The registrant is engaged in distributing Trusteed Industry Shares through dealers or to subordinate investment trusts which, in turn, sell monthly deposit plans to the public using the proceeds to buy Trusteed Industry Shares. The trust agreement provides that the trust shares are to be sold only to the registrant. Although this agreement fixes the terms as between the trust and the registrant, the price and conditions of resale by the registrant are not determined by the trust agreement. However, full description of the terms and conditions upon which registrant may resell the shares is required by the Securities Act of 1933.

The admitted omissions are the same in each of the three registration statements except for a minor difference in figures. A discussion of one registration statement will suffice for all. We shall refer particularly to the representations made in the latest registration statement.

Item 36 requires disclosure of

"the method by which the price of the certificates to be sold is calculated, giving a full statement of all of the component parts thereof, including the so-called service or loading charge."

In order to understand the full load involved in the distribution of the securities here considered, it is necessary to discuss the price at which these shares are created and issued by the trust to the registrant, and then compare this with the price at which the registrant passes them on to purchasers.

By the terms of the trust agreement the price paid by the registrant for Trusteed Industry Shares on any particular day is based on the bid prices on the portfolio securities held by the trust as of the close of the previous day's securities markets. To the aggregate of the securities, valued at their bid prices, and the cash in the trust, certain brokerage fees, taxes, and accumulated dividends are added, and this total is divided by the number of shares of the trust outstanding in order to determine the price to the registrant of each share. On the other hand, the registrant itself bases the price at which it resells the shares, not on the bid prices, but on the previous day's closing sale prices of the trust's portfolio. To the total of this valuation plus brokerage and tax charges the registrant adds 9½ percent thereof as its premium. If a fractional cent results from this computation of the resale price of the trust shares, the registrant charges the next full cent and retains this so-called breakage as part of its profits.

Furthermore, the registrant purports to act as a principal rather than as an agent, not only in selling shares to others but also in purchasing shares from the trust. Because of this fact, registrant can buy shares from the trust in such quantities as it desires and thus can take long or short positions in the shares to its own profit. It has been its practice to make delivery approximately 4 days after orders are received. Since it has also been its practice to buy new shares from the trust only after the close of the market on each day at a price fixed by the market on the preceding day, it has been able to determine with precision the following day's sale and resale prices and has been able to use this knowledge to its own advantage. Thus, if it has taken orders during today for a certain number of shares (the prices of which orders are fixed by yesterday's markets), it can determine at the time set for its purchases from the trust whether tomorrow's prices will be lower or higher, since tomorrow's sale and resale prices are fixed by the close of today's market. These short positions can be maintained for a period of 4 days until delivery is required. Consequently, it has been customary for the registrant to buy less shares than its orders call for, when the next day's price will be lower, and, conversely, to buy in anticipation of the next day's sales when the price will be higher.

The evils of this practice are graphically illustrated by the fact that on or about October 21 or 22, 1937, immediately after the severe market break of October 19, registrant bought 190,000 shares from the trust at depressed prices with which it covered its existing short position at a substantial profit. Thus the misfortunes of the trust and its shareholders were turned to registrant's advantage. Registrant's trading positions have in fact resulted in a profit of approximately $25,000 for the 9 months ended September 30, 1937. Dealers can also take similar positions and similar profits as a result of information on next day's prices supplied by the registrant. Necessarily, the positions taken by the registrant, and by others in distributing the shares diminish the dollar amounts being paid into the trust, since, in effect, investors pay the current prices whereas the trust receives the lowest prices, the registrant keeping the difference. Indeed registrant admits that this practice, to the extent that it produces profits to it results in the trust's being deprived of funds which would otherwise flow to it.

In answering item 36, the registrant disclosed only the method of computing the offering prices and the fixed 9½-percent premium charged by it in selling the

shares. Counsel for the Commission contended that the terms "service" or "loading charge" as used in item 36 included the gross profit accruing to the registrant, that is, the difference between the amount purchasers paid it and the amount which the trust received. On this theory it was contended and admitted that the registrant should have disclosed: (1) the profits made by taking long and short positions; (2) the difference in the original sale price to it of the trust shares figured on bid prices on the underlying securities and the offering price figured on their closing sales prices; (3) the fact that registrant also receives 9½ percent on the difference between the bid price and the last sale-price valuations of the trust shares; and (4) that a profit resulted to the registrant from fixing the price at the next full cent when fractions were involved.

