

## PART VI

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

The Public Utility Holding Company Act of 1935 provides for the regulation by the Commission of interstate public-utility holding company systems engaged in the electric utility business or in the retail distribution of gas. The matters dealt with embrace intricate and complex questions of law and fact, and generally involve one or more of three major areas of regulation. The first embraces those provisions of the Act, contained principally in Section 11 (b) (1), which require the physical integration of public-utility companies and functionally related properties of holding company systems, and those provisions, contained principally in Section 11 (b) (2), which require the simplification of intercorporate relationships and financial structures of holding company systems. The second area of regulation covers the financing operations of registered holding companies and their subsidiaries, the acquisition and disposition of securities and properties, and certain accounting practices, servicing arrangements and intercompany transactions. The third area of regulation includes the exemptive provisions of the Act, the provisions covering the status under the Act of persons and companies, and those regulating the right of a person affiliated with a public-utility company to acquire securities resulting in a second such affiliation.

The staff functions under the Act are performed in the Branch of Public Utility Regulation of the Division of Corporate Regulation.

#### COMPOSITION OF REGISTERED HOLDING COMPANY SYSTEMS— SUMMARY OF CHANGES

On June 30, 1958, there were 22 registered holding company systems subject to the regulatory provisions of the Act. Of these 22, four systems, namely, (1) Central Public Utility Corporation, (2) Cities Service Company, (3) Electric Bond and Share Co., and (4) Standard Shares, Inc., do not own as much as 10 percent of the voting securities of any public-utility company operating within the United States. The remaining 18 systems are referred to herein as "active registered systems."

Included in the 18 active registered systems there were 19 registered holding companies of which 13 function solely as holding companies and 6 function as operating companies as well as holding companies.<sup>1</sup> In addition, in these systems there are 100 electric and gas utility sub-

<sup>1</sup> In one of these systems there are two companies each of which is a registered holding company.

subsidiaries, 42 non-utility subsidiaries, and 15 inactive companies, totaling 176 system companies.

The following tabulation shows the number of holding companies, electric and gas utility companies and non-utility companies in each of the 18 active registered systems as at June 30, 1958, and their aggregate assets, less valuation reserves, as of December 31, 1957:

*Classification of companies as of June 30, 1958*

System	Solely registered holding companies	Registered holding-operating companies	Electric and gas utility subsidiaries	Non-utility subsidiaries	In-active companies	Total companies	Aggregate system <sup>1</sup> assets, less valuation reserves at Dec. 31, 1957
1. American Electric Power Co., Inc.	1		13	10	1	25	\$1,283,250,199
2. American Natural Gas Co.	1		2	5	0	8	689,784,979
3. Central and South West Corp.	1		6	0	1	8	<sup>2</sup> 585,059,686
4. Columbia Gas System, Inc., The	1		9	8	0	18	852,342,000
5. Consolidated Natural Gas Co.	1		4	2	0	7	614,499,242
6. Delaware Power & Light Co.		1	2	0	0	3	180,200,857
7. Eastern Utilities Associates.	1		5	0	2	8	89,892,898
8. General Public Utilities Corp.	1		7	2	0	10	789,297,209
9. Granite City Generating Co. (Voting Trust)	1		1	0	0	2	<sup>3</sup> 459,672
10. Middle South Utilities, Inc.	1		6	0	5	12	669,301,581
11. National Fuel Gas Co.	1		3	6	0	10	183,336,148
12. New England Electric System	1		23	1	4	29	576,354,206
13. Ohio Edison Co.		1	3	0	0	4	532,815,000
14. Philadelphia Electric Power Co.		1	1	0	1	3	43,107,292
15. Southern Company, The	1		5	2	1	9	1,037,407,021
16. Union Electric Co.		1	3	1	0	5	524,864,889
17. Utah Power & Light Co.		1	2	0	0	3	213,939,205
18. West Penn Electric Co., The	1	1	12	6	1	21	519,667,697
Subtotals	13	6	107	43	16	185	9,385,579,781
Less: Adjustment to eliminate duplication in count resulting from 5 companies being subsidiaries in 2 systems and 2 companies being subsidiaries in 3 systems. <sup>4</sup>			-7	-1	-1	-9	
Add: Adjustment to include the assets of these 7 jointly owned subsidiaries and to remove the parent companies' investments therein which are included in the system assets above							562,057,598
Total companies and assets in active systems	13	6	100	42	15	176	9,947,637,379

<sup>1</sup> Represents the consolidated assets, less valuation reserves, of each system as reported to the Commission on Form U5S, except as otherwise noted.

<sup>2</sup> Does not include Compania Electrica de Matamoros, S. A. which, as at December 31, 1957, had assets, less valuation reserves, amounting to 13,754,490 Mexican Pesos (equivalent to approximately 1,100,359 United States dollars at the official exchange rate). Central and South West's investment in this company is carried at one dollar.

<sup>3</sup> Represents the corporate assets of Granite City Generating Co. at March 31, 1958. Assets of the Voting Trustees of Granite City Generating Co., the holding company parent of the Generating Co., have not been reported.

<sup>4</sup> These 7 companies are Beech Bottom Power Co., Inc. and Windsor Power House Coal Co., which are indirect subsidiaries of American Electric Power Co. and The West Penn Electric Co.; Ohio Valley Electric Corp. and its subsidiary, Indiana-Kentucky Electric Corp., which are owned 37.8 percent by American Electric Power Co., 16.5 percent by Ohio Edison Co., 12.5 percent by The West Penn Electric Co., and 33.2 percent by other companies; Electric Energy Inc. which is owned 10 percent by Middle South Utilities, Inc., 40 percent by Union Electric Co., and 50 percent by 3 other companies; Mississippi Valley Generating Co. which is owned 79 percent by Middle South Utilities, Inc., and 21 percent by The Southern Co.; and Arklaohma Corp. which is owned 32 percent by Central and South West Corp. system, 34 percent by Middle South Utilities, Inc. system and 34 percent by a third company.

In the active systems four new corporations were organized during the fiscal year of which one was a gas utility company and three were non-utility companies. In addition, two going concerns were acquired one of which was an electric utility company and one of which was a non-utility company. One non-utility subsidiary was dissolved and two electric utility companies were merged. These changes resulted in a net increase of three in the total number of companies comprising the active systems. While there were net decreases during fiscal 1956 and 1957 of 32 and 11, respectively, in the number of companies comprising the active systems, certain systems are carrying out realignment programs and it is too early to state whether a leveling off has occurred in the total number of companies subject to regulation under the Act.

While most of the Section 11 problems existing at the time of the passage of the Act have been resolved, there still remain a number of issues which have not as yet been determined. Examples are: In its order under Section 11 (b) (1) with respect to The Columbia Gas System, Inc., the Commission reserved jurisdiction concerning the retainability in the system of the properties of ten companies (subsequently reduced to six) and in this connection there is a proceeding pending before the Commission which is discussed at page 114 of this Report. In addition, this registered holding company has an overall plan for the realignment of its properties which likewise is discussed at page 114. There is a problem under Section 11 (b) (1) of the Act with respect to Consolidated Natural Gas Co. relating principally to the retainability of non-utility pipe line properties. With respect to Delaware Power & Light Co. there exists the question of whether the gas and electric facilities are retainable under common control. The Commission, by order dated April 14, 1950, directed the disposition of the gas properties of Blackstone Valley Gas & Electric Co., a subsidiary of Eastern Utilities Associates. This system has pending before the Commission an application-declaration covering several transactions designed to accomplish the disposition of the gas properties required to be divested. That matter is discussed at page 114 of this Report. National Fuel Gas Co. system has oil, real estate, and gas transmission businesses, the retention of which has not been determined. With respect to New England Electric System there is pending before the Commission a proceeding under Section 11 (b) (1) of the Act to determine whether the gas properties of the subsidiary companies are retainable. That proceeding is discussed at page 116 of this report. In its application pursuant to Section 3 (a) (2) of the Act requesting an exemption from all of the provisions of the Act, Union Electric Co. also requested that the Commission release jurisdiction previously reserved

by the Commission over the retainability of the gas properties owned by system companies. There is also a problem under Section 11 (b) (1) of the Act whether Utah Power & Light Co. may retain its subsidiary, The Western Colorado Power Co. Those problems have not as yet been resolved.

The maximum number of companies subject to the Act as components of registered holding company systems at any one point of time was 1,620 in 1938. Since that time additional systems have registered and certain systems have organized or acquired additional subsidiaries, with the result that 2,385 companies have been subject to the Act as registered holding companies or subsidiaries thereof during the period from June 15, 1938, to June 30, 1958. Included in this total were 216 holding companies (holding companies and operating-holding companies), 1,021 electric and gas utility companies and 1,148 non-utility enterprises. From June 15, 1938 to June 30, 1958, 2,046 of these companies have been released from the active regulatory jurisdiction of the Act or have ceased to exist as separate corporate entities. Of this number 922 companies with assets aggregating approximately \$13 billion as at their respective dates of divestment have been divested by their respective parents and are no longer subject to the Act as components of registered systems. The balance of 1,124 companies includes 776 which were released from the regulatory jurisdiction of the Act as a result of dissolutions, mergers and consolidations and 348 companies which ceased to be subject to the Act as components of registered systems as a result of exemptions granted under Sections 2 and 3 of the Act and deregistrations pursuant to Section 5 (d) of the Act.

#### DEVELOPMENTS IN INDIVIDUAL REGISTERED SYSTEMS

There is discussed below each of the active registered systems and the other systems in which there occurred during the fiscal year 1958 significant developments other than financing transactions. The financing activities of registered holding companies and their subsidiaries are treated below in a separate section of this report.

##### A. DEVELOPMENTS IN ACTIVE REGISTERED SYSTEMS

###### **American Electric Power Company**

During the fiscal year American Gas and Electric Co. changed its corporate name to American Electric Power Co. At December 31, 1957, the system had consolidated assets, less valuation reserves, of some \$1,283,000,000 and net dependable generating capacity of 4,585,000 Kw. The system had consolidated operating revenues of about \$283,755,000 for the calendar year 1957.

Although no significant corporate changes took place in the system during the fiscal year, there was substantial activity with respect to its expansion program and the financing arrangements therefor, new developments in respect of a service agreement and the acquisition of additional utility assets. This system is the largest holding company system subject to the Act. Six additional generating units of 225,000 Kw each or a total of 1,350,000 Kw are expected to be completed during the calendar year 1958.

The system carries on research along many avenues of technology and, during the fiscal year, continued to concentrate on nuclear research and development with a view to providing power at a cost competitive with that of a conventional power plant. Three system companies are members of the East Central Nuclear Group which consists of 14 utility companies in the general Ohio Valley area. This group is in the process of developing a program involving research and development of a high-temperature, gas-cooled, heavy water-moderated, pressure-tube reactor of 50,000 Kw capacity. American Electric Power Co. is also a member of Nuclear Power Group, Inc. and, as such, continues to derive technological and practical experience from the research and design activities in Commonwealth Edison Company's 180,000 Kw boiling water reactor being installed at Dresden, Ill.

The system's service corporation, which during the fiscal year changed its name to American Electric Service Corp., designed and engineered the power plants of Ohio Valley Electric Corp. American Electric owns 37.8% of the voting securities of OVEC which, with its wholly-owned subsidiary, Indiana-Kentucky Electric Corp., furnishes electric power to an installation of the Atomic Energy Commission near Portsmouth, Ohio. There is pending before the Commission the issue of whether the acquisition of OVEC's stock by American Electric and other sponsoring companies meets the standards of Section 10 of the Act. This issue and the organization and financing of OVEC and Indiana-Kentucky Electric Corp. are discussed on page 126 of the Commission's 23rd Annual Report.

#### **American Natural Gas Co.**

This registered holding company and its subsidiary companies, as at December 31, 1957, had consolidated assets, less valuation reserves, of \$689,780,000. The system had consolidated operating revenues of \$192,036,000 for the calendar year 1957. In the latter part of 1957, American Natural Gas Production Co. was organized as a subsidiary of this registered holding company for the purpose of exploring for gas and acquiring and operating gas-producing properties.

In September 1957, American Natural filed a declaration requesting permission to acquire from time to time additional shares of its 6% non-redeemable preferred stock without regard to the limitations imposed by Rule 42 under the Act and at such prices as might be considered by the company's management to be reasonable.<sup>2</sup> In November 1957, the Commission instituted a proceeding under Section 11 (b) (2) of the Act to determine whether the continued existence of such stock in this holding company system's corporate structure unduly and unnecessarily complicates such structure or unfairly and inequitably distributes voting power among the security holders of such system.<sup>3</sup> The proceedings were consolidated and, in April 1958, the Commission issued its Findings and Opinion denying effectiveness to American Natural's declaration seeking to purchase its non-redeemable preferred stock and ordered the company to take appropriate steps to eliminate such preferred stock from the holding company system.<sup>4</sup> Subsequent to the close of the fiscal year American Natural filed a plan to eliminate the preferred stock by a payment of \$32.50 per share to the holders thereof. Before the plan can be effectuated it must be found by the Commission to be fair and equitable to all affected persons.

In June, 1958, hearings began on a declaration filed by Milwaukee Gas Light Co. This subsidiary proposed to issue and sell promissory notes to banks in an aggregate principal amount not exceeding \$15 million. After hearing, the Commission issued its Findings and Opinion and Order permitting the Company's declaration to become effective.<sup>5</sup>

#### **Central and South West Corp.**

This registered holding company and its subsidiaries, as at December 31, 1957, had 1,850,900 Kw of effective generating capability and its consolidated assets, less valuation reserves, amounted to \$585,000,000. The system had total consolidated electric operating revenues of \$137,300,000 for the calendar year 1957.

During the fiscal year Southwestern Gas and Electric Co., a system subsidiary, was authorized, after hearing, to acquire, at a cost of \$36,000, shares of the preferred stock of First Arkansas Development Finance Corporation, a non-profit company organized under the laws of Arkansas for the purpose of promoting the location of new businesses and new industries in the State of Arkansas.<sup>6</sup>

<sup>2</sup> Holding Company Act Release No. 13565 (October 18, 1957).

<sup>3</sup> Holding Company Act Release No. 13600 (November 18, 1957).

<sup>4</sup> Holding Company Act Release No. 13726 (April 7, 1958).

<sup>5</sup> Holding Company Act Release Nos. 13813 (August 29, 1958) and 13828 (September 22, 1958).

<sup>6</sup> Holding Company Act Release No. 13777 (June 12, 1958).

Three system subsidiaries are members of Texas Atomic Energy Research Foundation which consists of a group of 11 electric utility companies in Texas. The Foundation was organized early in the year 1957 for the purpose of engaging in research in the atomic energy field as applied to the generation of electric power. These system subsidiaries are committed to contribute a total of about \$1 million, of a combined total of \$10 million, for the four-year research program which has for its object studying heavy hydrogen or fusion reactions at high temperature under controlled conditions. Two system subsidiaries have joined with 13 other electric utility companies in the formation of Southwest Atomic Energy Associates which, over the next four years, will contribute a total of \$5,354,000, including about \$800,000 by the two system subsidiaries, for research and development of an epithermal thorium power reactor undertaken by Atomics International, a subsidiary of North American Aviation, Inc.

#### **The Columbia Gas System**

This registered holding company and its subsidiaries, at December 31, 1957, had consolidated assets, less valuation reserves, of about \$852½ million. The consolidated gross operating revenues for the calendar year 1957 were approximately \$376 million. The total sales of gas by the system during the calendar year 1957 amounted to 646,402 million cubic feet. Of this total 268,383 million cubic feet (41.5%) were sold at wholesale to 112 non-affiliated companies for resale.

Since the close of the last fiscal year there has been an increase of 3 in the number of the system's operating subsidiaries. The first additional company, Columbia Hydrocarbon Corp., was incorporated in Delaware on August 20, 1957, for the purpose of owning and operating a fractionating plant at Siloam, Ky., including a 35-mile pipeline to transport a mixed stream of hydrocarbons from which ethane, propane, butane and natural gasoline will be processed and marketed. On November 27, 1957, the Commission granted the company's application to sell its stock and promissory notes to its parent and authorized the parent to acquire such securities.<sup>7</sup>

The second company, Columbia Gulf Transmission Co., was incorporated on May 28, 1958, for the purpose of acquiring substantially all of the assets of Gulf Interstate Gas Co. which until recently was a non-affiliated company owning and operating a pipeline which transports gas purchased and used by system companies. Columbia has entered into an agreement for the acquisition by Transmission Company of the assets of Gulf Interstate in exchange for shares of common

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<sup>7</sup> Holding Company Act Release No. 13610 (November 27, 1957).

stock of Columbia and the assumption by Transmission Co. of the liabilities of Gulf. In June, 1958, the Commission authorized Columbia to acquire shares of preferred and common stock of Gulf Interstate.<sup>8</sup> There was pending at the close of the fiscal year an application of Transmission Company to acquire the assets of Gulf Interstate.

The third new operating subsidiary is The Ohio Valley Gas Co. which was organized on August 28, 1956. In June, 1958, the Commission approved the transfer to Valley of nearly all of the assets and properties of United Fuel Gas Co. in the State of Ohio which it uses in connection with the retail distribution of natural gas.<sup>9</sup> This proposal is part of and was in furtherance of the system's realignment program discussed at page 109 in the 23rd Annual Report. During the fiscal year the Commission approved another proposal whereby United Fuel Gas Co., a subsidiary, transferred all of its retail distribution properties in Kentucky to Central Kentucky Natural Gas Co.<sup>10</sup> This is also in furtherance of the system's realignment program.

As indicated at page 132 of the 22nd Annual Report there is pending before the Commission a motion filed by Columbia requesting the release of jurisdiction with respect to the retainability of certain properties controlled by the system. During this fiscal year both the Division of Corporate Regulation and Columbia filed proposed findings of fact and conclusions of law. The Division recommended that the Commission should not, on the basis of the record so far made in the proceeding, find the properties involved are retainable. Columbia submitted that the properties involved are properly a part of its integrated gas system or are reasonably incidental thereto and are retainable. The matter is pending.

#### **Eastern Utilities Associates**

This registered holding company and its subsidiary companies, as at December 31, 1957, had consolidated assets, less valuation reserves, of \$89,900,000 and its consolidated operating revenues for that year were \$32,230,000.

In February 1957, EUA and its subsidiary, Blackstone Valley Gas and Electric Co., filed with the Commission an application-declaration covering several transactions, including the issuance of 25 year debt securities by EUA, designed to effectuate the Commission's order of April 4, 1950, directing EUA to sever its relationship with the gas properties of Blackstone.<sup>11</sup> Valley Gas Co. was incorporated as a subsidiary of Blackstone for the purpose of acquiring and operating such gas properties. Public hearings have been held and the Division

<sup>8</sup> Holding Company Act Release No. 13781 (June 26, 1958).

<sup>9</sup> Holding Company Act Release No. 13779 (June 18, 1958).

<sup>10</sup> Holding Company Act Release No. 13607 (November 22, 1957).

<sup>11</sup> 31 S. E. C. 329 (1950).

of Corporate Regulation has opposed the issuance of the debt securities. Briefs and reply briefs have been filed and the Commission has heard oral argument. The matter is now under advisement for decision.

#### **General Public Utilities Corp.**

This registered holding company and its subsidiary companies, as at December 31, 1957, had consolidated assets, less valuation reserves, of \$789,297,209. For the calendar year 1957 the system's total consolidated operating revenues amounted to \$202,445,930.

During the fiscal year Manila Electric Co., an electric subsidiary operating in the Republic of the Philippines, increased the number of shares of its authorized common stock from 1,000,000 shares of 40 pesos par value per share to 10 million shares of 10 pesos par value per share and reclassified its outstanding common stock from 1 million shares to 4 million shares. In addition, a common stock dividend of 2 million shares was declared and paid to GPU.<sup>12</sup> At December 31, 1957, all of Manila's outstanding debentures were called for redemption and a new series of first mortgage bonds was authorized. The holders of the debentures were offered new bonds in exchange for their debentures and GPU acquired 8 million pesos principal amount of the new issue and contributed cash to cover the cost of the adjustment in the interest differential.<sup>13</sup>

Also during the fiscal year GPU amended its certificate of incorporation regarding the preemptive rights of its shareholders in connection with the issuance of additional shares of common stock.<sup>14</sup>

The system has abandoned its contemplated project of constructing and operating an atomic power plant in the Philippines where the cost of conventional fuel is twice the average for the domestic subsidiaries. At present, the system is exploring the feasibility of adding a small water-type reactor at one of the generating stations of Pennsylvania Electric Co., one of the system's domestic subsidiaries.

#### **Middle South Utilities, Inc.**

This registered holding company and its subsidiaries, as of December 31, 1957, had 2,281,000 Kw effective generating capability and its consolidated assets, less valuation reserves, amounted to \$669,301,581. The system had total consolidated operating revenues for the year 1957 of \$171,573,439.

Middle South owns 10 percent of the voting securities of Electric Energy, Inc., an electric generating company which has a long-term contract for the sale of firm power to an installation of the Atomic

<sup>12</sup> Holding Company Act Release No. 13538 (September 4, 1957).

<sup>13</sup> Holding Company Act Release No. 13641 (December 27, 1957).

<sup>14</sup> Holding Company Act Release No. 13689 (February 21, 1958).

Energy Commission. There is pending before the Commission a consolidated proceeding with respect to a contract between Middle South and Kentucky Utilities Co. for the sale of Middle South's 10 percent interest in EEI and with respect to previously reserved issues under Section 10 of the Act which prescribes standards applicable to the acquisition of securities by companies subject to the Act. This consolidated proceeding is discussed at pages 126-128 of the 23rd Annual Report and was pending at the close of the fiscal year.

