Fifth Annual Report

of the

Securities and Exchange Commission

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Fiscal Year Ended June 30, 1939

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C.

LETTER OF TRANSMITTAL

SECURITIES AND EXCHANGE COMMISSION,
Washington, January 3, 1940.

SIR: I have the honor to transmit to you the Fifth Annual Report of the Securities and Exchange Commission, in compliance with the provisions of Section 23 (b) of the Securities Exchange Act of 1934, approved June 6, 1934, and Section 23 of the Public Utility Holding Company Act of 1935, approved August 26, 1935.

Respectfully,

JEROME N. FRANK,
Chairman.

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

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FIFTH ANNUAL REPORT OF THE SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C.

INTRODUCTION

At the close of the fifth fiscal year since its creation, the Securities and Exchange Commission was administering three statutes, the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, and had certain duties under Chapter X of the amended Bankruptcy Act.[1]

The full administration of the Public Utility Holding Company Act was delayed in many respects by the failure of a substantial portion of the industry to register until after the decision of the Supreme Court, on March 28, 1938, upholding the constitutionality of the registration provisions. Thus, the Commission at the close of the fiscal year had had only a year and three months of full administration of the Act. The amended Bankruptcy Act was adopted by Congress on June 22, 1938, so that the Commission had exercised its duties with respect to corporate reorganizations under Chapter X of the Act for only slightly more than one year.

Proposed new issues of securities registered under the Securities Act of 1933, thus making full data available to prospective investors, had reached a 5-year total of over $14,500,000,000 by the end of the fiscal year. Twenty securities exchanges were subject to the jurisdiction of the Commission and data was available to investors on more than 4,000 securities listed on these exchanges. Nearly 7,000 brokers and dealers doing a business in the over-the-counter security markets were registered with the Commission. Fifty-one public utility holding company systems, comprising 142 registered holding companies and including 1,542 separate holding, sub-holding, and operating companies, were subject to the Commission's regulation.

[1] A fifth statute, the Trust Indenture Act of 1939, was enacted just after the close of the fiscal year. This act adds a new title (Title III) to the Act of May 27, 1933, as amended, Title I of which is the Securities Act of 1933. Briefly, 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 provisions of these two Acts are so integrated that registration pursuant to the Securities Act of such securities to be issued under a trust indenture shall not be permitted to become effective unless the indenture conforms to the specific statutory requirements expressed in the Trust Indenture Act. The indenture is automatically "qualified" when registration becomes effective as to the securities themselves.

During the year the Commission filed notices of appearance in reorganization proceedings under Chapter X of the Bankruptcy Act in cases involving 87 principal debtors and 18 subsidiary debtors.

In the enforcement of its laws during the past five years the Commission has stopped the issuance of 119 proposed security issues and 14 security issues have been delisted from stock exchanges as a result of inability or unwillingness to make the required disclosure. Six persons have been suspended from membership in national securities exchanges for violations of the Securities Exchange Act of 1934, and two members have been ordered expelled. The registration of 60 brokers and dealers in over-the-counter security markets has been suspended or revoked.

The Commission has intensified its prosecution of fraudulent promoters, stock swindlers, bucket shop operators, and others who abuse the confidence of the investing public and, during the past five fiscal years, has brought 312 suits in the United States courts to prevent violation of its laws. Of these, 288 had been concluded at the end of the fiscal year and as a result 657 firms and individuals had been permanently enjoined from further violation of the law. In addition, the Commission has referred 158 cases to the Department of Justice. As a result, 403 defendants had been convicted at the end of the year.

The Commission's activities in the regulation of securities exchanges during the past year have been directed principally towards securing protection against avoidable financial risks for the customer of stock exchange brokerage firms. The Commission's report on its investigation of the failure of Richard Whitney & Company revealed lax standards and recommended a broad program of measures designed to protect customers' funds and securities. Continuing its policy of encouraging self-policing by securities exchanges—as an alternative to direct and detailed regulation by the Government—the Commission sought to have the exchanges effectuate, under their own rules, a program for customer protection. Although various plans and proposals had been discussed, at the end of the fiscal year adequate measures for customer protection had not yet been put into effect by the exchanges.

During the year the Commission continued its work with investment bankers, dealers, and brokers to effectuate the system of cooperative regulation of the over-the-counter security markets envisioned by the Maloney Amendment to the Securities Exchange Act (adopted June 25, 1938). At the close of the fiscal year plans for the organization and registration under the Act of a national association of securities dealers were nearing maturity.[2]

[2] Shortly after the close of the fiscal year the National Association of Securities Dealers, Inc., registered with the Commission under the Act.

Perhaps the most important single effect of the Public Utility Holding Company Act has been on the security issues of the utility companies. From December 1, 1935, when the Act became effective, until the close of the fiscal year, utility companies had issued over $2,500,000,000 of securities, all of them sufficiently in harmony with the aims and spirit of the law to permit their issuance. Of this amount, $1,449,810,000 were issued during the past fiscal year.

In addition the Commission has passed on nearly every variety of financial transaction covered by the statute.

With respect to the integration and simplification provisions of the Act, six companies have had plans of simplification approved by the Commission and eight companies had plans pending before the Commission at June 30, 1939.

On August 3, 1938, William O. Douglas, former Chairman of the Commission, addressed a letter to the chief executives of all registered holding companies requesting them to inform the Commission of their tentative ideas as to how Section 11 (b) could be complied with. The purpose of this request was to focus the attention of the industry upon the steps needed to comply with the statutes, and to assist the Commission in determining the best means of securing such compliance, as well as to obtain both data and ideas that might prove helpful to the Commission. With few exceptions the registered holding companies submitted more or less elaborate statements in response to this request. These have been carefully studied and analyzed and have aided considerably in the formulation of working plans for securing compliance with the statute. The next step is the specific and separate determination of each company's problem, a matter which in each case must be based on the evidence produced, both by the Commission and the company, at a public hearing.

During the past fiscal year the Commission adopted 27 new rules under its statutes and repealed 14 rules.

The courts have almost invariably sustained the orders of the Commission in cases where review has been sought. During the past five years the Circuit Courts of Appeal have been asked to review orders of the Commission in 49 cases. Thirty-nine of these petitions were dismissed or withdrawn, in two cases the order of the Commission was affirmed and in only one case was the Commission's order vacated. Seven cases were pending at the end of the year.

During the year a new chairman was elected when, on May 18, 1939, Commissioner Jerome N. Frank succeeded Chairman William O. Douglas, who resigned April 16, 1939 as Chairman and Commissioner to accept an appointment as Justice of the United States Supreme Court. On June 30, 1939, Commissioner Frank was reelected Chairman of the Commission, for the period ending June 30, 1940.

Edward C. Eicher of Iowa was appointed Commissioner on December 1, 1939, for the term ending June 5, 1940, vice John W. Hanes, who resigned to accept an appointment as Assistant Secretary of the Treasury.

Leon Henderson was appointed Commissioner on May 17, 1939, for the term ended June 5, 1939, vice William O. Douglas. Commissioner Henderson was reappointed Commissioner on May 29, 1939, for the term ending June 5, 1944.

During the past fiscal year, the Commission established a new division, known as the Reorganization Division. On June 9, 1939, the Commission abolished the Forms and Regulations Division and transferred its functions and personnel to a new Forms and Regulations Unit, created in the Registration Division. On November 21, 1938, the Commission announced the establishment of a new regional office in Cleveland, Ohio. The Commissioners, staff officers, and regional administrators, as of the close of the past fiscal year, were as follows:

Commissioners:

Frank, Jerome N., Chairman.
Mathews, George C.
Healy, Robert E.
Eicher, Edward C.
Henderson, Leon.

Staff Officers:

Allen, James, Supervisor of Information Research.
Bane, Baldwin B., Director of the Registration Division.
Blaisdell, Thomas C., Jr., Director of the S. E. C. Monopoly Study.[3]
Brassor, Francis P., Secretary of the Commission and Director of the Administrative Division.
Clark, Samuel O., Jr., Director of the Reorganization Division.[4]
Davis, Sherlock, Technical Adviser to the Commission.
Lane, Chester T., General Counsel.
Neff, Harold H., Foreign Expert.
Purcell, Ganson, Director of the Trading and Exchange Division.
Schenker, David, Chief of the Investment Trust Study.
Sheridan, Edwin A., Executive Assistant to the Chairman.
Smith, C. Roy, Director of the Public Utilities Division.[5]
Werntz, William W., Chief Accountant.

[3] Mr. Blaisdell resigned June 29, 1939.

[4] Mr. Clark resigned July 27, 1939 and Edmund Burke was appointed Director of the Reorganization Division on September 6, 1939.

[5] Mr. Smith resigned September 5, 1939 and Joseph L. Weiner was appointed Director of the Public Utilities Division on September 6, 1939.

Regional Administrators:

Allred, Oran H., Fort Worth Regional Office.
Caffrey, James J., New York Regional Office.
Green, William, Atlanta Regional Office.
Judy, Howard A., San Francisco Regional Office.
Karr, Day, Seattle Regional Office.
Kennedy, W. McNeill, Chicago Regional Office.
Lary, Howard N., Denver Regional Office.
Malone, William M., Washington Field Office.
Moore, Dan Tyler, Cleveland Regional Office.
Rooney, Joseph P., Boston Regional Office.

Part I

NEW DUTIES OF THE COMMISSION WITH RESPECT TO CORPORATE REORGANIZATIONS UNDER CHAPTER X OF THE BANKRUPTCY ACT, AS AMENDED

During the past fiscal year, the Commission inaugurated its functions under Chapter X of the Bankruptcy Act, as amended in 1938 (Public No. 696, 75th Congress), relating to the reorganization of corporations and superseding Section 77B of that Act.

Chapter X affords the appropriate machinery for the reorganization of corporations (other than railroads) in the Federal courts under the Bankruptcy Act. The Commission's duties under the chapter are, first, at the request or with the approval of the court, to act as a participant in proceedings thereunder in order to provide independent, expert assistance on matters arising in such proceedings. Second, the Commission is empowered to prepare, for the benefit of the courts and investors, advisory reports on plans of reorganization submitted in such proceedings.

COMMISSION FUNCTIONS UNDER CHAPTER X

The functions of the Commission as a participant in Chapter X proceedings are governed by Section 208 of the Act. That section provides that the Commission shall, if requested by the judge, and may, upon its own motion if approved by the judge, file a notice of its appearance in a proceeding under Chapter X. Upon the filing of such notice, the Commission is deemed to be a party in interest and has a right to be heard upon all matters arising in the proceeding. However, it may not appeal or file any petition for appeal in the proceeding.

The Commission's functions in connection with advisory reports on reorganization plans are governed primarily by Section 172 of the Act. That section provides that the judge shall, if the indebtedness of the debtor exceeds $3,000,000, and may, if the indebtedness does not exceed that amount, submit to the Commission for examination and report any plan or plans of reorganization which the judge deems worthy of consideration. Section 173 of the Act provides that the judge may not approve any plan until the Commission has filed its report or has notified the judge that it will not file a report, or unless no report has been filed within the period fixed by the judge. Section 175 provides that upon the approval of any plan by the judge, the Commission's report, if one has been filed or a summary prepared

by the Commission, must be transmitted to creditors and stockholders who are being asked to vote on the plan, along with certain other material.

In general, the Commission's functions under Chapter X are advisory in nature, and are designed to make available to the courts and security holders the expert and impartial assistance of the Commission.

In order that its functions under Chapter X may be more effectively and efficiently exercised, the Commission established the Reorganization Division in Washington and reorganization units in the several regional offices. This decentralization was designed to meet the needs of the courts and the parties involved and to avoid the delay and expense that might have been occasioned by the exercise of all the functions directly from Washington. It has been accomplished, however, without the delegation by the Commission of any power of decision.

PROCEEDINGS IN WHICH THE COMMISSION PARTICIPATED

The amended Act did not become fully effective until September 22,1938, but the provisions of Chapter X thereof were made applicable in their entirety to proceedings in which the petition for reorganization was approved within 3 months prior to that date. It was further enacted that the provisions of Chapter X should apply, to the extent that their application was deemed practicable by the judge, to proceedings in which the petition was approved more than 3 months before September 22, 1938. Through the operations of these provisions, the Commission has therefore been active not only in cases instituted since the enactment of Chapter X, but in numerous cases which originated under the provisions of Section 77B of the Bankruptcy Act.

In reaching the decision that it should seek to become a participant in any case, the Commission has borne in mind the criterion that the more important provisions now embodied in Chapter X of the Bankruptcy Act were designed to assure greater protection for the interests of the public investor. Accordingly, the Commission has concerned itself with all cases involving a definite public interest, and, generally speaking, has sought to participate in all cases involving more than $250,000 face amount of securities outstanding in the hands of the public. However, the Commission also has become a party to smaller cases in which there were special factors which indicated the desirability of its participation, such as a questionable corporate history, or the proposal of an improper plan of reorganization, or inadequate representation for the public investors, or violations of various provisions of the new Act.

During the period from September 22, 1938 (the date on which the amended Bankruptcy Act became fully effective), through June 30, 1939, the Commission filed its notice of appearance in 87 proceedings involving the reorganization of 105 corporations (87 principal debtor corporations and 18 subsidiary debtors). Of these 87 proceedings, 38 were commenced under Chapter X, while 49 originated under Section 77B. In 53 proceedings the Commission filed its notice of appearance at the request of the judge; while in the remaining 34 it became a party upon approval by the judge of its own motion to participate. In only one instance was the Commission's motion to participate denied.

The 105 debtors involved in the proceedings to which the Commission became a party showed aggregate assets of over $550,000,000 and aggregate indebtedness of over $440,000,000. These proceedings embraced a wide variety of industries, as indicated by the following table:

Industry	Number of debtors		Total assets		Total indebtedness	
	Principal	Subsidiary	Amount	Percent of grand total	Amount	Percent of grand total
			Thousands of dollars		*Thousands of dollars*	
Agriculture	1		1,100	0.2	100	(a)
Mining and other extractive	8	4	126,763	22.8	85,652	19.3
Manufacturing	21	4	249,328	44.9	170,426	38.4
Financial and investment	2		9,749	1.8	6,645	1.5
Merchandising		2	385	0.1	355	0.1
Real estate	41	3	[b] 51,566	9.3	[c] 62,464	14.1
Construction	1		19,269	3.5	9,366	2.1
Transportation and communication	2	1	40,417	7.3	56,339	12.7
Service	5		7,177	1.3	7,543	1.7
Electric light, power, and gas	6	4	48,923	8.8	44,664	10.1
Grand total	87	18	[b] 554,677	100.0	[c] 443,554	100 0

[a] Less than 0.05%.
[b] Does not include 2 companies whose assets were not ascertained.
[c] Does not include 1 company whose indebtedness was not ascertained.

Included among the various industries listed above were the following types of companies: A drug concern, traction and power companies, an investment trust, paper manufacturing concerns, a radiator concern, a toll bridge, oil companies, gold and silver mining companies, warehouses, a tanning company, a coal company, and numerous hotels, apartment houses, and other real estate concerns. In individual cases, the outstanding indebtedness of these companies varied from less than $100,000 to over $50,000,000. In 23 instances the indebt-

edness aggregated over $3,000,000 and in 5 instances it exceeded $25,000,000. The distribution of cases by amount of indebtedness is shown in the following table:

Distribution by amount of individual indebtedness of cases under Chapter X and Section 77B in which the Commission was a party to the proceedings—Fiscal year 1939

Amount of individual indebtedness in dollars	Number of companies	Total indebtedness	
		Amount	Percent of grand total
		Thousands of dollars	
Less than 100,000	5	271	0.1
100,000-249,999	18	3,057	0.7
250,000-499,999	20	7,818	1.8
500,000-999,999	13	9,058	2.0
1,000,000-1,999,999	17	25,394	5.7
2,000,000-2,999,999	8	21,788	4.9
3,000,000-9,999,999	14	80,316	18.1
10,000,000-24,999,999	4	67,529	15.2
25,000,000-49,999,999	3	106,207	24.0
50,000,000 and over	2	122,116	27.5
Grand total	[a] 104	[a] 443,554	100.0

[a] Does not include one company whose indebtedness was not ascertained.

STATISTICS ON REORGANIZATIONS UNDER CHAPTER X

In order to determine in which cases its participation would, in the light of the public interest involved, be desirable and practicable, and in order that it might be in a position to respond to the requests of judges seeking its advice and assistance in connection with specific cases, the Commission has endeavored to keep informed as to the nature of all pending cases. Accordingly, the Commission has investigated or examined during the fiscal year a total of 1,104 reorganization cases, including the cases in which it became a party. Of this number, 527 were proceedings commenced under Section 77B prior to enactment of the Chandler Act, and the remaining 577 were instituted under the provisions of Chapter X of the amended Act.

As an aid to the Commission in the performance of its duties under the Act, it was provided in Section 265a of Chapter X that the Clerks of the various Federal District Courts shall transmit to the Commission copies of all petitions for reorganization filed under that Chapter, as well as copies of various other specified documents filed in the proceedings. Thus, the Commission possesses files or records of the more important papers in all Chapter X cases and is in a position to make available to many users information otherwise practically inaccessible to them.

With a view to dissemination of this information, the Commission has inaugurated a series of statistical surveys presenting data on the total number of proceedings under Chapter X and the aggregate assets and indebtedness of the companies involved, classified according to industry, location of principal assets, location of principal place of business, Federal judicial district in which proceedings were instituted, amount of individual indebtedness, and type of petition filed. The first of these statistical analyses, covering the period from September 22, 1938, to March 31, 1939, inclusive, was released on May 8, 1939. A statistical analysis in similar form covering the period from June 22, 1938 to June 30, 1939, inclusive, is contained in Appendix IX of this report.

THE COMMISSION AS A PARTY TO PROCEEDINGS

In general, it may be said that the Commission's activities in reorganization proceedings in which it participates may be as extensive as the issues arising in the proceedings and as varied in their scope. As a party in interest, the Commission is represented at all important hearings in the proceedings. It participates in the discussions on all major issues and on appropriate occasions files legal or factual memoranda in support of its views. In addition, its views with respect to the fairness and feasibility of reorganization plans are fully discussed with all interested and proper parties, and proposals as to plans are fully examined in connection with the Commission's views. In many cases this has led to extensive amendment and improvement in such proposals in advance of the hearings thereon before the court. The range of matters with which the Commission has been concerned is outlined in the following paragraphs.

The Commission has encountered a number of instances of violation of, and noncompliance with, the procedural provisions of Chapter X. In many cases where such situations came to the Commission's attention, a conference with the parties was sufficient to dispose of the matter. In other cases, it was necessary to file a formal motion in court.

Insuring Adequate Notice of Hearings to Security Holders.

Among the more important of such violations of the Act were those connected with the provisions for notice which must be given of the various hearings required by the statute. Occasionally, for example, the Commission has advised the parties of their failure to give notice to the various parties entitled thereto, or of the inadequacy of the notice even when given, as relating to the hearings on the question of continuance in possession of the debtor or the retention in office of the trustee. The Commission has similarly objected to failure to give notice of the statutory hearings for the approval of a plan. In a

number of instances applications for interim allowances to the trustees and their counsel were made without the requisite hearing on notice to all creditors, security holders, and parties. In all of these instances it was possible to accomplish a correction of the violations without undertaking any formal court action. Many other examples of procedural noncompliance with the statute could be adduced as to which the Commission has taken remedial action. It is to be emphasized that these matters, though procedural in nature, are of significance to security holders in safeguarding their rights to be heard on all matters arising in reorganization proceedings under the statute.

Securing Compliance With Provisions Regarding Trustees.

A most important phase of the Commission's activity in discerning and correcting noncompliance with the Act dealt with the appointment of independent trustees. As an essential element in the proper conduct of reorganizations, the statute prescribes certain standards of disinterestedness which must be met by trustees appointed under Chapter X. Wherever there was any doubt as to the qualifications of the trustees, the Commission undertook thoroughgoing examinations into the facts. In three cases, for example, sufficient evidence of conflicting interests was developed to warrant an appearance in court for the purpose of urging the removal of trustees. In one of these cases, where it appeared that the trustee had been in charge of the debtor's operations at the time of his appointment, the trustee resigned after the Commission filed its motion and before testimony was to be taken at the court hearing. In the second of these cases, the court removed the trustee after hearing. In the third case, the Commission was of the opinion that both the trustee and his attorney were disqualified under the statute, but the court overruled its objection and continued them in office.

In a few cases, independent trustees were not appointed although the indebtedness of each of the several debtors was in excess of $250,000, the point above which the statute makes their appointment mandatory. However, in all such instances, the omission was promptly cured when attention was directed to the violation. In other cases questions arose concerning the powers of the disinterested trustee as distinguished from those of the interested trustee. Under the statute the court can, in unusual cases, designate as an additional co-trustee an officer, director, or employee of the debtor, but only for the purpose of assisting in the operation of the business. Accordingly, the Commission objected to an order directing both the disinterested trustee and the co-trustee to prepare and file a plan. The Commission likewise objected to an order depriving the disinterested trustee of the power to participate in the operation of the business and confining his functions to the formulation and submission of the plan.

In both instances, the Commission's views were approved and the orders amended.

Securing Compliance With Provisions Regarding Protective Committees and Indenture Trustees.

Another general phase of the Commission's efforts to remedy noncompliance with the provisions of Chapter X related to the activities of protective committees and indenture trustees. The Commission has constantly been alert to secure compliance with the provisions of the statute which require disclosure by committees and indenture trustees of relevant information concerning their appointment, affiliations, and security holdings. Considerable attention also has been given to the controversial question whether formal intervention should be granted to committees and indenture trustees in proceedings under Chapter X. The position advanced by the Commission in the courts has been that, since the new statute affords committees and indenture trustees an unqualified right to be heard, such intervention is unnecessary as a general rule. In only one of the many cases dealing with the question was this view rejected.[1]

In connection with the activities of protective committees, the Commission was also concerned with the problem of solicitation of the assents of security holders to plans of reorganization prior to approval of such plans by the courts. The provisions of Chapter X were designed to assure to creditors and stockholders the information essential to the exercise of an informed judgment concerning the plan before their vote thereon is exercised, and also to remove from the courts the pressure which customarily attended "support" of plans that were frequently neither fair and equitable, nor feasible. Consistently with the purpose of these provisions, the Commission in a number of cases objected to such solicitations prior to the court's consideration and approval of the plan under consideration.

PLANS OF REORGANIZATION UNDER CHAPTER X

Many of the more complex problems which confronted the Commission as a party in reorganization cases were concerned with the failure of proposed reorganization plans to conform with the standards of fairness and feasibility required by Chapter X. As a preliminary to consideration of all plans of reorganization, it was necessary to assemble the essential information bearing on the physical and financial condition of the company, the causes of its financial collapse, the quality of its management, its past operating performance and future prospects, and the reasonable value of its properties. Information on

[1] The numerous cases in which this view was upheld include *The Philadelphia and Reading Coal and Iron Co.* case which was appealed to the Circuit Court of Appeals for the Third Circuit. The opinion of the appellate court in that case is summarized *infra*, pp. 20–21.

these matters was obtained through voluntary cooperation on the part of the trustees and the parties; through examination by the Commission's accountants of the books and records of the companies involved; and through the examination of witnesses in court. This information was complemented by the independent research of the Commission's analytical staff into general economic factors affecting the particular company and competitive conditions in the particular industry.

Feasibility of Plans.

Although it is obviously difficult to design a pattern of feasibility into which all cases will fall, a number of matters of concern to the Commission in this category may be summarized. Thus, the Commission found it necessary in a number of cases to direct attention to the inadequacy of proposed working capital; to object to proposed fixed charges which were either in excess of or were not sufficiently covered by reasonably anticipated earnings; to object to proposed funded debt or capital structures bearing no reasonable relationship to property values; and, generally speaking, to point out the conditions essential to a sound financial basis from which to look forward to successful operating results. As a typical instance of the latter, the Commission was, in one case, concerned with a plan which provided for the issuance of large blocks of cumulative income bonds, the charges on which would have been in excess of the earning power of the company, even before making allowance for necessarily substantial depreciation charges. It appeared likely that accumulations of interest would continually accrue and increase the debt of the company; by the same token, there seemed little likelihood of any considerable retirement of the bonds during the life of the issue to counterbalance this increase in debt. As a consequence, at the maturity of the bond issue, the company might well have been burdened with a larger debt, while at the same time the value of its properties, against which no depreciation reserve was provided, would be considerably lower. The Commission advised the interested parties that, in its opinion, the plan would serve only as a prelude to another reorganization and the plan was materially modified. A number of similar improvements in plans were accomplished in this manner and through recommendations to the courts.

Fairness of Plans.

Perhaps the most controversial of the issues presented in the course of the Commission's participation in reorganizations is the question whether a proposed plan is "fair and equitable" as required by the statute. In appraising this aspect of plans, the Commission has taken the position that, to be fair, plans must provide full recognition for claims in the order of their legal and contractual priority, either in cash or new securities or both; and that junior claims may

participate in reorganizations only to the extent of the value remaining in the debtor's properties after the satisfaction of prior claims. The Commission has not considered a plan as fair which accords recognition to junior interests unless there is a residuum of value for such interests or such recognition is based on a fresh contribution made in money or money's worth.

The Commission's position in this regard was fully sustained by the decision of the United States Supreme Court in *Case* v. *Los Angeles Lumber Products Co., Ltd.*, decided November 6, 1939.[2]

Consistently with the foregoing, the Commission has considered a determination of the value of the debtor's properties essential in evaluating the fairness of reorganization plans. Its view in this regard was recently upheld in a significant decision of the Circuit Court of Appeals for the Third Circuit in the *Philadelphia & Reading Coal & Iron Co.* case,[3] in which the court held that solvency, and by that token, value, is appropriately to be determined in advance of approval of any plan of reorganization. It may be added, in connection with the complex problem of determining value for the purposes described, that the Commission shares the view of financial experts generally and of most courts, that an appropriate capitalization of reasonably foreseeable earning power is the most reliable guide to value in reorganization cases.

Although limitations of space preclude any summary in this report of the varying fact situations in which the question of the fairness of plans has been presented to the Commission, a typical instance is briefly outlined in the following paragraphs, which serves also as an indication of the expedition with which the Commission must consider and act upon these matters as presented.

In the case in question, the debtor owned and operated a cold storage warehouse and had outstanding $1,646,000 of first mortgage bonds, $598,500 of second mortgage bonds, $470,000 of unsecured indebtedness, $550,000 of preferred stock, and 30,000 shares of common stock. The reorganization proceedings had been pending before the court for several years and several plans of reorganization had proved abortive. In order to expedite the proceedings, the judge, on October 21, 1938, ordered the trustees to file, on or before November 10 of that year, a plan of reorganization or a report of their reasons why a plan could not be effected, pursuant to Chapter X. It was further ordered that a hearing on the plan should be held on November 18. On November 2, 1938, the judge entered an order, pursuant to Section 208 of Chapter X, requesting the Commission to file a notice of its appearance.

[2] In this case, the Commission's position was presented to the Court in a brief filed for the United States as *amicus curiae* and in argument by the Solicitor General. The Commission participated in the preparation of the brief and argument.

[3] The opinion of the court is referred to *infra*, pp. 20–21.

Members of the Commission's staff immediately began a study of the company's books and records, and the assembling of information from all other pertinent sources which would bear on the company's history, its financial condition, and its future prospects. In the meantime, the trustees had filed a proposed plan of reorganization which had the support of representatives of holders of the various classes of securities. This plan provided for a bank loan to raise money to pay accrued taxes and for the issuance of second mortgage income bonds and common stock to the bondholders and other claimants, and included substantial participation for the existing stock.

After a study and analysis of the plan based on the data which had been obtained concerning the company, the Commission was convinced that no equity existed for any interests junior to the claims of first mortgage bondholders. This conclusion was founded principally on an examination of past operating results of the debtor and on an estimate of its prospective earning capacity. In the light of this conclusion, it was apparent that the substantial participation accorded junior interests was unfair. Furthermore, the amount of the funded debt proposed by the plan and the difficulty of amortizing the bond issue in any substantial amounts before its specified maturity cast doubt on the feasibility of the plan. These and other considerations led the Commission to believe that the substitution of equity securities would present a more feasible capital structure.

The Commission's views in these various respects were presented to the interested parties at a conference held a few days prior to the hearing, and again formally at the hearing on November 18. As a result of the Commission's suggestions, the plan was substantially amended. The amended plan was approved by the court on December 6, 1938, approximately one month after the Commission had entered its appearance in the proceeding.

ADVISORY REPORTS ON PLANS OF REORGANIZATION

As already noted, the second aspect of the Commission's functions under Chapter X relates to the submission of advisory reports on plans of reorganization. The advisory report serves as an impartial survey and critique for the use of the judge in his consideration of the plan. If the plan is approved by the judge, copies of the report or summaries thereof prepared by the Commission are submitted to all those affected by the plan, thus serving also as an aid to creditors and stockholders in making their decision as to acceptance or rejection of the plan.

It has been noted already that in its capacity as a party the Commission may be actively concerned with every issue arising in a reorganization proceeding under Chapter X. Throughout such proceeding, it lends assistance and advice as to legal and financial matters to the court with respect to both the administration of the estate and the working out of a fair, equitable, and feasible plan of reorganization. In this latter connection, the Commission's duties as a party require it in effect to undertake in every case the same intensive legal and financial studies which are necessary for the preparation of formal advisory reports. The Commission, therefore, seeks to become a party in every case in which it is expected that plans will be referred to it for such reports. On the other hand, the Commission has become a party in many other cases where such reports will be neither required nor requested, but in which the burden of study and analysis respecting plans is in no wise lessened, since the Commission must be prepared to comment thereon in any event in its capacity as a party. In effect, therefore, the Commission performs both of its functions in all cases in which it participates.

During the past fiscal year, the Commission issued formal advisory reports in 4 reorganization proceedings. In 2 other cases during this period, plans of reorganization were submitted to the Commission for advisory reports, which reports were in the course of preparation at the close of the fiscal year. In more than 20 other cases, the proceedings had not progressed to a point where the plans therein could appropriately be referred to the Commission, but it was clear, in the light of the amount of indebtedness involved, that these must eventually be submitted for advisory reports.

The four proceedings in which the Commission submitted advisory reports during the past fiscal year, were all Section 77B proceedings to which the judge deemed the application of the provisions of Chapter X practicable. Three of these cases involved indebtedness in excess of $3,000,000. In the remaining case the indebtedness was less than this figure and the Commission was requested to file its advisory report. There follows a brief discussion of these reports:

Penn Timber Company.—The plan in this case provided for gradual liquidation over a period of years of the debtor's assets, which consisted entirely of timberlands. It provided for a 10-year extension of the maturity date of the debtor's first mortgage bonds and, even though the debtor was admittedly insolvent, for participation in the new company by stockholders as well as junior creditors. The Commission, in its report, took the position that the proposed plan was not feasible because factors affecting the marketability of the timber indicated that liquidation within the 10-year period could not rea-

sonably be anticipated. As a consequence, further reorganization at the expiration of that period appeared likely. The Commission further pointed out that inasmuch as the probable net proceeds of the sale of the assets would not exceed the principal and interest accrued and to accrue on the bonds, any plan providing for participation by interests junior to bondholders would be unfair. Therefore, the Commission concluded that the plan did not meet the statutory and judicial requirements of fairness and feasibility, and that it should not receive the approval of the court. At the close of the fiscal year, the matter was still pending, the court having neither approved nor disapproved the plan.

Detroit International Bridge Company.[4]—The plan referred to the Commission in this proceeding provided for the issuance of common stock to holders of bonds and debentures, 92.3 percent to be issued to bondholders and 7.7 percent to debenture holders. Although the value of the assets was less than the amount due on the first mortgage, the Commission was of the opinion that the provisions of the plan, allocating 7.7 percent of the new common stock to debenture holders, were not unreasonable, it appearing that, at the time the proceedings were instituted, there was a substantial amount of cash on hand to which the debenture holders had a claim.

In addition to the common stock to be issued, the plan provided that present stockholders were to receive warrants entitling them to purchase approximately 2½ percent of the common stock of the new company at twice the anticipated market value of the stock as of the time of reorganization. The issuance of warrants was justified in the plan on the ground that it was desirable to obtain the consent of stockholders to amendments to the charter of the corporation so as to avoid possible difficulties which might arise through the transfer of the bridge franchise to a new corporation. It had been intimated, moreover, that the warrants were of little, if any, value and, therefore, that their issuance was unobjectionable. The Commission questioned the advisability of issuing such securities and suggested that if the benefits to be derived from the issuance of the warrants justified their inclusion in the plan, consideration be given to restricting their transferability. The plan was approved by the court on March 27, 1939.

National Radiator Corporation.—Prior to the time the Commission became a participant in this proceeding, a plan of reorganization had been filed by the trustees which accorded to stockholders a participation in the reorganized company. Upon subsequent investigation of the company's financial condition, the Commission concluded, as did

[4] The advisory report of the Commission in this case was cited by the United States Supreme Court in its opinion in the Los Angeles Lumber Products Co. case, *supra*.

the court, that the debtor was insolvent. The trustees thereafter filed an amended plan of reorganization which provided for the issuance of all of the common stock of the reorganized company to creditors, in exchange for their claims. It appearing that the amended plan was fair and feasible and that the management provisions were generally acceptable, the Commission reported favorably on the amended plan. The plan was approved by the court on March 17, 1939, and thereafter accepted by creditors and confirmed.

Griess-Pfleger Tanning Company.—The plan in this case provided for the issuance of $1,540,000 in capital income debentures and 9,240 shares of common stock to holders of the $1,540,000 principal amount of first mortgage 5½ percent bonds outstanding, on which interest had accrued in the amount of $134,000. Holders of 9,875 shares of $100 par preferred stock on which unpaid dividends amounted to $548,063, were to receive 37,031 shares of common stock, and holders of 19,000 shares of $80 par common stock were to receive 4,222 shares of the new common stock.

The capital income debentures proposed to be issued to first mortgage bondholders were not to be a lien on the assets of the new corporation and were to rank junior to the claims of all creditors, present and future. The debentures were to mature in 1954, an extension of 15 years, and were to bear contingent interest at a rate varying from 1 percent to 5 percent. They were to be convertible into stock at any time in the ratio of one share of stock for each ten dollars of debentures. Although no sinking fund was provided for, the debentures were to be redeemable under certain conditions. Holders of the issue, as a class, would be entitled to elect a varying majority of the board of directors so long as the amount outstanding exceeded $700,000, and a varying minority thereafter. The Commission expressed the opinion that the debentures were in substance a preferred stock and that they should be frankly labelled as such. It was further pointed out that such a security, practically unknown in the public markets, was unsound and deceptive and would place the initial holders, as well as subsequent purchasers and sellers, at serious disadvantage in their dealings with one another.

The Commission concluded that, in its opinion, the plan was unfair in that first mortgage bondholders, without being adequately compensated, were required to accept burdensome sacrifices, including elimination of accrued interest, reduction in future interest rates, elimination of their lien on the debtor's property, subordination of their claim to the claims of all present and future creditors, and extension of maturity date, while preferred stockholders, whose equity in the property justified at best only minor recognition, were to receive 73.3 percent of the common stock of the new company; and

common stockholders, who should have been eliminated entirely, were to receive 8.4 percent of the new common stock. The plan was, however, approved by the court.

APPEALS

In the event that appeals by other parties are taken in cases in which the Commission is participating, the Commission is entitled to appear in the proceedings before the appellate courts. In four of the cases in which the Commission has participated during the past fiscal year, questions were brought before the Circuit Courts of Appeals, concerning which the Commission submitted briefs expressing its views, and counsel for the Commission appeared in oral argument.

The appeals in two of the cases were disposed of on grounds which did not deal directly with the substantive issues involved.[5] In the other two cases, the opinions of the courts adopted the views urged by the Commission. Because of the signal importance in reorganization law of the propositions established in these cases, there is included below a brief summary of the opinions therein.

In the Matter of South State Street Building Corporation.[6]—In this case, the Circuit Court of Appeals for the Seventh Circuit recognized the responsibility of a reorganization trustee, under the provisions of Section 167 of Chapter X, to examine into the financial worth of an individual who was a personal guarantor of the debtor's bonds and who, there were reasonable grounds to believe, was also indebted directly to the debtor. The court upheld the subpoena of books and records relevant to this issue.

In the Matter of the Philadelphia & Reading Coal & Iron Company.[7]—The Commission participated in various appeals arising in this reorganization proceeding. In one instance, the Commission filed a motion seeking the appointment of an examiner to investigate and report upon the affairs of the debtor company and to formulate a plan of reorganization. The Circuit Court of Appeals reversed the district court decision denying the Commission's motion because of the district court's failure to consider, on the merits, the practicability of appointing an examiner. The matter was remanded to the district court to hear evidence and determine whether an examiner or a trustee should be appointed in the proceeding. In its opinion, the Circuit

[5] Mara Villa Realty Company, Debtor, and James I. D. Straus, Appellants, v. Paul E. Weadock, as Examiner, Securities and Exchange Commission, Bondholders Protective Committee of "The Mara Villa" Bond Issue, Michigan Public Trust Commission, Appellees; Wilton Realty Corporation, Debtor, and Equitable Trust Company, as Trustee, Intervener, v. Paul E. Weadock, as Examiner; Securities and Exchange Commission, Bondholders Protective Committee of "The Wilton" Building Bond Issue: Michigan Public Trust Commission, Appellees, decided by the Circuit Court of Appeals for the Sixth Circuit on September 18, 1939, and October 6, 1939, respectively.

[6] 105 Fed. (2d) 680 (C. C. A. 7th, July 13, 1939).

[7] 105 Fed. (2d) 354, 357, 358 (C. C. A. 3d, June 30, 1939).

Court indicated that it was following the Second Circuit Court of Appeals in holding that the provisions of Chapter X should be applied wherever practicable.

In another phase of this case the Commission participated in an appeal involving principally the question whether the court could properly pass upon a plan of reorganization prior to a determination of solvency or insolvency. The Circuit Court of Appeals reversed the decision of the district court and held that solvency or insolvency must be determined before a plan can be considered. In its opinion the Circuit Court also indicated its adherence to the "absolute priority" rule in judging the fairness of plans.

The Commission also opposed the granting of intervention in this proceeding to the various committees participating in the reorganization. The district court denied intervention and such denial was upheld by the Circuit Court of Appeals. That court held that by the terms of Chapter X the rights which had previously been accorded only to interveners are now available generally to all parties in the proceedings, and that therefore, in the absence of a showing of cause other than a desire to appear generally and to participate in the proceedings, such parties had no right to intervene.

Part II

ADMINISTRATION OF THE SECURITIES ACT OF 1933

The Securities Act of 1933 is designed to compel full and fair disclosure to investors of material facts regarding securities publicly offered and sold in interstate commerce or through the mails. Its provisions are also designed to prevent fraud in the sale of securities. Issuers of securities to be publicly offered and sold in interstate commerce are required to file registration statements with the Commission. These registration statements are required to contain specified information on the proposed offering, and are available for public inspection.

REGISTRATION OF SECURITIES UNDER THE SECURITIES ACT OF 1933

Nature and Effect of Registration.

The Securities Act of 1933 does not confer upon the Commission the power to approve the merits or value of any security; instead, it provides for the full and fair disclosure of material facts concerning securities to be offered publicly for sale and the issuers thereof.

A security may be registered under the Securities Act of 1933 by filing with the Commission, on an appropriate form, a registration statement meeting the requirements specified in that Act and the rules and regulations of the Commission promulgated thereunder. Registration forms have been prescribed by the Commission to meet the requirements peculiar to various types of securities. In each case, the form is designed to secure a fair disclosure of material facts concerning the security proposed to be offered for sale or sold to the public in order that the investor may be aided in appraising its desirability as an investment. There is filed with each registration statement a prospectus containing the more essential information set forth in the registration statement. No offering of the security or delivery of it after sale may be made in interstate commerce or through the mails unless accompanied or preceded by such a prospectus.

The registration statement becomes effective on the 20th day [1] after its filing with the Commission, except in certain cases specified in the Act, so that an investor is thus given a 20-day period in which to consider facts concerning the proposed security issue before it is offered for sale. This period also gives a reasonable time for the Commission to make an examination of the registration statement

[1] The Commission adopted, effective on July 20, 1939, a revision of Rule 930 (b) of the General Rules and Regulations under the Securities Act of 1933, providing that such "twentieth day" shall begin immediately upon the close of business at the Commission at 4:30 p. m., Eastern Standard Time, after 19 days from the date of filing have elapsed, counting weekdays, Saturdays, Sundays, and other holidays alike.

for omissions, incomplete disclosures and inaccuracies. Where an amendment to a registration statement is filed prior to the effective date of the registration statement, such amendment has the effect of establishing a new filing date and starting a new 20-day period running, although the Commission is given the power to relate the filing of the amendment back to the original filing date when such action is not detrimental to the public interest.[2]

Unless a registration statement under the Act is in effect as to a security, the security may not (except where an exemption from registration provided by the Act is available) be publicly offered for sale or sold in interstate commerce or through the mails. Yet it should be emphasized that the Act provides that neither the fact that a registration statement for a security has been filed or is in effect, nor the fact that a stop order is not in effect with respect to that particular statement, shall be deemed a finding by the Commission that the registration statement is true and accurate on its face, or that it does not contain an untrue statement of material fact, or a material omission, or be held to mean that the Commission has in any way passed upon the merits of, or given its approval to, the security. The statute makes it a criminal offense to represent otherwise to any prospective purchaser. Since the registration statement constitutes a record of the representations made in connection with the offering, such registration statement serves, where any such representations are false, to simplify the problem of proof in any legal proceedings which may result.

Examination of Securities Act Registration Statements.

In an effort to achieve an intelligent and orderly administration of the Securities Act of 1933 it seemed best, at the beginning, to adopt the practice of sending to a registrant, whose registration statement upon examination and analysis discloses any omission or incomplete statement of material facts, a so-called deficiency letter informing the registrant of the weaknesses appearing in the statement. It has become routine procedure, except in unusual cases, to send such letter or memorandum to the registrant within approximately 10 days after the filing of the registration statement, thus affording the registrant an opportunity to correct the statement by amendment before the indicated effective date and before the securities are offered for sale. While in such cases the deficiency may be corrected ordinarily by the filing of amendments, there may be instances where it may be necessary first to request the registrant to furnish additional information to contribute to an understanding of a complicated situation. In some instances, discussions with the registrant may lead to a discovery that the Commission's suggestions as to amendments are inappropriate in

[2] An amendment filed after the effective date becomes effective on such date as the Commission may determine, with due regard to the public interest and the protection of the investor.

the light of additional facts developed. Clearly, however, the result of the procedure of thus pointing out informally to the registrant what appear to be material misrepresentations or omissions in the information filed with the Commission, rather than the alternative of allowing the defective statement to become effective and then either having the security sold upon such misrepresentations or instituting stop order proceedings, constitutes not only fair treatment of the registrants, but also serves the main purpose of the Act which is to insure that investors have the opportunity of exercising intelligent judgment based upon fair disclosure of the facts concerning the enterprise.

The same procedure followed in the examination and analysis of registration statements is used for amendments to registration statements and annual reports supplemental thereto filed by registrants subject to the Securities Act of 1933 under the conditions specified in Section 15 (d) of the Securities Exchange Act of 1934, as amended.

Disclosures Resulting from Examination.

The following brief summaries of a few actual cases will give some indication of the nature of typical fair disclosures of material information resulting from the Commission's examination of registration statements:

(1) *Intangible assets reduced by $250,000.*—The total assets shown on the balance sheet of a registrant engaged in manufacturing aggregated $776,626 of which $708,589 was shown under the caption "Intangibles" in an account titled "Development of Aviation Devices and Licenses." An investigation of this intangible item disclosed that approximately $425,000 only had been expended by the registrant and its predecessor on such devices and licenses and that an attempt had been made to capitalize approximately $150,000 spent by the United States Government in the late 1920's, that is, long before the formation of the registrant's predecessor. Furthermore, an attempt had been made to capitalize approximately $130,000 which represented work orders given the registrant's predecessor by the United States Government. The propriety of capitalizing expenditures by others on devices similar to those of the registrant and of capitalizing orders for products was questioned, and, as a result, the registrant reduced its assets $250,000 by reducing the intangible account by such amount and at the same time decreased the amount of capital stock issued to its predecessor from 150,000 to 100,000 shares.

(2) *Property depreciation increased by $825,000.*—The registration statement filed by an oil and gas producing company included a report by an independent oil expert in which it was stated that the depreciation provisions in respect of intangible drilling costs were inadequate to amortize such costs over the useful life of the property. The income account reflected charges of approximately $186,000, $339,000, and $329,000 during the years 1936, 1937, and 1938, respectively,

relating to property dismantled and retired and against which depreciation had not been provided. In a conference with the registrant's representatives and the independent oil expert, the latter indicated the rate which he considered would be adequate for the purpose of computing depreciation. As a result of this conference, the registrant amended its balance sheet and income statements to reflect an additional provision of $825,000 for depreciation. Of this amount, approximately $424,000 was charged to earned surplus as at the beginning of the 3-year period and approximately $116,500, $131,000, and $144,000 was provided out of income for the years 1936, 1937, and 1938, respectively.

(3) *Item of $1,277,083.34 bond discount eliminated.*—From an examination of the registration statement filed under the Securities Act of 1933 by a utility company, it appeared that the property accounts included an amount of $1,277,083.34, representing the discount on the sale to an affiliate of certain bonds which the registrant had issued to the affiliate for certain physical properties. The bonds had been redistributed by the affiliated company at the above-mentioned discount. There appeared to be no justification for carrying this discount in the property accounts and the registrant was so advised. The registrant amended its balance sheet to eliminate the amount involved from the property accounts and to charge off against earned surplus at the beginning of the three-year period, and against income for each of the three annual periods under review, a pro rata amount of the discount in question. The unamortized portion of the discount at the balance sheet date, namely $893,958.34, was shown as a separate item and appropriately captioned and classified on the amended balance sheet.

(4) *Hazards of enterprise disclosed.*—A registrant, which with its predecessor had been engaged in the manufacture of automobiles over 20 years, filed a registration statement covering an offering of $600,000 of stock, accompanied by a prospectus which failed to disclose clearly certain important features of the company's future plans.

After an investigation, during the course of which an engineer and an attorney of the Commission inspected the registrant's plant and physical assets and examined its future plans, substantial amendments were made. The amended prospectus reveals under a caption entitled "Present Hazards of the Enterprise" that, due to circumstances beyond the control of the issuer, it is possible the necessary working capital will not be procured, that future production of cars for the latter and other reasons might be considerably hampered, that the future of the company is wholly dependent on the ability of the management successfully to manufacture and sell a different type of car from that made by it in the past, and with its limited resources the company will be unable to conduct any extensive advertising

campaign for the sale of this new type of car. The facing sheet of the amended prospectus contains a statement that the shares are offered "solely as a speculation."

(5) *Implication of continued gold production eliminated.*—In a registration statement filed by a mining company, it was stated, in effect, that (1) the company was engaged in prospecting, exploration, and development; (2) the mine workings consisted of workings on several levels down to the 600-foot level; (3) the property was equipped with a mill capable of treating 100 tons of ore per day; and (4) gold bullion was being recovered at the rate of about $25,000 per month, it being the hope of the management to maintain this rate of production.

Upon examination of the maps and other information supplied with the registration statement, it appeared that the nature of the undertaking was not accurately reflected in the statement and the registrant was notified of the particular items of the statement which appeared to be deficient or misleading.

The registrant thereupon amended its registration statement to show that (1) the mineral values became progressively impoverished with depth below the 200 foot level, the veins being non-commercial where exposed on the bottom level; (2) "The construction of the mill may not have been warranted by the extent of the known ore, and may not be warranted by the amounts of ore presently indicated;" and (3) "* * * the registrant feels that it may have no reasonable ground to believe that the recent rate of production can be maintained over a substantial period."

(6) *Dim profit possibilities revealed—Investors would furnish 93% of cash capital for 11% of voting rights.*—A registration statement, as originally filed by a mining company, proposed the public sale of stock amounting to approximately $1,650,000 for the purchase and operation of a gold placer mining dredge. It was stated that preliminary results, according to the company's officials and engineers, indicated the existence of vast deposits of gold bearing material from which exceptional profits would be realized. Upon examination of the registration statement, it appeared that substantial amendments and clarifications were required, and the deficiencies noted were pointed out to the registrant in conferences and by correspondence.

The registration statement, as subsequently amended, states that success for the undertaking involves the successful completion of two stages: (1) the exploration for and discovery of adequate gold deposits of commercial value, and (2) if and when such deposits are developed, the provision of extractive equipment and operating capital of an estimated cost in excess of $1,000,000. It was also disclosed that no deposits of substantial value had yet been discovered, and that actual operations involved numerous difficulties because of the physical location of the property. The first stage of the undertaking was stated

to require a minimum expenditure of approximately $155,000, at which time the investing public would have contributed about 93 percent of the cash capital in return for 11 percent of the entire voting rights. If substantial deposits were not discovered by the expenditure of such funds and the venture was terminated, it appeared that "all funds put into the project would be lost." The second stage, contingent upon the discoveries of the first, would involve the public contribution of approximately 98 percent of the cash capital in return for 38 percent of the voting rights. The remainder or 62 percent of control would be vested entirely with the promoters. Further disclosure was made that, according to preliminary indications at the present time, approximately 27 years of commercial operations would be required to repay the original offering price of shares to an investor.

Statistics of Securities Registered.

At the beginning of the fiscal year, there were 3,740 registration statements on file, of which 2,943 [3] were effective, 153 were under stop or refusal order, and 578 had been withdrawn, while 66 [3] were under examination or held pending the receipt of amendments.

During the period July 1, 1938, to June 30, 1939, inclusive, 375 registration statements were filed, and there were 359 registration statements which became effective during the period (of which all but 25 were fully effective); a total of 3,249 statements were effective at the end of the period, 53 of those effective at the beginning of the period or during the period having been either withdrawn or placed under stop order.

The net number of registration statements withdrawn increased by 69 to a total of 647 on June 30, 1939. The net number of stop or refusal orders increased during the period by 6, a total of 159 of such orders being in effect on June 30, 1939. As of June 30, 1939, there were 60 registration statements in the process of examination or awaiting amendments.

The following table indicates the disposition of registration statements filed under the Securities Act of 1933:

	To June 30, 1938	July 1, 1938, to June 30, 1939	Total
Statements filed	3,740	[a] 375	4,115
Statements effective	2,943	359	[b] 3,249
Statements withdrawn—net	578	69	647
Stop or refusal orders issued—net	153	6	159
In process of examination or awaiting amendments	66	60	60

[a] Does not include 16 registration statements refiled during the year by registrants who had withdrawn statements previously filed.

[b] Does not include 53 statements effective at the beginning or during the period which were either withdrawn or placed under stop order.

[3] Adjusted figure.

Appendix III identifies by name the registrant and indicates the aggregate dollar amount of the proposed offering involved in the case of each registration statement as to which stop orders, consent refusal orders, and withdrawal orders were issued during the year.

A total of 1,275 amendments to registration statements were also filed during the past fiscal year requiring examination by the Commission.[4] The corresponding number of amendments filed during the 1938 fiscal year was 1,815.[5]

There were also filed during the year a total of 172 annual reports and 66 amendments thereto by certain registrants pursuant to Section 15 (d) of the Securities Exchange Act of 1934, as amended, requiring examination. These figures compare with figures for the previous fiscal year of 150 [6] reports and 62 amendments to reports.

In addition, the following figures show the volume of certain supplemental prospectus material filed during the past fiscal year under the Securities Act of 1933: (1) 328 prospectuses were filed pursuant to Rule 800 (b) which requires the filing of such information within 5 days after the commencement of the public offering; (2) 244 sets of supplemental prospectus material were filed by registrants to show material changes occurring after the commencement of the offering; and (3) 413 sets of so-called 13-month prospectuses were filed pursuant to Section 10 (b) (1) of the Act. Thus during the past fiscal year there were filed in the aggregate 985 additional prospectuses of these 3 classes.

At the same time, 259 supplementary statements of actual offering price were filed as required by Rule 970; and there were 41 instances where registrants voluntarily filed supplemental financial data.

During the fiscal year ended June 30, 1939, registrations for $2,494,000,000 of securities [7] became effective under the Securities Act of 1933. This compares with a total of $1,912,000,000 for the previous fiscal year and $4,687,000,000 for the fiscal year ended June 30, 1937.

Of the total of $2,494,000,000 of securities registered during the fiscal year ended June 30, 1939, $2,052,000,000 was proposed for sale by issuers. Approximately one-half, or $1,008,000,000, of this amount represented issues of electric and gas utility companies. Manufacturing companies with $575,000,000, or 28 percent of the total, were next in importance. Securities of financial and investment companies totalled $309,000,000, or 15 percent of the total. These three major industry groups thus accounted for all but about 8 percent of the total.

[4] These amendments include 873 classed as "pre-effective" and 402 as "post-effective," and do not take into account 463 others of a purely formal nature classed as "delaying" amendments:

[5] Adjusted figure.

[6] Adjusted figure.

[7] In addition to these issues, there were effectively registered during the fiscal year ended June 30, 1939, approximately $85,000,000 of reorganization and exchange securities as well as the guarantee of one issue. In the preceding fiscal year registrations of reorganization and exchange securities covered securities valued at $193,000,000 as well as the guarantee of one issue.

Approximately three-fourths of the effectively registered securities proposed for sale by issuers consisted of fixed interest-bearing securities which aggregated $1,581,000,000. Included in this total were $907,000,000 of secured bonds, or 44 percent of the total, and $674,000,000 of debentures and short term notes, or 33 percent of the total. Common stock ranked next in importance among the various types of securities with $191,000,000, or 9 percent of the total, followed by certificates of participation with $168,000,000, or 8 percent, and preferred stock with $112,000,000, or almost 6 percent. Thus all equity financing combined amounted to slightly less than one-fourth of total registrations.

A detailed breakdown of the registration statistics for the fiscal year ended June 30, 1939 shows that 316 statements for 487 issues became effective in the gross amount of $2,494,000,000. Of this total, however, $442,000,000 represented securities not proposed for sale by issuers. Among the larger items representing securities not proposed for sale by issuers were $215,000,000 of securities reserved for conversion, $101,000,000 of securities to be issued in exchange for other securities, $68,000,000 of securities registered for account of others, $47,000,000 of securities reserved for other subsequent issuance, and $10,000,000 of securities reserved for exercise of options. The remaining amount of $1,000,000 consisted of securities to be issued against claims, for other assets and as compensation for selling and distributing services.

There remained after these various deduction items $2,052,000,000 of securities proposed for sale by issuers. The total compensation to be paid underwriters and agents on these securities was $61,000,000, or approximately 2.9 percent of expected gross proceeds. Other selling and distributing expenses aggregated $13,000,000, or 0.6 percent of gross proceeds.

Indicated net proceeds to accrue to issuers after all selling and distributing expenses amounted to $1,978,000,000. Some 62 percent of these net proceeds was to be applied for repayment of indebtedness and retirement of preferred stock. Repayment of indebtedness alone amounted to $1,135,000,000, or 57 percent of net proceeds, and retirement of preferred stock to $105,000,000, or 5 percent. Net proceeds to be applied for expenditures for plant and equipment totalled $264,000,000, or 13 percent of the total, and for increase of working capital $153,000,000, or 8 percent. Therefore, indicated expenditures for these new money purposes aggregated slightly more than one-fifth of total net proceeds. The amount to be expended for purchase of securities for investment was $265,000,000, or 13 percent of net proceeds.

The proportionate distribution of the proposed uses of net proceeds for the past fiscal year as against proposed uses for the two preceding fiscal years is shown in the following table:

	Year ended June 30, 1939	Year ended June 30, 1938	Year ended June 30, 1937
Total expected net cash proceeds ($000,000)	$1,978	$1,286	$3,492
Intended for:	*Percent*	*Percent*	*Percent*
Repayment of indebtedness	57.4	35.1	55.4
Retirement of preferred stock	5.3	1.2	6.5
Increase of working capital	7.7	14.4	18.1
Plant and equipment expenditures	13.3	21.1	7.4
Purchase of securities for investment	13.4	27.1	10.1
Other purposes	2.9	1.1	2.5
Total	100.0	100.0	100.0

The great bulk of effectively registered securities proposed for sale by issuers was to be offered through underwriters. A total of $1,580,000,000, or 77 percent of the total, was to be offered through underwriters, as compared with $390,000,000, or 19 percent, to be offered through agents, and $82,000,000, or 4 percent, to be offered directly by issuers. The amount of securities to be offered to the public aggregated $1,695,000,000, or 83 percent of the total, with offerings to security holders amounting to $251,000,000, or 12 percent, and offerings to all others $106,000,000, or 5 percent.

Detailed statistical tables showing the number of issues, type of securities, classification of issuers, gross proceeds, net proceeds, cost of distribution, channels of distribution, and proposed use of funds for the securities registered under the Securities Act of 1933 during the fiscal year ended June 30, 1939, are contained in tables 1 to 9 of Appendix V. In interpreting the tables, as well as the summary figures quoted above, it should be kept in mind that these statistics are based solely on the registration statements filed by the registrants with the Securities and Exchange Commission. Therefore, all the data refer to the registrants' intentions and estimates as they appear in the registration statements on the effective dates and, thus, in reality represent statistics of intentions to sell securities rather than statistics of actual sales of securities.[8]

Securities registered under the Securities Act of 1933 constitute only part of all new issues offered for cash. Whereas the statistics of

[8] The difference between the amount of securities registered and the amount of registered securities actually sold may be assumed to be largest—apart from registrations by investment companies and trusts with continuous sale—for the issues of small and unseasoned corporations. Special inquiries of the Commission show that for issues of this type actual sales have averaged less than one-fourth of the amounts registered. The relevant figures may be found in "Selected Statistics on Securities and on Exchange Markets," table 19.

registrations reflect only registrants' intentions to sell securities, the statistics of new offerings include only actual offerings. Comprehensive statistics of new cash offerings of securities for the period July 1, 1934, through June 30, 1939, are presented in tables 10 and 11 of Appendix V. The tables show the estimated gross proceeds of issues offered for sale, classified by type of offering, type of security, and type of issuer.[9]

In general, the data cover only such issues over $100,000 in amount, and (for debt issues) of a maturity of 1 year or over at date of issuance as were reported as offered for cash in the financial press, in documents filed with the Commission, or in other available sources. The statistics include offerings irrespective of whether the issues were publicly or privately placed, and regardless of whether or not they were registered under the Securities Act of 1933. The statistics of new offerings thus embrace certain corporate and non-corporate issuing groups exempt from registration under the Securities Act of 1933 either by virtue of the nature of the transaction or issuer, chiefly securities of common carriers, most issues placed privately, and Federal, State, and local governmental issues.

According to these tables, $6,919,000,000 of new issues of securities was offered for cash during the fiscal year ended June 30, 1939, compared to $3,484,000,000 during the preceding year, $7,639,000,000 in the fiscal year ended June 30, 1937, $11,265,000,000 in the fiscal year ended June 30, 1936, and $3,768,000,000 in the fiscal year ended June 30, 1935. Of the $6,919,000,000 issues floated during the fiscal year ended June 30, 1939, $2,552,000,000 was issued by corporations, $2,939,000,000 by the United States Government and Agencies, $1,326,000,000 by states and municipalities, $83,000,000 by foreign governments (sold in this country), and $19,000,000 by eleemosynary institutions. Of the corporate securities offered, public utility companies were the largest issuers, comprising 59 percent of the total. The principal instrument of flotation was the fixed-interest-bearing security, 97 percent of total securities (corporate and non-corporate) having the form of bonds, notes, or debentures.

EXEMPTION FROM REGISTRATION REQUIREMENTS

Section 3 (b) of the Securities Act of 1933, as amended, authorizes the Commission to provide by rules and regulations conditional exemptions from the registration requirements under that Act for certain small issues. Specifically, these exemptions may be provided only where the public offering does not involve an aggregate amount of more than $100,000. Acting under this authority, the Commission

[9] Monthly figures from January 1, 1934, through June 30, 1938, may be found in "Selected Statistics on Securities and on Exchange Markets," tables 2 and 3.

has adopted Regulation A, governing such exemptions other than those relating to oil and gas interests; Regulation B, covering exemptions pertaining to fractional undivided interests in oil or gas rights; and Regulation B–T, providing exemptions of interests in an oil royalty trust or similar type of trust or unincorporated association.

During the past fiscal year there were received and examined a total of 179 prospectuses filed pursuant to Rule 202 of Regulation A. These prospectuses related to exempted issues (exclusive of oil and gas offerings), which represented mainly stocks and involved a total offering price of $13,352,323. The individual issues ranged in aggregate offering price from a low amount of $10,000 to the maximum possible amount of $100,000. The decline in the filing of these prospectuses, compared with the number received during the 1938 fiscal year (353 prospectuses involving a grand total offering price of $26,827,793) appears to be due largely to the greater use being made of the newer exemption available under Rule 210 of Regulation A.

Also, during the past fiscal year, there were filed with the Commission, under Rules 202, 203, and 210 of Regulation A, 52 prospectuses and numerous amendments to correct deficiencies in the prospectuses as originally filed, relating to exempted issues of oil and gas offerings. The aggregate offering, as disclosed by the prospectuses, amounted to $3,427,816.

As one of several measures adopted temporarily by the Commission to aid small business enterprises in raising capital, Rule 210 of Regulation A was, on February 25, 1939, continued in effect until further action by the Commission. This indefinite extension will afford the Commission further opportunity to study the results of the operation of this rule in the light of a proposed complete revision of all exemptions provided under Regulation A. The Commission received and examined under Rule 210 during the year a total of 284 letters of notification for issues involving a total amount of $20,958,450, the aggregate amount of individual issues ranging from $7,000 to the maximum possible amount of $100,000.

In addition to the indefinite extension of Rule 210 and work on the proposed complete revision of all exemptions provided under Regulation A, the Commission took other steps during the year in its effort to ascertain how the requirements may be revised so that particularly the small business enterprises will find the raising of new capital easier and less expensive. These additional measures include an indefinite extension of Amendment No. 32 to the Instruction Book for Form A–2, which amendment, originally adopted at the same time as Rule 210 during the latter part of the 1938 fiscal year, widens the scope of Form A–2 and permits the omission of certain financial data in specified instances. Also, the work of the

special unit, created in the Registration Division to aid prospective registrants and advise them and their representatives on any problems which may arise in connection with their registration statements, has been continued throughout the year and is being extended indefinitely.

As before stated, Regulation B of the General Rules and Regulations under the Securities Act of 1933, pertains to exemptions relating to fractional undivided interests in oil or gas rights. During the past fiscal year, 1,607 offering sheets, as well as 633 amendments thereto, were filed with the Commission pursuant to Regulation B and examined. The aggregate offering price of the securities described thereunder was approximately $25,000,000. The following statistics indicate the various actions of the Commission with respect to those filings which did not satisfy the requirements of the regulation:

Permanent Suspension Order (Rule 340)	1
Temporary Suspension Orders	396
Orders Terminating Proceeding After Amendment	246
Orders Consenting to Withdrawal and Terminating Proceeding	153
Orders Terminating Effectiveness of Offering Sheet (No Proceeding Pending)	87
Orders Consenting to Amendment (No Proceeding Pending)	282
Orders Consenting to Withdrawal (No Proceeding Pending)	103
Order Terminating Effectiveness of Offering Sheet and Terminating Proceeding	1
Order for Hearing	1

Pursuant to Regulation B–T, covering exemptions relating to interests in an oil royalty trust or similar type of trust or unincorporated association, two prospectuses, representing an aggregate offering price for the securities offered thereunder of $119,260, were filed with the Commission. The following actions were taken in regard thereto:

Temporary Suspension Order (Rule 380)	2
Permanent Suspension Order (Rule 380)	1
Order Consenting to Withdrawal and Terminating Proceeding (Rule 380)	1

Part III

ADMINISTRATION OF THE SECURITIES EXCHANGE ACT OF 1934

The Securities Exchange Act of 1934 is designed to eliminate manipulation and other abuses in the securities markets; to make available currently to the investing public information regarding the affairs of the corporations whose securities are traded in the securities markets; and to prevent the diversion into security transactions of a disproportionate amount of the Nation's credit resources.

NATIONAL SECURITIES EXCHANGES

Efforts to Improve the Disciplinary Procedure of the New York Stock Exchange and the Business Practices of its Members.

On March 8, 1938, Richard Whitney & Company, a member firm of the New York Stock Exchange, was suspended from membership on that Exchange because of insolvency.[1] This Commission immediately instituted a preliminary investigation. On April 6, 1938, the Commission commenced public hearings to determine the facts and circumstances antecedent to, and culminating in, the failure of that firm. The hearings in *In the matter of Richard Whitney et al.*, continued until June 29, 1938.

At the very outset of the Commission's investigation into the Whitney failure, it became apparent that fundamental revision of out-moded brokerage practices and a clear reversal of the traditional viewpoint of certain reactionary but important elements of the financial community must be immediately brought about if there were to be even partial assurance that such a catastrophe would not again occur. This need for increased protection to customers, and the equally important need that the New York Stock Exchange should no longer be managed and regarded as a private club but as a public institution with important public obligations, became increasingly apparent as the shocking circumstances of the Whitney failure were unfolded during the hearings.

Therefore, the Commission and the new management of the New York Stock Exchange undertook a joint reappraisal of the whole problem of increasing protection to customers' funds and securities. In particular, this study sought definite remedies for the shortcomings of a business system which had permitted the insolvency of Richard

[1] On April 11, 1938, Richard Whitney was sentenced to an indeterminate term of 5 to 10 years in Sing Sing Prison on two indictments charging him with grand larceny in the first degree.

Whitney & Company and the flagrant misappropriation by Richard Whitney himself of his customers' securities to continue for so long unchecked and undiscovered.[2] Round table conferences were held with William McC. Martin, Jr., president of the New York Stock Exchange, and certain other representatives of that Exchange. These conferences, begun in June of 1938, were continued at frequent intervals during the summer and fall of the past year. Although the statutory powers of the Commission were also reexamined in the light of the *Whitney case*, these discussions primarily emphasized the need for self-regulatory steps which the Exchange itself might take, rather than direct intervention by the Commission under its rules and regulations. Thus, insofar as possible, the Commission continued to play its residual regulatory role and to encourage self-reform within the Exchange.

Reorganization of the New York Stock Exchange and the New York Curb Exchange.

During the preceding fiscal year, which ended June 30, 1938, all of the more important phases of reorganization of the New York Stock Exchange proceeded.[3] This improvement of the administration of that Exchange was the outcome of the recommendations made by an independent committee appointed for the purpose of making a study and report on the need for such a reorganization, which was headed by Carle C. Conway, Chairman of the Board of Directors of the Continental Can Company. During the past fiscal year, the Commission has continued its collaboration with the new management of the New York Stock Exchange, installed in the spring of 1938, in carrying out some of the remaining details of the reorganization program recommended by the so-called "Conway Committee." Among important steps which were taken was the amendment of the Exchange's Constitution on January 1, 1939, classifying as "allied members" all general partners of member firms who do not individually hold seats on the Exchange. This measure resulted in an extension of the direct disciplinary powers of the Exchange, formerly limited to individual members, to all general partners of its member firms. On September 28, 1938, the New York Stock Exchange, in accordance with its revised constitution, elected Messrs. Carle C. Conway, Robert E. Wood and Robert M. Hutchins to serve on its Board of Governors until May, 1939, as representatives of the general public.[4]

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[2] For at least 3½ years prior to its collapse, Richard Whitney & Company had done business as a member firm while insolvent. Richard Whitney's own misappropriation of customers' securities had commenced as far back as 1926, and, subsequent to 1936, had continued undetected as a regular practice. See page 1 of the Commission's *Report on Investigation In the matter of Richard Whitney et al.*

[3] See Fourth Annual Report of the Securities and Exchange Commission, pp. 20-21.

[4] On December 28, 1938, Robert M. Hutchins resigned from the Board of Governors of the New York Stock Exchange subsequent to its decision to take no further action with reference to certain partners of a member firm who were aware of, but who did not report to the Exchange, the insolvency and accompanying misconduct on the part of Richard Whitney. On May 24, 1939, Curtis E. Calder was elected to succeed Mr. Hutchins and to serve until May 1940. At the same time, Messrs. Conway and Wood were reelected to serve until the same date.

The New York Curb Exchange also found itself faced with substantially the same problems that had confronted the New York Stock Exchange. Accordingly, during the past fiscal year, that Exchange was likewise encouraged to address itself to the need for internal reorganization for the purpose of more properly performing its obligations to the investing public. On August 31, 1938, a Special Committee on Organization and Administration rendered its final report recommending certain moderate revisions in the organization of the New York Curb Exchange. These recommendations were considered inadequate and on October 4, 1938, and subsequent to a series of conferences between certain of its representatives and officials of the Commission, the Board of Governors of the New York Curb Exchange adopted a plan of reorganization considerably more far reaching than had been the earlier proposals of its Special Committee. The reorganization, as advocated by the Board of Governors and adopted with but one dissenting vote, effective February 23, 1939, reclassified the constituency of the Board and altered the nominating procedure so as to give a more equitable representation to members and partners of member firms doing business directly with the public, to out-of-town firms, and to the public itself. Under this reorganization the constitution of the New York Curb Exchange, like the new constitution of the New York Stock Exchange, provided for three non-member governors to sit as representatives of the general public. Among other things, the Board of Governors also proposed and recommended the study of a central trust institution or brokerage bank to protect the securities and funds of customers through the assumption of the banking and custodial functions now performed by brokers in connection with the brokerage business. On April 20, 1939, George P. Rea was elected president of the New York Curb Exchange.

During the fiscal year ended June 30, 1939, officials of the Commission have also conferred with representatives of certain other national securities exchanges in an effort to assist in a reconstruction of their internal organizations in the interests of more efficient supervision of their members' practices and the better protection of the investing public.

Self-Policing by National Securities Exchanges—The Whitney Report.

In the administration of those phases of the Securities Exchange Act of 1934, which affect the internal functioning of securities exchanges and the business practices of their members, the Commission continued the policy of encouraging self-policing by the brokerage and investment banking industries during the past fiscal year.

National securities exchanges already have disciplinary machinery which can be very useful in protecting the public interest, particularly with respect to activities not directly regulated by statute. The

Commission continuously has urged the exchanges to exercise their disciplinary powers in a way to provide adequate protection of the investing public with respect to these matters outside of our statutory standards of conduct.

There are many fields of activity which, under the statute, the Commission may police by or through the promulgation of its own rules and regulations. With respect to many of these areas, the Commission has sought to play a residual role with the thought that the exchanges would adopt and enforce adequate self-regulatory and self-disciplinary measures. To the extent that the exchanges do not foster such protection to the public, the Commission will, of course, be forced itself to take direct remedial steps. With respect to those aspects of the securities business which by law the Commission is directed to supervise and regulate, we have in many instances assumed our primary role and obligations in the enforcement of the Act. In other instances the Commission is proceeding with its studies and with discussions with the industry to the end of promulgating rules which will be practicable as well as efficacious in their operation.

In the past, the organization and administration of securities exchanges have not always been conducive to adequate protection of the investing public. In fact, it was the failure of the financial community to recognize its paramount public obligations which necessitated first the Securities Act of 1933, and later the creation of this Commission for the purpose of administering that Act, the Securities Exchange Act of 1934 and other federal legislation relating to financial matters.

Since the two major exchanges have adopted the framework of reorganization, the Commission through periodic conferences with exchange officials has sought to carry forward the program of self-discipline the necessity for which was indicated so clearly by the failure of Richard Whitney & Company in 1938.

As noted, the conferences of the summer and fall of 1938 between the Commission and representatives of the New York Stock Exchange sought methods of preventing other brokerage failures similar to the *Whitney case*. This joint study of the problem of adequately protecting brokers' customers gave rise to the recommendations set forth in Part II of the Commission's report on its investigation in the matter of *Richard Whitney et al.* This particular portion of that report presents immediate remedial measures which both the Exchange and the Commission proposed to adopt in a joint effort to control the major sources of danger to customers' funds and securities. Accordingly, on October 26, 1938, a thirteen-point program of immediate safeguards was adopted and announced by the Board of Governors of the New York Stock Exchange, in cooperation with this Commission, and the text thereof included in Part II of the *Whitney Report*.

Briefly, the New York Stock Exchange Program of October 26, 1938,[5] proposed to permit and encourage its member firms to organize "affiliated companies" which would carry on dealer and underwriting activities separately from brokerage activities in order to reduce the risks to customers inherent in the present combination of the brokerage with the dealer business within the same organization. This program also provided for an increase in the number of members' periodic financial statements and for an annual audit by independent accountants of all member firms doing business with the public. The extent and frequency of the Exchange's surprise examinations of its member firms and partners were to be increased. The minimum capital requirements to be met by member firms were to be strengthened and methods were to be studied whereby, to some extent at least, customers might be insulated against the risks incident to the dealer business conducted by many brokerage firms for their own account. This program further provided that all members, member firms, and partners, with certain exceptions, must report to the Exchange all substantial loans. Furthermore, with but minor exceptions, all loans by and between officials of the Exchange and its members were to be prohibited. Weekly information as to underwriting positions was also to be filed with the Exchange by its members. Finally, the Exchange undertook to study the feasibility of a central securities depository which the President of the Exchange had then anticipated could serve as the first step toward the ultimate formation of a "Central Trust Institution" or "Brokerage Bank." Such a brokerage bank would constitute a depository into which customers' credit balances and securities could be placed and thus be wholly removed from the hazards of brokerage involvences to which they are now subjected by the present fusion of brokerage with banking functions.

Progress of the New York Stock Exchange's Program of October 26, 1938.

The series of conferences which had culminated in the New York Stock Exchange's self-regulatory Program of October 26, 1938, were continued throughout the past fiscal year in order that this program could be achieved through discussion of appropriate enabling rules of the Exchange. Various aspects of the proposal to insulate brokerage firms and their customers from the financial risks of the dealer and underwriting businesses were also discussed at length. During the late spring of 1939, the Exchange held open hearings upon the proposal to permit, and eventually to require, the formation of affiliated limited liability corporations which would take over the trading, dealer, and underwriting activities from brokerage firms with a con-

[5] This program appears verbatim in Appendix VIII.

sequent lessening of the danger to brokerage customers. Other than this, however, by the close of the past fiscal year, the Exchange had taken no steps to permit, or to encourage, the formation of such affiliated dealer corporations.

The revised capital requirements which, under the program, were to limit members' aggregate indebtedness to an amount not in excess of 1,500 percent of the firm's net capital were discussed also and the many technical problems and differences of opinion were ironed out ultimately in the course of a series of round table conferences. The Exchange's new capital requirements, including technical definitions of the terms "aggregate indebtedness" and "net capital," were adopted by the Exchange, effective April 1, 1939. The technical and accounting phases of the Exchange's requirements are similar in most fundamentals to the tentative drafts of rules under Section 8 (b) of the Securities Exchange Act of 1934 relating to brokerage solvency which were then under study by the Commission. Thus, the operation of the Exchange's capital requirements has afforded, and will continue to afford, a valuable basis of actual experience in the light of which the Commission can estimate accurately the practical operation of certain of the fundamental principles which it believes should be embodied in its own rules directed toward preservation of brokerage solvency.

Another difficult problem which was eventually solved at these continuing conferences was that of effectuating the principle that neither brokerage firms nor general partners thereof who do business with the public should be permitted to trade in securities on margin. On June 28, 1939, the Board of Governors of the New York Stock Exchange adopted Rule 616 which, with certain exceptions, prevents margin trading by those serving the public as fiduciaries. The ban against margin trading seeks to mitigate, so far as possible, the risks to customers which in the past were created by speculation of brokerage firms and their partners. The remaining items of the Program of October 26 were likewise effectuated only after conferences between the Commission and the Exchange had worked out the many inevitable technical difficulties.

Brokerage Banks.

The Commission's increasing realization of the dangers to customers inherent in the present combination of brokerage with banking functions, the possibilities of which were so tellingly illustrated by the failure of Richard Whitney & Company, brought it to the conclusion that full protection to customers necessitated either the complete separation of these functions or the imposition of safeguards upon the broker's banking function comparable to those which apply to banks. Rules which do no more than prohibit misconduct or practices jeopardizing the funds and securities of customers can repre-

sent no more than an imperfect approach toward that measure of protection which the Commission feels to be both necessary and feasible. Rules and regulations, like the law, can always be violated. The science of detection is as yet far from an exact science, as shown not only by the *Whitney* case but, more recently, by the Elfast Frisk & Company case[6] with its disclosure of the mishandling of accounts. Therefore, the Commission believes that the complete safeguard to customers' credit balances and securities must lie either in the separation of banking risks from the brokerage business or some equally effective assurance of the safety of customers' cash deposits and securities.

As stated by the Commission in Part II of the *Whitney Report*, the banking business done by brokers involves customers' funds and securities estimated as totalling more than three billion dollars. Notwithstanding the recent increase in the regulation which the New York Stock Exchange has imposed upon its own members the banking business of the broker, with its concomitant use of customers' credit balances and repledging of customers' securities by brokers, is still unsupervised as a banking business by the State or Federal Government. Following close upon the disclosures in the *Whitney* case, in May 1938, William O. Douglas, then Chairman of the Commission, proposed to the brokerage fraternity the establishment of a "Central Trust Institution" which would take over from brokers all the banking and credit functions which they now exercise. It was anticipated that the establishment of such a trust institution would result in substantial economies to the industry as a whole through centralized bookkeeping and the clearance and settlement of transactions by bookkeeping entry rather than by physical delivery. But it is most important to note that such an institution, by its very assumption of the banking activities of the broker, would wholly isolate customers from the varied hazards of brokerage insolvency. Therefore, in Part II of the *Whitney Report*, the establishment of such trust institutions or "brokerage banks" was unequivocally advocated. Again, on June 23, 1939, Jerome N. Frank, present Chairman of the Commission, publicly urged that the problem of establishing "brokerage banks" or providing equally effective substitute safeguards for customers be immediately attacked and solved by the financial community.

