreign company filed with its registration statement a prospectus in which it was stated that the registrant was formed for the purpose of amalgamating a number of existing companies engaged in the oil business. The registrant urged before the Commission that the transaction was a purchase of assets (as distinguished from a business combination and pooling of interests) and that therefore the assets of the amalgamation should be stated on the basis of an amount, agreed upon by the several constituents, representing the value of the registrant's shares issued in the transaction. On this basis, the consolidated balance sheet would have reported total assets of approximately $14,500,000, and capital surplus in excess of $10,000,000.

The Commission, giving consideration to the nature and effect of the transactions resulting in the formation of the registrant and its absorption of the businesses of its predecessor and subsidiary companies, concluded that the transaction in substance involved a business combination and pooling of interests and that accounting procedures applicable to such a transaction should be followed in setting up the balance sheet of the new company. As a result, the consolidated balance sheet of the registrant reported total assets of approximately $8,400,000 and capital surplus of approximately $4,100,000.

In this connection it may be noted that the prospectus stated that the price at which the shares were offered was in excess of the value per share attributable solely to the company's already proven oil and gas reserves and its equity in subsidiary companies less its and their indebtedness, or solely to earnings of the company and its predecessor and subsidiary companies as shown in the financial statements included in the prospectus. Therefore, the prospectus stated, the offering price already anticipated and reflected the possibility that the company and its subsidiary companies might in the future discover and develop oil and gas reserves greatly in excess of those presently owned.

Independence of accountants.—In connection with the processing of registration statements during the past year evidence was developed by the staff in a number of cases indicating that the financial statements included in the registration statements had been certified by accountants who, under the rules of the Commission, could not be considered independent of the registrant. In several of these cases this situation was revealed early in the examination procedure and new accountants were appointed by registrants without delay. One of these registrants was a new investment company, whose accountant selected to certify the financial statements was shown by the original prospectus to be its treasurer, director and stockholder. Any one of these relationships is sufficient to disqualify an accountant under the Commission's definition of an independent accountant. Other cases involved either director or stockholder relationships on the part of the proposed accountants.

Two other cases in which the accountants were deemed not to meet the Commission's standards of independence were similar in many respects, including the fact that the disqualifying relationships were not revealed until shortly before it was desired to have the registration statements become effective. The determination that the accountants were not independent in these cases resulted in delays and increased expenses which could have been avoided by the registrants if they had made full disclosure of the relevant facts prior to filing. In both cases the accountants had served the client for many years, and during the period for which they certified financial statements included in the registration statements they participated in real estate transactions with officers of the registrants under circumstances which led to the conclusion that the accountants could not be considered as independent of the registrants. However, in both cases new accountants were appointed, and financial statements certified by them were furnished in amendments to the registration statements. In one of these instances the new accountants found it necessary to restate the income for all years included in the prospectus in order to eliminate the effect of arbitrary reserves used by the management, with the approval of the first accountants, in stating the value of inventories—a practice not considered to be in accordance with generally accepted accounting principles.

Effect of insiders' dealings on offering price.—A mining company incorporated in a foreign country where its common stock is listed on a securities exchange filed a registration statement covering an offering of its shares at a price fixed in relation to the market quotation.

In the course of the examination of the registration statement, a study was made by the staff of a number of articles appearing in a widely read mining newspaper over a period of months preceding the filing of the registration statement, during which time there was extensive activity with a substantial rise in the quoted price of the stock. The study showed that the newspaper articles contained statements that were inaccurate and in sharp variance with the information given in the registration statement and that there had been extensive trading in the shares by persons active in the affairs or holding large blocks of stock of the company. In view of the possible influence of these circumstances upon the market price, and consequently upon the offering price of the shares, the following disclosure was added to the prospectus:

> The prices * * * at which the securities are being offered are essentially arbitrary and cannot reasonably be related to any development in the Company's affairs to date. The price of the Company's shares on the * * * Stock Exchange has fluctuated widely, ranging during the past year from a low of $0.60 to a high of $1.95 and closing on March 7th, 1952 at $1.07 per share. These prices bear no discernible relationship to the progress of the Company in the exploration of its mining properties and must be viewed in light of market activities which may have been affected by rumors and the appearance from time to time of inaccurate public press reports. Large stockholders and other persons active in the affairs and management of the Company have engaged in extensive trading in the stock of the Company during the past year.

Distortion of per-share earnings figures corrected.—Per-share earnings figures are often used by investors as a preliminary, rule-of-thumb gauge of the appropriateness of the offering price of new common stock issues, and the revised Form S–1 requires that if common stock is being registered, earnings per share applicable to common stock must be shown when appropriate in connection with the earnings summary. This requirement, however, presupposes that such earnings per share will be calculated on a rational basis.

A manufacturing company was managed and wholly owned by two individuals, one of whom desired to sell out his entire one-half interest and retire from the business, and the other was to retain his equity and his control and management of the company. As a preliminary to this transaction, steps were taken to revamp the capital structure of the company to provide for two classes of stock, called respectively "Common Shares" and "Class B Shares." At the effective date of the registration statement which was then filed to cover the public offering of securities by the selling stockholder, the recapitalization of the company was to have been completed and all of the common shares (100,000 shares) were to be owned by the selling stockholder and all of the class B shares (150,000 shares) were to be owned by the nonselling stockholder. The 150,000 class B shares were to be convertible into 111,000 common shares at the end of 5 years, were to have voting control of the company, but were not to be entitled to receive dividends until $2 per share non-cumulative annual dividends were paid on the common shares. As a preliminary to the offering, the company entered into a 5-year employment contract with the nonselling stockholder. This contract plus the dividend and conversion provisions of the class B shares issued in the recapitalization accomplished, as a practical matter, simply a temporary waiver by the nonselling stockholder of his right to receive dividends on his 50% stock equity in the company for 5 years, compensated for in substantial part by (a) the contract which entitled him to receive $80,000 per year salary (with other benefits in the event of death or incapacity), (b) the holding by him of an absolute majority voting control of the company during the 5-year period, and (c) at the end of such period his entitlement to 111,000 shares of common stock as compared to the 100,000 shares being issued for the selling stockholder's 50% equity.

The prospectus as originally filed in this case included a per-share earnings table which attempted to attribute to the 100,000 common shares issued for the selling stockholder's 50% share in the business, in one column the entire earnings of the company, and in a second column $2 per share plus 50% of the earnings over that amount. The examining staff took the position that neither of these columns gave earnings properly "applicable" to the stock being offered, and, at the request of the staff, there was substituted in the prospectus a table showing per-share earnings on the basis of the 211,000 shares of common stock ultimately to be outstanding by virtue of the whole equity in the business. The radical nature of this change is shown below:

As originally filed—

Year ended May 31	Net earnings per share on 100,000 common shares	Net earnings per share on 100,000 common shares, after provision for earnings applicable to class B common shares
1947	$1.69	$1.69
1948	3.47	2.73
1949	4.15	3.07
1950	6.26	4.13
1951	9.72	5.86
8 months ended Jan. 31, 1952	2.11	2.05
2 months ended Mar. 31, 1952	1.20	1.20
10 months ended Mar. 31, 1952	3.31	2.65

As revised—

Year ended May 31	Net earnings per share on 211,000 common shares
1947	$0.80
1948	1.64
1949	1 96
1950	2.96
1951	4.60
8 months ended Jan. 31 1952	1.00
2 months ended Mar. 31, 1952	.57
10 months ended Mar. 31, 1952	1.57

Speculative hazards disclosed.—A corporation organized under the laws of Delaware to acquire all of the stock of a foreign corporation, which had been organized to explore for sulphur under a concession from a foreign government, filed a registration statement covering 400,000 shares to be offered the public at $1.00 per share. The staff insisted that full disclosure be made of material facts concerning the participation of inside promoters. As a result, the registrant incorporated in its amended prospectus an "Introductory Paragraph" which described the basis of the insiders' participation in sharp contrast to the basis upon which public investors were to be offered a share in the venture, as indicated in the following quotation therefrom:

> [The registrant] has no operating history, and neither owns nor controls any known sulphur deposits. The offering price of $1.00 per share for the 400,000 shares of Common Stock to be sold was determined arbitrarily and such price does not necessarily have any relation to the value of the shares offered. There is presently no established market for the Common Stock.
>
> The purchasers of such 400,000 shares of Common Stock who will provide all of the cash required for the purposes of this financing as described later in this Prospectus, will acquire only 31.25% of the total Common Stock then outstanding.
>
> [The foreign corporation] and its controlling stockholders who are identified later in this Prospectus as promoters acquired a total of 800,000 shares of Common Stock and will receive in addition $100,000 in cash from the proceeds of this financing and a royalty of $1.00 per short ton of sulphur produced for the assignment of certain rights in concessions of unproven value on which the cost in cash to these promoters has been $12,882.84. The holdings of Common Stock of such promoters will therefore constitute 62.5% of the outstanding stock on completion of this financing.
>
> The directors of [the registrant] who are also later identified in this Prospectus as promoters have received 80,000 shares of Common Stock for services rendered and to be rendered, or 6.25% of the outstanding stock on completion of this financing.
>
> Thus a total of 68.75% of the Common Stock will be held by persons designated as promoters.

CHANGES IN RULES, REGULATIONS AND FORMS

Particularly important changes have been made and others have been proposed by the Commission during the period under review in the rules and forms used in administering the Securities Act. Especially notable are the changes in rules and forms adopted or proposed, as described below, which reflect the Commission's continual efforts to improve the effectiveness of the vital prospectus in achieving the standard of disclosure intended by the statute.

Rule 133—Definition, for purposes of Section 5, of "sale," "offer to *sell," and "offer for sale."*—During the year the Commission adopted a new rule, designated as rule 133, which in effect excludes from the operation of section 5 of the Act the issuance of securities in connection with certain types of corporate reclassifications, mergers, consolidations and sales of assets.

The new rule codifies the administrative construction, going back at least to 1935, to the effect that, for purposes of registration, no "sale" to the stockholders of a corporation is deemed to be involved where, pursuant to applicable statutory or charter provisions, the vote of a specified majority of stockholders on a proposed reclassification of securities or merger or consolidation, or on a proposed sale of assets in exchange for the stock of another corporation, will bind all stockholders except for the statutory appraisal rights of dissenters.

Substantially this rule was first promulgated by the Commission in September 1935 as a note to Rule 5 of Form E–1.[3] Form E–1 was the registration form for securities sold or modified in the course of a reorganization, as defined in rule 5 of that form. In April 1947 the Commission rescinded Form E–1 as part of its general form simplification program.[4] Since then the Commission has continued to follow the so-called "no sale theory" administratively in applying section 5 of the Act.

The Commission has never felt, however, that the "no sale theory" necessarily applies in other contexts either under the Securities Act or under any of the other Acts administered by the Commission. As the United States Court of Appeals for the Second Circuit has had occasion to emphasize, section 2 of the Securities Act provides that the terms defined therein, which include the term "sale," shall have the prescribed meanings "unless the context otherwise requires."[5] Thus, under the Public Utility Holding Company Act of 1935 the Commission has uniformly treated the issuance and sale of securities in mergers and analogous transactions as involving sales requiring its prior approval.[6]

The new rule is specifically limited by its terms to section 5 of the Securities Act. Consequently, whether or not a sale is involved for any other purpose will depend upon the particular statutory context applicable, and the question should in no sense be influenced by the rule. As a matter of statutory construction the Commission does not deem the "no sale theory," which is described in the rule, to be applicable for purposes of any of the anti-fraud provisions of the Securities Act, the Securities Exchange Act of 1934, or the Trust Indenture Act of 1939.

Rule 154—Definition of "solicitation of such orders" in Section 4 (2)—The Commission also adopted during the year a new rule, designated as rule 154, which defines the term "solicitation" in connection with the exemption for unsolicited brokerage transactions in section 4 (2) of the Act.

Section 4 (2) exempts from the registration and prospectus requirements of the Act:

> Brokers' transactions, executed upon customers' orders on any exchange or in the open or counter market, but not the solicitation of such orders.

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[3] Securities Act Release No. 493 (Class C).
[4] Securities Act Release No. 3211.
[5] *Schillner* v. *H. Vaughan Clarke & Co.*, 134 F. 2d 875 (1943).
[6] *Rochester Gas & Electric Corp.*, Holding Company Act Release No. 6340 (December 27, 1945).

The interpretation of Section 4 (2) has been the subject of considerable doubt. The purpose of the new rule is to settle some interpretative questions relating to the meaning of the word "solicitation" in that section.

Paragraph (a) of the rule provides that the term "solicitation of such orders" shall be deemed to include "the solicitation of an order to buy a security, but shall not be deemed to include the solitication of an order to sell a security." For reasons set forth by the Commission in *Brooklyn Manhattan Transit Corporation*, 1 SEC 147, 171–2 (1935), if the broker solicits an order to buy a security, Section 4 (2) does not provide an exemption either for the solicitation itself or for the resulting transaction. On the other hand, the mere fact that the broker solicits the seller to sell will not destroy any exemption otherwise available to him under Section 4 (2); this construction is based on the fact that the statute is designed primarily for the protection of buyers rather than for the protection of sellers.

While paragraph (a) of the rule makes it clear that there is no exemption for the solicitation of orders to buy, a question remains as to what constitutes "solicitation" where a broker for a seller approaches a dealer who is bidding for the security or soliciting others to sell it to him. Paragraph (b) of the rule provides that, where the dealer's bid or solicitation is in writing, the broker's inquiry about it is not a "solicitation" within the meaning of section 4 (2), so that it does not destroy any exemption otherwise available. Paragraph (b) recognizes also that, in the over-the-counter market, dealers interested in buying a particular security may not publish a quotation or indication of interest in it every day or every week. To some extent such quotations are published in monthly services, and to allow for the delays incident to such publications the rule provides, in effect, that the broker can rely on bids or indications of buying interest originating as much as 60 days previously as indicating that a dealer is soliciting sell orders, so that the broker, in calling the dealer, would not be deemed to be soliciting him.

Rule 154 is a definition for purposes of Section 4 (2) and is not intended to serve, for example, as a definition of the phrase "solicitation of an offer to buy" which appears in Section 2 (3) of the Act. Nor is it intended to affect the Commission's holding in *Ira Haupt & Co.*, Securities Exchange Act release No. 3845 (August 20, 1946), regarding the applicability of Section 4 (2) to transactions by underwriters.

Amendment of various rules governing preparation and filing of registration statements and prospectuses.—The Commission amended during the year certain of its rules under the Act with respect to the preparation and filing of registration statements and prospectuses. The changes made in the text of these rules are set forth in Securities Act release No. 3424. As explained therein, the Commission had found it necessary, because of budgetary limitations, to provide that in the future all registration statements shall be filed and processed at its headquarters office in Washington. Previously, where issuers or their underwriters had been situated in the Pacific Coast area or in Hawaii, they had been permitted to file registration statements in the Commission's San Francisco Regional Office. As previously noted the registration unit in that office has been abolished.

Some of the other amendments relate to the formal requirements with respect to the preparation and filing of registration statements. For example, rule 402 was amended to provide that where the registration statement is typewritten, one of the copies filed with the Commission shall be the original "ribbon" copy and that such copy shall be signed.

Rule 403 was amended to permit registration statements to be printed, lithographed, mimeographed, typewritten or prepared by any other process which, in the opinion of the Commission, produces copies of the requisite clarity and permanence. Previously, the only processes permitted were printing, mimeographing or typing. The rules relating to legibility of the prospectus were also amended to make it clear that ten-point type is the minimum size of type which may be used in the body of prospectuses and that such type must be at least two points leaded. However, in the case of financial statements and other statistical or tabular data, the use of eight-point type is permitted.

Rule 426 was amended to require a statement in the prospectus not only with respect to proposed stabilization but also with respect to proposed over-allotments. The prospectus is also required thereby to include information with respect to the volume of transactions where stabilization is begun prior to the effective date of the registration statement.

New Rule 494 governing newspaper prospectuses for foreign governments.—On August 2, 1951, the Commission published notice that it had under consideration a proposal for the adoption of a rule under the Act with respect to newspaper prospectuses relating to securities issued by foreign governments. The Commission considered all comments and suggestions received in connection with the proposed rule and adopted the rule in the form set forth in Securities Act release No. 3425 (August 27, 1951).

Revised Form S–1 adopted and subsequently amended.—The Commission adopted on November 1, 1951, a revision of Form S–1, one of the forms for registration of securities under the Act. As announced in the Seventeenth Annual Report at page 22, when this revision was under consideration, the purpose of the revision was mainly to shorten and improve the prospectus (without sacrificing material information) and thereby facilitate its distribution and make it more useful to investors generally.

The revised form permits the omission from the prospectus of certain information which had theretofore been required to be set forth therein but requires such information to be furnished elsewhere in the registration statement so as to be available to investors and others who desire to make a more detailed study of the registrant or its securities. Thus, it is no longer necessary to include in the prospectus a detailed description of the underwriting arrangements. All that is required in the prospectus in this respect are the names of the managing underwriters and a statement as to whether such arrangements constitute what is commonly referred to as a "firm commitment" or whether they are in the nature of an agency or "best efforts" arrangement. Further details with respect to the underwriting and marketing arrangements are required to be otherwise furnished in the registration statement. In other cases, information theretofore required in the prospectus is permitted to be entirely omitted therefrom and set forth elsewhere in the registration statement. This treatment, for example, is accorded information with respect to franchises and concessions and indemnification of directors and officers.

A study was made of a number of prospectuses filed with the Commission, and the items of the new form rearranged in conformity with the more carefully prepared prospectuses reviewed. Wherever possible, the items and instructions were streamlined for the purpose of producing more concise statements in the prospectus without sacrificing essential information. In addition, the instructions as to financial statements were revised for the purpose of reducing the number of statements required, particularly in cases involving reorganizations, successions, and other acquisitions of business. In the draft of the proposed revision of Form S-1 which had previously been circulated for public comment, it was proposed that the summary of earnings would be accepted in lieu of conventional profit and loss statements and that statements of financial position might be furnished in lieu of conventional balance sheets. While the comments received were generally favorable to this proposal, it was the carefully considered opinion of many persons and firms that, in the interest of investors, the disclosure required should be not less than that which would be furnished by conventional financial statements certified by independent accountants.

Accordingly, the revised form as adopted by the Commission provides that if the summary of earnings set forth in the prospectus is certified for the required period and contains, as is now frequently the case, the same disclosure as would be contained in conventional profit and loss statements, the summary of earnings will be accepted as meeting the requirements for conventional profit and loss statements and such statements need not otherwise be included in the prospectus or elsewhere in the registration statement. The revised form makes no reference to statements of financial position, but it should be noted that the Commission's rules and regulations now permit the use of such statements, in appropriate cases, in lieu of conventional balance sheets. Such statements, however, must measure up to the same standards of disclosure as those required for conventional balance sheets. The revised form provides that the financial statements included in the prospectus must be certified to the same extent as previously required by Form S-1.

The Commission believes that the use of the revised form should result in a more concise selling prospectus which can be widely distributed and more easily understood by the average investor. The extent to which this goal is achieved will, however, depend in large measure upon the cooperation of the industry. It will be necessary for the issuer, the underwriters and their lawyers and accountants in the preparation of the prospectus to eliminate duplication, unimportant or mechanical details, and statistical or other information not called for by the form and not material from the standpoint of investors. If the prospectus is to serve its purpose it must not be prepared with a view to making it a detailed book of reference with respect to the issuer and its securities. The Commission and its staff will upon request assist to the fullest extent in pointing out in particular cases the extent to which it is deemed possible to accomplish the desired result and thereby make the prospectus more useful to investors. On January 31, 1952, the Commission amended the revised

Form S–1 in minor respects designed to remove certain ambiguities found in the language of the form.

Proposed revision of Form S–5.—Late in the 1952 fiscal year the Commission announced a proposed revision of Form S–5, and invited comments thereon from all interested persons. This form is used for the registration of securities under the Securities Act by open-end management investment companies which are registered under the Investment Company Act of 1940 on Form N–8B–1.

A registration statement on Form S–5 consists largely of certain of the information and documents which would be required by Form N–8B–1, if a registration statement under the 1940 Act were currently being filed on that form. Registrants using this form are thus permitted to base their registration statements under the 1933 Act upon the information and dockets filed with the Commission in the original registration statement and in subsequent reports under the 1940 Act.

The revision of Form S–5 under the Securities Act was proposed for the purpose of bringing it into line with a currently proposed revision of Form N–8B–1 under the Investment Company Act. It is contemplated that the revision of these forms will simplify registration under both Acts and will result in shorter and simpler prospectuses for open-end management investment companies.

Study of regulations governing prospectuses.—Proposal to adopt Rule 132 and amend Rule 431.—For some years the Commission has been exploring the advisability of recommending appropriate amendment of the Securities Act in order better to achieve its basic purpose of affording investors a maximum of timely disclosure in an understandable form. It seems clear that the two basic problems are (1) devising some means, consistent with the statutory prohibition of selling efforts before the effective date of the registration statement, for achieving more widespread dissemination of information during the waiting period, and (2) obtaining a statutory prospectus which is reasonably concise and readable.

The Commission has tentatively concluded that it would not be justified in recommending new legislation to the Congress until it has done everything possible to achieve these two results under its existing powers. This approach also has the advantage of permitting a degree of flexibility and experimentation. If the suggestions, which the Commission offered for public comment immediately after the close of the year,[7] are adopted, actual experience may indicate modifications from time to time. Moreover, the proposals offered are not necessarily a substitute for new legislation. In the event legislative action seems desirable, all parties concerned should be in a better position to consider statutory amendment in the light of the experience with the administrative changes thus proposed.

These proposals consist partly of new rules and partly of a new statement of policy with reference to acceleration of the registration statement.

In 1950 the Commission announced that it was considering a proposal to amend its rules under the Securities Act to do two things: (a) Permit the circulation to investors of "identifying statements" containing certain limited information taken from registration statements and prospectuses, and (b) facilitate and encourage advance distribution of proposed prospectuses (so-called "red herring pro-

[7] Securities Act release No. 3447 (July 10, 1952).

spectuses").[8] The Commission received comments on the proposal but no amendment was adopted at that time. The latest proposals contain certain modifications. These proposals and the factors prompting their consideration are described in full below making reference to the earlier release unnecessary.

In the absence of an exemption, the Securities Act prohibits the use of the mails or interstate facilities to make any sale or attempt to dispose of a security prior to the effective date of a registration statement, and requires the inclusion of material information in prospectuses used after that date. However, it does not prohibit the dissemination of information as such. Indeed, the concept of the waiting period is based on the premise that information will in fact be disseminated.

The report of the Committee on Interstate and Foreign Commerce on the bill that became the Securities Act (H. Rept. No. 85, 73d Cong., 1st Sess., pp. 12–13) stated that underwriters who wished to inform dealers of the nature of a security to be offered for sale after the effective date of the registration statement would be free to circulate the offering circular (prospectus) itself, if clearly marked in such a manner as to indicate that no offers to buy should be sent or would be accepted until the effective date of the registration statement. This practice is expressly permitted by rule 131 under the Securities Act, relating to the circulation of the so-called "red herring prospectus" before the effective date, and it is not proposed to change this rule.

In releases 464 and 802 under the Securities Act the Commission's General Counsel early expressed the opinion that the definitions of the terms "sale" and "sell" in section 2 (3), and hence the prohibitions of section 5, did not extend to certain summaries of salient information contained in registration statements—provided, among other conditions, that the material did not attempt to dispose of the security in process of registration and was not used after the effective date unless accompanied or preceded by a copy of the statutory prospectus. The proposed action would not affect the status of such summaries.

The proposed rule 132 is designed to permit, under certain conditions, the use of a brief "identifying statement" which would set forth generally the nature of the security to be offered. Certain categories of information would be required and certain additional categories would be permitted. Among other things, the identifying statement would set forth "the general type of business of the issuer," and it is contemplated that this statement regarding the nature of the business would not exceed a line or two. The identifying statement would be intended for use as a screening device to locate persons who might be interested in receiving a "red-herring prospectus" or final prospectus and not to facilitate solicitations in advance of the effective date. The proposed rule would be in the form of a definition of the terms "sale" and "offer" for purposes of section 5. The anti-fraud provisions would not be affected.

The rule would require that the identifying statement include a form for requesting copies of the prospectus. Persons requesting prospectuses before the effective date of the registration statement could be given the "red-herring prospectus" provided for in the present rule 131.

Rule 132 would condition use of the identifying statement upon the filing of a form of such statement as a part of the registration

[8] See Securities Act release No. 3396 (November 14, 1950).

statement ten days in advance of such use, unless the Commission accelerated the period. The identifying statement could be circulated or published by the issuer or by underwriters and dealers either before or after the effective date of the registration statement. Any person using the identifying statement would add to this form his name and (after the effective date) the price of the security. In order to make certain that a form of identifying statement would always be available for use by dealers, the Commission would amend its various registration forms to require that each registration statement be accompanied by a form of identifying statement.

In Securities Act release No. 3177, issued on December 5, 1946, at the time of the adoption of rule 131 on "red herring prospectuses," the Commission referred to its power under section 8 (a) to accelerate the effectiveness of a registration statement where adequate information respecting the issuer has been available to the public. That release states:

> The Commission, in considering requests for acceleration of the effective date of registration statements, will consider whether adequate dissemination has been made of copies of the proposed form of prospectus, as permitted by the Rule. The determination of what constitutes adequate dissemination must, of course, remain a question of fact in each case after consideration of all pertinent factors. It would, however, involve as a minimum the distribution, a reasonable time in advance of the anticipated effective date, of copies of such proposed form of prospectus to all underwriters and dealers who may be invited to participate in the distribution of the security.

In connection with the present proposals, the Commission, in determining whether to grant acceleration, would consider also (1) whether the identifying statement had been made available to all underwriters and dealers who might be invited to participate in the distribution and (2) whether copies of the "red herring prospectus" had been made available in reasonable quantity to such underwriters and dealers, taking into consideration the number of requests that they might expect to receive from customers and the amount of securities that might be available to them for distribution.

In order to facilitate the use of proposed prospectuses in the pre-effective period and to avoid the necessity of duplicating the information contained in them at a later date, it is proposed to amend rule 431 to provide generally that a final prospectus meeting the requirements of the Act may consist of the latest proposed prospectus under rule 131 plus a document containing such additional information that both together contain all the information required by the Act. The amendment would remove a provision which now limits the rule to offerings by an issuer to its existing stockholders.

The proposals outlined above are designed to assist distributors in locating persons interested in receiving the prospectus and to make prospectuses more readily available to prospective investors. A related problem is that a prospectus may not be useful to an investor if it is unduly long and complex. As a part of the present proposal, the Commission is therefore considering the adoption of a policy of refusing acceleration where it is satisfied that there has been no *bona fide* effort to make the prospectus reasonably concise and readable.

The text of the proposed rule and amendment is set forth in Securities Act release No. 3447 (July 10, 1952) which gave public notice of these suggestions.

LITIGATION UNDER THE SECURITIES ACT

Injunctive actions

It is sometimes necessary to resort to the courts to obtain compliance with the Securities Act. Such action is generally taken when it appears that continued violations and resultant damage to the public is threatened. The necessity for injunction has arisen most frequently in connection with violations of the registration and antifraud provisions of the Act.

A substantial number of cases requiring injunctive action are those relating to oil and mining promotions. The "gold brick" aspect of many of these promotions has by now become quite stereotyped. However, some cases vary from the norm sufficiently to be worthy of mention. For instance, injunctions were obtained in the cases of *SEC* v. *Jack Kelly, Inc. and Leo Jack Kelly,*[9] and *SEC* v. *Oil Prospectors, Inc. and Ralph Malone,*[10] where selling pressure was based largely on the stated integrity of Kelly and Malone, the promotors of the ventures. While the usual claims were made concerning the profit possibilities of the investment, the investor was assured that his investment was a sure and safe one because the promotors were men of honor. The Commission's complaints for injunction pointed out that the sellers were omitting to disclose that these individuals had criminal records.

The almost perennial "doodlebug" again made its appearance during the year in the case of *SEC* v. *Ben H. Frank, et al.*[11] Defendants used in their operations a device called a "Magnetic Logger" and the claims made for its efficacy in discovering oil were the usual ones and were false. The claimed existence of oil reserves in the company's acreage was also without basis. There is reason to believe that the injunction obtained by the Commission saved the investing public a substantial sum.

In *SEC* v. *Keystone Petroleum, Inc. and Clyde G. Kissinger,*[12] another oil promotion, the usual misrepresentations concerning fabulous wealth to be obtained from a small investment were being made, as well as that the properties owned by the company were surrounded by commercially producing oil wells. Actually, the nearest commercial producer, a poor one, was located miles away from the Keystone properties. An injunction was granted.

Injunctions involving oil promotions were also obtained by the Commission in *SEC* v. *C. E. Simmons,*[13] *SEC* v. *Sierra Nevada Oil Company* and *Louis A. Sears,*[14] *SEC* v. *E. M. Thomasson,*[15] and *SEC* v. *John G. Perry & Co.*[16] A preliminary injunction was obtained in *SEC* v. *Valentine Company, Inc.* and *Chancey M. Valentine,* which is pending.[17]

In the field of mining promotions the case of *SEC* v. *Frank Lilly, et al.,*[18] presented a somewhat novel approach. There the promotors had acquired a majority of the stock of Gold Valley Mining Com-

[9] Civil Action No 2209, N. D. Tex.
[10] Civil Action No. 2182, N D. Tex.
[11] Civil Action No. 5427, W. D. Okla.
[12] Civil Action No. W-417, D. Kans.
[13] Civil Action No 3476, W. D La
[14] Civil Action No 13056-C, S. D. Calif.
[15] Civil Action No. 3673, D. Colo.
[16] Civil Action No. 3463, D. Colo.
[17] Civil Action No 142, D. Nebr.
[18] Civil Action No. 993, E. D. Wash.

pany, a corporation which had been dormant for over twenty years. This company was, of course, entirely without assets. The promoters then proceeded to levy an "assessment" on the remaining outstanding shares, notwithstanding that the stock was, by its terms, nonassessable. Upon the failure of other stockholders to pay this assessment, the defendants acquired practically all of the remaining outstanding stock through delinquent assessment sales for virtually little or nothing. The defendants then, without amending the charter, changed the name of the company to Gold Gulch Mining Company, doubled its capitalization and proceeded to sell its shares. They also created an artificial market by extensive over-the-counter trading and by "wash sales" and "matched orders." The Commission obtained an injunction before the distribution had proceeded to any great extent.

The name *U. S. Oil and Development Corp.*,[19] was selected by *Walter A. Falk* and *Carl H. Peterson* for a corporation formed by them, which they falsely represented as being financed by loans from the Federal Government and which, despite its title, purported to be in search of ore rather than oil. An injunction was obtained by the Commission against the promoters.

The Commission also obtained injunctions against *Glacier Mining Company*,[20] together with a number of individual defendants, from further violations of the anti-fraud provisions of the Act and against *Searchlight Consolidated Mining and Milling Company and Homer C. Mills*,[21] from selling securities without registration, but these cases are not sufficiently novel to warrant further comment.

Of course, the Commission's injunctive litigation is not entirely in the oil and mineral promotion field. Frequently it arises in connection with companies engaged in the production of commodities or other types of business. In the case of *SEC* v. *The Fanner Manufacturing Company et al.*,[22] the corporate defendant, a foundry, attempted to acquire Grand Industries, Inc., a stove manufacturer, by offering the shareholders of Grand Industries one share of Fanner for each share of Grand Industries which they held. Representatives of Fanner inquired at the Cleveland Regional Office of the Commission regarding the propriety of such an exchange without registration and were told that it could be accomplished only if the exchange offer was limited to residents of the State of Ohio wherein the Fanner Company was incorporated. The Fanner management determined not to register and employed the assistance of three Cleveland investment houses who began a solicitation ostensibly limited to Ohio residents. When it appeared, however, that solicitations were being made to non-residents, and devious methods and subterfuges were being used to conceal the true situation, a complaint for injunction was filed. Fanner then agreed that it would immediately discontinue its exchange plan, would return all securities submitted for exchange subsequent to the date of the filing of the complaint, and would repurchase from the underwriters the securities which they had "on the shelf." Upon the entry of such a stipulation the Commission agreed to withdraw its complaint.

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[19] Civil Action No. 3894, D. Colo.
[20] Civil Action No. 2981, W. D. Wash.
[21] Civil Action No. 1000, D. Nev.
[22] Civil Action No. 29,110, N. D. Ohio.

The Commission obtained an injunction in *SEC* v. *United Insurers Service Company, et al.*,[23] a case interesting because of the novel character of the misrepresentations made in connection with the offering of the stock for sale. The false representations were to the effect that the company was a life insurance company; that investments in its stock were insured up to $5,000 by the United States Government; and that dividends to be paid on the stock would be exempted from Federal income tax.

In February 1952 the Commission filed a complaint against *Chinchilla, Inc.*[24] alleging violations of the registration and anti-fraud provisions of the Securities Act of 1933. The complaint alleged that the defendants had been selling investment contracts relating to the purchase of mated pairs of chinchillas and were misrepresenting the profits to be realized, the mortality rate of chinchillas and their susceptibility to disease, the market for the offspring, and similar matters. The case was pending at the close of the fiscal year.

An injunction was obtained against *Tom G. Taylor & Co.*[25] for misrepresentations concerning the value, holdings and stability of that company; and *Virgil S. Berry and J. Bridges Lenoir*[26] were enjoined because of misrepresentations concerning the stock of Research Manufacturing Corporation, Inc. In the latter case, Berry not only falsely represented that the company had received large orders from the Government, but did not disclose that it was his personally held stock that was being sold and that the proceeds were going into his own pocket instead of the company's treasury.

In *SEC* v. *Homer J. Cox and U. S. Frigidice, Inc.*,[27] Cox obtained a lease to certain property in New Mexico for the purported purpose of drilling a well for the production of carbon dioxide gas. As part of the promotion it was represented to potential investors that Cox would cause a railroad siding to be built to the site and that a dry ice plant, the cost of which would be in excess of $1,000,000, would also be constructed on the tract. Cox failed to tell investors that the securities being sold were not the securities of the corporation but were his own, that for the most part he was using the proceeds obtained from the sale of the securities for his personal purposes and that neither Cox nor the company had in their possession anywhere near the amount of funds necessary to build the proposed dry ice plant. Accordingly, the Commission obtained a final injunction prohibiting the sale of these securities. It might be mentioned that in the course of the investigation it became necessary to obtain a court order to enable the Commission to examine the books and records of the defendants [28] and the Commission even found it necessary to secure a citation against Cox for contempt of that order.

The Commission also had to apply to a court for an order requiring the production of books and records of *Mines and Metals Corporation*[29] and the order was issued in March 1952. An appeal to the Court of Appeals for the Ninth Circuit is pending.[30]

[23] Civil Action No. 7219, W. D. Mo.
[24] Civil Action No. 52C387, N D. Ill.
[25] Civil Action No. 1339, D. Mont.
[26] Civil Action No. 1016, S. D. Ala.
[27] Civil Action No. 1983, D. N. Mex.
[28] Civil Action No. 1904, D. N. Mex.
[29] Civil Action No. 13891-WB, S. D. Calif.
[30] The order was affirmed on November 20, 1952.

In *SEC* v. *Ralston Purina Company*, the Commission sought an injunction based on alleged violations of the registration provisions of the Securities Act. The company had been selling its stock to more than 500 of its employees, including many in minor positions, and contended that these transactions were exempt from registration under the non-public offering exemption contained in Section 4 (1) of the Act. The district court agreed with this contention and refused to grant a permanent injunction.[30a] On appeal to the Court of Appeals for the Eighth Circuit, this decision was sustained on November 21, 1952.[30b] The Commission has filed a petition for a writ of certiorari in the Supreme Court which is pending.

Participation as Amicus Curiae

Court rulings involving significant interpretations of the Securities Act were handed down during the fiscal year in two cases in which the Commission participated as *amicus curiae.* In *Blackwell* v. *Bentsen*[31] the federal district court for the Southern District of Texas dismissed a complaint seeking relief under sections 12 (a) and 17 (a) of the Act for allegedly fraudulent sales of securities. The court decided that the complaint did not allege facts showing that a "security" had been sold. According to the complaint, defendants sold plaintiffs 20-acre tracts of purported citrus land in an 800-acre development in the Rio Grande Valley of Texas, along with management contracts pursuant to which defendants undertook to cultivate and develop the acreage, and harvest and market the crop. It was alleged that defendants represented that plaintiffs would be getting into an 800-acre unit which would be developed uniformly by defendants' citrus experts for the joint benefit of all investors, that defendants would take care of everything, and that plaintiffs would "only have to sit back and reap the dividends." The court rejected the contention that "investment contracts" had been sold because, it concluded, no "common enterprise" was involved. The following circumstances in this case, the court stated, distinguished it from *SEC* v. *W. J. Howey Company*, 328 U. S. 293 (1946), where the Supreme Court found an "investment contract" in the sale of citrus acreage coupled with a service contract: (1) The failure of the instant promoters to retain any acreage in the development for their own usage, (2) the larger size of the average parcel sold to investors, (3) the cancelability of the management contract, (4) the absence of any provision for pooling the crop of various investors for purposes of marketing, and (5) the absence in the management contract of provisions for joint development comparable to the oral representations made to investors. In its *amicus curiae* brief the Commission had taken the position that these differences did not affect the substance of the transactions as involving "investment contracts." The court ruled also that jurisdiction was lacking under section 12 (2) for the additional reason that, even had a "security" been involved, the misrepresentations complained of had not been transmitted by means of the mails or instruments of interstate commerce as, it concluded, the section required. The Commission had urged in its brief that any use of the mails or interstate facilities in the sale of the security would be sufficient, and that it was not necessary that these instrumentalities be employed to convey the misrepresentations. The Commission took the position

[30a] 102 F. Supp 964 (E D. Mo., 1952).
[30b] CCH Fed. Sec L. Serv , par. 00,603.
[31] CCH Fed. Sec. L. Rep. ¶90,529 (1952).

that the use of the mails to deliver the securities and to collect payments thereon, as alleged in the complaint, was sufficient. A number of other interpretative questions were argued but not decided. An appeal to the Court of Appeals for the Fifth Circuit was pending at the close of the fiscal year.[32]

Wilko v. *Swan*,[33] in which the Commission also participated as *amicus curiae*, likewise involved an action under section 12 (2) of the Act for alleged misrepresentation in the sale of securities. One of the defendants, a New York brokerage house, moved to stay the action under the Federal Arbitration Act in order that the controversy could be determined by arbitration pursuant to a form agreement which the plaintiff customer signed before or contemporaneously with the sale. The United States District Court for the Southern District of New York denied the stay, ruling, in accord with the view of the Commission, that the controversy was not "referable to arbitration" under the Federal Arbitration Act. The purpose of Congress to provide a defrauded purchaser of securities certain litigation advantages under section 12 (2) which may not be afforded or safeguarded in an arbitration proceeding, and the anti-waiver provisions of section 14 of the Act, the court held, precluded giving effect to such an agreement for arbitration. An appeal was pending at the close of the fiscal year.

[32] No. 14127.
[33] 107 F. Supp. 75 (1952).

PART II

ADMINISTRATION OF THE SECURITIES EXCHANGE ACT OF 1934

The Securities Exchange Act of 1934 is designed to insure the maintenance of fair and honest markets in securities transactions both on the organized exchanges and in the over-the-counter markets, which together constitute the Nation's facilities for trading in securities. Accordingly the Act provides in general for the regulation and control of such transactions and of practices and matters related thereto, including solicitations of proxies of stockholders and transactions by officers, directors, and principal stockholders. It requires specifically that information as to the condition of corporations whose securities are listed on any national securities exchange shall be made available to the public; and provides for the registration of such securities, such exchanges, brokers and dealers in securities, and associations of brokers and dealers. It also regulates the use of the Nation's credit in securities trading. While the authority to issue rules on such credit is lodged in the Board of Governors of the Federal Reserve System, the administration of these rules and of the other provisions of the Act is vested in the Commission.

REGULATION OF EXCHANGES AND EXCHANGE TRADING

Registration and Exemption of Exchanges

Section 5 of the Act requires each securities exchange within the United States or subject to its jurisdiction to register with the Commission as a national securities exchange or to apply for exemption from such registration. Exemption from registration may be granted to an exchange which has such a limited volume of transactions effected thereon that, in the opinion of the Commission, it is not practicable and not necessary or appropriate in the public interest or for the protection of investors to require its registration. During the fiscal year no change occurred in the number of exchanges registered as national securities exchanges or in the number granted exemption from such registration.

At the close of the 1952 fiscal year the following 16 exchanges were registered as national securities exchanges:

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

Four exchanges were exempted from registration at the close of the 1952 fiscal year:

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

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

During the year the most significant change reported by the exchanges in their rules and trading practices was the extension of their trading session by one half-hour daily. This innovation was initiated by the New York Curb Exchange whose Board of Governors approved a plan which provided for the Curb's session to close at 3:30 P. M. instead of at 3:00 P.M., effective June 2, 1952. The change in hours, which was adopted on an experimental basis, was the first which had been effected in New York in approximately eighty years, and was almost simultaneously adopted by a number of the principal regional exchanges. The New York Stock Exchange subsequently determined to effect a similar change in its trading session commencing on September 29, 1952. These exchanges also adopted a 5-day week and will remain closed on Saturdays throughout the year, extending the practice which has been followed by all exchanges during the summer months in recent years.

Disciplinary Actions by Exchanges Against Members

Each national securities exchange, pursuant to a request of the Commission, reports to the Commission any action of a disciplinary nature taken by it against any of its members, or against any partner or employee of a member, for violation of the Securities Exchange Act or any rule or regulation thereunder, or of any exchange rule. During the year three exchanges reported taking disciplinary action against 26 members, member firms, and partners and employees of member firms.

The nature of the actions reported included fines ranging from $1 to $5,000 in 17 cases with total fines aggregating $16,167; suspension and subsequent expulsion of an individual from exchange membership; cancellation of the registration of three members as specialists; withdrawal of the approval of employment of a registered representative; censure of individuals or firms for infractions of the rules; and warnings against further violations. The disciplinary actions resulted from violations of exchange rules, principally those pertaining to handling of customers' accounts, capital requirements, floor trading, and specialists.

REGISTRATION OF SECURITIES ON EXCHANGES

Disclosure Accomplished by Registration Process

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

In general, the Act provides that an application for registration shall become effective 30 days after the receipt by the Commission of the exchange's certification of approval thereof, except where the Commission determines it may become effective within a shorter period of time. It is unlawful under the statute for any member, broker, or dealer to effect any transaction in any security on any national securities exchange unless it is so registered (except where it has been admitted to unlisted trading privileges, or is exempt).

Examination of Applications and Reports

All applications and reports filed under sections 12 and 13 of the Securities Exchange Act are processed in much the same manner by the staff of lawyers, accountants and financial analysts maintained in the Division of Corporation Finance, as documents filed pursuant to the Securities Act and certain other statutes administered by the Commission. This integration of examination functions arising under various acts is designed to achieve the maximum possible degree of uniformity, simplicity and effectiveness in the administration of these inter-related controls.

Thus these documents are processed to determine whether full and adequate disclosure has been made of the specific types of information required by the Securities Exchange Act and the Commission's rules and regulations thereunder. Where examination shows a need for correcting amendments, these are obtained and examined in the same manner as the original documents.

The Act does not provide with respect to annual or other periodic reports a 30-day period after filing before becoming effective, as it does in the case of applications, and the practical necessities imposed upon the Commission's curtailed staff have caused a delay in the examination of these reports.

The results achieved by the Commission's examination of these applications and reports may be illustrated by reference to a few actual cases processed during the 1952 fiscal year.

Property acquired in exchange for stock.—In an application for listing the shares of a foreign oil company on an exchange, it was indicated that certain no par value shares of the registrant had been issued for property, which property was reflected in the financial statements on the basis of an arbitrary value of 50 cents for each of the shares issued. Concurrently, shares of the same issue were sold to yield the registrant 10 and 15 cents per share. Subsequently, the shares were converted into one quarter of their number with a par value of ten cents per share. In order to eliminate the overstatement arising from the use of the arbitrary value, the capital surplus applicable to the shares issued for property, which resulted from the conversion, was required to be applied in part to reduce the property accounts to values comparable to the consideration received for shares sold for cash. This resulted in reducing the original arbitrary value assigned to properties in the amount of $792,500 to a value of $190,677.42.

Effect of events subsequent to balance sheet date.—A registrant engaged in the liquor business included in its annual report to this Commission, as a note to the financial statements, a disclosure that, within the month subsequent to the balance sheet date, settlement in a substantial amount had been made in respect of claims against it relating to its sale several years ago of investments in certain companies. The accountants' opinion covering the financial statements was signed approximately seven weeks after the settlement date.

On the basis that the accountants had knowledge of the final status of the claims prior to the signing of their opinion, the Division of Corporation Finance requested and obtained the filing of revised financial statements reflecting the settlement.

Provision for employee pension plans.—Regulation S–X, which governs the form and content of financial statements required to be filed as part of registration statements and periodic or annual reports under various Acts administered by this Commission, requires in rule 3–19 (e), as revised, a disclosure of certain information as to pension and retirement plans in the general notes to the balance sheet. A registrant manufacturing certain electrical equipment, with total consolidated assets of $62,000,000 and equity capital of $48,000,000, filed its annual report for the year ended December 31, 1950, with an indication that the information called for by this rule could not be furnished because studies were in progress to obtain such information and that an amendment would be filed when the studies were completed. About eleven months later the annual report for the year ended December 31, 1950, was accordingly amended to set forth in a footnote to the financial statements a brief description of the essential provisions of the plans; a statement that the annual contributions to the trust funds for the benefit of the persons who had retired and for those eligible for pensions would require amounts ranging from approximately $1,000,000 to $1,650,000 during the years 1951 to 1959, inclusive; and that statistical studies made by actuaries to estimate the amounts required to fund potential pensions for those employees not eligible for pensions at December 31, 1950, would approximate $19,100,000 to cover the cost for services rendered prior to December 31, 1950, while the current service cost for 1951 and subsequent years would approximate $1,100,000 annually. It is largely due to the revision of Form S–X that the staff is able to obtain disclosure of such significant information in annual reports filed pursuant to section 13.

Statistics of Securities Registered on Exchanges

At the close of the 1952 fiscal year, 2,192 issuers had 3,588 security issues listed and registered on national securities exchanges. These securities comprised 2,624 stock issues totaling 3,670,855,266 shares, and 964 bond issues totaling $21,410,100,351 in principal amount. These figures reflect net increases for the year of 43 stock issues, 193,290,621 shares, 22 bond issues, and $513,775,782 in principal amount of bonds over the amounts at the close of the 1951 fiscal year.

During the fiscal year 51 new issuers registered securities under section 12 of the Act, while such registration of all securities of 47 issuers was terminated.

The following table shows for the fiscal year the number of applications filed under section 12 and of reports filed under section 13 and, pursuant to undertakings contained in registration statements filed under the Securities Act, under section 15 (d) of the Securities Exchange Act:

Applications for registration of securities on national securities exchanges	673
Applications for registration of unissued securities for "when issued" trading on national securities exchanges	56
Exemption statements for trading subscription rights on national securities exchanges	121
Annual reports	2, 865
Current reports	11, 793
Amendments to applications and annual and current reports	1, 197

Additional statistical information concerning securities registered and traded on national securities exchanges is contained in the appendix tables.

Temporary Exemption of Substituted or Additional Securities

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

The exchanges filed notifications of admission to trading under this rule with respect to 151 issues during the year. In numerous instances, the same issue was admitted to trading on more than one exchange, so that the total admissions to such trading, including duplications, numbered 230.

MARKET VALUE OF SECURITIES TRADED ON EXCHANGES

The unduplicated total market value on December 31, 1951, of all securities admitted to trading on one or more of the twenty stock exchanges in the United States was $225,881,951,000:

	Number issues	*Market value Dec. 31, 1951*
Stocks:		
New York Stock Exchange	1, 495	$109, 483, 600, 000
New York Curb Exchange	777	16, 492, 136, 000
All other exchanges	760	3, 243, 023, 000
	3, 032	129, 218, 759, 000
Bonds:		
New York Stock Exchange	918	95, 634, 350, 000
New York Curb Exchange	83	869, 101, 000
All other exchanges	33	159, 741, 000
	1, 034	96, 663, 192, 000
Total stocks and bonds	4, 066	225, 881, 951, 000

New York Stock Exchange and Curb figures are as set forth by those exchanges. There is no duplication of issues between those two exchanges, but many of the issues traded on them are also admitted to trading on one or more of the 18 other exchanges in addition to those shown for such other exchanges. The number of issues includes a few which are suspended or inactive, and whose market value (if any) is not computed. Some of the smaller exchanges automatically admit local state and municipal bonds to trading upon their issuance, but such bonds are rarely traded on the exchanges and are not shown in this presentation.

Market Value of Stocks

Aggregate market values of stocks traded on the exchanges have risen from $82 billion at the close of 1948 to $129.2 billion at the close of 1951. The increase during 1951 was $18.2 billion, compared with an increase of $29 billion during the preceding 2 years 1949–50. The net number of stock issues declined from 3,052 at the close of 1948 to 3,032 at the close of 1951.

Market Value of Bonds

Listed United States Government and subdivision bonds have decreased from 73 issues with $114.6 billion market value at the close of 1948 to 61 issues with $77.3 billion market value at the close of 1951. All other bond issues on the stock exchanges had market value of $18.1 billion at the close of 1948 and $19.4 billion at the close of 1951, despite a moderate decline in number of issues from 998 to 973 during the three years.

New York Stock Exchange

All stocks listed on the New York Stock Exchange as of December 31, 1951, numbered 1,495 and were reported to have a market value of $109.5 billion. An historic record was made when, on March 1, 1951, the market value of the then listed 1,476 stocks was reported to have passed the $100 billion mark. The 1929 peak had been around $90 billion for 1,280 stocks and the subsequent lowest point occurred in 1932, when the 1,253 stocks then listed were reported to have a market value of less than $16 billion. By June 30, 1952, New York Stock Exchange stock listings numbered 1,514 and were reported to have a $114.5 billion market value.

All bonds listed on the New York Stock Exchange as of December 31, 1951, numbered 918 and were reported to have a $95.6 billion market value, or 98.9 percent of the total market value of bonds on all United States stock exchanges. All of the 61 listed United States Government and subdivision bonds with a market value of $77.3 billion and 857 other bond issues having $18.3 billion market value were on this exchange. The latter included 613 domestic company issues with a market value of $16.6 billion, 231 foreign issues with $1.3 billion, and 13 International Bank for Reconstruction and Development issues with $0.4 billion. The figures had increased somewhat by June 30, 1952, when all listed bonds numbered 934 with a reported market value of $96 billion.

The face value of domestic company bonds listed on this exchange as of June 30, 1952, amounting to $18.3 billion, was practically identical with the peak of $18.4 billion established September 1, 1931, and represents a recovery from a low of less than $14 billion in 1945. Face values of foreign government and foreign company bonds on the New York Stock Exchange have declined steadily over the years from $19.7 billion in 1931 (including about $10 billion British Government bonds) to $1.8 billion as of June 30, 1952.

New York Curb Exchange

The New York Curb Exchange reports the number and aggregate market values of the securities admitted to trading thereon annually, commencing December 31, 1936, when it showed 1,050 stocks with $14.8 billion market value. At the close of 1951, it showed 777 stocks with $16.5 billion market value. However, if the holdings of Standard Oil Company (New Jersey) of two stocks traded on the Curb—

Creole Petroleum Corporation and Humble Oil & Refining Company—were subtracted, the remaining market values would have been $14.1 billion at the close of 1936 and $12.7 billion at the close of 1951.[1]

During the three years 1949–1951, inclusive, the New York Stock Exchange listed 37 stocks with a market value of over $2 billion at time of listing, which stocks or their predecessors had theretofore been on the Curb. In the same period, the Curb listed and commenced trading in 74 stocks with about $1 billion market value, some of which had theretofore been on its unlisted trading roster.

The number of bond issues on the Curb was reported at 438 on December 31, 1936, with a $5.4 billion market value. At the close of 1951, the number was 63, with a $0.9 billion market value, and 20 suspended foreign issues for which no value was reported. During the three years 1949–1951, inclusive, the Curb gained 8 new listings of bonds with a $0.3 billion market value and lost 9 bond issues with a $0.2 billion market value to listing on the New York Stock Exchange.

Other Stock Exchanges

Originally, stock exchanges consisted for the most part of local members trading in local securities. There have been over 100 exchanges in this country down the years. At least 30 were functioning in 1929. At present 20 remain, consisting of the two New York and the 18 so-called "regional" exchanges.

The identity of issues on the regional and the New York exchanges has become so extensive that only the smaller regional exchages still accomplish most of their trading in their own local issues.[2]

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[1] At the close of 1936, Creole and Humble were collectively worth $1 billion, of which $0 7 billion was owned by Standard. At the close of 1951, their market values aggregated $4.7 billion, of which $3.8 billion was owned by Standard.

[2] This subject was referred to in the 15th Annual Report (fiscal year 1949), p. 37, where, following a table of total market value of all securities on exchanges as of December 31, 1948, the statement was made that "Six of the regional exchanges accounted for over 90 percent of the dollar volume of stock transactions on all 22 such exchanges during 1948. These six exchanges—Boston, Chicago, Detroit, Los Angeles, Philadelphia, and San Francisco—reported aggregate 1948 dollar volume of $858,600,000 in stocks, of which about $750,000,000 was in issues also traded on New York Stock Exchange or Curb." The statement was based on the following calculation:

Exchange	Dollar volume stock sales, year 1948	Sales in issues not admitted to trading on either New York Exchange	Percent of sales not in competition with New York
Philadelphia Stock	$106,614,904	$1,617,227	1.51
Boston Stock	171,094,555	11,894,299	6.95
Detroit Stock	43,755,237	4,129,058	9 44
Chicago Stock	212,024,313	25,504,467	12.02
Los Angeles Stock	141,479,679	24,157,253	17.07
Pittsburgh Stock	17,926,524	3,119,736	17 40
Cincinnati Stock	12,926,769	2,850,113	22 05
San Francisco Stock	183,627,799	49,312,860	26.85
Washington Stock	4,404,054	1,676,056	38.06
St. Louis Stock	8,933,687	3,752,723	42 00
Cleveland Stock	16,055,870	7,913,677	49.29
Wheeling Stock	354,380	216,801	61.18
Spokane Stock	1,930,680	1,580,416	81.86
Salt Lake Stock	2,782,165	2,375,382	85.38
Baltimore Stock	2,217,409	2,012,630	90.76
Richmond Stock	458,648	435,171	94.88
New Orleans Stock	1,122,169	1,081,792	96.40
Honolulu Stock	4,918,986	4,792,432	97.43
Chicago Board of Trade	189,455	185,955	98.15
San Francisco Mining	619,150	612,824	98.98
Colorado Springs Stock	419,775	419,035	99.82
Minneapolis-St. Paul	2,282,400	2,282,400	100 00
Total	936,138,608	151,922,307	16 23

Dollar volume of sales in the issues not admitted to trading on either New York exchange has been figured on a basis of monthly sales times monthly high prices, and is accordingly somewhat greater than actuality. Dollar volume is used in preference to share volume because the large number of low-priced shares on the regional exchanges weight the share volume comparison.

The relationship between the exchanges dates back to events such as the establishment of stations on high points across New Jersey, from which semaphore signals in daytime and light flashes at night were observed by telescopes and information on stock prices was thus conveyed in as short a time as ten minutes between New York and Philadelphia. After 1844, the telegraph succeeded the semaphore. The telephone appeared after 1878, with first cross-continent conversations around 1915. Stock ticker service from New York was extended to Pacific Coast points around 1925. Turret boards and teletype rounded out the communication facilities which have been instrumental in changing the securities business from local to country-wide aspect.

The regional exchanges originally developed local issues to the point where they gravitated to the New York exchanges, and at an early date they also drew issues from the New York exchanges in which to trade locally. On the Boston Stock Exchange, for example, the governing committee was authorized by resolutions adopted prior to 1880 to permit trading in any securities listed on either the New York or Philadelphia stock exchanges. In 1932 the Philadelphia Stock Exchange adopted the rule that no securities could be admitted to unlisted trading which were not listed on the New York Stock Exchange, New York Curb Exchange, Boston Stock Exchange, Pittsburgh Stock Exchange, or Chicago Stock Exchange. By 1928 the Los Angeles and San Francisco stock exchanges (and their curbs) had turned from the "call" to the "post" system, introduced continuous sessions, and installed odd-lot dealer mechanisms, thereby increasing trading in the New York issues.

The consolidation of industry into units of national importance and the growing diffusion of their shares available for trading on both the New York and regional exchanges have brought about a heavy concentration of trading volume in a small proportion of the total available stock issues. At the close of 1951, 158 stocks listed on the New York Stock Exchange were also available for trading on 4 or more of the 8 leading regional exchanges, and the reported volume during 1951 in these 158 stocks constituted over 40 percent of the reported volume on the New York Stock Exchange and over 40 percent of that on the 8 leading regional exchanges. These exchanges included Boston, Cincinnati, Detroit, Los Angeles, Midwest, Philadelphia-Baltimore, Pittsburgh, and San Francisco, whose aggregate dollar volume of stock transactions during 1951 was 98.6 percent of the total for all 18 regional exchanges.

The number of stocks admitted to trading on one or more regional exchanges but not on either New York exchange has dropped from 814 at the close of 1948 to 760 at the close of 1951. During this period, the market value of all stocks on all the exchanges rose from $82 billion to $129.2 billion, while those solely on the regional exchanges remained a little above $3 billion. New single listings in this latter category during 1951 amounted to 12 stocks with an aggregate market value of about $22,000,000. Bond issues only on regional exchanges have dropped during the 3 years from 50 to 33, with a remaining aggregate market value of about $160,000,000.

New listings admitted practically simultaneously on a New York exchange and one or more regional exchanges during 1951 had over $0.5 billion market value for stocks and $0.3 billion for bonds. The principal component of the latter was an issue of American Telephone & Telegraph 3⅜% convertible debenture bonds due in 1963, which became listed on the New York Stock Exchange and 5 regional exchanges.

During 1951, various regional exchanges obtained listings of stocks already listed on some other exchange (principally the New York Stock Exchange) with an aggregate market value in excess of $4 billion.

The most prolific source of new trading material for the regional exchange lies in the admission to unlisted trading thereon of issues listed on some other exchange (principally the New York Stock Exchange). During 1951, over $10 billion market value of such listed stocks was newly admitted to unlisted trading on one or more of the regional exchanges.

A summary of new issues on the regional exchanges during 1951, showing outstanding shares and market values as of December 31, 1951, is as follows:

Year 1951	Issues	Shares	Market value
New single listings	12	6,600,534	$22,048,616
Simultaneous listings	16	22,726,460	507,977,241
New listings of listed issues	23	96,740,644	4,060,381,504
Admitted to unlisted trading	56	263,607,808	10,675,760,277
	107	389,675,446	15,266,167,638
Less duplication	5	15,973,988	476,649,529
	102	373,701,458	14,789,518,109
		Face	
Simultaneous listings of bonds	5	$271,437,500	308,889,844
All stocks and bonds	107		15,098,407,953
Portion also on New York Stock Exchange			14,932,299,667

The duplication reflected in the above table consists of issues which became listed on some regional exchanges and admitted to unlisted trading on others. This is the only duplication in the table, each issue otherwise being counted but once, whether it appeared on only one, or more than one, of the regional stock exchanges.

A similar showing of new issues admitted to trading on one or more of the regional exchanges during the 6 months ended June 30, 1952, with amounts outstanding and market values as of that date, is as follows:

First half 1952	Issues	Shares	Market value
New single listings	3	316,269	$11,075,393
Simultaneous listings	5	1,112,888	48,982,644
New listings of listed issues	6	10,396,526	166,864,075
Admitted to unlisted trading	63	327,589,714	13,903,658,063
	77	339,415,397	14,130,580,175
		Face	
Simultaneous listings of bonds	4	$124,496,500	131,956,395
All stocks and bonds	81		14,262,536,395
Portion also on New York Stock Exchange			13,930,722,427

No duplication exists in this table, the number of issues being net for the 6 months. However, 13 of the stock issues admitted to unlisted trading during the 6-month period, comprising 76,686,499 shares and $2,469,548,826 market value, duplicate issues which became listed or admitted to unlisted trading on some other regional exchange or exchanges during the year 1951. The American Telephone & Telegraph Co. 3⅛s of 1964, which were in process of listing on the usual six exchanges as of June 30, 1952, are not included in the above table.

Securities Available for Listing

On January 9, 1950, the Commission transmitted to the Congress a report recommending an amendment to the Securities Exchange Act which would extend to investors in unregistered securities the protections afforded with respect to registered securities by the Act relating to the availability of public information, the provision of data necessary for intelligent exercise of the right to vote, and regulation of insiders' short-term trading. A survey at the time disclosed that there were then about 1,800 domestic issuers with $3 million assets and 300 stockholders as minima, having stocks quoted over the counter with an aggregate market value of approximately $19 billion to which the amendment might apply. The total included unlisted stocks traded on the stock exchanges, which have been a prolific source of new listings, and excluded bank and investment company stocks, which are not usually regarded as listing material. The $19 billion was equivalent to one-quarter of the $76 billion market value of all stocks listed on the New York Stock Exchange on January 1, 1950.

A more recent study indicates that as of August 15, 1951, quoted stocks not listed on any exchange of utility and industrial companies having registrations under the Securities Act and filing reports under section 15 (d) of the Securities Exchange Act, had a market value in excess of $6 billion. In other words, a sizeable fraction of the over-the-counter stock values represents securities of companies reporting the same periodic data as do listed companies. There were close to 500 common stock issues with an aggregate market value of $5 billion, and over 300 preferred stocks with an aggregate market value of $1 billion. Of the common stocks, 170 issues with $3.1 billion market value had over 2,000 reported holders per issue. There were 267 quoted utility stocks with $2.7 billion and 528 quoted industrial stocks with $3.3 billion aggregate market values.

It appears that less than 2 percent of the corporations of this country (principally the larger ones) have stocks which are adequately quoted, and that the "market value" of stocks of the remaining 98 percent or more can be only a statistical abstraction built on ratios and synthesis.

Prospective listings, however, are by no means confined to present actively quoted over-the-counter securities. A prolific source of new listings lies in issues newly coming on the market. These include new issues of already listed companies, initial stock offerings by long-established and theretofore privately owned companies, stocks of operating companies previously owned by holding companies, and stocks in new speculative enterprises, such as Canadian oil fields, among others.

VOLUME OF SECURITIES TRADED ON EXCHANGES

Stock Volume

Fluctuations in the number of shares sold on the exchanges (including stocks, warrants and rights) have been very great. A peak of 962 million shares was reached in 1936, from which there was a year-by-year decline to 221 million in 1942. There followed a rise to 803 million in 1946, a relapse to an average of 534 million per annum for 1947–49, inclusive, and a rise to 893 million in 1950. In 1951, share sales declined slightly to 864 million, followed by a further shading off to around 382 million during the half year ending June 30, 1952.

The dollar volume of share sales showed corresponding fluctuations. A peak of $23.6 billion in 1936 contrasted with a mere $4.3 billion in 1942. There followed a rise to $18.8 billion in 1946, a decline to an average of $11.8 billion per annum for 1947–49, inclusive, and a rise to $21.8 billion in 1950. In 1951, the dollar volume of share sales declined slightly to $21.3 billion, followed by a further shading off to around $9.2 billion during the half year ending June 30, 1952.

Notwithstanding these great fluctuations in number and dollar volume of share sales, the relative trading as between the two New York exchanges and the remaining regional exchanges has maintained a remarkable constancy:

Year	Percent of share volume		Percent of dollar volume	
	2 New York exchanges	All other exchanges	2 New York exchanges	All other exchanges
	Percent	*Percent*	*Percent*	*Percent*
1935	85.6	14.4	94.5	5.5
1936	89.5	10.5	94.9	5.1
1937	87.9	12.1	95.4	4.6
1938	88.6	11.4	94.8	5.2
1939	89.6	10.4	93.8	6.2
1940	88.6	11.4	92.8	7.2
1941	86.7	13.3	91.6	8.4
1942	88.1	11.9	91.8	8.2
1943	91.3	8.7	93.8	6.2
1944	90.3	9.7	93.4	6.6
1945	87.2	12.8	93.6	6.4
1946	85.4	14.6	93.4	6.6
1947	86.8	13.2	92.8	7.2
1948	87.5	12.5	92.7	7.3
1949	88.0	12.0	92.3	7.7
1950	89.9	10.1	92.8	7.2
1951	89.0	11.0	93.0	7.0
1952 [1]	86.5	13.5	92.5	7.5

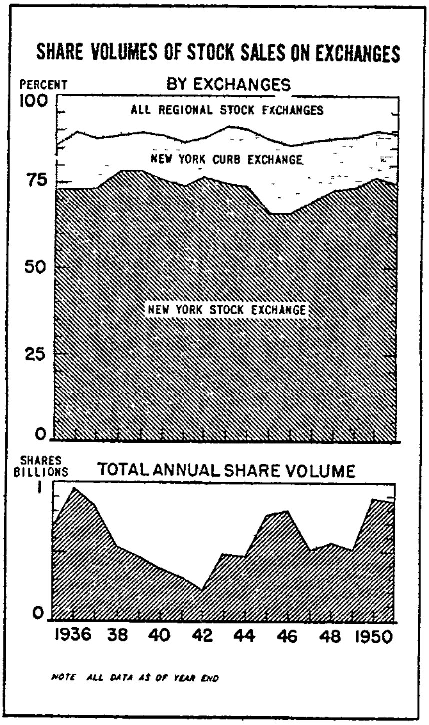
[1] Six months ending June 30, 1952.

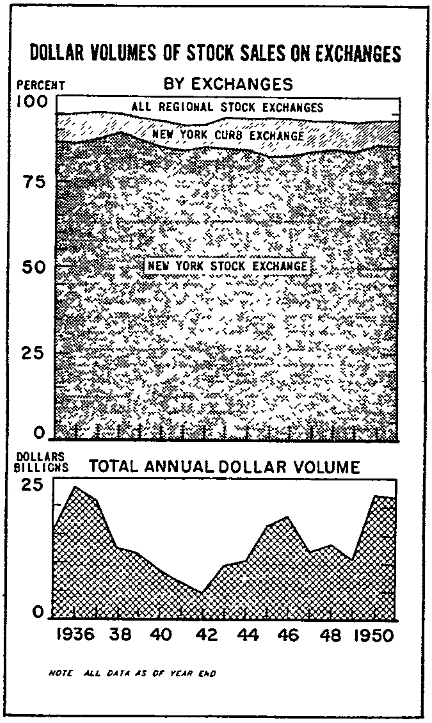
Bond Volume

At times in the past, the New York Curb Exchange and some of the regional exchanges have experienced substantial amounts of bond volume. The New York Stock Exchange, however, has remained the focal point for bond trading on the stock exchanges, showing over 96% of such trading during 1951 in terms of market value.

Additional Data

Market value and volume of sales on all United States stock exchanges for the year 1951 and for the 6 months ending June 30, 1952, are shown in Appendix Table 7. Annual share and dollar volumes since 1935 and the percentages on the various stock exchanges are shown in the following charts and table:





Comparative Share Sales and Dollar Volume on Exchanges from Jan. 1, 1935, to June 30, 1952

Sales of shares, including stocks, warrants and rights, and dollar volume are those reported by all United States exchanges to the Commission, as adjusted. Figures for merged exchanges are included in those of the exchanges into which they were merged. The last column ("Others") includes figures for the smaller exchanges now functioning and for those which have ceased to function during the period covered; fluctuations in activity of low-priced shares on the mining exchanges among them cause greater changes in share than in dollar volume. Exchanges are arranged in order of dollar volume thereon in 1951. Symbols NYS, New York Stock Exchange, NYC, New York Curb Exchange; MSE, Midwest; SFS, San Francisco Stock Exchange; BSE, Boston; LAS, Los Angeles; PBS, Philadelphia-Baltimore; DSE, Detroit; CIN, Cincinnati; PIT, Pittsburgh.

Year	Share sales	NYS	NYC	MSE	SFS	BSE	LAS	PBS	DSE	CIN	PIT	Others
		Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1935	681,970,500	73.13	12.42	1.91	1.49	0.96	1.20	0.76	0.85	0.03	0.34	6.91
1936	962,135,940	73.02	16.43	2.18	1.64	.72	1.32	.68	.74	.04	.32	2.91
1937	838,460,889	73.19	14.75	1.79	1.60	.83	1.63	.70	.59	.03	.38	4.51
1938	543,331,878	78.08	10.55	2.27	1.41	1.03	1.26	.78	.75	.04	.25	3.59
1939	408,330,340	78.23	11.39	2.26	1.35	1.18	1.00	.93	.76	.05	.25	2.60
1940	377,896,572	75.44	13.20	2.11	1.59	1.19	1.19	1.02	.82	.08	.31	3.05
1941	311,150,395	73.96	12.73	2.72	1.55	1.50	1.14	1.23	.87	.14	.36	3.80
1942	221,159,616	76.49	11.64	2.70	1.51	1.39	1.11	1.07	.90	.12	.29	2.78
1943	486,290,926	74.58	16.72	2.20	1.09	.76	.83	.85	.64	.07	.20	2.06
1944	465,523,183	73.40	16.87	2.07	1.30	.81	1.10	.78	.86	.06	.26	2.49
1945	769,018,138	65.87	21.31	1.77	1.27	.66	1.71	.65	.79	.05	.40	5.52
1946	803,076,532	66.07	19.37	1.74	1.86	.84	1.65	.68	.63	.05	.28	6.83
1947	513,274,867	69.82	16.98	1.67	2.10	1.05	2.12	.90	.66	.08	.19	4.43
1948	571,107,842	72.42	15.07	1.63	2.13	.76	1.82	.73	.68	.08	.18	4.50
1949	516,408,706	73.51	14.49	1.67	2.00	.93	1.72	1.17	.73	.09	.18	3.51
1950	893,320,458	76.32	13.54	2.16	1.61	.65	1.50	.73	.55	.09	.18	2.67
1951	863,918,401	74.40	14.60	2.10	2.12	.70	1.42	.72	.58	.08	.16	3.12
1952 [1]	381,731,870	68.68	17.87	2.21	2.56	.62	1.37	.72	.51	.09	.16	5.21

Year	Dollar volume (000 omitted)	NYS	NYC	MSE	SFS	BSE	LAS	PBS	DSE	CIN	PIT	Others
		Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1935	$15,396,139	86.64	7.83	1.32	0.93	1.34	0.46	0.67	0.40	0.04	0.20	0.17
1936	23,640,431	86.24	8.69	1.39	.86	1.05	.47	.61	.31	.03	.20	.15
1937	21,023,865	87.85	7.56	1.06	.82	1.10	.43	.60	.24	.03	.20	.11
1938	12,345,419	89.24	5.57	1.03	.77	1.51	.50	.71	.37	.04	.18	.08
1939	11,434,528	87.20	6.56	1.70	.87	1.70	.50	.82	.34	.06	.18	.07
1940	8,419,773	85.17	7.68	2.07	1.00	1.91	.52	.92	.36	.09	.19	.09
1941	6,248,055	84.14	7.45	2.59	1.06	2.27	.61	1.09	.33	.12	.21	.13
1942	4,314,294	85.16	6.60	2.43	1.05	2.33	.66	.94	.34	.13	.23	.13
1943	9,033,907	84.93	8.90	2.02	.85	1.30	.58	.78	.30	.07	.16	.11
1944	9,810,149	84.14	9.30	2.11	1.05	1.29	.65	.78	.34	.07	.15	.12
1945	16,284,552	82.75	10.81	2.00	1.14	1.16	.64	.81	.35	.06	.14	.14
1946	18,828,477	82.65	10.73	2.00	1.22	1.23	.65	.78	.33	.07	.16	.18
1947	11,596,806	84.01	8.77	1.82	1.39	1.51	.87	.90	.36	.11	.14	.12
1948	12,911,665	84.67	8.07	1.85	1.43	1.33	1.10	.84	.34	.10	.14	.13
1949	10,746,935	83.85	8.44	1.95	1.35	1.43	1.14	1.06	.39	.12	.13	.14
1950	21,808,284	85.91	6.85	2.35	1.18	1.12	1.01	.89	.39	.11	.11	.08
1951	21,306,087	85.48	7.56	2.30	1.07	1.06	.99	.86	.36	.11	.11	.10
1952 [1]	9,166,391	84.39	8.07	2.58	1.14	1.06	1.04	.95	.40	.12	.14	.11

[1] Six months ending June 30, 1952.

SPECIAL OFFERINGS ON EXCHANGES

Rule X-10B-2 under the Securities Exchange Act permits special offerings of comparatively large blocks of securities to be made on a national securities exchange provided such offerings are effected pursuant to a plan which has been filed with and approved by the Commission. A security may be the subject of a special offering when it has been determined that the auction market on the floor of the exchange cannot absorb a particular block within a reasonable period of time without unduly disturbing the current price of the security. A special offering of a security is made at a fixed price consistent with the existing auction market price of the security, and members acting as brokers for public buyers are paid a special commission by the seller which ordinarily exceeds the regular brokerage commission. Buyers of the security are not charged any commission on their purchases and obtain the security at the net price of the offering.

Each of the nine exchanges with a special offering plan in effect has been requested to report certain information to the Commission on each offering effected on the exchange under the plan. These reports show the following data for 1951 and the first six months of 1952:

Special offerings on Stock Exchanges

TWELVE MONTHS ENDED DEC. 31, 1951

Exchange	Number made	Number of shares: In original offer	Number of shares: Subscribed	Number of shares: Sold	Value of shares sold (thousands of dollars)	Aggregate special commission (thousands of dollars)
All Exchanges:						
Total	27	329,742	332,403	323,013	10,841	205
Completed	25	307,288	320,248	310,858	10,188	195
Not completed	2	22,454	12,155	12,155	653	10
Midwest Stock Exchange: Total completed	1	5,000	5,000	5,000	184	3
New York Stock Exchange:						
Total	25	309,742	312,403	303,013	10,616	200
Completed	23	287,288	300,248	290,858	9,963	190
Not completed	2	22,454	12,155	12,155	653	10
San Francisco Stock Exchange: Total completed	1	15,000	15,000	15,000	41	2

SIX MONTHS ENDED JUNE 30, 1952

Exchange	Number made	Number of shares: In original offer	Number of shares: Subscribed	Number of shares: Sold	Value of shares sold (thousands of dollars)	Aggregate special commission (thousands of dollars)
All Exchanges:						
Total	16	245,550	271,951	208,095	5,136	112
Completed	12	197,150	261,006	197,150	4,831	107
Not completed	4	48,400	10,945	10,945	305	5
Midwest Stock Exchange:						
Total	2	14,890	9,890	9,890	338	5
Completed	1	4,890	4,890	4,890	145	2
Not completed	1	10,000	5,000	5,000	193	3
New York Curb Exchange: Total not completed	1	20,000	2,275	2,275	11	1
New York Stock Exchange:						
Total	12	207,590	256,716	192,860	4,678	103
Completed	10	189,190	253,046	189,190	4,577	102
Not completed	2	18,400	3,670	3,670	101	1
San Francisco Stock Exchange: Total completed	1	3,070	3,070	3,070	109	3

SECONDARY DISTRIBUTIONS APPROVED BY EXCHANGES

A "secondary distribution," as the term is used in this section, is a distribution over the counter of a comparatively large block of a previously issued and outstanding security listed or admitted to trading on an exchange. Such distributions are resorted to when it has been determined that it would not be in the best interest of the various parties involved to sell the shares on an exchange in the regular way or by special offering. The distributions generally are made after the close of exchange trading. It is the general practice of exchanges to require members to obtain their approval before participation in such secondary distributions. The following table shows the number and dollar volume of secondary distributions which exchanges have approved for member participation and reported to the Commission for 1951 and the first six months of 1952:

Reported secondary distributions of Exchange Stocks.

