

Second Annual Report
of the
Securities and Exchange Commission

Fiscal Year Ended June 30, 1936

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Securities and Exchange Commission
Office: 1778 Pennsylvania Avenue NW.
Washington, D.C.

COMMISSIONERS

James M. Landis, Chairman
George C. Mathews
Robert E. Healy
J. D. Ross
William O. Douglas
Francis P. Brassor, Secretary

Address All Communications
Securities and Exchange Commission
Washington, D.C.

LETTER OF TRANSMITTAL

Securities and Exchange Commission
Washington, January 5, 1937

SIR:

I have the honor to transmit to you the Second 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,
James M. Landis
Chairman

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

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SECOND ANNUAL REPORT OF THE SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C.

PART I CREATION OF THE COMMISSION

The Securities and Exchange Commission was created pursuant to Section 4 of the Securities Exchange Act of 1934 (48 Stat. 881, 904). The Commission is charged with the responsibility of administering and enforcing the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935.

The first meeting of the Commission was held on July 2, 1934, at which time the administration of the Securities Exchange Act was started. On September 1, 1934, the administration of the Securities Act of 1933 was transferred from the Federal Trade Commission to the Securities and Exchange Commission. On August 26, 1935, the President signed the Public Utility Act which charges the Securities and Exchange Commission with the administration and enforcement of the Public Utility Holding Company Act of 1935. [Footnote: The Public Utility Act is divided into 2 parts. Title I, the Public Utility Holding Company Act of 1935, is administered by the Securities and Exchange Commission. Title II, the Federal Power Act, is administered by the Federal Power Commission.]

SECURITIES AND EXCHANGE COMMISSION STATUTES

The purposes of the Securities Act of 1933 as outlined in the Report of the Committee on Banking and Currency are to prevent exploitation of the public by the sale of unsound, fraudulent, and worthless securities through misrepresentation; to place adequate and true information before the investor; to protect honest enterprise, seeking capital by honest presentation, against the competition afforded by dishonest securities offered to the public through crooked promotion; to bring into productive channels of industry and development capital which has grown timid to the point of hoarding; and to aid in providing employment and restoring buying and consuming power.

The objectives sought in the passage of the Securities Exchange Act of 1934 were threefold, viz, to prevent the excessive use of credit to finance speculation in securities; to see to it that the market places in which securities are purchased and sold, such as the stock exchanges and the so-called over-the-counter markets, are purged of the abuses

which had crept into them; and to make available to the average investor honest and reliable information sufficiently complete to acquaint him with the current business conditions of the company, the securities of which he may desire to buy or sell.

In general, the Public Utility Holding Company Act of 1935 provides that gas and electric utility holding company systems whose activities involve interstate commerce shall be subject to regulation by the Securities and Exchange Commission. This regulation extends to the issuance and sale of securities; the acquisition of securities, utility assets, and interests in other businesses; the simplification and limitation of holding company systems; intercompany transactions; service sales and construction contracts; and the maintenance of accounts and submission of reports as required.

ORGANIZATION OF THE COMMISSION

The Commission was organized on July 2, 1934. It is composed of five Commissioners appointed by the President, by and with the advice and consent of the Senate. The Act provides that not more than three of the Commissioners shall be members of the same political party.

The present Commissioners are: James M. Landis, of Massachusetts, Chairman; George C. Mathews, of Wisconsin; Robert B. Healy, of Vermont; J. D. Ross, of Washington; and William O. Douglas, of Connecticut.

Commissioner James M. Landis was appointed June 30, 1934, for the term ending June 5, 1937. Upon the resignation of Joseph P. Kennedy as Chairman and Commissioner on September 23, 1935, Commissioner Landis was elected Chairman of the Commission. [Footnote: Commissioner Landis was reelected Chairman of the Commission on July 1, 1936.]

Commissioner George C. Mathews was appointed June 30, 1934, for the term ending June 5, 1938.

Commissioner Robert E. Healy received his original appointment on June 30, 1934. On June 19, 1936, he was reappointed Commissioner for the term ending June 5, 1941.

Commissioner J. D. Ross was appointed August 26, 1935, for the term ending June 5, 1940, vice Commissioner Ferdinand Pecora, who resigned January 21, 1935.

Commissioner William O. Douglas was appointed January 21, 1936, for the term ending June 5, 1939, vice Commissioner Joseph P. Kennedy who resigned September 23, 1935.

The names of the officials in the departmental service who are in charge of the divisions and offices into which the Commission has been divided are as follows: Baldwin B. Bane, Director of Registration Division; Carman G. Blough, Chief Accountant; Francis

P. Brassor, Secretary of the Commission and Chief of the Administrative Division; John J. Burns, General Counsel; William C. Gihan, Director of Public Utilities Division; Paul P. Gourrich, Director of Research Division; Harold H. Neff, Director of Forms and Regulations Division; Ward Perrott, Director of Employment Research; David Saperstein, Director of Trading and Exchange Division; Edwin A. Sheridan, Supervisor of Information Research; and Kemper Simpson, Economic Adviser to the Commission. The Protective Committee Study Division is under the direct supervision of Commissioner Douglas.

The names of the administrators in charge of the regional offices are as follows: Oran H. Allred, Fort Worth Regional Office; Ernest Angell, New York Regional Office; James J. Caffrey, Boston Regional Office; Foster Cline, Denver Regional Office; William Green, Atlanta Regional Office; Howard A. Judy, San Francisco Regional Office; Day Karr, Seattle Regional Office; and Thomas J. Lynch, Chicago Regional Office.

FUNCTIONS OF THE DIVISIONS

During the year the Commission created new divisions and made a number of changes in the functions and activities of those in existence. The functions and activities of the several divisions and offices are as follows:

The Legal Division is responsible for (1) the rendering of opinions and advice to the Commission on general questions of law arising in connection with the administration and enforcement of the three Acts over which the Securities and Exchange Commission has jurisdiction; (2) the rendering of opinions and the drafting of interpretative letters in response to inquiries regarding the interpretation of the statutes administered and enforced by the Commission; (3) conducting hearings before the Commission, or an officer of the Commission, in all cases except those involving refusal or stop order proceedings under Sections 8(b) and (d) of the Securities Act of 1933, which are conducted by the Registration Division, and hearings relative to the continuance, extension, termination or suspension of unlisted trading privileges on national securities exchanges, which are conducted by the Trading and Exchange Division; (4) supervising the conduct of investigations of alleged violations of the Acts; (5) representing the Commission in all judicial proceedings, including proceedings to enjoin violations of law and proceedings for the review of orders of the Commission (under existing legislation all civil court actions, including actions for injunctions, proceedings for the review of Commission orders and a variety of proceedings in which the Commission or the members of the Commission are defendants are handled directly by the Commission's legal staff, whereas criminal proceedings are referred to the Department of Justice); (6) preparing criminal cases for transmission to the Department of Justice and to the Post Office Department for prosecution and the cooperation in the trial of such cases; and (7) collaboration with other divisions of the Commission in the preparation of reports to Congress as required under the Securities Exchange Act of 1934 and the Public Utility Holding Company Act of 1935.

The Registration Division is responsible for the examination of all registration statements covering the proposed public offering of securities in interstate commerce or through the mails, filed pursuant to the Securities Act of 1933; prospectuses and offering sheets filed pursuant to the Commission's regulations providing a conditional exemption from registration under the foregoing Act; applications for registration of securities on national securities exchanges pursuant to Section 12 of the Securities Exchange Act of 1934; reports of security ownership and transactions as required of directors officers, and principal stockholders under Section 16 of the Securities Exchange Act of 1934 and of directors and officers under Section 17 of the Public Utility Holding Company Act of 1935; and applications for the confidential treatment of material contained in any application, report, or document filed under the Securities Exchange Act of 1934. This includes the examination not only of statements, applications and reports proper, but also accompanying financial statements, certificates of incorporation, appraisals, prospectuses, and other documents, as well as periodical annual reports and amendments to the foregoing; the preparation of reports and letters of deficiency; the making of field investigations by engineers and accountants; the conduct of hearings for the development of facts and the verification of data submitted in registration statements and applications; and the conduct of hearings in refusal-order and stop-order proceedings under Sections 8(b) and (d) and in examination proceedings under Section 8(e) of the Securities Act of 1933; the preparation of recommendations to the Commission on the above matters and, after the Commission has acted, the preparation of the Commission orders.

The Trading and Exchange Division is responsible for (1) the examination of registration statements filed by exchanges for registration as national securities exchanges and the exemption of exchanges from registration; (2) the formulation of rules for the regulation of floor trading by members, for the prevention of excessive trading by exchange members off the floor of exchanges, and for the limitation of dealings by specialists and odd-lot dealers; (3) the detection of excessive trading and unlawful practices on exchanges, including wash sales, matched orders, pool operations, the tipping of pool operations, the dissemination of false and misleading information concerning securities, and other manipulative or deceptive devices (4) the review of field investigations into trading activities; (5) the formulation of rules for the regulation of pegging, fixing, and stabilizing operations on exchanges and in over-the-counter markets; (6) the formulation of rules for the regulation of puts, calls, straddles, and other options both on exchanges and over-the-counter; (7) the formulation of rules for the regulation of short selling and stop-loss orders; (8) the study of the effect of Federal Reserve Margin Regulations on trading in securities; (9) the formulation of rules relating to the borrowings of exchange members, brokers, and dealers and relating to the hypothecation of customers' securities by members, brokers, and dealers; (10) the study of exchange rules and the formulation of rules governing miscellaneous exchange practices; (11) the formulation of rules with respect to "when and if issued" trading; (12) the formulation of rules for the regulation of over-the-counter markets, including rules providing for the registration of brokers and dealers in over-the-counter markets and for the elimination of the unfit, rules regulating

trading practices and dealings in over-the-counter markets, rules to insure to investors in over-the-counter markets protection comparable to that provided in the case of national securities exchanges, rules for the regulation of securities salesmen employed by over-the-counter houses and rules for the regulation of investment counsel; (13) the formulation of rules and regulations governing the continuance or extension of unlisted trading privileges on national securities exchanges, of rules governing the withdrawal and removal of securities from such unlisted trading privileges, and of rules governing the delisting from national securities exchanges of securities fully listed and registered thereon; (14) the examination of applications for the continuance, extension, withdrawal, or removal of securities from unlisted trading privileges and the examination of applications for the delisting of securities listed and registered on national securities exchanges; and (15) the conduct of hearings before the Commission or an officer of the Commission held on such applications.

The Secretary is the chief administrative officer of the Commission and as such is responsible for action on, signing, and service of all Commission orders, actions, and certifications; preparation and defense of the budget estimates before the Bureau of the Budget and the appropriation committees of Congress; preparation of the Commission's Annual Report to Congress; action on all allotments and expenditures of appropriations; and assistance in the coordination of the many activities of the Commission. The Secretary also has general supervision over (a) the Recording Secretary, who is responsible for the regulation, maintenance, and indexing of official minutes of the Commission and the drafting of memoranda to division heads and regional administrators indicating actions taken on matters presented to the Commission, and (b) the Administrative Division, the functions of which include (1) all service activities such as the establishment of field offices, the preparation of leases, the preparation of contracts for miscellaneous services, all duplicating activities, the purchase, storage, and issuance of supplies and equipment, the maintenance and distribution of forms, rules, regulations, instructions, opinions, press releases, etc., the compilation of statistical information by means of card punching, sorting, and tabulating machines, and the editorial and printing work; (2) the preparation and maintenance of the dockets and records on all registration statements, applications, declarations, etc., filed with the Commission; (3) the maintenance of the central files of the Commission; (4) the maintenance of the Public Reference Room and the dissemination of information with respect to all public documents filed with the Commission; (5) the maintenance of the Library, the central mail room and the stenographic pool for servicing all divisions of the Commission; (6) the maintenance of the Commission's appropriation accounting records and the auditing of vouchers and pay rolls covering expenditures; (7) the conduct of general correspondence not relating to technical subjects or matters; and (8) examination of and action on all applications for admission to practice before the Commission as attorney or agent.

The Public Utilities Division is, in general, charged with the administration of the Public Utility Holding Company Act of 1935. Its financial, accounting, and engineering staffs

make studies of the operations and financial structure of the registered holding company systems and pass upon the declarations or applications filed by the holding companies or their subsidiaries with respect to matters requiring approval of the Commission, such as the issuance of securities, the acquisitions of securities or utility assets, reorganizations, organization of service companies, and similar matters. The division is also responsible for making studies of holding company systems with a view to determining the best methods of achieving the integration of systems and the simplification of their corporate structure which the Act requires. It is the duty of the division to collaborate with other divisions in the preparation of rules and regulations with respect to various aspects of holding company activities, such as intercorporate loans, redemption of securities declaration of dividends, sales of assets, solicitation of proxies, transactions with affiliates, the keeping of accounts, the filing of reports with the Commission, etc.

The Chief Accountant of the Commission is responsible for the rendering of advisory service to the Commission in connection with accounting matters; for the conduct of studies, investigations, and researches involving accounting theory, policy, and procedure; for the conduct of conferences with accounting authorities and members of the staff regarding matters involved in the drafting and interpretation of accounting rules and regulations; for the supervision of the accounting work of the Commission whenever unusual matters, new procedure, or new policies are concerned; for supervision over the promulgation and administration of rules regarding uniform classification of accounts; for drafting and establishing procedure to be followed in the conduct of audits and accounting investigations; for rendering advisory opinions and instructions to the accountants assigned to the various divisions and regional offices of the Commission in connection with the disposition of highly technical auditing and accounting questions; for the preparation of accounting briefs, reports and memoranda regarding accounting matters under the jurisdiction of the Commission in connection with the administration and enforcement of the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935.

The Research Division is responsible for the collection of information bearing upon current developments in the securities market, and the observation of the financial policies of corporations under the jurisdiction of the Commission; the maintenance of statistical and analytical information on security markets, corporate earnings and other subjects of interest to the Commission; the maintenance of statistical records on the activities of the Commission; and the organization and presentation either for internal use by the Commission, for other governmental agencies, or for publication of the statistical material collected by the Commission in the exercise of its administrative functions. It is further charged with advising the Commission on current developments and problems in the above fields and with drafting special reports on technical and economic aspects of the issuance of and the trading in securities. The division also engages in research on basic economic and financial problems connected with the administration of the Public Utility Holding Company Act of 1935 and advises the Commission thereon. A section of the division is at present conducting the study of investment trusts and investment

companies authorized by Section 30 of the Public Utility Holding Company Act of 1935 and by resolution of the Commission under Section 18 of the same Act.

The Economic Adviser to the Commission is charged with the responsibility of conducting certain economic studies for use by the Commission in the establishment of general policies and with the rendering of advice regarding the economic aspects of the problems involved in the administration of the Securities Act of 1933 and the Securities Exchange Act of 1934.

The Supervisor of Information Research is responsible for disseminating public information regarding the activities of the Commission by means of correspondence and releases. The legislation under which the Commission operates specifically directs that publicity be given to its rulings, regulations, opinions, and findings, as well as to the filing of registration statements, the effective registrations, hearings held, and reports and statements filed with the Commission by security issuers, officers, directors, and principal stockholders. The information is made available to the public by the Supervisor of Information Research through releases issued to the press and through mailing lists established for the convenience of those who wish to receive releases currently.

The Forms and Regulations Division is responsible for (1) the preparation for submission to the Commission of rules, regulations, and forms in collaboration, where appropriate, with other divisions of the Commission; (2) the conduct of accounting, legal, and economic researches for the purpose of developing facts, policies, and customs regarding specific industries to be affected by the promulgation of such rules and regulations and forms; (3) the conduct of conferences and interviews with representatives of accounting and legal societies and associations, stock exchange officials, and others for the purpose of securing suggestions concerning proposed forms and regulations and in order to ascertain the reaction of these representatives to the proposed forms and regulations, particularly with respect to burdens that may be imposed upon industries as a result of their promulgation; (4) the conduct of studies in connection with forms and rules and regulations now in existence to determine whether they should be amended, revised, or modified; and (5) the preparation of legal opinions and interpretations concerning those rules and regulations. This work involves the preparation of rules and regulations and forms for use in connection with the regulation of stock exchanges of the country, the flotation of new securities, and the registration of securities listed on exchanges by a great variety of security issuers.

The Employment Research Division is charged with the responsibility of handling all personnel matters for the Commission. It includes the conduct of correspondence, the maintenance of personnel records, the interviewing of applicants, and all administrative work regarding appointments, pay rolls, transfers, reinstatements, service records, promotions, demotions, separations, and classification work.

The Protective Committee Study Division is charged with the responsibility of conducting investigations and hearings for the purpose of assembling data and facts for use in the preparation of the Report to Congress under Section 211 of the Securities Exchange Act of 1934. The division is also charged with the actual drafting of the report. The investigation relates to the work, activities, personnel, and functions of protective and reorganization committees in connection with the reorganization, readjustment, rehabilitation, liquidation, or consolidation of corporate persons and properties. Investigations terminated early in January 1936. Since that time the division has been engaged in completing reports to Congress on the subject.

REGIONAL OFFICES

The regional offices are charged with the responsibility of conducting trading, accounting, and legal investigations and hearings with a view to the efficient enforcement of the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935. Each regional office serves the general and investing public within the zone over which it has jurisdiction, and aids registrants and accounting, legal and investment firms in complying with the statutes and the rules and regulations administered and enforced by the Commission. Regional offices of the Commission are located in New York City, Boston, Atlanta, Chicago, Fort Worth, Denver, San Francisco, Seattle, and Washington, D. C.