In 1953 the Commission ordered Louisiana Power & Light Co., a system subsidiary, to dispose of its non-electric properties. The proposal of Middle South and this subsidiary to effectuate compliance with this order and Court actions in connection therewith are discussed at page 116 of the 22nd Annual Report. On November 22, 1957, the Commission approved a plan filed under section 11 (e) of the Act for the disposition of such property,<sup>15</sup> and on January 14, 1958, the United States District Court for the Eastern District of Louisiana issued an order enforcing the provisions of the plan.<sup>16</sup>

In 1955 the system's four major operating subsidiaries became members of Southwest Atomic Energy Associates, a non-profit organization which has embarked upon a four-year \$5.5 million research and development program with respect to an advanced design power reactor, the construction of which has been undertaken under contract by North American Aviation, Inc.

#### **New England Electric System**

This registered holding company and its subsidiaries, as at December 31, 1957, had consolidated assets, less valuation reserves, of \$576,354,206 and, for that year the consolidated operating revenues amounted to \$158,934,305.

During the fiscal year, the Commission instituted a proceeding in respect of NEES and its subsidiaries for the purpose of determining the extent to which the electric, gas, and other business operations of the NEES holding company system satisfied the integration standards of section 11 (b) (1) of the Act.<sup>17</sup> The hearing was initially devoted exclusively to the issue of whether or not the electric operations of the NEES system constitute those of a single integrated public-utility system as permitted by section 11 (b) (1). On February 20, 1958, the Commission issued its findings and opinion and order in which it held that the electric properties of the NEES holding company system satisfied the standards delineating an integrated public-utility system.<sup>18</sup> There is pending for further hearings and determination the

<sup>15</sup> Holding Company Act Release No. 13606 (November 22, 1957).

<sup>16</sup> *Louisiana Gas Service Co., et al.*, Civ. No. 7316.

<sup>17</sup> Holding Company Act Release No. 13525 (August 5, 1957).

<sup>18</sup> Holding Company Act Release No. 13688 (February 20, 1958).

question of whether the NEES system may retain all or any of its gas properties.

In July, 1958, NEES filed a plan under section 11 (e) of the Act to eliminate the minority interests in the common stocks of its subsidiaries engaged solely in the electric business. Subsequent to the close of the fiscal year, the Commission issued an order for hearing on NEES' plan and also instituted a proceeding under section 11 (b) (2) for the purpose of determining whether the existence of the public minority interests in the System's electric subsidiaries constitute an unfair and inequitable distribution of voting power. The two proceedings were consolidated for hearing and determination.<sup>19</sup>

The system holds a 30% stock interest in Yankee Atomic Electric Company, which is constructing an atomic electric plant. The organization of Yankee and its initial financing transactions are discussed at pages 162-164 of the 22nd Annual Report, and discussions and transactions regarding the formulation of Yankee's overall financing program are discussed on page 131 of the 23rd Annual Report. The Atomic Energy Commission has issued a construction permit for Yankee's power plant and the plant is scheduled for completion in 1960. Yankee has secured Commission approval to issue and sell to its stockholder companies additional common stock and non-interest bearing promissory notes making its total capitalization \$13 million, consisting of \$8 million par value of capital stock and \$5 million of such notes.<sup>20</sup>

#### Ohio Edison Co.

Ohio Edison is a registered holding company and an operating electric utility company. The system consists of 1 holding-operating company and 3 electric utility subsidiaries. Included in the 3 electric utility subsidiaries are Ohio Valley Electric Corp.<sup>21</sup> and its wholly-owned subsidiary, Indiana-Kentucky Electric Corp., which are discussed at pages 126-128 of the 23rd Annual Report. The other subsidiary is Pennsylvania Power Co., all of the common stock of which is owned by Ohio Edison.

Ohio Edison and its subsidiary, Pennsylvania Power Co., had consolidated assets, less valuation reserves, of \$532,815,000 at December 31, 1957, and their consolidated operating revenues for the year 1957 amounted to \$135,862,000.

Ohio Edison and Pennsylvania Power are two of the 15 electric utility companies that sponsored the organization of Ohio Valley Electric Corp. which supplies the power requirements of a gaseous diffusion plant of the Atomic Energy Commission located near

<sup>19</sup> Holding Company Act Release No. 13799 (August 1, 1958).

<sup>20</sup> Holding Company Act Release Nos. 13580 (November 1, 1957), 13740 (April 29, 1958), and 13811 (August 26, 1958).

<sup>21</sup> Ohio Edison owns 16.5% equity interest in Ohio Valley Electric Corp.

Portsmouth, Ohio, and their power participation ratios are 16.2% and 2.2%, respectively. Further details with respect to OVEC are set forth at pages 126-8 of the 23rd Annual Report. In the Commission's order authorizing the acquisition of OVEC's securities, jurisdiction was expressly reserved to determine at an appropriate future time whether the companies subject to the Act could retain such securities.<sup>22</sup> On November 19, 1956, the Commission reopened the proceeding and ordered a hearing in respect of the reserved issues.<sup>23</sup> Hearings have been completed and the matter is in process of preparation for submission to the Commission.

Ohio Edison and Pennsylvania Power and 12 other electric utility companies are members of East Central Nuclear Group formed about a year ago to formulate plans for undertaking a program of nuclear research and development. In December 1957, this group and Florida West Coast Nuclear Group presented a proposal to the Atomic Energy Commission for research and development on a partnership basis with that agency of a 50,000 Kw prototype high temperature, gas-cooled, heavy-water-moderated reactor of the pressure-tube type. It will be designed as a prototype of a natural uranium 200,000 Kw reactor. Subject to necessary regulatory approvals, Ohio Edison and Pennsylvania Power may be obligated to expend approximately \$425,000 per year over the 1958-62 period in connection with pre-operational research and development.

#### **The Southern Company**

This registered holding company and its subsidiaries had, at December 31, 1957, consolidated assets, less valuation reserves, of \$1,037,407,021 and for that year the consolidated operating revenues totaled \$254,535,680.

Southern and its subsidiaries have continued their participation in research and development of nuclear power through Power Reactor Development Co., a non-profit corporation in the process of constructing an experimental fast breeder atomic reactor in Michigan. The system's service company is one of the 21 member companies which formed PRDC. Further details with respect to it are set forth at pages 164-166 of the 22nd Annual Report and at pages 129-30 of the 23rd Annual Report. The four direct subsidiaries of Southern have agreed to contribute \$2.4 million over a six-year period toward the construction of this atomic reactor and Southern has guaranteed the payment of 8 percent of the principal and interest of the borrowings made from various banks by PRDC under a loan agreement providing for such borrowings of \$15 million by the end of 1958.<sup>24</sup>

<sup>22</sup> Holding Company Act Release No. 11578 (November 7, 1952).

<sup>23</sup> Holding Company Act Release No. 13313 (November 19, 1956).

<sup>24</sup> Holding Company Act Release No. 13383 (February 12, 1957).

**Union Electric Co.**

Union Electric Co. is a registered holding company and an operating electric utility company. As at December 31, 1957, the consolidated assets, less valuations reserves, of Union and its subsidiaries amounted to \$524,865,000 and their consolidated operating revenues for 1957 totaled \$129,178,000.

Union owns 40 per cent of the capital stock of Electric Energy, Inc. There is pending for decision by the Commission the question of the retainability by Union and the other sponsoring companies subject to the Act of their stock interest in Electric Energy, Inc. Further details in connection with this proceeding are discussed at page 102 of the 17th Annual Report and at page 128 of the 23rd Annual Report.

During the fiscal year Union filed a declaration and amendments thereto pursuant to Section 12 (e) of the Act and Rules 62 and 65 thereunder, in which it proposed to solicit proxies from its preferred and common stockholders for use at the regular annual stockholders meeting for the year 1958. The declaration was filed pursuant to a Commission order issued on October 25, 1957, which prohibited Union and all other persons from soliciting proxies or other forms of authorization in connection with this meeting unless authorized by the Commission to do so.<sup>25</sup> J. Raymond Dyer, a stockholder of Union, in response to the Commission's notice,<sup>26</sup> requested a hearing thereon. A hearing was held in March, 1958,<sup>27</sup> and thereafter the Commission permitted Union's declaration to become effective upon the filing of an amendment making certain changes in the company management's solicitation material.<sup>28</sup> The stockholders' motion for rehearing was denied.<sup>29</sup> The stockholder has filed a petition to review the action of the Commission in the Court of Appeals for the Eighth Circuit, where the matter is now pending.

Dyer had similarly sought review of a Commission order under Section 12 (e) of the Act authorizing Union Electric to solicit proxies in connection with its 1957 annual meeting of stockholders. In that case, *Dyer v. S. E. C.*, 251 F. 2nd 512 (C. A. 8, 1958), although the Commission and the other parties had briefed and argued the case on the merits, the Court of Appeals on its own motion dismissed the case as moot, since the stockholders' meeting had been held and the proxies voted.<sup>30</sup> Dyer filed a petition for a writ of certiorari in the United States Supreme Court. In its memorandum the Commission

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<sup>25</sup> Holding Company Act Release No. 13575 (October 25, 1957).

<sup>26</sup> Holding Company Act Release No. 13671 (February 7, 1958).

<sup>27</sup> Holding Company Act Release No. 13696 (February 25, 1958).

<sup>28</sup> Holding Company Act Release No. 13710 (March 21, 1958).

<sup>29</sup> Holding Company Act Release No. 13712 (March 25, 1958).

<sup>30</sup> Petition for rehearing was denied on February 25, 1958.

agreed that the case was not moot but recommended that the Supreme Court defer action on the petition until the Court of Appeals for the Eighth Circuit had an opportunity to rule on Dyer's petition seeking review of the Commission's March 21 and 25, 1958, orders permitting Union Electric Company to solicit proxy votes for its 1958 stockholders' meeting. By order entered on April 18, 1958, the Court of Appeals denied Dyer's request for a stay pending review of the Commission's March 1958 orders, but granted "leave to brief and argue the question of mootness" of the review as related to the Court's holding with respect to the same issue in *Dyer v. S. E. C.*, 251 F. 2d 512.

A related lawsuit was involved in *S. E. C. v. Dyer*.<sup>31</sup> In this case the Commission brought suit on April 9, 1957, to restrain Dyer from violating Section 12 (e) and the order of the Commission which prohibited Union Electric and all other persons from soliciting proxies for the 1957 annual meeting of stockholders except pursuant to a declaration which the Commission permitted to become effective. The basis of the Commission's complaint was the mailing of a postcard which, under the circumstances, the Commission believed constituted soliciting material. After the 1957 meeting was held, the Commission sought a voluntary dismissal of the case, but its notice of dismissal was vacated by the court on Dyer's motion.<sup>32</sup>

#### Utah Power & Light Co.

Utah Power & Light Co., a Maine corporation, is a registered holding company and an electric utility company.

As of December 31, 1957, Utah Power and Western Colorado Power Company, then its only subsidiary, had consolidated assets, less valuation reserves, of \$213,939,205. For the year ending that date their consolidated operating revenues amounted to \$43,320,377.

On May 6, 1958 the Commission authorized Utah Power & Light to acquire the common stock of Telluride Power Company, a neighboring non-affiliated electric utility company, by exchange of one share of Utah common stock for eleven shares of Telluride common stock.<sup>33</sup> In addition Utah was authorized to acquire for cash the second preferred stock of Telluride at its redemption price of \$1 per share plus accrued dividends. Telluride's net utility assets aggregated approximately \$3,595,000. Utah issued 52,940 shares of its common stock in exchange for the common stock of Telluride.

<sup>31</sup> E. D. Missouri, Civil Action No. 57 C 201 (1).

<sup>32</sup> On July 28, 1958, after a trial on the merits, the District Court dismissed the case as moot on the authority of *Dyer v. S. E. C.*, 251 F. 2d 512 (C. A. 8, 1958). Dyer's petition to vacate and for a new trial is pending.

<sup>33</sup> Holding Company Act Release No. 13748.

## B. DEVELOPMENTS IN OTHER SYSTEMS

**Central Public Utility Corp.**

Central Public Utility Corp. ("Cenpuc") is solely a holding company and is registered as such under the Act. As indicated above, it no longer has any public utility subsidiaries operating in the United States. As at December 31, 1957, the consolidated assets of the system, less valuation reserves, amounted to \$25,495,211 and for the year 1957 the system's consolidated operating revenues totaled \$10,659,854.<sup>34</sup>

By order dated June 13, 1952, the Commission directed, among other things, that Cenpuc, under section 11 (b) (2) of the Act, take appropriate steps to terminate the existence of its subsidiary, The Islands Gas and Electric Co., which was found by the Commission to serve no useful purpose.<sup>35</sup> On June 1, 1955, Cenpuc filed an application requesting modification of this order and further requesting an order of exemption pursuant to section 3 (a) (5) of the Act. Shortly thereafter a large block (about 30 percent) of Cenpuc's capital stock was acquired by certain new investors, thereby creating several additional tiers of holding companies in the system's structure. This complication delayed the Commission's determination of Cenpuc's application for an exemption.

On May 2, 1957, Cenpuc filed an amendment to its application renewing its request for an exemption and stating, upon information and belief, that N. V. Amsterdamsche Bankierskantoor V/H Mendes Gans Co., through Burnham and Co., as agent, purchased 259,492 shares of Cenpuc's capital stock and that Burnham and Co. is the holder of record of 431,924 shares all of which, except 1,000 shares, are subject to commitments of sale to approximately 33 Dutch and Belgian investors. Accordingly, a large block of Cenpuc's stock has been or is in the process of being transferred from domestic to foreign investors. On July 15, 1958 Cenpuc filed a further amendment to its application. Hearings on the amended application were commenced on September 10, 1958.<sup>36</sup>

**Cities Service Co.**

At the beginning of the fiscal year there was a total of 79<sup>37</sup> companies in this system and its only remaining public-utility subsidiary,

<sup>34</sup> Cenpuc owns, directly and indirectly, 100 percent of the voting securities of 8 of its subsidiaries and 92.9 percent of another, all of which are included in consolidation except 3 which are carried on the consolidating balance sheet as investments. Of the remaining 5 companies in the system, Cenpuc's indirect interest therein is 50 percent or less.

<sup>35</sup> Holding Company Act Release No. 11311 (June 13, 1952).

<sup>36</sup> Holding Company Act Release No. 13803 (August 5, 1958).

<sup>37</sup> The total of 79 companies includes 10 companies reported as inactive. The system's mutual service company is not included; nor is West Texas Gulf Pipe Line Co. in which a system subsidiary owns an 11.34 percent voting interest. Holding Company Act Release No. 11215 (May 1, 1952).

as defined by the Act, was Dominion Natural Gas Co., Ltd. During the fiscal year Dominion sold substantially all of its assets, including all of its utility assets, to a non-affiliate<sup>38</sup> and thereby completed Cities' liquidation of its investments in public-utility companies in compliance with the Commission's order of May 5, 1944.<sup>39</sup>

A consolidated proceeding involving an exemption application by Cities pursuant to section 3 (a) (5) of the Act and a section 11 (b) (2) proceeding instituted by the Commission pertaining to the existence of a publicly held 48.5 percent minority interest in Cities' subsidiary, Arkansas Fuel Oil Corp. ("Ark Fuel"), is described at pages 108-109 of the 23rd Annual Report. With respect to such consolidated proceeding, the United States Court of Appeals for the Second Circuit on July 15, 1957 affirmed the Commission's denial of Cities' application for exemption from the Act, 247 F. 2d 646 (C. A. 2, 1957), and the Supreme Court on January 6, 1958 denied certiorari. Thereafter the Commission, by order, directed Cities and Ark Fuel to comply with section 11 (b) (2) of the Act by eliminating the public minority interest in Ark Fuel, or by disposing of the 51.5 percent stock interest held by Cities in Ark Fuel.<sup>40</sup> Both companies and a stockholder of Ark Fuel appealed the Commission's order to the United States Court of Appeals for the Third Circuit, which, on July 22, 1958, affirmed the order of the Commission.<sup>40a</sup> Cities on March 28, 1958 filed an application pursuant to section 5 (d) for an order declaring it not to be a holding company.<sup>41</sup> A hearing on this application was held on May 13, 1958, and oral argument was heard by the Commission on June 5, 1958. However, thereafter Cities withdrew its application requesting the section 5 (d) order and the Commission, by order, discontinued the proceeding.<sup>42</sup>

#### **Electric Bond and Share Company**

Electric Bond and Share Company, which no longer holds as much as 5 percent of the outstanding voting securities of any domestic public utility company, has pending before the Commission an application for exemption from all provisions of the Act except section 9 (a) (2) thereof, pursuant to section 3 (a) (5) of the Act. In the event such exemption is granted, it is the intention of the company to convert its status to that of an investment company and register under the

<sup>38</sup> Notice of sale filed April 16, 1958.

<sup>39</sup> Holding Company Act Release No. 5028 (May 5, 1944).

<sup>40</sup> Holding Company Act Release No. 13549 (September 20, 1957). After the close of the fiscal year Cities filed a plan pursuant to section 11 (e) of the Act for the purpose of eliminating the minority interest in Ark Fuel. Briefly, the plan provides for the division of the assets of Ark Fuel into two new companies, one to be owned by Cities and the other to be owned by the minority interest. Hearings on this plan commenced on December 2, 1958. Holding Company Act Release No. 13840 (October 6, 1958).

<sup>40a</sup> *Cities Service Co. v. S. E. C., et al.*, 257 F. (2d) 926.

<sup>41</sup> Holding Company Act Release No. 13736 (April 21, 1958).

<sup>42</sup> Holding Company Act Release No. 13836 (September 29, 1958).

Investment Company Act of 1940. This proceeding involves a number of very difficult and complex issues, among which are the questions whether Bond and Share, through its wholly-owned engineering and consulting service company subsidiary, Ebasco Services, Incorporated, exercises controlling influence over, or is affiliated with, certain public utility and holding company clients of Ebasco which formerly were controlled by Bond and Share. Further hearings are scheduled for the purpose of developing a more complete record with respect to these matters.

#### **Standard Shares, Inc.**

At the beginning of the fiscal year Standard Shares, Inc., formerly known as Standard Power and Light Corp., was a registered holding company and had outstanding only one class of stock, namely, common stock. It then owned and still owns 45.6 percent of the common stock of Standard Gas and Electric Co., a registered holding company, which, in turn, owns 100 percent of the common stock of Philadelphia Co., also a registered holding company. Both of these subsidiary registered companies are required by orders issued under section 11 (b) (2) of the Act to liquidate and dissolve<sup>43</sup> and each is in a position to effectuate dissolution except that there exist undetermined questions relating to Federal income taxes for the years 1942 through 1950.

During the fiscal year Standard Shares filed an application under section 5 (d) of the Act for an order declaring it not be a holding company and its registration as such under the Act not be in effect. After public hearings, the Commission, by order, on September 23, 1958, granted the application.<sup>44</sup> The order became effective upon issuance and, thereupon, the company's registration under the Act ceased to be in effect. Immediately after the issuance of this order, the company completed its registration under the Investment Company Act of 1940 and, as an investment company, is subject to the requirements of that Act and to the Commission's jurisdiction thereunder.

#### **Other Matters**

As previously reported at pages 114-115 of the 23rd Annual Report, International Hydro-Electric System ("IHES") was reorganized pursuant to section 11 (d) of the Act and IHES is now registered as an investment company under the Investment Company Act of 1940 and subject to the Commission's jurisdiction thereunder. The only remaining matters under the Holding Company Act are fees and expenses to be awarded in connection with the reorganization. Final applications are on file for fees aggregating \$1,211,000 and \$28,805

<sup>43</sup> 28 S. E. C. 35 (1948) ; 28 S. E. C. 944 (1948) ; and 32 S. E. C. 545 (1951).

<sup>44</sup> Holding Company Act Release No. 13824.

for expenses. In December, 1957, the Commission approved interim payments of \$241,200 for fees and \$14,645 for expenses.<sup>45</sup> Hearings have been concluded on the applications and the Commission has under consideration the final amounts to be awarded.<sup>46</sup>

There are also pending before the Commission supplemental and final applications for the allowance of fees and expenses in connection with a plan filed and consummated by the United Corporation pursuant to section 11 (e) of the Act for its conversion into an investment company. Applications for fees aggregate \$159,000 and for expenses \$42,800. Hearings on this matter were held at various times and were concluded on September 10, 1958.<sup>47</sup> The case is in the process of preparation for presentation to the Commission for ultimate disposition. United is now registered as an investment company under the Investment Company Act of 1940 and subject to the Commission's jurisdiction thereunder.

#### **FINANCING OF REGISTERED PUBLIC UTILITY HOLDING COMPANY SYSTEMS—TRENDS IN ELECTRIC AND GAS UTILITY INDUSTRIES**

During the fiscal year 1958, registered holding companies and their subsidiaries issued and sold to the public and to financial institutions, pursuant to authorizations granted by the Commission under Sections 6 and 7 of the 1935 Act, 36 issues of their stock and long term debt securities with aggregate gross sales value of \$583 million. Of this amount two issues totaling \$36 million were issued for the purpose of refunding outstanding debt securities carrying higher rates of interest. In the fiscal year 1957, registered systems issued and sold 39 issues of such securities with total gross sales value of \$637 million. All of the proceeds of these securities were used to provide new capital. Table I shows the amounts of various types of securities sold by registered systems in the fiscal years 1958 and 1957 and the percentages

<sup>45</sup> Holding Company Act Release No. 13637 (December 20, 1957).

<sup>46</sup> Holding Company Act Release No. 13691 (February 21, 1958).