It was then the sincere hope of the Commission that prompt progress would be made by the New York Stock Exchange and other representatives of brokerage interests towards the establishment of "brok-

[6] The expulsion of Henry C. Elfast from membership on the New York Stock Exchange on May 24, 1939, followed the dissolution of the firm of Elfast Frisk & Co. in March 1939, and the consequent disclosure to Exchange officials of irregularities in the conduct of the business of that firm. It is not without significance that the Exchange was originally informed of this situation through the complaints of one of the firm's partners, not by its own examining staff of accountants.

erage banks" or some equally adequate substitute under which the broker's banking activities involving the possession and control of customers' funds and securities aggregating billions of dollars—the real source of the present financial risks to customers—would either be eliminated or protected by the development of adequate safeguards.

Exchanges Registered and Exempted from Registration.

During the past fiscal year there has been no change in the number of exchanges registered with the Commission as national securities exchanges, nor has there been any change for the past three fiscal years in the number of exchanges exempted from such registration. The 20 registered exchanges and the 7 exchanges exempted from registration remain as follows:

REGISTERED

Baltimore Stock Exchange
Board of Trade of the City of Chicago
Boston Stock Exchange
Chicago Stock Exchange
Cincinnati Stock Exchange
Cleveland Stock Exchange
Detroit Stock Exchange
Los Angeles Stock Exchange
New Orleans Stock Exchange
New York Curb Exchange
New York Real Estate Securities Exchange, Inc.
New York Stock Exchange
Philadelphia Stock Exchange
Pittsburgh Stock Exchange
St Louis Stock Exchange
Salt Lake Stock Exchange
San Francisco Mining Exchange
San Francisco Stock Exchange
Standard Stock Exchange of Spokane
Washington (D. C.) Stock Exchange

EXEMPTED

Colorado Springs Stock Exchange
Honolulu Stock Exchange
Milwaukee Grain and Stock Exchange
Minneapolis-St. Paul Stock Exchange
Richmond Stock Exchange
Seattle Stock Exchange
Wheeling Stock Exchange

There has been, of course, a continuing flux in the rules, practices, and organization of the registered and exempt exchanges as reflected in their applications for registration or exemption. Thus, during the past year the national securities exchanges filed 225 amendments to their applications. All such amendments were promptly examined and their effects analyzed not only to determine compliance with

relevant legislation and regulations, but also to the end that appropriate comments and suggestions could be addressed to the exchanges concerned in order to facilitate the performance of their public obligations.

REGULATIONS PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934 PRIMARILY DIRECTED TO NATIONAL SECURITIES EXCHANGES, THEIR MEMBERS, OR NON-MEMBER BROKERS AND DEALERS TRANSACTING A BUSINESS IN SECURITIES THROUGH THE MEDIUM OF SUCH MEMBERS

Financial Safeguards.

In general, Section 8 (b) of the Securities Exchange Act of 1934 provides for the adoption by the Commission of rules which will increase the margin of solvency which must at all times be maintained by brokers and dealers, whether members of national securities exchanges or nonmembers transacting business through the medium of exchange members. More specifically, the statute authorizes the Commission to fix a maximum ratio between a broker's aggregate indebtedness and his net capital, which in any event cannot exceed 20 to 1. Subsection (c) of Section 8 of the statute further authorizes the Commission to promulgate rules and regulations governing the commingling and the hypothecation of customers' securities. Section 17 of the Act authorizes the promulgation of rules governing the character and extent of books and records which must be maintained and kept by members and other brokers and dealers. Rules and regulations which may be promulgated under these three portions of the Act would constitute an integrated body of regulation directed toward the preservation of the solvency of brokerage houses and the safeguarding, in other respects, of customers' securities and credit balances carried by brokerage houses.

Although the Commission has exhaustively studied the problems which exist in the effectuation of these basic provisions of the statute and has considered numerous drafts of rules which might be promulgated thereunder, the situation prevailing during the past fiscal year made promulgation of such rules inappropriate. As previously stated, the Commission, in June of 1938, was engaged in joint consideration with officials of the New York Stock Exchange to determine those respects in which the Exchange might itself take appropriate protective measures to safeguard customers of its member firms. This consideration resulted in the program of reforms adopted by that Exchange on October 26, 1938, and embodied in Part II of the Commission's report in the matter of *Richard Whitney et al.* Thereafter, the general principles enunciated in the Exchange's Program remained to be put in effective operation. Consequently, the joint consideration by the Commission and officials of the Exchange was

continued in order to solve the additional problems—more detailed, more technical, but nevertheless difficult—which were involved in the drafting of definite Exchange rules. The joint efforts of the Commission and the Exchange to effectuate the latter's program thus entailed negotiations and conferences which extended to the close of the past fiscal year.

The New York Stock Exchange's program of October 26, 1938, and the rules which it has adopted thereunder, constitute at least an interim approach toward these objectives of customer protection. With this evidence of a liberal approach by brokerage and exchange interests toward the problem of better protection of customers, the Commission has withheld its own rules and regulations in the hope that the financial community would itself undertake thorough-going measures to achieve with greater flexibility and, if possible, to a greater extent those objectives to which Sections 8 (b), 8 (c), and 17 of the Securities Exchange Act of 1934 are directed. As of the close of the past fiscal year, the proposal for the establishment of a central trust institution or of some equally adequate alternative for safeguarding customers' funds and securities was still pending. However, unless an adequate solution is otherwise reached, eliminating wholly or satisfactorily mitigating the present risks to customers, the Commission will be forced to act through the exercise of its own regulatory powers. Tentative drafts of the Commission's rules and regulations have already been discussed informally with representatives of the industry in order that, when necessary, such rules and regulations may be promulgated promptly.

Short Selling Rules.

During the past year, upon the recommendation of the New York Stock Exchange and following conferences with its President, William McC. Martin, Jr., and other officials, the Commission modified its rules governing short selling on national securities exchanges. It was the view of the Exchange that the amendment would provide greater freedom of market action in accumulating short positions when market trends were generally upward, but nevertheless would retain effective restraints on short selling.

The Commission's short selling rules originally in effect had permitted a short sale of a security at a price *above* its last sale price. The amendment, however, permits short sales at the price of the last sale, provided that the last sale price was itself higher than the last *different* price which preceded it.

In order to determine whether international arbitrage transactions should be exempted from the Commission's short selling rule, a study of international arbitrage operations in their relation to short selling was undertaken during the course of the year. After considering the report submitted as a result of this study, the Commission also added

an exemption applicable to certain short sales made in the course of international arbitrage which are of a true arbitrage nature, that is, transactions in which a short position is taken on one exchange which is to be immediately covered on a foreign market. Thus the exemption is available only where the market effect of a domestic short sale is intended to be immediately neutralized by the covering purchase on a different market.

From time to time, members of the Commission's staff have discussed with representatives of the exchanges rumors that the Commission's short selling rules were being evaded by persons placing their orders through European correspondents of domestic brokers. As a result of these discussions, the New York Stock Exchange presently requires its members to report periodically any transactions of this nature which come to their attention.

The Commission also created an exemption applicable in certain types of situations where a short sale was made because of a *bona fide* error.

Pegging, Fixing, and Stabilizing of Security Prices.

On July 1, 1938, the Commission sent to various groups of the financial community a draft of comprehensive rules under Section 9 (a) (6) of the Securities Exchange Act of 1934, regulating the pegging, fixing, and stabilizing of prices of registered securities to facilitate distributions of the same or related securities. During the summer and fall of the past fiscal year, the Commission continued discussion of this draft and several subsequent drafts of these rules with representatives of the underwriting and brokerage interests. The later drafts embraced stabilizing of unregistered securities to facilitate public offerings of over-the-counter issues as well as stabilization of securities registered on national securities exchanges. However, the series of conferences held with respect to the tentative drafts of such inclusive rules indicated the existence of difficult fundamental problems some of which arose from the many differences between trading on exchanges and trading in the over-the-counter markets as maintained by the various security dealers and trading houses, and the inability of the two groups to reconcile their differences up to the present time.

The Commission then determined that before taking further steps it would be desirable to acquire additional detailed knowledge of the varied practices and techniques employed to stabilize unregistered as well as registered securities to facilitate their distribution, knowledge of the precise interrelationships between stabilization and the success or failure of the accompanying distribution, and knowledge of the price characteristics and market behavior of stabilized issues under varying circumstances. On February 9, 1939, the Commission adopted two related rules for the several purposes of acquiring this data, aiding

in the enforcement of the anti-manipulation sections of the Acts, and affording greater protection to the investing public by requiring unequivocal disclosure of an intention to stabilize. The first, Rule 827 under the Securities Act of 1933, provides that where stabilization is contemplated there must be included in the prospectus a simple statement that it is intended to stabilize security prices to facilitate the distribution in respect of which a registration statement is filed under that Act. The second, Rule X-17A-2 under the Securities Exchange Act of 1934, in effect requires that any underwriter of the issue or any other broker or dealer who stabilizes in aid of a distribution as to which a Securities Act registration statement is filed, must submit daily reports to the Commission showing all transactions effected during the period of stabilization and distribution of the issue. These rules, and the forms for reports prescribed by Rule X-17A-2, became effective on March 15, 1939.

Rules 827 and X-17A-2 do not purport to regulate market operations effected for the purpose of pegging, fixing, or stabilizing security prices. Consequently they are not, and are not intended to be, a substitute for regulation pursuant to Section 9 (a) (6) of the Securities Exchange Act of 1934. Furthermore, the disclosure and reporting requirements of these rules in no wise limit the applicability or operation of those provisions of the Securities Exchange Act of 1934 or the Securities Act of 1933 which prohibit manipulative or fradulent practices.

All daily reports of stabilizing are analyzed as received. On the basis of the information supplied by these reports, price charts are kept current which show the market behavior of the stabilized security in relation to the movement of market averages of comparable securities. In addition, statistical summaries and analytical studies are prepared with respect to all stabilizing operations subject to the rules.

In the 3½ months' period from March 15 to June 30, 1939, 142 registration statements were filed under the Securities Act of 1933, of which 83 contained a statement that it was intended to stabilize the issue. Of these, 56 became effective prior to June 30, 1939. Stabilizing operations were conducted to facilitate 21 of the offerings, aggregating $208,459,041, to which these effective statements related. Eleven of these stabilizing operations were completed prior to June 30, and 10 were still in progress as of the close of the past fiscal year.

REGISTRATION OF SECURITIES ON EXCHANGES

Nature and Effect of Registration of Securities on Exchanges.

Section 12 of the Securities Exchange Act of 1934 provides that an issuer may obtain the registration of a security on a national securities exchange by filing with the Commission and the exchange an application containing certain specified information. Section 13

of that Act provides for the subsequent filing of certain annual and other periodic reports in order to keep the basic information up to date. Thus, one of the chief purposes of the Act, that is, to make available to investors reliable, comprehensive, and current information as to the affairs of the issuers of securities listed and registered on a national securities exchange, is accomplished.

The information which is required to be submitted in an application for registration must be prepared on the form prescribed by the Commission as appropriate to the particular type of issuer or security involved.

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 (other than an exempted security) on any national securities exchange unless a registration is effective as to the security for such exchange.

An annual report is required to be filed with the Commission and the exchange within 120 days after the close of the fiscal year [7] of the registrant, except where an extension of time is granted in a particular case under the conditions specified in the Commission's rules and regulations. Approximately 10 percent of the registrants subject to the filing of annual reports sought, during the past year, such an extension of time in their particular cases. It may be noted that the reason most frequently stated for seeking such an extension is that the accountants of the registrant will be unable to complete within the prescribed time the preparation of the necessary financial statements because of the pressure of their work arising particularly from the fact that a majority of the registrants have an identical fiscal year, coinciding with the calendar year. Another reason frequently stated by certain registrants with foreign subsidiaries is the considerable delay after the close of the fiscal year in the receipt by the registrant of the accounts of its subsidiaries.

Examination of Data Filed Under Sections 12 and 13.

The applications and reports filed under Sections 12 and 13 of the Securities Exchange Act of 1934 are examined by the Commission for the purpose of determining whether they contain full and adequate disclosure of the information required by the Act and the rules and regulations promulgated thereunder. This examination does not involve an appraisal of and is not concerned with the merits of the registrant's securities. When the examination discloses that gener-

[7] Approximately 80 percent of registrants have fiscal years ending on or about December 31, 5 percent on or about June 30, and the remaining 15 percent on other dates.

ally accepted accounting principles and procedures have not been followed in the preparation and presentation of financial statements, or that any material information has not been fully disclosed in accordance with the requirements, the registrant is so advised, either by sending it a so-called deficiency letter or through the medium of a conference held with its representatives, and necessary amendments are obtained. These amendments in turn are examined in the same manner as the original application or report. That this examination procedure, together with the policy of releasing opinions of the Chief Accountant with respect to certain accounting practices which are of general interest to registrants, has led to a greater understanding of the requirements for the proper preparation of the application and periodic reports is suggested by the fact that a total of 4,493 amendments to applications and annual and current reports were filed during the previous fiscal year, as compared with 3,210 such amendments filed during the past fiscal year.

Registrations Terminated Under Section 19 (a) (2).

Under Section 19 (a) (2) of the Securities Exchange Act of 1934, the Commission, if in its opinion such action is necessary or appropriate for the protection of investors, has the power to deny, delay, suspend, or withdraw the registration of a security if an issuer fails to file any required data. During the past fiscal year, the Commission instituted action under Section 19 (a) (2) against 16 registrants, based upon their alleged failure to comply with Sections 12 and 13 of the Act and rules and regulations thereunder, in order to determine whether to suspend for a period not exceeding 12 months or to withdraw the registration of their securities. At the beginning of the fiscal year, 3 such cases were pending, making a total of 19 cases pending during the year. Seven of these proceedings were disposed of during the year, 2 by dismissal and 5 by orders of the Commission withdrawing the registration; and 12 were pending at the close of the year. Four such actions were instituted in the case of foreign private issuers who subsequently filed certain delinquent reports in question (including three cases where such reports were filed after the close of the year).

Statistics of Securities Registered or Exempt From Registration on Exchanges.

At the close of the past fiscal year, securities of 2,449 issuers were registered on national securities exchanges. These registrants include most of the leading nationally known commercial and industrial enterprises in the United States as well as many others with activities confined largely to a particular region or locality. They also include a number of foreign private issuers, governments and political subdivisions.

The number of applications, reports, and amendments filed with the Commission during the past year relating to the registration and listing of securities on national securities exchanges are as follows:

New applications on basic forms and supplemental applications for registration	289
Applications for "when issued" trading	19
Exemption statements for issued warrants	24
Annual and current reports	4, 657
Amendments to applications and annual and current reports	3, 210
Annual reports of issuers having securities listed on exempted exchanges	125

The following table identifies the basic forms used by issuers in registering securities on national securities exchanges and shows for each form the number of securities registered and issuers involved as of June 30, 1938, and June 30, 1939:

Form	Description	As of June 30, 1938		As of June 30, 1939	
		Securities registered	Issuers involved	Securities registered	Issuers involved
7	Provisional registration form	1	1	1	1
10	General corporations	2, 806	1, 871	2, 742	1, 842
11	Unincorporated issuers	25	13	24	13
12	Issuers making annual reports under Section 20 of the Interstate Commerce Act, as amended, or under Section 219 of the Communications Act of 1934	687	189	674	182
12-A	Issuers in receivership or bankruptcy and making annual reports under Section 20 of the Interstate Commerce Act, as amended, or under Section 219 of the Communications Act of 1934	128	25	115	25
13	Insurance companies other than life and title insurance companies	15	15	15	15
14	Certificates of deposit issued by a committee	48	30	61	29
15	Incorporated investment companies	101	58	97	58
16	Voting trust certificates and underlying securities	37	32	36	30
17	Unincorporated issuers engaged primarily in the business of investing or trading in securities	8	5	9	6
18	Foreign governments and political subdivisions thereof	179	84	201	85
19	American certificates issued against foreign securities and for the underlying securities	12	11	12	11
20	Securities other than bonds of foreign private issuers	2	1	2	1
21	Bonds of foreign private issuers	90	54	87	54
22	Securities of issuers reorganized in insolvency proceedings or their successors	93	46	93	47
23	Securities of successor issuers other than those succeeding insolvent issuers	78	50	79	52
24	Bank holding companies	5	5	4	4
	Total	4, 315	[a] 2, 490	4, 252	[b] 2, 455

[a] Includes 5 issuers having securities registered on 2 basic forms.
[b] Includes 6 issuers having securities registered on 2 basic forms.

There is presented below a classification, by industries, of issuers having securities registered on national securities exchanges as of June 30, 1938, and June 30, 1939:

Industry	Number of issuers	
	As of June 30, 1938	As of June 30, 1939
Transportation and communication (railroads, telephone, etc.)	314	306
Mining, other than coal	274	270
Machinery and tools	211	209
Merchandising (chain stores, department stores, etc)	161	166
Transportation equipment (automobiles, parts, accessories, etc.)	163	163
Financial and investment (investment trusts, fire insurance, etc.)	139	137
Food and related products	103	103
Utility operating (electric and gas)	97	92
Miscellaneous manufacturing	86	84
Oil and gas wells	82	81
Building and related companies (including construction and lumber)	80	79
Chemicals and allied products	74	75
Beverages (breweries, distilleries, etc.)	56	58
Textiles and their products	59	57
Iron and steel (excluding machinery)	54	55
Services (including advertising, amusements, hotels, etc.)	55	53
Utility holding (electric, gas, and water)	55	52
Oil refining and distributing	43	41
Paper and paper products	39	35
Rubber and leather products (tires, shoes, etc.)	37	35
Coal mining	27	27
Printing, publishing, and allied industries	25	26
Real estate	28	24
Tobacco products	22	21
Utility operating-holding (electric, gas, and water)	23	20
Agriculture	18	17
Miscellaneous domestic companies	15	16
Foreign private issuers, other than Canadian and Cuban	62	62
Foreign governments and political subdivisions	83	85
Total	2,485	2,449

The following table shows, separately for stocks and bonds, the number of securities, classified according to basis for admission to dealing, on all exchanges as of June 30, 1939. The number of shares of stock and the principal amount of bonds are shown for securities other than those admitted to unlisted trading privileges:

STOCKS

Basis for admission to dealing	Column I (a)			Column II (b)		
	Issues	Number of shares listed	Number of shares authorized for addition to list	Issues	Number of shares listed	Number of shares authorized for addition to list
Registered	c 2,798	2,325,721,838	217,542,390	c 2,798	2,325,721,838	217,542,390
Temporarily exempted from registration	e 54	18,408,848	1,100,423	e 54	18,408,848	1,100,423
Listed on exempted exchanges	144	37,296,949	88,523	191	104,390,459	1,985,843
Admitted to unlisted trading privileges on national exchanges	633			1,225		
Admitted to unlisted trading privileges on exempted exchanges	106			154		
Total	3,735	2,381,427,635	218,731,336			

BONDS

Basis for admission to dealing	Issues	Principal amount listed	Principal amount authorized for addition to list	Issues	Principal amount listed	Principal amount authorized for addition to list
Registered	d 1,450	$23,962,986,991	$1,498,516,968	d 1,450	$23,962,986,991	$1,498,516,968
Temporarily exempted from registration	e 52	655,149,373	10,914,600	e 52	655,149,373	10,914,600
Listed on exempted exchanges	27	92,032,000	1,000,000	29	160,432,000	1,000,000
Admitted to unlisted trading privileges on national exchanges	377			416		
Admitted to unlisted trading privileges on exempted exchanges	11			12		
Total	1,917	$24,710,168,364	$1,510,431,568			

a Duplications in this column have been eliminated both as to exchanges and bases for admission to dealing, e. g., if a security is registered on more than one national securities exchange, listed on an exempted exchange, and also unlisted on another national securities exchange, it is counted only once under "Registered." Thus, the totals for this column are the totals of securities admitted to trading on all exchanges after elimination of all duplications.

b Duplications in this column have been eliminated only as to exchanges, e. g., if a security is listed on more than one exempted exchange, it is counted only once under such status.

c Includes 2 stock issues in pounds sterling in the amounts of £2,803,381 listed and £301,690 for addition to list. These amounts are excluded from the number of shares shown above.

d Includes 8 bond issues in pounds sterling and 2 bond issues in French francs in the amounts of £36,956,380 and 65,375,500 French francs listed. These amounts are excluded from the principal amount in dollars shown above.

e Includes certain securities resulting from modifications of previously listed securities, securities of certain banks, and securities of certain issuers in bankruptcy or receivership or in the process of reorganization under the Bankruptcy Act. These securities have been temporarily exempted from the operation of Section 12 (a) of the Securities Exchange Act of 1934 upon specified terms and conditions and for stated periods pursuant to rules and regulations of the Commission.

The following table shows, separately for stocks and bonds, the number of securities registered and admitted to unlisted trading privileges on one, or more than one, national securities exchange as of June 30, 1939:

STOCKS

Classification		(See footnote for explanation of column headings)							
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Total stock issues registered	2,798	1,897	0	335	0	272	153	66	75
Total stock issues admitted to unlisted trading privileges on national exchanges	1,225	0	635	0	24	272	153	66	75

BONDS

Total bond issues registered	1,450	1,272	0	141	0	34	1	2	0
Total bond issues admitted to unlisted trading privileges on national exchanges	416	0	379	0	0	34	1	2	0

Unduplicated total of stock issues registered and admitted to unlisted trading privileges on national exchanges ..... 3,457.

Unduplicated total of stock issues registered and admitted to unlisted trading privileges on national exchanges which were admitted to dealings on more than 1 such exchange ..... 925—26.75% of unduplicated total.

Unduplicated total of bond issues registered and admitted to unlisted trading privileges on national exchanges ..... 1,829.

Unduplicated total of bond issues registered and admitted to unlisted trading privileges on national exchanges which were admitted to dealings on more than 1 such exchange ..... 178—9.73% of unduplicated total.

(a) Registered on 1 exchange only.
(b) Admitted to unlisted trading privileges on 1 exchange only.
(c) Registered on more than 1 exchange.
(d) Admitted to unlisted trading privileges on more than 1 exchange.
(e) Registered on 1 exchange and admitted to unlisted trading privileges on 1 exchange.
(f) Registered on 1 exchange and admitted to unlisted trading privileges on more than 1 exchange.
(g) Registered on more than 1 exchange and admitted to unlisted trading privileges on 1 exchange.
(h) Registered on more than 1 exchange and admitted to unlisted trading privileges on more than 1 exchange.

The following table shows for each exchange the numbers of issuers and securities and basis for admission to dealing as of June 30, 1939:

Name of exchange	Total issuers	Total issues	Stocks						Bonds					
			R	X	U	XL	XU	Total	R	X	U	XL	XU	Total
Baltimore	80	121	51	4	24			79	31	1	10			42
Boston	364	460	163	1	219			383	76	1				77
Chicago Board of Trade	43	51	45		5			50	1					1
Chicago Stock Exchange	280	375	325	15				340	23	12				35
Cincinnati	66	105	95	1				96	8	1				9
Cleveland	72	86	83	1	1			85	1					1
Colorado Springs [a]	15	16				16		16						0
Detroit	116	124	106		18			124						0
Honolulu [a]	98	124				59	55	114				7	3	10
Los Angeles	172	213	136	1	59			196	17					17
Milwaukee Grain & Stock [a]	55	81					72	72					9	9
Minneapolis-St. Paul [a]	21	29				26	3	29						0
New Orleans	17	34	2		16			18	11		5			16
New York Curb	1,043	1,476	510		601			1,111	62	1	302			365
New York Real Estate	95	182			87			87			95			95
New York Stock	1,224	2,530	1,235	11				1,246	1,248	36				1,284
Philadelphia	436	553	63	6	400			469	81	3				84
Pittsburgh	102	123	68	3	50			121	2					2
Richmond [a]	31	41				38		38				3		3
St. Louis	54	92	80	2				82	8	2				10
Salt Lake	102	104	98		6			104						0
San Francisco Mining	60	62	62					62						0
San Francisco Stock	284	362	168	5	161			334	21	2	5			28
Seattle [a]	57	62				22	27	49				13		13
Spokane	37	39	28		11			39						0
Washington, D. C.	33	48	26	12				38	10					10
Wheeling [a]	27	40				33		33				7		7

[a] Exempted from registration as a national securities exchange.

R, registered; X, temporarily exempted from registration; U, admitted to unlisted trading privileges on a national securities exchange; XL, listed on an exempted exchange; and XU, admitted to unlisted trading privileges on an exempted exchange.

Withdrawal or Striking of Securities from Listing and Registration on Exchanges.

During the preceding fiscal year, which ended June 30, 1938, the New York Stock Exchange developed a policy of removing from its list of securities eligible for trading those issues which, for one reason or another, had become no longer suited to trading in the auction market which it maintains. During the past fiscal year, that Exchange continued this policy by seeking to remove from listing and registration those issues which, because of inadequate public distribution, inactivity, or the reduced market value of public holdings, it considered to be no longer properly included within its security list. In carrying forward this program to improve the quality of its stock and bond lists, that Exchange filed 22 applications for withdrawal or striking of securities from listing and registration in accordance with the requirements of Section 12 (d) of the Securities Exchange Act of 1934, of which 15 were granted and 7 were pending as of the end of the year.

In all, 54 applications were filed with the Commission during the past fiscal year seeking the delisting and striking from registration of securities fully listed and registered on national securities exchanges. As of June 30, 1938, 21 such applications were pending. Of this combined total of 75 applications, 60 were granted and 15 were pending as of June 30, 1939.

The Commission also received during the past fiscal year 154 certifications, filed in accordance with the Commission's rules, from exchanges which had stricken securities from listing and registration because of their payment, redemption, or retirement.

Applications for the Granting, Extension, and Termination of Unlisted Trading Privileges on Exchanges.

Pursuant to the amendment of May 27, 1936 to Section 12 (f) of the Securities Exchange Act of 1934, national securities exchanges may extend unlisted trading privileges to securities as to which corporate information comparable to that available in the case of securities fully listed and registered is contained in registration statements filed with the Commission. Since the provisions of this amendment became effective, a considerable reduction has occurred in the number of securities which continued to enjoy unlisted trading privileges by reason of their admission to such trading privileges prior to March 1, 1934. At the time of the passage of the Securities Exchange Act of 1934, there were 2,685 stock and 1,288 bond issues dealt in on an unlisted basis and as to which unlisted trading privileges were automatically continued by the original, as well as the amended, Section 12 (f) of that Act. By June 30, 1939, there were but 1,531 stock and 409 bond issues so admitted to unlisted trading privileges, a total decline of 2,033 issues. During the past fiscal year, the Commission was notified, in accordance with its rules, of the removal for various reasons of 121 securities from unlisted trading privileges.

On June 30, 1938, 13 national securities exchanges had facilities for permitting trading in securities on their floors on an unlisted basis. During the past fiscal year, the Cleveland Stock Exchange and the Cincinnati Stock Exchange revised their practices so as to permit this type of trading, thus bringing the total number of exchanges affording facilities for unlisted trading to 15. Of these exchanges, 5 permitted unlisted trading in both stocks and bonds, and 10 in stocks only.

At the end of the previous fiscal year, the number of stock and bond issues admitted to unlisted trading privileges on registered exchanges was 1,603 and 514, respectively, a combined total of 2,117 issues. On June 30, 1939, the number of stock and bond issues so admitted was 1,639 and 426, respectively, a combined total of 2,065 issues. Thus, during the year, there was a net decline of 52 issues dealt in on an unlisted basis on registered exchanges.[8]

[8] The figures in this paragraph include some slight duplication because of the fact that certain security issues are admitted to unlisted trading on more than one exchange.

As of June 30, 1939, 5 exempted exchanges permitted unlisted trading in 157 stock and 12 bond issues. As of the close of the fiscal year, one exempted exchange had pending before the Commission an application to extend unlisted trading privileges to a security on the ground that it is listed and registered on a national securities exchange.

Clause 2 of Section 12 (f) of the Securities Exchange Act of 1934, as amended, provides that the Commission, upon application by a national securities exchange, may extend unlisted trading privileges to any security duly listed and registered on any other national securities exchange. Clause 3 of Section 12 (f) permits the Commission, upon application by a national securities exchange, to extend unlisted trading privileges to securities, in respect of which there is available from a registration statement and periodic reports or other data filed pursuant to rules or regulations of the Commission adopted under the Securities Act of 1933 or the Securities Exchange Act of 1934, information substantially equivalent to that required in respect of a security duly listed and registered on a national securities exchange.

The work of the Commission in administering the provisions of Section 12 (f) of the Securities Exchange Act of 1934, relating to the extension of unlisted trading privileges, is summarized in the following tables:

TABLE 1.—*Disposition, during the Fiscal Year Ended June 30, 1939, of Applications Filed by National Securities Exchanges for the Extension of Unlisted Trading Privileges to Securities Pursuant to Clause (2) of Section 12 (f) of the Securities Exchange Act of 1934, as amended*

Exchange	Stocks								Bonds					
	Pending 6/30/38	Filed 7/1/38 to 6/30/39	Total	Granted odd lots and round lots	Denied	Decision reserved	Withdrawn	Pending 6/30/39	Pending 6/30/38	Filed 7/1/38 to 6/30/39	Total	Granted	Denied	Pending 6/30/39
Boston Stock	17	24	41	15	0	2	1	23	0	0	0	0	0	0
Cincinnati Stock	0	6	6	0	0	0	0	6	0	0	0	0	0	0
Cleveland Stock	0	1	1	1	0	0	0	0	0	0	0	0	0	0
Detroit Stock	0	17	17	2	2	0	0	13	0	0	0	0	0	0
Los Angeles Stock	[a]1	0	1	1	0	0	0	0	0	0	0	0	0	0
New York Curb	0	0	0	0	0	0	0	0	1	1	2	1	1	0
Philadelphia Stock	2	33	35	22	6	0	3	4	0	0	0	0	0	0
Pittsburgh Stock	0	34	34	21	12	0	1	0	0	0	0	0	0	0
San Francisco Stock	4	0	4	0	4	0	0	0	0	0	0	0	0	0
Total	[a]24	115	139	62	24	2	5	46	1	1	2	1	1	0

[a] As of June 30, 1938, decision on one application of the Los Angeles Stock Exchange was "reserved" by the Commission.

TABLE 2.—*Disposition, during Fiscal Year Ended June 30, 1939, of Applications Filed by National Securities Exchanges for the Extension of Unlisted Trading Privileges to Securities Pursuant to Clause (3) of Section 12 (f) of the Securities Exchange Act of 1934, as amended*

Exchange	Stocks								Bonds					
	Pending 6/30/38	Filed 7/1/38 to 6/30/39	Total	Granted odd lots and round lots	Denied	Decision reserved	Withdrawn	Pending 6/30/39	Pending 6/30/38	Filed 7/1/38 to 6/30/39	Total	Granted	Denied	Pending 6/30/39
New York Curb	1	0	1	1	0	0	0	0	3	3	6	6	0	0

TABLE 3.—*Disposition, from May 27, 1936* [a] *to June 30, 1939, of Applications Filed by National Securities Exchanges for the Extension of Unlisted Trading Privileges to Securities Pursuant to Clause (2) of Section 12 (f) of the Securities Exchange Act of 1934, as amended*

Exchange	Stocks							Bonds				
	Number filed	Granted odd lots and round lots	Granted odd lots only	Denied	Decision reserved	Withdrawn	Pending	Number filed	Granted	Denied	Withdrawn	Pending
Boston Stock	56	15	[b] 15	0	2	1	23	0	0	0	0	0
Cincinnati Stock	6	0	0	0	0	0	6	0	0	0	0	0
Cleveland Stock	1	1	0	0	0	0	0	0	0	0	0	0
Detroit Stock	18	3	0	2	0	0	13	0	0	0	0	0
Los Angeles Stock	18	11	0	4	0	3	0	0	0	0	0	0
New York Curb	2	2	0	0	0	0	0	4	2	2	0	0
Philadelphia Stock	41	22	4	6	0	5	4	0	0	0	0	0
Pittsburgh Stock	53	23	8	21	0	1	0	6	0	4	2	0
San Francisco Curb [c]	7	5	0	2	0	0	0	0	0	0	0	0
San Francisco Stock	4	0	0	4	0	0	0	0	0	0	0	0
Total	206	82	[b] 27	39	2	10	46	10	2	6	2	0

[a] Date on which Section 12 (f) of the Act was amended:

[b] One of these issues was removed from unlisted trading privileges on 9/21/37.

[c] San Francisco Curb Exchange merged with San Francisco Stock Exchange on 4/30/38.

TABLE 4.—*Disposition, from May 27, 1936* [a] *to June 30, 1939, of Applications Filed by National Securities Exchanges for the Extension of Unlisted Trading Privileges to Securities Pursuant to Clause (3) of Section 12 (f) of the Securities Exchange Act of 1934, as amended*

Exchange	Stocks							Bonds				
	Number filed	Granted odd lots and round lots	Granted odd lots only	Denied	Decision reserved	Withdrawn	Pending	Number filed	Granted	Denied	Withdrawn	Pending
New York Curb	2	1	0	0	0	1	0	28	[b] 18	6	4	0

[a] Date on which Section 12 (f) of the Act was amended.

[b] Two of these issues were removed from unlisted trading privileges on 3/15/38.

Proposals for the Registration of the Securities of "Unlisted Issuers."

On November 22, 1938, the Board of Governors of the New York Stock Exchange adopted a report which, among other things, took the position that it would be in the public interest if all of the major corporations whose securities, although widely distributed in public hands, are not registered under the Securities Exchange Act of 1934 but, on the contrary, are traded only on an unlisted basis or in the over-the-counter market, were subjected to corporate information and reporting requirements comparable to those which now apply to issuers of registered securities. The Commission has undertaken a study of the legislative, economic, and market problems which are raised by a proposal for the registration of all issues in which the investing public has a substantial interest. Although circumstances prevented any major progress towards this objective during the past fiscal year, the Commission has nevertheless continued its study of the problem and of the mechanisms whereby the investing public may most easily be afforded the protection of corporate information, proxy regulation, and the prevention of speculation by corporate "insiders" with respect to all securities which enjoy an interstate trading market and not, as is now the situation, only with respect to those securities which are listed and registered on national securities exchanges.

OVER-THE-COUNTER MARKETS

Formation of National and Affiliated Securities Associations Pursuant to Section 15 (a) of the Securities Exchange Act of 1934, as Amended.

In the over-the-counter securities markets, the Commission, during the period covered by this report, has continued to administer the program inaugurated by the Maloney Amendment to the Securities Exchange Act of 1934 (Public, No. 719, 75th Congress), approved by the President on June 25, 1938. This amendment, in its essentials, provides for a system of regulation in the over-the-counter markets through the formation of one or more voluntary associations of investment bankers, brokers, and dealers doing business in these markets under appropriate governmental supervision.

In furtherance of this program of voluntary regulation among brokers and dealers, it was deemed advisable to have the new legislation and the policies of the Commission thereunder explained in detail to as large a number of firms and individuals conducting an over-the-counter securities business as possible. Furthermore, from the outset it was the desire of the Commission to obtain the views with respect to the formation of effective voluntary associations of as many such brokers and dealers as might wish to express themselves. To accomplish these objectives, members of the Commission and of its staff conducted conferences, open to all interested persons, in financial communities situated in the various sections of the country. This

work was deemed to be an essential preliminary to the registration with the Commission of any national or affiliated securities association.

To facilitate this work and to assist brokers and dealers in the formation of associations, the Commission created a special unit, designated as the Securities Association Unit, within its Trading and Exchange Division. This unit has conducted a large number of informal round table conferences with committees of the Investment Bankers Conference, Inc., their counsel, and other interested groups and individuals. During the course of such conferences, the principal objective has been to be of all possible assistance to the representatives of the securities business in their work of creating an organization designed to secure the approval and support of the better element of brokers and dealers throughout the country and to be effective in the regulation of the business conduct of members.

The very scope of this program, together with the fact that it is without precedent in the over-the-counter securities markets, has made the task of organization a necessarily protracted one. However, as of the close of the past fiscal year, there was every indication that the Investment Bankers Conference, Inc., reconstituted as the National Association of Securities Dealers, Inc., and provided with a duly amended constitution, by-laws and rules of fair practice, would file an application for registration with the Commission in the reasonably near future.[9]

Membership in this new association will be open to all brokers and dealers conducting business in the over-the-counter markets, except those who have disqualified themselves by their previous conduct and, as a result, are laboring under certain disabilities set forth in the statute. However, both the Commission and the Conference have expressed themselves as favoring the grouping of those brokers and dealers who transact business in the more specialized types of securities, oil royalties, for example, in affiliated associations to be formed subsequent to the registration of a national association.

In order that every reasonable opportunity may be afforded such association or associations as may become registered with the Commission to exercise as broad a regulatory function as possible, the Commission has refrained from any substantial amplification of its own rules for regulation of over-the-counter markets. However, the Commission recognizes its duty under the law to eliminate by direct regulation such abuses and undesirable practices as may be found by experience to be beyond the reach of registered securities associations. In this connection it should be stated that at conferences preliminary to the registration of an association it was definitely indicated that many of the regulatory measures intended by the Maloney Act which could have been assumed by such an association would not be so assumed.

[9] The National Association of Securities Dealers, Inc., filed its application for registration as a national securities association on July 20, 1939, which, after hearing, was granted by the Commission on August 7, 1939. See Securities Exchange Act Release No. 2211.

Registration of Brokers and Dealers.

The following tables denote the principal facts with regard to the registration of brokers and dealers pursuant to Section 15 (b) of the Securities Exchange Act of 1934. Table 1 is a record showing the disposition of all applications received since May 28, 1935, the date when the registration program was inaugurated. Table 2 shows similar figures pertaining to the work covered during the past fiscal year.

TABLE 1.—*Registration of brokers and dealers under Section 15 (b) of the Securities Exchange Act of 1934—Cumulative from May 28, 1935* [a]

	Cumulative			
	June 30, 1938		June 30, 1939	
Applications:				
Filed	9,530		10,665	
Withdrawn		346		371
Registrations:				
Effective		6,809		6,796
Denied		21		25
Suspended		3		9
Revoked		32		51
Withdrawn		2,161		3,126
Cancelled		64		195
Applications and suspended registrations cancelled by operation of amendment to Section 15 (May 27, 1936) [b]		17		17
Applications pending		77		75
Total	9,530	9,530	10,665	10,665

[a] The registration program was inaugurated in May 1935, and the first applications were received on May 28, 1935. The cumulative record therefore dates from May 28, 1935.

[b] When the amendment to Section 15 of the Securities Exchange Act of 1934 became effective (May 27, 1936) brokers and dealers whose applications were pending on that date and registrants whose registrations were under suspension were afforded opportunity to bring their applications under the amended Act. The figure shown here includes 13 applications and 4 suspended registrations which were cancelled by operation of the amendment because of the failure of such applicants and registrants to request that their applications be considered as applications filed under the amended Act.

TABLE 2.—*Registration of Brokers and Dealers Under Section 15 (b)—Fiscal Year Ended June 30, 1939*

	June 30, 1938	June 30, 1939
Effective registrations at close of preceding fiscal year	6,736	6,809
Applications pending at close of preceding fiscal year	92	77
Applications filed during fiscal year	1,254	1,135
Total	8,082	8,021
Applications withdrawn during year	28	25
Registrations withdrawn during year	1,083	[a] 965
Registrations canceled during year	64	131
Registrations denied during year	3	4
Registrations suspended during year	2	6
Registrations revoked during year	16	19
Registrations effective at end of year	6,809	6,796
Applications pending at end of year	77	75
Total	8,082	8,021

[a] Actually 963 withdrawals during year plus 1 withdrawal in 1937 and 1 withdrawal in 1938 not heretofore reflected.

SOLICITATION OF PROXIES, CONSENTS, AND AUTHORIZATIONS UNDER THE SECURITIES EXCHANGE ACT OF 1934

On August 11, 1938, the Commission published a complete revision of its rules and regulations under Section 14 (a) of the Securities Exchange Act of 1934, relating to the solicitation of proxies, consents, and authorizations in respect of securities registered on national securities exchanges. These revised rules and regulations, designated as "Regulation X–14," became effective October 1, 1938, and supplanted the LA proxy rules under which the Commission operated for approximately 3 years.

Regulation X–14, like the LA rules, is a "disclosure" regulation and requires that persons from whom proxies, consents, or authorizations are solicited be furnished with information pertinent to the matters in respect of which the solicitation is made and to the interest of the persons who make it. Whereas the LA rules, in addition to certain items of general information, merely called for a brief description of the matters in respect of which the proxy, consent, or authorization was solicited, Regulation X–14 specifies in some detail the types of information to be furnished the persons solicited, the specifications varying according to the character of the matters involved.

During the fiscal year, 1,595 original filings and 557 supplemental filings of proxy, consent or authorization soliciting material were examined for compliance with Regulation X–14 and the LA rules. On innumerable occasions, the staff considered drafts of soliciting material and had conferences with persons proposing to solicit proxies, consents, or authorizations, or with counsel for such persons. In cases in which definitive soliciting literature was materially deficient (in failing to respond to the express requirements of Regulation X–14, or to respond adequately, or in containing false or misleading statements), supplemental corrective material was, at the suggestion of the Commission, sent to security holders. In such cases, depending upon the nature of the Commission's objections to the soliciting material, action pursuant to the proxies, consents, or authorizations obtained from the use of the deficient soliciting material was deferred until the proxies, consents, or authorizations had been confirmed by the security holders on the basis of literature complying with Regulation X–14, or until, on the basis of similar literature, the security holders had been afforded a reasonable opportunity to revoke the proxies, consents, or authorizations which they had given.

In one case, the management of an investment company solicited proxies for the reelection of directors, two of whom were originally selected by persons who later became involved in lawsuits based upon alleged fraudulent transactions with the company. It was charged

that the proxy soliciting material falsely stated that the original designation of the two candidates for reelection to the directorate originated with the board of directors. It was further alleged that the annual report to stockholders which accompanied the proxy soliciting material was designed to mislead the stockholders as to the true condition of the company. It labelled the company's deficit as "earned surplus," and then relied upon scarcely distinguishable italicized figures to correct the misnomer. Moreover, the balance sheet on its face stated a "Quoted Market Value" for the company's securities, whereas approximately 70 percent of the amount shown as quoted market value represented the cost of a security which had no quoted market value and which had been acquired otherwise than in an arm's length transaction; furthermore, the right of the issuer of such security in the underlying assets appeared to be precarious. There was also included in the proxy soliciting material a message by the president of the company which dealt in part with the above mentioned lawsuits, but which omitted to state that he and one other candidate for reelection to the directorate were defendants in one of the suits. As a result of the position of the Commission that by reason of these deficiencies the proxy soliciting material failed to comply with Regulation X–14, the management agreed to defer use of the proxies obtained from the solicitation until they had been confirmed on the basis of a further communication to stockholders fully complying with Regulation X–14. Upon the filing of revised soliciting material, it was noted that the two directors, concerning whose original designation objectionable statements had appeared in the original soliciting material, had resigned as directors and officers and had been replaced by other persons having the approval of a State court, which, as of a date prior to the original solicitation, had appointed a custodial receiver of the company's assets.

In another case, the management of a corporation submitted to the Commission a draft of the material proposed to be used by it in soliciting proxies for a special meeting of common stockholders to amend the by-laws of the corporation so that 33⅓ percent (rather than 50 percent) of the stock entitled to vote would constitute a quorum at any meeting of stockholders. After examination of its files, the Commission found that the president of the corporation, who was also a director thereof, owned approximately 38 percent of the common stock. The management was requested by the Commission to state these facts in its proxy soliciting material and to indicate therein that the president of the corporation could, if the proposed by-law amendment were adopted, assure a quorum solely by use of his own stock at any meeting at which the preferred stock of the corporation had no vote. The management agreed to make these disclosures but, at a later date, gave up the proposed plan as not being feasible.

In a further case, the management of a corporation filed with the Commission proxy soliciting material containing the following statement: "One of the purposes of said Meeting is the election of five directors, each for a term of 3 years. Other matters may properly be brought before said Meeting by stockholders, but proxies in such form will confer authority only with respect to the election of directors and will not confer any authority with respect to any such other matters." Prior to the preparation of the management's proxy soliciting material, a stockholder of the corporation had advised the president that he proposed to offer at the annual meeting certain amendments to the by-laws of the corporation, one of which would change the place of the stockholders' meeting and another of which provided for the election of independent auditors by the stockholders instead of their being appointed by the management. The Commission took the view that, since the proposed amendments pertained to matters to which the stockholders might properly address themselves, and since the management was advised of the proposed amendments prior to the time its proxy soliciting material was prepared and sent to stockholders, and since the proxies were apparently to be used for purposes of a quorum supporting action upon the proposed amendments, the omission from the proxy soliciting material of information concerning such amendments rendered the above quoted statement of the management misleading within the meaning of Regulation X–14. Thereupon, the management of the corporation sent to stockholders a further communication fully apprising them of the two proposed amendments, in the meantime adjourning the meeting two weeks in order to give the stockholders an opportunity on the basis of the supplemental information, to revoke the proxies which they had given.

The Commission has received the support of a Federal court in its administration of Regulation X–14. An injunction was granted in the United States District Court for the District of Massachusetts against one party to a proxy contest who, it was alleged, had violated the provisions of such regulation by the use of false and misleading statements and otherwise. The injunction restrained the defendants from using those proxies which the court determined were obtained in contravention of the Commission's proxy regulations, and further restrained them, in future solicitations of proxies in respect of the common stock of the corporation, from using false and misleading statements, particularly in specified respects. The complaint in the case was the first one filed by the Commission to enjoin violation of its proxy rules.

Part IV

ADMINISTRATION OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

The Public Utility Holding Company Act of 1935 is designed to eliminate abuses and to provide a greater degree of protection for investors and consumers in the field of public utility holding company finance and operation. In addition to requiring full and fair disclosure of financial transactions, the Act provides for Commission supervision of security transactions by holding companies and subsidiaries; supervision of acquisitions of securities, utility assets, and other interests by holding companies and their subsidiaries; and supervision of dividends, proxies, intercompany loans, and service, sales, and construction contracts. The Act also calls for simplification of uneconomic holding company structures.

REGISTERED HOLDING COMPANIES

The past fiscal year has been the first full year in the administration of the Public Utility Holding Company Act of 1935. It will be recalled that a substantial percentage of holding companies delayed registration under the Act until after the decision of the Supreme Court of the United States on March 28, 1938, upholding the constitutionality of the registration provisions of the Act. Thereupon, however, all companies affected by the Act, with the exception of such companies as claimed exemption, registered and are now subject to the regulatory provisions of the Act. At the end of this fiscal year, the registered holding companies represented 51 separate public utility systems, comprising 142 registered holding companies [1] and including 1,524 individual holding, subholding and operating companies. The total approximate consolidated assets of these companies "at book" amount to approximately $14,097,000,000.

During the time the Act has been in effect, the Commission has had before it applications, declarations, and proceedings under almost all of the provisions of the Act. In both numbers and amounts involved, those relating to the issuance of securities lead the rest.

SECURITY ISSUES

Since the effective date of the Act approximately $2,637,718,000 of securities have been issued in accordance with the provisions thereof, all of them complying sufficiently with the statutory standards to permit their issuance. Of this amount, $1,449,810,000 of securities

[1] Appendix VII contains a complete list of the holding companies which were registered as of June 30, 1939.

were issued during the past fiscal year. Moreover, at the close of this fiscal year, there were pending before the Commission 60 applications and declarations relating to securities amounting to over $592,723,000.

Each security issue to be considered by the Commission under the Public Utility Holding Company Act of 1935, unless exempt, must meet the statutory standards of Section 7 of that Act. That section prohibits the Commission from permitting the issuance of preferred stock or unsecured obligations by holding companies except in the case of certain refinancing, refunding, or reorganization operations or in cases where the issuance is necessary for urgent corporate purposes and a more rigid standard would impose an unreasonable financial burden upon the company. The section further requires, in the case of operating as well as holding companies, that the security be reasonably adapted to the security structure of the company and the system and to the earning power of the issuer; that the financing involved be appropriate to the economical and efficient operation of a business in which the applicant is lawfully engaged or has an interest; that the fees, commissions, and other remuneration paid in connection with the issue or sale or distribution of the security be reasonable; and that the terms and conditions of the issue or sale be not detrimental to the public interest or the interest of investors or consumers.

The determination of whether a particular security issue meets the standards of the Act demands accounting, engineering, and legal skills, together with an expert knowledge of public utility financing. The Commission, while insisting at all times upon adherence to the standards of the Act, does not approach security issues with a rigid preconceived set of requirements applicable to all situations, nor does it measure its effectiveness by the number of issues stopped. It considers one of its major functions to be that of helping companies to meet the requirements of the Act. For example, where the terms of a proposed security issue, as initially filed with the Commission, fail to meet one or more of the statutory standards, the Commission does not simply refuse to permit to become effective the declaration concerning the issue, but seeks to strengthen the terms of the issue to the point where investors and consumers receive the protection afforded by the safeguards of the Act. This work is done largely over the conference table and in informal meetings with the company's officials and its financial and legal advisors.

In a great number of cases, conferences precede the formal filing of the issue with the Commission and here, in its embryonic stage, the company and the Commission build up the terms of the issue to meet the requirements of the Act. For example, changes such as more adequate maintenance and depreciation charges, restrictions on dividends, greater voting rights, limitations as to the future issuance

of securities having a preference over the proposed issue, elimination of conflicts of interest of indenture trustees, restatement of certain accounting items, and similar matters, have been worked out informally, both before and after filing. In several instances, it has been possible to promote the rehabilitation of a weak company and to convert a speculative issue into one more conservative. In those cases where the conference method is not used fully or where it fails to produce an agreement, the Commission's order permitting the declaration to become effective has often been conditioned upon the company's amending the terms of the security or the underlying indenture so as to comply with the standards of the Act.

For all its flexibility, the Commission has required strict adherence to the standards of the Act. As a result, securities issued under the Act have been in many respects of a considerably higher grade than those not so issued. For example, in the case of preferred stock, the Commission has insisted that such shares carry fair voting rights. In certain cases provision has been made that preferred stock normally carry the right to elect a number of directors as a class, and, in the event of a stated number of dividend defaults, the right to elect the majority of the board.[2]

In certain cases where the proposed issue has already been approved by a State commission, the issue is exempt and the jurisdiction of the Securities and Exchange Commission is limited to attaching, for the protection of investors and consumers, terms and conditions to its order of exemption. It has been the Commission's practice to communicate with the State commission which has approved the security, to discuss the problems raised by the issue. Where differences of opinion have arisen, they have been settled cooperatively and to the mutual satisfaction of both commissions.

The Commission has attempted to avoid every unnecessary delay in the issuance of its order permitting a declaration to become effective. The financing by *The North American Company*[3] furnishes a striking example of this.

On December 31, 1938, *The North American Company* (the top company in a system with consolidated assets of approximately $1,247,000,000) and *North American Edison Company* filed a joint application pursuant to Section 11 (e) of the Act, for the approval of a plan for partial simplification of the corporate structure of the North American system. In connection with the plan, and for purposes of

[2] *In the Matter of The North American Company,* Holding Company Act Releases Nos. 1425, 1427, and 1430. *In the Matter of New York State Electric & Gas Corporation,* Holding Company Act Releases Nos. 1613 and 1627.

[3] For the Commission's findings, opinions, and orders in this matter, see Holding Company Act Releases Nos. 1425, 1427, and 1430.

a refinancing program of its own, The North American Company proposed to amend its certificate of incorporation so as to change various provisions of its outstanding preferred and common stock; to issue 696,580 additional preferred shares, $50 par value; and to call its outstanding debentures and issue new debentures in the principal amount of $70,000,000. The plan involved the elimination of North American Edison Company, one of the principal intermediate holding companies in the North American system, by having The North American Company acquire its assets. This was to be done by retiring the outstanding debentures and preferred stock of North American Edison Company out of proceeds of the issuance and sale of debentures and preferred stock of The North American Company. The proposal involved the largest financing under the Public Utility Holding Company Act of 1935 to that time.

The magnitude of the issue, and a renewal of the threat of war in Europe, emphasized the importance of the prompt offering of the securities, provided they complied with the standards of the Act. Within 23 days of the filing of the application, voluminous supplementary material had been gathered and analyzed and preparations made for a hearing, which was held on January 24 and 25, 1939, on all phases of the plan, except the offering price of the securities. The findings, which included provision for various conditions deemed to be essential, were prepared in time for the Commission to issue on Monday, January 30, 1939, its order authorizing the proposed alteration of the rights of outstanding securities, so that the proposed changes might be voted on by the stockholders at a special meeting called for later that day. The changes were approved, and on the following day the final hearing was held as to the public offering prices of the new securities. On the afternoon of that day, the Commission issued its supplemental findings and the necessary orders for the authorization of all undisposed matters, and the securities were offered in a very favorable market the next morning, February 1, 1939.

The following table discloses the number of applications and declarations under Sections 6 (b) and 7 relating to issues of securities, received and disposed of during the year ended June 30, 1939:

	Number received	Number approved	Number denied	Number withdrawn or dismissed	Number pending at close of fiscal year
To June 30, 1938	213	162	1	21	29
July 1, 1938, to June 30, 1939	166	122	0	13	60
Total	379	284	1	34	

ALTERATION OF RIGHTS OF AN OUTSTANDING SECURITY

Apart from its duties in regard to the issuance or sale of the securities of companies subject to its jurisdiction, the Commission is also called upon to regulate the exercise of any privilege or right to alter the priorities, preferences, voting power, or other rights of the holders of outstanding securities of such companies. Under Section 7 (e) of the Public Utility Holding Company Act of 1935, the Commission may not permit the exercise of any such privilege or right where it would result in an unfair or inequitable distribution of voting power, or would be otherwise detrimental to the public interest or the interest of investors or consumers.

One type of situation, in particular, has arisen a number of times during the past fiscal year. Some companies were willing to restate their property accounts downward so as to eliminate questionable items, such as those arising from revaluations and intra-system profits. But since charging such write downs to earned surplus account would in the usual case create a deficit in that account, and thereby prevent the payment of dividends, it was desired to make the charges to capital surplus account. In a number of instances, those write downs were so substantial as far to exceed both the earned and the capital surplus accounts of such companies. Therefore, in such cases, it was sought to reduce the par or stated value of the common stock in order to create a capital surplus against which to charge the amount of such write downs.

Undoubtedly, the immediate effect of such a procedure would be beneficial, to the extent that it would make more trustworthy the balance sheets of such companies. But it would be far from an unmixed blessing so far as preferred stockholders are concerned, for it would permit the payment of dividends to common stockholders as well as to preferred instead of having that money go to build up the equity junior to the preferred stock.[4] Another result would be to leave the preferred stock in a poorer condition to weather any future storm.

The Commission has sought to achieve the good and guard against the evil by permitting the outlined procedure, but attaching conditions to its order designed to protect perferred stockholders. *The Columbia Gas & Electric Corporation* case is a particularly interesting example, because of the amounts involved. The capital represented by the common stock was to be reduced from $194,349,005.62 to $12,304,282.00—a total of $182,044,723.62, to be set up in a separate

[4] The New York Court of Appeals has recently decided, *Matter of Kinney*, 279 N. Y. 423, 18 N. E. (2d) 645 (1939), that a reduction in stated capital accompanied by a corresponding addition to capital surplus which the court held available for the payment of dividends was such an alteration of the preferential rights of the preferred stock as to give a non-assenting preferred stockholder the right to have his stock appraised and paid for.

account designated "Special Capital Surplus." The Commission permitted the company's declaration to become effective, subject to the following conditions:[5]

(*a*) That the proposed restatement of common capital account be submitted to a class vote of the preferred and preference stockholders, and receive the approval of a majority of the stock of each class voted at the meeting called for such purpose;

(*b*) That no charge be made to "Special Capital Surplus" without giving 30 days' prior notice to the Commission. The Commission reserved jurisdiction to disapprove such charge after notice to the company and opportunity for hearing;

(*c*) That, unless the time be extended by application to the Commission and order thereon, any balance remaining in "Special Capital Surplus" on December 31, 1942, be restored to the common capital stock account as of the date last mentioned.

In addition, the Commission reserved broad jurisdiction over dividends and surplus, including jurisdiction to prevent the payment of dividends on common stock unless, after the declaration thereof and making provision for all existing dividend requirements on the preferred and preference stocks, there would remain consolidated "Earned Surplus Since December 31, 1937," equal to the requirements for six quarterly dividends on the preferred and preference stock of the company. Moreover, the Commission required that all published balance sheets of the company indicate, by appropriate footnotes, the conditions and limitations imposed by the Commission's order.

ACQUISITIONS OF SECURITIES, UTILITY ASSETS, AND OTHER INTERESTS

Acquisitions by registered holding companies or their subsidiaries of securities, utility assets, or any other interest in any business also come under the scrutiny of the Commission. Since the Act requires holding company systems to be reduced to integrated systems, it was obviously desirable that the Commission have power to control their growth in the meanwhile. Also, the Commission can prevent the pyramiding of control through many layers of holding companies, which was one of the evils principally complained of with respect to holding companies.

Application must be made for approval of an acquisition, and the procedure in passing on it is closely parallel to that used in connection with security issues. Among the standards by which the Commission must be guided in approving acquisitions is a requirement that no

[5] Holding Company Act Release No. 1417. Commissioners Healy and Mathews each wrote separate concurring opinions, not agreeing with the majority of the Commission on all points. Commissioner Frank explained his views concerning the Columbia Gas & Electric Company decision in his dissenting opinion in *The North American Company*, Holding Company Act Release No. 1427, pp. 63–73.

acquisition shall be approved unless the Commission finds that it will serve the public interest by tending toward the economical and efficient development of an integrated public utility system. The Commission must also deny an application if it will tend toward interlocking relations or the concentration of control of public utility companies in a manner detrimental to the public interest or the interest of investors or consumers; if the consideration to be paid is not reasonable; if the acquisition will unduly complicate the capital structure of the system; or if it will otherwise be detrimental to the public interest or the interest of investors or consumers or the proper functioning of the system.

Here, too, as in the case of security issues, in determining whether these conditions are satisfied, an examination is made not only by financial experts and lawyers, but also, in appropriate instances, by engineers. Again, as in the case of security issues, the Commission does not regard it as its duty mechanically to deny those applications which do not, as first filed, comply with the statutory requirements. Wherever possible, modifications and conditions which make the transaction acceptable are suggested and worked out with company officials and counsel.

The following statistics indicate the number of applications under Section 10 relating to the acquisition of securities or other assets, received and disposed of during the past fiscal year:

	Number received	Number approved	Number denied	Number withdrawn or dismissed	Number pending at close of year
To June 30, 1938	125	90	0	15	20
July 1, 1938, to June 30, 1939	71	45	0	8	38
Total	196	135	0	23	

INTEGRATION AND CORPORATE SIMPLIFICATION OF PUBLIC UTILITY HOLDING COMPANY SYSTEMS

Section 11 (b) of the Public Utility Holding Company Act of 1935 imposes upon the Commission certain duties with regard to the integration and corporate simplification of public utility holding company systems. The Commission is directed to require every registered holding company to take such action as the Commission shall find necessary to limit the operations of its system to those of a single integrated public utility system and to such other businesses as are reasonably, incidentally, or economically necessary or appropriate to the operation thereof. However, the Commission must permit one holding company to control more than one integrated system if it shall be proved that each such additional system cannot

be operated independently without the loss of substantial economies, that all of such additional systems are located in one State or in adjoining States or in a contiguous foreign country, and that the continued combination of such systems under the control of the one holding company is not so large (considering the state of the art and the area or region affected) as to impair the advantages of localized management, efficient operation, or the effectiveness of regulation.

The Commission must also cause the companies under its jurisdiction to bring about a simplification of holding company structures so as to eliminate unnecessary complications or unfair distributions of voting power. This must include elimination of holding companies beyond the second degree.

Instead of waiting for the Commission to bring action, registered holding companies or subsidiaries may invoke the aid of the Commission in carrying out voluntary reorganizations designed to satisfy the integration and corporate simplification requirements. If, after hearing, the Commission finds such a plan necessary to effectuate the provisions of Section 11 (b), and fair and equitable to the persons affected by the plan, the Commission is directed to issue an order approving the plan.

On August 3, 1938, William O. Douglas, former Chairman of the Commission, addressed a letter to the chief executives of all registered holding companies, requesting them to inform the Commission as to their tentative plans for compliance with Section 11 (b). Since publication of such tentative plans might be misleading, the Commission stated that they would be treated as informal and confidential. The purpose of this request was to focus the attention of the industry upon the steps needed to comply with the statute, and to assist the Commission in determining the best procedure to secure such compliance, as well as to obtain both data and ideas that might prove helpful to the Commission. With few exceptions, the registered holding companies submitted more or less elaborate statements in response to this request. These have been carefully studied and analyzed, and have aided considerably in the formulation of working plans for securing compliance with the statute. The next step is the specific and separate determination of each company's problem, a matter which in each case must be based on the evidence produced, both by the Commission and the company, at a public hearing.

Turning now to the specific accomplishments of the last fiscal year, on July 20, 1938, the Commission instituted its first proceeding under Section 11 (b) (1). On January 4, 1937, *Utilities Power & Light Corporation,* a holding company owning securities of widely scattered utility and non-utility subsidiaries, filed a petition for reorganization under Section 77B of the Bankruptcy Act in the United

States District Court for the Northern District of Illinois. In view of the non-integrated character of the properties, and the need of reorganization apart from the provisions of the Public Utility Holding Company Act of 1935, the Commission considered it appropriate to require attention to the integration provisions in the course of the reorganization. The plan of reorganization now pending,[6] filed by Atlas Corporation, principal creditor of Utilities Power & Light Corporation, provides for the conversion of Utilities Power & Light Corporation into an investment company through the disposal of assets, the reorganized corporation not to own 5% or more of the voting securities of any public utility holding or operating company. The new company is to submit to this Commission, within 30 days after completion of the reorganization, a plan under Section 11 (e) for the divestment of control of securities or other assets, for the purpose of enabling the new company and its subsidiaries to comply with Section 11 (b) of the Act. The proposed 11 (e) plan is to provide that such divestment of control be accomplished within two years from the date filed and shall also provide that, if the plan is not consummated within such time limit, the Commission may apply to a court for the appointment of a trustee to carry out the terms and conditions of the plan. The procedure provided for in the amended plan of reorganization was worked out in the hope of making it unnecessary for the Commission to continue with the Section 11 (b) (1) proceeding by reason of the voluntary compliance with the integration provisions of the Act.

On October 28, 1938, the Commission approved a plan filed under Section 11 (e) by *Republic Electric Power Corporation*[7] providing for reorganization and simplification in conformity with the provisions of Section 11 (b). Republic Electric Power Corporation, a Delaware holding company, controlled four utility companies operating in California and Oregon, a small natural gas distribution system in Oklahoma (Apache Gas Company) and two non-utility subsidiaries (Gas Transport Company and Needles Steam Laundry). The plan provided for the merger of the California and Oregon utility companies, the disposition by Republic Electric Power Corporation to third persons, other than the present management of Republic Electric Power Corporation, of its interest in Apache Gas Company and Gas Transport Company, and the dissolution, within one year, of the Republic Electric Power Corporation through distribution of its stock holdings in the surviving operating company to its stockholders.

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[6] The plan, as amended July 10, was approved by the Commission on July 26, 1939, the Commission reserving jurisdiction with respect to the Section 11 (b) (1) proceeding. See Holding Company Act Release No. 1655.

[7] Holding Company Act Releases Nos. 1270, 1297.

Five additional applications under Section 11 (e) were filed during the past fiscal year by (1) American Gas and Electric Company, (2) Columbia Gas & Electric Corporation, (3) East Tennessee Light & Power Company, (4) Redfield Proctor, C. Brook Stevens, and Henry G. Wells, Liquidating Trustees under an Agreement of Trust between International Paper and Power Company,[8] International Paper Company and said trustees, and (5) International Utilities Corporation. All of these applications were pending June 30, 1939.

The voluntary plan filed by The North American Company for the dissolution of North American Edison Company, a sub-holding company, has been previously discussed (p. 65).

The following table indicates the number of applications under Section 11 (e) relating to plans for the reorganization and simplification of registered holding companies or subsidiaries of registered holding companies, received and disposed of during the fiscal year ended June 30, 1939:

	Number received	Number approved	Number denied	Number withdrawn or dismissed	Number pending at close of fiscal year
To June 30, 1938	6	4	0	0	2
July 1, 1938 to June 30, 1939	8	2	0	1	7
Total	14	6	0	1	

REORGANIZATION OF REGISTERED HOLDING COMPANIES AND SUBSIDIARY COMPANIES THEREOF

Sections 11 (f) and 11 (g) of the Public Utility Holding Company Act of 1935 give the Commission extensive powers over the reorganization of companies subject to its jurisdiction. Briefly, these may be summarized as a right to be heard concerning the appointment of trustees or receivers; a veto power over plans, plus the privilege to propose plans; and regulatory jurisdiction over protective committees and solicitation practices, including claims for fees and expenses.

In passing upon reorganization plans, the Commission has insisted upon adherence to the principle, usually associated with the *Boyd* case,[9] that the assets of an estate must be divided among security holders, as far as they will go, in accordance with their contract rights

[8] This step was taken in connection with the plan of International Paper & Power Co. to divest itself of its power properties so that, as a paper company, it would not be subject to the Act. The power properties ultimately will constitute a registered holding company.

[9] 228 U. S. 482 (1913).

and priorities.[10] During this past fiscal year, the Commission has approved three plans, those of *The United Telephone and Electric Company*, *West Ohio Gas Company*, and *Mountain States Power Company*.[11] Each one of these indicates the Commission's concern with that equitable and democratic principle. They also show the Commission's concern with the feasibility of the plan, to the end of avoiding the waste and hardship involved in repeated failures.

Undoubtedly, the focal point of most reorganization proceedings is a proper valuation of the enterprise. The Commission has relied upon reasonably foreseeable earning power as a paramount consideration, while endeavoring to give due weight to other factors and to the many varying considerations which may be present. In arriving at a conclusion, the Commission has been guided by the consideration that, from the standpoint of investors, the commercial value of the enterprise is the dominant consideration.

The Commission approved the plan of *The United Telephone and Electric Company*, allowing the old common stock a participation of 2.8 percent of the new stock, largely on the ground that "a substantial amount of the common stock is held by operating men employed by the company's subsidiaries, and that their participation in the plan involves an element of goodwill, which may be of importance to the senior security holders." The opinion makes it clear, however, that even that would not have been a ground for allowing the old common stock to participate, were it not for the small amount involved.

Not only does Section 11 (f) empower the Commission to pass upon plans before they may be submitted to a court, but, also, it gives the Commission jurisdiction over reorganization fees and expenses. A number of such applications, for interim allowances, have been approved, although in some cases it was found that unreasonably high allowances were being sought and that the interest of investors required a modification. In passing upon these applications, the Commission has considered the following to be some of the relevant factors: past experience in reorganization; time devoted, both from point of view of length of time spent and of whether other activities were carried on currently; extent and nature of services rendered; additional expenses incurred in rendering the services, e. g., appointment of attorneys or engineers as assistants; itemized schedule of out-of-pocket expenses; interest in companies for whose benefit the services were rendered; and division of fees or arrangements therefor.

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[10] Many attempts have been made to distinguish on legalistic grounds the *Boyd* case and its related cases. The Commission has consistently refused to adopt such arguments, and its position in that respect has recently been clearly vindicated by the Supreme Court of the United States in *Case* v. *Los Angeles Lumber Products Company, Ltd.*, decided on November 6, 1939. The opinion in that case clearly and definitely reaffirmed the *Boyd* doctrine.

[11] Holding Company Act Releases Nos. 1187, 1284, and 1570, respectively.

The following table indicates the number of applications under Section 11 relating to fees and expenses, received and disposed of during the past fiscal year:

	Number received	Number approved	Number denied	Number withdrawn or dismissed	Number pending at close of the fiscal year
To June 30, 1938	4	3	0	1	0
July 1, 1938 to June 30, 1939	57	15	1	0	41
Total	61	18	1	1	

With regard to solicitation practices, the Commission has been given express jurisdiction in respect of any reorganization or recapitalization plan of a registered holding company or a subsidiary company thereof. The Commission's rules on this subject are designed to accomplish the following things, generally speaking:

(*a*) To prevent solicitation of consents to any plan unless such solicitation is accompanied by an analysis of the plan by the Commission;

(*b*) To prevent protective committees or others from obtaining a deposit of securities unless it can be demonstrated that such deposit is necessary for purposes which cannot adequately be served by proxies;

(*c*) To permit solicitation in any event only after disclosure has been made of the interests and affiliations of the persons who are soliciting or are causing the solicitation to be made;

(*d*) To assure to security holders the right to revoke their authororization.

The maintenance of these standards was well illustrated during the past fiscal year by two instances[12] in which permission to solicit the deposit of bonds was refused. Each of these cases arose in connection with the 77B proceedings of Utilities Elkhorn Coal Company, a subsidiary of Utilities Power & Light Corporation.[13] The major asset of Utilities Elkhorn was a contract with Utilities Power & Light. The stated purpose of the petitioning bondholders' committee, in each case, was to enforce that contract—it was part of their claim that the Trustee, under the corporate deed of trust, was without power or authority to enforce it. In the first of these cases, the deposit agreement filed with the Commission indicated that the committee sought

[12] In the matter of Dawson et al., Holding Company Act Release No. 1200; In the matter of Gardner et al., Holding Company Act Release No. 1400.

[13] Reorganization proceedings of this latter company are discussed supra at page 70.

to acquire the following authority over the securities to be deposited: Power to approve or disapprove any plan of reorganization for Utilities Elkhorn, although to date no plan had been formulated; power to act without the necessity of reporting to the bondholders or of furnishing any intermediate report; and power to limit the right of withdrawal of securities. Also, the committee members reserved full power to deal in the securities affected by, and to participate in any underwriting connected with, the reorganization.

The Commission found that the powers sought by the committee were far too broad and, indeed, were in violation of express provisions of the Act and the rules thereunder. It further found that the applicants had not demonstrated the necessity for obtaining the deposit of bonds under any circumstances. The Commission considered that the Trustee, under the deed of trust, had the primary duty to enforce the rights of the bondholders and that should the Trustee fail to perform that duty, there was the further possibility of a class suit by a bondholder. However, the Commission indicated that it would be proper to renew the application for permission to solicit deposits (on modified terms) should subsequent developments indicate the necessity therefor.

Sometime later, another committee sought permission to solicit the deposit of those same bonds. This time there were not the objectionable features in the deposit agreement. Nevertheless, the Commission again denied permission on the ground that there had still been no showing of the necessity for deposits, with the expense necessarily attendant thereon, which expense must ultimately be borne by the security holders.

In addition to working on the questions presented by those particular cases in which applications relating to reorganizations and recapitalizations have been filed, serious attention has been given to the problem of clearing up the existence of huge arrearages of preferred stock dividends. That is now one of the most pressing tasks facing the public utility industry. Not only is there the obvious investor interest in the payment of arrears and in the resumption of current dividends, but, also, the present situation is unquestionably an impediment to new equity financing, needed for maintenance and expansion purposes, even by companies which do not have such arrears. A drastic financial reorganization of some holding companies, particularly those which cannot reasonably expect to clear up the situation in the near future, seems inevitable.

The following table indicates the number of applications under Sections 11 (f) and 11 (g) relating to plans for the reorganization and simplification of registered holding companies or subsidiaries of registered holding companies, received and disposed of during the past fiscal year:

	Number received	Number approved	Number denied	Number withdrawn or dismissed	Number pending at close of fiscal year
To June 30, 1938	27	6	0	2	19
July 1, 1938 to June 30, 1939	17	10	0	4	22
Total	44	16	0	6	

SERVICE COMPANIES

Another important area of public utility activity which it is the duty of the Commission to regulate pursuant to Section 13, is the performance of service, sales, and construction contracts. In the main, that section, enacted to prevent excessive or unearned fees and other charges which holding companies or their controlled service subsidiaries have exacted from operating companies in the past, makes illegal the performance of any service, sale, or construction contract by any registered holding company or any subsidiary company thereof, except in compliance with rules, regulations, or orders of the Commission. The rules are designed to insure that such contracts are performed economically and efficiently for the benefit of such associate companies at cost fairly and equitably allocated among such companies. Generally speaking, it is necessary for subsidiary companies to show that they are qualified before they perform services for associates. Provision is also made for the qualification of "mutual service companies," which are owned by the companies served thereby, so-called member companies. These companies, too, must service associates at cost, although any profit would of necessity go back to the serviced companies in their capacity of stockholders.

The administration of Section 13 tends to fall into two parts. The first of these may be termed organizational and it involves the qualification of mutual and subsidiary service companies. The Commission will not find that a company is qualified unless it can find, after detailed investigation and public hearing, that the company is so organized as to make it likely that the standards of the Act will be met. Moreover, the Commission has followed the practice of conditioning its finding that a company is qualified, reserving jurisdiction to make retroactive adjustments to assure compliance with the standards of the Act. This work is of necessity preliminary and has virtually been completed.

The Commission is now well into the second and more important aspect of service company regulation. This involves a painstaking study of what is actually being done by these qualified companies to

determine whether or not the objectives of the Act are being achieved. The Act does not establish merely a standard of service at cost, but in addition requires that services be performed economically and efficiently, that they be for the benefit of the companies serviced, and that charges be fairly allocated among the various companies. To do that job properly requires careful and detailed work in the field, for, in the last analysis, the enforcement of such aims as the prevention of duplication in servicing (merely one item in the broader aim that the services be for the benefit of the serviced company) and the proper allocation of costs depends on a careful study of actual records of a detailed character. However, even at this early stage the field investigations that have been conducted by the staff have indicated abuses that require correction, and far more important, have supplied a wealth of information and experience which will be of immeasurable benefit in the administration of such statutory provisions in the future.

Aside from (or, more realistically, as part of) this general and steady progress towards the achievement of efficient and economical intra-system servicing, this past year witnessed many individual benefits of the administration of the provisions of Section 13. To take one case, the statutory requirement of economical and efficient servicing influenced one large holding company to take action which brought about a reduction of approximately $400,000 in the annual expenses of one service company, an amount which represented 30 percent of the total servicing costs of that particular company. In another case, annual rent was reduced $65,000. In the case of many service companies qualified during the past year, substantial reductions were effected in the capitalization of such companies, often resulting in reduced expenses to all the companies affected.

The task of compelling a proper allocation of costs deserves special mention, for it has become particularly important in the light of the prohibition against profits on these intra-system contracts. Preliminary investigations pose the question whether some holding companies are seeking to profit indirectly by shifting holding company expenses upon the operating companies through the medium of controlled service companies, and otherwise.

In large part, the Commission's practice of compelling direct charges to a specific company for a specific transaction, insofar as practicable, does much to prevent this abuse. Where the Commission finds that expenses which do not readily lend themselves to the method of direct charges are allocated on an unfair basis, it compels a reallocation. The Commission is also inquiring into other practices which would tend to have the same effect, with a view to corrective measures.

The following table indicates the number of applications under Section 13 relating to mutual and subsidiary service companies, received and disposed of during the past fiscal year:

	Number received	Number approved	Number denied	Number withdrawn or dismissed	Number pending at close of fiscal year
To June 30, 1938	35	17	0	3	15
July 1, 1938 to June 30, 1939	6	11	0	0	10
Total	41	28	0	3	

EXEMPTION FROM THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

Sections 2 and 3 of the Public Utility Holding Company Act of 1935 grant authority to the Commission to exempt by regulation or order certain types of companies from the obligations, duties, and liabilities imposed by the Act. The form such exemption may take varies considerably. Thus, a company may be declared not to be a "holding company" as that term is defined in Section 2 (a) (7) of the Act; or a company may be declared not to be a subsidiary of a specified holding company pursuant to Section 2 (a) (8); or a holding company may be exempted from the requirements of the Act if it falls into one of the categories specified in Section 3 (a) of the Act. Sections 3 (b) and 3 (d) further authorize the Commission to exempt subsidiary companies of registered holding companies under certain circumstances.

Whether a company is entitled to exemption under the statute depends ultimately on the determination of matters of fact. In some instances, the Commission has been able to reach broad general conclusions about whole groups of companies, and has granted total or partial exemption by rule and regulation. For example, all companies in a system whose total annual gross revenues from utility business are less than $350,000 have been exempted. In other cases, a more individualized consideration is necessary and questions such as those of control, the predominant nature of the company's business, whether or not it is a holding company only temporarily and how it came to be such, and similar factual matters are decisive. In such cases, the Commission has felt that a proper disposition of the issues requires thorough and painstaking investigation. Nor has any applicant been prejudiced by the time required for such thorough treatment, for the Act grants a temporary exemption to those companies whose applications for exemption, filed in good faith, are pending. Although at the end of the fiscal year a number of cases were still pending,[14] they were

[14] See Appendix VII, table 2 for list of pending applications for exemption as holding companies as of June 30, 1939.

receiving active attention and there was every indication that the Commission's duties in this matter were close to completion.

Among the applications for exemption which were disposed of by the Commission during the past fiscal year, several are of more than usual interest. Prior to filing its application for exemption, *International Paper and Power Company* controlled International Hydro-Electric System and through it, Gatineau Power Company, an important public utility company in Canada, and New England Power Association, a large public utility system in the New England States, as well as two other public utility companies doing businesss in New York and in some of the New England States. International Paper and Power Company segregated its utility holdings by conveying them to liquidating trustees with instructions to dispose of them within a period which, at the option of the Commission, may extend to January 31, 1943. If, at the end of the period, the liquidation is not completed, the Commission may go into court and request the appointment of court trustees to consummate the liquidation. The liquidating trustees submitted to the Commission the steps that had been taken effectually to divorce the operations of the public utility companies from control by International Paper and Power Company, pending the sale of the properties. On these facts, the Commission granted to International Paper and Power Company exemption as a holding company.[15]

Another case, involving the question of control of one company over another, was that of the application of *Allied Chemical & Dye Corporation* [16] for an order declaring it not to be a holding company within the meaning of Section 2 (a) (7) (A) of the Act. This corporation owns more than 10 percent of the voting securities of American Light and Traction Company, a registered holding company, which investment is divided between the preferred and common stock. More than 51 percent of the voting securities of American Light and Traction Company is owned by, and a majority of its officers and directors are also officers and directors of, United Light and Power Company. Although the investment of Allied Chemical & Dye Corporation in the common stock of American Light and Traction Company is small, that in the preferred stock represented 43 percent of the total number of shares of that class of stock outstanding. Thus, Allied Chemical & Dye Corporation, since it owns more than one-third of the preferred stock of American Light and Traction Company, has what amounts to a veto power over certain corporate actions of that company because of the provisions of Section 27 of the General Corporation Act of New Jersey. The evidence in this case disclosed that on one occasion only had the so-called veto power been used by Allied Chemical & Dye Corporation. In 1926, Allied Chemical & Dye Corporation ac-

[15] Holding Company Act Release No. 1515.
[16] Holding Company Act Release No. 1600.

quired sufficient of the preferred stock of American Light and Traction Company for the purpose of preventing the issuance of a new class of preferred stock which would have been senior to that then outstanding.