The addresses of the Regional Offices and the States comprising the territory they serve are indicated below:

New York Regional Office, 120 Broadway, New York City, N. Y.
New York, New Jersey, and Pennsylvania

Boston Regional Office, 82 Devonshire Street, Boston, Mass.
Massachusetts, Connecticut, Rhode Island, Vermont, New Hampshire, and Maine

Atlanta Regional Office, Paher Building, Atlanta, Ga.
Tennessee, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Florida, and that portion of Louisiana east of the Atchafalaya River

Chicago Regional Office, 105 West Adams Street, Chicago, Ill.
Minnesota, Wisconsin, Michigan, Iowa, Illinois, Ohio, Missouri, Kentucky, and Kansas City, Kans.

Fort Worth Regional Office, New Federal Building, Fort Worth, Tex.

Oklahoma, Arkansas, Texas, Louisiana, Kansas (with exception of Kansas City), and that portion of Louisiana west of the Atchafalaya River

Denver Regional Office, Patterson Building, Denver. Co.
Wyoming, Colorado, New Mexico, Nebraska, North Dakota, South Dakota, and Utah

San Francisco Regional Office, 625 Market Street, San Francisco, Calif.
California, Nevada, Arizona, and Hawaii

Seattle Regional Office, 1407 Exchange Building, 821 Second Avenue, Seattle, Wash
Washington, Oregon, Idaho, Montana, and Alaska

Washington Field Office, 1778 Pennsylvania Avenue NW, Washington, D.C.
Virginia, West Virginia, Maryland, Delaware, and District of Columbia

CONFERENCE OF REGIONAL ADMINISTRATORS

On March 9, 1936, a conference of Regional Administrators of the Securities and Exchange Commission was called in Washington, D. C. The purposes of this conference were to acquaint the Regional Administrators more fully with matters of policy and precedent; to enable them personally to present their problems and difficulties; to work out uniform methods of treatment for the various problems most frequently encountered by all Regional Administrators; to afford an opportunity for the studying of common problems, and to formulate uniform methods of treatment concerning them; and to adopt such methods of procedure as would tend to improve the administration and enforcement of the Acts through regional offices. The conference lasted from March 9, 1936, to March 13, 1936, inclusive.

AMENDMENT TO THE SECURITIES EXCHANGE ACT OF 1934

Public Act No. 621, Seventy-fourth Congress, approved by the President on May 27, 1936, amends the following sections of the Securities Exchange Act of 1934: 12(f), 15, 17(a), 18(a), 20(c), 21(f), 23(a), and 32.

Copies of Public Act No. 621, Seventy-fourth Congress, may be secured from the Publications Unit of the Commission.

PART II ADVISORY AND INTERPRETATIVE ASSISTANCE

During the past year the Commission continued its policy of replying to letters of inquiry regarding the interpretation of the Acts administered and the rules and regulations promulgated by it. The highly technical nature of the legislation administered by the Commission and the complicated character of the problems arising thereunder have made necessary a substantial measure of advisory assistance to the general public.

To some degree, requests for opinions made to the Commission have involved ingenious plans to circumvent the application of the law. In dealing with these requests, as with other requests, the Commission, as a matter of policy, has required statements of the names of the persons or corporations concerned and of the amount involved. To a more definite extent, however, the advisory assistance furnished has been based on bona fide inquiries and, to the end that sound financing may not be impeded by doubt or delay, an endeavor has been made to clarify promptly the problems raised.

Numerous communications with respect to the interpretation of the Acts administered by the Commission were received and acted upon during the year. In addition, many conferences concerning such matters were held with officers of Federal and State agencies and members of the public.

REGISTRATION OF EXCHANGES AS NATIONAL SECURITIES EXCHANGES

On July 1, 1935, 21 national securities exchanges were registered with the Commission pursuant to Section 6 of the Securities Exchange Act of 1934.

During the year, the operations of several exchanges which had been granted temporary exemption from registration as national securities exchanges under Section 5 of the Securities Exchange Act of 1934, were studied by the Commission for the purpose of determining whether they should be permanently exempted or whether they should be required to apply for registration as national securities exchanges.

As a consequence, on October 1, 1935, the Standard Stock Exchange of Spokane; on November 1, 1935, the Chicago Curb Exchange; and on June 1, 1936, the San Francisco Mining Exchange became registered as national securities exchanges. The temporary exemptions of these exchanges as national securities exchanges were extended until the date of registration.

An application for registration as a national securities exchange was received from the Pacific Stock Exchange of Los Angeles. The Commission conducted an investigation and, after hearings, denied on October 9, 1935, the application since it appeared in its opinion that no economic need existed for an exchange in Los Angeles; that the existing stock market facilities in Los Angeles were adequate; and that the exchange was not so organized as to be able to comply with the provisions of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder.

Pursuant to the provisions of Section 6(f) of the Securities Exchange Act of 1934, which provides that an exchange may, upon appropriate application in accordance with the rules and regulations of the Commission, and upon such terms as the Commission may deem necessary for the protection of investors, withdraw its registration, the Buffalo Stock Exchange and the Denver Stock Exchange withdrew from registration as national securities exchanges on March 24, 1936, and April 15, 1936, respectively.

From time to time during the year, national securities exchanges filed more than 300 amendments to their registration statement. These amendments covered changes in membership, in exchange trading rules, in securities admitted to listed or to unlisted trading privileges, and in rules for the government of such exchanges. Each amendment was subjected to thorough examination and analysis to ascertain whether the exchanges were operating in compliance with the provisions of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder.

The following 22 exchanges constitute the national securities exchanges as of June 30, 1936:

- Baltimore Stock Exchange.
- Boston Stock Exchange.
- Board of Trade of the City of Chicago.
- Chicago Curb Exchange Assn.
- 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 Curb Exchange.
San Francisco Mining Exchange.
San Francisco Stock Exchange.
Standard Stock Exchange of Spokane.
Washington (D. C.) Stock Exchange.

EXEMPTION OF EXCHANGES FROM REGISTRATION AS NATIONAL SECURITIES EXCHANGES

At the beginning of the fiscal year, 15 exchanges had been granted temporary exemption from registration as national securities exchanges pursuant to Section 5 of the Securities Exchange Act of 1934. During the year covered by this report the changes indicated below took place:

On July 30, 1935, the Louisville Stock Exchange was dissolved.

On August 5, 1935, the Associated Stock Exchange of Manila, P. I., was dissolved.

On October 1, 1935, the Standard Stock Exchange of Spokane became a registered exchange.

On November 1, 1935, the Chicago Curb Exchange became a registered exchange.

On June 1, 1936, the San Francisco Mining Exchange became a registered exchange.

On November 2, 1935, the Commission denied the application of the Reno Stock Exchange for exemption from registration as a national securities exchange due to the fact that this exchange had suspended operations and ceased to function as a stock exchange. The temporary exemption of this exchange was canceled at the same time.

On October 1, 1935, the Seattle Mining Exchange was consolidated with the Seattle Stock Exchange, which latter is an exempted exchange.

On December 1, 1935, the exemptions of the Honolulu Stock Exchange, the Milwaukee Grain and Stock Exchange, and the Minneapolis-St. Paul Stock Exchange became effective.

On December 15, 1935, the exemptions of the Richmond Stock Exchange and the Wheeling Stock Exchange became effective.

On February 1, 1936, the exemption of the Colorado Springs Stock Exchange became effective.

On May 1, 1936, the exemption of the Seattle Stock Exchange became effective.

The exemption of the Manila Stock Exchange from registration as a national securities exchange, which exchange was temporarily exempted from registration until February 1, 1936, was not continued. The establishment of the Commonwealth of the Philippine Islands, pursuant to the Philippine Independence Act, terminated the Commission's jurisdiction over the exchange.

The Commission adopted Form 9-A, together with the necessary rules and regulations, providing for the submission of data needed in order to keep current the information contained in the original applications for exemption filed by exchanges.

The following 7 exchanges constitute the exchanges granted exempted from registration as national securities exchanges pursuant to Section 5 of the Securities Exchange Act of 1934, as of June 30, 1936:

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.

DETECTION OF EXCESSIVE TRADING AND MANIPULATIVE AND DECEPTIVE PRACTICES ON EXCHANGES

For the Purpose of detecting excessive trading and manipulative and deceptive practices on exchanges, constant and vigilant observation has been maintained of trading activities, of securities on all of the larger exchanges.

In order to assist the Commission in detecting these operations, the stock ticker tape quotations of the New York Stock Exchange and the New York Curb Exchange were under continuous surveillance and the exchanges were required to furnish the Commission with complete lists of daily security transactions. Those transactions which appeared to be manipulative in character were immediately assigned for investigation.

Transactions on the various exchanges were constantly scrutinized to detect excessive trading in securities by exchange members since such trading might be in contravention of the trading rules recommended by the Commission and adopted by the exchanges.

The Commission conducted numerous investigations in connection with the detection of manipulative practices, such as wash sales, unmatched orders, pool operations, dissemination of false or misleading information concerning securities and other manipulative and deceptive devices, in order to determine whether or not the provisions of the Securities Exchange Act of 1934 had been violated.

On July 1, 1935, 18 preliminary and 3 formal trading investigations were in progress. [Footnote: A preliminary trading investigation is conducted when there is reason to believe that any person has violated or is about to violate the provisions of Section 9 of the Securities Exchange Act of 1934. Such an investigation includes a rapid inspection of records of the clearing house association of the exchange where the security which is the subject of such suspected violation is traded; an inspection of the records of the specialists and principal brokers in such security for the purpose of determining the identity of the most substantial purchasers and sellers thereof; and interviews with the officers of the issuer of such security and with other persons who may have knowledge bearing upon the trading in such security.]

A formal investigation is ordered when the preliminary investigation confirms the belief that the provisions of Section 9 of the Securities Exchange Act of 1934 have been or are about to be violated and when the person or persons responsible therefor have been to some extent identified. It includes a complete examination of the books and records of brokers and specialists found to have been active in the security in question thorough analyses of customers' accounts; examination of all documentary evidence such as order slips, blotters, correspondence files, etc., and the taking of statements under oath from persons who may have knowledge of the market activity of the security in question.]

During the year, preliminary investigations of stock market operations of 214 securities were made. Of these, 42 were deemed to be of sufficient importance for the Commission to authorize formal investigations, which authorizations permitted the examination of witnesses and the taking of testimony. During the year, 89 preliminary and 20 formal investigations were closed. A number of these cases, which showed infractions of stock exchange rules, were referred to the various stock exchange committees for action. Injunctive proceedings were instituted in 10 cases and 1 case was referred to the Department of Justice for criminal prosecution. On June 30, 1936, 54 preliminary and 30 formal investigations were in progress.

For the purpose of aiding the Commission in detecting manipulative operations by corporate "insiders", analyses were made of transactions of officers, directors and beneficial holders of 171 securities. As a result of these analyses, 7 preliminary investigations were initiated. In 5 cases, formal investigations were authorized as a result of the information developed in the preliminary investigations.

FORMULATION OF RULES FOR THE REGULATION OF PEGGING, FIXING, AND STABILIZING OPERATIONS BOTH ON EXCHANGES AND IN THE OVER-THE-COUNTER MARKETS

During the year, the Commission conducted a series of conferences with representatives of various branches of the brokerage and investment banking business on the subject of pegging, fixing, and stabilizing operations. Included among the groups which attended these conferences was a committee which was formed to speak for the Investment Bankers Association of America, the New York Stock Exchange, and the New York Curb Exchange, and a group of representatives from stock exchange firms and large underwriting houses in New York, all of whom had been requested to express their views to the Commission on the subject of pegging, fixing, and stabilizing.

The voluminous material accumulated at these conferences and in the course of the Commission's general study of the subject and a summary of the views expressed by the conferees with respect to the various aspects of the problems, including analyses of pegging, fixing, and stabilizing operations conducted in the past by many important underwriting firms, have been used in the preparation of a tentative draft of rules and regulations, pursuant to Section 9(a)(6) of the Securities Exchange Act of 1934, which draft is nearing completion.

FORMULATION OF RULES FOR THE REGULATION OF PUTS, CALLS, STRADDLES, AND OTHER OPTIONS

The Commission has for some time been engaged in careful study and analysis of the use of puts, calls, and similar options, with a view to drafting rules and regulations with respect thereto, under authority of Sections 9(b) and (c) of the Securities Exchange Act of 1934. To that end, conferences have been held with put and call brokers, and statistical surveys and economic studies of the operations of options have been made. The Commission is now making considerable use of this research in the formulation and drafting of rules and regulations governing puts, calls, straddles, and other options.

COOPERATION WITH THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM IN SUPERVISION OF ITS MARGIN REGULATIONS

The Commission continued its close cooperation with the Board of Governors of the Federal Reserve System in the formulation of rules under Section I of the Securities Exchange Act of 1934 governing the extension and maintenance of credit on registered exchanges.

Frequent conferences were held between representatives of the Board and of the Commission during the drafting of regulation U which governs the extension of credit by

banks for the purpose of purchasing or carrying registered stocks and in the drafting of amendments to regulation T which governs the extension and maintenance of credit by brokers, dealers, and members of national securities exchanges.

For the purpose of supplementing the work of the Board, personnel was assigned to several of the regional offices to inspect margin accounts carried by members of national securities exchanges and brokers and dealers transacting business through such members to ascertain the extent of compliance with regulation T and to study the effect of such regulation on the amount of credit extended on registered securities. During the year, the margin accounts of 165 firms were inspected and the results of these inspections were made available to the Board of Governors of the Federal Reserve System for the purpose of gauging the practicability and effectiveness of regulation T. In other instances, the Commission referred reports describing the manner of handling margin accounts by certain members of the New York Stock Exchange to the Board of Governors for such action as might be deemed appropriate.

FORMULATION OF RULES RELATING TO BORROWINGS AND SOLVENCY OF, AND HYPOTHECATION OF CUSTOMERS' SECURITIES, BY EXCHANGE MEMBERS, BROKERS, AND DEALERS

After considerable research and study preparatory to the formulation of rules under Section 8 of the Securities Exchange Act of 1934, which included the examination of members' financial statements submitted to national Securities exchanges, there are in preparation tentative forms for statements of assets and liabilities and aggregate indebtedness and net worth designed to reflect the financial condition and operating ratios of aggregate indebtedness to net capital of exchange members, brokers, and dealers. An instruction book to assist brokers and dealers in the preparation of these statements is also being prepared. Tentative rules are being drafted defining aggregate indebtedness and net capital and prescribing a tentative ratio between the two.

Tentative rules are also being drafted pursuant to the provisions of Sections 8(c) and (d) of the Act concerning the hypothecation, commingling, and lending of customers' securities by brokers.

SUPERVISION AND STUDY OF MATTERS RELATING TO UNLISTED TRADING PRIVILEGES IN SECURITIES ON EXCHANGES

Section 12(f) of the Securities Exchange Act of 1934 directed the Commission to make a study of trading in unlisted securities on exchanges and to report the results of its study and its recommendations to the Congress on or before January 3, 1936.

Pursuant to this direction, the Commission made a thorough study of trading in unlisted securities on exchanges and reported the results of this study to the Congress on the date specified. The recommendations made by the Commission in this report were presented to the Congress in the form of an amendment to the Securities Exchange Act of 1934.

The Congress passed an Act, which was approved by the President on May 27, 1936, amending the Securities Exchange Act of 1934 to provide, among other things, for trading in unlisted securities on national securities exchanges.

During the year, 194 applications for continuance or extension of unlisted trading privileges on exchanges were filed with the Commission pursuant to Section 12(f) of the Act and to the rules and regulations of the Commission. Each application was examined for the purpose of determining whether the subject security was eligible for unlisted trading privileges on the applicant exchange. Before any application was granted, it was necessary to determine that the subject security had been admitted to unlisted trading privileges on the applicant exchange prior to March 1, 1934, and that it was substantially equivalent to or represented such security. Of the applications filed with the Commission, 158 were granted and 36 denied.

On March 31, 1936, a composite list of securities admitted to unlisted trading privileges on national securities exchanges was published and made available to the public. This list is kept current by monthly addenda.

FORMULATION OF RULES RELATING TO UNISSUED WARRANTS AND UNISSUED SECURITIES FOR "WHEN, AS, AND IF ISSUED" DEALING ON NATIONAL SECURITIES EXCHANGES

Section 12(d) of the Securities Exchange Act of 1934 provides that an unissued security may be registered on a national securities exchange only in accordance with such rules and regulations as the Commission may prescribe. This section further provides that such rules and regulations shall limit the registration of an unissued security to cases where such security is a right or the subject of a right to subscribe or otherwise acquire such security granted to holders of a previously registered security and where the primary purpose of such registration is to distribute such unissued security to such holders.

A thorough study was made by the Commission concerning the registration of unissued warrants and unissued securities for "when issued" dealing on national securities exchanges. Following this study, the Commission adopted rules and regulations governing "when issued" trading on exchanges. The rules apply to securities and warrants (rights) which, in anticipation of their issuance, are traded on a "when, as, and if issued" basis. The purpose of the rules and regulations is to prevent indiscriminate listings of securities for "when issued" trading; to confine "when issued" trading to those instances and to those localities where a public interest in such a market exists; to prevent premature trading on a "when issued" basis; and to make available the same information

on securities traded on a “when issued” basis as is available on securities traded on an issued basis. In the main, the rules operate in three ways: first, they set the standards of eligibility for securities to be traded “when issued”; second, they require the registration of “when issued” securities; and third, they establish margin requirements for “when issued” trading.