<sup>47</sup> Findings of the Commission and litigation resulting therefrom with respect to previous fee applications by Randolph Phillips and others are described in the Twenty-third Annual Report, page 125. On May 19, 1958, Phillips filed a petition in the United States District Court for the District of Delaware, seeking an order adjudging the Commission in civil and criminal contempt for an alleged willful violation of the order of the District Court, entered after remand by the Court of Appeals, which had reversed in part the order of the District Court affirming and enforcing the Commission's order with respect to fees. The District Court order on the remand had contained a provision directing the Commission to modify its previous findings, opinion and order as to fees in accordance with the determination of the Court of Appeals. The Commission had not done this until May 7, 1958, after the matter had been called to its attention by Phillips (who had received his full compensation as soon as the District Court's order on the remand had been entered). In the interim, certain portions of the Commission's opinion had been used in a proxy contest in which Phillips was engaged respecting another company. On motion of the Commission, Phillips' petition was dismissed by order dated September 19, 1958, the Court finding that there was "no basis for civil contempt" nor any "showing of probable cause" warranting criminal contempt proceedings.

of increase or decrease in volume of each type of security during the period.

TABLE I.—*Securities sold for cash and issued in connection with refunding exchanges to the public and financial institutions by registered holding companies and subsidiaries, fiscal years 1958 and 1957*

[Millions of dollars]

	1958	1957	Percent increase or (decrease) in 1958
Bonds.....	\$448	\$335	33.7
Debentures.....	85	86	(1.2)
Notes (5 years or longer).....	26	26	(100.0)
Preferred Stocks.....	9	11	(18.2)
Common Stocks.....	41	179	(77.1)
Totals.....	583	637	(8.5)

The decline of \$54 million, or 8.5 percent, in the volume of external financing completed by registered holding company systems in fiscal 1958 as compared with fiscal 1957 can be attributed to two factors. In the first place, the installment issuances of securities by subsidiaries of registered holding companies pursuant to long term construction loan commitments, which had figured significantly in the totals for earlier years, were completed in 1957. These installment borrowing arrangements were authorized by the Commission several years ago and resulted in substantial amounts of private placements of debt securities directly with institutional investors each year through 1957.<sup>48</sup>

Another development which contributed to the decline in volume of registered system financing was the sharp drop in the volume of common stock financing completed by these systems from \$179 million in the fiscal year 1957 to \$41 million in 1958. This represented a decline of 77.1% and marked the lowest level of common stock financing by registered holding company systems under the 1935 Act in 6 years. Declines also were recorded in debenture, note, and preferred stock financing during the year. Sales of mortgage bonds increased \$113 million or 33.7% in 1958.

The decline in registered system financing in fiscal 1958 does not reflect the impact of any divestments of non-retainable subsidiaries by registered holding companies in recent years. No sales of long-

<sup>48</sup> In the fiscal year 1957, Ohio Valley Electric Corporation issued and sold \$498,669 of notes and American Louisiana Pipe Line Company issued and sold \$26 million of notes and \$20.5 million of pipeline mortgage bonds pursuant to such construction loan commitments. The financing plans of Ohio Valley Electric and American Louisiana Pipe Line are described at page 86 of the 20th Annual Report and page 54 of the 21st Annual Report, respectively.

term securities by companies subsequently divested out of holding company systems are included in the total volume of external financing recorded for registered holding company systems in the fiscal years 1956, 1957 or 1958.

In addition to passing upon the 36 issues of long term securities totaling \$583 million which were issued and sold by registered systems in the fiscal year 1958, the Commission in that year also authorized the issuance and sale of 67 issues of securities aggregating \$210 million by subsidiaries of registered holding companies to their parents. In fiscal 1957 subsidiaries sold 78 issues of securities with dollar volume of \$219 million to their parents.

All other companies in the electric and gas utility industries, (exclusive of companies associated with registered holding company systems), issued and sold \$3,447 million of long-term securities to the public and to financial institutions in the fiscal year 1958. This represented an increase of \$524 million, or 17.9%, over the totals recorded by these companies in 1957. All but \$27 million of the permanent financing completed by these companies in 1958 was for new money purposes. Table II shows the amounts of bonds, debentures, notes, preferred stocks and common stocks sold by such companies in the fiscal years 1958 and 1957.

TABLE II.—*Securities sold for cash and issued in connection with refunding exchanges to the public and to financial institutions by companies in the electric and gas utility industries, not associated with registered holding company systems; fiscal years 1958 and 1957*

[Millions of dollars]

	1958	1957	Percent increase or (decrease) in 1958
Bonds.....	\$2,135	\$1,582	35.0
Debentures.....	505	460	9.8
Notes.....	108	40	170.0
Preferred Stocks.....	354	344	2.9
Common Stocks.....	345	497	(30.6)
Totals.....	3,447	2,923	17.9

In contrast with the pattern of financing of registered holding company systems, other companies in the electric and gas utility industries sold increasing amounts of all types of securities except common stocks in 1958. Bond financing increased 35% as compared with the 33.7% increase reported by registered systems. The common stock financing completed by these companies in 1958 totaled \$345 million, reflecting a decline from 1957 of 30.6%. This decline was not nearly as great proportionately, however, as the 77.1% de-

cline in common stock financing reported by registered systems in 1958.

The volume of external financing of registered systems in fiscal 1958 accounted for 14.5% of the total volume of permanent financing by the entire electric and gas utility industries. The corresponding percentage for fiscal 1957 is 17.9%. Table III compares the amounts of various types of securities issued and sold in fiscal 1958 by registered systems with the amounts issued and sold by all companies in the electric and gas utility industries (including registered systems).

TABLE III.—*Securities sold for cash and issued in connection with refunding exchanges to the public and to financial institutions by registered holding companies and subsidiaries, and by all other companies in the electric and gas utility industries; <sup>1</sup> fiscal years 1958 and 1957*

[Millions of dollars]

Fiscal year	All companies electric and gas utility industries	Registered holding company systems	Percent registered system financing to industry totals
<i>1958</i>			
Bonds.....	\$2,583	\$448	17.3
Debentures.....	590	85	14.4
Notes.....	108	.....	.....
Preferred Stocks.....	363	9	2.5
Common Stocks.....	386	41	10.6
	4,030	583	14.5
<i>1957</i>			
Bonds.....	1,917	335	17.5
Debentures.....	546	86	15.8
Notes.....	66	26	39.4
Preferred Stocks.....	355	11	3.1
Common Stocks.....	676	179	26.5
	3,560	637	17.9

<sup>1</sup> Includes electric utility companies, gas distribution companies, natural gas transmission companies and holding companies.

The decline in the proportion of total industry permanent financing accounted for by registered holding company systems in fiscal 1958 reflects the decline in debenture, note, and preferred stock issues by registered systems in contrast with the increases in sales of such securities by all other companies in the electric and gas utility industries. The proportionately greater decline in common stock financing by registered systems in fiscal 1958 were also a factor.

All but 2 of the 36 issues of long term securities totaling \$583 million which were sold externally by registered systems in 1958 were offered for sale at competitive bidding pursuant to the requirements of Rule 50. Brockton Edison Company, a public utility subsidiary of Eastern Utilities Associates, a registered holding company, issued and sold 30,000 shares of its \$100 par value cumulative preferred stock by means of a negotiated underwritten public offering on December 2, 1957. Brockton had publicly invited bids for the purchase

of this issue in October, 1957. Two groups of underwriters qualified but no bids were received. The negotiated public offering was made pursuant to an exemption from the competitive bidding requirements of Rule 50 granted by the Commission on November 29, 1957.<sup>49</sup>

The second issue not sold through competitive bidding channels was a private sale of common stock by Yankee-Atomic Electric Company, a subsidiary of New England Power Company, which in turn is a public utility subsidiary of New England Electric System, a registered holding company. The balance of \$1,965,000 was sold to the remaining 10 sponsor companies, no one of which is associated with a regulated holding company system. This sale of stock by Yankee was automatically exempt from the competitive bidding requirements of Rule 50 pursuant to paragraph (a) (1) thereof, because it was a pro rata issuance of securities to existing security holders of Yankee.

The \$1,035,000 of stock sold to New England Power and to Montaup Electric is included in the 67 issues of securities totaling \$210 million sold by subsidiaries to their registered holding company parents, as described more fully at page 126 above. The balance of \$1,965,000 sold to the other 10 sponsoring public utility companies is included in the totals of external financing by registered systems.<sup>50</sup>

The amounts of external financing completed by registered systems in 1958 as described above do not include the issuance in 1958 by Utah Power & Light Company, a registered holding company, of 52,940 shares of its common stock with an approximate market value of \$1.7 million in exchange on the outstanding common stock of Telluride Power Company, as referred to at page 120, supra.

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

In passing upon issuances of first mortgage bonds and preferred stocks of public utility companies, the Commission examines the mortgage indenture and charter provisions to determine whether or not there is substantial conformity with the applicable Statements of Policy which were adopted by it in 1956.<sup>51</sup> These Statements of Policy represent substantially a codification of certain principles or policies prescribed for the protective provisions of these securities announced on a case-by-case basis over a period of years, as modified

<sup>49</sup> Holding Company Act Release No. 13613.

<sup>50</sup> For statistical purposes in compiling the tables used in this report, the \$1,035,000 of Yankee common stock sold to New England Power Co. and Montaup Electric Co. is treated as one issue; and the \$1,965,000 of Yankee common stock sold to the other 10 sponsor companies is treated as another issue.

<sup>51</sup> Holding Company Act Release No. 13105 (February 16, 1956) as to first mortgage bonds and Holding Company Act Release No. 13106 (February 16, 1956) as to preferred stock.

in the light of experience and comments received from interested persons who had been invited to submit their views. During fiscal year 1958, applications or declarations were filed by public utility companies under the Act with respect to 27 first mortgage bond issues aggregating \$459,700,000 principal amount and two preferred stock issues with a total par value of \$9,000,000.<sup>52</sup>

Of the 27 first mortgage bond issues, 14 issues, with a total principal amount of \$236,500,000, included provisions, as set forth in the Statement of Policy, imposing additional restrictions on the distribution of earned surplus to the common stockholders, thereby assuring the investing bondholders of a greater degree of safety of their investment through the maintenance of an appropriate common stock equity. In respect of the other 13 issues with a total principal amount of \$223,200,000, no additional restrictions were required since the indentures already conformed in this regard to the Statement of Policy. The additional restrictions on earned surplus distributions were proposed by the companies themselves or were inserted as a result of informal discussions between the staff of the Commission and representatives of the issuing companies. In the interest of flexibility, the restriction on earned surplus distributions was generally coupled with a further provision to the effect that additional amounts of earned surplus could be distributed upon application of the issuer to, and approval by, the Commission.

A further provision contained in the Statement of Policy regarding first mortgage bonds relates to the renewal and replacement of depreciable utility property which is subject to the lien of the mortgage. It requires, in essence, that the issuer construct additions to its property, or else deposit cash or bonds with the indenture trustee, in an amount which on a cumulative basis will provide for the replacement in cash or property of the dollar equivalent of the cost of the depreciable mortgaged property during its estimated useful life. The Statement of Policy provides that the requirement be expressed as a percentage of the book cost of depreciable property, except that if the existing indenture provision expresses the requirement on a different basis, as, for example, in terms of operating revenues, no change will be required if the company can demonstrate that the existing provision provides an amount at least equal to a requirement based on the book cost of depreciable property. As in the case of earned surplus restrictions, the Commission, in the interest of flexibility, has permitted the issuer to insert a provision under which the issuer, upon application to, and approval by, the Commission may modify the percent of depreciable property requirement.

<sup>52</sup> For a discussion of the application of the Statement of Policy to filings from the effective date thereof to June 30, 1957, see pages 141-143 of the Twenty-Third Annual Report.

Of the 27 issues of first mortgage bonds, the indentures of 22, having an aggregate principal amount of \$384,700,000, expressed the renewal and replacement fund requirement as a percent of depreciable property, while the indentures in the remaining 5 issues, having a principal amount of \$75,000,000, expressed the requirement as a percent of revenues. The renewal and replacement fund requirements in the indentures of these latter 5 issues were not required to be restated in terms of a percent of depreciable property since they appeared substantially to afford no less protection to the bondholders than would be afforded by an appropriate percentage of property formula.

Another provision contained in both the bond and the preferred stock Statements of Policy requires that the securities be redeemable at the option of the issuer at any time upon reasonable notice upon the payment of a reasonable redemption premium, if any. The intent of this provision is to ensure that public utility companies subject to the Act shall not be prevented, if money rates decrease materially, from refunding their bonds or preferred stock. This is in keeping with the intent of the Act as expressed in Section 1 (b) (5) to ensure economies in the raising of capital. While no formula is set forth in the Statements of Policy as to what constitutes a reasonable redemption premium, the working policy of the Commission has been that the initial redemption price shall not exceed the initial public offering price plus the interest rate on the bonds or the dividend rate on the preferred stock. For example, in the case of bonds, if the initial public offering price is at 101% of principal amount and the bonds bear a 4½% interest rate, the initial redemption price may not exceed 105½% of the principal amount, and the 5½ point premium must thereafter be reduced pro rata to maturity.

The Commission has continued to receive informally a number of requests from issuing companies to relax its requirements so as to permit bonds to be nonrefundable for a period after issuance, generally five years, or to permit the initial redemption price to be higher than that provided by the working formula. No showing was made that nonrefundability or a requirement to pay higher premiums on refunding would reduce the interest cost sufficiently to warrant the loss of future refunding flexibility. On the contrary, studies made by the staff of the Commission, at the direction of the Commission, indicate that there does not appear to be any especially significant, let alone a controlling, influence of restriction on refundability upon the interest cost, or the number of bids received at competitive bidding by the issuer or the retail marketability of the bonds. Accordingly, the Commission considers its present working policy on refundability to be justified on the basis of available data.

In connection with this policy on refundability, it is to be noted that during fiscal year 1958 two public utility companies subject to the Act refunded an aggregate of \$35,000,000 principal amount of first mortgage bonds, of which \$20,000,000 principal amount had been issued during the same fiscal year and \$15,000,000 had been issued during the immediately preceding fiscal year. The refunding of the \$20,000,000 issue resulted in an annual saving in interest cost (before deducting expenses) of 0.73%, or \$146,000 per annum, while the annual interest cost saving (also before deducting expenses) from the \$15,000,000 refunding was 0.72%, or \$108,000 per annum.

By reason of the great importance of the question of refundability to investors and consumers and the general public in periods of high interest rates, the Commission in fiscal year 1957 authorized a member of the staff of its Division of Corporate Regulation to serve as a member of a committee organized by the Wharton School of Finance and Commerce of the University of Pennsylvania, which is conducting a broad study of redemption provisions. The study is under the sponsorship of the Life Insurance Association of America and is expected to be concluded during fiscal year 1959.

In the two issues of preferred stock having an aggregate par value of \$9,000,000, one, involving \$3,000,000 par value, had charter provisions conforming substantially to the provisions of the Statement of Policy; in the other, involving an issue of \$6,000,000 par value, the Commission, with the consent of the issuer, conditioned its order permitting the issue to provide, among other things, for limitations on dividends on junior classes of stock, on issuances of additional shares of preferred stock, on mergers or consolidations that might be effectuated without the consent of preferred stockholders, on the acquisition of its outstanding preferred stock which may fall into arrears and on the authorization or issuance of any prior preferred stock. These conditions supplanted conditions contained in a previous order of the Commission and supplemented the company's preferred stock charter provisions.

## PART VII

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

Chapter X of the Bankruptcy Act provides a procedure for reorganizing corporations in the United States District Courts. At the request of the judge or on the Commission's own motion, if approved by the judge, the Commission participates in the proceedings in order to provide independent, expert assistance to the court and investors on matters arising in such proceedings and, where the Commission considers it appropriate, files advisory reports on reorganization plans. The role of the Commission under Chapter X differs from that under the various statutes which it administers in that the Commission does not initiate the proceedings or hold its own hearings. It has no authority to determine any of the issues in a proceeding. The facilities of its technical staff and its disinterested recommendations are simply placed at the service of the judge and the parties, affording them the views of disinterested experts in a highly complex area of corporate law and finance, and the Commission pays especial attention to the interests of public security holders, who may not otherwise be effectively represented.

Section 172 of Chapter X provides that if the scheduled indebtedness of a debtor corporation does not exceed \$3 million, the judge may, before approving any plan of reorganization, submit such plan to the Commission for its examination and report. However, if the indebtedness exceeds \$3 million, the judge must submit the plan to the Commission before he may approve it. The Commission has no authority to veto or require the adoption of a plan of reorganization and is not obligated to file a formal advisory report on a plan. Where the Commission does file a report, copies of it, or a summary thereof, must be sent to all security holders and creditors when they are asked to vote on the plan.

While the Commission's advisory reports on plans of reorganizations are usually widely distributed and serve an important function, they represent only one aspect of the Commission's activities in cases in which it participates. As a party to a Chapter X proceeding, the Commission is actively interested in the solution of every major issue arising therein and has found that adequate performance of

its duties requires that it undertake in most cases intensive legal and financial studies. Even in cases where the plans are not submitted to the Commission and no report is filed, it is necessary that the Commission consider and discuss various reorganization proposals of interested parties while plans are being formulated, and be prepared to comment fully upon all plans that are the subject of hearings for approval or confirmation.

In the exercise of its functions under Chapter X the Commission has endeavored to assist the courts in achieving equitable, financially sound, expeditious, and economical readjustments of the affairs of corporations in financial distress. To aid in attaining these objectives the Commission has stationed lawyers, accountants, and financial analysts in its New York, Chicago, and San Francisco regional offices who keep in close touch with all hearings and issues in the proceedings and with the parties and are readily available to the courts. Supervision and review of the regional offices' Chapter X work is the responsibility of the Division of Corporate Regulation of the Commission, which also handles the actual trial work in cases arising in the Atlanta and Washington, D. C., regional areas.

#### SUMMARY OF ACTIVITIES

During the past fiscal year the Commission actively participated in 39 reorganization proceedings involving 58 companies (39 principal debtor corporations and 19 subsidiaries of those debtors).<sup>1</sup> The stated assets of the 58 companies involved in these proceedings totaled approximately \$561,794,000 and their indebtedness totaled approximately \$536,509,000. The proceedings were scattered among district courts in 19 states. During the year the Commission entered its appearance in 9 new proceedings, which involved the rehabilitation of companies engaged in such varied businesses as industrial loans, steel manufacturing, horse racing, drugs, investments, oil and gas production, and breweries. Proceedings involving 4 principal debtor corporations were closed during the year. At the end of the fiscal year the Commission was actively participating in 35 reorganization proceedings.

#### THE COMMISSION AS A PARTY TO PROCEEDINGS

The Commission has not considered it necessary or appropriate that it participate in every Chapter X case. Apart from the fact that the administrative burden of participating in every one of the over 80 cases instituted during the fiscal year would be unsurmountable with our present staff, many of the cases involve only trade or bank creditors

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<sup>1</sup>The appendix contains a complete list of reorganization proceedings in which the Commission participated as a party during the fiscal year ended June 30, 1958.

and a few stockholders. As a general matter, the Commission has sought to participate principally in those proceedings in which a substantial public investor interest is involved. This is not the only criterion, however, and in some cases involving only limited public investor interest, the Commission has participated because an unfair plan had been or was about to be proposed, the public security holders were not adequately represented, the reorganization proceedings were being conducted in violation of important provisions of the Act, other facts indicated that the Commission could perform a useful service or the judge requested the Commission to participate.

#### PROCEDURAL MATTERS

Usually the Commission does not enter a case until the court has approved the petition for reorganization. However, developments in a particular case may impel the Commission to move to appear as soon as practicable, without awaiting approval of the petition. During 1958 there were a number of such cases.

An involuntary petition was filed by creditors in the United District Court for the Southern District of California at Los Angeles for the reorganization of the Equitable Plan Company,<sup>2</sup> an industrial loan company having approximately \$10,000,000 in Thrift Certificates outstanding. The affairs of the company had previously been taken over by the California Commissioner of Corporations and were being administered by a Conservator under the jurisdiction of the state court pursuant to the provisions of the California Industrial Loan Company Act. The State and the Conservator opposed the petition contending, among other things, that the pending proceedings in the state court provided adequate relief. The Commission filed its appearance and urged that the District Court approve the petition because Chapter X and the machinery available under the Bankruptcy Act provided superior facilities for the administration of the assets, a large part of which consisted of loans and receivables owed by non-residents of California, and because Chapter X provides superior facilities for the evolution of a plan of reorganization. On May 29, 1958, after extended hearings, the judge approved the petition.

Another case which required the Commission's participation prior to approval of the petition for reorganization involved Magnolia Park, Inc.<sup>3</sup> Magnolia is a race track operator which leases land upon which its race track and improvements are located. The lease contained a forfeiture clause which provided that upon default by Magnolia, title to the race track and the improvements passed to the landlords. When Magnolia was in arrears on its rent payments to the extent of

<sup>2</sup> *In the Matter of Equitable Plan Co.*, S. D. Cal., Cen. Div., No. 86,096—B. H.

<sup>3</sup> *In the Matter of Magnolia Park, Inc.*, E. D. La., New Orleans Div., No. 9010.

about \$35,000, the landlords attempted to evict Magnolia in the Louisiana state court suit and thus obtain possession of Magnolia's property which had cost over \$2,000,000. However, a voluntary petition for reorganization was filed under Chapter X and the District Court issued an order restraining the proceedings in the state court. The landlords objected to approval of the petition and hearings were held before a Referee in Bankruptcy acting as Special Master. The Commission participated in the hearings as the sole representative of the substantial number of public security holders and filed a memorandum supporting approval of the petition.