TWELVE MONTHS ENDED DEC. 31, 1951

Exchange	Number made	Number of shares: In original offer	Number of shares: Available for distribution	Number of shares: Sold	Value of shares sold (thousands of dollars)
All Exchanges:					
Total	88	5,104,200	5,237,950	5,193,756	146,459
Completed	83	4,986,390	5,115,887	5,121,046	143,318
Not completed	5	117,810	122,063	72,710	3,141
Cincinnati Stock Exchange:					
Total	2	50,667	53,820	46,820	1,218
Completed	1	9,000	9,200	9,200	230
Not completed	1	41,667	44,620	37,620	988
Detroit Stock Exchange: Total completed	2	10,480	10,480	10,580	209
Midwest Stock Exchange: Total completed	8	86,053	86,858	86,898	3,541
New York Curb Exchange:					
Total	16	1,586,414	1,666,529	1,647,443	20,673
Completed	15	1,563,814	1,643,929	1,647,118	20,649
Not completed	1	22,600	22,600	325	24
New York Stock Exchange:					
Total	60	3,370,586	3,420,263	3,402,015	120,818
Completed	57	3,317,043	3,365,420	3,367,250	118,689
Not completed	3	53,543	54,843	34,765	2,129

SIX MONTHS ENDED JUNE 30, 1952

Exchange	Number made	Number of shares: In original offer	Number of shares: Available for distribution	Number of shares: Sold	Value of shares sold (thousands of dollars)
All Exchanges:					
Total	34	1,482,698	1,555,887	1,540,258	57,440
Completed	31	1,400,661	1,473,650	1,493,850	56,318
Not completed	3	82,037	82,237	46,408	1,122
Detroit Stock Exchange: Total completed	1	1,500	1,500	1,500	13
Midwest Stock Exchange: Total completed	8	65,200	66,800	66,800	1,352
New York Curb Exchange: Total completed	4	149,948	155,462	155,462	2,480
New York Stock Exchange:					
Total	21	1,266,050	1,332,125	1,316,496	53,595
Completed	18	1,184,013	1,249,888	1,270,088	52,473
Not completed	3	82,037	82,237	46,408	1,122

UNLISTED TRADING PRIVILEGES ON EXCHANGES

Number of Issues Admitted to Unlisted Trading

Securities are said to be traded on an unlisted basis on the stock exchanges when the admission to trading is approved by an exchange without any application for listing and registration by the issuer. Such admissions to unlisted trading are governed by section 12 (f) of the Securities Exchange Act, whose respective clauses are referred to below in the text and accompanying tables.

In the tables, stock issues admitted to unlisted trading on the exchanges prior to March 1, 1934, are designated as "Clause 1." The table divides them into two categories: those listed and registered on a stock exchange other than that where they are admitted to unlisted trading, and those not listed and registered on any exchange. Stock issues designated as "Clause 2" are those admitted to unlisted trading pursuant to grants of applications by stock exchanges, the first of which was in April 1937, which grants are based on an existing listing and registration on some other stock exchange. Stock issues designated as "Clause 3" are those admitted to unlisted trading pursuant to grants of applications by stock exchanges conditioned upon the availability of information with respect to the stocks which is substantially equivalent to that filed in the case of listed issues. The following table, for comparative purposes, also shows the number of listed stock issues on each stock exchange.

Status on each stock exchange June 30, 1952	Number of stock issues available for trading				
	On a listed basis [1]	On an unlisted basis pursuant to the following clauses of section 12 (f) of the Securities Exchange Act			
		Clause 1		Clause 2 [2]	Clause 3 [4]
		Listed on another exchange [2]	Not listed on any exchange [3]		
Boston	105	162	1	131	0
Chicago Board of Trade	10	2	3	0	0
Cincinnati	61	0	0	59	0
Colorado Springs [5]	14	0	0	0	0
Detroit	119	14	0	99	0
Honolulu [5]	57	0	33	0	0
Los Angeles	146	40	1	118	0
Midwest	409	0	0	83	0
New Orleans	3	4	9	2	0
New York Curb	461	60	256	3	3
New York Stock	1,528	0	0	0	0
Philadelphia-Baltimore	111	263	4	126	0
Pittsburgh	54	17	0	54	0
Richmond [5]	27	0	0	0	0
Salt Lake	96	0	3	0	1
San Francisco Mining	41	0	0	0	0
San Francisco Stock	202	69	37	68	0
Spokane	25	1	7	0	0
Washington, D. C.	42	0	0	2	0
Wheeling [5]	16	0	0	3	0
Total [6]	3,527	632	354	748	4

[1] Includes registered issues, issues temporarily exempted from registration, and issues listed on the four exempted exchanges.
[2] In addition to the unlisted status as shown, these issues are listed on one or more of the registered exchanges
[3] None of these issues has any listed status on any domestic stock exchange, with the exception of 9 of the 37 San Francisco Stock Exchange issues which are also listed on an exempted exchange.
[4] One of the New York Curb issues and the Salt Lake issue have become listed on a registered exchange, leaving only 2 issues with only an unlisted status.
[5] Exempted from registration as a national securities exchange.
[6] Duplication of issues among exchanges increases the total of each column except the last to more than the actual number of issues involved.

Volume of Unlisted Trading in Stocks

The reported volume of stock traded on the stock exchanges on an unlisted basis during the calendar year 1951 was in excess of 60,000,000 shares, or between 7 and 8 percent of the total 1951 share volume on the exchanges. Of this volume, about 27,000,000 shares were in issues listed and registered on some other exchange than that where the unlisted trading occurred, and 33,000,000 shares were in issues not listed and registered on any exchange. Most of the latter amount was reported with respect to the New York Curb Exchange. This unlisted volume, broken down among exchanges and among issues traded on an unlisted basis pursuant to the first and second clauses of section 12 (f) of the Securities Exchange Act, was as follows:

Unlisted share volumes reported in 1951	Total unlisted	Unlisted pursuant to clauses 1 and 2 of section 12 (f) of the Securities Exchange Act		
		Clause 1 Listed [1]	Clause 1 unlisted [2]	Clause 2 [1]
Boston	3,454,821	2,250,134	16,063	1,188,624
Chicago Board of Trade	0	0	0	0
Cincinnati	286,845	0	0	286,845
Colorado Springs [3]	0	0	0	0
Detroit	1,363,060	189,807	0	1,173,253
Honolulu [3]	50,519	0	50,519	0
Los Angeles	3,081,090	1,141,861	7,974	1,931,255
Midwest	4,929,159	0	0	4,929,159
New Orleans	63,033	1,968	52,229	8,836
New York Curb	38,278,743	7,305,425	30,015,438	928,700
New York Stock	0	0	0	0
Philadelphia-Baltimore	3,365,510	2,312,060	29,779	1,023,671
Pittsburgh	440,228	263,627	0	176,601
Richmond [3]	0	0	0	0
Salt Lake	2,554	0	189	0
San Francisco Mining	0	0	0	0
San Francisco Stock	4,672,142	1,110,415	2,677,091	884,636
Spokane	156,544	3,150	153,394	0
Washington, D. C.	25,226	0	0	25,226
Wheeling [3]	1,419	0	0	1,419
	60,170,893	14,578,447	33,002,676	12,558,225

[1] See note 2 to preceding table.
[2] See note 3 to preceding table.
[3] See note 5 to preceding table.

Included in the 60,170,893 total, but not shown in a separate column by reason of the small number involved, were 31,545 shares in the four "Clause 3" stocks mentioned in the preceding table.

The amounts shown are as reported annually by the stock exchanges or other reporting agencies, and are in some cases less than actual, particularly with respect to the New York Curb Exchange figures, which exclude most odd lots and other items not reported on the stock tickers. All the figures are exclusive of trading in rights, and are subject to adjustments on account of reporting errors and omissions.

Applications for Unlisted Trading Privileges

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

Stock exchange:	*Number of stocks*
Boston	13
Cincinnati	14
Detroit	20
Los Angeles	21
Midwest	9
New York Curb	1
Philadelphia-Baltimore	18
Pittsburgh	1
San Francisco	13
	110

The number of different issues involved is less than the total shown in the table because some of the issues were the subject of applications by more than one exchange.

Changes in Securities Admitted to Unlisted Trading Privileges

In the event some minor change occurs in the rights of a security previously admitted to unlisted trading privileges on an exchange, so that the security remains essentially the same security as before, unlisted privileges may be continued upon compliance with the provisions of the Commission's rule X-12F-2.

Clause (a) of that rule merely requires written notification by the exchange to the Commission in the case of any change in the title of a security or in the name of an issuer or in the outstanding amount of the security or in the par value, dividend or interest rate, or maturity date. During the fiscal year the usual large number of notifications of such changes were received by the Commission.

With respect to a change in a security previously admitted to unlisted trading privileges, other than the changes enumerated in the preceding paragraph, Clause (b) of rule X-12F-2 provides for an application to the Commission for a determination whether or not such security is substantially the same after such change as the security previously admitted to unlisted trading privileges. Under this regulation, the New York Curb Exchange filed an application for a determination by the Commission that the new Class A Common Stock, $2.00 Par Value, and the new Class B Common Stock, $2.00 Par Value, of The Parker Pen Company constitute substantially the same security as the single class of $5.00 Par Value Common Stock previously outstanding and admitted to unlisted trading on this exchange. In view of the fact that only the new Class A Stock would have the voting rights previously enjoyed by the single class of stock, and that there were two separate issues instead of one, the Commission held that only the new Class A Common Stock was substantially equivalent to the previously outstanding common stock. As both of the new issues were registered and listed on the Midwest Stock Exchange, the New York Curb Exchange was able to file a separate application for unlisted trading privileges in the Class B Stock under Clause 2 of section 12 (f) of the Act. It is the policy of the Commission to have applications filed under Clause 2 of section 12 (f) rather than paragraph (b) of rule X-12F-2 whenever an application properly can be filed under the former provision.

In another case, the New York Curb Exchange filed an application under Clause (b) of rule X-12F-2 for a determination that voting trust certificates representing no par value common stock of Wagner Baking Corporation, after an amendment extending the voting trust agreement from 1951 to 1961, were substantially equivalent to the voting trust certificates representing the same security prior to the extension of the life of the voting trust agreement. The Commission granted this application, thereby permitting the exchange to continue unlisted trading in these certificates.

A somewhat similar case was an application of the New York Curb Exchange with respect to bonds issued by Guantanamo & Western Railroad Company. In this case the changes involved extension of the maturity date from 1958 to 1970 and reduction of the interest rate from 6% to 4% as well as a provision for annual retirement of

1% of the amount of bonds outstanding. This application was granted by the Commission.

In another case under the same regulation the Commission granted an application of the Boston Stock Exchange for a determination that shares of no par value common stock of St. Louis-San Francisco Railway Company are substantially equivalent to voting trust certificates representing these shares, which certificates had been admitted to unlisted trading privileges upon applicant exchange prior to the termination of the voting trust.

In another case under the same regulation, the New York Curb Exchange made an application for a determination by the Commission that American depositary receipts issued by the Guaranty Trust Company of New York representing Ordinary Shares, Par Value 3s. 6d., of Burma Mines Limited, and other American depositary receipts issued by the same bank, representing ordinary shares, par value 1s., of Non Ferrous Metal Products, Limited, were substantially equivalent to previously outstanding American depositary receipts issued by the same bank and representing capital stock, par value 9 rupees, of Burma Corporation, Limited, the predecessor of the other two corporations. The Commission decided that the new depositary receipts representing the issues of the two new corporations were not substantially equivalent to the depositary receipts representing the old stock of the predecessor corporation. The applicant exchange thereupon made application to withdraw its previous application for substantial equivalence, and obtained an agreement from the new issuers to register and list the new securities on that exchange.

DELISTING OF SECURITIES FROM EXCHANGES

Securities Delisted by Application

During the fiscal year, a number of applications were filed with the Commission by various national securities exchanges and issuers of listed securities, pursuant to section 12 (d) of the Securities Exchange Act and rule X-12D2-1 thereunder, to strike securities from exchange registration and listing.

The Los Angeles Stock Exchange and the San Francisco Stock Exchange each filed such an application with respect to the capital stock of Republic Petroleum Company, which had been dissolved and was in process of liquidation.[3] The Midwest Stock Exchange filed applications to strike the common stock of Horder's, Incorporated, and the common stock of St. Louis Car Company on the ground that the ownership of each of these securities had become so concentrated that there was inadequate public distribution and exchange trading to warrant a public auction market on a national securities exchange.[4] The San Francisco Stock Exchange filed an application with respect to the capital stock of North American Oil Consolidated, asserting that all but 3,000 shares of the approximately 271,000 shares previously outstanding in the hands of the public had been purchased by one shareholder, following which the issuer had sold its properties and approved a voluntary plan of dissolution.[5] The Los Angeles Stock Exchange made application respecting the common stock of Signal Petroleum Company of California, Ltd., stating that the financial

[3] Securities Exchange Act release No. 4667 (1952); Securities Exchange Act release No. 4646 (1951).
[4] Securities Exchange Act release No. 4677 (1952); Securities Exchange Act release No. 4665 (1952).
[5] Securities Exchange Act release No. 4693 (1952).

condition of this company, as disclosed by its annual report to the Commission was so questionable as to require that its exchange trading privileges be terminated for the protection of investors.[6] All of the foregoing applications were granted by the Commission.

The Boston Stock Exchange filed an application to strike from registration and listing the preferred stock of Lamson Corporation of Delaware under the following circumstances. The issuing corporation had reclassified this security by adding the word "prior" to the name of the stock. In the view of the Commission, based on numerous precedents, this small change in the name of the security did not make it a new security for the purpose of registration under the Securities Exchange Act, with the result that the same security under its new name continued to be fully registered on the Boston Stock Exchange. However, that exchange, in accordance with the practice of other national securities exchanges, considered that the change in name of the security constituted it a new security. Since the issuer declined to comply with the listing requirements of the exchange, including payment of a new listing fee, with respect to the changed security, the unusual situation existed of a security which in the view of the Commission was fully registered on the exchange but in the view of the exchange was not. When the issuer declined to initiate proceedings to terminate the registration of this security, the exchange made application to strike it from registration, and the application was granted by the Commission.[7]

Allied Products Corporation filed an application with the Commission to withdraw its common stock from registration and listing on the Midwest Stock Exchange on the ground that no transaction in that stock had been effected on that exchange since 1947. The Commission granted this application with the understanding that the security would continue to be fully registered and listed on the New York Curb Exchange.[8] Hunt Foods of Ohio, Inc. also filed application with the Commission to withdraw its common stock from registration and listing on the Midwest Stock Exchange on the ground that another corporation had acquired 99.47% of the total number of shares outstanding, leaving only 237 other shares outstanding in the hands of only seven shareholders, and that this represented an insufficient number of shares and shareholders to warrant the continuance of exchange trading, which had virtually ceased. On the basis of these facts the Commission granted this application.[9]

A number of companies registered with the Commission as diversified open-end management investment companies under section 8 (a) of the Investment Company Act of 1940 filed applications with the Commission to withdraw securities from exchange registration and listing. The reasons for withdrawal included the fact that the rules of the National Association of Securities Dealers, Inc., as well as provisions of the Investment Company Act of 1940, restricted exchange trading in this type of security to such an extent as to make further registration and listing unwarranted.[10] One of the applications further recited that

[6] Securities Exchange Act release No. 4711 (1952).
[7] Securities Exchange Act release No. 4684 (1952).
[8] Securities Exchange Act release No. 4638 (1951).
[9] Securities Exchange Act release No. 4659 (1951).
[10] *Commonwealth Investment Company*, Securities Exchange Act release No. 4716 (May 29, 1952); *Broad Street Investing Corporation*, Securities Exchange Act release No. 4667 (January 18, 1952); *Affiliated Fund, Inc.*, Securities Exchange Act release No. 4647 (October 12, 1951); *Century Shares Trust*, Securities Exchange Act, release No. 4676 (February 15, 1952).

since all the issuer's shares are redeemable at current liquidating value upon tender to the issuer, substantially all transactions were conducted either with or through the underwriter and no useful purpose was served by the registration and listing of such shares upon an exchange.[11] All of these applications were granted by the Commission.

Securities Delisted by Notification

Securities which have been paid at maturity, redeemed or retired in full, or become exchangeable for other securities, may be removed from listing and registration on a national securities exchange by the exchange filing a notification with the Commission to that effect. The removal of the security becomes effective automatically after the interval of time prescribed by rule X–12D2–2 (a). The exchanges filed notifications under this rule effecting the removal of 115 separate issues. In some instances the same issue was removed from more than one exchange, so that the total number of removals, including duplications, was 142. Successor issues to those removed became listed and registered on exchanges in many cases.

Effective May 26, 1952, amendments were adopted to clarify the provisions of rule X–12D2–2 (a); to prescribe a new Form 25 for notification of removal, simplifying its preparation and assuring that the prescribed information is furnished; and to expand the rule so as to provide for the removal of securities from listing and registration when funds for their redemption, retirement or payment have been deposited with the paying agency, appropriate notice has been given, and the funds have been made available to security holders.

In accordance with the provisions of rule X–12D2–1 (d), the New York Curb Exchange removed 5 issues from listing and registration when they became listed and registered on the New York Stock Exchange.

Securities Removed From Listing on Exempted Exchanges

A security may be removed from listing on an exempted exchange merely upon notification by such an exchange to the Commission setting forth the reasons for such removal. During the fiscal year the Richmond Stock Exchange removed two issues which had been called for redemption, and the Colorado Springs Stock Exchange removed one issue due to the liquidation of the issuer.

MANIPULATION AND STABILIZATION

The Stock Markets

During the fiscal year both the S. E. C. Composite Index of weekly closing prices of common stocks and the Dow-Jones Composite Average advanced from the low of the year during the first week to the high of the year during the last week. The S. E. C. Composite Index was 174.3 (the low) for the week ended June 30, 1951, and was 199.3 (the high) for the week ended July 5, 1952. The Dow-Jones Composite Average was 86.92 (the low) on June 29, 1951, and 106.13 (the high) on June 30, 1952.

The greatest decline in stock prices during the calendar year 1951 occurred in June following the Russian proposal for a cease-fire in Korea. A recovery in prices started on July 2, 1951, and continued until October 15, 1951, when the stock market reached a 21-year high.

[11] *Century Shares Trust, supra*

The market then declined until late November when a year-end rise began and continued through January 1952. This was followed by a decline in February, a rise in March, a decline in April, and a rise beginning in May, which continued to the end of the fiscal year and brought prices to the highest average reached in 21 years.

During the fiscal year considerable public interest was evidenced in oil and mining shares generated partly by continuing publicity given to reports of discoveries of new oil fields and mineral deposits. Interest in rail stocks also developed in the last few months of the fiscal year.

The international character of the markets was a notable feature. Activity in dual listings on Canadian and United States exchanges increased sharply, and many new securities were so listed. Accordingly, the Commission instituted surveillance over the Canadian as well as the domestic market for these securities. When a spectacular price movement occurred in Molybdenum Corporation of America listed on the New York Curb Exchange, investigation disclosed that Canadian trading (beyond our jurisdiction) was an important factor in this market activity. Other investigations disclosed active trading in other securities originating in European countries.

Manipulation

The manipulation of securities markets by practices which are deceptive or otherwise improper is one of the evils which the Securities Exchange Act was expressly designed to prevent. Section 9 of this Act describes and prohibits certain forms of manipulative activity in securities registered on a national securities exchange, which were extensively used prior to passage of the Act. These include wash sales and matched orders, if effected for the purpose of creating a false or misleading appearance of trading activity or with respect to the market for any such security; a series of transactions in which the price of such security is raised or depressed, or in which the appearance of active trading is created, for the purpose of inducing purchases or sales by others; circulation by a broker, dealer, seller, or buyer, or by a person who receives a consideration from a broker, dealer, seller, or buyer, of information concerning market operations conducted for a rise or a decline; and the making of material false and misleading statements by brokers, dealers, sellers, and buyers, or the omission of material information regarding securities, for the purpose of inducing purchases or sales. Sections 10 and 15 of the Act empower the Commission to adopt rules and regulations to define and prohibit the use of such new forms of manipulative activity in securities, whether registered or unregistered, on an exchange, as the Commission might encounter from time to time.

Pursuant to its statutory authority, the Commission has adopted rules and regulations to aid it in carrying out the expressed will of Congress. The three above-mentioned sections, as augmented by rules and regulations promulgated thereunder, are aimed at freeing our securities markets from artificial influence and maintaining fair and honest markets where prices are established by supply and demand.

Manipulation of securities prices in the years previous to the enactment of the Securities Exchange Act, resulted in loss to the public of millions of dollars annually. Pool operations were rampant. A pool, generally speaking, consisted of a group of men who, acting in concert, bought stock in the market or secured options to buy for the purpose of later selling the stock at a higher price. To do this they created fictitious market activity and raised prices in a stock to deceive the purchaser into believing that its quoted price represented what investors actually thought the stock was worth. The Senate Banking and Currency Committee in its investigations disclosed that in 1929 alone there were 105 pools in securities listed on the New York Stock Exchange.

In the early days of the Commission's existence, some market operators attempted to continue their manipulative activities. The Commission uncovered these activities and caused the imposition of various penalties upon them including expulsion from exchanges, revocation of broker-dealer registrations, fines and jail sentences. Years of experience have enabled the Commission to improve substantially its techniques of detection and enforcement. It has become increasingly evident that if the public is to receive adequate protection the Commission's enforcement activities, so far as possible, must be preventive rather than punitive. The Commission therefore operates on the premise that manipulation should be, and in most cases can be, suppressed at its inception. Losses suffered by the public are seldom recoverable, even though the perpetrator of the fraud is brought to justice. Accordingly, it is more important to prevent a possible violation than to allow unlawful market operations to continue until it appears that sufficient evidence for a successful prosecution is available.

To carry out the Commission's policy of preventive action against manipulation, any unusual market activity (either in price or volume) of securities traded on the New York Stock Exchange or the New York Curb Exchange is observed as it appears on the stock tickers of these exchanges in the Commission's headquarters. A financial news ticker also enables the staff to keep abreast of spot news items. This close market observation is supplemented by a careful study of the stock exchange quotation sheets and the next day's newspapers. The quotation sheets of regional exchanges and, because of many dual listings, newspaper reports of three Canadian exchanges are similarly reviewed. Activity in over-the-counter issues is examined as it is reported by a national quotation service. Charts are kept on all securities which have a regularly quoted market.

Information assembled concerning all charted securities includes not only data reflecting the market action, but also the latest news items, earnings figures, dividends, options and other facts which might explain price and volume changes in the individual issues as well as of the industry group with which the issue is associated. Trained analysts read the Wall Street Journal, Standard and Poor's, Moody's, and many other financial publications, and record any items that might be reflected in the market price of these securities. Reports required by the acts administered by the Commission from corporations or their officers, directors and 10% stockholders and from registered broker-dealers are reviewed, and important information contained therein is recorded on the security's weekly price and volume record. The dates of public releases of any important news items regarding a company are carefully recorded, since unusual activity in a security prior to the publication of news might indicate that insiders were using secret information to their own advantage, while the same activity after publication might well be a natural public reaction to the news.

As the 1952 fiscal year began, a weekly review was being made of more than 7,600 charts which were maintained on practically all securities listed on exchanges and the most active issues traded over the counter. Quotations for a varying group of about 3,500 additional less active over-the-counter securities were being reviewed at longer intervals. By the end of the fiscal year, however, budgetary restrictions forced a reduction in the Commission's expert force to such an extent that the number of securities reviewed weekly had to be reduced to some 3,300 with some 4,500 examined on a monthly basis and the balance over longer periods.

The Commission is considerably concerned that such delayed and infrequent review may defeat the Commission's policy of prompt preventive action and reduce the protection against manipulation that the public has come to expect.

At the inception of any unusual market activity in a security all pertinent information is reexamined and a conclusion drawn as to the necessity for an investigation. Once decided upon, the investigation is quickly begun. It has been found that many would-be violators of the regulations prohibiting manipulation have been halted by these prompt inquiries by the Commission. The fact that trading in a given security is under investigation is kept confidential by the Commission. This is done to avoid interference with the legitimate functioning of the markets and to prevent any unfair reflection upon individuals or securities being investigated. So effectively has this confidential approach been maintained that on occasion the Commission has received criticism for failure to investigate a particular case which in fact already was under investigation. However, while the general public is not informed when an investigation is being made, any persons conducting unusual market activity in a security will soon become aware of the Commission's inquiry and discontinue unlawful operations. In its investigations the Commission has received excellent cooperation from the stock exchanges and from brokers and dealers.

When questionable market activity is limited to a brief period during a day's trading, or even an entire day's transactions, a simple inquiry addressed to an exchange or broker by the Commission's nearest Regional Office may result in a satisfactory explanation. If the activity cannot be explained, an investigation is conducted by the Regional Office located nearest the exchange or market in which the transactions were effected.

Investigations take two forms. The "quiz" or preliminary investigation is designed to detect and discourage incipient manipulation by a prompt determination of the reasons for unusual market behavior. When the "quiz" discloses no violations of the anti-manipulative provisions of the securities acts the investigation is closed. If possible violations of the securities acts or violations of other statutes are revealed, the information obtained in the "quiz" is made available to the proper division of the Commission or to the appropriate Federal or State authorities for any action that they might consider necessary. When facts are uncovered which require more intensive investigation, formal orders are issued by the Commission. In a formal investigation, members of the Commission staff are empowered to subpena pertinent material and to take testimony under oath. In the course of such investigations, data on purchases and sales over substantial periods of time are compiled and trading operations involving large numbers of securities are often scrutinized. The following table shows the number of "quizzes" and formal investigations in the fiscal year 1952, and the number closed or completed during the period:

Trading investigations

	Quizzes	Formal investigations
Pending June 30, 1951	113	10
Initiated in period July 1, 1951–June 30, 1952	139	2
Total to be accounted for	252	12
Closed or completed during fiscal year	135	2
Changed to formal during fiscal year	1	
Total disposed of	136	2
Pending at end of fiscal year	116	10

The markets for securities about to be sold to the public are watched very closely. In this connection the markets for the 1,494 issues in the amount of $210,672,956 offered under Letters of Notification pursuant to Regulation A under the Securities Act were carefully checked for improper pricing or market grooming. Over 450 other securities were kept under special daily observation during the 1952 fiscal year for periods of 10 to 90 days, largely because a public offering under a registration statement was proposed with the right to stabilize reserved by the underwriter or issuer.

Stabilization

While manipulation of securities prices is prohibited by the Securities Exchange Act, certain other transactions that inject artificial activity into the market are permitted. These are permissible only when used to prevent or retard a price change, usually a decline, when securities are being offered. Stabilization means the maintenance of a price independently reached in the market, and any attempt to raise or lower the market, under the label of stabilizing, is prohibited. All stabilizing transactions are kept under careful surveillance by the Commission but here again its enforcement activities are predominantly of a preventive nature. Reports on stabilizing activities are required in most instances, thus enabling the staff to observe violations as they occur as well as to assist the registrant or underwriter both before and during an offering.

The Commission recognizes that the investment industry must necessarily change its methods with changing conditions in order that it may achieve its primary function, which is to supply industry with the capital it needs. Over the years the Commission has considered any new practices in the light of the public interest and has amended its policies to permit those changes which seem desirable.

Of 664 registration statements filed with the Commission during the fiscal year, 438 contained a statement of intention to stabilize in order to facilitate the offerings covered by such registration statements. Each of these latter filings was examined critically as to the propriety of the proposed method of distribution, market support, and full disclosure thereof, and suggestions were made to the issuers before the offering as to any contemplated course of action which might lead to violations of law.

Stabilizing transactions were made in offerings of stock issues aggregating 33,649,899 shares with an aggregate public offering price of $743,651,363. Bonds stabilized had a total face amount of $77,000,000. In connection with these and other offerings, 353 conferences were held by the staff with representatives of issuers and underwriters to assist them to avoid violations of the acts and rules relating to manipulation and stabilization as well as disclosure.

The required stabilizing reports are filed daily and show all stabilizing transactions. During the fiscal year, 11,547 reports of these transactions were received and filed. The Commission's immediate review of these filings made it possible to advise several underwriters that their activities might lead to violations. Thus the underwriters were saved from costly embarrassment and public losses were prevented.

The following table is a summary of the above figures and shows the substantial increase in stabilizing operations in fiscal year 1952 as compared with fiscal year 1951:

	1952	1951
Registration statements filed	664	554
Statements of intent to stabilize	438	231
Stabilizing transaction made in stock issues aggregating—shares	33,649,899	19,461,164
Public offering price of above shares	$743,651,363	$402,878,038
Bonds stabilized—face amount	$77,000,000	$64,500,000
Stabilizing reports received and examined	11,547	9,210

It is the Commission's experience that issuers and underwriters place great value on the immediate service which the Commission is able to render them by being at all times available to give responsible advice as to proper stabilizing techniques in the offerings of securities and to assist in their sincere efforts to avoid violations of the Acts administered by the Commission.

SECURITY TRANSACTIONS OF CORPORATION INSIDERS

Purpose of Regulation

Section 16 of the Securities Exchange Act has two basic objectives: (1) To make available to public stockholders information as to the prospects of their company which may be implicit in the security transactions of insiders; and (2) to prevent insiders from unfairly using inside information in security trading.

Reports of Transactions and Holdings

For the purpose of affording to the public information as to transactions and holdings of insiders, section 16 (a) provides that every person who is directly or indirectly the beneficial owner of more than 10 percent of any class of any equity security which is listed and registered on a national securities exchange, or who is an officer or a director of the issuer of such security, shall file with the exchange and the Commission, at the time of the registration of such security or within 10 days after the time he became such beneficial owner, officer or director, a statement of the amount of all equity securities of such issuer of which he is directly or indirectly the beneficial owner, and within 10 days after the close of each month thereafter in which any change occurs in his beneficial ownership, a statement indicating such changes and his holdings at the close of the month. Sections 17 (a) of the Public Utility Holding Company Act of 1935 and 30 (f) of the Investment Company Act of 1940, respectively require that similar ownership and transaction reports be filed by officers and directors of registered public utility holding companies and officers, directors, principal security holders, members of advisory boards, investment advisers and affiliated persons of investment advisers of registered closed-end investment companies.

Publication of Information Reported by Insiders

In order that the information contained in these reports may be made available to the vast majority of public stockholders who are not in a position to examine the reports at the Commission's office in Washington or at the various exchanges, the Commission summarizes and publishes the data contained in the reports in a monthly Official Summary of Security Transactions and Holdings, which is widely circulated among individual investors, security dealers, investment advisers, newspaper correspondents and other interested persons. Beginning in August 1951 free distribution of this Official Summary was discontinued as a matter of necessary economy. Distribution is now handled by the Superintendent of Documents, Government Printing Office, at a subscription price of $2.50 per year. A substantial number of the persons on the Commission's free list immediately subscribed for the Summary, and the subscription list has been steadily growing since that time.

Coincidentally, various changes were made in the Commission's techniques of copy preparation which greatly improved the appearance and readability of the publication and substantially reduced its printing costs.

Volume of Reports Filed and Examined

By the close of fiscal year 1952 more than 372,000 reports had been filed under the three statutes by over 52,000 persons identified with the control and management of American industrial, utility and investment companies. While over the course of the past 18 years there has been considerable turnover in the identity of these corporation insiders—due to purchases or sales of stock, or death, on the part of principal security holders, and to election, appointment, promotion, resignation or death on the part of directors or officers—approximately 25,000 persons presently have corporate relationships by virtue of which they are subject to the reporting requirements. During the 1952 fiscal year total filings of reports by these persons substantially exceeded 20,000.

These reports are examined for compliance with the statutory standards and the Commission's related rules and interpretative opinions by a specialized group maintained in the Division of Corporation Finance. Procedures employed in doing so are necessarily integrated closely with the Commission's examination of related items of information in documents required to be filed by corporations registered under various Acts administered by the Commission. The stock holdings of nominees for election as director which are disclosed in proxy statements under Regulation X–14 illustrate such related data.

The following table shows the number of reports of different kinds filed under the three Acts during fiscal year 1952:

Number of ownership reports of officers, directors, principal security holders, and certain other affiliated persons filed and examined during the fiscal year ended June 30, 1952

Description of report	Original reports	Amended reports	Total
Securities Exchange Act of 1934: [1]			
Form 4	16,548	748	17,296
Form 5	465	6	471
Form 6	2,228	18	2,246
Total	19,241	772	20,013
Public Utility Holding Company Act of 1935: [2]			
Form U-17-1	56	4	60
Form U-17-2	354	6	360
Total	410	10	420
Investment Company Act of 1940: [3]			
Form N-30F-1	105	0	105
Form N-30F-2	511	12	523
Total	616	12	628
Grand total	20,267	794	21,061

[1] Form 4 is used to report changes in ownership; Form 5, to report ownership at the time any equity security is first listed and registered on a national securities exchange; and Form 6, to report ownership of persons who subsequently become officers, directors, or principal stockholders of the issuer.
[2] Form U-17-1 is used for initial reports and Form U-17-2 for reports of changes in ownership.
[3] Form N-30F-1 is used for initial reports and Form N-30F-2 for reports of changes in ownership.

Enforcement of Reporting Requirements

Rarely does the Commission have to resort to formal action to compel compliance with these reporting requirements. Only twice in the 17 years prior to fiscal year 1952 has it been necessary to seek a court order to enforce these requirements. The third occasion arose in fiscal year 1952 and is discussed below in the section on litigation under the Securities Exchange Act.

Preventing Unfair Use of Inside Information

For the purpose of preventing the unfair use of information which may have been obtained by an insider by reason of his relationship to his company, section 16 (b) of the Act provides for the recovery by or in behalf of the issuer of any profit realized by him from any purchase and sale, or any sale and purchase, of any equity security of the company within any period of less than six months. Corresponding provisions are contained in section 17 (b) of the Public Utility Holding Company Act of 1935 and section 30 (f) of the Investment Company Act of 1940. While the Commission is not charged with the enforcement of the civil remedies created by these provisions, which are matters for determination by the courts in actions brought by the proper parties, it is interested in seeing that information with respect to possible profits by insiders is made available to issuers and public stockholders; and it has participated as *amicus curiae* in many of the suits instituted under these provisions where questions of statutory interpretation are involved.

SOLICITATION OF PROXIES, CONSENTS, AND AUTHORIZATIONS

Pursuant to sections 14 (a) of the Securities Exchange Act, 12 (e) of the Public Utility Holding Company Act of 1935, and 20 (a) of the Investment Company Act of 1940 the Commission has adopted

Regulation X-14 which is designed to regulate the solicitation of proxies, consents and authorizations in connection with securities of companies subject to those statutes in order to protect investors by requiring the disclosure of certain information to them at the time their proxies are solicited. The information prescribed for such disclosure is calculated to enable the investor to act intelligently upon each separate matter with respect to which his vote or consent is sought. The regulation also contains provisions enabling security holders who are not allied with the company's management to communicate with other security holders when management is soliciting proxies, either by arranging for the distribution of their own proxy statements or through the inclusion of their proposals in the proxy statements of management.

Statistics Relating to Proxy Statements

During the 1952 fiscal year the Commission received and its staff in the Division of Corporation Finance examined, for its adequacy in meeting the prescribed standards of disclosure, material relating to 1,818 solicitations of security holders' proxies as well as "follow-up" material used in 158 of these cases. In each instance it was necessary under the regulations to receive and process these proxy statements both in their preliminary and definitive forms. These figures compare with 1,788 solicitations and the use of "follow-up" material in 192 instances during the preceding fiscal year.

Much more detailed information about proxy solicitations is available on a calendar year basis. The total number of solicitations made in 1951 was 1,791. Nearly 99% of these, or 1,769 were made by management and the remaining 22 by nonmanagement groups. It should be added that 40 of the proxy statements filed by management included, as provided for under the regulation, 63 proposals of 24 different stockholders who were not connected with the management. The number of management proxy statements including such stockholder proposals shows a drop from the 57 recorded in 1950, while the number of such stockholder proposals shows a drop from the 97 in 1950.

As usual the business of electing directors is the purpose for which proxies are most often sought. In 1951, there were 1,578 stockholders' meetings where such election was an item of business, and 180 meetings not involving such election, while the 33 remaining solicitations sought consents and authorizations which did not involve any meeting or any election of directors.

The wide range and frequency of items of business other than election of directors on which stockholders' action was sought in 1951 are shown below.

Item of business other than election of directors	*Number of proxy statements*
Mergers, consolidations, acquisitions of businesses, and purchases and sales of properties	43
Issuance of new securities, modification of existing securities, recapitalization plans other than mergers or consolidations	272
Employee pension plans	116
Bonus and profit-sharing plans, including stock options	143
Indemnification of officers and directors	11
Change in date of annual meeting	20
Miscellaneous amendments to bylaws and other matters	302
Approval of independent auditors	398

The most striking increase over 1950 is reflected above in the number of proxies seeking stockholder votes on bonus and profit-sharing plans including stock options—a total of 143 compared with 52 in 1950. While the number of proxy statements dealing with employee pension plans, 116, is substantially less than the corresponding 152 proxy statements in 1950, it should be noted that the 1950 total reflected an increase of more than 200 percent over the corresponding total of 49 in 1949.

Examination of Proxy Material

Under the regulation copies of proposed proxy material must be filed with the Commission in preliminary form at least 10 days prior to the date of the proposed solicitation, and in definitive form at the same time definitive copies are furnished to stockholders. The preliminary material is filed for the information of the Commission and to enable the staff to determine the adequacy of the prescribed factual disclosures therein. Thus the examination of this material must be completed in the comparatively brief interval between the filing of the preliminary and definitive material. Even this brief period is frequently shortened, where requested and found practicable, by Commission action accelerating the date of the proxy solicitation. Where preliminary material fails to meet the disclosure standards, the management or nonmanagement group responsible for its preparation is given an opportunity to correct the deficiency before preparing its definitive proxy material. Since the financial statements included in proxy material seeking stockholder approval of the merger, acquisition or recapitalization of corporations frequently present important and complex accounting questions, it is not surprising that such statements in preliminary material often do not meet the prescribed standards of disclosure. Two examples may be noted.

1. Preliminary proxy solicitation material, which was submitted by a food manufacturing company with total assets of approximately $95,000,000, contained a pro forma statement of financial position giving effect to the acquisition of the net assets of a company with total assets of approximately $15,000,000.

The registrant issued 115,000 shares of its common stock, $25 par value, for substantially all of the net assets of the company to be acquired. This represented the issuance of approximately 20 percent additional stock. The sum of $2,296,300, representing the excess of the common stock equity of the company to be acquired over the aggregate par value of registrant's common stock issued therefor, was reflected in the registrant's account, "Accumulated earnings retained and used in the business." The accounting staff in the Division of Corporation Finance took the position that the accumulated earnings of the company to be acquired in excess of the credit to registrant's common stock account, $2,875,000, should be credited to capital surplus instead of to registrant's accumulated earnings account since the transaction appeared to be, and was represented as, a purchase of net assets. Consequently, the pro forma statement of financial position was amended to reduce the accumulated earnings account by $2,296,300 and to credit the capital surplus account with the same amount.

2. The registrant, a manufacturing company, filed preliminary proxy soliciting material to be used in connection with a forthcoming special meeting of stockholders at which it was proposed to effect a

plan of recapitalization of the company in order to eliminate accumulated and unpaid dividends of approximately $8,600,000 on the preferred stock of the company. The proposed recapitalization was to be effectuated through a statutory merger of the company with its wholly owned subsidiary company. The plan contemplated the issuance by the surviving parent company of 5½ percent sinking fund debentures and new common stock primarily to the preferred stockholders in exchange for their preferred stock and in satisfaction of the unpaid dividends on this stock. The preliminary proxy material included a pro forma balance sheet giving effect to the proposed recapitalization of the company. In this balance sheet the earned surplus of the parent company in the amount of $578,740.29 was brought forward in the merger as earned surplus of the surviving company rather than as capital surplus.

In the letter of comment issued by the Division of Corporation Finance it was indicated that because of the substantial accumulated and unpaid dividends on the preferred stock, which far exceeded the amount of earned surplus, this latter amount should be brought forward as capital surplus rather than as earned surplus in the merger and that subsequently accumulated earned surplus should be dated from the date of reorganization. As a result, the pro forma balance sheet in the definitive proxy material as sent to stockholders was changed to reflect the earned surplus of the company as capital surplus after the merger.

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

Registration

Section 15 (a) of the Securities Exchange Act requires that brokers and dealers using the mails or instrumentalities of interstate commerce to effect transactions in securities on the over-the-counter markets be registered with the Commission pursuant to section 15 (b) of the Act. Brokers and dealers whose business is exclusively intrastate or exclusively in exempt securities are exempt from registration. Certain data with respect to registrations of brokers and dealers during fiscal year 1952 are collected in the following tabulation.

Statistics relating to registrations of brokers and dealers—fiscal year ending June 30, 1952

Effective registrations at close of preceding fiscal year	3,945
Effective registrations carried as inactive	9
Registrations placed under suspension during preceding fiscal year	0
Applications pending at close of preceding fiscal year	26
Applications filed during fiscal year	501
Total	4,481
Applications withdrawn during year	10
Applications canceled during year	0
Registrations withdrawn during year	357
Registrations canceled during year	61
Registrations denied during year	0
Registrations suspended during year	1
Registrations revoked during year	20
Registrations expired by Rule X–15B–3	0
Registrations effective at end of year	3,994
Registrations effective at end of year carried as inactive	[1] 3
Applications pending at end of year	35
Total	4,481

[1] Registrations on inactive status because of inability to locate registrant despite careful inquiry.

Administrative Proceedings

The Commission is empowered, with due regard to the public interest and the protection of investors, to deny or revoke the registration of brokers and dealers pursuant to section 15 (b) of the Act; and to suspend or expel brokers and dealers from membership in a national securities association or exchange pursuant to sections 15A and 19 (a) of the Act, where certain types of misconduct are shown. Data with respect to the type and number of such administrative proceedings instituted by the Commission during the 1952 fiscal year and their disposition are given below:

Record of broker-dealer proceedings to deny registration, proceedings to revoke registration, and proceedings to suspend or expel from membership in a national securities exchange or association instituted pursuant to the Securities Exchange Act of 1934 for fiscal year 1952.

Proceedings pending at start of fiscal year to:	
Revoke registration	11
Revoke registration and suspend or expel from NASD,[1] or exchanges	11
Deny registration to applicant	1
Total proceedings pending	23
Proceedings instituted during fiscal year to:	
Revoke registration	13
Revoke registration and suspend or expel from NASD, or exchanges	5
Deny registration to applicants	2
Total proceedings instituted	20
Total proceedings current during fiscal year	43
Disposition of proceedings	
Proceedings to revoke registration:	
Dismissed on withdrawal of registration	2
Registration revoked	15
Total	17
Proceedings to revoke registration and suspend or expel from NASD, or exchanges:	
Suspended from NASD—registration not revoked	1
Registration revoked and firm expelled from NASD	3
Registration revoked—no action taken on NASD membership	2
Dismissed on withdrawal of registration	1
Total	7
Proceedings to deny registration to applicant:	
Dismissed on withdrawal of application	2
Dismissed—registration permitted	1
Total	3
Total proceedings disposed of	27
Proceedings pending at end of fiscal year to:	
Revoke registration	7
Revoke registration and suspend or expel from NASD or exchanges	9
Deny registration to applicants	0
Total proceedings pending at end of fiscal year	16
Total proceedings accounted for	43

[1] The National Association of Securities Dealers, Inc. is the only national securities association registered with the Commission.

Since 1947 the Commission, in appropriate instances in revocation proceedings, has named as party respondents persons who were not registered as brokers and dealers with the Commission but who were partners, officers or directors or persons controlling or controlled by such brokers and dealers. They are so named in order that they may have a right to present evidence and cross-examine witnesses with respect to any misconduct charged in which they allegedly participated, and, pursuant to section 25 (a) of the Act, to appeal from any order issued by the Commission which aggrieves them.

Proceedings were instituted against Henry P. Rosenfeld, doing business as Henry P. Rosenfeld Company, and three other registered brokers and dealers to determine whether their registrations should be revoked; also named as additional party respondents were 12 nonregistered persons who were employed by the Rosenfeld company as salesmen. The question with respect to them was whether they, as persons "controlled" by a registered broker-dealer within the meaning of Section 15 (b) of the Act, had wilfully violated any of the provisions of the securities acts and whether they individually were causes of any order of revocation which might be issued. Rosenfeld admitted the facts alleged as to himself and consented to revocation of his registration. Hearings, however, were held pursuant to the Commission's order to determine the culpability of all other respondents including the 12 nonregistered persons. The proceeding resulted in an order revoking the registrations of Henry P. Rosenfeld Company and the three other brokers and dealers, and the Commission found that the nonregistered respondents, in the sale of securities, had wilfully violated the antifraud provisions of the securities acts in that they, as well as the other parties, had made false and misleading statements regarding the background of the Rosenfeld company, the operation and prospects of three issuers of securities, their plans to list such securities on a securities exchange, and the necessity of effecting a prompt purchase to secure stock being issued. The Commission also found that they were causes of the order of revocation of Henry P. Rosenfeld Company. Samson Wallach, Sr., one of the nonregistered respondents, appealed to the United States Court of Appeals for the District of Columbia, asserting that the Commission has no jurisdiction under section 15 (b) of the Securities Exchange Act as to persons not registered. The appeal is pending.

Consolidated proceedings against Adams & Co., Bennett, Spanier & Co., Inc., and Ray T. Haas, resulted in an order revoking their registrations and expelling Adams & Co. and Bennett, Spanier & Co., Inc. from membership in the NASD. Haas was not a member. The Commission found that registrants, acting in concert, took down blocks of shares of Mohawk Liqueur Corporation from a person in control of that corporation at successively higher prices and that, in the course of distributing such shares, they maintained and raised the price of the shares by entering increasingly higher bids in the National Daily Quotation Sheets and on the Chicago Board of Trade and effecting purchases at rising prices.

In a proceeding against Frank S. Kelly, against whom the Commission had already obtained an injunction,[12] the Commission revoked his broker-dealer registration. The Commission found that he had solicited customers to buy certain when-issued securities, that as

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[12] See 17th Annual Report, p. 59.

their agent he had accepted their orders for such securities and had obtained deposits from them in connection therewith on the representation that the monies obtained would be held and applied to the settlement of the contracts for the securities. He did not disclose to these customers that he intended to use and did use these deposits for his own purposes. In addition he loaned a substantial sum to a private corporation not connected with the securities business, and as a result of such loan, he had insufficient liquid assets to meet his obligations to customers.

In proceedings instituted against Van Alstyne, Noel & Co., it was alleged that the respondent made false and misleading representations in the sale of stock of Expreso Aereo Inter-Americano, S. A., a Cuban airline, concerning, among other matters, its operations and financial condition, its prospects and the probability of higher market prices. The Commission found that the Van Alstyne, Noel firm made certain favorable representations about Expreso's operations and future prospects when it had in its possession information that Expreso's financial condition was unfavorable and was deteriorating, that Expreso had borrowed substantial sums of money, that it had issued stock in Cuba to obtain capital, and that an aviation consultant who studied the company had reported that Expreso's prospects were not too bright unless substantial funds could be raised to purchase new equipment for expansion and acquire control of its only competitor in Cuba. The Commission held that such information was material, the nondisclosure of which rendered the optimistic representations misleading. The registrant contended with respect to the financial statements of Expreso available to it that it was under no duty to disclose to its customers the information contained therein of which it had knowledge because (a) the financial statements were confidential, (b) some of the financial statements were unaudited and therefore inaccurate and incomplete, and (c) the financial statements were stale and were accompanied or immediately followed by optimistic statements by Expreso's officers and directors which negatived or minimized the adverse financial information. The Commission rejected this contention, pointing out that full disclosure could have included any facts affecting the weight to be given to the information, and stating, with respect to the claimed confidential nature of the statements, that:

> Even if it be assumed that registrant owed a duty to Expreso to treat the financial information as confidential, in our opinion when registrant disseminated favorable and optimistic information with respect to Expreso's condition and prospects, it made itself subject to an overriding duty of disclosure to its customers. [Footnote omitted.] Registrant should have appreciated that giving to a customer favorable or optimistic information and withholding unfavorable information which it considered confidential would be misleading and unfair to the customer . . .

The Commission ordered the suspension of Van Alstyne, Noel & Co. from membership in the NASD, New York Stock Exchange, and New York Curb Exchange for a period of 20 days. The registrant appealed from the Commission's suspension order to the United States Court of Appeals for the Second Circuit. The appeal is pending.

Broker-Dealer Inspections

Section 17 (a) of the Securities Exchange Act authorizes the Commission to make reasonable periodic, special, or other examinations of the books and records of brokers and dealers. Under this section, the Commission has devised an inspection program to determine whether brokers and dealers are complying with the requirements of the securities acts. These examinations are sometimes limited in nature, but the usual inspection is designed to check on all the various activities of brokers and dealers. During the fiscal year, the Commission's regional offices, which conduct the inspections, reported on 827 such inspections, 677 of which were inspections of members of the NASD. As has been the experience in previous years, a substantial number of violations of the rules and regulations were uncovered. These violations included noncompliance with the Commission's capital and hypothecation rules and with Regulation T prescribed by the Board of Governors of the Federal Reserve System. In a limited number of instances, brokers and dealers were taking secret profits. There were a substantial number of transactions in which the reasonableness of the price charged to the customer in relation to the current market price was open to question, and there were miscellaneous violations in large number which would be difficult to classify because of their variety.

The Commission does not necessarily take formal action against a broker or dealer who appears from these inspections to be violating the Acts if the violations appear to be inadvertant or the result of misinformation and are not wilful, the Commission, consistent with accepted standards of administrative procedure, affords the broker-dealer an opportunity to correct his practices if possible or to assure the Commission that he will not persist in them.

Investigations

Generally, investigations of brokers and dealers result from the inspection program, complaints from customers, or information received from sources such as state securities commissions, securities exchanges and associations, and better business bureaus. In connection with such investigations, the Commission may or may not authorize the use of subpena powers. After the completion of an investigation, the staff analyzes the evidence developed and makes recommendations to the Commission for appropriate action in the public interest and for the protection of investors. The recommendation may be for injunctive relief, for administrative action to revoke registration or to suspend or expel from membership in a national securities exchange or association, or, in an appropriate case, for reference to the Department of Justice for criminal prosecution. The following schedule shows the number of such investigations during the fiscal year.

Pending July 1, 1951	164
Commenced during year	135
	[1] 299
Closed during year	118
Pending July 1, 1952	[2] 181
	299

[1] This figure includes 43 administrative proceedings as shown in the schedule set forth under "Administrative Proceedings," *supra*.

[2] This figure includes 16 administrative proceedings pending at the end of the fiscal year as shown in the schedule set forth under "Administrative Proceedings," *supra*, and 15 such proceedings in which the Commission had issued its final determination before the end of the fiscal year, but the investigative files on which had not been closed of record.

Financial Reports

Rule X–17A–5 requires brokers and dealers to file annually reports of their financial condition. During the 1952 fiscal year, 3,797 reports of financial condition were filed. These reports are examined and analyzed by the staff of the Commission to determine whether, as of the date for which the report speaks, the broker-dealer is in compliance with the capital requirements under rule X–15C3–1. If a broker-dealer is found not to comply, he is generally afforded a reasonable time in which to correct his financial condition so that it fully meets the requirements. If he fails to do so, the Commission takes such action as may be necessary for the protection of customers.

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

Association Membership

Membership in the National Association of Securities Dealers, Inc. (NASD), the only national securities association registered with the Commission, stood at 2,950 at the close of the 1952 fiscal year. This represented an increase of 104 members during the period as a result of 241 admissions to, and 137 terminations of, membership. At the same date there were registered with the NASD as registered representatives 33,053 individuals, including generally all partners, officers, salesmen, traders and other persons employed by or associated with member firms in capacities which involved their doing business directly with the public. The number of persons so registered represented an increase during the fiscal year of 2,131 as a result of 6,168 initial registrations or reregistrations and 4,037 terminations of registrations.

Disciplinary Actions

In the 1952 fiscal year the Commission received from the NASD reports of final action in 21 disciplinary cases in which formal complaints had been filed against members. Four of these complaints had been dismissed by the District Business Conduct Committee of initial jurisdiction on findings that there had been no violations of the Rules of Fair Practice of the association as alleged in the complaints.

In the remaining 17 cases the committees found that the members or the registered representatives of the members cited in the complaints had acted in violation of the Rules of Fair Practice, and the committees imposed various penalties. Of these 17 decisions the complaints in 7 cases were aimed solely against member firms. In these cases one member firm was expelled and 6 other member firms were fined amounts ranging from $100 to $800, and aggregating $1,950.

The remaining 10 decisions involved not only member firms but also their registered representatives. In eight of them the following penalties were imposed: One firm was censured and a representative was fined $500; one firm was fined $500 and it and its representative were each suspended for 30 days; one firm was fined $500 and it and its representative were censured; one firm and its representative were each suspended for 60 days and the representative was fined $500; one firm was censured, as were two of its representatives; one firm was fined $3,000, two representatives were each fined $1,200, a third was fined $600 and the registration of a fourth representative was revoked; and complaints against two member firms were dismissed, although in one instance a representative was fined $100 and in the other the registration of a representative was revoked.

The decisions in the two remaining cases, after affirmance by the Board of Governors, were appealed to the Commission by some of the aggrieved parties pursuant to the provisions of section 15A (g) of the Securities Exchange Act, and at the end of the fiscal year were in process before the Commission. Pending Commission determination such an appeal automatically stays the effectiveness of that part of the NASD decision affecting the appealing person or firm. In the one case, appeals were filed by Albert B. Tyson, who subsequently abandoned his appeal, and Gilbert Parker, registered representatives of Tyson & Co., Inc., from the revocation of their registrations. No appeal was taken from that part of the NASD decision expelling the firm from membership and revoking the registration as a registered representative of Joseph Tyson. In the other case, Standard Bond & Share Co. and its principal officer, William G. Stien, appealed from a decision which imposed a fine of $500 on the firm and also suspended the firm from membership and Stien, as a registered representative, for 30 days.

As is its custom, the Commission referred to the NASD for appropriate action facts concerning the business practices of members which tended to indicate possible violations of the NASD Rules of Fair Practice. This information was obtained in broker-dealer inspections of member firms by the Commission. In the 1952 fiscal year nine such references were made and a similar number had been pending before the NASD at the start of that year. At the end of the period seven cases were under consideration or in process, reports on 11 having been received from the association during the period. In two instances formal complaints were filed, resulting in the imposition of penalties. The remaining nine cases were disposed of by informal means after examination by the association and either the receipt of assurances by the NASD committees of future compliance with relevant rules or the discovery of relevant facts or circumstances such as to persuade the committees that there was no basis for formal disciplinary action.

Commission Review of Disciplinary Action

Under the provisions of section 15A (g) of the Act, any disciplinary action by the NASD against a member is subject to review by the Commission on application by any aggrieved party, or on the Commission's own motion.

As indicated in the Seventeenth Annual Report, there were pending before the Commission at the start of the fiscal year here under review an appeal by Otis & Co. from a 2-year suspension, and by R. H. Johnson & Company from expulsion, and shortly after the start of the year a third appeal was taken by George J. Martin & Co., a member firm which had been expelled, and Irving and Alfred Shayne, whose registration as registered representatives of the Martin firm had been revoked. In addition, as mentioned above, appeals were filed during the year by Tyson & Co., Inc., Albert B. and Joseph Tyson and Gilbert Parker and by Standard Bond & Share Co. and its president, William G. Stien.

The Commission on April 2, 1952, issued its findings, opinion and order in the R. H. Johnson & Company case dismissing the review proceedings;[13] and the remaining four appeals were in process before

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[13] Securities Exchange Act release No. 4694.

the Commission at the end of the fiscal year. The R. H. Johnson & Company matter is of considerable significance because the Commission's decision, which in effect affirmed the NASD's action, was subsequently appealed to the courts, the first time such an appeal has been taken.[14] In that case, a complaint was issued by the District Business Conduct Committee of District 14 of the NASD charging violations of Sections 1 and 2 of Article III of the NASD Rules of Fair Practice by R. H. Johnson & Company ("applicant"), by two of its partners, Roland H. Boardman and John D. Freeman, and by a salesman, Caswell Sharpe. The District Committee, after hearing, found that applicant and the others had violated these rules in that, for the purpose of obtaining profits for themselves, they had induced trading activity in a customers' account over a six-year period, which, in view of the financial resources and character of the account, was excessive in volume and in frequency. It ordered the expulsion of applicant from membership in the association and revocation of registration with the association of the others as registered representatives of applicant. Upon review by the NASD Board of Governors, applicant's expulsion and the revocation of Sharpe's registration were affirmed, and the disciplinary action with respect to Boardman and Freeman was reduced to suspension from registration for one year. In addition, the Board found that Rupert H. Johnson, applicant's principal partner, and Boardman, Freeman, and Sharpe were causes of the order expelling applicant from membership in the NASD. Applicant and Johnson sought review by the Commission.

The overtrading was effected in a joint account of an elderly widow and her daughter by the salesman, Sharpe, who had gained their trust and confidence. The customers, neither of whom had any financial or business background, placed with Sharpe for investment a net of $57,776 in cash and securities. With these assets Sharpe effected a total of 648 transactions consisting of 348 purchases and 300 sales, in a gross amount of $1,011,678. The securities acquired in 208 of the purchase transactions were sold within 6 months of acquisition, while those acquired in 68 other purchase transactions were sold within a year. Thus, more than 79% of the purchases were reversed within one year. Only the securities acquired in 35 purchases, of which 20 were effected as recently as 1948 and 1949, remained unsold at the end of the 6-year period.

Another feature of the trading in the account was that almost one-third of the purchases were made between a dividend declaration date and the exdividend date. The customers believed they were receiving extra income, but the dividends were in effect merely a return of capital which had been purchased with the attendant expense of commissions and other costs.

When the customers closed their account, securities worth $31,700 remained of the $57,776 in cash and securities invested, indicating a loss of $26,076, of which $8,733 had been realized. Had these customers, instead of placing their account with applicant, simply continued holding the securities they originally owned, their account on the date it was closed would have shown an increased market value of about $2,663.

Applicant realized commissions and profits on this account totalling

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[14] See p. 75, *infra*.

$23,354. Although almost all of the transactions were in listed securities, only $1,852 represented commissions on agency transactions while $21,502 were profits derived from sales to the customers by applicant as principal. Sharpe received 50% of these commissions and profits realized by applicant. Over the 6-year period, 33% of Sharpe's income was derived from this one account, and in one year it provided over 47% of his income.

Applicant conceded that there was substantial overtrading in the account, that the account suffered substantial losses, and that Boardman and Freeman failed adequately to supervise the transactions recommended to the customers by Sharpe. However, applicant contended that responsibility for the overtrading could not be attributed to it, that primary responsibility lay with Sharpe while any derivative responsibility went only as far as Boardman and Freeman who, as resident partners in the Boston office, assertedly had complete control over Sharpe's trading in the account. The NASD, on the other hand, argued that Boardman and Freeman were not actually partners but only supervisory employees, and that while it is immaterial, as far as applicant's responsibility is concerned, whether Boardman and Freeman were partners or not, their subordinate status in the firm was significant with respect to Johnson's duty, as the dominant partner, to supervise the Boston office.

The Commission, in dismissing the review proceedings, found that Johnson, as the dominant partner, must have known that Boardman and Freeman would have little time to devote to supervision of the activities of the salesmen in the Boston office who serviced about two to four thousand accounts. Boardman and Freeman were permitted to handle their own accounts, receiving a commission of 50% thereon like the other salesmen, and they were frequently away from the office on firm business.

Moreover, the record showed that supervision of the salesmen in the Boston office was primarily the function of the New York office where Johnson maintained his headquarters. The accounting system of the firm was such that the only permanent records were in the New York office. The daily sales sheets were prepared in New York showing all transactions for the day in all of the offices, and the customers' ledger was kept in New York. Whenever accurate and complete information as to an account was required by the Boston office, a transcript taken from the customers' ledger in New York would be supplied. To the extent that there was compliance with Section 27 (a) of Article III of the NASD's rules which requires supervision of salesmen including review and approval of all sales by a partner, executive, or branch manager evidenced by written endorsement of sales memoranda, it was carried out in New York. However, such endorsement in applicant's case, in the form of initialing of the sales memoranda, frequently was done by employees rather than a partner or executive and merely purported to indicate that the transactions were accurately set down and that the spread was reasonable. But the endorsement did not purport to signify that the transactions had been approved as being suitable for the customer. The Commission accordingly concluded that, although the New York office was responsible for revising securities transactions, such limited check as was actually made was not designed and was ineffective to detect excessive trading.

Commission Review of Action on Membership

Section 15A (b) (4) of the Act and the bylaws of the NASD provide that except in cases where the Commission approves or directs admission to or continuance in NASD membership as appropriate in the public interest, no broker or dealer may hold such membership if such broker or dealer or any person controlling or controlled by such broker or dealer has been expelled from membership for violation of an association rule prohibiting conduct inconsistent with just and equitable principles of trade or was a "cause" of any such expulsion order.

Pursuant to this authority, and giving due consideration to the affirmative recommendation of the Board of Governors of the NASD, the Commission during the fiscal year approved the admission to membership of LaForge and Co.[15] The firm had previously been expelled from NASD membership for conduct inconsistent with just and equitable principles of trade in that it had paid commissions to the registered representative of another member without the prior knowledge or consent of that member. The firm represented to the NASD, in its effort to regain association membership, that the payments had been made on the instructions of the customer; that no effort had been made to keep secret the fact of these payments; that if association rules had been violated that had not been the intent; and that since its expulsion no similar acts had occurred. The Commission found it appropriate in the public interest to approve the admission of the firm to NASD membership.

The Commission considered somewhat similar applications in approving the continuation in NASD membership of three different member firms employing H. L. Brocksmith,[16] Roland H. Boardman,[17] and John D. Freeman, respectively.[18] Brocksmith's disqualification arose from Commission action in 1942 which resulted in the revocation of the broker-dealer registration of H. L. Ruppert and Co., Inc., of which Brocksmith was vice president, and the expulsion of that firm from the NASD and the St. Louis Stock Exchange. Thereafter, with Commission approval, the NASD continued in membership a firm which employed Brocksmith as its registered representative. Brocksmith subsequently changed his employment to another NASD member firm and this change likewise raised before the Commission the question of continuation in NASD membership of the new employer. On the representation by the NASD that his record while employed by the other member firm was satisfactory and that he was adequately supervised in his new employment, the Commission approved the application.

The Commission, with due regard to the public interest, also approved the continuance of membership in the association of the firms employing Roland H. Boardman and John D. Freeman, who had been co-managers of the Boston branch office of R. H. Johnson and Company, and had been held by the NASD to be causes of the order of expulsion of the Johnson firm and had been suspended from membership in the association as registered representatives for one year.

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[15] Securities Exchange Act release No. 4700 (April 8, 1952).
[16] Securities Exchange Act release No. 4689 (March 12, 1952).
[17] Securities Exchange Act release No. 4705 (April 15, 1952).
[18] Securities Exchange Act release No. 4704 (April 15, 1952).

Commission Action on NASD Rules

Section 15A (j) of the Act provides that any change in or addition to the rules of a registered securities association shall be disapproved by the Commission unless such change or addition appears to the Commission to be consistent with the requirements for such rules in section 15A (b) of the Act.

The NASD filed with the Commission, on June 4, 1952, after requisite approval by the Board of Governors and the membership, a proposed amendment to Article III of the Rules of Fair Practice, designated Section 28, providing for notice under limited conditions to a member (the "employer member") before another member (the "executing member") knowingly executes transactions for the purchase or sale of a security for the account of a partner, officer, registered representative, or employee of the employer member. The Commission held that it was unable to find the proposed amendment consistent with section 15A (b), and on June 30, 1952, disapproved the proposed amendment pending further order.[19] At the same time the Commission gave notice that it had under consideration a proposal to adopt rule X-10B-6 under section 10 (b) of the Act. In substance, this rule would make it unlawful for any broker or dealer to effect any securities transaction with or for any partner, officer, director, or employee of another broker or dealer, either on or off an exchange, unless he gives actual notice of the transaction to the other broker or dealer in advance and then promptly sends the other broker or dealer a copy of the confirmation. The Commission pointed out that the proposed rule of the NASD which it had disapproved pending further order was more limited than the Commission's rule in that (1) it would have applied only to members of the association and (2) it would have required notice only under limited conditions.

CHANGES IN RULES, REGULATIONS AND FORMS

Amendment of proxy rules.—In keeping with its policy of revising its rules and regulations from time to time as experience gained from actual administration dictates, the Commission, during the latter part of the 1952 fiscal year, published tentative proposals for the amendment of certain of its proxy rules under Regulation X-14. In announcing these proposals, full details of which are set forth in Securities Exchange Act release No. 4668 (January 31, 1952), the Commission invited all interested persons to submit data, views and comments on the proposals for its consideration. (The Commission, on December 11, 1952, adopted amended proxy rules growing out of these proposals as announced in Securities Exchange Act release No. 4775.)

Rule X-15D-14. Reports by Canadian banks.—On August 27, 1951, the Commission announced the adoption of a rule dealing with reports filed pursuant to section 15 (d) of the Securities Exchange Act by Canadian banks. The rule, designated as rule X-15D-14, permits Canadian banks to file as their annual reports under the Act the information and documents which they are required by the Bank Act of Canada to furnish to their stockholders. The rule further

[19] Securities Exchange Act release No. 4723 (June 30, 1952).

provides that current and quarterly reports need not be filed by such banks.

Proposed Rule X-10B-6.—This rule, which is discussed *supra*, at page 71, would require a broker-dealer to give notice to another broker-dealer of any transaction between the former broker-dealer and the partner, officer, director or employee of the latter broker-dealer, and to give a duplicate copy of the confirmation to such broker-dealer.

Amendment of certain rules with respect to registration and reporting.—Corresponding to similar action taken under the Securities Act of 1933 during the year, the Commission amended the following rules under the Securities Exchange Act dealing with the preparation and filing of applications and reports under the Act:

Rule X-12B-11 was amended to require only three copies of applications and reports to be filed with the Commission unless additional copies are required by the instructions contained in the particular form. Previously the rules required four copies of all such material to be filed with the Commission.

Rule X-12B-12 previously required applications and reports to be printed, mimeographed or typewritten. The amended rule permits them to be lithographed or prepared by any similar process which produces copies of the requisite clarity and permanence. Further amendments clarify the requirements with respect to the size of type to be used.

Rules X-13A-13 and X-15D-13, which relate to the filing of quarterly reports of gross sales and operating revenues, were amended so as to make it clear that such reports are required to be filed by title insurance companies. They previously provided that such quarterly reports need not be filed by "any * * * insurance company." This language has been changed to read "any * * * insurance company (other than title insurance companies)."

Amendment of Form 8-K.—Item 15 of Form 8-K was amended so as to make it clear that registrants under the Securities Act which are required to file current reports on this form need keep up to date only those exhibits which are required to be kept up to date by a company having securities listed and registered on a national securities exchange.

The amended item also provides that where previously filed exhibits are amended or modified, copies of the entire exhibits as amended or modified to date shall be filed where it is practicable to do so. Where that is not practicable, copies of the amendment or modification only may be filed, but in such case the registrant must identify each previous filing in which the original exhibit or any amendment or modification has been filed.

Amendment of specified forms.—During the 1952 fiscal year, the Commission also adopted various amendments to the Instruction Book for Forms 12-K and 12A-K, in order to conform to certain changes made by the Interstate Commerce Commission in its Form A; and adopted an amendment to Form 10-K which further simplifies the filing of reports on this form by electric utility and natural gas companies which file annual reports with the Federal Power Commission on its Forms 1 or 2. The latter issuers are permitted to file copies of such reports in satisfaction of most of the requirements of Form 10-K.

Amendment of Rule X-12D2-2 (a).—This rule, which relates to the delisting of securities by exchanges under certain conditions by notifying the Commission thereof, was amended, effective May 26, 1952, and a new form of notice adopted. The amendment and new form are discussed *supra*, at page 51.

LITIGATION UNDER THE SECURITIES EXCHANGE ACT

Injunctive Actions Against Broker-Dealers

During the fiscal year the Commission filed a complaint charging *J. Arthur Warner & Company*,[20] a registered broker-dealer having offices in New York and throughout New England, with a course of conduct which included the practice of "churning" accounts of customers. As the name implies, churning consists of grossly overtrading an account for the purpose of making large commissions for the dealer at the expense of the customer. To accomplish this, it is generally necessary to find unsophisticated investors who will, for an extended period, remain unaware of what is happening to their accounts. The complaint, which was filed in the United States District Court at Boston, Massachusetts, alleged that J. Arthur Warner & Company dealt largely with the elderly and the uninformed who had come by their existing portfolios through inheritance; that it encouraged these persons to liquidate portfolios of government bonds and conservative securities, and to withdraw funds from savings accounts in order to invest in securities which the Warner Company and its employees would recommend, and that, presumably in an effort to make its service most complete, it would also arrange for bank loans for these customers so that they could buy more of the Warner-recommended shares.

The complaint asked for a temporary restraining order as well as for preliminary and final injunctions, and a temporary restraining order was entered which had the effect of restraining the defendant company from syphoning off its assets during the pendency of the litigation. This was deemed to be necessary for the protection of its customers in event they decided to bring action against it. Later, at the court's request, the defendant stipulated that during the pendency of the action its capital would not be impaired, and the order was vacated.

On November 21, 1951, a preliminary injunction was entered with the consent of the defendant. A hearing on the final injunction had not been held as of the close of the fiscal year.

An injunction was obtained against *Kenneth B. Hill*,[21] a registered broker-dealer, who not only sold, but also printed the securities and forged thereon the names of the proper issuing officials. The complaint also alleged and the court found that Hill had failed to meet statutory requirements as to his financial condition, had filed false and misleading financial statements and had failed to keep required business records.

In an injunctive action against *P. L. Ivey & Co.*,[22] a broker-dealer, it was enjoined from misrepresenting its financial condition to customers and failing to meet statutory financial standards.

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[20] Civil Action No. 51-1036, D. Mass.
[21] Civil Action No. 52-8, D. Mass.
[22] Civil Action No. 1313, E. D. Va.

Injunctive Actions Against Others

An action for an injunction was instituted against *L. A. McQueen,*[23] a vice president and director of the General Tire and Rubber Co., to restrain him from further violations of section 16 (a) which requires an officer or a director of a corporation with an equity security registered on a national securities exchange to file with the Commission and the exchange reports reflecting his acquisition or disposition of any of the corporation's equity securities. McQueen filed the required reports and consented to entry of the injunction.

An injunction was also obtained against *Local 291 of the Utility Workers of America, Leonard Behr,* president of the Local, *Henry Myers,* secretary and treasurer of the Local, and *Joseph A. Henry,* a stockholder of Kings County Lighting Company,[24] from further solicitation of proxies without first filing their solicitation material with the Commission and furnishing a proxy statement to each person solicited as required by Regulation X–14.

The Commission had filed its complaint for injunction after learning that a so-called "Kings County Lighting Company Independent Stockholders' Committee" had sent two communications to the stockholders of the company urging them not to give their proxies to the management, or to revoke any proxies they might have given, in connection with a special stockholders' meeting. The management, which had filed its own proxy soliciting material under the proxy rules, had called this meeting for the purpose of obtaining authority from the stockholders for certain additional financing, as well as a waiver of preemptive rights. The complaint alleged that the Stockholders' Committee had not filed its material with the Commission, and that this material omitted to state certain information required by the proxy rules and appeared to contain certain false and misleading statements. The evidence showed that Behr and Myers, acting on behalf of the union, had organized the committee, which consisted solely of the defendant Henry, who owns 100 shares of the company's stock and is a brother-in-law of the defendant Behr, and that the letters of the committee had been typed and mimeographed at union headquarters and at the union's expense.

The Commission pointed out that, since the Kings County Lighting Company had been separated from the Long Island Lighting Company system and was thus no longer subject to the Public Utility Holding Company Act of 1935, the Commission had no jurisdiction with respect to the merits of the proposals on which the company had solicited proxies. The Commission emphasized also that it was not concerned with any differences which might exist between the management of Kings County Lighting Company and the union, but that its only interest was to enforce the proxy rules equally against all persons soliciting proxies, whether on behalf of or in opposition to the management.

Occasionally, violations of more than one statute are involved as in the case of the injunction obtained against *Bernard Kantor* and *National Evaluators, Inc.*[25] The complaint alleged violations of sections 5 (a) and 17 (a) (2) and (3) of the Securities Act of 1933.

[23] Civil Action No. 29000, N. D. Ohio.
[24] Civil Action No. 12281 E. D. N. Y.
[25] Civil Action No. 28422, N. D. Ohio.

section 15 (a) of the Securities Exchange Act, and section 203 (a) of the Investment Advisers Act of 1940 in that the defendants, in the sale of stock of National Evaluators, Inc., which had not been registered with the Commission, made false and misleading statements of material facts. Among such statements alleged were that National Evaluators had been retained to locate missing stockholders of a corporation who were entitled to $30,000 in dividends; that the proceeds from the sale of the stock would be paid into the company when, in fact, Kantor appropriated such proceeds to his own use; that a "satisfactory refund" of monies paid by the public to National Evaluators for investigating the value of securities would be made when, in fact, the refund was made in shares of the company, which were worthless. The complaint further alleged that the defendants had engaged in the business of being a broker-dealer and investment adviser without registering with the Commission.

Petitions for Review of Commission Orders

Commission orders in broker-dealer revocation proceedings or on appeal from NASD actions are subject to review by an appropriate Court of Appeals.

In revocation proceedings pursuant to sections 15 (b) and 15A (b) (4) of the Act against *Henry P. Rosenfeld, Samson Wallach, Sr.*, and others,[26] Wallach, one of the nonregistered employee respondents, had been found by the Commission to have violated the antifraud provisions of the securities acts and to have been a cause of the order revoking Rosenfeld's registration. He filed a petition for review[27] contending that the Commission had no jurisdiction to name as respondents persons not registered as broker-dealers. The petition was pending at the end of the fiscal year.

There is also pending an appeal by *Van Alstyne, Noel & Co.* from the order of suspension which is discussed in an earler section.[28]

R. H. Johnson & Co. petitioned for review of the Commission's order sustaining the NASD's order of expulsion.[29] This litigation is of special interest because, as previously mentioned, it is the first NASD disciplinary action to receive judicial attention and review; and the petitioner has challenged the constitutionality of section 15A of the Act under which the NASD was organized.[30]

In *Peck* v. *S. E. C.* the Court of Appeals for the Second Circuit, on April 7, 1952, dismissed for lack of jurisdiction a petition for review of a so-called "order" of the Commission under the Securities Exchange Act. The alleged "order" was a letter of the Commission denying a stockholder's request for an oral hearing on the propriety of the Commission's refusal to institute court action against the management of The Greyhound Corporation to compel it, under rule X-14A-8, to include in its proxy statement a proposal recommending that the management consider the advisability of abolishing the segregated seating system in Greyhound's buses in the South. The Commission had agreed with the management that the proposal was not a "proper subject for action by the security holders" within the meaning of the rule. The Commission contended that it has no power to act by

[26] See p. 63, *supra*.
[27] C. A. D. C., No. 11,295.
[28] C. A. 2, See p. 64, *supra*.
[29] C. A. 2, No. 22353. This case is discussed at p. 68, *supra*.
[30] On July 10, 1952, the Commission's order was affirmed, and on October 20, 1952, certiorari was denied by the United States Supreme Court.

order in such a matter; that it can seek a court order or decree requiring compliance with a proxy rule only if it concludes that the rule is being violated; and that the stockholder can test the correctness of his position by instituting his own court action against the management. At the time of the aforementioned request, the Commission had already had the benefit of the stockholder's written views. The Court of Appeals issued no opinion in dismissing the petition, but its ruling (in view of the issues presented) appears to confirm the Commission's position that the Commission's letter of refusal was not an "order" subject to court review under section 25 (a) of the Securities Exchange Act of 1934, nor was it agency action made reviewable by section 10 (c) of the Administrative Procedure Act.

Participation as Amicus Curiae

Significant interpretations of rule X-10B-5 under section 10 (b) of the Securities Exchange Act were involved in a number of court rulings handed down during the fiscal year in cases in which the Commission participated as *amicus curiae*. In *Speed* v. *Transamerica Corp.*[31] the United States District Court for the District of Delaware, agreeing with the Commission's view, held that rule X-10B-5 had been violated by Transamerica Corporation, the majority stockholder of the Axton-Fisher Tobacco Company, in purchasing the shares of public minority stockholders of that company without disclosing to them material facts in its possession by virtue of its inside position which affected the value of the stock. The court found that Transamerica Corporation bought the minority holdings with the intent (which it effectuated shortly thereafter) of liquidating the company and realizing upon the principal asset, a leaf tobacco inventory whose "average cost" valuation in the company's published financial statements did not reflect an enormous increase in market value of which Transamerica Corporation was cognizant. The court rejected defendant's contention that rule X-10B-5 imposed no duty of disclosure which a corporate insider did not have under state law. The rule, the court held, must be construed so as to give effect to the statutory purpose of protecting investors and redressing wrongs which Congress sought to prevent, and is not limited by the principles of common law fraud and deceit. The court also ruled, in accord with views expressed by the Commission (1) that section 10 (b) does not contain an invalid delegation of rule-making powers, nor does it contravene the due process clause of the Fifth Amendment to the Constitution, (2) that rule X-10B-5 is sufficiently clear and definite, and does not violate the due process clause of the Fifth Amendment, (3) that, in adopting an antifraud rule under section 10 (b), the Commission was not limited to proscribing market manipulations of various types, but could make and properly made unlawful fraudulent or deceptive securities transactions generally, and (4) that section 10 (b) and rule X-10B-5 are not limited to transactions effected upon a national securities exchange or in the organized over-the-counter markets of brokers and dealers, but apply to all fraudulent or deceptive securities transactions in which the mails or instruments of interstate commerce have been used. At the close of the fiscal year a final judgment in the *Speed* case awaited determination of the amount of damages suffered by plaintiffs.