There were other relationships between the subsidiaries of Allied Chemical & Dye Corporation and those of American Light and Traction Company which were also considered by the Commission in reaching its decision in this case. Nevertheless, the Commission was of the opinion that the business transactions between such companies were not such as to prevent it from making the findings required by Section 2 (a) (7) of the Act and that the possible veto power held by Allied Chemical & Dye Corporation over certain of the corporate actions of American Light and Traction Company, could be exercised only in such rare and extraordinary circumstances that "control" or "controlling influence" as contemplated by Section 2 (a) (7) of the Act was absent. The order declaring Allied Chemical & Dye Corporation not to be a holding company, however, imposed certain conditions which would control, at least to a limited extent, relationships between Allied Chemical & Dye Corporation and American Light and Traction Company or among subsidiaries of those companies.

Among the applications filed under Section 2 (a) (8) of the Act for orders declaring applicants not to be subsidiaries of specified holding companies, those filed by Northern Natural Gas Company [17] for orders declaring that company not to be a subsidiary of Lone Star Gas Corporation, The United Light and Railways Company and United Light and Power Company, and North American Light and Power Company, and The North American Company are of rather peculiar interest. The voting stock of Northern Natural Gas Company is held by the three above named holding company systems; 35 percent by The North American Company system; 35 percent by the United Light and Power system; and 30 percent by Lone Star Gas Corporation. The record in the case disclosed that Northern Natural Gas Company was organized by these three interests; that officers and representatives of the proprietary companies had served as officers and directors of The Northern Natural Gas Company from the time of its organization to the present; that Northern Natural Gas Company had until quite recently been financed either through sale of common stock to the proprietary companies or through advances made by the proprietary companies to Northern Natural Gas Company; and that, in general, it might be said that the three proprietary companies acted in a manner similar to a partnership in supervising the affairs of Northern Natural Gas Company. In order for the Commission to grant these applications filed by the Northern Natural Gas Company, Section 2 (a) (8) requires, in general, that the Commission find (1) that the Northern Natural Gas Company is not

[17] Holding Company Act Release No. 1618.

controlled by any of the proprietary companies; (2) that Northern Natural Gas Company is not a company through which the proprietary companies controlled another company; and (3) that Northern Natural Gas Company is not subject to such a controlling influence as to make it necessary in the public interest that it be subject to the provisions of the Act applicable to the subsidiaries of a registered holding company. In its opinion, the Commission found that Northern Natural Gas Company was subject to a controlling influence by the proprietary companies in such a way as to make it necessary that that company be subject to the provisions of the Act applicable to it as a subsidiary of registered holding companies. The applications of Northern Natural Gas Company were therefore denied.

The following table indicates the number of applications under Sections 2 and 3 relating to exemption from the provisions of the Act, received and disposed of during the past fiscal year:

	Number received	Number approved	Number denied	Number withdrawn or dismissed	Number pending at close of fiscal year
To June 30, 1938	444	100	0	214	130
July 1, 1938, to June 30, 1939	23	15	8	51	79
Total	467	115	8	265	

ACQUISITION OF SECURITIES BY THE ISSUER

Rule U-12C-1, adopted pursuant to Section 12 (c) of the Act, forbids any registered holding company or any subsidiary company thereof, to acquire, retire or redeem any security of which it is the issuer, unless the Commission has issued an order of approval. The standards governing action by the Commission are the protection of the financial integrity of the companies in the holding company system, and the safeguarding of their working capital.

The following table indicates the number of applications under Section 12 (c) and Rule U-12C-1 relating to the acquisition of securities by the issuer, received and disposed of during the year ended June 30, 1939:

	Number received	Number approved	Number denied	Number withdrawn or dismissed	Number pending at close of fiscal year
To June 30, 1938	14	11	0	0	3
July 1, 1938, to June 30, 1939	17	10	0	1	9
Total	31	21	0	1	

DIVIDEND DECLARATIONS AND PAYMENTS

In addition to regulating the acquisition by a company of its own securities, the Commission also exercises supervision over the payment of dividends out of capital or unearned surplus. Here, too, the purpose is to protect the financial integrity, and safeguard the working capital, of the companies involved.

The following table indicates the number of applications under Section 12 (c) and Rule U-12C-2 relating to the payment of dividends out of capital or unearned surplus, received and disposed of during the past year:

	Number received	Number approved	Number denied	Number withdrawn or dismissed	Number pending at close of fiscal year
To June 30, 1938	15	10	2	0	3
July 1, 1938, to June 30, 1939	5	7	0	0	1
Total	20	17	2	0	

SALE OF PUBLIC UTILITY SECURITIES AND UTILITY ASSETS

Pursuant to Sections 12 (d) and 12 (f) of the Act, the Commission has adopted rules regulating the sale of public utility securities and utility assets by a registered holding company or, when the sale is to an associate or an affiliate, by either a registered holding company or a subsidiary company thereof. The selling company must file an application, and a public hearing must be held to enable the Commission to determine whether the statutory safeguards are being met. The Commission may approve the sale only if it finds that the terms and conditions of such sale with respect to the consideration to be received, maintenance of competitive conditions, fees, and commissions, disclosure of interest, and similar matters, are not detrimental to the public interest or the interest of investors or consumers, and will not tend to circumvent the provisions of the Act, or any rules, regulations, or orders of the Commission thereunder.

There have been a number of sales in which the purchasing company also has been required to file an application in respect to the acquisition. In such cases duplication has been avoided wherever possible by having a consolidated hearing on both applications. This is a procedure that will probably be used with increasing frequency to keep pace with the revamping of holding company systems, pursuant to the mandate of Section 11 (b) (1) of the Act.

The following table discloses the number of applications under Sections 12 (d) and 12 (f) relating to the sale of utility securities and

utility assets, received and disposed of during the fiscal year ended June 30, 1939:

	Number received	Number approved	Number denied	Number withdrawn or dismissed	Number pending at close of fiscal year
To June 30, 1938	7	1	0	0	6
July 1, 1938, to June 30, 1939	78	42	0	3	39
Total	85	43	0	3	

UNDERWRITERS' AND FINDERS' FEES

The Commission has adopted Rule U–12F–2, based on Section 12 (f) and other provisions of the Act, controlling the payment of fees to underwriters and "finders" who may be in a position, by reason of stock ownership or other relationship, to gain an unfair advantage in bargaining for such fees. Persons affected by the rule are substantially those falling within the statutory definition of "affiliate" in Section 2 (a) (11) of the Act, which includes, in addition to officers, directors, and persons having specified stock ownership, any person whom the Commission finds to stand in such a relation to the issuing company "that there is liable to be such an absence of arm's-length in transactions between them as to make it necessary or appropriate in the public interest or for the protection of investors or consumers that such person be subject to the obligations, duties, and liabilities" imposed upon affiliates. The rule, like the statutory provision which it parallels, recognizes the impossibility of precisely defining the facts which make for absence of arm's-length bargaining, and permits the disposition of each case in the light of the evidence therein developed. No fee may be paid, unless on the basis of competitive bidding, to underwriters or "finders" subject to the rule, unless the justification is clear or unless such person merely has a participation of not more than 5% and the fee is the same as that paid to non-affiliated underwriters. The Commission has not taken a position insisting on competitive bidding generally but merely provides through its rules that where the sale is through an affiliate the participation must be limited as described above when the issue has not been sold by competitive bidding.

POLITICAL CONTRIBUTIONS

Section 12 (h) of the Act makes it unlawful for any registered holding company or any subsidiary company thereof to make any contribution in connection with any political office. The Commission has been conducting an extensive investigation into the affairs of the Union Electric Company of Missouri in connection with an alleged violation of this section.

STATEMENTS REQUIRED PURSUANT TO SECTION 12 (i)

Section 12 (i) of the Public Utility Holding Company Act of 1935 requires the filing of statements by persons who represent registered holding companies or their subsidiaries before the Congress or any member or committee thereof, or before the Securities and Exchange Commission or the Federal Power Commission, or any member, officer, or employee of either such Commission, in such form and detail as the Securities and Exchange Commission shall prescribe. The information required to be contained in these statements pertains to the nature and character of such representation, and the amount of compensation received or to be received, directly or indirectly, in connection therewith.

Effective August 1, 1938, the Commission rescinded Form U–12 (i)–1, the form of statement to be made pursuant to Section 12 (i) of the Act and, in lieu thereof, adopted Forms U–12 (I)–A and U–12 (I)–B. Form U–12 (I)–A is the form of statement to be made by a person who presents, advocates, or opposes any matter before any of the above-mentioned bodies or persons and Form U–12 (I)–B is the form of annual statement to be used by a person who is regularly employed or retained by a registered holding company or subsidiary company thereof. This annual statement relieves such regularly employed or retained persons, who frequently represent such companies, from the necessity of filing numerous reports on Form U–12 (I)–A.

During the past fiscal year, 64 statements on Form U–12 (i)–1, 181 statements on Form U–12 (I)–A, and 112 statements on Form U–12 (I)–B were filed with the Commission.

INTERLOCKING DIRECTORSHIPS

Section 17 (c) of the Act forbids registered holding companies to have persons with financial connections as officers or directors, except in such cases as rules prescribed by the Commission may permit as not adversely affecting the public interest or the interest of investors or consumers. These rules of exemption were completely revised during this past year, such revision being largely based on the Commission's experience in the administration of the provisions of this section.

REPORTS

In examining the various periodic reports that are required to be filed by companies and persons subject to the Act, and comparing them with other available data, the Commission considers the accuracy and completeness of the information filed, cites deficiencies, and requests the filing of amendments and supplements for correction

of such deficiencies. In addition, the various phases of transactions are examined to determine whether or not the successive steps in particular transactions are exempt under the Act and, if not, whether an application or declaration has been filed. This work not only assures adequate and accurate public information, but also is an important function in the administration of the Act. An important benefit is that the knowledge so obtained makes possible more speedy and intelligent disposition of the applications to the Commission with respect to matters under its jurisdiction.

During the fiscal year ended June 30, 1939, the Commission received 102 annual reports by registered holding companies and 177 annual supplements to registration statements.

RULES, REGULATIONS, AND FORMS

The Commission is constantly studying the rules, regulations, and forms adopted under the Act with a view towards achieving the simplest requirements consistent with a vigorous administration of the Act. During the past fiscal year, the Commission adopted 13 new rules and repealed 14 rules. The Commission also adopted 24 amendments to 17 existing rules. In many instances, proposed rules are discussed with, and critically examined by, companies and persons affected thereby and suggestions or objections voiced by those groups are given thorough consideration by the Commission.

Part V

OTHER ACTIVITIES OF THE COMMISSION UNDER THE VARIOUS STATUTES

ENFORCEMENT ACTIVITIES

Prohibition Against Manipulation in the Securities Markets.

During the past fiscal year, the Commission's efforts to protect the securities markets from manipulation and fraud were vigorously continued. Almost five years of experience has 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. Thus, the periodic inspection of offices of registered brokers and dealers has been extended. The Commission's representatives, in addition to checking on compliance with the law, also endeavor to educate the trade in the requirements of the statutes and rules, to suggest the installation of proper financial controls and to bring about improvement in the ethical standards of the securities business. Such inspections also permit the detection of hopelessly weakened financial conditions at a time when there is still enough left to pay off customers and other creditors.

Manipulation is detected in many ways. Complaints, although frequent, are not always a trustworthy source of information. For instance, a person who had sold short 2,000 shares of a security once tried to show that a manipulation was in progress, in the hope that he could induce the Commission to take action which would depress the market price of that security, thus enabling him to cover his short position at a profit. Furthermore, many complaints, although well intentioned, prove upon investigation to be wholly baseless. Nevertheless, all complaints are carefully analyzed and considered since, from time to time, complaints from the public have resulted in the detection of real manipulations.

However, the Commission cannot perform its duties merely by waiting for complaints. Normally these are received only after the public has been injured. When price rises are due to manipulation, complaints are seldom received until after manipulation is finished and "the plug has been pulled" to the loss of innocent purchasers.

Therefore, the Commission endeavors to maintain a day to day scrutiny of the trading on security markets. The "ticker tape" is also under constant observation, both in Washington and in New York. To the same end, a section has been established in the Commission to analyze possible reasons in the business of corporations concerned which may explain unusual price fluctuations in their securities and to determine what fluctuations are apparently the result of manipulation. This type of market surveillance often results in informal inquiries of the officers of exchanges and others who can assist in determining reasons for such movements.

Because many manipulations begin by a gradual increase in the tempo of trading, it is not always possible to detect immediately the possible illegality of trading by current "tape" observation and market analysis. However, as soon as there is reason to suspect the character of the market for a security, the Commission has been quick to inquire. As a matter of fact, in some instances the Commission has been able to prevent manipulation by taking action before the market has shown any response at all to efforts to manipulate.[1] In other cases, the Commission has been able to commence its inquiry while the manipulation was still incipient, with the result that the investing public was spared the losses attendant upon purchases of large blocks of stock at artificial and manipulated prices. Thus, in one case, the Commission's prompt investigation stopped a manipulation when its sponsors had been able to unload but 150 out of 10,000 shares which they had under option. In the *Richards* case,[2] which involved trading in the common stock of Simplicity Pattern Co., Inc. on the New York Curb Exchange, the Commission's rapidity of action ended a manipulation being engineered from England before any of the 40,000 shares under option could be sold. In still another instance, prompt action forestalled a manipulation designed to facilitate the distribution of 375,000 shares by English underwriters.

Examples could be multiplied of instances in which the Commission has been able to suppress manipulation at its inception. Many of these cases never come to the attention of the public because the promptness of the Commission's investigation stops the manipulation at a time when insufficient proof exists to justify punitive or other

[1] In the summer of 1938, a study of a recently filed amendment to a registration statement under the Securities Exchange Act, revealed the following situation:

> A company whose stock was traded on a national securities exchange had voted to liquidate. Its assets were sold and the proceeds distributed. Its charter, however, was not surrendered. A group of five individuals then acquired all of the stock of the liquidated corporation, changed its name, revamped its capitalization, amended the charter and by-laws and prepared to embark on a business entirely foreign to that in which the corporation had formerly engaged. In short, nothing was left of the old business except the listing on a national securities exchange. An immediate investigation disclosed that the five new stockholders were about to make a distribution of their holdings to the public on the basis of market prices to be raised by manipulation. The security was promptly delisted.

[2] See *infra*, p. 94.

formal proceedings. In such cases the Commission refuses to give the manipulators the rope necessary to hang themselves, but instead chooses to protect the public by beginning its investigation before unwitting investors have been drawn into an artificial market. Needless to say, manipulations almost invariably cease as soon as the Commission's representatives appear on the scene.

Particular vigilance is required to forestall manipulation from abroad. Although frequently lacking jurisdiction over the individuals responsible and thus being unable to take punitive action against them, the Commission has been able to deal with manipulations having their origin in Canada due to the cooperation of various official and semi-official bodies in the Canadian provinces. The ability of the Commission to cope with manipulations which are international in character was demonstrated publicly not only in the *Richards* case, but even more saliently by the successful prosecution in June 1939, of the individuals responsible for the artificial market created in the Philippine Railway Bonds in January and February 1938.[3]

Although trading investigations are instituted primarily in order to detect violations of the anti-manipulative sections of the Securities Exchange Act of 1934, the Commission is alert to uncover other violations of the law. To this end, the Commission seeks to achieve constant flexibility in its attack on manipulation. If proceedings may be instituted more conveniently and with a greater probability of success under statutes other than those administered by the Commission, the policy of cooperating with other branches of the Federal Government and also of the State Governments for that purpose is followed. Thus, the *Philippine Railway Bond* case, which led to the convictions of William Buckner, William Gillespie, and Felipe Buencamino in New York in June 1939, was prosecuted under the mail fraud statute after it has been determined that that statute offered the best means of attack.

As in the past, trading investigations have disclosed violations by exchange members or their employees of the rules of the various national securities exchanges. In these instances, of which there were many during the past fiscal year, the Commission referred the matter to the appropriate exchange and, as a result, the exchange applied its own sanctions.

Margin Regulations.

As mentioned in previous annual reports, Congress made this Commission responsible for the enforcement of Regulation T promulgated by the Board of Governors of the Federal Reserve System. The Commission has continued to make such margin inspections of brokerage firms as were permitted by the limited personnel available for this work.

[3] See *infra*, p. 93.

In previous years, most of the margin inspection activity was concentrated on firms which were members of national securities exchanges, but during this last fiscal year more emphasis was placed on the inspection of non-member firms. Margin inspection, particularly among non-member firms, has been made part of a broader effort undertaken to assure proper compliance on the part of brokers with the applicable rules and regulations. Inspection of cash and margin accounts of 69 member and non-member firms were completed during the year. As usual, the results of these inspections bearing upon compliance with Regulation T have been made available to the Board of Governors of the Federal Reserve System, and in some cases the Commission has submitted certain results of these inspections to the appropriate national securities exchanges for disciplinary action. The Washington (D. C.) Field Office is now equipped to carry on margin inspections on a limited scale. Thus, insofar as available personnel permits, the New York, Boston, Chicago, and San Francisco Regional Offices and the Washington Field Office of the Commission carry on margin inspection work.

Market Surveillance.

The systematic surveillance of volume and price movements in securities on exchange markets has been continued and extended. The number of issues, including duplications on the various exchanges, under continual observation at the close of the past fiscal year amounted to 3,410 as compared with 3,133 at the close of the previous fiscal year. Rationalization of deviations in price or volume is sought, and in cases where the explanation for appreciable price or volume fluctuations is not apparent, further study and inquiry is made. Rationalization of movements in the price or volume of trading in particular security issues involves not only investigation of the market situation in such securities, but the continuing analysis of balance sheets, income statements and other current data with respect to both the particular issuer and the general market.

Regular review is made of the terms of offering of all issues for which registration statements are filed under the Securities Act of 1933, pertaining to securities traded on national securities exchanges or convertible into or bearing warrants for the purchase of securities traded on these exchanges. In those instances in which securities registered are subject to options, the related security traded on the exchange has been placed under observation for the life of the option. As of June 30, 1939, a total of 311 companies were under special observation due to the existence of options or warrants.

Continuing studies have been made of secondary distributions, and trading in the issues subject to such distributions, both preceding and during the period of offering, has been closely scrutinized.

The systematic recording and examining of all reports filed under Section 16 (a) of the Securities Exchange Act of 1934, pertaining to changes in beneficial ownership of equity securities by all persons required to report such changes, has been continued. Reports of transactions in issues of an average of 832 companies per month have been so recorded and examined.

Studies have been made of the effect upon price and volume fluctuations of publicity releases in the financial press, various so-called "tipster sheets," and other sources.

Extensive research has been conducted in both specific and over-all characteristics of the exchange markets, the strictly over-the-counter markets, and that middle ground consisting of issues traded in both markets.

Trading Investigations.

Trading investigations are primarily conducted to ascertain if transactions by any person in a security registered or admitted to unlisted trading privileges on any national securities exchange are effected in violation of Section 9 of the Securities Exchange Act of 1934. However, such investigations may also develop facts and circumstances indicating violations of other sections of that Act, or sections of the Securities Act of 1933, as well as violations of the rules of national securities exchanges.

During the past fiscal year, the volume of cases reviewed increased substantially, a total of 222 cases having been reviewed, compared with 119 cases the previous year. As of June 30, 1939, 53 cases were in progress, compared with 65 on June 30, 1938. The use of flying quizzes (preliminary, informal, and substantially contemporaneous inquiries into the causes for unusual market behavior) has enabled the enforcement staff substantially to increase the scope of its activity and reduce the time element involved in conducting investigations. The use of these rapid fire check-ups of suspicious market activity has also been extended to the Commission's Regional Offices throughout the country. As the result of trading investigations, four cases were referred to the Department of Justice during the year for criminal prosecution, six persons were enjoined from continuing manipulative activity, four cases involving transactions by the members of the New York Stock Exchange and New York Curb Exchange were referred to those Exchanges for consideration and action, and proceedings were instituted in one case for the suspension or expulsion of a member of a national securities exchange and in three cases for the revocation of broker-dealer registrations.

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

Trading Investigations

	Flying quizzes	Preliminary investigations	Formal investigations
Pending June 30, 1938	12	24	29
Initiated July 1, 1938-June 30, 1939	153	36	21
Total to be accounted for	165	60	50
Changed to Preliminary or Formal	27	9	
Closed or completed	111	45	* 30
Total disposed of	138	54	30
Pending June 30, 1939	27	6	20

* Includes the reference of cases to the Department of Justice and to various national securities exchanges.

Record of Public Action Taken in Connection with Proceedings Brought to Enforce the Anti-Manipulative Provisions of the Securities Exchange Act of 1934.

During the past year, the Commission has taken formal public action in the course of 11 proceedings to enforce the anti-manipulative provisions of the Securities Exchange Act of 1934. The nature of these proceedings and their status as of the close of the year are briefly described below.

On February 15, 1939, the Commission instituted proceedings under Section 19 (a) (2) of the Securities Exchange Act of 1934 to determine whether the registration of Callahan Zinc-Lead Company common stock $1 par value, a registered security on the New York Stock Exchange, should be suspended or withdrawn. This action resulted from an investigation into the trading in the stock of this company, and was also based on a preliminary investigation which indicated that reports filed by this company pursuant to Section 12 and Section 13 of such Act contained false and misleading statements of material facts. On the same date, the Commission also authorized stop order proceedings under Section 8 (d) of the Securities Act of 1933 to determine whether or not the effectiveness of registration statements filed by this company should be suspended. At the close of the fiscal year, both of these proceedings were pending.

On October 26, 1938, Norman W. Minuse, Joseph E. H. Pelletier, and Russell Van Wyck Stuart were indicted by the Federal Grand Jury of New York charged with conspiracy to violate Sections 9 (a) (1) and 9 (a) (2) of the Securities Exchange Act of 1934 by the manipulation of the Class A common stock of Tastyeast, Inc. listed

on the New York Curb Exchange. This action resulted from the reference by the Commission to the Department of Justice of its files on the investigation of transactions effected by these persons during 1935 and 1936. As of June 30, 1939, the proceedings were still pending.

On December 19, 1938, Harry J. Weisbaum, Edward J. Weisbaum, and Otto Leudeking consented to being permanently enjoined by the U. S. District Court for the Southern District of Ohio from further violation of Section 9 (a) (2) of the Securities Exchange Act of 1934. This action resulted from an investigation of market transactions effected by these persons during August 1938, in Weisbaum Bros. Brower Co. common stock listed on the New York Curb Exchange.

On December 30, 1938, William P. Buckner, Jr., and William J. Gillespie were indicted by the Federal Grand Jury for the Southern District of New York, charged with mail fraud and conspiracy violations. This action resulted from an investigation of the activities and transactions of these persons in Philippine Railway Co. 4% bonds during 1938 and the reference of such case by the Commission to the Department of Justice on November 21, 1938, for prosecution. Following their conviction on June 30, 1939, Federal Judge Henry W. Goddard sentenced Buckner and Gillespie to 2 years and to 18 months, respectively, in prison, and fined each of them $2,500. Felipe Buencamino, member of the Philippine Assembly, convicted on conspiracy charges, was sentenced to 18 months in prison and fined $5,000.[4]

On January 14, 1939, H. Walter Blumenthal consented to the issuance of a permanent injunction by the U. S. District Court for the Southern District of New York against his further violating any provisions of Section 9 (a) of the Securities Exchange Act of 1934. This action resulted from an investigation of his transactions during 1937 in Red Bank Oil Co. common stock listed on the New York Curb Exchange.

On January 23, 1939, Klopstock & Co., Inc., of New York City withdrew its registration as an over-the-counter broker and dealer. The withdrawal occurred subsequent to the institution of proceedings by the Commission to determine whether such registration should be revoked or suspended. The proceedings were based on alleged violations of both the Securities Act of 1933 and the Securities Exchange Act of 1934, which included alleged violations involved in the market operations undertaken by Klopstock & Co., Inc., to facilitate the underwriting and distribution of Austin Silver Mining Co. common stock in 1936 and 1937. On January 13, 1938, the Commission issued a stop order suspending the effectiveness of the registration

[4] The three convicted defendants filed notice of intention to appeal on July 7, 1939.

statement filed on February 8, 1937, by the Austin Silver Mining Co. under the Securities Act of 1933. This action was based on proceedings under Section 8 (d) of the Securities Act of 1933 and upon preliminary facts obtained in a trading investigation. This stop order was lifted August 30, 1938.

On February 11, 1939, David A. Schulte consented to being permanently enjoined by the U. S. District Court for the Southern District of New York from further violations of Sections 9 (a) (1), (b) and (c) and 9 (a) (2) of the Securities Exchange Act of 1934. This action resulted from an investigation of accounts maintained and guaranteed by David A. Schulte and transactions by such accounts during 1935, 1936, and 1937 in Schulte Retail Stores Co., Dunhill International, Inc., Park & Tilford, and Phillip Morris, Ltd., Inc., securities listed on the New York Stock Exchange and Huylers of Delaware, Inc., preferred stock listed on the New York Curb Exchange.

On March 4, 1939, William E. Hutton, II, a partner of W. E. Hutton & Co. and as such a member of the New York Stock Exchange, New York Curb Exchange, Philadelphia Stock Exchange, Detroit Stock Exchange, Chicago Stock Exchange, Baltimore Stock Exchange, Cincinnati Stock Exchange, and the Board of Trade of the City of Chicago, was suspended from membership on such exchanges for a period of three months from March 15, 1939, and H. H. Michels, a partner of William Cavalier & Co. and as such a member of the New York Stock Exchange, New York Curb Exchange, San Francisco Stock Exchange, Los Angeles Stock Exchange and the Board of Trade of the City of Chicago, was suspended for one month commencing on March 15, 1939. These actions resulted from the institution of proceedings by the Commission under Section 19 (a) (3) of the Securities Exchange Act of 1934 on November 13, 1936, based upon an investigation of transactions by these persons in violation of Sections 9 (a) (1) and 9 (a) (2) of that Act during 1935 and 1936 in Atlas Tack Corporation common stock listed on the New York Stock Exchange.

On March 24, 1939, Junius A. Richards, a partner of Smith, Barney & Co. and as such a member of the New York Stock Exchange, New York Curb Exchange, Baltimore Stock Exchange, Chicago Stock Exchange, Board of Trade of the City of Chicage, Boston Stock Exchange, and Philadelphia Stock Exchange, was suspended from membership on such exchanges for a period of 10 days from March 27 to April 5, 1939, inclusive. This action resulted from the institution of proceedings by the Commission on March 2, 1939, under Section 19 (a) (3) of the Securities Exchange Act of 1934 based upon

an investigation of transactions effected by Richards during 1938 in Simplicity Pattern Co., Inc., common stock listed on the New York Curb Exchange for persons whom it was charged he had reason to believe were violating provisions of Sections 9 (a) (1) and 9 (a) (2) of that Act.

On May 19, 1939, J. J. Maschuch, President of Breeze Corporations, Incorporated, and Douglas C. Hoff, an associate, were arrested and subsequently indicted for perjury. This action, which was still pending on June 30, 1939, resulted from an investigation of the activities and transactions of such persons in Breeze Corporations, Incorporated, common stock listed on the New York Curb Exchange in connection with which it was alleged false testimony was given.

On July 1, 1939, Robert R. Selembier, Jr., consented to being permanently enjoined from further violations of Sections 9 (a) (1), 9 (a) (2) and 9 (a) (4) of the Securities Exchange Act of 1934 following a complaint entered on June 30, 1939, in the U. S. District Court for the Southern District of New York. This action resulted from an investigation of the transactions and activities of Selembier during 1938 in the common and preferred stocks of Crystal Oil Refining Corporation and H. C. Bohack, Inc., the Class B common stock of Durham Hosiery Mills, Inc., and Ludlow Valve Manufacturing Co. common stock, all listed on the New York Curb Exchange.

Complaints and Investigations.

The Commission, in its effort to protect investors, has continued to use its facilities, directly and through public and private agencies, to call attention to the many fraudulent and illegal devices too often employed to defraud the investing public, and has encouraged the filing of complaints by investors who feel they have been defrauded.

Most of the complaints are received by the Commission and its regional offices directly from investors. However, many complaints are submitted to the Commission through State Securities Commissions, State and Federal officials, and voluntary agencies, such as Better Business Bureaus and Chambers of Commerce. A reply is made to every complainant and, to the extent that the Commission's powers and the subject matter permit, every complaint is investigated and every complainant given all possible assistance, together with all available public information.[5]

At the beginning of the past fiscal year 735 investigation and legal cases, under the Securities Act of 1933 and the Securities Exchange Act of 1934, were pending. During the year, 768 new cases have been set up. Of these 1,503 cases, 730 were disposed of during the

[5] For a full description of the Commission's practice and procedure with respect to the investigation of complaints, reference is made to page 43 of the Commission's Third Annual Report.

past year, leaving 773 pending as of June 30, 1939. The following table indicates the number of such cases pending and disposed of during the past fiscal year·

Investigations, preliminary, informal, and fomal, and legal cases developed therefrom, under the Securities Act of 1933 and the Securities Exchange Act of 1934, for the fiscal year ended June 30, 1939

	Investigations and/or legal cases pending July 1, 1938	Investigations initiated or docketed July 1, 1938 to June 30, 1939	Total to be accounted for	Investigations and/or legal cases closed (or changed to docketed cases) July 1, 1938 to June 30, 1939	Investigations and/or legal cases pending as of July 1, 1939		
					Investigations	Legal cases (civil or criminal) developed from investigations	Total investigations and/or legal cases
Preliminary investigations	32	322	354	219	135	----------	135
Docketed investigations	703	446	1,149	511	[a] 453	[b] 185	638
Total	735	768	1,503	730	588	185	773

[a] Includes 331 informal and 122 formal docketed investigations.
[b] Includes 59 informal and 126 formal docketed investigations.

In conjunction with the investigation of complaints the Commission has established, through its Securities Violations Files, a vast amount of information concerning fraudulent securities transactions by individuals and corporations. These files have been enlarged during the past fiscal year by the addition of 6,257 items of information pertaining to existing files, and the addition of 4,184 new names to such files. As of June 30, 1939, the Commission had assembled data concerning 32,660 persons or corporations against whom State or Federal action had been taken in connection with the sale of securities.

Civil Proceedings.

During the past fiscal year the Commission instituted 76 civil proceedings under the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935. Since its creation, the Commission has initiated 312 such proceedings and disposed of 288. Of the 312 such proceedings, 288 were injunctive actions, as a result of which 657 firms and individuals have been permanently enjoined. During the fiscal year, 69 such actions were instituted against 186 persons. The 67 cases disposed of during the fiscal year resulted in injunctions against 155 persons.

While a number of the injunctions secured by the Commission were issued upon consent of the defendants, many others were issued only after a trial of the facts. With the exception of the case of *Securities and Exchange Commission* v. *Gold Hub Mines Company* (*infra*, p. 104), the Commission was successful in every injunctive action prosecuted by it during the fiscal year.

The following tables indicate, by types of cases, the number of civil litigation cases instituted, closed, and pending during the fiscal year ended June 30, 1939:

Cases instituted by the Commission under the Securities Act, the Securities Exchange Act, and the Public Utility Holding Company Act, and miscellaneous cases

Types of cases	Total cases instituted prior to July 1, 1938	Total cases pending as of June 30, 1938	Total cases instituted during fiscal year ended June 30, 1939	Total cases pending during fiscal year ended June 30, 1939	Total cases instituted prior to July 1, 1939	Total cases closed prior to July 1, 1938	Total cases closed during fiscal year ended June 30, 1939	Total cases closed prior to July 1, 1939	Total cases pending as of June 30, 1939
Suits to enjoin violations of Securities Act, Securities Exchange Act, and Public Utility Holding Company Act	219	18	69	87	288	201	67	268	20
Suits involving the enforcement of subpenas issued pursuant to Securities Act and Securities Exchange Act	17	1	7	8	24	16	4	20	4
Miscellaneous injunctive proceedings	0	0	1	1	1	0	1	1	0
Total	236	19	77	96	313	217	72	289	24

Suits instituted against the Commission and suits in which the Commission was permitted to intervene as a defendant

Types of cases	Total cases instituted prior to July 1, 1938	Total cases pending as of June 30, 1938	Total cases instituted during fiscal year ended June 30, 1939	Total cases pending during fiscal year ended June 30, 1939	Total cases instituted prior to July 1, 1939	Total cases closed prior to July 1, 1938	Total cases closed during fiscal year ended June 30, 1939	Total cases closed prior to July 1, 1939	Total cases pending as of June 30, 1939
Suits to enjoin enforcement of Securities Act, Securities Exchange Act, and Public Utility Holding Company Act, with the exception of suits brought solely to enjoin enforcement of or compliance with subpenas issued by the Commission	57	5	4	9	61	52	7	59	2
Suits to enjoin enforcement of or compliance with subpenas issued by the Commission	5	0	2	2	7	5	2	7	0
Petitions for review of Commission's orders by Circuit Courts of Appeals (or Court of Appeals for District of Columbia) under the Securities Act, Securities Exchange Act, and Public Utility Holding Company Act	41	17	8	25	49	24	13	37	12
Miscellaneous suits against Commission or officers of Commission	2	1	0	1	2	1	0	1	1
Total	105	23	14	37	119	82	22	104	15

A brief description and the status of the civil cases filed or pending during the year ended June 30, 1939, are outlined in the tables comprising Appendix VI of this report. A more detailed description of some of the more important cases is set forth below.

Oklahoma-Texas Trust v. *Securities and Exchange Commission.*—On January 5, 1939, the United States Circuit Court of Appeals for the Tenth Circuit unanimously affirmed a stop order issued by the Commission suspending the effectiveness of a registration statement filed by Oklahoma-Texas Trust covering an offering of 107,000 participating interests having a face value of $10 each. The order reviewed was issued on September 23, 1938, under Section 8 (d) of the Securities Act, and is so far the only such order in the history of the Commission to be reviewed on the merits by any court.

The court, in its opinion (100 F. (2d) 888), upheld the constitutionality of the statute, rejected the registrant's contention that a stop order could not be entered after all of the securities sought to be registered had been sold, and affirmed the action of the Commission in refusing to permit the registrant to withdraw its registration statement. The court also affirmed the Commission's findings that one who instigated and had a substantial interest in the outcome of the organization of a corporation was a promotor, even though not a participant in the mechanics of organization; that the registrant did not, as stated, intend to render quarterly reports to security holders; that certain pending litigation had not been disclosed; that engineers' reports included in the registration statement were inaccurate and misleading; and that the present revenues from the properties to be acquired by the Trust had been misstated.

Securities and Exchange Commission v. *O'Hara Re-Election Committee et al.*—On June 16, 1939, the Commission commenced an action in the United States District Court for the District of Massachusetts seeking to restrain the so-called O'Hara Re-Election (or Proxy) Committee, Walter E. O'Hara, William A. Needham, George Cohen, and Nelson Warren Moore from violating Section 14 of the Securities Exchange Act of 1934 by using the mails to solicit proxies from stockholders of Narragansett Racing Association, Inc., by means of letters of solicitation which did not comply with rules promulgated by the Commission under authority of the statute, and from exercising proxies thus obtained at the annual meeting of the Association.

On June 27, 1939, the court, after hearing, issued a preliminary injunction granting the relief prayed for and restraining the Association from holding its annual meeting before a specified date in order to afford time to obtain new proxies.

Securities and Exchange Commission v. *Associated Gas & Electric Company et al.*—In the course of the administration of the Public Utility Holding Company Act, it came to the attention of the Com-

mission that the Associated Gas & Electric Company was engaged in requesting holders of its 5½% Investment Certificates, due November 15, 1938, to extend the maturity of those certificates to November 15, 1939, or November 15, 1943, the inducements being an increased interest rate or part payment of the principal. No attempt was made by the Company to register the securities under the Securities Act of 1933 or to file a declaration under Section 7 of the Public Utility Holding Company Act of 1935.

The Commission commenced an action in the United States District Court for the Southern District of New York to enjoin the extension of the maturity of these notes under these circumstances, alleging that such extension involved the sale of a new security to the same extent as an exchange of new bonds for old. The complaint charged violation of the Securities Act and of various provisions of the Public Utility Holding Company Act. The court, on August 29, 1938, granted a preliminary injunction based on Section 6 (a) of the Public Utility Holding Company Act, enjoining the extensions as the issuance and sale of securities of a registered holding company unless the Company first complied with Section 7 of the Public Utility Holding Company Act. On appeal to the United States Circuit Court of Appeals for the Second Circuit, this was the sole issue, and the position of the Commission was again sustained. By stipulation, the injunction was made permanent.

Securities and Exchange Commission v. *William P. Lawson.*—On August 19, 1938, William P. Lawson of Baltimore, Maryland, a securities broker and dealer, doing business as William P. Lawson & Company, was enjoined by the United States District Court for the District of Maryland from continuing to engage in acts and practices violating the fraud provisions of the Securities Act of 1933 and the insolvency provisions of the Securities Exchange Act of 1934.

The court stated in its opinion (24 F. Supp. 360) that what Lawson did

"* * * was from time to time to sell securities of some of his customers which he had purchased for them (and for which they had in many cases fully paid) or which he was otherwise holding for their accounts not in default, without due authority, and to keep them in ignorance of the fact that he had done so; and to convert the proceeds of the sale of the securities to his own use, while he was insolvent. This he did from time to time over a period of eight months with respect to the securities of numerous customers. At the time of filing the bill of complaint, he had sold or hypothecated securities of his customers and was short on securities which he should have had in his possession for delivery to them to the amount in value of $78,716.38. The proof shows that in one or more instances after the securities had been sold, the customer was required to deposit further sums of money as margin on his account, and in one or more instances dividends were forwarded as having been paid on securities which had previously been sold."

Securities and Exchange Commission v. *Timetrust, Incorporated, et al.*—On April 5, 1939, the Commission brought an action for an injunction in the United States District Court for the Northern District of California to restrain Timetrust, Incorporated, Bank of America National Trust & Savings Association, Meredith Parker, Ralph W. Wood, H. E. Blanchett, A. P. Giannini, L. Mario Giannini, and John M. Grant from continuing to violate Section 17 (a) (2) of the Securities Act of 1933 by engaging in alleged fraudulent acts and practices in the sale of Timetrust certificates and Bank of America stock. Each of the defendants moved to dismiss, for a more definite statement or bill of particulars, and to strike alleged redundant and immaterial matter from the Commission's complaint.

On June 10, 1939, the court held on these motions that Timetrust certificates were securities as defined in the statute; that Section 17 applied to fraudulent sales of securities by use of the mails wholly within one State; that the Commission's complaint conformed fully with the new Rules of Civil Procedure; that the allegations charging the defendants Grant, A. P. Giannini, L. Mario Giannini, and Bank of America with aiding and abetting the actions of Timetrust were not defective; and that since a simple and expeditious method of discovery was provided by the new Rules of Civil Procedure, a more definite statement or bill of particulars, which would delay trial, should be denied.

Securities and Exchange Commission v. *Universal Service Association et al.*—On June 23, 1939, the United States Circuit Court of Appeals for the Seventh Circuit unanimously affirmed an order of the District Court for the Northern District of Illinois enjoining Universal Service Association and certain individuals from violating the registration and fraud provisions of the Securities Act of 1933 in the sale of subscriptions and memberships in the Association and in the Universal Order of Plenocrats.[6] A petition for rehearing is pending.

While the appeal was pending, the defendants continued their activities, and on June 22, 1939, in proceedings instigated by the Commission, the Association was adjudged in contempt of court and was fined $1,000, and C. Franklin Davis, one of the promoters, was sentenced to serve six months in jail. From this judgment an appeal is pending before the United States Circuit Court of Appeals for the Seventh Circuit.

Resources Corporation International v. *Securities and Exchange Commission.*—On July 5, 1938, Resources Corporation International, a Delaware corporation controlling other corporations owning, leasing, and selling timber and ranch lands in Mexico, brought an action in the United States District Court for the District of Columbia to

[6] See Fourth Annual Report, p. 53.

enjoin the Commission from holding further hearings or taking other action in a proceeding instituted by it on March 21, 1938, to determine whether a stop order should issue suspending the effectiveness of a registration statement filed by the plaintiff on February 28, 1938, and from engaging in alleged unlawful activity which the plaintiff claimed was injuring its business. The plaintiff also prayed that a mandatory injunction issue requiring the Commission to vacate an order, issued in the course of the stop order proceeding, denying plaintiff leave to withdraw its registration statement, and that an order issue directing the Commission to return the plaintiff's records.

In a memorandum opinion filed on July 19, 1938 (24 F. Supp. 580), the court dismissed the complaint, holding that the Commission's action in denying plaintiff leave to withdraw was interlocutory, that it could avail itself of a method of review provided by the Securities Act of 1933 when a final order issued and that the statutory method of review was exclusive.[7] From this ruling the plaintiff appealed.

On February 27, 1939, the United States Court of Appeals for the District of Columbia affirmed the order of the trial court (103 F. (2d) 929). In so doing the court distinguished the case from *Jones* v. *Securities and Exchange Commission* (298 U. S. 1), and held that the plaintiff did not have an unqualified right to withdraw after its registration statement became effective, and that the Commission could properly find that withdrawal would not be consistent with the public interest, notwithstanding the fact that the stock covered by the registration statement constituted only a small part of the total issue and that none had been sold prior to the filing of the application for withdrawal.

Securities and Exchange Commission v. *Cultivated Oyster Farms Corporation et al.*—On March 22, 1939, Judge Louie W. Strum of the United States District Court for the Southern District of Florida signed an order permanently enjoining Cultivated Oyster Farms Corporation and William Lee Popham from violating the registration and fraud provisions of the Securities Act of 1933 in the sale of interests in a project, the alleged object of which was the cultivation and marketing of oysters. The court found the defendant's promises of profit were so exaggerated that they were prima facie fraudulent.

Securities and Exchange Commission v. *Fidelity Investment Association.* On December 14, 1938, the Commission commenced an action for an injunction in the United States District Court for the Eastern District of Michigan in Detroit against Fidelity Investment Association of Wheeling, West Virginia, alleging that the defendant had engaged in fraudulent practices in violation of the Securities Act of

[7] On June 17, 1938, the Circuit Court of Appeals for the Seventh Circuit for similar reasons refused to review the order denying plaintiff the right to withdraw (97 F. (2d) 788).

1933 in connection with the sale of investment contract certificates sold on a deferred payment plan. The complaint alleged that the defendant, operating through 58 district offices, had sold approximately $600,000,000 face amount of certificates throughout the country, on which some 60,000 persons were then making monthly payments.

Acting upon the Commission's verified complaint, accompanying affidavits, and the defendant's consent to the entry of a final judgment, the court, on December 22, 1938, permanently enjoined the defendant, its officers, directors, and employees, in selling the contracts, from depositing with West Virginia or any other State insufficient securities or securities which did not meet deposit requirements; failing to segregate and maintain sufficient statutory deposits against appropriate liabilities; failing to create and maintain separate contract reserve funds or permitting cash overdrafts between various funds; failing to maintain cash reserves; transferring to defendant's general fund gains belonging to contract funds, or transferring securities from one fund to another; paying dividends except from earned surplus; purchasing securities to the personal benefit of anyone connected wth the defendant; and maintaining subsidiaries to conceal the nature or amount of indebtedness or investments.

In addition, the defendant was enjoined from making false or misleading statements with respect to its financial statements, the extent or availability of its reserves or assets, the cost of its portfolio securities, the rating and liquidity of its investments, its earnings or financial condition, its method of meeting maturities, the costs of the contract certificates to investors, the amounts payable to or withdrawable by investors, and the yield to investors.

Bank of America National Trust & Savings Association v. *William O. Douglas et al.*—On January 16, 1939, the Bank of America National Trust & Savings Association, a national banking association, brought an action in the United States District Court for the District of Columbia against individual members of the Commission and certain of its officers. The action was an outgrowth of a proceeding instituted by the Commission on November 22, 1938, under Section 19 (a) (2) of the Securities Exchange Act of 1934, to determine whether it was necessary or appropriate for the protection of investors to suspend or withdraw the registration of the $2 par value stock of Transamerica Corporation, which corporation, during the years 1934–1936, owned all of the capital stock of the plaintiff bank. The purpose of the action was to restrain the defendants from investigating its affairs, attempting by subpena to secure its books and records, and from publicizing information concerning the plaintiff contained in a national bank examiner's reports made available to

the Commission by the Secretary of the Treasury. The plaintiff also sought a declaratory judgment that neither the Federal Reserve Act, the National Bank Act, nor the Securities Exchange Act of 1934 authorized the release or publication of the bank examiner's reports. The defendants moved to dismiss the action, asserting that the court was without jurisdiction and that neither the action of the Secretary of the Treasury nor the Commission was contrary to law.

On January 31, 1939, the court, after hearing, held that it had jurisdiction and that the action was not prematurely brought; that although the Commission intended to make an appraisal and valuation of a substantial portion of the plaintiff's assets and to investigate its reserves, such action did not constitute the exercise of any visitorial power over the bank; that even if it were visitorial, it was not unlawful; and that the Secretary of the Treasury was authorized to furnish the reports to the Commission for its official use. Judgment was accordingly entered dismissing the complaint, from which the plaintiff took an appeal.

On May 8, 1939, the United States Court of Appeals for the District of Columbia handed down an opinion, in part affirming and in part reversing the decision of the District Court. The Court of Appeals held that the delivery to the Commission by the Secretary of the Treasury of the Examiner's reports was authorized and legal; that their use in proceedings to obtain the necessary facts and information whereby to carry out the investigatory function of the Commission was proper; that except to the extent necessary to carry out the purpose mentioned, the reports should be treated as confidential; and that the subpenas were unreasonable and should not be enforced, since they required the plaintiff to remove so many of its books and records from San Francisco to Washington that compliance therewith would "for all practical purposes, close the Bank." The cause was remanded to the District Court with directions to vacate the decree dismissing the complaint, but with instructions that, since the subpenas had expired, no injunction need issue.

In re Verser-Clay Co. et al.—On August 31, 1938, the United States Circuit Court of Appeals for the Tenth Circuit affirmed an order (98 F. (2d) 859) of the District Court for the Western District of Oklahoma directing E. C. Clay, as President of Verser-Clay Company and the Mid-Continent Crude Oil Purchasing Company, to appear before an officer of the Commission and produce certain books, records, and documents of those companies which he had refused to produce in obedience to subpoenas duces tecum issued on November 18, 1935, in an investigation of alleged violations of the Securities Act of 1933.

The basis of the respondent's refusal to produce the records of

the companies was that they were being sought for use in a pending criminal proceeding in the District of Columbia in which he was a defendant, and that they might incriminate him. To this argument the Circuit Court of Appeals replied:

"* * * Clay can not claim the constitutional privilege for the acts of the corporations. (citing cases) It may be true that there is something in the corporate books and documents that shows personal acts of Clay that tend to incriminate him. If so, he had an opportunity to present them to the District Judge and ask that he be protected in his constitutional right, but he sought no protection in that respect. It is not claimed that when he was on the witness stand any question was asked the answer to which would tend to incriminate him. Clearly the privilege asserted by him does not extend to the two corporations. * * *"

Securities and Exchange Commission v. *Gold Hub Mines Company et al.*—On January 9, 1939, the Commission instituted an action for injunction in the United States District Court for the District of Colorado against Gold Hub Mines Company and others, alleging that the defendants, in violation of Section 17 (a) of the Securities Act of 1933, were inducing sales of Gold Hub stock by means of untrue and misleading statements concerning the value and extent of certain gold and tungsten deposits, the need for erecting a mill, and the reason for abandoning certain mining operations.

On January 26, 1939, the court, after hearing much expert testimony on both sides, dismissed the complaint, holding in substance that since the experts differed as to the character of the deposits, and since the statements made by the defendants were, according to his views, very largely expressions of opinion not entirely without justification, the Commission had not proved its case.

Securities and Exchange Commission v. *Edward A. Sloane et al.*—On April 15, 1939, Edward A. Sloane and Edward P. Tuber consented in the United States District Court for the Northern District of Illinois to the entry of a judgment restraining them individually and as co-partners, doing business under the name of A. D. Lowe & Associates, from effecting over-the-counter transactions in securities without having registered under the broker-dealer provisions of the Securities Exchange Act of 1934, and from inducing their customers, by means of deceptive and fraudulent devices and contrivances, to sell securities which they owned and apply the proceeds to the purchase of whiskey warehouse receipts. The Commission's complaint charged that the defendants misrepresented the value of the securities delivered to them for sale and the value of the whiskey warehouse receipts purchased.

Securities and Exchange Commission v. *E. S. Hansberger.*—On March 2, 1939, the Commission instituted an action in the United States District Court for the Western District of Oklahoma alleging

that E. S. Hansberger, individually and as trustee, was engaged in selling securities, entitled "Founder Member Certificates, Producers Finance Corporation, in Process of Organization," through the mails without the same having been registered under the Securities Act of 1933, and requested the issuance of an injunction restraining further sales.

The defendant contended that the securities were exempt from registration under Rule 200 of the Commission's General Rules and Regulations under the Securities Act of 1933, which rule in general exempts offerings under $30,000. In rejecting this contention and granting the injunction, the court, on April 28, 1939, held that the securities represented interests or rights of participation in a trust, a substantial portion of the assets of which consisted of oil and gas leasehold interests and rights, and that subparagraph (5) of Rule 200 specifically excluded from the application of the Rule securities of this type (27 F. Supp. 846).

Securities and Exchange Commission v. *James R. Macon et al.*—On February 1, 1939, the United States District Court for the District of Colorado, in an action instituted by the Commission on November 1, 1938, to enjoin violations of Section 17 (a) of the Securities Act of 1933 in the sale of Butler Oil & Refining Company common stock, handed down an opinion granting an injunction restraining James R. Macon, Eric Schley, H. G. Bartholomew, Butler Oil & Refining Company, and Macon & Company, Inc., from making untrue and misleading statements in the sale of the stock concerning the likelihood of a new gusher being discovered on defendant's property, the results of tests thereon, the quantity of oil and gas discovered, and arrangements made with a purchasing company to pipe the same.

Securities and Exchange Commission v. *R. H. Carleton et al.*—In this case, a companion case to *Securities and Exchange Commission* v. *James R. Macon et al.*, instituted by the Commission on the same day (November 1, 1938), the United States District Court for the District of Colorado, on February 3, 1939, handed down an opinion granting an injunction restraining R. H. Carleton and Davenport & Company, Inc., from violating Section 17 (a) (2) of the Securities Act of 1933, in the sale of Butler Oil & Refining Company common stock by making untrue and misleading statements similar in character to some of those involved in the *Macon* case.

Boise Petroleum Corporation and C. S. Hassler.—On June 7, 1937, Boise Petroleum Corporation and its sales manager, C. S. Hassler, were fined $500 and $300, respectively, in the United States District Court for the District of Idaho for criminal contempt arising out of

a failure to observe a decree restraining them from violating the registration and fraud provisions of the Securities Act of 1933 in the sale of certain oil and gas leasehold interests and from acting as brokers or dealers in securities unless registered as such under the Securities Exchange Act of 1934.[8]

On October 8, 1938, the defendants were again found guilty of contempt by the same court. For this second offense Hassler was sentenced to serve six months in jail and fined $500; Boise Petroleum Corporation and C. S. Hassler, Inc., were fined $250 each; and John T. Glass was fined $500.

John Lawless, Jr. v. *Securities and Exchange Commission et al.*—On April 11, 1939, the United States Circuit Court of Appeals for the First Circuit handed down the first decision reviewing action of the Commission under the Public Utility Holding Company Act of 1935.[9] International Paper and Power Company had filed with the Commission an application asking for (1) a report "in the manner provided in Section 11 (g) (2) of said Act" upon a plan for change in capitalization which the company desired to propose for the approval and authorization of its shareholders, and (2) for an order exempting the company from the provisions of Sections 4 (a) and 6 (a) and all other sections of the Act applicable to the proposed plan. On September 11, 1937,[10] John Lawless, Jr., a stockholder of International Paper and Power Company who had appeared before the Commission in opposition to the application, filed his petition for review of the action of the Commission in issuing the report and order applied for.

At the time International Paper and Power Company filed its application with regard to the plan for change in capitalization, and at the time of the Commission's report and order thereon, there were pending before the Commission two other applications by the company, one for exemption under Section 3 (a) (5) of the Act, and the other for an order under Section 2 (a) (8) of the Act declaring that certain other companies were not its subsidiaries. The pendency of these applications, if filed in good faith, served under the statute to afford the company a temporary exemption from the requirements of the Act. At the times in question, therefore, the company had neither registered as a holding company nor been declared not to be a holding company.[11]

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[8] See Third Annual Report, p. 159.

[9] Prior to the rendering of this decision two other petitions for review of Commission orders under the Public Utility Holding Company Act of 1935 had been filed. One of these, filed by Houston Natural Gas Corporation, was, on motion of the Commission, dismissed for want of jurisdiction (see page 108, *infra*); the other, filed on October 3, 1938, by Utilities Employees Securities Company in the Circuit Court of Appeals for the Third Circuit, was dismissed upon stipulation after the refusal of the Court to grant a temporary stay pending hearing on the petition for review.

[10] See Fourth Annual Report, page 49.

[11] International Paper and Power Company has since been declared not to be a holding company (Holding Company Act Release No. 1515).

In the proceedings for review it was contended, as it had been before the Commission, that the company, although an unregistered holding company, was justified in seeking Commission action with regard to the plan for change in capitalization because of the fact that if the temporary exemption which the company claimed to enjoy should be terminated after the plan had become effective and after the change in securities had been completed, doubt would be cast upon the legality of the securities proposed to be issued under the plan. The Circuit Court of Appeals for the First Circuit held that "unregistered companies" are not entitled to the benefits conferred by the Public Utility Holding Company Act of 1935, and that therefore the Commission was without power or authority to issue the order in question. Accordingly, the court vacated the Commission's order and remanded the cause to the Commission for further proceedings not inconsistent with its opinion.[12]

Austin Silver Mining Company v. *Securities and Exchange Commission.*—On July 13, 1938, the Commission issued an order under Section 8 (d) of the Securities Act of 1933 suspending the effectiveness of a registration statement filed by Austin Silver Mining Company. Thereafter, on August 6 and 26, 1938, the company filed amendments designed to eliminate the deficiencies upon which the Commission's order was based, and on August 30, 1938, the Commission declared that the registration statement had been amended in accordance with the stop order and directed that the stop order should cease to be effective.

After the stop order had thus been lifted, the company, on September 10, 1938, filed a petition in the United States Court of Appeals for the District of Columbia for review of the record, order, and proceedings before the Commission. The Commission moved to dismiss the petition for review on the ground that since the stop order had been lifted prior to the filing of the petition for review the questions raised by the petition for review had become moot. The question whether a stop order which has been lifted following the filing of amendments can nevertheless be reviewed by an appellate court was thus presented for the first time in any court.

On March 4, 1939, the Court of Appeals denied the motion to dismiss without opinion. The Commission then filed a memorandum requesting the Court to issue an opinion setting forth its reasons for so ruling. On May 24, 1939, the court set aside its earlier order, and granted the motion to dismiss the petition for review, stating:

> Upon re-examination and reconsideration of the Commission's petition to dismiss, we are of the opinion that the action of the Commission in annulling its

[12] After the close of the fiscal year, and on November 30, 1939, the Commission issued a further opinion and an order dismissing the application in question. (Holding Company Act Release No. 1812.)

formal order leaves nothing for us to review, and consequently that the petition to dismiss should be granted.

Houston Natural Gas Corporation v. *Securities and Exchange Commission.*—On November 10, 1938, the Fourth Circuit Court of Appeals dismissed a petition by the Houston Natural Gas Corporation to review an order of the Securities and Exchange Commission denying the petitioner an exemption as a holding company from the provisions of the Public Utility Holding Company Act of 1935. The court held that the order of the Commission is ". . . negative in form and substance" and that under applicable cases decided by the United States Supreme Court, orders of this character are not subject to review (100 F. 2d 5). The petitioner did not appeal from the decision of the Circuit Court of Appeals. Subsequently, in cases involving the Federal Power Commission and the Federal Communications Commission, the United States Supreme Court overruled the "negative order" doctrine, and held that such orders are now reviewable.

Criminal Proceedings

Up to July 1, 1939, 1096 persons had been indicted in 158 cases which had been referred by the Commission to the Department of Justice for criminal prosecution. During the fiscal year, 46 indictments were returned against 285 persons. Fifty-one additional cases were referred to the Department of Justice for criminal prosecution. In 98 cases disposed of before the close of the fiscal year, 403 defendants were convicted. In 39 cases which had been referred to the Department of Justice, 95 persons were convicted during the past fiscal year.

In addition to the foregoing, seven persons were indicted during the past fiscal year for perjury alleged to have been committed in the course of Commission investigations; one case involving one of these defendants was disposed of during the fiscal year and resulted in a conviction.[13]

Up to July 1, 1939, the Commission had secured the citation of 19 defendants in 5 proceedings for contempt of injunctions which had been secured by the Commission. Nine of these defendants were found guilty of contempt of court and sentenced; three were found guilty during the past fiscal year.

A brief description and the status of the criminal cases filed or pending during the year ended June 30, 1939, are outlined in the tables comprising Appendix VI of this report. A more detailed description of some of the more important cases follows.

[13] On October 10, 1938, the United States Supreme Court denied a petition for a writ of certiorari in the case of *United States* v. *Woolley*, in which the defendant Woolley had previously been convicted of perjury in the course of a Commission investigation.

Kopald-Quinn & Company et al. v. *United States.*—On February 16, 1939, the Circuit Court of Appeals for the Fifth Circuit affirmed the conviction of four defendants, Joseph R. Mendelson, Leonard I. Sutterman, Joseph N. Sherman, and Kopald-Quinn & Company, for violations of the Securities Act of 1933 and conspiracy to violate that Act. The petitions for *certiorari* were denied by the Supreme Court of the United States on May 15, 1939. Sherman, Mendelson, and Sutterman had been sentenced to serve 5 years on 1 count and 2 years on another count, to run concurrently, Kopald-Quinn & Company was fined $5,000 on each of 11 counts in the indictment.

The sentences of two other defendants, Joseph Ricebaum and Gould & Company, were affirmed in part and reversed in part. Ricebaum had been sentenced to serve 3 years on count 1 and 2 years on count 15, to run concurrently. Gould & Company had been fined $5,000 on both counts 1 and 15. The convictions of Ricebaum and Gould & Company were reversed as to count 1, but affirmed as to count 15.

The defendants had been charged with employment of a scheme to defraud, involving the sale of securities through various investment firms and corporations by means of false representations and manipulative activities. The use of the mails, charged in the indictment, was the mailing of confirmation slips. The defendants argued that these slips were not used "in the sale" of the securities and were not fraudulent *per se* and consequently the mailing was not sufficient to bring the transactions within the scope of Section 17 of the Securities Act of 1933. The Court of Appeals held that such a construction unduly narrowed the language used in the Securities Act and unduly limited its scope and effect.

Troutman et al. v. *United States.*—On December 8, 1938, the Circuit Court of Appeals for the Tenth Circuit affirmed the conviction of Percival H. Troutman, President of the Union Trust Company of Denver, Colorado, and Ralph L. Young, President of the Bankers National Securities Corporation. Petitions for *certiorari* were denied by the Supreme Court of the United States on March 13, 1939.

Troutman had been sentenced to serve five years in Leavenworth and fined $2,500. Young was sentenced to serve 15 months for conspiracy. The indictment charged that the defendants had made false representations in the sale of stock agreements and that operations of the companies under the control of the defandants were largely carried on by means of the so-called "sell and switch" device, by means of which large numbers of persons in many states were induced to switch out of one kind of trust unit into another unit or stock of corporations affiliated with the Union Trust Company.

The defendants contended that the count charging violation of the Securities Act of 1933 was faulty in that it accused the defendants of

violating all three sub-paragraphs of Section 17 (a) of that Act. The court held that where the statute denounces several acts as a crime they may be charged in one indictment or a single count if connected in the conjunctive. The court also held that it was proper to admit evidence of the failure of the Union Deposit Company to forward to the trustee for safekeeping monies collected from investors as it was required to do by the terms of the trust indentures. The court held that such evidence was clearly admissible for the purpose of shedding light upon the good or bad faith with which the plan to sell the stock was formed.

United States v. *Norman Berry et al.*—Eight officers and salesmen of Norman Berry & Company of Detroit, Michigan, were convicted in the United States District Court for the Eastern District of Michigan of violations of the fraud provisions of the Securities Act of 1933. On December 30, 1938, and January 5, 1939, the defendants were sentenced to terms of imprisonment ranging from one to seven years, and six of the defendants received fines of $1,000 each. An additional defendant, Samuel Lachman, pleaded *nolo contendere* and was sentenced to serve three years imprisonment.

It was charged in the indictment that the customers of Norman Berry & Company were persuaded by means of misrepresentations to purchase well known securities listed on the New York Stock Exchange and other national securities exchanges through that company, pay one-half of the purchase price in cash and arrange to pay the balance through a loan agreement with United Acceptance Corporation, an affiliate which was insolvent. The securities were then pledged with United Acceptance Corporation as collateral for the loan and, without the knowledge or consent of the customer, were sold out and the proceeds converted by the defendants. The indictment also charged that many of the customers' orders were "bucketed," that is, the customers' orders were accepted but never executed, and the money paid in by the customers kept by the defendants.

McKesson & Robbins, Inc.—On December 15, 1938, the notorious Musica brothers, together with McKesson & Robbins, Inc., were indicted in the United States District Court for the Southern District of New York, for violations of the Securities Exchange Act of 1934 in connection with false and misleading statements made in annual reports filed with the New York Stock Exchange and the Securities and Exchange Commission. The statements were charged to be false in that they reflected fictitious assets, consisting of large items of inventory and accounts receivable, which did not exist. Philip Musica, alias F. Donald Coster, president of the company, committed suicide. George Musica, alias George Dietrich, secretary of

the company, and Arthur Musica, alias George Bernard, pleaded guilty.

On March 30, 1939, another indictment was returned charging John H. McGloon, Vice-President, Horace B. Merwin, Director and Treasurer, Rowley W. Phillips, Director, Benjamin Simon, Leonard Jenkins, John O. Jenkins and the Musica brothers with violations of the Securities Exchange Act of 1934, conspiracy, and mail fraud. This indictment charged that the defendants planned and conspired to inflate the assets of McKesson and Robbins and affiliated corporations by means of fictitious purchases and sales, and that they fraudulently caused the companies to pay out fees and commissions to various other companies for services which were not performed. It was further charged that the defendants caused to be paid dividends and pretended that these dividends were being paid out of earnings and profits, when, in fact, the earnings were in whole or in part fictitious, and that the defendants participated in the filing of financial reports which included fictitious items of inventory, accounts receivable, cash in banks, sales, earnings, and profits, all for the purpose of deceiving the security holders of the company.

United States v. *Parkinson.*—On March 29, 1939, J. B. Parkinson of Dallas, Texas, was sentenced in the United States District Court for the Southern District of Texas to serve 2 years in the Southwestern Reformatory for violation of the fraud provisions of the Securities Act of 1933. Parkinson pleaded guilty to a 10 count indictment which charged that the defendant operated a "bucket shop" in the city of Houston, Texas. The indictment charged that the defendant represented that he was in the legitimate securities brokerage business, sent out confirmations of the execution of orders, and credited customers with dividends, when, in fact, he never executed the orders and never purchased any stock for the customers. Parkinson also operated branch offices at Austin, San Antonio, Port Arthur, Beaumont, and Luling, Texas.

United States v. *Gage.*—On February 16, 1939, E. P. Gage was convicted in the United States District Court for the Southern District of Florida for a violation of the Mail Fraud Statute in an indictment which charged him with engaging in the "advance fee" or "front money" racket. Gage held himself out as a specialist in the raising of capital for small businesses by the sale of stock and the registering of such stock issues with the Securities and Exchange Commission. He was sentenced to serve a year and a day and placed on probation for 5 years.

United States v. *Whealton et al.*—After a trial lasting more than 2 months, M. F. Whealton, Philip L. Coffin, Jr., Whealton Company, Inc., and Commonwealth Trust Company were convicted in the United States District Court for New Jersey of using the mails to

defraud in the sale of oil royalty trust certificates. The defendants formed a trust, put oil properties into it at large secret profits to themselves, and supplied the trustee with funds not earned by the trust so as to permit payment by the trustee of monthly dividends, reports of which were disseminated to certificate holders. Sentences were imposed as follows: Whealton, 2½ years; Coffin, 1 year and a day; Whealton Company, Inc., $10,000 fine; and Commonwealth Trust Company, $4,000 fine. An appeal has been taken from these sentences.

United States v. *Rogers et al.*—On March 23, 1939, Nathan Rogers, William W. Rogers, Landry P. Locke, and Ralph A. Buchele pleaded guilty, and Albert G. Kleinschmidt pleaded *nolo contendere*, to an indictment charging them with violations of the Securities Act of 1933 and of the Mail Fraud Statute in the conduct of the business of N. L. Rogers and Company, Inc., a brokerage company of Peoria, Illinois. The indictment charged them with "bucketing" customers' orders and the conversion of customers' securities to their own benefit. Rogers was sentenced to a 5-year term and the other defendants were placed on probation for 3 years.

United States v. *Jefferson et al.*—On December 10, 1938, Robert J. Jefferson, Perry R. Smith, Kenneth C. Neierdiercks, and Skyring Thorne Smith were sentenced in the United States District Court for the Southern District of New York following their pleas of guilty to an indictment charging them with violations of the fraud section of the Securities Act of 1933 and the Mail Fraud Statute. The indictment charged them with the fraudulent sale of the stock of the Carnation Gold Mining Company, Ltd. Jefferson was sentenced to serve 1 year and 1 day and placed on probation for 3 years; Perry R. Smith was sentenced to serve 1 year and 1 day and placed on probation for 5 years; Neierdiercks was sentenced to serve 6 months and placed on probation for 5 years; and Skyring Thorne Smith was sentenced to serve 6 months, which sentence was suspended, and he was placed on probation for 3 years.

United States v. *John G. Anderson et al.*—On March 4, 1939, Elias T. Stone and Harold F. Stone, of New York City, and John G. Anderson, E. T. Shaw, and Sam G. Kennedy, of Knoxville, Tenn., were convicted of violations of the Securities Act of 1933, after 7 weeks of trial in the United States District Court for the Eastern District of Tennessee. All defendants were sentenced to 7 years imprisonment. The defendants were charged with making false representations in connection with the sale of stock of Television and Electric Corporation of America and Television and Projector Corporation. The Stones were underwriters for the stock and the other three defendants were dealers or sub-distributors. The dealers sold the stock to a large number of investors in 26 states. The indictment

charged that the defendants falsely represented that the Company was on an earning basis, had developed a receiving set for general home use, and that the stock was to be listed on the New York Stock Exchange. The defendants have filed a notice of appeal.

United States v. *Buckner et al.*—William P. Buckner, Jr., Felipe Buencamino, and William J. Gillespie were found guilty in New York of fraud and conspiracy in connection with the operations of a committee for the protection of holders of Philippine Railway Company bonds.[14] Two other defendants, C. Wesley Turner and John Stewart Hyde, were acquitted. The indictment charged that the defendants represented to the public that they would negotiate for the redemption of the bonds at or about their face value, and received contributions from holders of the bonds which were to be used for the payment of the necessary committee expenses, when, in fact, it was planned on the part of the defendants to convert these contributions, and to conceal from the holders of the bonds the true status of the negotiations for the redemption of the securities. At the trial it was shown that Buckner had spent large sums of money, contributed by the bondholders, in lobbying activities and in attempts improperly to influence action by the Philippine Government.

United States v. *Roubay et al.*—Seven officers and employees of Acceptance and Exchange Corporation and Comanche Mining and Reduction Company were convicted in the United States District Court for the Southern District of California on September 26, 1938, for fraud in connection with the sale of securities of Acceptance and Exchange Corporation. Paul B. Roubay, Treasurer, was sentenced to a total of 6½ years imprisonment, and M. E. Waggoner was given a term of 4 years imprisonment. The other defendants found guilty were placed on probation for 2 years. The indictment charged that the defendants falsely represented that the Comanche Mining and Reduction Company had on deposit gold and silver bullion of great value available as collateral for trade acceptances, which had been issued by the defendants in the face amount of $1,169,000, that the trade acceptances were amply secured by the indemnity bonds, that Acceptance and Exchange Corporation had a net worth of over $19,000,000, and that Comanche Mining had a net worth of over $9,000,000. It was further charged that defendants would pretend to make loans to members of the public which they never intended to fulfill, and that they procured and misappropriated an advance fee of 10 percent of the loans. Roubay and Waggoner have taken appeals.

United States v. *Platt et al.*—On June 1, 1939, the United States District Court for the Eastern District of New York dismissed a writ of *habeas corpus* sued out by Moe Platt. The petition alleged that he

[14] On July 6, 1939, Buckner was sentenced to a term of imprisonment of 2 years and fined $2,500. Buencamino and Gillespie were sentenced to 18 months imprisonment and fined $5,000 and $2,500, respectively.

was improperly held by the United States Commissioner for removal and trial under an indictment in the District Court for the Western District of Pennsylvania. The writ was accompanied by a petition for a writ of *certiorari* to review the removal proceedings. The Government contended that Platt had waived his right to review the ruling of the Commissioner by electing to give bail for his appearance and trial in the Pennsylvania District Court, which position was sustained by the court. The court went on to consider the evidence submitted to the Commissioner and held that such proof justified the order of removal.

The indictment, returned February 22, 1938, charged Platt and six others with violations of the Securities Act of 1933, in connection with the sale of the stock of the Backbone Gold Mining Company by means of representation with respect to the rising price of that stock in the over-the-counter market and omissions to state the extent of the influence of the defendants on the market price of that stock.

On June 15, 1939, Platt, together with John J. McKee, former accountant-investigator with the Securities and Exchange Commission, were indicted for conspiracy to defraud the United States of and concerning its governmental function of administering the Securities Act of 1933 and the Securities Exchange Act of 1934. The indictment charged that the conspiracy involved the acceptance by McKee from Platt of sums of money and other presents, rewards, and loans during the period of McKee's employment with the Commission, and that, in return, McKee would counsel and advise Platt with respect to ways and means of defeating an investigation to determine whether Platt and others had violated the provisions of the Securities Act of 1933.

Criminal Cases in Which Certiorari was Denied by the United States Supreme Court During the Past Fiscal Year.

In *United States* v. *Benjamin A. Bogy et al.*, four defendants were convicted of violation of the Securities Act of 1933 in connection with the sale of trust agreements and securities of a group of corporations and investment trusts by means of false representations. Bogy and Spaulding appealed. On May 9, 1938, the Circuit Court of Appeals for the Sixth Circuit sustained their convictions. Bogy filed a petition for writ of *certiorari*, which was denied on October 10, 1938.

In *United States* v. *J. E. Freeman et al.*, three defendants were convicted of violation of the Securities Act of 1933 in connection with the sale of stock of an oil royalty company by means of fraudulent representations. On appeal, their convictions were sustained by the Circuit Court of Appeals for the Fifth Circuit on April 14, 1937. Taylor and Freeman filed petitions for writs of *certiorari*. The petitions were denied October 10, 1938.

In *United States* v. *Kopald-Quinn & Company et al.*, six defendants were convicted of violation of the fraud provisions of the Securities Act of 1933 and conspiracy in connection with the sale of securities through various investment firms and corporations by means of false representations and manipulative activities. On February 16, 1939, the Circuit Court of Appeals for the Fifth Circuit affirmed the convictions of four of the defendants, but reversed the sentences of the other two defendants as to one count, and sustained them as to the conspiracy count. Petitions for *certiorari* were denied May 15, 1939.

In *United States* v. *Irwin Kott et al.*, four defendants were convicted of violation of the Securities Act of 1933 in connection with the sale of forged bonds. One defendant, Seeman, appealed. On May 26, 1937, the Circuit Court of Appeals for the Fifth Circuit reversed the holding of the lower court and remanded the cause for a new trial. Seeman was again convicted. His sentence was affirmed by the Circuit Court of Appeals for the Fifth Circuit on May 10, 1938. Petition for *certiorari* was denied October 10, 1938.

In *United States* v. *C. J. Morley et al.*, five defendants were convicted of fraud in connection with the operation of a "bucket shop." C. J. Morley appealed. His conviction was sustained by the Circuit Court of Appeals for the Seventh Circuit on October 20, 1938. Petition for *certoirari* was denied February 3, 1939.

In *United States* v. *W. W. Porter*, the defendant was convicted of fraud in connection with the operation of a pretended investment concern. He appealed and the conviction was affirmed by the Circuit Court of Appeals for the Seventh Circuit on April 6, 1938. Petition for *certiorari* was denied October 10, 1938.

In *United States* v. *Percival H. Troutman et al.*, two defendants were convicted of violation of the Securities Act of 1933 in connection with the sale of stock agreements by means of fraudulent representations. Both defendants appealed and their convictions were affirmed by the Circuit Court of Appeals for the Tenth Circuit on December 8, 1938. Petitions for *certiorari* were denied March 13, 1939.

In *United States* v. *Woolley*, Ernest R. Woolley was convicted of perjury before an Examiner of the Securities and Exchange Commission. Woolley appealed and his conviction was sustained by the Circuit Court of Appeals for the Ninth Circuit on May 31, 1938. Petition for *certiorari* was denied October 10, 1938.

RULES AND REGULATIONS

During the fiscal year ended June 30, 1939, the Commission continued work on the revision of its rules, regulations, and forms pertaining to the registration of securities and periodic reports by issuers under the Securities Act of 1933 and the Securities Exchange Act of 1934. During the fiscal year, the Commission adopted 3 new rules

and 4 amendments to 3 existing rules under the Securities Act of 1933 and adopted 11 new rules and 7 amendments to 6 existing rules under the Securities Exchange Act of 1934.

The new accounting handbook, referred to in the Commission's Fourth Annual Report, governing the form and content of financial statements filed with registration statements, applications and reports under both Acts, was virtually completed. Substantial progress also was made in the revision of the forms for registration and reporting. Drafts of three forms for registration of securities under the Securities Act of 1933 were transmitted to a considerable number of accountants, lawyers, investment bankers, security analysts, and other interested persons for criticism. One of these forms is designed for registration of oil or gas interests or rights, one for securities of fixed investment trusts, and one for securities of recently organized issuers. These proposed forms were being re-examined at the end of the fiscal year in the light of the criticisms received thereon.

It might be well to recall that the first registration form employed under the Securities Act of 1933 was devised in consultation with some of the country's most experienced lawyers and accountants who for years had been counsel to issuers and underwriters. Since it was early recognized that attention had to be given to the specialized requirements of different classes of issuers inasmuch as, for example, questions designed to elicit useful information from a long-established manufacturing company would scarcely be adaptable to a new promotional mining enterprise, experts in particular industries were likewise drafted to assist in the preparation of initial forms and rules which would be suited to the special needs of their respective fields. The continuation of this practice of utilizing the assistance of all such experts in the Commission's work on the substantial revision of the whole schedule of forms is calculated to make the prospective revisions most serviceable both to investors and registrants, and in the end it will sharpen questions used therein to the conditions of particular types of investors. The entire structure of forms and related rules and regulations is designed to secure a fair and, at the same time, business-like presentation of material information required under the statutes.

On November 21, 1938, the Commission adopted a new rule (Rule 522) authorizing the omission from registration statements filed under the Securities Act of 1933, and from prospectuses relating to securities so registered, of the details of any tentative plan relating to Section 11 (b) of the Public Utility Holding Company Act of 1935 which was submitted informally to the Commission by the registrant or any of its parents or subsidiaries prior to December 1, 1938, pursuant to the Commission's request of August 3, 1938. The purpose of the rule is to relieve registrants of the additional burden of thus setting forth

the details of such tentative plans, permitting them in such cases instead to make merely an appropriate reference in the registration statement and the prospectus to the provisions of Section 11 (b) and a statement to the effect that such tentative plan has been, or was to be, so submitted.

On February 9, 1939, the Commission adopted a new rule (Rule 827) under the Securities Act of 1933, requiring prospectuses relating to securities registered for public sale to contain a statement of intention to stabilize the price of the securities, where the issuer or any of the underwriters has grounds to believe that stabilization is contemplated. This rule was adopted concurrently with Rule X-17A-2, under the Securities Exchange Act of 1934, which requires certain daily reports regarding stabilizing activities, and which is discussed elsewhere in this report.[15]

During the fiscal year, a few other changes were made in the existing rules and regulations under the Securities Exchange Act of 1934 relating to the registration of securities on exchanges and reports by issuers of such securities. One of these changes resulted from the necessity of prescribing the appropriate form for registration of securities of motor carriers making annual reports to the Interstate Commerce Commission pursuant to Section 220 of the Motor Carrier Act of 1935.

ACTIVITIES OF THE COMMISSION IN THE FIELD OF ACCOUNTING AND AUDITING

Events during the past fiscal year, such as the McKesson & Robbins scandal and the Transamerica investigation, have added materially to the problems confronting the Commission on matters pertaining to accounting and auditing.