The Special Master in a report filed on January 17, 1958, recommended that the petition be disapproved because it was not filed in good faith in that it was unreasonable to expect that a fair and feasible plan of reorganization could be effected within the framework of the corporation itself. The Commission filed objections to the Special Master's report and on February 12, 1958, participated in oral argument before the judge at which time the Commission pointed out that good faith of a petition does not require the expectation of an internal reorganization but that a merger, consolidation or an investment of new capital from an outside source are other acceptable forms that a reorganization can take. The judge denied a motion by the landlords to adopt the report of the Special Master and instead followed the Commission's advice and approved Magnolia's petition.<sup>4</sup> An appeal by the landlords was pending in the United States Court of Appeals for the Fifth Circuit at the close of the fiscal year.<sup>5</sup>

The Commission has at all times sought to be of assistance to the disinterested trustee appointed by the district court in carrying out his responsibilities and to make available to him the fund of experience and information accumulated by the Commission through its participation in hundreds of cases. Throughout the proceedings the staff consults with the trustee and his counsel as to the steps to be taken in the reorganization, the timing of those steps and the appropriate method of taking them. This often results in substantial savings of time and expense to the estate. The Commission, however, has been alert to protect against attempts at encroachments by parties or even the trustee upon the orderly operation of the statute. Typical of the Commission's approach is a situation which arose in the reorganization proceedings involving General Stores Corporation.<sup>6</sup>

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<sup>4</sup> A similar problem existed in South Texas Oil and Gas Company—USDC, S. D., Tex. No. 607, where the Commission took substantially the same position as in the *Magnolia* case. The judge followed the Commission's recommendation and denied the motions of the secured creditors to discuss the debtor's petition.

<sup>5</sup> *In re Magnolia Park Inc.*, No. 17,312.

<sup>6</sup> *In the Matter of General Stores Corp.*, S. D. N. Y., No. 90954. See Twenty-third Annual Report, pp. 150-151.

After the reorganization trustee prepared a Section 167 report and transmitted it to the creditors and stockholders, the trustee received a plan proposal from a substantial stockholder of the debtor. The major secured creditor of the debtor, dissatisfied with the treatment which the proposal provided, moved the district court to vacate the injunctive provisions of the order approving the petition for reorganization in order to allow him to sell securities pledged by General Stores under a trust agreement as collateral to secure the debtor's obligations to him.

At about the same time questions had been raised with respect to the secured creditor's handling of the collateral under the trust agreement.<sup>7</sup> The Commission opposed the secured creditor's motion to vacate the injunction and the judge entered an order denying the motion on the ground that plan proceedings were pending and the application was premature. In addition the district court entered an order requiring that the secured creditor give the Reorganization Trustee ten days' notice of transactions not in the ordinary course of business which involved substantial amounts of money and providing that upon objection by the Reorganization Trustee the transaction would not proceed without leave of the court.

The collateral trustee and the secured creditor appealed from both orders. The Commission supported the district court's determinations. The Court of Appeals in a per curiam opinion affirmed, holding that ". . . the petitioner's attempt to end the reorganization by foreclosing the lien is premature. Until the district court has had an opportunity to evaluate these assets, it can be in no position to judge the propriety of any contemplated plan of reorganization." As to the order respecting the conduct of the subsidiaries' business, the Court of Appeals held that the district court had the power to issue the order, stating that "The court simply took qualified possession of the stock pledged in order to preserve the debtor's possible equity in it."<sup>8</sup>

#### TRUSTEE'S INVESTIGATIONS

One of the primary duties of the trustee is to make a thorough study of the debtor to assure the discovery and collection of all assets of the estate, including claims against directors, officers, or controlling persons who may have mismanaged the company's affairs, diverted its funds to their own use or benefit, or been guilty of other misconduct. A complete accounting for the stewardship of corporate affairs by the old management is a requisite under the Bankruptcy Act and Chapter X. The staff of the Commission participates in the trustee's investi-

<sup>7</sup> The collateral was all the stock of the debtor's subsidiaries, two drug chains in the Chicago area the businesses of which under the trust agreement were in the control of the secured creditor.

<sup>8</sup> *Ruskin v. Griffiths*, 250 F. 2d 875, 877 (C. A. 2, 1958).

gation so that it may be fully informed as to all details of the financial history and business practice of the debtor. The Commission views its duty under Chapter X as requiring it to call the attention of the trustee, or the court if necessary, to any matters which should be acted upon. Thus, during the course of the trustee's investigation in the reorganization proceedings involving Automatic Washer Company,<sup>9</sup> the staff of the Commission found that there had been certain insiders who appeared to have profited from the purchase and sale of the stock of the debtor which was listed on the Midwest Stock Exchange. These transactions appeared to be subject to the provisions of Section 16 (b) of the Securities Exchange Act of 1934 which provides that under certain circumstances such profits of insiders shall inure to the benefit of the corporation. This information was called to the attention of the trustee. Thereafter the trustee filed civil actions against these insiders seeking recovery of more than \$1,500,000.

The trustee in the *Automatic Washer* proceedings in the District Court for the District of Iowa after his investigation reported that those who had been in control prior to his appointment had mismanaged the debtor. Many of those persons subject to the charge of mismanagement were also stockholders of the debtor. In view of these facts the Commission advised the trustee that it would not be equitable if the insiders were allowed to participate in the estate on a ratable basis with public stockholders, and that the stock of insiders guilty of mismanagement should therefore be subordinated or disallowed. To prevent the stock of those insiders from being sold before appropriate action could be taken by the court, the Commission filed a motion to enjoin all of these insiders from selling or transferring their stock. The court granted the motion, thus halting transfers of approximately one half of the 2,000,000 outstanding shares of the debtor's stock. Shortly thereafter the trustee filed a motion to subordinate or disallow the stock of these insiders. This motion was pending at the close of the fiscal year.

#### PROBLEMS REGARDING PROTECTIVE COMMITTEES

The Commission has constantly been alert to insist upon the honesty of fiduciaries in their relationship to the estate and to investors, and has always sought to disqualify security holder committees subject to a conflict of interest from acting in Chapter X proceedings. During 1958 in the *Automatic Washer Company* proceedings the Commission moved to disqualify a committee attempting to represent stockholders, because the committee members were almost wholly former insiders of the debtor who had been charged by the trustee

<sup>9</sup> In the Matter of *Automatic Washer Company*, S. D. Iowa, Cen. Div., No. 5-426.

with mismanagement. The court granted the motion of the Commission.

The Commission scrutinizes material mailed out to security holders by other security holders, their representatives and other persons, and, where such material appears to be misleading, undertakes to obtain curative and preventive relief. In the *Stardust* case<sup>10</sup> the Commission obtained an order to show cause why a security holder of the debtor should not be required to distribute a communication retracting misleading statements sent out in a general communication to stockholders. The district court required that this be done and enjoined him from sending further misleading communications.

In the *Selected Investments Corporation* proceedings,<sup>11</sup> pending in the United States District Court for the Western District of Oklahoma, the Commission brought information to the attention of the court which indicated that two committees, both of which were in the process of being formed, had mailed soliciting material containing misleading information to 10,000 security holders of the debtor. The court enjoined further solicitation of authorizations pending compliance with the provisions of Chapter X governing the formation of committees and caused the committees to retract or clarify their previous statements. In addition, one of the committees had solicited contributions from individual security holders for representing them. The Commission urged the court to order that the money collected be returned and that future collections be enjoined on the ground that the solicitation of funds violated the spirit of committee representation since the committee had a duty to represent all security holders and not only those making contributions. Moreover, since the monies had been solicited for the purpose of paying a fee to an attorney, the solicitation infringed on the reorganization court's discretion to allow reasonable compensation for services and reimbursement for costs and expenses incurred by the committee and its attorney. The judge ordered the committee to return the monies to the contributors.

#### ACTIVITIES WITH REGARD TO ALLOWANCES

Every reorganization case ultimately presents the difficult problem of determining the allowance of compensation to be paid out of the debtor's estate to the various parties for services rendered and expenses incurred in the proceeding. The Commission, which under Section 242 of the Bankruptcy Act may not receive any allowance from the estate for the services it renders, has sought to assist the courts in protecting reorganized companies from excessive charges and at the same time equitably allocating compensation on the basis of the

<sup>10</sup> *In the Matter of Stardust, Inc.*, D. Nev. No. 955 (September 16, 1957).

<sup>11</sup> *In the Matter of Selected Investments Trust Fund and Selected Investments Corporation*, W. D. Okla., No. 10680.

claimants' contribution to the administration of the estate and the formulation of a plan.

During the fiscal year important determinations respecting the granting or withholding of allowances were made by the District Court for the Southern District of New York in the reorganization proceedings involving Third Avenue Transit Corporation.<sup>12</sup> During the course of the proceedings an attorney for a committee of bondholders pledged with a bank as collateral for a loan \$25,000 of bonds of the same class as represented by his committee, together with other securities. Approximately eight months later when the market value of the collateral, including the \$25,000 of Third Avenue bonds, had declined, the bank communicated with the attorney and advised that some steps would be required to rectify the situation. The attorney directed his broker to sell the Third Avenue bonds. The bonds were released from the collateral to effect the transaction and substantially all of the proceeds of the sale were used to reduce the loan. When the attorney applied to the court for an allowance, the Commission urged that the transaction constituted a sale of securities by the attorney within the contemplation of Section 249 of the Bankruptcy Act, thus disqualifying him from receiving a fee. It was noted that there were other substantial securities in the collateral account which could have been sold in order to correct the situation without necessitating the sale of the Third Avenue bonds. The district court held that the attorney was disqualified from receiving a fee, notwithstanding the fact that both the Commission and the court recognized that substantial services had been rendered.<sup>13</sup>

In another phase of the same proceeding it developed that the wife of co-counsel for a committee had during the course of the proceeding sold \$5,000 of Third Avenue Bonds of the same class represented by the committee. It was clear that the attorney had knowledge of the transaction by his wife and had in fact participated in its mechanics, and benefitted thereby through the filing of a joint tax return with his wife. The Commission advised the court that Section 249 of the Act barred compensation to an attorney where a sale of securities was made by his wife with his knowledge and to his benefit. The Commission relied upon cases in the Court of Appeals for the First and Fourth Circuits.<sup>14</sup> The district court disagreed with the Commission, feeling constrained by certain decisions of the Court of Appeals for the Second Circuit which the Commission had contended were distinguishable on their facts.

<sup>12</sup> *In the Matter of Third Avenue Transit Corp.*, S. D. N. Y., Nos. 85851, 86410, 86413, 86412, 86537.

<sup>13</sup> *In the Matter of Third Avenue Transit Corp.*, 159 F. Supp. 440 (1958).

<sup>14</sup> *SEC v. Dumaine*, 218 F. 2d 380, 315 (C. A. 1, 1954); *In re Central States Electric Corp.*, 206 F. 2d 70, 71 (C. A. 4, 1953).

Yet another determination of significance was made in connection with the allowances in the Third Avenue proceeding. This involved the court's power to review arrangements for allocations of fees made among attorney applicants. The Commission urged that the broad powers to supervise allowances granted by the Bankruptcy Act included the power to review allocations of fees in appropriate circumstances in order to prevent an attorney from receiving excessive or inadequate compensation. The Commission relied upon Canon 34 of the Canons of Professional Ethics, which provides in substance that allocation of fees by attorneys shall be based on a division of service or responsibility, and Section 62 (c) of the Bankruptcy Act which prohibits the sharing of compensation "for . . . services with any person not contributing thereto . . ." The district court agreed. It found that in the particular instance the parties had agreed that their arrangement for equal division of compensation was based upon a contemplated equal contribution of services and that it would be subject to court approval. The court held that even in the absence of such agreement "The broad supervisory powers accorded the court under those provisions [Sections 241-250 of The Bankruptcy Act] necessarily include the power to disregard the terms of attorneys' agreements which are contrary to the terms and policy of the Act."<sup>15</sup> Respecting Section 62 (c) of the Bankruptcy Act the court held that "It would be a clear evasion of the intent of this section if the court were to sanction a fee-sharing arrangement whereby an attorney having performed some service, received an allowance far in excess of that to which his contribution to the estate entitled him."<sup>16</sup>

As to still another request for compensation, the court followed the Commission's recommendation in denying an application by a potential underwriter of an unsuccessful plan of reorganization. The Court expressed serious doubt as to whether the allowance provisions of Chapter X were intended to cover as a possible applicant one "whose interest in the debtor was solely to obtain the profits from underwriting a plan of reorganization."<sup>17</sup> Even assuming that the applicant did qualify as "a party in interest", the district court found that there was no basis for a finding that any of the services rendered contributed to a plan approved by the judge.

As for the allowances generally, the Commission had recommended an aggregate of approximately \$1,818,000. The court found that the reorganized company could afford to and should pay allowances approximately \$250,000 greater than the aggregate recommended by the Commission. In making the individual awards, the district court

<sup>15</sup> *In the Matter of Third Avenue Transit Corporation*, — F. Supp. — (S. D. N. Y., 1958). CCH paragraph 59,259, page 65,873.

<sup>16</sup> *Ibid.*, p. 65,874.

<sup>17</sup> *Ibid.*, p. 65,882.

substantially increased the allowances recommended to certain applicants, reduced somewhat certain of the recommendations and left the balance unchanged.<sup>18</sup> Several petitions for leave to appeal have been filed in the United States Court of Appeal for the Second Circuit and the matters were pending at the close of the fiscal year.<sup>19</sup> The Commission has taken the position that certain of these petitions should be granted and that it would not oppose the granting of the other petitions.

#### ADVISORY REPORTS ON PLANS OF REORGANIZATION

An advisory report of the Commission provides the district court with an expert independent appraisal of a plan indicating the extent to which, in the opinion of the Commission, the plan meets or fails to meet the standards of fairness and feasibility. After the report is filed, the judge considers whether the plan should be approved or disapproved. If the judge approves the plan, it is sent to the affected security holders for acceptance or rejection accompanied by a copy of the judge's opinion and a copy or summary of the report of the Commission.

Since 1938 the Commission has issued 38 advisory reports and 36 supplemental advisory reports. They represent the principal means by which the Commission has recorded its views publicly. Generally speaking, an advisory report is prepared only in a case involving a large public investor interest and in which significant problems exist. However, there have been occasions where even though a case is of significant size and importance, because of the exigencies of time or for other reasons, no written report has been filed but instead, Commission counsel has made a detailed oral presentation of the Commission's views and the reasons therefor. Customarily, in the smaller cases the Commission's views are presented orally by counsel.

An example of a case in which the Commission participated during 1958 where the Commission's views were presented orally instead of by written report was the reorganization proceeding involving *Star-*

<sup>18</sup> In commenting upon the role of the Commission in the allowance proceeding and in the proceeding generally, the court stated:

"Though I have been forced to differ from the recommendations of the SEC in many of the instances, I wish to pay tribute to the careful and helpful analysis that the Commission made of the claims. Indeed, I take this opportunity to express my gratitude for the active and intimate participation of the Commission and its counsel in the reorganization proceedings. If any proof were needed of the wisdom of Congress in providing for representation of the public by the Securities and Exchange Commission in reorganization proceedings, it has been furnished in this case. I would have felt helpless without the aid given, unstintingly by . . . counsel for the Commission. Each has cheerfully rendered, at the usual modest salary of a public servant, services equal in value to those of any to whom awards are made by this decision." *In the Matter of Third Avenue Transit Corporation* — F. Supp. — (S. D. N. Y. 1958).

<sup>19</sup> *In the Matter of Third Avenue Transit Corporation*, Nos. 85851, 85410, 86413, 86412, 86537. Consolidated.

*dust, Inc.* in the United States District Court for Nevada. In that case the Commission reviewed five proposed plans of reorganization and offered comments and criticisms to the court. The Commission contended that an essential element of feasibility in a plan of reorganization which contemplates the purchase of all the debtor's assets or the investment of new capital in the debtor is the firm assurance that the money will be forthcoming when the plan is consummated. The Commission recommended that before any plan was approved by the judge the plans should be amended to make provision for a substantial deposit by proponent of the plan, forfeitable if the plan was confirmed and the new money was not paid. Only one plan with firm provisions for the new financing was forthcoming. It was approved by the judge and after acceptance by the creditors and the preferred stockholders of the debtor was confirmed.

During the fiscal year the Commission submitted formal advisory reports in two proceedings. A brief summary of these proceedings follows:

**Northeastern Steel Corporation**—The debtor was a non-integrated steel producer with its plant located in Bridgeport, Connecticut. Since it commenced operations in 1955 the company had had substantial losses. At the time of filing a voluntary petition for reorganization in the United States District Court for the District of Connecticut, the company's working capital was less than the amount required by its first mortgage indenture and the company had failed to pay the interest due on its first mortgage bonds. Operations were continued by the trustees after their appointment in the belief that maximum realization would come only by continued operation and that cessation would result in a loss of the labor force and generally in greater depreciation of the assets.

The plan of reorganization proposed by the trustees was based on an offer by Carpenter Steel Company, a New Jersey corporation which manufactures specialty steel products. In general, the plan provided for the recapitalization of Northeastern so that it would still have outstanding \$6,000,000 principal amount of First Mortgage Bonds with defaults cured and 1,000,000 shares of new common stock. The 1,000,000 shares of stock were to be issued to Carpenter in exchange for not less than 40,000 shares of Carpenter's own common stock, the specific number to be determined by formula. The Carpenter stock was to be distributed, also on the basis of a formula, to a bank holding a claim of \$250,000, to holders of general unsecured claims, and to debenture holders, in satisfaction of their claims. To the extent cash was available after satisfaction of prior claims, it was to be used to discharge a note held by the bank. The plan did not provide for the participation by stockholders, warrant holders or option holders.

The Commission's report concluded that the plan or reorganization was unfair in that the formula for determining the allocation of the Carpenter stock was discriminatory and the stock did not represent fair compensation for the interest in the assets and facilities being acquired by Carpenter.<sup>20</sup> However, the Commission considered the exclusion of stockholders, warrant holders and option holders from participation to be fair since the indicated value of the debtor was less than the full claim of the creditors. The Commission's report further concluded the plan was feasible in view of Carpenter's debt-free capitalization and working capital position. The plan was amended to eliminate the discriminatory formula, but not to increase the amount of Carpenter stock to be issued to the trustees. As thus amended, the plan was approved by the court.

**Inland Gas Corp., Kentucky Fuel Gas Corp., and American Fuel & Power Co.**<sup>21</sup>—Inland Gas Corporation, which was in equity receivership from 1930 to 1935 and has been in reorganization under Section 77B and Chapter X since 1935, produces, transmits, and sells natural gas principally to industrial customers in Kentucky.

The plan of reorganization proposed by the Trustees of Inland Gas Corporation and its non-operating parents, Kentucky Fuel Gas Corporation and American Fuel & Power Company, provided for payment in cash of all priority and administrative claims and of the claims to principal and full interest of public creditors of American Fuel & Power Company. The Trustees' plan further provided for payment in cash to the public holders of Kentucky Fuel bonds and debentures of principal, but not of interest except for a single interest coupon on the debentures which was in default prior to receivership. The plan also provided for the reorganized company to borrow an estimated \$4,000,000 from a bank and to use the proceeds for payment of a portion of the claims of the public creditors. All the new common stock of the reorganized company was to be issued to The Columbia Gas System, Inc., as holder of subordinated claims against Inland.

The Commission's Third Advisory Report concluded that the Trustees' Plan was fair to the public creditors of American Fuel in according them the full amount of their claims including interest.<sup>22</sup> However, the Commission considered the plan to be unfair to the public holders of Kentucky Fuel bonds and debentures because the plan gave no recognition to the interest which accrued on their claims between December 1, 1930, when the equity receivership proceeding com-

<sup>20</sup> Corporate Reorganization Release No. 107, August 26, 1957.

<sup>21</sup> See the Twenty-First Annual Report, pp. 174-175, and the Twenty-Third Annual Report, p. 155.

<sup>22</sup> Corporate Reorganization Release No. 109, May 1, 1958.

menced, and October 15, 1935, when the bankruptcy proceeding was instituted; and because the plan would give compensation to Columbia for post-bankruptcy interest on the subordinated claims of Columbia before post-bankruptcy interest was paid on the publicly held claims against Kentucky Fuel.

The Commission concluded that the plan was feasible but pointed out that if the plan was amended to make it fair, in accordance with the principles enunciated in the Report, the proposed capital structure of the reorganized company would have to be further modified to make the plan feasible.

The district judge did not accept the Commission's conclusion and approved the plan. Several appeals from the judge's ruling were pending in the United States Court of Appeals for the Sixth Circuit at the close of the fiscal year.<sup>23</sup>

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<sup>23</sup> *In the Matter of Inland Gas Corporation, Kentucky Fuel Gas Corporation, American Fuel & Power Company*, Nos. 13,657-13,664.

## PART VIII

### ADMINISTRATION OF THE TRUST INDENTURE ACT OF 1939

The Trust Indenture Act of 1939 requires that bonds, notes, debentures and similar securities publicly offered for sale, except as specifically exempted by the Act, be issued under an indenture which meets the requirements of the Act and has been duly qualified with the Commission. The Act requires that indentures to be qualified include specified provisions which provide means by which the rights of holders of securities issued under such indentures may be protected and enforced. These provisions relate to designated standards of eligibility and qualification of the corporate trustee to provide reasonable financial responsibility and to minimize conflicting interests. The Act outlaws exculpatory provisions formerly used to eliminate all liability of the indenture trustee and imposes on the trustee, after default, the duty to use the same degree of care and skill "in the exercise of the rights and powers invested in it by the indenture" as a prudent man would use in the conduct of his own affairs.

The provisions of the Trust Indenture Act are closely integrated with the requirements of the Securities Act. Registration pursuant to the Securities Act of securities to be issued under a trust indenture subject to the Trust Indenture Act is not permitted to become effective unless the indenture conforms to the requirements of the latter Act, and necessary information as to the trustee and the indenture must be contained in the registration statement. In the case of securities issued in exchange for other securities of the same issuer and securities issued under a plan approved by a court or other proper authority which, although exempted from the registration requirements of the Securities Act, are not exempted from the requirements of the Trust Indenture Act, the obligor must file an application for the qualification of the indenture, including a statement of the required information concerning the eligibility and qualification of the trustee.