[31] 99 F. Supp. 808 (1951).

In *Northern Trust Company* v. *Essaness Theatres Corp.*[32] the United States District Court for the Northern District of Illinois, in denying defendants' motions for summary judgment, held, in accord with the ruling in the *Speed* case, that section 10 (b) and rule X-10B-5 are applicable to all fraudulent or deceptive securities transactions involving the use of the mails or instruments of interstate commerce. The court rejected a contention that section 10 (b), read in light of the preamble provision of section 2 of the Act, was limited to transactions in securities traded upon exchanges or in the "over-the-counter" markets of brokers or dealers. This holding accords also with the decision in *Robinson* v. *Difford* [33] which is discussed in the 17th Annual Report.[34] A contrary ruling, however, was handed down during the fiscal year by the United States District Court for the Western District of Washington in *Fratt* v. *Robinson*[35] where the complaint was dismissed for lack of jurisdiction. The *Fratt* ruling was made from the bench following oral argument, and no opinion was filed. An appeal in the Fratt case was pending at the close of the fiscal year.[36] In the *Northern Trust Company* case the court also held, in agreement with the Commission, (1) that section 10 (b) and rule X-10B-5 are applicable whether or not the issuer conducts an interstate business, and whether or not the mails were used to transmit the particular misrepresentations complained of, if the mails or instruments of interstate commerce were used in connection with the fraudulent or deceptive transaction, (2) that a private civil action may be maintained by a seller of securities damaged by a violation of rule X-10B-5, and (3) that the applicable statute of limitations for such private action is that of the state of the forum.

The Commission also participated during the fiscal year as *amicus curiae* in a number of cases involving the construction of section 16 (b) of the Act, which accords to a corporation the right to recover profits realized by officers, directors, and 10 percent stockholders from purchases and sales or sales and purchases of the corporation's equity securities during a six months' period. The following cases raised problems of interpretation of language in that section.

In *Carr Consolidated Biscuit Co.* v. *Moore*,[37] the defendant, an officer and director of the plaintiff corporation, realized a profit from transactions completed more than two years before the action was instituted. Since section 16 (b) contains a 2-year statute of limitations he opposed a motion for summary judgment on the ground that the action was barred. The plaintiff took the position, which the Commission supported in its brief as *amicus curiae*, that the statute of limitations was tolled by concealment of the transactions, and that the failure of the defendant to file reports of his transactions as required by section 16 (a) amounted to such concealment. The reports were filed within 2 years preceding commencement of the action. No decision was rendered by the court before the close of the fiscal year.

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[32] 103 F. Supp. 954 (1952).
[33] 92 F. Supp. 145 (E. D. Pa., 1950).
[34] Page 60.
[35] Civil Action No. 2765.
[36] C. A. 9, No. 13111.
[37] Civil Action No. 3792, M. D. Pa.

In *Jefferson Lake Sulphur Co.* v. *Walet*[38] five defenses were raised to an action by a corporation to recover the profits realized by its president from short-swing transactions in the stock of the corporation. It was contended (1) that the transactions were consummated without the use of any inside information, (2) that the certificates of stock purchased by the defendant were not used to make delivery upon any of the shares sold, (3) that some of the shares were not "equity securities" within the meaning of the section because they had been treasury stock, (4) that some of the stock acquired was purchased in accordance with the terms of incentive options issued by the corporation and that therefore the corporation was estopped to recover profits made when these shares were sold, and (5) that any computation of profit must be reduced to the extent that the wife of the defendant had a community property interest in the transactions. The court rejected all of these defenses and, in accordance with the position urged by the Commission, granted judgment in the full amount claimed by the plaintiff. An appeal to the United States Court of Appeals for the Fifth Circuit is pending.

In *Stella* v. *Graham-Paige Motors Corp.*[39] a stockholder of the Kaiser-Frazer Corporation instituted an action against Graham-Paige Motors Corporation based upon a purchase of 750,000 shares of common stock of Kaiser-Frazer Corporation and a sale of 150,000 shares within 6 months thereafter. Prior to the purchase, Graham-Paige Motors Corporation was not a 10 percent stockholder of Kaiser-Frazer Corporation, nor did it occupy any other position which might bring it within the scope of section 16 (b). The purchase of 750,000 shares, however, constituted it a holder of over 20 percent of the common stock of Kaiser-Frazer Corporation. Graham-Paige Motors Corporation moved for summary judgment in the action on the ground that section 16 (b) did not apply because it was not a 10 percent owner of the common stock both at the time of the purchase and at the time of the sale. The Commission contended that the Act contemplated that purchases which themselves caused a person to become a 10 percent stockholder should be subject to the liabilities imposed by section 16. The court, in an opinion handed down shortly before the close of the fiscal year, sustained the Commission's contention.

In *Consolidated Engineering Corporation* v. *Nesbit*[40] the United States District Court for the Southern District of California ruled, contrary to the contentions of the Commission, that a corporation which had issued stock options to its officers and assured them that the options could be exercised and the stock sold within 6 months thereafter, was estopped from recovering any profits from these transactions. Subsequent to the court's decision a security holder sought to intervene for the purpose of taking an appeal, but the District Court denied the request for intervention. An appeal was taken from that denial to the United States Court of Appeals for the Ninth Circuit, and the Commission filed a brief as *amicus curiae* urging the Court of Appeals to permit such intervention.[41] The appeal is pending.

Two section 16 (b) cases, discussed in the 17th Annual Report,[42]

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[38] 104 F Supp 20 (E. D. La., 1952).
[39] 104 F. Supp. 957 (S. D. N. Y., 1952).
[40] 102 F. Supp 112 (S. D. Cal., 1951).
[41] *Pellegrino* v. *Nesbit* (No. 13220).
[42] Pp. 61-62.

involved further proceedings during the current fiscal year. In *Blau* v. *Hodgkinson*,[43] an application by the attorney for the plaintiff for fees in connection with the litigation was approved in the amount of $2,500. In *Rattner* v. *Lehman*, an appeal was taken from the decision of the United States District Court for the Southern District of New York limiting the recovery of the profits from trading by a partnership, in which one of the partners was a director of the company whose stock was being traded, to the proportion of the profits attributable to the partnership interest of the director-partner. The United States Court of Appeals for the Second Circuit affirmed the decision of the District Court.[44]

The Kaiser-Frazer Investigation and the Litigation With Otis & Co.

Early in 1948 the Commission instituted an investigation into the circumstances surrounding the failure of a stock offering by Kaiser-Frazer Corporation and there ensued a series of administrative and court proceedings which, from the standpoint of sheer volume, have been among the most extensive in the history of the Commission. The early history of these proceedings is discussed in the 15th [45] and 16th [46] Annual Reports of the Commission. At the beginning of the present fiscal year there were still pending before the Commission (1) the Commission's administrative proceeding to determine whether the registration of Otis & Co. as a broker-dealer should be revoked and whether it should be suspended or expelled from the NASD, and (2) the appeal by Otis & Co. from an order of the NASD suspending it from membership for 2 years.

Meanwhile Kaiser-Frazer had instituted a suit against Otis & Co. for breach of contract, which was tried before Judge Clancy in the United States District Court for the Southern District of New York in 1951. On July 2, 1951, Judge Clancy handed down an opinion in which he held for the plaintiff, finding: "That defendant procured and actually, by its agents, instituted the Masterson suit as a means to stop the sale of plaintiff's stock was proved beyond a reasonable doubt." [47] On July 10 Judge Clancy entered judgment in the amount of $3,120,743. Otis & Co. appealed, but since no *supersedeas* bond was filed, Kaiser-Frazer immediately took steps in various parts of the country to execute on the judgment.

Shortly after the opinion was rendered, counsel for Otis & Co. advised the Commission that Otis' "assets available to pay the judgment obtained by Kaiser-Frazer Corporation, if that judgment should be affirmed, are less than the amount of the judgment." The Commission had been informed that, shortly before Judge Clancy entered judgment, Eaton and Daley and members of their families had withdrawn substantial amounts of securities which they had loaned to the firm for use as capital pursuant to agreements whereby the loans had been subordinated to the claims of all other creditors. For these reasons, as well as the refusal of Otis & Co. to permit examination of its books pursuant to the Commission's visitatorial power under section 17 (a) of the Securities Exchange Act, the Commission filed an injunction action in the United States District Court for the

[43] 100 F. Supp. 361 (S. D. N. Y., 1951).
[44] 193 F. 2d 564 (C. A. 2, 1952).
[45] Pp. 73-77.
[46] Pp. 58-59.
[47] *Kaiser-Frazer Corp.* v. *Otis & Co.*, CCH Fed. Sec. L. Serv , par 90, 510.

Northern District of Ohio [48] and obtained a temporary restraining order from Judge Jones on July 26, 1951, which has been continued in effect by stipulation. This order, in substance, (a) restrained the defendants from effecting transactions with customers without disclosing the firm's financial condition; (b) restrained further withdrawals of assets and securities by the individual defendants; and (c) directed the defendants to permit the Commission to examine the firm's books and accounts pursuant to section 17 (a) and restrained further violations of that section.

Before a motion for a preliminary injunction could be heard, Otis & Co., on August 22, 1951, filed a petition under Chapter X of the Bankruptcy Act in the same court. On December 12, 1951, Judge Freed approved the petition and continued his order in the usual form restraining all persons from commencing or continuing any actions or proceedings against the debtor. The Commission filed a motion to obtain a clarification of this order, or if necessary its modification, so as to preclude any question of the propriety of the Commission's continued prosecution of three proceedings—the injunction action just referred to and the two administrative proceedings mentioned above. In making this motion the Commission appeared specially in its capacity as the agency charged with the administration of the Securities Act of 1933 and the Securities Exchange Act. Because of the lack of any substantial interest on the part of the public as creditors or stockholders of the debtor, the Commission did not seek leave to appear generally in the Chapter X proceeding.

On March 21, 1952, Judge Freed handed down an opinion in which he construed his order of December 12 as being sufficiently broad to prohibit further prosecution of all three actions (the two administrative proceedings and the action for injunction), but modified his order of December 12 only to the extent of permitting further prosecution of the injunction action. Judge Freed's order pursuant to this opinion was entered on April 7.[49]

On the same day the Court of Appeals for the Second Circuit reversed Judge Clancy's judgment in Kaiser-Frazer's action for damages against Otis & Co.[50] Without coming to the question whether the Masterson suit had been inspired by Otis & Co., the court reversed solely on the ground that certain of the earnings figures in the registration statement filed by Kaiser-Frazer under the Securities Act in connection with the 1948 offering were misleading. For this reason the court held that the underwriting contract was unenforceable as violative of the Securities Act. The court noted, however, that the reason assigned by Otis & Co. for refusing to go through with the underwriting contract at the time was the institution of the Masterson suit.

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[48] *S. E. C.* v. *Otis & Co., Daley, and Eaton,* Civil No. 28371.

[49] An appeal from this order was pending at the close of the fiscal year.

[50] *Kaiser-Frazer Corp.* v. *Otis & Co.,* 195 F. 2d 838. A petition to the Supreme Court for a writ of certiorari was denied on October 20, 1952.

PART III

ADMINISTRATION OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

The Public Utility Holding Company Act of 1935 was passed by the 74th Congress following a nine-year study conducted by the Federal Trade Commission and after extensive hearings and debates by both houses. These investigations disclosed many serious abuses in public utility holding company financing and operations, the more significant of which are enumerated in section 1 (b) of the Act: (1) inadequate disclosure to investors of the information necessary to appraise the financial position and earnings power of the companies whose securities they purchase; (2) the issuance of securities against fictitious and unsound values; (3) the overloading of operating companies with debt and fixed charges thus tending to prevent voluntary rate reductions; (4) the imposition of excessive charges upon operating companies for various services such as management, supervision of construction and the purchase of supplies and equipment; (5) the control by holding companies of the accounting practices and rate, dividend and other policies of their operating subsidiaries so as to complicate or obstruct state regulation; (6) the control of subsidiary holding companies and operating companies through disproportionately small investment; (7) the extension of holding company systems without relation to economy of operations or to the integration and coordination of related properties.

The Congress expressly stated that it was the policy of the Act, in accordance with which all other sections of the statute were to be construed, to meet the problems and eliminate the evils described.

To implement this policy, the 33 sections of the statute provide for three separate areas of regulation of holding company systems. The first area embraces those provisions of the Act which require the physical integration of the public utility and related properties of a holding company system and the simplification of intercorporate relationships and financial structures of the system. The latter includes the removal of unnecessary holding company complexities, the correction of inequitable distribution of voting power among security holders, and the strengthening of the financial position of the system. The second area of regulation covers financing operations of holding companies and their subsidiaries, acquisitions and dispositions of properties and securities by such companies, their accounting practices and intrasystem servicing arrangements and other intercompany transactions in holding company systems. The third area encompasses a number of sections of the Act which are designed to insure that newly created holding company or affiliate relationships shall meet certain standards prescribed by the statute, and other provisions of the Act which require a limited degree of surveillance over exempt holding company systems.

The Commission has always regarded the enforcement of the physical integration and corporate simplification provisions of section 11 and related sections of the Act as the most important segment of its responsibilities under the statute, and vigorous administration over the past 17 years has resulted in the liquidation of a large number of unnecessary holding companies with the return of their subsidiaries to independent ownership, and the streamlining of a number of others into compact regional systems affording consumers and investors the benefits of large scale centralized generation and transmission of electric power and of integrated long distance transmission and distribution facilities for natural gas. It is now possible to state that the task of bringing about compliance with section 11 which had its real beginning in 1940 is rapidly nearing completion.

Thus, in what is probably the only instance of its kind in the history of the nation, an entire major industry has been almost completely reorganized in the short space of 12 years and this has been accomplished with a staff which has declined steadily from 175 in 1940 to the present force of 35 employees engaged in this work in the fiscal year 1952.[1] When the work under section 11 is completed in another couple of years there will be no further expense to the taxpayer on this score.

In addition to its duties with respect to integration, provided in section 11, section 30 of the Act directs the Commission to make studies of public utility operations and service areas so as to be able to recommend the "type and size of geographically and economically integrated public utility systems which * * * can best promote and harmonize the interests of the public, the investor and the consumer." This work is expected to encourage a number of acquisitions and combinations of utility properties not otherwise subject to the Act which are consistent with the integration and simplification standards of section 11 and related provisions of the Act. This function will likewise be partially self-liquidating over a period of years.

The other segments of the Commission's regulatory responsibilities under the Act are continuing functions not likely to undergo any significant changes in the future. These embrace: (1) regulation of the regional integrated holding company systems which will have achieved complete compliance with the provisions of section 11; (2) limited surveillance of the holding company systems which enjoy exemption from most provisions of the Act; (3) surveillance of acquisitions of utility securities by affiliates and by organized groups of persons or other devices designed to circumvent regulation of holding company relationships; and (4) surveillance of affiliated service companies and of those servicing organizations which are principally engaged in the performance of services for public utility or holding companies.

[1] The staff of the Division of Public Utilities which assists the Commission in this work declined from 234 in 1940 to 88 in 1952. The figures shown represent estimates of the portions of manpower assigned to the administration of section 11 and related sections of the Act.

INTEGRATION AND SIMPLIFICATION—OVER-ALL SUMMARY

The impact of the enforcement of section 11 since enactment of the Holding Company Act of 1935 is illustrated by the substantial decline in the relative position of holding company systems in the electric and gas utility industries. In the early "thirties," 15 holding companies controlled 80 percent of all electric energy generation; 20 systems controlled 98.5 percent of all transmission of electric energy across state lines; and 11 controlled 80 percent of all natural gas pipeline mileage. On June 30, 1952, electric utility plant owned by registered holding company systems constituted approximately 30 percent of the aggregate dollar amount of plant owned by all private utility companies. Manufactured and natural gas plant (including gas transmission properties) owned by registered systems represented 28 percent of the total for the nation. When the section 11 reorganization program is completed, these percentages will decline to 23 percent and 18 percent, respectively.

However, in addition to the registered systems there are a large number of holding company systems which are exempt from most provisions of the Act with gross utility plant aggregating over $7.8 billion. These exemptions cover situations where the systems are either predominantly intrastate in character, the holding company is predominantly an operating utility, or the system is very small and has assets of $1 million or less. Nevertheless, since the Commission is empowered to revoke exemptions whenever the circumstances which led to granting the status have changed, or in other cases where continuance of the exemption is detrimental to the public interest, the exempt status of all of such systems is subject to periodic reappraisal; and, in a number of situations, various types of corrective measures have become necessary.

At one time or another, a total of 2,197 companies have been subject to the active regulatory jurisdiction of the Commission as components of registered holding company systems. Of this number, 214 were holding companies, 929 were electric or gas utilities and 1,054 were nonutility companies or utilities other than electric or gas. By the close of the past fiscal year, the registered systems included 57 holding companies, 192 electric or gas utilities and 188 other companies. The greatest percentage reduction has occurred in the nonutility group which originally included a wide variety of enterprises many of which had little or no relationship to utility operations and were not retainable under statutory standards.

The following tables summarize these developments and set forth the manner in which subject companies have been released from jurisdiction.

Companies released from active regulatory jurisdiction of the Commission

	Total companies subject to act during period [1]	Divestments by holding companies of nonretainable companies	Dissolutions not parts of divestment transactions	Absorbed by merger or consolidation	Miscellaneous other disposals	Exemption by rule or order [2]	Total released from jurisdiction	Companies subject to act as of June 30
Fiscal year ending June 30, 1952								
Holding companies	65	0	6	0	0	2	8	57
Electric and/or gas companies	199	2	0	4	0	1	7	192
Nonutilities plus utilities other than electric and/or gas companies	200	2	3	2	5	0	12	188
Total companies	464	4	9	6	5	3	27	437
Fiscal year ending June 30, 1951								
Holding companies	68	[3] 2	0	0	0	3	[3] 5	63
Electric and/or gas companies	229	6	5	21	1	1	34	195
Nonutilities plus utilities other than electric and/or gas companies	256	9	11	45	6	0	71	185
Total companies	553	17	16	66	7	4	110	443
Period from June 15, 1938, to June 30, 1952								
Holding companies	214	15	67	25	9	41	157	57
Electric and/or gas companies	929	381	70	172	48	66	737	192
Nonutilities plus utilities other than electric and/or gas companies	1054	365	183	150	103	65	866	188
Total companies [4]	2,197	761	320	347	160	172	1,760	437

[1] Reflects company additions and classification adjustments during period indicated.
[2] Includes companies which have ceased to be registered holding companies by virtue of Commission order under section 5 (d).
[3] Adjusted to reflect divestment of National Power & Light Co. on June 26, 1951.
[4] A few companies have been subject and not subject to the act a number of times. These instances result in some insignificant duplication to the reported company totals.

Divestments of companies or properties no longer subject to Act

A. Electric, gas and nonutility companies and assets divested as not retainable under the Public Utility Holding Company Act of 1935 and which were no longer subject to the act as of June 30, 1952

Type of company	Total to June 30, 1952		July 1, 1951 to June 30, 1952	
	Number of companies	Assets [1]	Number of companies	Assets [1]
Electric utility	240	$8,452,203,845	1	$310,845
Gas utility	141	567,873,894	1	1,480,519
Nonutility	[2] [3] 380	[2] [3] 1,596,165,492	2	64,531,605
Total	761	10,616,243,231	4	66,322,969

Footnotes on p. 85.

B. Divestments by sales of partial segments of properties not retainable under the Public Utility Holding Company Act of 1935 and which were no longer subject to the act as of June 30, 1952

Type of property	Total to June 30, 1952		July 1, 1951 to June 30, 1952	
	Number of divesting companies	Consideration received	Number of divesting companies	Consideration received
Electric utility	[1] 124	[4] $97,657,000		
Gas utility	38	44,886,538	4	$30,160,538
Nonutility	[3] 69	[5] 40,006,501		
Total	231	182,550,039	4	30,160,538

[1] As of year end next preceding date of divestment and before deduction of valuation reserve.
[2] Northern Natural Gas Co. and its subsidiaries, Peoples Natural Gas Co. and Argus Natural Gas Co., were divested by their joint parents, Lone Star Gas Corp., The North American Co. and United Light & Power Co. in 1941–1947, but remained subject to the act as a registered holding company system. Argus was absorbed by Peoples in 1945 and in 1952 Peoples was absorbed by Northern, which then ceased to be a holding company. To reflect this change of status, Northern and its former subsidiaries have been removed from table A below showing divested companies remaining subject to the act, and have been included in the above table. See table 14 in the appendix. The totals have also been adjusted to reflect divestment of National Power & Light Co. on June 26, 1951, with assets of $1,993,991.
[3] Includes 15 holding companies.
[4] Adjusted to reflect divestment of partial segments of properties by Missouri Power & Light Co. on June 30, 1951 for consideration of $650,000.
[5] Adjusted to reflect divestment of partial segments of properties by Birmingham Electric Co. on June 30, 1951, for consideration of $2,012,500, and by Franklin Real Estate Co. on March 15, 1949, for consideration of $1.

In addition to the companies and properties released from active regulatory jurisdiction as components of registered systems, a large number of utilities and nonutilities were divested from one system in the process of integration and simplification but remained under the control of another registered holding company. Several of the 20 regional integrated systems which are now expected to continue operating under the Commission's jurisdiction derived from larger systems in this manner. The aggregate amount of divestments in this category, in terms of companies and assets, is reported in the following table:

Divestments of companies or properties still subject to Act

A. Electric, gas and nonutility companies and assets divested under the Public Utility Holding Company Act of 1935 and still subject to its provisions as of June 30, 1952

Type of company	Total to June 30, 1952		July 1, 1951 to June 30, 1952	
	Number of companies	Assets [1]	Number of companies	Assets [1]
Electric utility	[2] 129	[2] $4,223,697,048		
Gas utility	[3] 42	[3] 1,456,007,687	2	$2,332,746
Nonutility	[4] [5] 88	[4] [5] 535,606,185		
Total	259	6,215,310,920	2	2,332,746

Footnotes on p. 86.

B Divestments by sales of partial segments of properties under the Public Utility Holding Company Act of 1935 which properties are still subject to the act as of June 30, 1952

Type of property	Total to June 30, 1952		July 1, 1951 to June 30, 1952	
	Number of divesting companies	Consideration received	Number of divesting companies	Consideration received
Electric utility	10	$7,286,147	1	$2,860,147
Gas utility	7	6,718,000		
Nonutility	4	369,000		
Total	21	14,373,147	1	2,860,147

[1] As of year end next preceding date of divestment and before deduction of valuation reserves

[2] Adjusted to reflect divestment of Holston River Power Co on June 21, 1948 with assets of $882,048 and Page Power Co, Madison Power Co and Massanutten Power Corp. on Aug. 30, 1945 with consolidated assets of $2,016,000

[3] Adjusted to reflect divestment of Boston Consolidated Gas Co and Old Colony Gas Co. on Jan 15, 1951, with consolidated assets of $64,621,316. Also corrected to remove two gas utility companies, Peoples Natural Gas Co. and Argus Natural Gas Co, with assets of $6,503,375 See footnote [2] to preceding table

[4] Adjusted to reflect divestment of Eastern Gas & Fuel Associates and its 14 nonutility subsidiaries on Jan. 15, 1951, with combined assets of $148,993,496 Also adjusted to remove one nonutility company, Northern Natural Gas Co., with assets of $96,142,311 See footnote [2] to preceding table

[5] Includes 12 holding companies, 6 combination holding and utility operating companies and 2 combination holding and nonutility operating companies.

INTEGRATION AND SIMPLIFICATION—SURVEY OF INDIVIDUAL SYSTEMS

Most of the individual system programs undertaken to achieve compliance with the requirements of section 11 are now well advanced toward completion. A number of systems which are expected to continue as regional integrated organizations subject to the Holding Company Act are still faced with residual problems under section 11 (b) (1) involving the retainability of certain utility or non-utility properties. However, the major problems to be resolved are to be found within those systems which are expected to be liquidated or in those which are not expected to continue in the electric or gas utility business.

Working within the framework of section 11 (e) the Commission has consistently followed the policy during the past 15 years of encouraging holding companies to exercise initiative in formulating, developing, and presenting their proposals to achieve compliance with the integration and simplification standards of the Act. Accomplishments reflected in the plans and procedures submitted and approved by the Commission attest to the measure of ingenuity which management has brought to bear upon these problems.

As the following reports indicate, a number of holding companies, including Investment Bond & Share Corporation, American Power & Light Company, Mission Oil Company, New England Public Service Company, Philadelphia Company and Standard Gas and Electric Company have either accomplished the distribution of their portfolio holdings during the past year or are expected to take steps toward this objective as a prelude to final liquidation.

In other systems, the pattern of compliance involves the divestment of all utility properties and the limitation of holding company functions to other business channels. The Cities Service Company, for example, has elected to retain its non-utility business, chiefly oil and gas production and transmission and oil distribution, and to dispose of all of its utility interests. Other holding companies, including

Electric Bond and Share Company and The United Corporation, are seeking to convert themselves into investment companies, after being divested of utility holdings as required by orders of the Commission.

Another alternative is illustrated by the program of the United Gas Improvement Company which has recently received authorization to merge all of its subsidiaries into itself and continue operating as an intrastate operating utility company. Upon consummation of this merger and the disposition of certain portfolio holdings, that company will apply for an order under section 5 (d) declaring that it has ceased to be a holding company.

Activities during the past fiscal year and in the early months thereafter have been highlighted by a series of successful compromises among various classes of security holders which have substantially reduced the time necessary to conclude a number of pending section 11 proceedings. With the assistance of the staff of the Commission, representatives of these security holders have undertaken to resolve existing conflicts in their respective claims to holding company assets and they have formulated amended plans embodying the results of these negotiations. These compromises are very difficult to bring about and in order to approve such a plan the Commission must find that the plan is fair and equitable to all persons affected thereby. However, the resolution of intricate problems of valuation by this method does much to eliminate protracted and expensive litigation and thereby contributes substantially to the benefits accruing to all classes of securities. During the past fiscal year, compromises initiated by or effected with the assistance of the Commission have effected resolution of some or all of the remaining section 11 problems of American & Foreign Power Company, Inc., Cities Service Company, Eastern Utilities Associates, New England Public Service Company, North American Utilities Securities Corporation, Standard Gas and Electric Company and Standard Power and Light Corporation.

American & Foreign Power Company, Inc.

American & Foreign Power Company Inc. is a subholding company in the Electric Bond and Share Company system. Foreign Power, through direct or indirect ownership of securities, controls a large number of electric and gas utility companies operating in Cuba, Mexico and in nine Central and South American countries. Foreign Power and its subsidiaries were granted exemption from certain provisions of the Act in 1939 by reason of the fact that practically all of the system's income was derived from foreign subsidiaries. However, the company's unwieldy capital structure with heavy dividend arrearages, the broad investor interests in the company's securities and the controlling influence over the company exercised by Bond and Share were among the circumstances which made it necessary for the Commission to deny the company the complete exemption which it sought under section 3 (a) (5).[2]

With its parent, Bond and Share, Foreign Power filed a plan for its reorganization pursuant to section 11 (e) in 1944. However, after obtaining approval of the Commission and an enforcement court the company was unable to effectuate the financing necessary to consummate the plan. Subsequently on May 2, 1949, the Commission issued an order pursuant to section 11 (b) (2) requiring Bond and Share and Foreign Power to reorganize the latter company so

[2] 6 S. E. C. 396.

that its capital structure would consist solely of common stock plus such an amount of debt as would meet the applicable standards of the Act.[3]

Foreign Power filed a new reorganization plan in January 1951 and in August of the same year filed an amendment which reflected the terms of a compromise between Bond and Share and the committees representing various classes of outstanding securities of Foreign Power. The amended plan provided for a capital structure of Foreign Power consisting, in addition to then outstanding $10 million of serial bank loans and $50 million of 5 percent Debentures, of $67,564,600 of new 4.8 percent 35-year Junior Debentures and 6,923,932 shares of new common stock without par value. Pursuant to the plan, the new securities were distributed as follows: each share or publicly held $7 Preferred Stock was exchanged for $90 principal amount of 4.8 percent Debentures and 3.75 shares of new common stock; each publicly held share of $6 Preferred Stock was exchanged for $80 principal amount of 4.8 percent Debentures and 3 shares of new common stock; for each share of $7 Second Preferred Stock the holder received 0.85 share or new common stock; and each share of old common stock was exchanged for 0.02 shares of new common. The outstanding Option Warrants and Preferred Stock Allotment Certificates were cancelled. Bond and Share received 3,856,723 shares of new common stock (55.7 percent) for its holdings of Foreign Power securities, which included $49,500,000 of notes due in 1955 and substantial amounts of the various classes of outstanding preferred stock and common stock.[4] The allocations provided in the plan reflected a settlement of intercompany claims by Foreign Power against Bond and Share.

The plan provided for certain changes in the charter and bylaws of Foreign Power designed to give the public stockholders of Foreign Power an effective vote in connection with corporate matters. The plan also provided for public representation on the initial board of directors of Foreign Power and stated that it would be the policy of the company to maintain public representation on its board in the future. In approving the plan on November 7, 1951, the Commission reserved jurisdiction to take such action as may become appropriate in connection with the carrying out of that policy.[5]

Foreign Power's plan was approved and ordered enforced on January 15, 1952, by the United States District Court, District of Maine,[6] and was consummated on February 29, 1952. Appeal was taken on January 17, 1952, to the United States Court of Appeals, First Circuit, and on June 6, 1952, that Court affirmed the order of the District Court. No further appeal was taken.

American Power & Light Company

On August 22, 1942, American Power & Light Company, then a holding company subsidiary of Electric Bond and Share Company, was ordered to dissolve, because its existence constituted an undue and unnecessary complexity in the Bond and Share system.[7] At that time American controlled directly or indirectly 35 subsidiaries,

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[3] Holding Company Act release No. 9044.

[4] Under the terms of the plan, public holders of the $7 and $6 Preferred Stocks and Bond and Share for its holdings of these First Preferred Stocks also received additional shares of common stock in compensation for unpaid dividends accumulated on these stocks from October 1, 1950, to the date of consummation of the plan.

[5] Holding Company Act release No. 10870.

[6] *In re American & Foreign Power Company, Inc.*, 102 F. Supp. 331 (D. Me., 1952).

[7] 11 S. E. C. 1146.

16 of which were public utility companies. American's capital structure consisted of long term debt, two classes of cumulative preferred stock with heavy dividend arrearages, and common stock. At the beginning of the fiscal year 1952, American held only two utility subsidiaries, The Washington Water Power Company and Portland Gas & Coke Company, and its capital structure consisted solely of common stock.

In approving the plan pursuant to which American on February 15, 1950, had distributed most of its previously held assets to its stockholders, the Commission permitted it to retain temporarily the stock of Washington so as to have some additional time to work out a sale of this company to public power agencies, which the management of American believed would be more advantageous to its stockholders than distribution.[8] After an attempted sale had been blocked by an order of the Superior Court of the State of Washington on March 28, 1951, prohibiting the public utility districts from acquiring the common stock of Washington, American on July 31, 1951, filed a plan under section 11 (e) proposing a cash distribution of $2.00 per share to each of its common stockholders. In its order setting the matter down for hearing, the Commission specified that certain additional issues should be considered. Those issues included, (1) what further steps should be taken by American in order to comply with the Commission's order of August 22, 1942, directing its dissolution; (2) whether the Commission should apply to an appropriate United States district court pursuant to section 11 (d) to enforce such order; and (3) whether the Commission should approve a plan which would provide, among other things, for the distribution of American's holdings of the common stock of Washington to its stockholders.

In the course of these proceedings Bond and Share and certain other stockholders, as well as certain officials of the States of Idaho and Washington, urged that American should be required to distribute the common stock of Washington. At the hearing, American presented a resolution of its board of directors which stated, in effect, that unless American had received by January 1, 1952, a proposal for the sale of the Washington stock which was susceptible of expeditious consummation, American would distribute the stock to its stockholders. The Commission in its order dated October 15, 1951, approving the cash distribution directed American to file within 20 days a plan in accordance with the resolution of its board providing for the distribution of the Washington stock promptly after January 1, 1952, if American had not filed with the Commission by that date a notification of sale pursuant to rule U–44 (c). The Commission further stated that if such a plan were not filed within 20 days it would immediately apply to a United States district court for the appointment of a trustee, pursuant to section 11 (d).[9]

Thereafter, American filed a plan for the distribution of the Washington common stock. The plan, however, stated, among other things, that it would not be effective and would be deemed withdrawn in the event that American had filed with the Commiss'on by

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[8] Holding Company Act release No. 9359.

[9] Holding Company Act release No. 10820.

January 1, 1952, a notification of a proposed sale of the Washington common stock pursuant to rule U–44 (c). That plan was set down for hearing on January 8, 1952,[10] but the hearing date was postponed when American notified the Commission on December 26, 1951, pursuant to rule U–44 (c) of its intention to sell the Washington common stock to certain public utility districts in the State of Washington.

On January 18, 1952, the Commission issued a memorandum opinion and order in which it stated that it would treat American's notice under rule U–44 (c) as a declaration and that a hearing thereon would be held on January 28, 1952.[11] On January 24, 1952, the public utility districts involved filed with the United States Court of Appeals, Ninth Circuit, a petition for review of the Commission's order of January 18, 1952, pursuant to section 24 (a) of the Act and applied for a stay of the Commission action. On January 25, 1952, the court granted petitioners a temporary stay and restrained the Commission from holding any hearings or taking any other action pursuant to its order of January 18, 1952, until further order of the court. On March 14, 1952, the court of appeals dismissed the petition of the public utility districts and vacated the stay.[12]

A new section 11 (e) plan was filed by American on April 7, 1952. Among other things, this plan provided that American deliver to Washington as a capital contribution all of its holdings of the securities of its subsidiary, Washington Irrigation & Development Company and $186,000 in cash. The 2,541,800 outstanding shares of no par value common stock of Washington were to be reclassified into 2,342,411 shares of new common stock without par value and American proposed to distribute to the holder of each share of its capital stock one share of Washington's common stock. The Articles of Incorporation of Washington were to be amended prior to this distribution so as to provide the protective features usually required by the Commission, including preemptive rights for the common stockholders and cumulative voting provisions. The plan also provided that on or after the distribution date, no officer, director, or employee of American or of Bond and Share could serve as an officer or director of Washington.

On June 5, 1952, the Commission issued its findings, opinion and order approving the plan.[13] The plan was ordered enforced by the United States District Court for the District of Maine on July 17, 1952,[14] and was consummated on August 23, 1952.

Portland, the other utility subsidiary of American, amended its plan of reorganization in the manner required by the Commission's findings and opinion dated August 29, 1951, so that holders of the preferred stocks of Portland would be allocated 90 percent of its new common stock and so that American, which owned all of the old common stock of Portland, would be allocated 10 percent of the new shares. The amended plan was approved by the Commission on October 10, 1951,[15] ordered enforced by the United States District

[10] Holding Company Act release No. 10919.
[11] Holding Company Act release No. 11009.
[12] *Public Utility District No. 1* v. *S E C*, 195 F. 2d 727 (C. A. 9, 1952).
[13] Holding Company Act release No. 11301.
[14] *In re American Power & Light Company*, Unreported (D. Maine, No. 731, July 17, 1952).
[15] Holding Company Act releases Nos 10740 and 10812

Court, District of Oregon,[16] and it was consummated on December 31, 1951.

Since the end of the fiscal year American has filed with the Commission a final plan providing for the distribution to its stockholders of its holdings of Portland common stock and for other steps necessary to complete its liquidation and dissolution.

Central Public Utility Corporation

Central Public Utility Corporation is a holding company controlled by Voting Trustees who are also registered with the Commission in this capacity as a holding company. The principal assets of Central Public are its holdings of securities in Consolidated Electric and Gas Company, which is also a registered holding company. At the time Central Public and Consolidated registered under the Act, the system had 47 operating subsidiaries located in 19 states and in the West Indies, the Canary Islands, the Balearic Islands and the Philippines.

Prior to fiscal year 1952, the system had consummated three section 11 (e) plans. Two of these were concerned with the liquidation of substantial amounts of system debt and the third provided for retirement of the publicly held preferred stock of Consolidated.[17] Since 1941, 37 operating subsidiaries have been eliminated from the system.

A fourth plan filed pursuant to section 11 (e) was approved by the Commission on June 13, 1952.[18] In substance, it provides that Central Public, which had outstanding income bonds, preferred stock, Class A stock and common stock represented by voting trust certificates, be recapitalized into a company having only common stock outstanding. The new $6 par value common stock is to be distributed to holders of the income bonds in full settlement of their claims. Because the total estate on the basis of earnings and assets was found to be insufficient to satisfy the entire claims of the bondholders, all other security holders were excluded from participation in the allocation. The plan also provides for termination of the Voting Trust, which had existed since 1932, and for the merger of Consolidated into Central Public. The plan was ordered enforced by the United States District Court, District of Delaware, on July 29, 1952.[19]

It has been indicated that the management contemplates the subsequent elimination of two other subsidiary companies and the distribution of the stock, or proceeds from the sale of the stock, of the only remaining domestic utility subsidiary, Central Indiana Gas Company. Thus, ultimately, the Central Public system is expected to consist of a single holding company over utilities operating outside the territorial United States and over two nonutilities within the United States.

Cities Service Company

Cities Service Company, at the time of its registration in 1941, was the top holding company in a system containing 125 companies, of which 49 were electric and gas utility companies. Consolidated assets totaled approximately one billion dollars. This system owned or operated properties in each of the 48 states and in several foreign countries. Utility properties were held by three subholding companies, Cities Service Power & Light Company, Federal Light &

[16] *In re Portland Gas & Coke Co*, Unreported (D. Oreg., No 6196, November 13, 1951).
[17] 15 S. E. C. 467, 18 S. E. C 420, and Holding Company Act release No. 7691.
[18] Holding Company Act release No 11311.
[19] *In re Consolidated Electric and Gas Co.*, Unreported (D Del. No. 382, July 29, 1952).

Traction Co. and Arkansas Natural Gas Corporation, each controlling one or more utility systems. In proceedings under section 11 (b) of the Act, the Commission found that Cities should be limited in its operations to a single integrated gas utility system and required the disposition of its other interests.[20] However, Cities expressed a desire to retain instead its nonutility businesses and, accordingly, the Commission modified its section 11 (b) (1) order so as to permit Cities to effectuate compliance by disposing of all of its utility interests.[21]

Two of its former subholding company subsidiaries, Cities Service Power & Light Company and Federal Light & Traction Company, have been liquidated. On February 9, 1949, the Commission instituted proceedings under section 11 (b) (2) and other sections of the Act with respect to Arkansas Natural Gas Corporation. Arkansas Natural subsequently filed a plan to achieve compliance with the requirements of section 11 (b) and hearings were held on the plan in 1950 and 1951.

During the course of the proceedings and after the record of the case had been substantially completed, Arkansas Natural and Cities, on December 3, 1951, after discussions with the staff of the Commission, filed an amended plan which, among other things, contained an offer of settlement of the claims which had been asserted against Cities and on behalf of Arkansas Natural and its public security holders.[22] Under the offer of compromise and settlement, Cities offered to settle all claims against itself by paying approximately $4,000,000 in cash to the public holders of Arkansas Natural's Class A and common stocks (with certain exceptions which would exclude from participation in the settlement those stockholders who, along with Cities, shared the responsibility for the organization and subsequent management of Arkansas Natural). Under the proposed offer of settlement, Cities offered to pay $1.50 per share and $0.25 per share, respectively, to the public holders of Arkansas Natural's Class A stock and common stock not excluded from participation.

Other features of the original plan were essentially unchanged. Following a segregation of the utility and nonutility properties, Arkansas Natural proposed to dispose of its holdings in its utility subsidiary, Arkansas Louisiana Gas Company, as a partial liquidating dividend and to merge with its other and nonutility subsidiary, Arkansas Fuel Oil Company, the surviving company to be known as Arkansas Fuel Oil Corporation. Certain changes in the capital structure of Arkansas Natural and Arkansas Louisiana were also provided for. The plan was approved by the Commission on October 1, 1952,[23] and proceedings are now pending for its approval and enforcement by the Unites States District Court for the District of Delaware. Upon consummation of the plan, Cities will own 51.5% of the common stock of Arkansas Louisiana and Arkansas Fuel, and while it intends to retain its interest in the latter company, it is to dispose expeditiously of its holdings in Arkansas Louisiana.

On December 27, 1951, Cities also consummated the divestment of Spokane Gas & Fuel Company, a gas utility company operating in Spokane, Washington. The entire capital stock of the company

[20] 14 S. E. C. 28, 14 S. E. C. 233.
[21] 17 S. E. C. 5.
[22] Holding Company Act release No. 10954.
[23] Holding Company Act release No. 11511.

10,000 shares of no par common stock, was sold for $300,000 to a group of individuals.[24] At June 30, 1952, the Cities system included 59 corporate entities of which only 6 were utility operating companies.

Eastern Utilities Associates

Eastern Utilities Associates ("EUA") is a Massachusetts voluntary association having three direct public-utility subsidiary companies, Blackstone Valley Gas & Electric Company, Brockton Edison Company and Fall River Electric Light Company, and one indirect generating public-utility subsidiary company, Montaup Electric Company.

On April 4, 1950, the Commission issued an order under section 11 (b) of the Act with respect to EUA and its subsidiary companies which provided in part that EUA within one year terminate its existence and distribute its assets to its shareholders pursuant to a fair and equitable plan, or within one year acquire a minimum of 90 percent of the outstanding common stock of all of its subsidiary companies and reclassify its common and convertible stocks into a single class of stock. This order further provided in effect that in the event of the adoption of the latter alternative, EUA, within the one year period, would sever its ownership or control of the gas utility properties owned by Blackstone.[25]

On May 17, 1950, EUA filed a reorganization plan under section 11 (e) of the Act for the purpose of complying with the Commission's Order of April 4, 1950, and on August 17, 1950, the Commission approved step 1 of the plan.[26] Under this step, EUA acquired 129,882 additional shares of Fall River's capital stock from New England Electric System and now owns in excess of 90 percent of the outstanding common stock of each of its direct subsidiary companies. EUA's reorganization plan has been amended from time to time and extensive hearings have been held thereon. It is replete with complicated legal and factual problems which involve, among other things, a substantial amount of permanent financing and the allocation of new common stock to EUA's common and convertible shareholders. Groups and committees representing such shareholders have vigorously supported their respective conflicting positions.

On May 20, 1952, the Commission in a letter to all of the participants expressed its concern with the progress of the case and requested their cooperation with the time schedule set for the hearings under which it was expected that the record would be closed as quickly as possible. During June 1952, all of the groups and committees representing EUA's common and convertible shareholders conferred among themselves and with the staff of the Commission and, on July 10, 1952, reached a compromise agreement with respect to, among other things, the allocation ratios governing the distribution of new common stock between such shareholders. EUA thereafter submitted its Amended Plan No. 4 to incorporate the substance of this agreement and hearings were reconvened on September 16, 1952. The plan no longer provides for a merger or consolidation of any of the system companies into the newly organized Eastern Edison Company as indicated in the 17th Annual Report, and EUA will continue as top holding company. The plan was approved by the Commission on

[24] Holding Company Act release No. 10961.
[25] Holding Company Act release No. 9784.
[26] Holding Company Act release No. 10040.

December 18, 1952,[26a] and cannot become effective until an appropriate United States district court has issued an order enforcing the terms and provisions thereof.

During the fiscal year, the Commission approved five applications by subsidiaries proposing the issuance of $16,200,000 of short term notes to banks to finance their construction programs and to repay maturing notes.[27]

Electric Bond and Share Company

The Electric Bond and Share Company system was the largest to register under the Act. At the time of its registration in 1938, it controlled 121 domestic subsidiaries including five major subholding companies with combined assets of nearly $3,500,000,000. These subholding companies were American & Foreign Power Company, Inc., American Gas and Electric Company, American Power & Light Company, Electric Power & Light Corporation and National Power & Light Company. Bond and Share has disposed of its holdings in American Gas and National. Electric has been dissolved and the liquidation of American, as described earlier in the report, is nearing completion. Bond and Share retains a substantial interest in Foreign Power whose recent reorganization is described above under a separate heading. It also owns 27 percent of the common stock of United Gas Corporation, the entire equity of Ebasco Services, Incorporated, and other minor holdings.

Bond and Share's holdings in United Gas were acquired in the course of Electric's dissolution and we approved the acquisition subject to a commitment by Bond and Share to dispose of these holdings within 1 year of receipt, with the right reserved to Bond and Share, however, to institute appropriate proceedings for relief from this commitment. On February 6, 1952, the Commission issued its findings, opinion and order which denied Bond and Share's request for relief from its commitment to dispose of its holdings of United Gas. That request was made as part of Bond and Share's application for approval of its Amended Plan III and of its request for exemption from provisions of the Act. The plan had contemplated that Bond and Share would retain its interest in Foreign Power, Ebasco and United Gas and that it would dispose of its other holdings of securities using the proceeds for future risk capital investment. Bond and Share proposed to continue as an exempt holding company and register as an investment company under the Investment Company Act. The Commission limited hearings with respect to Bond and Share's application to the question of whether Bond and Share might retain its holdings of United Gas, and, to the extent relevant to this issue, to a consideration of Bond and Share's application for exemption. The Commission found that there was no basis under the standards of the Act applicable either to acquisitions or exemptions for relieving Bond and Share from its previous commitment to dispose of the United Gas stock. However, the Commission made no findings with respect to the other issues raised by Bond and Share's plan, including its proposal to become an investment company.[28] Bond and Share took an appeal from this order to the United States Court of Appeals, District of Columbia Circuit. However, it has since filed

[26a] Holding Company Act release No 11625.
[27] Holding Company Act releases Nos 10770, 10771, 10962, 10964 and 10978.
[28] Holding Company Act release No 11004

a motion to withdraw its petition for review which was granted on December 8, 1952.

On June 13, 1952, Bond and Share filed a new plan similar to that described above as Amended Plan III, except that Bond and Share would, during the period 1952 to 1955, reduce its holdings of United Gas stock to less than 5 percent of the total outstanding shares. This is proposed to be accomplished through capital distributions, dividend distributions and rights offerings to the stockholders of Bond and Share of the United Gas stock. Hearings commenced on this plan shortly after the close of the fiscal year.

On July 30, 1952, the Commission issued its memorandum opinion and order approving a plan filed by Bond and Share proposing the disposition of its holdings of the common stock of The Washington Water Power Company which it received as a result of the distribution of such stock by American Power.[29] This plan was submitted pursuant to the terms of the Commission's order dated October 15, 1951,[30] and pursuant to its terms Bond and Share will distribute as a dividend to its stockholders in December 1952 that number of shares of Washington Water Power common stock, the market value of which at the time of the distribution of such dividend will be approximately equal to one-half of Bond and Share's estimated net income for the year 1952. Any remaining shares of such stock not paid out as dividends will be sold.

International Hydro-Electric System

At the time of its registration in 1939, International Hydro-Electric System ("IHES"), a Massachusetts voluntary association, owned 86 percent of the common shares of Gatineau Power Company, a Canadian public utility company, and all the common shares of two wholesale electric utilities operating in the State of New York, which in 1946 were merged into a single company, Eastern New York Power Corporation ("ENYP"). It also owned 88 percent of the common shares (representing 51.5 percent of the voting power) of New England Power Association, which, upon its reorganization in 1947, was renamed New England Electric System ("NEES"). In addition, IHES held the following percentages of the voting power of two minor subsidiaries: 100 percent of Corinth Electric Light & Power Company and 33⅓ percent of Moreau Manufacturing Corporation.

IHES is in process of liquidation and dissolution pursuant to section 11 (d) of the Act. Since 1944 the system has been operated by Bartholomew A. Brickley, as trustee, under appointment by the United States District Court, District of Massachusetts. Earlier steps taken by the trustee toward the eventual liquidation and dissolution of IHES are described briefly in the 15th, 16th and 17th Annual Reports. As of June 30, 1952, IHES held 66 percent of Gatineau's voting power, 100 percent of ENYP, 8 percent of NEES, 100 percent of Corinth, 33⅓ percent of Moreau.

Proceedings are still pending before the Commission on the Trustee's Second Plan for the liquidation and dissolution of IHES. In a supplemental opinion and order dated June 29, 1951, the Commission held that the debentures of IHES, which had been paid off

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[29] Holding Company Act release No 11412

[30] Holding Company Act release No. 10820.

under Part II of the Plan, were entitled to receive an additional amount of $85,017.60 as interest on delayed interest payments,[31] and this order was sustained on October 29, 1951, by the enforcement court.[32]

On January 21, 1952, the Commission entered its findings, opinion and order authorizing the trustee to make quarterly payments of 87½ cents per share to the preferred stockholders of IHES pending determination of the issues raised by Part III of the Trustee's Plan with respect to the allocation of the remaining assets of IHES between its preferred and Class A stockholders and with respect to the contention made by Class A stockholders that IHES should be permitted to continue in existence as an investment company.[33] The Commission's order was sustained by the enforcement court on April 8, 1952.[34]

On February 14, 1952, the Commission heard oral argument on Part III of the Trustee's Plan. While this matter was under consideration by the Commission, the trustee obtained offers for the purchase of all the properties of ENYP, consisting of electric properties (largely hydro) in the State of New York, and water power properties and undeveloped or partially developed water power sites in the States of New York and Maine; he also obtained an offer for the purchase of IHES' interests in its other subsidiaries, Corinth and Moreau. The highest offers for the several properties totaled $25,600,000. Hearings on the proposals were held in April 1952 and on June 5, 1952, the Commission issued its findings, opinion and order approving the execution by the trustee, upon satisfactorily resolving the tax problems involved, of definitive contracts for the sale of the properties at the amounts specified in the several offers.[35] It is expected that if the sales are consummated as proposed, a reconsideration of the allocation problems may be required. Accordingly, the Commission has withheld action on Part III of the Trustee's Plan.

Investment Bond and Share Corporation

Investment Bond and Share Corporation ("IBS") did not register with the Commission until July 2, 1951, subsequent to an investigation by the staff of the Commission which disclosed that IBS had been a holding company as defined by the statute for a number of years. At the time of registration, IBS had five direct subsidiaries. These included a gas utility company, Jacksonville Gas Corporation, an electric utility company, Eastern Kansas Utilities, Inc. ("EKU") and three nonutility enterprises, including a telephone holding company with six telephone operating subsidiaries.

On August 8, 1951, IBS submitted a plan under section 11 (e) of the Act designed to effect its liquidation and dissolution; the Commission instituted proceedings under section 11 (b) and a hearing on the consolidated proceedings was ordered to be held.[36] After the hearing and numerous conferences with Commission staff, amendments were filed and certain related proposals and commitments were offered by IBS. To accomplish its liquidation, the company

[31] Holding Company Act release No. 10642:
[32] *In re International Hydro-Electric System*, 101 F. Supp. 222 (D. Mass., 1951):
[33] Holding Company Act release No 11014.
[34] *In re International Hydro-Electric System*, unreported (D. Mass. No. 2430).
[35] Holding Company Act release No. 11299.
[36] Holding Company Act releases Nos. 10865 and 11255.

proposed the payment of all of its debts, the retirement of its Class A stock by the payment of $33 per share plus accrued dividends, and the distribution of its remaining assets pro rata to holders of the Class B stock. Since the Class B stock was held almost entirely by three families which controlled the system, the plan included provisions for subsequent disposition by such parties of the shares of Jacksonville and EKU to be received by them in the distribution of assets. A portion of the common shares of Jacksonville owned by IBS are to be sold to Jacksonville at a price equal to the cost to IBS.

In approving the plan on July 10, 1952, the Commission noted that IBS had acquired control of Jacksonville without its approval. IBS had acquired its holdings of the stock of EKU under the same conditions. This raised legal questions regarding profits realized from such illegal acquisitions and the possible rescission rights of the vendors of such stock. At the suggestion of the Commission's staff, IBS had inserted provisions in the plan to afford vendors of the Jacksonville and EKU stocks an opportunity to assert any claims for rescission they might have under section 26 (c) of the statute The Commission concluded that the amended plan offered an appropriate resolution of the issues, but withheld its approval pending the filing of an appropriate amendment proposing to increase the payment to the Class A stockholders to $37 per share and to establish a restriction on payment of dividends by Jacksonville out of prior earned surplus.[37] IBS filed such an amendment and the plan was approved.[38] On September 17, 1952, the Commission found that the transactions proposed in the plan had been consummated, and issued its order under section 5 (d) declaring that IBS had ceased to be a holding company and terminating its registration.[39]

New England Public Service Company

At the time of its registration in 1935, New England Public Service Company ("NEPSCO") had five operating utility subsidiaries, of which two operated in Maine, one in New Hampshire and two in New Hampshire and Vermont. It also owned, through an industrial subsidiary, five textile mills, a paper company, and a forest products manufacturing company. The company was heavily overcapitalized with two outstanding classes of preferred stock, on which substantial dividend arrearages had accumulated, and common stock. As a result of simplification proceedings instituted by the Commission under section 11 (b) (2) of the Act, the company was directed in 1941 to reorganize on a one-stock basis or, in the alternative at its election, to liquidate and dissolve.[40] The management of NEPSCO elected to liquidate and subsequent steps have been taken toward this end. NEPSCO's parent is Northern New England Company, which is also a registered holding company under order of the Commission to liquidate.[41]

In addition to the merger and disposition of several of its smaller subsidiaries, NEPSCO has sold its interest in the industrial companies. The proceeds from this sale and a $13,500,000 bank loan provided the funds for the retirement of its prior lien preferred stocks. On June 30, 1952, the bank loan was completely repaid.

[37] Holding Company Act release No 11380
[38] Holding Company Act release No. 11381
[39] Holding Company Act release No. 11486.
[40] 9 SEC 224.
[41] Holding Company Act release No 8401.

To permit the payment of dividends on the preferred stock still outstanding, an accounting reorganization was consummated and dividends on such stock were resumed on January 15, 1951.[42]

In June 1951, NEPSCO filed a plan providing for the distribution of its remaining assets to the holders of its preferred and common stocks and for its liquidation and dissolution.[43] This plan was designed to effectuate complete compliance with the Commission's order of May 2, 1941. Extensive hearings were held on the plan and, following its request to interested parties for an early settlement of their differences, the Commission was notified in September 1952 that after a conference with the staff of the Commission a compromise agreement had been entered into by counsel for NEPSCO, counsel for Northern, representatives of all of the Committees participating on behalf of the preferred and common stockholders of NEPSCO and shareholders of Northern, and counsel for certain preferred stockholders of NEPSCO. An amended plan embodying the substance of this agreement has been filed. NEPSCO's parent, Northern, which owns approximately one-third of NEPSCO's common stock, is awaiting consummation of the final plan by NEPSCO, in which participation to be afforded the common stock of the latter company will be determined, before taking the steps required to complete its own liquidation.

Pennsylvania Gas & Electric Corporation

Pennsylvania Gas & Electric Corporation ("Penn Corp") registered with the Commission in November 1936 and at that time it had 19 subsidiary companies. Its utility operations were conducted in sections of New York, Pennsylvania, Massachusetts, Rhode Island and Virginia. The system included 15 gas utility companies, three wholesale gas companies and one service company. Three of the utility subsidiaries, North Penn Gas Company, Pennsylvania Gas & Electric Company, name later changed to York County Gas Company, and Saugerties Gas Light Company were also subholding companies.

As described in the 17th Annual Report, Penn Corp has already completed the major steps in accomplishing compliance with the requirements of section 11 (b). Penn Corp's system presently includes two gas utility companies, North Penn Gas Company which is also a registered holding company and Crystal City Gas Company which is a wholly owned subsidiary of North Penn. In addition, there is a small service company. On June 5, 1952, the Commission issued its findings and opinion with respect to a plan filed by Penn Corp to effect its liquidation and dissolution.[44] Under this plan, Penn Corp proposed to distribute to its preferred and Class A stockholders its holdings of the stock of North Penn. For each share of preferred the holder would receive 14 shares of North Penn common stock, and for each share of Class A common, one-fourth share of North Penn common. The plan also provided for a $7 cash payment to the holders of the preferred stock, equivalent to accrued dividends after December 31, 1950, and for a small cash distribution to the holders of Penn Corp's Class B common stock. The remaining assets of Penn Corp would be surrendered to North Penn and the former

[42] Holding Company Act release No 10087.
[43] Holding Company Act release No 10704.
[44] Holding Company Act release No 11298.

company would be dissolved. The Commission found that the proposed allocations were not fair and equitable. It indicated further that the participations proposed for the Class A and Class B common holders were insufficient and concluded that the plan could be approved only if certain modifications, as recited, were provided by amendment. An amended plan embodying the modifications was filed on September 19, 1952.

Mission Oil Company

Southwestern Development Company

At the beginning of the fiscal year, the stock of Southwestern Development Company was owned 47.28 percent by Mission Oil Company, representing virtually the only assets of that company; 51 percent by Sinclair Oil Company, and 1.72 percent by minority interests. Sinclair also held about 4 percent of the stock of Mission. Mission and Southwestern were registered holding companies; Sinclair was primarily engaged in the production and refining of petroleum products and had been granted exemption from certain provisions of the Act.[45]

After numerous conferences with the Commission's staff, Mission and Southwestern in June 1951 filed with the Commission a section 11 (e) plan designed to effectuate compliance with the provisions of section 11 (b). In brief the plan provided for the liquidation and dissolution of Mission, the limitation of the operations of the Southwestern system to a single integrated public utility system and certain nonutility business whose operations are reasonably incidental or appropriate thereto and the divestment by Southwestern of all its other nonutility interests. The plan was approved on December 21, 1951,[46] and, in connection therewith, Sinclair registered under the Act, joined in the plan as amended so as to provide for the divestment of its interests in Mission, Southwestern and their subsidiaries, and was subsequently granted an exemption from the provisions of the Act, excepting sections 11 (b), (c) and (e), and section 9 (a) (2).[47]

One of the important accomplishments of the plan was the elimination of highly complex intrasystem operating and financial relationships between two of Southwestern's nonutility subsidiaries, Canadian River Gas Company and Colorado Interstate Gas Company. Canadian River was engaged in the business of producing, transmitting and selling natural gas at wholesale to system affiliates, including Colorado, and to nonaffiliates. It owned natural gas rights in the Texas Panhandle field subject to the reservation of the prior right to such gas by certain other of Southwestern's subsidiaries to the extent of their requirements. Colorado was a pipeline company selling natural gas at wholesale. Southwestern owned all of the common stock of Canadian River and 42.5 percent of that of Colorado. Colorado purchased the major portion of its gas requirements from Canadian River at cost, excluding any allowance for depreciation, depletion and intangible drilling costs, pursuant to a contract under which it was obligated, as long as it elected to take gas from Canadian River, to furnish Canadian River with the funds

[45] 2 S. E C. 165, sub nom. Consolidated Oil Corporation.

[46] Holding Company Act release No. 10969.

[47] Holding Company Act release No. 10998.

necessary to meet all expenditures for operations and all capital requirements. However, while Southwestern was the owner of Canadian River, all of the latter's profits, computed on a cash basis, went to Colorado as long as it purchased gas under the contract.

Colorado had supplied substantial sums to Canadian River pursuant to this contract, but because it did not own the company, it could not use Canadian River's property which had a net book value of approximately $12,500,000 as a basis for financing and thus was unable to finance economically and advantageously the development of Canadian River's reserves and needed additional pipeline capacity. Under the plan, this impediment was removed by transferring Canaian River's assets to Colorado in return for which Southwestern received the rights to revenues derived from the sale of natural gasoline extracted from Canadian River's present gas reserves, which revenues under the existing contract had gone to Colorado. The rights to these revenues were given to Southwestern as consideration for its reversionary rights in the assets and earnings of Canadian River which, it was estimated, would mature about 1972 when Colorado would probably find it no longer advantageous to continue to take gas from Canadian River. In addition to the advantages of an improved financing position and of simplified operations, Colorado's acquisition of Canadian River's assets resulted in tax benefits to it, including the advantages of being able to avail itself of the deductions for depreciation, depletion and intangible drilling costs applicable to the acquired assets.

The transfer of Canadian River to Colorado was accomplished under the plan by merging the two companies as of December 31, 1951. Prior to the merger, Canadian River conveyed to a new company, Westpan Hydrocarbon Company, the rights to the natural gasoline "in place" in Canadian River's natural gas reserves. Westpan issued to Canadian River 727,757.05 shares of common stock in exchange for the gasoline rights. It also assured to Colorado the benefits of the intangible and depletion tax credits on account of the gasoline "in place" in the Canadian River natural gas reserves, and entered into an operating contract under which Colorado extracts, processes, and delivers the gasoline to Westpan and receives a portion of the proceeds, estimated to cover Colorado's cost in connection therewith. Canadian River transferred to its parent, Southwestern, as a liquidating dividend, the 727,757.05 shares of Westpan stock on about January 20, 1952.

As steps to facilitate the dissolution of Mission, pursuant to the plan Colorado's 1,250,000 shares of no par common stock were reclassified into 1,710,016.60 shares of $5.00 par value common stock and in connection therewith $6,197,141.83 was transferred from earned surplus to capital stock account, and Southwestern's outstanding 40,806 shares of no par common stock was reclassified into 727,757.05 shares of $5.00 par value common stock and in connection therewith $2,867,432.18 was transferred from earned surplus to capital stock account. Southwestern distributed to its stockholders its holdings of 42½ percent of the new Colorado stock on about March 6, 1952. Thereafter, on April 6, 1952, Sinclair sold to underwriters for public distribution the 371,172.86 shares of the new Colorado stock which it received through the distribution thereof by Southwestern. Southwestern also distributed to its stockholders its holdings of 727,757.05

shares of the $0.10 par value common stock of Westpan. This distribution was made about June 15, 1952.

Mission Oil, on July 7, 1952, commenced the distribution to its stockholders of its holdings of 47.28 percent of the common stock of Southwestern and the common stocks of Colorado and Westpan which it received through the distributions by Southwestern on the basis of one share of the stock of each of these companies for each share of Mission's outstanding stock. Upon completion of this distribution, Mission Oil is to be liquidated and dissolved. Sinclair has disposed through market sales of the common stock of Colorado received through the distribution thereof by Mission Oil and is to dispose of its holdings of the common stock of Southwestern and the common stock of Westpan received through the distributions by Southwestern and Mission Oil under the plan. It is then expected to qualify for an order under section 5 (d) declaring that it has ceased to be a holding company.

All interlocking officer and director relationships between Sinclair, Mission Oil and Southwestern, and those between such companies and Colorado and Westpan, are to be terminated prior to, or at the time of, the respective distributions and dispositions. Southwestern and its remaining wholly owned subsidiaries, consisting of four gas utility companies, a pipeline company, and a production company, are to continue in operation as a registered holding company system.

Standard Power and Light Corporation

Standard Gas and Electric Company

In 1936 the Standard holding company system consisted of 105 active companies operating in 20 States and in Mexico, including the two top holding companies, Standard Power & Light Corporation and its subsidiary, Standard Gas & Electric Company. By June 30, 1952, the system had been reduced to 13 companies of which 6 were utility subsidiaries.

In February 1951, Standard Gas filed a new section 11 (e) plan with the Commission.[48] The plan includes four steps. Step I would effect the retirement of the company's $7 and $6 prior preference stock; Step II is intended to accomplish the liquidation and dissolution of Standard Gas including the delivery to the holders of that company's $4 cumulative preferred stock of shares of Duquesne Light Company common stock, and the delivery to the holders of Standard Gas' common stock of the common stock of Philadelphia Company; Step III would eliminate the minor subsidiaries of Philadelphia, including disposition of Pittsburgh Railways Company; and Step IV proposes the dissolution of Philadelphia and the distribution to its common stockholders of its holdings of Duquesne Light Company.

During the fiscal year 1952, hearings were completed on Step I of the plan and on Step IA, which is a supplement to Step I filed to settle intercompany claims between Standard Gas and its parent Standard Power through the transfer of 31,000 shares of common stock of Duquesne by Standard Gas to Standard Power and the cancellation of Standard Gas' note for $983,930 held by Standard Power.

After the close of hearings on Step I, representatives of Standard Gas, Standard Power and Standard Gas' security holders in response

[48] Holding Company Act release No. 10413.

to the Commission's request for early settlement of their differences, agreed to compromise that step. Pursuant to this compromise agreement, Step I was amended on July 7, 1952 [49] to provide that the holders of each share of Standard Gas' $7 Prior Preference Stock would receive approximately 4.8 shares of common stock of Wisconsin Public Service Corp. (instead of 4.3 shares as previously proposed), 2.9 shares of common stock of Oklahoma Gas and Electric Company and 2.1 shares of common stock of Duquesne. The holders of each share of $6 Prior Preference Stock would receive approximately 4.5 shares of common stock of Wisconsin (instead of 4.0 shares as previously proposed), 2.6 shares of common stock of Oklahoma and 1.8 shares of common stock of Duquesne. A hearing on the amended plan was held on July 24, 1952, and Steps I and IA were approved on October 1, 1952.[50] After the United States District Court for the District of Delaware approved the plan and ordered its enforcement on November 7, 1952,[51] the distributions of securities provided under the plan were made by Standard on December 1, 1952.

The compromise agreement, which expedited the processing of Step I, also covers Step II of the plan. It provided for an amendment to be filed for the retirement of Standard Gas' $4 cumulative preferred stock by the delivery in exchange for each share thereof of four shares of common stock of Duquesne.

In April 1952, the Commission rendered its decision on the plan for the simplification of the corporate structure of the holding company system of Philadelphia.[52] As described in previous annual reports, that plan proposed the retirement of the noncallable 5 percent and 6 percent preferred stocks of Philadelphia and of the 6 percent preferred stock of the Consolidated Gas Company of the City of Pittsburgh, an inactive subsidiary of Philadelphia, on which Philadelphia had guaranteed certain dividends. The Commission indicated that it would approve the plan if modified to increase the allocations as follows: (1) For each share of Philadelphia's 6 percent noncallable preferred stock having a par value of $50 per share, $13 in cash, rather than $3.50 as proposed, plus one share of 4 percent preferred stock (par value of $50 per share) of Duquesne, Philadelphia's only remaining utility subsidiary; (2) for each share of 5 percent preferred stock of Philadelphia (par value of $10 per share), $12 in cash instead of $11 as proposed; and for each share of preferred stock of the Consolidated Gas Company of the City of Pittsburgh, having a par value of $50 per share and guaranteed by Philadelphia as to dividends at the rate of 4 percent per annum, one share of 4 percent preferred stock of Duquesne instead of 85/100 share as proposed. Standard filed amendments to conform to this decision on July 11, 1952, and on August 22, 1952, the Commission approved the plan as amended.[53] Following approval by the enforcement court,[54] the plan was consummated on November 1, 1952.

At the same time the amendments were filed to the plan for retirement of Philadelphia's noncallable securities, Standard filed a plan for the retirement of the junior $5 preference stock of Philadelphia

[49] Holding Company Act release No. 11372.
[50] Holding Company Act release No. 11510.
[51] Civil Action 1497, unreported.
[52] Holding Company Act release No. 11155.
[53] Holding Company Act release No. 11450.
[54] *In re Philadelphia Company*, unreported (W. D. Pa. 10781, October 7, 1952).

by the distribution to the holder of each share thereof of 3.6 shares of common stock of Duquesne. It is anticipated that hearings on this proposal will be held in December 1952.

In the spring of 1952, Philadelphia filed a plan proposing the sale of its office building in Pittsburgh occupied by the Philadelphia system companies.[55] It had been owned by Equitable Real Estate Company, formerly a direct subsidiary of Philadelphia, which was dissolved in 1951. Philadelphia has entered into an agreement, subject to approval of the Commission, to sell this building to the Mellon National Bank & Trust Company, which would lease the building to Duquesne for a period of 35 years. The Commission ordered a hearing on this plan to determine whether competitive conditions were maintained in the proposed sale and lease transaction. The matter is presently pending before the Commission.

Determination of the treatment to be accorded the holders of its $5 preference stock and the sale of the central office building will bring Philadelphia close to its liquidation and dissolution, as required by the Commission's order of June 1, 1948.

The United Corporation

The United Corporation registered as a holding company in March 1938, at which time its portfolio was comprised principally of the common stocks of four holding company subsidiaries. These subsidiaries together with the percentages of voting control held by United, were as follows: The United Gas Improvement Company, 26.2 percent; Public Service Corporation of New Jersey, 13 9 percent; Niagara Hudson Power Corporation, 23.4 percent; and Columbia Gas & Electric Corporation, 19.6 percent. United also had other substantial interests, principally in utility holding and operating companies.

These subsidiary holding companies underwent extensive reorganizations under section 11 and the interests of United in their common stocks, or in the common stocks of their successors, have been substantially reduced. United has effectuated the retirement of all of its outstanding preference stock largely through the exchange of securities of reorganized subsidiaries. Substantial blocks of portfolio securities have also been disposed of through sales in the open market.

In November 1949, United submitted a new proposal, in response to the conditions contained in a previous order of the Commission, which provided a comprehensive and detailed program for effectuating compliance with the provisions of section 11. After successive modifications, the Commission on June 26, 1951, approved the amended plan which provided, among other things, for (1) a limited offer to United's common stockholders permitting them to withdraw from the company and receive cash or shares of Niagara Mohawk Power Corporation common stock for their holdings in United; (2) cancellation of United's option warrants; (3) sale of United's stock holdings in the South Jersey Gas Company; (4) amendment of United's Certificate of Incorporation to provide for cumulative voting and amendment of its bylaws to increase the quorum requirement at stockholders' meetings; and (5) the reduction by United of all of its holdings of voting securities of public utility companies to amounts not to exceed 4.9 percent of the respective outstanding voting securities of each such company. All of these steps were to be taken

[55] Holding Company Act release No 11188

with a view to transforming United into an investment company.[56]

In July 1951, United undertook the exchange offer provided by the plan. Holders of 100 or more shares of United's common stock were offered the opportunity to exchange their stock for shares of Niagara Mohawk common stock having an average market value equal to 97 percent of the average net asset value of the United stock surrendered. Holders of less than 100 shares were offered an opportunity to surrender their shares for cash in an amount equal to the average net asset value of the United stock surrendered. Pursuant to this plan, of 14,529,492 shares of United's common stock outstanding, 362,616 shares were exchanged for 69,566.6 shares of Niagara Mohawk's common stock and 95,051 shares were surrendered for cash.

In August 1951, petitions to review certain aspects of the plan were filed in the United States Court of Appeals, District of Columbia, by certain common stockholders. By order dated November 15, 1951, the court directed that the Commission's order approving the plan be stayed pending review, insofar as the order provided for the disposition by United of its shares of Niagara Mohawk's common stock. Proceedings in the court are still pending.

At the time of the approval of the plan by the Commission, United owned 11.9 percent of the voting securities of Niagara Mohawk. As a result of certain sales by United of its holdings of Class A stock of Niagara Mohawk and the public offering in January 1952 of one million additional shares of common stock by Niagara Mohawk, the holdings by United of voting securities of Niagara Mohawk have been reduced to 9.57 percent of the total outstanding amount of such securities as of June 30, 1952. The status of Niagara Mohawk, as a subsidiary of United, has not been determined.

In January 1952, pursuant to authority given to it when the Commission approved the plan, United endeavored to negotiate the sale of its holdings of 154,230 shares of the common stock of South Jersey, representing 28.25 percent of the voting securities of that company. These efforts were unsuccessful and United subsequently proposed to make a public offering of its holdings of such common stock in accordance with the competitive bidding requirements of rule U-50. Three bids were received in response to United's invitation and the stock was awarded at a price of $15.379 per share in July 1952.[57] As a result, United has ceased to hold as much as 5 percent of the voting securities of any public utility company, with the exception of Niagara Mohawk, and its proposed sales of Niagara Mohawk stock to reduce its holdings to less than 5 percent of the outstanding voting securities has been stayed as indicated above by the Court of Appeals, District of Columbia, pending review of the Commission's order approving the plan.

In November 1951, United requested authority during such time as may elapse until it ceases to be a holding company and starts functioning as an investment company, to invest funds in an amount equal in the aggregate to the proceeds derived by it from divestments required by previous orders of the Commission dated August 14, 1943, and June 26, 1951. The only limitation proposed was that acquisitions of securities of public utility companies and holding companies would not exceed 4.9 percent of the total outstanding voting securities

[56] Holding Company Act releases Nos. 10614 and 10643.
[57] Holding Company Act release No. 11376.

of such companies. On May 2, 1952, the Commission issued its findings and opinion, stating that in view of the status of the review proceedings in the court of appeals, United should maintain as to any new investments, sufficient diversification of its portfolio to permit ready disposition thereof. Accordingly, United was not authorized to invest more than $1 million in any one company, or to acquire as much as 10 percent of the outstanding voting securities of any one company, or to acquire more than 1 percent of the voting securities of any public utility company or of any holding company exempt as such from provisions of the Act. Excluded entirely from the scope of the authorized investments are securities of registered holding companies or subsidiaries thereof or securities of any public utility or holding company which is, or has been, a statutory subsidiary of United.[58]

The United Gas Improvement Company

The United Gas Improvement Company is a registered holding company incorporated under the laws of Pennsylvania and having nine subsidiary companies all operating within Pennsylvania. Six of these are gas utility companies, one is a gas and electric utility company and two are nonutilities. At the time of its registration with the Commission in March 1938, the UGI system embraced 55 corporate entities.

On December 29, 1951, UGI filed an application for approval of a comprehensive plan pursuant to section 11 (e) of the Act embodying the following major steps: (1) The conversion of UGI from a holding company to a public utility operating company through the merger into UGI of all of its public utility subsidiaries and the dissolution of its non-utility subsidiaries, such merger being accompanied by exchanges of securities so that all present security holders of UGI and its subsidiaries will become owners of securities in the surviving company; (2) the disposition by UGI of its securities in nonsubsidiary companies, except a note of Delaware Coach Company;[59] and (3) the securing of an order pursuant to section 5 (d) of the Act declaring that UGI has ceased to be a holding company and that its registration under the Act shall cease to be in effect.

Hearings on the company's plan were held and the plan was approved by the Commission on September 18, 1952.[60] The plan was approved and ordered enforced by the United States District Court for the Eastern District of Pennsylvania on November 12, 1952,[61] and its consummation has been set for December 31, 1952. The Commission has reserved jurisdiction to consider entry of an order under section 5 (d) declaring that UGI has ceased to be a holding company.

FEES AND EXPENSES IN REORGANIZATION PROCEEDINGS UNDER SECTION 11

An important and very difficult function of the Commission's over-all responsibility for passing upon reorganization plans of

[58] Holding Company Act release No. 11209.
[59] In accordance with Commission's order of June 15, 1951, Holding Company Act release No. 10624, this would include holdings of securities in Central Illinois Light Co., Consumers Power Co., Delaware Power & Light Co., Niagara Mohawk Power Corp., Philadelphia Electric Co , and Public Service Electric & Gas Co.
[60] Holding Company Act release No. 11495.
[61] Civil Action 12436, unreported.

holding company systems under section 11 of the Act is the determination of the amounts of fees and reimbursements of expenses to be allowed to attorneys, experts, and other persons who have participated in the proceedings as representatives of the affected companies or as representatives of holders of the various classes of securities involved.

Because the determination of the amounts of fees and expenses is predicated primarily upon the benefits conferred in the reorganization proceedings, it is not feasible to process fee applications until the reorganization plan has been consummated. The usual procedure in such matters is for the Commission to insert in its order approving the plan of reorganization a reservation of jurisdiction over fees and reimbursements of expenses claimed. It is for this reason that the volume of work on fee cases has followed a rising trend in recent years, even though the section 11 programs of most systems are rapidly approaching completion. It is likely that the Commission's work load in connection with fee applications may continue at a high level for as long as two years following the termination of other section 11 work.