Until recently, the Commission's interest in accounting has been directed toward the improvement of corporate reporting of financial data and the standardization of accounting principles. At the time when the Securities Act of 1933 and the Securities Exchange Act of 1934 became law, accounting had developed to such a point that it was believed feasible to prescribe forms that in large part asked only for disclosure of some of the more significant principles upon which the financial statements were based and for disclosure of a certain amount of information believed to be of particular importance to investors. The form of presentation, the method of description, the inclusion of information beyond the minimum, and the fundamental responsibility for the quality of the statements were problems left on the shoulders

[15] It is important to note that these two particular rules require only the filing of additional information in prospectuses and the filing of reports, and do not purport to regulate transactions effected for the purpose of pegging, fixing, or stabilizing security prices. Thus they are not a substitute for regulation pursuant to Section 9 (a) (6) of the Securities Exchange Act of 1934, and the disclosure and reporting requirements of these rules in no wise limit the applicability or operation of the statutes administered by the Commission which prohibit manipulative or fraudulent practices. It is anticipated that the disclosures required will facilitate the Commission's enforcement of the statutes and assist in its continuing study of the many problems incident to stabilization.

of the issuer and its officers. In addition, it was required that independent accountants make a review and express their opinion of the accounting principles followed and the statements presented. However, at the same time the Commission established a policy of administrative review of financial statements filed which led to discussions of accounting problems with issuers and their accountants, to the preparation of memoranda of deficiencies observed, and in some cases to the issuance of stop order, delisting, or accounting opinions. Experience gained in this way has demonstrated a considerable diversity of views on matters of accounting principle. The Commission first endeavored to overcome this situation by enlisting the cooperation of numerous organizations interested in accounting, by conducting research, and by consulting with registrants. In addition, on some accounting matters the Commission has taken a positive position in published opinions or in its rules governing financial statements required to be filed. More recently, steps have been taken to enforce the observance of generally accepted accounting principles by adopting a policy of presuming financial statements to be misleading in cases in which such statements are prepared in accordance with accounting principles for which there is no substantial authoritative support despite disclosure of the matters involved in the accountant's certificate or in footnotes to the statements.

While the policy of the Commission with respect to accounting principles has developed in this manner through an evolutionary period, reliance has continued to be placed upon independent accountants for assuring the adequacy of audits. It was believed that professional accounting organizations had developed high standards in auditing practices and techniques and that dependence could be placed upon financial facts developed through the application of such auditing methods even though the principles followed in reporting such facts were in some instances unsatisfactory. However, recent events have cast doubt upon the adequacy of the methods and techniques employed in auditing.

In the matter of Monroe Loan Society, a case in which a defalcation, which apparently amounted to $458,000, was discovered some time after a registration statement upon Form A-2 had become effective under the Securities Act of 1933, a stop order hearing was held under Section 8 (d) of that Act and it was determined that during all of the years between the registrant's inception in 1927 and November 30, 1937, no representative of the auditors visited any branch office of the registrant for audit purposes; no notes or applications pertaining thereto held at the branch offices were examined by the auditors; and that no branch office loans were verified by direct confirmation with the borrowers by the auditors. In its formal opinion the Commission held that the omission of an adequate examination constituted so com-

plete a disregard of recognized auditing practice as to invalidate the accountant's original audit certificate and to impugn the integrity of the financial statements contained in the registration statement as it became effective.

In the matter of Interstate Hosiery Mills, Inc., a case in which the registrant filed false financial statements, overstating its earnings and its assets approximately $900,000, a hearing was held under Section 19 (a) (2) of the Securities Exchange Act of 1934 to determine whether the registrant's securities should be delisted. At the hearing it was determined that the author of these falsifications was an employee of the certifying firm of accountants. Since there was no evidence of complicity with this employee by any of the officers, directors, or employees of the registrant, or by any partners or employees of Homes & Davis, the issues developed at the hearing were principally whether Homes & Davis exercised due care in employing this accountant and in reviewing his work. The record in this case, including testimony of expert witnesses for the registrant, failed to show that the review made by Homes & Davis was less extensive than that ordinarily made by accounting firms. In its opinion the Commission indicated that it was satisfied that an adequate review would have exposed the irregularities in this case and that if the views of the registrant's expert witnesses be accepted as to the usual practice followed by independent public accountants in reviewing the work of those responsible for the actual carrying out of the audit procedures, such practice required thorough revision.

While the foregoing cases evidenced some inadequacy in the procedures and practices followed in auditing, they hardly foreshadowed the McKesson & Robbins scandal. The first intimation of these irregularities was received on December 5, 1938, when the appointment of a receiver for the company was sought. It was subsequently determined by representatives of the Commission that the company's inventories and accounts receivable were overstated in amounts aggregating approximately $20,000,000. In view of the false and misleading information set forth in the financial statements certified by Price, Waterhouse & Co., and included in the application for registration and annual reports filed by McKesson & Robbins with the Commission and the New York Stock Exchange, and on the basis of its preliminary investigation into the auditing phases of the case, the Commission, on December 29, 1938, entered an order directing that public hearings be held to determine (1) the character, detail, and scope of the audit procedure followed by Price, Waterhouse & Co., in the preparation of the said financial statements; (2) the extent to which prevailing and generally accepted standards and requirements of audit procedure were adhered to and applied in the preparation of the said financial statements; and (3) the adequacy of the safeguards inhering in the

said generally accepted practices and principles of audit procedure to assure reliability and accuracy of financial statements.

Since the discovery of the falsification of McKesson & Robbins' financial statements, various organizations interested in accounting matters have sponsored or participated in forums on auditing theory and practice. The American Institute of Accountants has published a report entitled "Extensions of Auditing Procedure" which contains recommendations relating to the examination of inventories and receivables by auditors, the appointment of independent certified public accountants, and the form of independent certified public accountants' report. Numerous State societies of certified public accountants, the Controllers Institute of America, and the National Association of Manufacturers have expressed their approval of the principles outlined in this report.

The Commission nevertheless continued its hearings in *In the matter of McKesson & Robbins, Incorporated,* and its inquiry into the adequacy of present day auditing methods. In connection with these hearings, which have now been completed, the Commission examined 43 witnesses, including representatives of Price, Waterhouse & Co., employees and directors of the company, members of 12 representative accounting firms and several other expert witnesses. The transcript of testimony of the expert witnesses is to be published [16] in the near future since it is felt to be of immediate general interest to the public as well as of permanent value to practitioners and students of auditing and since it may assist in the further development of auditing procedures. It is also planned that a report covering the entire investigation will be published in the near future.

Hearings have also been held under Section 19 (a) (2) of the Securities Exchange Act of 1934 to determine whether the registration of the securities of the Associated Gas and Electric Company, Missouri Pacific Railroad Company, and Transamerica Corporation should be suspended or withdrawn, there being reasons to suspect that the applications for registration, the annual reports, and the amendments thereto, including financial statements, filed by such registrants contain false and misleading statements of material facts. At this time, no decision on these charges has been made and opinions in these cases have not been issued.[17]

In connection with the hearings *In the matter of Transamerica Corporation,* the Commission has caused an examination to be made of the books and accounts of the registrant at its offices in San Francisco. While numerous auditing investigations have been made of brokers and dealers charged with violating the Securities Exchange Act of 1934, this is the first case of any magnitude in which the Commission

[16] Published September 15, 1939.

[17] Findings and opinion of the Commission in *In the matter of Missouri Pacific Railroad Company* issued December 5, 1939 (Securities Exchange Act Release No. 2325).

has made an independent investigation of the affairs of a company having securities listed on a national securities exchange. It has entailed the audit of approximately 40 companies for a period of several years and has required the services of a number of members of the Commission's staff for more than 6 months. This, together with the protracted litigation described later in this volume, has necessarily delayed the progress of the case.

During the fiscal year conferences and consultations with registrants, their representatives, and others on accounting and auditing matters have increased greatly in volume. Research work completed during the past year has resulted in the publication of two accounting opinions and several internal releases on accounting questions of major importance.

In continuing the program of accounting research it has come to be recognized that one of the underlying problems stems from the fact that accounting has grown up with the needs of management in mind and with relatively little consideration given to the needs of investors. For this reason, it becomes increasingly clear that it is imperative to reexamine practically every accounting assumption and practice in the light of its meaning to investors and of its effect upon the action of investors. The philosophy of the Commission's present and prospective activities in accounting matters may be recapitulated by quoting from a statement issued by Jerome N. Frank at the time he took office as Chairman:

"One of the most important functions of the Commission is to maintain and improve the standards of accounting practices. Recent events make it clear that we face a pressing problem in this field. Accounting is the language in which the corporation talks to its existing stockholders and to prospective investors. We want to be sure that the public never has reason to lose faith in the reports of public accountants. To this end, the independence of the public accountant must be preserved and strengthened and standards of thoroughness and accuracy protected. I understand that certain groups in the profession are moving ahead in good stride. They will get all the help we can give them so long as they conscientiously attempt that task. That's definite. But if we find that they are unwilling or unable, perhaps, because of the influence of some of their clients, to do the job thoroughly, we won't hesitate to step in to the full extent of our statutory powers."

STUDY OF INVESTMENT TRUSTS AND INVESTMENT COMPANIES

During the past fiscal year, the Commission continued the transmittal of the various chapters of its report on the results of its study of investment trusts and investment companies (conducted pursuant to Section 30 of the Public Utility Holding Company Act of 1935) to the Congress. This study and the preparation of the reports have been under the general supervision of Commissioner Robert E. Healy, with Paul P. Gourrich, Technical Adviser to the Commission,

as Director of the Study, the late William R. Spratt, Jr., as Chief of the Study, David Schenker as Counsel, and L. M. C. Smith as Associate Counsel. Mr. Spratt, who died on June 20, 1938, and Mr. Gourrich, whose resignation from the Commission was submitted on March 31, 1939, did not participate in the preparation or consideration of those parts of the report which were submitted to the Congress subsequent to those dates. The current functions of the study are under the direct supervision of Mr. Schenker.

Part Two of the over-all report (Statistical Survey of Investment Trusts and Investment Companies) was submitted to the Congress during the past fiscal year. This part, consisting of eight chapters, contains detailed statistical analyses of various aspects and activities of investment trusts and investment companies and covers the following items: (1) A preface to the statistics; (2) data on the growth of total assets and a survey of the financial statements of investment trusts and investment companies in this country from 1927 to 1936; (3) sales and repurchases of their own security issues; (4) trading in their own security issues; (5) the ownership and control of investment trusts and investment companies; (6) the performance of large management investment companies proper from 1927 to 1937; (7) the investors' experience in investment trusts and investment companies; and (8) the portfolio investments of investment trusts and investment companies.

On May 3, 1939, the Commission transmitted to the Congress the first portion of Part Three of its report on investment trusts and investment companies, which treats with the abuses and deficiencies in the organization and operation of investment trusts and investment companies. Chapter I of Part Three discusses the background of the investment companies in relation to these abuses and deficiencies. Those portions of Chapter II which were transmitted set forth in detail the history of the following investment companies: Iroquois Share Corporation; Seaboard Utilities Shares Corporation, Railroad Shares Corporation, and Utilities Hydro & Rails Shares Corporation; Oils & Industries, Inc., formerly known as Oil Shares Incorporated; Chatham Phenix Allied Corporation, later known as Securities Allied Corporation; Central-Illinois Securities Corporation; Petroleum Corporation of America; First Income Trading Corporation, Continental Securities Corporation, Corporate Administration, Inc., Reynolds Investing Company, Inc., Insuranshares Corporation of Delaware, Bond and Share Trading Corporation, and Burco, Inc.; and General Investment Corporation, formerly known as The Public Utility Holding Corporation of America. In addition, this chapter covers a group of companies of which control was acquired by Wallace Groves, including Yosemite Holding Corporation, Chain & General Equities, Inc., Interstate Equities Corporation, and Granger Trading Corpora-

tion, and the so-called Donald P. Kenyon group of investment trusts and investment companies, which included, among others, Alpha Shares, Inc., Investors Fund of America, Inc., Monthly Income Shares, Inc. (New York), Monthly Income Shares, Inc. (New Jersey), Harriman Investors Eund, Inc., United Standard Oilfund of America, Inc., Universal Shares, Ltd., and a number of fixed and semi-fixed trusts.

On June 26, 1939, the Commission sent to the Congress the first of its supplemental reports, which deals with investment trusts in Great Britain.

MONOPOLY STUDY CONDUCTED FOR THE TEMPORARY NATIONAL ECONOMIC COMMITTEE

Organization of Study.

The Temporary National Economic Committee was established by Public Resolution No. 113, 75th Congress (approved by the President on June 16, 1938), for the purpose of (1) making a full and complete study and investigation with respect to the matters referred to in the President's message of April 29, 1938, to the Congress, on monopoly and the concentration of economic power in and financial control over production and distribution of goods and services, and (2) making recommendations to the Congress with respect to legislation upon the foregoing subjects.

This resolution provided that the Committee be composed of six members of the Congress and one representative from each of six specified executive departments and independent agencies, among which was included the Securities and Exchange Commission. Former Chairman Douglas served on the Committee as the Commission's representative until his resignation as Chairman and member of the Commission, and Commissioner Frank served as alternate. On May 23, 1939, Chairman Frank was named as the Commission's representative on the Committee, and Commissioner Henderson was designated as alternate.

The Commission was instructed by the Committee to carry on investigations and studies concerning the functioning of the capital and securities markets and the significance of the present financial organization in relation to the control of industry. In carrying out the duties assigned to it, the Commission established a separate division, which was named the S. E. C. Monopoly Study Division.

The investigations and studies assigned to the Commission were divided into three major parts, viz, insurance, investment banking, and corporate practices.

Insurance.

The study of insurance has been confined during the year to legal reserve life insurance companies. The scope of this study becomes apparent when it is recognized that over 300 legal reserve companies

are operating in the United States. These companies are estimated to have assets in excess of $27,000,000,000, and have approximately 64,000,000 policyholders.

Materials secured by a study of the public records, questionnaires to the companies, and field interviews have been presented in public hearings held before the Temporary National Economic Committee. These materials showed, first, the size and scope of the business, with particular reference to the accumulation and concentration of insurance assets. Testimony was then presented to demonstrate the extent to which the large mutual life insurance companies are in fact controlled by their policyholders. It was demonstrated that the directors of such companies are practically self-perpetuating groups, and that it was virtually impossible for the policyholders to elect a director who had not been selected by the existing management.

Testimony with respect to interlocking directorships was also presented and it was shown that, in some cases, directors of insurance companies used their influence to bring the patronage of the insurance companies, of which they were directors, to law firms, banks, and other business enterprises with which they were connected.

The extent and character of systematic efforts of large insurance companies to control State legislation was demonstrated by testimony. It was shown that one of the Nation-wide organizations of life insurance companies, the Association of Life Insurance Presidents, has been an effective instrument in influencing State legislation of interest to the companies.

Testimony demonstrated that insurance companies have entered into anti-competitive agreements and understandings. Efforts of companies to fix group insurance rates, non-participating rates for ordinary insurance, uniform annuity rates, and to establish uniform settlement option agreements and uniform surrender value programs, were explored.

Testimony was also presented to show the character and amount of terminations of life insurance policies. During the 10-year period from 1928 to 1937, over $133,000,000,000 of insurance was terminated, of which $65,388,000,000 was terminated by lapse. Lapse is of particular consequence in the field of industrial insurance (small policies sold on a weekly or monthly payment plan). During the period from 1928 to 1937, over 168,000,000 new industrial policies were issued. Over 70 percent of the policies terminating during this same period terminated by lapse. At the end of the 10-year period, there was a gain of only 6,500,000 policies in force although there were the issuance and renewal of over 193,000,000 policies. In the case of one company selling industrial insurance, it was shown that over 97 percent of the terminations experienced during the period from

1924 to 1938 were terminations by lapse. Most striking of all is the fact that only 4.45 percent of the industrial policies terminating during this period terminated by death. The experience in ordinary life insurance was shown to be but slightly better.

Investment Banking.

Materials dealing with the problems of savings and investment, and the financing of small businesses, were also presented in public hearing before the Temporary National Economic Committee.

The testimony showed relative importance of expenditures for capital goods in producing the national income. While the well-being of the public is represented primarily by expenditures for consumers' goods, in order to maintain a high level of production of these goods it is necessary to maintain the plant, equipment, and organization of private business enterprises and government activities. Certain major changes were shown to have taken place during the last decade which indicate that probably a smaller proportion of the national production must be in the form of capital equipment than was true prior to the last decade.

The analysis of the railroads, public utilities, manufacturing and mining industries, and the construction industry (residential, commercial, and public) showed where capital funds have been used, where expansion and contraction took place, and the fields in which there are apparent continuing needs for expansion. The most important gap in expenditures was found in the residential and commercial segments of the construction industry. The railroads also were shown to have failed to maintain their previous rates of expenditures.

The principal source of savings for use by industry was shown to be the savings of individuals and savings of corporations. These savings were used to a minor extent by individuals and to a major extent by corporations and governments, Federal, State, and local. It was demonstrated that corporations to a great extent secured a large percentage of their funds from depreciation and depletion accounts, as well as from retained earnings. Many large businesses were shown to have become independent of the securities markets and public sources for capital funds.

The voluntary savings of millions of individuals are made available largely through the instrumentality of the great savings institutions, such as life insurance companies, savings banks, savings deposits in commercial banks, building and loan associations, trust funds, postal savings, and government pension retirement, and trust funds. Heavy concentration of the control of the investment of these funds was shown to reside on the Eastern seaboard.

While both private enterprise and government undertakings provide outlets for the use of these savings, private enterprise is the

more important of the two. However, the necessity of continuing study of these government outlets for public works was shown to be great.

The field investigation brought together materials, concerning the problems of financing small businesses, from cities as widely separated as Fall River, Mass.; Scranton, Pa.; Dallas, Tex.; Denver, Colo.; Omaha, Nebr.; and Seattle, Wash. The necessity of distinguishing between the short-time credit needs of small businesses and the longer time capital requirements of small businesses was emphasized. Weaknesses of commercial banking organization for supplying short-time credit needs of small businesses were demonstrated.

Corporate Practices.

The study of corporate practices has involved problems related generally to the broad subjects of the control of corporations and the protection of investors.

A comparative study was made of the provisions of the Securities Act, the Securities Exchange Act, the Public Utility Holding Company Act, the Cole-Barkley Bill for the regulation of trust indentures, [18] the Lea Bill for the regulation of proxy solicitations, the Glass Bank Holding Company Bill, and other proposed legislation, to determine their effect on a number of specific corporate problems classified under the following general categories: registration and reporting requirements; the ability of a majority of equity security holders to have a voice in the management; financial devices, like holding companies and strategic minority interests; banker control of industry; the rights of security holders to receive dividends and their rights on liquidation; mergers, consolidations, acquisitions, reorganizations, recapitalizations, and liquidations; the control of capital structure; and the preferential treatment of insiders.

Preliminary studies were made concerning legislation requiring Federal incorporation and suggesting corporate problems that might be dealt with by such legislation.

An investigation was undertaken of the extent of holdings by officers and directors of equity securities of the companies with which they were affiliated. For this purpose, the relevant data concerning the 200 largest non-financial corporations are being analyzed.

The certificates of incorporation and the by-laws of these 200 corporations are being studied, particular attention being given to the provisions affecting the calling of meetings and their conduct, the issuance of securities, alterations in the capital structure, directors and their contracts with the corporation, the power to write and alter by-laws, voting rights, the rights of stockholders to inspect books, preemptive rights, and several types of corporate action.

[18] This bill was enacted into law on August 3, 1939, as the Trust Indenture Act of 1939.

REPORTS OF OFFICERS, DIRECTORS, AND PRINCIPAL STOCKHOLDERS

General Purpose and Scope of Reporting Requirements.

In order to make available information as to the amount of securities owned by persons closely identified with the management or control of enterprises, and changes occurring in their holdings, every person who is an officer, director, or principal stockholder (i. e., a person who beneficially owns, directly or indirectly, more than 10% of any class of registered equity security) of an issuer having any class of equity security listed and registered on any national securities exchange is required, under Section 16 (a) of the Securities Exchange Act of 1934, to file with the Commission and the exchange an initial report showing his direct and indirect beneficial ownership of, and a report for each month thereafter in which any change in such ownership occurs disclosing his transactions in, all classes of equity security of the issuer. Similarly, under Section 17 (a) of the Public Utility Holding Company Act of 1935, every person who is an officer or a director of a registered holding company is required to file reports disclosing his holdings of, and transactions in, all securities of the registered holding company and its subsidiary companies.

Volume of Reports.

The number of reports filed under these requirements and examined by the Commission during each of the past two fiscal years is presented on a comparative basis below:

Reports filed and examined	Fiscal year 1938	Fiscal year 1939
Original Reports—Securities Exchange Act	19,200	16,075
Amended Reports—Securities Exchange Act	2,610	2,248
Original Reports—Holding Company Act	839	867
Amended Reports—Holding Company Act	90	176

Where any report shows upon examination any material incompleteness, inconsistency, or inaccuracy, an amended report is required to be filed and is examined in the same manner as the original report.

Filing of Initial Reports.

Most of these reports are filed on Form 4 which reflects purchases and sales and other changes in beneficial ownership of securities. Such monthly reports of transactions on the part of persons who had previously established active files of reports accounted for 13,681 of the so-called original, as distinct from amended, reports filed during the year under the Securities Exchange Act of 1934. The remaining 2,394 were initial reports required either on Form 6 from persons (2,008) who, during the year, became officers, directors, or principal

stockholders, or on Form 5 from persons (386) who had any such relationship to an issuer whose equity security first became registered during the year. A majority of the persons required for either of these reasons to commence the filing of reports do so without any action on the part of the Commission. Thus, 1,344 of these initial reports were so filed during the year. However, it was necessary to call the reporting requirements to the attention of the remaining 1,050 persons who filed initial reports, principally on Form 6, during the same period. Information as to the identity of additional persons who become subject to the duty to file these reports is currently obtained from various sources, including not only annual reports filed by, and correspondence with, issuers but also the publications of certain financial services.

Publication of Security Ownership Reports.

The actual reports made by officers, directors, and principal stockholders on Forms 4, 5, 6, U–17–1, and U–17–2, are available for public inspection at the offices of the Commission in Washington, D. C., and the reports on Forms 4, 5, and 6 may also be inspected at the particular exchange with which an additional copy of reports relating to the issuer concerned must be filed. In order to make the information contained in these reports more readily available to the public, the Commission compiles and publishes such information in a semimonthly Official Summary of Security Transactions and Holdings which is widely distributed among individual investors, newspaper correspondents, and other interested persons. Copies of these summaries are also available at each regional office of the Commission and each national securities exchange. The demand for this summary, particularly on the part of investors, is so great that its circulation has increased more than 600 percent from the close of the 1935 fiscal year to the close of the past fiscal year.

To facilitate the use of the summary, the Commission added, commencing with the calendar year 1938, an index in each separate number, and inaugurated an annual index covering all numbers of the summary released during the calendar year.

CONFIDENTIAL TREATMENT OF APPLICATIONS, REPORTS, OR DOCUMENTS

The Commission is empowered by Section 24 (b) of the Securities Exchange Act of 1934, to grant or deny applications for the confidential treatment of information contained in applications, reports, and documents filed with it pursuant to various provisions of that Act. Under the provisions of Rule X–24B–2 of the Commission's General Rules and Regulations under the Act, persons who object to the public disclosure of information contained in such applications,

reports, or documents filed by them, may submit the portion of such material considered confidential to the Chairman of the Commission, together with an application stating the grounds upon which the objection to public disclosure is based. The courts have ruled that disposition of these matters by the Commission is a quasi-judicial function and that the decisions of the Commissions may be reviewed.

During the past fiscal year, 101 applications were submitted for the confidential treatment of information, filed pursuant to the provisions of the Securities Exchange Act of 1934, involving a total of 133 separate items of information, principally in connection with the annual reports of issuers filed with the Commission pursuant to Section 13 of that Act. Material filed by 57 issuers, involving 104 items of information (including applications pending at the beginning of the fiscal year) was made available for public inspection during the year, pursuant to Rule X–24B–2, the Commission having determined that disclosure of such information is in the public interest or the applicants having withdrawn their objections to its public disclosure. During the year, 75 items of information confidentially filed by 41 issuers (including several pending from the previous year) were granted confidential treatment by the Commission. Pursuant to the requests of various applicants, 16 private hearings (on applications for confidential treatment) were held during the year.

The Securities Act of 1933, as amended (paragraph (30) of Schedule A) authorizes confidential treatment by the Commission of material contracts filed in connection with registration statements, if disclosure of such contracts would impair their value and would not be necessary for the protection of investors. During the year, 21 applications for confidential treatment of material contracts, or portions thereof, were filed pursuant to Rule 580 under that Act. Of these applications, together with 2 pending at the beginning of the year, 19 were granted, 1 was withdrawn, and 3 were pending as of June 30, 1939.

The Commission is also empowered to act on applications for confidential treatment of information contained in registration statements, applications, declarations, reports, or other documents filed pursuant to the Public Utility Holding Company Act of 1935, under authority granted by Section 22 (b) of that statute. During the year, 16 applications were received, of which 1 was granted, and 15 were pending on June 30, 1939.

At the beginning of the past fiscal year, there were pending in the several United States Circuit Courts of Appeal or the United States Court of Appeals for the District of Columbia, 10 petitions filed by issuers seeking to review determinations by the Commission denying applications for confidential treatment, filed pursuant to Section 24 (b) of the Securities Exchange Act of 1934. During the year, four of these petitions were dismissed by stipulation, and one was so dis-

missed a few days after the end of the fiscal year, the material involved being made available for public inspection. The only new petitions for judicial review of such determinations filed during the fiscal year, were filed by issuers which had petitions for judicial review of similar matters covering earlier years pending before the particular Circuit Courts of Appeal. Appendix VI, Table V, contains a summary of all confidential treatment cases pending in the Courts during the past fiscal year and their status as of June 30, 1939.

STATISTICS ON SECURITIES AND ON EXCHANGE MARKETS

Between May and July 1939, the Commission released a series of reports entitled "Selected Statistics on Securities and on Exchange Markets" submitted to it by the Research and Statistics Section of the Trading and Exchange Division. In general, these reports covered the period from 1933 or 1935 to June 30, 1938, and dealt mainly with new issues and retirements of securities; changes in ownership of outstanding securities; the number and rough size distribution of common stock holdings of a group of 1,509 corporations; sales of small and unseasoned issues registered under the Securities Act of 1933; brokers and dealers registered under Section 15 of the Securities Exchange Act of 1934; the participation of investment banking firms in the underwriting of issues registered under the Securities Act of 1933; private placings of securities; the classified volume and estimated value of trading on securities exchanges; and the flow of stock trading on the New York Stock Exchange and New York Curb Exchange as reflected in the trading of exchange members, odd and full lot customers, foreign customers, investment companies and the so-called corporate insiders reporting under Section 16 (a) of the Securities Exchange Act of 1934. These reports consist of 70 statistical tables and an accompanying explanatory text of approximately 100 pages. Tables bringing down the data to June 30, 1939, will be found in Appendix V hereto in most instances where current figures were shown in these reports.

SURVEY OF AMERICAN LISTED CORPORATIONS

Since 1936, certain data contained in applications for permanent registration of securities on national securities exchanges and annual reports supplemental thereto filed under the Securities Exchange Act of 1934 have been abstracted and summarized in a series of reports by a Works Progress Administration project known as "Survey (formerly Census) of American Listed Corporations," which is sponsored and supervised by this Commission. During the fiscal year ended June 30, 1939, 18 reports were made public. These reports generally covered the fiscal years 1934 through 1937, and dealt with the following industries: Steel Producers with assets of over $100,000,000 each; Meat Packers, with assets of over $50,000,000 each; Chain Variety Stores;

Automobile Manufacturers; Manufacturers of Tires and Other Rubber Products; Manufacturers of Agricultural Machinery and Implements; Cigarette Manufacturers with assets of over $10,000,000 each; Sugar Refiners; Mail Order Houses; Oil Refiners with Producing Facilities having assets of over $50,000,000 each; Manufacturers of Office Machinery and Equipment; Cement Manufacturers; Department Stores with annual sales of over $10,000,000 each; Manufacturers of Containers & Closures Other than Paper or Wood; Chain Grocery & Food Stores; Manufacturers of Chemicals & Fertilizers having assets of over $10,000,000 each; Motion Picture Producers & Distributors; and Manufacturers of Automobile Parts and Accessories.

Although funds will not be available to cover the costs of publishing similar reports for the approximately 130 other industrial groups in which registrants have been classified, copies of the reports as completed are now made available for inspection by interested parties in the Public Reference Room of the Commission in Washington and at all of its regional offices. Photocopies of the last-mentioned reports may be obtained from the offices of the Commission in Washington in accordance with the provisions of the Commission's rule regarding the sale of copies of registered information. A comprehensive statistical summary report covering about 2,000 registrants is in the process of preparation.

PUBLIC HEARINGS

The following statistics indicate the number of public hearings held by the Commission from July 1, 1935, to June 30, 1939.

	Public hearings held			
	July 1, 1935, to June 30, 1937	July 1, 1937, to June 30, 1938	July 1, 1938, to June 30, 1939	Total
Securities Act of 1933	229	62	29	320
Securities Exchange Act of 1934	81	116	198	395
Public Utility Holding Company Act of 1935 *	304	191	295	790
Total	614	369	522	1,505

* Exclusive of Investment Trust Study.

FORMAL OPINIONS AND REPORTS

The Commission, during the past year, issued 266 formal opinions involving matters under the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935. In addition, the Commission adopted six formal reports on plans of reorganization under the provisions of Section 11 of the Public Utility Holding Company Act of 1935 and four advisory

reports on plans of reorganization under the provisions of Chapter X of the amended Bankruptcy Act. These opinions and reports were issued and adopted in the following named cases:

Securities Act of 1933, as Amended.

FIXING EFFECTIVE DATE OF AMENDMENTS TO REGISTRATION STATEMENTS:

In the Matter of—

Frye Investment Company and Charles H. Frye..... Apr. 19, 1939

PERMANENT SUSPENSION ORDER:

In the Matter of—

John W. Westbrook Company and John W. Westbrook, Trustee..... May 8, 1939

STOP ORDERS:

In the Matter of—

American Credit Corporation..... Sept. 21, 1938
Austin Silver Mining Company..... July 13, 1938
Breeze Corporations, Inc..... Aug. 5, 1938
Doris Ruby Mining Company..... Jan. 26, 1939
Gold Hunter Extension, Inc..... Sept. 26, 1938
Monitor Gold Mining Company..... Jan. 4, 1939
Oklahoma Hotel Building Company..... Feb. 24, 1939
Platoro Gold Mines, Inc..... Sept. 19, 1938
Sweet's Steel Company..... Feb. 24, 1939
Thomas Bond, Inc..... June 9, 1939
United Combustion Corporation..... Oct. 19, 1938
Unity Gold Corporation..... July 19, 1938
West Park Apartments Corporation..... Sept. 26, 1938

Securities Exchange Act of 1934, as Amended.

BROKER AND DEALER:

In the Matter of—

L. P. Atwater, doing business as L. P. Atwater & Company and Continental Royalties Corporation..... Aug. 12, 1938
Merrit M. Bacon..... Feb. 11, 1939
Millard H. Bard..... Nov. 1, 1938
Malcolm C. Brock & Co..... Mar. 13, 1939
Duncan Collins & Company, Inc..... Nov. 17, 1938
Fort Dearborn Securities Corporation..... Feb. 11, 1939
Ralph Gibbins, doing business as Gibbins Brokerage Company..... Nov. 17, 1938
J. Albert Haines..... Nov. 17, 1938
Ralph C. Kent, doing business as Ralph C. Kent & Co.. Dec. 17, 1938
Robert E. Lancaster, an alias used by Martin A. Leach and Robert E. Lancaster & Company, Inc..... Mar. 27, 1939
Herman Lucas..... Nov. 17, 1938
Oil Royalties Investment Trust, Ltd..... Feb. 10, 1939
Reinhardt & Co..... Mar. 27, 1939
Charles E. Rogers, doing business as J. T. Register & Company..... July 8, 1938
William Reid Taylor, doing business as W. R. Taylor & Company..... Oct. 20, 1938

BROKER AND DEALER—Continued.

In the Matter of—Continued.

Walston & Co., Vernon C. Walston, William Sherman Hoelscher, Charles De Y. Elkus, and Clifford P. Hoffman	June 14, 1939
Do	Do

MANIPULATION:

In the Matter of—

Junius A. Richards	Mar. 24, 1939

UNLISTED TRADING:

In the Matter of—

Adams Express Company	Aug. 4, 1938
American Home Products Corporation	May 1, 1939
Boston Stock Exchange (Applications for Unlisted Trading Privileges in 15 Securities)	Aug. 4, 1938
Curtiss Wright Corporation	July 16, 1938
Detroit Stock Exchange (Applications for Unlisted Trading Privileges in 4 Securities)	June 6, 1939
The Equity Corporation	Feb. 20, 1939
Market Street Railway Company	Aug. 11, 1938
Market Street Railway Company	Nov. 28, 1938
New York Curb Exchange (Applications for Unlisted Trading Privileges in 3 Securities)	Feb. 20, 1939
New York Curb Exchange (Applications for Unlisted Trading Privileges in 4 Securities)	May 1, 1939
Philadelphia Stock Exchange (Applications for Unlisted Trading Privileges in 2 Securities)	Jan. 5, 1939
Philadelphia Stock Exchange (Applications for Unlisted Trading Privileges in 25 Securities)	June 6, 1939
Pittsburgh Stock Exchange (Applications for Unlisted Trading Privileges in 33 Securities)	June 6, 1939
Providence Gas Company	Jan. 19, 1939

WITHDRAWAL FROM REGISTRATION AND STRIKING FROM LISTING:

In the matter of—

Continental Securities Corporation	Oct. 18, 1938
Dominion Stores, Ltd	Mar. 18, 1939
Interstate Hosiery Mills, Inc	Mar. 18, 1939
The Lima Cord Sole and Heel Corporation	Sept. 29, 1938
Mills Alloys, Inc	Feb. 17, 1939
Minneapolis, St. Paul and Sault Ste. Marie Railway Company	Mar. 29, 1939
Missouri Pacific Railroad Company	Sept. 14, 1938
The Mother Lode Gold Mines	Feb. 17, 1939
National Oats Company	Mar. 28, 1939
Norfolk Southern Railroad Company	Nov. 2, 1938
Phoenix Oil Company	Feb. 20, 1939
Pittsburgh Terminal Coal Corporation	Nov. 2, 1938
Rainbow Luminous Products, Inc	Oct. 6, 1938
Standard Investing Corporation	Mar. 18, 1939

Public Utility Holding Company Act of 1935.

ACQUISITION OF SECURITIES, ASSETS, BUSINESS, OR OTHER INTERESTS:

In the Matter of—

American Light & Traction Company, Michigan Consolidated Gas Company, Grand Rapids Gas Light Company, Washtenaw Gas Company, Muskegon Gas Company	Sept 19, 1938
Columbia Gas & Electric Corporation	Oct. 28, 1938
Commonwealths Distribution, Inc	Dec 27, 1938
Community Power and Light Company, Southwestern Electric Company, The Kansas Utilities Company, Missouri Utilities Company, Texas-New Mexico Utilities Company	May 12, 1939
Consumers Power Company, Cities Service Power and Light Company	Dec. 21, 1938
Consumers Power Company, The Commonwealth and Southern Corporation	Dec. 21, 1938
Coppers District Power Company, The Middle West Corporation	Aug. 11, 1938
Louis R. Gates, R. W. Samuelson, Ira C. Snyder, Donald L. Pettis, and A. Z. Patterson, as Reorganization Managers of The United Telephone and Electric Company	July 28, 1938
General Public Utilities, Inc	Aug. 12, 1938
Halsey, Stuart & Co., Inc	Dec. 5, 1938
Hoosier Gas Corporation	May 3, 1939
International Utilities Corporation	Dec. 27, 1938
Do	May 24, 1939
Engineers Public Service Company, Gulf States Utilities Company	July 8, 1938
Kentucky Securities Company	Nov. 30, 1938
Lone Star Gas Corporation	Aug. 24, 1938
Massachusetts Utilities Associates, New England Power Association, New England Gas & Electric Association, Electric Associates, Inc	June 10, 1939
Memphis Power & Light Company, Memphis Generating Company	June 13, 1939
Michigan Public Service Company, Leonard S. Florsheim Trustee of Inland Power & Light Corporation, Michigan Public Service Company	May 13, 1939
Monongahela West Penn Public Service Company and American Water Works and Electric Company, Incorporated	Dec. 21, 1938
Montaup Electric Company, Blackstone Valley Gas and Electric Company, Eastern Utilities Associates	Apr. 25, 1939
North American Edison Company, The Milwaukee Electric Railway and Light Company	Oct. 20, 1938
Northeastern Water and Electric Corporation	Aug. 31, 1938
Northern States Power Company, a Delaware Corporation, Northern States Power Company, a Wisconsin Corporation, Northern States Power Company, a Minnesota Corporation	Dec. 27, 1938

ACQUISITION OF SECURITIES, ASSETS, BUSINESS, OR OTHER INTERESTS—Continued.

In the Matter of—Continued.

Northern States Power Company, a Wisconsin Corporation, Northern States Power Company, a Minnesota Corporation, Chippewa Power Company	Mar. 21, 1939
Northwestern Illinois Utilities, American Utilities Service Corporation	June 30, 1939
Pennsylvania Power Company, The Commonwealth & Southern Corporation	Dec. 20, 1938
Peoples Light Company, The United Light and Power Company, Clinton, Davenport & Muscatine Railway Company	Nov. 14, 1938
Republic Electric Power Corporation, Southern Oregon Gas Corporation, California Utilities Company, Needles Gas and Electric Company, Weaverville Electric Company, Apache Gas Company, Gas Transport Company	Oct. 11, 1938
Do	Oct. 28, 1938
Stonewall Electric Company, Trinidad Electric Transmission Railway and Gas Company	June 19, 1939
United Public Utilities Corporation	May 26, 1939
Utilities Power & Light Corporation, Limited, et al	Dec. 8, 1938
Do	May 20, 1939
Do	June 5, 1939

ACQUISITIONS OF SECURITIES BY THE ISSUER:

In the Matter of—

American Gas and Power Company and Birmingham Gas Company	Sept. 29, 1938
American Light & Traction Company, Michigan Consolidated Gas Company, Grand Rapids Gas Light Company, Washtenaw Gas Company, Muskegon Gas Company	Sept. 19, 1938
American States Utilities Corporation	Dec. 15, 1938
Arkansas Western Gas Company and Southern Union Gas Company	Dec. 22, 1938
William A. Baehr Organization, Inc	Dec. 27, 1938
Do	Jan. 24, 1939
Engineers Public Service Company	Feb. 27, 1939
Huntington Gas Company	Dec. 17, 1938
Indiana & Michigan Electric Company, American Gas and Electric Company	June 24, 1939
Lone Star Gas Company, Texas Cities Gas Company, Council Bluffs Gas Company, The Dallas Gas Company, County Gas Company, Community Natural Gas Company, Guthrie, Gas Service Company	Dec. 22, 1938
Northern States Power Company, a Wisconsin Corporation, Northern States Power Company, a Minnesota Corporation, Chippewa Power Company	Mar. 21, 1939
Ohio Power Company, American Gas & Electric Company	Oct. 19, 1938
Texas Cities Gas Company, Council Bluffs Gas Company, The Dallas Gas Company	Aug. 24, 1938

ALLOWANCE OF FEES, EXPENSES, AND REMUNERATION:
In the Matter of—
Adams, Nelson & Williamson ..... June 7, 1939
Henry A. Gardner, John A. Dawson and Robert W. Hotchkiss, Acting as Bondholders' Protective Committee for Utilities Elkhorn Coal Company ..... Jan. 7, 1939
Jay Samuel Hartt, Trustee of the Estate of Midland Utilities Company ..... Feb. 25, 1939
Jay Samuel Hartt ..... Dec. 6, 1938
Melvin M. Hawley ..... June 8, 1939
Leonard S. Florsheim, Trustee of Inland Power & Light Corporation ..... May 18, 1939
Hugh M. Morris and John N. Shannahan, Trustees of Midland United Company and Millard B. Kennedy ..... Sept. 13, 1938
Paul V. Shields, Joseph S. Maxwell and Charlton B. Hibbard, Protective Committee Preferred Stockholders of Utilities Power and Light Corporation ..... May 8, 1939
Utilities Elkhorn Coal Company and James G. Culbertson ..... Sept. 22, 1938
Walling, William English, II, Executor of Willoughby G. Walling, Deceased ..... Dec. 22, 1938
West Ohio Gas Company ..... May 11, 1939

DECLARING APPLICANT NOT TO BE AN ELECTRIC UTILITY COMPANY:
In the Matter of—
Interlake Iron Corporation ..... July 1, 1938

DECLARING APPLICANT NOT TO BE A HOLDING COMPANY:
In the Matter of—
Allied Chemical & Dye Corporation ..... June 22, 1939
Citizens Public Service Company by William W. Battles, Winthrop H. Battles, Joseph B. Keen, and William H. Reynolds, Jr., as liquidating directors or trustees ..... Jan. 24, 1939
Frank D. Comerford, Sidney St. F. Thaxter and Robert H. Montgomery, Trustees, under Agreement dated November 29, 1935, between International Hydro-Electric System, New England Power Association, Old Colony Trust Company, and said Trustees ..... Apr. 7, 1939
Foster Petroleum Corporation ..... May 27, 1939
Arthur H. Gilbert, Marcus L. Baxter, and Edward G. Ricker, Voting Trustees under Voting Trust Agreement dated April 15, 1935 between National Gas & Electric Corporation and said Voting Trustees ..... Sept. 30, 1938
William C. A. Henry, Trustee for The United Telephone and Electric Company ..... June 5, 1939
International Paper and Power Company and International Paper Company ..... Apr. 26, 1939
Keystone Utilities, Inc ..... May 16, 1939
National Light, Heat and Power Company ..... Apr. 19, 1939
Public Service of Pennsylvania, Inc ..... Dec. 9, 1938
Sandar Corporation ..... Oct. 13, 1938
Union Electric Power Corporation ..... Feb. 16, 1939

DECLARING APPLICANT NOT TO BE A SUBSIDIARY COMPANY OF A SPECIFIED HOLDING COMPANY:

In the Matter of—

Federal Light & Traction Company and Cities Service Power & Light Company	June 19, 1939
Do	June 19, 1939
Genessee Valley Gas Company, Inc	Aug. 2, 1938
Lehigh Power Securities Corporation	June 19, 1939
Northern Natural Gas Company	June 30, 1939
Utilities Employees Securities Company, New England Capital Corporation, Utilities Employees Securities Company, New England Capital Corporation	Sept. 15, 1938
Do	Oct. 3, 1938
Do	Oct. 20. 1938

DECLARING COMPANY TO BE A SUBSIDIARY COMPANY OF A SPECIFIED HOLDING COMPANY:

In the Matter of—

Associated General Utilities Company	Feb. 10, 1939
Employees Welfare Association, Inc. (Del.) Employees Welfare Association, Inc. (N. J.) Trustees under Pension Trust Agreement dated Dec. 14, 1937	Apr. 14, 1939
Utilities Employees Securities Company, New England Capital Corporation	Apr. 18, 1939

DIVIDEND DECLARATIONS AND PAYMENTS:

In the Matter of—

American Light & Traction Co., Michigan Consolidated Gas Company, Grand Rapids Gas Light Company, Washtenaw Gas Comapny, Muskegon Gas Company	Sept. 19, 1938
Baton Rouge Electric Company, Louisiana Steam Generating Corporation	July 8, 1938
Columbia Gas & Electric Corporation	July 2, 1938
Do	Oct. 5, 1938
Do	Jan. 23, 1939
The Connecticut Light & Power Company	Nov. 26, 1938
Penn Western Gas & Electric Company	Dec. 9, 1938
Public Utility Engineering and Service Corporation	May 27, 1939

EXEMPTIONS FROM PROVISIONS OF THE ACT:

In the Matter of—

Consolidated Electric and Gas Company	Feb. 2, 1939
Do	May 24, 1939
Consolidated Cities Light, Power and Traction Company	May 12, 1939
Community Power and Light Company, Southwestern Electric Company, The Kansas Utilities Company, Missouri Utilities Company, Texas-New Mexico Utilities Company	May 12, 1939
Genesee Valley Gas Company, Inc	Aug. 2, 1938
Great Northern Gas Company, Limited	Dec. 2, 1938
Houston Natural Gas Corporation	Aug. 1, 1938
Illinois Iowa Power Company	Apr. 18, 1939
International Utilities Corporation and Dominion Gas and Electric Company	Apr. 13, 1939

EXEMPTIONS FROM PROVISIONS OF THE ACT—Continued.

In the Matter of—Continued.

Manufacturers Trust Company, Utility Service Company, Eastern Minnesota Power Corporation	Apr. 20, 1939
Middle West Utilities Company of Canada, Limited	May 24, 1939
New Brunswick Power Company	Oct. 18, 1938
Southern Utilities Company, Limited	Dec. 2, 1938
Standard Oil Company of California	Feb. 27, 1939
Washington Railway and Electric Company	Dec. 15, 1938

EXEMPTION OF SECURITY TRANSACTIONS FROM PROVISIONS OF SECTION 6 (a) OF THE ACT:

In the Matter of—

Allentown-Bethlehem Gas Company	Mar. 13, 1939
American Light & Traction Company, Michigan Consolidated Gas Company, Grand Rapids Gas Light Company, Washtenaw Gas Company, Muskegon Gas Company	Oct. 5, 1938
Arkansas Western Gas Company and Southern Union Gas Company	Dec. 22, 1938
Blackstone Valley Gas and Electric Company	Nov. 29, 1938
Central Illinois Electric and Gas Co	June 19, 1939
Do	Feb. 27, 1939
Central Illinois Public Service Company	Dec. 7, 1938
Central Indiana Power Company	Mar. 14, 1939
Central Maine Power Company	Feb. 23, 1939
Central Ohio Light & Power Company	Dec. 30, 1938
Columbus and Southern Ohio Electric Company	Dec. 23, 1938
Connecticut Light & Power Company	Nov. 26, 1938
The Dayton Power and Light Company, Columbia Gas & Electric Corporation	Oct. 28, 1938
East Tennessee Light & Power Company	June 24, 1939
Green Mountain Power Corporation	Dec. 10, 1938
Hoosier Gas Corporation	May 3, 1939
Indiana General Service Company	Oct. 3, 1938
Do	Nov. 25, 1938
Indiana & Michigan Electric Company, American Gas and Electric Company	June 24, 1939
Indianapolis Power & Light Company	Aug. 4, 1938
The Laclede Gas Light Company	Dec. 9, 1938
Lawrence Gas and Electric Company	July 22, 1938
Madison Gas and Electric Company	Nov. 23, 1938
Memphis Power & Light Company, Memphis Generating Company	June 13, 1939
Michigan Consolidated Gas Company	Oct. 5, 1938
Michigan Public Service Company, Leonard S. Florsheim, Trustee of Inland Power & Light Corporation, Michigan Public Service Company	May 13, 1939
Montaup Electric Company, Blackstone Valley Gas and Electric Company, Eastern Utilities Associates	Apr. 25, 1939
Newport Electric Corporation	May 22, 1939

EXEMPTION OF SECURITY TRANSACTIONS FROM PROVISIONS OF SECTION 6 (a) OF THE ACT—Continued.

In the Matter of—Continued.

New York State Electric & Gas Corporation	July 27, 1938
Do	Nov. 19, 1938
Do	Feb. 25, 1939
Do	June 28, 1939
North American Edison Company, The Milwaukee Electric Railway and Light Company, The Milwaukee Electric Railway & Transport Company	Oct. 20, 1938
Northern States Power Company, a Delaware Corporation, Northern States Power Company, a Wisconsin Corporation, Northern States Power Company, a Minnesota Corporation	Dec. 27, 1938
Northern States Power Company (A Wisconsin Corporation), Northern States Power Company (A Minnesota Corporation), Chippewa Power Company	Mar. 21, 1939
Northwestern Illinois Utilities, American Utilities Service Corporation	June 30, 1939
The Ohio Power Company, American Gas and Electric Company	Oct. 19, 1938
Page Power Company	Aug. 19, 1938
Pennsylvania Power Company, The Commonwealth & Southern Corporation	Dec. 20, 1938
Portland General Electric Company	May 29, 1939
South Carolina Utilities Company	July 15, 1938
The Toledo Edison Company	Aug. 9, 1938
Union Electric Company of Missouri	Nov. 26, 1938
Virginia Electric and Power Company	Oct. 4, 1938
Virginia Public Service Company	Oct. 28, 1938
Washington Gas Light Company	Oct. 29, 1938
Wisconsin Public Service Corporation	Aug. 30, 1938

EXEMPTION OF ACQUISITION OF SECURITIES FROM PROVISIONS OF SECTION 9 (a) OF THE ACT:

In the Matter of—

The Middle West Corporation	Oct. 12, 1938

ISSUE AND SALE OF SECURITIES:

In the Matter of—

Amarillo Gas Company	Apr. 19, 1939
American Gas and Power Company and Birmingham Gas Company	Sept. 29, 1938
American Light & Traction Company, Michigan Consolidated Gas Company, Grand Rapids Gas Light Company, Washtenaw Gas Company, Muskegon Gas Company	Sept. 19, 1938
American Water Works and Electric Company, Incorporated	Apr. 24, 1939
Arkansas Western Gas Company and Southern Union Gas Company	Dec. 22, 1938
The Associated Corporation	July 8, 1938
Beverly Gas and Electric Company, Gloucester Electric Company, Haverhill Electric Company, Malden Electric Company, Salem Gas Light Company, Suburban Gas and Electric Company	Aug. 26, 1938

ISSUE AND SALE OF SECURITIES—Continued.

In the Matter of—Continued

Bradford Electric Company	July 26, 1938
Do	June 28, 1939
The Cincinnati Gas & Electric Company	Sept. 15, 1938
Colorado Central Power Company	Mar. 31, 1939
Columbia Gas & Electric Corporation	Jan. 25, 1939
Community Power and Light Company, Southwestern Electric Company, The Kansas Utilities Company, Missouri Utilities Company, Texas-New Mexico Utilities Company	May 12, 1939
Consumers Power Company, The Commonwealth & Southern Corporation	Dec. 21, 1938
Copper District Power Company, The Middle West Corporation	Aug. 11, 1938
Cumberland County Power and Light Company	Jan. 13, 1939
The Dakota Power Company	Aug. 12, 1938
Eastern Utilities Associates	Aug. 23, 1938
Empire Southern Gas Company	Apr. 18, 1939
Engineers Public Service Company, Gulf States Utilities Company, Baton Rouge Electric Company, Louisiana Steam Generating Corporation	July 8, 1938
Federal Light & Traction Company	Dec. 14, 1938
General Public Utilities, Inc	Dec. 17, 1938
Green Mountain Power Corporation, New England Power Association	Dec. 6, 1938
Gulf States Utilities Company	Aug. 30, 1938
Do	Feb. 18, 1939
Do	June 27, 1939
Iowa Public Service Company	Oct. 18, 1938
Kentucky-Tennessee Light and Power Company and Associated Electric Company and Central U. S. Utilities Company	Dec. 17, 1938
Lone Star Gas Corporation, Lone Star Gas Company, Texas Cities Gas Company, Council Bluffs Gas Company, The Dallas Gas Company, County Gas Company	Aug. 24, 1938
Lone Star Gas Company, Texas Cities Gas Company, Council Bluffs Gas Company, The Dallas Gas Company, County Gas Company, Community Natural Gas Company, Guthrie Gas Service Company	Dec. 22, 1938
Louisiana Public Service Corporation	Nov. 5, 1938
Massachusetts Utilities Associates	July 23, 1938
Do	Feb. 27, 1939
Minnesota Utilities Company	Nov. 5, 1938
Missouri Service Company	Aug. 27, 1938
Monongahela West Penn Public Service Company	Dec. 21, 1938
Mountain States Power Company	June 2, 1939
Nepsco Appliance Finance Corporation	Nov. 17, 1938
Newport Electric Corporation and Charles True Adams, Trustee of the Estate of Utilities Power & Light Corporation, Debtor	May 22, 1939
New York and Richmond Gas Company	Feb. 16, 1939

ISSUE AND SALE OF SECURITIES—Continued.

In the Matter of—Continued.

The North American Company, North American Edison Company	Jan. 30, 1939
Do	Jan. 31, 1939
North American Edison Company, The Milwaukee Electric Railway and Light Company, The Milwaukee Electric Railway & Transport Company	Oct. 20, 1938
North Dakota Power & Light Company, Northern Power and Light Company, United Public Utilities Corporation	May 26, 1939
Northern States Power Company, a Delaware Corporation, Northern States Power Company, a Wisconsin Corporation, Northern States Power Company, a Minnesota Corporation	Dec. 27, 1938
Oklahoma Power and Water Company	May 31, 1939
Pennsylvania Power Company, The Commonwealth & Southern Corporation	Dec. 20, 1938
Republic Electric Power Corporation, Southern Oregon Gas Corporation, California Utilities Company, Needles Gas and Electric Company, Weaverville Electric Company, Apache Gas Company, Gas Transport Company	Oct. 11, 1938
Do	Oct. 28, 1938
Safety Engineering and Management Company	Nov. 29, 1938
Do	Sept. 30, 1938
Southern Colorado Power Company	Sept. 13, 1938
Southern Natural Gas Company	Mar. 9, 1939
Do	May 22, 1939
Southern Utah Power Company	Apr. 29, 1939
Southwestern Development Company	May 13, 1939
Southwestern Gas and Electric Company	Mar. 29, 1939
Stonewall Electric Company, Trinidad Electric Transmission Railway and Gas Company	June 19, 1939
Suburban Gas and Electric Company, Gloucester Electric Company, Haverhill Electric Company, Beverly Gas and Electric Company, Salem Gas Light Company, North Boston Lighting Properties, New England Power Association	June 28, 1939
Union Electric Company of Missouri	Nov. 26, 1938
United Fuel Gas Company	Dec. 9, 1938
The Washington Water Power Company	June 27, 1939
West Penn Power Company	Aug. 12, 1938
West Texas Utilities Company	June 6, 1939
Worcester Suburban Electric Company	July 2, 1938
Public Service Company of New Hampshire	Dec. 5, 1938

INVESTMENT PROGRAM FOR CURRENT FUNDS:

In the Matter of—

The United Corporation	Mar. 13, 1939

MUTUAL SERVICE COMPANY:
In the Matter of—
The Commonwealth & Southern Corporation ..... Dec. 27, 1938
Electric Advisers, Inc ..... Jan. 5, 1939
Engineers Public Service Company, Inc ..... Dec. 27, 1938
Gas Advisers, Inc ..... Jan. 5, 1939
Public Utilities Management Corporation ..... Nov. 19, 1938
Public Utility Engineering and Service Corporation ..... May 27, 1939

REORGANIZATION AND RECAPITALIZATION PLANS:
In the Matter of—
American Gas and Power Company and Birmingham Gas Company ..... Sept. 29, 1938
Engineers Public Service Company, Gulf States Utilities Company, Baton Rouge Electric Company, Louisiana Steam Generating Corporation ..... July 8, 1938
Louis R. Gates, R. W. Samuelson, Ira C. Snyder, Donald L. Pettis, and A. Z. Patterson, as Reorganization Managers of The United Telephone and Electric Company ..... July 28, 1938
Do ..... Aug. 3, 1938
Gulf States Utilities Company ..... Aug. 10, 1938
Mountain States Power Company ..... June 2, 1939
Northern States Power Company, a Delaware Corporation ..... Dec. 8, 1938
Northern States Power Company, a Delaware Corporation, Northern States Power Company, a Wisconsin Corporation, Northern States Power Company, a Minnesota Corporation ..... Dec. 27, 1938
The North American Company, North American Edison Company ..... Jan. 30, 1939
Do ..... Jan. 31, 1939
David C. Patterson, Max J. Mauermann and David Copland, as a committee for holders of 1st and Refunding Mortgage 6% Bonds Series A, due Dec. 1, 1954 of West Ohio Gas Company ..... Oct. 14, 1938
Do ..... Jan. 9, 1939
Republic Electric Power Corporation, Southern Oregon Gas Corporation, California Utilities Company, Needles Gas and Electric Company, Weaverville Electric Company, Apache Gas Company, Gas Transport Company ..... Oct. 11, 1938
Do ..... Oct. 28, 1938
Southern Natural Gas Company ..... April 11, 1939
Do ..... May 22, 1939

SALE OF PUBLIC UTILITY SECURITIES AND UTILITY ASSETS BY REGISTERED HOLDING COMPANIES:
In the Matter of—
Charles True Adams, Trustee of the Estate of the Utilities Power & Light Corporation, Debtor ..... May 2, 1939
American Gas and Power Company and Birmingham Gas Company ..... Sept. 29, 1938
American Light & Traction Company, Michigan Consolidated Gas Company, Grand Rapids Gas Light Company, Washtenaw Gas Company, Muskegon Gas Company ..... Sept. 19, 1938
American States Utilities Corporation, Dearborn-Ripley Light & Power Company ..... Dec. 15, 1938

SALE OF PUBLIC UTILITY SECURITIES AND UTILITY ASSETS BY REGISTERED HOLDING COMPANIES—Continued.

In the Matter of—Continued.

Arkansas Western Gas Company & Southern Union Gas Company	Dec. 22, 1938
Associated Electric Company and Central U. S. Utilities Company	Dec. 17, 1938
Community Power and Light Company and Southwestern Electric Company	Aug. 12, 1938
Consumers Power Company, Cities Service Power and Light Company	Dec. 21, 1938
Engineers Public Service Company	July 8, 1938
Do	Feb. 27, 1939
Green Mountain Power Corporation, New England Power Association	Dec. 6, 1938
Huntington Gas Company	Dec. 17, 1938
Indiana & Michigan Electric Company, American Gas and Electric Company	June 24, 1939
Lone Star Gas Corporation	Aug. 24, 1938
Do	Dec. 22, 1938
Massachusetts Utilities Associates, New England Power Association, New England Gas and Electric Association, Electric Associates, Inc.	June 10, 1939
Michigan Public Service Company, Leonard S. Florsheim, Trustee of Inland Power & Light Corporation, Michigan Public Service Company	May 13, 1939
Michigan Consolidated Gas Company	Oct. 5, 1938
The Middle West Corporation	Apr. 4, 1939
Montaup Electric Company, Blackstone Valley Gas and Electric Company, Eastern Utilities Associates	Apr. 25, 1939
The Northern States Power Company, a Delaware corporation, Northern States Power Company, a Wisconsin Corporation, Northern States Power Company, a Minnesota Corporation	Dec. 27, 1938
Northern States Power Company (A Wisconsin Corporation), Northern States Power Company (A Minnesota Corporation), Chippewa Power Company	Mar. 21, 1939
The North American Company, North American Edison Company	Jan. 30, 1939
Do	Jan. 31, 1939
North American Edison Company, The Milwaukee Electric Railway and Light Company, The Milwaukee Electric Railway & Transport Company	Oct. 20, 1938
Northwestern Illinois Utilities, American Utilities Service Corporation	June 30, 1939
The Ohio Power Company, American Gas and Electric Company	Oct. 19, 1938
Peoples Light Company, The United Light and Power Company, Clinton, Davenport & Muscatine Railway Company	Nov. 14, 1938
Republic Electric Power Corporation, Southern Oregon Gas Corporation, California Utilities Company, Needles Gas and Electric Company, Weaverville Electric Company, Apache Gas Company, Gas Transport Company	Oct. 11, 1938
Do	Oct. 28, 1938

SALE OF PUBLIC UTILITY SECURITIES AND UTILITY ASSETS BY REGISTERED HOLDING COMPANIES—Continued.
In the Matter of—Continued.
Suburban Gas and Electric Company, Gloucester Electric Company, Haverhill Electric Company, Beverly Gas and Electric Company, Salem Gas Light Company, North Boston Lighting Properties, New England Power Association ..... June 28, 1939
Walnut Electric & Gas Corporation ..... Dec. 9, 1938
SALE OF PUBLIC UTILITY SECURITIES AND UTILITY ASSETS TO ASSOCIATE COMPANIES OR AFFILIATES:
In the Matter of—
Engineers Public Service Company ..... Feb. 27, 1939
Indiana & Michigan Electric Company, American Gas and Electric Company ..... June 24, 1939
Massachusetts Utilities Associates, New England Power Association, New England Gas and Electric Association, Electric Associates, Inc. ..... June 10, 1939
Merrimac Valley Power and Buildings Company ..... Apr. 24, 1939
Northern States Power Company (a Wisconsin Corporation), Northern States Power Company (a Minnesota Corporation), Chippewa Power Company ..... Mar. 21, 1939
Pennsylvania Investing Corporation ..... Jan. 14, 1939
Do ..... Apr. 26, 1939
Memphis Power & Light Company, Memphis Generating Company ..... June 13, 1939
Stonewall Electric Company, Trinidad Electric Transmission Railway and Gas Company ..... June 19, 1939
United Public Utilities Corporation, North Dakota Power & Light Company and Northern Power and Light Company ..... May 26, 1939
SOLICITATION OF AUTHORIZATION IN CONNECTION WITH REORGANIZATIONS:
In the Matter of—
American Gas and Power Company and Birmingham Gas Company ..... Sept. 29, 1938
John A. Dawson, Clayton J. Howel, George F. Manzelman, and Avery Brundage, Acting as Protective Committee For the Holders of 6 Percent First Mortgage Gold Bonds of Utilities Elkhorn Coal Company ..... Aug. 5, 1938
Henry A. Gardner, John A. Dawson and Robert W. Hotchkiss, Acting as Bondholders' Protective Committee for Utilities Elkhorn Coal Company ..... Jan. 7, 1939
Northern States Power Company, a Delaware Corporation ..... Dec. 8, 1938
David C. Patterson, Max J. Mauermann and David Copland, as a committee for holders of First and Refunding Mortgage 6 Percent Bonds, Series A, due Dec. 1, 1954, of West Ohio Gas Company ..... Jan. 9, 1939
Southern Natural Gas Company ..... Apr. 11, 1939
Utilities Power & Light Corporation, Utilities Power & Light Corporation and Charles True Adams, Trustee ..... Sept. 20, 1938
Do ..... Oct. 20, 1938
Do ..... Nov. 2, 1938

SUBSIDIARY SERVICE COMPANY:

In the Matter of—

American Gas and Electric Service Corporation	May 11, 1939
William A. Baehr Organization, Inc	Dec. 27, 1938
Federal Advisers, Inc	Dec. 27, 1938
Northeastern Water & Electric Service Corporation	Dec. 27, 1938
Public Utility Engineering and Service Corporation	May 27, 1939
The United Light and Power Engineering and Construction Company	Sept. 26, 1938

Bankruptcy Act, as Amended.

ADVISORY REPORTS ON PLANS OF REORGANIZATION:

In the Matter of—

Detroit International Bridge Company	Mar. 14, 1939
Griess-Pfleger Tanning Company	June 7, 1939
National Radiator Corporation	Mar. 14, 1939
Penn Timber Company	Mar. 6, 1939

PUBLIC REFERENCE ROOMS

Copies of all public information on file with the Commission, appearing in registration statements, applications, reports, declarations, and other public documents, are available for inspection in the Public Reference Room of the Commission at Washington, D. C. During the past fiscal year more than 10,800 members of the public visited this Public Reference Room seeking such information. Also, during this period thousands of letters and telephone calls were received from members of the public requesting registered information. The Commission, through the facilities provided for the sale of public registered information, filled more than 3,330 orders for photocopies of material, involving 208,780 pages.

Insofar as practicable, the Commission has sought to make some of the public registered information filed with it available in its regional offices. Thus, in the Public Reference Room which is maintained in the New York Regional Office at 120 Broadway, facilities are provided for the inspection of a great deal of the public information on file with the Commission. This material includes copies of (1) such applications for permanent registration of securities on all national securities exchanges, except the New York Stock Exchange and the New York Curb Exchange, as have received final examination in the Commission, together with copies of supplemental reports and amendments thereto, (2) annual reports filed pursuant to the provisions of Section 15 (d) of the Securities Exchange Act of 1934, as amended, by issuers that have securities registered under the Securities Act of 1933, as amended, and (3) prospectuses filed under the rules exempting small issues of securities from the registration requirements of the Securities Act of 1933, as amended, and prospectuses used in public offerings of securities effectively registered under that Act. The fact that during the past fiscal year more than 12,780 members of the public visited the

New York Office Public Reference Room seeking registered public information, forms, releases, and other material is evidence of the concentrated demand for such information in this zone.

Likewise, in the Public Reference Room of the Chicago Regional Office which is located at 105 West Adams Street, there are available for public inspection copies of applications for permanent registration of securities on the New York Stock Exchange and the New York Curb Exchange, which have received final examination in the Commission, together with copies of all supplemental reports and amendments thereto. During the fiscal year ended June 30, 1939, more than 3,600 members of the public requested registered information, forms, releases, and other material.

In each regional office having jurisdiction over the zone in which the principal office of the broker or dealer is located, there are available for public inspection duplicate copies of applications for registration of brokers or dealers transacting business on over-the-counter markets, together with supplemental statements thereto, filed with the Commission under the Securities Exchange Act of 1934.

Photocopies of registered public information may be procured from the offices of the Commission in Washington, D. C., only.

PUBLICATIONS

Information Releases.

The Commission keeps the public informed of its activities through information releases which are issued currently. These releases include such matters as the announcement of rules, regulations, findings, opinions, and orders of the Commission; the announcement of filings of registration statements, applications, declarations, and reports; notices of public hearings, etc. The Commission's releases are issued to the press and are mailed free to any person requesting them. Mailing lists are maintained for the benefit of those who wish to receive currently releases dealing with various phases of the Commission's activities.

In addition to members of the investing public, the Commission's mailing lists include banks, insurance companies, brokerage firms, security dealers, investment services, statistical organizations, financial services, stock exchanges, industrial corporations, public utility companies, law firms, accounting firms, engineering firms, schools, libraries, and others.

Among the releases issued by the Commission during the fiscal year ended June 30, 1939, were 236 releases dealing with its activities under the Securities Act of 1933, 394 releases relating to the Securities Exchange Act of 1934, and 469 releases under the Public Utility Holding Company Act of 1935. There were also issued 14 releases relating to the Commission's new duties under Chapter X of the Bankruptcy Act, as amended.

There is given below a classification, according to subject matter of the total of 1,648 information releases issued by the Commission during the past fiscal year:

Orders of the Commission	493
Filing of registration statements, applications, and other public documents	423
Daily figures on odd-lot trading	299
Financial statistics	161
Reports of court actions	103
Rules, regulations, and interpretations	55
Personnel changes	20
Announcements of the Commission's activities for the Temporary National Economic Committee	18
Investment Trust Study	11
Accounting opinions	2
Miscellaneous	63
Total releases issued	1,648

Other Publications.

Other publications issued by the Commission during the year included the following:

Report to the Congress on the Study of Investment Trusts and Investment Companies:
- Part Two—Statistical Survey of Investment Trusts and Investment Companies.
- Part Three—Abuses and Deficiencies in the Organization and Operation of Investment Trusts and Investment Companies.
  - Chapter I—Background of Investment Company Industry in Relation to Abuses.
  - Chapter II—Detailed Histories of Various Investment Trusts and Investment Companies.

Supplemental Report on Investment Trusts in Great Britain.

Twenty-four semi-monthly issues of the Official Summary of Stock Transactions and Holdings of Officers, Directors, and Principal Stockholders.

An alphabetical list of Over-the-Counter Brokers and Dealers registered with the Commission as of April 30, 1938, together with supplements thereto.

List of Securities Traded on Exchanges under the Securities Exchange Act of 1934 as of June 30, 1938, together with supplements thereto.

Decisions of the Commission:
- Volume 2, Part 1—January 1, 1937 to June 30, 1937.
- Volume 2, Part 2—July 1, 1937 to December 31, 1937.
- Volume 3, Part 1—January 1, 1938 to June 30, 1938.

Investigation In the Matter of Richard Whitney et al:
- Volume 1—Report of the Commission.
- Volume 2—Transcript of Hearing.
- Volume 3—Exhibits.

PERSONNEL

At the close of the fiscal year ended June 30, 1939, the personnel of the Commission comprised 5 Commissioners and 1,571 employees. Of these 1,571 employees, 1,033 were men, and 538 were women.

Statistics:

Commissioners	5
Departmental:	
Permanent	1,226
Temporary	18
Regional Offices:	
Permanent	319
Temporary	8
Total	1,576
Subject to retirement act	931

FISCAL AFFAIRS

Appropriations for fiscal year 1939:	
Salaries and expenses	$4, 796, 000
Printing and binding	76, 000
Total appropriated	$4, 872, 000
Obligations for fiscal year 1939:	
Salaries:	
Departmental	3, 078, 709
Field	882, 751
Expenses:	
Mileage and witness fees	25, 024
Supplies and material	155, 404
Communications service	79, 308
Travel expense	253, 727
Transportation of things	4, 367
Reporting hearings	50, 689
Light and power	5, 196
Rents	93, 757
Repairs and alterations	14, 483
Special and miscellaneous expenses	2, 882
Purchase of equipment	129, 275
Total obligations for salaries and expenses	4, 775, 572
Obligations for printing and binding	75, 832
Grand total obligations	4, 851, 404
Unobligated balance	20, 596
Appropriations	$4, 872, 000

RECEIPTS FOR THE FISCAL YEAR 1939

During the fiscal year the Commission received $575,399.50 in revenue. The source and disposition of the amounts collected are as follows:

Character of receipts	Transferred to general fund of the Treasury during fiscal year	In trust fund account on 6-30-39 plus deposits in transit on 6-30-39 (add)	Subtotal	In special deposit account at beginning of fiscal year (subtract)	Net Amount collected during fiscal year 1939
Fees from registration of securities	$198,051.62	$123,661.59	$321,713 21	$45,641.09	$276,072.12
Fees from registered exchanges	276,910.17	1,669.30	278,579.47	104.73	278,474.74
Fees from sale of photo duplications	7,675.07	16,440.72	24,115.79	3,275.75	20,840.04
Miscellaneous revenue	12.60	----------	12.60	----------	12.60
Grand total	482,649.46	141,771.61	624,421.07	49,021.57	575,399.50

Comparison of receipts for the fiscal year 1939 with those for the fiscal years 1937 and 1938, and the total receipts of the Commission since its creation

Character of receipts	To June 30, 1936	1937	1938	1939	Total
Fees from registration of securities	$657,150.14	$528,020.17	$220,480.39	$276,072.12	$1,681,722.82
Fees from registered exchanges	444,119 97	545,792.08	474,292.93	278,474.74	1,742,679.72
Fees from sale of photo duplications	26,631.36	29,612.89	21,475.44	20,840.04	98,559.73
Miscellaneous revenue	197.48	354.99	207.59	12.60	772.66
Grand total	1,128,098.95	1,103,780 13	716,456.35	575,399.50	3,523,734.93

Part VI

APPENDIXES

189101—40——11

APPENDIX I

RULES OF PRACTICE[1]

RULE I

BUSINESS HOURS—REGIONAL OFFICES

The principal office of the Commission at Washington, D. C., is open on each business day, excepting Saturdays, from 9 a. m. to 4:30 p. m., and on Saturdays from 9 a. m. to 1 p. m. Regional offices are maintained at New York, Boston, Atlanta, Chicago, Cleveland, Fort Worth, Denver, San Francisco, and Seattle.

RULE II

APPEARANCE AND PRACTICE BEFORE THE COMMISSION

(*a*) An individual may appear in his own behalf, a member of a partnership may represent the partnership, a bona-fide officer of a corporation, trust, or association may represent the corporation, trust, or association, and an officer or employee of a state commission or of a department or political subdivision of a state may represent the state commission or the department or political subdivision of the state, in any proceeding.

(*b*) A person may be represented in any proceeding by an attorney at law admitted to practice before the Supreme Court of the United States, or the highest court of any State or Territory of the United States, or the Court of Appeals or the District Court of the United States for the District of Columbia.

(*c*) A person shall not be represented at any hearing before the Commission or a trial examiner except as stated in paragraphs (*a*) and (*b*) of this rule.

(*d*) Any person appearing before or transacting business with the Commission in a representative capacity may be required to file a power of attorney with the Commission showing his authority to act in such capacity.

(*e*) The Commission may disqualify, and deny, temporarily or permanently, the privilege of appearing or practicing before it in any way, to any person who is found by the Commission after hearing in the matter

(1) Not to possess the requisite qualifications to represent others; or

(2) To be lacking in character or integrity or to have engaged in unethical or improper professional conduct.

[1] As amended to December 1, 1939.

(*f*) Contemptuous conduct at any hearing before the Commission or a trial examiner shall be ground for exclusion from said hearing and for summary suspension without a hearing for the duration of the hearing.

(*g*) For the purposes of this rule, practicing before the Commission shall include the preparation of any statement, opinion, or other paper by any attorney, accountant, engineer, or other expert, filed with the Commission in any registration statement, application, report, or other document with the consent of such attorney, accountant, engineer, or other expert.

RULE III

NOTICE OF HEARINGS

(*a*) Whenever a hearing is ordered by the Commission in any proceeding, notice of such hearing shall be given by the Secretary or other duly designated officer of the Commission to the registrant, applicant, or other parties to the proceeding, or to the person designated as being authorized to receive notices issued by the Commission. Such notice shall state the time, place, and subject matter of the hearing and, in proceedings instituted by the Commission, shall be accompanied, except as provided in paragraph (*b*) hereof, by a short and simple statement of the matters to be considered and determined. Such notice shall be given by personal service, registered mail, or confirmed telegraphic notice, a reasonable time in advance of the hearing.

(*b*) Whenever a hearing is ordered by the Commission in any proceeding pursuant to Section 8 of the Securities Act of 1933, as amended, notice of such hearing shall be given by the Secretary or other duly designated officer of the Commission to the person designated in the registration statement as being authorized to receive service and notice of orders and notices issued by the Commission relating to such registration statement. Such notice shall state the time and place of hearing and shall include a statement of the items in the registration statement by number or name which appear to be incomplete or inaccurate in any material respect, or to include any untrue statement of a material fact, or to omit a statement of any material fact required to be stated therein or necessary to make the statement therein not misleading. Such notice shall be given either by personal service or by confirmed telegraphic notice a reasonable time in advance of the hearing. The personal notice or the confirmation of telegraphic notice shall be accompanied by a short and simple statement of the matters and items specified to be considered and determined.

RULE IV

AMENDMENTS

(*a*) Whenever a hearing is ordered by the Commission in any proceeding pursuant to Section 8 of the Securities Act of 1933, as amended, and items in the registration statement which appear to be incomplete or inaccurate in any material respect, or to include any untrue statement of a material fact, or to omit a statement of any material fact required to be stated therein or necessary to make the statements therein not misleading, are not particularly specified in the notice, such items shall be so specified by amendment to the notice prior to the taking of testimony in regard to such items. The trial examiner may grant or deny a motion for such amendment. Such motions shall be in writing, and may be filed with the trial examiner at any time prior to the termination of the hearing. On request of the registrant the trial examiner, after granting such motion, shall grant a reasonable time within which the registrant may familiarize himself with such matters before taking testimony in regard to such items.

(*b*) In any other proceeding instituted by the Commission, amendment may be allowed to the order, rule to show cause or other moving papers, by the Commission on application to it, or by it upon its own motion.

(*c*) When issues not raised by the pleading of a party or the Commission's statement of matters to be considered and determined are tried by express or implied consent of the parties, they may be treated in all respects as if they had been raised in the pleadings.

RULE V

HEARINGS FOR THE PURPOSE OF TAKING EVIDENCE

(*a*) Hearings for the purpose of taking evidence shall be held as ordered by the Commission.

(*b*) All such hearings shall be held before the Commission, one or more of its members, or a duly designated officer, herein referred to as the trial examiner, and all such hearings, except hearings pursuant to the provisions of Clause 30 of Schedule A of the Securities Act of 1933, as amended, or Section 24 (b) of the Securities Exchange Act of 1934, as amended, or Section 22 (b) of the Public Utility Holding Company Act of 1935, shall be public unless otherwise ordered by the Commission.

(*c*) Hearings for the purpose of taking evidence shall be stenographically reported and a transcript thereof shall be made which shall be a part of the record of the proceeding. Transcripts of public hearings will be supplied by the official reporter at the prescribed

rates. Transcripts of private hearings will be supplied at the prescribed rates to the parties.

(*d*) Objections to the admission or exclusion of evidence before the Commission or trial examiner shall be in short form, stating the grounds of objections relied upon, and the transcript shall not include argument or debate thereon except as ordered by the Commission or the trial examiner. Exception to any such ruling must be noted before the trial examiner in order to be urged before the Commission. Rulings by the Commission or trial examiner on such objections shall be a part of the transcript.

(*e*) In any proceeding the Commission or the trial examiner may call for the production of further evidence upon any issue, and, upon notice to all parties, may reopen any hearing at any time prior to the Commission's order disposing of such proceeding.

(*f*) Subpoenas requiring the attendance of witnesses from any place in the United States at any designated place of hearing may be issued by any member of the Commission or any officer designated by it for that purpose in connection with any hearing ordered by the Commission, upon written application therefor.

(*g*) Subpoenas for the production of documentary evidence will issue only upon application in writing, which must specify, as nearly as may be, the documents desired and the facts to be proved by them, in sufficient detail to indicate the materiality and relevance of the documents desired.

(*h*) Witnesses summoned before the Commission shall be paid the same fees and mileage that are paid to witnesses in the courts of the United States, and witnesses whose depositions are taken and the persons taking the same shall severally be entitled to the same fees as are paid for like services in the courts of the United States. Witness fees and mileage shall be paid by the party at whose instance the witnesses appear.