Standards of eligibility include, first, the requirements that “when issued” trading may be carried on only in cases where “rights” to acquire or subscribe to a security are involved. For example, a warrant must carry a right to acquire a security which is to be issued; and similarly, a security must be the subject of a right. Second, only the securities of exchange-seasoned companies are eligible for “when issued” trading. That is, the privilege will be granted only after a right is given to holders of a listed security, and only if the rights apply to the securities of a listed company.

The terms “listed security” and “listed company” include securities “admitted to unlisted trading privileges.”

A further condition is that a warrant may not run for more than 90 days and “when issued” trading is limited to a 45-day period, unless the Commission directs otherwise.

Before “when issued” trading may begin, there must be registration with the Commission either by the company or by the exchange and the company must take the preliminary steps necessary to assure the public that there will be an exchange market for the security when it is issued.

For the purpose of registration with the Commission, forms have been devised and adopted by the Commission as follows:

Form 1-J is provided for the registration of an unissued warrant or certificate.

Form 2-J is provided for the registration of an unissued security.

Form 3-J is provided for supplemental statement to application for registration of unissued securities for “when issued” dealing.

Form 4-J is provided for statement in respect of exemption of an issued warrant or certificate.

Form 5-J is provided for supplemental statement to statement filed in respect of exemption of certain warrants.

During the fiscal year ended June 30, 1936, 84 applications for “when issued” trading were filed. Of these 65 became effective, 14 were withdrawn, 2 were denied, and 3 were pending at the close of the fiscal year.

SOLICITATION OF PROXIES, CONSENTS, AND AUTHORIZATIONS, IN RESPECT TO SECURITIES LISTED ON A NATIONAL SECURITIES EXCHANGE

Pursuant to the provisions of Section 14 of the Securities Exchange Act of 1934, on September 24, 1935, the Commission adopted rules and regulations governing the solicitation of proxies, consents, or authorizations with respect to securities (other than exempted securities) registered on national securities exchanges. The purpose of these regulations is to provide that security holders whose proxies, consents, or authorizations are solicited, shall be accorded at least a minimum of the information necessary to an intelligent exercise of their right of election as to whether to give or withhold the proxy, consent or authorization requested.

As of June 30, 1936, more than 1,200 proxies and more than 150 amendments to these proxies have been filed. These proxies were examined for completeness and compliance with rules and regulations, and in many instances the corporations were required to issue corrected proxies.

REGULATION OF OVER-THE-COUNTER MARKETS

During the latter part of 1934 the Commission inaugurated a study of appropriate measures for the control of over-the-counter markets, pursuant to Section 15 of the Securities Exchange Act of 1934. This study embraced consideration of the two principal phases of regulation of over-the-counter markets specifically authorized by section 15:

- (1) Consideration of the problem of registration of brokers and dealers making or creating or enabling others to make or create an over-the-counter market for both the purchase and sale of securities by the use of the mails or instruments of interstate commerce.
- (2) Consideration of the problem of the registration of securities the market for which is an over-the-counter market.

After several months of study, a program for the regulation of brokers and dealers transacting business in over-the-counter markets was inaugurated and certain rules with respect to registration and to fair business practices were adopted.

The plan for registration of brokers and dealers was put into effect on January 1, 1936, and on and after that date it was unlawful for a broker or dealer, unless he was registered with the Commission, to employ the mails or any instruments of interstate commerce for the purpose of making or creating or enabling another to make or create an over-the-

counter market for both the purchase and sale of any security, other than exempted securities, or use any facility of any such market.

The Commission by rules provided that registration might be refused if the applicant had misrepresented any material fact in his registration statement or if the applicant had been convicted of any felony or misdemeanor involving the purchase or sale of securities or arising out of the conduct of a broker or dealer, or enjoined from engaging in or continuing any practices in connection with the purchase or sale of any securities.

Public Act No. 621, 74th Congress, approved by the President on May 27, 1936, included an amendment to Section 15 of the Securities Exchange Act of 1934. Sections 15(a), (b), and (c) of the Act, as amended, substantially embody the registration program inaugurated by the Commission under the former Section 15, except in the following respects:

(1) The old concept underlying registration - that is, the concept of making or creating a market for both the purchase and sale of any security, other than exempted securities - was abandoned and the registration requirement now apply to brokers and dealers who use the mails or instruments of interstate commerce to effect any transactions in or to induce the purchase or sale of any securities, except such as are specifically exempted, on an over-the-counter market.

(2) Under the former rules, an exemption was provided for brokers and dealers whose transactions in securities were limited to securities the market in which was predominantly intrastate.

The new Section 15 provides exemption for brokers and dealers whose business is exclusively intrastate.

Thus, at present it is the scope of business of a broker or dealer which determines whether he is entitled to exemption rather than the character of the market for the securities in which he deals.

Under the former Section 15, the Commission had the power to prescribe such rules and regulations as were necessary and appropriate in the public interest and to insure to investors protection comparable to that provided by the Act in the case of national securities exchanges, even to the extent of providing for the regulation of all transactions by brokers and dealers on any such market.

Under Section 15 (c) as amended, brokers and dealers are prohibited from using the mails or any instruments of interstate commerce to effect any transaction in or to induce the purchase or sale of any security (other than commercial paper, bankers' acceptances, or commercial bills) on an over-the-counter market by means of any manipulative, deceptive, or otherwise fraudulent device or contrivance, and the Commission is directed

to define by rule or regulation such devices or contrivances as are manipulative, deceptive, or otherwise fraudulent.

The amendment preserved all registrations which were in effect on the enactment date without the necessity of filing new applications for registration on the part of those so registered.

OVER-THE-COUNTER TRADING

A technique has been developed for maintaining a general surveillance over the various types over the various types of trading activities in the over-the-counter market in both new and outstanding issues of securities for the purpose of detecting violations of the law and of the rules of the Commission, and for the purpose of accumulating data upon which to base rules for the regulation of distribution and trading in the over-the-counter market. Transactions which have appeared to be in violation of the law or of the rules of the Commission have been investigated in 34 securities during the year.

DIRECTORY OF BROKERS AND DEALERS

On March 1, 1936, the Commission published a directory of all brokers and dealers whose registration under Section 15 of the Securities Exchange Act of 1934 was effective as of January 31, 1936. This directory includes the names and addresses of the brokers and dealers registered with the Commission.

STATISTICS OF OVER-THE-COUNTER BROKERS AND DEALERS

The following statement indicates the number of applications for registration filed by over-the-counter brokers and dealers, as of June 30, 1936, and the actions taken thereon:

Effective registrations (net)	5, 740
Effective registrations canceled	391
Revocations	2
Suspensions	6
Applications for registration cancelled	264
Withdrawals	34
Denials (includes 1 application reopened on petition of applicant)	17
Applications for registration pending	217

Total applications for registrations filed (Includes applications filed on Form 1-M in which applicant had not, as of June 30, 1936, filed request that the application be treated as an application pursuant to Sec. 15(b) of the Act, as amended) 6, 671

(Includes applications filed on Form 1-M in which applicant had not, as of June 30, 1936, filed request that the application be treated as an application pursuant to Sec. 15(b) of the Act, as amended)

REPORT ON THE FEASIBILITY AND ADVISABILITY OF THE COMPLETE SEGREGATION OF THE FUNCTIONS OF DEALER AND BROKER

Pursuant to Section 11(e) of the Securities Exchange Act of 1934, the Commission conducted a study of and prepared a report to the Congress on the feasibility and advisability of the complete segregation of the functions of dealer and broker.

The report presented the results of the Commission's study of the broker and dealer functions as exercised on exchanges; a survey of the broker and dealer functions as exercised in over-the-counter markets; a survey of the power of the Commission under existing law to deal with the problems arising from the combination of functions; an appraisal of the economic implications of segregation; and a statement of conclusions and recommendations.

The complexity and magnitude of the problem required original and searching analyses of individual and collective transactions of specialists, floor traders, and other exchange members. Through the medium of special report forms which the Commission devised for the purpose of this study, detailed analyses were made of the trading activities of members and partners of members of the New York Stock Exchange and the New York Curb Exchange during the period from June 24, 1935 to December 21, 1935. Supplemental information with respect to trading practices on other exchanges and the broker and dealer functions as exercised in over-the-counter markets was derived from the examination of the applications filed by exchanges for registration as national securities exchanges or for exemption from registration and from the examination of the registration statements filed within the Commission by over-the-counter brokers and dealers. In addition, much information of value to the study was gained through conferences with members of the investing public, over-the-counter brokers and dealers, investment bankers, exchange officials, exchange members, and other persons engaged or interested in the securities business.

In its report to the Congress, the Commission analyzed in detail the extent and significance of dealer activities on exchanges. The potentialities for abuse inherent in the

combination of the functions of broker and dealer were described and the fact that abuses exist was also demonstrated. The economic aspects of segregation were carefully considered. This included the possible effects of prohibition against the combination of broker and dealer activities in one person, the restricting of dealer activity upon exchanges, the relationship of dealer activities of exchange members to the liquidity and continuity of exchange markets and the probable consequences of segregation in the over-the-counter markets.

It was clearly brought out that the report itself was preliminary in character. Emphasis was given to the necessity and desirability of continued exploration and further study of the problem, not only by the Government but by persons in the securities business and others. The Commission accordingly refrained from judgment upon those aspects of the problem which in its opinion deserved further study and limited itself to the conclusions and recommendations that seemed called for by the data available. Plans for continuation and extension of the study are presently being made.

These recommendations included no suggested legislation for the present, since the Commission believed that to incorporate now into statutory law the requirement of complete segregation would be to fail to utilize the potentialities for flexible control and evolutionary development afforded by the administrative mechanism the Congress had already provided. Its conclusion was, on the other hand, that it should develop and initiate an administrative program directed toward those aspects of the problem which demand immediate concern, i. e., the conflict of interest implicit in the combination of the broker and dealer functions and the type of dealer activity that exerts undue influence on prices.

REGISTRATION OF SECURITIES ON EXCHANGES

PERMANENT REGISTRATIONS

Section 12 of the Securities Exchange Act of 1934, requires the registration of all securities which are listed on national securities exchanges unless such securities are exempted by the Act or the rules and regulations promulgated thereunder. The registration of securities on national securities exchanges is accomplished by the issuer filing, on the appropriate form, an application for the registration of securities within the Commission and within the exchange. Each of the forms of application provides for the submission of data of the character called for in the Act in the detail necessary or appropriate in the public interest or for the protection of investors.

To the basic set of forms for the registration of securities on national securities exchanges, have been added forms for the registration of—

- (1) American certificates against foreign issues and for the underlying securities;

- (2) Securities of foreign private issuers, other than bonds; and
- (3) Bonds of foreign private issuers.

The problem of procuring registration of the numerous issues of foreign securities which were already listed national Securities exchanges when the Act became effective has thus been met.

The basic set of forms for registration of securities on national securities exchanges has been further complemented by the publication of forms for additional securities of issuers having securities already registered, and for securities of persons who have succeeded to such issuers under certain circumstances. A number of improving amendments have been made in the forms previously published and the Commission is now engaged in the complete revision of such forms to adapt them for use by issuers which have not previously had securities registered and in the preparation of special forms for issuers emerging from insolvency proceedings and for issuers succeeding to other issuers. [Footnote: On Sept. 23, 1936, the Commission promulgated Form 22, For Issuers Reorganized in Insolvency Proceedings or Which Have Succeeded to a Person in Insolvency Proceedings.]

Pursuant to Section 13 of the Securities Exchange Act of 1934, the Commission has adopted rules and regulations governing the submission of annual reports. These annual reports are designed to keep up to date the information contained in the applications for permanent registration of securities. As of the close of the fiscal year, the Commission had adopted forms for the annual reports of the following issuers having securities registered on national securities exchanges: (1) Corporations in general; (2) unincorporated issuers; (3) railroads and communications companies, including those in receivership or bankruptcy; (4) insurance companies; (5) protective committees; (6) voting trustees; (7) incorporated investment trusts and (8) unincorporated investment trusts.

The annual reports are required to be filed, on the appropriate form, with the Commission and with the exchange on which the securities are registered.

Issuers of foreign securities registered on national securities exchanges are, until further action of the Commission, exempt from the requirements of filing annual reports.

One of the major functions of the Commission is the examination of applications for registration of securities on national securities exchanges and annual reports subsequently filed. These applications and annual reports are examined 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. When the examination reveals deficiencies in such applications or reports, the applicants or issuers are so advised and

amendments are requested. These amendments are examined and analyzed in the same manner as the applications and reports.

The cooperation of the various national securities exchanges has been of assistance to the Commission in procuring the necessary amendments of deficient applications and annual reports.

CONFIDENTIAL TREATMENT OF APPLICATIONS, REPORTS, OR DOCUMENTS

Section 24(b) of the Securities Exchange Act of 1934, provides that any person filing an application, report, or document with the Commission may make written objection to the public disclosure of the information contained therein.

During the year, the rules governing objections to the public disclosure of material filed within the Commission were amended for the purpose of clarification. The rules, as amended, provide that persons wishing to object to the public disclosure of any application, report, or document filed with the Commission under any provision of the Securities Exchange Act of 1934, may file the portion thereof to the public disclosure of which objection is made, with the Chairman of the Commission, together with an application stating the grounds upon which the objection is based.

In connection with applications for registration of securities on national securities exchanges, objections to public disclosure of 966 items of information were made during the year by 631 issuers. Confidential treatment was granted certain information involving 214 items filed by 162 issuers; and material filed by 370 issuers involving 577 items, was made public.

Objection to public disclosure of information filed in connection with annual reports was made by 218 issuers. The applications of 63 such issuers for confidential treatment were granted in whole or in part; the information filed by 30 issuers was made public; and 125 are pending.

The denial of these applications gave rise to litigation in 21 cases. Applications were made by 71 directors, officers, and beneficial stockholders for the confidential treatment of 171 ownership reports of equity securities relating to 23 issuers. Action was taken in the cases of 68 such persons, involving 166 reports concerning 21 issuers, in which the applications were denied and the reports were made public.

During the year, 202 private hearings on applications for confidential treatment of material were held.

STATISTICS OF SECURITIES REGISTERED OR EXEMPT FROM REGISTRATION ON NATIONAL SECURITIES EXCHANGES

As of the opening of trading on July 16, 1935, permanent registrations were in effect covering 3,345 securities of 1,841 issuers. These registrations related to nearly 2,000,000,000 shares of stock and over \$16,000,000,000 in principal amount of bonds. In addition, there were 1,048 securities of 601 issuers, representing more than 400,000,000 shares of stock and over \$10,000,000,000 in principal amount of bonds temporarily exempt (or, in a few cases, provisionally registered) pending filing on or promulgation of the required appropriate forms.

Most issuers temporarily exempt, for whom appropriate forms were available, made application for registration on such forms during the year, as indicated by the fact that, as of June 30, 1936, there remain, in the class of temporarily exempt securities traded on exchanges, 226 securities of 127 issuers.

Included in such classes of issuers' most recently registered securities, previously temporarily exempt, are 155 foreign issuers, who registered 292 securities. Of the 36 foreign governments whose securities were previously temporarily exempt from registration, 33 applied for permanent registration; and of the 64 political subdivisions of foreign governments previously in such category, 53 made application for permanent registration of their securities.

During the year, 141 issuers filed applications for registration of additional securities. On June 30, 1936, a total of 4,185 securities of 2,295 issuers were permanently registered. These registrations covered nearly 2,700,000,000 shares of stock and approximately \$26,000,000,000 in principal amount of bonds.

During the year more than 1,500 issuers filed annual reports with the Commission. These reports are now being examined.

Several thousand amendments to the applications for permanent registration and annual reports have been received. More than 80 applications for registration of unissued securities on national securities exchanges have been filed.

The following table indicates the forms used by issuers in registering securities and the number of securities registered and issuers involved as of June 30, 1936.

[The table data below is in the format Form; Title; Securities Registered; Issuers Involved]

10; Corporations; 2,751; 1,739

11; Unincorporated issuers; 25; 13

12; Companies making annual reports under Section 20 of the Interstate Commerce Act, as Amended, or under Section 219 of the Communications Act of 1934; 746; 196

12-A, Companies 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; 129; 25

13; Insurance companies other than life and title insurance companies; 17; 17

14; Certificates of deposit issued by a committee; 60; 43

15; Incorporated investment companies; 117; 67

16, Voting trust certificates and underlying securities, 41, 35

17; Unincorporated issuers engaged primarily in the business of investing or trading in securities; 7; 5

18; Foreign governments and political subdivisions thereof; 182; 86

19; American certificates against foreign issues and for the underlying securities; 13; 11

20; Securities other than bonds of foreign private issuers; 5; 3

21; Bonds of foreign private issuers; 92; 55

Total: 4,185; 2,295

[Two tables unreproducible]

REPORTS OF OFFICERS, DIRECTORS, AND PRINCIPAL STOCKHOLDERS

In addition to Forms 4, 5, and 6, [Footnote: Form 4 for reporting changes in ownership of equity securities. Form 5 for reporting ownership of equity securities. Form 6 for reports by persons who have just become owners or directors or security holders of more than 10 percent of any class of equity security.] and the rules and regulations regarding the submission of reports of officers, directors, and principal stockholders under the Securities Exchange Act which were promulgated during the fiscal year ended June 30, 1935, the Commission during the last fiscal year promulgated rules and regulations and

forms U-17-1 and U-17-2 regarding the reporting of holdings of officers and directors under the Public Utility Holding Company Act of 1935. Form U-17-1 is to be filed by officers and directors of holding companies registered under the Public Utility Holding Company Act of 1935 following the registration of such companies or following appointment or election as officer or director of such a company. Form U-17-2 is to be filed if there have been any changes during last calendar month in ownership of officer or director of a holding company registered under the Public Utility Holding Company Act of 1935, with respect to securities of such company or any subsidiary company thereof.