*Indentures filed under the Trust Indenture Act of 1939 during the fiscal year ended June 30, 1958*

	Number of indentures	Aggregate dollar amount
Indentures pending June 30, 1957.....	17	\$386, 420, 000
Indentures filed during fiscal year.....	252	7, 066, 157, 386
Total.....	269	7, 452, 577, 386
Disposition during fiscal year:		
Indentures qualified.....	237	6, 413, 997, 586
Indentures deleted by amendment or withdrawn.....	2	36, 315, 200
Indentures pending June 30, 1958.....	30	1, 002, 264, 600
Total.....	269	7, 452, 577, 386

**PART IX**  
**ADMINISTRATION OF THE INVESTMENT COMPANY**  
**ACT OF 1940**

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

The securities of investment companies which are offered to the public are also required to be registered under the Securities Act, and the companies must file periodic reports. Such companies are also subject to the Commission's "proxy" and "insider" trading rules. The Division of Corporation Finance and the Division of Corporate Regulation both assist the Commission in the administration of the statute, the former being concerned with the disclosure provisions and the latter with the regulatory provisions.

**COMPANIES REGISTERED UNDER THE ACT**

As of June 30, 1958, there were 453 investment companies registered under the Act, and it is estimated that on that date the aggregate market value of their assets was \$17 billion. These figures represent an increase of 21 registered companies and an increase of roughly \$2 billion in the market value of assets over the corresponding totals at June 30, 1957. These companies were classified as follows:

Management open-end.....	238
Management closed-end.....	111
Unit investment trust.....	92
Face-amount certificate.....	12
<b>Total.....</b>	<b>453</b>

**NEW COMPANIES REGISTERED AND REGISTRATIONS TERMINATED**

During the fiscal year ending June 30, 1958, 42 new companies registered under the Act while the registrations of 21 companies were terminated. These companies were classified as follows:

	Registered during the fiscal year	Registration terminated during the fiscal year
Management open-end.....	20	4
Management closed-end.....	11	10
Unit investment trust.....	11	6
Face-amount certificate companies.....	0	1
<b>Total.....</b>	<b>42</b>	<b>21</b>

Of the 42 new registrations, three were deregistered during the year. All of the unit investment trusts registered were organized to furnish periodic payment plans for the accumulation of shares of open-end funds.

**GROWTH OF INVESTMENT COMPANY ASSETS**

The striking growth of investment company assets during the past seventeen years, particularly in the most recent years, is shown in the following table:

*Number of investment companies registered under the Investment Company Act and the estimated aggregate assets at the end of each fiscal year, 1941 through 1958*

Fiscal year ended June 30	Number of companies				Estimated aggregate market value of assets at end of year (in millions)
	Registered at beginning of year	Registered during year	Registration terminated during year	Registered at end of year	
1941.....	0	450	14	436	\$2,500
1942.....	436	17	46	407	2,400
1943.....	407	14	31	390	2,300
1944.....	390	8	27	371	2,200
1945.....	371	14	19	366	3,250
1946.....	366	13	18	361	3,750
1947.....	361	12	21	352	3,600
1948.....	352	18	11	359	3,825
1949.....	359	12	13	358	3,700
1950.....	358	26	18	366	4,700
1951.....	366	12	10	368	5,600
1952.....	368	13	14	367	6,800
1953.....	367	17	15	369	7,000
1954.....	369	20	5	384	8,700
1955.....	384	37	34	387	12,000
1956.....	387	46	34	399	14,000
1957.....	399	49	16	432	15,000
1958.....	432	42	21	453	17,000
<b>Total.....</b>		<b>820</b>	<b>367</b>		

**STUDY OF SIZE OF INVESTMENT COMPANIES**

In the preceding fiscal year the Commission pursuant to section 14 (b) of the Investment Company Act instituted an inquiry into the

problems created by the growth in size of investment companies and, as part of this inquiry, received a preliminary report containing a general research plan for the study of the effects of investment company growth (23rd Annual Report, p. 159). In furtherance of this study the Commission in the past fiscal year retained the Securities Research Unit of the Wharton School of Finance and Commerce, University of Pennsylvania, to make a fact-finding survey and report on certain aspects and practices of registered investment companies. This survey is under the supervision of Dean Willis J. Winn of the Wharton School.<sup>1</sup>

The general problems which will be examined are: (a) The manner and extent to which investment policies may be affected by the size of investment companies; (b) the relationship between the size of investment companies on the one hand and the character of management, cost of operation, and performance of investment companies on the other; (c) the relationship between the size of the investment companies and the manner in which blocks of securities are purchased and sold and the effects of such purchase and sales on the security markets and the marketing channels for securities; and (d) the extent to which large companies control or influence the policies and decisions of portfolio companies. The immediate inquiry of the study will be primarily directed to the question of the effects of size on investment policies and comparative performance of investment companies, although other aspects of the inquiry will be developed to the extent possible.

It is expected that the report of the Wharton School will enable the Commission to determine whether the increased size of investment companies has created any problems which require specific remedial legislative recommendations by the Commission to the Congress.

#### INSPECTION PROGRAM

As indicated in the 23rd Annual Report, the Commission has initiated a regular program for the periodic inspection of investment companies pursuant to its statutory authority under section 31 of the Investment Company Act. In pilot operations under this program, nine companies were inspected during fiscal year 1957,<sup>2</sup> and seven in fiscal year 1958. These inspections were undertaken by staff teams consisting of one attorney or analyst from the Division of Corporate Regulation and one securities investigator from the appropriate field office. In this way, the specialized training and knowledge of the

<sup>1</sup> The Wharton School will limit the scope and manner of conducting the study to accord with the Commission's determinations with respect thereto. A preliminary questionnaire has been prepared by the staff of the Wharton School and has been transmitted to selected investment companies for test checking.

<sup>2</sup> At page 160 of the 23rd Annual Report it was erroneously stated that only six inspections were completed in fiscal year 1957.

staff concerning the regulatory requirements of the Investment Company Act has been combined with the field experience and investigative expertness of field office personnel for more expeditious and thorough review of the investment company.

These inspections, although involving only a very small fraction of the total number of registered investment companies, have revealed the need for continuous field supervision. The Commission's studies ascertained that in several cases there was non-compliance with regulatory provisions of the Investment Company Act with respect to such matters as (1) the affiliations of directors in violation of section 10 of the Act; (2) security purchases by registered investment company during an underwriting where an affiliate relationship exists between the underwriter of such security and the company in violation of section 10 (f) of the Act; (3) receipt of a commission for the sale of property by an affiliated person contrary to section 17 (e) of the Act; and (4) the failure to file an appropriate fidelity bond covering an officer having access to portfolio securities pursuant to the requirements of rules under section 17 (g) of the Act.

In addition to non-compliance with various regulations and standards under the Act, some situations where books and records were inadequate or lacking were noted by the staff. Thus, there were instances where a company failed to record the date and time of requests for redemption which resulted in an inability to determine whether the investors had received their correct net asset value. In other instances a company failed to maintain journals reflecting purchases and sales of securities, to maintain ledger accounts for broker-dealers used by the company for its portfolio security transactions and to keep proper vouchers for out-of-pocket expenses. In one case, an inspection revealed that the custodian did not adhere to the terms of the custodianship agreement and that there was a failure to comply with the Commission's regulations regarding the safekeeping of portfolio securities.

In several cases the staff observed that there was considerable delay by dealers selling investment company shares in the transmission of funds received by them to the investment companies or their custodians. It also creates a risk for the purchasers who have paid dealers for their shares but to whom shares of stock are not delivered until funds are actually received by the companies. This practice is undesirable because investment companies are deprived of the use of such funds even though the sales of securities have already been recorded on the books of the companies.

During the course of one inspection, in examining certain transactions of the investment company, the staff discovered the existence of another investment company which had not registered under the

Act. As a result of further inquiry, this company was compelled to register.

In cases where deficiencies are noted, they are brought to the attention of the investment companies involved so that corrective action may be taken. The Commission's experience to date indicates that this aspect of the inspection program will prove to be particularly helpful to the newly organized or the smaller investment company, and of benefit to the investing public.

### CURRENT INFORMATION

The basic information contained in notifications of registration and in registration statements of investment companies is required by rules promulgated under the Act to be kept up-to-date, except in cases of certain inactive unit trusts and face-amount companies. During the 1958 fiscal year the following current reports and documents were filed:

Annual reports.....	305
Quarterly reports.....	163
Periodic reports to stockholders (containing financial statements).....	887
Copies of sales literature.....	2,416

While not reflected in the foregoing statistics, in the course of every fiscal year, open-end mutual funds making a continuous offering of their securities make frequent filings of revised prospectuses showing material changes which have occurred in the operations of such companies since the effective date of the prospectuses on file. In this respect the registration of the securities of such companies is essentially different from the registration of the usual corporate securities.

### APPLICATIONS AND PROCEEDINGS

Processing applications for exemptions constitutes one of the principal regulatory activities of the Commission under the Act. Under Section 6 (c) the Commission is empowered, either upon its own motion or by order upon application, to exempt any person, security or transaction from any provision of the Act if and to the extent such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Various other sections, such as 6 (d), 9 (b), 10 (f), 11 (a), 17 (b), and 23 (c) contain specific provisions and standards pursuant to which the Commission may grant exemptions from particular sections of the Act or may approve certain types of transactions. Under certain provisions of Sections 2, 3 and 8 the Commission may also determine the status of persons and companies under the Act.

During the 1958 fiscal year 159 applications on various matters under the Act were pending before the Commission. Of these, 115

were disposed of leaving 44 pending on June 30, 1958. The various sections of the Act with which these applications were concerned and their disposition during the fiscal year are shown in the following table:

*Applications filed with and acted upon by the Commission under the Investment Company Act of 1940 during the fiscal year ended June 30, 1958*

Sections	Subject involved	Pending July 1, 1957	Filed	Closed	Pending June 30, 1958
3 and/or 6.....	Status and Exemption*	8	13	17	4
7 (d).....	Registration of foreign investment companies.	1	2	1	2
8 (f).....	Termination of registration.....	23	18	21	20
10, 16.....	Regulation of affiliations of directors, officers, employees, investment advisers, underwriters and others.	2	25	24	3
11.....	Regulation of security exchange offers and re-organization matters.	0	1	1	0
12, 15.....	Regulation of functions and activities of investment companies.	0	10	9	1
17.....	Regulation of transactions with affiliated persons.	8	15	15	8
18, 22, 23.....	Requirements as to capital structures, loans, security sales and redemptions, and related matters.	5	24	24	5
28.....	Regulation of face-amount certificate companies.	1	1	1	1
32.....	Accounting supervision.....	0	2	2	0
Totals.....		48	111	115	44

\*Includes only those section 6 (c) cases in which exemption is requested from all provisions of the Act

Applications for exemption or exception from the various provisions of the Act and other proceedings for relief are for the most part processed without the aid of formal hearings. In the past year, however, hearings were held in 9 cases. Four of these involved exemptions from the Act pursuant to section 6 (c);<sup>3</sup> two involved exceptions under section 3 (b) (2);<sup>4</sup> one involved a deregistration order pursuant to section 8 (f);<sup>5</sup> one involved an order under section 7 (d) permitting a foreign company to register under the Act;<sup>6</sup> and one, instituted by the Commission pursuant to section 35 (d) of the Act, involved the use of a name.<sup>7</sup> In two of these cases the applicants requested in the alternative general exemptions from all the provisions of the Act pursuant to sections 6 (c) or 6 (d). Six of the cases are described below.

<sup>3</sup> *Insured Accounts Fund*, Investment Company Act Release No. 2539 (May 27, 1957); *Ira Haupt & Co.*, Investment Company Act Release No. 2559 (July 17, 1957); *Dow Theory Investment Fund, Inc.*, Investment Company Act Release No. 2627 (Nov. 14, 1957); *Inter-Canadian Corp.* (Name changed to *Great Northern Investments, Inc.*), Investment Company Act Release No. 2735 (June 25, 1958).

<sup>4</sup> *National Department Stores*, Investment Company Act Release No. 2708 (April 30, 1953) and *McPhail Candy Corp.*, Investment Company Act Release No. 2644 (Dec. 18, 1957).

<sup>5</sup> *The Great American Life Underwriters, Inc.*, Investment Company Act Release Nos. 2542 (June 10, 1957), 2561 (July 22, 1957), and 2607 (Sept. 27, 1957).

<sup>6</sup> *American-South African Investment Company, Ltd.*, Investment Company Act Release No. 2739 (July 3, 1958).

<sup>7</sup> *Civil & Military Investors Mutual Fund, Inc.*, Investment Company Act Release No. 2593 (Sept. 9, 1957).

In *Dow Theory Investment Fund, Inc.*, the applicant was granted an order exempting it from the requirements of section 22 (d) of the Act so as to permit it to continue to sell redeemable securities to existing subscribers under an accumulation plan at a price including a sales load of 5%, which was at variance with a 7½% sales load proposed to be charged to new shareholders. In a divided opinion, the Commission pointed out that its decision to grant the application was based on the specific facts in the case and that the type of exemption granted would at most have only a very limited application in other situations. It declared that the decision "is not intended as an adoption of a general policy of approving differing sales loads based on differences in selling costs, or to restrict our discretion to further define or revise our policy concerning exemptions from section 22 (d) if our continuing study should indicate that to be necessary."<sup>8</sup>

In *Insured Accounts Fund*,<sup>9</sup> the Commission denied an application for an exemption pursuant to section 6 (c) from the requirements of sections 16 (a) and 18 (i) of the Act. Section 16 (a) provides that the directors (defined by section 2 (a) (12) of the Act to include trustees) of a registered investment company be elected by the holders of the outstanding voting securities, and section 18 (i) provides that every share of stock issued by a registered management company shall be a voting stock having equal voting rights with every other outstanding voting stock.

The Company proposed to invest 80% of its funds in insured accounts of savings and loan institutions and its remaining assets in federally insured bank accounts, government securities, and cash. To have the benefit of this insurance to the extent contemplated, applicant represented that its trust form of organization was necessary and that to grant its security holders voting rights would destroy its status as a trust for this purpose. It further contended that there was no need for the control over the trustees which would flow from voting rights since their discretion was limited to investments among insured institutions.

The Commission refused to grant the exemption, stating that it would be inconsistent with the policy of the Act that the owners of investment companies have the power to elect the management to the end that such companies are operated in the investors' interests and not in the interests of other persons. The Commission found that the discretion to invest among various savings and loan companies with differing risk factors and earnings was an important area of management discretion. The Commission further found that since sub-

<sup>8</sup> Investment Company Act Release No. 2694 (April 14, 1958). Subsequently the company decided not to avail itself of the exemption.

<sup>9</sup> Investment Company Act Release No. 2630 (November 22, 1957).

stantially all such investments would be made in savings and loan institutions which were members of the organization which promoted the investment company, there would be a potential conflict of interest between the management and investors.

In *Ira Haupt & Co.*, the applicant as sponsor and depositor of a unit investment trust, requested an exemption from sections 2 (a) (3), 4 (2) and 22 (e) of the Act to the extent that those sections require the securities issued by a unit trust to be redeemable either by the trust or its agent. Upon the conclusion of the hearings on the application which were held during the fiscal year, the applicant requested that the matter be temporarily held in abeyance and the case has therefore not yet come before the Commission for disposition.<sup>10</sup>

*Great Northern Investments, Inc.* (formerly Inter-Canadian Corporation), a closed-end investment company, filed an application pursuant to section 6 (c) to permit it to acquire all the voting stock of Northwestern Fire and Marine Insurance Company and to finance such acquisition by the issuance of up to \$3,200,000 of bank notes. The stock was to be acquired pursuant to a general offer to Northwestern's stockholders at a price of \$41 per share. It was contemplated that after the acquisition Northwestern would be caused to be liquidated promptly. The exemption was required because section 12 (d) (2) makes it unlawful for a registered investment company to acquire more than 10% of the total outstanding voting stock of an insurance company and section 18 (a) (1) makes it unlawful for a registered closed-end investment company to issue debt obligations, with certain exceptions, unless the asset coverage for the debt immediately after such issuance is equal to at least 300%, and Great Northern's assets could not meet this 300% test after it borrowed \$3,200,000. In addition, since the proposal also involved transactions between affiliates an exemption from the provisions of section 17 (a) pursuant to section 17 (b) was requested. The Commission granted the requested exemption,<sup>11</sup> finding among other things that the purpose of the acquisition of the insurance company's stock was to obtain the assets of a corporation to be liquidated and not to control a going insurance company, and that the asset coverage requirements of the Act would be complied with through repayment of the note as a result of the liquidation of Northwestern, or the distribution by it of substantial dividends. It also found that the transactions between affiliates were fair and reasonable and involved no overreaching.<sup>12</sup>

<sup>10</sup> Investment Company Act, File No. 812-1091.

<sup>11</sup> Investment Company Act Release No. 2751 (July 28, 1958).

<sup>12</sup> Notice of appeal from the Commission's order was filed in the United States Court of Appeals for the Eighth Circuit on August 16, 1958, by an insurance company stockholder who had opposed the application but was subsequently withdrawn by the appellant. *Schmit v. S. E. C.*, Civil No. 16072.

In *The Great American Life Underwriters, Inc.*, applicant, a registered face-amount certificate company, sought an order pursuant to section 6 (c) of the Act exempting it from the Act from and after January 1, 1941. In the alternative, it requested an order pursuant to sections 8 (f) and 6 (c) of the Act declaring that applicant is not or has ceased to be an investment company and exempting from the provisions of the Act transactions since January 1941 to which it or any person controlled by it was a party.<sup>13</sup> Applicant's request for an exemption is based on the contention that it discontinued the sale of face-amount certificates in the latter part of 1940, and that since its inception in 1929 it has been primarily and continuously engaged in the life insurance business through various controlled subsidiaries, including, since 1939, Franklin Life Insurance Company, presently its only life insurance subsidiary. The request for an order under section 8 (f) of the Act is based on the contention that since 1953 more than 90% of the value of its investment securities has been represented by its investment in the stock of Franklin Life Insurance Company and that, accordingly, it is entitled to the exception from the definition of an investment company contained in section 3 (c) (8) of the Act.<sup>14</sup>

The transactions for which exemption has been sought under section 6 (c) involved applicant or its controlled companies and their affiliates and, although subject to the prohibitions of section 17 (a) of the Act, were carried out without prior Commission approval under section 17 (b) of the Act. The various questions involved in this case were explored during hearings which resulted in over 3,200 pages of testimony and the introduction in evidence of 300 exhibits. The parties in the case were engaged in completing the post-hearing procedures after the close of the fiscal year.

In *Civil and Military Investors Mutual Fund, Inc.*, the Commission decided that the name of a registered investment company "Civil and Military Investors Mutual Fund, Inc.", inherently implies that such company's securities have special investment and other advantages for the civil and military government personnel to whom it was intended to offer such securities, that such advantages do not in fact exist, and that therefore the name was deceptive and misleading under section 35 (d) of the Act. The Commission found, however, that the name

<sup>13</sup> Investment Company Act Release No. 2607.

<sup>14</sup> Section 3 (c) (8) of the Act excepts from the definition of an investment company any company, 90% or more of the investment securities of which are represented by securities of a single issuer included within a class of persons enumerated in sections 3 (c) (5), (6) or (7). The persons enumerated in section 3 (c) (7) include any company primarily engaged, directly or through majority-owned subsidiaries, in one or more businesses described in sections 3 (c) (3), (5) and (6) of the Act. Section 3 (c) (3) excepts insurance companies from the definition of an investment company.

did not violate section 35 (a) of the Act<sup>15</sup> since it was not likely to carry an implication that the company or its securities were sponsored, recommended or approved by the United States.<sup>16</sup>

### REGISTRATION OF FOREIGN INVESTMENT COMPANIES

An application filed during the past fiscal year by American-South Africa Investment Company, Ltd. for an order under Section 7 (d) of the Act permitting its registration under the Act and for the sale of its securities in the United States was the first such application presented to the Commission by a non-Canadian, foreign investment company. The company was organized as a closed-end investment company, chartered under the Companies Act of 1926 of the Union of South Africa.

Section 7 (d) of the Act, among other things, prohibits a foreign investment company from selling its securities to the public by use of the mails or any means or instrumentalities of interstate commerce unless the Commission, upon application, issues a conditional or unconditional order permitting such company to register under the Act and to make a public offering of its securities in the United States. To issue such an order the Commission must find that, by reason of special circumstances or arrangements, it is both legally and practically feasible effectively to enforce the provisions of the Act against such company and that the issuance of such order is otherwise consistent with the public interest and protection of investors.

Rule N-7D-1 under the Act sets forth the specifications, conditions and arrangements for Canadian management investment companies requesting orders for registration,<sup>17</sup> but makes no provision for en-

<sup>15</sup> This section provides that "It shall be unlawful for any person, in issuing or selling any security of which a registered investment company is the issuer, to represent or imply in any manner whatsoever that such security or company has been guaranteed, sponsored, recommended, or approved by the United States or any agency or officer thereof."

<sup>16</sup> Investment Company Act Release No. 2723 (June 9, 1958). On August 5, 1958, the Fund filed a petition for review in the United States Court of Appeals for the District of Columbia Circuit, which was dismissed upon agreement of the parties on September 19, 1958.