(*i*) In proceedings pursuant to the provisions of Clause 30 of Schedule A of the Securities Act of 1933, as amended, or Section 24 (b) of the Securities Exchange Act of 1934, as amended, or Section 22 (b) of the Public Utility Holding Company Act of 1935, if a hearing for the purpose of taking testimony is requested, the Commission may in its discretion, prior to the hearing, require the registrant to furnish in writing additional information in respect of its grounds of objection. Failure to supply the information so requested within 15 days from the date of receipt by the registrant of a notice of the information required, shall be deemed a waiver of the objections to public disclosure of that portion of the information filed confidentially with respect to which the additional information required by the Commission relates, unless the Commission shall otherwise order for good cause shown at or before the expiration of such fifteen-day period.

RULE VI

MOTIONS

(*a*) Motions in any proceeding before a trial examiner which relate to the introduction or striking of evidence, or motions before a trial examiner in any proceeding pursuant to Section 8 of the Securities Act of 1933, as amended, which relate to amendment of the notice of hearing to include additional items of the registration statement as provided in Rule IV (a), may be ruled on by the trial examiner. All other motions shall be ruled on by the Commission.

(*b*) Motions or similar pleadings calling for determination by the Commission shall be filed with the Secretary or other duly designated officer of the Commission in writing, provided that motions or similar pleadings calling for determination by the Commission but made in the course of a hearing, may be filed with the trial examiner in writing, who shall refer such motion to the Commission. Any such motion or similar pleading shall be accompanied by a written brief of the points and authorities relied upon in support of the same. Any party or counsel to the Commission may file a reply brief within 5 days after service upon him of such motion or other pleading as provided in Rule XIV, unless otherwise ordered by the Commission. Motions and similar pleadings will be considered on the briefs filed following the time for filing the reply brief, unless otherwise ordered by the Commission. No oral argument will be heard on such matters unless the Commission so directs.

RULE VII

EXTENSIONS OF TIME—CONTINUANCES AND ADJOURNMENTS

Except as otherwise expressly provided by law, the Commission for cause shown may extend any time limits prescribed by these rules for filing any papers, and may continue or adjourn any hearing. A hearing before a trial examiner shall begin at the time and place ordered by the Commission, but thereafter may be successively adjourned to such time and place as may be ordered by the Commission or by the trial examiner.

RULE VIII

DEPOSITIONS

(*a*) The Commission may, for cause shown, order testimony to be taken by deposition.

(*b*) If any party or counsel to the Commission desires to take a deposition he shall make application in writing, setting forth the reasons why such deposition should be taken, the name and residence of the witness, the matters concerning which it is expected the witness will testify, and the time and place proposed for the taking of the

deposition. Thereupon the Commission may, in its discretion, issue an order which will name the witness whose deposition is to be taken and specify the time when, the place where, and the designated officer before whom the witness is to testify. Such order shall be served upon all parties and counsel to the Commission by the Secretary, or other duly designated officer of the Commission, a reasonable time in advance of the time fixed for taking testimony.

(*c*) Witnesses whose testimony is taken by deposition shall be sworn or shall affirm before any questions are put to them. Each question propounded shall be recorded and the answers shall be taken down in the words of the witness.

(*d*) Objections to questions or evidence shall be in short form, stating the grounds of objection relied upon, but no transcript filed by the officer shall include argument or debate. Objections to questions or evidence shall be noted by the officer upon the deposition, but he shall not have power to decide on the competency or materiality or relevancy of evidence. Objections to questions or evidence not taken before the officer shall be deemed waived.

(*e*) The testimony shall be reduced to writing by the officer, or under his direction, after which the deposition shall be subscribed by the witness and certified in usual form by the officer. The original deposition and exhibits shall be forwarded under seal to the Secretary of the Commission with such number of copies as may be requested by the Secretary of the Commission. Upon receipt thereof the Secretary shall file the original in the proceedings and shall forward a copy to each party or his attorney of record and to counsel to the Commission.

(*f*) Such depositions shall conform to the specifications of Rule XV.

(*g*) Any part of a deposition not received in evidence at a hearing before the Commission or a trial examiner shall not constitute a part of the record in such proceeding, unless the parties and counsel to the Commission shall so agree, or the Commission so orders.

(*h*) Depositions may also be taken and submitted on written interrogatories in substantially the same manner as depositions taken by oral examination. The interrogatories shall be filed with the application in triplicate, and copies thereof shall be served on all other parties and counsel to the Commission by the Secretary or other duly designated officer of the Commission. Within 5 days any other party or counsel to the Commission may file with the Secretary his objections, if any, to such interrogatories, and may file such cross-interrogatories as he desires to submit. Cross-interrogatories shall be filed in triplicate, and copies shall be served on all other parties and counsel to the Commission, who shall have 3 days thereafter to file their objections, if any, to such cross-interrogatories. Objections to interrogatories or cross-interrogatories shall be settled by the Commission or trial ex-

aminer. Objections to interrogatories shall be made before the order for taking the deposition issues and if not so made shall be deemed waived. When a deposition is taken upon written interrogatories and cross-interrogatories, neither any party nor counsel to the Commission shall be present or represented, and no person other than the witness, a stenographic reporter, and the officer shall be present at the examination of the witness, which fact shall be certified by the officer, who shall propound the interrogatories and cross-interrogatories to the witness in their order and reduce the testimony to writing in the witness' own words.

RULE IX

TRIAL EXAMINER'S REPORT

(*a*) Following any hearing before a trial examiner, except hearings in proceedings pursuant to the provisions of Clause 30 of Schedule A of the Securities Act of 1933, as amended, or Section 24 (b) of the Securities Exchange Act of 1934, as amended, or Section 22 (b) of the Public Utility Holding Company Act of 1935, the transcript of the testimony shall forthwith be filed with the Secretary of the Commission. Following any hearing before a trial examiner in the excepted cases, the transcript of the testimony shall forthwith be filed with the Chairman of the Commission.

(*b*) Following any hearing before a trial examiner other than (1) a hearing under the Public Utility Holding Company Act of 1935, or (2) a hearing on the question of postponement of the effective date of registration of a broker or dealer under Section 15 (b) of the Securities Exchange Act of 1934, as amended, pending final determination whether such registration shall be denied, or (3) a hearing pursuant to the provisions of Clause 30 of Schedule A of the Securities Act of 1933, as amended, or Section 24 (b) of the Securities Exchange Act of 1934, as amended, the trial examiner shall, within 10 days after service upon him by the Secretary or other duly designated officer of the Commission of a copy of the transcript of the testimony, file with the Secretary of the Commission his report containing his findings of fact.

(*c*) Such report shall be advisory only, and the findings of fact therein contained shall not be binding upon the Commission. The initial page of the report shall contain a statement to such effect. In any proceeding in which, under the provisions of Rule XIII (b) of the Rules of Practice of the Commission, the report is first to be made available to the public on the opening date of public argument on the merits before the Commission, or in the event of submission to the Commission without argument, upon final determination of such proceeding, or pursuant to an order of the Commission, the initial page of the report shall also contain a statement to the effect that the

report is confidential, shall not be made public and is for the use only of the Commission, the respondent or respondents and counsel, but copies of the report issued after it is made available to the public may omit such statement.

(*d*) A copy of such report shall be forthwith served on each party and on counsel to the Commission by the Secretary or other duly designated officer of the Commission.

(*e*) Within 5 days after the receipt of a copy of the transcript of the testimony, if promptly at the conclusion of the hearing he has ordered a copy thereof, or if he has not ordered a copy, within 5 days after the filing of the transcript of the testimony with the duly designated officer of the Commission, any party or counsel to the Commission may submit to the presiding officer, or, in the case of a hearing before a trial examiner in respect of which no trial examiner's report is required to be submitted, to the officer designated in paragraph (a) of this Rule as the person with whom transcripts of testimony are to be filed, a statement in writing in terse outline setting forth such party's request for specific findings, which may be accompanied by a brief in support thereof. A copy of such request and brief in support thereof shall be served upon each party and upon counsel to the Commission as provided in Rule XIV in the case of a hearing before a trial examiner in respect of which no trial examiner's report is required to be submitted. A copy of such request and brief in support thereof shall be served upon each party and upon counsel to the Commission by the presiding officer in the case of a hearing in which a trial examiner's report is to be submitted in which event the trial examiner shall immediately certify the facts concerning such service, including the dates thereof to the Secretary of the Commission. In all cases where such requests and briefs in support thereof are served upon each party and upon counsel to the Commission by the trial examiner the provisions of Rule XIII (*d*) shall not be applicable. This paragraph shall not apply to any proceeding on the question of postponement of the effective date of registration of a broker or dealer under Section 15 (b) of the Securities Exchange Act of 1934, as amended, pending final determination whether such registration shall be denied.

(*f*) All requests for specific findings filed pursuant to paragraph (*e*) of this rule shall be a part of the record.

RULE X

EXCEPTIONS

(*a*) Within 5 days after receipt of a copy of the trial examiner's report, any party or counsel to the Commission may file exceptions to the findings of the trial examiner or to his failure to make findings, or to the admission or exclusion of evidence. A copy of such excep-

tions shall be forthwith served on each party and on counsel to the Commission by the Secretary or other duly designated officer of the Commission. Exceptions shall be argued only at the final hearing on the merits before the Commission.

(*b*) Objections to the findings of the trial examiner or to his failure to make findings not saved by exception filed pursuant to this rule will be deemed to have been abandoned and may be disregarded. Objections to the admission or exclusion of evidence not saved by exception at the time of the hearing for the purpose of taking evidence and included in the exceptions filed pursuant to this rule will be deemed to have been abandoned and may be disregarded.

RULE XI

BRIEFS

(*a*) Any party to a proceeding or counsel to the Commission may file a brief in support of his contentions and exceptions within 15 days from the date of service on such party or on counsel to the Commission of a copy of the trial examiner's report. In a case where no trial examiner's report is to be filed and a request for specific findings is filed by a party to the proceeding or counsel to the Commission, any party to the proceeding or counsel to the Commission may file a brief in support of his contentions and exceptions within 15 days of the filing as provided in paragraph (*e*) of Rule IX hereof by such party or counsel to the Commission of such request for specific findings, or within 15 days from the date of service on such party or on counsel to the Commission of a copy of such request for specific findings. In a case where no trial examiner's report is to be filed and where no request for specific findings is filed, any party to a proceeding or counsel to the Commission may file a brief in support of his contentions and exceptions within 15 days from the date when the transcript of testimony is filed with the Secretary or other duly designated officer of the Commission.

(*b*) All briefs shall be confined to the particular matters in issue. Each exception or request for findings which is briefed shall be supported by a concise argument and by citation of such statutes, decisions and other authorities and by page references to such portions of the record, as may be relevant. If the exception relates to the admission or exclusion of evidence, the substance of the evidence admitted or excluded shall be set forth in the brief with appropriate references to the transcript. Reply briefs shall be confined to matters in original briefs of opposing parties. Reply briefs in proceedings held pursuant to the provisions of Clause 30 of Schedule A of the Securities Act of 1933, as amended, or Section 24 (b) of the Securities Exchange Act of 1934, as amended, or Section 22 (b) of the Public

Utility Holding Company Act of 1935, will be received only by special permission of the Commission. Any scandalous or impertinent matter contained in any brief may be stricken on order of the Commission.

(*c*) Exceptions and, in cases where no trial examiner's report is to be filed, requests for specific findings not briefed in accordance with Rule XI may be regarded by the Commission as waived.

(*d*) All briefs, including briefs filed pursuant to Rule VI, containing more than 10 pages shall include an index and table of cases. The date of each brief must appear on its front cover or title page. If briefs are typewritten or mimeographed, 10 copies shall be filed; if printed, 20 copies, provided that only 7 copies of briefs in proceedings held pursuant to the provisions of Clause 30 of Schedule A of the Securities Act of 1933, as amended, or Section 24 (b) of the Securities Exchange Act of 1934, as amended, or Section 22 (b) of the Public Utility Holding Company Act of 1935, need be filed in any instance. No brief shall exceed 60 pages in length, except with the permission of the Commission.

(*e*) Copies of briefs shall be served by the Secretary or other duly designated officer of the Commission on the parties to the proceeding and on counsel to the Commission, and reply briefs may be filed within 5 days thereafter. Such reply briefs as are authorized by the Commission in proceedings held pursuant to the provisions of Clause 30 of Schedule A of the Securities Act of 1933, as amended, or Section 24 (b) of the Securities Exchange Act of 1934, as amended, or Section 22 (b) of the Public Utility Holding Company Act of 1935, shall be filed within 5 days after such authorization.

(*f*) Briefs not filed on or before the time fixed in these rules will be received only upon special permission of the Commission.

(*g*) Without regard to the foregoing provisions of this rule with respect to filing of briefs, in the event an application is submitted to the Commission for final determination pursuant to paragraph (*e*) of Rule X-24B-2 under the Securities Exchange Act of 1934, as amended, or paragraph (*c*) of Rule U-22B-1 under the Public Utility Holding Company Act of 1935, either party or counsel to the Commission may file a brief in support of his contentions within 15 days from the time of such submission. In such proceeding, reply briefs will be received only upon special permission of the Commission.

(*h*) This rule shall not apply to any proceeding on the question of postponement of the effective date of registration of a broker or dealer under Section 15 (b) of the Securities Exchange Act of 1934, as amended, pending final determination whether such registration shall be denied and in any such proceeding neither any party nor counsel to the Commission shall be entitled to file a brief.

RULE XII

HEARING BEFORE THE COMMISSION

(*a*) Upon written request of any party or of counsel to the Commission, which must be made within the time provided for filing the original briefs or, in the case of a proceeding on the question of postponement of the effective date of registration of a broker or dealer under Section 15 (b) of the Securities Exchange Act of 1934, as amended, pending final determination whether such registration shall be denied, before the close of the hearing for the purpose of taking evidence, the matter will be set down for oral argument before the Commission; provided that, except upon order of the Commission, neither any party nor counsel to the Commission will be permitted to make oral argument before the Commission on matters arising out of proceedings pursuant to the provisions of Clause 30 of Schedule A of the Securities Act of 1933, as amended, or Section 24 (b) of the Securities Exchange Act of 1934, as amended, or Section 22 (b) of the Public Utility Holding Company Act of 1935.

(*b*) In a case where no trial examiner's report is made, the Commission shall determine the matter on the moving papers, the transcript of the testimony and exhibits received at the hearing, requests for specific findings, if any, the briefs of the parties and counsel to the Commission, if any, and oral argument before the Commission, if any.

(*c*) The Commission, upon its own motion or upon application in writing by any party or counsel to the Commission for leave to adduce additional evidence which application shall show to the satisfaction of the Commission that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence at the hearing before the Commission or the trial examiner, may hear such additional evidence or may refer the proceeding to the trial examiner for the taking of such additional evidence.

(*d*) Any petition for rehearing by the Commission shall be filed within 5 days after issuance of the order complained of and shall clearly state the specific grounds and the specific matters upon which rehearing is sought.

RULE XIII

FILING PAPERS—DOCKET—COMPUTATION OF TIME

(*a*) All reports, exceptions, briefs, and other papers required to be filed with the Commission in any proceeding shall be filed with the Secretary, except that all papers containing data as to which confidential treatment is sought pursuant to Rules 580, X-24B-2 or U-22B-1 of the Rules and Regulations of the Commission, together with applications making objection to the disclosure thereof, shall

be filed with the Chairman. Any such papers may be sent by mail or express to the officer with whom they are directed to be filed, but must be received by such officer at the office of the Commission in Washington, D. C., within the time limit, if any, for such filing.

(*b*) All papers containing data as to which confidential treatment is sought pursuant to Rules 580, X-24B-2, or U-22B-1 of the Rules and Regulations of the Commission, together with any application making objection to the disclosure thereof, or other papers relating in any way to such application, shall be made available to the public only in accordance with the applicable provisions of Rules 580 (h), X-24B-2 (i) or U-22B-1. The report of the trial examiner, exceptions thereto, requests for findings, and briefs in support of such requests or in support of or in opposition to such exceptions, which are filed in connection with any hearing shall, unless otherwise ordered by the Commission, first be made available to the public on the opening date of public argument on the merits before the Commission, or, in the event of submission to the Commission without argument, upon final determination of the proceeding by the Commission, and prior thereto shall be for the confidential use only of the Commission, the respondent or respondents and counsel.

(*c*) The Secretary shall maintain a docket of all proceedings, and each proceeding shall be assigned a number.

(*d*) Wherever under these rules, unless otherwise expressly provided, any limitation is made as to the time within which any reports, exceptions, briefs, or other papers are required to be filed with the Commission in any proceeding, trial examiners and parties who are residents of the following states: Montana, Idaho, Wyoming, Colorado, New Mexico, Utah, Arizona, Nevada, Washington, Oregon and California, shall have an additional period of 5 days; and trial examiners and parties who reside beyond the confines of the continental United States shall have an additional period of 20 days within which to file such reports, exceptions, briefs, and other papers. For the purposes of this rule the person upon whom service is made by the Commission is the party whose residence shall determine whether the additional time provided herein shall be granted.

(*e*) In computing any period of time prescribed or allowed by these rules or by order of the Commission, the day of the act, event, or default after which the designated period of time begins to run is not to be included. The last day of the period so computed is to be included, unless it is a Sunday or a legal holiday in the District of Columbia, in which event the period runs until the end of the next day which is neither a Sunday nor a holiday. Intermediate Sundays and holidays shall be included in the computation. A half-holiday shall be considered as other days and not as a holiday.

(*f*) Unless otherwise specifically provided in these rules, an original and 8 copies of all papers shall be filed, unless the same be printed, in which case 20 copies shall be filed.

RULE XIV

SERVICE OF REPORTS, EXCEPTIONS, BRIEFS, AND OTHER PAPERS

(*a*) All reports, exceptions, briefs, requests for specific findings, or other documents or papers required by these rules to be served on any party to a proceeding, or on counsel to the Commission, shall be served by the Secretary or other duly designated officer of the Commission, provided that such papers concerning applications for confidential treatment pursuant to the provisions of Clause 30 of Schedule A of the Securities Act of 1933, as amended, or Section 24 (b) of the Securities Exchange Act of 1934, as amended, or Section 22 (b) of the Public Utility Holding Company Act of 1935, shall be served by the Chairman.

(*b*) Subject to the provisions of Rule III (a) hereof, such service, except on counsel to the Commission, shall be made by personal service on the party or his attorney of record or by registered mail addressed to the party or his attorney of record.

RULE XV

FORMAL REQUIREMENTS AS TO PAPERS FILED IN PROCEEDINGS

(*a*) All papers filed under these rules shall be typewritten, mimeographed, or printed, shall be plainly legible, shall be on one grade of good unglazed white paper approximately 8 inches wide and 10½ inches long, with left-hand margin 1½ inches wide, and shall be bound at the upper left-hand corner. They shall be double-spaced, except that quotations shall be single-spaced and indented. If printed, they shall be in either 10- or 12-point type with double-leaded text and single-leaded quotations.

(*b*) All papers must be signed in ink by the party filing the same, or his duly authorized agent or attorney, or counsel to the Commission, and must show the address of the signer.

(*c*) All papers filed must include at the head thereof, or on a title page, the name of the Commission, the names of the parties, and the subject of the particular paper or pleading, and the docket number assigned to the proceeding.

RULE XVI

SIGNATURE OF COMMISSION ORDERS

All orders of the Commission shall be signed by the Secretary or such other person as may be authorized by the Commission.

RULE XVII

INTERVENTION

(*a*) Any interested representative, agency, authority, or instrumentality of the United States, and any interested State, State commission, State securities commission, municipality, or other political subdivision of a State, shall be permitted to intervene in any proceeding upon written request. Any other person may be permitted to intervene in any proceeding upon written application to the Commission showing that he possesses or represents a legitimate interest which is or may be inadequately represented in such proceeding, but no person will be permitted to intervene if after examination the Commission finds that, for any reason (including the existence of undesirable conflicts in the interests possessed or represented by the applicant), his participation in the proceeding would not be in the public interest, or for the protection of investors, or, in a proceeding under the Public Utility Holding Company Act of 1935, for the protection of consumers. Intervention shall be subject to such terms and conditions as the Commission may prescribe, which may include a requirement that the applicant divest himself of specified interests which might conflict with the interests upon which his intervention is based.

(*b*) Any person filing an application to intervene shall file therewith an affidavit setting forth in detail his interest or the interest to be represented by him in the proceedings, and stating whether the position which he may propose to take with respect to the pending matter is one already taken by any other party to the proceedings. In the case of a person desiring to intervene in a representative capacity, his affidavit in addition (1) shall state all relevant material facts bearing upon the existence of any interest of the applicant or of any person represented by him which may conflict with the interests of any other person represented by him, including all affiliations of the applicant or of any person represented by him with any other party to the proceedings; (2) if requested by the Commission shall state the names and addresses of the persons represented; and (3) shall be accompanied by copies of all circulars, other general literature, and forms of authorization used or intended to be used by the applicant.

(*c*) Upon request by any party or by counsel for the Commission, the trial examiner or the Commission may for good cause shown order the applicant to submit himself for examination with respect to his application.

RULE XVIII

CONSOLIDATION

By order of the Commission, or upon agreement between the parties and counsel to the Commission, proceedings involving a common question of law or fact may be joined for hearing of any or all the matters in issue in such proceedings and such proceedings may be consolidated; and the Commission may make such orders concerning the conduct of such proceedings as may tend to avoid unnecessary costs or delay.

RULE XIX

NONAPPLICABILITY OF RULES TO INVESTIGATIONS

These rules, other than Rule II, shall not be applicable to investigations conducted by the Commission pursuant to Sections 8 (e), 19 (b), and 20 (a) of the Securities Act of 1933, as amended, Sections 21 (a) and 21 (b) of the Securities Exchange Act of 1934, as amended, or Sections 11 (a), 13 (g), 18 (a), 18 (b), 18 (e) and 30 of the Public Utility Holding Company Act of 1935.

APPENDIX II

GUIDES TO FORMS [1]

GUIDE TO FORMS ADOPTED UNDER THE SECURITIES ACT OF 1933

For Registration Statements

FORM A-1—GENERAL FORM

(*a*) *General Rule.*—This form is to be used for registration under the Securities Act of 1933, as amended, of all securities for the registration of which no other form is specifically prescribed.

(*b*) *Special Rule.*—Notwithstanding the Rules for the Use of Form A-2 for Corporations, Form A-1 may be used by any incorporated investment trust for registration under the Securities Act of 1933, as amended, of an additional block of securities of a class, part of which has previously been registered on Form A-1.

FORM A-O-1 FOR SECURITIES OF CORPORATIONS ORGANIZED WITHIN 2 YEARS TO ENGAGE IN THE EXPLOITATION OF MINERAL DEPOSITS (OTHER THAN OIL OR GAS)

This form is to be used for registration under the Securities Act of 1933 of securities of any corporation organized within 2 years prior to the date of filing the registration statement to engage primarily in the exploitation of mineral deposits (other than oil or gas) if such securities are to be sold to the public for cash or purchasers' obligations to pay cash.

This form shall not be used, however, by any corporation which (*a*) has any subsidiary, or (*b*) was organized to take over and continue the business of another person or persons, unless such other persons were organized within such 2 years.

FORM A-2—FOR CORPORATIONS

This form is to be used for registration statements, except such statements as to which a special form is specifically prescribed, under the Securities Act of 1933, as amended, by any corporation which files profit and loss statements for 3 years and which meets either one of the following conditions: (*a*) Such corporation has made annually

[1] These guides are designed to aid in the selection of appropriate forms, and are revised from time to time as circumstances require. Copies of the forms herein referred to will be furnished without charge upon request.

available to its security holders, for at least 10 years, financial reports (which may be reports consolidating the reports of the corporation and its subsidiaries) including at least a balance sheet and a profit-and-loss or income statement, or (*b*) such corporation had a net income for any 2 fiscal years of the 5 fiscal years preceding the date of the latest balance sheet filed with the registration statement. If such corporation has subsidiaries, such income shall be determined on the basis of consolidated reports for such corporation and its subsidiaries. Notwithstanding what is hereinabove prescribed in this paragraph, however, this form shall not be used by any corporation organized within 10 years, if the majority of the capital stock thereof was issued to promoters of the corporation in consideration of property or services, or if more than one-half of the proceeds of the sale of securities of such corporation has been used to purchase property acquired by the corporation from the promoters of the corporation.

This form may also be used for registration statements (except such statements as to which a special form is specifically prescribed) by a corporation organized for the purpose of distributing to its stockholders only, water, electricity, or gas, and prohibited from paying any dividends to its stockholders except upon its dissolution or liquidation, provided that:

1. The corporation has been in existence at least 15 years prior to the date of the filing of the registration statement;

2. There has been no default by the corporation upon any of its funded indebtedness within the period of 15 years prior to the date of the filing of the registration statement;

3. The registrant will have a total indebtedness, upon the issuance of the securities registered, not exceeding 50 percent of the amount, less valuation reserves, at which the total assets of the registrant are carried on the latest balance sheet of the registrant filed with the registration statement, giving effect to the proceeds of the securities registered; and

4. Within the period of 10 years preceding the date of the filing of the registration statement, the corporation shall not have failed to levy and collect assessments in amounts sufficient to meet all current charges.

SPECIAL RULES AS TO THE USE OF FORM A–2 FOR CORPORATIONS

1. Notwithstanding that Form E–1 is specifically prescribed for use in cases involving an exchange of securities by the issuer thereof for others of its securities or a modification of the terms of securities by agreement between the issuer and its security holders, a registrant otherwise entitled to use Form A–2 may, at its option, use Form A–2 in any such case if the registrant is not in reorganization pursuant to Section 77B of the Bankruptcy Act or in bankruptcy or

receivership and if no default exists on any outstanding funded debt (other than a default in sinking fund payments which has been waived by the holders of at least 80 percent in principal amount of the issue outstanding). If Form A–2 is used pursuant to this Rule, the fee payable for registration shall be calculated in accordance with Instruction 7 in Form E–1, and the table setting forth the calculation shall be prepared as prescribed in such Form.

2. Form A–2 may be used by a registrant if all the following conditions exist:

(*a*) The registrant was organized as the successor to a single predecessor, or to a group of predecessors one of which, at the time of succession, directly or indirectly owned substantially all of the outstanding stock of all the other predecessors;

(*b*) The registrant acquired all of the assets and assumed all of the liabilities of such predecessor or predecessors, and the capital structure of the registrant immediately following the succession was substantially the same as the capital structure of the single predecessor, or as the consolidated capital structure of the group of predecessors, except for such changes as may have resulted from the substitution of issuers incident to the succession or from changes in capital stock liability per share; and

(*c*) The single predecessor, or the parent company in a group of predecessors, could have used Form A–2 if the succession had not taken place.

In determining whether such single predecessor or such parent company in a group of predecessors could have used Form A–2, the record of the registrant in regard to income or annual reporting to security holders shall be considered a continuation of the record of such single predecessor or such parent company. In the case of a group of predecessor companies, the income of the parent company of the group shall be determined on the basis of consolidated reports for such parent company and its subsidiaries, the subsidiaries to be included in the consolidated reports whether or not they were combined with the parent company to form the registrant.

3. Notwithstanding the provisions of the last sentence of the rule for the use of Form A–2 for Corporations, that form may be used by a corporation otherwise entitled to use the form, if the property acquired from promoters under the circumstances stated in such last sentence consisted principally of one or more going businesses, or of securities representing directly or indirectly more than 50 percent of the voting power controlling such businesses.

4. Notwithstanding the rules as to the use of Form E–1, or the rule as to the use of Form A–2 for Corporations, Form A–2 may be used in the situation described below for registration statements, except those for which a special form (other than Form E–1) is specifically prescribed, by corporations which file profit and loss statements of their own or of their predecessors for 3 years and which, or the predecessors of which, have in the past 15 years paid dividends upon any class of common stock for at least 2 consecutive years.

The situation in which Form A–2 may thus be used is that of registration of securities issued or sold in the course of a "reorganization," as defined in Rule 5 (1) as to the use of Form E–1, where the only operation which brings the transaction within the definition is the acquisition of assets of a subsidiary by the registrant in consideration of securities of the registrant, or the exchange of securities of the registrant for outstanding securities of a subsidiary.[2]

5. Any corporation which was formed by the consolidation of two or more corporations may use Form A–2, if each of the constituent corporations which collectively brought in a majority of the assets, as shown by the books of the constituent corporations prior to the consolidation, could have used Form A–2 if the consolidation had not taken place. In determining whether any such constituent corporation could have used Form A–2, the record of the registrant in regard to income or annual reporting to security holders shall be considered a continuation of such constituent corporation's record. In this rule, all the corporations consolidated to form the registrant are called the "constituent corporations."

6. Form A–2 may be used by a registrant if all the following conditions exist:

(*a*) The registrant was a wholly owned subsidiary of a corporation which, either alone or with one or more of its other wholly owned subsidiaries, was merged into the registrant;

(*b*) The registrant acquired all the assets and assumed all the liabilities of the corporations merged into it; and

(*c*) The parent corporation could have used Form A–2 had the merger not taken place. In determining whether such parent corporation could have used Form A–2, the record of the registrant subsequent to the merger, in regard to income or annual reporting to security holders, shall be considered a continuation of the record of such parent corporation.

7. Notwithstanding the provisions of clause (*b*) of the rule as to the use of Form A–2 for Corporations, this form may be used by a corporation which has had a net income for only 1 fiscal year of the 5 fiscal years preceding the date of the latest balance sheet filed with the registration statement, if—

(1) The corporation was organized at least 5 years prior to the date of filing;

(2) Total assets of the registrant and its subsidiaries after deducting valuation and qualifying reserves, amount to not more than $5,000,000, as shown by the most recent balance sheets filed with the registration statement; and

(3) The registrant is not an investment company, a bank holding company, or a small-loan or other finance company.

[2] Rule 5 (1) defining the term "reorganization" is set forth below under the caption "Form E–1 for Securities in Reorganization."

FORM A–R FOR CORPORATE BONDS SECURED BY MORTGAGE INSURED BY FEDERAL HOUSING ADMINISTRATION

This form is to be used for registration under the Securities Act of 1933, as amended, of corporate bonds constituting part of an issue secured by mortgage insured by Federal Housing Administration under the authority of Section 207 of the National Housing Act.

FORM C–1 FOR SECURITIES OF UNINCORPORATED INVESTMENT TRUSTS

This form is to be used for registration under the Securities Act of 1933, as amended, of securities of unincorporated investment trusts of the fixed or restricted management type, having a depositor or sponsor but not having a board of directors or persons performing similar functions.

FORM C–2 FOR CERTAIN TYPES OF CERTIFICATES OF INTEREST IN SECURITIES

This form is to be used for registration under the Securities Act of 1933 of certificates of interest in securities of a single class of a single issuer, if the following conditions exist:

(1) The major part of the certificates are to be sold to the public for cash;

(2) Under the terms of the deposit agreement the depositor (as defined below) has no rights or duties as depositor, subsequent to the deposit of the securities with the depositary;

(3) Under the terms of the deposit agreement the power to vote or give a consent with respect to the deposited securities may be exercised only by, or pursuant to the instructions of, the holders of the certificates of interest, except a power, if any, to vote to effect a split-up of deposited stock in such manner as to cause no change in the aggregate capital stock liability of the issuer of the deposited securities;

(4) The securities deposited by the depositor are registered under the Securities Act of 1933 in connection with the sale of the certificates of interest.

FORM C–3 FOR AMERICAN CERTIFICATES AGAINST FOREIGN ISSUES AND FOR THE UNDERLYING SECURITIES

This form shall be used for registration under the Securities Act of 1933 of American certificates (for example, so-called American depositary receipts for foreign shares or American participation certificates in foreign bonds or notes) issued against securities of foreign issuers deposited or to be deposited with an American depositary (whether physically held by such depositary in America or abroad) and of the foreign securities so deposited.

FORM D–1 FOR CERTIFICATES OF DEPOSIT

In registering certificates of deposit issued in anticipation of or in connection with a plan of reorganization or readjustment, Form

D–1 shall be used. If a plan of reorganization or readjustment is proposed at the time the call for deposits is to be made, parts I and II of Form D–1 should be filed at the same time. If no such plan is proposed at the time the call for deposits is to be made, part I may be filed alone, and part II must then be filed before the plan is submitted to the security holders or deposits are solicited under the plan. Part II is an amendment of part I and as such shall become effective on such date as the Commission may determine, having due regard to the public interest and the protection of investors.

In the event that a registrant is exempted from the necessity for filing part I, he may nevertheless file part II.

Before the issuance of the securities provided in the plan of readjustment or reorganization, Form E–1 is to be filed by the issuer of such securities, unless exempted from the necessity of such filing by the Act.

FORM D–1A FOR CERTIFICATES OF DEPOSIT ISSUED BY ISSUER OF SECURITIES CALLED FOR DEPOSIT

This form is to be used only where the issuer of the certificates of deposit is the original issuer of the securities called for deposit, and only if the certificates of deposit are issued in connection with a plan of reorganization or readjustment which involves the issue of new securities to the holders of certificates of deposit.

FORM E–1 FOR SECURITIES IN REORGANIZATION

This form is to be used to register securities (including contracts of guaranty but excepting voting trust certificates, certificates of deposit, and certificates of interest or shares in unincorporated investment trusts of the fixed or restricted management type not having a board of directors or a board of persons performing similar functions, but having a depositor or sponsor) sold or modified in the course of a reorganization.[3]

The "Rules and Instructions Accompanying Form E–1" contain the following definition of the term "reorganization":

5. As used in these rules and the accompanying instructions:

(1) The term "reorganization" includes any transaction involving:

(*a*) A readjustment by modification of the terms of securities by agreement; or

(*b*) A readjustment by the exchange of securities by the issuer thereof for others of its securities; or

(*c*) The exchange of securities by the issuer thereof for securities of another issuer; or

(*d*) The acquisition of assets of a person, directly or indirectly, partly or wholly, in consideration of securities distributed or to be distributed as part of the same transaction directly or indirectly to holders of securities issued by such person or secured by assets of such person; or

(*e*) A merger or consolidation.

[3] Attention is called to the rules as to the use of Form A–2 which permit the use of that form in certain instances for securities in reorganization.

FORM F-1 FOR VOTING TRUST CERTIFICATES

This form is to be used to register voting trust certificates issued in the course of a reorganization or otherwise.

FORM G-1 FOR FRACTIONAL UNDIVIDED OIL AND GAS ROYALTY INTERESTS [4]

Form G-1 is to be used to register fractional undivided producing oil and gas royalty interests.

As used in the foregoing paragraph, the term "producing royalty interest" means any royalty interest in a tract of land from which oil or gas was being produced in commercial quantities within 7 days prior to the filing of the registration statement and from which production of oil or gas had not permanently ceased, to the knowledge of the issuer, on the date on which the statement became effective.

FORM G-2 FOR FRACTIONAL UNDIVIDED NONPRODUCING OIL AND GAS ROYALTY INTERESTS [4]

Form G-2 is to be used to register fractional undivided nonproducing oil and gas royalty interests.

As used in the foregoing paragraph, the term "nonproducing royalty interest" means any royalty interest not included in the definition of "producing royalty interest" above.[5]

INFORMATION AND DOCUMENTS REQUIRED FOR EXEMPTION OF CERTAIN SECURITIES UNDER SECTION 3 (b) OF THE ACT

Certain issues of securities having an aggregate offering price to the public not exceeding $100,000 are exempted from the registration provisions of the Act by regulations of the Commission pursuant to Section 3 (b) of the Act upon compliance with certain conditions provided in the regulations. The pertinent regulations are available without charge upon request.

FORM 1-G FOR REPORT OF SALE OF OIL OR GAS RIGHT

This form is to be used for reports of sales of oil or gas rights, required by Rule 320.

FORM 2-G FOR REPORT OF SALE OF OIL OR GAS RIGHT

This form is to be used for reports of sales of oil or gas rights, required by Rule 322.

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[4] The Commission adopted Form S-10, effective November 27, 1939, to be used for registration of all types of oil or gas interests and repealed Forms G-1 and G-2. However, any registration statement filed with the Commission prior to January 15, 1940, may be filed on such form as would have been appropriate for use prior to the adoption of Form S-10.

[5] Form A-1 should be used for overriding royalties and working interests, as distinct from landowners' royalties, for which Forms G-1 and G-2 are appropriate. In the case of overriding royalties or working interests, however, the information specified by Form G-1 or G-2 should be added to the statement on Form A-1 by way of supplemental material.

GUIDE TO FORMS ADOPTED UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR REGISTRATION OR EXEMPTION OF A NATIONAL SECURITIES EXCHANGE

Form 1. Application for registration or exemption from registration as a National Securities Exchange.—This form shall be filed in connection with the applications of securities exchanges for registration or exemption from registration.

Form 9. Amendatory and/or supplementary statement to registration statement filed by an exchange.—This form shall be used for filing amendatory and/or supplementary statements to registration statements of national securities exchanges.

Form 9–A. Amendatory and/or supplementary statement to application for exemption from registration filed by an exchange.—This form shall be used for filing amendatory and/or supplementary statements to applications for exemption from registration as national securities exchanges.

FOR APPLICATIONS FOR REGISTRATION OF SECURITIES ON NATIONAL SECURITIES EXCHANGES

Form 7. For provisional applications.—Where the form for permanent registration of any particular class of security has not yet been authorized, and for a period of 90 days after the filing of applications on such form is authorized, a provisional application for registration of a security of such class may be filed on Form 7 pursuant to Rule X–12B–2. (Rule X–12B–2 sets forth the requirements of an application filed on Form 7.)

Form 8. For amendments to applications for registration or amendments to annual reports.—This form shall be used for amendments to applications for registration of securities pursuant to Section 12 (b) and (c) of the Securities Exchange Act of 1934 or amendments to annual reports pursuant to Section 13 of that Act.

Form 8–A. For additional securities.—This form shall be used for applications for registration of securities on an exchange on which other securities of the registrant, whether of the same or a different class, are registered pursuant to Section 12 (b) and (c) of the Act if Form 10, 11, 13, 15, 17, 22, or 23 would be the form appropriate for registration in case the registrant did not have securities so previously registered: *Provided,* That if Form 22 or 23 would be appropriate for original registration, this form shall be used only if securities of the registrant issued pursuant to the plan of reorganization or succession

by reason of which Form 22 or 23 would be appropriate for original registration have been registered on such exchange pursuant to an application on such form.

Form 8–B. For securities issued in certain cases upon the registrant's succession to an issuer or issuers of previously registered securities.—This form shall be used by an issuer, not having securities previously registered, for applications filed on and after March 12, 1936, for the registration of securities, if the conditions set forth in the following paragraphs (*a*), (*b*), (*c*), and (*d*) exist:

(*a*) (1) The registrant, having no assets at the time other than nominal assets, succeeded to a single predecessor which had securities registered pursuant to Section 12 (b) and (c) of the Act on the exchange or exchanges on which registration is applied for on this form; or

(2) The registrant was organized as the successor to, or, having no assets at the time other than nominal assets, succeeded to, a group of predecessors consisting of a parent which had securities so registered and one or more wholly owned subsidiaries of such parent; or

(3) The registrant was a wholly owned subsidiary of a corporation having securities so registered, which corporation, either alone or with one or more of its other wholly owned subsidiaries, was merged into the registrant.

(*b*) Substantially all of the securities to be registered on this form were or are to be issued in exchange for or otherwise in respect of previously registered securities of one or more of the predecessors, or are securities which, having been previously registered, have become or are to become securities of the registrant by operation of law or otherwise upon the succession.

(*c*) The registrant acquired all the assets and assumed all the liabilities of its predecessor or predecessors.

(*d*) Except for such changes as may have resulted (1) from the substitution of issuers incident to the succession, or (2) from changes in capital stock liability per share, or (3) from the issuance of securities in satisfaction of dividends or interest in arrears on securities of predecessors, the capital structure of the registrant immediately following the succession was substantially the same as the capital structure of the single predecessor or the combined capital structure of the predecessors, or in a case falling within paragraph (*a*) (3) above, the combined capital structure of all the constituent corporations.

The term "wholly owned subsidiary" as used in this rule refers to a subsidiary substantially all the outstanding stock of which is held, directly or indirectly, by a single parent.

Form 8–C. For registration on an additional exchange.—This form may be used for applications for registration of securities on an exchange upon which no securities of the registrant are listed and registered, if securities of the registrant are registered pursuant to Section 12 (b), (c), and (d) on another exchange.

Form 10. For corporations.—This form shall be used for applications for the permanent registration of securities of corporations, filed on and after February 13, 1935, except the following: Securities of companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, or Section 220 of the Motor Carrier Act, 1935, or under Section 219 of the Communications Act of 1934; certificates of deposit; American certificates against foreign issues, either government or corporate; securities of insurance companies, other than companies engaged primarily in the title insurance business; securities of banks and bank holding companies; securities of investment trusts; securities issued by any corporation organized under the laws of any foreign country other than a North American country or Cuba; bonds issued by any corporation organized under the laws of a North American country or Cuba, which are guaranteed by any foreign government; securities issued by any corporation, foreign or domestic, which is directly or indirectly owned or controlled by any foreign government: *Provided, however,* That this form shall not be used for applications for the permanent registration of securities of any corporation for which, at the time the application is filed, Form 22 or 23 is prescribed: *And provided further,* That this form shall not be used for applications for the permanent registration of securities of any corporation, if, at the time the application is filed, such corporation is in bankruptcy or receivership or in the process of reorganization pursuant to Section 77 or 77B of the Bankruptcy Act, and (*a*) a trustee or receiver appointed in such proceedings has title to or possession of a substantial portion of the assets of such corporation, or (*b*) such corporation is in possession of a substantial portion of its assets pursuant to an order entered under Subdivision (c), Clause (2) of said Section 77 or Subdivision (c), Clause (1) of said Section 77B. Any foreign issuer which by this paragraph is to file on Form 10 as to any class of securities other than bonds may also file on such form for such bonds; and any issuer of bonds which is organized under the laws of any foreign country may at its option file on Form 10 until 90 days after the proper form applicable to such foreign issuer shall have been published.

Form 11. For unincorporated issuers.—This form shall be used for applications filed on or after March 30, 1935, for the permanent registration of securities of unincorporated issuers, except the following: Securities of companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, or Section 220 of the Motor Carrier Act, 1935, or under Section 219 of the Communications Act of 1934; certificates of deposit; voting trust certificates; American certificates against foreign issues, either government or private; securities of insurance companies; securities of banks and bank holding companies; securities of investment trusts; securities issued by a

national of a foreign country other than a North American country or Cuba; bonds issued by a national of a North American country or Cuba, which are guaranteed by any foreign government; securities of any issuer, foreign or domestic, which is directly or indirectly owned or controlled by any foreign government: *Provided, however*, That this form shall not be used for applications for the permanent registration of securities of any issuer for which, at the time the application is filed, Form 22 or 23 is prescribed: *And provided further*, That this form shall not be used for applications for the permanent registration of securities of any issuer, if, at the time the application is filed, such issuer is in bankruptcy or receivership or in the process of reorganization pursuant to Section 77 or 77B of the Bankruptcy Act, and (*a*) a trustee or receiver appointed in such proceedings has title to or possession of a substantial portion of the assets of such issuer, or (*b*) such corporation is in possession of a substantial portion of its assets pursuant to an order entered under Subdivision (c), Clause (2) of said Section 77 or Subdivision (c), Clause (1) of said Section 77B.

Form 12. For companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, or Section 220 of the Motor Carrier Act, 1935, or under Section 219 of the Communications Act of 1934.—This form shall be used for applications filed on or after April 10, 1935, for the permanent registration of securities of companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, or Section 220 of the Motor Carrier Act, 1935, or under Section 219 of the Communications Act of 1934, except such companies in receivership or in process of reorganization pursuant to Section 77 of the Bankruptcy Act.

Form 12-A. For companies in receivership or bankruptcy and making annual reports under Section 20 of the Interstate Commerce Act, as amended, or Section 220 of the Motor Carrier Act, 1935, or under Section 219 of the Communications Act of 1934.—This form shall be used for applications filed on or after June 17, 1935, for the permanent registration of securities of companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, or Section 220 of the Motor Carrier Act, 1935, or under Section 219 of the Communications Act of 1934, and in receivership or in bankruptcy (including proceedings under Section 77 or 77B of the Bankruptcy Act).

Form 13. For insurance companies other than life and title insurance companies.—This form shall be used for applications filed on or after May 7, 1935, for permanent registration of securities of corporations engaged, directly or through subsidiaries, primarily in the insurance business, except corporations engaged primarily in the life or title insurance business. This form shall not be used by corporations engaged primarily in the business of guaranteeing mortgages or mortgage-participation certificates.

Pending the authorization of a form for registration of securities of corporations engaged primarily in the life insurance business, and for a period of 30 days after the filing of applications on such form is authorized, such corporations may file application on Form 13 for Insurance Companies other than Life and Title Insurance Companies.

Insofar as Form 13 may be inappropriate to the life insurance business, a corporation engaged in the life insurance business filing on Form 13, pursuant to this rule, shall furnish information comparable to that required by Form 13; and, in lieu of financial statements required under the Instructions as to Financial Statements in the Instruction Book for Form 13, such corporation may file a copy of its last annual statement filed with its State regulatory authority.

Form 14. For certificates of deposit issued by a committee.—This form shall be used for applications on or after May 10, 1935, for the permanent registration of certificates of deposit issued by a committee.

Form 15. For incorporated investment companies.—This form shall be used for applications filed on or after May 15, 1935, for the permanent registration of securities of any corporation which is engaged, either directly or through subsidiaries, primarily in the business of investing and reinvesting, or trading in securities, for the purpose of revenue and for profit, and not in general for the purpose, or with the effect, of exercising control; except securities of such corporations in process of reorganization pursuant to Section 77B of the Bankruptcy Act or securities of such corporations in bankruptcy or receivership.

Form 16. For voting trust certificates and underlying securities.—This form shall be used for applications filed on or after May 18, 1935, for the permanent registration of voting trust certificates and underlying securities.

Form 17. For unincorporated issuers engaged primarily in the business of investing or trading in securities.—This form shall be used for applications filed on or after May 31, 1935, for the permanent registration of securities of any unincorporated issuer which is engaged, either directly or through subsidiaries, primarily in the business of investing and reinvesting, or trading, in securities, for the purpose of revenue and for profit, and not in general for the purpose, or with the effect, of exercising control; except securities of such issuers in process of reorganization pursuant to Section 77B of the Bankruptcy Act or securities of such issuers in bankruptcy or receivership.

Form 18. For foreign governments and political subdivisions thereof.—This form shall be used for applications filed on or after July 1, 1935 for the permanent registration of securities of any foreign government or political subdivision thereof: *Provided, however,* That any public corporation or other autonomous entity in the nature of a political

subdivision, except a State, province, county, or municipality or similar body politic, may, at its option, use Form 21 in lieu of this form.

Form 19. For American certificates against foreign issues and for the underlying securities.—This form shall be used for applications filed on or after July 15, 1935, for the permanent registration of American certificates (for example, so-called American depositary receipts for foreign shares or American participation certificates in foreign bonds or notes) issued against securities of foreign issuers deposited with an American depositary (whether physically held by such depositary in America or abroad) and of the foreign securities so deposited.

Form 20. For securities other than bonds of foreign private issuers.—This form shall be used for applications filed on or after July 15, 1935, for the permanent registration of securities other than bonds or other evidences of indebtedness (*a*) issued by a national of a foreign country other than a North American country or Cuba, or (*b*) issued by any corporation or unincorporated association, foreign or domestic, which is directly or indirectly owned or controlled by any foreign government.

Form 21. For bonds of foreign private issuers.—This form shall be used for applications filed on or after July 15, 1935, for the permanent registration of bonds or other evidences of indebtedness (*a*) issued by a national of a foreign country other than a North American country or Cuba; (*b*) issued by a national of a North American country or Cuba which are guaranteed by any foreign government; (*c*) issued by any corporation or unincorporated association, foreign or domestic, which is directly or indirectly owned or controlled by any foreign government; or (*d*) issued by any public corporation or other autonomous entity in the nature of a political subdivision which shall at its option elect to use this form in lieu of Form 18, except that this form is not to be used by a State, province, county, or municipality or similar body politic.

Form 22. For issuers reorganized in insolvency proceedings or which have succeeded to a person in insolvency proceedings.—This form shall be used for applications for registration of securities of any issuer which, pursuant to a plan—

(*a*) Has been or is being reorganized in insolvency proceedings; or

(*b*) Has acquired or is to acquire, directly or indirectly, substantially all of its business and assets (other than cash) from a person in insolvency proceedings or from such person and one or more of its subsidiaries, and is continuing or is to continue the business so acquired; or

(c) Being a subsidiary of a person in insolvency proceedings, has acquired or is to acquire directly or indirectly substantially all of its assets (other than cash and other than assets owned by it prior to such acquisition) from such person or from such person and one or more of its subsidiaries;

if the securities are, or are to be, outstanding or issued pursuant to the plan, or were or are to be issued after the consummation of the plan: *Provided*, That this form shall not be used by issuers for which Form 8–A, 12, or 12–A is prescribed, or for applications filed with the exchange after the expiration of a full fiscal year of the issuer commencing on or after the date on which the transfer or opening of accounts was made.

Form 23. For successor issuers.—This form shall be used for applications for registration of securities of any issuer which has acquired, or is presently to acquire, directly or indirectly (through the acquisition of securities or otherwise) the major portion of its business and assets (other than cash) by acquiring all or a part of the business and assets of one or more other persons, and is continuing or is to continue, the business so acquired: *Provided, however*, That this form shall not be used by issuers for which either Form 8–A, 8–B, 12, 12–A, 20, 21, or 22 is prescribed, or for applications filed with the exchange after the expiration of a full fiscal year of the issuer commencing on or after the date of succession.

Form 24. For bank holding companies.—This form shall be used for applications for the registration of securities of any person which is engaged, either directly or through subsidiaries, primarily in the business of owning securities of banks, for the purpose or with the effect of exercising control.

Form 1–J. For registration of unissued warrants for "when issued" dealing.—This form is to be used for applications for registration of unissued warrants, pursuant to Section 12 (d) of the Securities Exchange Act of 1934 for "when issued" dealing on a national securities exchange.

Form 2–J. For registration of unissued securities, other than unissued warrants for "when issued" dealing.—This form is to be used for applications for registration of unissued securities, other than unissued warrants, pursuant to Section 12 (d) of the Securities Exchange Act of 1934 for "when issued" dealing on a national securities exchange.

Form 15–AN. For statements in respect of exemption of issued warrants.—This form is to be used for statements in respect of exemption of issued warrants, pursuant to Section 3 (a) (12) of the Securities Exchange Act of 1934.

FOR ANNUAL AND OTHER REPORTS OF ISSUERS HAVING SECURITIES REGISTERED ON NATIONAL SECURITIES EXCHANGES

Form 8-K. For current reports.—This form is to be used for the current reports required by Rule X-13A-6.[1]

Form 10-K. For corporations.—This form is to be used for the annual reports of all corporations except those for which another form is specifically prescribed.

Form 11-K. For unincorporated issuers.—This form is to be used for the annual reports of all unincorporated issuers except those for which another form is specifically prescribed.

Form 12-K. For companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, or Section 220 of the

[1] *Rule X-13A-6. Current reports.* (*a*) A current report on the appropriate form shall be filed by the issuer of a security registered on a national securities exchange (hereinafter called "the registrant") in case any of the events enumerated below occurred or shall occur at any time after the close of the first fiscal year or other one-year period for which an annual report is required to be filed by the registrant, or if the registrant had no security registered on a national securities exchange on December 31, 1935, at any time after the registration of any of its securities first became or shall become effective:

(1) A material amendment of any exhibit previously filed by the registrant pursuant to Section 12 or 13 of the Act;

(2) The execution of any voting trust agreement, contract, or indenture of a character required to be filed as an exhibit in the form of annual report appropriate for the registrant;

(3) A substantial restatement of the capital shares account of the registrant;

(4) The issuance of any new class of securities, or an aggregate increase or decrease of more than five percent in the amount of any class of securities of the registrant outstanding, as last previously reported, unless resulting from an ordinary sinking fund operation; provided that (i) no report need be made with respect to notes, drafts, bills of exchange, or bankers' acceptances having a maturity at the time of issuance of not exceeding one year, and (ii) for the purposes of this paragraph (4), securities held by the registrant shall not be deemed "outstanding";

(5) The granting or extension of any option to purchase equity securities of the registrant from the registrant, provided that a current report need be made only when one or more options calling for an aggregate principal amount of $50,000 or more of a single issue of convertible evidences of indebtedness, or an aggregate of 1,000 or more shares or other units of any other single class of equity securities, have been granted or extended and have not been previously reported;

(6) The exercise, in whole or in part, of any option to purchase equity securities of the registrant from the registrant, provided that a current report need be made only when a person or persons have acquired an aggregate principal amount of $50,000 or more of a single issue of convertible evidences of indebtedness, or an aggregate of 1,000 or more shares or other units of any other single class of equity securities, through one or more exercises which have not been previously reported;

(7) A person's becoming, or ceasing to be, a parent or subsidiary of the registrant, provided that no report need be made as to any subsidiary the name of which would not be required to be furnished in the form of annual report appropriate for the registrant;

(8) A substantial revaluation of the assets of the registrant;

(9) A substantial withdrawal or substitution with respect to property securing any issue of registered securities;

provided, however, That no report need be filed as to any event concerning which information substantially similar to that required by Form 8-K shall have been previously reported by the registrant.

(*b*) The current report shall be filed not more than ten days after the close of the calendar month during which occurred the event obligating the registrant to file the current report, or if the event occurred prior to December 1, 1936, not later than January 10, 1937.

(*c*) As used in this rule, the term "*previously reported*" means previously reported in an application for registration or a report filed pursuant to Section 12 or 13 of the Act; the term "*option*" does not include options evidenced by an issue of securities, such as an issue of warrants or rights; the term "*unit*" means that unit of a class of securities representing the smallest interest in the registrant or in property of the registrant, or having the smallest par or face value or denomination which is separately transferable by a holder thereof. Unless the context otherwise requires, all other terms used in this rule have the same meanings as in the Act, in the form appropriate for an annual report of the registrant, and in the instruction book accompanying such form.

(*d*) The foregoing provisions of this rule shall not be applicable to issuers of securities which are registered pursuant to an application on Form 18, 19, 20, or 21.

Motor Carrier Act, 1935, or under Section 219 of the Communications Act of 1934.—This form is to be used for the annual reports of companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, or Section 220 of the Motor Carrier Act, 1935, and of carriers making annual reports under Section 219 of the Communications Act of 1934, except such companies in receivership or in bankruptcy, including proceedings for reorganization pursuant to Section 77 or 77B of the Bankruptcy Act, at the close of the fiscal year for which the report is made.

Form 12A–K. For companies in receivership or bankruptcy at close of fiscal year and making annual reports under Section 20 of the Interstate Commerce Act, as amended, or Section 220 of the Motor Carrier Act, 1935, or under Section 219 of the Communications Act of 1934.—This form is to be used for the annual reports of companies making annual reports under Section 20 of the Interstate Commerce Act, as amended, or Section 220 of the Motor Carrier Act, 1935, and of carriers making annual reports under Section 219 of the Communications Act of 1934, if such companies were in receivership or in bankruptcy, including proceedings for reorganization pursuant to Section 77 or 77B of the Bankruptcy Act, at the close of the fiscal year for which the report is made.

Form 13–K. For insurance companies other than life and title insurance companies.—This form is to be used for the annual reports of corporations engaged, directly or through subsidiaries, primarily in the insurance business, except corporations engaged primarily in the life or title insurance business. This form is not to be used by corporations engaged primarily in the business of guaranteeing mortgages or mortgage-participation certificates.

Form 14–K. For certificates of deposit issued by a committee.—This form is to be used for the annual reports of issuers of certificates of deposit issued by a committee.

Form 15-K. For incorporated investment companies.—This form is to be used for the annual reports of corporations engaged either directly or through subsidiaries primarily in the business of investing and reinvesting or trading in securities for the purpose of revenue and for profit, and not in general for the purpose or with the effect of exercising control.

Form 16–K. For voting trust certificates and underlying securities.—This form is to be used for annual reports relating to securities evidencing a participation in a voting trust agreement or a similar agreement for the holding of securities for voting purposes and to securities held subject to such agreements.

Form 17–K. For unincorporated issuers engaged primarily in the business of investing or trading in securities.—This form is to be used for the annual reports of unincorporated issuers engaged either directly

or through subsidiaries primarily in the business of investing and reinvesting or trading in securities for the purpose of revenue and for profit, and not in general for the purpose or with the effect of exercising control.

Form 18-K. For foreign governments and political subdivisions thereof.—This form is to be used for the annual reports of foreign governments or political subdivisions thereof, except any public corporation or other autonomous entity in the nature of a political subdivision, other than a State, province, county, or municipality or similar body politic which, at its option, has registered its securities on Form 21 in lieu of Form 18.

Form 19-K. For issuers of American certificates against foreign issues and the underlying securities.—This form is to be used for the annual reports of issuers of American certificates (for example, so-called American depositary receipts for foreign shares or American participation certificates in foreign bonds or notes) issued against securities of foreign issuers deposited with an American depositary (whether physically held by such depositary in America or abroad) and of the foreign securities so deposited.

Form 20-K. For foreign private issuers registering securities other than bonds.—This form is to be used for the annual reports of the following issuers with respect to securities other than bonds or other evidences of indebtedness: (*a*) Nationals of a foreign country other than a North American country or Cuba, and (*b*) corporations or unincorporated associations, foreign or domestic, which are directly or indirectly owned or controlled by any foreign government.

Form 21-K. For foreign private issuers registering bonds.—This form is to be used for the annual reports of the following issuers with respect to bonds or other evidences of indebtedness: (*a*) Nationals of a foreign country other than a North American country or Cuba, (*b*) nationals of a North American country or Cuba if such bonds or other evidences of indebtedness are guaranteed by any foreign government, (*c*) corporations or unincorporated associations, foreign or domestic, which are directly or indirectly owned or controlled by any foreign government, and (*d*) public corporations or other autonomous entities in the nature of political subdivisions which, at their option, have registered securities on Form 21 in lieu of Form 18.

Form 24-K. For bank holding companies.—This form is to be used for the annual reports of any person which is engaged, either directly or through subsidiaries, primarily in the business of owning securities of banks, for the purpose or with the effect of exercising control.

FOR REGISTRATION OF BROKERS AND DEALERS TRANSACTING BUSINESS ON OVER-THE-COUNTER MARKETS

Form 3-M. For applications for registration of brokers and dealers, except applications for which Form 4-M is authorized.—This

form is to be used for applications filed on or after July 1, 1936, for the registration of brokers and dealers pursuant to Section 15 (b) of the Securities Exchange Act of 1934, as amended, except applications for which Form 4–M is authorized to be used.

Form 4-M. For applications for registration of partnerships formed upon death, withdrawal, or admission of one or more partners in partnerships registered as brokers or dealers.—This form is to be used (*a*) for applications filed by a registered partnership on or after July 1, 1936, pursuant to Section 15 (b) of the Securities Exchange Act of 1934, as amended, for the registration of a partnership to be formed as the successor to the applicant by the withdrawal or admission of one or more partners in the applicant; and (*b*) for applications filed on or after October 10, 1936, pursuant to said Section 15 (b) and Rule X–15B–4, for the registration of a partnership formed as the successor to a registered partnership which has been dissolved by the death, withdrawal, or admission of one or more partners: *Provided,* That the application is filed within 30 days after such dissolution.

Form 5–M. For adoption of applications filed by predecessors.—This form is to be used by a broker or dealer in adopting as its own an application for registration on Form 3–M or Form 4–M filed on its behalf by a predecessor.

Form 6–M. For supplemental statements to applications for registration of brokers and dealers.—This form is to be used for correcting inaccuracies and reporting changes in the information contained or incorporated in any application filed on Form 1–M, Form 3–M, or Form 4–M or in any adoption filed on Form 5–M or in any supplemental statement filed on Form 2–M or Form 6–M.

FOR ANNUAL REPORTS OF REGISTRANTS UNDER THE SECURITIES ACT OF 1933 [2]

Form 1–MD. General form.—This form is to be used for the annual reports, pursuant to Section 15 (d) of the Securities Exchange Act of 1934, of all issuers except those for which another form is specifically prescribed.

Form 2–MD. For investment trusts having securities registered on Form C–1.—This form is to be used for annual reports, pursuant to Section 15 (d) of the Securities Exchange Act of 1934, relating to securities of unincorporated investment trusts of the fixed or restricted management type, having a depositor or sponsor but not having a board of directors or persons performing similar functions.

Form 3–MD. For voting trust certificates.—This form is to be used for annual reports, pursuant to Section 15 (d) of the Securities Exchange Act of 1934, relating to voting trust certificates.

[2] The filing of annual reports on these forms is required by Rule X–15D–1, pursuant to Section 15 (d) of the Securities Exchange Act of 1934, as amended.

Form 4–MD. For certificates of deposit.—This form is to be used for annual reports, pursuant to Section 15 (d) of the Securities Exchange Act of 1934, relating to certificates of deposit issued by a Committee.

FOR APPLICATIONS FOR REGISTRATION OF NATIONAL SECURITIES ASSOCIATIONS AND AFFILIATED SECURITIES ASSOCIATIONS [3]

Form X–15AA–1. Application for registration as a national securities association or affiliated securities association.—This form is to be used for applications for registration as national securities associations or affiliated securities associations.

Form X–15AJ–1. Amendatory and/or supplementary statement to registration statement of national securities association or affiliated securities association.—This form is to be used for filing amendatory and/or supplementary statements to registration statements of national securities associations or affiliated securities associations.

Form X–15AJ–2. Annual consolidated supplement to registration statement of national securities association or affiliated securities association.—This form is to be used for filing annual consolidated supplements to registration statements of national securities associations or affiliated securities associations.

FOR REPORTS TO BE FILED BY OFFICERS, DIRECTORS, AND SECURITY HOLDERS

Form 4. For reporting changes in ownership of equity securities.—Every person who at any time during any month has been directly or indirectly the beneficial owner of more than 10 percent of any class of any equity security (other than an exempted security) which is listed on a national securities exchange, or a director or an officer of the issuer of such security, shall, if there has been any change during such month in his ownership of any equity security of such issuer whether registered or not, file with each exchange on which any equity security of the issuer is listed and registered a statement on Form 4 (and a single duplicate original thereof with the Commission) indicating his ownership at the close of the calendar month and such changes in his ownership as have occurred during such calendar month. Such statements must be received by the Commission and the exchange on or before the 10th day of the month following that which they cover.

Form 5. For reporting ownership of equity securities.—In the case of an equity security (other than an exempted security) which is listed subsequent to February 15, 1935, on a national securities exchange, every person who at the time such registration becomes effective is directly or indirectly the beneficial owner of more than 10 percent of

[3] The forms for applications for registration of national securities associations and affiliated securities associations became effective July 13, 1939.

any class of such security or a director or an officer of the issuer of such security, shall file with each exchange on which any equity security of the issuer is listed and registered a statement on Form 5 (and a single duplicate original thereof with the Commission) of the amount of all equity securities of such issuer, whether registered or not, so beneficially owned by him at the time such registration became effective. Such statement must be received by the Commission and the exchange on or before the 10th day of the following calendar month. If such person files a statement on Form 4 for the same calendar month in respect of the same securities, he need not file an additional statement pursuant to this paragraph.

Form 6. For reports by persons who have just become officers or directors or security holders of more than 10 percent of any class of equity security.—Every person who becomes directly or indirectly the beneficial owner of more than 10 percent of any class of any equity security (other than an exempted security), which is listed on a national securities exchange, or becomes a director or an officer of the issuer of such security, shall file with each exchange on which any equity security of the issuer is listed and registered a statement on Form 6 (and a single duplicate original thereof with the Commission) of the amount of all equity securities of such issuer, whether registered or not, so beneficially owned by him immediately after becoming such beneficial owner, director, or officer. Such statement must be received by the Commission and the exchange on or before the 10th day following the day on which such person became such beneficial owner, director, or officer. Such person need not file the statement required by this paragraph, if prior to such 10th day and during the calendar month in which he has become such beneficial owner, director, or officer, there has been a change in his beneficial ownership which will require him to file a statement on Form 4 with respect to the same securities.

FOR REPORTING STABILIZING TRANSACTIONS

Form X-17A-1. For reporting stabilizing transactions.—This form is to be used for reporting stabilizing transactions pursuant to Rule X-17A-2 (*a*) (1) or (3).

Form X-17A-2. For reporting stabilizing transactions.—This form is to be used for reporting stabilizing transactions pursuant to Rule X-17A-2 (*a*) (2).

Form X-17A-3. For reporting stabilizing transactions.—This form is to be used for reporting stabilizing transactions pursuant to Rule X-17A-2 (*a*) (4).

GUIDE TO FORMS ADOPTED UNDER THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

Form U-2. Declaration and periodic report.—This form is to be used by a subsidiary of a registered holding company primarily engaged in business as a broker or dealer, which claims exemption under Rule U-3D-4 and also for the quarterly reports to be filed by such a company.

Form U-3A3-1. Semiannual statement filed by banks claiming exemption.—This form is prescribed for semiannual reports to be filed by banks claiming exemption from any provisions of the Act by virtue of Rule U-3A3-1.

Form U-3D-13. Notification of acquisition of utility assets.—This form is to be filed by the acquiring company in the event of an acquisition of utility assets exempted by Rule U-3D-13.

Form U-5-A. Notification of registration.—This form is to be used for notification of registration pursuant to Section 5 (a) of the Act.

Form U-5-B. Registration statement.—This form is to be used for registration statements to be filed by registered holding companies pursuant to Section 5 (b) of the Act.

Form U-5-S. Annual supplement to registration statement.—This form is to be used by registered holding companies for the annual supplements to registration statements.

Form U-6B-2. Certificate of notification.—This form is to be used for the filing of certificates of notification of certain issuances of securities by registered holding companies and subsidiaries thereof, as required by Rule U-6B-2.

Form U-6B7-1. Application pursuant to Section 6 (b) and declaration pursuant to Section 7.—This form consolidates two old forms into one, and may be used either for an application for exemption from Section 6 (a), pursuant to Section 6 (b), or for a declaration under Section 7.

Form U-10-1. Application pursuant to Section 10 (a) (1).—This form is to be used for applications for the approval of the acquisition of any securities by a registered holding company, or any subsidiary company thereof, or the acquisition of securities of a public utility company by a person who is an affiliate (as defined in Clause (A) of Section 2 (a) (11) of the Act) of such company and of any other public utility or holding company, or will become such an affiliate by virtue of such acquisition.

Form U-10-2. Application pursuant to Section 10 (a) (2) of 10 (a) (3).—This form is to be used for applications for the approval of the acquisition of any utility assets or other interest in any business by a registered holding company, or any subsidiary company thereof.

Form U-12D-1. Application pursuant to Section 12 (d).—This form is to be used for applications for the approval of the sale, directly or indirectly, by a registered holding company to any person, or for the approval of the sale by a registered holding company or a subsidiary company thereof to an associate or affiliate, of any voting security which it owns of a public utility company.

Form U-12D-2. Application pursuant to Section 12 (d).—This form is to be used for applications for the approval of the sale of utility assets, directly or indirectly, by registered holding companies, to any person, or for the approval of the sale by a registered holding company or a subsidiary company thereof to an associate or affiliate.

Form U-12 (I)-A. Statement pursuant to Section 12 (i).—This is a form of statement to be made by a person employed or retained by a registered holding company or a subsidiary thereof.

Form U-12 (I)-B. Statement pursuant to Section 12 (i).—This is a form of an annual statement to be made by a person regularly employed or retained by a registered holding company or subsidiary company thereof. This annual form relieves persons, who are regularly employed or retained by holding companies or their subsidiaries and who frequently represent such companies, from the necessity of filing numerous reports on Form U-12 (I)-A.

Form U-13-1. Application for approval of mutual service company or declaration with respect to organization and conduct of business of subsidiary service company.—This form is to be used, pursuant to Rule U-13-22, for an application for approval of a mutual service company or for a declaration with respect to the organization and conduct of business of a subsidiary service company.

Form U-13-60. Annual report of mutual and subsidiary service companies.—This form is to be used for the filing of annual reports by each mutual service company and each subsidiary service company pursuant to Rule U-13-60.

Form U-13E-1. Report by affiliate service company.—This form is to be filed pursuant to Rule U-13E-1 by an affiliate service company or by a company principally engaged in the performance of services.

Form U-14-1. Quarterly report of acquisitions.—This form is prescribed for quarterly reports of acquisitions of securities to be filed by registered holding companies pursuant to Rule U-14-1.

Form U-14-3. Annual report of registered holding companies.—This form is to be used for the filing of annual reports by registered holding companies pursuant to Rule U-14-3.

Form U-17-1. Reports of ownership by officers and directors.—This form is to be used for statements of ownership required by Section 17 (a) of the Act to be filed by persons who are officers or directors of a registered holding company at the time when it is registered. A statement must be filed by every officer and director of a holding company following its registration, even if he owns no securities of the company or its subsidiaries.

Form U-17-2. Reports of changes of ownership by officers and directors.—This form is to be used by officers and directors of registered holding companies in reporting changes in their beneficial ownership of securities of such holding companies or any of their subsidiaries, as required by Section 17 (a) of the Act.

APPENDIX III

SECURITIES ACT REGISTRATION STATEMENTS AS TO WHICH STOP ORDERS, CONSENT REFUSAL ORDERS, AND WITHDRAWAL ORDERS WERE ISSUED JULY 1, 1938, TO JUNE 30, 1939 [1]

Docket No.	Issuer	Form	Amount	Type of order or action [2]	Date
2-3921	Alabama Acceptance Co., Birmingham, Ala.	D-1	$218,116	W	Feb. 17, 1939
2-3067	Alco Valve Co., Maplewood, Mo.	A-2	750,000	W	Oct. 25, 1938
2-1337	American Credit Corporation, Los Angeles, Calif.	A-1	627,000	SO	Sept. 21, 1938
2-4030	Amusement Enterprises, Inc., Los Angeles, Calif.	A-1	230,000	W	May 18, 1939
2-3698	Apex Gold Mines, Ltd., Vancouver, British Columbia	A-1	625,000	W	July 28, 1938
2-2859	Austin Silver Mining Co., Austin, Nev.	A-1	518,125	SO Re-Eff.	July 13, 1938 Aug. 30, 1938
2-3758	Bear Manufacturing Co., Rock Island, Ill.	A-2	294,000	W	Feb. 9, 1939
2-3806	Big Horn Placer Mining Corporation, St. Paul, Minn.	A-O-1	1,581,864	W Ref.	Sep. 29, 1938 Jan. 31, 1939
2-3825	Thomas Bond, Inc., Chicago, Ill.	A-1	250,000	SO	June 9, 1939
2-2622	Breeze Corporations, Inc., Newark, N. J.	A-1	3,062,500	SO Re-Eff.	Aug. 5, 1938 Jan. 27, 1939
2-3700	Brookline Oil Co., Los Angeles, Calif.	A-1	793,285	W	Sept. 15, 1938
2-3417	Burlington Brewing Co., Chicago, Ill.	A-1	200,000	W	Feb. 10, 1939
2-3968	Terry Carpenter, Inc., Scottsbluff, Nebr.	A-1	250,000	W	Apr. 19, 1939
2-2329	Charleston Shipbuilding and Drydock Co., Charleston, S. C.	A-1	500,000	W	Aug. 8, 1938
2-3606	Co-op. Traders of America, Inc., Nampa, Idaho	A-1	100,000	W	Jan. 12, 1939
2-3848	Columbia Pictures Corporation, New York, N. Y.	A-2	562,500	W	Mar. 1, 1939
2-3852	do	F-1	562,500	W	Mar. 1, 1939
2-3930	Consolidated Grain Corporation, Kawkawlin, Mich.	A-1	150,000	W Ref.	Mar. 15, 1939 June 14, 1939
2-3582	Consolidated Sierra Mining & Milling Corporation, San Francisco, Calif.	A-O-1	2,319,000	W	July 18, 1938
2-3895	Copper Canyon Mining Co., New York, N. Y.	A-1	500,000	W	Apr. 13, 1939
2-3722	Corporate Leaders of America, Inc., New York, N. Y.	C-1	3,750,000	W	July 26, 1938

[1] This list includes 101 registration statements, which are classified as follows:

Withdrawals:		
Withdrawn and not refiled	69	
Total additions to withdrawals		69
Withdrawn, refiled, and—		
Pending amendment	3	
Effective	12	
Refiled and withdrawn during period	1	
Total		16
Grand total of withdrawals during year		85
Consent refusal orders:		
Orders issued and still in force	—	
Statements subsequently effective	2	
Total issued during year		2
Stop orders:		
Orders issued and still in force	10	
Statements subsequently effective or re-effective	4	
Total issued during year		14

[2] Abbreviations used in this table:
W = Withdrawn
CRO = Consent refusal order.
SO = Stop order.
Ref. = Refiled.
Eff. = Registration statement fully effective (stop or refusal order having been lifted, or statement having been refiled).
Re-Eff. = Re-effective.