The following table indicates the number of original and amended reports filed and examined for the fiscal years ended June 30, 1935, and June 30, 1936.

[Table data follows format Reports and Files Examined; Number for FY 1935; Number for FY 1936]

Original reports-Securities Exchange Act; 10,114; 37, 509
Amended reports-Securities Exchange Act; 2,524; 5,754
Original reports-Holding Company Act; 0; 464
Amended reports-Holding Company Act; 0; 45

The Commission compiles and published a semimonthly of security transactions and holdings of officers, directors, and principal stockholders as reported on Forms 4, 5, 6, U-17-1, and U-17-2.

During the fiscal year the Commission prepared for publication the Official Summary of Holdings of Officers, Directors, and Principal Stockholders. This summary reprinted the essential data, as of December 31, 1935, contained in the reports on Forms 4, 5, or 6 made to the Commission pursuant to Section 16(a) of the Securities Exchange Act of 1934 by the officers, directors, and principal stockholders of about 1,750 corporations with equity securities listed on a national securities exchange. These corporations had at that date slightly over 2,000,000,000 shares of stock outstanding in the nearly 2,500 individual issues for which reports were received. Reports were made by 15,277 persons and covered about 458,000,000 shares. Of total reported holdings about 408,000,000 shares were owned directly by the persons reporting, while about 50,000,000 were owned indirectly (i. e. through a partnership, a trust, personal holding company, etc.) and represented duplications to a considerable degree. While it is not possible to ascertain definitely from the material available to the Commission the exact amount of duplication, it is estimated that total unduplicated holdings reported exceeded 430,000,000 shares, or approximately 21 percent of the total number of shares outstanding at the end of 1935 in the issues covered by the reports.

WITHDRAWAL OR STRIKING FROM LISTING AND REGISTRATION OF
SECURITIES ON NATIONAL SECURITIES EXCHANGES

Upon application by the issuer or the exchange to the Commission, securities registered on a national securities exchange may be withdrawn or stricken from registration or listing in accordance with the rules of the exchange and upon such terms as the Commission may deem necessary to impose for the protection of investors. The Commission has adopted rules and regulations governing this subject.

During the year ended June 30, 1936, 63 such applications were received and acted upon by the Commission, as compared with 95 for the fiscal year ended June 30, 1935.

REGISTRATION OF SECURITIES UNDER THE SECURITIES ACT OF 1933

SECURITIES ACT FORMS, RULES, AND REGULATIONS

During the past year a considerable number of improving amendments have been made to the basic forms for registration under the Securities Act of 1933, as amended. These amendments are designed to clarify the requirements of the several forms and to extend the use of certain basic forms to additional classes of issuers upon the furnishing of appropriate specialized information, such as for bank holding companies and corporations resulting from consolidation.

Considerable progress has been made in the direction of subdividing the major forms in order to provide specialized forms for issuers engaged in particular types of business and for issuers in various stages of development. In line with this program, there has been prepared a form for promotional mining companies which is designed to emphasize the peculiar problems of the mining industry and the special problems incident to the promotion of new companies.

A companion form is also in process for securities of any company which has not yet advanced beyond the promotional stage.

A series of new forms is being drafted to replace the present forms for certificates of deposit, and for securities issued in the process of reorganization. These forms will be specialized to provide separately for each of the several situations which commonly occur. Other work in various stages of completion includes registration forms for electric and gas utilities, investment trusts, insurance companies, investment contracts, foreign national governments, and foreign municipal governments.

A comprehensive revision and reclassification of the general rules and regulations under the Securities Act have been made. In addition, numerous new rules and regulations have been promulgated.

These rules have dealt with the scope of exemptions of certain classes of securities from the operation of the Act, and with the amendment of many of the details of registration in order to perfect the mechanics of registration.

EXAMINATION OF SECURITIES ACT REGISTRATION STATEMENTS

The Securities Act of 1933, as amended, provides that, unless a registration is in effect, it shall be unlawful to publicly offer for sale or sell securities, except exempt securities, in interstate commerce or through the mails.

The registration of securities under this Act is accomplished by the issuer filing, on the appropriate form, a registration statement with the Commission. The law and the rules and regulations promulgated thereunder require that these registration statements contain certain prescribed information about the securities, the company, the management, the purpose of the issue, together with financial statements, options, contracts, and other data. A prospectus containing the more important information contained in the registration statement must also be filed with the Commission. The law further requires that a copy of the prospectus be given to prospective purchasers of a registered security.

Upon receipt of a registration statement, it is examined for the purpose of determining if the statement appears to be misleading, inaccurate, or incomplete on its face. If the statement is not materially deficient, the issuer is advised and permitted to correct it by amendment. If the statement is materially deficient, the Commission may institute stop-order proceedings immediately. The Commission is empowered to refuse registration in cases where the issuer fails to supply the required data or where the information given is incomplete or misleading, or it may suspend registration if it develops after registration has become effective that information is lacking or misleading.

It must be emphasized that although the examination of a registration statement is concerned with the completeness of the information required to be supplied by a registrant and the accuracy of the information furnished by it, such an examination is not to be considered as a finding by the Commission that the registration statement is true, accurate, or complete.

EXEMPTIONS FROM REGISTRATION REQUIREMENTS

Prospectuses and oil royalty offering sheets are filed with the Commission pursuant to rules promulgated under Section 3(b) of the Securities Act of 1933, regarding exemptions. During the year 388 such prospectuses, which relate mostly to offerings of stock issues, were received and examined. The aggregate offering amounted to \$32,122,081. There were also received and examined 2,069 offering sheets which relate

to the sale of fractional undivided interests in oil, gas, or other mineral rights in the aggregate reported amount of \$7,610,000.

STATISTICS OF SECURITIES REGISTERED UNDER THE SECURITIES ACT

At the beginning of the fiscal year there were 1,533 registration statements on file. Of these, 1,094 were effective, 91 were under stop or refusal order, 225 had been withdrawn, and 123 were under examination or held pending the receipt of amendments.

During the period of July 1, 1935, to June 30, 1936, inclusive, 781 additional registration statements were filed. There were 735 registration statements which became effective during this period (of which all but 54 were fully effective); a total of 1,757 statements were effective at the end of the period, 72 of those effective at the beginning or during the period either having been withdrawn or placed under stop order.

The net number of registration statements withdrawn increased by 69, to a total of 294 on June 30, 1936. The net number of stop or refusal orders increased during the period by 36, a total of 129 of such orders being in effect on June 30, 1936. As of June 30, 1936, there were 134 registration statements in the process of examination or awaiting amendments.

During the fiscal year ended June 30, 1936, securities with estimated gross proceedings of \$4,835,049,000 have become effectively registered comparing with \$909,387,000 during the 10-month period from September 1, 1934, when the Securities and Exchange Commission took Over FTC administration of the Securities Act of 1933, to June 30, 1935. Of this amount, \$4,677,302,000 represented new securities, while \$157,747,000 represented securities in reorganization, voting trust certificates, certificates of deposit, and securities to be exchanged for registrants' or predecessors' securities.

Of the \$4,677,302,000 of new securities effectively registered during the past fiscal year, about \$187,000,000 were registered for the account of persons other than the registrant, \$244,900,000 were reserved for conversion, \$91,000,000 were reserved for subsequent issuance against options and warrants, \$23,100,000 were reserved for other subsequent issuance, \$17,900,000 were to be issued for tangible and intangible assets and claims, and \$177,200,000 were to be issued in exchange for other securities. Thus, a total of \$741,100,000 of the new securities effectively registered during the fiscal year were not intended to be offered for cash by the issuers, leaving securities in an estimated gross amount of \$3,936,200,000 to be so offered for the account of the registrants.

Commissions and discounts to underwriters and agents expected by the registrants to be incurred in connection with the sale of such securities amount to \$126,700,000, or 3.2 percent of the gross amount to be offered while other selling and distributing expenses were estimated at \$27,400,000, or 0.7 percent. [Footnote: These figures are averages of widely varying ratios on individual issues.] The estimated net proceeds from securities

effectively registered during the past year and intended to be offered for cash for the account of the registrants thus amounted to \$3,782,100,000.

Of the aggregate net proceeds, \$2,805,400,000, or 74.2 percent, were intended for repayment of indebtedness; \$213,400,000 were intended for retirement of preferred stock; and \$24,300,000 for the reimbursement of loans used for capital expenditures. Refunding and retirement operations thus accounted for a total of \$3,013,100,000, or 80.5 percent of the total net proceeds. Of the remainder, \$395,600,000 were to be used for the acquisition of securities, chiefly by investment companies; \$120,500,000 were intended to be used for the purchase of plant and equipment; \$207,300,000 were to be added to the registrant's corporate funds, while \$9,300,000 were scheduled to defray organization and development expenses, and \$6,200,000 were to be used for various other purposes.

Of total gross of new securities effectively registered during the year ended June 30, 1936, \$1,617,900,000, or 34.6 percent, represented securities of manufacturing industries of which those of the iron and steel and oil refining industries, amounting to \$470,900,000 and \$433,900,000, respectively, predominated. Electric light and power, gas, and water companies registered securities within estimated gross proceeds of \$1,617,900,000, or 34.6 percent of the total, practically the same amount as that registered for all manufacturing industries. Financial and investment companies registered \$677,900,000, or 14.5 percent of the total; transportation and communication industries (excluding common carriers exempt under the Securities Act of 1933) \$291,600,000, or 6.2 percent; extractive industries, \$99,100,000, or 2.1 percent; and all other registrants, including foreign governments, totaled \$372,900,000, or 8.0 percent.

The Commission has no official knowledge as to which part of securities registered has actually been sold by the registrant corporations, or bought by investors. However, in cases where securities are underwritten by responsible banking houses, it is certain that the issuing corporation has received the stipulated sales price. Of the \$2,170,600,000 of new securities offered for cash sale during the first half of the calendar year 1936, about \$1,641,700,000, or 76 percent, were intended to be sold to underwriters and may, therefore, be assumed to have netted the issuing corporation the contemplated amount of funds. In order to determine the extent to which registered securities which were not to be sold to underwriters were actually disposed of by the registrants, follow-up questionnaires were sent to registrants other than investment companies, who have registered Form A-1 and whose registrations had become effective before November 30, 1935. From the approximately 270 replies received to the questionnaire up to August 10, 1936, it appeared that only about 20 percent of the total amount registered by this group of registrants, which consisted with only few exceptions of unseasoned companies disposing of their securities without the help of underwriters, has actually been sold. About one-third of the registrants' replies to the questionnaire reported no sales whatever of the registered securities while the remaining registrants reported sales amounting to about one-third of the amounts registered.

STATISTICS OF PRIVATE PLACINGS

Registered securities, of course, constitute only a part of all new securities offered for sale to investors in the United States. The Commission has no authoritative knowledge of the offerings of securities exempt under the Securities Act of 1933, the chief categories of which are: securities issued or guaranteed by the United States Government; securities issued by any State or by any political subdivision or any public instrumentality of any State; securities issued by any banking institution; securities of common or contract carriers the issuance of which is subject to Section 20(a) of the Interstate Commerce Act; securities of a noncommercial character issued by eleemosynary institutions; securities which are part of an issue sold only to residents within a single State where the issuer is incorporated by and doing business in such State; securities exchanged exclusively with security holders of the issuer where no commission is paid for soliciting the exchange; and securities sold to a small number of purchasers not involving a public offering (so-called private placings).

However, in view of the importance of private placings and of their affinity to certain types of registered offerings, the Commission has endeavored to keep a record of unregistered private placings based on information published in the financial press and has supplemented this information by short questionnaires sent to the issuers of securities reported as privately placed. The chief data derived from the private-placings questionnaires sent out by the Commission and returned in completed form without exception by the issuers are given in table 9 of Appendix V. From January 1934 through June 1936, the Commission received information on unregistered private placings of 81 issues with total gross proceeds of \$485,300,000. During the fiscal year ended June 30, 1936, 37 unregistered private placings aggregating \$210,800,000 were reported. This is equivalent to approximately 5 percent of the securities effectively registered with the Commission during the same period.

THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

The Public Utility Act of 1935 was approved by the President and became law on August 26, 1935. Title I of this Act constitutes the Public Utility Holding Company Act of 1935. Title II consists of amendments of the Federal Water Power Act, designed primarily to expand the jurisdiction of the Federal Power Commission with respect to electric utilities engaged in transmitting electric energy in interstate commerce or selling electric energy at wholesale in interstate commerce.

The responsibility for the administration of the Public Utility Holding Company Act of 1935 is vested in the Securities and Exchange Commission. In general, this Act provides for registration with the Commission of gas and electric utility holding companies. It has no reference to telephone, railroad, or industrial holding companies as such. After a

holding company is registered, it is subject to a number of statutory provisions and also to general rules and regulations or specific orders of the Commission within respect to a variety of aspects of its business. The Act also directs the Commission to exempt holding companies of certain specified types from the provisions of the Act.

The general policy of the Commission in administering this legislation is to give full effect to the Congressional intent of preventing the repetition of the abuses which led to the passage of the Act and to make the administration of the law as workable as possible without imposing restrictions of a kind which bear no relationship to the purposes to be achieved.

Among the first tasks which faced the Commission upon the passage of this legislation were those of setting up the necessary administrative organization and the development of rules of procedure and the necessary forms.

Another task undertaken by the Commission was to provide itself with information adequate for the handling of current problems involving the registered companies. This task has been not only to assemble all available information within regard to various registered holding company systems but to undertake a thorough study of all systems and the territory in which they operate.

RULES, REGULATIONS, AND FORMS UNDER THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

Under numerous sections of the Act, the Commission is authorized to promulgate such rules, regulations, or orders as it may consider necessary for the elimination of certain abuses which have deemed to characterize the activities of holding companies in the past. Also, in certain instances, authority is given for the adoption of rules and regulations in order to avoid statutory imposition of rigid standards which might involve considerable difficulty of application and might lead to frustration of the purpose of some sections of the Act.

The preparation of rules and regulations has necessitated thorough study and research and has required the services of several attorneys and experts for many months. This matter will require continuing attention and study, so that changes may be made, as experience is gained, to the end that all rules and regulations adopted may be effective and practical of application without unduly burdening the industry and without creating unwarranted difficulty and expense of administration.

The principal rules and regulations adopted under this Act may be classified as follows:

- (1) Rules of general application containing definitions of terms and general requirements with respect to filing and verification of documents.

- (2) Rules of a temporary character, extending the time for complying with or for making application for exemption from certain provisions of the Act.
- (3) Rules adopting forms for and specifying the information to be submitted in connection, with applications, notifications of registration, declarations, and reports.
- (4) Rules defining the status of particular classes of companies as subject to or excluded from provisions of the Act.
- (5) Rules authorizing certain limited types of acquisitions and security issues without specific application to the Commission.
- (6) Rules within respect to service, sales, and construction contracts.
- (7) Rules pursuant to Section 17 concerning the eligibility of persons having financial connections to be officers or directors of registered holding companies.

Forms have been promulgated as follows:

- (1) Form U-1, Notification of registration of public utility holding company, pursuant to Section 5 (a) of the Public Utility Holding Company Act of 1935. [Footnote: After Nov. 1, 1936, a notification of registration must be filed on Form U-5-4 adopted Oct. 2, 1936.]
- (2) Form U-2, Declaration and periodic report to be filed by a subsidiary of a registered holding company for exemption under Rule 3D-4.
- (3) Form U-3A3-1, Quarterly statement to be filed by banks claiming exemption from the provisions of the Public Utility Holding Company Act of 1935 under Rule 3A3-1.
- (4) Form U-7, Declaration pursuant to Section 7 of the Public Utility Holding Company Act of 1935 regarding the issuance or sale of securities or the exercise of a privilege or right to alter the priority, preference, voting power, or other rights of holders of outstanding securities.
- (5) Form U-10-1, Application pursuant to Section. 10 (a) (1) of the Public Utility Holding Company Act of 1935, for approval of acquisition of securities.
- (6) Form U-10-2, Application pursuant to Section 10 (a) (2) and 10 (a) (3) of the Public Utility Holding Company Act of 1935, for approval of acquisition of utility assets of interest in business.

(7) Form U-12 (i)-1, Statement required pursuant to Section 12 (i) of the Public Utility Holding Company Act of 1935 by one or more persons employed or retained by a registered holding company or subsidiary thereof.

(8) Form U-13-1, Application for approval of mutual service companies, pursuant to Rule 13-22, or Declaration with respect to organization and conduct of business of subsidiary Service company pursuant to Rule 13-22.

(9) Form U-17-1, to be filed by officers and directors of holding companies registered under the Public Utility Holding Company Act of 1935, following the registration of such companies or following appointment or election as officer or director of such company.

(10) Form U-17-2, Statement to be filed if there have been any changes during the last calendar month in ownership of officers or directors of a holding company under the Public Utility Holding Company Act of 1935, within respect to securities of such company or any subsidiary company thereof.

(11) Form U-17-3, Statement to be filed by officers or directors within respect to whom exemption is claimed pursuant to Rule 17C-11 from, the provisions of Section 17 (c) of the Public Utility Holding Company Act of 1935.