We believe that all of these factors are material in determining the load and should have been disclosed.

The registrant argued that the long and short positions taken by it were immaterial in their effect on the trust, since when it took a long position on a rising market the trust received the funds earlier than it otherwise would, and could invest the receipts in securities which would rise in direct proportion to the registrant's gains. Likewise, it was contended, when the registrant took a short position, the trust did not have the funds to invest in the falling market and could invest them later at the lower prices when payment was made. This argument does not take into consideration the fact that the registrant buys the shares after the close of the market on the basis of the market for the previous day, and that the trust cannot invest the funds at the same prior market prices which determined the amount paid by the registrant. Furthermore, the argument disregards the time lag between payment to the trust and subsequent purchases by the trust for its portfolio, as well as the inability of the trust to take advantage of the daily market fluctuations.

The registrant also argued that under the terms of the trust agreement it has the right to take positions. If the registrant's argument is that the mere fact that it has the right to trade in the shares is due notice to shareholders that it is exercising the right, we cannot agree. The power to buy and sell the shares is necessary in order that the registrant may meet its orders, but certificate holders are given no notice that the right would be exercised in order to make trading profits in addition to the 9½-percent premium specifically set forth. Nor do we believe that the registrant's balance sheets, which show that it was taking positions in the securities, can cure the failure fully to disclose the information as to its profits required in the answer to item 36.

It may be noted that the short positions taken by the registrant involved no risk and perfect assurance of gain. The long positions involved only the slight risk that the relatively even demand for shares in the trust would not materialize before the market turned down.

With respect to the omission to state that the methods of calculating prices for the creation and issuance of the shares to the registrant and for the price at which it resells them were different, the registrant asserted that both the trust agreement and the sample make-up sheet included as exhibit D to the registration statement gave notice of the difference. We recognize that it may be possible for an investor to deduce from the trust agreement and exhibit D that this differential between the sale and resale prices is a further source of profit to the registrant. However, this disclosure in the exhibits is more than offset by the fact that the answer to item 36 does not refer to the trust agreement at all. We have often held, and we now reassert, that items must be answered in such a way that a reasonable examination of the particular item of the registration statement will disclose either by inclusion or appropriate reference the material facts. (*In the Matter of Income Estates of America, Inc.*, 2 S. E. C. — (1937); Securities Act Release No. 1480: *In the Matter of Underwriters Group, Inc.*, 2 S. E. C. — (1938); Securities Act Release No. 1653; *In the Matter of Ypres Cadillac Mines, Ltd.*, 2 S. E. C. — (1939); Securities Act Release No. 1652. Moreover the answer to item 36, although it does refer to exhibit D, gives no notice that it contains information showing a difference in the offering and creation prices. Finally, the computation of the creation price in exhibit D is labeled "For Trustee's Fees and Deposits." Thus even a close examination of exhibit D might not disclose to an investor the method of computation by which the price to the registrant was fixed.

If an investor is not made aware of the difference between the creation and offering prices, he could hardly be expected to understand that the registrant has been receiving not only a premium equal to 9½ percent of the amount paid into the trust but also 9½ percent of the difference between the bid price and the last sale price valuations for the trust shares.

As to the profits from the "breakage" on fractional cents resulting from the computation of the offering price per share, the registrant asserts that its answer to item 36 gives notice that the price is set at the next highest cent when fractions of a cent are involved. The answer to item 37 also makes the same disclosure. However, this is not notice to buyers that the fraction involved is in fact retained by the registrant as distributor of the shares. A reader of the registration statement or prospectus might equally well believe that the trust rather than the registrant received the benefit of the "breakage." The investor is entitled to have this ambiguity expressly resolved.

In addition, the registration statement does not show that the offering price is arbitrarily determined by the registrant without any limitations being imposed by the trust agreement.

Finally, the materiality of these practices is amply demonstrated by the fact that the gross profit from these four sources of registrant's income approximated $37,000 for the first 9 months of 1937. We, therefore, conclude that the answer to item 36 is deficient. The discussion under item 36 applies equally to the omissions alleged and admitted in the answer to item 38, which requires a statement of the "service" or "loading" charge in terms of a percentage. We, therefore, find the omissions in item 38 to be material.[2]

It is alleged and admitted that the various omissions in answer to all the above items and in exhibit D are carried over into the prospectus. However, the registrant appears to argue that these omissions are not material, since notice was given of additional profits through the statement on page 7 of the prospectus dated November 29, 1937:

"There are or may be additional sources of profit. The difference between the last sales price of the underlying securities (which establishes the offering price) and the bid prices of the underlying securities (which is the basis upon which new shares are issued by the trustee): The difference that results when in computing the daily price a fractional result makes it necessary to set the price at the next higher cent: In the event and to the extent that fees collected by the trustee under the trust agreement exceed fees that are guaranteed and payable to the trustee by the depositor."