SECURITIES ACT REGISTRATION STATEMENTS AS TO WHICH STOP ORDERS, CONSENT REFUSAL ORDERS, AND WITHDRAWAL ORDERS WERE ISSUED JULY 1, 1938, TO JUNE 30, 1939—Continued

Docket No.	Issuer	Form	Amount	Type of order or action	Date
2-3510	Desert Silver, Inc., Silver Peak, Nev	A-O-1	$400,000	W	July 13, 1938
2-3543	Dewey Portland Cement Co., Kansas City, Mo	A-2	3,000,000	Ref.	May 11, 1939
2-1349	Doris Ruby Mining Co., Buena Vista, Colo	A-1	123,998	SO	Jan. 26, 1939
2-3539	Drewrys Limited U.S.A., Inc., South Bend, Ind	A-1	300,000	W	July 8, 1938
2-3960	Empire Oil and Gas Corporation, Reno, Nev	A-1	75,000	W	Apr. 6, 1939
2-3055	The Englander Spring Bed Co., Inc., Brooklyn, N. Y	A-1	3,262,500	W	June 21, 1939
2-3999	Fairchild Aviation Corporation, Jamaica, N. Y	A-2	600,000	W	May 22, 1939
2-3880	The Federal Machine & Welder Co., Warren, Ohio	A-2	1,900,000	W	Dec. 30, 1938
2-3897	Fikany Shoe Co. of New York, Inc., Rochester, N. Y	A-1	167,970	W Ref. Eff.	Jan. 3, 1939 Jan. 30, 1939 Apr. 25, 1939 as of Apr. 9, 1939
2-3292	First State Trust Co., Wilmington, Del	A-1	427,500	W	Nov. 15, 1938
2-3719	Fleming Mines Ltd., Montreal, Quebec	A-O-1	500,000	W	July 8, 1938
2-3791	Forest Lawn Co., Glendale, Calif	A-2	2,000,000	W	Sept. 20, 1938
2-3661	Charles H. Frye, Guarantor Re Frye Investment Co., Seattle, Wash	E-1	250,000	CRO Eff.	Nov. 28, 1938 Apr. 19, 1939
2-3680	Frye Investment Co., Seattle, Wash	E-1	714,230	CRO Eff.	Nov. 28, 1938 Apr. 19, 1939
2-3709	Fundamerican Corporation, New York, N. Y	C-1	720,000	W	Dec. 23, 1938
2-3553	Gold Horn Mining Co., Denver, Colo	A-1	110,000	W	Aug. 5, 1938
2-3634	Gold Hunter Extension, Inc., Seattle, Wash	A-1	500,000	SO	Sept. 26, 1938
2-3789	Goldenwest Mining Corporation, Deadwood, S. Dak	A-O-1	1,520,480	W Ref. Eff.	Oct. 1, 1938 Oct. 10, 1938 June 22, 1939
2-3887	The Gruen Watch Co., Cincinnati, Ohio	A-2	1,537,500	W	Jan. 28, 1939
2-3703	Gwyn Beardmore Gold Mines, Ltd., Toronto, Ontario	A-O-1	547,702	W Ref. Eff.	July 6, 1938 Aug. 27, 1938 Nov. 17, 1938 as of Oct. 2, 1938
2-2983	Hamburger Distillery, Inc., Pittsburgh, Pa	A-1	1,270,000	W	July 25, 1938
2-4024	Hannah Porter Co., Shelby, Mont	F-1	86,000	W	May 12, 1939
2-3118	Hayes Body Corporation, Grand Rapids, Mich	A-2	686,000	W	June 7, 1939
2-3851	Heanium Products, Inc., Waterbury, Conn	A-1	167,770	W	Dec. 19, 1938
2-2898	Income Estates of America, Inc., Philadelphia, Pa	C-1	10,000,000	W	Jan. 5, 1939
2-2621	Insurance Investors Fund, Inc., Seattle, Wash	A-1	1,800,000	W	Oct. 8, 1938
2-3626	The Interocean Dirigible Corporation, New York, N. Y	A-1	250,000	W	Aug. 1, 1938
2-3965	The Investors Distribution Shares, Inc., Baltimore, Md	A-1	6,670,000	W Ref. Eff.	Apr. 11, 1939 Apr. 14, 1939 May 4, 1939
2-3004	Kanes, Inc., Boston, Mass	A-2	1,916,875	W	May 22, 1939
2-3816	Kant Blaze Fireproofing Corporation, Lynn, Mass	A-1	375,000	W Ref. Eff.	Oct. 28, 1938 Jan. 16, 1939 June 15, 1939
2-3888	Kaufmann Department Stores, Inc., Pittsburgh, Pa	A-2	3,415,545	W	Jan. 26, 1939
2-3970	Kootenay Petroleum, Ltd., Winnipeg, Manitoba	A-1	800,000	W	Apr. 28, 1939
2-4061	Fred T. Ley & Co., Inc., New York, N. Y	A-1	675,000	W	June 17, 1939
2-965	Major Film Productions, Inc., Los Angeles, Calif	A-1	300,000	W	July 6, 1938
2-3798	Manila Gas Corporation, Manila, P. I	A-2	846,600	W	Oct. 19, 1938
2-3782	Mar-Tex Oil Co., Houston, Tex	A-2	50,000	W	Feb. 23, 1939
2-3445	Marsman Investments Ltd., Manila, P. I	A-1	537,225	W	Aug. 27, 1938
2-3446	Marsman Investments Ltd., Marsman American Corporation, and Jan Hendrik Marsman	C-3	1,160,938	W	Aug. 27, 1938
2-2989	The McClelland Kennard Co., Barnesville, Ohio	A-2	660,750	W	Nov. 7, 1938
2-3755	Misers Chest Mining & Milling Co., Inc., Lordsburg, N. Mex	A-O-1	100,000	W Ref. Eff.	Aug. 6, 1938 Aug. 22, 1938 Nov. 7, 1938 as of Nov. 4, 1938
2-713	Monitor Gold Mining Co., Lake City, Colo	A-1	750,000	SO	Jan. 4, 1939
2-2399	do	A-1	500,000	SO	Jan. 4, 1939
2-2765	National Aircraft Co., Los Angeles, Calif	A-1	500,000	W	May 16, 1939
2-3885	New York State Elec. & Gas Corporation, Ithaca, N. Y	A-2	14,000,000	W	Dec. 17, 1938

SECURITIES ACT REGISTRATION STATEMENTS AS TO WHICH STOP ORDERS, CONSENT REFUSAL ORDERS, AND WITHDRAWAL ORDERS WERE ISSUED JULY 1, 1938, TO JUNE 30, 1939—Continued

Docket No.	Issuer	Form	Amount	Type of order or action	Date
2-3203	North Central Gas Co., Casper, Wyo	A-1	$1,230,000	W	Mar. 8, 1939
2-3769	North Pennsylvania Oil Co., Oil City, Pa	A-1	325,000	W Ref. Eff.	Sept. 23, 1938 Oct. 17, 1938 Jan. 17, 1939
2-3598	Oklahoma Hotel Building Co., Oklahoma City, Okla	A-1	175,000	SO	Feb. 24, 1939
2-3760	Pacific Northwest Oriental Line, Inc., Seattle, Wash	A-1	250,000	W	Aug. 13, 1938
2-3619	Pioneer American Life Insurance Co., Dallas, Tex	A-1	2,300,000	W	Feb. 23, 1939
2-3892	Pix Theatre Circuit, Inc., Gary, Ind	A-1	300,000	W	Jan 10, 1939
2-3613	Platoro Gold Mines, Inc., Pueblo, Colo	A-O-1	536,250	SO	Sept. 19, 1938
2-3915	Porcupine Lake Gold Mining Co., Ltd., Toronto, Ontario	A-1	135,281	W	Jan. 31, 1939
2-3385	Pressed Metals of America, Inc., Port Huron, Mich	A-2	311,440	W	July 6, 1938
2-3621	Progress Vacuum Corporation, Cleveland, Ohio	A-1	174,000	W	Aug. 8, 1938
2-3881	Public Service Co. of Colorado, Denver, Colo	A-2	55,275,000	W	Dec. 15, 1938
2-3583	Public Service Electric & Gas Co., Newark, N. J	A-2	17,655,700	W	Sept. 30, 1938
2-3904	Quinby & Co., Rochester, N. Y	C-1	1,200,000	W	Feb. 23, 1939
2-3590	Reda Pump Co., Bartlesville, Okla	A-2	2,411,876	W	June 30, 1939
2-3638	The Reed Company, Inc., Wilmington, Del	A-1	150,000	W	Dec. 5, 1938
2-3957	Rex Mining Co., Helena, Mont	A-O-1	150,000	W	Mar. 21, 1939
2-3222	Richard Mining & Development Co., Ltd., Montreal, Quebec	A-1	1,250,000	W	Jan. 25, 1939
2-3651	Sandt Farm Equipment Corporation, Easton, Pa	A-2	167,813	W	Aug. 25, 1938
2-3896	Sierra Nevada, Ltd., Reno, Nev	A-1	50,000	W	Jan. 30, 1939
2-4031	Sound Cities Gas & Oil Co., Inc., Seattle, Wash	A-1	386,910	W	June 28, 1939
2-3875	Southern Mining & Power Co., Dahlonega, Ga	A-O-1	350,000	W	Jan. 13, 1939
2-3876	Standard Products Co., Cleveland, Ohio	A-2	1,050,000	W	Feb. 23, 1939
2-3764	Norman L. Stevens, Winsted, Conn	G-2	100,000	W	Aug. 18, 1938
2-3642	Sultex Oil Co., Corpus Christi, Tex	A-1	900,000	W	Feb. 24, 1939
2-3188	Sweets Steel Co., Williamsport, Pa	A-2	1,458,313	SO Re-Eff.	Feb. 24, 1939 Apr. 24, 1939
2-3610	United American Petroleum Co., Dallas, Tex	A-1	1,000,000	W	Mar 7, 1939
2-3547	United Combustion Corporation of Delaware, Cleveland, Ohio	A-1	51,000	SO	Oct. 19, 1938
2-3742	United Gold Equities of Canada, Ltd., Charlottetown, Prince Edward Island	A-1	578,000	W	Nov. 4, 1938
2-3185	Unity Gold Corporation, Butte, Mont	A-1	447,648	SO	July 19, 1938
2-2649	Ventura Mines, Inc., Nogales, Ariz	A-1	701,206	W	Feb. 11, 1939
2-3635	West Park Apartments Corporation, Dallas, Tex	A-1	1,681,920	SO	Sept. 26, 1938
2-3390	The Whitney Blake Co., Hamden, Conn	A-2	550,000	W	Aug. 11, 1938
2-3633	do	A-2	192,500	W	July 8, 1938
2-3809	Wingold Mines, Ltd., Winnipeg, Manitoba	A-1	315,000	W	Sept. 24, 1938
2-2560	Winnebago Distilling Co., Chicago, Ill	A-1	500,000	W	Apr. 10, 1939
2-2470	Yumuri Jute Mills Co., Chicago, Ill	A-1	1,300,000	W	July 26, 1938

APPENDIX IV

LIST OF PUBLICATIONS AS OF DECEMBER 31, 1939

Copies of the material listed below may be procured from the Publications Unit, Securities and Exchange Commission, Washington, D. C.

ACTS:

Securities Act of 1933, as amended.

Provisions of Federal Laws Relating to the Securities Act of 1933, as amended.

Trust Indenture Act of 1939.

Securities Exchange Act of 1934, as amended.

Public Utility Holding Company Act of 1935.

National Bankruptcy Act, as amended June 22, 1938.

MISCELLANEOUS:

Addresses by Commissioners and members of the staff of the Commission.

Official Summary of Security Transactions and Holdings of Officers, Directors, and Principal Stockholders. (Issued twice monthly.)

Directory of Over-The-Counter Brokers and Dealers Registered with the Securities and Exchange Commission.

Securities Traded on Exchanges under the Securities Exchange Act of 1934, as amended.

Selected Statistics on Securities and on Exchange Markets.

Registered Public-Utility Holding Companies as of August 15, 1939.

Financial Statistics for Electric and Gas Subsidiaries of Registered Public-Utility Holding Companies—Year 1938.

Security Issues of Electric and Gas Utilities—1935–1936–1937–1938.

Charts Showing Location of Operating Electric and/or Gas Subsidiaries of Registered Public Utility Holding Companies—1939.

Dividend Status of Preferred Stocks of Registered Public Utility Holding Companies and Their Electric and Gas Utility Subsidiaries as of December 31, 1938.

Work of the Securities and Exchange Commission. (This pamphlet describes briefly the duties and activities of the Commission.)

RELEASES:

Releases are issued covering the Commission's official actions, orders, rulings, opinions, etc., under the various Acts which it administers. An order blank for placing names on the mailing list is available upon request.

Compilation of Releases under the Securities Act of 1933, to and including December 31, 1936.

Compilation of Releases under the Securities Exchange Act of 1934, to and including December 31, 1936.

Compilation of Releases under the Public Utility Holding Company Act of 1935, to and including December 31, 1936.

REPORTS:

Report on the Feasibility and Advisability of the Complete Segregation of the Functions of Dealer and Broker.

Report on Trading in Unlisted Securities upon Exchanges.

REPORTS—Continued.

Preliminary Summary of the Progress of the Study of Investment Trusts and Investment Companies.

Report on the Study of Investment Trusts and Investment Companies:

Part III: Abuses and Deficiencies in the Organization and Operation of Investment Trusts and Investment Companies.

Chapter I: Background of Investment Company Industry in Relation to Abuses.

Chapter II: Detailed Histories of Various Investment Trusts and Investment Companies.

Chapter III: Problems in Connection with the Distribution and Repurchase of Shares of Open-end and Closed-end Management Investment Trusts and Investment Companies.

Chapter IV: Problems in Connection with Shifts in Control, Mergers and Consolidations of Management Investment Companies.

RULES, REGULATIONS, AND FORMS:

General Rules and Regulations under the Securities Act of 1933, as amended.

Guide to Forms Adopted under the Securities Act of 1933, as amended.

Forms Adopted under the Securities Act of 1933, as amended.

General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

Guide to Forms Adopted under the Securities Exchange Act of 1934, as amended.

Forms Adopted under the Securities Exchange Act of 1934, as amended.

General Rules and Regulations under the Public Utility Holding Company Act of 1935.

Forms Adopted under the Public Utility Holding Company act of 1935.

Rules of Practice.

Rule Regarding the Sale of Copies of Registered Information.

UNIFORM SYSTEMS OF ACCOUNTS:

Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies.

Uniform System of Accounts for Public Utility Holding Companies.

COPIES OF THE MATERIAL LISTED BELOW MAY BE PROCURED FROM THE SUPERINTENDENT OF DOCUMENTS, GOVERNMENT PRINTING OFFICE, WASHINGTON, D. C.

Decisions and Reports of the Securities and Exchange Commission:

Volume 1, No. 1 (July 2, 1934, to September 3, 1935). Out of Print.

Volume 1, No. 2 (September 4, 1935, to June 30, 1936). Price 25 cents.

Volume 1, No. 3 (July 1, 1936, to December 31, 1936). Out of Print.

Volume 1 (Buckram bound). Contains all decisions printed in Volume 1, Nos. 1, 2, and 3. Complete with table of cases reported with the Sections of the Acts involved and an index-digest of the cases. Price $1.75.

Volume 2, Part 1 (January 1, 1937, to June 30, 1937). Price 50 cents.

Volume 2, Part 2 (July 1, 1937, to December 31, 1937). Price 60 cents.

Volume 2 (Buckram bound). Contains all decisions printed in Volume 2, Parts 1 and 2. Complete with table of cases reported with the Sections of the Acts involved and an index-digest of the cases. Price $1.75.

Volume 3, Part 1 (January 1, 1938, to June 30, 1938). Price 60 cents.

Official Summary of Holdings of Officers, Directors, and Principal Stockholders as of December 31, 1935. Price 35 cents.

First Annual Report of the Securities and Exchange Commission, Fiscal year ended June 30, 1935. Price 10 cents.

Second Annual Report of the Securities and Exchange Commission, Fiscal year ended June 30, 1936. Price 15 cents.

Third Annual Report of the Securities and Exchange Commission, Fiscal year ended June 30, 1937. Price 25 cents.

Fourth Annual Report of the Securities and Exchange Commission, Fiscal year ended June 30, 1938. Price 15 cents.

Report on the Study and Investigation of the Work, Activities, Personnel, and Functions of Protective and Reorganization Committees:

	Price
Part I. Strategy and Techniques of Protective and Reorganization Committees	$1.00
II. Committees and Conflicts of Interest	.60
III. Committees for the Holders of Real Estate Bonds	.25
IV. Committees for Holders of Municipal and Quasi-Municipal Obligations	.15
V. Protective Committees and Agencies for Holders of Defaulted Foreign Governmental Bonds	1.00
VI. Trustees Under Indentures	.20
VII. Management Plans Without Aid of Committees	.60

Investigation in the Matter of McKesson & Robbins, Inc.:

Testimony of Expert Witnesses	.65

Investigation in the Matter of Richard Whitney et al.:

Volume 1. Report of the Commission	.20
2. Transcript of Hearing	1.00
3. Exhibits	.55

Report on the Study of Investment Trusts and Investment Companies:

Part One: The Nature, Classification, and Origins of Investment Trusts and Investment Companies. Price 20 cents.

Part Two: Statistical Survey of Investment Trusts and Investment Companies. Price $1.25.

The following supplemental reports have been issued in connection with the Report on the Study of Investment Trusts and Investment Companies:

	Price
Investment Trusts in Great Britain	$0.15
Investment Counsel, Investment Management, Investment Supervisory and Investment Advisory Services	.15
Commingled or Common Trust Funds Administered by Banks and Trust Companies	.10

APPENDIX V

STATISTICAL TABLES

TABLE 1.—*Effective registrations of new securities*[1]—*Totals, from September 1934 to June 1939, inclusive, by months*

[Dollar figures in thousands]

Month	Total securities, effectively registered			Gross amount of securities, less securities reserved for conversion	Gross amount of securities (after other deductions)[2] proposed for sale by issuers
	Number of statements	Number of issues	Gross amount registered		
1934					
September	18	22	$36,004	$34,592	$27,535
October	13	16	29,567	28,876	27,057
November	14	32	34,547	34,547	32,205
December	18	26	40,241	39,791	36,795
1935					
January	13	18	11,044	10,794	9,061
February	9	10	36,843	36,843	36,019
March	24	27	130,016	130,016	124,581
April	27	30	154,597	135,451	105,322
May	27	33	140,208	132,837	121,293
June	30	39	192,631	171,091	164,921
Total, September 1934–June 1935	193	253	805,698	754,839	684,789
1935					
July	47	52	530,475	508,216	476,792
August	34	50	254,062	253,447	227,407
September	30	42	319,874	291,465	244,304
October	49	65	406,087	400,877	370,146
November	46	56	289,772	256,408	250,791
December	43	57	212,085	205,618	196,201
1936					
January	39	48	275,696	273,941	258,395
February	42	56	212,089	207,250	175,938
March	53	83	583,391	573,799	475,110
April	87	128	751,013	701,100	613,199
May	59	83	319,319	307,244	262,106
June	59	104	523,439	453,066	385,822
Total fiscal year 1936	588	824	4,677,301	4,432,372	3,936,211
1936					
July	67	110	362,925	356,888	313,188
August	56	79	286,022	259,375	208,638
September	52	79	260,080	237,198	196,388
October	79	114	526,330	506,257	437,532
November	49	67	266,026	248,675	229,226
December	82	124	698,408	675,424	599,824
1937					
January	47	69	429,990	383,126	273,808
February	56	93	491,400	475,933	415,719
March	79	113	469,907	438,055	339,194
April	97	161	288,076	257,528	153,970
May	62	88	238,068	186,854	142,440
June	61	81	369,065	362,468	323,059
Total fiscal year 1937	787	1,178	4,686,296	4,387,781	3,633,086
1937					
July	60	85	266,886	205,389	152,510
August	48	69	302,343	224,459	181,631
September	38	52	156,395	108,516	86,486
October	30	36	127,621	126,866	124,399
November	37	52	38,159	35,455	31,861
December	46	75	201,374	193,745	145,429
1938					
January	17	36	79,909	78,838	69,999
February	22	29	206,698	186,650	140,527
March	18	29	69,212	68,334	63,803
April	27	34	97,371	96,931	91,289
May	24	36	93,634	85,276	53,850
June	16	26	272,448	231,123	213,843
Total fiscal year 1938	383	559	1,912,050	1,641,582	1,355,628

See footnotes at end of table.

TABLE 1.—*Effective registrations of new securities*[1]—*Totals, from September 1934 to June 1939, by months*—Continued

[Dollar figures in thousands]

Month	Total securities, effectively registered			Gross amount of securities less securities reserved for conversion	Gross amount of securities (after other deductions)[2] proposed for sale by issuers
	Number of statements	Number of issues	Gross amount registered		
1938					
July	24	37	$223,897	$222,595	$219,984
August	26	41	394,433	315,968	288,571
September	28	41	125,207	106,767	100,550
October	21	29	411,877	405,062	358,078
November	30	57	303,280	249,989	218,519
December	29	42	144,625	140,709	130,492
1939					
January	18	49	142,734	142,137	137,140
February	16	24	21,676	21,366	16,360
March	32	39	86,286	69,242	62,280
April	33	53	307,754	277,657	235,668
May	19	23	57,062	55,588	31,227
June	40	52	275,410	271,720	252,910
Total fiscal year 1939	316	487	2,494,240	2,278,800	2,051,779

[1] New securities in this table include all securities fully effective under the Securities Act of 1933 with the exception of reorganization and exchange securities, for which see tables 8 and 9.
[2] For nature of these other deductions see table 4.

NOTE.—Due to rounding off to thousands of dollars there may be slight discrepancies in the last digit columns in Tables 1 to 11.

TABLE 2.—*Effective registrations of new securities,*[1] *by types of securities, from July 1938 to June 1939, inclusive, by months*

[Dollar figures in thousands]

Month	Common stocks				Preferred stocks			
	Total securities effectively registered		Gross amount of securities, less securities reserved for conversion	Gross amount of securities (after other deductions)[2] proposed for sale by issuers	Total securities effectively registered		Gross amount of securities, less securities reserved for conversion	Gross amount of securities (after other deductions)[2] proposed for sale by issuers
	Number of issues	Gross amount			Number of issues	Gross amount registered		
1938								
July	13	$20,745	$19,443	$17,024	5	$2,961	$2,961	$2,916
August	12	104,942	26,477	12,559	4	4,557	4,557	4,557
September	20	39,372	20,932	14,933	8	7,697	7,697	7,579
October	13	21,238	14,423	9,069	2	4,438	4,438	2,675
November	39	104,817	51,526	33,750	4	21,440	21,440	20,840
December	16	27,040	23,124	14,853	6	18,566	18,566	18,566
1939								
January	13	9,334	8,737	4,725	4	38,762	38,762	38,462
February	11	9,800	9,545	8,669	8	2,862	2,707	2,552
March	18	29,436	12,392	9,361	5	1,741	1,741	1,541
April	27	77,535	47,438	34,937	6	27,900	27,900	2,619
May	16	21,046	20,473	16,172	4	22,260	22,260	2,200
June	22	32,997	29,307	15,413	6	12,675	12,675	7,759
Total	220	499,202	283,917	191,465	62	165,859	165,704	112,266
	Certificates of participation, beneficial interest and warrants[3]				Secured bonds			
1938								
July	9	$51,510	$51,510	$51,510	8	$64,181	$64,181	$64,034
August	10	18,432	18,432	15,914	9	169,262	169,262	169,262
September	10	23,038	23,038	23,038	1	350	350	250
October	4	8,179	8,179	7,000	5	267,092	267,092	267,092
November	5	10,354	10,354	7,983	5	46,865	46,865	46,865
December	11	25,544	25,544	23,956	4	57,413	57,413	57,413
1939								
January	27	22,825	22,825	22,140	2	900	900	900
February	3	3,875	3,875	----------	2	5,139	5,139	5,139
March	8	4,008	4,008	2,008	7	28,489	28,489	26,758
April	6	1,766	1,766	----------	7	116,991	116,991	115,486
May	1	3,406	3,406	3,406	2	9,449	9,449	9,449
June	6	10,587	10,587	10,587	12	143,872	143,872	143,872
Total	100	183,524	183,524	167,542	64	910,003	910,003	906,521

See footnotes at end of table.

TABLE 2.—*Effective registrations of new securities,*[1] *by types of securities, from July 1938 to June 1939, inclusive, by months*—Continued

[Dollar figures in thousands]

Month	Debentures and short term notes [4]				Total, all securities			
	Total securities effectively registered		Gross amount of securities, less securities reserved for conversion	Gross amount of securities (after other deductions) [2] proposed for sale by issuers	Total securities effectively registered		Gross amount of securities, less securities reserved for conversion	Gross amount of securities (after other deductions) [2] proposed for sale by issuers
	Number of issues	Gross amount			Number of issues	Gross amount registered		
1938								
July	2	$84,500	$84,500	$84,500	37	$223,897	$222,595	$219,984
August	6	97,240	97,240	86,279	41	394,433	315,968	288,571
September	2	54,750	54,750	54,750	41	125,207	106,767	100,550
October	5	110,930	110,930	72,242	29	411,878	405,063	358,079
November	4	119,804	119,804	109,081	57	303,280	249,989	218,519
December	5	16,062	16,062	15,704	42	144,625	140,709	130,492
1939								
January	3	70,913	70,913	70,913	49	142,734	142,137	137,139
February					24	21,676	21,366	16,360
March	1	22,612	22,612	22,612	39	86,286	69,242	62,280
April	7	83,562	83,562	82,626	53	307,754	277,657	235,667
May					23	57,062	55,588	31,227
June	6	75,279	75,279	75,279	52	275,410	271,720	252,910
Total	41	735,652	735,652	673,986	487	2,494,240	2,278,800	2,051,779

[1] New securities in this table include all securities fully effective under the Securities Act of 1933 with the exception of reorganization and exchange securities, for which see tables 8 and 9.

[2] For nature of these other deductions see table 4.

[3] Includes 4 issues of face amount installment certificates totaling $12,576,000, all of which were proposed or sale by issuers, effectively registered in December 1938.

[4] Includes one issue of short term notes totaling $1,000,000, all of which was proposed for sale by issuers effectively registered in June 1939.

NOTE.—For back figures, see Fourth Annual Report, p. 144; Third Annual Report, p. 127; Second Annual Report, pp 98 and 99.

TABLE 3.—*Effective registrations of new securities,*[1] *by major industrial groups, from July 1938 to June 1939, inclusive, by months*

[Dollar figures in thousands]

Month	Extractive industries: Total securities effectively registered: Number of statements	Number of issues	Gross amount registered	Gross amount of securities, less securities reserved for conversion	Gross amount of securities (after other deductions)[1] proposed for sale by issuers	Manufacturing industries: Total securities effectively registered: Number of statements	Number of issues	Gross amount registered	Gross amount of securities, less securities reserved for conversion	Gross amount of securities (after other deductions)[1] proposed for sale by issuers
1938										
July						11	16	$117,996	$117,693	$117,377
August	1	1	$417	$417	$183	5	7	59,635	38,319	38,196
September	7	7	6,341	6,341	3,485	8	10	78,121	59,681	56,539
October	1	1	377	377	178	6	10	60,248	57,226	55,657
November	5	6	4,979	4,548	1,800	5	8	54,762	31,981	28,586
December	8	10	12,046	8,280	8,256	5	8	11,246	11,096	9,231
1939										
January	2	3	523	523	523	8	14	10,610	10,262	6,342
February						7	11	7,131	6,821	5,490
March	1	1	280	280	250	15	20	52,807	35,763	32,761
April	2	2	342	342	342	18	30	149,115	146,450	138,124
May	2	2	234	234	175	5	5	4,194	3,779	2,411
June	4	4	12,290	12,290	12,194	14	18	93,387	93,097	84,447
Total	33	37	37,829	33,632	27,387	107	157	699,249	612,168	575,162
	Financial and investment companies					Merchandising companies				
1938										
July	7	14	$68,253	$68,253	$68,253	1	1	$2,250	$2,250	
August	7	12	31,656	29,956	29,949	1	1	561	561	
September	11	21	39,944	39,944	39,826					
October	8	10	73,366	70,787	25,571	1	2	2,715	1,500	$1,500
November	9	29	44,944	42,528	42,494					
December	7	13	36,639	36,639	36,637					
1939										
January	4	25	22,640	22,390	22,390					
February	4	5	6,660	6,660	3,045					
March	9	11	4,758	4,758	2,758					
April	2	3	6,271	6,271	4,035	2	3	272	272	272
May	5	7	17,183	17,024	16,898	1	1	195	195	113
June	6	8	25,341	21,941	16,726					
Total	79	158	377,654	367,150	308,582	6	8	5,993	4,778	1,884
	Transportation and communication companies					Electric light and power, gas, and water companies				
1938										
July	1	1	$29,978	$29,978	$29,978	2	2	$3,255	$3,255	$3,255
August						9	16	298,861	243,412	218,440
September										
October						5	6	275,173	275,173	275,173
November	3	3	4,239	4,239	4,239	5	8	130,880	103,219	78,625
December						8	10	82,280	82,280	73,954
1939										
January						3	6	108,512	108,512	107,434
February	2	2	1,826	1,826	1,826	1	2	5,090	5,090	5,090
March						6	6	27,506	27,506	26,506
April	2	2	5,305	5,305	4,305	5	10	145,144	117,712	88,210
May	1	1	250	250	250	3	4	31,605	31,605	9,789
June	2	3	3,921	3,921	2,654	9	11	124,971	124,971	121,899
Total	11	12	45,519	45,519	43,253	56	81	1,233,279	1,122,736	1,008,375

See footnotes at end of table.

TABLE 3.—*Effective registrations of new securities,*[1] *by major industrial groups, from July 1938 to June 1939, inclusive, by months*—Continued

[Dollar figures in thousands]

Month	Other registrants[3]					Total, all registrants				
	Total securities effectively registered			Gross amount of securities, less securities reserved for conversion	Gross amount of securities (after other deductions)[2] proposed for sale by issuers	Total securities effectively registered			Gross amount of securities,[3] less securities reserved for conversion	Gross amount of securities, (after other deductions)[2] proposed for sale by issuers
	Number of statements	Number of issues	Gross amount registered			Number of statements	Number of issues	Gross amount registered		
1938										
July	2	3	$2,165	$1,165	$1,120	24	37	$223,897	$222,595	$219,984
August	3	4	3,303	3,303	1,803	26	41	394,433	315,968	288,571
September	2	3	800	800	700	28	41	125,207	106,767	100,550
October						21	29	411,877	405,062	358,078
November	3	3	63,475	63,475	62,775	30	57	303,280	249,989	218,519
December	1	1	2,414	2,414	2,414	29	42	144,625	140,709	130,492
1939										
January	1	1	450	450	450	18	49	142,735	142,137	137,139
February	2	4	969	969	909	16	24	21,676	21,366	16,360
March	1	1	935	935	5	32	39	86,286	69,242	62,280
April	2	3	1,305	1,305	379	33	53	307,754	277,657	235,667
May	2	3	3,401	2,501	1,591	19	23	57,062	55,588	31,227
June	5	8	15,500	15,500	14,990	40	52	275,410	271,720	252,910
Total	24	34	94,717	92,817	87,136	316	487	2,494,240	2,278,800	2,051,779

[1] New securities in this table include all securities fully effective under the Securities Act of 1933 with the exception of reorganization and exchange securities, for which see tables 8 and 9.

[2] For nature of these other deductions see table 4.

[3] Includes agriculture, real estate, service industries, miscellaneous domestic companies, foreign companies, and foreign governments.

NOTE.—For back figures see Fourth Annual Report, pp 145 and 146; Third Annual Report, pp. 129 and 130; Second Annual Report, p. 100; First Annual Report, pp. 72 and 73.

TABLE 4.—*Effective registrations of new securities*[1]—*Reduction of gross amount of all effective securities to estimated net cash proceeds accruing to issuers, from July 1938 to June 1939, inclusive, by months*

[Thousands of dollars]

	July 1938	August 1938	September 1938	October 1938	November 1938	December 1938	January 1939	February 1939	March 1939	April 1939	May 1939	June 1939	Total, July 1, 1938–June 30, 1939
Gross amount of all effective securities	223,897	394,433	125,207	411,877	303,280	144,625	142,734	21,676	86,286	307,754	57,061	275,410	2,494,240
Gross amount of effective securities not now proposed for sale by issuers:													
Registered for "account of others"	309	4,278	5,992	1,673	7,335	10,215	3,387	971	4,863	11,525	3,777	13,549	67,874
Reserved for conversion	1,302	78,465	18,440	6,815	53,291	3,916	597	310	17,044	30,097	1,473	3,690	215,440
Reserved for subsequent issuance against options and warrants	2,250		56		1,200		1,610	420	124	777	219	3,193	9,849
Reserved for other subsequent issuance	38	23,114			22,731				45	1,308			47,236
To be issued against claims	10	5	102	150						35	5		307
To be issued for tangible and intangible assets	4			13	204						50	725	996
To be issued as selling commissions and for other selling and distributing expenses			67	36		2							105
To be issued in exchange for other securities				45,112				3,615	1,930	28,344	20,310	1,343	100,654
Total not now proposed for sale by issuers	3,913	105,862	24,657	53,799	84,761	14,133	5,594	5,316	24,006	72,086	25,834	22,500	442,461
Gross amount of securities proposed for sale by issuers	219,984	288,571	100,550	358,078	218,519	130,492	137,140	16,360	62,280	235,668	31,227	252,910	2,051,779
Selling and distributing expenses.[2]													
Commissions and discounts to underwriters and agents	7,761	6,674	5,412	8,293	6,287	4,387	4,213	1,190	2,767	4,679	2,127	6,678	60,468
Other selling and distributing expenses	1,051	2,156	881	2,016	1,240	659	918	214	627	1,442	235	1,621	13,060
Total selling and distributing expenses	8,812	8,830	6,293	10,309	7,527	5,046	5,131	1,404	3,394	6,121	2,362	8,299	73,528
Estimated net proceeds	211,172	279,741	94,257	347,769	210,992	125,446	132,009	14,956	58,886	229,547	28,865	244,611	1,978,251

[1] New securities in this table include all securities fully effective under the Securities Act of 1933 with the exception of reorganization and exchange securities, for which see tables 8 and 9

[2] Not including amounts set forth above as securities "to be issued as selling commissions and for other selling and distributing expenses."

NOTE.—For back figures see Fourth Annual Report, p. 147; Third Annual Report, p. 132; Second Annual Report, p. 101, First Annual Report, p. 74.

TABLE 5, PART 1.—*Effective registrations of new securities*[1]—*Proposed uses of estimated net cash proceeds of new securities registered for account of issuers, from July 1938 to June 1939, inclusive, by months*

[Thousands of dollars]

	July 1938	August 1938	September 1938	October 1938	November 1938	December 1938	January 1939	February 1939	March 1939	April 1939	May 1939	June 1939	Total, July 1, 1938–June 30, 1939
Organization and development expenses	1	62	490	90	858	1,920	416	201	1,690	190	25	856	6,799
Purchase of—													
Plant and equipment	101,415	39,174	50,306	8,693	38,017	10,007	2,040	3,453	4,534	1,936	213	3,975	263,763
Other assets	33	3	667	----------	----------	180	----------	13	3	24	92	31	1,046
Securities for investment	62,979	27,241	31,654	21,662	38,375	27,669	20,399	2,416	1,965	3,629	15,278	11,757	265,024
Securities for affiliation	----------	40	123	----------	798	----------	----------	----------	500	----------	46	194	1,701
Total purchase of assets	164,427	66,458	82,750	30,355	77,190	37,856	22,439	5,882	7,002	5,589	15,629	15,957	531,534
Increase of working capital	5,503	4,961	5,625	8,799	2,937	8,422	2,165	4,239	13,201	70,634	3,770	22,824	153,080
Retirement of preferred stock	25,053	13,819	----------	447	18,168	10,494	35,523	----------	191	1,034	239	100	105,068
Reimbursement of corporate treasuries for capital expenditures	6,823	3,157	----------	1,446	----------	135	----------	----------	----------	----------	----------	3,495	15,056
Repayment of—													
Bonds and notes	1,505	175,812	180	270,494	88,743	64,567	69,058	3,303	36,530	147,471	8,641	187,648	1,053,952
Other debt	7,860	15,436	5,012	36,138	36	2,036	2,408	1,331	268	4,629	561	5,047	80,762
Total repayment of indebtedness	9,365	191,248	5,192	306,632	88,779	66,603	71,466	4,634	36,798	152,100	9,202	192,695	1,134,714
Miscellaneous and unaccounted for	----------	36	200	----------	23,060	16	----------	----------	4	----------	----------	8,684	32,000
Total	211,172	279,741	94,257	347,769	210,992	125,446	132,009	14,956	58,886	229,547	28,865	244,611	1,978,251

[1] New securities in this table include all securities fully effective under the Securities Act of 1933 with the exception of reorganization and exchange securities, for which see tables 8 and 9.

NOTE.—For back figures see Fourth Annual Report, p. 148; Third Annual Report, p. 133; Second Annual Report, p. 102; First Annual Report, p. 75.

TABLE 5, PART 2.—*Effective registrations of new securities*[1]—*Proposed uses of estimated net cash proceeds of new securities registered for account of issuers, from July 1938 to June 1939, inclusive, by months*

[In percent of net proceeds]

	July 1938	August 1938	September 1938	October 1938	November 1938	December 1938	January 1939	February 1939	March 1939	April 1939	May 1939	June 1939	Total, July 1, 1938–June 30, 1939
Organization and development expenses	0.0	0.0	0.5	0.0	0.4	1.5	0.3	1.3	2.9	0.1	0.1	0.4	0.3
Purchase of—													
Plant and equipment	48.0	14.0	53.4	2.5	18.0	8.0	1.5	23.1	7.7	0.8	0.7	1.6	13.3
Other assets	0.0	0.0	0 7	----------	----------	0.1	----------	0.1	0.0	0.0	0.3	0.0	0.1
Securities for investment	29.9	9.8	33.6	6.2	18.2	22.1	15.5	16.2	3.3	1.6	52.9	4.8	13.4
Securities for affiliation	----------	0.0	0.1	----------	0.4	----------	----------	----------	0.9	----------	0.2	0.1	0.1
Total purchase of assets	77.9	23.8	87.8	8.7	36.6	30.2	17.0	39.4	11.9	2.4	54.1	6.5	26.9
Increase of working capital	2.6	1.8	6.0	2.6	1.4	6.7	1.6	28.3	22.4	30.8	13.1	9.3	7.7
Retirement of preferred stock	11.9	4.9	----------	0.1	8.6	8.4	26.9	----------	0.3	0.4	0.8	0.0	5.3
Reimbursement of corporate treasuries for capital expenditures	3.2	1.1	----------	0.4	----------	0.1	----------	----------	----------	----------	----------	1.4	0.8
Repayment of—													
Bonds and notes	0.7	62 9	0.2	77.8	42.1	51 5	52.3	22.1	62.0	64.3	29.9	76.7	53.3
Other debt	3.7	5.5	5.3	10.4	0.0	1.6	1.9	8.9	0.5	2.0	2.0	2.1	4.1
Total repayment of indebtedness	4.4	68 4	5.5	88.2	42.1	53 1	54.2	31.0	62.5	66.3	31 9	78 8	57 4
Miscellaneous and unaccounted for	----------	0.0	0.2	----------	10.9	0 0	----------	----------	0.0	----------	----------	3.6	1.6
Total	100.0	100.0	100.0	100.0	100 0	100.0	100.0	100.0	100.0	100 0	100.0	100.0	100 0

[1] New securities in this table include all securities fully effective under the Securities Act of 1933 with the exception of reorganization and exchange securities, for which see tables 8 and 9.

NOTE.—For back figures see Fourth Annual Report, p. 149; Third Annual Report, p. 134; Second Annual Report, p. 103; First Annual Report, p. 75.

TABLE 6.—*Effective registrations of new securities* [1]—*Detailed statistics by industries—Fiscal year ended June 30, 1939*

[Amounts in thousands of dollars]

Industry	Number of issues	Gross registrations							Securities registered for account of others	Securities registered for account of issuers	Securities not now offered for sale or exchange			
		Common stocks	Preferred stocks	Certificates of participation	Secured bonds	Debentures	Short-term notes	Total amount registered			Reserved for conversion	Reserved for options	Reserved for other purposes	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Agriculture	1	450						450		450				
Extractive industries:														
Coal mining	1	200						200		200				
Metal mining	17	7,115						7,115	477	6,638		56		56
Oil and gas wells	19	15,264	1,000	249		14,000		30,514	5,444	25,069	4,197			4,197
Total extractive industries	37	22,579	1,000	249		14,000		37,829	5,922	31,907	4,197	56		4,253
Manufacturing industries:														
Food and related products	4	1,110	172					1,282	510	772				
Tobacco products	2	5	990					995		995				
Beverages:														
Beer, ale, etc	3	460	750					1,210	120	1,090	302		38	340
Distilled liquors	4	16,097	204			22,613		38,914		38,914	16,067			16,067
Other beverages	9	2,211	638					2,848	970	1,878	638	85		723
Total beverages	16	18,768	1,591			22,613		42,972	1,090	41,882	17,006	85	38	17,129
Textiles and products	6	805	300		7,655			8,760	810	7,950				
Lumber and products	2	1,724						1,724	53	1,671		257	1,165	1,422
Paper and products	10	3,531	5,833	351				9,714	465	9,249	300	1,020		1,320
Print., publ., and allied ind	3	2,146				58		2,204	2,134	70			10	10
Chemicals and allied products	6	2,989	5,625	573				9,187	2,323	6,864				
Petroleum rfg. (incl. distr.)	12	40,039			450	247,722		288,210	44	288,166	39,775	75	45	39,895
Tire and rubber products	2	1,228				49,750		50,978	524	50,454	414			414
Leather and manufactures	3	2,288	600					2,888		2,888				
Building and related products	11	9,868	6,000	52	300	3,100		19,320	52	19,268	8,180	1,238		9,418
Iron and steel (excl. machy.)	11	22,983			62,892	54,925		140,800	973	139,827	18,240	420		18,660
Machy. and tools (excluding transportation equipment)	18	11,972	1,005		25,047	625		38,649	8,560	30,088	1,022	12		1,034
Transportation equipment	38	31,405	800	3,059		750		36,014	5,107	30,906	1,427	1,641	144	3,212
Miscellaneous mfg. industries	13	34,212	685	253	9,900	504		45,554	2,293	43,261	716	1,610	94	2,420
Total manufacturing industries	157	185,071	23,601	4,287	106,244	380,046		699,249	24,939	674,310	87,081	6,357	1,495	94,934

Financial and investment companies:														
Investment and trading cos.:														
Closed-end management cos.	4	903	1,000			50,000		51,903	118	51,785				
Open-end management cos.	80	110,139		87,448	7,000			204,587	4,227	200,360	4,117			4,117
Oil royalty companies	2			713				713		713				
Investment plans	22			44,367				44,367	7	44,359				
Face amount installment plans	4			12,576				12,576		12,576				
Fixed trusts	1			24,310				24,310		24,310				
Total investment and trading companies	113	111,042	1,000	169,413	7,000	50,000		338,455	4,351	334,103	4,117			4,117
Commercial credit, finance, and mortgage companies	10	391	5,357			200	1,000	6,948		6,948	159	125		284
Industrial and personal loan cos.	22	9,929	16,120					26,049	1,019	25,030	6,228			6,228
Insurance companies	7	1,750	50					1,800		1,800				
Other fin. and invest. cos.	6	2,204	198	2,000				4,402	2,000	2,402		1,000		1,000
Total fin. and invest. cos.	158	125,316	22,725	171,413	7,000	50,200	1,000	377,654	7,370	370,284	10,504	1,125		11,629
Merchandising	8	4,389	1,604					5,993	644	5,349	1,215	2,250		3,465
Real estate	3	1	1,000		935			1,936		1,936				
Construction and allied industries	2	1,505	1,530					3,035	605	2,430	900			900
Transportation and communication	12	2,441	2,078		41,001			45,519	2,267	43,253				
Service industries	19	4,579	2,299	1,500	350	1,000		9,728	3,152	6,576	1,000	60		1,060
Electric lt. and pwr., gas and water:														
Holding companies	9	22,204	56,622		20,400	71,270		170,496	8,326	162,170	14,235			14,235
Operating-holding companies	13	118,626	13,780	6,074	88,065	111,449		337,994	4,990	333,004	95,648		45,742	141,389
Operating companies	59	6,275	39,621		644,231	34,662		724,789	9,149	715,640	661			661
Total electric light and power, gas and water	81	147,104	110,023	6,074	752,696	217,381		1,233,279	22,465	1,210,814	110,543		45,742	156,285
Miscellaneous domestic companies														
Foreign companies	5	5,767			1,776			7,543	510	7,033				
Foreign governments and subdivisions	4					72,025		72,025		72,025				
Grand total	487	499,202	165,860	183,523	910,003	734,652	1,000	2,494,240	67,874	2,426,366	215,440	9,848	47,237	272,526

See footnotes at end of table.

TABLE 6.—*Effective registrations of new securities* [1]—*Detailed statistics by industries—Fiscal year ended June 30, 1939*—Continued

[Amounts in thousands of dollars]

Industry	Securities offered in exchange for —						Securities issued as selling commissions or for "other" selling expenses	Total securities proposed for sale by issuer	Selling and distributing expenses paid in cash		
	Securities of issuer	Certificates of deposit	Securities of other issuers	Claims against issuer	Tangible and intangible assets	Total			Commissions and discounts	Other expense	Total [2]
	15	16	17	18	19	20	21	22	23	24	25
Agriculture								450	113	5	118
Extractive industries:											
Coal mining								200		11	11
Metal mining				152	13	165	53	6,364	1,182	56	1,237
Oil and gas wells							50	20,822	1,865	219	2,084
Total extractive industries				152	13	165	103	27,387	3,046	286	3,332
Manufacturing industries:											
Food and related products								772	21	10	31
Tobacco products								995	149	4	153
Beverages:											
Beer, ale, etc								750	75	6	81
Distilled liquors								22,847	574	126	700
Other beverages								1,156	127	24	151
Total beverages								24,753	776	156	932
Textiles and products								7,950	285	135	420
Lumber and products								249	25	5	29
Paper and products					500	500		7,429	260	114	374
Print., publ., and allied ind.				5		5		55	10	5	15
Chemicals and allied products								6,864	125	65	190
Petroleum rfg. (incl. distr.)								248,272	3,394	1,130	4,523
Tire and rubber products								50,039	1,285	252	1,536
Leather and manufactures								2,888	323	31	353
Building and related products								9,850	320	137	457
Iron and steel (excl. machy.)			3,150			3,150		118,017	2,283	654	2,936
Machinery and tools (excluding transportation equipment)								29,054	928	349	1,276

Transportation equipment				30	429	459		27,235	2,737	619	3,356
Misc. manufacturing industries	100					100		40,741	1,010	324	1,334
Total manufacturing industries	100		3,150	35	929	4,214		575,162	18,928	3,988	17,916
Financial and investment companies:											
Investment and trading cos.:											
Closed-end management cos	38,688					38,688		13,097	132	31	163
Open-end management cos	3,615		3,012			6,627		189,617	12,855	502	13,357
Oil royalty companies								713	123	1	123
Investment plans								44,359	3,888	820	4,709
Face amount installment plans								12,576	510	15	525
Fixed trusts								24,310	1,158		1,158
Total investment and trading companies	42,303		3,012			45,315		284,672	18,666	1,368	20,034
Commercial credit, finance and mortgage companies							2	1,662	1,010	43	1,052
Industrial and personal loan cos	4,756					4,756		14,046	709	96	805
Insurance companies								1,800	27	48	74
Other financial and investment cos								1,402	100	13	113
Total financial and invest. cos	47,058		3,012			50,070	2	308,582	20,511	1,568	22,079
Merchandising								1,884	226	35	261
Real estate	930					930		1,006	30	4	34
Construction and allied industries								1,530	180	10	190
Transportation and communication								43,253	1,024	393	1,416
Service industries	250			119	54	423		5,092	401	48	450
Electric lt. and power, gas and water:											
Holding companies	20,060					20,060		127,875	2,516	760	3,276
Operating-holding companies								191,615	2,060	1,488	3,548
Operating companies	26,094					26,094		688,885	13,938	4,274	18,212
Total electric lt. and power, gas and water	46,154					46,154		1,008,375	18,514	6,522	25,036
Miscellaneous domestic companies											
Foreign companies								7,033	721	76	796
Foreign governments and subdivisions								72,025	1,774	126	1,900
Grand total	94,492		6,162	307	996	101,957	105	2,051,779	60,468	13,060	73,528

See footnotes at end of table.

TABLE 6.—*Effective registrations of new securities* [1]—*Detailed statistics by industries—Fiscal year ended June 30, 1939*—Continued

[Amounts in thousands of dollars]

Industry	Net proceeds less cost of selling and distributing	Net proceeds of securities offered for sale to be used for—							
		Organization and development	Purchase of—						Increase of working capital
			Plant and equipment	Other tangible assets	Securities		Tangible assets	Total all assets	
					For investment	For affiliation			
	26	27	28	29	30	31	32	33	34
Agriculture	332								166
Extractive industries:									
Coal mining	189		42			100		142	47
Metal mining	5,127	2,337	1,360					1,360	1,332
Oil and gas wells	18,738	1,794	1,530	426			421	2,377	6,346
Total extractive industries	24,054	4,131	2,932	426		100	421	3,879	7,725
Manufacturing industries:									
Food and related products	741	1	651					651	74
Tobacco products	842	1	235				25	260	582
Beverages:									
Beer, ale, etc.	669		489					489	
Distilled liquors	22,147								8,470
Other beverages	1,004	2	133			694		827	114
Total beverages	23,821	2	622			694		1,318	8,583
Textiles and products	7,530		6,415					6,415	406
Lumber and products	220		35				8	43	177
Paper and products	7,055	10	4,130			40	3	4,173	1,081
Print., publ., and allied ind.	40		17					17	13
Chemicals and allied products	6,674		5,653					5,653	1,009
Petroleum rfg. (incl. distr.)	243,748		146,238					146,238	39,976
Tire and rubber products	48,503		185					185	2,471
Leather and manufactures	2,534		425					425	2,109
Building and related products	9,393		1,300					1,300	1,631
Iron and steel (excl. machy.)	115,081		29,530					29,530	3,095

Machinery and tools (excl. transportation equipment)	27,778		288						288	4,767
Transportation equipment	23,879	2,294	3,403		97				3,500	15,681
Misc. manufacturing industries	39,407	126	174	17				18	205	32,238
Total manufacturing industries	557,246	2,433	199,301	17	97	734		54	200,203	113,892
Financial and investment companies:										
Investment and trading companies:										
Closed-end management cos	12,934				12,851				12,851	83
Open-end management cos	176,260				174,315				174,315	1,746
Oil royalty companies	589				589				589	
Investment plans	39,651				39,594				39,594	
Face amount installment plans	12,051				12,051				12,051	
Fixed trusts	23,152				23,152				23,152	
Total investment and trading companies	264,638				262,552				262,552	1,829
Commercial credit, finance and mortgage companies	5,610		18			46		18	71	5,429
Industrial and personal loan cos	13,241					123			123	5,892
Insurance companies	1,726				1,654				1,654	72
Other financial and invest. cos	1,289	3				698			698	589
Total financial and invest. cos	286,503	3	18		264,206	867		18	265,098	18,810
Merchandising	1,624		587					92	679	944
Real estate	972	1								971
Construction and allied industries	1,340									1,340
Transportation and communication	41,886	280	6,001						6,001	1,564
Service industries	4,642	1	3,317	24					3,341	1,291
Electric lt. and pwr., gas and water:										
Holding companies	124,599									382
Operating-holding companies	188,067		17,751		721				18,473	350
Operating companies	670,673		33,860						33,860	4,558
Total electric lt. and power, gas and water	983,339		51,612		721				52,333	5,290
Miscellaneous domestic companies										
Foreign companies	6,237									6,087
Foreign governments and subdivisions	70,125									
Grand total	1,978,251	6,799	263,763	467	265,024	1,701		579	531,534	153,080

See footnotes at end of table.

TABLE 6.—*Effective registrations of new securities* [1]—*Detailed statistics by industries—Fiscal year ended June 30, 1939*—Continued

[Amounts in thousands of dollars]

Industry	Net proceeds of securities offered for sale to be used for—							
	Retirement of preferred stock	Reimbursement of corporate treasuries for capital expenditures	Repayment of indebtedness					Miscellaneous and unaccounted for
			Bonds and notes		Bank credits	Other debt	Total	
			Before maturity	At maturity				
	35	36	37	38	39	40	41	42
Agriculture					150	15	165	
Extractive industries:								
Coal mining								
Metal mining						98	98	
Oil and gas wells			6,660		1,477	85	8,222	
Total extractive industries			6,660		1,477	183	8,320	
Manufacturing industries:								
Food and related products					16		16	
Tobacco products								
Beverages:								
Beer, ale, etc.			180				180	
Distilled liquors			13,678				13,678	
Other beverages	62							
Total	62		13,858				13,858	
Textiles and products	129	500				80	80	
Lumber and products								
Paper and products					1,067	724	1,791	
Print., publ., and allied ind.						10	10	
Chemicals and allied products						12	12	
Petroleum rfg. (incl. distr.)			57,265			270	57,535	
Tire and rubber products			12,827		33,020		45,847	
Leather and manufactures								
Building and related products	4,709	750	20		750	233	1,003	
Iron and steel (excl. machy.)		6,323	63,812		8,500	3,821	76,133	
Machinery and tools (excluding transportation equipment)	634		21,649			440	22,090	

Transportation equipment			16		182	2,206	2,404	
Misc. manufacturing industries					4,204	2,631	6,835	
Total manufacturing industries	5,533	7,573	169,447		47,739	10,427	227,614	
Financial and investment companies:								
Investment and trading cos.:								
Closed-end management cos								200
Open-end management cos								
Oil royalty companies								57
Investment plans								
Face amount installment plans								
Fixed trusts								
Total investment and trading companies								257
Commercial credit, finance and mortgage companies						111	111	
Industrial and personal loan cos	7,226							
Insurance companies								
Other financial and invest. cos								
Total financial and investment cos	7,226					111	111	257
Merchandising								
Real estate								
Construction and allied industries								
Transportation and communication	25,053		8,988				8,988	
Service industries						10	10	
Electric light and power, gas and water:								
Holding companies	41,245		74,365		8,606		82,972	
Operating-holding companies	21,309		147,935				147,935	
Operating companies	4,702	7,483	592,426	15,851	7,289	4,504	620,070	
Total elec. lt. and pwr., gas and water	67,256	7,483	814,726	15,851	15,895	4,504	850,977	
Miscellaneous domestic companies								
Foreign companies						150	150	
Foreign governments and subdivisions				38,280	101		38,381	31,743
Grand total	105,068	15,056	999,822	54,131	65,362	15,400	1,134,715	32,000

[1] New securities in this table include all securities fully effective under the Securities Act of 1933 with the exception of reorganization and exchange securities, for which see tables 8 and 9.

[2] Exclusive of amounts paid in securities as shown in column 21.

NOTE.—For back figures see Fourth Annual Report, pp. 150-157; Third Annual Report, pp. 135-143; Second Annual Report, pp. 104-111; First Annual Report, pp. 76-83.

TABLE 7.—*Effective registrations of new securities* [1]—*Channels of distribution of new securities intended for cash offering for account of issuers—Fiscal year ended June 30, 1939*

[Estimated gross proceeds in thousands of dollars]

Industry	To own security holders by—				To public by—			
	Issuers	Underwriters	Agents	Total	Issuers	Underwriters	Agents	Total
Agriculture					450			450
Extractive industries:								
Coal mining		195		195		5		5
Metal mining	1,750			1,750	1,082	183	3,349	4,614
Oil and gas wells	348	179	242	769		10,705	9,296	20,001
Total extractive industries	2,098	375	242	2,715	1,082	10,893	12,645	24,620
Manufacturing industries:								
Food and related products	600			600			172	172
Tobacco products					995			995
Beverages.								
Beer, ale, etc							750	750
Distilled liquors						22,613	234	22,847
Other beverages					60	991		1,051
Total beverages					60	23,604	984	24,648
Textiles and products	95			95		7,855		7,855
Lumber and products						249		249
Paper and products		1,999		1,999	3	3,143	275	3,420
Print., publ. and allied ind			55	55				
Chemicals and allied products	1,239			1,239		5,625		5,625
Petroleum rfg. (incl. distr.)		46,072		46,072		146,100	52,100	198,200
Tire and other rubber products						49,964		49,964
Leather and manufactures						2,288	600	2,888
Building and related products	900			900	150	8,500		8,650
Iron and steel (excl. machy.)						104,530	95	104,625
Machinery and tools (excl. transportation equipment)					250	26,741	2,063	29,054
Transportation equipment	6,839	3,747	263	10,848		9,648	6,714	16,362
Misc. mfg. industries		28,699		28,699	376	10,570	1,094	12,040
Total manufacturing industries	9,673	80,517	318	90,507	1,833	398,816	64,097	464,746
Financial and investment companies:								
Investment and trading companies:								
Closed-end management cos			903	903			882	882
Open-end management cos	6,140			6,140	10,000		173,477	183,477
Oil royalty companies							713	713
Investment plans					15,870		28,489	44,359
Face amount installment plans							12,576	12,576
Fixed trusts								
Total invest. and trading cos	6,140		903	7,043	25,870		216,137	242,007
Commercial credit, finance and mortgage companies					1,319	194	5,108	6,621
Industrial and personal loan cos	2	8,300		8,302	449	1,857	2,538	4,844
Insurance companies	400	150	200	750	1,050			1,050
Other financial and investment cos					199		500	699
Total financial and investment cos	6,542	8,450	1,103	16,095	28,887	2,051	224,283	255,221
Merchandising			104	104		625	1,155	1,780
Real estate					1,001	5		1,006
Construction and allied industries							1,530	1,530
Transportation and communication						39,104	967	40,071
Service industries	61			61	2,987		1,190	4,177
Electric light and power, gas and water:								
Holding companies		36,222		36,222		91,653		91,653
Operating-holding companies	2,020	101,530		103,550		52,705		52,705
Operating companies	1,677	50		1,727		677,210	855	678,065
Total elec. lt. and pwr., gas and water	3,697	137,802		141,499		821,567	855	822,422
Miscellaneous domestic companies								
Foreign companies					615	356	6,062	7,033
Foreign governments and subdivisions						72,025		72,025
Grand total	22,071	227,144	1,767	250,981	36,855	1,345,443	312,784	1,695,082

See footnotes at end of table.

TABLE 7.—*Effective registrations of new securities* [1]—*Channels of distribution of new securities intended for cash offering for account of issuers—Fiscal year ended June 30, 1939*—Continued

[Estimated gross proceeds in thousands of dollars]

Industry	To "others" by—				Distributed by—			Grand total
	Issuers	Underwriters	Agents	Total	Issuers	Underwriters	Agents	
Agriculture					450			450
Extractive industries:								
Coal mining						200		200
Metal mining					2,832	183	3,349	6,364
Oil and gas wells			52	52	348	10,885	9,590	20,822
Total extractive industries			52	52	3,180	11,268	12,939	27,387
Manufacturing industries:								
Food and related products					600		172	772
Tobacco products					995			995
Beverages:								
Beer, ale, etc							750	750
Distilled liquors						22,613	234	22,847
Other beverages	75	30		105	135	1,021		1,156
Total beverages	75	30		105	135	23,634	984	24,753
Textiles and products					95	7,855		7,950
Lumber and products						249		249
Paper and products	2,010			2,010	2,012	5,142	275	7,429
Print., publ. and allied ind							55	55
Chemicals and allied products					1,239	5,625		6,864
Petroleum rfg. (incl. distr.)	4,000			4,000	4,000	192,172	52,100	248,272
Tire and other rubber products	76			76	76	49,964		50,039
Leather and manufactures						2,288	600	2,888
Building and related products	300			300	1,350	8,500		9,850
Iron and steel (excl. machy.)			13,392	13,392		104,530	13,487	118,017
Machinery and tools (excluding transportation equipment)					250	26,741	2,063	29,054
Transportation equipment	25			25	6,864	13,395	6,976	27,235
Misc. manufacturing industries		2		2	376	39,272	1,094	40,741
Total manufacturing industries	6,485	32	13,392	19,909	17,991	479,366	77,806	575,162
Financial and investment companies:								
Investment and trading companies:								
Closed-end management cos	11,312			11,312	11,312		1,785	13,097
Open-end management cos					16,140		173,477	189,617
Oil royalty companies							713	713
Investment plans					15,870		28,489	44,359
Face amount installment plans							12,576	12,576
Fixed trusts			24,310	24,310			24,310	24,310
Total investment and trading companies	11,312		24,310	35,622	43,322		241,350	284,672
Commercial credit, finance and mortgage companies	41			41	1,360	194	5,108	6,662
Industrial and personal loan cos	900			900	1,352	10,157	2,538	14,046
Insurance companies					1,450	150	200	1,800
Other financial and investment cos	703			703	902		500	1,402
Total financial and invest. cos	12,956		24,310	37,266	48,386	10,501	249,696	308,582
Merchandising						625	1,259	1,884
Real estate					1,001	5		1,006
Construction and allied industries							1,530	1,530
Transportation and communication	1,328		1,854	3,182	1,328	39,104	2,821	43,253
Service industries	454		400	854	3,502		1,590	5,092

See footnotes at end of table.

TABLE 7.—*Effective registrations of new securities—Channels of distribution of new securities intended for each offering for account of issuers—Fiscal year ended June 30, 1939*—Continued.

[Estimated gross proceeds in thousands of dollars]

Industry	To "others" by—				Distributed by—			Grand total
	Issuers	Underwriters	Agents	Total	Issuers	Underwriters	Agents	
Electric light and pwr., gas and water:								
Holding companies						127,875		127,875
Operating-holding companies			35,360	35,360	2,020	154,235	35,360	191,615
Operating companies	2,040	7,054		9,093	3,717	684,313	855	688,885
Total elec. lt. and pwr., gas and water	2,040	7,054	35,360	44,453	5,736	966,423	36,215	1,008,375
Miscellaneous domestic companies								
Foreign companies					615	356	6,062	7,033
Foreign governments and subdivisions						72,025		72,025
Grand total	23,262	7,086	75,368	105,716	82,189	1,579,672	389,918	2,051,779

[1] New securities in this table include all securities fully effective under the Securities Act of 1933 with the exception of reorganization and exchange securities, for which see tables 8 and 9.

NOTE.—For back figures see Fourth Annual Report, pp. 158–160; Third Annual Report, pp. 144–147; Second Annual Report, p. 112; First Annual Report, pp. 84–85.

TABLE 8.—*Effective registrations of reorganization and exchange securities, by types of securities, from July 1938 to June 1939, inclusive, by months*

Month	Number of statements	Number of issues									Approximate market value [1] in thousands of dollars							
		Common stocks	Preferred stocks	Certificates of participation, etc.	Secured bonds	Debentures	Short-term notes	Certificates of deposit	Voting trust certificates	Total	Common stocks	Preferred stocks	Certificates of participation, etc.	Secured bonds	Debentures	Short-term notes	Certificates of deposit	Voting trust certificates	Total
1938																			
July	1				2					2				1,727					1,727
August	7	1	2		1			1	4	9	407	966		107			678	17,652	19,810
September	2				2					2				5,379					5,379
October																			
November	1								1	1								113	113
December	[2] 0							[2] 1		1							21,702		21,702
1939																			
January	1							1		1							267		267
February	1							1		1							2,344		2,344
March	[3] 5			[3] 1	3				2	6				370				624	994
April	4			[3] 1	1				2	4				714				50	764
May	1							1		1							31,000		31,000
June	4							1	3	4							684	2	686
Total	27	1	2	2	9			6	12	32	407	966		8,297			56,675	18,441	84,786

[1] Represents actual market value or ½ of face value where market value was not available.
[2] These securities (American shares) were registered in one registration statement which statement is included in the preceding tables covering new securities.
[3] These securities were registered in 6 registration statements, one of which statements is included in the preceding tables covering new securities and covers a guaranty of other securities.
[4] These securities are a guaranty covering other securities.

NOTE.—For back figures see Fourth Annual Report, p. 160; Third Annual Report, p. 148; Second Annual Report, p. 113; First Annual Report, p. 86.

TABLE 9.—*Effective registrations of reorganization and exchange securities, by major industrial groups, from July 1938 to June 1939, inclusive, by months*

Month	Number of issues												Approximate market value [1] in thousands of dollars											
	Agriculture	Extractive	Manufacturing	Financial and investment	Merchandising	Real estate	Construction	Transportation and communication	Service	Electric light, power, gas, and water	Other	Total	Agriculture	Extractive	Manufacturing	Financial and investment	Merchandising	Real estate	Construction	Transportation and communication	Service	Electric light, power, gas, and water	Other	Total
1938																								
July											2	2											1,727	1,727
August			5	1	1				1	1		9			2,013	12,285	2,331				2,622	559		19,810
September				1		1						2				5,225		154						5,379
October																								
November				1								1				113								113
December											1	1											21,702	21,702
1939																								
January			1									1			267									267
February											1	1											2,344	2,344
March			5			1						6			920			74						994
April			1			3						4			50			714						764
May			1									1			31,000									31,000
June						3		1				4						2		684				686
Total			13	3	1	8		1	1	1	4	32			34,250	17,623	2,331	944		684	2,622	559	25,773	84,786

[1] Represents actual market value or ⅓ of face value where market value was not available.

NOTE.—For back figures, see Fourth Annual Report, p. 161; Third Annual Report, p. 149; Second Annual Report, p. 114.

TABLE 10.—*New issues of securities offered for cash,*[1] *by type of offering and type of security—Yearly from July 1934 to June 1937, inclusive;*[2] *monthly from July 1937 to June 1939, inclusive*

[Estimated gross proceeds in thousands of dollars]

Month and year	Total	Type of offering						Type of security		
		Registered		Unregistered						
		Public	Private	Exempt Private[3]	Private other	Intrastate and unascertained	Exempt public[4]	Bonds, notes and debentures	Preferred stocks	Common stocks
Total, July 1, 1934, to June 30, 1935	3,768,434	492,315	3,971	80,412	259,747	3,598	2,928,391	3,748,349	12,970	7,115
Total, July 1, 1935, to June 30, 1936	11,264,739	3,261,572	192,809	41,076	224,384	10,855	7,534,043	10,968,270	189,963	106,506
Total, July 1, 1935, to June 30, 1937	7,638,660	3,008,878	11,814	142,946	322,594	16,471	4,135,957	6,811,990	403,896	422,774
1937										
July	368,633	108,089	----------	2,741	106,239	879	150,685	290,218	62,801	15,614
August	160,274	51,390	----------	5,605	15,833	400	87,046	140,162	4,972	15,140
September	232,629	150,129	----------	1,635	2,550	538	77,777	167,977	53,220	11,432
October	194,967	99,210	----------	----------	22,423	----------	73,334	174,367	20,000	600
November	127,547	3,567	----------	----------	23,161	875	99,944	123,105	1,064	3,378
December	698,792	35,884	----------	4,000	19,637	225	639,046	682,314	9,871	6,607
1938										
January	195,306	47,814	----------	----------	101	----------	147,391	187,419	3,919	3,968
February	268,690	66,488	----------	----------	87,235	250	114,717	268,440	250	----------
March	198,643	9,423	420	----------	4,917	237	183,646	195,128	2,672	843
April	159,572	63,021	1,035	3,523	3,337	200	88,456	158,001	841	730
May	372,094	43,312	----------	----------	22,714	150	305,918	354,719	16,410	965
June	506,449	212,772	1,000	11,165	70,302	----------	211,210	495,438	9,508	1,503
Total, July 1, 1937, to June 30, 1938	3,483,596	891,099	2,455	28,669	378,449	3,754	2,179,170	3,237,288	185,528	60,780
1938										
July	497,037	128,733	18,924	6,418	36,807	2,903	303,252	496,752	----------	285
August	443,149	185,078	6,549	3,167	129,199	151	119,005	439,757	3,143	249
September	1,113,031	128,074	----------	5,773	59,240	472	919,472	1,103,646	5,765	3,620
October	535,073	331,995	----------	----------	54,384	410	148,284	529,328	2,775	2,970
November	349,477	87,030	35,360	----------	31,997	391	194,699	323,867	19,780	5,830
December	1,313,964	142,695	----------	----------	151,128	326	1,019,815	1,289,829	20,537	3,598

1939										
January	331,398	1,642		5,000	9,905		364,851	379,756	250	1,392
February	627,733	120,538	2,000		58,147	1,500	445,548	581,246	39,490	6,997
March	290,151	61,733	270	27,698	10,850	600	189,000	276,314	1,640	12,197
April	366,183	222,304		3,530	5,993	105	134,251	331,623	3,649	30,911
May	337,650	17,431		407	156,129	150	163,533	330,114	5,934	1,602
June	663,820	223,809	1,854	7,438	65,676	748	364,295	654,166	5,428	4,226
Total, July 1, 1938, to June 30, 1939	6,918,666	1,651,062	62,957	59,481	769,455	7,756	4,366,005	6,736,398	108,391	73,877

[1] Reported as offered in the financial press or in records of the Commission. Data exclude issues having maturities of less than 1 year; issues with gross proceeds of $100,000 or less; offerings which do not appear in the financial press (largely those sold through continuous offering, such as securities of open-end investment companies); and inter-corporate transactions. Figures subject to revision as additional information is received.

[2] Monthly figures for the period January 1, 1934 through June 30, 1937, may be found in "Selected Statistics on Securities and on Exchange Markets," Table 2.

[3] Exempt unregistered private issues are those which in the event of a public offering would not have been required to be registered under the Securities Act of 1933. These data are believed to be incomplete, as no exhaustive search for issues of that type was made.

[4] Includes offerings by the United States Government and agencies, and by United States insular and territorial possessions; by states, municipalities, and other governmental subdivisions; by common carriers; by banks; and by charitable, religious, educational, and other non-profit institutions.

TABLE 11.—*New issues of securities offered for cash, by type of issuer—Yearly, from July 1934 to June 1937, inclusive;* [1] *monthly from July 1937 to June 1939, inclusive*

[Estimated gross proceeds in thousands of dollars]

Month and year	Corporate					Non-corporate				
	Total [2]	Public utility	Industrial	Common carrier	Financial and other [3]	Total [2]	United States Government and agency [4]	State and municipal [5]	Foreign government [6]	Educational, religious, etc., and other nonprofit
Total, July 1, 1934 to June 30, 1935	1,169,750	373,888	332,695	145,415	317,752	2,598,682	1,572,410	1,020,326	4,978	968
Total, July 1, 1935 to June 30, 1936	4,481,453	2,097,041	1,317,689	654,962	411,761	6,783,287	5,354,659	1,248,675	155,475	24,478
Total, July 1, 1936 to June 30, 1937	3,767,391	1,653,082	1,230,906	515,166	368,237	3,871,268	2,589,371	1,060,212	163,239	58,446
1937										
July	246,461	49,055	164,708	3,000	29,698	122,173	38,103	83,720		350
August	74,135	34,253	31,952	6,111	1,819	86,139	30,833	52,721		2,585
September	156,178	14,175	139,041	2,962		76,451	26,736	48,435		1,280
October	129,847	79,783	38,600	10,164	1,300	65,120	27,852	32,897	3,250	1,121
November	32,696	5,850	20,367		26,479	74,851	27,545	47,306		
December	59,746	15,429	37,089	4,000	3,228	639,046	552,863	85,797		386
1938										
January	47,915	39,705	7,887		323	147,390	98,777	47,888		725
February	156,422	109,572	44,400		2,450	112,267	46,619	64,992		656
March	40,733	3,806	10,473	2,236	24,218	157,911	46,824	110,609		478
April	71,242	65,914	1,680	3,523	125	88,331	38,027	50,054		250
May	95,176	38,511	27,665		29,000	276,919	180,711	94,001		2,207
June	325,808	137,794	146,030		41,984	180,640	33,433	146,957		250
Total, July 1, 1937 to June 30, 1938	1,456,359	593,847	669,892	31,996	160,624	2,027,288	1,148,323	865,377	3,250	10,288
1938										
July	194,166	58,316	129,052	6,417	381	302,871	255,150	47,614		107
August	338,181	243,259	77,566	3,167	14,189	104,968	37,200	66,138		1,630
September	193,558	59,028	124,145	5,772	4,613	919,472	838,600	72,674		8,198
October	387,939	309,544	75,970		2,425	147,134	40,200	102,927		4,007
November	102,021	82,042	19,029		950	247,455	37,100	156,449	53,706	200
December	340,598	172,341	112,782	46,450	9,025	973,365	835,500	137,054		311
1939										
January	16,349	1,157	9,942	5,000	250	365,049	259,946	103,257	198	1,648
February	175,121	122,100	40,135	12,886		452,612	378,390	53,897	19,950	375
March	105,446	37,606	35,697	29,545	2,598	184,705	66,300	117,913		492
April	233,332	89,336	138,416	3,530	2,050	132,851	57,900	74,431		520
May	174,117	151,058	22,307	407	345	163,533	62,105	101,300		128
June	291,374	183,587	98,250	7,438	2,099	372,446	69,950	292,140	9,250	1,106
Total, July 1, 1938, to June 30, 1939	2,552,202	1,509,374	883,291	120,612	38,925	4,366,461	2,938,341	1,325,794	83,104	19,222

[1] Monthly figures for the period January 1, 1934, through June 30, 1937, may be found in "Selected Statistics on Securities and on Exchange Markets," Table 3.
[2] Total corporate offerings plus total non-corporate offerings are equal to total new issues of securities offered for cash as shown in Column 1 of Table 10.
[3] Excludes investment company issues not firmly underwritten.
[4] Includes cash offering of U. S. Treasury direct and guaranteed bond and note issues having maturities of one year or longer.
[5] Source: Commercial and Financial Chronicle includes offerings of United States insular and territorial possessions.
[6] Includes only those portions which were offered in the United States.

TABLE 12.—*Brokers and dealers registered under Section 15 of the Securities Exchange Act of 1934—Effective registrations, classified by type of organization* [1]

End of—	Total	Sole proprietorships	Partnerships	Corporations	Other
1935 [2]	5,326	2,048	1,537	1,732	9
1936	6,372	2,640	1,634	2,086	12
1937	6,882	3,049	1,671	2,151	11
1938	6,815	3,160	1,586	2,062	7
January 1937	6,461	2,695	1,639	2,115	12
February	6,551	2,747	1,653	2,139	12
March	6,613	2,787	1,659	2,155	12
April	6,650	2,815	1,671	2,153	11
May	6,709	2,867	1,667	2,163	12
June	6,735	2,884	1,676	2,163	12
July	6,772	2,908	1,680	2,171	13
August	6,784	2,927	1,679	2,166	12
September	6,820	2,949	1,685	2,174	12
October	6,868	2,998	1,691	2,168	11
November	6,868	3,020	1,673	2,164	11
December	6,882	3,049	1,671	2,151	11
January 1938	6,891	3,074	1,670	2,136	11
February	6,911	3,088	1,670	2,142	11
March	6,898	3,098	1,652	2,137	11
April	6,868	3,107	1,639	2,112	10
May	6,823	3,117	1,614	2,085	7
June	6,808	3,121	1,607	2,073	7
July	6,792	3,113	1,597	2,075	7
August	6,805	3,123	1,594	2,081	7
September	6,807	3,140	1,585	2,075	7
October	6,819	3,153	1,586	2,073	7
November	6,804	3,148	1,583	2,066	7
December	6,815	3,160	1,586	2,062	7
January 1939	6,772	3,148	1,579	2,038	7
February	6,756	3,158	1,565	2,026	7
March	6,779	3,187	1,564	2,021	7
April	6,801	3,217	1,551	2,026	7
May	6,815	3,242	1,545	2,021	7
June	6,796	3,247	1,532	2,010	7

[1] Includes domestic and foreign registrants.
[2] January 2, 1936.

TABLE 13.—*Brokers and dealers registered under Section 15 of the Securities Exchange Act of 1934—Monthly changes in effective registrations during the fiscal year ended June 30, 1939, classified by type of organization* [1]

Month	Total			Sole proprietorships			Partnerships			Corporations		
	Added	Canceled	Net change	Added	Canceled	Net change	Added	Canceled	Net change	Added	Canceled	Net change
July 1938	87	103	−16	40	48	−8	29	39	−10	18	16	+2
August	94	81	+13	45	35	+10	30	33	−3	19	13	+6
September	85	83	+2	42	25	+17	25	34	−9	18	24	−6
October	94	82	+12	44	31	+13	29	28	+1	21	23	−2
November	57	72	−15	30	35	−5	19	22	−3	8	15	−7
December	71	60	+11	38	26	+12	19	16	+3	14	18	−4
January 1939	71	114	−43	39	51	−12	26	33	−7	6	30	−24
February	106	122	−16	42	32	+10	47	61	−14	17	29	−12
March	130	107	+23	72	43	−29	39	40	−1	19	24	−5
April	123	101	+22	73	43	+30	28	41	−13	22	17	+5
May	107	93	+14	60	35	+25	29	35	−6	18	23	−5
June	83	102	−19	43	38	+5	29	42	−13	11	22	−11
Total	1,108	1,120	−12	568	442	+126	349	424	−75	191	254	−63

[1] Includes domestic and foreign registrants.

NOTE.—For back figures see "Selected Statistics on Securities and on Exchange Markets," Table 23.

TABLE 14.—*Market value and volume of sales on registered exchanges* [1]—*Grand totals, by exchanges, for the year ended June 30, 1939*

	Market value of all sales (thousands of dollars)	Market value of stock sales [3] (thousands of dollars)	Market value of bond sales [4] (thousands of dollars)	Volume of stock sales [3] (thousands of shares)	Principal amount of bond sales [4] (thousands of dollars)
Total all registered exchanges	[2] 14,213,133	12,538,888	1,674,219	527,586	2,386,876
Baltimore Stock Exchange	10,277	9,535	742	603	2,068
Boston Stock Exchange	191,833	191,460	373	5,626	439
Chicago Board of Trade	175	175	0	79	0
Chicago Stock Exchange	152,032	150,836	1,196	11,394	1,119
Cincinnati Stock Exchange	5,926	5,848	78	233	97
Cleveland Stock Exchange	[2] 8,692	8,666	0	431	0
Detroit Stock Exchange	47,239	47,239	----------	3,851	----------
Los Angeles Stock Exchange	63,943	63,943	0	6,321	0
New Orleans Stock Exchange	814	551	263	109	262
New York Curb Exchange	1,157,539	778,083	379,456	57,158	453,554
New York Real Estate Securities Exchange	11	0	11	0	25
New York Stock Exchange	12,361,774	11,070,504	1,291,270	414,188	1,926,795
Philadelphia Stock Exchange	81,631	81,515	116	3,646	980
Pittsburgh Stock Exchange	19,962	19,952	10	1,193	9
St. Louis Stock Exchange	5,529	5,176	353	322	1,163
Salt Lake Stock Exchange	1,421	1,421	----------	9,098	----------
San Francisco Mining Exchange	325	325	----------	5,303	----------
San Francisco Stock Exchange	102,440	102,398	42	7,094	41
Standard Stock Exchange of Spokane	228	228	----------	919	----------
Washington Stock Exchange	1,342	1,033	309	18	324

[1] The rounding off of monthly figures results in some slight discrepancies between totals contained in this table and totals derived by adding the monthly figures in the other tables.
[2] Includes pass-book sales, totaling $26 thousand for the 12-month period.
[3] "Stock sales" include sales of voting-trust certificates, American depository receipts, certificates of deposit for stocks, and rights and warrants.
[4] "Bond sales" include sales of mortgage certificates and certificates of deposit for bonds.

NOTE.—Value and volume of sales on registered 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 in this table differ in some cases from comparable figures in the monthly releases due to revision of data by exchanges. For back figures see Fourth Annual Report, page 166; Third Annual Report, insert facing page 156; Second Annual Report, insert facing page 116; First Annual Report, pages 87–91.

TABLE 15.—*Market value of all sales, monthly, by exchanges, from July 1938 to June 1939, inclusive*

[Thousands of dollars]

	1938						1939					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Total all registered exchanges [1]	1,778,911	1,105,408	1,054,569	1,740,307	1,446,105	1,371,539	1,285,800	780,416	1,237,087	1,000,932	728,620	683,439
Baltimore Stock Exchange	867	571	526	899	777	1,218	1,316	673	1,086	1,059	691	593
Boston Stock Exchange	18,107	13,129	15,387	20,360	18,055	20,921	17,472	12,170	18,451	15,181	11,674	10,925
Chicago Board of Trade	13	6	10	19	35	21	12	14	30	6	4	3
Chicago Stock Exchange	11,682	9,119	11,122	16,503	11,304	16,041	14,594	10,545	16,911	12,619	10,162	11,431
Cincinnati Stock Exchange	419	443	348	542	575	532	511	409	512	459	557	620
Cleveland Stock Exchange [1]	751	377	553	823	832	1,331	881	614	861	621	440	608
Detroit Stock Exchange	6,768	5,173	5,790	5,249	3,660	3,334	3,345	2,177	4,233	3,170	2,301	2,039
Los Angeles Stock Exchange	6,978	5,170	5,601	6,459	6,742	6,240	5,940	3,724	6,542	4,121	3,172	3,256
New Orleans Stock Exchange	114	36	79	76	45	66	102	84	55	45	48	64
New York Curb Exchange	107,244	70,130	55,696	134,378	118,599	118,747	118,854	91,060	115,731	78,061	71,619	77,421
New York Real Estate Securities Exchange	0	(2)	1	1	2	0	2	1	2	0	(2)	1
New York Stock Exchange	1,600,974	984,749	943,202	1,530,654	1,264,481	1,181,294	1,104,827	646,774	1,052,650	871,146	615,921	565,102
Philadelphia Stock Exchange	9,258	6,469	5,775	9,220	8,433	8,264	7,277	4,374	7,315	5,908	4,626	4,712
Pittsburgh Stock Exchange	2,820	1,920	1,770	2,413	1,874	1,935	1,577	962	1,704	1,355	787	845
St. Louis Stock Exchange	1,007	485	427	516	403	578	423	336	420	319	245	370
Salt Lake Stock Exchange	266	129	104	177	150	123	87	65	76	76	80	85
San Francisco Mining Exchange	82	44	23	25	21	25	21	19	24	13	16	11
San Francisco Stock Exchange	11,299	7,274	8,034	11,881	9,965	10,718	8,427	6,341	10,403	6,658	6,158	5,283
Standard Stock Exchange of Spokane	39	17	22	21	21	28	10	11	23	11	7	19
Washington Stock Exchange	223	167	98	91	131	128	122	63	58	104	112	51

[1] Includes pass-book sales, totaling $26 thousand for the 12-month period.
[2] Trading less than $500.

NOTE.—Value and volume of sales on registered 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 in this table differ in some cases from comparable figures in the monthly releases due to revision of data by exchanges. For back figures see Fourth Annual Report, p. 167; Third Annual Report, insert facing p. 156; Second Annual Report, insert facing p. 116; First Annual Report, p. 87.