Each form has presented a separate problem in the light of the particular provisions of the Act involved and the character of the information which the Commission is required to take into consideration in connection within each provision. the Commission has attempted to make the forms simple, readily understandable and not unnecessarily burdensome to the industry, yet at the same time, comprehensive enough to bring out the requisite information.

[Table omitted]

REGISTRATION OF UTILITY HOLDING COMPANIES

The Public Utility Holding Company Act of 1935 called for registration of holding companies not later than December 1, 1935. Section 5 of the Act provides that any holding company or any person proposing to become a holding company may register by filing with the Commission a notification of registration on such form as the Commission may by rules or regulations prescribe as necessary or appropriate in the public interest or for the protection of investors or consumers.

Section 5 of the Act also provides that it shall be the duty of every registered holding company to file with the Commission, within such reasonable the after registration as the Commission shall fix by rules and regulations or order, a registration statement in such

form as the Commission shall by rules and regulations or order, prescribe as necessary or appropriate in the public interest or for the protection of investors or consumers.

The Commission adopted a form (Form U-1) for the notification of registration of public utility holding companies pursuant to the above-mentioned section of the Act. This form permitted companies to register by filing a simple statement including little more than a corporate chart, a schedule of securities outstanding, the names of officers and directors, and maps showing the territories served. Upon receipt of a notification of registration, the law provides that the registration shall become effective.

Sixty-five holding companies are now registered, including a number of subholding companies of registered systems. As of June 30, 1936, the registered holding companies were as follows:

American Public Service Co.

British-American Utilities Corporation.

Brokaw-Dixon & McKee.

Central and South West Utilities Co.

Central States Edison, Inc.

Central States Power & Light Corporation, subsidiary of Central States Utilities Corporation, a subsidiary of Utilities Power & Light Corporation.

Central States Utilities Corporation, a subsidiary of Utilities Power & Light Corporation.

Citizens Public Service Co.

Citizens Utilities Co.

Walter Bachrach, trustee of the Commonwealth Light & Power Co., debtor.

Community Power & Light Co.

Consumers Natural Gas Co.

Crescent Public Service Co.

East Coast Public Service Co.

Foster Petroleum Corporation.

Gary Electric & Gas Co.

The Gas Co. of New Mexico.

General Public Utilities, Inc.

Luke C. Bradley, L. N. Boisen, D. P. Pardee, J. H. White, and H. S. Swan, as voting trustees under voting trust agreement dated October 7, 1930, relating to common stock of Georgia Natural Gas Corporation, a Delaware corporation.

Great Lakes Utilities Corporation.

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 Co., and said trustees.

Indiana Southwestern Gas & Utilities Corporation.

Leonard S. Florslieim, trustee of Inland Power & Light Corporation, debtor.

Interstate Gas & Electric Co.

Interstate Power Co., a subsidiary of Utilities Power & Light Corporation

Iowa Public Service Co.

Lone Star Gas Corporation.

The Middle West Corporation.

Hugh M. Morris and John N. Shannahan, trustees of the estate of Midland Utilities Co.

Hugh M. Morris and John N. Shannahan, trustees of the estate of Midland United Co.

The Mission Oil Co.

National Fuel Gas Co.

National Gas & Electric Corporation.

National Light, Heat & Power Co.

The Nevada-California Electric Corporation.

New England Power Association.

New England Public Service Co.

North American Gas & Electric Co.

North West Utilities Co.

Northern Paper Mills.

Penn Western Gas & Electric Co.

Pennsylvania Gas & Electric Corporation.

Hugh M. Morris and Harold S. Schutt, trustees, Peoples Light & Power Corporation.

Public Service Corporation of Texas.

Irwin T. Gilruth and Charles A. McDonald as trustees of Public Utilities Securities Corporation.

Republic Electric Power Corporation.

Republic Service Corporation.

Sandar Corporation.

Southeast Power & Light Co.

Southern Union Gas Co.

Southern United Gas Co.

Southwestern Development Co.

The Twin State Gas & Electric Co.

Union Electric Power Corporation.

United Cities Utilities Co.

United Public Service Corporation.

Lee Barroll, Henry A. Erhard, Gerald P. Kynett, Herbert L. Nichols, Herbert S. Welsh, voting trustees under voting trust agreement dated January 1, 1935, for class A common stock of United Public Utilities Corporation.

United Public Utilities Corporation.

Utilities Holding Corporation.

Utilities Power & Light Corporation.

Utilities Stock & Bond Corporation.

Washington & Suburban Cos.

Washington Gas & Electric Co.

White Mountain Power Co.

EXEMPTIONS UNDER THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

The Commission is directed by the Public Utility Holding Company Act of 1935 to exempt by rule or order holding companies of certain specified types from provisions of the Act unless and except to the extent that it deems such action detrimental to the public interest or the interest of investors or consumers.

In addition to this power to exempt holding companies, as such, from the provisions of the Act, the Commission is also directed to declare such companies as meet specified requirements not to be “electric utility companies”, “gas utility companies” “holding companies” or “subsidiary companies” as those terms are defined in the Act. This power may be exercised by rule or by order upon application.

The information required in an application for exemption of a holding company is extremely elastic. The Commission adopted rules specifying the information which was thought relevant in the ordinary situation, but left it up to the applicant to omit any information which it might deem irrelevant in a particular case, reserving the right on the part of the Commission. to call for any other information that might be necessary:

As of June 30, 1936, 375 applications were received for exemption holding companies and for orders declaring companies not to be holding companies or subsidiaries of holding companies or declaring companies not to be electric or gas utilities. The Act provides that applications for such orders shall, if filed in good faith, be automatically

effective until the Commission has acted upon them. This provision enabled the Commission to take the time necessary to examine applications without subjecting the applicants in the meanwhile to regulations from which they might be entitled to immunity. One hundred and seventy-nine of these applications have been disposed of and 196 are pending.

SECURITY TRANSACTIONS BY REGISTERED HOLDING AND SUBSIDIARY COMPANIES

The Public Utility Holding Company Act of 1935 provides that it shall be unlawful for any registered holding company or subsidiary company thereof, by use of the mails or any means or instrumentality of interstate commerce, or otherwise, directly or indirectly, to issue or sell any security of such company or to exercise any privilege or right to alter the priority, references, voting power, or other rights of the holders of an outstanding security of such company, unless a declaration with respect to the security has been filed with the Commission and has become effective. The Act also provides that the Commission shall not permit a declaration to become effective unless the security meets certain specified standards and the terms and conditions of the issue or sale are not detrimental to the public interest or the interest of investors or consumers.

A simple form has been prescribed for these declarations (Form U-7) and as of June 30, 1936, the Commission had received and passed upon 7 such declarations with respect to security issues.

There are certain security issues which are exempt from the requirements of filing a declaration. Some of these, such as specified types of short term paper, are exempted automatically by the statute. In other cases, exemption is to be obtained by rule or regulation or by order of the Commission. So far, exemptions of this kind have all been by order. These include issues by operating public utility companies which have been expressly approved by a State commission. Owing to the variety of State laws and of practices of State commissions with respect to authorizing security issues, there are sometimes difficult questions of interpretation as to whether the action of a particular State commission constitutes approval of the issuance within the meaning of the Federal statute.

As of June 30, 1936, the Commission had received 17 applications for exemption of security issues. Of these, 13 were disposed of and 4 were pending.

ACQUISITION OF SECURITIES AND UTILITY ASSETS AND OTHER INTERESTS BY REGISTERED HOLDING COMPANIES OR THEIR SUBSIDIARIES

Acquisitions by registered holding companies or their subsidiaries of securities, utility assets, or any other interest in any other business come within the jurisdiction of the Commission.

An application for approval of an acquisition is filed with the Commission on a prescribed form (Form U-10-1, Application for Approval of Acquisition of Securities; Form U-10-2, Application for Approval of Acquisition of Utility Assets or Interest in Business). Among the standards by which the Commission must be guided in approving acquisitions is a requirement that no acquisition shall be approved unless the Commission finds that it will serve the public interest by tending towards 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 concentrated 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.

The exemptive power of the Commission with respect to acquisitions is somewhat different from that in the case of security issues. Certain acquisitions expressly approved by State commissions are automatically exempted by the statute, as are also acquisitions of Government or municipal bonds. In addition, the Commission is given a general power to exempt by rules and regulations acquisitions of securities for investment of current funds or acquisitions made in the ordinary course of business of the acquiring company. Acting under this authority, the Commission has adopted rules providing a number of exemptions. These include purchases of certain readily marketable securities generally considered appropriate for investment of current funds and also certain short-term paper, acquisitions which may be necessary to comply with conversion rights or sinking fund obligations and similar obligations, acquisitions from wholly owned subsidiaries, the receipt of stock dividends, the buying of limited amounts of securities issued by the acquiring company or its subsidiaries, and a number of other transactions where the Commission felt that the public interest would not require the imposition of the standards specified in the Act.

Supervision over the reorganization of holding companies presents one of the most important duties of the Commission. Although, as regards its most important aspects, the reorganization section of the Act has not yet become effective, the policy expressed by it is one which the Commission must constantly have in mind in passing on any transactions involving further growth of the existing systems.

As of June 30, 1936, the Commission had received and acted on 16 applications for approval of acquisition of securities and 4 applications for approval of acquisition of assets.

STATEMENTS REQUIRED PURSUANT TO SECTION 12(i) OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

Pursuant to the provisions of Section 12(i) of the Public Utility Holding Company Act of 1935, any person employed or retained by any registered holding company, or by any subsidiary company thereof, who presents, advocates, or opposes any matter affecting any registered holding company or any subsidiary company thereof 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 is required to file a statement with the Securities and Exchange Commission. The information required in this statement covers the subject matter in respect to which a person is retained or employed, the nature and character of his retainer or employment, and the amount of compensation received or to be received, directly or indirectly, in connection therewith.

The Commission has adopted Form U-12(i)-1 for use in filing this information.

As of June 30, 1936, 11 such statements had been received and examined.

RULES REGARDING SERVICE, SALES, AND CONSTRUCTION CONTRACTS

Pursuant to Section 13 of the Public Utility Holding Company Act, the Commission promulgated rules regarding service, sales and construction contracts and 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 Pursuant to Rule 13-22).

The Act outlaws, subject to a limited exemptive power in the Commission, the performance of service, sales, or construction contracts by registered holding companies for their public utility subsidiaries. Such transactions, when performed by subsidiary companies for associate companies in the same system, must be in accordance with rules and regulations or orders of the Commission.

These rules also provide, upon approval of the Commission, for the organization of mutual service companies.

Only one application on Form U-13-1 had been filed up to the close of the fiscal year.

UNIFORM SYSTEM OF ACCOUNTS FOR MUTUAL SERVICE COMPANIES AND SUBSIDIARY SERVICE COMPANIES

On May 12, 1936, the Commission adopted the "Uniform System of Accounts" for mutual service companies and subsidiary service companies. This system became effective August 1, 1936.

This uniform system of accounts is designed for use by:

- (1) Any company operating, or organized to operate, as a mutual service company under the provisions of Section 13 of the Public Utility Holding Company Act of 1935; and
- (2) Any subsidiary company whose organization and conduct of business the Commission has found sufficient to meet the requirements of Section 13(b) of the Act with respect to the performance of sales or construction work for, or the sale of goods to, associate companies.

This represents the first step in the development of uniformity in accounting in a field where quite diverse practices have prevailed.

The Commission has endeavored to provide a system comprehensive enough to cover the field, yet elastic enough to permit adaptation to varying requirements; a system which, faithfully applied, will provide information essential in the administration of Section 13 of the Act, will be workable and reasonably simple from operating viewpoint, and free from unnecessary complexities or burdensome requirements which might render it incompatible with the interests of investors and consumers.

In the preparation of this system of accounts the Commission invited the cooperation of accounting officers of public utility holding companies and of the American Institute of Accountants. As a result the Commission was accorded the active cooperation of a committee of accounting officers of the industry and also of the Special Committee on Public Utility Accounting of the American Institute of Accountants. These committees met with representatives of the Commission in conference, at which extended discussion was had on the various issues involved in this undertaking. Criticisms and suggestions were submitted also by members of the Committee on Statistics and Accounts of the National Association of Railroad and Utility Commissioners, all of which were carefully considered.

STUDY OF INVESTMENT TRUSTS AND INVESTMENT COMPANIES

Section 30 of the Public Utility Holding Company Act of 1935 authorizes and directs the Commission to make a study of the functions and activities of investment trusts and investment companies, the corporate structures, and investment policies of such trusts and companies, the influence exerted by such trusts and companies upon companies in which they are interested, and the influence exerted by interests affiliated with the

managements of such trusts and companies, upon their investment policies, and to report the results of its study and recommendations to the Congress on or before January 4, 1937.

In order to acquire adequate data and information to comply with this Congressional mandate, the Commission prepared a questionnaire to be answered by each incorporated and unincorporated investment trusts and investment companies of the management type which had, on December 31, 1935, total assets amounting to \$500,000 or more and which either had at that the 100 or more stockholders, or had at any the made a public offering of an issue of its securities. This questionnaire covered substantially the period from January 1, 1927, to December 31, 1935.

The questionnaire required information relating to the history and development of investment trusts and investment companies; their corporate structures, including the issuance, sale and distribution of securities and the indentures and agreements relating to such securities; the nature, scope, and extent of their activities including participations in underwriting syndicates and trading accounts options, short sales and other related matters; their investment policies, including contents of portfolio and volume of securities transactions; their relationship with their officers, directors, principal stockholders and with companies or firms controlled by such persons, including compensation and loans to and transactions with such persons. Information was sought as to the method of acquisition of subsidiaries and affiliates; the control and influence exercised by investment trusts over companies in which the trusts are interested; and the influence exercised by interests affiliated with the management of investment trusts upon the policies and activities of the trusts. In addition, annual balance sheets, profit and loss accounts and various supporting schedules covering the period from 1927 to 1935 were requested.

In connection with the formulation of this questionnaire, the Commission received the cooperation of representatives of investment companies, accounting societies, and independent accountants.

The Commission also prepared a summary statement required to be answered by such investment trusts and investment companies of the management type which did not have total assets of \$500,000 or more than 100 stockholders as of December 31, 1935.

Similarly, the Commission prepared, with the cooperation of the representatives of the industry and independent accountants, questionnaires for fixed and semi-fixed investment trusts; for investment plans with periodic, installment or partial payment, endowment, thrift, or insurance provisions; and for investment companies issuing, offering, or selling guaranteed face amount of securities with or without optional annuity provisions. These questionnaires required information substantially similar to that required by the questionnaire for management type investment companies.

As of June 30, 1930, the Commission had received replies from approximately 350 management investment companies with total assets of a market value of approximately \$1,700,000,000 at the end of 1935; from approximately 200 fixed and semi-fixed trusts with total assets of approximately \$200,000,000; from 30 investment plan companies with aggregate assets of over \$10,000,000; and from 3 guaranteed face amount certificates companies with total assets of \$100,000,000.

It is estimated that there are approximately one and one-quarter million shareholders of investment trusts and investment plans of all types, without allowing for indeterminable duplications, of which number approximately 750,000 are record shareholders of management trusts and management companies.

The method of study by the Commission broadly has assumed three phases.

First, an analysis and study of the material submitted by the trusts and companies in response to the questionnaires formulated by the Commission. This phase includes general and comparative statistical and corporate analysis of the data submitted by the trusts and companies, including the history and development of these trusts and companies.

In addition, reports on individual companies which had at any the assets of over \$10,000,000 are being prepared and conferences with representatives of these trusts have been held or scheduled. At some subsequent date, public hearings will be held with respect to the affairs of these companies.

Second, the Commission is studying the economic, statistical, and legal material which is available from sources other than the replies to the questionnaires.

Third, the Commission is conducting field studies of those investment trusts and investment companies which, for various reasons, were not susceptible to study and analysis through the medium of a questionnaire. The affairs of some of these companies will be examined at public hearings.

COMPLAINTS, INFORMAL AND FORMAL INVESTIGATIONS

During the fiscal year ended June 30, 1936, information of fraudulent and illegal activities in violation of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934 was received by the Commission from the public, State Securities Commissions, State and Federal officials, and voluntary agencies such as Better Business Bureaus, Chambers of Commerce, etc. The Commission also obtained such information from its own surveillance of trading activities and examination of registration statements.

Where the information indicated a substantial possibility of a violation it was handled as a complaint case. During the past year, 1,708 complaint cases were docketed. Where the information failed to indicate any substantial possibility of a violation, the communication transmitting it was handled as general correspondence. Approximately 15,000 such communications were received during the past year. When the Commission's initial inquiry into a complaint disclosed sufficient probability of a violation to justify investigation the matter was docketed and investigated informally. During the year, 1,479 such cases were docketed.

The investigative powers of the Commission under Sections 19 and 20 of the Securities Act and Section 21 of the Securities Exchange Act were invoked, by formal Commission orders in 229 cases during the past year. At the close of the preceding fiscal year, 116 such investigations were pending. Of these 345 investigations, 185 are pending and 160 were concluded as follows:

In 20 cases, the Commission sued for injunction in the Federal courts and also transmitted the evidence to the Attorney General for criminal prosecution.

In 38 cases, suits for injunction were brought by the Commission, but the evidence was not referred for prosecution.

In 19 cases, evidence of willful violation was transmitted to the Attorney General for criminal prosecution, but injunctive relief was not sought

In 3 cases, the postal authorities were apprised of the evidence discovered and the Commission's files were made available to them.

By order of the Commission, 80 investigations were closed without further action.