In considering applications for fees and reimbursements of expenses, the Commission applies principles which are generally similar to those employed by the Federal courts in passing upon fees and expenses claimed in connection with reorganization plans under the Bankruptcy Act, except, of course, that due weight is given to special circumstances inherent in reorganizations under section 11 of the Holding Company Act. It is the basic duty of the Commission to accomplish the statutory objectives as economically as possible and at a minimum expense to the estate. Therefore, two major objectives of the Commission are to protect estates in reorganization from exorbitant charges and at the same time grant fair compensation to those participating in the proceedings so as to afford adequate public representation in the process. In determining the amount of the compensation to be allowed, the primary factor is the amount of benefit conferred upon the estate or the security holders by the services rendered. Among other factors to be considered are the size of the estate and its ability to pay the compensation requested, the necessity of the services and expenditures sought to be reimbursed, avoidance of duplication of efforts, the intricacies and magnitude of the reorganization problems involved, the conflicts between the personal interests of the fee claimants and the interests of the persons whom they represent in the proceedings, the technical ability and experience of the applicants and the reasonable amount of time required to render the services in question.[62]

In the fiscal year 1952 the Commission decided 14 fee cases in which compensation aggregating $3,495,000 was allowed as against total fees and expenses requested in the amount of $5,722,000. These cases arose out of the reorganizations of the following holding company systems:

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[62] Holding Company Act releases Nos 11096, 11145, 10724, 10959, 11175, 11290, and 11330.

Name of system	Holding Company Act release No.
North Continent Utilities Corporation	10677
The United Light and Railways Company, et al	10724, 10908
The United Gas Improvement Company	10896
Sioux City Gas and Electric Company, et al	10959
The Commonwealth & Southern Corporation, et al	10986, 11021
Engineers Public Service Company, et al	11096
American Power & Light Company	11134
Northern States Power Company (Del.), et al	11145
Electric Power & Light Corporation	11175
The United Corporation	11290
The Middle West Corporation, et al	11330
Interstate Power Company, et al	11359

These cases presented a wide range of issues and several of the general principles noted above were applied. The following illustrative cases indicate how these tests were applied, particularly the primary test of whether the services rendered benefited the estate.

In the *Northern States Power Company* (*Del.*) case,[63] counsel for both the Delaware company and its subsidiary, Northern States Power Company, a Minnesota company, participated actively in the proceedings. However, the efforts of both counsel were devoted in large part to supporting plans which the Commission found unsatisfactory and as a result the laboring oar in carrying through the plan as finally consummated passed to various counsel for the common stockholders of the Delaware company who performed valuable services for which they were compensated. The record also indicated a certain amount of duplication of effort. As a result, the compensation allowed to counsel for the companies was less than that requested. A representative of a preferred stockholders' committee was allowed less compensation than requested because the record showed that, while the committee had rendered constructive assistance, it could not claim credit for any specific feature of the plan which was ultimately adopted. In the same case the representative of another committee for the same class of stockholders stressed as a basis for its claim to compensation the fact that it had secured a high degree of representation. The Commission considered this to be of little significance and only modest compensation was allowed since the committee's participation in the proceedings had been relatively ineffectual. The representative of an unorganized group of security holders, not qualified under the Commission's rule U–62, was also granted substantial compensation because he had served as the leading advocate of the position of the common stock and had contributed important benefits to the reorganization proceedings. Other representatives of the common stockholders whose efforts contributed to the defeat of a plan providing a lower allocation to those stockholders and to the adoption of an increased allocation were awarded compensation, but the representative of another individual security holder was denied compensation in the absence of any showing of demonstrable benefits.

[63] Holding Company Act release No 11145.

In the *The Middle West Corporation* case, a member of a common stockholders' committee was allowed reduced compensation. He had made important contributions to the defeat of an unsuccessful plan and to the adoption of the plan which was approved by the Commission. However, the record showed that the amount of work and time expended were in excess of those required and there was evidence of some duplication of effort.[64]

In the *Electric Power and Light Corporation* case, the representative of a preferred stockholders' committee applied for fees totaling $500,000. The company opposed the application on the grounds that the efforts of the committee representative were duplicative and some were not of a constructive nature. In evaluating the services of this applicant the Commission considered, among other things, his long experience at the bar and his particular skill in reorganization matters; the fact that he had opposed a plan which failed; and that the plan ultimately approved and consummated accorded the class of securities which he represented a substantially greater participation in the estate than would have been received pursuant to the abandoned plan. The application was granted in the reduced amount of $140,000.[65]

An application filed by a law firm representing an individual preferred stockholder in the reorganization of the *Sioux City Gas & Electric Company* system was denied, the Commission finding that the position advocated, even though conscientiously presented, did not affect the final outcome of the plan and that no compensable benefit had otherwise been conferred upon the estate.[66]

In the *Engineers Public Service Company* case, the representative of an individual common stockholder, while allowed a modest amount for his contribution to an aspect of the plan, was denied the substantial compensation which he sought for the reason that he did not enter the case until the end of the administrative proceeding and his main participation was in the courts where he was ultimately unsuccessful in upsetting the decision of the Commission.[67] The fee claimant has contested the denial of his fee request before the enforcement court, where the matter is pending.

In the *Northern States Power Company (Del.)* case, applications for fees and expenses were also submitted by Standard Gas and Electric Company, the parent of Northern States Power Company (Del.), and its counsel, and by a representative of an unorganized group of Standard's preferred stock and his counsel. The Commission denied these applications pointing out that Standard, as the parent of the Delaware Company, was responsible for the complexities which were required to be eliminated under the Act and that equity demanded that the fees and expenses of its counsel and of persons representing its stockholders should be borne by it alone, and not by the Delaware company.[68] Standard is contesting this decision before the enforcement court.

Similarly, in *Electric Power and Light Corporation*, the Commission denied the application for fees and expenses submitted by the parent of a subsidiary holding company for services rendered in connection

[64] Holding Company Act release No. 11330.
[65] Holding Company Act release No. 11175
[66] Holding Company Act release No. 10959.
[67] Holding Company Act release No. 11096.
[68] Holding Company Act release No 11145.

with the reorganization of the latter company. As in the *Northern States Power* case the Commission refused to allow the counsel and experts for the parent holding company and representatives of security holders of the parent holding company compensation from the estate of its subsidiary for services performed in connection with the latter company's reorganization.[69]

The problem of duality and conflict of interests of participants in reorganization proceedings also received attention in two cases during the year. In the *Sioux City Gas and Electric Company* case, the fees and expenses requested by one of the applicants were denied, the Commission pointing out, as one of the reasons for denying the claim, that applicant had purchased securities representing an interest adverse to that of his clients.[70]

In *Electric Power and Light Corporation* the Commission emphasized that it was essential for those who are solving the problems of a company in reorganization under section 11 to concern themselves solely with the interests of the persons or security holders whom they represent and the estate and not to engage personally in the trading in securities of the affected companies and that this principle was no less applicable to management and its counsel then to protective committees and their counsel and expert advisers.[71] The limited trading by certain of the applicants was examined by the Commission and taken into consideration in reaching its determination as to the amount of compensation allowable.

In the proceedings involving the reorganization of *American Light & Traction Company* and its parent, *The United Light and Railways Company*, Allied Chemical & Dye Corporation had expended considerable sums in fees and expenses for counsel and certain experts retained to protect its position as the holder of 43.8 percent of the preferred stock and 4.31 percent of the common stock of American Light. Allied applied for reimbursement of its expenditures. Allied had made important contributions to the defeat of the former liquidation plan and in obtaining fair treatment for the noncallable preferred stock in the integration and simplification plan finally approved under section 11. Allied also produced valuation evidence which was very helpful in determining the amount to be paid for retirement of the preferred stock of American Light. The Commission noted, however, that Allied did not purport to act in a representative capacity for other preferred stockholders, that part of its several counsel's services were duplicative among themselves, and that a considerable portion of Allied's activities were directed solely to protect their own particular situation rather than on behalf of the entire class. The Commission substantially reduced the requested compensation.[72]

ACTIVITY PURSUANT TO SECTION 30

In past years, the Commission's enforcement of section 11 has resulted not only in the divestment of nonretainable utility and

[69] In the *Electric Power and Light Corporation* proceedings, an expert for the parent company is contesting before the enforcement court the jurisdiction of the Commission to pass upon his fee where the plan consummated was filed by the subsidiary alone.

[70] Holding Company Act release No. 10959.

[71] Holding Company Act release No. 11175.

[72] Holding Company Act release No. 10724.

nonutility properties by registered systems, but it has also encouraged exchanges and acquisitions of properties by systems which are to continue as integrated regional organizations. Many of the continuing systems including American Gas and Electric Company, The Southern Company, The West Penn Electric Company, Ohio Edison Company and Middle South Utilities, Inc., have acquired contiguous properties and have made them a part of their interconnected systems.

As activity under section 11 nears completion, this phase of integration assumes increasing importance and is no longer an incidental factor. The emphasis is shifting to the implementation of that portion of section 30 of the Holding Company Act which states:

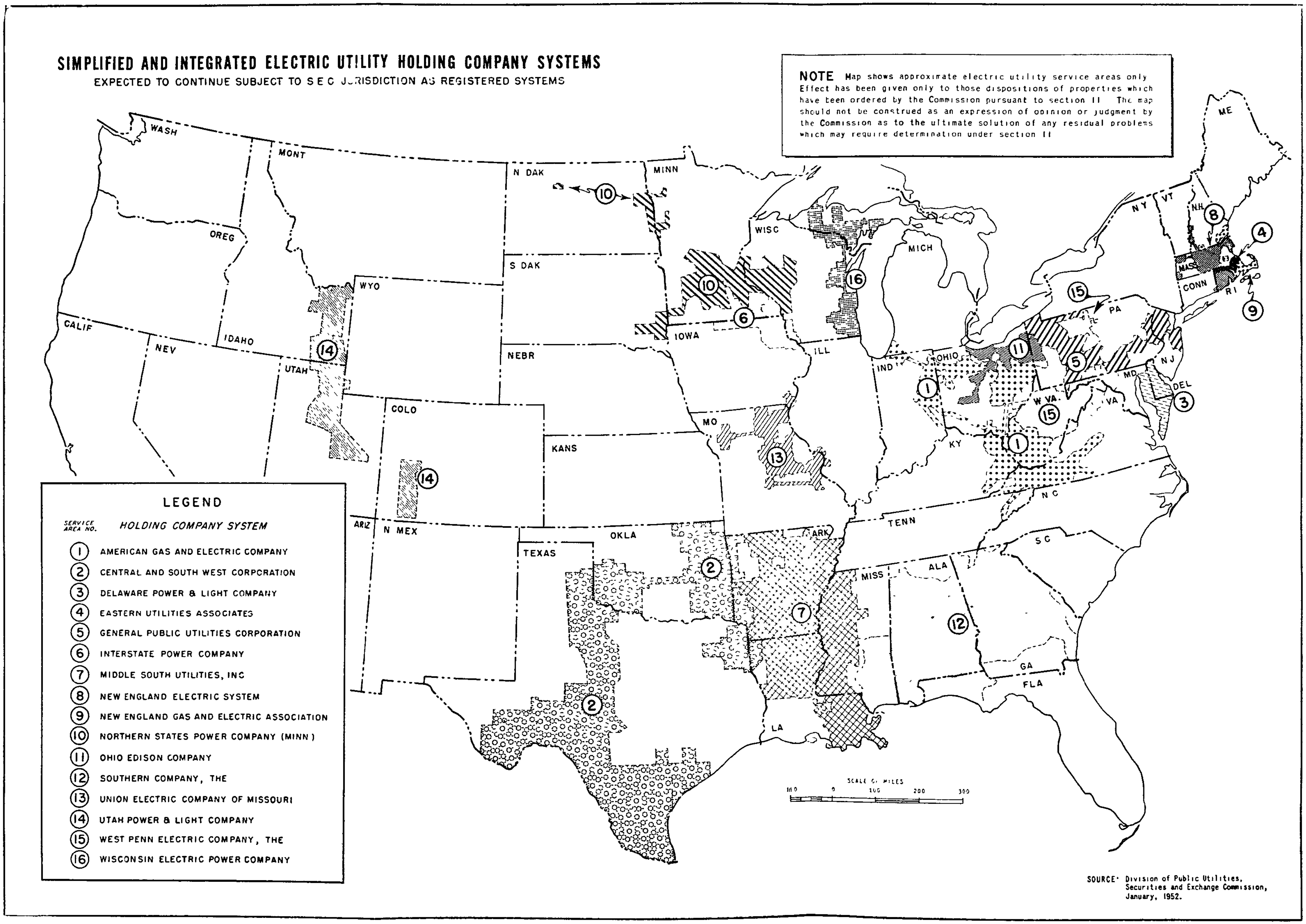
> The Commission is authorized and directed to make studies and investigations of public-utility companies, the territories served or which can be served by public-utility companies, and the manner in which the same are or can be served, to determine the sizes, types and locations of public-utility companies which do or can operate most economically and efficiently in the public interest, in the interest of investors and consumers, and in furtherance of a wider and more economical use of gas and electric energy; upon the basis of such investigations and studies the Commission shall make public from time to time its recommendations as to the type and size of geographically and economically integrated public-utility systems which, having regard for the nature and character of the locality served, can best promote and harmonize the interests of the public, the investor, and the consumer. * * *

Many reports prepared in earlier years by the staff in connection with section 11 enforcement have embodied the characteristics of the section 30 studies described in the statute. However, the Commission recognizes that this authorization given to it by the Congress is more comprehensive. It is not limited to service areas of registered systems. It rather affords a broad opportunity to assist in achieving a more efficient, economical and independent power supply for the entire nation as well as increased, improved and coordinated facilities for the production, transmission and distribution of natural gas.

During the fiscal year 1952, the Commission initiated its first specific section 30 study. In a sense, this is a pilot model of limited size which is being used to determine the scope of future examinations, sources of data, analytical procedures and other aspects. Shortly after the close of the fiscal year, the Commission shifted some of its existing personnel into a new small section in the Division of Public Utilities to expand this work. While section 30 does not provide the Commission with power to enforce its recommendations for the integration of facilities, it is expected that, in many instances, a demonstration of the benefits to be derived will result in voluntary proposals by the companies or systems concerned.

REGULATION OF CONTINUING HOLDING COMPANY SYSTEMS

Approximately 20 holding company groups with aggregate assets of over $7 billion are expected to emerge, upon completion of the section 11 enforcement program, as permanent integrated utility systems. The other holding companies presently registered with the Commission will either be liquidated or diverted into other fields of endeavor. The permanent systems comprise three distinct types. The first and largest category is made up of electric holding company systems which usually consist of one holding company over a number of functionally related electric utility companies operating in contiguous areas spread over several states. In general, these systems differ



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from individual urban utilities in that their service areas are much larger and their operations are characterized by large scale centralized generation coupled with economical long distance transmission facilities. Typical of these are American Gas and Electric Company, The Southern Company, Middle South Utilities, Inc , and The Central & Southwest Corporation. The second type is the natural gas holding company system which usually controls both gas transmission and gas distribution properties. Columbia Gas System, Inc., American Natural Gas Company and Consolidated Natural Gas Company are among the largest in this group. The third type is the operating-holding company system. In these instances, which now occur only in the electric utility field, the holding company, in addition to controlling one or more subsidiary operating companies, derives a substantial proportion of its income from its own utility operations. Ohio Edison Company and the Northern States Power Company (Minn.) are important examples.

Despite the divestment of 240 electric utilities with assets of $8.4 billion, which were found to be not retainable by their former holding company parents, and the exemption of many others, the regional holding company systems which are emerging as permanent, integrated groups represent a vital segment of the public utility industry of the Nation. When all reorganizations under section 11 have been completed, the continuing systems alone will represent 23 percent of the assets and revenues of the entire electric utility industry, and the permanent gas systems will account for 18 percent of that industry. These integrated, regional systems serve some of the most important agricultural and industrial areas of the country. This is graphically illustrated by the following map of the United States showing the approximate service areas of the 16 continuing electric utility systems.

In the regulation of the continuing holding company systems (and, to a lesser extent, other registered systems which have not yet completed their section 11 programs) the Commission and its staff devote a large amount of effort to the processing of financing applications and declarations under sections 6 and 7 of the statute and to numerous applications relating to the acquisition of securities or assets of any other business by system companies. Other important responsibilities include supervision of loans and capital contributions to associate companies, reacquisitions of securities by the issuer thereof, dividend payments out of capital or unearned surplus, solicitations of proxies, and other transactions between associates or affiliated companies. The statute also charges the Commission with responsibility for the regulation of service companies which are components of holding company systems. This includes surveillance of cost allocations among associate companies, and investigations to insure that operating utilities are charged no more than cost for the services rendered, that such services are for the benefit of the operating companies and that the charges paid are reasonable.

Unlike the typical proceeding for reorganization of a holding company system which may require the full time of several technical personnel many months to complete, the task of supervision of the permanent holding company system is essentially a policing function requiring expert attention to a large volume of transactions, comparatively few of which involve lengthy conferences or proceedings. Most of these cases are disposed of by the Commission without the formality of hearing or argument and the average filing requires less than 30 days for processing, including the required periods for published notice to interested persons. This simple, streamlined procedure is possible only because the Commission has endeavored to maintain a corps of tenchical personnel experienced in this field who are capable of appraising proposed transactions on short notice.

The Commission does not have available separate records showing the workload arising out of supervision of the continuing systems, but an approximate measure of this activity may be derived from the following table showing the numbers of separate questions presented for consideration and passed upon under those sections of the Act which pertain to financing, acquisitions, intercompany transactions and intrasystem servicing arrangements. While some of these matters relate to systems not expected to continue in operation as regional, integrated systems, the amount is believed to be comparatively small in view of the proximity of the section 11 program to final completion.

REGISTERED PUBLIC UTILITY HOLDING COMPANY SYSTEMS

Financing, acquisitions, intercompany transactions and intrasystem servicing arrangements

[Volume of separate questions presented for consideration and disposed of under Public Utility Holding Company Act of 1935. Fiscal years 1950, 1951, 1952]

Description of matters considered under applicable sections of the act	Matters filed, fiscal years—			Matters disposed of, fiscal years—		
	1950	1951	1952	1950	1951	1952
Sections 6, 7: Issuance of securities, assumptions of liability and alterations of rights	319	313	352	337	326	374
Section 12 (b): Loans, extensions of credit, capital donations, etc	37	23	36	40	24	48
Section 12 (c):						
Reacquisitions of securities by issuer	88	47	34	93	54	62
Payments of dividends out of capital	10	9	9	22	9	11
Sections 9, 10: Acquisitions of securities and assets	189	196	231	201	215	203
Section 13. Service company regulation—applications for approval of service arrangements	2	1		7	1	4
Rule U-50 Exemptions from competitive bidding	18	6		17	9	
Total	663	595	662	717	638	702

NOTE.—The excess of matters disposed of over matters presented for consideration reflects the disposition of pending matters in the course of completion of reorganization proceedings under section 11 of the Act.

PROGRESS OF INDIVIDUAL CONTINUING HOLDING COMPANY SYSTEMS

As indicated in the following reports, the continuing holding company systems are participating actively in the rapid expansion of facilities, characteristic of both the electric and natural gas utility industries. In sharp contrast with the widespread investor pessimism which blanketed the market for holding company securities in the 1930's, the securities of registered holding companies have since acquired a degree of quality and marketability enabling them to compete for funds on a basis comparable with the independent utility operating companies. New equity financing has been readily available either through the rights offering procedure or by direct sale of additional shares to underwriters for public distribution.

The success of the modern holding company in providing an equity foundation for the financial expansion of its subsidiaries testifies to the wisdom of the framers of the statute in permitting regional, integrated holding company systems to continue in operation under reasonable supervision. However, the financing function is not the only important responsibility of the parent company. It must constantly seek to obtain economic and engineering improvements which derive from the coordinated operation of subsidiaries functionally related to one another. This is not simply physical interconnection; it is unified management and technical development which produce maximum economy of operation.

The following summaries provide a review of the more important actions taken by the Commission in respect to the operations of a number of the continuing systems. As indicated, several of these systems are faced with residual problems under section 11 (b) (1) or 11 (b) (2) of the Act. Some dispositions of properties not retainable under statutory standards were made during the fiscal year. However, pursuant to Commission approval, several systems have also acquired adjacent properties where it was shown that such acquisitions tended towards the economical and efficient development of their respective systems.

American Gas and Electric Company

American Gas and Electric Company is the largest of the regional holding company systems. Its operations extend over a seven-State area from Kentucky to Michigan. Consolidated assets at December 31, 1951, were $769 million, after deduction of valuation reserves. The system, almost wholly electric, serves more than 1,200,000 customers and annual operating revenues aggregate approximately $200 million.

The system operates in a highly industrialized area and is presently engaged in a construction program of unprecedented size. It is estimated that the operating subsidiaries will make construction expenditures of almost $320 million in the period from 1952 to 1954, the largest segment of which will represent the cost of additional generating plant and facilities. Expansion of the American Gas system has been spurred by the heavy power demands arising from defense production activities. Population and industry of its service area are growing rapidly and system companies now have the added responsibility of delivering power in substantial quantities to the Atomic Energy Commission.

Cash requirements for construction have necessitated a heavy program of financing activity, both at the subsidiary and parent level. During the fiscal year 1952, the operating subsidiaries, with Commission approval, sold securities in the following aggregate amounts: mortgage bonds, $32 million; serial notes, $13 million; common stock (sold to parent), $16 million. In December 1951, American Gas received approval to borrow up to $6 million from banks on a short-term basis.[73] In June 1952, American Gas sold $20 million of sinking fund debentures and 170,000 shares of additional common stock.[74] Both offerings were made pursuant to the requirements of Rule U-50. Shortly after the close of the fiscal year American Gas

[73] Holding Company Act release No. 10907.
[74] Holding Company Act releases Nos. 11302, Commissioner McEntire dissenting, and 11345.

invested an additional $18 million in new common shares of two of its subsidiary companies, Appalachian Electric Power Company and The Ohio Power Company.[75] The same subsidiaries also obtained short-term bank loans aggregating $43 million.

On March 25, 1952, the Commission approved the proposal of The Ohio Power Company, a subsidiary of American, to amend its Articles of Incorporation so as to modify the provisions limiting the amount of unsecured debt which may be issued without the consent of stock holders. The change will allow Ohio Power to issue unsecured debt in a total amount not exceeding 20% of the sum of secured debt, capital stock and surplus, of which short-term unsecured debt shall not exceed 10%. Under this provision, long-term unsecured debt would include all debt having an initial maturity of 10 years or more, except that such debt would be regarded as short-term unsecured debt whenever, and to the extent that, any part of it matured within less than 5 years. The Articles of Incorporation were also amended to delete the existing pre-emptive rights of the preferred stockholders in connection with any additional issuance of preferred stock. This change was designed to facilitate future issuances of preferred by eliminating the standby period required to allow for the exercise of pre-emptive rights.[76]

The Commission also approved several amendments to the charter of American Gas in order to bring it into conformity with established standards. The amendments, which were approved April 15, 1952, provided for (1) the annual election of directors in place of the provision under which one-third of the Board is elected each year; (2) limited pre-emptive rights to the common stockholders; and (3) cumulative voting in the election of directors. In addition, American Gas has amended its charter so as to reclassify its authorized but unissued shares of preferred stock into shares of unissued common stock and has deleted from its charter all existing provisions concerning the preferred stock.

On September 14, 1951, the Commission authorized the acquisition by The Ohio Power Company of the complete facilities of the municipally-owned generating plant and distribution system of the village of Columbus Grove, Ohio, for $230,000 cash.[77] The properties so acquired are situated in the general territory served by Ohio Power. The proceeds derived from the transaction by Columbus Grove were used to retire the bonded indebtedness applicable to the properties sold.

Central and Southwest Corporation

Central and Southwest Corporation operates an electric utility system in a four-state area including sections of Arkansas, Louisiana, Oklahoma and Texas. It has aggregate assets of over $327,000,000, annual operating revenues exceeding $80,000,000 and approximately 630,000 customers.

The company undertook new construction requiring expenditures of $35,000,000 in 1951 and has budgeted about $44,000,000 for 1952. To finance a portion of its cash requirements, the company sold 500,000 additional shares of common stock at competitive bidding in

[75] Holding Company Act releases Nos. 11370 and 11371.
[76] Holding Company Act release No. 11131.
[77] Holding Company Act release No. 10774.

October 1951.[78] Net proceeds of the sale, which approximated $7,000,000, were used to purchase additional shares of common stocks of operating subsidiaries. In addition, subsidiaries marketed $24,000,000 of First Mortgage Bonds to support the program.[79]

On December 20, 1951, the Commission approved the acquisition by Central Power and Light Company, a subsidiary of the company, of certain electric utility properties and ice properties located in Port Arkansas, Texas, for a consideration of $215,000. The properties were formerly owned by Mustang Island Utilities Company, all of whose stock was owned by an individual. The electric properties are to be interconnected with the electric transmission system of Central Power and Light Company, but the ice plant is to be closed and the ice storage facilities will be leased to outsiders for independent operation.[80]

Subsequent to completion of a field examination and the filing of a report on original cost of property by the staff of the Commission pursuant to rule U-27, Central Power and Light submitted proposals to reclassify certain items of its utility plant accounts to give effect to recommendations contained in that report. On January 25, 1952, the Commission, upon finding the proposals to be consistent with the requirements of rule U-27, ordered Central to dispose of the amount of $984,779.19 in Account 107 and $1,473.22 in Account 108.47 and to create a reserve in Account 252 for amortization of $1,045,661.65 established in Account 100.5.[81]

Columbia Gas System, Inc.

The Columbia Gas System, Inc. is the parent holding company in a natural gas utility system providing service in seven states. It is engaged in the production, purchase, distribution, and sale of natural gas, obtaining its supplies from the Appalachian and Southwest areas. Its assets, after deduction of valuation reserves, total approximately $500 million and annual system revenues exceed $190 million.

During 1951 Columbia Gas was confronted with an increasing demand for industrial and space heating gas. In order to meet these requirements, $73 million was spent for new construction, representing the largest outlay in any single year. Included in the transmission construction of the system was the 167-mile pipeline built from Clinton County, Pennsylvania, to a point near Pittsburgh. This $12 million line takes gas from the newly developed Leidy Field and passes through other potentially productive territory. The construction program for the calendar year 1952, although dependent to some extent on the availability of materials, is expected to involve expenditures of approximately $75 million. In addition, the gas storage program of the system, both for current inventory and for "cushion" gas, will require an additional cash outlay of approximately $23 million.

In July 1951 Columbia Gas borrowed $12 million from banks on a short-term basis to finance the purchase of gas by subsidiaries for storage inventory purposes. These notes were retired early in 1952.[82] In October 1951 $20 million of short-term borrowing was undertaken to finance construction requirements. Because of material shortages and resultant uncertainty in the rate of completion on new construc-

[78] Holding Company Act release No. 10826.
[79] Holding Company Act releases Nos. 11101, 11108 and 10859.
[80] Holding Company Act release No. 10960.
[81] Holding Company Act release No. 11030.
[82] Holding Company Act release No. 10687.

tion, the financing was undertaken initially on a temporary basis to be replaced by the later issuance of permanent securities. Columbia also obtained over $21 million in November through an offering of new common stock (1,501,826 shares) to its stockholders. Compensation to the underwriters was fixed by competitive bidding and the issue was oversubscribed.[83] In addition, Columbia Gas sold $60 million of 3⅜% Debentures in April 1952, using a portion of the proceeds to retire the $20 million of bank loans incurred in October 1951.[84] All public financing in the Columbia Gas system is undertaken by the parent company. Moneys derived are reinvested, pursuant to Commission approval, in the debt and equity securities of the operating subsdiaries.

During the fiscal year, the Commission approved several transfers of utility properties and assets among the subsidiaries of Columbia Gas.[85] In November 1951 the Commission also approved the purchase by Cumberland and Allegheny Gas Company, one of the gas utility subsidiaries, of certain gas production property located in Preston County, West Virginia, from independent gas producers for a total consideration of $4 million.[86] This property included 8 operating wells, 2 wells in process of drilling, approximately 2,000 feet of 2-inch pipeline, and certain acreages of leaseholds and oil and gas rights.

In the Commission's order dated November 1, 1944, issued pursuant to section 11 (b) (1) of the Act, Columbia Gas was required to dispose of its interests in certain former subsidiaries. However, jurisdiction was reserved with respect to the retainability of certain other companies, including several of Columbia Gas' production and transmission subsidiaries.[87] To date, no determination as to the retainability or nonretainability of these companies has been made by the Commission although the matter is presently under active consideration.

General Public Utilities Corporation

This company is the top holding company emerging from reorganization of the former Associated Gas and Electric Company system. Reference is made to the 15th and 16th Annual Reports which outline briefly the steps taken in earlier years to bring about integration and simplification of this extraordinarily complex structure. In 1938 this system consisted of 164 companies, including 11 subholding companies operating in 26 states and in the Philippine Islands. The present holding company system controlled by General Public Utilities Corporation ("GPU") represents but a segment of the former Associated system. Nevertheless, after giving effect to consummation of the reorganization plan under section 11 (b) (1) as more fully described below, the GPU system will have total assets of approximately $361 million, after deducting valuation reserves, and annual gross revenues of over $100 million.

During the fiscal year 1952, further steps have been taken to resolve the remaining integration problems of the system and to bring it into conformity with the standards of section 11. After hearings on the section 11 (b) (1) problems were concluded, the Commission on December 28, 1951, entered its findings and opinion

[83] Holding Company Act release No. 10882.
[84] Holding Company Act release No. 11157.
[85] Holding Company Act releases Nos. 10658 and 11284.
[86] Holding Company Act release No. 10867.
[87] Holding Company Act release No. 5455.

and order.[88] It determined that the electric facilities of GPU's domestic subsidiaries, except those of Northern Pennsylvania Power Company, constituted a single integrated public utility system, and that such facilities, together with coal mining, water and steam heating properties owned or operated by Pennsylvania Electric Company (other than the minor steam heating properties of Pennsylvania Electric Company located at Clearfield, Pennsylvania) might be retained by GPU or by its subsidiaries under the standards of section 11. In its order the Commission directed GPU to dispose of its interests in: (1) Northern Pennsylvania Power Company and its subsidiary, The Waverly Electric Light and Power Company; (2) the gas properties (including production, transmission, and distribution facilities) of Jersey Central Power & Light Company; (3) the steam heating properties of Pennsylvania Electric Company, located at Clearfield, Pennsylvania; (4) the life insurance business of Employees Welfare Association, Incorporated (Delaware) in so far as it relates to persons other than employees or officials of companies in the GPU holding company system. The Commission's order of December 28, 1951, also annulled and cancelled its prior order of February 9, 1945, which had removed Escudero Electric Service and Manila Electric Company from the list of companies required to be divested by the order of August 13, 1942.

In compliance with the above order with respect to the system's gas properties, Jersey Central Power & Light Company, on June 3, 1952, sold its gas utility properties to New Jersey Natural Gas Company (formerly County Gas Company) for an aggregate amount of $16,027,583.[89]

On December 31, 1951, Dover Casualty Insurance Co., a subsidiary company engaged in casualty reinsurance, was dissolved and its assets amounting to $438,347 were transferred to GPU.[90] Dover had no securities outstanding in the hands of the public.

No program has yet been submitted with respect to compliance by GPU with the remaining aspects of the Commission's order. Upon full compliance therewith, GPU will continue to be a registered holding company and the utility properties of its remaining subsidiaries will constitute a single integrated public utility system. Those subsidiaries are: Jersey Central Power & Light Company (N. J.), Metropolitan Edison Company (Pa.), New Jersey Power & Light Company (N. J.), and Pennsylvania Electric Company (Pa.). The latter in turn controls two relatively minor nonutility subsidiaries, the operations of which are reasonably incidental to the utility operations of the integrated system.

During the past year the requirements of the domestic subsidiaries of GPU made it necessary for GPU to undertake the issue and sale of 531,949 shares of its common stock through a rights offering to its common stockholders. This offering was made on July 1, 1952. Gross proceeds amounted to approximately $11,000,000.[91] These funds, less fees and expenses, are being employed by GPU for investment in the common stocks of its domestic utility subsidiaries to meet their expansion requirements. GPU has also made capital contributions to certain subsidiaries from treasury cash. In addition, its

[88] Holding Company Act release No. 10982.
[89] Holding Company Act release No. 11210.
[90] Holding Company Act release No. 10983.
[91] Holding Company Act release No. 11354.

domestic subsidiaries sold to the public $12,800,000 of mortgage bonds and $7,000,000 of preferred stock. Virtually all of the proceeds derived from these sales have also been applied to meet construction requirements.

Middle South Utilities, Inc.

Middle South Utilities, Inc. controls a utility system serving a three-state area embracing Arkansas, Louisiana and western Mississippi. The company was organized in May 1949 to acquire from Electric Power & Light Corporation the latter's holdings in Arkansas Power & Light Company, Louisiana Power & Light Company, Mississippi Power & Light Company, New Orleans Public Service, Inc. and a small land company.

Middle South is now an integrated regional holding company system deriving the major portion of its revenues from the sale of electricity. The area served by the system has an estimated population of 3,900,000. System assets total $410 million, after deducting valuation reserves, and annual gross revenues aggregate $112 million. The system's generating capacity has been more than doubled in the last six years and is being further increased to meet new peak load requirements. Aggregate construction expenditures programmed for 1952 and 1953 total $137 million.

In May 1952, Middle South sold 600,000 shares of new common stock at competitive bidding and realized approximately $12,800,000 from the offering.[92] Shortly thereafter, the Commission approved a credit agreement under which Middle South may borrow up to $15 million from banks. The approval covers two successive periods extending to December 31, 1957. However, no loan renewal may be made during the second period without further application to the Commission.[93] Proceeds from these financing operations are being used by Middle South to provide subsidiaries with new capital requirements in such manner as to minimize financing costs during the period of the new construction.

On September 25, 1951, the Commission approved the sale by Arkansas of $8 million, 3⅝ percent First Mortgage Bonds at competitive bidding.[94] Another operating subsidiary, Louisiana, received authorization in November 1951 to borrow up to $13 million from banks to meet immediate cash needs for construction. These loans are to be subsequently replaced with permanent financing.[95]

The Middle South system has taken several steps to limit its operations to electric power generation, transmission and distribution. In the fiscal year 1951 Arkansas disposed of its entire gas utility assets with the approval of the Commission.[96] On February 29, 1952, another subsidiary, Mississippi, divested itself of all of its gas properties with the exception of relatively minor facilities used in connection with the fuel supply for Mississippi's electric operations. With the approval of the Commission, the property was sold for a cash consideration of $11,128,151, plus or minus certain closing adjustments. The purchaser was Mississippi Valley Gas Company, a new corporation created for this purpose by Equitable Securities Corpora-

[92] Holding Company Act release No. 11094.
[93] Holding Company Act release No. 11288.
[94] Holding Company Act release No. 10788.
[95] Holding Company Act release No. 10886.
[96] Holding Company Act release No 10077.

tion.[97] Jurisdiction continues to be reserved by the Commission with respect to the retainability of certain gas and transportation properties of New Orleans Public Service Inc.

National Fuel Gas Company

National Fuel Gas Company, through nine subsidiary companies, operates a natural gas and mixed gas system doing business principally in western Pennsylvania and western New York. Its purchases of natural and manufactured gas aggregate over 80 percent of its total gas supply, with the greatest proportion coming from fields in southwestern United States. System assets aggregate over $100 million, net of reserves for depletion, depreciation and amortization.

The system's construction expenditures for 1952 are estimated at $10,200,000. A sizeable proportion of these expenditures reflect the developmental work going on in the Driftwood area, Cameron County, Pennsylvania. The 1953 estimate of cash requirements for construction is set at $5,500,000.

On May 21, 1952, the Commission issued its order authorizing the issuance and sale by National, pursuant to competitive bidding requirements, of $18 million principal amount of 3¼ percent Sinking Fund Debentures, due 1977.[98] Of the proceeds derived from this offering $11 million was used to repay outstanding bank loans previously incurred to purchase long-term notes of four subsidiary companies. The balance of $7 million derived from the debenture financing is to be used, together with retained earnings, depreciation accruals and funds from other internal sources, to complete the 1952 construction program. All public financing in the National system is undertaken by the parent company which, in turn, provides both debt and equity capital to the subsidiaries.

New England Electric System

New England Electric System ("NEES") and its subsidiary companies constitute the largest utility organization in New England. The system serves a total population of about 2,135,000 at retail and also sells large amounts of energy at wholesale. The system's total revenues from operations for the year 1951 amounted to approximately $105 million, 89 percent of which was derived from the sale of electricity and 11 percent from the sale of gas. Aggregate assets of the system are $438 million, after deducting valuation reserves. The system has 35 active subsidiary companies of which 17 furnish electricity at retail in Massachusetts and Rhode Island. Two generating and transmission companies operating in Massachusetts, New Hampshire and Vermont supply electricity on a wholesale basis.

On July 14, 1951, NEES invited proposals for the purchase of all or part of the system's gas properties located in Massachusetts. As a result, NEES received six proposals for the purchase of these properties, the highest of which bid a base price of $22,780,000. Subsequently, due to a change in money markets, the highest bidder was unable to finance the purchase and efforts to sell the properties were postponed. During the past year, most of the properties have been converted from the use of manufactured gas to natural gas.

During the fiscal year, the Commission approved 39 applications

[97] Holding Company Act releases Nos 11019 and 11098.
[98] Holding Company Act release No. 11239.

by subsidiary companies to borrow an aggregate of $81,285,000 from commercial banks and 37 applications to borrow $12,060,000 from NEES upon the issuance of short-term notes, some of which was used to repay other short-term notes which were becoming due. Three subsidiaries sold common stock to NEES for $8,100,000 and three subsidiaries sold $16,500,000 principal amount of bonds to the public. In addition to retained earnings, NEES financed its purchases of subsidiary securities by the sale of 920,573 shares of its common stock by means of an underwritten rights offering to its stockholders on the basis of one new share for each eight shares held.[99] The proceeds from this sale exceeded $11 million and the size of the offering reflects recommendations by the staff of the Commission of a 25 percent increase in the number of shares to be issued.

It is estimated that construction expenditures of the NEES system for the years 1952 and 1953 will aggregate approximately $90 million as compared with the $151 million expended during the previous five years. To finance this expansion and to reduce outstanding short-term bank debt, NEES estimates that system companies will sell about $90 million of securities during 1952 and 1953.

NEES has indicated that it contemplates the merger of several electric and gas operating properties into larger units and the merger of its two wholesale generating and transmission companies.

New England Gas and Electric Association

New England Gas and Electric Association ("NEGEA") is a Massachusetts trust holding, directly or indirectly, the common stocks of seven electric and gas utility companies located in Massachusetts, one electric utility company in New Hampshire and one electric utility company in Maine. In addition, it owns the common stock of a steam heating company located in Massachusetts. NEGEA has also acquired 35.82 percent of the common stock of Algonquin Gas Transmission Company, a natural gas pipeline company to be engaged upon completion of its construction in transporting natural gas from New Jersey for sale to distributing companies in New England. Participating with NEGEA as common stock holders of Algonquin are Eastern Gas and Fuel Associates, Texas Eastern Transmission Corporation and Providence Gas Company.

Shortly after the close of the fiscal year, the Commission approved the issuance and sale by Algonquin of $9,734,000 of First Mortgage Pipeline Bonds to a group of three insurance companies which, together with a fourth institutional investor, had previously purchased $27,600,000 of Algonquin's bonds.[1] The sale was exempted from the requirements of rule U-50. Algonquin also sold 48,660 additional shares of common stock, of which 15,610 shares were acquired by NEGEA.

Algonquin will use the $14,600,000 proceeds from the sale of its mortgage bonds and common stock to meet the balance of the cost of its new pipeline estimated at $51,500,000. Since NEGEA will purchase somewhat less than its proportionate share of the new common shares to be issued, its relative stock ownership will be reduced slightly to 34.52 percent.

The operating subsidiaries of NEGEA are continuing the construction program commenced prior to the past fiscal year. Estimated

[99] Holding Company Act release No. 11202.
[1] Holding Company Act release No. 11417.

gross plant additions for the calendar years 1952 and 1953 are expected to aggregate $12,400,000. To finance this construction program the subsidiaries propose to use funds generated from internal sources in the amount of $6,600,000, with the balance to be obtained through bank loans in the amount of $5,800,000, of which $3,700,000 was approved by the Commission in 1952.

In October 1951 the Commission approved the issue and sale by NEGEA, pursuant to competitive bidding, of $6,115,000 principal amount of 20-year sinking fund collateral trust bonds. The proceeds of the issue were utilized to purchase additional common stocks of subsidiary companies. The latter, in turn, used the proceeds to repay bank loans and for other corporate purposes.[2]

In November 1951 the Commission approved the merger of Dedham and Hyde Park Gas Company and Milford Gas Light Company with Worcester Gas Light Company thereby reducing the number of Massachusetts utility subsidiaries from 9 to 7. Virtually all of the gas requirements of the two smaller companies had been supplied by the Worcester company for many years.[3]

Although NEGEA does not presently have any section 11 plan before the Commission, jurisdiction has been reserved with respect to section 11 (b) (1) proceedings originally instituted in September 1942. In approving NEGEA's previous plan of reorganization in 1946 the Commission stated that such approval should not be construed as a determination as to the retainability of properties in the holding company system and its order approving the plan separated for further hearing the proceedings under section 11 (b) (1).[4]

Northern States Power Company

Northern States Power Company (Minnesota) is an operating-holding company engaged, either directly or through subsidiaries, in the electric and gas utility business in the states of Minnesota, Wisconsin, North Dakota and South Dakota. Aggregate system assets, after deduction of depreciation reserves, total over $327 million and annual revenues exceed $90 million, of which 88 percent are derived from sales of electricity.

During the past fiscal year, Northern States and three of its subsidiaries received authorization of the Commission to reclassify certain of their plant accounts on the basis of original cost.[5] In connection therewith, two of the subsidiaries were permitted to recapitalize their security structures in order to remove deficits in their surplus accounts and to simplify and improve the capital structure of the system.[6]

During 1951 the system expended $32,256,000 for construction purposes and it is estimated that expenditures during 1952 will approximate $34,800,000. These amounts are part of an over-all program under which the system expects to expend $143 million during the 5-year period 1952–56. To finance this expansion, Northern States issued with approval of the Commission,[7] $15 million of short-term notes which were subsequently repaid from the proceeds of the issuance of $21,500,000 principal amount of bonds and an under-

[2] Holding Company Act releases Nos. 10813 and 10836.
[3] Holding Company Act release No. 10901.
[4] Holding Company Act release No. 6729.
[5] Holding Company Act releases Nos. 10757, 10758 and 10801.
[6] Holding Company Act release No. 10802.
[7] Holding Company Act release No. 10772.

written offering to the company's stockholders of 1,108,966 shares of common stock producing proceeds in excess of $11,500,000.[8]

On September 22, 1952, proceedings were instituted by the Commission under section 11 (b) (1) looking toward resolution of the system's remaining problems of compliance under the Act.[9]

The North American Company

Union Electric Company of Missouri

Union Electric Company of Missouri is an operating-holding company serving either directly or through its subsidiaries, a large area in the State of Missouri and smaller sections in Illinois and Iowa. It has two utility subsidiaries, Union Electric Power Company and Missouri Power & Light Company, and three non-utility subsidiaries. System assets, after deduction of valuation reserves, total over $369 million, and annual revenues are over $84 million. Union Electric is the sole remaining utility subsidiary of The North American Company which at one time controlled 36 utility and 46 non-utility subsidiaries operating in ten states and in the District of Columbia.

During 1951 Union Electric and its subsidiaries spent $33,388,000 for construction and have embarked upon a program calling for expenditures in excess of $168 million between 1952 and 1955. The only major financing undertaken during the past fiscal year was the sale by Union Electric of $30 million of First Mortgage Bonds at competitive bidding in May 1952.[10]

As reported in the 17th Annual Report, Union Electric is participating with four other utilities in the formation and development of a new corporate enterprise, Electric Energy, Inc., which was organized to supply one half of the power requirements of the Paducah, Kentucky, plant of the Atomic Energy Commission. Union Electric, with a 40 percent interest in the common stock of the company, has the largest single stock interest of all of the five participants.

On April 28, 1952, North American filed a plan with the Commission under section 11 (e) proposing its liquidation and dissolution.[11] Under the plan, immediately upon its approval by the Commission and by a United States district court, North American will distribute to its stockholders as an initial liquidating dividend one share of Union's new $10 par value common for each 10 shares of North American common held. A similar distribution will be made approximately one year after the first distribution and a final distribution made two years after the first distribution on a share-for-share basis. Fractional shares will not be distributed, but will be paid for in cash. The Union Electric common stock to be distributed as liquidating dividends will be a newly created issue of 10,300,000 shares of $10 par value per share. Union Electric's presently outstanding 11,450,000 shares of no par value common stock, all of which is owned by North American, will be reclassified into 10,300,000 shares of no par value common stock. Prior to the distribution of each liquidating dividend by North American, it will exchange the requisite number of shares of new no par common stock of Union for a like number of shares of new $10 par value common stock of Union, which will be distributed. While Union expects to pay cash dividends on the shares of $10 par value stock distributed under the plan, no

[8] Holding Company Act releases Nos. 11275, 11295 and 11317.
[9] Holding Company Act release No. 11498.
[10] Holding Company Act release No. 11187.
[11] Holding Company Act release No. 11222.

dividends will be paid on the reclassified common stock of no par value held by North American except pursuant to permission of the Commission. Commencing with the initial liquidating dividend, North American will cease paying cash dividends. During the two-year distribution period, to the extent feasible, North American will liquidate all of its assets other than its holdings of Union Electric common stock. At the end of the period, the small number of Union Electric's shares remaining undistributed will be delivered to Union Electric for cancellation and any other remaining assets of North American will be transferred to Union Electric for final disposition. Union Electric will assume all of North American's remaining liabilities and the latter company will be dissolved. The plan was approved by the Commission on October 31, 1952.[12]

In addition, North American, as the owner of all of the preferred stock and 376,151 shares of the 466,548 shares of outstanding common stock of North American Utility Securities Corporation, filed an amended plan for the liquidation and dissolution of this subsidiary. The amended plan reflected an agreement reached with the assistance of the staff of the Commission by North American and a committee representing the public holders of Securities Corporation's common stock as to an appropriate settlement of claims raised on behalf of the public security holders that North American's interest in Securities Corporation should be subordinated because of its asserted mismanagement of the company. The plan provides that the public owners of the 90,397 shares of Securities Corporation common will be paid in cash at the rate of $9 per share. North American will receive all of Securities Corporation's remaining assets and assume all of its liabilities. The Commission issued its findings, opinion and order approving this plan on July 23, 1952.[13] It has since been ordered enforced by the United States District Court for the District of Maryland[14] and was consummated on October 1, 1952.

The Southern Company

The Southern Company is the parent holding company of a system which survives the former Commonwealth & Southern Corporation. The integrated system which it controls furnishes service through four electric utility subsidiaries in Georgia, Alabama, Florida and Mississippi. It is the second largest of the continuing systems with $635 million of assets, after deduction of depreciation reserves, and gross annual revenues of $151 million.

Economic development in the territory of The Southern Company has required an impressive expansion of its physical properties. Its program for 1952–53 calls for expenditures aggregating $214 million. Current cash requirements are being financed through the sale of bonds and common stock. In the spring and summer of 1952 approximately $39 million was obtained through the sale of bonds by subsidiaries; $12 million by Alabama Power Company; $20 million by Georgia Power Company and $7 million by Gulf Power Company.[15] An additional $13 million was obtained in July from a rights offering to Southern's common stockholders.[16] This will be supplemented by

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[12] Holding Company Act release No. 11530.
[13] Holding Company Act release No. 11390.
[14] *In re North American Utility Securities Corp.*, unreported (D. Md., No. 5935, September 16, 1952).
[15] Holding Company Act releases Nos. 11168, 11352 and 11312.
[16] Holding Company Act release No. 11294.

cash from retained earnings, depreciation and other internal sources.

Following Alabama Power Company's acquisition of the Birmingham Electric Company and the disposal by Birmingham of its transportation properties, Alabama and Birmingham filed a plan pursuant to section 11 (e) in which it is proposed to merge Birmingham into Alabama Power Company.[17] Under the plan as amended the 8,394 publicly held shares of Birmingham's 4.20 percent preferred stock will be exchanged for an equal number of 4.20 percent preferred shares of Alabama. The public holders of 10,797 shares of common stock of Birmingham may elect to receive for each share of Birmingham stock surrendered 1½ shares of the common stock of Southern Company plus $2.40 in cash or $25.15 in cash. The amended plan was approved by the Commission on October 21, 1952.[18]

The West Penn Electric Company

The West Penn Electric Company is the parent holding company in a utility system deriving about 95 percent of its revenues from sales of electric power and servicing a territory located principally in Pennsylvania, West Virginia and Maryland. Small adjacent sections of Ohio and Virginia are also served. Its principal operating subsidiaries are the Potomac Edison Company and West Penn Power Company, both of which are also registered holding companies. The system covers a territory of 29,000 square miles and serves over 650,000 customers. Total system assets, after deduction of valuation reserves, aggregate over $380 million and the system's gross annual revenues total approximately $100 million. West Penn was formerly a subsidiary of American Water Works & Electric Company, Inc. which was liquidated in January 1948, following divestment of its large water utility holding company system.

The construction program of West Penn system will require expenditures aggregating $94 million in 1952–53. The parent company obtained $12,500,000 through a common stock rights offering of 440,000 shares to its stockholders, who subscribed for approximately 97 percent of the shares, even though no oversubscription privilege was offered. The remaining shares were purchased by underwriters.[19] An additional $12 million was obtained in April through the sale of bonds by a subsidiary company, West Penn Power Company.[20] Additional financing scheduled in 1953 will total $30 million. The balance of cash requirements will be derived from internal sources and from temporary bank loans, if necessary.

In March 1952, the Commission issued its supplemental findings, opinion and order requiring an additional payment of $10, plus compensation for delay, on each share of American Water Works & Electric Company, Inc., $6 cumulative preferred stock.[21] This amount is in addition to the $100 per share liquidation preference plus accrued dividends paid in October 1947. The decision of the Commission was opposed by West Penn and argument was presented before the United States District Court for the District of Delaware which on September 17, 1952, approved the order of the Commisson.[22] The required additional payments were made as of November 12, 1952.

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[17] Holding Company Act release No. 11154.
[18] Holding Company Act release No. 11548.
[19] Holding Company Act release No. 11017.
[20] Holding Company Act release No. 11123.
[21] Holding Company Act release No. 11095.
[22] 107 F. Supp. 350 (D. Del., 1952).

PUBLIC UTILITY FINANCING—REVIEW OF RECENT DEVELOPMENTS

Construction expenditures made during the fiscal year by privately owned electric and gas utilities (exclusive of gas transmission companies) amounted to about $2.8 billion, of which the electric utility companies accounted for about $2.45 billion and gas utilities for about $350 million. This marks a new high in construction expenditures for any one year, and an increase of about $400 million over the previous year. Funds necessary to finance this program were raised principally by the issuance of $2.3 billion of securities, the balance being derived from the retention of earnings and other internal sources. Data from industry sources indicate that construction expenditures by private electric utilities in the fiscal year 1953 will reach $2.8 billion.

The following tabulation, covering the fiscal years 1949 to 1952, includes all security sales for cash, plus refunding exchanges, by electric and gas utility operating companies which have been approved under sections 6 and 7 of the Act or which have been registered with the Commission under the Securities Act of 1933. The table also sets forth data, representing at best rough estimates, with respect to private placements of securities not subject to either the Holding Company Act or the Securities Act. Security sales by gas utilities included in the table cover only those by companies which are engaged in the retail distribution of natural or manufactured gas.

Security issues sold for cash or issued in exchange for refunding purposes by all electric and gas utilities [1] (excluding gas transmission companies)

Fiscal years 1949–52

	July 1, 1948, to June 30, 1949	Percent of total	July 1, 1949, to June 30, 1950	Percent of total	July 1, 1950, to June 30, 1951	Percent of total	July 1, 1951, to June 30, 1952	Percent of total
Bonds	$899,434,729	47	$953,782,240	43	$785,947,640	43	$1,085,797,377	47
Debentures	241,238,500	13	104,700,235	5	69,080,740	4	74,762,900	3
Preferred stock	192,779,280	10	362,015,050	16	137,434,438	8	274,040,623	12
Common stock	364,016,666	19	501,460,071	23	413,292,772	23	491,613,590	21
Total sales subject to the 1933, the 1935 Act or both statutes	1,697,469,175	89	1,921,957,596	87	1,405,755,590	78	1,926,214,490	83
Private placements not subject to either act (estimates)	200,000,000	11	300,000,000	13	400,000,000	22	400,000,000	17
Total security sales	1,897,469,175	100	2,221,957,596	100	1,805,755,590	100	2,326,214,490	100

[1] In addition, utility operating companies subject to the Holding Company Act sold notes with maturities of 5 years or more in the following amounts:

1949	$62,090,000
1950	23,200,000
1951	39,934,912
1952	83,691,128

The substantial increase in volume of financing during the fiscal year reflects the increase in cash requirements for construction and a marked improvement in the market for utility debt securities. In the first half of the fiscal year, bond prices generally continued at the depressed levels which prevailed after the Federal Reserve Board withdrew its support from the Government bond market in March 1951. However, in January 1952, investors began paying premiums in the open market for seasoned high grade issues in the absence of new offerings. The uptrend was confirmed in March when institutional investors, responding to a series of new offerings, absorbed in one day an $80 million inventory of mortgage bonds held by underwriters. Thereafter, until the close of the fiscal year, the market remained relatively stable with yields averaging about 10 to 15 basis points lower than the previous year, in spite of an exceptionally heavy volume of new issues. Corporate financing during this quarter was at one of the highest levels of any quarter on record.

During the 12 months ended June 30, 1952, 352 matters were presented for determination pursuant to sections 6 and 7 of the Act, under which the Commission is required to pass upon the issuance of securities and assumptions of liability and alterations of rights of securities by registered holding companies and their subsidiaries. A total of 374 matters were disposed of during the year, including a few carried over from the latter part of the preceding year. All but 32 of these matters related to issues of securities. In the fiscal year 1951, 326 matters were disposed of under sections 6 and 7. The increase in matters disposed of during the year was mainly accounted for by approximately 75 short term note authorizations granted the several electric and gas utilities in the New England Electric System.

The following tables covering the fiscal years 1951 and 1952 analyze in detail the volume of securities sold for cash, or issued in exchange for refunding purposes by registered holding companies and their subsidiaries pursuant to authorizations of the Commission under sections 6 and 7 of the Act. Portfolio sales and issues in connection with reorganization are excluded.

Sales of securities and application of net proceeds approved under the Public Utility Holding Company Act of 1935 during the fiscal year July 1, 1951, to June 30, 1952

	Number of issues	Total security sales [1]	Application of net proceeds [1]		
			New money purposes	Refinancing short-term loans [2]	Refunding
Sales by electric and gas utilities: [3]					
Bonds	42	$439,195,363	$339,565,417	$94,465,882	
Notes [4]	82	41,966,128	35,353,734	6,402,065	
Preferred stock	4	27,725,750	25,335,389	1,616,250	
Common stock	60	166,697,851	107,231,134	57,579,981	$115,000
Total	188	675,585,092	507,485,674	160,064,178	115,000
Sales by holding companies:					
Bonds (collateral trust)	1	6,176,150	6,090,026		
Debentures	4	99,761,480	63,501,477	34,350,000	
Common stock	9	111,057,716	105,496,717	2,660,000	
Total	14	216,995,346	175,088,220	37,010,000	
Sales by nonutility companies:					
Bonds	6	96,440,000	93,689,124	2,500,000	
Debentures	2	55,000,000	50,406,375	4,500,000	
Notes [2]	46	41,725,000	39,208,426	2,514,514	
Common stock	10	6,304,975	6,299,850		
Total	64	199,469,975	189,603,775	9,514,514	
Grand total	266	1,092,050,413	872,177,669	206,588,692	115,000

[1] Differences between total security sales and total proceeds is represented by flotation costs to the issuing companies.
[2] Notes and bank loans of less than 5 years maturity, usually for construction purposes. The majority of these notes have a maturity of less than 1 year.
[3] Includes sales by registered operating-holding companies which derive a substantial proportion of income from their own operations, but which also may have 1 or more utility subsidiaries.
[4] With maturities of 5 years or more.

NOTE.—Included in the total for the fiscal year 1952 are $300,000,000 of securities purchased by registered holding companies from their subsidiaries.

Sales of securities and application of net proceeds approved under the Public Utility Holding Company Act of 1935 during the fiscal year July 1, 1950, to June 30, 1951

	Number of issues	Total security sales [1]	Application of net proceeds [1]		
			New money purposes	Refinancing short-term loans [2]	Refunding
Sales by electric and gas utilities: [3]					
Bonds	28	$304,014,743	$145,211,511	$123,467,932	$31,507,623
Debentures	2	8,868,900	1,657,773	4,332,203	2,633,147
Notes [4]	35	36,034,912	32,193,016	3,750,000	
Preferred stock	8	74,402,178	34,402,899	10,500,000	28,285,959
Common stock	59	168,412,304	136,132,165	29,598,631	1,399,230
Total	132	591,733,037	349,597,364	171,648,766	63,825,959
Sales by holding companies:					
Debentures	2	142,827,200	60,207,355		81,550,000
Common stock	9	83,971,584	81,074,499	1,000,000	
Total	11	226,798,784	141,281,854	1,000,000	81,550,000
Sales by nonutility companies:					
Bonds	4	40,779,525	25,480,668	15,000,000	
Debentures	1	34,000,000			33,962,100
Notes [4]	7	5,900,000	5,897,405		
Common stock	19	14,980,781	9,767,747	5,150,000	
Total	31	95,660,306	41,145,820	20,150,000	33,962,100
Grand total	174	914,192,127	532,025,038	192,798,766	179,338,059

[1] Differences between total security sales and total proceeds is represented by flotation costs to the issuing companies

[2] Notes and bank loans of less than 5 years maturity, usually for construction purposes. The majority of these notes have a maturity of less than 1 year.

[3] Includes sales by registered operating-holding companies which derive a substantial proportion of income from their own operations, but which also may have 1 or more utility subsidiaries.

[4] With maturities of 5 years or more.

NOTE.—Included in the total for the fiscal year 1951 are $202,000,000 of securities purchased by registered holding companies from their subsidiaries.

Virtually all financing during the fiscal year 1952 by electric and gas utilities subject to active regulatory jurisdiction of the Commission under the Act was for the purpose of raising new money.[23] Refunding issues were not in evidence, because the relatively high interest rates which prevailed during the year provided no incentive. The sharp increase in the total number of issues sold under sections 6 and 7 of the Act from 174 in 1951 to 266 in 1952 is primarily due to the large number of long term serial notes sold to holding companies by subsidiaries. These electric and gas utilities issued $481 million of debt securities during fiscal 1952, representing 71 percent of their total security sales. In 1951, $348 million principal amount of debt was issued, amounting to 59 percent of total security sales. This increase of long term debt financing was accompanied by a substantial decrease in preferred stock offerings from 13 percent to 4 percent and, to a lesser extent, a decrease in common equity issues from 29 percent to 25 percent. Market receptivity for both preferred and common stocks continued comparatively strong throughout most of the fiscal year.

Registered holding companies, including several operating-holding companies, in carrying out one of their most important functions of furnishing capital to their subsidiaries, purchased $300 million of subsidiary securities during 1952, in addition to making a substantial

[23] For the purpose of this analysis, the refinancing of short term notes is considered to constitute the raising of new money, since note issues with a maturity of less than 5 years are not included in the tabulation.

number of capital contributions, short term loans and open account advances. Of the securities purchased, $196 million represented debt issues and $104 million common stocks. To raise the capital necessary to provide this assistance, holding companies sold approximately $217 million of securities to the public as shown in the preceding tables and in addition an estimated $150 million was sold for reinvestment in subsidiaries by operating-holding companies. In 1951, holding companies purchased $202 million of subsidiary securities. Cash for these purchases was obtained from the sale of $145 million of holding company securities, and sales by operating-holding companies for this purpose amounting to $42 million.[24] With respect to both years, the sales of debt securities by registered holding companies represent for the most part parent company financing in systems where the subsidiaries have little or no senior securities in the hands of the public, thereby enabling the holding companies to issue senior securities without impairing the consolidated equity position of the system.

Nonutility subsidiaries of registered holding companies, consisting mainly of gas transmission companies, issued almost $200 million of securities during the year, an increase of $105 million over the previous fiscal year. All but 12 percent of these amounts were purchased by parent holding companies, the remainder being sold privately. Long term debt issues comprised 97 percent of the total, common stock the balance.

The rights offering procedure has continued to dominate utility common stock financing under the Act in the fiscal year 1952. Commission policy regarding this method of obtaining equity capital was reiterated in a memorandum opinion issued in March 1950: "* * * It is, and has long been, our opinion that when holding companies and public utility companies subject to our jurisdiction sell additional shares of common stock, their own interests, as well as the interests of their common stockholders are, absent special circumstances, best served by allowing common stockholders the right to purchase their proportionate shares of the new issue * * *".[25]

During fiscal 1952, companies subject to active regulatory jurisdiction under the Act publicly sold a total of $182 million of common stocks, of which 64 percent or $116 million was raised by means of rights offerings and the balance of $66 million was sold directly to the public. In 1951, $117 million of common stock was sold by means of rights and $27 million directly to the public.[26] The amount raised through rights offerings which were not underwritten declined, however, from 64 percent of the total rights offerings in 1951 to 27 percent in 1952. During fiscal 1951, of a total of 14 subscription offerings, nine were made without underwriting, including four issues which received the benefit of dealer solicitation. In fiscal 1952, however, of a total of 10 rights offerings, only two issues were sold without underwriting or dealer solicitation assistance, and the balance were underwritten. Of these 10 issues, six were sold with oversubscription privileges and were well oversubscribed. The other four issues were offered to stockholders without oversubscription privileges, and subscriptions ranged from 4 percent to 94 percent.

[24] There are several reasons accounting for the apparent differences between holding company sales and subsidiary investments, chief among which is the lapse in time from one fiscal year to another while the stages of intrasystem financing are being completed.

[25] Holding Company Act release No. 9730.

[26] These figures are exclusive of sales by subsidiaries to parent companies.

All of these four latter rights offerings were underwritten and, in those cases where the subscription price was set below the then prevailing market price of the shares, the offerings were more than 90 percent subscribed.

Common stock issues registered by electric and gas utilities under the Securities Act of 1933, but not required to be passed upon under sections 6 and 7 of the Holding Company Act, followed virtually the same pattern as common stock financing carried out under our jurisdiction under the 1935 Act. A total of $325 million was raised through common stock issues subject only to the 1933 Act, of which $210 million or 65 percent of the total was raised through 26 issues representing rights offerings. Seventeen issues with a gross sales value of $115 million were sold directly to the public. Similarly, 15 of the rights offerings totalling $150 million were made without the benefit of oversubscription privileges and nearly all of these were underwritten. Furthermore, such of these offerings as were made with subscription prices at a discount below the prevailing market were subscribed more than 80 percent. It is interesting to note that, since 1948, the amount of capital raised by all electric and gas utilities of the United States[27] by means of rights offerings to stockholders has never dropped below 60 percent of total common stock sales by such companies.

Another important development in public utility financing during the fiscal year has been the sharp increase in interest rates on short term loans. Interest rates on prime utility loans maturing up to one year have risen one-half of one percent. In October 1951, the rate was raised from 2½ percent to 2¾ percent and advanced again in December to 3 percent. The rise has been attributed to the tremendous expansion of short term loans by banks and to the tightening money market supply situation traceable to reduced purchases of U. S. Government securities by the Federal Reserve System.

COMPETITIVE BIDDING

Offerings of securities by issuing companies under sections 6 (b) and 7 of the Act and portfolio sales by registered holding companies under section 12 (d) are required to be made at competitive bidding in accordance with the provisions of rule U–50. Certain special types of sales, including issues of less than $1 million, short term bank loans, issues the acquisition of which have been authorized under section 10 and pro rata issues to existing security holders, are automatically exempt under clauses (1) through (4) of paragraph (a) of the rule. In paragraph (a) (5) the Commission retains the right to grant exemptions by order where it appears that competitive bidding is not necessary or appropriate to carry out the provisions of the Act.

Securities sold at competitive bidding under rule U–50 from its effective date, May 7, 1941, to June 30, 1952, total in excess of $7,400,000,000. A tabular presentation showing the various classes

[27] Excluding gas transmission companies.

of securities, number of issues and amounts, for the entire period and for the past fiscal year is set forth below:

Sales of securities pursuant to rule U-50

	May 7, 1941, to June 30, 1952		July 1, 1951, to June 30, 1952	
	Number of issues	Amount [1]	Number of issues	Amount [1]
Bonds	317	$4,983,444,000	33	$390,415,000
Debentures	37	863,938,000	3	98,000,000
Notes	8	69,500,000	2	13,000,000
Preferred stock	86	747,727,700	4	27,000,000
Common stock	84	777,052,201	14	142,360,965
Total	532	7,441,661,901	56	670,775,965

[1] Amounts shown represent principal amount of bonds, debentures and notes; par or stated value of preferred stock; and proceeds of sale of common stock.

As previously indicated, a total of $1,092,050,413 of securities were sold for cash in the fiscal year 1952 by registered holding companies and their subsidiaries, of which amount $670,775,965 were sold at competitive bidding pursuant to rule U-50. The difference of $421 million is largely accounted for by approximately $360 million of securities automatically exempt under the terms of the rule, of which $300 million were sold by subsidiaries to their parents. Also included in that difference were private placements of about $60 million which had been exempted from the competitive bidding requirements of rule U-50 by orders entered in earlier years but which were not sold until this year.

The experience gained in the 11 years of administration of rule U-50 has adequately demonstrated its workability and effectiveness in maintaining competitive conditions in the marketing of securities and in achieving minimum costs in the procurement of capital. However, the Commission has always recognized that flexibility of application was essential and in a number of cases, where unusual circumstances were present, it has granted exemptions by order from the competitive bidding requirements of the rule. During the period of existence of the rule, 201 issues of securities of registered holding companies and their subsidiaries with aggregate proceeds of $1.5 billion have been exempted in this manner. Such sales, of course, do not include the automatic exemptions afforded by the rule.

In the fiscal year 1952 only one issue with proceeds of $2 million was exempted from competitive bidding by order as compared with eight issues with dollar volume of $158.5 million in 1951. Almost all of the securities exempted in the fiscal year 1951 were private placements of standby commitments to finance construction projects extending over comparatively long periods of time.

It is important to note that only 25 percent of the issues representing 28.5 percent of the total dollar volume of exempted issues were sold by means of underwritten transactions. The following table summarizes the exempt security sales and shows the volume and types of securities exempted together with the amounts of securities sold with and without underwriting arrangements.

Sales of securities pursuant to orders of the Commission granting exemptions from competitive bidding requirements under the provisions of paragraph (a) (5) of rule U-50 [1] *May 7, 1941, to June 30, 1952*

	Underwritten transactions		Nonunderwritten transactions		Total all issues	
	Number of issues	Amount [2]	Number of issues	Amount [2]	Number of issues	Amount [2]
Bonds	4	$27,027,500	58	$611,901,768	62	$638,929,268
Debentures	3	83,425,000	5	36,779,939	8	120,204,939
Notes			19	32,894,158	19	32,894,158
Preferred stock	10	60,868,703	23	257,610,344	33	318,479,047
Common stock	33	278,484,644	46	186,163,716	79	464,648,360
Total	50	449,805,847	151	1,125,349,925	201	1,575,155,772

[1] Exclusive of automatic exemptions afforded by clauses (1) through (4) of paragraph (a) of rule U-50.
[2] Proceeds to seller before expenses.

COOPERATION WITH STATE PUBLIC UTILITY COMMISSIONS

The underlying objective of the Holding Company Act is to free operating electric and gas utility companies from the control of absentee and uneconomic holding companies and to provide effective supervision over regional integrated holding company systems, thereby permitting more effective regulation of the operating companies by the States and municipalities in which they operate. Viewed in the over-all the purpose of the Act is to supplement and strengthen local regulation; a fundamental concept which is inherent in the basic policies set out in the preamble and which also finds direct expression in many other sections of the statute. In the administration of this statute problems are constantly arising which are of special concern to the state commissions, and notices of all proceedings of possible interest to them are automatically sent to state and local regulatory authorities. Aside from the numerous informal discussions between representatives of this Commission and local authorities, there were several instances of cooperation during the past year which may be specifically noted.

An investigation conducted by the staff of the Commission in the spring of 1951 revealed that Investment Bond & Share Corporation had been operating for a number of years as a holding company within the meaning of section 2 (a) (7) (A) of the Act and that the company had taken no steps to effect its registration as a holding company or to apply for such exemption as might have been available to it. As a result, IBS registered with the Commission on July 2, 1951, and in August of that year submitted a plan pursuant to section 11 (e) of the Act for the purpose of effecting its ultimate liquidation in compliance with the physical integration and corporate simplification provisions of section 11 (b) of the Act. In connection with these proceedings members of the Commission's staff conferred at length with the general counsel of the Florida Railroad & Public Utilities Commission regarding certain proposed transactions between IBS and its subsidiary, Jacksonville Gas Corporation. The questions of mutual interest involved such matters as restrictions of surplus against payment of dividends, the right of Jacksonville to recover certain fees believed to have been illegally paid, the assurance of an independent board of directors for Jacksonville following its divestment of control by IBS, and the reacquisition by Jacksonville of certain shares of its stock which IBS had acquired without proper authorization of the Commission. Arrangements were worked out to the satisfaction of the Florida representatives and members of this Commission's staff agreed to keep the Florida Commission fully informed of all subsequent developments.

In August 1952, representatives of this Commission conferred at length with representatives of the Connecticut Public Utilities Commission and representatives of Derby Gas & Electric Corporation regarding certain of that company's remaining problems under section 11 (b) (1) of the Act. The Connecticut Commission was very helpful in the devising of a program for the ultimate resolution of such problems.

Early in the past year, the Mississippi River Fuel Corporation made application to the Public Service Commission of Missouri for permission to acquire shares of common stock of Laclede Gas Company which serves the city of St. Louis. Subsequently, Mississippi River acquired approximately eight percent of the voting stock of Laclede and thereby became an affiliate of Laclede within the meaning of section 2 (a) (11) of the Act. The Missouri commission was very cooperative in keeping the staff of this Commission advised of important developments in this situation.

The specific instances of cooperation enumerated above are descriptive of only a portion of the cooperative effort of this Commission. Of even greater over-all advantage to the state and local regulatory authorities is the accomplishment of the basic objectives of the Holding Company Act. The operation of section 11, for instance, has had a two-fold effect. Through the divestment of properties not meeting the physical integration standards of section 11 (b) (1), a total of 381 electric and gas utility companies with aggregate assets of $9 billion have been severed from burdensome holding company control and are now operating as independent units or, in a few instances, as intrastate holding company systems. Approximately 20 other holding company systems with assets totaling $7 billion will remain in operation following complete compliance with the physical integration and corporate simplification requirements of section 11 (b) of the Act and the effectiveness of state and local regulation of the operating subsidiaries of these companies will be protected and strengthened by the continuing supplementary jurisdiction of this Commission under the various other sections of the Act.

Of particular interest in this regard are the provisions of section 13 which limit the services to be rendered to operating subsidiaries by service companies controlled by the holding company to only such services as are for the benefit of the operating companies. These services, moreover, must be rendered at cost fairly and equitably allocated among the client companies. Sections 6 and 7 of the Act are designed to assure the maintenance of sound capital structures and adequate protective provisions for security holders. In this connection, an important consequence of the administration of the Act has been the tremendous increase in the participation of investors in the market for public utility securities. Last, but not least, the provisions of sections 2 (a) (7), 3, 9 (a) (2), and paragraphs (e) and (f) of section 13 afford protection against re-creation of the holding company device through channels more subtle and devious than that of direct ownership of securities.

AFFILIATES, NEW HOLDING COMPANIES AND EXEMPT HOLDING COMPANY SYSTEMS

As previously indicated, the statute embraces more than the integration and simplification of holding company systems and the day-to-day regulation of the continuing holding company systems. It also contains a number of provisions regulating the creation of new holding company and affiliate relationships and requiring a limited degree of surveillance of exempt holding company systems.

The first group of these provisions serve to prevent the circumvention of holding company responsibilities through the employment of unusual types of business organizations or through obscure devices for the control of public utility companies. These are embodied in sections 2 (a) (2), 2 (a) (7) (A), 2 (a) (7) (B), 2 (a) (8) (A) and 2 (a) (8) (B). Twelve informal inquiries concerning the applicability of these provisions to specific proposals for the acquisition of voting securities of public utility companies were received during the year and interpretative opinions were supplied in each instance. It is seldom necessary to engage in formal proceedings in such matters since the transactions proposed are either withdrawn or modified following conferences with interested parties in order to avoid conflicts with statutory requirements. The Commission's functions in administering these provisions are essentially of a policing nature. Most of the cases considered involved natural gas utilities and pipeline companies.

The statute also provides for regulation of certain transactions between affiliates and public-utility or holding companies and for regulation of the creation or extension of affiliate relationships. Probably the most important provision in this category is section 9 (a) (2) of the Act which provides in substance that the acquisition by any person of five percent or more of the voting securities of two or more public-utility or holding companies must be approved by the Commission. Since these provisions have the effect of imposing certain standards upon those acquisitions of voting securities of public-utility or holding companies which fall short of establishing a prima facie holding company relationship (5 percent or more but less than 10 percent), they operate to restrict any tendencies toward the creation of new and unsound holding company relationships.

During the fiscal year 15 applications were filed by persons or companies seeking approval of proposed acquisitions of public-utility securities pursuant to section 9 (a) (2), and approval was granted in all cases. In addition, six other situations have come to the attention of the Commission in which it appears that public-utility securities were acquired in violation of section 9 (a) (2). An application was filed in one of these cases subsequent to the close of the fiscal year to correct the delinquency and preliminary steps have been taken with respect to the others with a view to securing their compliance.

Sections 12 (g) and 13 (e) provide for limited regulation of transactions between affiliates, although, as used in these sections, the definition of an affiliate of a specified company is not restricted to persons owning 5 percent or more of the outstanding voting securities of two or more public-utility or holding companies as is the case with section 9 (a) (2), but may also include officers or directors of the specified company, or any person whom the Commission determines to stand in such relation to the specified company that there is liable to be an absence of arm's-length bargaining in transactions between them. The provisions of these two sections relate principally to disclosure and maintenance of competitive conditions.

Section 12 (g) was employed during the year in the case of a small gas utility system which had failed to register with the Commission under section 5 of the Act or to seek such exemption as might have been available under the circumstances. Because of the inadequacy of information concerning the system, the imminence of an approaching bond maturity, and to determine the nature and extent of any violations of the provisions of the Act and the action necessary to correct such violations, the Commission entered a confidential order directing a complete investigation of the affairs of the system. The order also directed, pursuant to section 12 (g), that all parties named therein give the Commission advance notice of any proposal to effect certain transactions specified in the order.

Section 13 (e) contains safeguards respecting transactions with affiliated servicing organizations which are similar to those found in section 12 (g). Since the Congress also recognized that service companies which were not affiliated with public-utility companies, but which specialized in doing business with them, could attain positions which would result in an absence of arm's-length bargaining, similar requirements for disclosure and maintenance of competitive conditions were embodied in section 13 (f).

Two complaints alleging violations of the provisions of sections 13 (e) and (f) respectively have been received in recent months and these matters are still pending. In reviewing the exemption status of a holding company system claiming exemption pursuant to rule U-9, another problem has arisen during the fiscal year as to the apparent control of an independent public-utility company by a service company closely affiliated with the claimant holding company system. This case raises complex issues under sections 13 (e) and (f) and section 2 (a) (7) (B) of the Act.

Section 3 (a) of the Act provides that the Commission shall exempt certain specified types of holding company systems from the provisions of the Act, subject to the limitation that the exemption must not be detrimental to the public interest and the interest of investors or consumers. This limitation is commonly known as the "unless and except" clause. The types of holding companies which qualify for this exemption comprise: (1) The predominantly intrastate holding company system; (2) the system whose holding company is predominantly a public-utility operating company; (3) the company which is only incidentally a holding company, being primarily engaged in some other business; (4) the temporary holding company and (5) the holding company with no domestic public-utility subsidiaries.

Exemptions may be granted by rule or order of the Commission to the first two mentioned types of holding companies and by order only to the last three types. Exemptions claimed pursuant to rule U-2, by intrastate holding company systems or by systems where the holding company is predominantly a public-utility operating company, may be revoked by the Commission on 30 days notice as provided by rule U–6 where it appears that a substantial question of law or fact exists as to whether the claimant is within the exemption afforded by rule U–2, or whether the exemption is detrimental to the public interest or the interest of investors or consumers. Section 3 (c) provides that the Commission shall revoke its order granting exemption under section 3 (a) whenever it finds that the circumstances which led to the granting of the exemption no longer exist.