<sup>17</sup> Since the rule was adopted on April 27, 1954 and up to June 30, 1958, ten Canadian companies have obtained orders granting permission to register. These include: Resources of Canada Investment Fund, Ltd., Investment Company Act Release No. 1974 (April 27, 1954); Scudder Fund of Canada, Ltd., Investment Company Act Release No. 1975 (April 27, 1954); United Funds Canada, Ltd., Investment Company Act Release No. 2003 (August 4, 1954); New York Capital Fund of Canada, Ltd., Investment Company Act Release No. 2006 (August 11, 1954); Canada General Fund (1954) Ltd., Investment Company Act Release No. 2007 (August 16, 1954); Keystone Fund of Canada, Ltd., Investment Company Act Release No. 2008 (August 18, 1954); Templeton Growth Fund of Canada, Ltd., Investment Company Act Release No. 2020 (October 7, 1954); Investors Group Canadian Fund, Ltd., Investment Company Act Release No. 2124 (March 30, 1955); Canadian International Growth Fund, Ltd., Investment Company Act Release No. 2386 (July 6, 1956); and Multnomah Canadian Fund, Ltd., Investment Company Act Release No. 2641 (December 10, 1957). One of these companies, Resources of Canada Investment Fund, Ltd., did not register under the Act. Templeton Growth Fund of Canada, Ltd. subsequently changed its name to Axe-Templeton Growth Fund of Canada, Ltd.

abling investment companies organized in other foreign countries to register. Processing the application in this case, therefore, required extensive research into South African corporate law to determine whether it would be legally feasible to apply and enforce the standards of the Act with respect to this company.

In support of its request, applicant agreed to abide by the undertakings and agreements provided for by rule N-7D-1 applicable to Canadian investment companies as well as numerous additional undertakings and agreements to give assurance of the enforceability of the Act. A hearing on the application was held in July, 1958, shortly after the close of the fiscal year, and the Commission's Findings and Opinion and Order approving the application was issued on August 13, 1958.<sup>18</sup>

#### **UNREGISTERED INVESTMENT COMPANIES—SECURING COMPLIANCE WITH THE INVESTMENT COMPANY ACT**

In the course of administering the Investment Company Act, the Commission must frequently take steps to require the registration of companies. Such instances often arise with respect to companies which have been engaged in industrial or other activities and which over periods of time substantially reduce their regular business activities and sell large portions of their assets and invest the proceeds in securities. Thus, these companies bring themselves within the purview of section 3 (a) (3) of the Act, which defines an investment company, among others, as one which is engaged in the business of owning or holding, or proposing to own or hold, investment securities having a value exceeding 40 per centum of the value of their total assets. Companies which fall within this definition must register under section 8 (a) of the Act, or they may, before or after such registration, apply for an order under section 3 (b) (2) declaring that they are primarily engaged in a business or businesses other than the investment business.

In the usual case, companies which find themselves in, or approaching an investment company status seek the advice of the Commission's staff as to the application of the Act. Others, however, through inadvertence or erroneous interpretation of the Act fail to register until notified by the Commission to do so. The discovery of such situations presents a serious administrative problem. It is obviously impossible and undesirable to attempt to scrutinize the operations of the myriad of business enterprises in this country to determine their status under the Act. The Commission and its staff are dependent for information upon newspapers and other reportorial services, complaints of stockholders or other interested persons and examination of reports or

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<sup>18</sup> Investment Company Act Release No. 2756.

other documents required to be filed with the Commission under other Acts which it administers.

Companies which the staff and the Commission dealt with during the past fiscal year involving registration and status problems under the Act included the following: National Department Stores Corporation, McPhail Candy Corporation, New York Dock Company, Portsmouth Steel Corporation, Dempster Investment Company, Real Silk Hosiery Mills, Inc., American-Hawaiian Steamship Company and Bankers Southern, Inc. All of these companies, with the exception of Bankers Southern, Inc., which is a newly organized company, had in recent years disposed of substantial portions or all of their other business assets and purchased securities with the proceeds, with the result that they fell within the presumptive test of an investment company contained in section 3 (a) (3). Prior to, or shortly after, the close of the fiscal year all of these companies, with the exception of National Department Stores and American-Hawaiian Steamship, had registered under the Act. Hearings on National Department Stores application under section 3 (b) (2) had not been concluded at the year's end. American-Hawaiian Steamship, upon being advised by the Commission that its operations were subject to the Investment Company Act, refused to register, claiming, among other things, that it was not an investment company nor subject to the Act. Thereupon, after the close of the fiscal year, the Commission initiated proceedings in the United States District Court to enforce compliance with the Act.

The problems of administration and enforcement encountered in this type of case are illustrated by the McPhail Candy Corporation matter. In early 1955 the staff learned, through a newspaper account, that a derivative stockholder's action had been instituted against McPhail Candy Corporation in which it was alleged, among other things, that the company was an investment company and that its officers had, in effect, been guilty of a breach of trust. Reports filed by the company with the Commission pursuant to the Securities Exchange Act indicated that over a period of years the company's candy operations had been declining, that assets had been liquidated and the cash, together with borrowings, had been invested in securities and that candy operations had been conducted at a loss while security transactions and dividend receipts were providing an increasingly important source of income. Security holdings constituted a substantial portion of the company's total assets. Because of these and other facts, it appeared that the company might have already undertaken to be an investment company and that further inquiry was warranted.

Informal investigation of the affairs of McPhail Candy Corporation proceeded during the spring of 1955. Examination of the annual

audited report of the company's operations, which was filed on August 15, 1955, served to strengthen the earlier tentative conclusion of the company's status as an investment company and the company was advised of this conclusion and further factual information was sought from the company on a voluntary basis. By the end of the year it became apparent that the company would not voluntarily register under the Act and that an investigation of its affairs would have to be conducted to determine its status and if necessary, to compel registration. As a result of further investigation it appeared that the company was and had been an investment company and should register as such and that it had engaged in a series of transactions with its principal officer and stockholder and otherwise used its assets for his personal benefit under circumstances which, it appeared, might involve fraud and gross abuse of trust. Ultimately, on October 28, 1957, the company registered but concurrently filed an application under section 3 (b) (2) to be declared excepted from the definition of an investment company, or in the alternative to be exempt pursuant to section 6 (c). During the hearing on this application the company requested its withdrawal and this request was granted on April 24, 1958.<sup>19</sup>

#### LITIGATION UNDER THE INVESTMENT COMPANY ACT OF 1940

During the fiscal year the Court of Appeals for the District of Columbia Circuit, in *S. E. C. v. Variable Annuity Life Insurance Company of America et al.*,<sup>20</sup> affirmed the dismissal by the district court of the Commission's complaint charging violations of the registration provisions of the Investment Company Act and the Securities Act of 1933. As noted on page 164 of the 23rd Annual Report, the district court had dismissed the Commission's complaint after trial on the ground that the McCarran Act placed exclusive regulatory jurisdiction over the defendants in the insurance authorities of the States and the District of Columbia. The Court of Appeals based its decision on different grounds, holding that the variable annuity contracts sold by defendants are exempt from registration pursuant to section 3 (a) (8) of the Securities Act and that the defendants are insurance companies falling within the provisions of section 3 (c) (3) of the Investment Company Act.

<sup>19</sup> On July 7, 1958, the Commission filed a complaint in the United States District Court for the Southern District of New York against the directors of the company for gross abuse of trust under section 36 of the Investment Company Act. The complaint alleges, among other things, that the corporation was an investment company on or before April 1, 1953; that between 1953 and 1957, the corporation, under the control and direction of its officers and directors carried on its activities in violation of Section 7 of the Investment Company Act and that Russell McPhail fraudulently diverted the corporation's assets to himself at prices substantially below their market value. *S. E. C. v. Russell McPhail, et al.*, S. D. N. Y., Civil Action No. 135-203.

<sup>20</sup> 257 F. 2d 201 (C. A. D. C. 1958). A petition for certiorari was granted on October 13, 1958.

In *S. E. C. v. Cryan*,<sup>21</sup> the Commission is seeking an injunction pursuant to section 36 of the Investment Company Act permanently barring Frank M. Cryan, former president and director, and John Setrian and Joseph Aversa, purported to be the new president and secretary-treasurer, respectively, from acting as directors and officers of Jefferson Custodian Fund, Inc., an open-end registered investment company, the appointment of a receiver, and other relief. The Commission's complaint alleges that Cryan sold to Setrian and his associates the stock of Jefferson Research Foundation, Inc., the Fund's investment adviser, at an aggregate price of \$261,000, its net book value being about \$2,300. The assets of the Fund at about that time were approximately \$1,270,000.

The complaint further alleges that the price agreed upon was "for the surrender of the fiduciary and management positions with respect to the Fund in favor of the defendant, John Setrian and his associates," and that "the purchasers of the stock did not have funds to pay the price and that the intention was to use the Fund's resources to finance the purchase." A receiver was appointed, and the receiver and the Fund's custodian were directed by the Court to honor redemptions at net asset value less 5% of the redemption price which was to be credited to a contingent reserve for receivership expenses.<sup>22</sup> During the course of the proceedings, upon the recommendation of the receiver and a vote of the stockholders, the Court approved a transfer of the assets of the company to another mutual fund.

In *S. E. C. v. Insurance Securities, Inc.*,<sup>23</sup> the Court of Appeals affirmed the district court's dismissal of the Commission's complaint which alleged that the defendants were guilty of gross abuse of trust within the meaning of section 36 of the Investment Company Act because they, as directors, officers and controlling stockholders, had sold stock control of an investment adviser for a registered investment company at about 25 times the net asset value of the stock.<sup>24</sup> The Court of Appeals held that there was no breach of trust because no funds of the investment company were involved and Congress provided a remedy in section 15 of the Act under which an investment advisory contract is terminated when stock control of the investment adviser is sold.<sup>25</sup>

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<sup>21</sup> S. D. New York, No. 131-57 (March 13, 1958).

<sup>22</sup> A stockholder action against Cryan and others is also pending in the same Court. *Floerke v. Cryan*, S. D. N. Y., Civil Action No. 133-331.

<sup>23</sup> 254 F. 2d 642 (C. A. 9, 1958).

<sup>24</sup> A more detailed description of the allegations of the complaint and the litigation in the district court appears at pages 164-165 of the 23rd Annual Report.

<sup>25</sup> A petition for a writ of certiorari was denied on October 13, 1958.

## PART X

### ADMINISTRATION OF THE INVESTMENT ADVISERS ACT OF 1940

A person engaged for compensation in the business of advising others with respect to securities is required by the Investment Advisers Act of 1940 to register as an investment adviser. There are certain exemptions from the requirement of registration such as in the case of an investment adviser all of whose clients are residents of the state of his principal business office and whose activities do not include advice or analysis with respect to securities listed or admitted to unlisted trading privileges on any national securities exchange. The Act makes it unlawful for investment advisers to engage in practices which constitute fraud or deceit. The Act also requires investment advisers to disclose the nature of their interest in transactions which they may effect for their clients, prohibits profit-sharing arrangements and, for all practical purposes, prevents the assignment of any investment advisory contract without the consent of the interested client.

The Commission is not empowered by the Investment Advisers Act to inspect the books and records of an investment adviser nor to deny or revoke the registration of an investment adviser unless he has been convicted of certain offenses involving securities or arising out of his conduct as an investment adviser or in certain other specified capacities, or has been enjoined by a court of competent jurisdiction on the same grounds or has falsified his application.

The number of registered investment advisers continued to increase and at the end of the fiscal year the total was 1,562, representing an increase of nearly 10% over the previous year. The following tabulation reflects certain data with respect to registration of investment advisers and applications for such registration during fiscal year 1958:

#### *Investment adviser registrations and applications*

Effective registrations at close of preceding fiscal year.....	1,431
Applications pending at close of preceding fiscal year.....	22
Applications filed during fiscal year.....	212
<b>Total.....</b>	<b>1,665</b>
Registrations cancelled or withdrawn during year.....	77
Registrations denied or revoked during year.....	2
Applications withdrawn during year.....	2
Registrations effective at end of year.....	1,562
Applications pending at end of year.....	22
<b>Total.....</b>	<b>1,665</b>

**ADMINISTRATIVE PROCEEDINGS**

The Commission revoked the investment adviser registration of *Ralph Seipel, doing business as Investors Surety Company*,<sup>1</sup> on the ground that the registrant had been permanently enjoined by a United States District Court, in an action instituted by the Commission, from employing any device, scheme or artifice to defraud a client or prospective client or from engaging in any transaction, practice or course of business which operates or would operate as a fraud or deceit upon any client or prospective client in violation of Section 206 of the Act.<sup>2</sup> The injunction was based on findings by the court that Seipel had violated that section by falsely representing to persons responding to his newspaper advertisements inviting requests for stock market information, that he absolutely guaranteed clients against loss in the stock market, that he maintained branch offices and a foreign exchange department, and that he had twenty-five years of trading experience and many clients, when in fact he had no office, organization, associates or customers. Seipel contended that the injunction did not constitute a basis for revocation, since he had no clients and was enjoined only from making misrepresentations in an effort to attract clients and not from engaging in any conduct connected with investment advisory activities. This contention was rejected by the Commission.

*James Cordas, doing business as The Canadian Stock Letter*,<sup>3</sup> a registered investment adviser, filed an amendment to his registration application with the Commission which wilfully misstated his business address as being in one state when in fact it was located in another state, where he was enjoined from acting as an investment adviser. The Commission held it to be in the public interest to revoke his registration as an investment adviser.

**LITIGATION UNDER THE INVESTMENT ADVISERS ACT OF 1940**

The Commission is authorized by the Investment Advisers Act to obtain an injunction where violations of the Act have occurred or appear to be imminent.

Pursuant to that authority the Commission secured a permanent injunction in *S. E. C. v. Security Forecaster Co., Inc. and Melvin A. Johnson*<sup>4</sup> restraining further violations of the anti-fraud provisions of the Investment Advisers Act. The Commission charged that Security Forecaster Co., Inc., Melvin A. Johnson, its president, and James M. Barnes, a Canadian resident, in a paper called "The Finan-

<sup>1</sup> Investment Advisers Act Release No. 93 (March 31, 1958).

<sup>2</sup> S. D. N. Y., No. 120-364 (May 24, 1957).

<sup>3</sup> Investment Advisers Act Release No. 90 (October 21, 1957).

<sup>4</sup> S. D. N. Y., No. 130-239 (February 28, 1958).

cial Forecaster", which the company published and distributed, urged clients and prospective clients to buy shares of Anacon Lead Mines, Ltd., by means of the following misleading and fraudulent statements, among others: (1) the projected recovery by Anacon of an estimated \$50,000 per acre from certain of its gold mining holdings would result in a recovery potential to Anacon of \$50 million; (2) the value of each outstanding share of Anacon was approximately \$3 per share, when in fact it was approximately 40 cents per share; (3) millions of dollars were realized within days by traders, speculators and investors in other stocks managed by Johnson; (4) large and extremely quick profits would be made as a result of a purchase of Anacon stock; and (5) dividends had been paid in the past by Anacon, without disclosing that no dividends have been paid since 1952.

The Commission filed memoranda *amicus curiae* and presented oral argument in *Hull v. Newman, Kennedy & Co.*,<sup>5</sup> an action to declare an investment contract void, and for damages for violations of the Investment Advisers Act. The Commission, addressing itself solely to the questions of law involved, contended that a private civil action may be brought for violation of the Act, regardless of the non-existence of any express statutory provision authorizing it. The case was subsequently settled.

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<sup>5</sup> S. D. N. Y., No. 118-283.

**PART XI**  
**OTHER ACTIVITIES OF THE COMMISSION**  
**COURT PROCEEDINGS**

**Civil Proceedings**

At the beginning of the fiscal year 1958 there were pending in the courts 43 injunctive and related enforcement proceedings instituted by the Commission to prevent fraudulent and other illegal practices in the sale or purchase of securities. During the year 65 additional proceedings were instituted and 54 cases were disposed of, leaving 54 such proceedings pending at the end of the year. In addition the Commission participated in a number of corporate reorganization cases under Chapter X of the Bankruptcy Act, in 7 proceedings in the district courts under section 11 (e) of the Public Utility Holding Company Act and in 14 miscellaneous actions. The Commission also participated in 35 civil appeals in the United States Courts of Appeals. Of these, 17 came before the courts on petition for review of an administrative order, 6 arose out of corporate reorganizations in which the Commission had taken an active part, 9 were appeals in actions brought by or against the Commission, 1 was an appeal from an order entered pursuant to section 11 (e) of the Public Utility Holding Company Act and 2 were appeals in cases in which the Commission appeared as *amicus curiae*. The Commission also participated in 4 appeals or petitions for certiorari before the United States Supreme Court resulting from these or similar actions.

Complete lists of all cases in which the Commission appeared before a Federal or State court, either as a party or as *amicus curiae*, during the fiscal year, and the status of such cases at the close of the year, are contained in the appendix tables.

Certain significant aspects of the Commission's litigation during the year are discussed in the sections of this report relating to the statutes under which the litigation arose.

**Criminal Proceedings**

Fifteen new cases were referred to the Department of Justice for prosecution during the past fiscal year. From 1934 to June 30, 1958, 2,376 defendants have been indicted in United States district courts in 575 cases developed by the Commission. These figures include 14 indictments returned during the past fiscal year against 42

defendants. Also during the fiscal year there were 30 convictions in 14 cases, making the total 1,295 convictions in 546 cases. There were 6 appeals in criminal cases. In 3 of these cases the defendants unsuccessfully attempted to have their convictions set aside and the remaining cases were pending on appeal at the end of the year. There were 4 criminal contempt proceedings during 1958, 2 of which were instituted during the fiscal year. In 1 of these cases 3 defendants were convicted, leaving 3 cases pending at the end of the year.

As in the past, defendants in the criminal cases developed and prosecuted during the year contrived a variety of fraudulent schemes, including broker-dealer frauds and fraudulent promotions involving inventions, mining and oil and gas ventures, finance and insurance companies and various other types of businesses. The defendants in some of the cases were also charged with violations of the registration provisions of the Securities Act of 1933 and violations of other non-fraud provisions.

A seven-year prison term was imposed on *Eldridge S. Price* (N. D. Ga.) following his conviction on all 14 counts of an indictment charging violations of the anti-fraud and registration provisions of the Securities Act and the Mail Fraud Statute in connection with the sale of oil and gas interests and stock of the Dark Canyon Uranium Corporation and other securities. The indictment charged, among other things, that the defendant knowingly made false promises of great wealth to prospective investors, including misrepresentations that the lands covered by the oil leases had already been proven for oil and were highly productive; that there was no risk; and that the defendant Price was a highly qualified and successful oil operator who had never drilled for oil without bringing in a producing well when, in fact, wells drilled by Price were dry holes or yielded no oil in commercial quantities. It was further charged that the defendant falsely represented that the land covered by the leases was the best oil land in Texas and that the defendant owned large interests in the leases and drilling equipment having a value of hundreds of thousands of dollars. The indictment also alleged that the defendant concealed from prospective investors the fact that he was in bankruptcy; that he had never been successful as an oil operator; and that his profits had been made wholly as a result of promotional activities. Mrs. Edith Wynne Price, a co-defendant, was acquitted by the court prior to the submission of the case to the jury and Price was released on \$10,000 bail pending appeal.

Mining and oil and gas ventures were also involved in the indictments pending in *U. S. v. U. S. Manganese Corporation et al.* (S. D. N. Y.); *U. S. v. Stratoray Oil, Inc. et al.* (S. D. Tex.); and *U. S. v. Silas M. Newton et al.* (D. Colo.). In the *U. S. Manganese* case the in-

dictment charges that the corporation and defendants Commodore Dewey Brock and Maurice A. Schuster conspired together and with others to employ a scheme and artifice to defraud in the sale of the corporation stock which resulted in substantial losses to investors. The indictment alleges that the defendants caused to be printed and issued a false and misleading offering circular which included misrepresentations that the corporation had acquired certain designated mining properties and that one property contained 350,000 tons of definite blocked out ore. It is further alleged that among the material facts omitted from the offering circular were that the corporation was obliged to pay approximately \$700 a month on certain properties; that the Defense Minerals Administration had refused to loan the corporation \$50,000 on the ground that its properties did not contain sufficient ore to justify such loan; that substantially all the ore which had been shipped by the corporation had been purchased from other mines; that the total revenue received from the sales of the ore was greatly exceeded by the cost of such sales and the corporation was operating at a loss.

In the *Stratoray* case the indictment, in addition to charging failure to comply with the registration provisions of the Securities Act, alleges that the defendants effected sales of investment contracts evidenced by oil and gas leases by means of untrue and misleading statements of material facts. Included among the misrepresentations, according to the indictment, were statements that the drilling of a certain oil well would most likely result in the discovery of one of the largest oil fields in the United States and that persons purchasing leases in the area from the defendants were being afforded an opportunity of acquiring great wealth; that the defendants were convinced they had a scientific oil hunting instrument, called a "scintillator," capable of detecting virgin oil fields with near 100% dependability; that the defendants, by means of their scintillator, had located what they believed to be a vast accumulation of oil, perhaps as large as the prolific Yates field in Pecos County, Texas; and that one of the defendants was a research scientist trained and experienced in the application of electronic nuclear scientific principles.

The indictment in the *Newton* case alleges, among other things, that the defendants, by means of false and misleading statements, induced investors to purchase participating certificates in the Yellow Cat Royalty Trust, the Tennessee Queen Royalty Trust, and fractional undivided interests in mining claims held by the Tennessee Queen Mining Co. The alleged statements include misrepresentations concerning the value of the properties, the experience of the mining operators, the shipping of ore, and the certainty of royalty returns on the investments.