The statistics presented above with respect to formal investigations apply only to cases in which investigations were ordered by the Commission. In certain other cases, the Commission instituted suits for injunction without first ordering formal investigations or referred cases to the Attorney General for prosecution without resorting to formal hearings or injunctive proceedings. Similarly, in 21 cases in which no formal investigation had been instituted, the postal authorities were advised of evidence in the Commission's possession and files of the Commission were made available to them.

Table: Report of complaints, informal investigations, and formal investigations for fiscal year 1935

[Table data is in the format Category; Cases docketed 7-1-34 to 6-30-35; Total cases to be accounted for; Cases Pending 7-1-35]

Cases set up as result of complaints; 2,330; 2,330; 2,330
Informal investigations; 2,214; 2,214; 2,214
Formal investigations; 116; 116; 116

The Commission had not adopted any method of closing cases as of July 1, 1935; therefore none were shown closed at that date.

Table: Report of complaints, informal investigations, and formal investigations for fiscal year 1936

[Table data is in the format Category; Cases Pending 7-1-35; Cases docketed 7-1-35 to 6-30-36; Total cases to be accounted for; Cases closed 7-1-35 to 6-30-36; Cases Pending 7-1-36]

Cases set up as result of complaints; 2,330; 1,708; 4,038; 2,864; 1,174
Informal investigations; 2,214; 1,479; 3,693; 2,704; 989
Formal investigations; 116; 229; 345; 160; 185

HEARINGS

Hearings are conducted with respect to many phases of the work of the Commission, including (1) hearings in connection with registration of securities under the Securities Act of 1933, involving stop order and refusal order proceedings; (2) hearings in connection with the applications for the confidential treatment of material filed with registrations; hearings in connections with the registrations of brokers and dealers; hearings in connection with the withdrawal and striking from listing of securities listed or registered with national securities exchanges; hearing in connection with the suspension of members of exchanges for manipulative practices—all under the Securities Exchange Act of 1934; and (3) hearings in connection with the acquisition of assets and the acquisition of securities, exemptions and other matters under the Public Utility Holding Company Act of 1935.

The statistics given below indicate the number of orders entered for public hearings and the number of public hearings held from July 1, 1935 to June 30, 1936. (All hearings totals exclusive of protective committee study hearings.)

Securities Act of 1933 – 70 orders, 55 hearings
Securities Exchange Act of 1934 -- 46 orders; 37 hearings
Public Utility Holding Company Act of 1935 -- 132 orders; 124 hearings

Total 248 orders; 216 hearings

LITIGATION

LITIGATION UNDER SECURITIES ACT OF 1933 AND SECURITIES EXCHANGE ACT OF 1934

Since its creation, the Commission has been involved in 102 civil actions with respect to the enforcement of the Securities Act of 1933 and the Securities Exchange Act of 1934. Seventy-six of these actions arose during the fiscal year ended June 30, 1936.

Table: Statement indicating number of litigation cases under Securities Act and Securities Exchange Act by types of cases

Suits by Commission to enjoin violations of Securities Act and/or Securities Exchange Act -- 25 total as of June 30, 1935; 41 Initiated during fiscal year ended June 30, 1936; 66 total as of June 30, 1936

Suits against Commission to enjoin enforcement of Securities Act and/or Securities Exchange Act -- 4 Initiated during fiscal year ended June 30, 1936; 4 total as of June 30, 1936

Suits in which Commission has appeared and petitioned for leave to appear as amicus curiae or intervener in suits involving the Securities Act -- 20 Initiated during fiscal year ended June 30, 1936; 20 total as of June 30, 1936

Suits to compel appearance and testimony of witnesses before a trial examiner -- 1 total as of June 30, 1935; 11 Initiated during fiscal year ended June 30, 1936; 12 total as of June 30, 1936

Comparative totals 26 total as of June 30, 1935; 76 Initiated during fiscal year ended June 30, 1936; 102 total as of June 30, 1936

As a result of the suits for injunction instituted by the Commission, 142 firms and individuals had been permanently enjoined from the acts and practices complained of by June 30, 1936, and 110 of such injunctions were obtained during the past fiscal year.

The principal defendants in the suits for injunction filed by the Commission during the past year, grouped according to the Federal District Courts in which the suits were instituted, were as follows

Colorado - Amos Downs et al.

District of Columbia - Direct Royalty Sales Corporation et al.

Southern District of Florida - W. E. Boyette et al.; Cultivated Oyster Farms Corporation et al.

Southern Illinois - Upton & Co. et al.; Grinnell F. Oliver & Co. et al.; Alexander Rudolph Elchlepp.; Universal Service Association et al.

Western District of Kentucky - Stanley B. Young & Co. et al.; Collins-Moore & Co. et al.

Massachusetts - Robert Belmont.; E. E. Nazzaro & Co., Inc., et al.; Mendel Raffe.; Almarin Trowbridge.; Jack Pike.; Andrew Jensen, Jr.; George A. Fernald.; Sam Meyers.; Sidney G. Vickers.; F. S. Bryant et al.; Walter S. Thompson.

Eastern District of Michigan - Benners, Owens & Co. et al.; Levett & Co. et al.

Minnesota - H. P. Wickham et al.

Northern District of Mississippi - Jack R. Vale.; Harry W. Elliott et al.

Montana - Goldfields, Consolidated Mines, Inc., at al.

New Jersey - Whealton Co., Inc., et al.

Southern District of New York - Glengarry Mining Co. et al.; Karpel & Co., Inc., et al.; John M. Torr et al.; Lawrence. A. Rose et al.; Knapp Milton & Co., Inc., et al.; Louis Weingarten & Co. at al.; Herbert W. Schmid et al.

Northern District of Ohio - Otis & Co.

Western District of South Carolina - Franklin Savings & Loan Co. of Spartanburg, S. C., et al.

Northern District of Texas - Carl E. Krog at al.

Southern District of Texas - Walter Terry Morgan.

Eastern District of Washington - Edward Billberg et al.

Western District of Wisconsin - Crude Oil Corporation of America et al.

The principal defendants in suits to enforce subpoenas filed by the Commission during the fiscal year ended June 30, 1936, grouped according to the districts in which they were filed, were as follows:

District of Columbia - The Krystal Chemical Co., Inc., et al.

Western District of Kentucky - Collins-Moore & Co. et al.

Massachusetts - National Short Term Securities Corporation et al.

New Mexico - Royalty Bond & Share Corporation et al.

Southern District of New York - J. Edward Jones.; Thomas Bracken et al.

Western District of Oklahoma - Verser Clay Co. et al.; Black Gold Exploration Trust et al.

Northern District of Tennessee - J. Edward Mills et al.

Western District of Washington - Arthur E. Hussey.; American Rand Corporation.

The Commission also appeared as amicus curiae in 19 civil suits brought under Section 12 of the Securities Act of 1933 and petitioned for leave to intervene in 1 case involving a corporate reorganization under Section 77B of the Bankruptcy Act on the ground that certain committees had engaged in or were about to engage in acts and practices in violation of the Securities Act.

During the course of the hearing on the Commission's motion for a temporary injunction in the matter of Robert Collier & Co., Inc., Robert Collier and Eurydice Gold Mining Co., in the United States District Court for the Southern District of New York, the question was raised as to the right of the Commission to appear and prosecute injunction suits by its own attorneys, without being represented by the Attorney General of the United States or the United States Attorney for the District. In the District Court, the complaint was dismissed on the ground that the Commission could not appear by its own attorneys. On appeal to the United States Circuit Court of Appeals for the Second Circuit, this rule was reversed and the right of the Commission to prosecute injunction suits by its own attorneys was sustained.

PETITIONS FOR REVIEW IN CIRCUIT COURTS OF APPEAL

During the fiscal year ended June 30, 1936, 21 petitions were filed in 7 Circuit Courts of Appeal for review of determinations, made by the Commission upon application for confidential treatment of material filed with applications for registration of securities on various national securities exchanges, that public disclosure of material filed with it was in the public interest. Subsequent to June 30, 1936, the following additional companies filed similar petitions:

American Sumatra Tobacco Corporation, filed July 9, 1936; District of Columbia.

The Diamond Match Co, filed July 3, 1936; [illegible]

Brillo Manufacturing Co, filed July 18-21, 1936; Second District.

General Mills, Inc, filed July 23, 1936; District of Columbia.

New York Trap Rock Corporation, filed July 24, 1936; Second District.

The International Nickel Co. of Canada, Ltd, filed Aug. 25, 1936; District of Columbia.

Pulhan, Inc, filed Sept. 4, 1936 Third District.

As of June 30, 1936, none of these petitions have been disposed of by the courts. Appendix VI includes a statement indicating the names of the companies, the dates the petitions were filed, and the circuits within which filed.

REFERENCES TO THE ATTORNEY GENERAL FOR CRIMINAL PROSECUTION

During the fiscal year, 40 cases were referred to the Attorney General for criminal prosecution, bringing the total so referred to 70.

In 69 of these cases, the evidence indicated willful violations of the Securities Act. In the remaining case, the evidence indicated a conspiracy to violate Section 9 of the Securities Exchange Act. Most references followed formal investigations conducted by the Commission. In 20 of these cases, the Commission instituted injunctive proceedings in addition to referring the evidence to the Attorney General. However, in the interest of speedy justice, the Commission, in 19 instances referred to the Attorney General evidence of criminal violations obtained in the course of investigations without instituting injunctive proceedings, and in one case without either suing for injunction or conducting a formal investigation.

Of the 70 cases so referred, indictments containing counts charging violations of the Securities Act were returned in 32 cases. Thirty of such indictments were returned during the past fiscal year. In the case involving the Securities Exchange Act, an indictment was returned containing a count which charged conspiracy to violate Section 9(a)(2) of that Act.

Eleven of the cases involving violations of the Securities Act have been tried and 47 individuals convicted. Two of these persons await sentence, and 37 have been given sentences ranging from 10 days in jail to 5 years in the Federal Penitentiary and/or fines ranging from \$100 to \$4,000.

LITIGATION UNDER THE PUBLIC UTILITY HOLDING COMPANY ACT

Shortly after the passage of the Public Utility Holding Company Act of 1935, numerous holding companies instituted suits in the courts attacking the constitutionality of the Act. These suits were instituted notwithstanding the fact that the Commission, the Attorney General, and the Postmaster General had publicly disclaimed any intention to enforce the criminal penalties of the Act until the constitutionality of the law had been established by the Supreme Court in a civil suit to be duly instituted by the Commission. Forty-five suits (including stockholders' suits) were brought by or in behalf of more than 100 companies in 13 different District Courts to enjoin the enforcement of the Act.

Seven of these suits were brought in the District of Columbia. On December 7, 1935, the Attorney General and the General Counsel of the Commission made a motion in the Supreme Court in the District of Columbia to stay this pending litigation until the Supreme Court of the United States had determined the validity of the Act, in the case of the Securities and Exchange Commission v. Electric Bond and Share Company. After oral argument and filing a brief, the Government's motion was granted by order of January 9, 1936. On special appeal to the United States Court of Appeals for the District of Columbia, the order of the trial court was reversed on June 22, 1936, on the ground that the Court was without power to grant the stay since the parties and issues in the different suits were not identical. Preparation of an appropriate request to the Supreme Court for a writ of certiorari is now in progress. [Footnote: Since the writing of this report the writ of certiorari has been granted.]

The suits brought outside the District of Columbia have been or are being dismissed against the Commissioners and the Attorney General, and the Postmaster General, either on the ground that no proper service has been had or on the ground that the venue is improper. So far as these cases have been instituted against local United States Attorneys or local postmasters, the suits are not being contested.

Five stockholders' suits were brought to enjoin the enforcement of the Act. However, only one has been carried to a decision. In that case, *Public Utility Investing Corporation v. Utilities Power and Light Corporation* (82 F. 2d. 21, C. C. A., 4th, 1936), the Court refused to enjoin registration on the ground that registration would not cause the company any irreparable injury.

On November 26, 1935, the Commission, pursuant to express authority under Section 18 of the Act, brought suit in the District Court for the Southern District of New York against the Electric Bond and Share Company and its principal intermediate holding companies. The Commission sought an order from the Court that the 13 holding companies in the Bond and Share system, upon whom the Act placed a duty to register, be required to register with the Commission or to cease from performing such functions as under the Act may be performed only by registered holding companies. A stipulation of facts, worked out by a staff of attorneys for the Commission, representatives of the Attorney General's office, and counsel for the defendants, was filed with the Court on June 30, 1936. This proceeding will provide a fair and comprehensive test of the validity of the Act.

On September 16, 1935, the trustees of the American States Public Service Co., debtor, in reorganization under Section 77b of the Bankruptcy Act, filed a petition in the District Court for the District of Maryland, praying that the court determine the Act to be unconstitutional and issue instructions accordingly. Two creditors of the insolvent company filed petitions with the Court, one supporting the trustees' petition, the other, Burco, Inc., opposing the petition and alleging that the Act was constitutional. In this case, Counsel for the Commission, together with the special assistants to the Attorney General assigned to Holding Company Act litigation, appearing as amici curiae, urged that the Court had no jurisdiction to determine the validity of the Act in such a proceeding, on the ground that it was nonadversary, premature and collusive, and was totally inadequate as a vehicle for testing the validity of an important Act of Congress. On November 7, 1935, the Court ruled against the Government and held the act void in its entirety (12 F. Supp. 667). On appeal by Burco, Inc., to the Circuit Court of Appeals for the Fourth Circuit, Counsel for the Commission and for the United States again appeared as amici curiae, and contested the jurisdiction of the trial court. On February 22, 1936, the decision of the District Court was affirmed and the Act was held invalid, only, however, as applied to the debtor (81 F. 2d 721). Burco, Inc., then petitioned the Supreme Court of the United States for writs of certiorari. The Government opposed certiorari in a statement filed with the Court on March 27, 1936, on the grounds set forth above and on the additional grounds that the validity of the Act would be determined on the basis of an adequate record in the suit which the Commission had already commenced in the District Court for the Southern District of New York against the Electric Bond & Share Co. and its principal holding company subsidiaries. The Supreme Court denied certiorari on March 30, 1936.

An additional attempt to test the constitutionality of the Act in a proceeding of this type was made by the trustees of the Central West Public Service Co., debtor, in reorganization under Section 77B in the District Court for the District of Delaware. On November 29, 1935, the trustees petition for a decision on the constitutionality of the Act was denied on the ground that this attempted method of raising constitutional questions “violates accepted canons of accepted legal procedure” (13 F. Supp. 239).

FORMAL OPINIONS

During the past year, the Commission issued 121 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. These opinions were issued in the following cases:

SECURITIES ACT OF 1933, AS AMENDED

FIXING EFFECTIVE DATE OF AMENDMENTS TO REGISTRATION STATEMENTS:

In the Matter of Cornucopia Gold Mines, March 28, 1936

REFUSAL ORDERS:

In the Matter of International Investors Fund System, Inc, May 11, 1936

In the Matter of Mineral Products, Inc, May 22, 1936

STOP ORDERS:

In the Matter of American Credit Corporation, December 2, 1935

In the Matter of Franco Mining Corporation, February 1, 1936

In the Matter of La Luz Mining Corporation, October 4, 1935

In the Matter of Lewis American Airways, Inc, March 27, 1936

In the Matter of Mutual Industrial Bankers, Inc, January 4, 1936

In the Matter of National Educators Mutual Association, Inc., August 28, 1935
(Additional Findings and In the Matter of Opinion of the Commission, Jan. 17, 1936 --
Petition of B. I. Dahlberg.)

In the Matter of Newman Dick Mining & Developing Co., April 24, 1936

In the Matter of Oil Ridge Oil & Refining Co, October 9, 1935

In the Matter of Santa Lucia Mining Co, February 11, 1936

In the Matter of Snow Point Mining Co., Inc, March 14, 1936

In the Matter of Wee Investors Royalty Co, July 3, 1935

BROKER AND DEALER:

In the Matter of Harry George Ames, December 26, 1935

In the Matter of Milton Berg Arnett, December 26, 1935

In the Matter of S. J. Barlett, December 5, 1935

In the Matter of Norman Berry & Co., December 19, 1935

In the Matter of David M. Blackman, December 12, 1935

In the Matter of Chester M. Burns, December 30, 1935

In the Matter of David H. Chapman, December 30, 1935

In the Matter of H. B. Dufief, December 5, 1935

In the Matter of Stanley J. Graham, December 21, 1935

In the Matter of Industrial Engineering Co, May 23, 1936

In the Matter of Donald Montague & Co., Inc, May 14, 1936

In the Matter of Gerald Owens, April 9, 1936

In the Matter of Ruth D. Reid, December 26, 1935

In the Matter of Howard M. Roberts Co, December 30, 1935

In the Matter of William W. Venner, May 5, 1936

In the Matter of Charles C. Willson, May 26, 1936

Do, May 26, 1936

MANIPULATION:

In the Matter of Michael J. Meehan, December 6, 1936

In the Matter of Charles C. Wright et al, May 22, 1936

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

ACQUISITION OF ASSETS:

In the Matter of Fall River Electric Light Co, May 16, 1936

In the Matter of Massachusetts Power & Light Associates, Do.

In the Matter of Montana-Dakota Utilities Co, March 13, 1936

In the Matter of Nevada-California Electric Corporation, April 16, 1936

In the Matter of New England Power Association, April 16, 1936

ACQUISITION OF SECURITIES:

In the Matter of Massachusetts Lighting Cos, December 28, 1935

In the Matter of Massachusetts Utilities Associates, Do.