In section 3 (d) the Commission is empowered by rule or regulation, but not by order, to exempt conditionally or unconditionally any specified class or classes of holding company systems from the provisions of the Act, if and to the extent that it deems such exemptions necessary or appropriate in the public interest or for the protection of investors or consumers and not contrary to the purposes of the Act. Small holding company systems, whose net utility assets did not exceed $1 million on December 1, 1946, or whose annual gross utility revenues do not at the time of filing exceed $350,000, may claim exemption pursuant to rule U–9 which was promulgated under section 3 (d). At the present time no machinery exists for revocation of the exemption claimed by an individual system under rule U–9, although in one case considered during the past year the Commission ruled that exemption would no longer be available pursuant to rule U–2 or rule U–9 to a holding company system previously claiming exemption under rule U–9 which had failed to meet one or more of the conditions prescribed in rule U–9 and where it appeared that the continued availability of such exemption would be detrimental to the public interest and the interest of investors or consumers or would otherwise be contrary to the policies of the statute. This company, Wisconsin Southern Gas and Appliance Corporation, registered with the Commission on May 28, 1952, as a holding company.

For the purpose of administering the revocation provisions of section 3 (c) and rule U–6 and to determine whether there have been any failures of compliance with the conditions contained in rule U–9, it is necessary for the staff of the Commission to review each year the statements filed by holding company systems claiming exemption pursuant to rules U–2 and U–9. Fifty-six of these statements were filed during the fiscal year. It is also essential to follow developments in the public utility industry, and to review the exemption status periodically in order to determine whether any exemptions granted by order pursuant to section 3 (a) need be revoked. There are presently outstanding 29 orders granting exemptions pursuant to sections 3 (a) (1) and 3 (a) (2) which require periodic review. In addition, there are outstanding 62 orders granting exemptions pursuant to section 3 (a) (3), 12 orders granting exemption under section 3 (a) (4) and 27 orders granting exemption under section 3 (a) (5). Because of budgetary limitations it has been possible to review the exemption status of only three holding company systems during the fiscal year. As indicated above, the exemption claimed by Wisconsin Southern Gas and Appliance Corporation was terminated.

During the fiscal year, investigations also revealed 28 other holding company systems which had been operating in violation of the statute. Twenty-five of these systems have taken appropriate steps to comply with the provisions of the Act, three by filing acceptable statements claiming exemption pursuant to rule U–9, five by filing statements claiming exemption pursuant to rule U–2 and 17 by requesting and receiving orders of the Commission granting exemption pursuant to applications filed under section 3 (a) of the Act. The remaining three systems have not completed the action necessary to effectuate compliance with the statute. Four other applications for exemption pursuant to section 3 (a), which had been filed in the preceding fiscal year, were granted.

Like the administration of sections 2 (a), 9 (a) (2), 12 (g), 13 (e) and 13 (f), the periodic review of the exemption status of exempt holding company systems is also a policing function, and in this work many of the problems presented are settled informally by conferences with industry representatives. The magnitude of the over-all task, however, is of very substantial proportions as indicated by the following summary table:

	Number of systems	Gross utility plant accounts
Holding company systems exempt by orders of the Commission under sections 3 (a) (1) and 3 (a) (2)	29	$3,340,000,000
Holding company systems claiming exemption by filing annual statements with the Commission pursuant to rule U–2	31	4,429,000,000
Holding company systems claiming exemption by filing annual statements with the Commission pursuant to rule U–9	25	20,000,000
Total	85	7,789,000,000

NOTE.—These data do not include exemptions granted under section 3 (a) (4) to companies which were only temporarily holding companies, exemptions granted under section 3 (a) (5) to holding companies which have no domestic public-utility subsidiaries and exemptions granted to large industrial or other companies which are only incidentally holding companies with respect to comparatively small public-utility subsidiaries. The table also excludes data with respect to holding company systems which have pending applications for exemption pursuant to section 3 (a) of the Act. It is estimated that the gross utility plant account of all of these excluded systems aggregates well over $200 million.

Many of the exempt holding company systems included in the above totals were never components of registered holding company systems.

LITIGATION UNDER ACT

In the 17-year period beginning with the effective date of the Act and closing with the past fiscal year, the Commission has participated in 293 judicial proceedings [28] involving issues arising in connection with the administration of the Act. Litigation has been completed in respect to 280 of these cases and the balance of 13 proceedings were pending on June 30, 1952. Of the cases which have been closed, two were terminated adversely to the position of the Commission and in two other matters, in which United States courts of appeals had handed down decisions adverse to the Commission, the decisions were vacated by the United States Supreme Court as moot. In all of the other completed proceedings the position of the Commission was upheld.

During the past fiscal year the Commission has participated in 22 civil and criminal proceedings in which the validity of action in enforcement of the Act was an issue. Eleven of these cases concerned the enforcement of voluntary plans for reorganization filed under section 11 (e) of the Act; two were appeals from orders of United

[28] Exclusive of proceedings involving reorganization under the National Bankruptcy Act.

States district courts entered prior to the fiscal year directing the enforcement of voluntary plans under section 11 (e); five were initiated by petitions to review orders of the Commission pursuant to section 24 (a) of the Act; in one case, the Commission participated as *amicus curiae* and three cases involved proceedings under section 11 (d) of the Act. Nine of the 22 cases were finally adjudicated and in each such instance the position of the Commission was upheld. The remaining 13 cases were pending at the close of the fiscal year.

The Commission's activities in the courts during the past fiscal year are discussed in greater detail below.

Proceedings to Enforce Voluntary Plans Under Section 11 (e)

The following table shows the applications for orders to enforce plans under section 11 (e) which were acted on or were pending during the year:

Applications pending in United States district courts, July 1, 1951	1	
Applications filed in United States district courts, July 1, 1951, to June 30, 1952	10	
Applications approved and plans ordered enforced; no appeals taken	---	3
Applications approved and plans enforced; appeal taken to United States court of appeals—district court order affirmed	---	1
Applications disapproved in part and approved in part; affirmed on rehearing; appeal taken to United States court of appeals—appeal pending	---	1
Applications pending, June 30, 1952	---	6
Total	11	11

The application for enforcement pending at the beginning of the fiscal year was a supplemental application disapproved in part and approved in part by the district court. In this application the Commission petitioned the court to enforce its orders [29] approving and denying certain fees and expenses claimed in connection with the liquidation and dissolution of North American Light & Power Company. One of the fee claimants contested that part of the Commission's order which denied his request for additional compensation. The Commission's order was approved in part and reversed in part and in its opinion the district court indicated that the Commission had failed to give adequate weight to the lawyer-client relationship, and the court awarded the additional compensation requested by the claimant.[30] The district court affirmed its original determination at a rehearing after the close of the fiscal year,[31] and the matter is now pending on appeal by the Commission in the United States Court of Appeals, Third Circuit.

Of the 10 applications for enforcement of voluntary plans which were filed in United States district courts during the fiscal year, three were approved and the plans were ordered enforced without any appeal being taken from such orders. The first of these involved a plan for the liquidation and dissolution of Federal Water and Gas Corporation and provided, among other things, for the distribution to stockholders of assets consisting of cash and 305,796 shares of common stock of Scranton-Spring Brook Water Service Company.[32]

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[29] *North American Light & Power Co.*, Holding Company Act releases Nos. 10533 (May 7, 1951) and 10584 (June 1, 1951).

[30] 101 F. Supp. 931 (D. Del., 1951).

[31] *In re North American Light & Power Co., et al.*, unreported (D. Del., No. 1033 (August 15, 1952)).

[32] *In re Federal Water and Gas Corp.*, unreported (D. Del., No. 1142, October 16, 1951).

The second plan involved the recapitalization of Portland Gas and Coke Company, a subsidiary of American Power & Light Company. In this proceeding two plans under section 11 (e) were filed with the Commission, one by Portland Gas & Coke Company and the other by American Power & Light Company. Electric Bond and Share Company, the parent of American prior to February 1950, was made a party to the proceedings for the purpose of determining any claims Portland might have against Bond and Share or any of its subsidiaries. Portland's plan provided for the issuance of new common stock to be exchanged for the company's presently outstanding preferred and common stocks on the basis of 85 percent of the new common stock for the holders of the preferred stocks and 15 percent for the holders of the common stock. American filed an identical plan except that it provided for the allocation of 75 percent of the new common stock to the preferred stockholders and 25 percent to the common stockholders. The Commission refused to approve either plan unless amended so as to provide for an allocation of 90 percent of the new common stock to the preferred stockholders and 10 percent to the common stockholders.[33] An amended plan conforming to this recommendation was subsequently approved by the Commission [34] and was also approved and ordered enforced by a United States district court.[35]

The third application which was approved by a United States district court and not appealed during the fiscal year was a supplemental application in connection with the plan for reorganization of New England Power Association. In furtherance of its policy to give security holders maximum protection for their investments by affording ample opportunity to exchange their old securities for new securities pursuant to reorganizations under section 11 (e) of the Act, the Commission petitioned the district court for a modification of its original order directing enforcement of the plan of NEPA so as to provide security holders with an additional year in which to exchange their securities under the plan. The court approved the supplemental application and granted the requested extension.[36]

Another of the 10 applications filed during the fiscal year was a petition by the Commission to a district court for an order directing the enforcement of a plan for recapitalization of American & Foreign Power Company pursuant to section 11 (e) of the Act. The district court approved the plan and, upon three separate appeals to a United States court of appeals, which were consolidated for argument, the district court order was affirmed and one of the appeals was dismissed.[37] Among other things, the plan provided for the retirement of the outstanding publicly held first preferred stock, second preferred stock, and common stock of Foreign Power through the issuance to the holders of those securities of new debentures and new common stock; the cancellation of Foreign Power's outstanding option warrants and preferred stock allotment certificates; and the settlement and discharge of various claims asserted on behalf of Foreign Power against Bond and Share and certain of its wholly owned and former wholly owned subsidiary companies.[38] Parties opposing the

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33 Holding Company Act release No. 10740 (August 29, 1951).

34 Holding Company Act release No. 10812 (October 10, 1951).

35 *In re Portland Gas & Coke Co.*, unreported (D. C. Oreg., No. 6196, November 13, 1951).

36 Unreported (D. C. Mass., No. 5087, May 29, 1952).

37 *Kantor* v. *American & Foreign Power Co., et al.*, 197 F. 2d 307 (C. A. 1, 1952) rehearing denied June 22, 1952.

38 *American & Foreign Power Co.*, Holding Company Act release No. 10870 (November 7, 1951).

plan during proceedings before the Commission, and in hearings in the district court, questioned virtually all aspects of the plan. The district court approved the plan and directed its enforcement.[39] One of the three appellants urged that the $6 preferred stock was entitled to greater participation as compared to the $7 series; that more weight should have been accorded liquidation values expressed in the company's charter than to the current claims to earnings of the two classes of preferred stocks. Another appellant urged that the common stock was entitled to greater participation and objected to cancellation of the option warrants. The third appellant's appeal, based on the claims settlement, was dismissed for the reason that appellant had exchanged his stock for new stock pursuant to the plan.

The remaining 6 of the 10 applications for enforcement orders which were filed during the fiscal year were still pending in United States district courts at the close of the year. Three of these applications related to the allowance and denial of fees and disbursements in connection with the formulation and consummation of plans for the dissolution of Northern States Power Company (Delaware),[40] Engineers Public Service Company [41] and Electric Power & Light Corporation.[42]

The other three pending applications pertain to plans for the dissolution of American Water Works and Electric Company, Inc., Consolidated Electric & Gas Company, and American Power and Light Company. Shortly after the close of the fiscal year the district court approved Amercian Power & Light Company's plan which provided for the distribution of its holdings of the common stock of The Washington Water Power Company, thus bringing to a close a vigorously contested phase of that company's liquidation and dissolution.[43] The application with respect to the American Water Works plan was also approved.[44]

In addition to the above described proceedings, at the beginning of the fiscal year there were pending in United States courts of appeals two appeals from orders previously entered by United States district courts in connection with applications by the Commission for enforcement of two of its orders approving plans for reorganization under section 11 (e).

One of these two pending appeals arose out of two orders of a United States district court in connection with a section 11 (e) plan of liquidation of Market Street Railway Company. The Commission approved the plan finding, among other things, that a settlement embodied in the plan between Market Street and its former parents was fair and equitable, and that the attorney for a stockholders committee, who was instrumental in affecting the settlement, should be denied a fee because he had lost his independence in representing his clients. In the enforcement proceedings on the plan the district court approved the action of the Commission in respect of the substantive provisions of the plan but found that the facts did not war-

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39 *In re American & Foreign Power Co.*, 102 F. Supp. 331 (D. Maine 1952).
40 Holding Company Act release No. 11145 (April 8, 1952).
41 Holding Company Act releases Nos. 10306 (December 21, 1950) and 11096 (March 26, 1952).
42 Holding Company Act releases Nos 11175 (April 21, 1952) and 11278 (May 23, 1952).
43 *American Power & Light Co.*, unreported (D. Maine, No. 731, July 17, 1952).
44 107 F. Supp. 350 (D. Del., 1952).

rant a denial in toto of the attorney's fee and remanded the matter to the Commission, *inter alia*, to determine the appropriate amount of such a fee. The Commission appealed from this order. In supplemental proceedings on the plan the district court ordered the substantive provisions enforced. The attorney, on his own behalf and on behalf of an individual stockholder, appealed from this later order. The court of appeals affirmed the action of the district court in ordering the substantive provisions of the plan enforced and reversed that court's findings that the attorney was entitled to some fee.[45] Rehearing was subsequently granted by the court of appeals on the fee question. Reargument has been had but, at the close of the fiscal year, no decision had been rendered.

The other appeal involved a plan for reorganization of Long Island Lighting Company. Appellants had asserted on appeal that the Commission in passing upon the plan of Long Island had not given adequate consideration to earnings which would accrue as a result of the reorganization and that therefore in determining the fairness of the allocation of new securities the Commission had erred. The Commission, following the court's decision sustaining appellant's view, petitioned for a modification of the decision and for approval of the plan on the basis of its supplemental opinion showing that full consideration had been given to such benefits. In a per curiam opinion the Commission was upheld and the court modified its earlier decision and affirmed the order of the district court.[46] Subsequently, however, during the fiscal year, the Common Stockholders' Committee for Long Island Lighting Company and others filed a petition with the court of appeals to reopen the case. They alleged, among other things, that conduct on the part of Long Island, its officers and counsel was "tantamount to fraud" upon the Commission, the district court and court of appeals in that such persons had misrepresented certain accounting figures with respect to depreciation reserves. The court of appeals denied the petition on the ground that no fraud or other basis for relief under rule 60 (b) of the Federal Rules of Civil Procedure had been shown.[47]

Petitions to Review Orders of the Commission Pursuant to Section 24 (a) of the Act

Five petitions to review orders of the Commission under section 24 (a) of the Act were filed in United States courts of appeals during the fiscal year. One was dismissed and the other four cases were still pending at the close of the year.

The petition which was dismissed arose out of a proposal by American Power & Light Company to sell its holdings of the common stock of Washington Water Power Company to four Public Utility Districts in the State of Washington. The Commission treated the notice of this proposal as a declaration pursuant to section 11 (e) and on January 18, 1952, ordered a hearing on the matter.[48] Upon petitions by the utility districts to review this order, the United States court of appeals held that, even though the sale was to be made to public bodies, the provisions of section 2 (c) of the Act did not prevent the Commission from exercising jurisdiction over the proposed sale. A

[45] *S. E. C.* v. *Cogan*, — F. 2d — (C. A. 9, 1951):
[46] *Common Stockholders Committee of Long Island Lighting Co.* v. *S. E. C.*, 183 F. 2d 45 (C. A. 2, 1950) citation contains both the original and per curiam opinion.
[47] Per curiam opinion, unreported, Case No. 215 (C. A. 2, 1952):
[48] *American Power & Light Co.*, Holding Company Act release No. 11009 (January 18, 1952).

stay order previously entered was vacated and the appeal was dismissed.[49]

Another petition challenged an order of the Commission approving a comprehensive plan for the simplification of the United Corporation system pursuant to section 11 (e).[50] Petitioners had objected to several provisions of the plan and offered numerous amendments all of which were rejected by the Commission. Application for an order enforcing certain provisions of the plan was deferred so as to enable petitioners to appeal directly to a United States court of appeals under section 24 (a) of the Act for a review of their objections to other aspects of the plan. The matter was pending at the close of the year.

In 1944 the Commission had approved a plan for disposition by Central Maine Power Company of the transportation properties of one of its subsidiaries.[51] The company did not request the Commission to apply to a United States district court for enforcement of the order. Petitioners, who were non-assenting stockholders of the transportation subsidiary, applied to the Commission for a rehearing, following an unsuccessful attempt to upset the plan in the Supreme Judicial Court of Maine.[52] The Commission denied rehearing and a petitition to review that order and the 1944 order was then filed. Petitioners contended that the allocations to nonassenting stockholders which were provided by the plan were not fair, and that cancellation of the 66-year lease of the transportation properties by the subsidiary to Central Maine was not necessary to comply with the requirements of section 11 (b). The case was pending in the court of appeals at the close of the fiscal year.

The remaining two petitions for review in which the Commission participated during the fiscal year were filed by Electric Bond and Share Company and by a fee claimant in the dissolution proceeding affecting Northern States Power Company (Delaware). Bond and Share sought review of an order of the Commission denying the company relief from its previous commitment to dispose of its holdings of 2,870,653 shares of the common stock of United Gas Corporation.[53] The case was pending in the United States court of appeals at the close of the fiscal year. Since then Bond and Share has been permitted to withdraw its petition for review.

In the Northern States case, a fee claimant filed a petition in a United States court of appeals on May 21, 1952, for review of an order of the Commission denying his application for compensation for services rendered as representative of preferred stockholders of Northern States in the proceedings relative to the dissolution of that company pursuant to section 11 (e) of the Act.[54] On June 2, 1952, the Commission filed a supplemental application in a United States district court for approval and enforcement of its order denying the petitioner's request for compensation. The court of appeals dismissed the petition for review pursuant to stipulation of the parties dated July 10, 1952.

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[49] *Public Utility District No.* 1 v. *S. E. C.*, 195 F. 2d 727 (C. A. 9, 1952).
[50] Holding Company Act releases Nos. 7191 (1947), 10614 (1951) and 10643 (June 26, 1951).
[51] Holding Company Act releases Nos. 5506 (December 19, 1944) and 10895 (November 28, 1951).
[52] *Auburn Savings Bank* v. *Portland Railroad Co.*, 65 Atl. 2d (1949).
[53] Holding Company Act release No. 11004 (February 6, 1952).
[54] Holding Company Act release No. 11145 (April 8, 1952).

Participation as Amicus Curiae

The Commission participated as *amicus curiae* in only one case under the Act during the year. A suit was filed in the United States District Court for the District of Massachusetts by one Frank Sullivan against John J. Burns to recover on a claim for serves alleged to have been rendered to Burns partly in connection with the latter's participation in the proceedings for the reorganization of Eastern Gas & Fuel Associates pursuant to section 11 (e) of the Act. Burns filed a motion for a stay on the ground that the Commission had primary jurisdiction over the fees in question. The Commission filed a memorandum as *amicus curiae,* in which no position was taken with respect to the question of whether the stay should be granted. The matter was pending in the district court at the close of the fiscal year.

Proceedings Under Section 11 (d)

During the fiscal year the Commission participated in three proceedings in a United States district court pertaining to three separate steps in the reorganization of the International Hydro-Electric System pursuant to section 11 (d) of the Act.

Shortly before the close of the preceding fiscal year the Commission had entered an order permitting a distribution to IHES debenture holders of certain funds representing interest at the rate of 6 percent per annum upon deferred partial installments of interest.[55] Opponents of the plan contested the allowance of interest on the deferred interest payments. The Commission found that the covenant in the indenture to pay interest on any defaulted installment of interest would be enforceable under Massachusetts law, and that Federal equitable principles did not preclude the payment of interest on interest by a solvent company in a Holding Company Act reorganization. The district court sustained the position of the Commission on all points.[56] No appeal was taken.

The two other proceedings involved petitions by the Trustee of IHES appointed by the United States district court upon request of the Commission pursuant to section 11 (d) of the Act. One involved an application by the Trustee for authorization to make quarterly payments to preferred stockholders, approved by the Commission[57] and by the district court.[58] The second arose out of an application by the Trustee for authorization to renew for one year the unpaid principal of a $9,500,000 bank loan which was approved by the Commission and by the district court.[59] No appeal was taken from either of these decisions.

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[55] Holding Company Act release No. 10642 (June 29, 1951).

[56] *In re International Hydro-Electric System*, 101 F. Supp. 222 (D. Mass., 1951).

[57] Holding Company Act release No 11014 (January 21, 1952).

[58] *In re International Hydro-Electric System*, unreported (D. Mass., No. 2430, April 8, 1952).

[59] *International Hydro-Electric System*, Holding Company Act release No. 11161 (April 8, 1952), approved, unreported (D. Mass., No. 2430, May 12, 1952).

PART IV

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

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

COMMISSION'S FUNCTIONS UNDER CHAPTER X

The role of the Commission under Chapter X is different from that under the statutes which it administers. It acts in a purely advisory capacity, and it has no authority either to veto or to require the adoption of a plan of reorganization or to render a decision on any other issue in the proceeding. Its technical staff and its recommendations are available to the judge and the security holders, affording them the views of experts in a highly complex area of corporate law and finance.

Generally, the Commission has sought to participate only in proceedings in which there is a public investor interest; $250,000 of publicly held securities is the rough guide used in deciding whether there is enough public interest to make it desirable for the Commission to participate. Sometimes the Commission has entered smaller cases, particularly when requested by the court, where public security holders are not adequately represented, where it appears that the proceedings are being conducted in violation of important provisions of the Act, or where the Commission may otherwise be useful.

Even where the public interest is too small to warrant active intervention by the Commission, the staff may follow a case and make suggestions or comments on an informal basis when requested or when it is deemed desirable. Because of its nation-wide activity and its experience in the field of reorganization, the Commission and its staff are often called upon by trustees or their counsel, other parties, referees, special masters, and judges for advice or comments on general reorganization problems and the interpretation and application of the provisions of Chapter X.

SUMMARY OF ACTIVITIES

The Commission participated during the fiscal year in 59 proceedings involving the reorganization of 83 companies with aggregate stated assets of $574,362,000 and aggregate stated indebtedness of $351,736,000. During the year the Commission, with court approval, filed notices of appearance in six new proceedings under Chapter X. These proceedings involved eight companies with aggregate stated assets of $8,834,000 and indebtedness of $5,625,000. Proceedings involving eight principal debtor corporations and two subsidiary debtors were closed during the year. At the close of the year, the Commission was participating in 51 reorganization proceedings involving 73 companies with aggregate stated assets of $558,258,000 and indebtedness of $331,297,000.[1]

Some of the more important matters and issues with which the Commission was concerned during the fiscal year in connection with its Chapter X functions are discussed below.

Activities Relating to the Trusteeship

Chapter X requires that in every case involving a corporation of substantial size an independent trustee be appointed primarily responsible for the operation of the corporation's business during the proceeding, to examine and evaluate the reasons for the debtor's financial difficulties, to appraise the ability and fidelity of its management, and to formulate and file a plan of reorganization. This requirement is one of the fundamental changes brought about by the Chandler Act. The success of the reorganization depends largely on the thoroughness, skill, and loyalty with which the independent trustee, who is the focal point of the proceedings, and his counsel perform their tasks.

The Commission customarily examines the qualifications of trustees in the light of the standards of disinterestedness prescribed by the statute for trustees and their counsel. Where it appears that the trustee or his counsel is not disinterested, the Commission calls the facts to the attention of the court and takes other appropriate steps looking toward the resignation or removal of these fiduciaries. In one case during the fiscal year, where it appeared to the Commission that attorneys for the parent company of the debtor had recommended the appointment of trustees and their counsel, the Commission considered that the standards of disinterestedness of the statute had not been followed. In the course of hearings in which the facts concerning their appointment were developed by Commission counsel, the trustees and their counsel resigned.

The statute permits the appointment of an "additional trustee," who may be a director, officer or employee of the debtor, for the limited purpose of participating with the disinterested trustee in the operation of the business and the management of the debtor's property. It has been the Commission's position that the provision was not intended to detract in any degree from the fundamental purpose of eliminating management control of reorganization proceedings, but rather was intended only for the exceptional case where the services and experience of such a person are essential to the business operations of the trusteeship.

[1] The reorganization proceedings in which the Commission participated during the fiscal year are classified by type of industry in Appendix Table 15, and a list of such debtors is set forth in Appendix Table 16.

The Commission has also taken the view that, while an additional trustee may be an officer, director, or employee of the debtor, he may not have any other material adverse interest or conflicting position. Thus, in one case during the fiscal year, where it appeared that the additional trustee was to be sued by the estate as one of those involved in certain corporate activities giving rise to a cause of action against the former management of the debtor, the position was taken that the additional trustee had a conflict of interest which required his resignation or removal. After discussions the additional trustee resigned voluntarily.[2]

Where multiple trustees have been appointed in a Chapter X proceeding, the Commission has on occasion recommended to the court that the number of trustees be reduced, in the interests of economy, because of the cessation of the normal operations of the debtor or because the affairs of the debtor did not appear to warrant a multiple trusteeship. In one case during the fiscal year, the court accepted the Commission's suggestion in this regard and reduced the number of trustees from three to one.[3]

The proceedings involving Texas Gas Utilities Company[4] are illustrative of the manner in which the Commission aids the court and trustee in carrying out the statutory objectives. In this case, as soon as the voluntary petition for reorganization was filed, the Commission began to study the record and the company's affairs. The petition for reorganization provided for the appointment of the president of the debtor as additional trustee with power to operate the business of the company and with other powers and duties which would have given him virtual control of the enterprise. It appeared that the additional trustee was disqualified to act because of his stock interests, and there was no showing of the necessity for the appointment. Through the interposition of objections, the Commission was able to prevent the retention of the additional trustee, thus placing the sole responsibility for the administration of the debtor's estate in the hands of the independent trustee.

At the inception of these reorganization proceedings, the attorneys for the debtor had provided for a quick reorganization without the customary direction for a prior investigation of the debtor's affairs by the independent trustee. A plan of reorganization had been agreed upon with a few holders of a large block of bonds which, in effect, merely contemplated a simple extension of the bond issue and a continuation of the old management. The plan was incorporated in the petition for reorganization and early approval of it was scheduled. Upon the recommendation of the Commission, the court directed the independent trustee to make a thorough investigation.

The Commission, in cooperation with the trustee, made a careful study of the debtor's affairs. As a result of this inquiry, the reason for the efforts to avoid a complete investigation became apparent. Numerous transactions indicating mismanagement, diversion of assets, and other abuses of fiduciary duties by the president of the debtor and others were brought to light. As a result of the Commission's activities, the president of the debtor voluntarily turned

[2] *In re Third Avenue Transit Corp.*, S. D. N. Y., No. 85851.
[3] *In re Nu-Enamel Corp.*, N. D. Ill., No. 528256.
[4] W. D. Texas, No. 2238.

over to the trustee cash in the amount of $22,850 which he admitted belonged to the debtor. The debtor was given the benefit of a favorable contract for the purchase of gas which the debtor's president had purportedly obtained for another corporation wholly owned by him. The debtor is paying less than half as much for gas under this contract as it had previously paid to the president's wholly owned company. This has resulted in substantial savings to the debtor.

At the suggestion of the Commission, hearings were held before a special master at which the president of the debtor and other witnesses were examined. Based on the facts disclosed by the Commission's investigation and developed at the hearing, the trustee filed a suit for damages and for an accounting against the president of the debtor and other individuals and corporations in the total amount of approximately $370,000.

Procedural Aspects of Reorganization

Chapter X contains procedural safeguards designed to protect the interest of public security holders and to assure the proper functioning of the reorganization process. Provisions such as those pertaining to appearances, notices, hearings, investigations, and reports are calculated to afford substantive safety to public investors in the achievement of a fair, equitable and feasible plan of reorganization. The Commission has been constantly alert to urge that these carefully conceived procedural provisions are observed. The importance of a thorough investigation of the debtor's affairs prior to the formulation of a plan by the trustee was demonstrated in the *Texas Gas Utilities* proceedings discussed above. During the fiscal year several other cases have shown the importance of the procedural aspects of the reorganization process to security holders.

In the *American Bantam Car Company* proceedings and the *Chicago Rapid Transit Company* proceedings the Commission ultimately was successful in obtaining adherence to Chapter X requirements designed to safeguard the interests of security holders. In the *American Bantam* case, a pending investigation instituted by the trustees had indicated the possibility of substantial causes of action against the parent company of the debtor. A plan of reorganization had been filed but no hearings had been held thereon. As a step in a program looking toward dismissal of the proceedings and in disregard of the proposed plan or other plans and the statutory safeguards which plan procedures would entail, the parent company submitted a proposal to compromise the causes of action against it by payments and loans which, with cash on hand, would be enough to discharge all other indebtedness. The district court referred the compromise proposal to a special master for formal hearing as to whether it should be approved, and deferred action on any plan procedures. The Commission objected to this procedure, contending that it erroneously gave priority consideration to the parent stockholder's program for dismissal of the proceedings without a thorough investigation of any causes of action against the parent company as envisaged by the statute, the kind of examination not feasible or possible in an adversary hearing limited by the issues raised by the compromise proposal.

On appeal from the order of reference,[5] the court of appeals reversed, holding that the inquiry needed before the merits of the compromise proposal could be determined could more appropriately be made during the course of section 21a examinations then pending before a referee. The court noted that the compromise hearing tended to bypass the reorganization process and its investor safeguards. The court also cited the failure to give adequate notice of the procedures to security holders, and the failure of the trustees to state their recommendations on the proposed compromise. As to the pending reorganization plan, which involved a sale to which the court below seemed to be opposed, the court stated "that a plan of reorganization which does not return a debtor to its original stockholders is not *per se* objectionable, and that a reorganization may permissibly take the form of liquidation. * * *" It reiterated a statement made in an earlier case that "it is not the purpose of a Chapter X proceeding to furnish immunity to wrongdoing, and * * * a reorganization which leaves former officers in possession of a debtor, which may have been subjected to improvident management or worse, could not be countenanced without investigation of all substantial allegations of mismanagement and fraud."

In the *Chicago Rapid Transit Company* case the trustee had disaffirmed a lease of certain lines belonging to Chicago Junction Railroad Company. Following this disaffirmance, the trustee of Chicago Rapid Transit Company continued to operate over the lines belonging to the former lessor for a period of several years. A claim was filed by the former lessor in the reorganization proceedings and protracted hearings were held in an accounting litigation between the debtor and the former lessor.

Before the conclusion of the accounting litigation, a group of bondholders owning approximately 40 percent of the bonds of the debtor negotiated a settlement with Chicago Junction Railroad Company. The proposed settlement called for the payment by the debtor to Chicago Junction of the sum of $1,125,000 to compromise all claims between the two companies. Admittedly, the proponents of the settlement had given no consideration to the merits of the litigation between the debtor and the former lessor. The trustee originally took no position with respect to the proposed settlement.

Over the objections of the Commission and certain bondholders, the special master recommended that the compromise be approved. Later, on the motion of the Commission, the district court directed the trustee to file a statement of his position. Subsequently, the trustee recommended approval of the compromise primarily because continuation of the litigation would be lengthy and expensive and the outcome so much in doubt that it was advisable to pay the amount agreed upon and bring an end to the litigation. The Commission argued that, where the rights of public security holders are involved, there can be no compromise unless the record contains sufficient evidence to serve as the basis for an informed judgment on the fairness of the compromise. The Commission pointed to one of the basic aims of Chapter X to prevent dominant security holders from using the reorganization machinery for their selfish interests without regard for minority security holders, and referred to the

[5] *In re American Bantam Car Co.*, 193 F. 2d 616 (C. A. 3, 1952).

provisions for participation by security holders in the proceedings and for notice to them of important steps, as well as for participation by an independent trustee and by the Commission in an advisory capacity. The Commission also pointed out that the trustee in this case had not negotiated or sponsored the compromise and had not given his views or taken a position regarding the merits of the matter. In answer to an argument that the compromise had been submitted to bondholders for their opinion the Commission pointed out that there had been no inquiry into the substantive merits of the controversy and hence the security holders could not have made an informed decision.

The district court, nevertheless, approved the compromise. On appeal the Court of Appeals for the Seventh Circuit[6] held that the record was far from complete, and that there had been no attempt to ascertain the basic legal contentions or amounts involved in the mutual claims on any theory of accounting. The court stated that the trustee, in recommending the compromise, should, of course, take into account the uncertainty and cost of litigation but that, if the court is to exercise an informed and independent judgement, the merits of the conflicting claims should be inquired into; the trustee should explain his lack of confidence in the analyses of his expert accountant; and there should be some statement and consideration of the legal or accounting basis for the vast discrepancy between the conflicting claims.

Remanding the case for further proceedings, the court of appeals indicated, however, that it would be appropriate for the parties and the district court to examine "the legal and accounting theories which give rise to the conflict in claims, without necessarily going into the actual evidence" and thus furnish the basis for consideration of the fairness of the proposed settlement or the basis for new negotiations for settlement in order to avoid lengthy and expensive hearings.

Accessibility and Use of Lists of Security Holders

Among the important protective provisions adopted in the interest of public security holders as part of the revision of bankruptcy reorganization legislation are those which facilitate free communication among the security holders who desire to organize in order to take action in their own interest and to exchange ideas. It was recognized, as had been demonstrated in the Commission's Protective Committee Study, that control over lists of security holders by management and by investment bankers gave them the advantage of information which enabled them to put through plans of reorganization in their own interest and to forestall any successful organization in opposition to their plan. To prevent the abuse resulting from this favored position, Chapter X requires that the trustee file lists of security holders with the court and make them available to bona fide creditors and stockholders. In addition, others who have lists in their possession may be required to make them available to the trustee. While the court was given the power to impound such lists, the Commission has urged, in various cases, that the fundamental objective of the statute is to furnish facilities for unfettered communication among security holders and that the impounding powers of the court

[6] *In re Chicago Rapid Transit Co.*, 196 F. 2d 484 (1952).

should be used only in the exceptional case and with appropriate conditions to permit adequate use of the lists. It is clear, however, that it was not intended that the lists be supplied for the purpose of aiding the solicitation of purchases or sales of securities. In a recent case,[7] where it appeared that there had been trading in the securities of the debtor through the use of lists of the debtor's security holders, the Commission conducted an investigation pursuant to order of the court. The Commission made a complete survey of the facts, examining various data and taking the testimony of a number of witnesses. Upon the basis of this investigation a report was prepared for the court which not only contained conclusions and recommendations with respect to the particular proceeding but also general recommendations for the adoption of court rules controlling the accessibility of lists of security holders.

The investigation resulted from an inquiry into the source of certain communications received by stockholders soliciting them to sell their stock. It was found that various security dealers had been in possession of lists of security holders during the pendency of the Chapter X proceeding although such lists were supposedly available only to the trustee. The market price of the preferred stock rose phenomenally and suspicion of insider trading was voiced in some quarters. At the inception of the case, the price was about $7 per share. The price rose steadily throughout the proceeding in which stockholders ultimately received $215.90 per share, equal to par and accrued dividends. The estate received sufficient funds through condemnation of its properties to pay its debt obligations and preferred stock in full.

The investigation authorized by the court was undertaken to discover whether the purposes of the statute were abused by those who were in possession of the lists, whether any lists were obtained improperly and whether any violations of law were committed through the use of the lists. The Commission's investigation showed that certain dealers and their customers, believing that the debtor's properties would be condemned at a favorable price, sought to purchase the preferred stock. The stock was not listed on any exchange and the holders could only be reached through a list of security holders. The only lists existing were those which were filed with the clerk of the court, but which were not properly available to persons seeking to use the list for trading in securities.

The investigation ascertained that there were several persons in the business of acquiring and selling lists of security holders of various corporations. It appeared from the investigation that those persons were the source of some of the lists which came into the possession of some of the security dealers. At the same time it was found that certain lists of security holders were missing from court files. It was also ascertained that one of the persons trafficking in lists had previously requisitioned the court files from the clerk of the court.

It was also ascertained that another list of security holders, which was in the possession of counsel for the trustee, had been released by an employee without the knowledge or consent of the trustee or the partners of the law firm acting as counsel for the trustee. As a result of the Commission's investigation, all the profits amounting to approximately $15,000 made by the persons who had

[7] *In re South Bay Consolidated Water Co.*, S. D. N. Y., No. 86269.

sold this list were turned back to the estate subject to the court's disposition.

The Commission's general conclusion was that a reexamination of the general problem was necessary in order to minimize the possibility that the practices uncovered in the investigation would be repeated in other cases. Stressing the importance of having lists of security holders available for the use of bona fide creditors and stockholders in freely communicating among themselves, unrestricted by impounding and censorship, the Commission believed it desirable that official rules be adopted governing the accessibility of lists in Chapter X proceedings. The Commission therefore made the following suggestions for the consideration of the Federal courts:

(1) Persons who have custody of lists should be barred from using or permitting the use of them for purposes not germane to the reorganization;

(2) The clerks of the courts should segregate lists from other filed papers;

(3) Persons requesting access to lists filed with the clerks should supply pertinent information and undertake that the lists will not be sold or used by them in trading in securities or for other purposes not germane to the reorganization;

(4) Access to lists should be restricted to proper persons such as the trustee, creditors and stockholders, and their counsel, and those authorized specifically by order of the court;

(5) Such proper persons should be permitted to obtain lists, or access to lists, from trustees or their counsel provided the same kind of undertaking mentioned in item (3) above is provided.

In view of the broad significance of the Commission's report and its conclusions and recommendation, the report was distributed to the Chief Justice of the United States, the Chief Judges of the United States Courts of Appeals and of the District Courts and other interested parties, with a letter from the Chairman indicating the Commission's belief that it would be desirable to consider the promulgation of judicial rules controlling the accessibility of the lists and stating that the Commission, in accordance with its advisory role under Chapter X, was prepared to discuss the matter with interested groups and to render such other assistance as its facilities permit.

Problems in the Administration of the Estate

A fundamental aim of Chapter X is to make available to the court, the parties and the security holders full and accurate information regarding the debtor's affairs.

Thus, the independent trustee customarily transmits to security holders, pursuant to section 167 (5), a report on the history and financial condition of the debtor, the operation of its business, and the desirability of its continuance. Such reports enable security holders to make suggestions for a plan of reorganization, aid the court in considering problems in the administration of the estate as well as the fairness and feasibility of a plan of reorganization, and give security holders the necessary information to determine the desirability of accepting a proposed plan. The Commission has continued its policy of consultation through its staff with trustees in connection with their investigations and the preparation of their reports. On the basis of its own investigations and its wide experience the Commission has been able to supply data and suggestions useful to the trustee.

In the Chapter X proceedings involving the *Third Avenue Transit Corporation*,[8] the Commission was instrumental in securing the filing by the trustees of the report required by section 167 (5) of the Act. In this instance more than a year had elapsed without the filing of the report and, after informal steps failed to induce action on the part of the trustees, the Commission filed a petition to compel the filing of the section 167 (5) report. The court fixed an early date for the filing of the report which expedited the dissemination of information concerning the administration of the estate to stockholders, creditors and other interested parties, and cleared the way for the commencement of plan procedure.

Another important problem in that case involved the validity of the district court's action in directing that the indenture trustee turn over cash in its possession for use by the debtor as working capital, over the objections of holders of first mortgage bonds and of the Commission. This order was issued upon a petition filed by the reorganization trustees requesting the court to order the indenture trustee to turn over, out of trust funds in its hands, $500,000 in cash as a loan to be used as additional working capital in connection with the debtor's operations. On appeal by certain holders of first mortgage bonds, the Commission joined in urging reversal. The Commission did not take any position on the question of the Chapter X court's power to dispose of cash in the hands of the indenture trustee in view of its contention that the record did not demonstrate sufficient grounds for the exercise of such power. The Commission argued that there was no showing that the funds would probably be returned to the bondholders, that other sources of supply had been exhausted, that notice to all bondholders had been given, that the loan was in the best interests of bondholders as well as junior security holders, and that reorganization was feasible. The Court of Appeals for the Second Circuit reversed the order of the district court and in substance upheld the position urged by the Commission.[9] The court decided that a reorganization court, under proper circumstances, would have the power to direct that cash in the hands of an indenture trustee be turned over for use by the debtor as working capital, but held that "that power should never be exercised absent findings, based upon the clearest evidence, not only that it is imperative to obtain the funds and that they cannot be obtained, on reasonable terms, first by bank loans or second by the disposal of certificates under section 116 (2), through ordinary market channels to voluntary lenders, but also that there is a high degree of likelihood (a) that the debtor can be reorganized in accordance with the Act, within a reasonable time, and (b) that the secured creditors whose security is being compulsorily loaned will not be injured." The Court further held that the reorganization trustees had the burden of proving these matters, which burden they had failed to sustain in the district court.

The collection of assets belonging to the debtor is a prime function of the trustee in administering the estate under the bankruptcy

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[8] S. D. N. Y., No. 85851.

[9] *In re Third Avenue Transit Corp.*, 198 F. 2d 703 (C. A. 2, 1952).

statute. Under Chapter X, the mandatory requirement for the appointment of an independent trustee has, as one of its objectives, the discovery and prosecution of causes of action involving corporate misconduct or mismanagement which might not otherwise be brought to light. Apart from assisting the trustee in his investigation, the Commission does not ordinarily participate in plenary litigation brought by the trustee to recover assets for the estate. However, where problems arise in such cases, of a broad legal nature having a widespread effect upon the administration of estates in bankruptcy reorganization, the Commission may, by leave of the court, submit its views as *amicus curiae*. Thus, the Commission has filed briefs in various cases on jurisdictional questions and on questions pertaining to statutes of limitation. During the past fiscal year, an important question involving the application of statutes of limitation to suits by a trustee was presented to the Federal courts in litigation arising out of the proceedings involving *Central States Electric Corporation*. In this case where the trustees sought recovery of substantial sums based upon allegations of corporate misconduct and the diversion of corporate funds, the defendants contended that the state statute of limitations, which under state law continued to run despite concealment of the facts and domination of the corporation by the defendants, was a complete bar to the suit. The Commission supported the trustees' view that the Federal doctrine, under which the period of limitations does not start to run until discovery of the fraud or misconduct, was applicable to suits by Chapter X trustees. The Commission as *amicus curiae* filed a brief in the district court pointing out that the court exercises a jurisdiction derived from the bankruptcy statute and, accordingly, those considerations were inapplicable which require Federal courts in diversity cases to follow state statutes of limitation as held in *Erie R. Co.* v. *Tompkins*, 304 U. S. 64 (1938), and *Guaranty Trust Co., York*, 326 U. S. 99 (1945). It was the Commission's view that Congress had invested Chapter X actions with a paramount Federal interest, distinguishing them from suits based upon diversity alone; and that, consequently, in applying a statute of limitations, the Federal court will also apply the equitable principle, founded upon simple justice, that where there has been concealment or domination, the period of limitations is measured from the date of discovery or when the domination ceased. This mitigating doctrine is read into every Federal statute to prevent fraud and therefore should be considered part of Chapter X.

The district court held that the claims were not barred by the New York statute of limitations because, under Federal rule, the period did not commence to run until the domination of the debtor by the defendants ceased. On appeal, the Court of Appeals for the Second Circuit reversed, one Judge dissenting.[10] The court held that section 11e of the Bankruptcy Act, which gives the trustee a two-year period within which to bring suit, expressly precludes him from bringing suit upon any claim against which the period of limitation fixed by state law has expired at the time of the filing of the petition. The court held that this was a clear mandate to apply the same statute of limitations as a state court would and that, hence, the Federal discovery doctrine was inapplicable. The court mentioned the possibility of

[10] *Austrian* v. *Williams*, 198 F. 2d 697 (C. A. 2, 1952). Certiorari was denied by the Supreme Court on December 22, 1952.

alleged wrongdoers concealing their tortious conduct beyond the period of limitations to escape liability but suggested that "it may well be that Congress felt the likelihood of abuse too small to make any distinction in respect to the very few states which are in accord with the New York rule. * * * We think that the desirability of the repose policy of the state limitations periods was intended to be recognized by Congress and given effect in the manner in which the various states saw fit to make this policy effective."

Responsibilities of Fiduciaries

One of the Commission's principal activities in Chapter X proceedings has continued to be its endeavor to assure adherence to the high standards of conduct required of fiduciaries. The Commission has concerned itself with the qualifications of trustees and others in order that those undertaking to serve the creditors and stockholders be free from any conflicts of interest.

As reported in the Seventeenth Annual Report, the Supreme Court, in the case of *Mosser* v. *Darrow*, 341 U. S. 267 (1951), held that the trustee should be surcharged for certain profits made by the trustee's employees. Subsequently, the present trustees collected the amount of the surcharge. A related question still pending is whether or not claims of the two employees whose conduct resulted in the surcharge of the trustee can be allowed in the reorganization proceedings. Such claims are based on securities held by the employees which would ordinarily be entitled to participation in the reorganization. Objections have been filed by the Commission and others to the allowance of such claims on the ground, among others, that the securities were acquired in violation of the fiduciary duty of the employees. Lengthy hearings have been held before a special master to whom the matter has been referred, and his report is in preparation.

Where a fiduciary has traded in the securities of a debtor in reorganization, section 249 of Chapter X prohibits the allowance to him of any fees or reimbursement of expenses. In addition, in such situations, section 212 empowers the Chapter X courts to prevent fiduciaries from profiting by such trading through the limitation of their claims to cost or through an accounting for any profits. The application of the sanction of limitation to cost has been advocated by the Commission in several cases in which the fiduciary purchased claims against the corporation at a discount prior to the institution of the Chapter X proceedings but during a period when the corporation was insolvent. The Commission has adhered to the view that the fundamental basis of the rule, the clash of adverse interests created by the trading in claims against the debtor, is applicable if the corporation is insolvent and in need of rehabilitation with respect to its liabilities even if it is not yet actually undergoing judicial reorganization. Accordingly, the Commission has urged the application of section 212 of Chapter X which provides that the judge may limit claims acquired by fiduciaries "in contemplation or in the course of the proceeding" in appropriate cases.

In an effort to avoid the possible hardships involved when a fiduciary is compelled to forego securities profits or compensation for services rendered by reason of a breach of fiduciary duty unknowingly committed, the Commission through its staff has adopted the practice when feasible of discussing the equitable principles involved in reorganizations at the outset of the proceeding with the parties or their counsel. Since trading in securities is the most frequent cause of difficulty, this subject receives special attention. Persons affiliated with securities firms are especially advised of the need to comply with standards which do not permit fiduciaries to deal in reorganization securities or render investment advice because of the conflict with their obligations to the investors they undertake to represent.

Activities with Respect to Allowances of Fees and Expenses

The Commission in its advisory capacity makes specific recommendations to the courts respecting allowances for fees and expenses. Ordinarily the Commission is the only party in the proceeding in a position to present impartial views to the judge on this subject. Even the independent trustee has an interest in the outcome of the fee hearing. The Commission itself receives no fees or expenses from estates in reorganization and is primarily concerned with the fairness of the result to the parties and the public investors. Recommendations are made with the object of protecting the estate from exorbitant and inequitable charges and, on the other hand, with the belief that adequate compensation to applicants is not only just and proper but necessary to encourage legitimate and responsible creditor and stockholder participation in the reorganization process.

The Commission customarily attempts to obtain a limitation of the aggregate fees to an amount which the estate can feasibly or should fairly pay. In each case, the applications are carefully studied and recommendations are made in the light of applicable legal standards and, in general, on the basis of benefits conferred in the administration of the estate and the adoption of a plan of reorganization. Specific recommendations are made to the courts in cases in which the Commission has been a party and in which it is familiar with the services of the various parties and the significant developments in the case.

Illustrating the Commission's contribution in this field of fixing allowances, which has been termed "the most thankless and delicate task in all of the problems of judicial reorganization" and "one of the most disagreeable and perplexing tasks which falls to the lot of a district judge,"[11] the Chapter X proceeding involving *Pittsburgh Railways Company* may be cited.[12] In that case, 44 applicants filed requests for allowances aggregating $2,369,897, not including certain amounts paid to a former trustee and his counsel or the fees and expenses of the parent company, Philadelphia Company. The Commission presented to the court through its counsel a complete and detailed analysis of the proceedings, the services rendered by each applicant, their accomplishments or their lack of contribution, if such were the case, and specific recommendations as to the amounts considered by the Commission to be reasonable and appropriate. No fee was recommended in several instances where a conflict of interest was involved or where trading in securities required the application of the provisions of section 249 prohibiting compensation in such instances. In one case, where applicants had been associated as counsel for a group of security holders and had agreed upon a division of any allowance made to them, apparently subject to the court's approval, the Commission made separate recommendations because

[11] See *Finn* v. *Childs Co.*, 181 F. 2d 431 (C. A. 2, 1950).
[12] W. D. Pa., No. 20225.

it did not believe the division agreed upon was reasonable.[13] The aggregate amount recommended by the Commission was $795,465. After argument and submission of briefs, the district court rendered its decision granting allowances which totaled $815,965. Since interim fees paid to certain of the applicants amounted to $346,000, the estate was required to pay approximately $470,000, enabling it to turn over to the reorganized company about $350,000. This money will go principally to public security holders through retirement of bonds under the company's sinking fund. The court's order granting allowances expressed "keen appreciation of the incalculable services" rendered in the proceeding by the Commission.

In the proceedings involving *Central States Electric Corporation*, requests for fees and expenses by 50 applicants exceeded $3,500,000. The Commission filed a comprehensive memorandum discussing the entire course of the proceeding and its ramifications and the services and contribution of each applicant, and recommending an aggregate amount of $1,130,450. In making this recommendation, the Commission took into consideration among other things the length and complexity of the litigation, the size of the estate, its ability to pay, and the success of the reorganization. In several instances, the Commission recommended no allowance because of special circumstances. In three cases these recommendations were documented in detailed appendices to the memorandum. In one situation the Commission urged that a group of applicants were subject to a conflict of interest because the sponsors of their committees were interested in junior preferred stock and common stock as well as in underwritings. It was also pointed out that there had been a failure to disclose the true sponsorship of the committees as required by the statute. In another instance, the Commission took the position that purchases or sales of the stock of subsidiaries of the debtor by counsel for a committee, and purchases or sales of such stock or stock of the debtor by the wife of a committee member, or committee counsel, resulted in the prohibition of any allowance under section 249 or under equitable principles applicable to fiduciaries. In another situation, the Commission recommended no further allowance for the former trustees of the debtor and their counsel, primarily because of the inadequate investigation which had been conducted by them and the consequent expense and delay. After the filing of the memorandum, answering briefs were filed and lengthy arguments heard by the district court. The matter has been taken under advisement.

In our last annual report, interim fees were discussed and several cases arising during that fiscal period were considered. It was pointed out that, generally, interim allowances to parties other than trustees and their counsel should not be granted except under extraordinary circumstances. It was then indicated that a pending case where unusual circumstances might warrant interim allowances to counsel for a committee was the *American Fuel & Power Company* case.[14] Since our last annual report, however, the district court has denied that application.

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[13] The district court agreed in principle with the Commission's views although it modified the recommended amounts to some extent. Leave to appeal was denied by the Court of Appeals for the Third Circuit.

[14] E. D. Ky., No. 115.

Applicability and Scope of Chapter X Proceedings

The Commission generally strives for a liberal interpretation of Chapter X in order to make its benefits and safeguards fully available to security holders in accordance with the Congressional intent. The Commission's policy has therefore continued to be to prevent resort to proceedings under Chapter XI where the case properly belongs under Chapter X with its public investor safeguards. Proceedings commenced under Chapter XI are examined with this policy in mind. Similarly the Commission has advocated full exercise of the jurisdiction of Chapter X courts to insure that problems affecting the reorganization are handled expeditiously and in the best interests of the public.

Plans of Reorganization

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

The fundamental legal principles involving the fairness of reorganization plans have been firmly established by the Supreme Court in what is generally known as the absolute priority rule. Under this rule, full recognition must be accorded to claims in the order of their legal and contractual priority either in cash or in the equitable equivalent of new securities, and junior claimants may participate only to the extent that the debtor's properties have value after the satisfaction of prior claims or to the extent that they make a fresh contribution necessary to the reorganization of the debtor. Concomitant with this rule, it is clear that a sound valuation of the debtor is essential to provide a basis for judging the fairness as well as the feasibility of proposed plans of reorganization. The Commission has continued to urge that the proper method of valuation for reorganization purposes is primarily an appropriate capitalization of reasonably prospective earnings.

In connection with the fairness of plans and the treatment of claims against the estate, the Commission has given careful consideration to situations where, because of mismanagement or other misconduct on the part of a parent company or a controlling or affiliated person, the claims of the parent or affiliate should be subordinated to the claims of the public investors or limited to cost. All the facts and circumstances in these instances are investigated since they form an integral part of the concept of the "fair and equitable" plan.

Another prerequisite to the court's approval of a plan of reorganization is its feasibility. In order to assure a reorganization which will not result in the debtor's return to Chapter X because of financial difficulties, the Commission gives a great deal of attention to the various factors affecting feasibility. Generally speaking, these factors involve the adequacy of working capital, the relationship of funded debt and the capital structure as a whole to property values, the type and characteristics of the securities to be issued, the adequacy of corporate earning power to meet interest and dividend requirements, the possible need for capital expenditures, and the effect of the new capitalization upon the company's prospective credit. The Commission's views on feasibility, as related to various types of enterprise, have been announced in some detail in its advisory reports. The Commission's views on the subject of feasibility were expressed in various cases along the same lines set forth in its published reports.

Consummation of Plan

The Commission gives detailed scrutiny to the corporate charters, bylaws, trust indentures, and other instruments which are to govern the internal structure of the reorganized debtor. In general the Commission strives to assure to investors the inclusion of protective features and safeguards which its experience has shown to be desirable.

Another matter with which the Commission has been concerned in connection with the consummation of plans of reorganization, is the problem of unexchanged securities. The Commission has been anxious to assure that all security holders obtain the new securities or cash distributable to them under the plan of reorganization and has sought to accomplish this through various means. Chapter X provides that a period of not less than five years following the final decree may be fixed by the judge within which security holders may make the exchange called for by the plan, after which they are barred from any participation. After some experience with the operation of this provision the Commission concluded that in the larger cases, depending upon the facts, five years may be too short a period and that a period of ten years would be more appropriate. The Commission has thus urged a longer period of time to locate missing security holders in the more substantial reorganizations.

Merely prolonging the period within which exchanges may be made is not the sole answer to the problem. The varied reasons for the failure of security holders to make timely tender of their old securities for cash or new securities indicated this. As a result the Commission has urged the intensification of efforts to locate security holders in order to reach as many investors as possible and avoid the needless loss of investments by them. It has requested the courts to make provision in the final decree for diligent efforts by trustees to locate missing security holders. Among such efforts, the Commission has suggested that the usual methods of communication with security holders be supplemented by the mailing of registered letters with return receipts requested, the publication of notices in leading newspapers, and the employment of professional tracers experienced in locating missing security holders. The Commission has also recommended that, before the bar date is permitted to become effective, reports should be filed of efforts made to locate such security holders, and if adequate efforts have not been made, the time be extended.

The Commission has also published a pamphlet containing a list of securities required to be exchanged for cash or new securities pursuant to the Public Utility Holding Company Act of 1935 and Chapter X of the Bankruptcy Act. This pamphlet contains over 300 securities of about 190 companies which should have been exchanged as a result of corporate reorganization under Chapter X in which the Commission has participated and under section 11 of the Holding Company Act. While the list does not include cases in which the Commission has not participated and, therefore, does not contain the names of every company the redemption or exchange of whose securities may be required, it undoubtedly covers the important cases with widespread public interest. The Commission's publication lists the name of the corporation subject to reorganization, the name of the security, the bar date, if any has been fixed, and the name and address of the exchange agent. It is contemplated that the list will be supplemented from time to time as required. The Commission has distributed copies of the reports to banks, trust companies, brokers, dealers and investment advisers, who have been urged to advise their customers and clients who might own any of the securities listed to take immediate action to guard against their securities becoming worthless.

Publication of the list was accompanied by an announcement alerting investors to "the danger that their inaction may deprive them of substantial sums of money to which they are entitled," and referring to the successful efforts of the Commission, the reorganization court and the reorganized company in the recent *Associated Gas and Electric* case in bringing about exchanges for an additional $4,500,000 of the new securities.

PART V

ADMINISTRATION OF THE TRUST INDENTURE ACT OF 1939

NATURE OF TRUST INDENTURE REGULATION

The Trust Indenture Act of 1939 requires that bonds, notes, debentures, and similar securities publicly offered for sale, sold, or delivered after sale through the mails or in interstate commerce, except as specifically exempted by the Act, be issued under an indenture which meets the requirements of the Act and has been duly qualified with the Commission.

The Act was designed to correct certain defects which, prior to its enactment, often existed in trust indentures and to provide means by which security holders under such indentures may protect their interests. It provides standards of eligibility for trustees with a view to assuring the choice of trustees who are disinterested and responsive to the needs of the security holders; establishes a procedure by which investors may obtain, prior to purchase of the indenture security, an analysis of the effect of the more important indenture provisions; and provides a further means whereby security holders will be furnished with material information through the life of securities issued under an indenture.

INTEGRATION WITH SECURITIES ACT OF 1933

Provisions of the Trust Indenture Act were drafted so as to integrate this regulation closely with the requirements of the Securities Act. Registration pursuant to the Securities Act of securities to be issued under a trust indenture and not exempt from the Trust Indenture Act, is not permitted to become effective unless the indenture conforms to the requirements of the latter Act. The Trust Indenture Act, with certain exceptions, prohibits the public offering of notes, bonds, debentures, and similar debt securities by use of the mails or instrumentalities of interstate commerce, where such securities are required to be registered under the Securities Act, or, in certain other instances, where they are not subject to such registration requirements, unless they are to be issued under an indenture which conforms to specific statutory standards. An indenture, to be qualified under the Act, must incorporate certain specific provisions, including those governing the eligibility and qualification of the trustee, and must provide for periodic reports by both the obligor and the trustee to the security holders with respect to compliance by the obligor with conditions and covenants contained in the indenture and the trustee's continued eligibility. The Commission is required to issue an order refusing to permit qualification of an indenture if it does not conform to the statutory requirements or if the trustee has any conflicting interest as defined in the statute.

Where the indenture securities are to be registered under the Securities Act, the necessary information as to the trustee and the indenture must be contained in the registration statement. In the case of the two classes of securities which, although exempted from the registration requirements of the Securities Act, are not exempted from the requirements of the Trust Indenture Act, namely, securities issued in exchange for other securities of the same issuer and securities issued under a plan approved by a court or other proper authority, 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. The application becomes effective upon termination of the period prescribed for registration statements under the Securities Act and is likewise subject to refusal-order or stop-order proceedings.

In addition, the Trust Indenture Act, like the Securities Act, makes it unlawful for any person in issuing or selling any security to represent or imply that any action or failure to act by the Commission in the administration of this Act means that the Commission has in any way passed upon the merits of, or given approval to, any trustee, indenture or security, or any transaction or transactions therein, or that any such action or failure to act with regard to any statement or report filed with or examined by the Commission pursuant to the Act or any rule, regulation, or order thereunder, has the effect of a finding by the Commission that such statement or report is true and accurate on its face or that it is not false or misleading.

STATISTICS OF INDENTURES QUALIFIED

A phenomenal increase occurred in the face amount of debt securities filed for qualification under the Trust Indenture Act during the 1952 fiscal year, when the total substantially exceeded three billion dollars. This growth measures 63% over the corresponding total for fiscal year 1951 and 90% over that for fiscal year 1950, as shown below.

Fiscal year	*Amount*
1950	$1,741,775,670
1951	2,025,131,091
1952	3,308,773,865

The volume of the Commission's work of examination and qualification of indentures during the 1952 fiscal year is indicated in the following table showing the number and disposition of indentures filed.

Number of indentures filed under the Trust Indenture Act

Description	Number	Aggregate amount
Indentures pending June 30, 1951	6	$39,000,000
Indentures filed during 1952 fiscal year	163	3,308,773,865
Total	169	3,347,773,865
Disposition during 1952 fiscal year:		
Indentures qualified	154	3,062,566,965
Indentures deleted by amendment or withdrawn	6	33,706,900
Indentures pending June 30, 1952	9	251,500,000
Total	169	3,347,773,865

The number of filings for fiscal year 1952 of additional material relating to trust indentures, which was examined for compliance with the appropriate standards and requirements, represents a substantial increase over the number of filings in the preceding fiscal year.

	Fiscal year 1951	Fiscal year 1952
Statements of eligibility and qualification under the Trust Indenture Act	128	187
Amendments to trustee statements of eligibility and qualification	5	10
Supplements S–T, covering special items of information concerning indenture securities registered under the Securities Act of 1933	98	144
Applications for findings by the Commission relating to exemptions from special provisions of the Trust Indenture Act	6	16
Reports of indenture trustees pursuant to section 313 of the Trust Indenture Act	659	728

CHANGE IN RULES

The Commission during the fiscal year amended certain of its rules adopted under the Trust Indenture Act—the same as corresponding rules under the Securities Act—to provide that in the future all applications, statements and reports filed under the Act will be processed at the principal office in Washington, since the Commission, because of budgetary limitations, no longer has available the personnel or examination facilities necessary for processing such material in any regional office.

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PART VI

ADMINISTRATION OF THE INVESTMENT COMPANY ACT OF 1940

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

REGISTRATION UNDER THE ACT

During the 1952 fiscal year, 13 new investment companies registered under the Investment Company Act, of which 12 were open-end management companies (companies which redeem their shares on presentation by the stockholders) and one was a closed-end management company (in which the shareholder can realize on his security only by selling it in the open market). During the nearest comparable period for which data are available, the 12 months ended March 31, 1952, about 211 registered open-end management and closed-end management investment companies reported to the Commission sales to the public of approximately $718,000,000 of their securities and redemptions and retirements of approximately $293,000,000 leaving a net investment by the public in such companies of approximately $425,000,000—compared with a corresponding net investment for the preceding 12-month period of $258,000,000.

As of June 30, 1952, 367 investment companies were registered under the Act, and it is estimated that on that date the aggregate value of their assets was approximately $6,800,000,000. This represents an increase of approximately $1,200,000,000 in such valuation over the corresponding total at the beginning of the fiscal year.

The investment companies registered at June 30, 1952, are classified as follows:

Management open-end	163
Management closed-end	101
Unit	88
Face amount	15
Total	367

TYPES AND POLICIES OF INVESTMENT COMPANIES REGISTERED DURING FISCAL YEAR

As previously indicated, twelve of the new investment companies registered under the Act during the 1952 fiscal year were open-end investment companies, commonly called "mutual funds." Of these, three were formed by investment advisory or brokerage firms which charged sales commissions substantially lower than those commonly charged by the typical open-end investment company. One other company was formed to take advantage of investor interest in atomic energy by specializing in the investment in securities of companies which may profit by their research or experimentation in atomic energy. Three of these so-called "mutual funds" were formed to take advantage of expanding American investment interest in the industrial development and natural resources of the Dominion of Canada. Thus, they intend to specialize entirely in securities of companies organized or doing business solely in Canada and place particular emphasis on companies or enterprises exploiting natural resources in that country. In connection with these latter companies the Commission felt it important to point out to prospective American investors that certain tax benefits, which would accrue from direct purchase by such investors of Canadian securities, would be lost if the investments were made through the medium of an American open-end investment company. For example, the prospectus intended to be used by one of these companies in the sale of its securities pursuant to the Securities Act was required to include a notice to prospective American investors that the Canadian withholding tax at the rate of 15 percent upon that part of the fund's income derived from Canadian issues in its portfolio—which under American law would be available to an individual investor directly in Canadian issues as a credit against his American income tax—is not expected to have any beneficial offsetting effect for the fund; cannot be passed along by the fund to its stockholders; and will in effect constitute an additional expense borne by the fund's stockholders.

The single closed-end company organized and registered with the Commission during the fiscal year was formed for the sole purpose of operating as a vehicle by which employees of a pipe fabricating company could acquire a large block of shares of the latter company on an installment plan basis.

SELLING LITERATURE

The Act requires literature (other than the statutory prospectus) used by issuers or underwriters in selling open-end investment company shares to be filed with the Commission within 10 days after such literature is first employed as selling material. During the fiscal year the Commission continued to study such selling literature in order to solve the problem of misleading statements made therein to attract investors. The Statement of Policy of the Commission, promulgated in 1950, with respect to the disclosure standards to be required of literature used in conjunction with the Securities Act prospectus, was implemented during the fiscal year by systematic examination of such literature not only by the staff of the Commission but also by the staff of the National Association of Securities Dealers, Inc. In addition, the Commission's staff has held several conferences with representatives of the National Association of Securities Dealers and the National Association of Investment Companies with respect to the legal status under the Securities Act of the so-called "institutional" literature of open-end investment companies, that is, advertisements, circulars and other written material which describe open-end investment companies generally without naming any particular company. In many cases this literature, although not in terms offering any particular security for sale, in fact is intended to promote the sale of securities of a particular company or companies. It is believed that as a result of these discussions, which are continuing, a satisfactory solution of this problem will be reached shortly.

STATISTICAL DATA

The number of documents filed under the Act by registered investment companies during fiscal years 1951 and 1952, together with other related statistics, are tabulated below:

	Fiscal year	
	1951	1952
Number of registered investment companies:		
Beginning of year	366	368
Registered during year	12	13
Terminations of registration during year	10	14
Number of companies registered at end of year	368	367
Notifications of registration	12	13
Registration statements	10	15
Amendments to registration statements	22	29
Annual reports	251	245
Amendments to annual reports	35	17
Quarterly reports	869	871
Periodic reports, containing financial statements to stockholders	673	625
Reports of repurchase of securities by closed-end management companies	71	110
Copies of sales literature	2,596	2,106
Applications for exemption from various provisions of the Act	62	59
Applications for determination that registered investment company has ceased to be an investment company	16	13
Total applications:		
Beginning of year	34	41
Filed during year	78	72
Disposed of during year	71	72
Pending at end of year	41	41

APPLICATIONS FILED

One of the functions of the Commission in its regulation of investment companies is to determine whether applications for exemption filed under various provisions of the Act meet the statutory standards. Indeed, under section 6 of the Act, the Commission is empowered, either upon its own motion or by order upon application, to exempt any person, security or transaction from any provision of the Act if and to the extent 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.

During the fiscal year a total of 72 applications were filed under the various provisions of the Act, 59 of these for orders of the Commission relating to exemption from requirements of the Act, and the remaining 13 for a determination that the applicant has ceased to be an investment company within the meaning of the Act. At the beginning of the fiscal year 41 applications were pending. These pending applications, together with the 72 filed during the year, totaled 113 applications which required appropriate examination and consideration of the Commission during the year. As a result of the Commission's action 72 of these applications were disposed of during the year and 41 were pending on June 30, 1952. The various sections of the Act under which these applications were filed, and the disposition of the applications during the fiscal year, are shown in the following table (since an application may involve more than one section of the Act, the numbers are not totaled):

Nature and disposition of various applications filed under the Investment Company Act of 1940 during fiscal year ended June 30, 1952

Section of the Act under which application was filed	Number pending at June 30, 1951	Filed during year	Disposed of during year	Number pending at June 30, 1952
2 (a) (9) Determination of question of control	1	0	1 withdrawn	0
3 (b) (2) Determination that applicant is not an investment company.	1	2	1 granted	2
6 (b) Employees' security company exemption.	1	0	0	1
6 (c) Various exemptions not specifically provided for by other sections of the Act.	9	19	5 withdrawn, 17 granted	6
7 (d) Allow foreign company to register	1	1	0	2
8 (f) Determination that a registered investment company has ceased to be an investment company.	8	13	14 granted	7
9 (b) Exemption of ineligible persons to serve as directors, officers, etc.	14	0	1 granted	13
10 (f) Exemption of certain underwriting transactions.	0	8	8 granted	0
11 (a) Approval of terms of proposed security exchange offers.	2	2	2 granted	2
17 (b) Exemption of proposed transactions between investment companies and affiliates.	5	31	3 withdrawn, 25 granted	8
17 (d) Approval of certain bonus and profit-sharing plans.	1	5	1 withdrawn, 5 granted	0
18 (i) Allow company to issue non-voting securities.	1	1	2 granted	0
23 (c) (3) Terms under which closed-end investment company may purchase its outstanding securities.	0	1	0	1

From the standpoint of public interest and amounts involved, one of the most important applications filed with the Commission during the fiscal year was that of The American Superpower Corporation, a registered investment company. Superpower, with net assets of approximately $11,000,000 and a net capital loss carry-over for tax purposes of approximately $7,400,000 but which had arrearages on its preference stock which it was estimated would take approximately 200 years to clear, proposed to issue new voting preferred stock and common stock, together representing a controlling interest in Superpower, to William Zeckendorf, the sole stockholder in Webb & Knapp, Inc., a nation-wide real estate company having appraised net assets in excess of $42,000,000, in exchange for all of the outstanding stock of that company. Zeckendorf considered that the receipt of Superpower shares, together with other benefits anticipated by him as a result of the transaction, constituted an appropriate consideration for the transfer of his Webb & Knapp stock.

Superpower filed an application requesting the Commission to issue an order pursuant to section 6 (c) of the Act exempting the proposed transaction from the provisions of sections 18 and 23, relating to capital structure and security distributions, to the extent that they were applicable.

Hearings were held on the application, and the Commission, finding that the proposed transaction was fair and feasible and that the requested exemption met the standards of section 6 (c), granted the application (see Investment Company Act release No. 1758).

Thereafter the management of Superpower filed with the Commission the proxy soliciting material to be used in connection with the special meeting of the company's stockholders called for the purpose of voting on the proposed transaction. Pursuant to section 20 (a) of the Act, members of the staff who were familiar with the record of the hearing examined the material and made certain comments thereon in the interest of achieving full and fair disclosure of all material facts. At the special meeting, the stockholders approved the changes in capitalization necessary to effect the plan.

Subsequently the real estate holdings of Webb & Knapp, Inc. became the principal assets of Superpower, and Zeckendorf assumed control of the company. In view of these circumstances, Superpower, under its new name of Webb & Knapp, Inc., filed an application with the Commission under section 8 (f) of the Act for an order that the company had ceased to be an investment company. After giving notice of and opportunity for hearing, the Commission found, shortly after the close of the fiscal year, that the company had ceased to be an investment company as defined in the Act and issued an order to that effect.

CHANGES IN RULES, REGULATIONS, AND FORMS

During the fiscal year the Commission, after preliminary study and conferences with the National Association of Investment Companies and other interested persons, submitted for public consideration and comment a proposed new form for registration of management investment companies under the Investment Company Act, and certain proposed amendments to the General Rules and Regulations thereunder.

Proposed revision of Form N-8B-1.—The Commission announced a proposal to revise Form N-8B-1, prescribed for registration statements filed under the Act by all management investment companies except those which issue periodic payment plan certificates.

The proposed revision is the first general revision of this form since it was adopted in 1941. As a result of the experience gained over the intervening years, and in view of the fact that the form is now chiefly applicable to the newly organized management investment companies, the Commission believes that the form can be simplified and the work involved in the preparation of a registration statement on the form thereby reduced. Much of the historical information relating to the operation of companies which were in existence at the time of passage of the Act is no longer of importance and hence the requirements for the furnishing of such information have been omitted.

Registration statements on this form also serve as a basis for the furnishing of information required for registration statements under the Securities Act of 1933. Accordingly, the proposed revision has been drafted with registration under the Securities Act particularly in mind. Thus, the simplification and conciseness of the new form would facilitate the preparation of a short readable prospectus which will adequately inform investors of the material facts in relation to the company for purposes of the Securities Act.

Proposed amendments to general rules and regulations.—Along with the proposed revision of Form N–8B–1, the Commission announced that it also has under consideration certain proposed amendments to its General Rules and Regulations under the Investment Company Act, relating to the preparation and filing of registration statements and reports pursuant to sections 8 and 30 (a) of the Act. They contemplate the incorporation into the General Rules and Regulations of certain definitions and other general requirements which have heretofore been contained in the various forms for registration statements and reports. These proposed rules with appropriate changes are patterned in a large part after the corresponding rules heretofore promulgated by the Commission under the Securities Act of 1933 and the Securities Exchange Act of 1934.

PART VII

ADMINISTRATION OF THE INVESTMENT ADVISERS ACT OF 1940

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

Statistics relating to registration of investment advisers during fiscal year ending June 30, 1952

Effective registrations at close of preceding fiscal year	1,060
Applications pending at close of preceding fiscal year	7
Applications filed during fiscal year	123
Total	1,190
Registrations cancelled or withdrawn during year	128
Registrations denied or revoked during year	1
Applications withdrawn during year	1
Registrations effective at end of year	1,048
Applications pending at end of year	12
Total	1,190

Approximately 243 registered investment advisers represent in their applications that they engage exclusively in supervising their clients' investments on the basis of the individual needs of each client. The services of about 351 others are chiefly through publications of various types. 236 investment advisers are registered also as brokers and dealers in securities. Most of the remainder offer various combinations of investment services.

During fiscal year 1952, there was one administrative proceeding under the Investment Advisers Act and also the Securities Exchange Act against Edwiin Hawley, doing business as Edwiin Hawley Company. That proceeding resulted in an order revoking the registrations of Hawley as an investment adviser and broker and dealer, the Commission finding, among other things, a willful violation of section 207 of the Investment Advisers Act in that the last business and residence addresses stated in his registration application as amended were now false, he having failed to continue the filing of reports to keep that information current.

PART VIII

OTHER ACTIVITIES OF THE COMMISSION

COURT PROCEEDINGS

Civil Proceedings

At the beginning of the 1952 fiscal year there were pending in the courts 20 injunctive and related enforcement proceedings instituted by the Commission to prevent fraudulent and other illegal practices in the sale of securities. During the year, 27 additional proceedings were instituted and 28 cases were disposed of, so that 19 of such proceedings were pending at the end of the year. In addition the Commission participated in a large number of reorganization cases under Chapter X of the Bankruptcy Act; in 14 proceedings in the district courts under section 11 (e) of the Public Utility Holding Company Act; and in 16 miscellaneous actions, usually as *amicus curiae*, to advise the court of its views regarding the construction of provisions of statutes administered by the Commission which were involved in private lawsuits. The Commission also participated in 37 appeals. Of these, 10 came before the courts on petition for review of an administrative order; 11 arose out of corporate reorganizations in which the Commission had taken an active part; 4 were appeals in actions brought by or against the Commission; 5 were appeals 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*.

Complete lists of all cases in which the Commission appeared before a Federal or State court, either as a party or as *amicus curiae*, during the fiscal year, and the status of such cases at the close of the year, are contained in the appendix tables.

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

Criminal Proceedings

The statutes administered by the Commission provide for the transmission of evidence of violations to the Attorney General, who may institute criminal proceedings. The Commission, largely through its regional offices, investigates suspected violations and, in cases where the facts appear to warrant criminal prosecution, prepares detailed reports which are forwarded to the Attorney General. Commission employees familiar with the case often assist the United States attorneys in its presentation to the grand jury, the conduct of the trial, and the preparation of briefs on appeal. The Commission also submits parole reports prepared by its investigators relating to convicted offenders. Where an investigation discloses violations of statutes other than those administered by the Commission, the Commission advises the appropriate Federal or State agency.

Indictments were returned against 2,161 defendants in 491 cases developed by the Commission from fiscal year 1934 to June 30, 1952.[1] These figures include 28 defendants in 14 cases in which indictments were returned during the 1952 fiscal year. At the close of the fiscal year, of 454 cases disposed of since 1934 as to one or more defendants, convictions had been obtained in 397 cases,[2] or over 87 percent, against a total of 1,160 defendants. Convictions were obtained against 25 defendants in 17 cases during the fiscal year.[3] Judgments of conviction were affirmed on appeal in two cases as to three defendants during the year, and five cases, four involving a single defendant and one involving seven defendants, were pending on appeal at the close of the fiscal year.

The criminal cases developed and prosecuted during the fiscal year continued as in previous years to cover a wide variety of fraudulent conduct. They included frauds relating to the operation of purported investment plans and the promotion of inventions, new businesses, mining and oil and gas ventures, as well as fraudulent practices on the part of securities brokers and dealers and their representatives and an investment adviser. In a number of fraud cases, the defendants also were charged with willfully violating the registration provisions of the Securities Act of 1933, which are designed to provide investors with a full and fair disclosure of material facts concerning the securities being sold. In addition, convictions were obtained in two cases in which violations of only the registration provisions were charged. An appeal is pending in one of these cases.