In *U. S. v. Francis E. Getchell et al.* (S. D. Fla.), the defendants were sentenced to terms ranging from 1 to 5 years following their convictions after a trial extending over 11 weeks. The indictment charged that the defendants engaged in a scheme to sell stock of Florida Palms, Inc., and other securities, by falsely representing that defendants Francis E. and Harry S. Getchell had developed a secret and commercially feasible process whereby pulp could be manufactured from cabbage palms; that several large companies had offered to buy this process for millions of dollars; that all money invested would be used to build a plant and buy equipment and that all funds received from the sale of the securities would be held in trust for this purpose. It was further charged that false financial statements prepared by defendant William F. Powers, a certified public accountant, were used to deceive investors and to conceal the misappropriation of their funds. The fourth defendant, Hollis Rinehart, an attorney, was alleged to have been an officer of Florida Palms, Inc. and to have assisted in these promotions.

In *U. S. v. Clinton R. Rupp et al.* (D. Idaho), the defendants Clinton R. Rupp and Intermountain Development Company, Inc. were found guilty of violating and conspiring to violate the anti-fraud provisions of the Securities Act and the Mail Fraud Statute in connection with the sale of Intermountain stock. The indictment charged that the defendants misrepresented to investors that the funds received from the sale of the Intermountain stock would be deposited with the Idaho Insurance Commissioner and would be used in compliance with the Idaho Insurance law; that 75% of the funds so received would be deposited in escrow for use in purchasing controlling interests in small life insurance companies; that, as a result of the purchase of National Security Life Insurance Company, the Intermountain stock would, and did, increase in value; that none of the proceeds would be used in carrying on any mining and exploration work; that the defendants had invested substantially in Intermountain securities; and that the son of the Commissioner of Finance of the State of Idaho had purchased \$10,000 worth of Intermountain stock. The indictment further charged that the defendants concealed from investors the fact that Intermountain had purchased National Security Life Insurance Company for \$270; that Intermountain had never obtained an insurance permit from the State of Idaho; that Intermountain's assets had been frozen and receivership proceedings were pending in the state courts and that the securities being offered were the personally owned stock of certain individuals who were receiving the benefits of the proceeds of the sale. Six of the defendants received sentences ranging from a \$1000 fine to a \$1000 fine and a year's imprisonment following pleas of guilty or *nolo con-*

*tendere* to various counts. Defendant Rupp, who after trial was found guilty of securities fraud, mail fraud and conspiracy, was sentenced to a 5-year prison term and a \$10,000 fine. Intermountain was fined \$5,000. A remaining defendant, who had been a fugitive, was recently apprehended.

Another indictment charging fraud in an insurance company promotion, *U. S. v. National Union Life Insurance Company et al.* (S. D. Fla.), alleges, among other things, that Basil P. Autrey and the other defendants devised a scheme to defraud investors by means of false and misleading statements; that the defendants bought the capital stock of National Union at prices ranging from \$2 to \$40 per share and thereafter by means of manipulative and other fraudulent practices resold the stock to investors at prices ranging from \$5 to \$63.50 per share; that the defendants caused the company to issue 10,000 shares of its stock allegedly in exchange for an office building, knowing that the stock was to be acquired by one of the defendants rather than the vendor, the purpose of such transaction being to defeat the preemptive rights of the stockholders and also to enable the defendants to acquire a large block of stock for resale; that the defendants caused the company to issue 5,000 shares of its stock ostensibly for seasoned first mortgages, knowing that the mortgages never would be received by the company; that the defendants artificially caused the market price of the stock to rise by effecting a series of transactions among themselves, with investors and with brokers and dealers, by placing and giving scale-up orders for the stock, by causing the company to declare a 25% stock dividend and by circulating fraudulent misrepresentations concerning the company and its affairs. The indictment further charged that the defendants kept false, inaccurate and incomplete books and records in order to conceal the company's true financial condition. A motion by certain defendants for transfer of the trial to the Northern District of Alabama was granted. A motion by the Department of Justice for retransfer to the Southern District of Florida is pending.

A 12-count indictment was returned charging *Carl D. Schaeffer* (N. D. Ill.) with devising a scheme and artifice to defraud investors in the sale of investment contracts and evidences of indebtedness relating to the development of a machine for generating steam through hydraulic forces. According to the indictment Schaeffer made numerous fraudulent statements to investors, including statements that Schaeffer had a written contract with a syndicate of companies comprised of Dow Chemical Company, the duPont Company, Chrysler Corporation, General Motors and others, whereby these companies had agreed to purchase the rights to Schaeffer's steam machine and had put \$10,000,000 in escrow with the Chase National Bank; that General Motors was interested in buying Schaeffer's

machine; that Fairbanks-Morse and Co. had offered to buy Schaeffer's machine for a million dollars and that he could pick up a million dollar check from that company any time he wished, although he had turned down this offer; that Crane Company had offered to buy the rights to Schaeffer's machine for a million dollars and that Schaeffer had turned down this offer; that the United States Navy and a big chemical company were bidding against each other for the right to purchase Schaeffer's machine and that whichever purchased it would pay in the vicinity of \$30,000,000; that the United States Navy was interested in Schaeffer's machine for use in submarines and was experimenting with the machine in extracting ocean minerals; that monies invested with Schaeffer were placed by him in the Northern Trust Co. in Chicago and that if an investor ever wanted his money back he would get it because it was on deposit with that institution; and that all investors would realize \$10 for every \$1 invested.

Another scheme to defraud investors which involved an invention was alleged in an indictment charging *William L. Dorsey, Sr.* (W. D. Mo.) with fraud in the sale of the common stock of Southwestern Industries, Inc., a corporation which he controlled. In connection with the sale of this stock Dorsey made numerous false and misleading statements to investors, including representations that the company owned the patent to an irrigation pump known as the Cochran Power Unit; that an investment in the company would yield dividends as high as 100% a year; and that Dorsey would not receive any salary, commissions or expenses from the company until such time as the pumps were manufactured and sold. It was further charged that Dorsey concealed from investors the fact that Southwestern Industries owed royalties to the owner of the patent on the irrigation pump; that the company had no orders for and had sold no pumps; that the company had a continually increasing deficit and that Dorsey was using the funds of the company for his personal expenses. Dorsey pleaded guilty to 4 counts charging him with violations of the anti-fraud provisions of the Securities Act and 4 counts charging him with violations of the registration requirements of that Act. He was sentenced to a term of a year and a day on each of the fraud counts. The sentences are to run concurrently and he is to be placed on probation for five years upon release from confinement.

In *U. S. v. Hugh Van Valkenburgh et al.* (D. Neb.), one of the defendants, Abraham Schapiro, was placed on probation for 30 months and fined \$2,000 following his plea of *nolo contendere* to 8 counts of an indictment charging him and his co-defendant with having engaged in a scheme to defraud in connection with the sale of stock of Instant Beverage, Inc., a corporation organized and

promoted by the defendants to manufacture an instant powder product which, when mixed with water, was stated to produce a carbonated beverage. Misrepresentations were alleged to include assertions that several large companies would be interested in buying or handling the formula and that the United States Government would take the entire output of the powder for the first six months of its production. The indictment further charged that the defendants failed to disclose the number of shares of Instant Beverage stock issued to promoters and the prices paid for such shares; that Instant Beverage did not own the formula for the powder, but only held a franchise for its use; and that the United States Army had previously rejected samples of the powder as being unfit for use by the Army.<sup>1</sup>

Fraudulent promotions involving finance company ventures were alleged in the indictments in *U. S. v. A. B. Shoemaker et al.* (S. D. Tex.); *U. S. v. Consul Mayo Forsyth et al.* (E. D. Tex.); and *U. S. v. Hilding L. Jacobson* (D. Neb.). In the *Forsyth* case the indictment charged, among other things, that the defendants, in the sale of stock of Central Finance Service, Inc., falsely represented to investors that the stock being offered was unissued stock of Central and the money received from the sale of such stock would be used by Central in its business operations; that Central was realizing substantial profits from its business operations; that Central would pay substantial dividends; and that investors would receive a return of all the money they invested in Central stock upon request. The indictment further charged that the Central stock offered and sold to investors was personally owned stock and not the unissued stock of Central; that Central had operated at a substantial loss throughout its existence and that it had no surplus and, therefore was not in a position to pay any dividends. Defendant Forsyth entered a plea of guilty to 2 counts of the indictment and was sentenced to 2 years' imprisonment and a suspended sentence of 5 years; the other defendant, Roy W. Adams, has entered a plea of not guilty.<sup>1a</sup>

In the *Jacobson* case the defendant was sentenced to a suspended term of 2 years and 3 years' probation on each of 17 counts, the sentences to run concurrently, upon his conviction of charges in an information that he violated the anti-fraud provisions of the Securities Act and the Mail Fraud Statute and filed false statements with the Securities and Exchange Commission.<sup>2</sup>

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<sup>1</sup> Subsequent to the end of the fiscal year the remaining defendant, Hugh Van Valkenburgh, entered a plea of *nolo contendere* to four counts of indictment and was fined \$11,500 plus costs and was sentenced to three years' imprisonment on each count, the sentences to run concurrently. Execution of the sentence was suspended and the defendant was placed on probation for three years.

<sup>1a</sup> Subsequent to the end of the fiscal year Adams was convicted on one count of the indictment and sentenced to a term of 18 months.

<sup>2</sup> 18 U. S. C. § 1001.

In the *Shoemaker* case the indictment charges that the defendants misrepresented that funds deposited with the U. S. Trust and Guaranty Company were insured and guaranteed up to \$10,000 by 100% reserves and that financial statements supplied to customers and prospective customers contained a true and correct statement of the financial condition of the company. The indictment further charged that the defendants made false statements concerning the use to be made of funds deposited with the company, made false and misleading entries in the books of the company, and obtained false appraisals of real estate owned by the company.

Frauds by broker-dealers were charged in the indictments in *U. S. v. Charles M. Graves* (D. Alaska) and *U. S. v. Branch J. Carden, Jr.* (W. D. Va.). In the *Graves* case the defendants Graves and The Locators, Inc. pleaded guilty to various counts of an indictment charging violations of the broker-dealer registration requirements of the Securities Exchange Act and violations of the anti-fraud provisions of that Act. Both the Locators, Inc. and Graves were fined \$250 and, in addition, Graves received a 6-month suspended sentence.

In the *Carden* case the defendant pleaded guilty to an indictment that charged him, among other things, with accepting payment for securities and, by written confirmation, representing to customers that the securities had been purchased and would be delivered to them in accordance with customs and practices of the business when, in fact, the defendant converted the customers' funds to his own use. The indictment also charged the defendant with accepting securities from customers to be sold for the customers' accounts and with converting such securities to his own use. The indictment charged further that, for the purpose of deceiving the customers and concealing from them the scheme to defraud, the defendant intentionally refrained from recording certain transactions in his books and records. The defendant was sentenced to two years' imprisonment.

Sentences ranging from 2 years' probation to 12 months' imprisonment were imposed upon *Sidney Barclay* (E. D. Mich.) and six other defendants following their pleas of guilty to one count of an indictment charging violations of the broker-dealer registration provisions of the Securities Exchange Act. According to the indictment, investors in the United States were solicited by the defendants through the mails and by long distance telephone from Montreal, Canada, to purchase from T. M. Parker, Inc., shares of stock of various Canadian corporations, at a time when T. M. Parker, Inc. was not registered as a broker-dealer with the Commission in accordance with the requirements of the Securities Exchange Act.<sup>3</sup>

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<sup>3</sup>The enforcement problems arising in connection with fraudulent promotions originating in Canada are discussed in detail in previous annual reports. See, for example,

In *U. S. v. Jesse S. Gill, et al.* (N. D. Georgia), convictions were obtained against two of the defendants on all counts of an indictment charging that the defendants induced Paleo Oil & Gas Corp. to retain their firm as an underwriter for an offering of shares of the corporation, and the defendants converted to their own use a sum of money advanced for expenses and maintained fraudulent records to conceal their actual disbursements in connection with the offering of the Paleo stock. Sentences of imprisonment for a term of one year were imposed, but execution of the sentences was suspended and the defendants were placed on probation for five years on condition that restitution be made in the sum of \$2,000 for each defendant. The case was dismissed as to the one remaining defendant.

In *U. S. v. David L. Shindler et al.* (S. D. N. Y.), the indictment charges that the defendants conspired to defraud purchasers of stock of Jerry O'Mahoney, Inc. by manipulative practices which artificially raised the market price of the stock and maintained the artificial price. The practices alleged include the buying of large amounts of stock through dummy accounts, inducing others to buy on the American Stock Exchange by promises to sell additional shares off the exchange at a price below the exchange price, and by purchasing large amounts of stock off the exchange to prevent such stocks being sold on the exchange and thereby depressing the price. In addition, the indictment charges that the defendants engaged in a scheme to defraud purchasers of the stock by omitting to state that the exchange price had been artificially raised and maintained by the manipulative practices of the defendants.

An indictment was returned charging *Edward J. Vitale* (E. D. Mich.) with violating the anti-fraud provisions of the Securities Act and the Mail Fraud Statute in connection with his activities as manager of a branch office of a Boston broker-dealer firm registered with the Commission. The indictment alleges that the defendant, after gaining the trust and confidence of certain customers, induced them to sell their holdings of investment company securities and turn the proceeds over to him by falsely representing that such funds would be invested in various profit-sharing ventures, such as the purchase, renovation and resale of houses, and the development of residential building projects and other business enterprises in which the defendant was engaged when, in fact, such projects were either not in existence or the defendant was not a participant therein.

In *U. S. v. Paul H. Collins* (S. D. Ill.), the indictment charged that the defendant, while acting as a branch manager for a broker-dealer, not only defrauded customers of the company, but also defrauded the company itself. The indictment alleged that Collins

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pages 202-204 of the 22nd Annual Report which contain a discussion of *U. S. v. Link and Green* (1955) S. C. R. 183, an action for extradition brought in connection with the *T. M. Parker* case. See also pages 178-182 of the 23rd Annual Report.

engaged in fraudulent and fictitious transactions in securities with customers and made fraudulent representations and promises concerning such transactions and the handling of customers' funds. Shortly after the end of the fiscal year Collins pleaded guilty to ten counts of the indictment. The imposition of sentence was suspended and Collins was placed on probation for three years.

Fraud in connection with the delivery of forged and counterfeit securities was charged in the indictment in *U. S. v. Albert Hefferan* (W. D. Mich.). The indictment alleged that, as a part of a scheme to defraud, the defendant placed a series of newspaper advertisements soliciting investors to advance sums of money. It was alleged that these advertisements represented that the defendant would furnish collateral described as "listed, high-grade securities" and "grade-A negotiable listed securities" having values substantially in excess of the amounts of the investments solicited and that the defendant did not intend to and did not pledge genuine securities as collateral but, on the contrary, delivered forged securities which he falsely represented to be genuine. Hefferan pleaded guilty to five counts of the indictment and, shortly after the close of the fiscal year, was sentenced to three years' imprisonment.

In *United States v. Edgar Robert Errion et al.* (D. Oregon), sentences were imposed on the defendants who had previously pleaded guilty or had been convicted on an indictment charging violations of the anti-fraud provisions of the Securities Act, as well as the Mail Fraud and Conspiracy statutes. Errion, who pleaded guilty to two counts of the indictment, received a sentence of three years' imprisonment on each count. He also entered a guilty plea to two counts of another indictment charging violations of the same statutes in the sale of membership certificates of Beaver Plywood Cooperative and Co-op Loggers, and was sentenced to a term of three years on each of those counts. All the sentences are to run consecutively, making Errion's sentence a total of 12 years. Five other defendants, who had previously been convicted after a trial lasting three weeks, were sentenced to terms ranging from one year to seven years. One of these defendants, Helen A. Davenport, filed an appeal and subsequent to the end of the fiscal year her conviction was affirmed by the Court of Appeals for the Ninth Circuit.

A fine of \$1,000 was imposed upon *Christopulos & Nichols Brokerage Company* and fines of \$500 each were imposed upon Plato G. Christopulos and Louis P. Nichols upon their being adjudged in criminal contempt for violation of an injunction prohibiting, among other things, the defendant brokerage company, its officers, agents, employees and assigns from further violating the provisions of Sections 7 (a) and 17 (a) of the Securities Exchange Act, Section 4 (c) of Regulation T adopted by the Federal Reserve Board, and Rules 15C1-4 and 17A-3 adopted by the Commission under the Secu-

rities Exchange Act.<sup>4</sup> These provisions prohibit the extension of credit, without an authorized extension, by a brokerage firm for more than seven days from the date of a transaction; the use of the mails in connection with an over-the-counter securities transaction unless, in confirmation thereof, there has been a disclosure by the broker of his role with respect to all the parties; and the over-the-counter sale of securities while the broker is not in compliance with the Commission's bookkeeping and record requirements.

An indictment for "bail jumping"<sup>5</sup> was returned against *Donald F. Thayer* (D. Mass.), who has been a fugitive since his release in July 1953 on \$10,000 bail following an indictment charging him and others with violating the anti-fraud provisions of the Securities Act, as well as the Mail Fraud and Conspiracy Statutes. This is reported to be the first indictment of this type returned in the District of Massachusetts.

The United States Court of Appeals for the Second Circuit affirmed a conviction for securities fraud, mail fraud and conspiracy of *Walter F. Tellier*, head of Tellier and Company, formerly a New York securities dealer (255 F. 2d 441 (1958)). Tellier and his co-defendants Elton B. Jones and Albert Joseph Proctor had been found guilty of all 36 counts of an indictment following a trial lasting seven weeks in the United States District Court in Brooklyn, New York. The charges related to fraud in connection with the sale of 4 series of debentures of the Alaska Telephone Corporation, totalling approximately \$900,000. The evidence had disclosed that under Tellier's direction and supervision Tellier and Company engaged in a boiler-room securities sales operation, employing a large number of high-pressure telephone salesmen and deceptive printed material. Tellier had been sentenced to four and one-half years' imprisonment and fined a total of \$18,000.<sup>6</sup> Still pending against Tellier are two indictments charging fraud in the sale of more than 19,000,000 shares of stock of a number of uranium mining corporations.

Convictions for violations of the anti-fraud provisions of the Securities Act were affirmed in *Wilson H. Walters, et al. v. United States*, 256 F. 2d 840 (C. A. 9, 1958), *Arthur V. Donaldson v. United States*, 248 F. 2d 364 (C. A. 9, 1957),<sup>7</sup> and *Richard W. Bowler v. United States*, 249 F. 2d 806 (C. A. 9, 1957). In both the *Donaldson* case and the *Walters* case the appellants had been convicted in connection with insurance company promotions. In the *Bowler* case

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<sup>4</sup> The broker-dealer registration of *Christopoulos & Nichols Brokerage Company* was subsequently revoked by the Commission. Securities Exchange Act Release No. 5703 (May 27, 1958).

<sup>5</sup> 18 U. S. C. Sec. 3246.

<sup>6</sup> After the close of the fiscal year the Supreme Court denied a petition for certiorari filed by Tellier in this case.

<sup>7</sup> Petitions for certiorari were denied in each of these cases.

the appellant had sold stock of a warehouse and storage company.\*

The appeal of Homer W. Snowden from his conviction for fraud (E. D. Ill.) in the sale of oil and gas interests was dismissed on the motion of his counsel. Additional details concerning this case are contained on pages 172-73 of the 23rd Annual Report.

#### DISCIPLINARY PROCEEDINGS AGAINST PERSONS PRACTICING BEFORE THE COMMISSION

In a private investigation to determine whether Union Electric Company and certain other persons directly or indirectly made political contributions in violation of section 12 (h) of the Public Utility Holding Company Act of 1935, William A. Dougherty, an attorney, testified under oath with respect to the circumstances relating to a check for \$5,000 which was drawn by him to his order and endorsed by him and was deposited in a private bank account of Orville E. Hodge, then Auditor of Public Accounts of the State of Illinois. Dougherty at first testified that the check represented a loan to a "friend" who was not a public official and whom he refused to identify, and indicated that he did not know how the check had reached Hodge's account. Later he was recalled and he again refused to identify the recipient of the check, claiming his privilege against self-incrimination. He was directed to answer pursuant to the immunity provision of section 18 (e) of the Act, whereupon he identified the person for whom he issued the check as Hodge and disclosed other information which directly contradicted his prior sworn testimony.

Private proceedings were instituted pursuant to rule II (e) of the Commission's Rules of Practice to determine whether Dougherty should be temporarily or permanently denied the privilege of practicing before the Commission. After a private hearing the Commission issued its opinion<sup>9</sup> in which it found that Dougherty's sworn testimony contained false and misleading statements and that in giving such testimony he had engaged in improper professional conduct. It ordered that Dougherty be denied the privilege of practicing before the Commission until he obtained the Commission's approval. Subsequently, Dougherty filed an application for reinstatement, and the Commission, giving consideration to his age, the fact that he had engaged in active and substantial practice for 38 years without having been involved in any other case of improper professional conduct, the serious financial loss resulting from his disqualification, his

<sup>8</sup> For additional details concerning the *Walters* case see page 173 of the 23rd Annual Report; for additional details concerning the *Donaldson* and *Bowler* cases see page 193 of the 22nd Annual Report.

<sup>9</sup> Holding Company Act Release No. 13567 (October 18, 1957).

expression of contrition and his representation that his future professional conduct would be beyond question, readmitted him to practice before it.<sup>10</sup>

On May 5, 1957, the Commission pursuant to rule II (e) of its Rules of Practice instituted private proceedings against Morris Mac Schwebel, a New York attorney, to determine whether he should be temporarily or permanently denied the privilege of practicing before the Commission because of unethical and improper professional conduct in connection with his representation of clients before the Commission.