This statement, of course, gives no notice of the portion of the load caused by the depositor's taking long or short positions. Insofar as it gives notice of the other omitted portions of the load, it states them as a possibility rather than as a certainty.

Moreover, a further misleading statement in the prospectus is alleged and admitted, namely, the statement that "estimated net proceeds accruing to the investor (are) approximately 91.3 percent." This figure is reached by the estimat that the 9½ percent premium when added to the basic selling price amounts to 8.7 percent of the total selling price, leaving 91.3 percent to accrue to the trust.[3] This is not an accurate estimate of the proportion of the selling price which accrues to the trust, since it gives no weight to the profits realized by the trustee on the differences in computing the creation and offering prices or from the "breakage" or from the long and short positions. As a matter of fact, the percentage of registrant's gross profits from the distribution of these shares amounted to approximately 12 percent for the first 9 months of 1937. Hence, but approximately 88 percent of the investors' funds actually accrued to the trust. In our opinion the statement that 91.8 percent of the investors' funds are estimated to accrue to the trust is materially misleading. The registrant argues that the statement was inadvertently carried over from the prospectus of its predecessor. This contention carries no weight in a stop order proceeding, since we are merely seeking to determine whether the prospectus is deficient in fact and not whether it was purposely made deficient.

Finally, it is alleged and admitted that there is no specific disclosure in the prospectus that the fact that new shares are created on the basis of bid quotations rather than closing sales prices results in a diminution of the equity of existing holders of trust shares. Actually it is true that funds are paid into the trust on the basis of figures which are consistently lower than the prices at which the equity of each existing shareholder in the trust's investments could be dupli-

[2] It is also alleged and admitted that exhibit D omits some of the factors discussed above. We, therefore, find that for the reasons heretofore stated, the exhibit is likewise deficient. The descriptive titles with which registrant has preceded certain of the price computations are particularly confusing and do not give any real notice of the margin of registrant's profits.

[3] In the other 2 prospectuses the percentages are stated to be 90.5 percent and 91.5 percent.

cated. The registrant claims that the diminution is so slight that it is immaterial. It is our opinion that though the dilution is slight it occurs in the case of the creation of each and every share in the trust and should have been disclosed.[4]

Since we have found material deficiencies in the registration statement and in the prospectus, stop orders must issue unless we exercise our discretion to consider the post-effective amendments in this proceeding. The registrant's reasons for asking that we consider these amendments, declare them effective and dismiss these proceedings were summarized at the outset of this opinion. We should further note that according to the post-effective amendments registrant now proposes to forego the profit which resulted from computing the resale price of the shares upon the basis of the closing prices on the previous day's securities markets. On the other hand, registrant does not state that it will desist from trading in the trust shares in connection with their distribution. Although it does propose in the future to buy shares from the trust only prior to the close of the securities markets on the day of purchase, it will nevertheless continue to be in a position to determine with substantial, if not the former precise accuracy what the following day's sale and resale prices will be.

Under the Securities Act of 1933 this Commission is not authorized to prevent the sale of securities to the public merely because the prices of the securities or the profits incident to their distribution may be unreasonable or even extortionate. Nor is the power to issue stop orders dependent upon the Commission's view of the merits or demerits of registered securities. On the contrary, the statute requires no more than full and honest disclosure by the registrant of material information on the basis of which the investor may form his own judgment of the registered securities.[5] Hence, assuming full disclosure of the facts, neither the claimed right of the registrant to trade in the trust shares in a manner adverse to the trust and its shareholders nor its ethics in taking profits at their expense is material to the finding of untrue or misleading representations, or the omission of required information, upon which alone a stop order must be based. But notwithstanding this limitation upon the Commission's power to issue stop orders, section 8 (c) governing the amendments which registrant now asks us to consider does confer a broader duty upon the Commission to permit such amendments to become effective only if apparently accurate and only when consistent with the public interest and the protection of investors.[6]