Among the convictions obtained during the fiscal year involving the fraudulent sale of securities was *U. S.* v. *Mercedes Buschman et al.* (W. D. Wash.). In that case the principal defendant pleaded guilty and was sentenced to imprisonment for 8 years. The indictment charged that she fraudulently obtained accommodation notes from various persons on the pretext that these notes would be used to finance certain profitable stock transactions in which she was engaged; that, thereafter, she sold such notes to investors by falsely stating that the notes had been issued by financially responsible persons and represented payments due on stock sold to these persons; and that she furnished them with spurious stock certificates, false financial statements, worthless checks and other false and fictitious documents.

Spurious documents also played a part in the fraudulent scheme employed in *U. S.* v. *Theodore E. Lobman* (N. D. Ill.), where the defendant induced investors to advance funds to him by falsely representing, among other things, that he had been granted option agreements, as reflected in certain fictitious letters shown to investors, for the purchase and resale of shares of stock of certain well established business corporations in Detroit, Michigan, and San Francisco, California, which guaranteed substantial profits to him, and that investors who assisted him in financing these option transactions would share in those profits.

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[1] A condensed statistical summary of all criminal cases developed by the Commission from fiscal year 1934 through fiscal year 1952 is set forth in Appendix Table 29. The status of criminal cases developed by the Commission which were pending at the end of the fiscal year is set forth in Appendix Table 30.

[2] The 57 remaining cases, which resulted in acquittals or dismissals as to all defendants, included a number where the indictments were dismissed because of the death of defendants involved.

[3] One of these cases is still pending as to one defendant.

In the case of *U. S.* v. *Russell C. Hanson* (N. D. Ill.), the defendant was convicted of fraudulently obtaining funds from investors under the pretense that such funds would be used to finance certain profitable securities trades which were available to him, whereas in fact, Hanson converted and used for gambling purposes a large part of the investors' funds. The conversion of investors' funds, obtained from the sale of notes in the promotion of an insurance business financing scheme, also is charged in the pending indictment in *U. S.* v. *Peter E. Picotte* (E. D. Mo.). The indictment also charges the defendant with employing the fraudulent "Ponzi" technique, in that, in order to induce investors to make additional investments, he returned to them as "profits" a portion of the funds invested by them. This device also was used by the defendants in a number of the other fraudulent securities promotions prosecuted during the fiscal year.

The fraudulent sale of notes was involved also in *U. S.* v. *Charles W. Collom* (E. D. Pa.), and *U. S.* v. *Alejandro D. Llanos et al.* (D. Hawaii) in which defendants were convicted during the fiscal year. The defendant in the *Collom* case received a 5-year prison sentence for inducing some 23 banks, located in Pennsylvania, Ohio, Missouri, New Jersey, Connecticut, North Carolina, and California, to purchase forged promissory notes of certain whiskey distilleries secured by forged whiskey warehouse receipts. The *Llanos* case involved a widespread scheme to defraud residents of the Territory of Hawaii, principally plantation laborers, in the sale of securities which according to the defendants would entitle investors, among other things, to share in a fund of over $6,000,000, which in fact did not exist.[4]

The fraudulent sale of securities and conversion of investors' funds in connection with the promotion of a purportedly patented revolutionary type of energy-producing engine, which would run indefinitely on a small amount of fuel, resulted in the conviction of and a 4-year prison term for the defendant in *U. S.* v. *Francis A. Moulton* (D. Mass.). Convictions also were obtained for fraudulent sales of securities in the promotion of allegedly new inventions or mechanical devices in *U. S.* v. *Doak Norwood* (N. D. Ill.) (desk pad device), *U. S.* v. *James P. Anderson et al.* (D. Ariz.) ("Road-A-Scope" device), and *U. S.* v. *James D. Bobbroff et al.* (D. Nev.) (lawnmower).[5] The indictment now pending in *U. S.* v. *Pierre P. Pattyn* (E. D. Mich.) charges fraud in the sale of securities of a company allegedly producing a number of electronic devices, including, among others, a cigarette lighter represented to require no fuel, flint or wick, and a Christmas tree lighting system allegedly requiring no wires. Also, the indictment pending in *U. S.* v. *Richard Thomas et al.* (D. Ariz.) alleges that in the sale of stock of Thomascolor, Incorporated, in connection with the promotion of an allegedly new color photography process, the defendants made false representations with respect to the status of production, the financial condition of the company, and other matters.[6]

The defendant in *U. S.* v. *Richard A. Lewis* (D. Md.) was sentenced to five years' imprisonment on his plea of guilty to charges that he

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[4] Appeals from the convictions in this case are pending. For additional details concerning this case, see 17th Annual Report of S. E. C., p. 153.

[5] For additional details concerning the latter two cases, see 17th Annual Report of S. E. C., p. 152. An appeal by Bobbroff is pending.

[6] In 1947, a registration statement for the sale of securities of this company was the subject of stop-order proceedings under section 8 (d) of the Securities Act and was subsequently withdrawn. See 14th Annual Report of S. E. C., pp. 13–15, and Securities Act release No. 3267 (November 26, 1947).

fraudulently sold stock of a small drug company by falsely representing, among other things, that a sale of a controlling interest in the company to a large national drug concern was about to be closed, and that investors would reap substantial profits as a result of such sale. In *U. S.* v. *Floyd W. Beck et al.* (W. D. Mo.), the defendants were charged with fraudulently selling stock of the United Insurers Service Company of Missouri by means of misrepresentations concerning the nature of the company's business, its financial condition and related matters. After the close of the fiscal year the defendants entered pleas of guilty or *nolo contendere.* Similar misrepresentations in connection with the sale of stock of the Si–En–Tif–Ik Motor Products Company and the S–M–P Company, and the conversion of funds received from investors, are charged in the pending indictment in *U. S.* v. *George L. White* (N. D. Ill.).

Convictions for the illegal sale of securities in connection with the promotion of mining ventures were obtained during the fiscal year in *U. S.* v. *William B. LaVey et al.* (D. Mont.), *U. S.* v. *Ernest Rolland Hennefer et al.* (D. Utah), and *U. S.* v. *Donald Neil McTavish et al.* (E. D. Wash.). In the *LaVey* case, two defendants were convicted on pleas of *nolo contendere* of violating and conspiring to violate the registration and anti-fraud provisions of the Securities Act of 1933 in the sale of gold mining stock of Victory Divide Mining Company, and a third defendant was convicted on a plea of *nolo contendere* to the charges relating to the registration provisions. Similarly, in the *Hennefer* case, which involved the sale of stock of Utah Phosphate Company, a mining promotion, one defendant pleaded guilty to fraud charges, while the three remaining defendants pleaded guilty to the charge of registration violations.[7] In the *McTavish* case, the defendant pleaded guilty to the charge of violating the registration provisions in the sale of securities relating to certain mining claims in the Bald Mountain Mine, located near Sumpter, Oregon.

Indictments in connection with gold mining promotions were returned during the year and are pending in *U. S.* v. *Troy E. Becker et al.* (D. Idaho), *U. S.* v. *Wilder Frank Wickham et al.* (D. Nev.), and *U. S.* v. *Charles A. Howe et al.* (S. D. Ohio). Stock of Yankee Mines, Inc. was sold in the *Becker* case, while stock and notes of El Dorado Gold Mines, Ltd. were involved in the *Wickham* case. In both these cases, the defendants are charged with making misrepresentations with respect to the availability of ore deposits on the properties controlled by the companies, the use to be made of the proceeds received from the sale of the securities, and other matters. In the *Howe* case, which involved the sale of investment contracts issued by Howe, the Maryland-Nevada Mining Company, and the Maryland-Nevada Operating Company, the defendants are charged, among other things, with falsely representing that a lifetime license would be assigned to investors for the use of a purported special process which would permit the recovery of the vast fine gold deposits located in the State of California, near the Oregon line.

Oil and gas promotions were involved in convictions obtained during the fiscal year in *U. S.* v. *Lawrence L. Kelling et al.* (D. Kan.) and *U. S.* v. *S. E. J. Cox et al.* (N. D. Okla.).[8] In the former case Kelling, who had previously been convicted in another case developed

[7] For additional details concerning these two cases, see 17th Annual Report of S.E.C., p. 151.
[8] An appeal by Cox is pending. His co-defendant was acquitted.

by the Commission,[9] and his codefendant, Charles Preston Sellers, were found guilty of selling the securities of Sunflower Oil Producers and other securities, relating to oil and gas leases on lands located in Kansas, by means of fraudulent representations concerning the amount of oil being produced, the value and ownership of the leases, and numerous other matters. The *Cox* case, in which a 10 year sentence was imposed upon Cox, involved among other things the fraudulent sale of stock of Penner Oil & Gas, Inc. by means of a large-scale mail campaign, and misrepresentations with respect to the amount of oil and value of the oil leases controlled by the company.[10]

Fraudulent conduct on the part of broker-dealers or their representatives resulted in convictions during the fiscal year in *U. S.* v. *Paul R. Warwick, Jr.* (N. D. Tex.), *U. S.* v. *Sidney W. Tuttle* (E. D. Pa.), and *U. S.* v. *Richard E. Slaugenhaupt* (W. D. Pa.). The defendants were charged, among other things, with the conversion of customers' funds and securities. The indictment now pending in *U. S.* v. *Adams & Co. et al.* (N. D. Ill.) charges that Adams & Co., a registered broker-dealer, its president, Jefferson K. Hoshor, and its cashier, Edwin A. Schmitt, caused the filing with the Commission of false and misleading financial statements of Adams & Co.

Violations of the Investment Advisers Act of 1940 are included among the charges in the indictment returned in the fiscal year in *U. S.* v. *Howard C. Hageman et al.* (S. D. N. Y.), where the defendants are alleged to have employed a scheme to defraud. According to the indictment, the defendants, on the pretext of rendering impartial investment advice to their clients, advised and induced them to purchase the stock of Hageman Properties, Inc. on the basis of false representations concerning the value of the assets owned by the corporation, the profitableness of its operations, its financial condition, and other matters.

During the fiscal year, convictions were obtained in *U. S.* v. *Eldridge S. Price* (N. D. Ohio)[11] and *U. S.* v. *C. L. Lloyd* (N. D. Ill.), where the indictments alleged violations solely of the registration provisions of the Securities Act. The former case was concerned with the sale of investment contracts involving oil and gas lease assignments on lands located in Runnels County, Texas, while the latter case involved the sale of personally owned stock of Nu Enamel Corporation.[12]

Convictions were affirmed in the only criminal appeals decided during the fiscal year involving violations of statutes administered by the Commission: *Kelling* v. *U. S.* and *Sellers* v. *U. S.*, 197 F. 2d 151 (C. A. 10, 1952), cert. denied — U. S. — (October 27, 1952) (oil and gas promotion), and *Luck* v. *U. S.*, 193 F. 2d 179 (C. A. 5, 1952) (conversion by broker-dealer of customers' funds and securities, and other fraudulent conduct).[13]

COMPLAINTS AND INVESTIGATIONS

The effectiveness of legislation enacted for the protection of the investing public is dependent in a large measure upon the enforcement policy adopted by the agency administering such acts of Congress.

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[9] See 17th Annual Report of S. E. C., p. 151.

[10] For additional details concerning this case, see 17th Annual Report of S. E. C., pp. 151–152.

[11] This case was subsequently removed for trial to the Northern District of Texas. An appeal from the conviction is pending.

[12] For additional details concerning these cases, see 17th Annual Report of S. E. C., pp. 153–154.

[13] For additional details concerning the *Luck* case, see 16th Annual Report of S. E. C., pp. 150–151.

The enforcement policy of the Commission during its 18 years of existence has been designed to achieve the Congressional purposes reflected in this legislation. Consistent with this policy, the Commission's staff, to the extent possible with the available personnel, carefully considers all indicated violations of the Acts to determine whether an investigation should be made.

Reductions in personnel have made it necessary to select for full-scale investigation only those cases in which the indicated violation appears to be of a flagrant type or where there has been substantial damage to the investing public.

The principal source of "leads" to possible violations of the securities acts are communications from members of the public who generally are average small investors located throughout the country. Every year the Commission receives thousands of letters from such people seeking information or relating facts which indicate a possible violation of the Acts administered by the Commission. During fiscal year 1952, the headquarters office of the Commission received 12,818 letters relating to possible violations of the Acts. This figure is exclusive of letters of the same type received by the 10 regional offices. In addition, many complaints and requests for information and aid were received by telephone and personal interview in the principal and regional offices. A substantial amount of information leading to investigations is also gathered by the Commission's staff as a result of its examination of documents required to be filed with the Commission, including registration statements, annual and quarterly reports, and ownership reports. Other Federal agencies, state authorities and official and unofficial bodies, such as better business bureaus and chambers of commerce, cooperate very closely with the Commission by informing it of suspected violations. The Commission maintains close liaison with these agencies. In turn the Commission advises such agencies of matters coming to its attention which are of peculiar interest to them, and during the year has furnished information in 40 cases to other law-enforcing agencies, both Federal and state.

Immediately upon receipt of a complaint involving a possible violation of an Act administered by the Commission, a preliminary investigation is conducted informally by telephone, correspondence, office research, or interview. Often such an investigation reveals that there has been no violation or that violations are of such a nature as not to warrant further investigation or the imposition of any sanction. In the event of inadvertent infractions of the Acts, usually because of a lack of knowledge or misinterpretation of their provisions, the individual concerned is advised with respect to the requirements of the Acts, encouraged to consult with the staff before continuing his securities activities and cautioned against future violations. In most cases inadvertent violators are willing to take corrective steps, thereby eliminating the necessity for instituting proceedings. This procedure serves the dual purpose of effectively disposing of minor violations and at the same time educating the public with respect to the requirements of the securities acts. In some cases the mere threat of an investigation results in restitution being voluntarily made, thereby preventing loss to the investing public.

If the preliminary investigation shows the need of further inquiry, the case is docketed and a full and detailed investigation is made. Often it is determined, as a result of preliminary investigation, that witnesses may be unwilling to testify or produce necessary documentary evidence. Under such circumstances, since the investigation could not otherwise proceed, the facts are fully presented to the Commission with a request for a formal order empowering designated members of the staff to issue subpenas requiring the appearance of witnesses and the production of documentary evidence. The designated employees are authorized to administer oaths and to take sworn testimony. Such powers are granted by the Commission only after careful consideration and upon its determination that necessary evidence to complete the investigation cannot be obtained in any other way. The authority so delegated is strictly limited to the special subject matter of the particular investigation and cannot be used in any other matter. During the fiscal year the Commission delegated subpena power to staff members by issuance of formal orders of investigation in 41 cases.

Investigations are generally conducted by the regional offices of the Commission under the general supervision of the headquarters office. On occasion the headquarters office may, at the direction of the Commission, conduct investigations directly or may temporarily assign personnel to assist the regional offices in developing cases. Recently, however, budgetary considerations have been an inhibiting influence on the assignment of headquarters office personnel for such purposes.

After the completion of an investigation by a regional office, a report is submitted by the regional administrator with his recommendation. The recommendation may take any one of several forms, e. g., for a reference to the Department of Justice for criminal action, the institution of injunctive proceedings in civil courts, administrative action by the Commission, reference to another agency or department of the Federal government or to state authority for appropriate action, or closing the investigation. In each instance the matter is reviewed by the staff of the Commission's headquarters office and recommendations for action are presented to the Commission itself. All formal investigations or matters wherein the Commission has officially taken some other action, such as reference to the Department of Justice, are again presented to the Commission for closing of the file.

The Commission's investigations are confidential and no information with respect to them is divulged unless the Commission expressly authorizes such action.

Some of the problems encountered in investigating violations are demonstrated by cases now under investigation. A member of the public called to seek information concerning a company in which he had been offered an opportunity to invest. A check of the records determined that no registration statement had been filed with the Commission and that no exemption from registration was available for the securities being offered. A preliminary investigation disclosed that the securities had been sold in a number of states by personal solicitation to more than 100 purchasers who invested over $500,000. In the sale of these securities, representations were made that the company owned fabulously valuable mining properties, that a dividend of $25 per share would soon be paid upon stock being offered at $10 to $15 per share, and that the promoter was selling only a few shares of his personally owned stock to his friends. A thorough investigation was then undertaken. Since the company and its promoters were uncooperative and refused to make the corporate books and records available for examination, the Commission authorized the serving of a subpena duces tecum, requiring the production of the pertinent records. A motion to quash the subpena was filed in the United States District Court by the respondents. The Commission opposed the motion, and at the same time, to facilitate the investigation, filed a motion asking the court to enforce compliance with the subpena. After a hearing, the court entered an order enforcing the subpena. From this order the respondents appealed to the court of appeals.

In another case being investigated by the Commission the available facts indicate a fraudulent scheme involving hundreds of thousands of dollars. The promoter of this scheme posed as a business specialist and tax consultant and assured his prospective victims that he would be able to increase greatly the worth of and return from their investments. He gained the trust and confidence of his victims by posing also as a devout member of the church organization to which the victims belonged. He carefully selected victims who could most easily be misled. For example, one of his victims was a middle-aged woman who had been released from a mental institution, and another was a woman over 80 years of age. After gaining the confidence of his victims he obtained powers of attorney giving him complete control over their assets and then diverted the assets to his own use. One of the facets of his fraudulent scheme was the organization of dummy corporations and the issuance of securities of such corporations to his victims. In order accurately to develop all the facts it was necessary for the Commission to use its subpena power to trace the source and disposition of funds through bank records.

Frequently, in the course of investigating matters indicating violations of the Securities Acts, insurmountable obstacles are met by the Commission's staff. For example, the Commission was informed that shares of stock of a Mexican corporation were being offered in the United States by an American national who promoted the company. The information received by the Commission indicated these securities were being offered and sold in several states in violation of the registration and anti-fraud provisions of the securities acts. Following the usual pattern for conducting investigations, inquiries were made of, and interviews had with, investors to determine what representations had been made to induce them to purchase the securities being offered. An attempt was then made to examine the books and records of the issuing company and to obtain from its bank its financial record of deposits and disbursements in order to ascertain whether the company's funds were being used for legitimate corporate affairs or were being diverted to the personal use of the promoter. The Commission in this case authorized the use of the subpena power. However, it developed that the promoter and the books and records of the company were outside the continental United States and a subpena could not be served. The bank records, however, were maintained by the Mexican branch of a United States bank. Accordingly, a subpena was directed to the main office of the bank calling for the production for examination in the United States of the records relating to the company's account. The subpena was resisted on the ground that Mexican law prohibited banking institutions from disclosing information concerning their customers' accounts without the consent of such customers. Further research by the Commission's staff indicated this position was correct, and no method appears available at this time to secure the evidence needed to complete the investigation.

While only a comparatively small percentage of the investigations have resulted in the imposition of coercive sanctions or reference for criminal prosecution, the effectiveness of the Commission's enforcement policy cannot be measured by this standard alone. One of the principal results of the Commission's investigative activities, and one which has well served the public interest, has been the prevention of violations of the Federal securities laws and the continuing education of the public and the investment industry in the applicability of those laws.

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

Investigations of possible violations of the Acts administered by the Commission

	Preliminary	Docketed	Total
Pending June 30, 1951	419	690	1,109
New cases	262	213	475
Transferred from preliminary		36	36
Total	681	939	1,620
Closed	302	210	512
Transferred to docketed	36		36
Pending at June 30, 1952	343	729	1,072

Sales of Canadian Securities Within the United States

Previous annual reports of the Commission have described the important enforcement problem growing from the illegal sale of securities to residents of the United States by promoters operating out of Toronto, Canada. During the fiscal year, however, there has been a notable lessening of stock solicitations from Canada by means of the mass-mailing and telephone campaigns which have been the basic source of the violations of our securities laws.

This result is due not only to the cumulative effect of the various measures adopted by the Commission and other Federal and state agencies and Canadian securities regulators in an effort to meet the problem, but also reflects the deterrent effect of a Supplementary Extradition Convention between Canada and the United States which was designed to cover securities frauds. This agreement was signed by both governments on October 26, 1951, and became effective on July 11, 1952. Since then, violations of the securities laws in connection with offerings in this country of securities of Canadian issuers have been minimal and the widespread frauds attending such offerings in the past appear to be at a virtual halt at the present time.

This Convention marks the culmination of some fifteen years of concentrated effort by the Commission. In order to guard against recurrence of "border securities frauds," the Commission, of course, will continue to pay close attention to this problem, and to utilize all of its facilities toward the end of providing effective investor protection to those members of the American public who participate in Canadian development.

SECTION OF SECURITIES VIOLATIONS

In the first year of its existence the Commission established a Section of Securities Violations for assistance in the enforcement of the various statutes which it administers and to provide a further means of preventing fraud in the purchase and sale of securities. This Section has developed files which provide the basis for maintaining a clearing house of information concerning persons who have been charged with violations of various Federal and state securities statutes. The specialized information in these files has been kept current through the cooperation of the United States Post Office Department, the Federal Bureau of Investigation, parole and probation officials, state securities commissions, Federal and state prosecuting attorneys, police officers, Better Business Bureaus, and members of the United States Chamber of Commerce. By the end of the 1952 fiscal yeaı these records contained data concerning 56,519 persons against whom Federal or state action had been taken in connection with securities violations.

During the 1952 fiscal year alone additional items of information relating to 4,854 persons were added to the records of this Section, including information concerning 1,632 persons not previously identified therein.

Extensive use is made of this clearing house of information. During the fiscal year, in connection with the maintenance and preventive application of these records, the Commission received 3,629 "securities violations" letters or reports (apart from those which are classified as "complaint enforcement") and dispatched 2,784 communications in turn to cooperating agencies.

ACTIVITIES OF THE COMMISSION IN ACCOUNTING AND AUDITING

Dependable, informative financial statements, i. e., statements which disclose the financial status and earnings history and potentialities of a corporation or other commercial entity, are indispensable to the investor as a basis for investment decisions. Recognizing the importance of these statements and aware that they lend themselves readily to misleading inferences or even deception, whether or not intended, the Congress, in the various statutes administered by the Commission, dealt extensively with financial statement presentation and the accounting concepts and principles on which they are based. Consequently the activities of the Commission in the field of accounting are highly significant.

Thus, for example, the Securities Act requires the inclusion in prospectuses of balance sheets and profit and loss data "in such form as the Commission shall prescribe,"[14] 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 * * *."[15] Similar authority is contained in the Securities Exchange Act,[16] and more comprehensive power is embodied

[14] Sec. 10 (a) (1) (Schedule A, paragraphs 25, 26).
[15] Sec. 19 (a).
[16] Sec. 13 (b).

in the Investment Company Act [17] and the Holding Company Act.[18]

The Securities Act provides that 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." [19] The other three statutes referred to above permit the Commission to require that such statements be accompanied by a certificate of an independent public accountant,[20] and the Commission's rules do 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 statutes. Out of this initial provision in the Securities Act and the resulting rules promulgated by the Commission,[21] together with stringent action taken by the Commission in certain cases,[22] there have grown concepts of accountant-client relationships that have strengthened the protection afforded investors.

As shown above, the statutes administered by the Commission give it broad rule-making power with respect to the preparation and presentation of financial statements. Pursuant to this authority the Commission has prescribed uniform systems of accounts for companies subject to the provisions of the Holding Company Act; [23] has adopted rules under the Securities Exchange Act governing accounting and auditing of securities brokers and dealers; and has promulgated rules contained in a single, comprehensive regulation identified as Regulation S-X,[24] which govern the form and content of financial statements filed in compliance with the various Acts. This regulation is implemented by the Accounting Series releases, of which seventy-three have been issued at this writing, inaugurated in 1937 and 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, prescribe the accounting to be followed only in certain basic respects. In the large area not covered by such rules the Commission's principal reliance for the protection of investors is on the determination and application of accounting principles and standards which are recognized as sound and which have attained general acceptance. This policy of the Commission is expressed in Accounting Series release No. 4 (1938).

It is essential that the Commission keep abreast of changes and new developments in financial and economic conditions in order to make certain that the effects thereof on the operations and financial status of the several thousand commercial and industrial companies required to file financial statements with the Commission are properly

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[17] Secs. 30, 31.
[18] Secs. 14, 15.
[19] Sec. 10 (a) (1) (Schedule A, paragraphs 25, 26).
[20] Securities Exchange Act, sec. 13 (a) (2); Investment Company Act, sec. 30 (e); Holding Company Act, sec. 14.
[21] See, for example, rule 2-01 of Regulation S-X.
[22] See, for example, Securities Exchange Act release No. 3073 (1941); 10 S. E. C. 982 (1942); and Accounting Series release No. 68 (1949).
[23] *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).
[24] Adopted February 21, 1940 (Accounting Series release No. 12); revised December 20, 1950 (Accounting Series release No. 70).

reported to investors. To accomplish this the Commission's accounting staff engages in study and research projects designed to establish and maintain appropriate accounting procedures and practices. 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.

These activities require constant contact and cooperation between the staff and accountants both individually and through such representative groups as, among others, the American Accounting Association, the American Institute of Accountants, the Controllers Institute of America, and the National Association of Railroad and Utilities Commissioners, as well as with other governmental agencies. Recognizing the importance of continued close cooperation in the formulation of accounting principles and practices which will best serve the interests of investors, both the American Institute of Accountants and the Controllers Institute of America regularly appoint committees "on cooperation with the S. E. C." which keep in touch with the Commission's staff. The Chief Accountant of the Commission acts as a "consultant" to the American Accounting Association Committee on Concepts and Standards and as a "conferee" of the Committee on Accounts and Statistics of the National Association of Railroad and Utilities Commissioners. Each of these latter two committees holds periodic meetings for the purpose of discussing accounting and financial matters of mutual interest.

While examination and reexamination of sound and generally accepted accounting practices consume a large part of the time of the chief accountant's staff, the many daily decisions of the Commission require the almost constant attention of some of the staff. These include questions raised by each of the operating divisions of the Commission and the regional offices, as well as the Commission itself. From time to time members of this staff are called upon to assist in involved field investigations, to participate in hearings, and to review opinions in so far as they pertain to accounting matters. On several occasions the staff has furnished one or more persons to assist Congressional committees.

Considerable time is also spent in prefiling and other conferences, in person or by phone, with the officials of corporations, practicing accountants, and others. This procedure, which has proved to be one of the most important functions of the office of the chief accountant, saves registrants and their representatives both time and expense.

Developments in Accounting Principles and Procedures

During the fiscal year the continued high level of business activity, and the threat of a reversal to a wartime economy, accompanied by increasing price levels and income taxes, stimulated an unusual amount of discussion in financial, industrial and accounting circles of certain basic problems in corporate accounting and financial reporting. Many problems which developed and were first dealt with during the period of World War II required reconsideration in the light of existing conditions. For example, there was a renewed advocation—not concurred in to any large extent by accountants and corporate officials generally—for the application of the theory that depreciation of fixed assets is related directly to replacement and that provisions from income for depreciation are inadequate unless they will provide for the replacement of the applicable assets at the time they are retired from service. Some holders of this view would, in effect, abandon historical costs completely by adjusting such costs, in financial statements, to reflect changes in purchasing power of the dollar.

In reports for previous years [25] the Commission made it clear that it would continue to require adherence to historical costs in statements filed with it. The Commission has found no justification for changing its requirements in this respect.

OFFICE OF OPINION WRITING

The Office of Opinion Writing aids the Commission in the preparation of findings, opinions, and orders promulgated by the Commission in contested and other cases arising under the Securities Act of 1933, the Securities Exchange Act of 1934, the Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Company Act of 1940, and the Investment Advisers Act of 1940. These statutes provide for a wide variety of administrative proceedings which require quasi-judicial determination by the Commission. Formal opinions are issued in all cases where the nature of the matter to be decided, whether substantive or procedural, is of sufficient importance to warrant a formal expression of views.

The Office of Opinion Writing is an independent staff office which is directly responsible to the Commission. It receives all assignments and instructions from and makes recommendations and submits its work to the Commission directly.

While engaged in the preparation of opinions assigned to the Office of Opinion Writing, the members of this office are completely isolated from members of the operating division actively participating in the proceedings and it is an invariable rule that those assigned to prepare such an opinion must not have had any prior participation in any phase of the proceedings with respect to which the opinion is to be prepared. Commission experts are from time to time consulted on technical problems arising in the course of the preparation of opinions and findings, but these experts are never individuals who have participated in the preparation of the case or testified at the hearing.

Members of the staff of the office who are assigned to work on a particular case attend the oral argument of the case before the Commission and frequently keep abreast of current hearings. Prior to the oral argument, the office makes a preliminary review of the record and prepares and submits to the Commission a summary of the facts and issues raised in the hearings before the hearing officer, as well as in any proposed findings and supporting briefs, the hearing officer's recommended decision and exceptions thereto taken by the parties. Following oral argument or, if no oral argument has been held, then at such time as the case is ready for decision, the Office of Opinion Writing is instructed by the Commission respecting the nature and content of the opinion and order to be prepared.

In preparing the draft of the Commission's formal opinion, the entire record in the proceedings is carefully read and in some cases a narrative abstract of the record is prepared. Upon completion of a draft opinion and abstract of the record, and after review and re-

[25] Fourteenth Annual Report, p. 111; Fifteenth Annual Report, p. 179.

vision of the opinion within the Office of Opinion Writing, they are submitted to the Commission. If the study of the record in the case by the Office of Opinion Writing has revealed evidence of violations warranting a reference to the Attorney General for criminal prosecution, or has disclosed the desirability or the need for any changes in administrative procedures or techniques, appropriate recommendations are made to the Commission at the time the draft opinion in the case is submitted.

The draft opinion as submitted may be modified, amended, or completely rewritten in accordance with the Commission's final instructions. When the opinion accurately expresses the views and conclusions of the Commission, it is adopted and promulgated as the official decision of the Commission. In some cases concurring or dissenting opinions are issued by individual Commissioners who wish to express their separate views on matters covered by the opinion adopted by the majority of the Commission. In such cases the Office of Opinion Writing is occasionally instructed to prepare drafts of such concurring or dissenting opinions and confers respecting them with the individual Commissioners involved, submits drafts directly to them, and makes such modifications and revisions as are directed.

The findings of fact, opinions, and orders adopted and promulgated by the Commission serve as an aid and guide to the bench and bar. With minor exceptions (e. g., certain opinions dealing with requests for confidential treatment) all are publicly released and distributed to representatives of the press and persons on the Commission's mailing list. In addition, the findings and opinions are printed and published by the Government Printing Office in bound volumes under the title "Securities and Exchange Commission Decisions and Reports."

The creation of the Office of Opinion Writing as an independent staff unit in 1942 was based on the view that the fair exercise of the Commission's adjudicatory functions in many types of cases made it appropriate that it be assisted in that function by members of its staff who were independent of units engaged in investigation or prosecution of cases. Originally initiated as a matter of Commission policy, the desirability of this arrangement was subsequently given express recognition in specific provisions of the Administrative Procedure Act, which in certain types of cases requires that there be a complete separation between quasi-prosecutory functions and quasi-judicial functions. The existence of the Office of Opinion Writing thus made it possible for the Commission, even before the passage of the Administrative Procedure Act, to meet fully the separation of function requirements contained in sections 5 (c), 7, and 8 of the Act.

The Commission, through its revised rules of practice, has sought to provide a flexible procedure which will be suited to the needs and desires of the participants in the proceeding before it, as well as guarantee to them the procedural safeguards required by the general principles of due process and the provisions of the Administrative Procedure Act. Thus, at the request of some participants, the Commission has in many cases availed itself of the assistance of the Office of Opinion Writing in the preparation of its findings even though separation of functions was not required by law in those cases.

In addition to its primary function, the Office of Opinion Writing is given assignments of a general nature which are not inconsistent with the objective of the separation between the investigatory and quasi-judicial functions. Thus, the office is in over-all charge of the preparation of the Commission's annual report to the Congress. Material relating to the Commission's activities during the fiscal year is submitted to the office by the various operating divisions for incorporation in the report. Members of the office edit and organize this material and draft such additional material as is necessary, so as to produce a clear and thorough exposition of the Commission's work, giving appropriate prominence to matters having particular significance from a financial, legal or economic viewpoint. In addition, the office has continuing joint responsibility with the Office of the General Counsel in dealing with problems arising under the Administrative Procedure Act and also has the responsibility of preparing a compilation of administrative decisions and other authorities under the various statutes administered by the Commission.

The Office of Opinion Writing assists the operating divisions of the Commission in the preparation of opinions in certain uncontested cases where participation by the operating division in the decisional process is proper under the Administrative Procedure Act. In some instances members of the Office of Opinion Writing are assigned to assist the Office of the General Counsel in connection with court appeals taken from Commission decisions initially drafted in the Office of Opinion Writing.

Some of the more significant opinions issued by the Commission during the year are commented upon in this report under the discussions of the various statutes.

INTERNATIONAL FINANCIAL AND ECONOMIC MATTERS

During the fiscal year registration statements covering $444,229,424 of securities issued by foreign issuers, government and private, were filed under the Securities Act of 1933. Practically all of this total represented offerings of bonds of Provinces of Canada and of private Canadian companies. Apart from the Canadian offerings, only about $5,000,000 of securities were registered, representing the offerings of only two private issuers. This was the smallest amount of such private foreign financing registered with the Commission since the war.

During the fiscal year the Commission continued to participate through its Foreign Economic Adviser in conferences and discussions relative to the settlement of the pre-war and post-war external debts of the West German government and of private German debtors. It has also continued its work toward the restoration of markets for German dollar securities in the United States upon the establishment of validation procedures which are necessary to assure that only bonds which constitute "good delivery" will be afforded market facilities. In addition to its representation on the Interdepartmental Committee on German Debts, Commission representatives attended the Conference on German External Debts in London. The Commission has acted in an advisory capacity to the Department of State in the appointment and supervision of committees to represent the United States holders of German dollar bonds in the settlement negotiations.

Following extended discussions with representatives of the Federal

Republic of Germany, a law for the validation of German foreign currency bonds was enacted by the German government prior to its summer adjournment. Upon enactment of this law, representatives of this Commission and the State Department discussed with representatives of the financial community the methods whereby the implementation of the validation law could be adapted to the United States securities markets with the least amount of burden to holders of these German bonds. The adoption of validation procedures for German dollar bonds is made necessary by information which has been given to this government as to the disappearance of substantial quantities of these bonds upon the occupation of East Berlin in January 1945. In order to prevent the sale of these looted securities in United States markets, the Commission has continued its request that brokers and dealers refrain from effecting transactions in German securities until the establishment of validation procedures and the filing of appropriate reports with the Commission. As the financial community has cooperated in the Commission's request, the sale of these looted bonds in the United States has been extremely difficult, if not practically impossible.

Upon the request of securities dealers, the Commission investigated the operation of German laws for the registration of German Reichsmark securities. It appeared to the Commission that insufficient time and notice has been given to the holders of these securities in the United States, and upon the Commission's request the Department of State transmitted a note to the German government asking for an extension of the "bar dates" for such registration. The Commission has offered its facilities to publicize the registration requirements of the German government when agreement has been reached as to the extension of the "bar dates."

In November 1950, following the filing of a report with the Commission by the Japanese Government pursuant to the Securities Exchange Act, bonds of Japanese origin were restored to trading on national securities exchanges. Representatives of the Commission consulted with representatives of the Office of Alien Property and of the Japanese Government with respect to an amendment to Japanese law so as to validate bonds held by the Office of Alien Property and formerly converted into yen obligations by the Japanese Government. This law has now been amended and the bonds held by the Office of Alien Property have been declared valid by an amendment to the report filed with the Commission by the Japanese Government.

The Commission has continued its representation on the Staff Committee of the National Advisory Council on International Monetary and Financial Problems and has continued to cooperate with other agencies of the government concerned with the development and administration of the foreign economic program. Upon the invitation of the Director for Mutual Security, the Commission appointed its Foreign Economic Adviser as its representative on the Interagency Advisory Committee on Private Participation in Foreign Economic Development established pursuant to the Mutual Security Act of 1952. During the year the staff of the Commission has had discussions with representatives of foreign governments and of corporate officers who were seeking information upon the regulations, procedures, and practices of the United States capital markets applicable to the raising of private capital by foreign companies through the issuance of securities. The Commission has taken particular cognizance of developments in certain foreign countries which appear to it to be inconsistent with the interests of private United States investors in foreign ventures, and has brought these developments to the attention of appropriate authorities. Representatives of the Commission, upon the invitation of the United States Governor to the International Monetary Fund and the International Bank for Reconstruction and Development, acted as advisers to the United States delegation at the Annual Meeting of the Board of Governors of the International Bank and Monetary Fund held in Washington in September 1951.

By amendment to the Bretton Woods Agreements Act securities issued or guaranteed as to principal and interest by the International Bank for Reconstruction and Development are deemed to be exempted securities under the Securities Act and the Securities Exchange Act. The Commission, in consultation with the National Advisory Council on International Monetary and Financial Problems, is authorized to suspend the provisions of this amendment at any time. The amendment requires the Commission to include in its annual reports to the Congress such information as it shall deem advisable with regard to the operation and effect of the amendment, and in connection therewith to include any views submitted for such purpose by any association of dealers registered with the Commission. The Commission has received no views from such association.

During the fiscal year the International Bank made two offerings of its securities in the United States. The first offering was made in September 1951 in the amount of $100,000,000 of 3¼% 30-year bonds due October 1, 1981. This offering was made by a sponsoring group of 32 investment bankers, and was distributed by 400 securities dealers and banks. The second offering, in May 1952, was an issue of $50,000,000 of 3⅜% 23-year bonds due May 15, 1975. This offering was handled by an underwriting group of 119 investment bankers. Both of these offerings were negotiated offerings. In the distribution of the bonds the Bank made available a prospectus giving information about the Bank's structure and operation. It also filed with the Commission, pursuant to Regulation BW adopted by the Commission under the amendment to the Bretton Woods Agreements Act, information comparable to that which would be required if its securities had been registered under the Securities Act and the Securities Exchange Act.

ADVISORY AND INTERPRETATIVE ASSISTANCE

The staff of the Commission continued during the year to render interpretative and advisory assistance to lawyers, accountants, persons engaged in the securities business and members of the general public. This assistance is requested in order to determine the applicability of the provisions of the various Acts administered by the Commission and the regulations thereunder to all phases of corporate financing. This service is made available to the public by personal or telephone conferences and correspondence. During the fiscal year, several thousand letters of an advisory nature were furnished by the headquarters office and in addition thousands of inquiries were answered by the ten regional offices. This service frequently prevents violations of certain provisions of the Acts or the pursuit of improper procedures, thus saving the Commission as well as the public much time and expense.

Uniformity of interpretations is maintained through a procedure whereby (a) each regional office is advised concerning inquiries received in the headquarters office from persons located in the region served by that office; (b) the headquarters office reviews interpretations given by the regional offices; and (c) all regional offices are advised by the headquarters office of unprecedented interpretations which have general applicability or relate to a novel situation.

CONFIDENTIAL TREATMENT OF APPLICATIONS, REPORTS, OR DOCUMENTS

The Commission is empowered to grant confidential treatment, upon application by registrants, to information which they must otherwise disclose in registration statements, applications, reports, or other documents filed by them under the various Acts administered by the Commission. The following rules have been adopted under these Acts:

Securities Act of 1933

Rule 171. Disclosure detrimental to the national security.
Rule 485. Contracts in general.
Rule 486. Contracts affecting the national defense.

Securities Exchange Act of 1934

Rule X-6. Disclosure detrimental to the national security.
Rule X-24B-2. Nondisclosure of information filed with the Commission and with an exchange.

Public Utility Holding Company Act of 1935

Rule U-104. Public disclosure of information and objections thereto.
Rule U-105. Disclosure detrimental to the national security.

Investment Company Act of 1940

Rule N-45A-1. Confidential treatment of names and addresses of dealers of registered investment company securities.

While any registrant aggrieved by the Commission's determination of his application may seek judicial review thereof, no such appeals have been taken during the past several years.

During the fiscal year, as shown below, 145 applications for confidential treatment were received and acted upon by the Commission. It may be noted that the number of applications filed under the Securities Act reflects a sharp increase over the number filed in the preceding fiscal year—46 applications compared with 15. Of these, 34 were processed under Rule 485, and 12 under Rule 171.

Applications for confidential treatment—1952 fiscal year

Act under which filed	Number pending July 1, 1951	Number received	Number granted	Number denied or withdrawn	Number pending June 30, 1952
Securities Act of 1933	1	46	39	6	2
Securities Exchange Act of 1934	3	30	27	4	2
Investment Company Act of 1940	0	69	69	0	0
Total	4	145	135	10	4

STATISTICS AND SPECIAL STUDIES

In connection with the various Acts which it administers, the Commission has become the repository of a wealth of financial and economic data. To the extent that manpower allows, statistical data are assembled for the following purposes: first, to provide the Commission with material to aid in the administration of the securities acts; second, to make readily available to the financial community and general investing public, computations and analyses of financial data on file with the Commission, consistent with the disclosure provisions of the securities acts; and third, to provide other organizations, particularly government agencies and the Congress, with data for use, either in combination with material collected by them or separately, as a basis for recommendations or decisions in their work.

The statistical series and reports which have been prepared during the fiscal year are described below, together with a discussion of significant developments in certain of the series.

CAPITAL MARKETS

All New Securities Offerings

The Commission has continued its monthly series on new securities offerings which is published in the Statistical Bulletin, and a quarterly series which is published in release form and contains brief analyses of the data. These statistics show the volume and character of all new securities offered for cash sale in the United States, including both registered and unregistered securities, and public and private offerings. Collateral studies based on these data have been undertaken from time to time, pursuant to the Commission's needs and to requests from other branches of the government and the public.

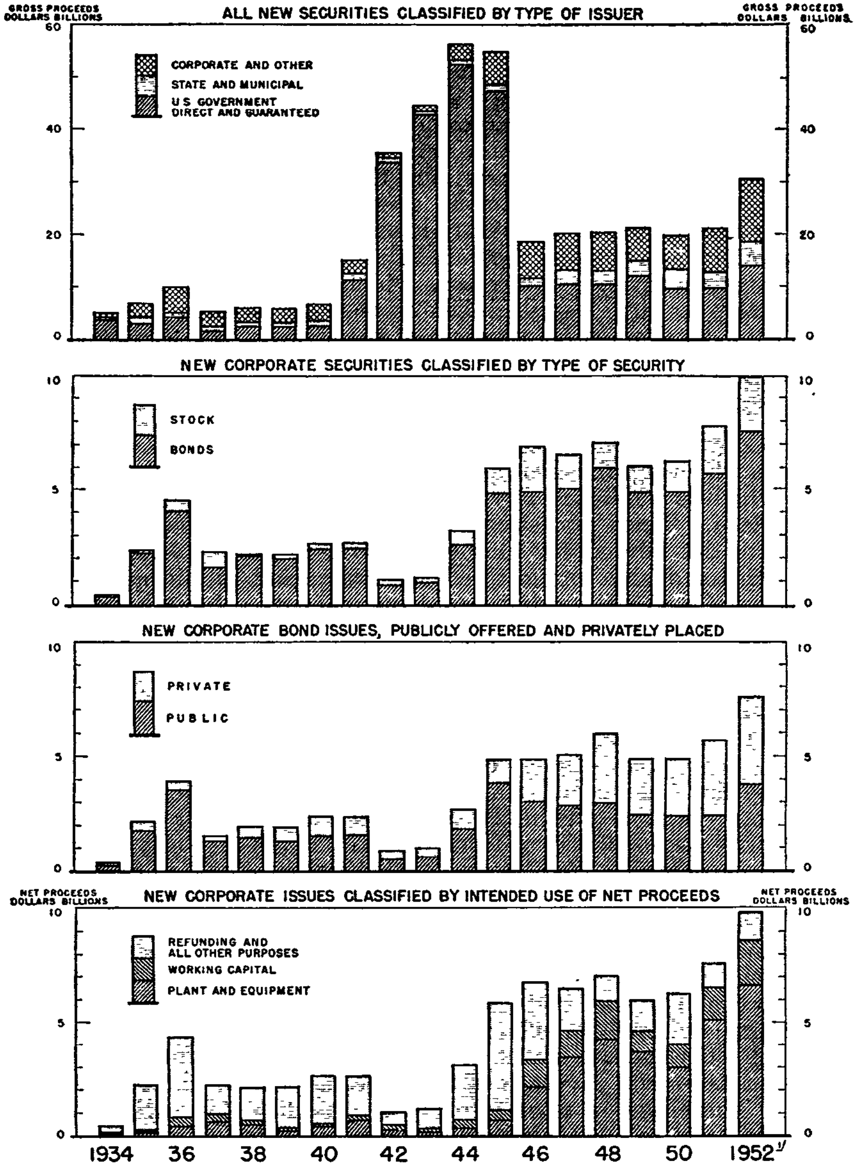
According to these data, corporations offered for cash sale during the fiscal year securities having a value of $8.6 billion, the largest amount of new issues in any year since 1929. This amount is exclusive of sales by investment companies [26] and other issues sold continuously such as special offerings to employees. Thus the figures differ from statistics of issues effectively registered under the Securities Act shown in other sections of this report. There are other important differences as well. For example, the series on offerings includes issues offered for cash sale for the account of issuers, publicly offered issues, privately placed issues and other issues exempt from registration under the Securities Act, such as intrastate offerings and railroad securities. Figures on noncorporate securities are also presented, covering cash issues of Federal, state and local bodies, and new issues of foreign governments offered in this country. The statistics on new cash offerings are given in Appendix Tables 3 through 5, and more details on the coverage of the series appear in footnotes to the tables. The chart on page 190, *infra*, classifies, for each calendar year from 1934 to 1952, all new offerings according to type of issuer, and further classifies corporate securities by type of security, public or private offerings, and use of net proceeds.

The $8.6 billion of corporate securities offered during the fiscal year compares with $6.7 billion in the 1951 and $6.0 billion in the 1950 fiscal years. The large amount of securities offerings in the 1952 fiscal year reflects the increased need for outside funds by

[26] Figures given in the foreword of this report indicate total offerings in excess of $9 billion for the fiscal year ended June 1952; this amount includes net issues by investment companies of almost $500 million.

NEW SECURITIES OFFERED FOR CASH IN THE UNITED STATES

BY CALENDAR YEAR, 1934-1952



[1] PRELIMINARY FIGURES ESTIMATED ON BASIS OF DATA THROUGH JUNE 1952

DS-3420 PREPARED BY THE SECURITIES AND EXCH. COMM.

corporations to finance their record outlays for fixed capital. Proceeds from securities offerings provided approximately one-quarter of the amounts estimated to have been spent by corporations during the period, the remainder being obtained from retained earnings and depreciation accruals. The amount of net proceeds from securities offerings designated for plant and equipment expenditures totalled $5.9 billion while the amount used to supplement working capital was $1.6 billion. In addition, $960 million was to be used for refunding outstanding securities, repaying bank loans and other purposes.

Of the total corporate securities issued during the fiscal year, $5.0 billion were publicly offered, the highest amount of public offerings since 1946. The large volume of public offerings reflected the favorable securities market conditions during the fiscal year, as well as the substantial need for outside funds by corporations. Privately placed securities were lower in amount than public offerings but reached a record total for such transactions of $3.6 billion, accounting for 42 percent of all offerings. Comparisons of the volume of public and private offerings are shown by calendar years from 1934 through 1952 in Appendix Table 5. The data on private transactions include only issues actually sold, and exclude issues which institutions had contracted to purchase but had not taken down by the end of the fiscal year.

During the fiscal year, debt financing by corporations, including both public and private offerings, amounted to $6.3 billion, preferred stock issues, $900 million, and common stock, $1.3 billion. The distribution of offerings among the various industry groups was as follows: manufacturing, 44 percent; electric, gas and water, 33 percent; railroads, 9 percent; other transportation, 5 percent; and real estate, financial,[27] communication, commercial and miscellaneous, 9 percent.

In the noncorporate field, a total of $14.1 billion of securities was offered which, added to the corporate offerings, brought total issues sold for cash proceeds during the fiscal year to $22.7 billion. The noncorporate securities included $9.3 billion of U. S. Government securities, $4.1 billion of state and local securities, $350 million of foreign government issues, and $340 million of Federal agency securities.

Issues Registered Under Securities Act

Statistics of all securities registered under the Securities Act are published at quarterly intervals in the Statistical Bulletin, and a discussion of the data for the fiscal year appears in the section of this report devoted to that Act. In addition, Appendix Table 1 presents information on the number and volume of registrations by months and also classifies the issues registered according to method of distribution, industry of issuer, purpose of registration, and use of proceeds. Appendix Table 2 contains a classification of bond issues according to size and quality of issue, and compensation paid to distributors.

Underwriting Statistics

Underwriting statistics cover participations of investment bankers in effectively registered issues, and include a listing of the leading underwriters and of firms managing the groups. The data carry on a series begun in 1938, and are reported quarterly in the Statistical Bulletin.

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[27] Excluding net sales by investment companies.

Investment Companies

Data are published quarterly in the Statistical Bulletin for over 200 management investment companies registered under the Investment Company Act of 1940. The statistics include purchases and sales of their own securities, portfolio changes, and aggregates of securities and assets, segregated by open and closed-end types. Sales, net after repurchases, of the issues of these companies reached almost half a billion dollars in the fiscal year, an increase of approximately $200 million over net sales in the preceding fiscal year.

COST OF FLOTATION

Issues Placed Privately

A report covering the cost of flotation incident to the sale of privately placed securities was prepared during the fiscal year, and was published in September 1952. The study covered the initial costs of selling securities privately, including fees paid to investment bankers and others for arranging private sales, payments to attorneys and accountants, and other expenses usually incurred in marketing securities. The figures presented in the report covered costs for over 1,800 issues sold privately in the years 1947, 1949 and 1950. To the extent possible, the costs involved in private placements were compared with similar costs involved in public offerings.

Tabulations were presented showing fees paid to agents or finders and other expenses of issuance, classified by type of security and size of issue. In addition, tables were included covering comparative expenses of publicly offered and privately placed issues.

The report indicated that investment bankers served as agents or finders in approximately 50 percent of all private sales, and for this service were paid average fees ranging from 20¢ per $100 of proceeds for the largest issues to $1.70 per $100 of proceeds for the smallest issues. Other expenses of issuance, on the average, ranged from 15¢ per $100 of proceeds for the largest issues to $1.15 per $100 for the smallest issues.

Copies of the report, entitled "Privately Placed Securities—Cost of Flotation," may be obtained from the Superintendent of Documents, Government Printing Office, Washington, D. C.

Issues Registered Under Securities Act

Since the first quarter of 1950 a report has been published at quarterly intervals on costs of flotation for each issue effectively registered. The report contains a description of the securities offered, offering price, gross proceeds, underwriting compensation, and other expenses of flotation. Each offering is classified as to type of security and offering as well as industry and asset size of the issuer.

STOCK MARKETS

Stock Market Indexes

The indexes of stock market prices were continued during the fiscal period. These indexes are based upon the weekly closing market prices of 265 common stocks listed on the New York Stock Exchange, and are composed of seven major industry groups, 29 subordinate groups, and a composite group. These data are published in the Statistical Bulletin and are also released weekly to the press.

Other Data on Stock Exchanges

Statistics are regularly compiled and published in the Statistical Bulletin on the market value and volume of sales on registered and exempt securities exchanges, short interest in New York Stock Exchange stocks, 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. Figures on round-lot and odd-lot stock transactions are also published weekly with the release on stock market indexes.

SAVING STUDY

The Commission compiles and releases at quarterly intervals estimates of the volume and composition of individuals' saving in the United States. The study shows aggregate value of saving in each quarter and also the form in which the saving was made, such as investment in securities, expansion of currency holdings, and bank deposits. Data on the amount and distribution of saving provide information on the funds available for investment and are valuable in the determination of monetary and fiscal policy.

The estimates show that during the fiscal year liquid saving by individuals was at the highest rate since the end of World War II, reaching almost $15 billion. Individuals added $8.3 billion to their equity in life insurance and government pension reserves, such as Social Security funds, increased their currency and bank deposits by $6.7 billion, made net purchases of securities totalling $3.7 billion, the bulk of which were corporate issues, and, in addition, increased their shares in savings and loan associations by $2.6 billion. During the same period individuals added substantially to their debt, increasing mortgage debt by $5.3 billion and other debt by $1.6 billion.

PLANT AND EQUIPMENT EXPENDITURS OF U. S. BUSINESS

The Commission, together with the Department of Commerce, continued the joint series of quarterly releases on the plant and equipment expenditures of United States business other than agricultural. Shortly after the close of each quarter these releases present industry totals on the actual capital expenditures of that quarter and anticipated expenditures for the next two quarters. In addition, a survey is made at the beginning of each year of the plans of business as regards expansion during that year.

During the fiscal year the data on expenditures of manufacturing companies were revised and progress was made in connection with improving the coverage for noncorporate businesses. In addition, both corporate and noncorporate segments were related to basic figures in Statistics of Income. These data have provided a useful index of present and future activity in the capital markets and of business in general.

The survey indicates that during the fiscal year, American business, exclusive of agriculture, spent a record amount of $27.3 billion for expansion of plant and new equipment. According to their plans at mid-1952, manufacturing companies expected to make plant and equipment expenditures of $12.8 billion in the calendar year 1952, a new high and 15 percent above the 1951 amount. Increases of over 30 percent were expected in the expenditures of such defense-related industries as nonferrous metals, rubber, petroleum refining, and iron and steel, while decreases were anticipated in most nondefense industries.

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FINANCIAL POSITION OF CORPORATIONS

Work Capital Position

The series of quarterly releases on the working capital position of all United States corporations, exclusive of banks and insurance companies, was continued in the fiscal year. These releases show the principal components of current assets and current liabilities and an abbreviated analysis of the sources and uses of corporate funds. These data are important in measuring the liquid position of the corporate segment of the economy taken as a whole.

At the end of the fiscal year the net working capital of United States corporations reached a record of $85.7 billion. At that date corporations held $29.7 billion of cash and $20.0 billion of U. S. Government securities, these together amounting to 59 percent of their current liabilities.

Balance Sheet and Income Statements

The Commission, together with the Federal Trade Commission, continued the joint series of quarterly industrial financial reports, which were developed as an extension of the working capital series. Complete balance sheet data and abbreviated income data have been published for manufacturing companies since the first quarter of 1947. During the fiscal year the report was expanded to cover wholesale and retail trade corporations, data being published for the year 1950 and the four quarters of 1951. For both manufacturing and trade companies, data are shown for various size groups of companies and for minor industry groups. The financial report program includes data on profits, which are extremely important in the formulation of a tax program and renegotiation policy. The data are basic to any appraisal of corporate financial position and any analysis of corporation finance and the capital markets.

During the fiscal year the report on manufacturing companies, as well as wholesale and retail trade companies, was again supplied to the Office of Price Stabilization in connection with the determination of price policy.

PERSONNEL

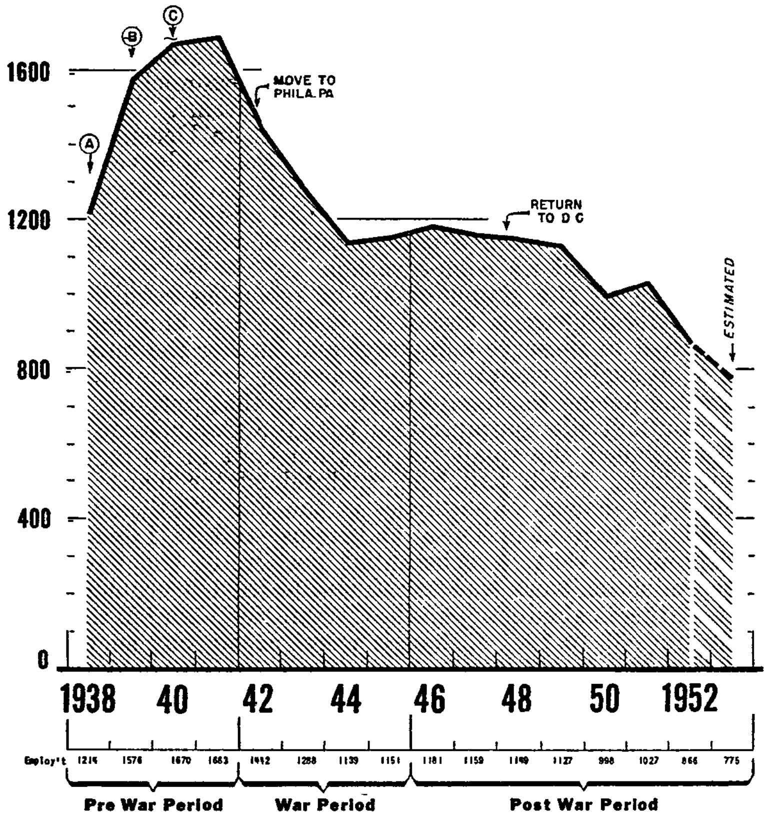
As of June 30, 1952, the personnel of the Securities and Exchange Commission consisted of the following:

Commissioners (1 vacancy)		4
Staff:		
Headquarters office	557	
Regional offices	305	862
Total		866

In order to stay within its appropriation for the 1952 fiscal year, the Commission reduced its staff from 1027 as of June 30, 1951, to 926 employees by September 30, 1951, and effected further reductions through not filling vacancies until the staff had been reduced to the 866 figure on June 30. The graph on page 195 illustrates the extent to which this and similar appropriation cuts over the past twelve years have reduced the Commission's staff.

The Commission has arrived at its budget estimates for past years on the basis of careful consideration of both the need for economy and essential personnel requirements. Nevertheless, in every fiscal year

S.E.C. EMPLOYMENT FOR THE PAST 15 YEARS*



* JUNE 30th employment of each year.

(A) PUBLIC UTILITY HOLDING COMPANY ACT ruled constitutional by Supreme Court.

(B) MALONEY ACT (registration of associations of broker-dealers) and TRUST INDENTURE ACT enacted.

(C) INVESTMENT COMPANY ACT and INVESTMENT ADVISERS ACT enacted.

since the end of World War II, except 1951, its appropriation has been reduced. From an average employment of 1723 in 1941, the staff dropped to approximately 1200 persons in 1947. The appropriation for the 1952 fiscal year permitted an average employment of 929, and the 1953 fiscal year appropriation will permit an average employment of only 807 persons. In contrast to these sharp reductions in personnel, the Commission's duties under the six statutes administered by it and under Chapter X of the Bankruptcy Act have not decreased since 1941, except for some types of work under the Public Utility Holding Company Act. To the contrary, the work load has increased in many respects.

Notwithstanding the staff's exceptional competency and devotion to duty, and the Commission's utilization of every possible procedural and organizational device to increase the efficiency and economy of operations, the net effect of these personnel cuts inevitably has been the severe curtailment of its operations. The staff's devotion to duty is illustrated by the fact that on December 31, 1951, the end of the accounting period under the Federal leave statute then in effect, employees of the Commission forfeited 922 days of annual leave, worth approximately $21,250.00. In addition, throughout the fiscal year, the staff worked many hours of voluntary overtime for which they received no compensation.

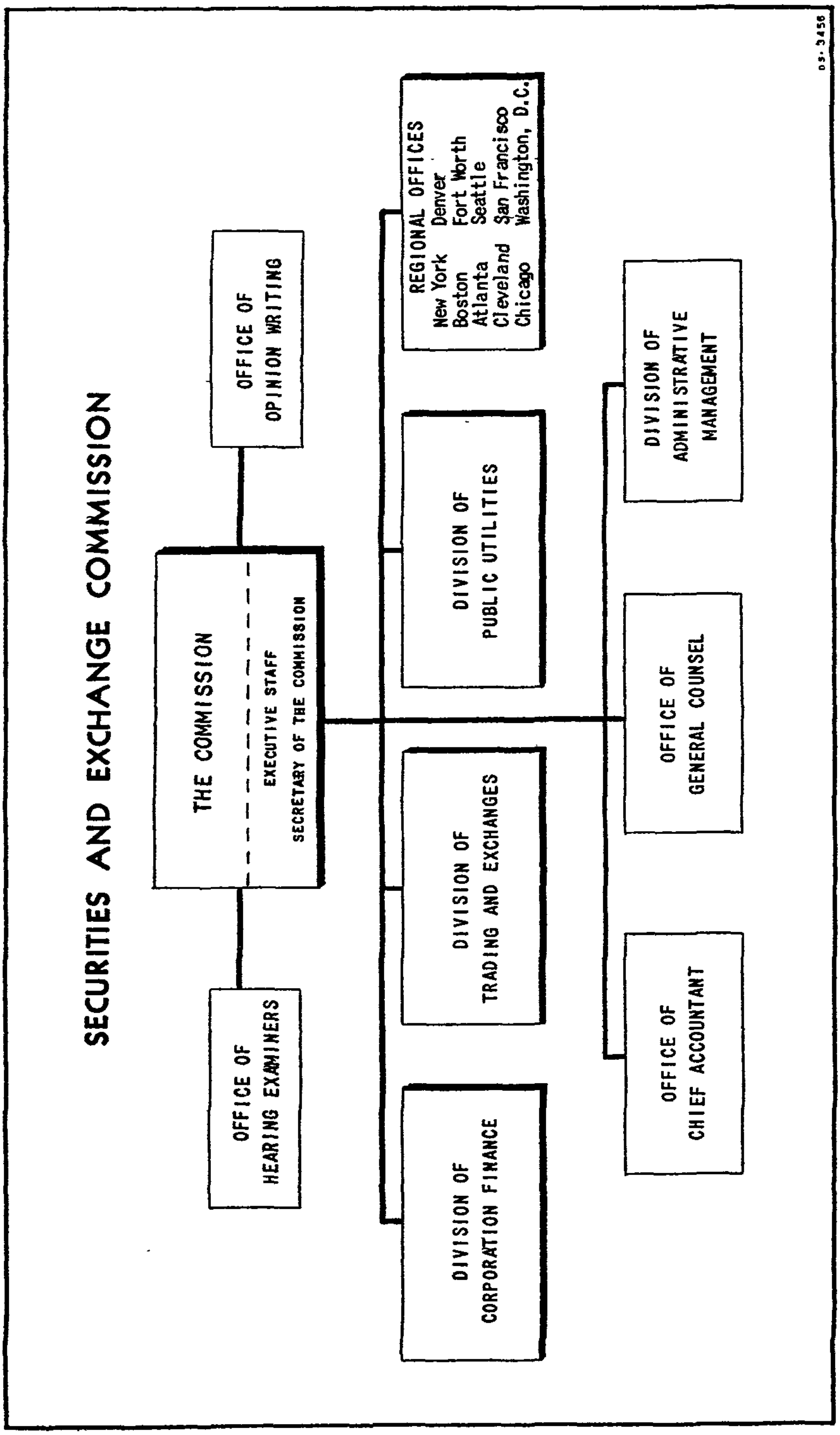
In addition to the simplification of reporting requirements and other procedural changes described elsewhere in this report, which were designed to conserve manpower and further the maximum utilization of available resources, the following organizational changes were effected during the fiscal year to serve that purpose:

As a result of the appropriation cut, the Commission in August 1951 discontinued the small Registration Unit in its San Francisco Regional Office, which had been maintained for many years as a convenience to issuers of securities in the Far West, and two small branch offices, located in Tulsa, Oklahoma, and St. Louis, Missouri.

In September 1951, a substantial portion of the Commission's offset reproduction work was transferred to the Government Printing Office, resulting in a reduction in the Commission's staff in the duplicating shop from 30 to 12. Although a cost accounting survey had indicated that this would involve a relatively small monetary saving to the Commission, other considerations made this action desirable. For example, certain publications, which had been distributed free of charge to individuals, firms and corporations, now are sold on a subscription basis by the Superintendent of Documents.

In May 1952, the Commission's Divisions of Administrative Services, Budget and Finance, and Personnel were consolidated into a new Division of Administrative Management. The new division operates under and is responsible to the Chairman of the Commission. The Executive Assistant to the Chairman also serves as the Director of the new division and Chairman of the Management Improvement Committee. The consolidation of these administrative management functions in one division has given more formal recognition to the transfer of executive functions to the Chairman under Reorganization Plan 10. In addition, it is designed to provide for even greater coordination, efficiency and effectiveness in the performance of these related activities.

The organization of the Commission's staff, as of June 30, 1952, is shown below:


SECURITIES AND EXCHANGE COMMISSION
THE COMMISSION
EXECUTIVE STAFF
SECRETARY OF THE COMMISSION
OFFICE OF OPINION WRITING
OFFICE OF HEARING EXAMINERS
REGIONAL OFFICES
New York
Boston
Atlanta
Cleveland
Chicago
Denver
Fort Worth
Seattle
San Francisco
Washington, D.C.
DIVISION OF PUBLIC UTILITIES
DIVISION OF TRADING AND EXCHANGES
DIVISION OF CORPORATION FINANCE
DIVISION OF ADMINISTRATIVE MANAGEMENT
OFFICE OF GENERAL COUNSEL
OFFICE OF CHIEF ACCOUNTANT

FISCAL AFFAIRS

Appropriation and Expenditures

The following is a summary of the appropriation and expenditures for fiscal year 1952 as compared to fiscal year 1951:

	Fiscal 1952	Fiscal 1951
Appropriation	$5,245,080	$6,230,000
Expenditures	5,243,040	6,031,820
Unexpended balance	2,040	198,180

Fees and Revenue

The following is the amount of the fees received in fiscal 1952:

Character of fees:	
Registration of securities issued	$913,234
Qualification of trust indentures	2,100
From registered exchanges	437,081
Sale of copies of documents or portions thereof	9,964
Miscellaneous collections	2,068
Total	1,364,447

Fees and other receipts must be turned over to the General Fund of the Treasury and are not available for expenditure by the Commission.

Proposed Fees and Charges

On August 31, 1951, the Congress, in Public Law 137, authorized Federal agencies to prescribe fair and equitable fees for "any work, service, publication, report, document, benefit, privilege, authority, use, franchise, license, permit, certificate, registration, or similar thing of value or utility" provided by any such agency in order that its functions should be "self-sustaining to the full extent possible." Any fee regulation adopted by a Federal agency was to be subject to such policies as the President may prescribe, and, as in the case of fees presently collected, all fees would be turned over to the Treasury.

Pursuant to this Act and the advice of the Bureau of the Budget that the above provision should be implemented, the Commission published in the Federal Register and sent out for comment proposed rules which provided for certain fees and charges for various of its services for which no charge is now made. It was estimated that total annual receipts from the adoption of these rules would be about $1,225,000.

The Commission received numerous protests against the proposed fees, briefs were filed, and the Commission heard oral argument in March 1952. The principal objections advanced were that the proposed fees were unfair and that the Commission did not have the power to impose them. The proposals and the objections raised thereto are under consideration by the Commission's staff which will submit its recommendations to the Commission.

In the meantime a bill to amend this Act was introduced in the Congress providing that the Commission should have no authority to prescribe fees with respect to brokers or dealers subject to the Securities Exchange Act. On April 30 and May 1, 1952, the SEC Subcommittee of the House Committee on Interstate and Foreign Commerce, to which the bill was referred, held hearings on the bill and the Commission's fee proposals. No action had been reported by the subcommittee at the close of the fiscal year.

PUBLICATIONS

Public Releases

Releases of the Commission consist primarily of official announcements of filings under and actions taken pursuant to the several Acts which it administers. These include notices of filings, hearings, orders, decisions, regulations, and related Commission matters. The Commission is continuing to improve its service and to effect economies in connection with its mailing lists through the continuation of procedures which avoid the full-scale distribution of the complete releases except to those persons who are sufficiently interested to make a special request therefor.

The announcements issued during the fiscal year included 28 releases under the Securities Act of 1933; 111 under the Securities Exchange Act of 1934; 710 under the Public Utility Holding Company Act of 1935; 6 under the Trust Indenture Act of 1939; 141 under the Investment Company Act of 1940; and 2 under the Investment Advisers Act of 1940. In addition, 2 releases were issued concerning the Commission's activities in corporate reorganizations under Chapter X of the Bankruptcy Act.

The following breakdown of the releases for the month of June 1952 is fairly illustrative of the general nature of the releases issued throughout the year:

Announcements of filings, orders for hearing, and notices giving opportunity to request hearing	31
Interim and final decisions and orders	55

The balance of the Commission's releases are of an informational nature, the following having been issued during the year: 74 announcements of publication of reports on corporate survey and statistical studies; 72 reports of court actions in injunction and criminal prosecution cases initiated by the Commission; and 11 miscellaneous announcements regarding appointments of Commissioners and staff officials, and related matters.

Other publications issued during the 1952 fiscal year:

Monthly Statistical Bulletin.
Bound Volume 19 of Commission Decisions and Reports (May 1, 1945, to July 15, 1945).
Judicial Decisions, Volume III (3 parts) (July 1, 1944 to December 31, 1948).
Twelve monthly issues of the Official Summary of Securities Transactions and Holdings of Officers, Directors, and Principal Stockholders.
The Seventeenth Annual Report of the Commission.
List of Securities Traded on Exchanges under the Securities Exchange Act of 1934, as of December 31, 1951.
List of Companies Registered under the Investment Company Act of 1940, as of December 31, 1951.
Registered Public Utility Holding Companies, June 30, 1951.
Securities Registered under the Securities Act of 1933, Cost of Flotation. Second, third and fourth quarters, 1951, and first quarter, 1952.
Survey of American Listed Corporations, Corporate Profits and Return on Net Worth. 1942–50.
Quarterly Financial Report, U. S. Manufacturing Corporations. (Jointly with Federal Trade Commission.)
Quarterly Financial Report, U. S. Wholesale and Retail Trade Corporations. (Jointly with Federal Trade Commission.)
Working Capital of United States Corporations, Quarterly.
Volume and Composition of Saving, Quarterly.
New Securities Offered for Cash, Quarterly.
Plant and Equipment Expenditures of U. S. Corporations, Quarterly. (Jointly with Commerce Department.)
Daily Registration Record.

S. E. C. Indexes of Common Stock Prices, Round-lot and Odd-lot Stock Transactions on New York Stock Exchanges, Weekly.
Securities Required To Be Exchanged for Cash or New Securities Pursuant to the Public Utility Holding Company Act of 1935 and Chapter X of the Bankruptcy Act. March 17, 1952.

INFORMATION AVAILABLE FOR PUBLIC INSPECTION

The Commission maintains public reference rooms at the central office in Washington, D. C., and at the regional offices in New York City and Chicago, Illinois.

Copies of all public information on file with the Commission contained in registration statements, applications, reports, declarations and other public documents are available for inspection in the public reference room in Washington. In addition, there were received in the public reference room 20,758 requests for registered public information and copies of forms, releases, and other material of a public nature. 1,876 persons visited this public reference room seeking registered public information during the fiscal year. Through the facilities provided for the sale of photocopies of such information, 1,954 orders involving a total of 124,818 pages were filled. The Commission also mailed 349,584 pieces of mail containing releases, forms, Acts, etc., to persons requesting them.

In its New York Regional Office, located at 42 Broadway, facilities are provided for the inspection of certain public information on file with the Commission. This includes copies of (1) applications for registration of securities on all national securities exchanges except the New York Stock Exchange and the New York Curb Exchange, together with copies of annual reports, supplemental reports and amendments thereto and (2) annual reports filed pursuant to the provisions of section 15 (d) of the Securities Exchange Act by issuers having securities registered under the Securities Act. During the fiscal year, 11,275 persons visited the New York public reference room and more then 7,220 telephone calls were received from persons seeking public information and copies of forms, releases, and other material.

In the Chicago Regional Office, located at 105 West Adams Street, copies of applications for registration of securities on the New York Stock Exchange and the New York Curb Exchange, together with copies of all annual reports, supplemental reports and amendments thereto, are available for public inspection. During the fiscal year, 2,475 members of the public visited this public reference room, and approximately 2,960 telephone calls were received from persons seeking public information and forms, releases, and other material of a public nature.

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

Copies of all applications for registration of securities on national securities exchanges, and annual reports, supplemental reports and amendments are available for public inspection at the respective exchanges on which the securities are registered.

PUBLIC HEARINGS

The following public hearings were held by the Commission under the Acts indicated during the fiscal year:

	Number hearings
Securities Act of 1933	2
Securities Exchange Act of 1934	[1] 14
Public Utility Holding Company Act of 1935	46
Trust Indenture Act of 1939	1
Investment Advisers Act of 1940	1
Investment Company Act of 1940	7
Total	71

[1] Includes four private hearings eventually made public or to be made public.

PART IX

APPENDIX

STATISTICAL TABLES

TABLE 1.—*Registrations fully effective under the Securities Act of 1933*

PART 1.—DISTRIBUTION BY MONTHS, FISCAL YEAR ENDED JUNE 30, 1952

[Amounts in thousands of dollars [1]]

Year and month	All effectively registered			Proposed for sale for account of issuers		
	Number of statements	Number of issues	Amount	Number of statements	Number of issues	Amount
1951						
July	47	62	352,499	41	53	325,948
August	29	38	287,279	27	32	226,554
September	35	52	437,020	33	43	360,737
October	63	86	789,802	53	64	580,063
November	57	69	664,224	47	50	550,582
December	49	65	420,778	40	45	293,851
1952						
January	49	66	711,071	41	46	628,138
February	42	73	268,004	38	63	227,464
March	72	126	1,068,526	66	112	927,503
April	77	97	997,669	68	84	856,059
May	62	80	939,976	58	71	842,147
June	53	67	2,562,736	46	53	1,710,239
Total, fiscal year 1952	[2] 635	881	9,499,583	558	716	7,529,287

PART 2.—BREAKDOWN BY METHOD OF DISTRIBUTION AND TYPE OF SECURITY OF THE VOLUME PROPOSED FOR CASH SALE FOR ACCOUNT OF THE ISSUERS, FISCAL YEAR ENDED JUNE 30, 1952

[Amounts in thousands of dollars [1]]

Method of distribution and group to whom offered	Type of security					
	All types	Secured bonds	Unsecured bonds	Preferred stock	Common stock	Other types [3]
All methods of distribution	7,529,287	1,228,720	1,948,610	851,432	2,839,190	661,335
To general public	5,007,838	1,228,420	1,318,545	583,260	1,398,899	478,713
To security holders	1,826,154		630,065	263,252	932,838	
To other special groups	695,295	300		4,921	507,453	182,621
Through investment bankers	5,764,253	1,228,720	1,342,135	831,952	1,894,275	467,171
By purchase and resale	4,373,737	1,228,720	1,330,135	815,246	999,635	
To general public	3,587,033	1,228,420	1,287,845	554,431	516,336	
To security holders	786,070		42,290	260,802	482,979	
To other special groups	634	300		14	320	
On best efforts basis	1,390,517		12,000	16,706	894,640	467,171
To general public	1,336,631		12,000	16,706	851,507	456,418
To security holders	43,021				43,021	
To other special groups	10,865				113	10,753
By issuers	1,765,034		606,475	19,480	944,915	194,164
To general public	84,175		18,700	12,123	31,056	22,296
To security holders	997,063		587,775	2,450	406,838	
To other special groups	683,796			4,907	507,020	171,868

See footnotes at end of table.

TABLE 1.—*Registrations fully effective under the Securities Act of 1933*—Continued

PART 3.—PURPOSE OF REGISTRATION AND INDUSTRY OF REGISTRANT, FISCAL YEAR ENDED JUNE 30, 1952

[Amounts in thousands of dollars [1]]

Purpose of registration and use of proceeds	Industry								
	All industries	Extractive	Manufacturing	Financial and investment	Merchandising	Transportation and communication	Electric, gas, and water	Foreign governments	Other groups [4]
Number of statements	[2] 635	36	198	160	22	38	163	8	10
Number of issues	881	43	267	262	30	44	208	12	15
For all purposes of registration (estimated value)	9,499,583	179,228	2,603,560	1,613,870	112,399	2,367,378	2,429,088	166,141	27,919
Less: Not for cash sale	1,760,623	30,848	638,295	59,866	45,518	828,364	145,029		12,704
For account of issuers	1,750,617	30,242	636,715	59,426	45,518	828,364	137,649		12,704
Reserved for conversion	1,418,129	26,335	373,966	34,353	35,526	814,702	128,534		4,712
Reserved for option	113,676	3,594	88,118	9,547	7,665	3,126	1,484		144
For substitution [5]	62,416	313	58,282		2,328		500		994
For exchange for other securities	150,583		116,246	12,216		10,536	4,730		6,854
For other purposes	5,813		103	3,310			2,400		
For account of others than issuers	10,006	606	1,580	440			7,380		
For cash sale (estimated gross proceeds)	7,738,960	148,380	1,965,265	1,554,004	66,881	1,539,015	2,284,059	166,141	15,215
Less: For account of others than issuers	209,673	16,388	145,965	367	7,056	2,381	37,499		17
For cash sale for account of issuers	7,529,287	131,993	1,819,300	1,553,637	59,825	1,536,633	2,246,560	166,141	15,198
Less: Cost of flotation	480,003	11,227	122,646	108,289	3,036	165,795	73,131	3,084	2,794
Commission and discount	441,736	9,821	111,519	105,450	2,579	149,745	57,272	2,740	2,611
Expenses	38,266	1,406	11,128	2,839	457	16,050	15,859	344	183

See footnotes at end of table.