Do, January 17, 1936

In the Matter of The Middle West Corporation, December 28, 1935

Do, June 16, 1936

In the Matter of Public Service Co. of New Hampshire, May 28, 1936

In the Matter of North Boston Lighting Properties, December 28, 1935

In the Matter of Washington Gas Light Co, April 11, 1936

DECLARING APPLICANT NOT TO BE AN ELECTRIC UTILITY COMPANY:

In the Matter of Natrona Light & Power Co, April 4, 1936

DECLARING APPLICANT NOT TO BE A HOLDING COMPANY:

In the Matter of Clearfield Bituminous Coal Corporation, March 31, 1936

Irving Trust Co., Trustee in Bankruptcy of National Electric Power Co., National Public Service Corporation, Seaboard Public Service Co., and Electric Management & Engineering Corporation, January 10, 1936

Italian Superpower Corporation, January 29, 1936

The Lehigh Coal & Navigation Co, May 23, 1936

Montana-Dakota Utilities Co, March 27, 1936

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

In the Matter of Cresson Electric Light Co., Gallitzin Electric Light Co., and Hastings Electrical Co, March 31, 1936

EXEMPTION OF SECURITY ISSUE PURSUANT TO SECTION 6(b):

In the Matter of Connecticut River Power Co, February 12, 1936

In the Matter of East Missouri Power Co, March 30, 1936

In the Matter of The Georgetown Gaslight Co, April 11, 1936

In the Matter of Georgetown Gaslight Co. of Montgomery County, Md, Do.

In the Matter of Prince George's Gas Corporation, Do.

In the Matter of Rosslyn Gas Co, Do.

In the Matter of Southeastern Massachusetts Power & Electric Co, January 17, 1936

In the Matter of Washington Gas Light Co, April 11, 1936

In the Matter of Washington Gas Light Co. of Montgomery County, Md. , Do.

EXEMPTION FROM PROVISIONS OF THE ACT:

In the Matter of Altoona & Logan Valley Electric Railway Co, March 31, 1936

In the Matter of American Community Power Co, June 23, 1936
(Protective Committee under Deposit Agreement dated as of Jan. 15, 1932, for Secured Gold Debentures, 5 1/2% Series due 1953.)

In the Matter of Berwind-White Coal Mining Co, April 4 1936

In the Matter of Central Indiana Power Co, April 30, 1936

In the Matter of The Columbus, Delaware & Marion Electric Co, June 23, 1936

In the Matter of The Connecticut Power Co, January 4, 1936

In the Matter of Consolidated Coal Co. Consol Power Co, April 24, 1936

In the Matter of Consolidated Utilities Corporation, March 31, 1936

In the Matter of J. G. Curtis Leather Co, March 27, 1936

In the Matter of Dominion Electric Power, Ltd, April 4, 1936

In the Matter of Electric Co. of Costa Rica, March 31, 1936

In the Matter of Engineering Investors Corporation, April 30, 1936

In the Matter of Georgia Power & Light Co, June 23, 1936

In the Matter of Halsey, Stuart & Co., Inc, March 27, 1936

In the Matter of Holyoke Water Power Co, March 31, 1936

In the Matter of Hydro Electric Securities Co, March 27, 1936

In the Matter of The Indiana Natural Gas & Oil Co, May 16, 1936

In the Matter of Indianapolis Power & Light Co, June 29, 1936

In the Matter of International Public Service Corporation and American Yugoslav Electric Co, April 30, 1936

In the Matter of The Islands Gas & Electric Co, June 29, 1936

In the Matter of Long Island Lighting Co, March 27, 1936

Louisville Gas & Electric, June 29, 1936

Lynn Gas & Electric Co. and trustees, March 27, 1936

The Narragansett Electric Co, May 28, 1936

The Nashville, Chattanooga & St. Louis Railway Co, March 27, 1936

Northeastern Utility Associates and South Shore Utilities Associates, June 23, 1936

Northern Pennsylvania Power Co. and The Waverly Electric Light & Power Co., June 29, 1936

Northern States Power Co, June 23, 1936

Oxford Paper Co, March 31, 1936

Pacific Lighting Corporation, January 13, 1936

Pennsylvania Coal & Coke Corporation, March 31, 1936

Pennsylvania Water Service Co, July 1, 1936

Philokla Gas Co. & Phillips Petroleum Co, May 23, 1936

Planta Electrica, Inc, March 31, 1936

Rockland Light & Power Co, March 27, 1936

St. Croix Falls Wisconsin Improvement Co, June 30, 1936

Saugerties Gas Light Co, May 23, 1936

Scranton-Spring Brook Water Service Co, June 29, 1936

The Singer Manufacturing Co, March 27, 1936

Southern States Power Co, April 14, 1936

William R. Staats Co. and San Gorgonio Electric Corporation, June 23, 1936

Standard Oil Co. (an Indiana corporation), April 11, 1936

Standard Oil & Gas Co. and The Shannon Gas & Electric Co, May 23, 1936

The Stark Electric Railroad Co, March 31, 1936

Stearns Coal & Lumber Co, Do., 1936

The Texas Corporation, May 23, 1936

Union Pacific Railroad Co, April 22, 1936

United States Steel Corporation, American Sheet & Tin Plate Co., Carnegie-Illinois Steel Corporation, Tennessee Coal, Iron & Railroad Co., and Illinois Steel Co, May 23, 1936

West Indiana Utilities Co, April 30, 1936

Western Massachusetts Cos, March 27, 1936

Westmoreland Coal Co, March 31, 1936

J. G. White & Co, April 30, 1936

Wisconsin Power & Light Co, March 27, 1936

Do, May 29, 1936

Do, June 23, 1936

Wisconsin Public Service Corporation, June 8

FIXING DATE FOR DECLARATION TO BECOME EFFECTIVE:

In the Matter of The Middle West Corporation, December 28, 1935

In the Matter of Public Service Co. of Oklahoma, February 17, 1936

PERMITTING DECLARATION TO BECOME EFFECTIVE:

In the Matter of Southwestern Gas & Electric Co, December 19, 1935

SECURITIES VIOLATIONS FILES

During the year, considerable progress was made in assembling and compiling information for the securities violations files. As stated in the last annual report, these files were established on May 1, 1935, to provide a control index and clearing house for information relating to securities frauds in the United States and Canada.

As of June 30, 1936, the Commission has assembled data regarding the records of 21,775 persons against whom State and Federal action has been taken during the past 10 years in connection with the sale of securities.

The Commission has continued negotiations with the Post Office Department, the Federal Bureau of Investigation, State Securities Commissions, State and Federal prosecuting officials, Better Business Bureaus, Chambers of Commerce, etc., with a view to securing records and information for the securities violations files and in order to supply these agencies with information available in these files and useful to such agencies.

A monthly confidential bulletin is published and sent to approximately 750 of the agencies engaged in the prevention and punishment of securities frauds. The information published in these bulletins has aided materially in the apprehension of persons wanted for securities violations.

REPORT ON THE STUDY AND INVESTIGATION OF PROTECTIVE AND REORGANIZATION COMMITTEES

Pursuant to Section 211 of the Securities Exchange Act of 1934, which authorized and directed the Commission to make a study and investigation of the work, activities, personnel, and functions of protective and reorganization committees, the Commission made an intensive and thorough study and investigation of these committees.

The statute directed the Commission to report the result of its studies and investigations and its recommendations to the Congress on or before January 3, 1936. The magnitude of the task prevented the completion of the investigation in time to compile and assemble the voluminous factual material into a report within the time permitted by the mandate, although a strenuous endeavor was made to do so. However, a preliminary report was submitted to the Congress on January 3, 1936.

The Commission is preparing its final report in 7 parts. Three parts have been completed and submitted to Congress as follows:

PART III which was transmitted to the Congress on June 3 1936, pertains to the Committees for the Holders of Real Estate Bonds.

PART IV which was transmitted to the Congress on May 2, 1936, pertains to the Committees for the Holders of Municipal and Quasi-Municipal Obligations.

PART VI which was transmitted to the Congress on June 18, 1936, pertains to Trustees under Indentures.

The other parts of the report in preparation deal with (1) Committees and other Agencies for holders of foreign governmental issues; (2) the various techniques for effecting reorganizations; (3) the problems of control and regulation of all reorganization and protective committees; and (4) suggestions for amendments to the Bankruptcy Act and for comprehensive reorganization legislation.

PUBLIC REFERENCE ROOMS

The three Acts administered by the Commission provide for the furnishing to the public, under such regulations and at such reasonable cost as the Commission may prescribe, the information contained in registration statements, applications, reports, declarations, and other public documents filed with the Commission.

During the past year more than 13,900 members of the public visited the Public Reference Room of the Commission in Washington, D. C., for the purpose of seeking registered public information. Many thousands of letters and telephone calls relating to public information were received. Several thousand orders for photostatic copies of registered public information were also received. These orders involved over 274,000 pages.

In April 1936 the Commission established public reference rooms in the Chicago and New York Regional Offices. In the public reference room of the Chicago Regional Office there will be available to the public such copies of the applications for permanent registration of securities registered on the New York Stock Exchange and the New York

Curb Exchange as have received final examination in the Commission. In the public reference room of the New York Regional Office there will be available to the public such copies of applications for permanent registration of securities on the Chicago Curb Exchange, the Chicago Stock Exchange, and the Chicago Board of Trade as have received final examination in the Commission.

The rules of the Commission provide that each issuer of a security registered on a national securities exchange shall file an annual report with the Commission. These annual reports are designed to keep up to date the information filed in original applications for permanent registration, and they are to be filed not more than 120 days after the close of each fiscal year ending on or after December 31, 1935. These reports will also be made available to the public in the public reference rooms in the New York and Chicago Regional Offices in the same manner as the applications for permanent registration of securities, as prescribed in the preceding paragraph.

Photostatic copies of registered public information may be obtained from the offices of the Commission at Washington only.

PUBLICATIONS

Information concerning the activities of the Commission is made available to the public through releases issued to the press and through the medium of a mailing list established for the convenience of those members of the public who wish to receive releases currently.

Releases are issued announcing rules, regulations, orders, opinions, findings, filings of registration statements and applications, effectiveness of registration statements, public hearings, and reports and statements filed by security issuers, officers, directors, and principal stockholders. The releases of the Commission are classified according to subject, and members of the public may have their names placed upon the mailing list, to receive any or all classes of releases.

During the year ended June 30, 1936, the Commission published 448 releases concerning its activities under the Securities Act of 1933, 450 releases under the Securities Exchange Act of 1934, and 268 releases under the Public Utility Holding Company Act of 1935. Of the total 1,166 releases issued under the three Acts, 509 releases were announcements concerning registration statements and applications filed with the Commission; 242 releases contained orders of the Commission; 141 releases were announcements of rules, regulations, and amendments; and 274 releases dealt with announcements of public hearings, legal opinions, effective registrations, statistical analyses, and a few miscellaneous announcements.

In addition to the above releases the following publications were issued by the Commission during the year:

Official Summary of Stock Transactions and Holdings, issued semimonthly, as well as a Base Summary showing the holdings of Officers, Directors, and Principal Stockholders, as of December 31, 1935.

Directory of Over-the-Counter Brokers and Dealers registered with the Securities and Exchange Commission, as of January 31, 1936.

List of securities registered, exempt from registration, or admitted to unlisted trading privileges under the Securities Exchange Act, as of June 30, 1936.

Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies under the Public Utility Holding Company Act of 1935.

Report to the Congress on Trading in Unlisted Securities upon Exchanges.

Report to the Congress on the Feasibility and Advisability of the Complete Segregation of the Functions of Dealer and Broker.

Preliminary Report to the Congress on the Study and Investigation of Protective and Reorganization Committees.

Report to the Congress on the Study and Investigation of the Work, Activities, Personnel, and Functions of Protective and Reorganization Committees:

PART III -- Committees for the Holders of Real Estate Bonds.

PART IV -- Committees for the Holders of Municipal and Quasi-Municipal Obligations.

PART VI -- Trustees under Indentures.

PERSONNEL

The Commission and personnel, at the close of the fiscal year, consisted of 1,077 persons. This total comprised 5 Commissioners and 1,072 employees, 698 of whom were men and 374 were women.

Statistics:

Commissioners – 5

Departmental:

Permanent – 816

Temporary – 36

Regional Offices
Permanent – 209
Temporary – 11

Subject to retirement act -- 593

RULES OF PRACTICE OF THE COMMISSION

During the year Rules of Practice were adopted governing appearance and practice before the Commission, hearings, evidence, motions, depositions, filing of reports, exceptions, briefs, and other papers. These rules became effective September 13, 1935. [Footnote: The Rules of Practice as amended November 4, 1936, appear in Appendix I.]

ADMISSIONS TO PRACTICE

Rule II of the Rules of Practice, as amended, which contain the provisions governing admissions to practice, provides that persons whom the Commission finds, on consideration of their application, to be of good moral character and to possess the requisite qualifications to represent others may be admitted to practice as Attorney Or Agent before the Commission. The Commission adopted forms of application for admission to practice as Attorney and as Agent.

Effective November 1, 1935, a register has been maintained in which the names and addresses of all persons admitted to practice before the Commission have been entered. The following statistics indicate the number of applications received, the number of persons admitted to practice, and the number of applications pending as of June 30, 1936:

Attorneys: 876 applications received, 840 persons admitted to practice, 36 applications pending

Agents: 528 applications received, 517 persons admitted to practice, 11 applications pending

Total: 1,404 applications received, 1,357 persons admitted to practice, 47 applications pending

FISCAL AFFAIRS

APPROPRIATIONS

The Congress appropriated \$3,029,494 for the Commission during the fiscal year 1936. This amount was derived from the following sources:

Independent Offices Appropriation Act, fiscal year 1936

Salaries and expenses -- \$2,234,494

Printing and binding -- \$30,000

Subtotal -- \$2,264,494

Supplemental Appropriation Act, fiscal year 1936

Salaries and expenses -- \$750,000

Printing and binding -- \$15,000

Subtotal -- \$765,000

Total -- \$3,029,494

EXPENDITURES AND OBLIGATIONS

The expenditures and obligations for the fiscal year ended June 30, 1936, are as follows:

Salaries

Departmental

Permanent -- \$1,928,040

Temporary -- \$43,820

Field -- \$498,525

Mileage and witness fees -- \$25,093

Supplies and materials -- \$104,298

Communication service -- \$47,132

Travel expense -- \$135,793

Transportation of things -- \$1,741

Reporting hearings -- \$21,148

Heat, light, and power -- \$2,320

Rents -- \$50,274

Repairs and alterations -- \$9,549

Special and miscellaneous expenses -- \$1,897

Purchase of equipment -- \$94,045

Subtotal -- \$2,963,675

Printing and binding -- \$842,699

Grand total obligations -- \$3,000,374

Unobligated balance -- \$23,120

Available funds -- \$3,029,494

[Miscellaneous Receipts Table not reproduced]

PART III

APPENDIX I

RULES OF PRACTICE AS AMENDED NOVEMBER 4, 1903

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, Fort Worth, Denver, San Francisco, and Seattle.

RULE II

APPEARANCE AND PRACTICE BEFORE THE COMMISSION

[Footnote: Appearance and practice before the Commission under the Public Utility Holding Company Act of 1935 is subject also to the requirements of Sec. 12(i) of that Act.]

(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 duly admitted to practice before the Commission.

(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) In all matters other than hearings before the Commission or a trial examiner, a person may be represented by an agent who is duly admitted to practice before the Commission.

(e) All persons appearing before or transacting business with the Commission in a representative capacity may be required to file powers of attorney with the Commission showing their authority to act in such capacity.

(f) A register will be maintained by the Commission in which will be entered the names and addresses of all persons admitted to practice before the Commission. Only individual members of firms will be admitted.

(g) Subject to the provisions of paragraphs (e) and (f) of this rule, the following classes of persons whom the Commission finds, on consideration of their applications, to be of good moral character and to possess the requisite qualifications to represent others, may be admitted to practice before the Commission

(1) Attorneys at law who are admitted to practice before any court of the United States, or the highest court of any State or Territory.

(2) Any person, not an attorney, to be designated as agent, who is a citizen of the United States and who shall in the opinion of the Commission, possess the necessary education, training, experience, and technical qualifications which would enable him properly to represent others before the Commission.

(h) An application for admission to practice shall be addressed to the Securities and Exchange Commission, Washington, D. C., stating under oath the name, residence address, and business address of the applicant. In the case of an attorney, the time and place of admission to the bar and whether the applicant has ever been suspended or disbarred as an attorney in any court or jurisdiction shall be stated. In the case of an agent, the application shall state briefly his education, training, experience, and technical qualifications.

(i) In the discretion of the Commission or trial examiner, an attorney at law may be permitted to appear for purpose of any proceeding, though not theretofore admitted to practice before the Commission in the way prescribed.

(j) All persons appearing in any proceeding shall conform to the standards of conduct generally required of practitioners at law.

(k) The Commission may deny admission to, suspend, or disbar any person who is found by the Commission not to possess the requisite qualifications to represent others, or to be lacking in character, integrity, or proper professional conduct. A person who has been admitted to practice may be suspended or disbarred only after he has been afforded an opportunity to be heard, but 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 proceeding.

RULE III

NOTICE OF HEARINGS IN CERTAIN PROCEEDINGS

(a) Whenever a hearing is ordered by the Commission in any proceeding under section 8 of the Securities Act of 1933, 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 statements of a material fact or to omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. Such notice shall be given either by personal service or by confirmed telegraphic notice and shall be given a reasonable time before the hearing. The personal notice or the confirmation of the telegraphic notice shall be accompanied by a short and simple statement of the matters to be considered and determined at the hearing.