The discretion here conferred must be exercised so as to afford a real protection to investors through the fullest possible notice of the deficiencies which we have found to exist in this case. The registrant's undertaking to furnish copies of the post-effective amendments, when and if declared effective, and of the amended prospectus to its shareholders would not, in our opinion, be comparable to the notice that would be afforded by stop orders—notice to which the investing public is entitled under the Act. *In the Matter of National Boston Montana Mines Corp.*, 1 S. E. C. 639, 646 (1936). No assurance has been given that copies of the post-effective amendments and the amended prospectus would be furnished to those persons who by reason of their interests in the subordinate investment trusts referred to above, and more fully described in *In the Matter of Income Estates of America, Inc.*,[7] are indirectly owners of the Trusteed Industry Shares held in the portfolios of these subordinate trusts. Since these persons purchased their certificates on the basis of the prospectus involved in this decision and since the security covered by the registration statement here considered constitutes the sole asset underlying their certificates, they are directly concerned with the deficiencies in the statement and prospectus and in the amendments thereto.

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[4] A material deficiency also exists in item 28 as a result of registrant's failure to disclose in answer to that item that it holds and is now exercising an option to buy for its own account outstanding shares tendered to the trustee for liquidation. Item 28 requires a statement of the terms and conditions upon which holders of the trust shares may terminate their interests. Failure to state the practice of buying the shares so tendered for liquidation operated, as it admittedly was intended to do, to prevent the trust assets from showing reductions as a result of shareholders' liquidations. Concomitantly this practice has concealed the actual extent of liquidation by shareholders—information which they would be led to believe from the registration statement would be disclosed in the trust's periodic financial statements.

[5] Compare sec. 32, which 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 thereto shall be * * * held to mean that the Commission has in any way passed upon the merits of, or given approval to, such security."

See also S. Rept. No. 47, 73d Cong., 1st sess., p. 2: "It has been deemed essential to refrain from placing upon any Federal agency the duty of passing judgment upon the soundness of any security." H. Rept. No. 85, 73d Cong., 1st sess., p. 4.

[6] Section 8 (c) provides: "An amendment filed after the effective date of the registration statement, if such amendment, upon its face, appears to the Commission not to be incomplete or inaccurate in any material respect, shall become effective on such date as the Commission may determine, having due regard to the public interest and the protection of investors."

[7] 2 S. E. C. —; (1937) Securities Act Release No. 1480.

The process of distributing these shares has been and still is a continuous one and, to a great extent, the shares ultimately are paid for by the public in small installments. Hence, inasmuch as registrant has continued to sell shares subsequent to institution of these proceedings, we believe that a declaration of effectiveness of the post-effective amendments and the consequent dismissal of the proceedings without issuance of stop orders would not give to those who are even now buying these shares adequate notice of the character and importance of the deficiencies in these registration statements.

Furthermore, we deem it significant that a stop order has previously been issued against this same registrant on August 2, 1935 (file No. 2-1303, not reported).[8]

In short, it is our view that registrant's failure to disclose the practice of trading in trust shares to the detriment of the trust which it manages and at the cost of its shareholders precludes the exercise of our discretion in favor of the registrant in such a manner as to diminish that full notice of material deficiencies which is given by the issuance of stop orders.

For the foregoing reasons we have determined not to consider the post-effective amendments filed in these proceedings. Cf. *In the Matter of Haddam Distillers Corp.*, 1 S. E. C. 37 (1934);[9] *In the Matter of Income Estates of America, Inc., supra; In the matter of Canusa Gold Mines*, 2 S. E. C. — (1937); Securities Act Release No. 1507.

A stop order will issue in accordance with this opinion.

UNITED STATES OF AMERICA BEFORE THE SECURITIES AND EXCHANGE COMMISSION

AT A REGULAR SESSION OF THE SECURITIES AND EXCHANGE COMMISSION HELD AT ITS OFFICE IN THE CITY OF WASHINGTON, D. C., ON THE 25TH DAY OF FEBRUARY, A. D. 1938

In the Matter of T. I. S. Management Corporation. File Nos. 2-1303, 2-2316, 2-3485

STOP ORDER

This matter coming on to be heard by the Commission on the registration statements of T. I. S. Management Corporation, after confirmed telegraphic notice by the Commission to said registrant that it appears that said registration statements include untrue statements of material facts and omit to state material facts required to be stated therein and omit to state material facts necessary to make the statements therein not misleading; and upon evidence received upon the allegations made in the notice of hearing duly served by the Commission on said registrant, and the Commission having duly considered the matter, and finding that said registration statements include untrue statements of material facts and omit to state material facts required to be stated therein and material facts necessary to make the statements therein not misleading in items 28, 36, and 38, exhibit D, and in the prospectus, all as more fully set forth in the Commission's finding of fact and opinion this day issued, and the Commission being now fully advised in the premises.