TABLE 1.—*Registrations fully effective under the Securities Act of 1933*—Continued

PART 3.—PURPOSE OF REGISTRATION AND INDUSTRY OF REGISTRANT, FISCAL YEAR ENDED JUNE 30, 1952—Continued

[Amounts in thousands of dollars [1]]

Purpose of registration and use of proceeds	Industry								
	All industries	Extractive	Manufacturing	Financial and investment	Merchandising	Transportation and communication	Electric, gas, and water	Foreign governments	Other groups [4]
Expected net proceeds from cash sales for account of issuers	7,049,284	120,766	1,696,654	1,445,347	56,789	1,380,839	2,173,428	163,057	12,405
New money purposes	5,113,096	88,570	1,507,986	19,127	54,531	1,332,203	2,104,644		6,035
Plant and equipment	4,548,049	46,095	1,083,012	15	21,357	1,299,193	2,096,127		2,250
Working capital	514,301	7,901	422,608	19,032	25,370	33,010	2,594		3,785
Other new money purposes	50,746	34,573	2,366	80	7,803		5,924		
Retirements	268,941	24,736	100,091	321	2,259	48,624	68,540	24,370	
Funded debt	127,748	17,110	66,464				19,805	24,370	
Other debt	132,501	7,169	30,208	321		46,250	48,553		
Preferred stock	8,692	458	3,419		2,259	2,374	182		
Purchase of securities	1,487,434	7,400	50,422	1,423,211			232		[5] 6,169
For investment	1,445,897	4,750	31,009	1,409,841					298
For affiliation	41,537	2,650	19,413	13,371			232		[5] 5,871
Foreign governments—public uses	138,687							138,687	
Miscellaneous and unaccounted for	41,127	59	38,154	2,688		11	13		200

[1] Dollar amounts are rounded and will not necessarily add to the totals.

[2] The 635 statements shown in this table as "fully effective" differs from the 634 shown in the table on page 9 by reason of (a) the exclusion of 4 statements which became effective during the 1952 fiscal year subject to amendments which were not filed by the end of the fiscal year, (b) the inclusion of 4 statements which became effective during the preceding fiscal year subject to amendments which were filed during the 1952 fiscal year, and (c) the inclusion of 1 statement which became effective but was later withdrawn.

[3] Consists of face amount certificates, certificates of participation, and warrants. Of the $168,365,473 of face amount certificates, $151,659,873 were registered for sale through investment bankers on a best-efforts basis and $16,705,600 for sale directly by issuers. Of the $492,940,178 of certificates of participation, $315,510,688 were registered for sale through investment bankers on a best-efforts basis and $177,429,490 for sale directly by issuers. Warrants in the amount of $29,000 were registered for sale directly by issuers.

[4] Industries represented in this group are real estate, construction, and service.

[5] Consists of voting trust certificates.

TABLE 2.—*Classification by quality and size of new bond issues registered under the Securities Act of 1933 for cash sale to the general public through investment bankers during the fiscal years 1950, 1951 and 1952*

PART 1.—NUMBER OF BOND ISSUES AND AGGREGATE VALUE

[Amounts in millions of dollars [1]]

Fiscal year ended June 30—	Size of issue ($000,000)	Quality [2]															
		First grade		Second grade		Third grade		Fourth grade		Fifth grade		Below fifth		Unrated		All bonds	
		Number of issues	Aggregate value	Number of issues	Aggregate value	Number of issues	Aggregate value	Number of issues	Aggregate value	Number of issues	Aggregate value	Number of issues	Aggregate value	Number of issues	Aggregate value	Number of issues	Aggregate value
1950	50 and over	2	211.4	3	383.4	2	172.0	1	60.7	0	-------	0	-------	0	-------	8	827.6
	20-50	0	-------	8	254.4	5	174.6	2	48.3	1	31.8	0	-------	0	-------	16	509.0
	5-20	6	87.0	11	107.6	19	206.6	6	62.3	1	6.0	0	-------	1	9.1	44	478.6
	1-5	0	-------	3	9.4	10	29.8	3	10.1	2	5.3	1	4.0	2	7.0	21	65.5
	Under 1	0	-------	0	-------	0	-------	0	-------	0	-------	0	-------	0	-------	0	-------
	All sizes	8	298.5	25	754.8	36	583.0	12	181.4	4	43.0	1	4.0	3	16.1	89	1,880.7
1951	50 and over	0	-------	4	222.4	1	92.1	0	-------	0	-------	0	-------	0	-------	5	314.5
	20-50	4	111.6	7	247.7	9	313.5	3	103.5	0	-------	0	-------	0	-------	23	776.3
	5-20	1	12.3	8	102.0	18	204.8	4	33.0	3	17.0	0	-------	1	6.0	35	375.0
	1-5	0	-------	2	8.0	8	27.3	9	24.9	1	2.5	4	5.8	5	9.0	29	77.5
	Under 1	0	-------	0	-------	0	-------	2	1.8	0	-------	0	-------	1	.5	3	2.3
	All sizes	5	123.9	21	580.0	36	637.6	18	163.2	4	19.5	4	5.8	7	15.5	95	[3] 1,545.6
1952	50 and over	0	-------	5	377.1	4	237.5	2	141.4	0	-------	0	-------	0	-------	11	755.9
	20-50	3	81.3	11	311.6	13	373.2	5	150.9	0	-------	0	-------	0	-------	32	916.9
	5-20	1	15.1	21	262.8	40	371.2	9	85.6	4	34.7	1	12.5	1	10.0	77	791.8
	1-5	0	-------	1	4.1	8	22.3	4	11.5	3	10.0	2	3.4	6	12.4	24	63.6
	Under 1	0	-------	0	-------	0	-------	0	-------	0	-------	0	-------	0	-------	0	-------
	All sizes	4	96.4	38	955.5	65	1,004.1	20	389.3	7	44.7	3	15.9	7	22.4	144	2,528.3

See footnotes at end of table.

TABLE 2.—*Classification by quality and size of new bond issues registered under the Securities Act of 1933 for cash sale to the general public through investment bankers during the fiscal years 1950, 1951 and 1952*—Continued

PART 2.—COMPENSATION [4] TO DISTRIBUTORS

[Percent of gross proceeds]

Fiscal year ended June 30—	Size of issue ($000,000)	Quality [2]							
		First grade	Second grade	Third grade	Fourth grade	Fifth grade	Below fifth	Unrated	All bonds
1950	50 and over	0.6	0.6	0.6	1.6	----	----	----	0.7
	20–50	----	.5	.5	.5	0.9	----	----	.5
	5–20	.5	.5	.5	.9	2.0	----	4.5	.7
	1–5	----	.5	.6	1.2	2.0	5.0	3.7	1.4
	Under 1	----	----	----	----	----	----	----	----
	All sizes	.6	.5	.6	1.0	1.2	5.0	4.2	.6
1951	50 and over	----	.8	.4	----	----	----	----	.7
	20–50	.6	.6	.9	.4	----	----	----	.7
	5–20	.3	.7	.7	1.1	2.0	----	3.5	.8
	1–5	----	.6	.7	1.5	.5	5.6	5.8	1.9
	Under 1	----	----	----	2.3	----	----	10.0	4.0
	All sizes	.6	.7	.8	.8	1.8	5.6	5.0	.8
1952	50 and over	----	.9	.9	1.2	----	----	----	.9
	20–50	.6	.7	1.1	1.4	----	----	----	.9
	5–20	.4	.6	.8	1.9	2.0	2.0	.3	.9
	1–5	----	.6	1.0	1.1	3.7	8.3	5.7	2.7
	Under 1	----	----	----	----	----	----	----	----
	All sizes	.6	.7	.9	1.5	2.4	3.3	3.3	1.0

[1] Dollar amounts are rounded and will not necessarily add to the totals.
[2] The grades are according to the classification of the bonds by investment rating services: "first grade" corresponds to Moody's Aaa, Standard & Poor's A1+, "second grade" to Aa, A1, etc.
[3] Two issues of the State of Israel in the aggregate amount of $500,000,000 have not been included because the amount of compensation cannot be determined at this time. Data on these 2 issues will be included in a future tabulation when the results of the sales have been reported.
[4] The compensation figures are based on the data reported in the registration statements as of their effective dates.

TABLE 3.—*New securities offered for cash sale in the United States* [1]

PART I.—TYPE OF OFFERING

[Estimated gross proceeds in thousands of dollars [2]]

Calendar year or month	All offerings	Public [3]				Private		
		Registered	Exempt because of—			Registered	Exempt because of—	
			Type of issue or issuer [4]	Size of issue [5]	Intrastate offering		Type of issue or issuer [4]	Purchase by limited group [6]
1934	4,909,642	180,173	4,682,392	0	5,366	0	1,454	90,257
1935	6,683,345	1,872,433	4,335,886	0	7,399	3,048	85,066	379,512
1936	9,982,185	3,455,299	6,134,551	0	14,681	64,113	21,258	292,284
1937	5,327,644	1,784,120	3,194,187	0	14,078	8,666	21,830	304,764
1938	5,925,877	1,449,002	3,779,082	0	5,339	62,253	6,451	623,750
1939	5,687,184	1,319,327	3,570,085	0	7,558	12,563	100,087	677,563
1940	6,564,219	1,589,414	4,195,621	0	5,492	4,152	32,638	736,902
1941	15,157,000	1,498,966	12,826,295	0	7,981	117,241	33,570	672,946
1942	35,438,064	508,586	34,416,216	0	1,034	0	7,786	414,442
1943	44,518,166	763,197	43,392,498	0	609	0	21,829	350,032
1944	56,309,992	1,709,839	53,699,690	0	18,734	12,063	69,433	710,233
1945	54,711,881	3,467,083	50,177,940	41,012	4,155	0	4,370	1,017,320
1946	18,685,493	4,155,884	12,451,119	145,997	4,780	5,000	21,984	1,890,729
1947	19,940,927	4,323,650	13,231,928	137,694	11,764	0	8,888	2,227,001
1948	20,249,988	3,210,580	13,662,416	135,673	4,519	5,000	21,780	3,210,019
1949	21,110,068	3,048,760	15,419,673	107,864	7,325	0	25,730	2,500,716
1950	19,892,793	3,030,984	14,014,494	116,946	4,390	6,892	21,510	2,697,577
1951	21,264,507	3,926,653	13,739,177	133,273	9,853	28,500	27,100	3,399,951
1951								
July	1,693,770	224,161	1,186,672	12,681	3,918	0	0	266,339
August	1,350,818	188,216	824,685	12,771	0	0	0	325,146
September	1,619,309	212,893	1,210,718	9,331	1,000	0	902	184,466
October	1,788,695	431,211	1,153,761	13,276	300	0	2,240	187,907
November	1,688,458	406,897	1,043,361	8,949	1,200	0	3,400	174,651
December	1,780,318	326,566	925,509	12,548	1,250	3,500	6,750	504,195
1952								
January	2,194,058	373,060	1,606,706	13,391	0	0	0	200,900
February	1,697,799	201,497	1,225,468	15,159	0	0	1,000	254,675
March	1,648,959	617,647	678,033	14,698	2,654	0	0	335,927
April	2,335,842	527,284	1,303,371	13,402	0	0	3,580	398,204
May	2,494,267	639,389	1,504,008	12,594	0	0	6,250	332,027
June	2,451,633	372,164	1,618,153	16,736	0	0	35,000	409,580

See footnotes at end of table.

TABLE 3.—*New securities offered for cash sale in the United States* [1]—Continued

PART 2.—TYPE OF SECURITY

[Estimated gross proceeds in thousands of dollars [2]]

Calendar year or month	All types of securities			Bonds, debentures, and notes			Preferred stock	Common stock
	All issuers	Noncorporate	Corporate	All issuers	Noncorporate	Corporate		
1934	4,909,642	4,512,402	397,240	4,883,880	4,512,402	371,478	6,272	19,490
1935	6,683,345	4,351,715	2,331,630	6,576,232	4,351,715	2,224,517	85,566	21,547
1936	9,982,185	5,410,505	4,571,680	9,439,441	5,410,505	4,028,926	270,752	272,002
1937	5,327,644	3,018,120	2,309,524	4,636,286	3,018,120	1,618,166	405,955	285,403
1938	5,925,877	3,771,213	2,154,664	5,815,217	3,771,213	2,044,004	86,100	24,561
1939	5,687,184	3,523,177	2,164,007	5,502,713	3,523,177	1,979,536	97,688	86,784
1940	6,564,219	3,887,046	2,677,173	6,273,059	3,886,871	2,386,188	183,000	108,160
1941	15,157,000	12,490,113	2,666,887	14,879,866	12,490,113	2,389,753	167,320	109,814
1942	35,438,064	34,375,776	1,062,288	35,292,499	34,375,776	916,723	112,020	33,545
1943	44,518,166	43,348,474	1,169,692	44,338,346	43,348,474	989,872	123,729	56,091
1944	56,309,992	53,108,101	3,201,891	55,777,347	53,108,101	2,669,246	369,471	163,173
1945	54,711,881	48,700,895	6,010,985	53,556,340	48,700,895	4,855,445	758,176	397,364
1946	18,685,493	11,785,848	6,899,646	16,667,972	11,785,848	4,882,124	1,126,667	890,855
1947	19,940,927	13,364,103	6,576,824	18,400,411	13,364,103	5,036,308	761,959	778,557
1948	20,249,988	13,172,168	7,077,820	19,144,943	13,172,168	5,972,776	491,535	613,509
1949	21,110,068	15,058,518	6,051,550	19,949,018	15,058,518	4,890,500	424,662	736,388
1950	19,892,793	13,531,750	6,361,043	18,451,317	13,531,750	4,919,567	630,822	810,654
1951	21,264,507	13,523,408	7,741,099	19,214,357	13,523,408	5,690,949	837,656	1,212,494
1951								
July	1,693,770	1,162,788	530,982	1,522,655	1,162,788	359,867	39,073	132,043
August	1,350,818	843,083	507,785	1,219,097	843,083	376,015	76,879	54,841
September	1,619,309	1,229,721	389,588	1,553,741	1,229,721	324,020	34,851	30,717
October	1,788,695	1,133,797	654,898	1,555,419	1,133,797	421,622	126,926	106,349
November	1,638,458	965,267	673,191	1,367,859	965,267	402,591	166,059	104,541
December	1,780,318	908,921	871,396	1,544,944	908,921	636,023	103,631	131,743
1952								
January	2,194,058	1,588,751	605,306	2,063,116	1,588,751	474,365	82,521	48,420
February	1,697,799	1,219,827	477,972	1,533,780	1,219,827	313,953	9,964	154,055
March	1,648,959	676,527	972,431	1,424,590	676,527	748,063	62,974	161,394
April	2,335,842	1,368,468	967,373	2,139,334	1,368,468	770,866	61,382	135,126
May	2,494,267	1,378,073	1,116,194	2,248,391	1,378,073	870,318	83,291	162,586
June	2,451,633	1,603,410	848,223	2,255,477	1,603,410	652,067	84,003	112,153

See footnotes at end of table.

TABLE 3.—*New securities offered for cash sale in the United States* [1]—Continued

PART 3.—TYPE OF ISSUER

[Estimated gross proceeds in thousands of dollars [2]]

Calendar year or month	Total corporate	Corporate [7] Electric, gas, and water	Corporate [7] Communication	Corporate [7] Transportation other than railroad	Corporate [7] Manufacturing	Corporate [7] Commercial and miscellaneous	Corporate [7] Railroad	Corporate [7] Real estate and financial	Noncorporate Total noncorporate	Noncorporate U. S. Government (including agency issues guaranteed)	Noncorporate Federal agency (issues not guaranteed)	Noncorporate State and municipal	Noncorporate Foreign government [8]	Noncorporate Eleemosynary and other nonprofit
1934	397,240		133,165		66,881		176,423	20,772	4,512,402	3,535,478	31,913	939,453	4,978	580
1935	2,331,630		1,283,762		797,005		126,031	124,831	4,351,715	2,937,856	115,838	1,231,846	58,650	7,525
1936	4,571,680		2,040,477		1,332,251		797,456	401,495	5,410,505	4,087,722	54,696	1,120,678	85,763	61,647
1937	2,309,524		770,526		1,120,315		344,257	74,427	3,018,120	1,901,910	36,442	907,662	152,614	19,472
1938	2,154,664		1,234,175		847,914		54,873	17,703	3,771,213	2,479,514	114,698	1,107,617	53,706	15,678
1939	2,164,007		1,270,964		604,067		185,707	103,269	3,523,177	2,332,111	13,020	1,126,448	41,030	8,568
1940	2,677,173		1,203,091		991,567		323,912	158,602	3,887,046	2,516,699	108,548	1,237,992	0	23,807
1941	2,666,887		1,357,112		847,888		366,313	95,574	12,490,113	11,466,139	37,900	955,988	4,120	25,066
1942	1,062,288		471,697		538,577		47,726	4,288	34,375,776	33,845,554	1,406	523,705	0	5,112
1943	1,169,692		477,417		509,712		161,179	21,384	43,348,474	42,814,597	1,856	435,223	89,700	7,098
1944	3,201,891		1,422,384		1,060,849		609,360	109,297	53,108,101	52,424,316	1,185	660,610	19,398	2,593
1945	6,010,985		2,319,380		2,026,270		1,454,021	211,314	48,700,895	47,352,965	505,886	794,741	45,212	2,092
1946	6,899,646		2,157,961		3,701,320		711,119	329,246	11,785,848	10,216,508	356,825	1,156,900	53,210	2,405
1947	6,576,824		3,256,705		2,741,754		285,680	292,684	13,364,103	10,589,439	0	2,324,098	443,195	7,370
1948 [7]	7,077,820		3,086,867		2,773,957		623,348	593,649	13,172,168	10,326,937	0	2,689,719	150,000	5,512
1948 [7]	7,077,820	2,187,390	091,663	131,924	2,225,757	414,090	623,348	593,649	13,172,168	10,326,937	0	2,689,719	150,000	5,512
1949	6,051,550	2,319,828	571,080	340,315	1,414,176	347,064	459,982	599,105	15,058,518	11,804,320	215,538	2,907,028	116,250	15,383
1950	6,361,043	2,648,822	399,391	259,057	1,200,017	552,916	554,100	746,740	13,531,750	9,687,497	30,000	3,531,992	262,584	19,677
1951	7,741,099	2,454,853	612,080	159,227	3,121,853	533,383	335,087	524,616	13,523,408	9,778,151	110,000	3,188,777	418,567	27,914
1951														
July	530,982	190,021	52,112	948	157,660	37,590	17,975	74,675	1,162,788	834,408	0	320,740	7,640	0
August	507,735	151,512	3,485	59,861	233,407	22,394	9,228	27,848	843,083	656,252	0	151,723	34,307	801
September	389,588	128,219	8,328	18,279	160,438	29,307	30,399	14,617	1,229,721	765,204	40,000	268,915	153,302	2,300
October	654,898	200,973	15,691	956	314,456	41,397	18,157	63,268	1,133,797	651,469	70,000	396,579	15,224	525
November	673,191	266,792	37,478	10,698	219,722	47,436	76,465	14,601	965,267	655,205	0	301,595	5,067	3,400
December	871,396	260,447	25,755	11,285	486,944	40,449	22,653	23,863	908,921	601,342	0	295,529	11,626	425
1952														
January	605,306	186,289	1,950	0	353,942	31,351	17,005	14,769	1,588,751	1,023,686	0	564,716	350	0
February	477,972	112,009	3,146	15,389	290,935	14,131	29,340	13,023	1,219,827	967,283	0	221,777	30,217	550
March	972,431	400,108	6,318	98,317	373,472	62,256	12,194	19,766	676,527	515,400	0	144,680	16,088	360
April	967,373	270,559	47,798	135,803	353,273	69,019	34,137	56,785	1,368,468	721,620	228,300	396,863	19,595	2,090
May	1,116,194	281,416	26,391	37,550	569,933	40,901	119,935	40,069	1,378,073	927,719	0	396,304	52,250	1,800
June	848,223	355,458	29,274	6,400	290,768	44,770	51,543	70,009	1,603,410	977,794	0	673,816	1,800	0

See footnotes at end of table.

TABLE 3.—*New securities offered for cash sale in the United States* [1]—Continued

PART 4.—PRIVATE PLACEMENT OF CORPORATE SECURITIES [6]

[Estimated gross proceeds in thousands of dollars [2]]

Calendar year or month	All private placements	Type of security: Bonds, debentures, and notes	Type of security: Stocks	Industry of issuer [7]: Electric, gas, and water	Industry of issuer: Communication	Industry of issuer: Transportation other than railroad	Industry of issuer: Manufacturing	Industry of issuer: Commercial and miscellaneous	Industry of issuer: Railroad	Industry of issuer: Real estate and financial
1934	91, 532	91, 532	0		48, 026		42, 232		1, 274	0
1935	387, 059	385, 009	2, 050		151, 807		193, 614		4, 499	37, 140
1936	373, 154	369, 202	3, 952		218, 403		104, 781		15, 875	34, 095
1937	329, 910	327, 409	2, 501		61, 330		244, 350		19, 730	4, 500
1938	691, 562	690, 961	601		298, 568		384, 089		8, 405	500
1939	706, 311	703, 166	3, 144		456, 990		144, 239		19, 608	85, 475
1940	764, 996	757, 737	7, 259		390, 717		253, 356		9, 165	111, 759
1941	813, 257	811, 377	1, 880		438, 354		289, 430		19, 990	65, 484
1942	420, 427	410, 768	9, 660		189, 857		222, 584		5, 986	2, 000
1943	371, 861	369, 216	2, 645		100, 608		230, 449		38, 979	1, 825
1944	786, 828	777, 645	9, 183		296, 733		392, 417		91, 433	6, 246
1945	1, 021, 690	1, 004, 280	17, 411		290, 261		681, 735		20, 520	29, 174
1946	1, 917, 013	1, 863, 073	53, 940		325, 290		1, 408, 156		34, 864	148, 704
1947	2, 235, 480	2, 147, 290	88, 190		528, 606		1, 541, 549		1, 000	164, 324
1948	3, 086, 799	3, 008, 219	78, 580		636, 149		1, 972, 683		4, 800	473, 167
1948	3, 086, 799	3, 008, 219	78, 580	576, 902	52, 433	126, 815	1, 543, 310	309, 371	4, 800	473, 167
1949	2, 502, 296	2, 453, 480	48, 816	586, 610	51, 607	338, 262	831, 886	267, 078	2, 013	424, 840
1950	2, 679, 602	2, 559, 235	120, 367	683, 835	54, 505	181, 074	809, 715	397, 178	12, 078	541, 218
1951	3, 414, 691	3, 326, 457	88, 234	637, 137	55, 327	154, 826	1, 975, 318	365, 280	3, 990	223, 314
1951										
July	265, 601	257, 883	7, 717	61, 201	2, 958	948	118, 102	25, 542	0	56, 849
August	325, 146	313, 110	12, 036	86, 153	3, 185	59, 861	155, 579	16, 799	0	3, 570
September	180, 740	178, 740	2, 000	37, 824	3, 830	18, 279	97, 420	14, 245	0	9, 142
October	189, 410	188, 125	1, 285	32, 012	1, 758	0	110, 110	17, 132	2, 240	26, 158
November	169, 584	162, 566	7, 019	43, 086	3, 950	10, 698	77, 139	33, 922	0	790
December	512, 631	505, 391	7, 240	83, 265	3, 282	11, 285	380, 053	20, 691	750	13, 355
1952										
January	200, 550	196, 368	4, 182	29, 961	1, 950	0	157, 721	6, 958	0	3, 959
February	255, 142	254, 792	350	46, 451	3, 008	15, 089	179, 906	6, 038	0	4, 650
March	331, 795	328, 695	3, 100	73, 825	2, 550	57, 027	144, 589	42, 294	0	11, 509
April	389, 960	372, 462	17, 508	45, 084	11, 200	20, 047	254, 718	21, 340	0	37, 580
May	335, 277	326, 710	8, 567	88, 477	4, 806	37, 297	148, 821	32, 551	0	23, 325
June	442, 780	441, 272	1, 508	42, 991	6, 672	6, 400	266, 146	19, 141	35, 000	66, 429

[1] The data in these tables cover substantially all new issues of securities offered for cash sale in the United States in amounts over $100,000 and with terms to maturity of more than 1 year. 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 unsold securities, chiefly nonunderwritten issues of small companies. The figures on privately placed issues include securities actually issued but exclude securities which institutions had contracted to purchase but which had not been taken down during the period covered by the statistics. Also excluded are: intercorporate transactions; United States Government "Special Series" issues, and other sales directly to Federal agencies and trust accounts; notes issued exclusively to commercial banks; and corporate issues sold through continuous offering, such as issues of open-end investment companies. The chief sources of data are the financial press and documents filed with the Commission. Data for offerings of State and municipal securities are from totals published by the *Commercial and Financial Chronicle* and the *Bond Buyer;* these represent principal amounts instead of gross proceeds. All figures are subject to revision as new data are received.

[2] Gross proceeds are derived by multiplying principal amounts or numbers of units by offering prices, except for municipal issues where principal amount is used. Slight discrepancies between the sum of figures in the tables and the totals shown are due to rounding.

[3] Issues sold by competitive bidding directly to ultimate investors are classified as publicly offered issues.

[4] Issues exempt because of type of issue or issuer include offerings of Federal, state, and local governments, banks, issuers subject to regulation by the Interstate Commerce Commission, and eleemosynary and other non-profit institutions.

[5] Issues in this group include those between $100,000 and $300,000 in size which are exempt under Regulation A of the Securities Act of 1933, as amended May 21, 1945.

[6] Securities for which registration under the Securities Act of 1933 would be required if they were publicly offered.

[7] A more detailed classification of industry of issuer is available beginning with the year 1948, with figures for 1948 presented according to both the old and new classifications. Prior to 1948 all electric, gas, water, telephone, street railway, and bus company issues were grouped together under the heading "Public Utility". The yearly totals of such issues are given for the years 1934 through 1948 in order to provide a rough comparison with current data. Similarly, manufacturing, commercial, and miscellaneous companies were grouped together under the heading "Industrial and miscellaneous," and figures for that classification are inserted for the years 1934 through 1948. An exact comparison of these old and new groups cannot be made because some companies formerly classified "Industrial and miscellaneous", such as radio and aviation companies, would now fall under the "Communication" and "Transportation" groups. No changes were made in the "Railroad" and "Real estate and financial" classifications for the entire period.

[8] Includes bonds of the International Bank for Reconstruction and Development.

[9] Excludes 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] [1]

Calendar year and month	Proceeds: Total gross proceeds [2]	Proceeds: Total net proceeds [2]	New money: Total new money	New money: Plant and equipment	New money: Working capital	Retirements: Total retirements	Retirements: Funded debt	Retirements: Other debt	Retirements: Preferred stock	All other purposes
1934	397,240	383,547	57,453	31,729	25,724	314,927	231,164	83,764	0	11,168
1935	2,331,630	2,265,760	207,649	111,246	96,404	2,034,963	1,793,734	170,194	71,035	23,147
1936	4,571,680	4,430,522	858,233	380,460	477,773	3,522,837	3,142,570	154,411	225,857	49,452
1937	2,309,524	2,235,786	990,542	573,949	416,594	1,211,763	910,570	111,422	189,771	36,480
1938	2,154,664	2,109,519	681,303	504,084	177,219	1,421,190	1,119,045	215,403	86,743	7,026
1939	2,164,007	2,115,012	324,889	170,145	154,743	1,763,842	1,636,755	68,504	58,584	26,281
1940	2,677,173	2,615,279	568,884	423,968	144,915	2,027,681	1,725,751	173,571	128,358	18,714
1941	2,666,887	2,623,199	868,288	660,904	207,385	1,726,753	1,482,968	144,227	99,558	28,157
1942	1,062,288	1,042,556	473,652	287,039	186,613	533,703	365,819	137,543	30,341	35,201
1943	1,169,692	1,146,914	307,958	140,889	167,069	811,685	666,657	72,538	72,490	27,271
1944	3,201,891	3,141,847	656,967	251,757	405,210	2,438,063	2,037,505	49,071	351,486	46,818
1945	6,010,985	5,901,744	1,079,844	637,803	442,042	4,688,823	4,116,897	134,009	437,917	133,076
1946	6,899,646	6,756,582	3,278,828	2,114,682	1,164,146	3,246,302	2,391,919	378,786	475,597	231,452
1947	6,576,824	6,466,053	4,590,540	3,408,523	1,182,017	1,707,931	1,155,191	356,304	196,436	167,582
1948	7,077,820	6,959,046	5,929,280	4,220,880	1,708,400	795,722	239,961	488,278	67,484	234,044
1949	6,051,550	5,959,260	4,606,326	3,724,165	882,160	1,038,099	360,424	637,133	40,542	314,835
1950	6,361,043	6,261,444	4,006,480	2,965,598	1,040,881	1,891,136	1,149,312	619,906	121,918	363,828
1951	7,741,099	7,606,520	6,531,403	5,110,105	1,421,298	849,322	390,801	362,908	95,612	225,795
1951										
July	530,982	520,863	468,935	349,930	119,006	47,150	26,422	17,636	3,092	4,777
August	507,735	500,130	436,003	341,913	94,091	50,449	20,995	26,814	2,640	13,678
September	389,588	381,160	343,328	285,778	57,550	32,956	17,998	14,958	0	4,876
October	654,898	638,904	547,963	403,789	144,174	64,585	9,929	52,897	1,759	26,356
November	673,191	660,225	570,421	487,587	82,834	71,694	41,850	28,987	856	18,110
December	871,396	855,855	771,293	681,664	89,629	55,421	42,288	10,739	2,394	29,142
1952										
January	605,306	594,924	558,940	487,244	71,696	23,487	8,167	15,280	0	12,537
February	477,972	468,706	412,514	278,096	134,418	49,192	35,227	13,002	963	7,000
March	972,431	954,387	875,396	654,796	220,600	60,076	14,678	44,940	458	18,915
April	967,373	951,190	844,024	612,517	231,507	82,981	9,471	70,390	3,071	24,234
May	1,116,194	1,096,788	924,726	735,402	189,324	163,216	125,596	37,620	0	8,846
June	848,223	835,603	746,758	553,017	193,741	83,580	37,804	45,776	0	5,265

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 2.—PUBLIC UTILITY

[Amounts in thousands of dollars [1]]

Calendar year and month	Proceeds		New money			Retirements				All other purposes
	Total gross proceeds [2]	Total net proceeds [2]	Total new money	Plant and equipment	Working capital	Total retirements	Funded debt	Other debt	Preferred stock	
PUBLIC UTILITY 1934–48 [3]										
1934	133,165	129,676	10,756	2,802	7,954	111,129	77,140	33,989	0	7,792
1935	1,283,762	1,249,586	30,355	26,205	4,150	1,218,256	1,144,549	28,747	44,959	975
1936	2,040,477	1,986,829	62,810	41,724	21,086	1,916,422	1,853,192	19,191	44,039	7,597
1937	770,525	750,606	89,286	79,652	9,634	652,927	522,811	41,877	88,239	8,393
1938	1,234,175	1,208,125	179,658	142,143	37,515	1,027,133	887,086	84,358	55,689	1,333
1939	1,270,964	1,246,237	42,808	32,105	10,702	1,197,734	1,099,832	41,170	56,732	5,695
1940	1,203,091	1,180,440	245,210	228,713	16,497	929,170	882,836	7,295	39,039	6,060
1941	1,357,112	1,340,019	316,758	302,963	13,795	1,019,308	956,363	26,135	36,810	3,953
1942	471,697	464,156	145,088	138,851	6,237	310,660	278,227	18,519	13,914	8,408
1943	477,417	469,122	21,645	15,837	5,807	439,082	411,659	16,207	11,216	8,396
1944	1,422,384	1,399,535	39,577	24,520	15,056	1,344,437	1,155,903	1,102	187,431	15,522
1945	2,319,380	2,290,603	69,359	60,794	8,566	2,182,235	2,051,873	23,492	106,869	39,009
1946	2,157,961	2,129,275	785,063	714,326	70,737	1,298,452	1,013,832	46,869	237,751	45,760
1947	3,256,705	3,211,842	2,188,262	2,035,020	153,242	977,048	842,375	37,795	96,877	46,532
1948	3,086,867	3,039,400	2,744,141	2,710,959	33,182	248,850	94,171	102,748	51,931	46,409
ELECTRIC, GAS, AND WATER 1948–52 [3]										
1948	2,187,390	2,149,672	1,871,931	1,840,599	31,331	231,819	93,018	87,431	51,370	45,923
1949	2,319,828	2,275,898	1,837,545	1,818,560	18,986	332,303	198,478	98,913	34,912	106,050
1950	2,648,822	2,608,491	1,728,378	1,711,320	17,058	803,375	612,652	121,798	68,925	76,739
1951	2,454,853	2,411,714	2,186,248	2,158,823	27,425	172,541	79,777	87,102	5,662	52,925
1951										
July	190,021	186,995	184,790	184,070	720	2,205	855	1,350	0	0
August	151,512	149,584	138,666	136,047	2,618	10,918	3,721	7,198	0	0
September	128,219	126,744	123,838	122,539	1,299	2,906	1,506	1,400	0	0
October	200,973	196,560	178,485	165,365	13,121	18,075	114	17,961	0	0
November	266,792	262,267	250,755	249,989	765	11,474	4,811	6,240	422	39
December	260,447	254,749	239,731	238,918	813	14,786	14,493	293	0	232
1952										
January	186,289	183,530	176,933	176,863	70	6,598	5,895	702	0	0
February	112,009	110,117	107,083	105,973	1,109	3,034	3,034	0	0	0
March	400,108	393,420	365,498	360,211	5,287	27,922	5,486	22,436	0	0
April	270,559	265,180	256,067	256,067	0	7,116	331	6,785	0	1,996
May	281,416	275,979	255,631	255,175	456	20,348	8,318	12,030	0	0
June	355,458	348,870	331,396	330,716	680	17,474	589	16,885	0	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 2.—PUBLIC UTILITY—Continued

[Amounts in thousands of dollars [1]]

COMMUNICATION 1948–52 [3]

Calendar year and month	Proceeds		New money			Retirements				All other purposes
	Total gross proceeds [2]	Total net proceeds [2]	Total new money	Plant and equipment	Working capital	Total retirements	Funded debt	Other debt	Preferred stock	
1948	901,663	891,373	870,321	868,470	1,850	21,031	1,153	19,317	551	21
1949	571,080	566,566	504,557	502,679	1,877	60,855	47,175	11,578	2,102	1,154
1950	399,391	395,172	304,006	300,264	3,741	89,713	78,658	8,710	2,344	1,454
1951	612,080	605,095	594,324	574,417	19,907	9,421	5,231	4,190	0	1,350
1951										
July	52,112	50,860	50,860	50,763	97	0	0	0	0	0
August	3,485	3,405	2,953	2,908	45	452	53	400	0	0
September	8,328	7,980	7,980	7,890	90	0	0	0	0	0
October	15,691	15,270	15,120	15,090	30	150	150	0	0	0
November	37,478	36,970	36,530	36,440	90	440	240	200	0	0
December	25,755	24,887	24,007	23,214	792	881	60	821	0	0
1952										
January	1,950	1,915	1,846	1,846	0	69	69	0	0	0
February	3,146	3,109	3,109	3,088	21	0	0	0	0	0
March	6,318	6,058	5,929	5,542	387	129	129	0	0	0
April	47,798	47,183	44,510	41,738	2,772	2,673	250	49	2,374	0
May	26,391	26,079	26,079	26,079	0	0	0	0	0	0
June	29,274	28,617	28,617	28,549	68	0	0	0	0	0

TRANSPORTATION OTHER THAN RAILROAD 1948–52 [3]

Calendar year and month	Total gross proceeds [2]	Total net proceeds [2]	Total new money	Plant and equipment	Working capital	Total retirements	Funded debt	Other debt	Preferred stock	All other purposes
1948	131,924	130,918	126,463	114,705	11,758	3,989	745	3,244	0	466
1949	340,315	338,695	302,320	298,865	3,455	36,284	272	36,012	0	90
1950	259,057	257,182	242,902	241,599	1,303	4,261	3,421	841	0	10,019
1951	159,227	158,240	131,009	123,217	7,792	24,281	4,657	5,803	13,821	2,950
1951										
July	948	941	941	941	0	0	0	0	0	0
August	59,861	59,675	59,675	59,675	0	0	0	0	0	0
September	18,279	18,144	9,015	7,615	1,400	6,179	629	5,550	0	2,950
October	956	841	841	841	0	0	0	0	0	0
November	10,698	10,643	9,450	9,450	0	1,193	0	0	0	0
December	11,285	11,203	11,203	11,203	0	0	0	0	0	0
1952										
January	0	0	0	0	0	0	0	0	0	0
February	15,389	15,259	15,259	15,214	45	0	0	0	0	0
March	98,317	96,806	95,419	90,349	5,070	1,387	643	744	0	0
April	135,803	133,392	87,142	65,791	21,351	46,250	0	46,250	0	0
May	37,550	37,386	37,386	37,386	0	0	0	0	0	0
June	6,400	6,380	6,380	6,380	0	0	0	0	0	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 3.—INDUSTRIAL AND MISCELLANEOUS

[Amounts in thousands of dollars [1]]

INDUSTRIAL AND MISCELLANEOUS 1934–48 [2]

Calendar year and month	Proceeds		New money			Retirements				All other purposes
	Total gross proceeds [3]	Total net proceeds [3]	Total new money	Plant and equipment	Working capital	Total retirements	Funded debt	Other debt	Preferred stock	
1934	66,881	61,776	25,256	7,766	17,490	35,132	34,106	1,026	0	1,388
1935	797,005	774,091	73,984	27,985	45,999	679,668	523,784	129,808	26,076	20,439
1936	1,332,251	1,279,934	438,768	208,183	230,584	811,075	623,381	50,384	137,310	30,092
1937	1,120,315	1,079,100	616,468	269,662	346,806	440,896	272,204	68,270	100,422	21,736
1938	847,914	831,232	469,351	337,631	131,720	356,778	201,941	131,009	23,828	5,102
1939	604,067	584,498	188,037	53,083	134,954	380,037	351,718	26,736	1,582	16,425
1940	991,567	960,771	166,817	81,820	84,996	783,342	652,207	45,669	85,467	10,612
1941	847,888	827,828	244,012	105,265	138,747	565,751	402,867	103,136	59,748	18,065
1942	538,577	527,185	292,651	116,399	176,252	207,741	72,290	119,024	16,427	26,793
1943	509,712	497,439	227,587	79,065	148,522	252,659	137,468	53,916	61,275	17,193
1944	1,060,849	1,033,302	453,664	124,961	328,704	551,617	346,073	47,969	157,574	28,111
1945	2,026,270	1,969,294	810,516	460,879	349,637	1,107,002	719,519	96,651	290,832	51,775
1946	3,701,320	3,600,777	2,200,869	1,256,903	943,965	1,230,693	756,658	250,152	223,883	169,216
1947	2,741,754	2,685,903	1,973,818	1,127,890	845,928	649,565	263,674	296,342	89,549	62,520
1948	2,773,957	2,715,707	2,154,489	1,011,510	1,142,978	425,987	64,890	350,646	10,451	135,231
MANUFACTURING 1948–52 [2]										
1948	2,225,757	2,180,095	1,726,297	762,778	963,519	353,587	49,498	299,667	4,422	100,211
1949	1,414,176	1,390,872	851,257	542,078	309,180	422,930	41,583	378,627	2,720	116,684
1950	1,200,017	1,175,363	688,074	312,701	375,374	415,650	133,544	266,640	15,466	71,639
1951	3,121,853	3,066,352	2,617,233	1,832,777	784,456	392,056	160,167	171,228	60,661	57,063
1951										
July	157,660	154,294	123,594	85,076	38,519	29,325	15,049	12,784	1,492	1,375
August	233,407	230,031	197,881	128,615	69,267	30,667	14,006	14,022	2,640	1,482
September	160,438	156,098	141,774	103,326	38,448	14,090	12,562	1,528	0	234
October	314,456	306,419	263,378	197,415	65,964	40,527	7,919	30,849	1,759	2,514
November	219,722	214,458	179,997	120,088	59,909	29,559	20,834	8,610	115	4,902
December	486,944	480,299	428,475	366,939	61,536	34,246	25,329	8,006	911	17,578
1952										
January	353,942	349,209	331,149	287,372	43,777	10,763	89	10,673	0	7,298
February	290,935	284,814	237,662	120,049	117,613	42,598	30,474	11,161	963	4,554
March	373,472	365,624	335,630	172,867	162,763	19,885	3,536	16,350	0	10,108
April	353,273	349,609	328,871	196,962	131,909	15,333	4,270	10,366	697	5,406
May	569,933	558,734	502,246	365,522	136,724	55,669	44,668	11,001	0	820
June	290,768	287,390	254,690	147,041	107,649	30,650	2,365	28,285	0	2,050

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.—INDUSTRIAL AND MISCELLANEOUS—Continued

[Amounts in thousands of dollars [1]]

COMMERCIAL AND MISCELLANEOUS 1948–52 [3]

Calendar year and month	Proceeds		New money			Retirements				All other purposes
	Total gross proceeds [2]	Total net proceeds [3]	Total new money	Plant and equipment	Working capital	Total retirements	Funded debt	Other debt	Preferred stock	
1948	414,090	403,049	303,619	135,917	167,701	64,411	14,648	43,734	6,029	35,020
1949	347,064	338,317	228,801	77,513	151,288	85,565	27,489	57,535	541	23,951
1950	552,916	537,606	261,559	93,516	168,043	154,767	29,696	91,628	33,443	121,280
1951	533,383	517,988	337,187	113,299	223,888	114,447	45,281	58,253	10,913	66,354
1951										
July	37,590	36,044	20,802	9,663	11,139	14,286	10,518	2,167	1,600	956
August	22,394	21,509	15,508	5,389	10,119	5,415	3,217	2,198	0	585
September	29,307	27,553	19,294	13,769	5,525	7,186	3,301	3,885	0	1,073
October	41,397	39,845	25,893	9,206	16,687	1,704	259	1,445	0	12,248
November	47,436	46,016	21,834	10,540	11,294	13,138	80	13,059	0	11,044
December	40,449	38,883	27,640	14,469	13,172	2,717	412	822	1,483	8,526
1952										
January	31,351	29,251	21,146	4,084	17,062	4,685	1,222	3,463	0	3,420
February	14,131	13,438	8,523	4,588	3,935	3,261	1,720	1,541	0	1,654
March	62,256	60,838	45,564	12,880	32,684	8,497	4,884	3,155	458	6,777
April	69,019	65,775	38,638	15,238	23,400	11,559	4,620	6,939	0	15,577
May	40,901	40,020	29,175	10,254	18,921	3,830	0	3,830	0	7,015
June	44,770	43,527	41,548	23,648	17,900	606	0	606	0	1,374

See footnotes at end of table.

TABLE 4.—*Proposed uses of net proceeds from the sale of new corporate securities for cash in the United States*—Continued

PART 4.—RAILROAD

[Amounts in thousands of dollars [1]]

Calendar year and month	Proceeds		New money			Retirements				All other purposes
	Total gross proceeds [2]	Total net proceeds [2]	Total new money	Plant and equipment	Working capital	Total retirements	Funded debt	Other debt	Preferred stock	
1934	176, 423	172, 215	21, 190	21, 161	29	151, 025	119, 768	31, 258	0	0
1935	126, 031	120, 268	57, 094	56, 755	339	62, 029	53, 653	8, 376	0	1, 145
1936	797, 456	773, 773	138, 702	130, 222	8, 480	635, 072	554, 663	76, 671	3, 738	0
1937	344, 257	338, 260	227, 671	224, 620	3, 050	110, 589	109, 744	845	0	0
1938	54, 873	54, 309	24, 309	24, 309	0	30, 000	30, 000	0	0	0
1939	185, 707	182, 235	84, 946	84, 907	39	97, 289	97, 077	212	0	0
1940	323, 912	318, 681	114, 503	113, 092	1, 411	203, 889	185, 850	18, 039	0	289
1941	366, 313	361, 035	252, 673	252, 673	0	108, 362	105, 362	0	3, 000	0
1942	47, 726	47, 091	31, 788	31, 788	0	15, 302	15, 302	0	0	0
1943	161, 179	159, 524	45, 987	45, 987	0	113, 537	113, 537	0	0	0
1944	609, 360	602, 301	102, 276	102, 276	0	500, 025	500, 025	0	0	0
1945	1, 454, 021	1, 435, 503	114, 838	114, 838	0	1, 320, 665	1, 319, 649	397	619	0
1946	711, 119	703, 550	129, 186	129, 186	0	574, 364	571, 061	3, 303	0	0
1947	285, 680	282, 645	239, 658	237, 664	1, 994	37, 002	35, 342	1, 660	0	5, 985
1948	623, 348	616, 758	545, 871	485, 694	60, 177	70, 887	55, 726	15, 161	0	0
1949	459, 982	456, 353	441, 392	441, 392	0	14, 961	11, 164	3, 797	0	0
1950	554, 100	548, 366	301, 408	281, 890	19, 518	231, 692	192, 651	39, 041	0	15, 266
1951	335, 087	331, 864	296, 917	291, 886	5, 030	34, 948	34, 214	733	0	0
1951										
July	17, 975	17, 829	17, 829	17, 829	0	0	0	0	0	0
August	9, 228	9, 157	9, 157	9, 157	0	0	0	0	0	0
September	30, 399	30, 175	30, 175	30, 175	0	0	0	0	0	0
October	18, 157	18, 018	15, 798	15, 798	0	2, 220	1, 487	733	0	0
November	76, 465	75, 644	60, 952	60, 952	0	14, 692	14, 692	0	0	0
December	22, 653	22, 448	22, 448	22, 448	0	0	0	0	0	0
1952										
January	17, 005	16, 880	16, 880	16, 880	0	0	0	0	0	0
February	29, 340	29, 103	29, 103	29, 103	0	0	0	0	0	0
March	12, 194	12, 096	12, 096	12, 096	0	0	0	0	0	0
April	34, 137	33, 886	33, 886	33, 886	0	0	0	0	0	0
May	119, 935	119, 046	40, 577	40, 577	0	78, 469	67, 711	10, 758	0	0
June	51, 543	51, 253	16, 403	16, 403	0	34, 851	34, 851	0	0	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 5.—REAL ESTATE AND FINANCIAL

[Amounts in thousands of dollars [1]]

Calendar year or month	Proceeds		New money			Retirements				All other purposes
	Total gross proceeds [2]	Total net proceeds [2]	Total new money	Plant and equipment	Working capital	Total retirements	Funded debt	Other debt	Preferred stock	
1934	20,772	19,880	251	0	251	17,641	150	17,491	0	1,988
1935	124,831	121,815	46,216	300	45,916	75,011	71,748	3,263	0	588
1936	401,495	389,986	217,953	330	217,623	160,269	111,334	8,165	40,770	11,763
1937	74,427	70,820	57,117	14	57,103	7,351	5,811	430	1,110	6,352
1938	17,703	15,853	7,984	0	7,984	7,279	18	35	7,226	591
1939	103,269	102,042	9,098	50	9,018	88,783	88,129	385	269	4,161
1940	158,602	155,387	42,355	343	42,012	111,280	4,859	102,569	3,853	1,752
1941	95,574	94,317	54,845	2	54,843	33,332	18,376	14,956	0	6,139
1942	4,288	4,124	4,124	0	4,124	0	0	0	0	0
1943	21,384	20,829	12,740	0	12,740	6,407	3,992	2,415	0	1,682
1944	109,297	106,619	61,450	0	61,450	41,984	35,503	0	6,481	3,184
1945	211,314	206,344	85,130	1,292	83,838	78,922	25,856	13,469	39,597	42,292
1946	329,246	322,980	163,711	14,267	149,444	142,793	50,368	78,462	13,963	16,476
1947	292,684	285,663	188,802	7,949	180,853	44,316	13,800	20,507	10,010	52,545
1948	593,649	587,190	484,779	12,717	472,062	49,998	25,174	19,722	5,102	52,403
1949	599,105	592,559	440,453	43,079	397,374	85,200	34,174	50,670	267	66,906
1950	746,740	739,263	480,154	24,309	455,846	191,678	98,690	91,248	1,739	67,431
1951	524,616	515,267	368,485	15,686	352,800	101,629	61,474	35,599	4,556	45,152
1951										
July	74,675	73,899	70,118	1,587	68,531	1,334	0	1,334	0	2,446
August	27,848	26,770	12,164	122	12,042	2,996	0	2,996	0	11,610
September	14,617	14,466	11,252	463	10,788	2,595	0	2,595	0	619
October	63,268	61,951	48,448	76	48,372	1,909	0	1,909	0	11,593
November	14,601	14,226	10,904	128	10,775	1,197	0	878	319	2,125
December	23,863	23,386	17,790	4,473	13,316	2,790	1,994	797	0	2,806
1952										
January	14,769	14,138	10,987	200	10,787	1,332	891	441	0	1,819
February	13,023	12,867	11,776	80	11,695	299	0	299	0	792
March	19,766	19,546	15,260	851	14,410	2,256	0	2,256	0	2,031
April	56,785	56,164	54,909	2,834	52,074	0	0	0	0	1,255
May	40,069	39,543	33,633	409	33,224	4,900	4,900	0	0	1,011
June	70,009	69,566	67,726	280	67,445	0	0	0	0	1,841

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

[2] Total estimated gross proceeds represent the amount paid 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.

[3] A more detailed classification of industry of issuer is available beginning with the year 1948, with figures for 1948 presented according to both the old and new classifications. Prior to 1948 all electric, gas, water, telephone, street railway, and bus company issues were grouped together under the heading "Public Utility". The yearly totals of such issues are given for the years 1934 through 1948 in order to provide a rough comparison with current data. Similarly manufacturing, commercial and miscellaneous companies were grouped together under the heading "Industrial and miscellaneous" and figures for that classification are inserted for the years 1934 through 1948. An exact comparison of these old and new groups cannot be made because some companies formerly classified "Industrial and miscellaneous", such as radio and aviation companies, would now fall under the "Communication" and "Transportation" groups. No changes were made in the "Railroad" and "Real Estate and financial" classifications for the entire period.

TABLE 5.—*A summary of corporate securities publicly offered and privately placed in each year from 1934 through June 1952*

[Amounts in millions of dollars]

Calendar years	Total offerings			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	397	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	17.3
1936	4,572	4,029	543	4,199	3,660	539	373	369	4	8.2	9.2
1937	2,309	1,618	691	1,979	1,291	688	330	327	3	14.3	20.2
1938	2,155	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	765	758	7	28.6	31.8
1941	2,667	2,389	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	798	621	178	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	1,155	4,989	3,851	1,138	1,022	1,004	18	17.0	20.7
1946	6,900	4,882	2,018	4,983	3,019	1,963	1,917	1,863	54	27.8	38.2
1947	6,577	5,036	1,541	4,342	2,889	1,452	2,235	2,147	88	34.0	42.6
1948	7,078	5,973	1,106	3,991	2,965	1,028	3,087	3,008	79	43.6	50.4
1949	6,052	4,890	1,161	3,550	2,437	1,112	2,502	2,453	49	41.3	50.2
1950	6,362	4,920	1,442	3,681	2,360	1,321	2,680	2,560	120	42.1	52.0
1951	7,741	5,691	2,050	4,326	2,364	1,962	3,415	3,326	88	44.1	58.4
1952 (January–June, inclusive)	4,988	3,829	1,158	3,032	1,910	1,122	1,955	1,920	35	39.2	50.1

TABLE 6.—*Brokers and dealers registered under section 15 of the Securities Exchange Act of 1934*[1]*—effective registrations as of June 30, 1952, classified by type of organization and by location of principal office*

Location of principal office	Number of registrants				Number of proprietors, partners, officers, etc.[2][3]				Number of employees[3]				Number of branch offices[3]			
	Total	Sole proprietorships	Partnerships	Corporations[4]	Total	Sole proprietorships	Partnerships	Corporations[4]	Total	Sole proprietorships	Partnerships	Corporations[4]	Total	Sole proprietorships	Partnerships	Corporations[4]
Alabama	23	9	7	7	61	9	23	29	74	17	35	22	6	1	3	2
Arizona	13	9	4	0	20	9	11	0	39	25	14	0	0	0	0	0
Arkansas	18	8	3	7	44	8	5	31	41	14	8	19	0	0	0	0
California	232	81	85	66	891	81	423	387	4,766	275	2,922	1,569	237	6	143	88
Colorado	56	28	10	18	151	28	34	89	463	27	118	318	6	1	4	1
Connecticut	48	19	15	14	144	19	51	74	601	43	289	269	21	3	9	9
Delaware	7	1	3	3	40	1	27	12	267	0	260	7	9	0	8	1
District of Columbia	69	27	17	25	252	27	71	154	758	47	338	373	9	0	8	1
Florida	40	21	8	11	77	21	18	38	143	56	34	53	3	1	1	1
Georgia	29	11	6	12	95	11	22	62	393	15	274	104	29	0	23	6
Idaho	10	5	3	2	24	5	10	9	38	3	23	12	4	0	3	1
Illinois	213	52	78	83	920	52	367	501	4,318	120	2,550	1,648	197	0	137	60
Indiana	53	23	6	24	152	23	13	116	137	26	11	100	1	0	1	0
Iowa	35	13	6	16	99	13	14	72	168	22	18	128	7	0	0	7
Kansas	36	18	4	14	109	18	9	82	141	44	12	85	8	1	0	7
Kentucky	16	6	4	6	52	6	16	30	141	11	77	53	5	0	3	2
Louisiana	58	31	22	5	115	31	65	19	250	36	189	25	12	1	8	3
Maine	34	16	2	16	85	16	6	63	118	29	22	67	1	1	0	0
Maryland	44	20	17	7	133	20	81	32	599	15	535	49	23	0	12	11
Massachusetts	222	99	47	76	835	99	262	474	3,989	231	2,425	1,333	116	3	80	33
Michigan	54	8	23	23	212	8	100	104	647	14	392	241	34	1	22	11
Minnesota	52	7	8	37	249	7	29	213	3,676	26	201	3,449	28	0	10	18
Mississippi	14	5	7	2	27	5	16	6	24	14	9	1	5	4	1	0
Missouri	94	20	28	46	404	20	137	247	2,208	34	872	1,302	97	0	37	60
Montana	5	3	1	1	9	3	2	4	5	1	2	2	0	0	0	0
Nebraska	28	11	1	16	97	11	2	84	223	14	3	206	2	0	0	2
Nevada	8	5	1	2	13	5	3	5	26	21	1	4	3	3	0	0
New Hampshire	13	9	0	4	25	9	0	16	18	5	0	13	0	0	0	0
New Jersey	119	70	22	27	247	70	62	115	292	58	71	163	18	3	6	9
New Mexico	11	8	2	1	15	8	4	3	23	6	9	8	1	1	0	0
New York State (excluding New York City)	221	152	28	41	409	152	84	173	603	88	271	244	31	7	11	13
North Carolina	28	10	4	14	103	10	9	84	143	12	15	116	13	0	0	13
North Dakota	6	3	2	1	15	3	7	5	5	1	2	2	0	0	0	0
Ohio	134	38	39	57	475	38	176	261	1,161	66	696	399	42	0	21	21
Oklahoma	38	29	5	4	62	29	11	22	60	25	14	21	1	0	0	1
Oregon	23	7	8	8	58	7	19	32	102	29	25	48	1	0	1	0
Pennsylvania	218	78	86	54	701	78	373	250	2,769	112	1,822	835	95	2	65	28

Rhode Island	29	15	10	4	56	15	29	12	126	15	101	10	1	1	0	0
South Carolina	26	10	8	8	68	10	25	33	112	26	41	45	5	0	1	4
South Dakota	2	1	0	1	4	1	0	3	7	5	0	2	0	0	0	0
Tennessee	37	8	10	19	141	8	29	104	225	6	96	123	21	0	9	12
Texas	168	91	37	40	403	91	92	220	639	116	170	353	26	2	11	13
Utah	21	10	6	5	61	10	22	29	312	19	262	31	15	1	14	0
Vermont	3	1	0	2	12	1	0	11	7	0	0	7	0	0	0	0
Virginia	32	14	9	9	103	14	44	45	187	36	67	84	1	0	0	1
Washington	84	47	8	29	219	47	22	150	473	55	70	348	16	0	3	13
West Virginia	10	5	3	2	32	5	9	18	89	13	12	64	11	0	2	9
Wisconsin	56	16	6	34	212	16	25	171	440	16	80	344	11	0	3	8
Wyoming	5	5	0	0	5	5	0	0	6	6	0	0	0	0	0	0
Total (excluding New York City)	2,795	1,183	709	903	8,736	1,183	2,859	4,694	32,052	1,895	15,458	14,699	1,172	43	660	469
New York City	1,152	327	606	219	4,703	327	3,171	1,205	31,646	362	26,788	4,496	989	13	745	231
Total	3,947	1,510	1,315	1,122	13,439	1,510	6,030	5,899	63,698	2,257	42,246	19,195	2,161	56	1,405	700

[1] Includes domestic registrants only, excluding 50 outside continental limits of the United States.
[2] Includes directors, officers, trustees, and all other persons occupying similar status or performing similar functions.
[3] Allocations made among States on the basis of location of principal offices of registrants, not actual location of persons and branch offices. Information taken from latest reports filed prior to June 30, 1952.
[4] Includes all forms of organizations other than sole proprietorships and partnerships.

TABLE 7.—*Market value and volume of sales effected on securities exchanges for the 12-month period ended Dec. 31, 1951, and the 6-month period ended June 30, 1952.*

[Amounts in thousands]

PART 1.—ALL REGISTERED EXCHANGES—12 MONTHS ENDED DEC. 31, 1951

Exchange	Total market value (dollars)	Stocks [1]		Bonds [2]		Rights and warrants	
		Market value (dollars)	Number of shares	Market value (dollars)	Principal amount (dollars)	Market value (dollars)	Number of units
Total all exchanges	22,123,565	21,253,070	786,132	825,006	955,294	45,489	76,650
Boston	226,419	224,360	5,091	58	51	2,001	943
Chicago Board	17	17	2				
Cincinnati	23,183	23,053	590	0	0	130	151
Detroit	76,543	76,370	4,277			173	747
Los Angeles	211,025	210,348	11,777	323	263	354	488
Midwest	491,400	490,591	16,632	16	14	793	1,494
New Orleans	2,438	2,431	70	7	6		
New York Curb	1,635,837	1,596,826	119,477	25,165	37,659	13,846	6,636
New York Stock	19,009,287	18,185,032	579,843	797,431	915,129	26,824	62,959
Philadelphia-Baltimore	183,262	182,318	5,413	502	834	442	812
Pittsburgh	22,839	22,790	1,338	0	0	49	28
Salt Lake	2,392	2,392	16,562				
San Francisco Mining Exch	626	626	5,378				
San Francisco Stock Exch	230,544	228,374	15,944	1,293	1,134	877	2,392
Spokane	1,455	1,455	3,414				
Washington	6,298	6,087	324	211	204		
	Breakdown of 12-month totals by months						
January	3,081,669	2,966,087	119,776	112,608	135,822	2,974	2,589
February	2,163,217	2,077,235	77,286	77,204	86,108	8,778	5,345
March	1,755,967	1,676,044	63,729	72,842	83,272	7,081	7,751
April	1,653,914	1,544,688	57,018	106,614	108,793	2,612	10,007
May	2,099,347	2,027,149	69,161	69,822	80,270	2,376	5,058
June	1,391,314	1,334,112	45,881	54,048	63,267	3,154	6,575
July	1,406,919	1,350,872	46,976	52,767	66,368	3,280	6,177
August	1,678,920	1,623,429	57,486	53,065	60,666	2,426	1,998
September	1,760.843	1,704,529	63,771	54,075	62,621	2,239	2,614
October	2,111,842	2,041,964	78,017	66,533	79,818	3,345	7,277
November	1,460,338	1,409,177	51,866	47,052	56,942	4,109	13,255
December	1,559,275	1,497,784	55,166	58,376	71,347	3,115	8,004

PART 2.—ALL EXEMPTED EXCHANGES—12 MONTHS ENDED DEC. 31, 1951

Exchange	Total market value (dollars)	Stocks: Market value (dollars)	Stocks: Number of shares	Bonds: Market value (dollars)	Bonds: Principal amount (dollars)	Rights and warrants: Market value (dollars)	Rights and warrants: Number of units
Total all exchanges	7,662	7,528	1,137	134	144		
Colorado	241	241	264				
Honolulu	6,510	6,376	854	134	144		
Richmond	554	554	11				
Wheeling	357	357	8				
	Breakdown of 12-month totals by months						
January	972	962	100	10	10		
February	632	606	117	26	28		
March	675	659	131	16	17		
April	546	538	85	8	9		
May	580	573	131	7	8		
June	509	502	53	7	7		
July	478	476	84	2	3		
August	703	664	101	39	41		
September	760	754	92	6	7		
October	776	774	123	2	2		
November	500	491	52	9	10		
December	531	529	68	2	2		

See footnotes at end of table.

TABLE 7.—*Market value and volume of sales effected on securities exchanges for the 12-month period ended Dec. 31, 1951, and the 6-month period ended June 30, 1952*—Continued

[Amounts in thousands]

PART 3.—ALL REGISTERED EXCHANGES—6 MONTHS ENDED JUNE 30, 1952

Exchange	Total market value (dollars)	Stocks [1]		Bonds [2]		Rights and warrants	
		Market value (dollars)	Number of shares	Market value (dollars)	Principal amount (dollars)	Market value (dollars)	Number of units
Total all exchanges	9,501,150	9,141,071	336,148	338,763	402,544	21,316	45,099
Boston Stock Exchange	97,153	97,113	2,179	17	15	23	176
Chicago Board of Trade	(3)	(3)	(4)				
Cincinnati Stock Exchange	10,988	10,975	315	0	0	13	18
Detroit Stock Exchange	36,329	36,302	1,871			27	74
Los Angeles Stock Exchange	95,784	95,659	5,026	0	0	125	200
Midwest Stock Exchange	236,395	235,670	7,276	295	270	430	1,173
New Orleans Stock Exchange	843	803	23	40	38		
New York Curb Exchange	749,747	734,350	65,112	9,545	15,651	5,852	3,087
New York Stock Exchange	8,063,831	7,721,533	223,000	328,260	385,885	14,038	39,176
Phila.-Balto. Stock Exchange	87,375	86,931	2,398	206	320	238	361
Pittsburgh Stock Exchange	12,740	12,740	603	0	0		
Salt Lake Stock Exchange	1,869	1,869	15,477				
San Francisco Mining Exchange	289	289	2,761				
San Francisco Stock Exchange	104,448	103,578	8,955	300	265	570	834
Spokane Stock Exchange	546	546	1,018				
Washington Stock Exchange	2,813	2,713	134	100	100		
	Breakdown of 6-month totals by months						
1952							
January	1,984,912	1,918,020	67,122	63,229	75,892	3,663	4,067
February	1,649,655	1,596,082	57,895	51,332	61,626	2,241	4,756
March	1,502,323	1,445,891	55,573	51,113	59,745	5,319	8,877
April	1,705,629	1,644,949	63,369	59,014	71,124	1,666	3,307
May	1,323,046	1,258,948	47,238	61,104	72,093	2,994	12,193
June	1,335,585	1,277,181	44,951	52,971	62,064	5,433	11,899

PART 4.—ALL EXEMPTED EXCHANGES—6 MONTHS ENDED JUNE 30, 1952

Exchange	Total market value (dollars)	Stocks: Market value (dollars)	Stocks: Number of shares	Bonds: Market value (dollars)	Bonds: Principal amount (dollars)	Rights and warrants: Market value (dollars)	Rights and warrants: Number of units
Total all exchanges	4,116	4,005	485	111	123		
Colorado Stock Exchange	38	38	84				
Honolulu Stock Exchange	3,465	3,354	385	111	123		
Richmond Stock Exchange	335	335	7				
Wheeling Stock Exchange	278	278	9				
	Breakdown of 6-month totals by months						
1952							
January	735	709	99	26	30		
February	654	638	70	16	18		
March	682	665	78	17	19		
April	740	715	100	25	27		
May	720	697	77	23	25		
June	585	581	61	4	4		

[1] "Stocks" include voting trust certificates, American depositary receipts, and certificates of deposit.
[2] "Bonds" include mortgate certificates and certificates of deposit for bonds. Since Mar. 18, 1944, United States Government bonds have not been included in these data.
[3] Five hundred dollars or less.
[4] Five hundred shares or less.

NOTE.—Value and volume of sales effected on registered securities exchanges are reported in connection with fees paid under section 31 of the Securities Exchange Act of 1934. For most exchanges the figures represent transactions cleared during the calendar month. Figures may differ from comparable data in the Statistical Bulletin due to revisions of data by exchanges.

TABLE 8.—*Classification by industry of issuers having securities registered on national securities exchanges as of June 30, 1951, and as of June 30, 1952*

Industry	As of June 30, 1951	As of June 30, 1952
Agriculture	6	6
Beverages (distilleries, breweries, soft drinks)	45	45
Building and related companies (including lumber, building materials, and construction)	96	95
Chemicals, drugs, and allied products	91	91
Financial and investment companies	126	119
Food and related products	104	105
Foreign governments and political subdivisions thereof	68	68
Foreign private issuers other than Canadian, Cuban, and Philippine	48	50
Iron and steel (excluding machinery)	76	75
Machinery and tools (excluding transportation equipment)	210	215
Merchandising (chain stores, department stores)	165	166
Mining, coal	20	20
Mining, other than coal	223	226
Miscellaneous manufacturing	41	43
Oil and gas wells	51	58
Oil refining and distributing	37	37
Paper and paper products	43	42
Printing, publishing and allied industries	21	22
Real estate	16	14
Rubber and leather products	33	33
Services (advertising, amusements, hotels, restaurants)	53	53
Textiles and related products	68	66
Tobacco products	18	18
Transportation and communication (railroads, telephone, radio)	222	220
Transportation equipment	175	173
Utility holding companies (electric, gas, water)	27	26
Utility operating-holding companies	8	8
Utility operating	97	98
Total	2,188	2,192

TABLE 9.—*Number and amount of securities classified according to basis for the admission to dealing on all exchanges as of June 30, 1952*

STOCKS

	Column I [1]		Column II [2]	
	Issues	Number of shares	Issues	Number of shares
Registered	2,624	3,670,855,266	2,624	3,670,855,266
Temporarily exempted from registration [3]	20	14,440,110	20	14,440,110
Admitted to unlisted trading privileges on registered exchanges	895	2,481,191,631	310	366,467,222
Listed on exempted exchanges	114	137,622,792	76	35,189,741
Admitted to unlisted trading privileges on exempted exchanges	36	6,522,339	32	3,262,226
Unduplicated total of stock issues and numbers of shares admitted to dealing on all exchanges			3,062	4,090,214,565

BONDS

	Issues	Principal amount	Issues	Principal amount
Registered [4]	964	$21,410,100,351	964	$21,410,100,351
Temporarily exempted from registration [3]	4	51,848,000	4	51,848,000
Admitted to unlisted trading privileges on registered exchanges	69	540,265,300	64	427,875,400
Listed on exempted exchanges	8	22,000,000	8	22,000,000
Admitted to unlisted trading privileges on an exempted exchange	none			
Unduplicated total of bond issues and principal amounts admitted to dealing on all exchanges			1,040	21,911,823,751

[1] The purpose of column I is to show the number and amount of securities admitted to dealing under the various bases for the admission of securities to dealing on exchanges under the Act. (Issues exempted from registration under sec. 3 (a) (12) of the Act, such as obligations of the United States, states, counties, cities, and United States-owned corporations, are not shown in this table.) Each security is counted once under each basis for its admission to dealing. Thus, a security which is registered on two exchanges and also admitted to unlisted trading privileges on three exchanges would be counted once under "registered" and once under "admitted to unlisted trading privileges." Because of such duplications, column I is not totaled.

[2] The purpose of column II is to show the unduplicated total of all securities admitted to dealing on all exchanges. Each security is counted only once, and the duplication in column I is eliminated in column II in the order in which the various bases for admission to dealing appear in the table.

[3] Includes securities for which the Commission has granted, by general rules, temporary exemption from registration for stated periods and under certain conditions, such as stock issues of certain operating banks and securities resulting from modification of previously listed securities.

[4] Includes 7 bond issues in pounds sterling in the aggregate amount of £14,941,940. This amount in sterling has been excluded from the amount in dollars given in the table.

TABLE 10

PART 1.—NUMBER AND AMOUNT OF SECURITIES CLASSIFIED ACCORDING TO THE NUMBER OF REGISTERED EXCHANGES ON WHICH EACH ISSUE WAS ADMITTED TO DEALING AS OF JUNE 30, 1952

	Stocks		Bonds	
	Issues	Shares	Issues	Principal amount
1. Registered on 1 exchange	1,604	1,178,545,349	881	$18,366,463,351
2. Unlisted on 1 exchange	302	355,362,207	64	427,875,400
3. Registered on 2 or more exchanges	435	377,585,508	78	2,931,247,100
4. Unlisted on 2 or more exchanges	8	11,105,015		
5. Registered on 1 exchange and unlisted on 1 exchange	217	256,781,772	4	73,904,000
6. Registered on 2 or more exchanges and unlisted on 1 exchange	70	167,215,437	1	38,485,900
7. Registered on 1 exchange and unlisted on 2 or more exchanges	177	852,097,710		
8. Registered on 2 or more exchanges and unlisted on 2 or more exchanges	121	838,629,490		
9. Total	2,934	4,037,322,488	1,028	$21,837,975,751

PART 2.—PROPORTION OF REGISTERED ISSUES ALSO ADMITTED TO UNLISTED TRADING PRIVILEGES ON OTHER EXCHANGES AS OF JUNE 30, 1952

All registered issues (part 1, lines 1, 3, 5, 6, 7, and 8)	2,624	3,670,855,266	964	$21,410,100,351
Registered issues that are also admitted to unlisted trading privileges on other exchanges (part 1, lines 5, 6, 7, and 8)	585	2,114,724,409	5	112,389,900
Percent of registered issues that are also admitted to unlisted trading privileges on other exchanges	22.3	57.6	0.5	0.5

PART 3.—PROPORTION OF ISSUES ADMITTED TO UNLISTED TRADING PRIVILEGES THAT ARE ALSO REGISTERED ON OTHER EXCHANGES AS OF JUNE 30, 1952

All issues admitted to unlisted trading privileges (part 1, lines 2, 4, 5, 6, 7, and 8)	895	2,481,191,631	69	$540,265,300
Unlisted issues that are also registered on other exchanges (part 1, lines 5, 6, 7, and 8)	585	2,114,724,409	5	112,389,900
Percent of issues admitted to unlisted trading privileges that are also registered on other exchanges	65.4	85.2	7.2	20.8

PART 4.—PROPORTION OF ALL ISSUES ADMITTED TO DEALING ON REGISTERED EXCHANGES THAT ARE ADMITTED TO DEALING ON MORE THAN 1 REGISTERED EXCHANGE AS OF JUNE 30, 1952

All issues admitted to dealing on registered exchanges (part 1, line 9)	2,934	4,037,322,488	1,028	$21,410,100,351
Issues on more than 1 exchange (part 1, all lines except 1, 2, and 9)	1,028	2,503,414,932	83	3,043,637,000
Percent of all issues admitted to dealing on all registered exchanges that are admitted to dealing on more than one registered exchange	35.0	62.0	8.1	14.2

TABLE 11.—*Number of issuers having securities admitted to dealings on all exchanges as of June 30, 1952, classified according to the basis for admission of their securities to dealing*

Basis of admission of securities to dealing	Column I[1] Number of issuers	Column II[2] Number of issuers
Registered	2,192	2,192
Temporarily exempted from registration	20	16
Admitted to unlisted trading privileges on registered exchanges	863	289
Listed on exempted exchanges	97	65
Admitted to unlisted trading privileges on exempted exchanges	33	30
Total number of issuers having securities admitted to dealing on all exchanges		2,592

[1] The purpose of column I is to show the number of issuers having securities admitted to dealing on exchanges under the various bases for the admission of securities to dealing under the Act. (Issuers, whose securities such as obligations of the United States, states, counties, cities, and United States-owned corporations, are exempted under sec. 3 (a) (12) of the Act, are not included in this table.) Each issuer is counted once under each basis for admission of securities to dealing. Thus, an issuer having securities registered on two or more exchanges and unlisted on two or more exchanges is counted once under "registered" and once under "unlisted." Because of these duplications, column I is not totaled.

[2] The purpose of column II is to show the net number of issuers having securities admitted to dealing on all exchanges under the Act. Each issuer is counted only once, and the duplications in column I are eliminated in column II in the order of the various bases for admission to dealing given in the table.

TABLE 12.—*Number of issuers having stocks only, bonds only, and both stocks and bonds admitted to trading on all exchanges as of June 30, 1952*

	Number of issuers	Percent of total issuers
1. Issuers having only stocks admitted to trading on exchanges	2,136	82.4
2. Issuers having only bonds admitted to trading on exchanges	232	9.0
3. Issuers having both stocks and bonds admitted to trading on exchanges	224	8.6
Total	2,592	100.0
Issuers having stocks admitted to dealing on exchanges (lines 1 plus 3)	2,360	91.0
Issuers having bonds admitted to trading on all exchanges (lines 2 plus 3)	456	17.6

TABLE 13.—*For each exchange as of June 30, 1952, the number of issuers and securities, basis for admission of securities to trading, and the percentage of stocks and bonds admitted to trading on one or more other exchanges* [1]

Name of exchange	Total issuers	Total issues	Stocks: Basis of admission to trading [2]					Stocks: Total stocks	Stocks: Percent traded on 1 or more other exchanges	Bonds: Basis of admission to trading [2]					Bonds: Total bonds	Bonds: Percent traded on 1 or more other exchanges
			R	X	U	XL	XU			R	X	U	XL	XU		
Boston	366	421	105		294			399	85.9	22					22	68.2
Chicago Board of Trade	15	15	10		5			15	66.7							
Cincinnati	109	125	60	1	59			120	65.0	4	1				5	100.0
Colorado Springs [3]	13	14				14		14	28.6							
Detroit	222	232	119		113			232	87.1							
Honolulu [3]	80	98				57	33	90	23.3				8		8	
Los Angeles	275	311	145	1	159			305	92.1	5		1			6	100.0
Midwest	418	508	408	1	83			492	74.9	16					16	93.7
New Orleans	15	21	3		15			18	38.9	1		2			3	33.3
New York Curb	747	864	458	3	322			783	27.8	14		67			81	3.7
New York Stock	1,276	2,453	1,527	1				1,528	51.8	922	4				926	9.0
Philadelphia-Baltimore	449	553	111		393			504	91.7	49					49	79.6
Pittsburgh	115	126	54		71			125	84.9	1					1	
Richmond [3]	19	27				27		27	25.9							
Salt Lake	98	100	96		4			100	8.0							
San Francisco Mining	40	41	41					41	12.2							
San Francisco Stock	323	396	198	4	174			376	80.9	20					20	100.0
Spokane	30	33	25		8			33	27.3							
Washington, D. C	34	55	33	9	2			44	25.0	11					11	63.6
Wheeling [3]	17	19				16	3	19	52.6							

[1] Issues exempted under section 3 (a) (12) of the Act, such as obligations of the United States, states, counties, cities, and United States-owned corporations, are not shown in this table.

[2] R—registered; X—temporarily exempted from registration; U—admitted to unlisted trading privileges on a registered national securities exchange; XL—listed on an exempted exchange; XU—admitted to unlisted trading privileges on an exempted exchange.

[3] Exempted from registration as a national securities exchange.