(b) Whenever a hearing is ordered by the Commission in any other 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 person or persons entitled to receive the same. Such notice shall state the time and place of hearing and shall include 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.

(c) Notice of any hearing before a trial examiner which may be called 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, shall state that no trial examiner's report will be made on the question of postponement of registration, and that such question of postponement will be considered and determined by the Commission on the transcript of the testimony, and that prior to determination of such question of postponement the broker or dealer will be entitled to be heard before the Commission on the transcript.

RULE IV HEARINGS; EVIDENCE

(a) Hearings shall be held as ordered by the Commission.

(b) All hearings, except hearings, if ordered, on objections to public disclosure of information pursuant to the provisions of clause 30 of schedule A of the Securities Act of 1933 or section 24 (b) of the Securities Exchange Act of 1934, shall be public, unless otherwise ordered by the Commission, and shall be held before the Commission, one or more of its members, or a duly designated officer herein referred to as the trial examiner.

References herein to hearings before the Commission shall include hearings before one or more members of the Commission.

(c) Hearings shall be stenographically reported and a transcript thereof shall be made which shall be a part of the record of the proceeding. Transcripts will be supplied to the parties by the official reporter at such rates as may be fixed by contract between the Commission and the reporter.

(d) Objections to 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. 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.

RULE V MOTIONS

(a) Motions before the Commission or the trial examiner shall state briefly the purpose thereof and all supporting affidavits, records, and other papers, except such as have been previously filed, shall be filed with such motions and clearly referred to therein.

(b) Motions in any proceeding before a trial examiner which relate to the introduction or striking of evidence may be ruled on by the trial examiner. Exception to any such ruling must be noted before the trial examiner, in order to be urged before the Commission. All other motions, including motions to dismiss, in any proceeding before a trial examiner shall be reserved and shall be ruled upon by the Commission.

RULE VI 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 adjourned from time to time by the Commission or trial examiner.

RULE VII
DEPOSITIONS

- (a) The Commission may, for cause shown, order testimony to be taken by deposition.
- (b) Any party desiring to take a deposition shall make application in writing, setting forth time reasons why such deposition should be taken, the name and residence of the witness, and the matters concerning which it is expected the witness will testify. 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 by the Secretary, or other duly designated officer of the Commission, a reasonable time in advance 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 the form of questions or answers must be made before the officer taking the deposition and if not so made, 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.
- (f) Such depositions shall conform to the specifications of Rule XIV.
- (g) Depositions not received in evidence at a hearing before the Commission or a trial examiner shall not constitute a part of the record in any proceeding, unless the parties shall so agree, or the Commission shall so order.
- (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 by the Secretary or other duly designated officer of the Commission. Within 5 days any other party 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, 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 examiner. 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 party 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 VIII TRIAL EXAMINER'S REPORT

(a) Following any hearing before a trial examiner 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, the transcript of the testimony shall forthwith be filed with the Secretary of the Commission.

(b) Following any hearing before a trial examiner relating to any matter other than 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, the trial examiner shall, within 10 days after receipt 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 XII (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 hearing on the merits before 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 on or after such opening date may omit such statement.

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

(e) The trial examiner, in his discretion, may request from each party or his attorney a statement in writing in terse outline setting forth proposed findings of fact. Such statements shall not be exchanged between counsel and shall not be argued before the trial examiner. Any such statement shall be submitted within 5 days after the transcript has been filed with the Secretary of the Commission.

(f) The provisions of this rule and of Rules IX, X, and XI shall not be applicable to hearings pursuant to Clause 30 of Schedule A of the Securities Act of 1933, as amended, or hearings pursuant to Section 24(b) of the Securities Exchange Act of 1934, as amended, or hearings pursuant to Section 22(b) of the Public Utility Holding Company Act of 1935.

RULE IX EXCEPTIONS

Any party may, within 5 days after receipt of a copy of the trial examiner's report, file exceptions to the findings of the trial examiner or his failure to make findings, or to the admission or exclusion of evidence. A copy of such exceptions shall be forthwith served on each party 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.

RULE X BRIEFS

(a) Any party to a proceeding may file a brief in support of his contentions within 15 days from the date of service on such party of a copy of the trial examiner's report, or in the case of hearings before the Commission within 15 days from the time the transcript is filed with the Secretary of the Commission.

(b) All briefs shall be confined to the particular matters in issue. Reply briefs shall be confined to matters in original briefs of opposing parties. Any scandalous or impertinent matter contained in any brief may be stricken on order of the Commission.

(c) All briefs 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. No briefs shall exceed 60 pages in length, except with the permission of the Commission.

(d) Copies of briefs shall be served by the Secretary or other duly designated officer of the Commission on the opposing party or parties and reply briefs may be filed within 5 days thereafter. Briefs not filed on or before the time fixed in these rules will be received only by special permission of the Commission.

RULE XI HEARINGS ON REVIEW BEFORE THE COMMISSION

(a) Upon written request of any party, which must be made within the time provided for filing the original briefs, the matter will be set down for oral argument before time Commission.

(b) If oral argument before the Commission is not requested, the matter will be considered without argument by the Commission on the record of the hearing before the Commission or trial examiner, the trial examiner's report, exceptions thereto, and the respective briefs submitted.

(c) No exception to a trial examiner's report need be considered by the Commission, unless such exception shall have been filed with the Commission within the time prescribed in these rules. Exceptions not briefed may be treated as waived.

(d) If any party shall apply to the Commission for leave to adduce additional evidence, and 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, the Commission may hear such additional evidence or may refer the proceeding to the trial examiner for the taking of such additional evidence.

RULE XII

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, UB2 or 22B-1 of Rules and Regulations of the Commission, together with applications making objection to the disclosure thereof, shall be filed within line 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, except that in any case where the hearing has been held in a district within which a regional office has been established, papers filed under Rules VIII (e), IX, X and XI (a) may be filed with the Regional Administrator for the District, within the times prescribed. The Regional Administrator shall immediately transmit such papers to the Secretary or Chairman of the Commission, as the case may be in accordance with the provisions of this rule.

(b) All papers containing data as to which confidential treatment is sought pursuant to Rules 580, UB2 or 22B-1 of Rules and Regulations of the Commission, together with applications making objection to the disclosure thereof, shall be, made available to the public only in accordance with the applicable provisions of Rules 580(h), UB2(i), or

22B-1(b). All reports, exceptions, briefs, and of her papers filed in connection within any hearing pursuant to Section 15(b) or Section 19(a)(3) of the Securities Exchange Act of 1934, as amended, shall first be made available to the public on the opening date of public hearing on the merits before the Commission.

(c) The Secretary shall maintain a docket of all proceeding, and each proceeding shall be assigned a number.

(d) When the time prescribed by these rules or by the Commission for doing any act expires on a Sunday or legal holiday, such time shall be extended to include the next succeeding day that is not a Sunday or a legal holiday, but Sundays and legal holidays shall be included in computing the time allowed for doing any act.

(e) Unless otherwise specifically provided in these rules, an original and eight copies of all papers shall be filed, unless the same be printed, in which case 20 copies shall be filed.

RULE XIII

SERVICE OF REPORTS, EXCEPTIONS, BRIEFS, AND OTHER PAPERS

Except as otherwise specifically provided by law or by these rules, all reports, exceptions, briefs, or other documents or papers required by these rules to be served on any party to a proceeding, shall be served by the Secretary or other duly designated officer of the Commission as follows:

(1) Service, except on counsel for 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.

(2) Service on counsel for the Commission shall be made by delivery to the head of the division to which such counsel is assigned.

RULE XIV

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 10 1/2 inches long, with left-hand margin 1 1/2 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 by the party filing the same, or his duly authorized attorney or agent, 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 time docket number assigned to the proceeding.

RULE XV 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 XVI NONAPPLICABILITY OF RULES TO INVESTIGATIONS

These Rules 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(c), and 30 of the Public Utility Holding Company Act of 1935.

APPENDIX II Guide to Forms

[Footnote: This guide is designed to aid in the selections of appropriate forms and is revised from time to time as circumstances require. Copies of the forms herein referred to will be furnished without charge upon request.]

GUIDE TO FORMS ADOPTED UNDER THE SECURITIES ACT OF 1933

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-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: (1) Such corporation has made annually 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 (2) 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 time corporation upon any of its funded indebtedness within the period of 15 years prior to the date of time filing of time 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; arid

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 F-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 F-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. [Footnote: Rule 5 (1) defining the term “reorganization” is set forth below under the caption “Form E—1 For Securities in Reorganization.”

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,

Rule 5 (1) defining the term “reorganization” is set forth below under the caption “Form E—1 For Securities in Reorganization.” 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 in to 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.

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 3 of certificates of interest in securities of a single class of a single 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 depository;
- (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 D-1 FOR CERTIFICATES OF DEPOSIT (EXCEPT THOSE FOR WHICH FORM D-1A IS SPECIFIED)

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 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

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 reorganization. [Footnote: 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.]

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.

In the case of any guarantee of, or assumption of liability on, securities heretofore registered on Form D-2, registration of such guarantee or assumption of liability may, at the option of the issuer, be effected on Form D-2 or Form E-1.

FORM F-1 FOR VOTING TRUST CERTIFICATES

This form is to be used to register voting trust certificates issued in the course of reorganization or otherwise.

FORM G-1 FOR FRACTIONAL UNDIVIDED GAS AND OIL ROYALTY INTERESTS

Form G-1 is to be used to register fractional undivided producing oil and gas royalty interests.

The term “producing royalty interest” means any royalty interest in a tract of land from which oil and gas was being produced in commercial quantities within 7 days prior to the filing of the registration statement and from which the 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 GAS AND OIL ROYALTY INTERESTS

Form G-2 is to be used to register fractional undivided nonproducing oil and gas royalty interests.

The term “nonproducing royalty interest” means any royalty interest not included in the definition of “producing royalty interest” above. [Footnote: 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.]

FORM 1-G FOR CONFIDENTIAL STATEMENT OF SALE OF OIL OR GAS INTEREST

This form is to be used for confidential statements of sales of oil or gas interests.

FORM 2-G FOR REPORT OF SALE OF OIL OR GAS RIGHT

This form is to be used for reports of sale of oil or gas rights, required to be filed by Rule 326.

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.

GUIDE TO FORMS ADOPTED UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR APPLICATIONS FOR REGISTRATION OF SECURITIES ON NATIONAL SECURITIES EXCHANGES

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 7. -- 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 JB2. (Rule JB2 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 filed on or after March 7, 1936, 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, or 17 would be the form appropriate for registration in case the registrant did not have securities so previously registered.

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 (A) from the substitution of issuers incident to the succession, or (B) from changes in capital stock liability per share, or (C) 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 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 statement filed by an exchange. -- This form shall be used for filing amendatory and/or supplementary statements to applications for exemption from registration of national securities exchanges.

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 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 under Section 219 of the Communications Act of 1934; certificates of deposit; voting trusts certificates; American certificates against foreign issues, either Government or private; securities of insurance companies; securities of banks and bank-holding companies; securities of investments 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 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 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 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 under Section 219 of the Communications Act of 1934, and in receivership or in bankruptcy (including proceedings under Sections 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 for the permanent registration of securities of foreign governments and political subdivisions thereof, filed on or after July 1, 1935: *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 depository (whether physically held by such depository 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 (1) issued by a national of a foreign country other than a North American country or Cuba, or (2) 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 (1) issued by a national of a foreign country other than a North American country or Cuba; (2) issued by a national of a North American country or Cuba which are guaranteed by any foreign government; (3) issued by any corporation or unincorporated association, foreign or domestic, which is directly or indirectly owned or controlled by any foreign government; or (4) 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
- (a) 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 1-J. -- This form is to be used for applications for registration of unissued warrants or certificates pursuant to Section 12(d) of the Securities Exchange Act of 1934 for “when issued” dealing on a national securities exchange.

Form 2-J. -- This form is to be used for applications for registration of unissued securities, other than unissued warrants or certificates, pursuant to Section 12(d) of the Securities Exchange Act of 1934 for “when issued” dealing on a national securities exchange.

Form 3-J. -- Form 3-J must be used to report any inaccuracy, omission, or other deficiency in the information contained in the application for registration on Form 1-J or Form 2-J or in any supplemental statement filed by an issuer or an exchange and to report changes which have occurred since the filing of the application for registration or the last supplemental statement and which render no longer accurate the information contained therein.

Form 4-J. -- This form is to be used for statements in respect of exemption of issued warrants or certificates pursuant to Section 3(a) (12) of the Securities Exchange Act of 1934.

Form 5-J. -- Form 5-J must be used to report any inaccuracy, omission, or other deficiency in the information contained in the statement filed on Form 4-J or in any supplemental statement filed by an issuer or an exchange and to report changes which have occurred since the filing of Form 4-J or the last supplemental statement and which render no longer accurate the information contained therein.

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 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 REGISTRATION OF BROKERS AND DEALERS TRANSACTING BUSINESS ON OVER-THE-COUNTER MARKETS

Form 3-M. -- 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. -- 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 MB4, 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. -- This form is to be used by a broker or dealer in adopting as its own, pursuant to Section 15(b) of the Securities Exchange Act of 1934 as amended, an

application for registration previously filed on Form 3-M or 4-M by a broker or dealer to which it is the successor.

Form 6-M. -- This form is to be used for supplemental statements reporting changes which render inaccurate information contained in previously filed applications, adoptions or supplemental statements.

FOR ANNUAL AND OTHER REPORTS OF ISSUERS HAVING SECURITIES REGISTERED ON NATIONAL SECURITIES EXCHANGES

Form 8-K for Current Reports. Reports on this form are to be filed in the first 10 days of the month following the month in which there occurs any of the following events:

1. Material amendments of exhibits previously filed.
2. The execution of new voting trust agreements and certain other instruments.
3. Substantial restatements of the capital shares account.
4. The issuance of any new class of securities, or an increase or decrease of more than 5 percent in the amount of any class of securities outstanding.
5. Under certain circumstances, the granting by the registrant of options to purchase any of its equity securities, or the extension or exercise of such options.
6. A person's becoming or ceasing to be a parent or subsidiary of the registrant.
7. Substantial revaluations of the registrant's assets.
8. Substantial withdrawals or substitutions of property securing any registered securities.

No reports of this type are called for unless at least one of the above events occurs and has not already been reported to the Commission in a registration statement or an annual report under the Securities Exchange Act of 1934. This form does not call for the filing of interim financial statements.

If any of the above events has already occurred since the close of the fiscal year covered by the registrant's first annual report (or in the case of an issuer which had no securities registered on Dec. 31, 1935, if any such event has occurred since the date on which registration of any of its securities first became effective) and has not been previously reported, such event, as well as any other of the specified events which may occur on or

before December 31, 1936, must be reported on this form, 8-K, on or before January 10, 1931. Thereafter, a current report is to be filed within 10 days after the close of any calendar month in which one or more of the events occurred. A single report may be filed with respect to all events occurring in any one month. No report need be filed for any month during which none of the enumerated events occurred.

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 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 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 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, 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 report 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.

GUIDE TO FORMS ADOPTED UNDER THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

Form U-1. Notification of registration. -- A notification of registration, pursuant to Section 5 (a), may be filed on this Form. [Footnote: After Nov. 1, 1936, a notification of registration must be filed on Form U-5-A adopted Oct. 2, 1936.)

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 3D-4 and also for the quarterly reports to be filed by such a company.

Form U-3A3-1. Quarterly statement filed by banks claiming exemption. -- This Form is prescribed for quarterly reports to be filed by banks claiming exemption from any provisions of the Act by virtue of Rule 3A3-1.

Form U-7. Declaration filed pursuant to Section 7. -- This Form is to be used by a registered holding company or subsidiary company thereof, either as a declaration in respect to the issue or sale of securities, or as a declaration in respect to the exercise by the declarant of a privilege or right to alter the priorities, preferences, voting power, or other rights of the holders of its outstanding securities.

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 securities by a registered holding company or a subsidiary company thereof, or for approval of 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 who will become such an affiliate by virtue of such acquisition.

Form U-10-2. Application pursuant to Section 10(a)(2) or 10(a)(3). -- This Form is to be used for applications for the approval of the acquisition of utility assets or other interest in any business by a registered holding company or a subsidiary company thereof.

Form U-12(i) -1. Statement required pursuant to Section 12(i) . -- This Form is to be used for statements to be filed with the Commission, pursuant to Section 12(i), by any person employed or retained by any registered holding company or by any subsidiary company thereof, who presents, advocates, or opposes any matter affecting any such company 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 Commission.

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 13-22, in filing an application for approval of a mutual service company or in filing a declaration with respect to the organization and conduct of business of a subsidiary service company.

Form U-17-1. -- This Form is to be used by each officer and director of a registered holding company for the statement required by Section 17(a) as to the securities of such company or any subsidiary thereof of which he is the beneficial owner either at the time of the registration of such company or within 10 days after his appointment or election to such position. A statement must be filed on such form even though the officer or director owns no securities of such companies.

Form U-17-2. -- This Form is to be used by officers and directors of registered holding companies in reporting monthly changes in their beneficial ownership of securities of such holding companies or any of their subsidiaries, as required by Section 17(a).

Form U-17-3. -- This Form is to be used for statements to be signed by officers or directors with respect to whom exemption is claimed pursuant to Rule 17C-11, from the provisions of Section 17(c) of the Public Utility Holding Company Act of 1935.