It is ordered pursuant to section 8 (d) of the Securities Act of 1938, as amended, that the effectiveness of the registration statements filed by T. I. S. Management Corporation be and the same hereby is suspended.

By direction of the Commission.

[SEAL] FRANCIS P. BRASSOR, *Secretary.*

Mr. BANE. I do not know how long you want me to talk on the technical phases. I would rather answer questions on them, because these are just a few of the more or less technical questions which are little understood by the type of persons to whom the security is sold, but they are practices that have a very, very material effect on what the

[8] Amendments correcting the deficiencies upon which this order was based were declared effective August 9, 1935, pursuant to the last sentence of section 8 (d), and the stop order then ceased to be effective.

[9] We said at page 47 of our opinion in the *Haddam Distillers* case: "Now that the deficiencies have been called forcibly to its attention it hopes by curing them to regain its right to sell securities, but it should certainly not acquire that right under these circumstances when this Commission has the power to transmit generally to the public this evidence of the registrant's disregard of fundamental business ethics. * * * A nation of investors deserves, at least, this slight protection."

average person buys as an investment and into which the man of small means puts his savings.

Senator WAGNER. As far as you know, there is no law to prevent that sort of inside speculation?

Mr. BANE. If you could get him for stealing or larceny, that is the only thing I know of.

Senator WAGNER. There is nothing that the Commission can do under the present law?

Mr. BANE. The only thing we can do is what we did. He failed to disclose in his statement that he had done this and that it had been a practice. We said that it was a material fact which he had not disclosed and we stopped the sales.

Senator WAGNER. There are some that are not registered?

Mr. BANE. There are 650, and only 265 are registered.

Senator WAGNER. They are not required to register?

Mr. BANE. Evidently not. They are exempt under one of the provisions of the Securities Act. Some of them have not filed with us because they are not making any further sales.

Senator WAGNER. You used the word "sponsor." I think I understand what a sponsor is, but nobody has yet used that word in the testimony here. I wish you would explain that.

Mr. BANE. Well, a sponsor is one who originates and looks after the turst. Really, most sponsors are equivalent to the management of the trust.

Senator WAGNER. Not necessarily?

Mr. BANE. But not necessarily. They may sponsor, organize, or promote the trust, and then make a management contract with others, but they very seldom turn that over. They may turn it over under another name, but they still control it.

Senator WAGNER. Of course, underwriters and managements are not the same?

Mr. BANE. In a great many instances—in most instances—they are the same person. In 90 percent of the cases they are.

Senator WAGNER. Theoretically, there is a conflict there?

Mr. BANE. Undoubtedly.

Senator WAGNER. A conflict of interest?

Mr. BANE. Yes, sir; undoubtedly a conflict of interest.

Now, I have not taken any of these others up because I did not know how much time you wanted to spend on them.

I thought I made clear in this last case that the Securities Act of 1933 is a disclosure act. We cannot do anything further. We cannot regulate that practice which I just mentioned. All we can do is compel a disclosure of it, and if he does not disclose it and we find out about it we can prevent his selling. After it is properly disclosed he can continue to sell, and the only effect is the effect that that disclosure may have on the building up of sales resistance.

Senator WAGNER. The other question that I meant to ask had reference to their charters. Some of the charters of the investment trusts are very extensive as to what they may do. There is no limitation that you can impose upon them under the law?

Mr. BANE. Nothing but disclosure.

Senator WAGNER. Outside of the disclosure, you cannot limit their activities, so that they may invest only in certain types of securities or engage in only certain types of business, similar to the regulations

that we have with regard to other financial institutions that use or are entrusted with public money?

Mr. BANE. Under none of the laws that this Commission administrate do they have any regulatory authority over an investment trust.

Senator HUGHES. I want to ask you this. There are 650, I believe, that are registered?

Mr. BANE. No; 650 are still in existence.