TABLE 14.—*Supplement to Appendix Table 18 of 17th Annual Report, entitled "Electric, Gas and Nonutility Companies and Properties Divested by Registered Public Utility Holding Company Systems—Dec. 1, 1935 to June 30, 1951," listing additional divestments to June 30, 1952, and other adjustments as noted* [1]

System and company divested [4]	Date of divestment	Assets of divested company [5]	Consideration (if sold)	Details of divestment	Source of information
PART I-A.—ELECTRIC UTILITY COMPANIES DIVESTED [2] AND NO LONGER SUBJECT TO THE ACT AS OF JUNE 30, 1952 [3]					
The West Penn Electric Co.: Franklin Transmission Co.	May 22, 1952	$310,845	$271,000	Exchange offer with South Penn Power Co. and Potomac Light & Power Co. and ultimate merging of Franklin into South Penn.	Release 11271.
PART I-B.—GAS UTILITY COMPANIES DIVESTED [2] AND NO LONGER SUBJECT TO THE ACT AS OF JUNE 30, 1952 [3]					
Cities Service Co.: Spokane Gas & Fuel Co.	Jan. 3, 1952	$1,480,519	$800,000	Sale of outstanding capital stock to Ray C. Fish	Release 10961.
PART I-C.—NONUTILITY COMPANIES DIVESTED [2] AND NO LONGER SUBJECT TO THE ACT AS OF JUNE 30, 1952 [3]					
Electric Bond & Share Co.: National Power & Light Co.	June 26, 1951	$1,993,991	$1,143,203	Sale of 2,540,450 shares (46.5%) of common stock to Phoenix Industries Corp.	Release 10640.
Federal Water & Gas Corp.: Scranton-Spring Brook Water Service Co.	Oct. 1951	64,093,258		Distribution of stock to stockholders of Federal Water & Gas Corp.	Release 10775.
General Public Utilities Corp.: Dover Casualty Insurance Co.	Dec. 31, 1951	488,347	427,600	All assets transferred to GPU in consideration of the surrender and cancellation of all of Dover's outstanding capital stock.	Release 10983.
PART I-D.—PARTIAL SEGMENTS OF ELECTRIC UTILITY PROPERTY DIVESTED AND NO LONGER SUBJECT TO THE ACT AS OF JUNE 30, 1952 [3]					
The North American Co.: Missouri Power & Light Co.	June 30, 1951		$550,000	Sale of electric properties located in Clinton, Mo., to Missouri Public Service Co.	Release 10596.
PART I-E.—PARTIAL SEGMENTS OF GAS UTILITY PROPERTY DIVESTED AND NO LONGER SUBJECT TO THE ACT AS OF JUNE 30, 1952 [3]					
Electric Bond & Share Co.: United Gas Corp.	Apr. 24, 1952		$5,000,001	Sale of West Texas gas distribution, pipeline and production properties to Martin Wunderlich and Lee Aikin.	Release 11164.

See footnotes at end of table.

TABLE 14.—*Supplement to Appendix Table 18 of 17th Annual Report, entitled "Electric, Gas and Nonutility Companies and Properties Divested by Registered Public Utility Holding Company Systems—Dec. 1, 1935 to June 30, 1951," listing additional divestments to June 30, 1952, and other adjustments as noted* [1]—Continued

PART I-E.—PARTIAL SEGMENTS OF GAS UTILITY PROPERTY DIVESTED AND NO LONGER SUBJECT TO THE ACT AS OF JUNE 30, 1952 [2]—Con.

System and company divested [4]	Date of divestment	Assets of divested company [5]	Consideration (if sold)	Details of divestment	Source of information
General Public Utilities Corp.:					
Jersey Central Power & Light Co.	June 3, 1952		$18,757,386	Sale of gas properties and franchises to New Jersey Natural Gas Co. (formerly County Gas Co.).	Release 11210.
Middle South Utilities, Inc.:					
Mississippi Power & Light Co.	Feb. 29, 1952		11,128,151	Sale of all gas properties and facilities to Mississippi Valley Gas Co. a new corporation created by Equitable Securities Corp.	Release 11019.
Interstate Power Co.	Oct. 30, 1951		275,000	Sale of gas properties in the city of Rochester, Minn., to Peoples Natural Gas Co., a subsidiary of Northern Natural Gas Co., which company has ceased to be a holding company pursuant to sec. 5 (d) of the Holding Company Act.	Release 10850.
PART I-F.—PARTIAL SEGMENTS OF NONUTILITY PROPERTY DIVESTED AND NO LONGER SUBJECT TO THE ACT AS OF JUNE 30, 1952 [3]					
American Gas & Electric Co.:					
The Franklin Real Estate Co.	Mar. 15, 1949		$1	Sale of assets to Scranton Electric Co.	Release 6565.
The Southern Co.:					
Birmingham Electric Co.	June 30, 1951		2,012,500	Transportation properties sold to John S. Jennison, Jr., and Associates, of Birmingham, Ala.	File No. 70-2623.
PART II-A.—ELECTRIC UTILITY COMPANIES DIVESTED [3] WHICH REMAIN SUBJECT TO THE ACT AS OF JUNE 30, 1952					
American Gas & Electric Co.:					
Holston River Power Co.	June 21, 1948	$882,048	$730,128	Sale of its interest by American to Appalachian Electric Power Co.	Release 8247.
Republic Service Corp.:					
Page Power Co. Madison Power Co. Massanutten Power Corp.	Aug. 30, 1945	2,016,000	1,891,744	Sale of electric utilities to Potomac Edison Co. Three subsidiaries subsequently merged into Northern Virginia Power Co. on May 3, 1946. (See American Water Works & Electric Co.—divestment of electric utility companies—"Still Subject," for divestment of Northern Virginia Power Co.)	Release 5781 and 6586.

PART II-B.—GAS UTILITY COMPANIES DIVESTED [2] WHICH REMAIN SUBJECT TO THE ACT AS OF JUNE 30, 1952

Koppers Co., Inc.:					
Boston Consolidated Gas Co.	Jan. 15, 1951	$61,066,033		Included in divestment of Eastern Gas & Fuel Associates. (See Nonutility Companies Divested—"Still Subject," shown in this table.)	File No. 70-2546.
Old Colony Gas Co.	Jan. 15, 1951	3,554,283			
New England Gas & Electric Assn.:					
Dedham & Hyde Park Gas Co.	Dec. 10, 1951	1,965,338	$1,015,000	Sale of all assets to Worcester Gas Light Co.	Release 10901.
Milford Gas-Light Co.	Dec. 10, 1951	367,408	159,800	Sale of all assets to Worcester Gas Light Co.	Release 10901.

PART II-C.—NONUTILITY COMPANIES DIVESTED [2] WHICH REMAIN SUBJECT TO THE ACT AS OF JUNE 30, 1952

Koppers Co., Inc.:					
Eastern Gas & Fuel Associates	Jan. 15, 1951	$148,993,496	$4,885,276	Sale of 444,116 shares (17.2 percent outstanding) of common stock of Eastern Gas & Fuel Associates, reducing investment of Koppers to less than 4.6 percent.	File No. 70-2546.
Boston Tow Boat Co.					
Castner, Curran & Bullitt, Inc.					
Connecticut Coke Company, The					
Mystic Iron Works.					
New England Coke Co.					
Philadelphia Coke Co.					
Virginian Corp., The.					
Virginian Railway Co.					
Loup Creek Co.					
Marsh Fork Railway Co.					
Norfolk & Portsmouth Belt Line R. R. Co.					
Norfolk Terminal Railway Co.					
Wyatt, Inc.					
New England Coal & Coke Co.					

PART II-D.—PARTIAL SEGMENTS OF ELECTRIC UTILITY PROPERTY DIVESTED WHICH REMAIN SUBJECT TO THE ACT AS OF JUNE 30, 1952

The West Penn Electric Co.:					
Northern Virginia Power Co.	May 22, 1952		$2,860,147	Sale of West Virginia properties and facilities to Potomac Light & Power Co.	Release 11271.

[1] In appendix table 18 in the 17th Annual Report, Northern Natural Gas Co. is listed under part II-C as a nonutility company which remained subject to the Act after its divestment by Lone Star Gas Corp., The North American Co., and United Light & Power Co. Its subsidiaries, Peoples Natural Gas Co. and Argus Natural Gas Co., are listed under part II-B of that table as gas utility companies similarly divested and remaining subject to the Act.

In May 1952, Northern Natural acquired all of the assets and assumed all of the liabilities of its only remaining subsidiary, Peoples Natural Gas Co. Northern Natural was then granted an order pursuant to sec. 5 (d) of the Act declaring it has ceased to be a holding company. Therefore, Northern Natural should now be considered as listed under part I-C as a nonutility company (status at date of divestment) divested and no longer subject to the Act. Its subsidiaries, Peoples Natural Gas Co. and Argus Natural Gas Co., which had been absorbed by Peoples Natural in March 1945, though both now dissolved, should now be considered as listed under part I-B as gas utility companies divested and no longer subject to the Act.

[2] A company is considered to be divested when the parent company's investment in the outstanding voting securities of such company is reduced to less than 10 percent through sale, distribution, or reorganization or if substantially all its assets are sold and the company is put into condition to be dissolved.

[3] A company is classified as "no longer subject to the act" if, at the time of divestment, it ceases to be subject to the Act or thereafter, and prior to June 30, 1952, it is exempted from the Act.

[4] The system shown is that which reported separately to the Commission on Form U5S for the year in which the company was divested.

[5] The assets of divested companies which have subsidiaries exclude investments in such subsidiaries whose assets are separately reported.

[6] Does not include assets of 2 gas utility companies divested which are listed under part II-B.

TABLE 15.—*Reorganization cases instituted under ch. X and sec. 77–B of the National Bankruptcy Act in which the Commission has filed a notice of appearance and in which the Commission actively participated during the fiscal year ended June 30, 1952*

DISTRIBUTION OF DEBTORS BY TYPE OF INDUSTRY

Industry	Number of debtors		Total assets		Total indebtedness	
	Principal	Subsidiary	Amount (000 omitted)	Percent of total	Amount (000 omitted)	Percent of total
Agricultural						
Mining and other extractive	4	1	$2,291	0 40	$335	0 10
Manufacturing	13	0	21,049	3.66	15,068	4.29
Financial and investment	4	1	116,180	20.23	72,930	20.73
Merchandising	4	3	4,750	.83	4,266	1.21
Real estate	12	0	33,942	5.91	33,113	9.41
Construction and allied						
Transportation and communication	9	13	167,828	29.22	161,134	45 81
Service	6	0	24,294	4.23	10,380	2.95
Utilities: Electric, water, and gas [1]	7	6	204,028	35.52	54,510	15.50
Other: Religious, charitable, etc						
Total	59	24	574,362	100.00	351,736	100.00

[1] Includes no electric utility companies. Represents principally investment and holding companies and gas pipeline companies and a few gas distributing companies.

TABLE 16.—*Reorganization proceedings in which the Commission participated during the fiscal year ended June 30, 1952*

Debtor	District court	Petition		Securities and Exchange Commission notice of appearance filed
		Filed	Approved	
American Acoustics, Inc	D. N. J	Mar. 21, 1947	May 5, 1947	Apr. 21, 1947
American Bantam Car Co	W. D. Pa	Apr. 19, 1950	Apr. 19, 1950	May 29, 1950
*American Fuel & Power Co	E. D. Ky	Dec. 6, 1935	Dec. 20, 1935	May 1, 1940
Buckeye Fuel Co	do	Nov. 28, 1939	Nov. 28, 1939	do.
Buckeye Gas Service Co	do	do	do	do.
Carbreath Gas Co	do	do	do	do.
Inland Gas Distributing Co	do	do	do	do.
American Silica-Sand Co., The	N. D. Ill	Feb. 16, 1951	Mar. 5, 1951	May 10, 1951
*Bellevue-Stratford Co	E. D. Pa	Oct. 31, 1936	Oct. 31, 1936	Feb. 24, 1939
Blackhawk Brewing Co	S. D. Iowa	Jan. 4, 1952	Jan. 7, 1952	Mar. 7, 1952
Brand's Restaurant Control Corp	S. D. N. Y	Aug. 2, 1939	Aug. 10, 1939	Aug. 30, 1939
Calumet & South Chicago Railway Co	N. D. Ill	June 29, 1944	Sept. 18, 1944	Oct. 20, 1944
Central States Electric Corp	E. D. Va	Feb. 26, 1942	Feb. 27, 1942	Mar. 11, 1942
Chicago City Railway Co	N. D. Ill	Nov. 27, 1939	Sept. 18, 1944	Oct. 20, 1944
Chicago Railways Co	N. D. Ill	Oct. 15, 1938	Sept. 18, 1944	Oct. 20, 1944
Chicago & West Towns Railways, Inc	N. D. Ill	June 30, 1947	July 1, 1947	July 24, 1947
Childs Co	S. D. N. Y	Aug. 26, 1943	Aug. 27, 1943	Aug. 26, 1943
Dallas Parcel Post Station, Inc	N. D. Ill	Sept. 22, 1950	Sept. 22, 1950	Oct. 26, 1950
Dick Brothers Brewing Co	S. D. Ill	June 22, 1950	June 22, 1950	Aug. 4, 1950
Douglas Mill, Inc	N. D. Ga	Sept. 7, 1949	Sept. 7, 1949	Oct. 12, 1949
80 John Street Corp	S. D. N. Y	Sept. 14, 1945	Sept. 14, 1945	Oct. 8, 1945
*Federal Facilities Realty Trust	N. D. Ill	Dec. 26, 1934	Apr. 25, 1935	Oct. 29, 1940
General Public Utilities Corp	S. D. N. Y	Jan. 10, 1940	Jan. 10, 1940	Jan. 15, 1940
Associated Gas & Electric Corp	do	do	do	do.
*Hotel Martin Co. of Utica	N. D. N. Y	June 6, 1935	June 19, 1935	June 24, 1939
Industrial Office Building Corp	D. N. J	Oct. 3, 1947	Oct. 3, 1947	Oct. 10, 1947

TABLE 16.—*Reorganization proceedings in which the Commission participated during the fiscal year ended June 30, 1952*—Continued

Debtor	District court	Petition		Securities and Exchange Commission notice of appearance filed
		Filed	Approved	
*Inland Gas Corp	E. D. Ky	Oct. 14, 1935	Nov. 1, 1935	Mar. 28, 1939
International Mining & Milling Co	D. Nev	June 29, 1939	June 29, 1939	Aug. 7, 1939
Mount Gaines Mining Co	do	do	do	do.
International Power Securities Corp	D. N. J	Feb. 24, 1941	Feb. 24, 1941	Mar. 3, 1941
International Railway Co	W. D. N. Y	July 28, 1947	July 28, 1947	Aug. 4, 1947
Keeshin Freight Lines, Inc	N. D. Ill	Jan. 31, 1946	Jan. 31, 1946	Apr. 25, 1949
Keeshin Motor Express Co., Inc	do	do	do	do.
Seaboard Freight Lines, Inc	do	do	do	do.
National Freight Lines, Inc	do	do	do	do.
Kellett Aircraft Corp	E. D. Pa	Oct. 18, 1946	Oct. 18, 1946	Dec. 4, 1946
*Kentucky Fuel Gas Corp	E. D. Ky	Oct. 25, 1935	Nov. 1, 1935	Mar. 28, 1939
Las Vegas Thoroughbred Racing Ass'n	D. Nev	Jan. 22, 1952	Mar. 1, 1952	Feb. 27, 1952
Manufacturers Trading Corp	N. D. Ohio	Oct. 15, 1948	Oct. 15, 1948	Oct. 25, 1948
Manufacturers Discount Corp	do	do	do	do.
*Midland United Co	D. Del	June 9, 1934	June 9, 1934	June 10, 1940
*Midland Utilities Co	do	do	do	do.
Momence Milk Cooperative Ass'n	E. D. Ill	June 18, 1949	June 18, 1949	Sept. 12, 1949
Moorhead Knitting Co	M. D. Pa	June 19, 1941	June 24, 1941	Aug. 6, 1941
*National Realty Trust	N. D. Ill	Dec. 26, 1934	Apr. 25, 1935	Oct. 29, 1940
Neville Island Glass Co., Inc	W. D. Pa	Mar. 1, 1948	Mar. 1, 1948	Mar. 17, 1948
New Union Building Co	E. D. Mich	May 5, 1949	May 6, 1949	June 20, 1949
Norwalk Tire & Rubber Co., The	D. Conn	May. 20, 1949	May 20, 1949	June 8, 1949
Novo Engine Co	E. D. Mich	Mar. 14, 1949	Mar. 14, 1949	Apr. 25, 1949
Nu-Enamel Corp	N. D. Ill	Mar. 20, 1952	Mar. 21, 1952	May 15, 1952
Nu-Enamel International Corp	do	do	do	do.
McCormack-Medl Corp	do	do	do	do.
*Pittsburgh Railways Co	W. D. Pa	May 10, 1938	May 10, 1938	Jan. 4, 1939
*Pittsburgh Motor Coach Co	do	do	do	do.
Pittsburgh Terminal Coal Corp	W. D. Pa	Dec. 4, 1939	Jan. 2, 1940	Jan. 6, 1940
Pratt's Fresh Frozen Foods, Inc	D. N. J	Apr. 13, 1948	Apr. 13, 1948	May 29, 1948
Pratt's Distributors, Inc	do	May 17, 1948	May 17, 1948	do.
Quaker City Cold Storage Co	E. D. Pa	Dec. 17, 1941	Feb. 13, 1942	Jan. 28, 1942
Quincy Station Post Office Building Corp.	N. D. Ill	July 18, 1950	July 24, 1950	Feb. 28, 1951
R. A. Security Holdings, Inc	E. D. N. Y	May 7, 1942	July 31, 1942	May 22, 1942
Sierra Nevada Oil Co	D. Nev	June 22, 1951	June 22, 1951	July 25, 1951
Silesian American Corp	S. D. N. Y	July 29, 1941	July 29, 1941	Aug. 1, 1941
Solar Manufacturing Corp	D. N. J	Dec. 14, 1948	Dec. 14, 1948	Dec. 27, 1948
South Bay Consolidated Water Co., Inc	S. D. N. Y	Apr. 26, 1949	Apr. 26, 1949	May 23, 1949
Tele-Tone Radio Corp	D. N. J	Feb. 7, 1952	Apr. 21, 1952	Apr. 28, 1952
Texas Gas Utilities Co	W. D. Texas	Sept. 4, 1951	Sept. 21, 1951	Sept. 11, 1951
Third Avenue Transit Corp	S. D. N. Y	Oct. 25, 1948	Oct 25, 1948	Jan. 3, 1949
Surface Transportation Corp	do	June 21, 1949	June 21, 1949	July 7, 1949
Westchester Street Transportation Co., Inc.	do	do	do	do.
Westchester Electric Railroad Co	do	do	do	do.
Warontas Press, Inc	do	Sept. 8, 1949	Sept. 8, 1949	Oct. 24, 1949
Yonkers Railroad Co	do	June 21, 1949	June 21, 1949	July 7, 1949
Trinity Buildings Corp of New York	S. D. N. Y	Jan. 18, 1945	Jan. 18, 1945	Feb. 19, 1945
Union League Club of Chicago	N. D. Ill	Feb. 14, 1950	Feb. 14, 1950	Apr. 10, 1950
U. S. Realty & Improvement Co	S. D. N. Y	Feb. 1, 1944	Feb. 1, 1944	Feb. 7, 1944
Wade Park Manor Corp	N. D. Ohio	June 28, 1947	June 30, 1947	July 28, 1947
Warner Sugar Corp	S. D. N. Y	June 7, 1940	July 9, 1940	July 9, 1940
Washington Gas & Electric Co	S. D. N. Y	Sept. 29, 1941	Sept. 29, 1941	Oct. 14, 1941
Wilkes Barre Railway Corp	M. D. Pa	July 1, 1943	July 1, 1943	July 15, 1943
Wilkes Barre Railway Co	do	do	do	do.
Wilkes Barre Trackless Trolley Co	do	do	do	do.
Wyoming Valley Autobus Co	do	do	do	do.
Wyoming Valley Public Service Co.	do	do	do	do.

* Instituted under Section 77-B.

TABLE 17.—*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 1952 fiscal year	Total cases closed up to end of 1952 fiscal year	Cases pending at end of 1952 fiscal year	Cases pending at end of 1951 fiscal year	Cases instituted during 1952 fiscal year	Total cases pending during 1952 fiscal year	Cases closed during 1952 fiscal year
Actions to enjoin violations of the above acts	615	597	18	19	25	44	26
Actions to enforce subpenas under the Securities Act and the Securities Exchange Act	54	53	1	1	2	3	2
Actions to carry out voluntary plans to comply with section 11 (b) of the Holding Company Act	94	83	11	6	8	14	3
Miscellaneous actions	15	13	2	2	2	4	2
Total	778	746	32	28	37	65	33

TABLE 18.—*Summary of cases instituted against the Commission, cases in which the Commission participated as intervenor or amicus curiae, and reorganization cases on appeal under ch. X in which the Commission participated*

Types of cases	Total cases instituted up to end of 1952 fiscal year	Total cases closed up to end of 1952 fiscal year	Cases pending at end of 1952 fiscal year	Cases pending at end of 1951 fiscal year	Cases instituted during 1952 fiscal year	Total cases pending during 1952 fiscal year	Cases closed during 1952 fiscal year
Actions to enjoin enforcement of Securities Act, Securities Exchange Act and Public Utility Holding Company Act with the exception of subpenas issued by the Commission	64	64	0	0	0	0	0
Actions to enjoin enforcement of or compliance with subpenas issued by the Commission	8	8	0	0	0	0	0
Petitions for review of Commission's orders by courts of appeals under the various acts administered by the Commission	167	161	6	0	10	10	4
Miscellaneous actions against the Commission or officers of the Commission and cases in which the Commission participated as intervenor or amicus curiae	159	146	13	7	11	18	5
Appeal cases under ch. X in which the Commission participated	123	122	1	5	6	11	10
Total	521	501	20	12	27	39	19

TABLE 19.—*Injunctive proceedings brought by the Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Investment Advisers Act of 1940, and the Investment Company Act of 1940, which were pending during the fiscal year ended June 30, 1952*

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
Adams & Co.	4	Northern District of Illinois.	July 18, 1949	Secs. 10 (b) and 15 (c) (1), 1934 Act; secs. 17 (a) (2) and (3), 1933 Act.	Temporary restraining order entered July 18, 1949, and receiver appointed. Final judgment by consent Jan. 30, 1951, as to 3 defendants, and by default as to Adams & Co. Pending.
Andrews, F. L., Investment Trust.	2	Massachusetts	Nov. 30, 1949	Secs 13 (a) (2) and (3) and 21 (a) and (b), ICA of 1940.	Interlocutory decree by consent Nov. 30, 1949, permanently enjoining defendants and appointing permanent receiver. Final decree Jan. 7, 1952, terminating receivership and discharging receiver and his surety. Closed.
Avonwold Oil Corp.	2	Southern District of New York.	June 13, 1951	Sec. 5 (a), 1933 Act	Injunction by consent June 13, 1951. Closed.
Behr, Leonard J.	4	Eastern District of New York.	Nov. 16, 1951	Sec. 14 (a) and Regulation X-14, 1934 Act.	Preliminary injunction by consent as to 4 defendants Dec. 19, 1951. Final injunction as to all defendants Jan. 24, 1952. Closed.
Berry, Virgil S.	2	Southern District of Alabama.	June 28, 1951	Sec. 17 (a), 1933 Act	Injunction by consent June 29, 1951. Closed.
Carver, H. P., Corp.	1	Massachusetts	Sept. 24, 1948	Secs. 10 (b) and 15 (c) (3) and rules X-10B-5 and X-15C3-1, 1934 Act.	Injunction by consent Sept. 27, 1948. Receiver appointed. Pending.
Chinchilla, Inc.	6	Northern District of Illinois.	Feb. 15, 1952	Secs. 5 (a) and 17 (a), 1933 Act	Order referring cause to Special Master Feb. 26, 1952. Special Master overruled defendants' motion to dismiss. Pending.
Cottle, Robert J.	1	Massachusetts	Nov. 22, 1950	Sec. 17 (a), 1933 Act	Injunction by consent June 8, 1951. Closed.
Evergreen Memorial Park Association.	2	Eastern District of Pennsylvania.	Jan. 8, 1951	Secs. 5 (a) and 17 (a), 1933 Act	Defendants' answer filed Jan. 29, 1951. Leave to file amended complaint granted Dec. 28, 1951; filed Jan. 8, 1952. Defendants' answer to plaintiff's request for admission of facts received Apr. 16, 1952. Pending.
Falk, Walter A.	2	Colorado	Apr. 14, 1952	Sec. 17 (a) (2), 1933 Act	Injunction by consent as to both defendants July 8, 1952. Pending.
The Fanner Manufacturing Co.	4	Northern District of Ohio.	May 7, 1952	Sec. 5 (a), 1933 Act.	Stipulation to withdraw action and notice of dismissal filed May 21, 1952. Closed.
Frank, Ben H.	6	Western District of Oklahoma.	Apr. 16, 1952	Secs. 5 (a) (1) and 17 (a) (1) and (2), 1933 Act.	Judgment by default as to 5 defendents May 21 and June 18, 1952, and judgment by court as to remaining defendant June 20, 1952. Pending.
Glacier Mining Co.	5	Western District of Washington.	Jan. 24, 1952	Sec. 17 (a), 1933 Act.	Injunction by consent as to all defendants Jan. 24, 1952. Closed.
Hill, Kenneth B.	1	Massachusetts	Jan. 2, 1952	Secs. 10 (b), 15 (c) (1), and 17 (a) and rules X-10B-5, X-15C1-2, X-17A-3 and X-17A-5, 1934 Act.	Injunction by consent Jan 17., 1952. Closed.
Ivey, C. D., & Co.	1	Eastern District of Virginia.	Aug. 23, 1951	Secs. 15 (c) (1) and (3) and rules X-15C1-2 and X-15C3-1, 1934 Act.	Injunction Sept. 5, 1951. Closed.

TABLE 19.—*Injunctive proceedings brought by the Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Investment Advisers Act of 1940, and the Investment Company Act of 1940, which were pending during the fiscal year ended June 30, 1952*—Continued

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
Kantor, Bernard	2	Northern District of Ohio.	Aug. 13, 1951	Secs. 5 (a) and 17 (a) (2) and (3), 1933 Act; sec. 15 (a), 1934 Act; sec. 203 (a), IAA of 1940.	Injunction by consent as to both defendants Aug. 14, 1951 Closed.
Kelly, Frank S.	1	Northern District of Illinois.	Dec. 26, 1950	Secs. 15 (c) (1), 10 (b) and rule X-10B-5, 1934 Act.	Temporary restraining order Dec. 26, 1950, and receiver appointed. Preliminary injunction Jan. 4, 1951. Injunction by consent Apr. 27, 1951. Pending.
Kelly, Jack, Inc.	2	Northern District of Texas.	Jan. 21, 1952	Secs. 17 (a) (1), (2), and (3), 1933 Act.	Injunction by consent as to both defendants Feb. 28, 1952. Closed.
Keystone Petroleum, Inc.	2	Kansas	June 12, 1952	Secs. 5 (a) (1) and (2) and 17 (a) (2), 1933 Act.	Injunction by consent as to both defendants July 9, 1952. Pending.
Lilly, Frank	9	Eastern District of Washington.	Jan. 4, 1952	Secs. 5 and 17 (a) (1) and (3), 1933 Act.	Injunction by consent as to 8 defendants July 9, 1952. Action dismissed as to 1 defendant. Pending.
McQueen, L. A.	1	Northern District of Ohio.	Mar. 28, 1952	Sec. 16 (a) and rule X-16A-1, 1934 Act.	Injunction by consent May 2, 1952. Closed.
Moore, J. R.	1	Eastern District of Washington.	May 27, 1952	Secs. 17 (a) (1) and (3), 1933 Act.	Defendant's motion to dismiss filed June 16, 1952. Pending.
Northwest Acceptance Corp.	2	Western District of Washington.	May 3, 1951	Secs. 5 (a) and 17 (a), 1933 Act.	Injunction by consent as to both defendants May 3, 1951. Closed.
Oil Prospectors, Inc.	2	Northern District of Texas.	July 2, 1951	Sec. 17 (a), 1933 Act.	Injunction by consent as to both defendants Aug. 24, 1951. Closed.
Otis & Co.	3	Northern District of Ohio.	July 25, 1951	Secs. 15 (c) (1) and 20 (b), 1934 Act.	Temporary restraining order July 26, 1951. Stipulation on Sept. 7, 1951, continuing temporary restraining order until such time as reorganization court decides certain matters. Pending.
Penner Oil & Gas, Inc.	5	Northern District of Oklahoma.	Mar. 12, 1951	Sec. 17 (a), 1933 Act.	Temporary restraining order Mar. 12, 1951. Answer of defendant, Penner Oil & Gas, served Apr. 6, 1951. Injunction by consent as to Penner Oil & Gas, Inc., and by default as to remaining 4 defendants May 29, 1951. Closed.
Puget Sound Products Co.	3	Western District of Washington.	Feb. 20, 1950	Sec. 5 (a), 1933 Act.	Stipulated that court may enter order dismissing case. Order entered Nov. 20, 1951. Closed.
Ralston Purina Co.	1	Eastern District of Missouri.	Oct. 24, 1951	Sec. 5 (a), 1933 Act.	Opinion stating that stock offering is private and concluding that it is exempt from provisions of Act. Judgment Feb. 14, 1952, dismissing cause and dissolving preliminary injunction. Notice of appeal by SEC Feb. 20, 1952. Affirmed Nov. 21, 1952. Petition for certiorari filed Dec. 22, 1952. Pending.
Ramsey, Cleo F.	1	Western District of Washington.	Apr. 8, 1949	Sec. 17 (a), 1933 Act.	Pending.

Searchlight Consolidated Mining & Milling Co.	2	Nevada	Mar. 24, 1952	Sec. 5 (a) (1), 1933 Act	Preliminary injunction as to both defendants Apr. 3, 1952. *Motion of SEC for summary judgment and supporting* brief filed July 16, 1952. Pending.
Sierra Nevada Oil Co	2	Southern District of California.	Apr. 24, 1951	Sec. 5 (a) 1933 Act	Injunction by consent as to both defendants May 9, 1952. Closed.
Simmons, C. E	1	Western District of Louisiana.	Oct. 12, 1951	Sec. 5 (a), 1933 Act	Injunction by consent Jan. 11, 1952. Closed.
Spearow, Albert Ralph	4	Oregon	June 21, 1951	Sec. 5 (a), 1933 Act	Memorandum opinion of District Judge dated Nov. 21, 1951, refusing injunction with leave to Commission to reapply in event of threatened future violations. Closed.
Taylor, Tom G	3	Montana	Oct. 5, 1951	Sec. 17 (a), 1933 Act	Injunction by consent as to all defendants Oct. 17, 1951. Closed.
Thomasson, E. M	1	Colorado	Aug. 31, 1951	Sec. 5 (a) (1), 1933 Act	Injunction by consent Sept. 14, 1951. Closed.
Trusteed Funds, Inc	9	Massachusetts	Sept. 1, 1949	Secs. 5 (b) (2), 17 (a) (1), (2) and (3), 1933 Act; secs. 24 (b) and 35 (a), ICA of 1940.	Injunction by consent as to 8 defendants Sept. 9, 1949. Special counsel appointed. Pending.
United Insurers Service Co. of Missouri.	6	Western District of Missouri.	Nov. 14, 1951	Sec. 17 (a), 1933 Act	Injunction by consent as to 5 defendants Nov. 16, 1951. Action dismissed as to 1 defendant. Closed.
U. S. Frigidice, Inc	3	New Mexico	Feb. 11, 1952	Secs. 5 (a) and 17 (a) (1), (2), and (3), 1933 Act.	*Injunction by consent as to 1 defendant Feb. 12 and as to* remaining defendants Feb. 15, 1952. Closed.
Valentine Oil Co., Inc	2	Nebraska	Apr. 1, 1952	Sec. 5 (a), 1933 Act	Preliminary injunction as to both defendants Apr. 17, 1952. *Defendants' response to request for admissions filed* June 4, 1952. Pending.
Warner, J. Arthur, & Co., Inc	12	Massachusetts	Oct. 31, 1951	Secs. 5 (b) (2) and 17 (a) (3), 1933 Act; secs. 7 (c) (1) and (2), 9 (a) (4), 10 (b) and 15 (c) (1) and rules X-10B-5 (3) and X-15C1-2 and Regulation T, 1934 Act.	Preliminary injunction by consent as to all defendants Nov. 21, 1951. Separate answers of SEC to motion by each defendant for particular statement as to the grounds or elements of action. Pending.
Western Oil Fields, Inc	4	Colorado	Jan. 16, 1951	Sec. 17 (a) (2), 1933 Act	Injunction as to all defendants Oct. 9, 1951. Closed.
Western Osage Oil Co., Inc	5	Southern District of California.	Apr. 3, 1951	Sec. 5 (a), 1933 Act	Injunction by consent as to all defendants May 14, 1951. Closed.
Wimer, Nye A	1	Western District of Pennsylvania.	Oct. 29, 1947	Secs. 5 (a) (1) and (2) and 17 (a) (2), 1933 Act.	Temporary restraining order Oct. 29, 1947. Preliminary injunction Nov. 18, 1947. Defendant's motion to dismiss complaint denied Mar. 3, 1948. Pending.
Wix, Ernest T	4	Northern District of Illinois.	Oct. 18, 1944	Secs. 5 (a) and 17 (a), 1933 Act	*Injunction by consent as to 3 defendants Dec. 1, 1944.* Complaint dismissed as to remaining defendant July 30, 1951. Closed.

TABLE 20.—*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 1952 fiscal year*

Name of principal defendant	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
Adams & Co.	3	Northern District of Illinois.	May 1, 1952	Secs. 17 (a) and 32 (a), rule X-17A-5, 1934 Act.	Defendants Hoshor and Schmidt pleaded not guilty and each posted bond of $500. Adams & Co. has not entered a plea. Pending.
Anderson, James P. (Arizona Road-A-Scope Corporation).	3	District of Arizona	Dec. 13, 1950	Sec. 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Defendants pleaded guilty on all counts. Anderson sentenced to 2½ years imprisonment. Imposition of sentence suspended as to Johonovich and Lloyd and they were placed on probation for 3 years.
Bank, Harry W. (Cosmo Records, Inc.)	9	Southern District of New York.	Dec. 6, 1948	Sec. 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Seven defendants pleaded not guilty and were released on bond. Two remaining defendants, Cosmo Records, Inc. and E. F. Gillespie & Co., Inc., have not entered pleas. Pending.
Bechhold, Siegfried (Ribbonwriter Corp. of America).	2	Southern District of Florida.	May 18, 1951	Secs. 5 (a) (1) and 17 (a) (1), 1933 Act; secs. 1341, 1001 and 371, title 18, U. S. C.	Bechhold found guilty by jury on 5 mail fraud counts and not guilty on remaining counts, but court set aside jury's verdict and granted Bechhold's motion for acquittal. Reynolds pleaded nolo contendere to 6 mail fraud counts, 2 sec. 17 (a) counts, and conspiracy count. Pending.
Beck, Floyd W. (United Insurers Service Co. of Missouri).	3	Western District of Missouri.	May 8, 1952	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendants Beck, Girard and O'Hayer pleaded not guilty and each posted bond of $2,500. Pending.
Becker, Troy E. (Yankee Mines, Inc.).	3	District of Idaho	June 25, 1952	Secs. 5 (a) (1) and (2) and 17 (a), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Becker, Reamsnyder and Vaught pleaded nolo contendere to conspiracy count, and remaining counts dismissed. Pending.
Bobbroff, James D. (Eversharp Launwhiz, Inc.).	2	District of Nevada	Feb. 9, 1951	Sec. 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Bobbroff found guilty on 3 sec. 17 (a) counts and one mail fraud count and was sentenced to 8 years imprisonment and to pay $5,000 fine. Filed notice of appeal. Chadwell found not guilty on one mail fraud count. Jury disagreed as to both defendants on 4 remaining mail fraud and sec. 17 (a) counts. Pending.
Broadley, Albert E. (Hudson Securities).	5	Western District of New York.	July 17, 1947	Secs. 5 (a) (1), (2) and 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Defendants not apprehended. Pending.
Buschman, Mercedes (Automatic Retainer Control Corp.).	2	Western District of Washington.	Feb. 26, 1951	Sec. 17 (a), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Buschman pleaded guilty to 2 mail fraud counts and was sentenced to 8 years imprisonment; remaining counts dismissed. Indictment dismissed as to Charles Sherwin.
Carter, Philip M. (American Acoustics, Inc.).	2	Southern District of New York.	Apr. 14, 1949	Sec. 17 (a), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Defendants pleaded not guilty and each posted bond of $2,500. Pending.
Collom, Charles W. (Philadelphia Acceptance Corp.).	1	Eastern District of Pennsylvania.	Jan. 30, 1952	Sec. 17 (a), 1933 Act	Defendant waived indictment and pleaded guilty to all counts in this information and to another information containing mail fraud counts, and was sentenced on both to 5 years imprisonment and to pay $1,000 fine.
Cox, Seymour E. J. (Penner Oil & Gas, Inc.).	2	Northern District of Oklahoma.	Apr. 19, 1951	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Cox convicted on all counts of indictment and sentenced to 10 years imprisonment and to pay $1,000 fine. Notice of appeal filed. Omar Penner acquitted on all counts. Pending.

DePalma, Albert Edward (A. E. DePalma & Co.).	1	Northern District of Ohio.	June 11, 1947	Secs. 5 (a) (1), (2) and 17 (a) (1), 1933 Act; sec. 338 (now sec. 1341), title 18, U. S. C.	DePalma forfeited $40,000 appearance bond and is presently a fugitive. Pending.
Elliot, N. James	1	Southern District of New York.	Sept. 29, 1948	Sec. 17 (a) (1) and (2), 1933 Act; sec. 338 (now sec. 1341), title 18, U. S. C.	Defendant not apprehended. Pending.
Hageman, Howard C. (Hageman Properties, Inc.).	3	Southern District of New York.	Aug. 9, 1951	Sec. 206 (1) (2), IA Act of 1940; sec. 1341, title 18, U. S. C.	Defendant Hageman pleaded not guilty and was released on $2,500 bond. Two corporate defendants have not entered pleas. Pending.
Hanson, Russell C	1	Northern District of Illinois.	Mar. 8, 1951	Sec. 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant changed his plea from not guilty to guilty and was sentenced to 3 years imprisonment.
Hawley, Edwin	1	District of Arizona	Nov. 10, 1949	Sec. 17 (a) (3), 1933 Act; sec. 32 (a), 1934 Act.	Defendant not apprehended. Pending.
Henderson, J. Stacey	3	Western District of Tennessee.	Sept. 6, 1950	Secs. 5 (a) (1), (2) and 17 (a) (1), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Henderson found guilty on mail fraud count and received 5-year prison sentence and fined $1,000 He filed notice of appeal and was released on $7,500 bond. Remaining defendants not tried. Pending.
Hennefer, Ernest R. (Utah Phosphate Co.).	4	District of Utah	Apr. 5, 1951	Secs. 5 (a) (1) and (2), and 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C.	Hennefer pleaded guilty to 6 sec. 5 (a) counts, Carroll to 2 sec 5 (a) counts, and Wray to 3 sec. 17 (a) counts, and each defendant received 5-year suspended sentence and placed on probation. Parker pleaded guilty to 2 sec. 5 (a) counts and received 1-year suspended sentence and placed on probation. Remaining counts dismissed.
Herck, John	6	Eastern District of Michigan.	July 30, 1942	Sec. 17 (a) (1), 1933 Act; secs. 338 (now sec 1341) and 88 (now sec. 371), title 18, U. S. C.	Herck pleaded not guilty. Remaining defendants are fugitives. Pending as to all defendants.
Do	1	do	do	Sec. 15 (a), 1934 Act.	
Do	5	do	do	Sec 5 (a) (1) and (2), 1933 Act; sec. 88 (now sec. 371), title 18, U. S. C.	
Howe, Charles A (Maryland-Nevada Operating Co., Inc.).	3	Southern District of Ohio.	Dec. 7, 1951	Secs. 5 (a) and 17 (a), 1933 Act; sec 1341, title 18, U. S. C.	Defendants have not been arraigned. Pending.
Kelling, Lawrence L., Sellers, Charles Preston (Sunflower Oil Producers).	2	District of Kansas	June 13, 1951	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Kelling and Sellers convicted on all counts. Kelling sentenced to 4 years imprisonment, to run concurrently with 5-year sentence imposed in another case. Sellers sentenced to 5 years. Convictions affirmed by CA-10 on June 12, 1952.
Knowles, Noel H. (LaSalle Yellowknife Mines, Ltd.).	3	Eastern District of New York.	Oct. 1, 1946	Secs. 5 (a) (1), (2) and 17 (a) (1), 1933 Act; sec. 338 (now sec. 1341), title 18, U. S. C.	Knowles pleaded not guilty on June 21, 1948, and was released on $25,000 bail. Knowles bond forfeited Nov. 1, 1948, and he is presently a fugitive. Case dismissed as to Newson Mar. 16, 1949. Pending.
La Vey, William B	3	District of Montana	Sept. 7, 1950	Secs. 5 and 17, 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Case transferred to USDC Idaho as to La Vey and Brown, who pleaded nolo contendere to all counts. La Vey sentenced to 52 months imprisonment, later reduced to 3 years and 4 months, and to pay fine of $2,700. Brown sentenced to 10 months and fine of $1,550, sentence was suspended and she was placed on probation for 2 years on condition that half of fine is paid immediately and remainder in 6 months. White pleaded nolo contendere to a sec. 5 count, imposition of sentence was suspended, and he was placed on probation for 5 years. Defendants Brown and White were prohibited from engaging in securities business during probation.
Lewis, Richard A	1	District of Maryland	Oct. 12, 1951	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant waived indictment, pleaded guilty to information, and was sentenced to 5 years imprisonment.

TABLE 20.—*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 1952 fiscal year*—Continued

Name of principal defendant	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
Llanos, Alejandro D	9	District of Hawaii	Apr. 2, 1951	Sec. 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Defendants Llanos, Mrs. Llanos, Andrada, Bacilio, Flores, Galiza, and Oducayen found guilty by court on all counts of first indictment except 1 sec. 17 (a) count and 1 mail fraud count, which were dismissed. Palafox and Rodriquez were acquitted by court. Llanos sentenced to 5 years and 5 days in prison and to pay fine of $10,000. Mrs. Llanos received 5 years probation and fined $5,000. Andrada sentenced to 3 years and 3 days and fine of $3,000. Bacilio, Flores and Oducayen were each sentenced to 3 years and 3 days and fine of $1,000. Galiza sentenced to 2 years and 2 days and fine of $1,000. Notices of appeal filed by defendants. Pending.
Do	2	do	do	Sec. 2314, title 18, U. S. C.	
Lloyd, C. L. (NuEnamel Corp.)	1	Northern District of Illinois.	Oct. 5, 1950	Sec. 5 (a) (1) and (2), 1933 Act	Defendant withdrew plea of not guilty and pleaded nolo contendere to all counts and was fined $10,000.
Lobman, Theodore E	1	Northern District of Illinois.	Mar. 19, 1952	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant pleaded guilty to all counts. After close of the fiscal year, imposition of sentence suspended and he was placed on probation for 3 years.
Low, Harry (Trenton Valley Distillers Corp.).	2	Eastern District of Michigan.	Feb. 3, 1939	Sec. 17 (a) (1), 1933 Act; sec. 338 (now sec. 1341), title 18, U. S. C.	Case pending as to Low and Hardie, who are fugitives.
Luck, Eugene F. (Southeastern Securities Corp.).	1	Southern District of Florida.	Sept. 28, 1949	Sec. 10 (b) and rule X-10B-5, 1934 Act; sec. 1341, title 18, U. S. C.	Defendant previously convicted and sentenced to 5 years imprisonment. Conviction affirmed by CA-5 Jan. 7, 1952.
E. M. McLean & Co. (Devon Gold Mines, Ltd.).	2	Eastern District of Michigan.	Oct. 21, 1941	Sec. 15 (a), 1934 Act	Case pending as to first indictment. Three defendants previously convicted and sentenced on second and third indictments. Pending as to remaining 9 defendants on second and third indictments. Pending.
Do	7	do	do	Sec. 5 (a) (1) and (2), 1933 Act; sec. 88 (now sec. 371), title 18, U. S. C.	
Do	12	do	do	Sec. 17 (a) (1) and (2), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	
McTavish, Donald Neil	2	Eastern District of Washington.	Dec. 21, 1948	Secs. 5 and 17, 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Donald McTavish pleaded guilty to a sec. 5 (a) count, and remaining counts dismissed. Imposition of sentence deferred and defendant placed on probation for 3 years. Case dismissed as to Peter McTavish, deceased.
Moore, Lloyd T. (Fitsum Mining Co.).	3	District of Montana	June 18, 1943	Secs. 5 (a) (1), (2) and 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Indictment previously dismissed as to two defendants. Pending as to Moore, who has not been apprehended. Pending.

Moulton, Francis A. (The Synochron Corp.).	1	District of Massachusetts.	Oct. 4, 1951	Secs. 5 (a) and 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant found guilty on all counts except sec. 5 (a) count and was sentenced to 4 years imprisonment.
Norwood, Doak	1	Northern District of Illinois.	Dec. 2, 1949	Secs. 5 (a) (2) and 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant withdrew plea of not guilty and pleaded nolo contendere and was sentenced to 2 years probation.
Pattyn, Pierre P. (Modern Products Corp.).	1	Eastern District of Michigan.	June 9, 1952	Secs. 5 (a) (2) and 17 (a) (1), 1933 Act; Sec. 1341, title 18, U. S. C.	Defendant pleaded not guilty. Bond set at $1,000. Pending.
Picotte, Peter E	1	Eastern District of Missouri.	Feb. 20, 1952	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant pleaded not guilty and posted $2,000 bond. Pending.
Porter, Edward Maurice	1	Southern District of New York.	Feb. 2, 1951	Sec. 17 (a), 1933 Act	Defendant deceased. Case dismissed.
Price, Eldridge Solomon	1	Northern District of Ohio.	Apr. 2, 1951	Sec. 5 (a) (2), 1933 Act	Defendant found guilty on all counts. Sentenced to serve 13 months in prison and pay fine of $1,000. Notice of appeal filed. Pending.
Rubinstein, Serge	2	Southern District of New York.	Dec. 16, 1948	Sec. 5 (a) (1) and 17 (a), 1933 Act; sec. 9 (a) (4), 1934 Act; sec. 338 (now sec. 1341), title 18, U. S. C.	Section 9 (a) (4) count dismissed by court and Rubinstein acquitted by jury on remaining counts. Dismissed as to Bliss who was not tried.
Do	2	do	Feb. 7, 1949	Sec. 88 (now sec. 371), title 18, U. S. C.	
Schumpert, Paul A. (National Acceptance Corp.).	3	Southern District of Mississippi.	June 8, 1949	Sec. 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Paul A. Schumpert pleaded guilty to all counts and received 2-year sentence on each count, to run concurrently with sentence imposed in National Loan Guaranty Co. case. B. V. Schumpert found not guilty by jury. Dismissed as to C. L. Wilson who was not tried.
Slaugenhoupt, Richard E	1	Western District of Pennsylvania.	Mar. 9, 1951	Sec. 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341), and 1341, title 18, U.S.C.	Defendant pleaded guilty to all counts and was given 3-year prison sentence and additional 2-year suspended sentence.
Thomas, Richard (Thomascolor, Inc.).	2	District of Arizona	Oct. 29, 1951	Sec. 17 (a) (2), 1933 Act; sec. 371, title 18, U. S. C.	Defendants Thomas and Powell pleaded not guilty and were released on bonds of $2,000 each. Pending.
Tuttle, Sidney W	1	Eastern District of Pennsylvania.	Mar. 15, 1951	Sec. 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C.	Tuttle pleaded nolo contendere and was sentenced to 6 months imprisonment, to be followed by 2 years probation.
Warwick, Paul R. Jr., (Texas Investment Co.).	1	Northern District of Texas.	Nov. 1, 1950	Sec. 17 (a) (1), 1933 Act; sec. 10 (b) and rule X-10B-5, 1934 Act; sec. 1341, title 18, U. S. C.	Defendant pleaded nolo contendere to 1 sec. 17 (a) (1) count; remaining counts dismissed. Defendant fined $500 and placed on probation for 1 year conditioned upon paying fine and making restitution.
White, George L. (S-M-P Co.)	1	Northern District of Illinois.	Jan. 4, 1952	Sec. 17 (a), 1933 Act	Defendant pleaded not guilty and posted bond of $500. Pending.
White, Jack R.	1	District of Nebraska	Oct. 17, 1950	Sec. 17 (a) (1), 1933 Act; sec. 338 (now sec. 1341), title 18, U. S. C.	White's motion to transfer trial to USDC WD of Oklahoma granted. Pleaded not guilty. Pending.
Wickham, Wilder Frank (El Dorado Gold Mines, Ltd.).	4	District of Nevada	May 1, 1952	Sec. 17 (a) (1), 1933 Act; sec. 371, title 18, U. S. C.	Wilder Wickham, Ellemerie Wickham and William Kelso were released on bonds of $5,000 each. William Hutton was released on bond of $1,000. Defendants have not entered pleas. Pending.
Wimer, Nye A. (Tennessee Schuylkill Corp.).	1	District of New Jersey	Aug. 3, 1948	Secs. 5 (a) (2) and 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Pending.

TABLE 21.—*Petitions for review of orders of Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, and the Investment Company Act of 1940, pending in courts of appeals during the fiscal year ended June 30, 1952*

Petitioner	United States Court of Appeals	Initiating papers filed	Commission action appealed from and status of case
Downing, Edward R., et al	District of Columbia	Aug 23, 1951	Order of June 26, 1951, approving comprehensive plan of United Corp. under sec. 11 (e) of Holding Company Act for the purpose of transforming United from holding company to investment company, and orders of Feb. 7 and 25, 1947, permitting United to obtain vote of common stockholders on United's program for future operations as investment company. Intervention by United granted. Motion for leave to intervene by Committee for Warrant Holders pending, Committee's motion for leave to file brief granted. Petitioners' motion to stay sale of common stock of Niagara Mohawk Power Corp. pending review, granted. Petitioners' motions for leave to adduce additional evidence and to enforce provisions of plan pending Pending
Electric Bond & Share Co	do	Apr. 4, 1952	Order of Feb. 6, 1952, denying application of Electric Bond & Share Co. for relief from a commitment to dispose of its holdings of stock of United Gas Corp. Leave to intervene granted Samuel Okin, General American Investors Co , and Perry J. Walsh, et al., constituting Common Stockholders Committee. Pending.
Johnson, R. H., & Co. and Rupert H. Johnson.	Second circuit	Apr. 10, 1952	Order of Apr. 2, 1952, dismissing petition for review of order of National Association of Securities Dealers, Inc , which expelled firm from membership, and finding that Johnson was a "cause" of such expulsion. Order affirmed July 18, 1952. Petition for writ of certiorari filed Aug. 18, 1952 Pending.
McMillan, Clarence	do	May 21, 1952	Order of Apr. 8, 1952, denying petitioner's application for fees and expenses incurred in preserving interests of preferred stockholders of Northern States Power Co. Petition for review dismissed pursuant to stipulation dated July 10, 1952. Closed.
Peck, James	do	Feb. 13, 1952	Commission letter of Feb 4, 1952, refusing request for "hearing" on correctness of Commission's interpretation of proxy rule X-14A-8 as it related to Peck's controversy with Greyhound Corporation. Petition for review dismissed Apr. 7, 1952, for lack of jurisdiction, on motion of Commission. Closed
Public Utility District No. 1, et al	Ninth circuit	Jan. 24, 1952	Order of Jan. 18, 1952, directing that hearing be held with respect to feasibility of proposed sale of stock of Washington Water Power Co. and pursuant to sec. 11 (d) of Holding Company Act with respect to plan for distribution of such stock. Motions to intervene filed by William Gerstly, II, et al ; Electric Bond & Share Co., City of Spokane, et al ; and Idaho Public Utilities Commission. Petition dismissed Mar. 14, 1952 Stay order vacated Mar. 21, 1952. Closed.
Shayne, Irving A	Second circuit	Nov. 30, 1951	Order of Nov 29, 1951, revoking registration of Irving A. Shayne as broker and dealer under sec 15 (b) of Securities Exchange Act. Stay denied by order of CA-2 on Dec. 10, 1951. Notice of application to Supreme Court for writ of assistance; stay denied Dec. 20, 1951. Petition to review withdrawn Feb. 20, 1952, pursuant to stipulation. Closed.

Skowhegan Savings Bank, et al	District of Columbia	Jan. 28, 1952	Order of Dec. 19, 1944, approving plan of Central Maine Power Co under sec. 11 (e) of Holding Company Act as necessary to effectuate provisions of sec. 11 (b) (1) and as fair and equitable, and order of Nov. 28, 1951, denying petition for reconsideration and modification of earlier order. Leave to intervene granted to Central Maine Power Co Pending.
Van Alstyne, Noel Co	Second circuit	May 7, 1952	Order of Apr. 8, 1952, as amended by order of Apr. 14, 1952, pursuant to sections 15A and 19 (a) (3) of Securities Exchange Act, suspending Van Alstyne, Noel Co. from membership in National Association of Securities Dealers, Inc, New York Stock Exchange and New York Curb Exchange for period of 20 days. Stay order entered May 14, 1952, pursuant to stipulation Pending.
Wallach, Samson, Sr	District of Columbia	Jan. 23, 1952	Order of Nov. 29, 1951, finding that Samson Wallach, Sr., and others are causes of revocation of registration of Henry P. Rosenfeld as broker and dealer under sec. 15 (b) of Securities Exchange Act. Pending.

TABLE 22.—*Civil contempt proceedings pending during the fiscal year ended June 30, 1952*

Principal defendants	Number of defendants	United States District Court	Initiating papers filed	Status of case
U. S. Frigidice, Inc. and Homer J. Cox	2	New Mexico	Jan. 11, 1952	After contempt proceedings instituted, Cox, in compliance with court's subpena enforcement order, appeared with his books and records on Feb. 12, 1952, and claimed his privilege against self-incrimination. No judgment of contempt therefore entered. Closed. (See appendix table 24 on enforcement of subpenas.)

TABLE 23.—*Cases in which the Commission participated as intervenor or as amicus curiae, pending during the fiscal year ended June 30, 1952*

Name of case	United States District Court or Court of Appeals	Date of entry	Nature and status of case
Austrian and Butcher as Trustees of Central States Electric Corp. v. *Harrison Williams, et al.*	Southern District of New York; Second Circuit.	Reopened Oct. 23, 1951; May 5, 1952.	Plenary action by trustees of Central States Electric Corp., debtor in ch. X, against defendants alleging waste and misappropriation of corporate assets and overreaching. Judgment for trustees Mar. 7, 1952. Appeal to CA-2 Pending.
Blackwell, et al. v. *Bentsen, et al*	Southern District of Texas.	Nov. 6, 1951	Action under secs. 12 (2) and 17 (a) of Securities Act. Motions to dismiss granted Apr. 10, 1952. Appeal to CA-5. Pending.
Blau v. *Hodgkinson, et al*	Southern District of New York.	May 24, 1951	Action under sec. 16 (b) of Securities Exchange Act respecting transactions in securities of Federated Department Stores. Judgment for plaintiff. Closed.
Carr Consolidated Biscuit Co. v. *Moore*	Middle District of Pennsylvania.	Dec. 6, 1951	Action under sec. 16 (b) of Securities Exchange Act of 1934. Motion for summary judgment filed by plaintiff and motion to dismiss by defendant. Pending
Consolidated Engineering Corp. v. *Nesbit, et al.*	Southern District of California.	Sept. 10, 1951	Actions under sec. 16 (b) of Securities Exchange Act. Judgment for defendants Oct. 30, 1951. Closed.
Crummer v. *Crumley, et al*	District of Nevada	June 8, 1951	Action under secs. 12 (1), 12 (2), and 17 (a) of Securities Act. Motion to dismiss cause of action under sec. 12 (1) denied Jan. 26, 1951. Judgment reserved with respect to causes of action under secs 12 (2) and 17 (a). Pending.
Fratt v. *Robinson, et al*	Western District of Washington; Ninth Circuit.	June 26, 1951; Dec. 18, 1951; Jan. 15, 1952; Apr. 17, 1952.	Actions based on violation of rule X-10B-5 under sec. 10 (b) of Securities Exchange Act. Motion to dismiss granted Aug. 6, 1951. Appeal to CA-9. Pending.
Horowitz, et al v. *Kaplan, et al*	First Circuit	Sept. 28, 1951	Appeal from order of district court confirming trustees' plan of reorganization under ch. X. Motion for dismissal of appeal denied Nov. 29, 1951, and plan of reorganization as confirmed by district court sustained. Certiorari denied Mar. 3, 1952. Closed.
Jefferson Lake Sulphur Co., Inc. v. *Walet, Jr.*	Eastern District of Louisiana.	Mar. 13, 1952	Action under sec. 16 (b) of Securities Exchange Act. Judgment for plaintiff Apr. 30, 1952. Appeal pending.
Northern Trust Co., et al. v. *Essaness Theatres Corp., et al.*	Northern District of Illinois)	Aug. 10, 1951	Action based on alleged violations of rule X-10B-5 under sec. 10 (b) of Securities Exchange Act. Defendants' motion for summary judgment overruled Jan. 29, 1952, with leave to plaintiffs to amend complaint. Pending.
Pellegrino v. *Nesbitt, et al*	Ninth Circuit	May 9, 1952	Appeal by stockholder of Consolidated Engineering Corp. from order of district court, Nov. 29, 1951, denying him leave to intervene in action under sec. 16 (b) of Securities Exchange Act. Pending.
Rattner v. *Lehman, et al*	Southern District of New York; Second Circuit.	June 12, 1951; Nov. 13, 1951.	Action under sec. 16 (b) of Securities Exchange Act with respect to securities of Consolidated Vultee Aircraft Corp. Judgment for defendant June 27, 1951. Affirmed by CA-2 Jan. 10, 1952. Closed.
Speed, et al. v. *Transamerica Corp*	District of Delaware	Feb. 19, 1947, Oct. 14, 1948; Jan. 14, 1949	Action for violation of rule X-10B-5 under sec. 10 (b) of Securities Exchange Act. Motion to dismiss denied May 9, 1947. Rehearing denied June 25, 1947. Case tried on merits Reargument on questions of law June 22-23, 1950. Opinion in favor of plaintiffs Aug 8, 1951. Special master appointed Oct. 18, 1951, to recommend amount of damages. Pending.
Stella v. *Graham-Paige Motors Corp. & Kaiser-Frazer Corp.*	Southern District of New York.	Mar. 28, 1952	Action under sec. 16 (b) of Securities Exchange Act with respect to securities of Kaiser-Frazer Corp. Motion to dismiss denied and judgment for plaintiff May 13, 1952. Pending.
Sullivan v. *Burns*	District of Massachusetts	Mar. 31, 1952	Action for services rendered to defendant in connection with proceedings under Holding Company Act in the matter of Eastern Gas & Fuel Associates. Motion for stay by defendant. Pending.
Wilko v. *Swan, et al*	Southern District of New York.	Mar. 28, 1952	Action under sec. 12 (2) of Securities Act. Motion of defendants to stay proceedings pending arbitration denied June 11, 1952. Appeal to CA-2. Pending.

TABLE 24.—*Proceedings by the Commission to enforce subpenas under the Securities Act of 1933 and the Securities Exchange Act of 1934, pending during the fiscal year ended June 30, 1952*

Principal defendants	Number of defendants	United States District Court	Initiating papers filed	Section of act involved	Status of case
Mines and Metals Corp.	5	Southern District of California.	Feb. 25, 1952	Sec. 22 (b), 1933 Act	Order Mar. 10, 1952, denying respondents' motion to quash subpenas duces tecum and granting application for order directing respondents to produce records of Mines and Metals Corp. and of Steel, Inc., S. A. Order Mar. 20, 1952, on respondents' appeal, directing SEC show cause why a stay should not be granted pending determination of appeal. Motion of SEC to dismiss or to affirm district court order of Mar. 10, 1952. Affirmed by CA-9, Nov. 20, 1952. Pending.
U. S. Frigidice, Inc. and Homer J. Cox.	2	New Mexico	Sept. 4, 1951	Sec. 22 (b), 1933 Act	Order Sept. 4, 1951, directing defendants to appear and show cause why order should not be issued as requested in application for order requiring defendants to respond to subpenas duces tecum. Order Nov. 1, 1951, enforcing subpenas and directing U. S. Frigidice, Inc., and Homer J. Cox to produce records on Nov. 2 and Nov. 19, 1951, respectively. Closed. (See appendix table 22 on civil contempt proceedings.)

TABLE 25.—*Miscellaneous actions involving the Commission or employees of the Commisison pending during the fiscal year ended June 30, 1952*

Plaintiff	Court	Initiating papers filed	Status of case
The Chesapeake & Potomac Telephone Co.	Municipal Court for District of Columbia.	Jan. 31, 1952	Writ of attachment served on SEC on Jan. 31, 1952, for salary due employee. Motion of SEC to quash, dated Feb. 8, 1952, granted. Closed.
In re Otis & Co.	Northern District of Ohio	Dec. 12, 1951	Motion of SEC for clarification or modification of that part of order of Dec. 12, 1951, approving debtor's petition under ch. X, which prohibited actions against debtor. Order of Mar. 21, 1952, denied modification of order regarding the 2 administrative actions before the Commission but modified order to remove the prohibition upon further disposition in the injunctive action. On Apr. 4, 1952, SEC appealed from that part of order restraining SEC from completion of the administrative proceedings. Pending.
Schmidt, George	Northern District of Illinois.	Mar. 2, 1951	Action against United States for damages under Federal Tort Claims Act, arising out of investigation of Tucker Corp. Complaint dismissed Jan. 4, 1952, on motion of Government for failure to state cause of action. Appeal taken by Schmidt. Affirmed by CA-7 July 3, 1952. Petition for rehearing filed. Pending.

TABLE 26.—*Actions pending during fiscal year ended June 30, 1952, to enforce voluntary plans under sec. 11 (e) to comply with sec. 11 (b) of the Public Utility Holding Company Act of 1935*

Name of case	United States District Court	Initiating papers filed	Status of case
American & Foreign Power Co., Inc	Maine	Nov. 20, 1947	Previous order of Oct. 11, 1948, approving plan, vacated and proceedings remanded to the Commission. Order of Jan. 17, 1952, approving amended plan. Appeals to CA-1 by Dr. S. Z. Kantor, Harry and Rose Zucker, and Frances Silver. Order affirmed in Kantor and Zucker appeals, and Silver appeal dismissed June 6, 1952. Petition of Kantor for rehearing denied June 23, 1952. Pending.
American Power & Light Co	do	June 30, 1950	Supplemental application filed June 12, 1952. Plan approved and enforced July 17, 1952. Pending.
American Water Works & Electric Co., Inc.	Delaware	Reopened May 8, 1952.	Supplemental application filed May 8, 1952. Pending.
Consolidated Electric & Gas Co. (Central Public Utility Corp.).	do	Reopened June 23, 1952.	Supplemental application III filed June 23, 1952. Plan approved and enforced July 29, 1952. Pending.
Electric Bond & Share Co	Southern District of New York.	Reopened Aug. 7, 1950.	Order Mar. 2, 1951, approving plan II-B. Appeals to CA-2 by Electric Bond & Share Co. and $5 preferred stockholders. Petition for writ of certiorari filed in Supreme Court by Electric Bond & Share Co. before Court of Appeals had opportunity to consider issues or render judgemnt. Certiorari denied June 4, 1951. Electric Bond & Share Co.'s appeal dismissed July 25, 1951, pursuant to stipulation. Preferred stockholders' appeal pending. Pending.
Electric Power & Light Corp	do	Reopened June 20, 1952.	Supplemental application on fees filed June 20, 1952. Pending.
Engineers Public Service Co	Delaware	Reopened May 8, 1952.	Supplemental application II on fees filed May 8, 1952. Pending.
Federal Water & Gas Corp	do	July 28, 1948	Order Aug. 19, 1948, approving plan with the exception of sec. 3. Order Jan. 11, 1950, approving sec. 3 of plan. Appeal to CA-3 by Chenery Corp. Petition for certiorari, filed by Chenery Corp., denied Oct 9, 1950. District Court order affirmed by CA-3 April 2, 1951. Petition for certiorari, filed by Chenery Corp., denied June 4, 1951. Supplemental application II filed Sept. 21, 1951. Plan approved Oct. 16, 1951. Closed.
Green Mountain Power Corp	Vermont	May 4, 1951	Supplemental application filed June 4, 1951. Order June 4, 1951, approving plan as fair, equitable, and appropriate. Order Oct. 11, 1951, releasing corporation from jurisdiction of court. Closed.
Illinois Power Co. (North American Light & Power Co.).	Delaware	Reopened June 14, 1951.	Supplemental application II filed June 14, 1951. Opinion Dec. 3, 1951, granting application except as to Masterson's claim, which was allowed. Commissioner's petition for rehearing granted Jan. 14, 1952. Memorandum on rehearing issued July 16, 1952, reaching same result. Order entered Aug. 15, 1952. Appeal to CA-3 Aug. 25, 1952. Pending.
Long Island Lighting Co	Eastern District of New York.	Reopened Apr. 16, 1952.	Petition Apr. 16, 1952, by Common Stockholders Committee and Louis W. Gordon to reopen case, denied by CA-2 May 21, 1952. Petition June 5, 1952, for rehearing by Common Stockholders Committee and E. M. Nichols, denied per curiam June 24, 1952. Pending.

Market Street Railway Co.	Northern District of California.	May 3, 1950	Order July 11, 1950, approving principal provisions of the plan but disapproving plan insofar as it failed to provide an allowance of fees for attorney for the Van Kirk Committee for prior preference stockholders, and remanding case to Commission. Appeal by Commission from those portions of order which disapproved Commission's determination with respect to fee. Appeals by William J. Cogan and Charles T. Jones from provisions of order which approved plan in substantially all other respects. Cogan and Jones also appealed from order of Nov. 21, 1950, which both approved and directed enforcement of Step One of an amended plan, consisting of those provisions of earlier plan approved by July 11, 1950, order, and which Commission, after remand, had severed from fee provisions constituting Step Two. Appeals from both orders consolidated Mar 7, 1951. District court order of Nov. 21, 1950, approving Step One, affirmed Dec. 27, 1951; portion of order of July 11, 1950, relating to Cogan's fee reversed. Petition filed by Cogan for rehearing by CA-9 as to his fee granted Feb. 13, 1952, and court heard argument. Pending.
Northern States Power Co.	Minnesota	Reopened June 2, 1952.	Supplemental application on fees filed June 2, 1952. Pending.
Portland Gas & Coke Co.	Oregon	Oct. 11, 1951	Order Nov. 13, 1951, approving plan. Order May 24, 1952, releasing company from jurisdiction of court, except as to certain certificates and cash. Closed.

TABLE 27.—*Actions under sec. 11 (d) of the Public Utility Holding Company Act of 1935 pending during the fiscal year ended June 30, 1952, to enforce compliance with the Commission's order issued under sec. 11 (b) of that Act*

Name of case	United States District Court	Initiating papers filed	Nature and history of case
International Hydro-Electric System.	Massachusetts	Dec. 23, 1949	Petition for approval of pt. II of trustee's second plan to liquidate and dissolve International Hydro-Electric System filed Dec. 23, 1949. Plan approved Jan. 26, 1950. Order June 14, 1950, on trustee's petition filed June 2, 1950 for approval of terms and conditions for consummation of pt. II. On June 14, 1950, district court approved supplemental order of Commission dated June 13, 1950 (Holding Company Act release No. 9917) for carrying out pt. II (retirement of IHES debentures). On June 29, 1951, Commission (Holding Company Act release No. 10642) authorized payment of $85,017.60 as interest on interest to debenture holders. This order approved by district court Nov. 1, 1951. Order May 12, 1952, allowing renewal of loan from The Chase National Bank for 1 year. Commission now has before it pt. III of trustee's second plan, as well as other plans for disposition of residual estate of IHES. When Commission enters final order on issues presented, matter will again go to district court for approval and enforcement. Matter will remain under jurisdiction of district court until all issues with respect to reorganization of IHES resolved. Pending.

TABLE 28.—*Reorganization cases under ch. X of the Bankruptcy Act pending during the fiscal year ended June 30, 1952, in which the Commission participated when appeals were taken from district court orders*

Name of case and United States Court of Appeals	Nature and status of case
American Acoustics, Inc., debtor; John B. Shearer, Milton M. and Adrian M. Unger, appellants (third circuit).	Appeals from order of Apr. 26, 1951, disallowing applications for certain allowances. Commission filed brief July 24, 1951, in support of district court order. Order affirmed Oct. 17, 1951. Petition for rehearing denied Nov. 1, 1951. Mandate issued Nov. 7, 1951. Dec. 5, 1951, appellant Shearer was granted an allowance of $750 by lower court. Commission's motion of Mar. 7, 1952, for order directing compliance with mandate and vacating order granting allowance, denied Mar. 20, 1952. Closed.
American Bantam Car Co., debtor; American Bantam Car Co., Stockholders Committee, appellants (third circuit).	Appeal from order of Oct. 16, 1951, appointing Special Master to take testimony on fairness of compromise settlement proposal of Monroe Auto Equipment Co. Commission's brief filed Dec. 3, 1951, in support of appeal. Order reversed Jan. 14, 1952. Closed.
Chicago Railways Co., et al., debtors (seventh circuit).	Petition of Continental Illinois National Bank & Trust Co. of Chicago for leave to appeal from order of Jan. 17, 1952, refusing allowances to petitioner as compensation for services rendered as depositary. Commission filed brief in opposition Mar. 7, 1952. Petition denied Mar. 12, 1952. Closed.
Chicago Rapid Transit Co., et al., debtors; Thomas, et al. v. Fallon, et al. (seventh circuit).	Appeal from order of Oct. 3, 1951, approving a settlement of claims asserted against debtor by Chicago Junction Railroad Co. Commission's brief supporting appellants filed Feb. 8, 1952. On Apr. 18, 1952, the order reversed and case remanded for further proceedings. Closed.
Pittsburgh Terminal Coal Corp., debtor; Pittsburgh Terminal Realization Corp., appellant (third circuit).	Appeal from order of June 11, 1951, enjoining appellant from paying legal fees or expenses in connection with pending ch. X proceeding, without further order of court. Commission's motion to dismiss appeal filed Jan. 11, 1952. Appeal dismissed on stipulation. Closed.
Solar Manufacturing Corp., debtor; Ben Mintz, appellant (third circuit).	Appeal from order of Dec. 28, 1950, awarding interim allowances to the 2 trustees of the debtor and their counsel. Commission's brief filed in May 1951, supporting appeal. Opinion June 28, 1951, affirming order of Dec. 28, 1950, as to interim allowances, and remanding case for further proceedings. Closed.
Solar Manufacturing Corp., debtor; Ben Mintz, appellant (third circuit).	Appeal from order of Jan. 4, 1951, denying motion of Commission to reduce number of trustees to 1. Commission's brief filed in May 1951, supporting appeal. Opinion June 28, 1951, reversing order of Jan. 4, 1951, and remanding case for further proceedings. Trustees' petition for rehearing denied Aug. 20, 1951. Certiorari denied Dec. 3, 1951. Closed.
Solar Manufacturing Corp., debtor; The Marine Midland Trust Co., appellant (third circuit).	Appeal from order of Mar. 3, 1952, denying 2 motions of appellant to dismiss counterclaims asserted by Trustee of Debtor to claims filed by appellant as creditor and to accounting by appellant as former indenture trustee for debtor's debenture holders. Pending.
Third Avenue Transit Corp., debtor; Melniker, et al., appellants (second circuit).	Appeal from order of Apr. 28, 1951, directing loan of $350,000 from cash held by indenture trustee under a first mortgage indenture. Commission's brief in support of appeal filed May 29, 1952. Order reversed July 10, 1952. Closed.

TABLE 29.—*A 19-year summary of criminal cases developed by the Commission—1934 through 1952 by fiscal year*

[See table 31 for classification of defendants as broker-dealers, etc.]

Fiscal year	Number of cases referred to Department of Justice in each year	Number of persons as to whom prosecution was recommended in each year	Number of such cases in which indictments were obtained by United States attorneys	Number of defendants indicted in such cases [1]	Number of these defendants convicted	Number of these defendants acquitted	Number of these defendants as to whom proceedings were dismissed on motion of United States attorneys	Number of these defendants as to whom cases are pending [2]
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	44	2
1939	52	245	47	292	199	33	60	0
1940	59	174	51	200	96	38	66	0
1941	54	150	47	145	94	15	36	0
1942	50	144	46	194	108	23	48	15
1943	31	91	28	108	61	10	33	4
1944	27	69	24	79	47	6	19	7
1945	19	47	18	61	36	10	14	1
1946	16	44	14	40	13	8	3	16
1947	20	50	13	34	9	5	12	8
1948	16	32	15	29	20	3	5	1
1949	27	44	25	57	17	13	12	15
1950	18	28	15	27	19	1	3	4
1951	29	42	24	48	20	5	4	19
1952	[3] 14	26	10	20	3	0	0	17
Total	593	2,019	[4] 491	2,161	1,160	266	[5] 626	109

[1] The number of defendants in a case is sometimes increased by the Department of Justice over the number against whom prosecution was recommended by the Commission. For the purpose of this table, an individual named as a defendant in 2 or more indictments in the same case is counted as a single defendant.

[2] See table 30 for breakdown of pending cases.

[3] Three of these references as to 4 proposed defendants were still being processed by the Department of Justice as of the close of the fiscal year.

[4] 454 of these cases have been completed as to 1 or more defendants. Convictions have been obtained in 397 or 87.4 percent of such cases. Only 57 or 12.6 percent of such cases have resulted in acquittals or dismissals as to all defendants.

[5] Includes 44 defendants who died after indictment.

TABLE 30.—*Summary of criminal cases developed by the Commission which were still pending at June 30, 1952*

	Cases	Number of defendants in such cases	Number of such defendants as to whom cases have been completed	Number of such defendants as to whom cases are still pending and reasons therefor: Not yet apprehended	Awaiting trial	Awaiting appeal
Pending, referred to Department of Justice in the fiscal year:						
1938	1	2	0	2	0	0
1939	0	0	0	0	0	0
1940	0	0	0	0	0	0
1941	0	0	0	0	0	0
1942	2	18	3	14	1	0
1943	2	8	4	3	1	0
1944	2	8	1	7	0	0
1945	1	1	0	1	0	0
1946	4	16	0	16	0	0
1947	3	9	1	8	0	0
1948	1	1	0	0	1	0
1949	6	17	2	5	10	0
1950	2	4	0	1	2	1
1951	8	23	4	0	9	10
1952	7	17	0	0	17	0
Total	[1] 39	[1] 124	15	57	41	11

SUMMARY

Total cases pending [1]	42
Total defendants [1]	128
Total defendants as to whom cases are pending [1]	113

[1] Except for 1952, indictments have been returned in all pending cases. Indictments have not yet been returned as to 4 proposed defendants in 3 cases referred to the Department of Justice in 1952. These are reflected only in the recapitulation of totals at the bottom of the table.

TABLE 31.—*A 19-year summary classifying all defendants in criminal cases developed by the Commission—1934 to June 30, 1952*

	Number indicted	Number convicted	Number acquitted	Number as to whom cases were dismissed on motion of United States attorneys	Number as to whom cases are pending
Registered broker-dealers [1] (including principals of such firms)	334	207	23	95	9
Employees of such registered broker-dealers	112	58	15	37	2
Persons in general securities business but not as registered broker-dealers (includes principals and employees)	694	355	57	254	28
All others [2]	1,021	540	171	240	70
Total	2,161	1,160	266	626	109

[1] Includes persons registered prior to time of indictment.
[2] The persons referred to in this column, while not engaged in a general business in securities, were almost without exception prosecuted for violations of law involving securities transactions.

TABLE 32.—*A 19-year summary of all injunction cases instituted by the Commission, 1934 to June 30, 1952, by calendar year*

Calendar year	Number of cases instituted by Commission and number of defendants involved.		Number of cases in which injunctions were granted and number of defendants enjoined[1]	
	Cases	Defendants	Cases	Defendants
1934	7	24	2	4
1935	36	242	17	56
1936	42	116	36	108
1937	96	240	91	211
1938	70	152	73	153
1939	57	154	61	165
1940	40	100	42	99
1941	40	112	36	90
1942	21	73	20	54
1943	19	81	18	72
1944	18	80	14	35
1945	21	74	21	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 (to June 30)	14	46	9	25
Total	615	1,822	[2] 557	1,405

SUMMARY

	Cases	Defendants
Actions instituted	615	1,822
Injunctions obtained	550	1,405
Actions pending	13	[3] 45
Other dispositions [4]	52	372
Total	615	1,822

[1] These columns show disposition of cases by year of disposition and do not necessarily reflect the disposition of the cases shown as having been instituted in the same years.
[2] Includes 7 cases which were counted twice in this column because injunctions against different defendants in the same cases were granted in different years.
[3] Includes 2 defendants in 2 cases in which injunctions have been obtained as to 11 co-defendants.
[4] Includes (a) actions dismissed (as to 307 defendants); (b) actions discontinued, abated, vacated, abandoned, or settled (as to 51 defendants); (c) actions in which judgment was denied (as to 11 defendants); (d) actions in which prosecution was stayed on stipulation to discontinue misconduct charged (as to 3 defendants).

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