TABLE 16.—*Market value of stock sales,*[1] *monthly, by exchanges, from July 1938 to June 1939, inclusive*

[Thousands of dollars]

	1938						1939					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Total all registered exchanges [2]	1,621,541	988,246	943,539	1,573,492	1,306,344	1,225,345	1,128,520	653,727	1,057,647	881,873	602,881	555,734
Baltimore Stock Exchange	845	540	495	829	727	1,102	1,201	618	1,016	992	632	537
Boston Stock Exchange	18,087	13,124	15,380	20,345	18,050	20,874	17,428	12,148	18,418	15,151	11,617	10,838
Chicago Board of Trade	13	6	10	19	35	21	12	14	30	6	4	3
Chicago Stock Exchange	11,625	9,110	11,120	16,435	11,271	16,040	14,529	10,134	16,535	12,542	10,101	11,394
Cincinnati Stock Exchange	412	432	346	538	556	527	509	403	504	451	555	617
Cleveland Stock Exchange [2]	751	376	550	820	831	1,325	879	612	861	619	437	606
Detroit Stock Exchange	6,768	5,173	5,790	5,249	3,660	3,334	3,345	2,177	4,233	3,170	2,301	2,039
Los Angeles Stock Exchange	6,978	5,170	5,601	6,459	6,742	6,240	5,940	3,724	6,542	4,121	3,172	3,256
New Orleans Stock Exchange	85	26	60	52	34	56	81	50	43	19	22	24
New York Curb Exchange	77,182	46,773	37,693	101,284	86,416	89,361	81,053	51,859	73,881	51,485	39,237	41,859
New York Real Estate Securities Exchange	0	0	0	0	0	0	0	0	0	0	0	0
New York Stock Exchange	1,473,841	891,082	850,278	1,397,185	1,157,091	1,064,744	985,667	559,871	915,630	778,936	522,861	473,317
Philadelphia Stock Exchange	9,251	6,465	5,771	9,218	8,420	8,250	7,273	4,372	7,305	5,905	4,621	4,669
Pittsburgh Stock Exchange	2,819	1,920	1,770	2,410	1,874	1,935	1,577	962	1,704	1,355	781	845
St. Louis Stock Exchange	993	474	412	477	374	549	395	312	385	303	204	298
Salt Lake Stock Exchange	266	129	104	177	150	123	87	65	76	76	80	85
San Francisco Mining Exchange	82	44	23	25	21	25	21	19	24	13	16	11
San Francisco Stock Exchange	11,298	7,266	8,032	11,874	9,965	10,718	8,426	6,329	10,396	6,658	6,157	5,280
Standard Stock Exchange of Spokane	39	17	22	21	21	28	10	11	23	11	7	19
Washington Stock Exchange	206	119	82	80	106	93	87	47	41	60	76	37

[1] "Stock sales" include sales of voting-trust certificates, American depository receipts, certificates of deposit for stocks, and rights and warrants.
[2] Includes pass-book sales, totaling $26 thousand for the 12-month period.

NOTE.—Value and volume of sales on registered exchanges are reported in connection with Section 31 of the Securities Exchange Act of 1934. For most exchanges the figures represent transactions cleared during the calendar month. Figures in this table differ in some cases from comparable figures in the monthly releases due to revision of data by exchanges. For back figures see Fourth Annual Report, p. 168; Third Annual Report, insert facing p. 156; Second Annual Report, insert facing p. 116; First Annual Report, p. 88.

TABLE 17.—*Market value of bond sales,[1] monthly, by exchanges, from July 1938 to June 1939, inclusive*

[Thousands of dollars]

	1938						1939					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Total all registered exchanges	157,370	117,161	111,027	166,812	139,760	146,188	157,278	126,687	179,440	119,057	125,736	127,703
Baltimore Stock Exchange	22	31	31	70	50	116	115	55	70	67	59	56
Boston Stock Exchange	20	5	8	15	5	47	44	22	33	30	57	87
Chicago Board of Trade	0	0	0	0	0	0	0	0	0	0	0	0
Chicago Stock Exchange	57	9	2	68	33	1	65	411	376	77	61	37
Cincinnati Stock Exchange	7	11	2	4	19	5	2	6	8	8	2	3
Cleveland Stock Exchange	0	0	0	0	0	0	0	0	0	0	0	0
Los Angeles Stock Exchange	0	0	0	0	0	0	0	0	0	0	0	0
New Orleans Stock Exchange	29	10	19	24	11	10	21	34	12	26	26	40
New York Curb Exchange	30,062	23,357	18,003	33,094	32,183	29,386	37,801	39,201	41,850	26,576	32,382	35,562
New York Real Estate Securities Exchange	0	(2)	1	1	2	0	2	1	2	0	(2)	1
New York Stock Exchange	127,133	93,667	92,924	133,469	107,390	116,550	119,160	86,903	137,020	92,210	93,060	91,785
Philadelphia Stock Exchange	7	4	4	7	13	14	4	2	10	3	5	43
Pittsburgh Stock Exchange	1	0	0	3	0	0	0	0	0	0	6	0
St. Louis Stock Exchange	14	11	15	39	29	29	28	24	35	16	41	72
San Francisco Stock Exchange	1	8	2	7	0	0	1	12	7	0	1	3
Washington Stock Exchange	17	48	16	11	25	30	35	16	17	44	36	14

[1] "Bond sales" include sales of mortgage certificates and certificates of deposit for bonds. [2] Trading less than $500.

NOTE.—Value and volume of sales on registered exchanges are reported in connection with Section 31 of the Securities Exchange Act of 1934. For most exchanges the figures represent transactions cleared during the calendar month. Figures in this table differ in some cases from comparable figures in the monthly releases due to revision of data by exchanges. For back figures see Fourth Annual Report, page 169; Third Annual Report, insert facing page 156; Second Annual Report, insert facing page 116; First Annual Report, page 89.

TABLE 18.—*Volume of stock sales,*[1] *monthly, by exchanges, from July 1938 to June 1939, inclusive*

[Thousands of shares]

	1938						1939					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Total all registered exchanges	70,661	40,518	40,545	67,937	53,500	52,918	47,397	26,059	40,384	42,622	23,131	21,916
Baltimore Stock Exchange	67	30	38	49	45	90	66	34	55	52	39	40
Boston Stock Exchange	540	400	419	635	522	678	519	342	519	469	301	282
Chicago Board of Trade	7	4	2	6	18	9	5	8	13	4	2	1
Chicago Stock Exchange	870	698	1,647	951	960	1,615	783	486	760	1,642	467	515
Cincinnati Stock Exchange	18	15	15	18	21	38	18	18	21	17	16	18
Cleveland Stock Exchange	40	26	32	44	44	65	42	29	37	30	22	21
Detroit Stock Exchange	553	334	369	467	305	327	302	222	319	277	211	165
Los Angeles Stock Exchange	911	681	554	581	586	582	645	393	464	386	273	265
New Orleans Stock Exchange	17	5	8	12	7	14	14	10	8	5	5	5
New York Curb Exchange	6,318	3,410	3,227	7,628	6,287	6,825	5,772	3,262	5,012	4,408	2,532	2,477
New York Real Estate Securities Exchange	0	0	0	0	0	0	0	0	0	0	0	0
New York Stock Exchange	57,637	32,151	32,035	54,633	41,923	39,954	37,051	19,538	31,150	33,783	17,897	16,435
Philadelphia Stock Exchange	404	256	244	445	368	444	327	188	302	269	195	203
Pittsburgh Stock Exchange	138	115	100	132	104	145	95	68	99	85	48	64
St. Louis Stock Exchange	39	28	23	29	30	35	23	19	24	34	16	21
Salt Lake Stock Exchange	1,538	1,077	768	1,013	1,133	649	556	442	428	392	382	720
San Francisco Mining Exchange	625	702	423	386	340	515	502	489	423	273	337	288
San Francisco Stock Exchange	828	520	557	798	722	821	627	464	681	448	341	338
Standard Stock Exchange of Spokane	109	65	83	109	83	110	49	46	118	45	46	57
Washington Stock Exchange	2	1	1	1	2	2	1	1	1	3	1	1

[1] "Stock sales" include sales of voting-trust certificates, American depository receipts, certificates of deposit for stocks, and rights and warrants.

NOTE.—Value and volume of sales on registered exchanges are reported in connection with Section 31 of the Securities Exchange Act of 1934. For most exchanges the figures represent transactions cleared during the calendar month. Figures in this table differ in some cases from comparable figures in the monthly releases due to revision of data by exchanges. For back figures see Fourth Annual Report, page 170; Third Annual Report, insert facing page 156; Second Annual Report, insert facing page 116; First Annual Report, page 90.

TABLE 19.—*Principal amount of bond sales,*[1] *monthly, by exchanges, from July 1938 to June 1939, inclusive*

[Thousands of dollars]

	1938						1939					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Total all registered exchanges	232,147	161,552	148,992	237,245	207,719	259,364	224,622	166,855	245,123	165,925	167,691	169,641
Baltimore Stock Exchange	107	121	77	185	102	243	311	147	196	203	198	176
Boston Stock Exchange	29	7	10	20	7	58	52	27	39	35	64	93
Chicago Board of Trade	0	0	0	0	0	0	0	0	0	0	0	0
Chicago Stock Exchange	71	22	6	61	31	1	59	370	338	72	56	32
Cincinnati Stock Exchange	9	13	3	6	23	8	2	8	9	10	3	4
Cleveland Stock Exchange	0	0	0	0	0	0	0	0	0	0	0	0
Los Angeles Stock Exchange	0	0	0	0	0	0	0	0	0	0	0	0
New Orleans Stock Exchange	30	10	20	26	12	10	20	34	12	27	25	38
New York Curb Exchange	36,876	30,567	22,543	40,958	37,850	37,273	45,250	44,906	48,886	31,885	36,888	39,671
New York Real Estate Securities Exchange	0	1	4	2	3	0	5	2	5	0	1	2
New York Stock Exchange	194,877	130,647	126,207	195,775	169,415	221,469	178,731	121,222	195,394	133,554	130,243	129,260
Philadelphia Stock Exchange	77	56	61	72	154	172	53	29	121	46	33	106
Pittsburgh Stock Exchange	1	0	0	3	0	0	0	0	0	0	5	0
St. Louis Stock Exchange	49	46	41	120	95	98	104	82	102	49	135	242
San Francisco Stock Exchange	1	9	2	6	0	0	1	12	6	0	1	3
Washington Stock Exchange	20	53	18	11	27	32	34	16	15	44	39	14

[1] "Bond sales" include sales of mortgage certificates and certificates of deposit for bonds.

NOTE.—Value and volume of sales on registered exchanges are reported in connection with Section 31 of the Securities Exchange Act of 1934. For most exchanges the figures represent transactions cleared during the calendar month. Figures in this table differ in some cases from comparable figures in the monthly releases due to revision of data by exchanges. For back data see Fourth Annual Report, page 171; Third Annual Report, insert facing page 156; Second Annual Report, insert facing page 116; First Annual Report, page 91.

TABLE 20.—*Round-lot stock transactions* [1] *on the New York Stock Exchange for account of members (excluding transactions for the odd-lot accounts of odd-lot dealers and specialists), by weeks, June 27, 1938–June 24, 1939*

[Thousands of shares]

Week ended Saturday—	Total round-lot sales	Transactions of specialists in stocks in which they are registered				Other transactions initiated on the floor				Other transactions initiated off the floor			
		Purchases	Sales	Total	Percent of twice round-lot sales [2]	Purchases	Sales	Total	Percent of twice round-lot sales [2]	Purchases	Sales	Total	Percent of twice round-lot sales [2]
1938													
July 2	13,335.6	1,387.9	1,363.6	2,751.5	10.3	968.9	916.6	1,885.5	7.1	443.9	523.4	967.3	3.1
9	9,419.0	977.7	973.8	1,951.5	10.4	661.1	647.8	1,308.9	7.0	313.6	314.2	627.8	3.0
16	8,726.9	966.0	951.1	1,917.1	11.0	686.0	641.4	1,327.4	7.6	279.3	304.5	583.8	3.3
23	11,892.0	1,224.1	1,218.3	2,442.4	10.3	796.3	829.0	1,625.3	6.8	369.3	471.0	840.3	3.5
30	8,686.9	915.3	949.4	1,864.7	10.7	584.5	583.2	1,167.7	6.7	290.1	309.1	599.2	3.5
Aug. 6	5,206.6	570.3	532.4	1,102.7	10.6	337.2	287.3	624.5	6.0	167.1	162.6	329.7	3.2
13	6,018.6	639.7	653.6	1,293.3	10.7	350.0	375.7	725.7	6.0	170.3	226.1	396.4	3.3
20	3,533.5	435.2	422.6	857.8	12.1	265.0	208.1	473.1	6.7	128.1	147.0	275.1	3.9
27	5,081.0	561.1	578.4	1,139.5	11.2	364.9	378.0	742.9	7.3	168.3	185.3	353.6	3.5
Sept. 3	4,042.8	432.1	457.0	889.1	11.0	219.1	225.1	444.2	5.5	115.5	140.8	256.3	3.2
10	3,250.9	364.5	374.4	738.9	11.4	199.2	216.8	416.0	6.4	85.0	108.9	193.9	3.0
17	8,488.4	894.7	959.3	1,854.0	10.9	489.5	537.2	1,026.7	6.1	252.6	248.3	500.9	3.0
24	5,591.5	591.2	603.0	1,194.2	10.7	327.9	361.0	688.9	6.2	152.2	183.7	335.9	3.0
Oct. 1	8,502.2	992.2	945.2	1,937.4	11.4	623.4	577.2	1,200.6	7.1	277.1	284.0	561.1	3.3
8	10,793.2	1,073.7	995.1	2,068.8	9.6	789.0	694.1	1,483.1	6.9	392.9	464.3	857.2	4.0
15	10,048.6	928.5	870.2	1,798.7	9.0	730.3	675.7	1,406.0	7.0	359.5	430.4	789.9	3.9
22	13,339.5	1,358.8	1,336.3	2,695.1	10.1	1,155.6	1,082.8	2,239.4	8.4	468.4	487.0	955.4	3.6
29	10,041.4	945.0	976.9	1,921.9	9.6	718.8	750.1	1,468.9	7.3	350.9	348.3	699.2	3.5
Nov. 5	6,361.1	658.7	620.8	1,279.5	10.1	447.6	380.5	828.1	6.5	221.8	222.9	444.7	3.5
12	8,928.7	796.3	802.3	1,598.6	9.0	523.0	533.0	1,056.0	5.9	315.0	369.8	684.8	3.8
19	8,502.2	879.9	922.0	1,801.9	10.6	513.2	602.8	1,116.0	6.6	271.9	334.3	606.2	3.6
26	4,779.2	438.5	433.3	871.8	9.1	351.0	335.8	686.8	7.2	154.1	186.1	340.2	3.6
Dec. 3	5,586.6	543.7	517.3	1,061.0	9.5	320.2	296.4	616.6	5.5	166.8	202.1	368.9	3.3
10	5,173.6	475.9	456.0	931.9	9.0	228.8	210.6	439.4	4.3	146.8	174.5	321.3	3.1
17	8,297.0	770.3	749.7	1,520.0	9.2	467.1	382.8	849.9	5.1	273.6	310.8	584.4	3.5
24	6,726.0	592.4	506.0	1,098.4	8.2	308.3	266.6	574.9	4.3	264.1	199.9	464.0	3.5
31	8,459.4	776.8	770.1	1,546.9	9.1	526.4	481.5	1,007.9	6.0	317.4	371.6	689.0	4.1
1939													
Jan. 7	6,375.1	661.1	744.1	1,405.2	11.0	486.3	573.5	1,059.8	8.3	191.6	311.9	503.5	4.0
14	5,840.8	656.1	684.6	1,340.7	11.5	441.5	474.5	916.0	7.8	215.1	234.8	449.9	3.9
21	4,799.8	461.4	466.1	927.5	9.7	383.6	386.2	769.8	8.0	181.5	284.8	466.3	4.9
28	8,387.4	878.0	863.6	1,741.6	10.4	448.9	465.7	914.6	5.5	222.7	387.3	610.0	3.6
Feb. 4	4,601.2	486.1	527.1	1,013.2	11.0	292.7	286.9	579.6	6.3	189.9	194.7	384.6	4.2
11	3,951.2	387.9	372.2	760.1	9.6	235.6	225.4	461.0	5.8	163.2	157.7	320.9	4.1

	18	3,098.7	326.5	297.3	623.8	10.1	172.5	160.2	332.7	5.4	110.3	136.3	246.6	4.0
	25	3,647.2	378.4	384.0	762.4	10.5	196.9	167.4	364.3	5.0	128.3	126.5	254.8	3.5
Mar.	4	5,096.8	536.2	526.3	1,062.5	10.4	341.0	281.8	622.8	6.1	160.9	220.6	381.5	3.7
	11	6,019.8	595.1	617.8	1,212.9	10.1	433.8	461.6	895.4	7.4	215.2	219.5	434.7	3.6
	18	6,113.0	615.6	637.3	1,252.9	10.3	287.3	339.0	626.3	5.1	154.1	265.6	419.7	3.4
	25	5,373.2	567.9	649.7	1,217.6	11.3	214.4	279.6	494.0	4.6	144.2	227.8	372.0	3.5
Apr.	1	7,814.0	805.6	810.4	1,616.0	10.3	315.8	389.0	704.8	4.5	211.8	246.5	458.3	2.9
	8	7,441.9	770.9	825.7	1,596.6	10.7	356.7	377.6	734.3	4.9	201.6	243.0	444.6	3.0
	15	7,160.7	851.4	837.8	1,689.2	11.8	450.6	502.8	953.4	6.7	170.9	218.1	389.0	2.7
	22	2,654.6	311.5	342.1	653.6	12.3	185.4	211.1	396.5	7.5	74.8	107.2	182.0	3.4
	29	3,073.0	325.6	348.6	674.2	11.0	190.4	235.4	425.8	6.9	101.4	109.3	210.7	3.4
May	6	2,794.5	335.0	322.7	657.7	11.8	200.5	155.0	355.5	6.4	98.2	95.4	193.6	3.5
	13	2,807.4	331.5	297.9	629.4	11.2	177.6	184.4	361.0	6.4	85.3	101.2	186.5	3.3
	20	2,676.6	274.8	279.3	554.1	10.4	164.9	162.6	327.5	6.1	79.7	104.8	184.5	3.6
	27	4,115.6	548.3	484.1	1,032.4	12.5	360.8	324.1	684.9	8.3	134.2	151.4	285.6	3.5
June	3	2,616.4	278.1	273.9	552.0	10.6	223.8	217.3	441.1	8.4	90.7	108.2	198.9	3.8
	10	3,091.9	366.5	325.4	691.9	11.2	250.3	200.7	451.0	7.3	109.2	119.1	228.3	3.7
	17	2,665.7	275.4	291.0	566.4	10.6	161.4	182.1	343.5	6.4	80.4	137.5	217.9	4.1
	24	2,556.9	289.8	273.0	562.8	11.0	167.1	167.3	334.4	6.5	88.0	111.0	199.0	3.9

[1] The term "round lot" means 100 shares or 10 shares, depending on the unit of trading in the stock. Rights and warrants are not included in these figures. The term "member" includes all members, their firms, and their partners.

[2] In calculating these percentages, the total of members' purchases and sales is divided by twice the total round-lot sales.

NOTE.—For back figures see Fourth Annual Report, pages 162-163 and Third Annual Report, pages 152-153.

TABLE 21—*Round-lot and odd-lot stock transactions* [1] *on the New York Curb Exchange for account of members, by weeks, June 27, 1938–June 24, 1939*

[Thousands of shares]

Week ended Saturday—	Total round-lot sales	Round-lot transactions for account of members												Odd-lot transactions for account of specialists		
		Transactions of specialists in stocks in which they are registered [2]				Other transactions initiated on the floor				Other transactions initiated off the floor						
		Purchases	Sales	Total	Percent of twice round-lot sales [3]	Purchases	Sales	Total	Percent of twice round-lot sales [3]	Purchases	Sales	Total	Percent of twice round-lot sales [3]	Purchases (customers' sales)	Sales (customers' purchases)	Total
1938																
July 2	1,689.2	255.3	265.6	520.9	15.4	63.0	59.1	122.1	3.6	52.2	44.5	96.7	2.9	118.2	88.9	207.1
9	1,197.2	163.6	172.9	336.5	14.1	43.7	39.3	83.0	3.5	35.1	49.5	84.6	3.5	79.1	65.8	144.9
16	1,074.2	144.3	158.2	302.5	14.1	42.7	38 9	81.6	3.8	34.5	31.4	65.9	3.1	75.0	59.0	134.0
23	1,419.0	191.9	225.5	417.4	14.7	50.6	56.8	107.4	3.8	46.4	31.2	77.6	2.7	110.6	74.9	185.5
30	1,038.6	135.0	179.9	314.9	15.2	31.4	34 4	65 8	3 2	26.8	30.2	57.0	2.7	84.1	60.4	144.5
Aug. 6	647.8	78.7	94.9	173.6	13.0	14.3	10.8	25.1	1.9	21.4	22.1	43.5	3.4	64.9	39.8	104.7
13	731.6	85.8	124.4	210.2	14.4	14.1	19.0	33.1	2.3	24.2	23.4	47.6	3.3	68.8	56.9	125.7
20	464.6	57.5	74.1	131.6	14.2	8.4	7.4	15.8	1.7	14.2	12.0	26.2	2.8	48.8	29.0	77.8
27	565.1	71.3	91.5	162.8	14.4	11.5	10.3	21.8	1.9	13.9	11.8	25.7	2.3	58.0	33.9	91.9
Sept. 3	508.6	66.7	79.8	146.5	14 4	7.9	7.9	15.8	1.6	8.1	14 1	22.2	2.2	46.8	33.6	80.4
10	433.8	50.8	68.8	119.6	13.8	5.7	9.9	15.6	1.8	12.2	10.8	23.0	2.7	45.4	27.8	73.2
17	942.8	117.8	179 0	296.8	15.7	16.1	22.6	38.7	2.1	25.2	22.6	47.8	2.5	73.5	55.2	128.7
24	570.4	81.3	93.9	175.2	15.4	10.3	10.7	21.0	1.8	16 7	15.7	32.4	2.8	53.3	36.0	89.3
Oct. 1	898.9	130.8	141.6	272.4	15.2	29.9	23.3	53.2	3.0	34.5	24.3	58.8	3.3	66.4	46.0	112.4
8	1,197.2	168.1	173.1	341.2	14.3	27.5	28.2	55.7	2.3	38.4	28 6	67.0	2.8	94.7	62.5	157.2
15	1,728.8	223.1	236.1	459.2	13.3	62.0	59.7	121.7	3.5	55.2	48.5	103 7	3 0	129.5	77.6	207.1
22	2,016.6	251.6	283.7	535.3	13.3	84.9	89.5	174.4	4.3	49.3	52.1	101.4	2.5	146.5	106.9	253.4
29	1,577.1	188.6	237.2	425.8	13.5	67.0	71.4	138.4	4.4	61.9	45.8	107.7	3.4	121.2	85.2	206.4
Nov. 5	1,181.7	125.1	148.6	273.7	11.6	38.5	34.5	73.0	3.1	46.9	50.9	97.8	4.1	91.8	59.9	151.7
12	1,226.8	135.1	164.6	299.7	12.2	36.1	38.8	74.9	3.1	34.6	42.0	76.6	3.1	100.0	73.8	173.8
19	1,412.4	171.5	196.8	368.3	13.0	60.4	67.9	128.3	4.5	41.4	50.2	91.6	3.2	106.6	89.4	196.0
26	1,026.6	108.9	142.3	251.2	12.2	37.6	38.4	76.0	3.7	21.1	24.2	45.3	2.2	81.8	59.7	141.5
Dec. 3	948.3	120.0	129.8	249.8	13.2	23.2	20.9	44.1	2.3	26.6	26.9	53.5	2.8	90.2	57.0	147.2
10	1,180.2	125.6	139.6	265.2	11.2	25.8	30.4	56.2	2.4	28.3	39.0	67.3	2.9	100.2	59.5	159.7
17	1,462.4	165.5	180.8	346.3	11.8	49.8	36.6	86.4	3.0	49.9	48.4	98.3	3.4	129.7	79.3	209.0
24	1,402.7	125.2	172.2	297.4	10.6	27.7	22.8	50.5	1.8	42.2	35.9	78.1	2.8	140.1	65.5	205.6
31	1,769.0	206.4	247.7	454.1	12.8	45.3	43.8	89.1	2.5	67.7	50.5	118.2	3.3	150.3	81.9	232.2
1939																
Jan. 7	996.3	130.0	181.8	311.8	15.7	38.2	51.1	89.3	4.5	27.6	40.9	68.5	3.4	81.4	72.7	154.1
14	953.4	138.1	150.4	288.5	15.1	37.8	36.7	74.5	3.9	25.9	25.2	51.1	2.7	75.2	67.7	142.9
21	1,031.6	133.0	155.7	288.7	13.9	49.6	50.2	99.8	4.8	32.0	35.0	67.0	3.3	85.1	61.4	146.5
28	1,221.3	175.9	169.2	345.1	14.1	50.6	48.9	99.5	4.1	34.4	40.5	74.9	3.1	93.5	87.8	181.3

Feb. 4	755.1	109.1	131.4	240.5	15.9	37.9	38.2	76.1	5.0	26.2	14.9	41.1	2.7	62.4	47.6	110.0
11	769.6	93.1	115.9	209.0	13.6	31.5	28.3	59.8	3.9	30.0	17.3	47.3	3.1	69.9	47.1	117.0
18	613.2	68.3	80.3	148.6	12.2	26.2	23.1	49.3	4.0	18.5	20.1	38.6	3.2	60.1	41.2	101.3
25	711.2	82.1	99.9	182.0	12.8	25.4	26.9	52.3	3.7	19.5	19.9	39.4	2.8	68.6	45.5	114.1
Mar. 4	950.9	104.4	126.8	231.2	12.2	35.8	34.0	69.8	3.7	31.1	38.1	69.2	3.6	82.7	53.5	136.2
11	1,072.3	121.8	152.1	273.9	12.8	35.6	33.5	69.1	3.2	29.3	36.0	65.3	3.1	92.3	67.6	159.9
18	1,017.4	114.7	166.4	281.1	13.8	27.6	32.2	59.8	2.9	26.0	29.8	55.8	2.7	76.8	66.9	143.7
25	810.5	96.7	109.6	206.3	12.7	24.2	25.4	49.6	3.1	20.9	25.1	46.0	2.8	68.5	57.1	125.6
Apr. 1	1,218.8	150.1	172.7	322.8	13.2	34.3	35.3	69.6	2.9	35.5	26.5	62.0	2.5	94.9	79.6	174.5
8	1,148.9	136.8	154.8	291.6	12.7	34.2	30.7	64.9	2.8	29.0	24.6	53.6	2.3	78.4	78.1	156.5
15	1,044.8	156.3	134.4	290.7	13.9	40.2	35.5	75.7	3.6	29.3	33.9	63.2	3.0	77.7	86.5	164.2
22	468.1	59.1	69.4	128.5	13.7	17.4	16.2	33.6	3.6	14.5	17.0	31.5	3.4	37.4	27.2	64.6
29	543.3	56.0	82.9	138.9	12.8	17.9	22.1	40.0	3.7	15.8	17.2	33.0	3.0	42.5	30.5	73.0
May 6	462.5	54.7	55.6	110.3	11.9	13.2	14.9	28.1	3.0	14.7	10.9	25.6	2.8	38.7	29.0	67.7
13	471.7	54.2	72.1	126.3	13.4	13.7	14.4	28.1	3.0	15.0	14.2	29.2	3.1	46.2	29.1	75.3
20	446.4	48.7	60.8	109.5	12.3	7.9	6.1	14.0	1.6	14.2	12.6	26.8	3.0	41.3	27.6	68.9
27	586.7	68.2	83.3	151.5	12.9	27.2	18.6	45.8	3.9	18.6	15.4	34.0	2.9	59.0	29.9	88.9
June 3	386.6	43.3	60.3	103.6	13.4	8.5	10.2	18.7	2.4	16.2	13.8	30.0	3.9	37.8	23.4	61.2
10	525.7	52.5	75.2	127.7	12.1	10.3	8.3	18.6	1.8	15.3	11.9	27.2	2.6	55.7	26.7	82.4
17	495.9	43.6	73.7	117.3	11.8	6.2	7.7	13.9	1.4	20.3	15.0	35.3	3.6	46.5	27.5	74.0
24	446.6	52.3	59.7	112.0	12.5	11.4	8.1	19.5	2.2	14.8	11.8	26.6	3.0	53.6	24.3	77.9

[1] The term "round lot" means 10, 25, 50, or 100 shares, depending on the unit of trading in the stock, while "odd lot" means a number of shares fewer than the unit of trading. Rights and warrants are not included in these figures. The term "member" includes all members and associate members, their firms, and their partners.

[2] Because of the nature of the system of handling odd lots on the New York Curb Exchange it is not possible to segregate round-lot transactions for odd-lot account, as in Table 20.

[3] In calculating these percentages, the total of members' purchases and sales is divided by twice the total round-lot sales.

NOTE: For back figures see Fourth Annual Report, pages 164–165 and Third Annual Report, pages 154–155.

TABLE 22.—*Odd-lot and round-lot stock transactions*[1] *on the New York Stock Exchange for the odd-lot accounts of odd-lot dealers and specialists, by weeks, June 27, 1938–June 24, 1939*

Week ended Saturday	Odd-lot transactions						Round-lot transactions for the odd-lot account	
	Purchases by dealers and specialists (customers' sales)			Sales by dealers and specialists (customers' purchases)			Purchases by dealers and specialists (shares)	Sales by dealers and specialists (shares)
	Orders	Shares	Dollar value	Orders	Shares	Dollar value		
1938								
July 2	67,413	1,818,589	56,398,098	63,205	1,782,455	56,607,107	327,380	364,160
9	47,424	1,276,041	37,428,892	46,514	1,291,952	38,641,326	233,960	202,670
16	42,714	1,149,772	34,730,343	39,024	1,097,228	36,007,311	193,830	234,740
23	60,549	1,594,578	48,453,318	53,671	1,530,960	49,303,272	257,620	293,460
30	47,977	1,284,027	39,449,991	42,020	1,174,169	36,877,903	162,520	255,220
Aug. 6	30,603	764,641	24,967,446	25,357	691,003	25,141,262	110,040	184,880
13	36,392	965,266	31,164,623	32,681	888,257	30,222,151	121,550	200,210
20	21,880	548,850	18,319,195	18,461	488,488	17,342,893	82,710	141,470
27	29,861	739,353	24,888,062	26,028	701,037	24,544,341	131,670	182,850
Sep. 3	25,442	656,083	21,613,584	22,920	621,981	21,491,044	93,760	122,160
10	20,382	501,525	17,189,608	18,234	488,146	17,517,178	82,380	104,330
17	48,709	1,343,154	39,680,450	44,734	1,217,192	37,123,421	148,200	291,090
24	30,767	820,064	25,661,518	30,790	849,595	27,168,450	141,390	136,540
Oct. 1	43,423	1,199,542	39,943,347	41,006	1,144,711	38,495,697	172,920	268,900
8	54,314	1,424,691	47,056,677	43,831	1,245,734	45,103,173	225,250	309,580
15	46,861	1,232,950	38,132,068	38,123	1,104,693	38,116,545	179,340	315,860
22	57,408	1,557,942	45,432,206	47,674	1,395,552	43,775,572	196,710	347,950
29	46,482	1,227,642	37,155,266	37,355	1,080,673	36,122,654	163,880	298,020
Nov. 5	32,375	824,586	26,597,258	28,164	794,686	28,821,532	142,950	181,920
12	41,111	1,089,738	36,600,321	39,263	1,142,820	41,098,992	229,140	207,490
19	42,507	1,139,339	37,251,396	39,073	1,111,559	38,351,573	195,420	202,830
26	23,272	609,987	18,901,407	20,424	572,952	19,847,126	101,730	138,920
Dec. 3	29,677	777,345	24,115,771	25,773	711,893	25,145,807	125,660	164,970
10	27,180	687,419	22,094,238	23,761	663,343	23,931,061	134,590	154,540
17	39,627	1,034,585	34,752,949	35,388	1,017,587	37,889,395	201,800	229,570
24	32,556	836,633	28,447,409	28,613	800,671	30,937,601	170,220	192,160
31	35,678	988,932	29,279,296	35,489	1,004,117	34,389,555	212,300	232,070
1939								
Jan. 7	27,935	732,981	23,617,006	30,778	849,799	28,797,894	191,360	124,430
14	27,310	722,894	25,471,955	31,122	837,250	31,330,726	202,400	102,230
21	22,797	577,019	19,283,549	23,441	625,480	23,092,140	155,420	107,350
28	39,782	1,117,145	34,935,542	46,519	1,252,883	40,417,126	273,260	167,260
Feb. 4	23,347	609,739	21,287,734	24,115	653,543	23,932,082	129,760	101,120
11	21,868	553,219	18,442,277	18,336	488,436	18,445,323	99,640	123,230
18	18,994	463,892	15,730,375	15,202	408,820	15,696,200	85,630	101,320
25	22,588	562,903	19,183,445	18,570	499,306	19,172,064	92,260	131,740
Mar. 4	28,441	702,292	23,999,274	23,417	635,817	24,842,982	125,750	167,920
11	32,310	797,075	28,485,168	27,483	758,656	28,860,410	140,500	185,660
18	30,316	808,591	28,189,412	33,081	900,139	32,938,138	173,240	138,150
25	25,820	685,850	23,463,024	32,485	867,851	30,692,332	217,420	106,810
Apr. 1	39,162	1,114,271	32,604,375	45,096	1,196,158	36,829,613	269,460	150,310
8	36,037	1,037,909	30,070,925	47,563	1,238,517	36,178,590	284,550	125,550
15	35,139	990,114	28,768,381	43,666	1,136,385	33,215,795	264,850	143,810
22	14,278	363,010	12,710,056	16,465	412,624	15,243,872	108,080	50,370
29	16,155	411,025	14,919,542	18,025	472,773	17,586,972	119,940	64,190
May 6	14,967	372,010	12,537,741	16,111	420,360	16,042,150	110,380	57,910
13	15,966	389,395	13,731,932	15,247	401,941	16,058,740	104,310	76,470
20	17,165	427,417	14,959,768	16,558	420,792	16,277,301	92,520	81,550
27	22,516	558,578	19,066,181	18,222	504,655	19,981,855	105,710	122,500
June 3	14,902	363,814	12,369,221	12,197	329,083	13,124,635	71,350	89,900
10	18,987	447,760	15,820,237	13,782	369,580	15,930,956	78,590	117,440
17	17,569	410,997	15,866,691	14,163	372,045	15,694,498	61,320	114,270
24	17,250	379,199	13,301,212	12,156	323,530	13,452,222	62,380	106,060

[1] The term "round-lot" means 100 shares or 10 shares, while "odd lot" means a number of shares fewer than the unit of trading. Rights and warrants are not included in these figures.

NOTE.—For back figures on odd lots see "Selected Statistics on Securities and on Exchange Markets," Table 66. For back figures on round lots see Fourth Annual Report, pages 162-163, and Third Annual Report, pages 152-153.

TABLE 23.—*Security transactions of 23 large ~~management investment companies~~, by weeks, July 3, 1938–June 30, 1939*

Week ended—	Transactions in portfolio stocks, by 23 investment companies (14 closed-end and 9 open-end companies)						Transactions in own stocks, by 9 open-end ~~investment companies~~					
	Purchases		Sales		Balances		Repurchases or redemptions		Sales		Balances	
	Number of active companies	$000	Number of active companies	$000	Number of active companies	$000[1]	Number of active companies	$000	Number of active companies	$000	Number of active companies	$000[1]
1938												
July 8	17	7,730	16	2,797	19	4,933	8	544	7	208	8	336
15	18	7,178	16	3,913	21	3,265	8	385	8	568	8	−183
22	18	6,398	17	4,877	20	1,521	7	355	8	801	8	−446
29	19	6,426	17	2,732	20	3,694	8	642	8	354	8	288
Aug. 5	18	2,730	14	1,920	17	810	7	260	8	441	8	−181
12	18	3,544	12	1,556	20	1,988	8	455	8	151	8	304
19	16	5,124	15	1,302	19	3,822	8	189	8	460	8	−271
26	15	3,913	15	3,953	17	−40	8	507	8	569	8	−62
Sept. 2	16	2,622	16	2,115	17	507	8	497	8	224	8	273
9	14	1,877	14	543	16	1,334	8	278	7	193	7	85
16	19	4,668	16	1,253	19	3,415	8	544	8	546	8	−2
23	16	3,020	18	2,326	19	694	8	634	8	623	8	11
30	21	5,288	17	2,612	21	2,676	8	551	8	1,318	8	−767
Oct. 7	18	5,755	19	3,321	21	2,434	8	852	8	825	8	27
14	17	5,481	20	4,030	21	1,451	8	864	8	663	8	201
21	18	7,219	21	8,701	22	−1,482	8	941	7	441	8	500
28	16	7,103	17	4,810	20	2,293	8	949	7	331	8	618
Nov. 4	17	7,042	18	3,131	19	3,911	7	629	8	440	8	189
11	19	11,698	18	4,092	22	7,606	8	664	8	1,078	8	−414
18	22	10,741	21	4,384	22	6,357	8	1,291	6	379	8	912
25	18	6,875	18	2,623	21	4,252	8	434	6	306	8	128
Dec. 2	21	9,781	20	6,404	21	3,377	8	765	8	505	8	260
9	22	11,558	20	9,273	23	2,285	7	522	8	261	8	261
16	20	10,274	20	8,494	22	1,780	8	699	8	675	8	24
23	19	8,242	18	5,618	20	2,624	8	737	7	317	8	420
30	18	4,743	17	6,029	20	−1,286	8	672	8	682	8	−10
1939												
Jan. 6	15	3,712	15	3,965	18	−253	8	545	8	360	8	185
13	17	2,433	13	2,409	19	24	8	323	6	126	8	197
20	19	3,384	14	1,380	20	2,004	8	275	8	655	8	−380
27	18	4,518	11	2,534	19	1,984	8	471	6	265	8	206
Feb. 3	15	3,351	13	1,732	18	1,619	8	338	8	1,142	8	−804
10	10	1,822	17	2,176	17	−354	8	266	5	237	8	29
17	10	1,586	14	1,616	16	−30	8	202	7	265	8	−63
24	11	1,749	15	3,424	17	−1,675	8	375	7	253	8	122
Mar. 3	21	4,282	21	3,947	22	335	8	439	7	583	8	−144
10	20	3,818	22	4,986	23	−1,168	8	676	7	501	8	175
17	18	3,778	18	3,194	21	584	8	661	6	168	8	493
24	15	3,516	10	6,590	18	−3,074	8	521	8	565	8	−44
31	14	3,156	13	2,523	19	633	8	336	7	281	8	55
Apr. 7	17	1,196	11	1,090	19	106	8	561	5	293	8	268
14	15	2,107	12	708	15	1,399	8	407	8	746	8	−339
21	14	2,162	14	916	17	1,246	8	329	7	381	8	−52
28	16	2,945	17	2,488	19	457	8	165	7	323	8	−158
May 5	14	973	17	3,008	18	−2,035	8	182	8	552	8	−370
12	14	679	17	2,066	20	−1,387	8	285	6	275	8	10
19	14	492	15	1,101	18	−609	8	273	6	174	8	99
26	13	964	21	4,217	21	−3,253	8	437	8	521	8	−84
June 2	9	585	18	1,693	18	−1,108	8	465	5	143	8	322
9	9	524	15	2,501	17	−1,977	8	355	7	281	8	74
16	8	1,278	13	1,566	16	−288	7	403	6	117	7	286
23	12	832	18	2,340	19	−1,508	7	289	6	305	7	−16
30	14	1,624	19	1,846	19	−222	7	298	5	103	7	195

[1] Minus sign denotes excess of sales.

NOTE.—For back figures see "Selected Statistics on Securities and on Exchange Markets," Table 71.

TABLE 23.—*Security transactions of 23 large management investment companies, by weeks, July 3, 1938–June 30, 1939*—Continued

Week ended—	Transactions in portfolio stocks, by 14 closed-end investment companies						Transactions in portfolio stocks, by 9 open-end investment companies					
	Purchases		Sales		Balances		Purchases		Sales		Balances	
	Number of active companies	$000	Number of active companies	$000	Number of active companies	$000 [1]	Number of active companies	$000	Number of active companies	$000	Number of active companies	$000 [1]
1938												
July 8	12	5,678	11	1,947	12	3,731	5	2,052	5	850	7	1,202
15	11	4,468	10	2,137	12	2,331	7	2,710	6	1,776	9	934
22	10	3,300	11	2,846	11	454	8	3,098	6	2,031	9	1,067
29	11	4,844	11	2,475	11	2,369	8	1,582	6	257	9	1,325
Aug. 5	11	1,674	9	1,575	11	99	7	1,056	5	345	6	711
12	12	2,238	8	591	12	1,647	6	1,306	4	965	8	341
19	11	1,527	8	792	11	735	5	3,597	7	510	8	3,087
26	12	1,976	10	1,627	12	349	3	1,937	5	2,326	5	−389
Sept. 2	11	1,854	12	1,588	12	266	5	768	4	527	5	241
9	9	960	10	426	11	534	5	917	4	117	5	800
16	12	2,936	11	906	12	2,030	7	1,732	5	347	7	1,385
23	11	1,815	13	2,008	13	−193	5	1,205	5	318	6	887
30	14	2,332	14	2,355	14	−23	7	2,956	3	257	7	2,699
Oct. 7	12	3,849	14	2,463	14	1,386	6	1,906	5	858	7	1,048
14	12	4,379	14	2,716	14	1,663	5	1,102	6	1,314	7	−212
21	10	4,892	13	5,236	13	−344	8	2,327	8	3,465	9	−1,138
28	10	5,013	13	4,165	13	848	6	2,090	4	645	7	1,445
Nov. 4	11	2,849	13	1,804	13	1,045	6	4,193	5	1,327	6	2,866
11	11	7,963	13	2,729	14	5,234	8	3,735	5	1,363	8	2,372
18	14	7,536	14	2,846	14	4,690	8	3,205	7	1,538	8	1,667
25	13	5,268	13	1,697	14	3,571	5	1,607	5	926	7	681
Dec. 2	14	7,698	13	4,740	13	2,958	7	2,083	7	1,664	8	419
9	14	9,679	14	7,617	14	2,062	8	1,879	6	1,656	9	223
16	12	7,645	13	7,939	13	−294	8	2,629	7	555	9	2,074
23	12	6,207	13	5,138	13	1,069	7	2,035	5	480	7	1,555
30	12	3,667	14	5,705	14	−2,038	6	1,076	3	324	6	752
1939												
Jan. 6	11	2,595	10	2,289	12	306	4	1,117	5	1,676	6	−559
13	12	2,251	8	557	12	1,694	5	182	5	1,852	7	−1,670
20	12	2,004	9	728	12	1,276	7	1,380	5	652	8	728
27	12	3,778	6	262	12	3,516	6	740	5	2,272	7	−1,532
Feb. 3	10	2,984	8	1,463	12	1,521	5	367	5	269	6	98
10	7	1,427	11	1,691	11	−264	3	395	6	485	6	−90
17	7	977	9	1,417	11	−440	3	609	5	199	5	410
24	8	1,332	10	3,123	12	−1,791	3	417	5	301	5	116
Mar. 3	14	3,255	13	2,925	14	330	7	1,027	8	1,022	8	5
10	13	2,768	13	3,150	14	−382	7	1,050	9	1,836	9	−786
17	12	2,114	11	1,868	13	246	6	1,664	7	1,326	8	338
24	10	1,704	8	6,565	12	−4,861	5	1,812	2	25	6	1,787
31	9	1,650	8	2,178	12	−528	5	1,506	5	345	7	1,161
Apr. 7	11	729	7	848	12	−119	6	467	4	242	7	225
14	11	801	8	423	11	378	4	1,306	4	285	4	1,021
21	10	866	11	741	13	125	4	1,296	3	175	4	1,121
28	12	2,164	12	2,115	13	49	4	781	5	373	6	408
May 5	9	501	12	2,529	12	−2,028	5	472	5	479	6	−7
12	10	190	10	1,203	13	−1,013	4	489	7	863	7	−374
19	8	349	10	628	11	−279	6	143	5	473	7	−330
26	10	820	13	1,778	13	−958	3	144	8	2,439	8	−2,295
June 2	6	448	11	829	11	−381	3	137	7	864	7	−727
9	7	334	9	652	10	−318	2	190	6	1,849	7	−1,659
16	6	1,117	9	953	10	164	2	161	4	613	6	−452
23	9	410	10	1,860	11	−1,450	3	422	8	480	8	−58
30	9	928	11	1,340	11	−412	5	696	8	506	8	190

[1] Minus sign denotes excess of sales.

NOTE.—For back figures see "Selected Statistics on Securities and on Exchange Markets," Table 71.

APPENDIX VI

LITIGATION INVOLVING STATUTES ADMINISTERED BY THE COMMISSION

TABLE I.—*Injunctive proceedings brought by Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935, which were pending during the fiscal year ended June 30, 1939*

Principal defendants	Number of defendants	United States district court	Initiating papers filed	Alleged violations	Status of case
Alexander, W. W.	1	Northern district of Texas.	July 29, 1938	Sec. 5 (a) (1) of 1933 act.	Permanent injunction by consent July 29, 1938.
Arden, Thomas H.	1	Massachusetts.	Dec. 28, 1938	Secs. 17 (a) (2) and (3) of 1933 act.	Permanent injunction by consent Dec. 28, 1938.
Arizona Red Cloud Mining Co., et al.	5	Utah.	Oct. 26, 1938	Sec. 17 (a) (2) of 1933 act.	Permanent injunction by consent Nov. 4, 1938, against all defendants.
Associated Gas & Electric Co., et al.	15	Southern district of New York.	July 22, 1938	Secs. 5 (a) (1) and (2) of 1933 act and secs. 6 (a), 11 (g), and 12 (c) of 1935 act.	Preliminary injunction under sec. 6 (a) of 1935 act granted by the District Court on Aug. 29, 1938, against all defendants. The decree for preliminary injunction was affirmed by the Circuit Court of Appeals for the Second Circuit on Nov. 7, 1938. Permanent injunction under sec. 6 (a) of 1935 act by consent May 18, 1939, against all defendants.
Bankers Credit and Acceptance Corporation.	1	District of Columbia.	Mar. 15, 1939	Sec. 17 (a) (2) of 1933 act.	Permanent injunction by consent Mar. 15, 1939.
Beasley, R. (Dick)	1	Southern district of Mississippi.	Feb. 23, 1939	Secs. 5 (a) (1) and (2) of 1933 act.	Permanent injunction by consent Feb. 24, 1939.
Benners, Owens & Co., et al.	9	Eastern district of Michigan.	May 15, 1936	Sec. 17 (a) of 1933 act.	Preliminary injunction granted May 15, 1936, against Benners, Owens & Co., A. P. Benners, and M. D. Haynes. Pending.
Blumenthal, H. Walter	1	Southern district of New York.	Jan. 14, 1939	Sec. 9 (a) (2) of 1934 act.	Permanent injunction by consent Jan. 14, 1939.
Bolles, Norman T.	1	Southern district of New York.	June 28, 1939	Secs. 5 (a) (1) and (2) of 1933 act.	Permanent injunction by consent June 29, 1939.
Bowen, Earl G.	1	Northern district of Illinois	Apr. 17, 1939	Secs. 5 (a) (1) and (2) and 17 (a) (2) of 1933 act.	Permanent injunction by consent Apr. 21, 1939.
Cariboo-Hudson Gold Mines, Ltd., et al.	5	Western district of Washington.	Jan. 30, 1939	Sec. 5 (a) (2) of 1933 act.	Permanent injunction by consent Jan. 31, 1939, against all defendants.
Carleton, R. H., et al.	2	Colorado.	Nov. 1, 1938	Secs. 17 (a) (1), (2) and (3) of 1933 act.	Opinion rendered Feb. 3, 1939, granting permanent injunction under sec. 17 (a) (2) of 1933 act against both defendants. Pending.
Carlson & Co., Inc., et al.	2	Northern district of Alabama.	Feb. 4, 1939	Secs. 17 (a) (1), (2) and (3) of 1933 act and sec. 11 (d) of 1934 act.	Permanent injunction by consent Feb. 4, 1939, against both defendants.
Colgrove, C. W., et al.	5	Northern district of California.	Nov. 26, 1938	Secs. 5 (a) (1) and (2) and 17 (a) (1), (2) and (3) of 1933 act.	Permanent injunction by consent Jan. 3, 1939, against all defendants.

TABLE I.—*Injunctive proceedings brought by Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935, which were pending during the fiscal year ended June 30, 1939*—Continued

Principal defendants	Number of defendants	United States district court	Initiating papers filed	Alleged violations	Status of case
Commercial Bankers of Boston, Inc., et al.	2	Massachusetts	Nov. 9, 1937	Secs. 17 (a) (1) and (2) of 1933 act.	Permanent injunction by decree pro confesso Sept. 8, 1938, against Commercial Bankers of Boston, Inc. Permanent injunction by consent Apr. 17, 1939, against William E. Willard.
Continental Guaranteed Deposits Co., Inc., et al.	3	Southern district of New York.	Aug. 29, 1938	Secs. 5 (a) (1) and (2) and 17 (a) (2) of 1933 act.	Permanent injunction by consent Aug. 29, 1938, against all defendants.
Cultivated Oyster Farms Corporation, et al.	2	Southern district of Florida	Jan. 10, 1936	Secs. 5 (a) and 17 (a) of 1933 act.	Permanent injunction granted by court against both defendants on Mar. 22, 1939.
Dorr, Bradford	1	Massachusetts	May 1, 1939	Sec. 17 (b) of 1933 act	Permanent injunction by consent May 1, 1939.
Durante, A. A., et al	2	Southern district of New York.	June 24, 1935	Secs. 5 and 17 of 1933 act	Permanent injunction by consent entered against I. W. Goodwin on May 9, 1938, and against A. A. Durante on Jan. 9, 1939.
Ferguson (Julian H.), Inc., et al	6	Eastern district of Pennsylvania.	Jan. 27, 1938	Secs. 5 (a) and (b) and 17 (a) of 1933 act.	Permanent injunction by consent on Jan. 27, 1938, against all but J. H. Ferguson. Pending as to him.
Fidelity Investment Association	1	Eastern district of Michigan.	Dec. 14, 1938	Secs. 17 (a) (1), (2) and (3) of 1933 act.	Permanent injunction by consent Dec. 22, 1938.
Financial Distributors Corporation	1	District of Columbia	Feb. 14, 1939	Sec. 8 (b) of 1934 act	Permanent injunction by consent Feb. 14, 1939.
Foundation Plan, Incorporated, et al	7	Southern district of New York.	Oct. 5, 1938	Secs. 5 (b) (2) and 17 (a) (1), (2) and (3) of 1933 act.	Hearing on motion for preliminary injunction concluded Oct. 27, 1938; opinion not yet rendered.
Friedlander, Henry	1	Western district of Washington.	Sept. 27, 1938	Sec. 5 (a) (2) of 1933 act	Permanent injunction by consent Sept. 29, 1938.
Gallagher, Ralph A., et al	8	Massachusetts	Nov. 13, 1936	Secs. 9 (a) (1) and (2) of 1934 act.	Preliminary injunction granted Nov. 23, 1936, as to all defendants. Pending.
George, Harry A	1	Western district of Oklahoma.	Sept. 27, 1938	Sec. 17 (a) (2) of 1933 act	Permanent injunction by consent Sept. 27, 1938.
Gilbert, M. L., et al	2	Southern District of Ohio	May 8, 1939	Secs. 5 (a) (1) and (2) of 1933 act.	Pending.
Gold and Silver Metals Corporation, et al.	2	Nevada	Dec. 13, 1938	Secs. 5 (a) (1) and (2) and 17 (a) (2) of 1933 act.	Permanent injunction by consent Dec. 13, 1938, as to both defendants.
Gold Hub Mines Company, et al	5	Colorado	Jan. 9, 1939	Sec. 17 (a) (2) of 1933 act	Suit dismissed against all defendants on Mar. 24, 1939, on ground there had been no violation of sec. 17 (a) (2) of 1933 act.
Grouse Mountain Mining & Milling Co., et al.	2	Western district of Washington.	Aug. 27, 1937	Sec. 5 (a) of 1933 act	Suit dismissed by court against both defendants on Dec. 21, 1938. Defendants could not be located for service of process.
Grubbs (Leland) Oil Company, et al	2	Eastern district of Oklahoma.	Dec. 21, 1938	Sec. 17 (a) (2) of 1933 act	Permanent injunction by consent Dec. 21, 1938, against both defendants.
Hansberger, E. S	1	Western district of Oklahoma.	Mar. 2, 1939	Secs. 5 (a) (1) and (2) of 1933 act.	Permanent injunction granted May 5, 1939.
Hardaway, M. B	1	Northern district of Texas	Dec. 30, 1938	Sec. 17 (a) (3) of 1933 act	Permanent injunction by consent Dec. 30, 1938.
Hevenor, Harvey H	1	Southern district of New York.	Nov. 15, 1938	Secs. 5 (a) (1) and (2) of 1933 act.	Permanent injunction by consent Dec. 22, 1938.

Income Estates of America, Inc.	1	Eastern district of Pennsylvania.	July 22, 1938	Secs. 5 (b) (2) and 17 (a) (2) of 1933 act.	Permanent injunction by consent July 22, 1938.
Kamerman, J. J.	1	Western district of Washington.	Sept. 27, 1938	Sec. 5 (a) (2) of 1933 act.	Permanent injunction by consent Sept. 29, 1938.
Kamp, Anthony B., et al.	2	Colorado	Nov. 1, 1938	Secs. 17 (a) (1), (2) and (3) of 1933 act.	Order entered Dec. 5, 1938, denying defendants' motion to dismiss complaint, but granting their motion in part to make certain paragraphs more definite, and striking certain paragraphs. Pending.
Lahan, J. Broderick, et al.	2	Northern district of Alabama.	May 17, 1939	Secs. 17 (a) (1) and (3) of 1933 act and sec. 8 (b) of 1934 act.	Permanent injunction by consent May 17, 1939, against both defendants.
Lange, C. E., et al.	2	Eastern district of Missouri.	July 11, 1938	Secs. 5 (a) (1) and (2) and 17 (a) (1), (2), and (3) of 1933 act.	Consent judgment for permanent injunction entered July 11, 1938, against C. E. Lange and A. S. Mims, individually and as co-partners, doing business under the firm name of C. E. Lange.
LaVey, William, et al.	5	Eastern district of Washington.	Dec. 28, 1936	Sec. 5 (a) of 1933 act.	Suit dismissed by court on Apr. 4, 1939, as to all defendants.
Lawson, William P.	1	Maryland	July 30, 1938	Sec. 17 (a) (3) of 1933 act and Sec. 8 (b) of 1934 act.	Permanent injunction entered Aug. 22, 1938.
Levett and Company, et al.	5	Eastern district of Michigan.	June 15, 1936	Secs. 17 (a) (1), (2) and (3) of 1933 act.	Permanent injunction by consent on Sept. 11, 1937, against Levett & Co., H. H. Levett and M. A. Levett. Permanent injunction by decree pro confesso Jan. 17, 1939, as to Morris Hollander. Action dismissed against Peter Vihon on Jan. 17, 1939.
Lexington Foundation, Inc.	1	Southern district of New York.	Sept. 12, 1938	Secs. 17 (a) (2) and 5 (b) (2) of 1933 act.	Permanent injunction by consent Sept. 12, 1938.
Luedeking, Otto, et al.	3	Southern district of Ohio	Dec. 19, 1938	Sec. 9 (a) (2) of 1934 act.	Permanent injunction by consent Dec. 19, 1938, against all defendants.
Lydon, Joseph M.	1	Massachusetts	Nov. 29, 1938	Secs. 17 (a) (2) and (3) of 1933 act.	Permanent injunction by consent Nov. 29, 1938.
Macon, James R., et al.	5	Colorado	Nov. 1, 1938	Secs. 17 (a) (1), (2), and (3) of 1933 act.	Opinion rendered Feb. 1, 1939, granting permanent injunction under secs. 17 (a) (1) and (2) of 1933 act against all defendants. Pending.
Martin, Kenneth B.	1	District of Columbia	Feb. 8, 1939	Secs. 5 (a) (1) and (2) of 1933 act.	Consent judgment for permanent injunction entered Feb. 8, 1939, against defendant individually and trading as Memorial Estates.
Meyer, Albert G., et al.	3	Colorado	Nov. 1, 1938	Secs. 17 (a) (1), (2) and (3) of 1933 act.	Pending.
Nash (W. A.) & Co., Inc.	1	Massachusetts	Feb. 26, 1937	Sec. 17 (a) (2) of 1933 act.	Preliminary injunction granted Mar. 8, 1937. Pending.
National Company of Idaho, Inc., (The) et al.	2	Western district of Washington.	Feb. 9, 1939	Secs. 5 (b) (1) and (2) of 1933 act.	Permanent injunction by consent Feb. 9, 1939, against both defendants.
National Organization, Inc., et al.	2	New Jersey	Oct. 4, 1938	Sec. 5 (a) (2) of 1933 act.	Permanent injunction by consent Oct. 4, 1938.
North, Arthur, Jr.	1	Northern district of Illinois.	Mar. 8, 1939	Sec. 15 (b) of 1934 act.	Permanent injunction by consent entered Mar. 9, 1939.
O'Hara Re-Election Committee, et al.	6	Massachusetts	June 16, 1939	Sec. 14 (a) of 1934 act.	Order entered June 27, 1939, temporarily enjoining Walter E. O'Hara and O'Hara Re-Election Committee from violating sec. 14 (a) of 1934 act, and enjoining the Narragansett Racing Association from holding its annual meeting before July 10, 1939. Pending.

TABLE I.—*Injunctive proceedings brought by Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935, which were pending during the fiscal year ended June 30, 1939*—Continued

Principal defendants	Number of defendants	United States district court	Initiating papers filed	Alleged violations	Status of case
Otis & Co. (a corporation)	1	Northern district of Ohio	Apr. 1, 1936	Sec. 17 (a) (2) of 1933 act and sec. 9 (a) (2) of 1934 act.	Permanent injunction granted as to violation of sec. 17 (a) of 1933 act and denied as to violation of sec. 9 (a) (2) of 1934 act by court after hearing on the merits. An appeal has been taken by defendant and is pending.
Pacific States Milling Corporation	1	Delaware	Mar. 15, 1939	Secs. 5 (a) (1) and (2) of 1933 act.	Permanent injunction by consent Mar. 15, 1939.
Parking Meter Corporation of America	1	Northern district of Ohio	June 23, 1939	Secs. 5 (a) (1) and (2) and 17 (a) (2) of 1933 act.	Pending.
Patriotic Bond Subscription Society of Hawaii, et al.	32	Territory of Hawaii	Jan. 20, 1939	Secs. 5 (a) (1) and (2) of 1933 act.	Permanent injunction by consent Jan. 20, 1939, against all defendants.
Payne, Louis	1	Southern district of New York.	June 29, 1939	Secs. 5 (a) (1) and (2) of 1933 act.	Pending.
Peek, Henry Bolton	1	Southern district of New York.	Feb. 10, 1939	Secs. 17 (a) (1), (2) and (3) and 5 (a) (1) and (2) of 1933 act.	Permanent injunction by consent Feb. 10, 1939.
Perry, E. R., et al	5	Northern district of Oklahoma.	Aug. 12, 1937	Sec. 17 (a) of 1933 act	Permanent injunction granted by court against all defendants on Oct. 3, 1938.
Pierce, Gerald L	1	Western district of New York.	Nov. 30, 1938	Secs. 17 (a) (2) and (3) of 1933 act.	Permanent injunction by consent Nov. 30, 1938.
Porter, Robert W., et al	3	Southern district of New York.	Dec. 12, 1938	Secs. 5 (b) (1) and 17 (a) (2) of 1933 act.	Order entered Dec. 12, 1938, staying further prosecution of case upon stipulation of defendants that they will not engage in the acts and practices complained of in the complaint.
Producers Associates, Inc., et al	4	Eastern district of Michigan.	Sept. 6, 1938	Secs. 5 (a) (1) and (2) and 17 (a) (2) of 1933 act.	Permanent injunction by consent Sept. 6, 1938, against all defendants.
Reusher, John A., Jr	1	Western district of Pennsylvania.	Mar. 3, 1939	Secs. 17 (a) (1), (2) and (3) of 1933 act.	Consent judgment for permanent injunction entered Mar. 3, 1939, against defendant individually and doing business under the name of Reusher and Company.
Ryan, John C	1	District of Colorado	Aug. 15, 1938	Secs. 5 (a) (1) and (2) and 17 (a) (2) of 1933 act.	Permanent injunction by consent Aug. 15, 1938.
Ryan-Florida Corporation, et al	2	Southern district of Florida.	May 3, 1938	Sec. 15 (a) of 1934 act	Pending.
Saddlemire, Harold M., et al	2	Eastern district of Michigan.	Feb. 19, 1937	Sec. 5 (b) (2) of 1933 act	Permanent injunction by consent Aug. 30, 1938, against both defendants.
Salembier, Robert R., Jr	1	Southern district of New York.	June 30, 1939	Secs. 9 (a) (1), (2) and (4) of 1934 act.	Permanent injunction by consent entered June 30, 1939.
Sherin, G. J	1	Western district of Washington.	June 15, 1939	Secs. 5 (a) (1) and (2) of 1933 act.	Permanent injunction by consent entered June 19, 1939.
Schulte, David A	1	Southern district of New York.	Feb. 11, 1939	Secs. 9 (a) (1) (B) and (C) and 9 (a) (2) of 1934 act.	Permanent injunction by consent Feb. 11, 1939.

Secord, Vanderpoel & Co., Inc., et al	10	Southern district of New York.	June 21, 1935	Secs. 5 and 17 of 1933 act	All defendants but Minke under temporary injunction or restraining order. Trial postponed indefinitely pending final determination of criminal case.
Silver Dollar Mining Company	1	Western district of Washington.	Dec. 9, 1938	Secs. 5 (b) (1) and (2) of 1933 act.	Permanent injunction by consent Dec. 9, 1938.
Sloane, Edward A., et al	2	Northern district of Illinois.	Apr. 4, 1939	Sec. 15 (a) and (c) of 1934 act	Consent judgment for permanent injunction entered Apr. 15, 1939, against Edward A. Sloane and Edward P. Tuber, individually and as co-partners, doing business under the name of A. D. Lowe & Associates.
Smith, C. Milton, et al	6	Southern district of New York.	Apr. 19, 1939	Secs. 5 (a) (1) and (2) and 17 (a) (2) and (3) of 1933 act.	Permanent injunction by consent as to violation of sec. 17 (a) (2) and (3) of 1933 act entered May 12, 1939, against John P. Ruggles. Consent judgment for permanent injunction as to violation of secs. 5 (a) (1) and (2) and 17 (a) (2) and (3) of 1933 act entered May 12, 1939, against remaining defendants.
Stickney, Robert, et al	2	Massachusetts	Aug. 23, 1938	Sec. 5 (a) (1) of 1933 act	Permanent injunction by consent Aug. 29, 1938, against both defendants.
Sunshine Premier Mining Co. (a corporation).	1	Western district of Washington.	June 16, 1939	Secs. 5 (a) (1) and (2) of 1933 act.	Permanent injunction by consent entered June 19, 1939.
Timetrust, Incorporated, et al	8	Northern district of California.	Apr. 5, 1939	Secs. 17 (a) (1) and (2) of 1933 act.	Motions of defendants to dismiss complaint denied June 10, 1939. Pending.
Union Trust Company (The), et al	6	Colorado	Jan. 11, 1937	Sec. 5 (a) of 1933 act	Suit dismissed by court on Feb. 9, 1939, as to all defendants.
U. S. Chromium, Inc., et al	5	Northern district of Illinois.	Feb. 27, 1939	Secs. 5 (a) (1) and (2) and 17 (a) (2) and (3) of 1933 act.	Preliminary injunction granted Mar. 2, 1939, against all defendants. Pending.
United States Milling Corporation	1	Delaware	Mar. 15, 1939	Secs. 5 (a) (1) and (2) and 17 (a) (2) of 1933 act.	Permanent injunction by consent Mar. 15, 1939.
Universal Service Assn., et al	6	Northern district of Illinois.	Mar. 30, 1936	Secs. 5 (a) and 17 (a) of 1933 act.	Permanent injunction granted by District Court on Apr. 14, 1938, against all defendants. On June 23, 1939, the Circuit Court of Appeals for Seventh Circuit affirmed decree of the lower court.
Weber, John	1	Northern district of Texas	July 29, 1938	Sec. 15 (b) of 1934 act	Permanent injunction by consent July 29, 1938.
Wellington Foundation, Inc	1	Southern district of New York.	Jan. 11, 1939	Secs. 17 (a) (2) and (3) of 1933 act.	Permanent injunction by consent Jan. 12, 1939.
Westbrook (John W.) Company, et al	2	Northern district of Texas	Feb. 13, 1939	Secs. 5 (a) (1) and (2) of 1933 act.	Permanent injunction by consent Feb. 21, 1939, against both defendants.
Whealton Company, Inc., et al	38	New Jersey	Oct. 14, 1935	Sec. 17 (a) of 1933 act	Permanent injunction by decree pro confesso as to Commonwealth Trust Co., Stousland & Co., W. P. McIntosh, H. M. Barcus, and M. F. Whealton on Mar. 9, 1936. Dismissed on stipulation as to J. S. Barr on Nov. 16, 1935. Trial of remaining defendants has been postponed pending outcome of appeal in criminal case.
Wilson, P. H	1	Northern district of Texas.	Apr. 22, 1939	Secs. 5 (a) (1) and (2) and 17 (a) (2) of 1933 act.	Permanent injunction by consent Apr. 22, 1939.
Wolff, Edwin, et al	2	Southern district of New York.	Mar. 10, 1939	Secs. 17 (a) (2) and (3) of 1933 act.	Permanent injunction by consent Mar. 10, 1939, as to both defendants.

TABLE II.—*Indictments returned for violation of the Securities Act of 1933, the Securities Exchange Act of 1934, or the mail fraud statute (in the preparation of which the Commission took part) which were pending during the fiscal year ended June 30, 1939*

Name of case	Number of defendants	United States district court	Indictment returned	Charges	Status of case
Acceptance and Exchange Company	7	Southern district of California.	Nov. 27, 1935	Conspiracy to violate sec. 17 of 1933 act.	Trial on mail fraud indictment opened July 19, 1938. Roubay, Waggoner, Nelson, Phelps, Boyd, Hyman and Padgham were found guilty. Directed verdict of not guilty entered as to Thorp. Sentences ranged from 2 years probation to 6½ years imprisonment. Waggoner and Roubay have appealed. The first indictment was dismissed as to all defendants. The second indictment was dismissed as to Adams on Mar. 17, 1939; pending as to other defendants.
	8	do	Jan. 22, 1936	Conspiracy to violate secs. 5 and 17 of 1933 act.	
	9	do	Nov. 18, 1936	Mail fraud.	
Acme Agency, Inc	3	Colorado	Mar. 9, 1939	Sec. 17 (a) (1) of 1933 act, mail fraud, and conspiracy to violate same.	One defendant, Ray F. Swett, has been apprehended and pleaded not guilty. Pending.
Ambassador Gold Mines, Ltd	4	Northern district of Indiana.	Oct. 13, 1938	Mail fraud and conspiracy to violate same.	All of the defendants in this case have been apprehended. Trial set for Oct. 9, 1939.
American Rand Corporation	4	Western district of Washington.	Feb. 27, 1937	Sec. 17 (a) (1) of 1933 Act, mail fraud, and conspiracy to violate same.	Three defendants, Jonesi, Largent, and Warburton, have been apprehended. Pending.
American Terminals and Transit Company.	4	Southern district of Indiana.	June 6, 1939	Mail fraud and conspiracy to violate same.	All defendants have been apprehended. Trial set for Nov. 13, 1939.
Anderson, John G., et al	* 5	Eastern district of Tennessee.	Mar. 16, 1938	Secs. 17 (a) (1) and 5 (a) of 1933 act, mail fraud, and conspiracy to violate secs. 17 (a) (1) (2), and (3) of 1933 act and mail fraud.	One indictment was dismissed; the remaining thirteen were consolidated. Trial opened Jan. 17, 1939. All defendants were found guilty and each sentenced to 7 years. Defendants have filed notice of intention to appeal.
Arrott, Colin B	1	Oregon	Oct. 4, 1938	Sec. 17 (a) (2) of 1933 act and mail fraud.	Arrott found not guilty on all counts Feb. 25, 1939.
B/G Sandwich Shops, Inc	2	Southern district of New York.	Nov. 16, 1937	Secs. 9 (a) (1) (A), 9 (a) (2) and 32 (a) of 1934 act and conspiracy to violate secs. 9 (a) (1) (A) and 9 (a) (2) of 1934 act.	Both defendants have been apprehended. Pending.
Bagdad Copper Corporation	8	do	Mar. 8, 1939	Mail fraud, secs. 17 (a) (1) and 5 (a) (1) and (2) of 1933 act, and conspiracy to violate same.	All of the defendants in this case have been apprehended. Pending.
Baker, Henry L	1	Southern district of California.	Mar. 25, 1939	Secs. 17 (a) (1) and (3) of 1933 act and mail fraud.	Pending.

Bankers Service Corp., et al	11	Southern district of New York.	Dec. 2, 1935	Mail fraud, sec. 17 (a) (1) of 1933 act, and conspiracy to violate mail fraud.	Trial on second indictment opened Jan. 6, 1939. Bob, Rogers, Wiseman, Kelly Gold & Silver Mines, Inc., and Bankers Service Corporation were found guilty. Sentences ranged from 2 to 7 years. Each corporation was fined $6,000. Bob, Rogers and Wiseman are appealing. Schiff and Mack pleaded guilty to first indictment before trial; sentences suspended and each defendant placed on probation for 5 years. Trial on first indictment opened Feb. 7, 1939; Dorn pleaded guilty after trial commenced and was sentenced to 2½ years and placed on probation for an additional 3 years; and the indictment was dismissed against Bankers Service Corporation and Coronado Gold Mines, Inc. First indictment *nolle prossed* against four defendants on Mar. 6, 1939. Pending.
	8	do	May 24, 1938	Mail fraud and conspiracy to violate same.	
Bedford & Co	2	Western district of Texas	Oct. 3, 1938	Sec. 17 (a) (2) of 1933 act, mail fraud, and conspiracy to violate mail fraud.	H. O. Bedford was sentenced on Oct. 13, 1938, upon plea of guilty to serve 3 years in a reformatory. The other defendant has not been apprehended.
Benners, Owens & Company	7	Eastern district of Michigan.	Oct 19, 1936	Secs. 17 (a) (1) and (2) of 1933 act, mail fraud, and conspiracy to violate same.	All defendants except Leroy Brooks have been apprehended. Pending.
Berry (Norman) and Company	9	Eastern district of Michigan.	Nov. 1, 1935	Mail fraud and secs. 17 (a) (1), (2) and (3) of 1933 act.	First indictment dismissed as to all defendants Mar. 23, 1939. As to second indictment, Kimball and Freeman pleaded guilty to all counts; Lachman pleaded *nolo contendere*; Berry and Hoel each pleaded guilty to one Securities Act count and to conspiracy on Dec. 19, 1939. Law, Shank, Blumberg and Lawn were found guilty as charged. Sentences ranged from 1 to 7 years and fines from $1,000 to $3,000. Crane and Schwartz were found not guilty and the second indictment was dismissed as to Bromberg, William Smith, and Morton Miller.
	14	do	Feb. 28, 1938	Mail fraud, secs. 17 (a) (1) and (3) of 1933 act, and conspiracy to violate same.	
Blackwell, C. G., et al	11	Southern district of New York.	Apr. 26, 1938	Sec. 17 (a) (1) of 1933 act, mail fraud, and conspiracy to violate mail fraud.	All defendants have been apprehended except Max Strahl, who is under bond in the Secord, Vanderpoel & Co. case.
Boles, Robert, et al	2	Nebraska	July 24, 1937	Sec. 17 (a) (3) of 1933 act	Boles convicted on Nov. 16, 1938. Sentenced to 4 years in Leavenworth. Tucker was found guilty on Dec. 3, 1938. Sentenced to 2 years.
Buckner, W. P., Jr., et al	2	do	Dec. 30, 1938	Mail fraud and conspiracy to violate mail fraud.	Trial opened June 18, 1939, on second indictment. Buckner, Gillespie and Buencamino were found guilty. Buckner was sentenced to serve 2 years and fined $2,500, Gillespie 18 months and $2,500, and Buencamino 18 months and $5,000. Turner and Hyde were acquitted. The three convicted defendants have filed notice of intention to appeal. Pending.
	5	do	Apr. 25, 1939	do	

*Total of 14 indictments against total of 5 defendants.

TABLE II.—*Indictments returned for violation of the Securities Act of 1933, the Securities Exchange Act of 1934, or the mail fraud statute (in the preparation of which the Commission took part) which were pending during the fiscal year ended June 30, 1939*—Continued

Name of case	Number of defendants	United States district court	Indictment returned	Charges	Status of case
Burke, John J., et al	5	Southern district of New York.	Aug. 30, 1935	Sec. 9 (a) (2) of 1934 act, and conspiracy to violate same.	(Kopald-Quinn & Company). The first and third indictments have never been tried. The second indictment went to trial on Apr. 19, 1937. Belmont, Trause, and William Mendelson pleaded guilty. The court directed verdicts of not guilty as to Kopald, McCormick, Chyenkus, Samuel and Theodore Sherman, Oxman, Ehrenberg, Bernstein, and Genis. The jury returned a verdict of not guilty as to Waller, Newberger, Wolfson, and Gould. Joseph R. Mendelson, Sutterman, Joseph N. Sherman, Ricebaum, Gould and Company, and Kopald-Quinn and Company were convicted. These six appealed to the Circuit Court of Appeals for the Fifth Circuit. The judgment was affirmed on Feb. 16, 1939 as to Mendelson, Sutterman, Sherman, and Kopald-Quinn & Company. With respect to Ricebaum and Gould and Company, the judgment was affirmed on one count and reversed on another. Petition for *certiorari* denied May 15, 1939. Pending as to remaining defendants.
	29	Northern district of Georgia.	July 14, 1936	Secs. 17 (a) (1), (2) and (3) of 1933 act, mail fraud, and conspiracy to violate sec. 17 (a) of 1933 act and mail fraud.	
	1	do	Jan. 12, 1938	Mail fraud	
Campbell, Albert H	1	Western district of Washington.	July 9, 1937	Sec. 17 (a) (1) of 1933 act and mail fraud.	Campbell, the sole defendant in this case, died and the indictment was dismissed on Jan. 7, 1939.
Campbell Realty Company	2	Northern district of Illinois.	June 2, 1939	do	Both defendants have been apprehended. Trial set for Sept. 26, 1939.
Carnation Gold Mining Company, Ltd., et al.	8	Southern district of New York.	Apr. 29, 1938	Mail fraud, Sec. 17 (a) of 1933 act, and conspiracy to violate mail fraud and sec. 17 (a) (1) of 1933 act.	R. J. Jefferson, P. R. Smith, Meierdiercks, and S. T. Smith pleaded guilty in May and November 1938 and were given sentences ranging from a suspended sentence to 1 year and 1 day. All of the remaining defendants except R. C. Jefferson have been apprehended. Pending.
Cimarron Petroleum Trust	6	Western district of Virginia.	June 12, 1939	Sec. 17 (a) (1) of 1933 act and mail fraud.	Four defendants have been apprehended. Trial set for Aug. 14, 1939.
Colonial Investment Syndicate, Inc.	3	Western district of Tennessee.	Feb. 14, 1936	Sec. 17 of 1933 act, mail fraud, and conspiracy to violate same.	The first indictment dismissed in Dec. 1936. Ogden pleaded guilty to the second indictment on Apr. 17, 1936. DeLatte pleaded guilty to the third indictment; the third indictment went to trial and Spaulding and Bogy were found guilty on all counts Dec. 22, 1936. Sentences ranged from 5 to 17 years and fines from $3,000 to $15,000. Spaulding and Bogy appealed to Circuit Court of Appeals for the Sixth Circuit. Conviction sustained on May 9, 1938. Bogy filed petition for *certiorari*, which was denied Oct. 10, 1938. Second indictment *nolle prossed* as to Bogy and fourth indictment *nolle prossed* as to Bogy and Coyne on Jan. 9, 1939.
	2	do	Apr. 13, 1936	Mail fraud and conspiracy to violate mail fraud and sec. 17 (a) of 1933 act.	
	3	do	Apr. 14, 1936	do	
	2	do	Apr. 15, 1936	do	

Colonial Trading Company	11	Nevada	July 16, 1935	Mail fraud, secs. 5 (a) and 17 (a) of 1933 act, and conspiracy to violate same.	All defendants have been apprehended except A. B. Jones and M. J. Jones, who are the principal defendants. Nelson J. Sykes is deceased; the indictment was *nolle prossed* as to him on Dec. 13, 1937. Pending.
Columbia Metal Mines Co.	2	Arizona	Nov. 21, 1938	Secs. 17 (a) (1) and 5 (a) (1) and (2) of 1933 act, mail fraud and conspiracy to violate same.	Both defendants pleaded guilty to two Securities Act counts and one mail fraud count. On Apr. 3, 1939, Shurtleff was sentenced to 18 months' imprisonment on each of three counts, to run concurrently; imposition of sentence as to Dunning was suspended for 5 years and he was placed on probation.
Commercial Bankers of Boston, Inc.	3	Massachusetts	Sept. 12, 1938	Secs. 17 (a) (1) and (2) of 1933 act, mail fraud, and conspiracy to violate same.	All defendants pleaded guilty in February and March 1939. Sentences ranged from 6 months suspended to 18 months' imprisonment.
Consolidated Mines Syndicate	3	Idaho	Mar. 15, 1939	Sec. 17 (a) (1) of 1933 act, mail fraud, and conspiracy to violate same.	All defendants apprehended. Pending.
Continental Securities Corporation	17	Southern district of New York.	Nov. 2, 1938	Mail fraud and conspiracy to violate same.	All defendants except A. B. Beverly have been apprehended. Pending.
	6	Southern district of New York.	Mar. 31, 1939	do	
	7	do	May 31, 1939	do	
Continental Securities Corporation	15	Southern district of New York.	Dec. 3, 1937	Sec. 17 (a) of 1933 act, mail fraud, and conspiracy to violate mail fraud.	All of the defendants have been apprehended. Demurrers and motions to quash indictment were overruled on May 11, 1938. Pending.
Crumpton & Co.	1	District of Columbia	Apr. 5, 1937	Mail fraud, sec. 17 (a) (1) of 1933 act.	On June 23, 1939, Frank J. Hill pleaded guilty to one Securities Act count and one mail fraud count. He was sentenced to 6 to 18 months on one count and 1 to 2 years on the other.
Cummins, (R.,) and Company, Incorporated.	7	Eastern district of Michigan.	Mar. 30, 1937	Secs. 5 (a), 17 (a) (1) and (2) of 1933 act, mail fraud, and conspiracy to violate mail fraud and secs. 17 (a) (1) and (2) of 1933 act.	Trial opened June 8, 1937. The indictment was dismissed against Webb on motion of U. S. Attorney. The judge directed a verdict of not guilty as to Oestreicher. Landy, Attix, Lane, Lafata, and Brown were found guilty. Sentences ranged from 2 to 5 years and each defendant was fined $10,000. The five convicted defendants have appealed to the Circuit Court of Appeals for the Sixth Circuit.
Davis, H. Anderson, et al.	3	Idaho	May 13, 1937	Secs. 17 (a) (1), (2) and (3) of 1933 act, mail fraud, and conspiracy to violate mail fraud.	H. A. Davis is incarcerated in San Quentin penitentiary on another charge. J. E. Bass was arrested in Chicago, Ill., on Jan. 28, 1938, waived removal proceedings, and posted bond. He was ordered to appear for arraignment on Sept. 12, 1938, but failed to do so and his bond was forfeited. Joseph George Bass has not been apprehended.
	3	do	Sept. 14, 1938	Sec. 17 (a) (3) of 1933 act and conspiracy to violate same.	
Dillon, Sidney J., et al.	2	Southern district of Iowa	Apr. 15, 1939	Mail fraud, and secs. 17 (a) (1) and (2) of 1933 act.	Both defendants surrendered on Apr. 14, 1939, and were released on bail the following day. Pending.
Edwards Petroleum Company	2	Western district of Oklahoma.	Nov. 15, 1938	Secs. 17 (a) (1) and (2) and 5 (a) (1) and (2) of 1933 act, mail fraud, and conspiracy to violate secs. 17 (a) and 5 (a) of 1933 act and mail fraud.	Both defendants have been apprehended. Case will not be set for trial until fall of 1939. Pending.