Senator HUGHES. And some 247 have registered?

Mr. BANE. Two hundred and sixty-five have registered.

Senator HUGHES. Well, assuming that there are 265, it would be almost impossible for them to regulate themselves, if they were so minded, if they tried as a group, because if some of them did not cooperate and followed these practices, the others in competition with them would not be able to have sales to compete with them?

Mr. BANE. Senator, great minds run in the same channels. I was just getting ready to say that many of the managements of the better investment trusts have admitted the evil effects of these practices that I have been talking about here and have said to me and to others frequently that they would like to get rid of them and, "We will get rid of them if you make everybody else get rid of them. We will heartily join in any movement that will correct it in this industry, but we cannot do it alone and live."

I think I explained that in the two-price system. That is to my mind one of the strongest reasons for this bill. The industry itself—even the better element that want to correct the evils—cannot do it and live if they do not all do it, and you have got to have some legislation of this sort to make them all do it.

I can discuss a few of the stop-order cases, if you will give me an idea of how much longer you will sit.

Senator WAGNER. I do not want to keep Senator Hughes here, because I think he knows more than any of us about the investment trust subject.

Mr. BANE. Would you like me for a few minutes to refer to some stop-order cases—just a few?

Senator WAGNER. Yes.

Mr. BANE. We had one concern file with us to sell shares. I think they were selling shares of common stock. It registered with us. I am going to give you this to show you that looting is not all over.

This concern registered with us and got an effective registration statement. That means that as far as was shown from such an investigation as we could make, they made adequate disclosure. They put in the registration statement what they think they can sell for a year. The Act requires that they file a new prospectus if they continue to sell after 13 months. We asked them about one and we got no reply. We sent an investigator to the headquarters of the company to find out about it. We could not locate anybody. We found that the landlord had impounded everything in the office for back rent.

We went to the trustee or custodian and we found that he had ceased to be such or had handled the funds last some 6 or 7 months ago. We found also from him that he had also turned over, as he had a right to do under the so-called trust agreement, the portfolio of the trust to the officers of the trust, the sponsors of the trust.

Finally some of those officers were located over at 40 Exchange Place, New York, and from there we traced the portfolio into a trading account on Wall Street.

We went into that trading account and found that the entire assets of the trust—I do not remember just the amount, just a small amount; they had been in operation only a short time—$39,000—had been lost in speculating on the market.

We turned this case over, of course, to the legal division.

Senator WAGNER. You mean they just took that money?

Mr. BANE. They just took that money. They came down to us, registered under the Securities Act, obtained an effective registration statement, went out and sold, to the extent of at least $39,000, securities to the public, operating less than a year. Then they took that $39,000, appropriated it to themselves, used it in a trading account on the Street, and lost it all.

That happened since that 1933 Act by a company registered under the 1933 Act, and there was nothing that could have told us that the man was going to take the portfolio.

Senator WAGNER. There is no difference between that and taking the money and playing the races, is there?

Mr. BANE. Sometimes I think you have more chance on the races.

Senator WAGNER. It is more fun.

Mr. BANE. More fun; yes.

Senator WAGNER. What happened in that case?

Mr. BANE. We turned that over to the legal authorities for prosecution. We can do nothing.

We had another case, and this is a small amount. I just want to show you what can be done under this act. I am a great believer in disclosure and publicity, and I think in most situations disclosure and publicity are about all required. I am a believer in the 1933 act and the principle on which it was founded, but there are situations and there are certain types of practices engaged in in certain types of situations that publicity won't correct, and this is one of the types I have in mind.

We had another concern register with us as an investment trust and obtain an effective registration statement. He sold only a small amount of securities—in fact, he sold to but one man, but he sold that one man $3,000 worth, and as I understand the situation, he was able to get the $3,000 out of this cafe operator because he was registered with the Government.

He did not attempt to sell any more, because all he needed was to buy a farm with the $3,000 or erect a house on it and begin selling patent medicine, and that is what he did with the entire assets of the trust.

Those are cases that are small. There have been larger ones registered with us, but those are people who, as far as we could tell, had made an adequate and full disclosure and had gotten an effective registration statement. Nevertheless, to the extent that they had a portfolio, the persons I just referred to took it after they had sold the securities to the public.

We had another concern register with us and it represented in the statement it filed with us and in the prospectus that it would pay dividends only out of profits and in other places used the word "income." It did not define "income" or "profits." It had financial