TABLE II.—*Indictments returned for violation of the Securities Act of 1933, the Securities Exchange Act of 1934, or the mail fraud statute (in the preparation of which the Commission took part) which were pending during the fiscal year ended June 30, 1939*—Continued

Name of case	Number of defendants	United States district court	Indictment returned	Charges	Status of case
Emerton (Albert) & Co., Inc.	2	Massachusetts	May 20, 1938	Sec. 17 (a) of 1933 act, mail fraud, and conspiracy to violate same.	Both defendants have been apprehended. Trial of case continued to October 1939.
Essenfeld (H. B.) Company	21	Southern district of New York.	Sept. 2, 1937	Mail fraud and conspiracy to violate same.	Spero, Klein, Parker, Essenfeld, Max Silver, and Alfred Wolfson pleaded guilty before trial. Trial opened Nov. 15, 1937. H. Niditch, D. B. Howe, and J. T. Swan were convicted; verdict set aside as to J. T. Swan; jury disagreed as to H. Melman. Indictment dismissed on Dec. 1, 1937, as to Shapiro, Von Stein, J. T. Swan, and Tobias. H. Melman pleaded guilty on Apr. 29, 1938. Sentences ranged from 1 year probation to 2 years imprisonment and fines from $100 to $5,000. Indictment *nolle prossed* against six defendants on Nov. 21, 1938. Case pending as to five defendants, two of whom have pleaded guilty.
Fisher (G. E.) & Company	5	Western district of Wisconsin.	Jan. 8, 1939	Sec. 17 (a) (1) of 1933 act, mail fraud, and conspiracy to violate same.	Two defendants have been apprehended. A third defendant, Norman Benson, is in jail on a State charge. Pending.
Frederick, Frank E., et al	4	Southern district of Illinois.	Oct. 28, 1937	Secs. 17 (a) (1) and (2) and 5 (a) (2) of 1933 act, mail fraud, and conspiracy to violate sec. 17 (a) (1) of 1933 act.	Indictment dismissed against Martha Cherry. In February, 1939, Frederick and Childs pleaded *nolo contendere*. Upon this plea the court found Frederick guilty and sentenced him to 2½ years. Childs was acquitted. The remaining defendant, Rossiter, surrendered on Nov. 18, 1937. Pending.
Freese, Martin P.	1	Southern district of California.	Aug. 24, 1938	Sec. 17 (a) (1) of 1933 act and mail fraud.	Freese pleaded guilty to one mail fraud count and one Securities Act count on Nov. 21, 1938. He was sentenced to 5 years on mail fraud count but granted probation on this sentence. Imposition of sentence on Securities Act count suspended; Freese to be placed on 3 years probation beginning at end of first probationary period.
Foundation Plan, Inc., et al	8	Southern district of New York.	June 8, 1939	Conspiracy to violate secs. 5 (b) (2) and 17 (a) (1), (2) and (3) of 1933 act.	Pending.
Gallagher (Ralph A.) & Co.	2	Massachusetts	Jan. 4, 1937	Secs. 9 (a) (1) (A), (B) and (C) of 1934 act.	Getz pleaded guilty on Jan. 21, 1938, and received suspended sentence of 1 year and 1 day. Hull is in State prison on a State charge. Pending.
	2	do	Jan. 4, 1937	Conspiracy to violate secs. 9 (a) (1) (A), (B) and (C) of 1934 act.	

Gibson (P. Bayfield) & Company, Inc.	1	Northern district of Georgia.	Mar. 28, 1938	Sec. 17 (a) (1) of 1933 act	P. Bayfield Gibson pleaded guilty to one count of first indictment on Oct. 19, 1938, and was sentenced to 18 months. The second indictment, together with the remaining counts of the first indictment, was *nolle prossed* Mar. 21, 1939. Pending as to third indictment.
	1	do	do	Sec. 17 (a) (1) of 1933 act	
	1	do	Jan. 30, 1939	Mail fraud	
Great Western Mine Trust	3	Colorado	Jan. 11, 1938	Secs. 17 (a) (1), (2) and (3) of 1933 act and mail fraud.	Powell pleaded guilty on Oct. 7, 1938; sentenced to 6 months imprisonment and placed on probation for 5 years. Zener pleaded guilty on Oct. 15, 1938, and was placed on probation for 3 years. Maupin died Dec. 22, 1937.
Groves, Wallace, et al	9	Southern district of New York.	Dec. 1, 1938	Mail fraud and conspiracy to violate same.	Two defendants have been apprehended. Pending.
Henriques (George) & Co., Inc., et al	72	Southern district of New York.	Nov. 7, 1935	Mail fraud and conspiracy to violate mail fraud.	Six defendants pleaded guilty. Trial began on Feb. 8, 1937, on first indictment. Directed verdicts of not guilty entered against four defendants. Sixteen defendants found guilty on Mar. 19, 1937. Sentences ranged from probation to 3½ years imprisonment. On appeal, convictions of all but Stuart were sustained on Dec. 6, 1937. The Circuit Court of Appeals for the Second Circuit ordered the indictment dismissed as to him. (93 Fed. (2d) 499.) Indictment dismissed against six defendants and *nolle prossed* as to eighteen. First indictment is pending against twenty-two defendants. The second indictment was *nolle prossed* as to five defendants on Oct. 11, 1937. Dubrin, Winfield and Smith pleaded guilty to the second indictment on Apr. 22, 1938; Dubrin and Winfield received suspended sentences and were placed on probation for 3 years. The second indictment is pending as to remaining defendants.
	35	do	Feb. 7, 1936	do	
Hickox Finance Corporation	7	Northern district of Ohio	Mar. 25, 1938	Sec. 17 (a) (1) of 1933 act, mail fraud, and conspiracy to violate same.	Five defendants surrendered. The remaining two have not been apprehended. Pending.
Hoagland & Allum Co., Inc	3	Northern district of Illinois.	June 17, 1938	Sec. 17 (a) (3) of 1933 act and mail fraud.	All defendants pleaded guilty on July 22, 1938, and each defendant was sentenced to 4 years to run concurrently with sentences imposed on a State charge.
Industrial Finance Company	3	Western district of South Carolina.	Feb. 7, 1939	Conspiracy to violate mail fraud and secs. 17 (a) (1), (2) and (3) of 1933 act.	All defendants have been apprehended. Trial on second indictment opened May 10, 1939. Aiken was found guilty on five mail fraud counts and sentenced to 18 months. He has filed notice of intention to appeal.
	1	do	Apr. 10, 1939	Sec. 17 (a) (1) of 1933 act, mail fraud, and conspiracy to violate sec. 17 (a) (2) of 1933 act.	
International Mining and Milling Company,	7	Southern district of California.	Sept. 29, 1937	Mail fraud and conspiracy to violate mail fraud.	Trial opened on Jan. 3, 1939. A. G. Ilseng, A. G. Ilseng, Jr., and McKercher were found guilty. Sentences ranged from a suspended sentence to 5 years imprisonment. The court dismissed the indictment against the remaining defendants on Jan. 19, 1939. The three convicted defendants have filed notice of intention to appeal.

TABLE II.—*Indictments returned for violation of the Securities Act of 1933, the Securities Exchange Act of 1934, or the mail fraud statute (in the preparation of which the Commission took part) which were pending during the fiscal year ended June 30, 1939*—Continued

Name of case	Number of defendants	United States district court	Indictment returned	Charges	Status of case
International Vanadium Corporation	1	Southern district of California.	Feb. 15, 1939	Secs. 17 (a) (1) and 5 (a) (2) of 1933 act and mail fraud.	Toplitzky pleaded guilty to two Securities Act counts and one mail fraud count. On June 10, 1939, he was sentenced to 2 years and 2 days.
International White Cement Company	8	District of Columbia	Mar. 9, 1939	Secs. 17 (a) (1), (2) and (3) of 1933 act, mail fraud, and conspiracy to violate same.	Five defendants have been apprehended. Pending.
Kelly (C. B.) & Company, Inc., et al	5	Delaware	Jan. 8, 1936	Mail fraud, secs. 17 (a) (1), (2) and (3) of 1933 act, and conspiracy to violate same.	In July 1937, complete restitution having been made to all victims, Allison pleaded guilty and was fined $200. The indictment was *nolle prossed* as to Kohler. The case is still pending against remaining defendants.
	5	do	Mar. 10, 1936	do	
Kenyon, Donald P.	11	Southern district of New York.	Mar. 29, 1939	Mail fraud, sec. 17 (a) (1) of 1933 act, and conspiracy to violate mail fraud.	Five defendants have been apprehended. Donald P. Kenyon died before the indictment was returned.
Kenyon, William A., et al	5	Eastern district of Wisconsin.	Apr. 25, 1939	Secs. 17 (a) (1) and (2), mail fraud, and conspiracy to violate same.	Four defendants have been apprehended. Pending.
Kettleman-Hills Syndicate	7	Northern district of New York.	Nov. 10, 1937	Sec. 17 (a) (1) of 1933 act, mail fraud, and conspiracy to violate same.	All defendants except one have been apprehended. Pending.
Kott, Irwin, et al	7	Southern district of Texas	May 18, 1936	Secs. 17 (a) (1) and (3) of 1933 act, mail fraud and conspiracy to violate same.	Kott and O'Neal pleaded guilty; charges dismissed against Doty, Morrison, and Zinn July 20, 1936. Fein and Seeman tried and convicted. Sentences ranged from 32 months to 5 years. Seeman appealed. Reversed and remanded for new trial. Reconvicted and appealed from new sentence. Sentence affirmed on May 10, 1938, by Circuit Court of Appeals for the Fifth Circuit. Petition for *certiorari* denied Oct. 10, 1938.
Krystal Chemical Company, Inc.	1	District of Columbia	Dec. 31, 1937	Sec. 17 (a) (1) of 1933 act, and false pretense statute.	George Arone surrendered Jan. 3, 1938. Demurrer to the indictment was overruled on Oct. 19, 1938. Pending.
LaVey, William, et al	10	Eastern district of Washington.	June 25, 1937	Secs. 5 (a) (1) and (2) and 17 (a) of 1933 act, mail fraud, and conspiracy to violate same.	LaVey was sentenced to 3 years imprisonment upon plea of guilty. Trial opened Dec. 4, 1938; indictment dismissed against Conley and Ross; mistrial as to Friedlander due to illness; Kamerman, Burke, Wise, and Sargent were acquitted; Harry A. Ross was convicted and sentenced to 15 months. Pending.

Loudon, Adler & Company	13	Delaware	June 11, 1937	Mail fraud and conspiracy to violate mail fraud and sec. 17 (a) of 1933 act.	Serlis, Coplin, Mason, and Adler pleaded guilty. Sentences ranged from $100 fine to 4 years imprisonment. On Jan. 27, 1939, the indictment was *nolle prossed* as to two defendants, and on May 25, 1939, as to seven defendants.
McKesson & Robbins, Inc., et al	4	Southern district of New York.	Dec. 15, 1938	Secs. 13 (a) and 32 (a) of 1934 act, and conspiracy to violate same.	Coster is deceased. On Jan. 10, 1939, George, Arthur, and Robert Musica pleaded guilty to the second indictment. Arthur Musica and Simon pleaded guilty to the third indictment. Pending.
	4	do	Dec. 21, 1938	do	
	9	do	Mar. 30, 1939	Secs. 13 (a) and 32 (a) of 1934 act, mail fraud, and conspiracy to violate same.	
Metropolitan Personal Loan Company.	2	Western district of New York.	Apr. 3, 1939	Mail fraud, sec. 17 (a) (1) of 1933 act, and conspiracy to violate same.	Both defendants have been apprehended. Pending.
Mineral Mining Company	11	Northern district of Illinois	July 22, 1938	Secs. 5 (a) and 17 (a) (1) of 1933 act and mail fraud.	All defendants except Manners and Keller have been apprehended. Pending.
Minuse (N. W.) & Company	3	Southern district of New York.	Oct. 26, 1938	Conspiracy to violate secs. 9 (a) (1) (A), (B), and (C) and sec. 9 (a) (2) of 1934 act.	All of the defendants have been apprehended. Pending.
Morley (C. J.) & Company, Inc	7	Southern district of Indiana.	Oct. 24, 1936	Mail fraud	Morley, Stephenson, Anderson, Chase, and Ward tried and convicted July 2, 1937. Sentences ranged from 1 year and 1 day to 5 years. Morley appealed; his sentence was affirmed by the Circuit Court of Appeals for the Seventh Circuit on Oct. 20, 1938. Petition for *certiorari* denied Feb. 3, 1939.
National Investment Transcript, Inc., et al.	20	Southern district of New York.	July 2, 1936	Mail fraud and conspiracy to violate same.	Rollnick, Ward, Congden, Werblin, Manchel, Walport, Greene, Gold, Steinberg, Tettelman, Smiler, Levin, Berman, and Hermanson convicted Dec. 23, 1936. Jury disagreed as to Lazar and Schwartz. Sentences ranged from 1 year suspended to 7 years in penitentiary. Twelve defendants appealed to the Circuit Court of Appeals for the Second Circuit. Their sentences were affirmed on appeal Berman appealed from a suspended sentence. His right to appeal such a sentence was sustained by the Supreme Court on Dec. 6, 1937, and the case remanded to the Circuit Court of Appeals for the Second Circuit for further proceedings. On July 28, 1938, this Court affirmed the decision of the district court as to Berman. Strauss and Hennigan pleaded guilty to the conspiracy count on Mar. 20, 1939; sentenced to 1 year and 1 day; execution of sentence suspended and each defendant placed on probation for 2 years.
Ozark Barrel & Body Corporation.	10	Eastern district of Michigan.	Aug. 23, 1938	Mail fraud, sec. 17 (a) (1) of 1933 act, and conspiracy to violate same.	Hawkes pleaded guilty Oct. 24, 1938. The remaining defendants have been apprehended.
Pacific Mutual Life Insurance Co.	15	Arizona	Dec. 28, 1937	Mail fraud and conspiracy to violate same.	Two defendants died before case came to trial. On Jan. 19, 1939, the court directed a verdict of not guilty against Grant and Hoagland. Eleven defendants found not guilty by jury on Feb. 2, 1939.

TABLE II.—*Indictments returned for violation of the Securities Act of 1933, the Securities Exchange Act of 1934, or the mail fraud statute (in the preparation of which the Commission took part) which were pending during the fiscal year ended June 30, 1939*—Continued

Name of case	Number of defendants	United States district court	Indictment returned	Charges	Status of case
Parkinson, J. B.	1	Southern district of Texas	Nov. 14, 1938	Sec. 17 (a) (1) of 1933 act	Parkinson entered plea of guilty on Mar. 29, 1939, and was sentenced to 2 years in U. S. Southwestern Reformatory.
Peoples Gas & Oil Corporation	11	Western district of Washington.	Oct. 20, 1937	Sec. 17 (a) (1) of 1933 act, mail fraud, and conspiracy to violate sec. 17 (a) of 1933 act and mail fraud.	Trial opened as to all defendants on Feb. 14, 1939, but was adjourned due to the illness of J. F. Simons. Pending.
	10	do	June 25, 1938	do	
	9	do	Dec 3, 1938	do	
Platt & Company	6	Western district of Pennsylvania.	Sept. 22, 1937	Secs. 17 (a) (1) and (2) of 1933 act, mail fraud, and conspiracy to violate same.	Platt, Allen and Johnston have been apprehended. Pending.
	7	Western district of Pennsylvania.	Feb. 22, 1938	do	
	7	Western district of Pennsylvania.	Feb. 22, 1938	Sec. 17 (a) (2) of 1933 act and conspiracy to violate sec. 17 (a) (3) of 1933 act.	
	2	Southern district of New York.	June 15, 1939	Conspiracy to defraud the United States of and concerning its governmental function of administering the 1933 and 1934 acts.	
Plymouth Consolidated Gold Mines, Ltd., et al.	6	Delaware	Mar. 10, 1936	Sec. 5 (a) of 1933 act and conspiracy to violate same.	Florian pleaded guilty on Sept. 17, 1937, and received $5,000 fine. The indictment was *nolle prossed* as to Emmons. The remaining defendants are fugitives in Mexico.
Plymouth Cooperage Corporation, et al.	3	Eastern district of Michigan.	Apr. 6, 1939	Secs. 17 (a) (1) and (2) of 1933 act, mail fraud, and conspiracy to violate same.	All of the defendants have been apprehended. Pending.
Producers Associates, Inc., et al.	3	Eastern district of Michigan.	June 9, 1939	Secs. 5 (a) (1) and (2) and 17 (a) (1) of 1933 act, mail fraud, and conspiracy to violate same.	One defendant has been apprehended. Pending.
Register (J. T.) & Company	4	Southern district of Florida	Jan. 12, 1939	Mail fraud	On Feb. 16, 1939, the court directed verdicts of not guilty as to Kash and Hartman; Martin was acquitted by the jury; and Edwin Gage was found guilty. He was sentenced to 1 year and 1 day, sentence suspended, and placed on probation for 5 years.

Rogers (N. L.) & Co., Inc.	5	Southern district of Illinois.	June 8, 1938	Secs. 17 (a) (1) and (3) of 1933 act, mail fraud, and conspiracy to violate same.	N. L. Rogers, W. W. Rogers, Locke, and Buchele entered pleas of guilty on Mar. 2, 1939. Kleinschmidt pleaded *nolo contendere*. N. L. Rogers was sentenced to 5 years. Other defendants were each placed on probation for 3 years.
Rossignol & Crpcy, Inc.	2	Northern district of Georgia.	June 28, 1938	Sec. 17 (a) (1) of 1933 act, mail fraud, and conspiracy to violate secs. 17 (a) (1), (2) and (3) of 1933 act and mail fraud.	Both defendants have been apprehended. Trial set for October 1939 term of court.
	2	do	Jan. 30, 1939	Mail fraud, and conspiracy to violate same.	
Royalty Bond and Share Company	10	New Mexico	Feb. 13, 1937	Mail fraud, secs. 17 (a) (1), (2) and (3) of 1933 act and conspiracy to violate same.	Trial on third indictment resulted in verdict of not guilty as to six defendants on Mar. 26, 1938. The court dismissed the indictment against four defendants.
	7	do	Feb. 13, 1937	Mail fraud, sec. 17 (a) of 1933 act and conspiracy to violate mail fraud and secs. 17 (a) (1), (2), and (3) of 1933 act.	The first, second, and fourth indictments were dismissed as to all defendants.
	10	do	Aug. 16, 1937	Mail fraud and conspiracy to violate same.	
	7	do	Aug. 16, 1937	do	
Saunders (Carleton) & Co.	16	New Jersey	June 29, 1937	Mail fraud and conspiracy to violate sec. 17 of 1933 act.	Six defendants have been apprehended. Pending.
Scott, Robert E., et al.	21	Western district of Louisiana.	Oct. 17, 1934	Sec. 17 (a) of 1933 act, mail fraud, and conspiracy to violate mail fraud.	All defendants except Gladstone, Klein, Morris, Simmons, and Henry Latimer pleaded guilty on Mar. 11, 1935, and received sentences ranging from 1 year and 1 day to 7 years. Don Simmons pleaded *nolo contendere* Apr. 5, 1938, and was sentenced to 90 days in jail (to run concurrently with sentence in Turivas case). Morris and Henry Latimer have not been apprehended.
Secord-Vanderpoel & Co., et al.	17	Southern district of New York.	Dec. 24, 1936	Sec. 17 (a) (1) of 1933 act, mail fraud, and conspiracy to violate mail fraud.	Secord and Alshire pleaded guilty on June 7, 1938. Indictment dismissed as to Leslie and Tucker on motion of United States attorney June 21, 1938. Strahl, Edell, Gutterson, Edwin T. Vanderpoel, and Secord, Vanderpoel & Co. found guilty. Lawrence, Mandel, Camp, and Washington Irving Vanderpoel found not guilty June 29, 1938. Sentences ranged from a suspended sentence to 3 years imprisonment. The corporation was fined $1,000. Indictment severed as to Warner, Bryan, Johnson, and Kelly on June 7, 1938. The indictment is still pending against these defendants.
Standard Royalty Co.	3	Western district of Louisiana.	Apr. 2, 1936	Sec. 17 (a) of 1933 act, mail fraud, and conspiracy to violate same.	All defendants found guilty on all counts, except first count, on Nov. 19, 1936. Beckman and Freeman sentenced to 5 years, and Taylor to 3 years. All defendants prosecuted separate appeals. Affirmed on May 14, 1937, by Circuit Court of Appeals for the Fifth Circuit. Taylor and Freeman filed petitions for *certiorari*, which were denied Oct. 10, 1938.

TABLE II.—*Indictments returned for violation of the Securities Act of 1933, the Securities Exchange Act of 1934, or the mail fraud statute (in the preparation of which the Commission took part) which were pending during the fiscal year ended June 30, 1939*—Continued

Name of case	Number of defendants	United States district court	Indictment returned	Charges	Status of case
Stokes (N. J.) and Company, Inc.	3	Colorado	Mar. 11, 1938	Sec. 17 (a) (1) of 1933 act, mail fraud, and conspiracy to violate same.	Evans and White pleaded *nolo contendere* on Sept. 13, 1938, and were placed on probation for 3 years. N. J. Stokes is a fugitive in Ireland.
Surety Investment and Finance Company, Inc.	75	Southern district of New York.	Sept. 30, 1938	Mail fraud and conspiracy to violate same.	Fifty-three defendants have been apprehended. Pending.
Suwanee Life Insurance Company	1	Southern district of Florida.	Oct. 26, 1938	Mail fraud, and secs. 17 (a) (1) and (2) of 1933 act.	Trial on first and second indictments, which were consolidated, resulted in a mistrial on May 8, 1939, jury being unable to agree on verdict. Pending.
	12	do	Oct. 26, 1938	Conspiracy to violate mail fraud and sec. 17 (a) (1) of 1933 act.	
	12	do	Apr. 11, 1939	Mail fraud.	
Thurman, Arthur George, et al	3	Massachusetts	Jan. 19, 1939	Mail fraud, sec 17 (a) (2) of 1933 act and conspiracy to violate same	Levinson and Lincoln have been apprehended. Pending.
Trenton Valley Distillers Corporation	2	Eastern district of Michigan.	Feb. 3, 1939	Mail fraud and sec. 17 (a) (1) of 1933 act.	Harry Low surrendered on Feb. 24, 1939. Pending.
Tri-Base of Montana	5	District of Montana	Feb. 17, 1939	Mail fraud, secs 17 (a) (1) and 5 (a) (2) af 1933 act, and conspiracy to violate mail fraud and secs. 17 (a) and 5 (a) of 1933 act.	All defendants have been apprehended except Egbert Pandolfo, who is now serving time on a State charge. Case probably will not be tried before spring of 1940, when Egbert Pandolfo's incarceration terminates.
Union Trust Company, et al	4	Colorado	Jan. 27, 1937	Secs. 17 (a) (1), (2) and (3) of 1933 act, mail fraud, and conspiracy to violate same.	On Feb. 19, 1938, Troutman was found guilty on all counts; Ralph L. Young on conspiracy count only; Clark was acquitted and directed verdict of not guilty entered against Lawrence L. Young. Troutman was sentenced to 5 years and fined $2,500; Young to 15 months. Both defendants appealed and sentences were affirmed by Circuit Court of Appeals for Tenth Circuit on Dec. 8, 1938. Petitions for *certiorari* on behalf of both defendants denied Mar. 13, 1939
Wall Street Security Corp.	1	Northern district of Illinois.	Aug. 9, 1935	Mail fraud	Porter convicted on June 24, 1937. Appealed to Circuit Court of Appeals for the Seventh Circuit; conviction affirmed Apr. 6, 1938. Petition for *certiorari* denied Oct. 10, 1938. Motion for probation and reduction of sentence denied Oct. 27, 1938.
Weber, John	1	Northern district of Texas.	Nov. 8, 1938	Mail fraud	Weber convicted under both indictments Nov. 16, 1938. Sentenced to 5 years imprisonment on first four counts and 5 years suspended on counts five to eight of first indictment, and 5 years on second indictment, sentences to run concurrently.
	1	do	Nov. 8, 1938	Mail fraud	

Whealton Company, Inc., et al	14	New Jersey	June 23, 1936	Mail fraud and conspiracy to violate same.	Indictments dismissed Aug. 2 and Aug. 3, 1938, against Wilson, Alexander, Turner, Lipsey, and Massey. Barcus pleaded guilty on June 15, 1938. Trial on mail fraud indictment resulted in verdicts of guilty as to Coffin, M. F. Whealton, Whealton Co., Inc., and Commonwealth Trust Company on Aug. 17, 1938. Hartman was acquitted. Sentences ranged from a suspended sentence to 2½ years imprisonment. Whealton Company, Inc., received $10,000 fine and Commonwealth Trust Company, $4,000. Case is now pending on appeal.
	14	do	June 23, 1936	Sec. 17 (a) of 1933 act	

TABLE III.—*Indictments returned for perjury committed in the course of investigations conducted by the Commission*

Name of case	Number of defendants	United States district court	Indictment returned	Charges	Status of case
Buckman (B. E.) and Company	1	Northern district of Illinois.	Nov. 15, 1938	Perjury	Buckman and George are serving sentences on State charge. Remaining two defendants have been apprehended. Trial as to Sletteland set for Oct. 9, 1939.
	1	do	Nov. 15, 1938	Perjury	
	1	do	Nov. 15, 1938	Perjury	
	1	do	Nov. 21, 1938	Perjury	
	4	do	Nov. 21, 1938	Conspiracy to commit perjury	
Cota Oil Company	1	Southern District of California.	Oct. 28, 1936	Perjury	Wooley was found guilty on Oct. 15. 1937, and received 3 years sentence and $1,000 fine. His sentence was affirmed by the Circuit Court of Appeals for the Ninth Circuit on May 31, 1938. Petition for *certiorari* denied Oct. 10, 1938.
Mascuch, Joseph J., et al	1	Southern district of New York.	June 15, 1939	Perjury	Both defendants have been apprehended. Pending.
	1	do	June 15, 1939	Perjury	
	2	do	June 15, 1939	Conspiracy to commit perjury	
Natanson, Harry H	1	Massachusetts	Feb. 2, 1939	Perjury	Natanson pleaded guilty on May 11, 1939; was sentenced to 1 year and 1 day, sentence suspended; and was placed on probation for 3 years.

TABLE IV.—*Petitions for review of orders of Commission under the Securities Act of 1933, the Securities Exchange Act of 1934 (other than confidential treatment cases), and the Public Utility Holding Company Act of 1935 pending in circuit courts of appeals during the fiscal year ended June 30, 1939*

Petitioner	United States Circuit Court of Appeals	Initiating papers filed	Nature of case	Status of case
Austin Silver Mining Company, et al	District of Columbia.	Sept. 10, 1938	Petition for review of a stop order entered by the Commission under sec. 8(d) of 1933 act on July 13, 1938.	Order entered May 24, 1939, granting Commission motion to dismiss petition on the ground the question was moot.
Houston Natural Gas Corporation.	Fourth	Aug. 19, 1938	Petition for review of Commission's order denying exemption from provisions of 1935 act.	Opinion rendered on Nov. 10, 1938, dismissing petition. The court held that an order denying an exemption is a negative order and is not reviewable on appeal under sec. 24(a) of the 1935 act.
Dawless, John, Jr	First	Sept. 11, 1937	Petition for review of Commission's order exempting certain securities to be issued by the International Paper and Power Company from the provisions of secs. 4 (a) and 6 (a) of the 1935 act before passing on its exemption under sec. 3 (a) (5) of the 1935 act.	Opinion rendered Apr. 11, 1939, remanding case and directing that the order entered by the Commission be vacated. Petition for rehearing of International Paper and Power Company denied June 26, 1939; certain portions of previous opinion deleted.
Oklahoma-Texas Trust	Tenth	Nov. 15, 1937	Petition for review of a stop order entered by the Commission on Sept. 23, 1937.	Order entered Jan. 5, 1939, affirming order entered by the Commission
Reid, Harry, et al. (constituting the General Protective Committee for Security Holders of Utilities Power & Light Corporation).	District of Columbia.	Nov. 10, 1938	Petition for review of Commission's order permitting the General Protective Committee to intervene in proceedings before the Commission involving secs. 11(b), (f), and (g), 12(e), 19 and 24(a) of 1935 act upon the condition that the Committee in its next communication with its constituents submit a copy of the Commission's memorandum opinion, Release No. 1245.	Petition dismissed Jan. 7, 1939, on motion of petitioner.
Stern, Norman	Second	Apr. 27, 1938	Petition for review of Commission's order under sec. 19(a)(3) of 1934 act and to restrain the enforcement of the expulsion order promulgated thereunder.	Order entered July 27, 1938, upon stipulation, granting withdrawal of petition and vacating stay order.
Unity Gold Corporation	Ninth	Sept. 17, 1938	Petition for review of a stop order entered by the Commission under sec. 8(d) of 1933 act on July 19, 1938.	Stipulation filed extending time to July 2, 1939, for petitioner to file amendments to its amended registration statement. Petition for review dismissed on motion of petitioner July 31, 1939.
Utilities Employees Securities Company.	Third	Oct. 3, 1938	Petition for review of Commission's order consolidating hearings relative to secs. 2(a)(8) and 2(a)(11)(D) of 1935 act.	Petitioner's application for stay pending appeal denied Oct. 7, 1938. Appeal withdrawn by petitioner on Dec. 20, 1938.
Wright, Charles C.	Second	Apr. 26, 1938	Petition for review of Commission's order under sec. 19(a)(3) of 1934 act and to restrain the enforcement of the expulsion order promulgated thereunder.	Order, based upon stipulation, consolidating this case with the case of Norman Stern and staying order of expulsion, signed June 6, 1938. On July 27, 1938, an order was entered granting severance of this case from the case of Norman Stern.

TABLE V.—*Petitions for review of orders denying confidential treatment under section 24 (b) of the Securities Exchange Act of 1934 which were pending in circuit courts of appeals during the fiscal year ended June 30, 1939*

Petitioner	United States Circuit Court of Appeals	Initiating papers filed	Status of case
Allied Chemical & Dye Corporation	Second	Apr. 9, 1936	Dismissed by action of petitioner Oct. 1, 1938.
American Sumatra Tobacco Corporation Case No. 1 (Form 10).	District of Columbia	July 9, 1936	Pending.
American Sumatra Tobacco Corporation Case No. 2 (Annual reports, fiscal years ended July 31, 1936 and 1937).	District of Columbia	Mar. 23, 1939	Pending. Consolidated with Case No. 1 by court order Apr. 5, 1939.
Brillo Manufacturing Company, Inc.	Second	July 18, 1936	Dismissed by stipulation on court order, Mar. 10, 1939.
Cuneo Press, Inc. (The)	Seventh	June 3, 1936	Dismissed by stipulation on court order, Feb. 6, 1939.
International Nickel Company of Canada, Ltd. (The)	District of Columbia	Aug. 25, 1936	Dismissed by stipulation on court order July 6, 1939.
Masonite Corporation	Seventh	May 4, 1938	Petition to review an order of the Commission, which had been vacated by the Commission prior to the filing of the petition for review, and motion for rule requiring the Commission to show cause why it should not be enjoined from reopening the hearing which was the basis of the Commission's vacated order, dismissed and overruled, respectively, by the United States Court of Appeals for the Seventh Circuit on June 16, 1938. *Certiorari* denied Oct. 17, 1938. A petition for a stay of all further proceedings before the Commission pending the final disposition of the petition for writ of *certiorari*, which as noted above was denied on June 16, 1938, denied by the United States Court of Appeals for the Seventh Circuit on Sept. 10, 1938.
Mathieson Alkali Works (Inc.) (The)	Second	Apr. 3, 1936	Pending.
Mesta Machine Company, Case No. 1 (Form 10)	Third	Nov. 26, 1935	Pending.
Mesta Machine Company, Case No. 2 (Annual reports for 1935, 1936 and 1937).	Third	June 13, 1939	Pending. Consolidated with Case No. 1 by court order June 13, 1939.
New York Trap Rock Corporation, Case No. 1 (Form 10).	Second	July 24, 1936	Dismissed by stipulation on court order Aug. 18, 1939.
New York Trap Rock Corporation, Case No. 2 (Annual reports for 1935 and 1936).	Second	Mar. 30, 1939	
Sheaffer (W. A.) Pen Company	Eighth	June 1, 1936	Pending.
United States Leather Co., et al. (The) (Common Stock).	Second	Nov. 17, 1936	Dismissed by stipulation on court order, Mar. 17, 1939.
United States Leather Co., et al. (The) (Class A Stock)	Second	Nov. 17, 1936	
United States Leather Co., et al. (The) (7% Cumulative Preferred).	Second	Nov. 17, 1936	

TABLE VI.—*Cases involving constitutionality of Public Utility Holding Company Act of 1935 pending during the fiscal year ended June 30, 1939*

Plaintiff	United States district court	Initiating papers filed	Nature of case	Status of case
Columbus Railway, Power and Light Company (The), a corporation.	Southern district of Ohio	Nov. 30, 1935	Suit to enjoin enforcement of the 1935 act and for declaratory judgment that the 1935 act is unconstitutional.	Pending.

TABLE VII.—*Proceedings by Commission, pending during the fiscal year ended June 30, 1939, to enforce subpenas under the Securities Act of 1933 and the Securities Exchange Act of 1934*

Principal defendants	Number of defendants	United States district court	Initiating papers filed	Section of act involved	Status of case
Albert Petroleum Corporation, et al.	2	Southern district of California.	Apr. 21, 1939	Sec. 22 (b) of 1933 act	Case dismissed on May 2, 1939.
Cimarron Petroleum Trust, et al.	3	Western district of Oklahoma.	Nov. 9, 1938	Sec. 22 (b) of 1933 act	Order entered Nov. 15, 1938, directing defendants to appear before Commission and produce documentary evidence.
Clayton, W. E., et al.	2	District of Columbia	Feb. 27, 1939	Sec. 21 (c) of 1934 act	Order granting application entered by district court Mar. 17, 1939. Defendants have filed petition for allowance of special appeal.
Dillon, Sidney J.	1	Southern district of Iowa	Feb. 8, 1939	Sec. 22 (b) of 1933 act	Order granting application entered by district court on Feb. 11, 1939. Defendant has appealed to the Circuit Court of Appeals for the Eighth Circuit.
Hoover, Harper S., et al.	3	Northern district of Illinois.	Oct. 20, 1938	Sec. 22 (b) of 1933 act	Opinion rendered by district court on Nov. 29, 1938, granting application of Commission.
Mallory, Margaret	1	District of Columbia	Feb. 27, 1939	Sec. 21 (c) of 1934 act	Order granting application entered Mar. 17, 1939. Defendant has filed petition for allowance of special appeal.
Smith, Charles J.	1	District of Columbia	Feb. 27, 1939	Sec. 21 (c) of 1934 act	Order granting application entered Mar. 17, 1939. Defendant has filed petition for allowance of special appeal.
Verser Clay Company, et al.	3	Western district of Oklahoma.	Dec. 17, 1935	Sec. 22 (b) of 1933 act	Order granting application of Commission entered by district court on Mar. 20, 1937. On Aug. 31, 1938, the order was affirmed by Circuit Court of Appeals for the Tenth Circuit. *Certiorari* denied Feb. 13, 1939.

TABLE VIII.—*Suits to enjoin enforcement of or compliance with subpenas issued by the Commission in which the Commission was permitted to intervene, pending during the fiscal year ended June 30, 1939*

Name of case	United States district court	Initiating papers filed	Nature of case	Status of case
Associated Utilities' Corporation, et al. v. Arthur H. Carter, et al.	District of Columbia	Sept. 22, 1938	Injunctive action to prevent defendants from complying with a subpena issued by the Commission under the 1935 act.	Motion of Commission to intervene as a defendant granted Oct. 10, 1938. Case dismissed on motion of plaintiffs on Nov. 10, 1938.
J. H. Shinn, et al. v. A. A. Ritchie, et al.	do	Sept. 22, 1938	Injunctive action to prevent defendants from complying with a subpena issued by the Commission under the 1935 act.	Motion of Commission to intervene as a defendant granted Oct. 10, 1938. Case dismissed on motion of plaintiffs on Nov. 10, 1938.

TABLE IX.—*Miscellaneous suits against Commission or Commissioners pending during fiscal year ended June 30, 1939*

Parties plaintiff	United States district court	Initiating papers filed	Nature of case	Status of case
Jones, J. Edward	District of Columbia	May 23, 1938	Action at law for damages against individual Commissioners for conspiring to maliciously prosecute and defame the character of the plaintiff.	Demurrers to complaint sustained on April 20, 1939; plaintiff was given leave to amend complaint. Amended complaint filed May 16, 1939. Amended complaint dismissed June 14, 1939. Order entered June 20, 1939, granting plaintiff leave to file second amended complaint. Second amended complaint filed June 26, 1939. Oral opinion rendered Aug. 7, 1939, sustaining defendants' motion to dismiss second amended complaint; plaintiff given ten days to amend complaint.

TABLE X.—*Contempt proceedings pending during the fiscal year ended June 30, 1939*

Principal defendants	Number of defendants	United States district court	Initiating papers filed	Status of case
Boise Petroleum Corporation, et al	4	Idaho	Sept. 20, 1937	On Oct. 8, 1938, all defendants were decreed to be in contempt of court and ordered to pay fines as follows: C. S. Hassler, $500; C. S. Hassler, Inc., $250; Boise Petroleum Corporation, $250, and John T. Glass, $500. C. S. Hassler also received six months' sentence.
Plymouth Consolidated Gold Mines, Ltd., et al.	5	Delaware	Oct. 31, 1935	Order to show cause signed Oct. 31, 1935. Order that writ of attachment for sequestration of property of corporate defendants signed; writ issued and served on November 25, 1935. Pending.
Universal Service Association, et al	6	Northern district of Illinois	Mar. 3, 1939	C. Franklin Davis and Universal Service Association held in contempt on June 22, 1939; Davis sentenced to six months in jail and Universal Service Association fined $1,000. Suit dismissed against Claude H. Carter, Justus Chancellor, Fred E. Bennett, and Universal Order of Plenocrats. The two defendants held in contempt have filed notice of intention to appeal.

TABLE XI.—*Suits against Commission to enjoin enforcement of the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935*

Parties plaintiff	United States district court	Initiating papers filed	Nature of case	Status of case
Bank of America National Trust & Savings Association.	District of Columbia	Jan. 18, 1939	Action for declaratory judgment that national banks, as such, are beyond the Commission's investigatory powers under the Securities Exchange Act of 1934, and that the Commission lacks authority to inspect national bank examiners' reports or to use those reports as a basis for subpenas or inquiries in the course of a public hearing; and complaint for injunction to prevent the Commission from investigating plaintiff or securing examiners' reports, and from making public information derived from these reports or basing any investigation or subpena thereon.	The district court entered order on Feb. 7, 1939, dismissing complaint. On May 8, 1939, the Court of Appeals for the District of Columbia sustained the Commission's contentions as to the scope of its powers and duties, and affirmed the lower court's denial of an injunction, but criticized the form of certain subpenas and orders issued by the Commission and remanded the cause with directions that it be held on the trial docket of the district court for such further action as might become appropriate.
Bagdad Copper Corporation	District of Columbia	Aug. 4, 1937	Suit for declaratory judgment that securities of defendant corporation are exempt from the registration provisions under Sec. 3 (a) (1) of 1933 act; and that plaintiff has a right to withdraw its registration without the consent of the Commission.	Motion of defendants to dismiss complaint filed Aug. 24, 1937; order granting motion to dismiss complaint entered Nov. 24, 1937, with leave granted to plaintiff to plead over within 30 days; stipulation filed Feb. 26, 1938, extending time for plaintiff to file amended complaint to Mar. 15, 1938. No further action taken.
Davenport & Company, Inc.	Colorado	Dec. 14, 1938	Injunctive action to prevent the Commission from subpenaing the remaining defendants and to prevent such defendants from disclosing certain information to the Commission pending determination of other court action against plaintiff.	Complaint dismissed by court on Dec. 20, 1938.
Resources Corporation International	District of Columbia	July 5, 1938	Suit to enjoin Commission from conducting stop order hearing against and investigation of plaintiff, and for order of court to compel Commission to set aside order of May 25, 1938, denying plaintiff right to withdraw registration statement and to compel Commission to enter affirmative order granting plaintiff right to withdraw registration statement.	Order entered on July 21, 1938, by district court denying preliminary injunction and dismissing complaint. This order was affirmed by the Court of Appeals for the District of Columbia on Feb. 27, 1939.
Union Electric Company of Missouri	District of Columbia	Apr. 28, 1939	Injunctive action to prevent the Commission from conducting public investigations of possible violations of the 1933, 1934, and 1935 acts.	Suit dismissed without prejudice by stipulation on June 2, 1939.

TABLE XII.—*Miscellaneous injunctive proceedings brought by Commission during fiscal year ended June 30, 1939*

Principal defendants	Number of defendants	United States district court	Initiating papers filed	Nature of case	Status of case
Mahaney, William J., et al.	3	Northern district of California.	Apr. 6, 1939	Suit to enjoin: (1) Mahaney from disclosing confidential information obtained while acting as an attorney for the Commission; (2) L. Mario Giannini and Bank of America National Trust & Savings Association from continuing to retain Mahaney as an attorney for defendant bank; and (3) remaining defendants from consulting with Mahaney relative to confidential information which he obtained as an attorney for the Commission.	Preliminary injunction granted by district court against all defendants on May 3, 1939. Judgment for permanent injunction, based upon stipulation that preliminary injunction be made permanent, entered against all defendants on May 11, 1939.

APPENDIX VII

LIST OF REGISTERED PUBLIC UTILITY HOLDING COMPANIES INCLUDING SUBHOLDING REGISTERED COMPANIES, AS OF JUNE 30, 1939

American Gas and Electric Co.
American Gas and Power Co.
American Light & Traction Co.
American Power and Light Co.
American Public Service Co.
American States Utilities Corporation.
American Utilities Service Corporation (Trustees).
American Utilities Service Corporation.
American Water Works and Electric Co., Inc.
Arkansas-Missouri Power Corporation.
Arkansas Natural Gas Corporation.
Associated Electric Co.
Associated Gas and Electric Co. (Voting Trustees).
Associated Gas and Electric Co.
Associated Gas and Electric Corporation.
Atlantic Seaboard Corporation.
Central and South West Utilities Co.
Central Arkansas Public Service Corporation.
Central Public Utility Corporation (Trustees).
Central Public Utility Corporation.
Central States Edison, Inc.
Central States Power & Light Corporation.
Central States Utilities Corporation.
Central U. S. Utilities Co.
Cities Service Power & Light Co.
Citizens Utilities Co.
Columbia Gas & Electric Corporation.
Commonwealth & Southern Corporation, The.
Commonwealth Light & Power Co. (Trustees).
Commonwealth Utilities Corporation.
Community Gas and Power Co.
Community Power and Light Co.
Consolidated Electric and Gas Co.
Continental Gas & Electric Corporation.
Crescent Public Service Co.
Derby Gas & Electric Corporation.
Des Moines Electric Light Co.
East Coast Public Service Co.
Eastern Minnesota Power Corporation.
Eastern Power Co.
Eastern Utilities Associates.
East Tennessee Light & Power Co.
Electric Bond and Share Co.
Electric Power & Light Corporation.
El Paso Electric Co.
Engineers Public Service Co.
Federal Light & Traction Co.
Federal Water Service Corporation.
Gary Electric and Gas Co.
General Gas & Electric Corporation.
General Public Utilities, Inc.
Granite City Generating Co. (Trustees).
Great Lakes Utilities Co. (Trustees).
Great Lakes Utilities Co.
Illinois Iowa Power Co.
Illinois Traction Co.
Inland Power & Light Corporation (Trustee).

International Hydro Electric System (Tustees).
International Hydro Electric System.
International Utilities Corporation.
Interstate Gas and Electric Co.
Interstate Light & Power Co.
Interstate Power Co.
Iowa–Nebraska Light and Power Co.
Iowa Public Service Co.
Kentucky Utilities Co.
Lehigh Power Securities Corporation.
Lone Star Gas Corporation.
Louisville Gas and Electric Co. (Del.).
Middle West Corporation, The.
Midland United Co. (Trustees).
Midland Utilities Co. (Trustees).
Minneapolis General Electric Co.
Mission Oil Co.
National Fuel Gas Co.
National Gas and Electric Corporation.
National Power & Light Co.
National Public Utilities Corporation.
New England Gas and Electric Association.
New England Power Association.
New England Public Service Co.
North American Co., The.
North American Gas and Electric Co.
North American Light and Power Co.
North Continent Utilities Corporation.
Northeastern Water and Electric Corporation.
Northeastern Water Companies, Inc.
Northern Natural Gas Co.
Northern New England Co.
Northern States Power Co. (Del.).
Northern States Power Co. (Minn.).
North Penn Gas Co.
North West Utilities Co.
NY PA NJ Utilities Co.
Pacific Power & Light Co.
Pennsylvania Gas & Electric Corporation.
Pennsylvania Gas & Electric Co.
Peoples Light and Power Co. (Trustees).
Peoples Light and Power Co.
Philadelphia Co.
Philadelphia Electric Power Co.
Pittsburgh and West Virginia Gas Co.
Portland Electric Power Co.
Portland General Electric Co.
Public Gas and Coke Co.
Public Utilities Securities Corporation (Trustees).
Republic Service Corporation.
Sioux City Gas & Electric Co.
Southeastern Electric & Gas Co.
Southern Natural Gas Co.
Southern Union Gas Co.
Southwestern Development Co.
Southwestern Public Service Co.
Standard Gas and Electric Co.
Standard Power and Light Corporation (Trustees).
Standard Power and Light Corporation.
Susquehanna Utilities Co.
Toledo Light and Power Co.
Union Electric Co. of Missouri.
United American Co.
United Corporation, The.
United Gas Improvement Co., The.
United Light and Power Co., The.
United Light and Railways Co., The.
United Public Service Corporation.
United Public Utilities Corporation (Trustees).
United Public Utilities Corporation.
Utah Power & Light Co.
Utilities Power & Light Corporation.
Utilities Stock & Bond Corporation.
Utility Operators Co.
Utility Service Co.
Walnut Electric & Gas Corporation (Liquidating Trustees).

Walnut Electric & Gas Corporation.
Washington and Rockville Ry. Co. of Mont. County, The.
Washington and Suburban Companies.
Washington Gas and Electric Co.
Washington Railway and Electric Co.
Western Public Service Co., The.
West Penn Electric Co., The.
West Penn Railways Co.

LIST OF PENDING APPLICATIONS FOR EXEMPTION AS PUBLIC UTILITY HOLDING COMPANIES AS OF JUNE 30, 1939 [1]

Aluminum Company of America.
American & Foreign Power Co., Inc.[2]
Associated Electric Companies.
Associated Utilities Corporation.
Atlas Corporation.
Byllesby, H. M. and Co.
Byllesby Corporation, The.
Cities Service Co.
Columbia Construction Co.
Columbia Oil and Gasoline Corporation.
Commonwealth Edison Co.
Commonwealth Subsidiary Corporation.
Eastern Gas & Fuel Associates.
Eastern Shore Public Service Co. et al.[2]
Fairbanks Morse & Co.
Fuel Investment Associates.
Koppers Co.
Koppers United Co.
Marion Finance Co.
Monongahela West Penn Public Service Co.[2]
Niagara Share Corporation of Maryland.
Ohio Oil Co.
Pacific Gas and Electric Co.
Panhandle Eastern Pipe Line Co.
Peoples Gas Light and Coke Co.
Potomac Edison Co., The.[2]
Public Service Company of Oklahoma.[2]
Public Service Corporation of New Jersey.
Public Service Electric and Gas Co.
Standard Oil Co. (New Jersey).
Terrace Finance Co.
United Illuminating Trust.
United Utilities, Inc.
Utilities Investing Trust.
Virginia Public Service Co.[2]
Washington Gas Light Co.[2]
West Penn Power Co.[2]
Wisconsin Securities Co.

[1] As of June 30, 1939, a total of 272 applications for exemption as a holding company had been filed, of which 103 had been granted, 6 had been denied and 125 had been withdrawn.
[2] Subsidiary holding companies of registered holding companies.

APPENDIX VIII

NEW YORK STOCK EXCHANGE PROGRAM

(TEXT OF PROGRAM ADOPTED BY BOARD OF GOVERNORS OF THE NEW YORK STOCK EXCHANGE OCTOBER 26, 1938)

The following is a general summary of a program which has been worked out with a view to affording additional protection to the members of the public in their brokerage dealings with Member Firms of the New York Stock Exchange.

SEPARATION OF CAPITAL EMPLOYED IN FIRMS' AND PARTNERS' UNDERWRITING, SECURITY AND COMMODITY POSITIONS, AND COMMITMENTS

A review of past failures of member firms indicates that the over-extension of security and commodity positions for firm and partners' account has been an important factor. With a view to affording additional protection to the members of the public in their brokerage dealings with member firms of the New York Stock Exchange, the Exchange proposes to permit member firms to organize separate corporations, to be known as affiliated companies, for the purpose of carrying underwriting, security and commodity positions for the company's own account and for the account of the member firm's general partners. When the details of the program for the formation and operation of such affiliated companies have been determined upon, the Exchange proposes to increase the capital requirements applicable to member firms in such a way as to encourage member firms to conduct their underwriting and trading operations through the medium of such separate companies.

An outline of the remaining portions of the program is enumerated below:

I. REVISED CAPITAL REQUIREMENTS

Effective January 1, 1939, no member firm, doing a general business with the public, except those subject to supervision by State or Federal banking authorities, shall permit, in the ordinary course of business as a broker, its aggregate indebtedness to all other persons to exceed 1,500 per centum of the member firm's net capital. In computing the net capital and aggregate indebtedness of such a member firm the Exchange proposes to delimit further the type of assets and securities which may be included in net capital by requiring specific deductions in the computation of capital.

II. PROHIBITED LOANS

Without the prior written approval of the Committee on Member Firms, no governor, member of a committee, officer, or employee of the Exchange shall make any loan of money or securities to or obtain any such loan from any member, member firm, or partner of a member firm, unless such loan be (a) fully secured by readily marketable collateral, or (b) made by a governor or committee member to or obtained by a governor or committee member from the member firm of which he is a partner, or a partner of such firm.

III. DISQUALIFICATION OF GOVERNORS AND COMMITTEE MEMBERS

No governor or member of a committee shall participate in the investigation or consideration of any matter relating to any member or member firm with knowledge that such member or firm is indebted to such governor or committee member, or to any of his partners or to the firm of which he is a partner, or that he, his firm, or any of his partners is indebted to such member or firm, excluding, however, any indebtedness arising in the ordinary course of business out of transactions on any exchange, out of transactions in the over-the-counter markets, or out of the lending and borrowing of securities.

IV. FINANCIAL STATEMENTS

The Committee on Member Firms will call for at least the following financial statements from all member firms:

(a) An answer to a "long form" questionnaire at least once in each year. This "long form" questionnaire will be in substantially the form heretofore used by member firms carrying margin accounts which calls for a detailed financial statement.

(b) An answer to a special "short form" questionnaire at approximately quarterly intervals between the calls for answers to "long form" questionnaires.

V. INDEPENDENT AUDITS

The Committee on Member Firms will require all member firms doing any securities business with others than members or member firms to have an audit of their books, records, and accounts made by independent public accountants at least once in each year. The scope of the audit is now the subject of a study being made by the Exchange in conjunction with committees representing the American Institute of Accountants and the New York State Society of Certified Public Accountants.

The Committee on Member Firms will prescribe audit regulations when the scope of the audit has been decided upon

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VI. EXCHANGE AUDITING

The scope and frequency of the supervisory audits, examinations, and inspections made of member firms' offices by the Exchange will be increased. The audits, examinations, and inspections are being made at irregular intervals and without prior warning and include a test or spot check of safekeeping securities and segregated securities representing excess margin.

VII. REPORT OF MEMBER BORROWINGS

Every member, member firm, and general partner of a member firm will be required to report forthwith to the Exchange the following:

(a) Each loan in the amount of $2,500 or more, whether of cash or securities heretofore obtained (and now outstanding) or hereafter obtained;

(b) Each loan in the amount of $2,500 or more, whether of cash or securities heretofore made (and now outstanding) or hereafter made to any member, member firm, or general partner of a member firm;

provided, however, that no report shall be required with respect to:

(1) Any loan fully secured at all times by readily marketable collateral;

(2) Any loan of securities made by the borrower for the purpose of effecting delivery against a sale where money payment equivalent to the market value of the securities is made to the lender and such contract is marked approximately to the market;

(3) Any loan on a life insurance policy which is not in excess of the cash surrender value of such policy;

(4) Any loan obtained from a bank, trust company, monied corporation, or fiduciary on the security of real estate;

(5) Any loan transaction between general partners of the same firm.

VIII. MARGIN ACCOUNTS

After April 1, 1939, no member firm carrying margin accounts for others than members of a national securities exchange or registered brokers or dealers, as the terms "member" and registered "broker" and "dealer" are defined in the Securities Exchange Act of 1934, and no general partner of any such firm, shall trade in margin accounts with their own firm or with any other member firm. This prohibition will not prevent the obtaining of bank loans with which to purchase or carry securities nor embrace such activities as underwritings, etc. Appropriate exemptions to the rule will be considered for certain types of transactions by members on the floor.

IX. PARTNERS' ACCOUNTS

No member firm shall carry an account for a general partner of another member firm without the prior written consent of another general partner of such other firm. Duplicate reports and monthly statements shall be sent to a general partner of the firm (other than the partner for whom the account is carried) designated in such consent.

All clearance transactions for a general partner of another member firm shall be reported by the clearing firm to a general partner of such other firm who has no interest in such transactions.

X. INDIVIDUAL MEMBERS CARRYING ACCOUNTS

No member, doing business as an individual, shall carry securities accounts for customers.

XI. QUALIFICATIONS OF PERSONNEL

Steps will be taken to provide for a more intensive control and supervision of persons now in or hereafter entering the business of Exchange members.

XII. ENFORCEMENT

The business practices of member firms are being more strictly supervised and the conduct rules are being rigidly enforced, and, where necessary, severe penalties are being imposed for violations.

XIII. REPORT OF UNDERWRITINGS

Every member firm will be required to submit to the Exchange, weekly, a statement of its obligations in respect of underwritings and net positions resulting therefrom.

APPENDIX IX

STATISTICAL ANALYSIS OF REORGANIZATION PROCEEDINGS INSTITUTED UNDER CHAPTER X OF THE BANKRUPTCY ACT, AS AMENDED, DURING THE PERIOD FROM JUNE 22, 1938 TO JUNE 30, 1939, INCLUSIVE

Chapter X of the Bankruptcy Act, as amended, became effective on September 22, 1939. However, Section 276c (1) of Chapter X provides that if a petition for reorganization was approved within three months prior to the effective date of the amendatory Act, the provisions of Chapter X shall apply in their entirety to such proceedings. For statistical purposes, all cases in which petitions were filed or approved on or after June 22, 1938, are included in these compilations.[1]

The following statistical analysis covers the period from June 22, 1938 to June 30, 1939, inclusive, thereby including a short interval during the 1938 fiscal year. The information has been derived mainly from schedules, balance sheets, and allegations found in the petitions, and other verified documents filed with the Federal District Courts in reorganization proceedings. No independent check was made by the Commission as to the accuracy of the information. With one exception, the data reflect the number of proceedings instituted, and do not make allowances for proceedings dismissed.[2]

Total Number of Companies and Their Aggregate Assets and Indebtedness.

During the period from June 22, 1938 to June 30, 1939, inclusive, petitions under Chapter X were filed by or against 577 companies. The largest number of petitions was filed during the months of July and August 1938, when proceedings in 70 and 79 cases, respectively, were instituted. The total assets of these 577 companies amounted to approximately $527,000,000 (book value), while the corresponding indebtedness aggregated $385,000,000.[3]

[1] In 12 cases the petitions were filed prior to June 22, 1938 but were approved on or after that date. As stated above, these cases are included in this analysis since under Section 276c (1) of Chapter X, the provisions of Chapter X are applicable in their entirety to these cases.

[2] The exception is the case of a very large public utility holding company with alleged unconsolidated assets of about $150,000,000. The proceedings against this company were instituted by creditors during November 1938. In January 1939, the proceedings were dismissed by the court on the ground that the petition had not been filed in good faith. This case has been eliminated from all aggregates in this analysis.

[3] As stated above, the figures for assets and indebtedness in almost all cases were taken from balance sheets, schedules, and allegations found in the petitions and other documents filed in reorganization proceedings. Estimates were made of the assets of 39 companies and the indebtedness of 4 companies, figures for which were not available from these sources.

Industrial Classification.

Of the 577 companies, the largest number, 197, were engaged in manufacturing. Real estate companies [4] were next with 121, while merchandising concerns accounted for 106. Measured by aggregate assets, the 197 manufacturing companies led with a figure of approximately $137,000,000 or 26% of the total, followed closely by 18 transportation and communication companies whose assets totaled approximately $133,000,000, 25% of the total for all companies. The third largest figure was shown by the 121 real estate companies, whose aggregate assets of $87,000,000 accounted for 16% of the total. Measured by aggregate indebtedness, however, the order was real estate companies, $86,000,000 or 22%, transportation and communication companies, $85,000,000 or 22%, and manufacturing companies, $78,000,000 or 20% of the total indebtedness for all 577 companies.

Geographical Distribution.

By far the leading states in point of location of principal assets and principal place of business were Illinois and New York.[5] The former state was alleged to be the location of the principal assets of 79 companies, whose total assets aggregated $147,000,000 [6] or 28% of the total for all companies. In 87 cases, showing combined assets of about $100,000,000 [7] or 19% of all assets, the principal assets were stated to be located in New York. The 82 companies with principal place of business in Illinois had combined assets of $148,000,000 or 28% of the total assets, and combined indebtedness of $95,000,000 or 25% of the total indebtedness, while the 90 companies with their principal place of business in New York accounted for assets of $101,000,000 or 19% of the total assets, and indebtedness of $68,000,000, 18% of the total indebtedness.

The Federal District Court of the Northern District of Illinois handled the great bulk of cases in that state and led all districts in the country in number of companies, total assets, and total indebtedness. Petitions were filed in that district by or against 74 companies with combined assets of approximately $147,000,000 or 28% of the assets in all Federal Judicial Districts and aggregate indebtedness of about $95,000,000, 25% of the indebtedness of all 577 companies. The 37 cases in the Southern District of New York involved assets of $86,000,000 and indebtedness of $56,000,000, 16% and 14% of the respective totals for all companies. The districts handling more than 20 cases were, in order, Northern District of Illinois 74, District of

[4] In this classification, real estate companies include, among others, companies owning apartment houses hotel buildings, and office buildings.

[5] Section 128 of Chapter X permits a petition to be filed in the Federal District Court in whose territorial jurisdiction the company has either its principal place of business or its principal assets:

[6] Including one company with alleged assets of $126,000,000.

[7] Including one company with alleged assets of $66,000,000.

New Jersey 39, Southern District of New York 37, District of Massachusetts 35, Southern District of California 25, Eastern District of Pennsylvania 23, and Western District of Pennsylvania 22.

Amount of Indebtedness.

In 435 cases, three-fourths of the total of 577 cases, the indebtedness of the debtor was less than $250,000,[8] but these cases accounted for only 9% of the $385,000,000 indebtedness of all companies. Companies with indebtedness of at least $250,000, but less than $3,000,000, were 125 in number, their indebtedness aggregating $93,000,000 or 24% of the indebtedness of all 577 companies. The remaining 67% of the total indebtedness was accounted for by 17 companies, each of which had an indebtedness of at least $3,000,000.[9] Total indebtedness of these 17 companies amounted to $258,000,000.

Type of Petition.

Of the total of 577 cases, 474 involving assets of $397,000,000 and indebtedness of $261,000,000 were instituted by the petition of the debtor corporation. Creditors' petitions commenced proceedings in 89 cases involving assets of $111,000,000 and indebtedness of $97,000,000. The remaining 14 companies, whose assets aggregated $19,000,000 and indebtedness $28,000,000, were brought into reorganization proceedings as the result of petitions filed by indenture trustees.

[8] Section 156 of Chapter X provides that in all cases involving indebtedness of $250,000 or over, disinterested trustees shall be appointed to perform certain functions set out in the statute. In cases involving indebtedness of less than $250,000, the court may continue the debtor company in possession or appoint trustees.

[9] Section 172 of Chapter X provides that in all cases involving indebtedness of more than $3,000,000, the proposed plans of reorganization shall be submitted to the Commission for advisory reports, whereas in the remaining cases the proposed plans of reorganization may be, but are not required to be, submitted to the Commission for such reports.

TABLE 1.—*Distribution of cases by type of industry—Total assets and total indebtedness of companies entering into reorganization proceedings—June 22, 1938 to June 30, 1939, inclusive* [1]

Industry	Number of companies	Total assets		Total indebtedness	
		Amount (thousands of dollars)	Percent of grand total	Amount (thousands of dollars)	Percent of grand total
Agriculture	1	449	0.09	351	0.09
Mining and other extractive	41	36,776	6.97	21,903	5.68
Manufacturing	197	137,433	26.05	78,006	20.24
Financial and investment	9	62,950	11.93	56,427	14.64
Merchandising	106	16,830	3.19	12,492	3.24
Real estate	121	86,854	16.47	85,818	22.27
Construction and allied	5	428	0.08	360	0.09
Transportation and communication	18	132,955	25.21	85,187	22.11
Service	53	15,656	2.97	13,259	3.44
Electric light, power, and gas	6	32,708	6.20	27,408	7.11
Charitable, religious, etc.	20	4,450	0.84	4,200	1.09
Total	577	527,489	100.00	385,411	100.00

[1] See footnotes 1 and 2 at page 266, *supra*.

TABLE 2.—*Geographical distribution of cases in accordance with location of principal assets—Total assets of companies entering into reorganization proceedings—June 22, 1938 to June 30, 1939, incluisve* [1]

State or territorial possession	Number of companies	Total assets [2]		State or territorial possession	Number of companies	Total assets [2]	
		Amount (thousands of dollars)	Percent of grand total			Amount (thousands of dollars)	Percent of grand total
Alabama	3	557	0.11	Nebraska	2	724	0.14
Arizona	4	1,921	0.36	Nevada	2	3,640	0.69
Arkansas	3	636	0.12	New Hampshire	1	65	0.01
California	40	60,961	11.56	New Jersey	40	25,022	4.74
Colorado	7	2,386	0.45	New York	87	99,703	18.90
Connecticut	14	2,216	0.42	North Carolina	3	1,201	0.23
District of Columbia	3	541	0.10	Ohio	28	13,398	2.54
Florida	10	2,032	0.39	Oklahoma	8	4,452	0.84
Georgia	5	712	0.13	Oregon	6	28,739	5.45
Idaho	2	292	0.06	Pennsylvania	50	47,293	8.97
Illinois	79	146,781	27.82	Rhode Island	3	589	0.11
Indiana	14	7,270	1.38	Tennessee	3	499	0.09
Iowa	3	409	0.08	Texas	11	2,409	0.46
Kansas	3	126	0.02	Utah	1	909	0.17
Kentucky	5	1,892	0.36	Vermont	1	126	0.02
Louisiana	2	1,225	0.23	Virginia	6	3,582	0.68
Maine	1	89	0.02	Washington	7	3,214	0.61
Maryland	3	4,263	0.81	West Virginia	1	104	0.02
Massachusetts	35	5,422	1.03	Wisconsin	26	6,702	1.27
Michigan	22	32,378	6.14	Puerto Rico	2	163	0.03
Minnesota	4	1,088	0.21	Territory of Hawaii	1	100	0.02
Missouri	25	11,253	2.13				
Montana	1	400	0.08	Grand total	577	527,489	100.00

[1] See footnotes 1 and 2 at page 266, *supra*.

[2] In most cases the total assets of the companies were located in one state. In a small number of cases the assets of the companies were distributed among more than one state. The figures in Table 2 include the entire assets—and not merely the amount of principal assets—of each individual company in the total for the state in which its principal assets were located.

TABLE 3.—*Geographical distribution of cases in accordance with location of principal place of business—Total assets and total indebtedness of companies entering into reorganization proceedings—June 22, 1938 to June 30, 1939, inclusive* [1]

State or territorial possession	Number of companies	Total assets		Total indebtedness	
		Amount (thousands of dollars)	Percent of grand total	Amount (thousands of dollars)	Percent of grand total
Alabama	3	557	0.11	531	0.14
Arizona	2	1,154	0.22	826	0.21
Arkansas	3	636	0.12	370	0.10
California	37	60,543	11.48	52,688	13.67
Colorado	7	2,386	0.45	1,775	0.46
Connecticut	14	2,216	0.42	2,490	0.65
District of Columbia	3	541	0.10	386	0.10
Florida	10	2,032	0.39	1,777	0.46
Georgia	4	534	0.10	550	0.14
Idaho	2	292	0.06	78	0.02
Illinois	82	147,665	27.99	95,400	24.76
Indiana	14	7,270	1.38	3,446	0.89
Iowa	3	409	0.08	310	0.08
Kansas	6	226	0.04	244	0.06
Kentucky	5	1,892	0.36	639	0.17
Louisiana	2	1,225	0.23	1,392	0.36
Maine	1	89	0.02	92	0.02
Maryland	3	4,263	0.81	3,640	0.94
Massachusetts	35	5,422	1.03	4,378	1.14
Michigan	22	32,378	6.14	28,323	7.35
Minnesota	4	1,088	0.21	669	0.17
Missouri	26	11,629	2.20	6,132	1.59
Montana	1	400	0.08	85	0.02
Nebraska	2	724	0.14	530	0.14
Nevada	3	2,739	0.52	169	0.04
New Hampshire	1	65	0.01	30	0.01
New Jersey	40	25,022	4.74	23,565	6.12
New York	90	100,797	19.11	67,951	17.63
North Carolina	3	1,201	0.23	876	0.23
Ohio	25	12,348	2.34	9,861	2.56
Oklahoma	8	4,452	0.84	1,364	0.35
Oregon	6	28,739	5.45	22,061	5.72
Pennsylvania	52	48,615	9.21	38,010	9.87
Rhode Island	3	589	0.11	327	0.08
Tennessee	4	677	0.13	1,283	0.33
Texas	8	2,457	0.47	1,867	0.48
Utah	1	909	0.17	495	0.13
Vermont	1	126	0.02	484	0.13
Virginia	4	2,692	0.51	1,846	0.48
Washington	8	3,506	0.66	1,916	0.50
West Virginia	1	104	0.02	124	0.03
Wisconsin	25	6,617	1.25	6,137	1.59
Puerto Rico	2	163	0.03	154	0.04
Territory of Hawaii	1	100	0.02	140	0.04
Grand total	577	527,489	100.00	385,411	100.00

[1] See footnotes 1 and 2 at page 266, *supra*.

TABLE 4.—*Distribution of cases by Federal judicial districts—Total assets and total indebtedness of companies entering into reorganization proceedings—June 22, 1938 to June 30, 1939, inclusive* [1]

Judicial district	Number of companies	Total assets		Total indebtedness	
		Amount (thousands of dollars)	Percent of grand total	Amount (thousands of dollars)	Percent of grand total
Alabama:					
Northern	2	466	0.09	479	0.12
Middle	1	91	0.02	52	0.01
Arizona	2	1,154	0.22	826	0.21
Arkansas: Western	3	636	0.12	370	0.10
California:					
Northern	12	3,541	0.67	1,342	0.35
Southern	25	59,609	11.30	51,379	13.33
Colorado	7	2,386	0.45	1,775	0.46
Connecticut	14	2,216	0.42	2,490	0.65
District of Columbia	2	381	0.07	366	0.09
Florida: Southern	10	2,032	0.39	1,777	0.46
Georgia: Northern	3	523	0.10	650	0.17
Idaho	2	292	0.06	78	0.02

[1] See footnotes 1 and 2 at page 266, *supra*.

TABLE 4.—*Distribution of cases by Federal judicial districts—Total assets and total indebtedness of companies entering into reorganization proceedings—June 22, 1938 to June 30, 1939, inclusive*—Continued

Judicial district	Number of companies	Total assets		Total indebtedness	
		Amount (thousands of dollars)	Percent of grand total	Amount (thousands of dollars)	Percent of grand total
Illinois:					
Northern	74	146,727	27.82	94,650	24.56
Eastern	4	391	0.07	505	0.13
Southern	4	547	0.10	245	0.06
Indiana:					
Northern	9	3,172	0.60	1,470	0.38
Southern	5	4,098	0.78	1,976	0.51
Iowa: Southern	5	598	0.11	593	0.15
Kansas	3	126	0.02	92	0.02
Kentucky: Western	5	1,892	0.36	639	0.17
Louisiana: Eastern	2	1,225	0.23	1,392	0.36
Maine: Southern	1	89	0.02	92	0.02
Maryland	4	4,423	0.84	3,660	0.95
Massachusetts	35	5,422	1.03	4,378	1.14
Michigan:					
Eastern	19	30,244	5.73	26,433	6.85
Western	3	2,134	0.40	1,890	0.49
Minnesota	4	1,088	0.21	669	0.17
Missouri:					
Eastern	15	4,977	0.94	2,684	0.70
Western	13	7,081	1.34	3,633	0.94
Montana	1	400	0.08	85	0.02
Nebraska	2	724	0.14	530	0.14
Nevada	2	126	0.02	135	0.04
New Hampshire	1	65	0.01	30	0.01
New Jersey	39	24,697	4.68	20,800	5.40
New York:					
Northern	20	6,890	1.31	6,543	1.70
Eastern	18	3,542	0.67	2,730	0.71
Southern	37	85,586	16.23	55,788	14.47
Western	15	4,779	0.91	2,890	0.75
North Carolina:					
Western	2	1,050	0.20	798	0.21
Middle	1	151	0.03	78	0.02
Ohio:					
Northern	15	7,020	1.33	6,778	1.76
Southern	10	5,328	1.01	3,083	0.80
Oklahoma:					
Northern	2	344	0.07	767	0.20
Eastern	2	3,261	0.62	38	0.01
Western	3	424	0.08	375	0.10
Oregon	6	28,739	5.45	22,061	5.72
Pennsylvania:					
Eastern	23	21,359	4.05	18,040	4.68
Western	22	26,455	5.02	19,408	5.04
Middle	7	801	0.15	562	0.15
Rhode Island	3	589	0.11	327	0.08
Tennessee:					
Eastern	1	165	0.03	219	0.06
Western	1	324	0.06	662	0.17
Middle	1	10	(2)	19	(2)
Texas:					
Northern	6	372	0.07	418	0.11
Eastern	2	1,385	0.26	1,065	0.28
Southern	3	800	0.15	536	0.14
Utah	1	909	0.17	495	0.13
Vermont	1	126	0.02	484	0.13
Virginia:					
Eastern	2	271	0.05	163	0.04
Western	2	2,421	0.46	1,683	0.44
Washington:					
Eastern	1	144	0.03	44	0.01
Western	7	3,362	0.64	1,872	0.49
West Virginia:					
Northern	1	104	0.02	124	0.03
Southern	1	325	0.06	2,765	0.72
Wisconsin:					
Eastern	19	4,873	0.92	4,682	1.21
Western	6	1,744	0.33	1,455	0.38
Puerto Rico	2	163	0.03	154	0.04
Territory of Hawaii	1	100	0.02	140	0.04
Grand total	577	527,489	100.00	385,411	100.00

[2] Less than 0.005%.

TABLE 5.—*Distribution of cases by amount of individual indebtedness—Total indebtedness of companies entering into reorganization proceedings—June 22, 1938 to June 30, 1939, inclusive* [1]

Amount of individual indebtedness in dollars	Number of companies	Total indebtedness	
		Amount (thousands of dollars)	Percent of grand total
Less than 10,000	23	126	0.03
10,000-24,999	64	1,110	0.29
25,000-49,999	94	3,405	0.88
50,000-99,999	118	8,597	2.23
100,000-249,999	136	21,340	5.54
250,000-499,999	63	23,010	5.97
500,000-999,999	36	26,555	6.89
1,000,000-1,999,999	19	25,471	6 61
2,000,000-2,999,999	7	17,995	4.67
3,000,000 and over	17	257,802	66.89
Grand total	577	385,411	100.00

[1] See footnotes 1 and 2 at page 266, *supra*.

TABLE 6.—*Distribution of cases in accordance with type of petition and month when instituted—Total assets and total indebtedness of companies entering into reorganization proceedings—June 22, 1938 to June 30, 1939, inclusive* [1]

Month	Type of petition	Number of companies	Total assets (thousands of dollars)	Total indebtedness (thousands of dollars)
1938				
June	Debtor	15	2,021	2,259
	Creditor	7	8,387	4,364
	Trustee			
	Total	22	10,408	6,623
July	Debtor	64	19,644	17,397
	Creditor	6	1,784	972
	Trustee			
	Total	70	21,428	18,369
August	Debtor	75	17,858	10,149
	Creditor	4	422	1,086
	Trustee			
	Total	79	18,280	11,235
September	Debtor	35	12,319	8,401
	Creditor	12	10,944	8,883
	Trustee			
	Total	47	23,263	17,284
October	Debtor	44	138,911	89,750
	Creditor	7	3,426	2,876
	Trustee			
	Total	51	142,337	92,626
November	Debtor	30	7,652	5,329
	Creditor	[2] 5	10,341	6,662
	Trustee			
	Total	[2] 35	17,993	11,991
December	Debtor	23	79,388	45,089
	Creditor	9	5,817	7,007
	Trustee			
	Total	32	85,205	52,096

[1] As stated above, in 12 of the 577 cases the petitions were filed prior to June 22, 1938 but were approved on or after that date. These cases are included in the totals in this analysis. For the purpose of this table the date of the approval of the petition—and not the date of the filing—was used as the date of institution of the proceedings.

TABLE 6.—*Distribution of cases in accordance with type of petition and month when instituted—Total assets and total indebtedness of companies entering into reorganization proceedings—June 22, 1938 to June 30, 1939, inclusive*—Continued

Month	Type of petition	Number of companies	Total assets (thousands of dollars)	Total indebtedness (thousands of dollars)
1939				
January	Debtor	38	17,243	12,598
	Creditor	5	4,874	4,270
	Trustee	6	8,521	12,342
	Total	49	30,638	29,210
February	Debtor	38	12,655	11,067
	Creditor	7	573	3,262
	Trustee	2	9,237	13,659
	Total	47	22,465	27,988
March	Debtor	25	18,775	10,843
	Creditor	3	2,193	1,145
	Trustee	2	394	839
	Total	30	21,362	12,827
April	Debtor	30	38,304	26,254
	Creditor	5	2,855	2,042
	Trustee	1	81	81
	Total	36	41,240	28,477
May	Debtor	31	14,500	9,369
	Creditor	11	57,542	51,648
	Trustee			
	Total	42	72,042	61,017
June	Debtor	26	17,958	12,061
	Creditor	8	2,166	2,565
	Trustee	3	704	1,042
	Total	37	20,828	15,668
June 22, 1938-June 30, 1939	Debtor	474	397,228	260,666
June 30, 1939	Creditor	[2] 89	111,324	96,782
	Trustee	14	18,937	27,963
	Total	[2] 577	527,489	385,411

[2] See footnote 2 at page 266, *supra*.