Schwebel filed a complaint in the District Court for the District of Columbia for a preliminary injunction and temporary restraining order enjoining the members of the Commission from prosecuting disciplinary proceedings against him. In granting the Commission's motion to dismiss the complaint, the District Court held that, because of the particular delicacy of an attorney's good reputation, it had jurisdiction to determine whether the Commission had authority to maintain the rule II (e) proceeding without first requiring Schwebel to exhaust his administrative remedies, but that under the Commission's general statutory powers to prescribe rules necessary for the execution of its functions the Commission has implied authority to establish qualifications for attorneys practicing before it and to take disciplinary action against those found guilty of unethical professional conduct. The Court further held that the Commission had not violated section 9 (b) of the Administrative Procedure Act in instituting the proceeding without first giving Schwebel an opportunity to demonstrate or achieve compliance.<sup>11</sup>

An appeal was taken by Schwebel to the Court of Appeals for the District of Columbia Circuit which, in a *per curiam* decision, affirmed the decision of the District Court, stating, "though we think the District Court was right in dismissing the complaint, we think the plaintiff failed to exhaust his administrative remedy and the court therefore erred in ruling on the Commission's authority to disbar attorneys."<sup>12</sup> Schwebel filed a petition for writ of certiorari which was denied on April 7, 1958.<sup>13</sup>

The Commission's administrative proceeding under rule II (e) was pending at the close of the fiscal year.

### COMPLAINTS AND INVESTIGATIONS

The statutes administered by the Commission specifically authorize investigations to determine whether violations of their provisions

<sup>10</sup> Holding Company Act Release No. 13716 (April 2, 1958).

<sup>11</sup> *Schwebel v. Orrick et al.*, 153 F. Supp. 701 (1957).

<sup>12</sup> *Schwebel v. Orrick et al.*, 251 F. 2d 919 (C.A. D.C. 1958).

<sup>13</sup> *Schwebel v. Orrick et al.*, 356 U.S. 927.

have occurred. The nine regional offices, with the assistance of their branch offices, are chiefly responsible for the conduct of such investigations. The Division of Trading and Exchanges, which exercises general supervision over, and coordination of, regional office investigative activities, examines and analyzes the results of investigations periodically and recommends appropriate action to the Commission, giving serious consideration in each case to the recommendation of the regional office.

Complaints or inquiries from the investing public are a major source of information leading to investigations. If, after careful consideration of the information received from these or other sources, it appears that violations may have occurred, a preliminary investigation may be made. In some cases the preliminary investigation will disclose a violation due to ignorance of the law or some misunderstanding and, where no serious harm to the public is involved, no further action is ordinarily taken, except to inform the offender of the violation and to insure that steps are taken for future compliance.

However, if the preliminary investigation indicates a more serious violation or the need to acquire more facts, the case is docketed and a full investigation is made, sometimes involving the issuance by the Commission of a formal order of investigation appointing members of its staff as officers to issue subpoenas and take testimony under oath. During the year, seventy-six formal orders of investigation were issued. Care is exercised by the Commission and its staff to keep investigations private until some official action is taken by the Commission. The non-public nature of the investigation serves to protect innocent parties who may be involved and contributes largely to the effectiveness of such investigations.

After an investigation has been completed and reviewed by both the regional office concerned and the Division of Trading and Exchanges, a report of the investigation prepared by the regional office is submitted to the Commission for decision together with the recommendations of the regional and principal office. The Commission then has several courses of action available to it.

If it decides the public interest requires criminal action be taken, the Commission may refer the evidence to the Department of Justice. In such a case members of the staff most familiar with the situation assist the Department of Justice and the United States Attorney assigned to the matter in presentation of the case to the Grand Jury and, where an indictment is returned, with the prosecution of the case. At other times the Commission may, when such action is warranted, authorize institution of a civil proceeding for injunctive relief or institute administrative proceedings.

The Commission may, if it considers it appropriate, close the investigation. A case may be closed when all possible legal steps have been taken or when any action taken would be ineffective; for example, when the subject has fled the country with little chance of his return or when the damage is so slight that further action is not warranted. Before a case is closed, however, it is carefully examined by both the staff of the regional office concerned and the staff of the principal office to determine if any other course of action is practical or warranted before closing is recommended to the Commission.

The following table reflects in summarized form the investigative activities of the Commission during the fiscal year:

*Investigations of possible violations of the Acts administered by the Commission*

	Preliminary	Docketed	Total
Pending June 30, 1957.....	250	736	986
New cases.....	157	290	447
Transferred from preliminary.....		35	35
Total.....	407	1,061	1,468
Closed.....	181	293	474
Transferred to docketed.....	35		35
Pending at June 30, 1958.....	191	768	959

**ENFORCEMENT PROBLEMS WITH RESPECT TO CANADIAN SECURITIES**

The Commission continues to be confronted with serious enforcement problems arising from the offer and sale of securities by Canadian issuers and broker-dealers in violation of the registration provisions of the Securities Act. Solution of these problems remains difficult since the Commission is without authority to conduct investigations outside the United States and the evidence necessary to establish proof of such violations in most of these cases, as well as the violators, are usually located in a foreign country, beyond our subpoena power. However, action is taken by the Commission to prohibit such violations in cases where personal service can be obtained in the United States.

The problems arising under the Supplementary Extradition Convention between the United States and Canada and the narrow construction placed on this agreement by Canadian courts were discussed in the 22nd Annual Report. Negotiations seeking to solve this problem are continuing through appropriate diplomatic channels.

In the meantime, effective enforcement work in this area is dependent almost wholly upon cooperation between this Commission and the Canadian provincial enforcement authorities. There is no Do-

minion securities legislation, but each Province has its own legislation. In general excellent cooperation has been obtained during the fiscal year from the Provinces in the enforcement work of the Commission. Upon being supplied by this Commission with evidence that Canadian residents were engaged in violating the laws of the United States some of the Provinces have taken action under their respective statutes. The Canadian registrations of six broker-dealers were canceled or suspended by provincial authorities during the past fiscal year following receipt of information supplied by this Commission.

With the cooperation of Canadian authorities this Commission brought three injunctive actions during the past fiscal year based upon the illegal sale of Canadian securities in the United States. Additional details concerning these actions, in *S. E. C. v. James C. Graye, doing business as J. C. Graye Co. et al.*, *S. E. C. v. Alan Russell Securities, Inc.*, and *S. E. C. v. J. H. Lederer Co., Inc.*, are described above in the section on Litigation under the Securities Act of 1933.<sup>14</sup> Further proceedings were also had in the case of *S. E. C. v. Kaiser Development Corporation Limited and E. David Novelle*, referred to in the 23rd Annual Report.<sup>15</sup> Permanent injunctions were issued by the court, restraining the defendants from further violations of the registration and anti-fraud provisions of the Securities Act.

The Commission continues to maintain its "Canadian Restricted List," which is a list of the names of Canadian issuers whose securities the Commission has reason to believe recently have been, or currently are being, offered and sold in the United States in violation of the Securities Act of 1933. The list is designed to warn investors of the possible risks involved in their purchase of unregistered Canadian securities and to alert broker-dealers to possible illegal distributions of Canadian securities so they may avoid participation in such distributions.

Names are added to and deleted from this list as circumstances warrant. During the fiscal year 1958, fourteen supplements were issued which added fifty names to the list and deleted two others. On May 5, 1958, the Canadian Restricted List was revised and consolidated, resulting in the deletion of the names of seventy-nine companies concerning whose securities the Commission had no evidence of a public offering and sale in the United States during the last five years.<sup>16</sup> In many instances, the companies were no longer in existence. This list as presently constituted, totals 201 names.

<sup>14</sup> Pp. 51-53, *supra*.

<sup>15</sup> P. 56.

<sup>16</sup> Securities Act Release No. 3924.

The current list, reflecting additions and deletions to December 1, 1958, follows:

**CANADIAN RESTRICTED LIST**

Aero Mining Corporation	DeVille Copper Mines Limited
Alba Explorations Limited	Diadem Mines Limited
Aldor Exploration and Development Company Limited	Dolmac Mines Limited
Algro Uranium Mines Limited	Dolsan Mines Limited
A. L. Johnson Grubstake	Dubar Exploration Limited
Alouette Mines Limited	Dupont Mining Company Limited
Alscope Explorations, Inc.	Eagle Plains Explorations Limited
Amican Petroleum and Natural Gas Corporation Limited	East Trinity Mining Corporation
Anthony Gas and Oil Explorations Limited	Eastern-Northern Explorations Limited
Apollo Mineral Developers Inc.	Embassy Mines Limited
Atlas Gypsum Corporation Limited	Explorers Alliance Limited
Augdome Exploration Limited	Export Nickel Corporation of Canada Limited
Barite Gold Mines Ltd.	Falgar Mining Corporation Limited
Basbary Gold Mines Limited	Famous Gus Uranium Mines Limited
Basic Minerals Limited	Fleetwood Yellowknife Mines Limited
Beaucoeur Yellowknife Mines Limited	Forbes Lake Mining Corporation Limited
Bellechasse Mining Corporation Limited	Glacier Explorers Ltd.
Black Crow Mines Limited	Golden Hope Mines Limited
Bli-Riv Uranium and Copper Corporation Limited	Granwick Mines Limited
Blumont Mines Limited	Great Valley Exploration and Mining Limited
Britco Oils Limited	Halstead Prospecting Syndicate
Cabanga Developments Limited	Harvard Mines Limited
Calumet Uranium Mines Limited	Hercules Uranium Mines Limited
Cameron Copper Mines Limited	Hoover Mining and Exploration Limited
Camoose Mines Limited	Huddersfield Uranium and Minerals Limited
Canada Radium Corporation Limited	International Ceramic Mining Limited
Canadian Alumina Corporation Limited	Irando Oil and Exploration Limited
Canadian Natural Resources Limited	Jacobus Mining Corporation, Ltd.
Can American Copper Limited	Jilbie Mining Company Limited
Canso Mining Corporation Limited	Judella Uranium Mines Limited
Casa Loma Uranium Mines Limited	Kaiser Development Corporation Limited
Cavalcade Petroleums Limited	Kamis Uranium Mines Limited
Cavalier Mining Corporation Limited	Key West Exploration Company Limited
Centurion Mines Limited	Kirk-Hudson Mines Limited
Cessland Gas and Oil Corporation Limited	Lake Kingston Mines Limited
Colonial Asbestos Corporation Limited	Lake Otter Uranium Mines Limited
Comet Petroleums Limited	Lake Superior Iron Limited
Concor-Chibougamau Mines Limited	Lama Exploration and Mining Company Limited
Consolidated Easter Island Mines Limited	Lambton Copper Mines Limited
Consolidated Quebec Yellowknife Mines Limited	Landolac Mines Limited
Consolidated Thor Mines Limited	Langis Silver and Cobalt Mining Company Limited
Continental Consolidated Mines and Oils Corporation Limited	Lavandin Mining Company
Continental Mining Exploration Ltd.	Lee Gordon Mines Limited
Continental Uranium Corporation Limited	Lindsay Explorations Limited
Copper Island Mining Company Limited	Lithium Corporation of Canada Limited
Copper Prince Mines Limited	Loranda Uranium Mines Limited
Cordon Cobalt Mines Limited	Lucky Creek Mining Company Limited
Courageous Gold Mines Limited	Lynwatin Nickel Copper Limited
Cove Uranium Mines Limited	Madison Mining Corporation Limited
Cree Mining Corporation Limited	Mallen Red Lake Gold Mines Limited
David Copperfield Explorations Limited	Marian Lake Mines Limited
Demers Chibougamau Mines Limited	Marpic Explorations Limited
Dencroft Mines Limited	Marvel Uranium Mines Limited (formerly Marvel Rouyn Mines Limited)
Derogan Asbestos Corporation Limited	Masters Oil and Gas Limited
Desmont Mining Corporation Limited	Mercedes Exploration Company Limited
	Mexicana Explorations Limited

Mexusan Development Corporation	Rockcroft Explorations Limited
Mid-West Mining Corporation Limited	Rouandah Oils and Mines Limited
Min-Ore Mines Limited (formerly Ryan Lake Mines Limited)	Saskalon Uranium & Oils Limited
Monpre Mining Company Limited	Sastex Oil and Gas Limited
Monpre Uranium Exploration Limited	Sentry Petroleum Limited
Montclair Mining Corporation Limited	Sheba Mines Limited
Montco Copper Corporation Limited	Sheraton Uranium Mines Limited
Nationwide Minerals Limited	Shoreland Mines, Ltd.
Nealon Mines Limited	Skyline Uranium and Minerals Corporation Limited
New Campbell Island Mines Limited	St. Pierre & Miquelon Explorations Inc.
New Faulkenham Mines Limited	St. Stephen Nickel Mines Limited
New Goldvue Mines Limited	Stackpool Mining Company Limited
New Hamil Silver-Lead Mines Limited	Sudbay Explorations and Mining Limited
New Jack Lake Uranium Mines Limited	Surety Oils and Minerals Limited
New Lafayette Asbestos Company Limited	Tamara Mining Limited
New Metalore Mining Company Limited	Tamicon Iron Mines Limited
New Spring Coulee Oil and Minerals Limited	Taurcanis Mines Limited
New Vinray Mines Limited	Temanda Mines Limited
Norcopper and Metals Corporation	Three Arrows Mining Explorations Limited
Normalloy Explorations Limited	Titan Petroleum Corporation Limited
Normingo Mines Limited	Torbroke Iron Ore Mines Limited
Norseman Nickel Corporation Limited	Trenton Mines Limited
North American Asbestos Co. Limited	Trio Mining Exploration Limited
North Gaspé Mines Limited	Trio Uranium Mines Limited
Northwind Explorations Limited	Triton Mines and Metals Corporation Limited
Nortoba Mines Limited	Triton Uranium Mines Limited
Nortoba Nickel Explorations Limited	Trojan Consolidated Mines Limited
Nu-Reality Oils Limited	United Copper and Mining Limited
Nu-World Uranium Mines Limited	United Uranium Corporation Limited
Oakridge Mining Corporation Limited	Val Jon Exploration Limited
Obabika Mines Limited	Valray Explorations Limited
Ordala Mines Limited	Vanguard Exploration Ltd.
Pantan Mines Limited	Venus Chibougamau Mines Limited
Paramount Petroleum and Mineral Corporation Limited	Vico Explorations Limited
Plecterre Mining Corporation Limited	Virginia Mining Corp.
Principle Strategic Minerals Limited	Viscount Oil & Gas Limited
Purdex Minerals Limited	Wakefield Uranium Mines Limited
Quebank Uranium Copper Corporation	Wayne Petroleum Limited
Quebec Developers and Smelters Limited	Webbwood Exploration Company Limited
Quebec Graphite Corporation	Westore Mines Limited
Quinalta Petroleum Limited	West Plains Oil Resources Limited
Regal Minerals Limited	Westville Mines Limited
Resolute Oil and Gas Company Limited	Whitney Uranium Mines Limited
Ridgefield Uranium Mining Corporation Limited	Winston Mining Corporation Limited
Riobec Mines Limited	Woodgreen Copper Mines Limited

### SECTION OF SECURITIES VIOLATIONS

A Section of Securities Violations is maintained by the Commission as a part of its enforcement program to provide a further means of detecting and preventing fraud in securities transactions. The Section maintains files providing a clearing house for other enforcement agencies for information concerning persons who have been charged with violations of various Federal and State securities statutes. Considerable information is also available concerning violators resident in the provinces of Canada. The specialized information in these files

is kept current through the cooperation of the United States Post Office Department, the Federal Bureau of Investigation, parole and probation officials, State securities authorities, Federal and State prosecuting attorneys, police officers, better business bureaus, chambers of commerce and other agencies. At the end of the fiscal year these records contained information concerning 65,563 persons against whom Federal or State action had been taken in connection with securities violations. In keeping these records current, there were added during the fiscal year items of information concerning 8,942 persons, including 2,959 persons not previously identified in these records.

The Section issues and distributes quarterly a Securities Violations Bulletin containing information received during the period concerning violators and showing new charges and developments in pending cases. The Bulletin includes a "Wanted" section listing the names and references to bulletins containing descriptive information as to persons wanted on securities violations charges. The Bulletin is distributed to a limited number of cooperating law enforcement officials in the United States and Canada.

Extensive use is made of the information available in these records by regulatory and law enforcing officials. During the past year the Commission received 3,475 "securities violations" letters or reports and dispatched 1,633 communications to cooperating agencies.

#### ACTIVITIES OF THE COMMISSION IN ACCOUNTING AND AUDITING

Successive reports of the Commission have called attention to the fact that the detailed provisions of the several acts administered by the Commission recognize the importance of dependable informative financial statements which disclose the financial status and earnings history of a corporation or other commercial entity. These statements, whether filed in compliance with the statutes administered by the Commission or included in other material available to stockholders or prospective investors, are indispensable to investors as a basis for investment decisions.

The Congress recognized the importance of these statements and that they lend themselves readily to misleading inferences or even deception, whether or not intended. It accordingly dealt extensively in the several statutes administered by the Commission with financial statement presentation and the disclosure requirements necessary to set forth fairly the financial condition of the company. Thus, for example, the Securities Act requires the inclusion in the prospectus of balance sheets and profit and loss statements "in such form as the Commission shall prescribe"<sup>17</sup> and authorizes the Commission to pre-

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<sup>17</sup> Section 10(a)(1) (Schedule A, pars. 25, 26).

scribe the "items or details to be shown in the balance sheet and earnings statement, and the methods to be followed in the preparation of accounts \* \* \*,"<sup>18</sup> Similar authority is contained in the Securities Exchange Act,<sup>19</sup> and more comprehensive power is embodied in the Investment Company Act<sup>20</sup> and the Holding Company Act.<sup>21</sup>

The Securities Act provides that the financial statements required to be made available to the public through filing with the Commission shall be certified by "an independent public or certified accountant,"<sup>22</sup> The other three statutes permit the Commission to require that such statements be accompanied by a certificate of an independent public accountant,<sup>23</sup> and the Commission's rules require, with minor exceptions, that they be so certified. The value of certification by qualified accountants has been conceded for many years, but the requirement as to independence, long recognized and adhered to by some individual accountants, was for the first time authoritatively and explicitly introduced into law in 1933. Out of this initial provision in the Securities Act and the rules promulgated by the Commission,<sup>24</sup> and the action taken by the Commission in certain cases,<sup>25</sup> have grown concepts of accountant-client relationships that have strengthened the protection given to investors.

The Commission's standards of independence are stated in rule 2-01, paragraphs (b) and (c), of Regulation S-X which provides among other things that "an accountant will be considered not independent with respect to any person or any of its parents or subsidiaries in whom he has, or had during the period of report, any direct financial interest or any material indirect financial interest; or with whom he is, or was during such period, connected as a promoter, underwriter, voting trustee, director, officer or employee."<sup>26</sup> In determining whether an accountant may in fact be not independent with respect to a particular person, the Commission will give appropriate consideration to all relevant circumstances, including evidence bearing on all relationships between the accountant and that person or any affiliate thereof.

In the recent revision of this rule the Commission has recognized the impact of mergers and the growth of corporations through widespread affiliations. The emphasis in the rule has been changed to

<sup>18</sup> Section 19(a).

<sup>19</sup> Section 13(b).

<sup>20</sup> Sections 30, 31.

<sup>21</sup> Sections 14, 15.

<sup>22</sup> Section 10(a)(1) (Schedule A, paragraphs 25, 26).

<sup>23</sup> Securities Exchange Act, section 13(a)(2); Investment Company Act, Section 30(e); Holding Company Act, section 14.

<sup>24</sup> See, for example, rule 2-01 of Regulation S-X.

<sup>25</sup> See, for example, Securities Exchange Act Release No. 3073 (1941); 10 S. E. C. 982 (1942); and Accounting Series Release No. 68 (1949).

<sup>26</sup> Rule 2-01 of Regulation S-X as amended April 8, 1958. See Accounting Series Release No. 79.

make it clear that where the relationships described in the rule exist the Commission will find that an accountant is in fact not independent with respect to the company involved, but in those instances where lack of independence is not established the Commission will make no finding with respect to the accountant's independence.

Several situations, described in the 22nd and 23rd Annual Reports, in which accountants were not eligible under our rules to certify financial statements because they were lacking in independence continue to cause difficulty. In many of these instances the accountants and their clients were coming in contact with the Commission's filing requirements for the first time and the reason for the lack of independence was ownership by a member of the accounting firm of stock of the client company during some of the periods certified. In other cases the accountant or his firm may have been interested in serving the client's management, or in some cases large stockholders, in several capacities and in doing so had not taken care to maintain a clear distinction between giving advice to management and serving as personal representatives of management or owners in making business decisions for them. Many of these problems could be avoided if the accountants would look forward to the day when the public interest in their clients would require certification of financial statements by independent public accountants.

As shown above, the statutes administered by the Commission give it broad rule-making power with respect to the preparation and presentation of financial statements. Pursuant to authority contained in the statutes the Commission has prescribed uniform systems of accounts for companies subject to the Holding Company Act;<sup>27</sup> has adopted rules under the Securities Exchange Act governing accounting and auditing of securities brokers and dealers; and has promulgated rules contained in a single, comprehensive regulation, identified as Regulation S-X,<sup>28</sup> which govern the form and content of financial statements filed in compliance with the several acts. This regulation is implemented by the Commission's Accounting Series releases, of which 80 have so far been issued. These releases were inaugurated in 1937, and were designed as a program for making public, from time to time, opinions and accounting principles, for the purpose of contributing to the development of uniform standards and practice in major accounting questions. The rules and regulations thus established, except for the uniform systems of accounts, prescribe accounting to be followed only in certain basic respects.

<sup>27</sup> *Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies* (effective August 1, 1936); *Uniform System of Accounts for Public Utility Holding Companies* (effective January 1, 1937; amended effective January 1, 1943).

<sup>28</sup> Adopted February 21, 1940 (Accounting Series Release No. 12); revised December 20, 1950 (Accounting Series Release No. 70).

In the large area not covered by such rules, the Commission's principal reliance for the protection of investors is on the determination and application of accounting principles and auditing standards which are recognized as sound and which have attained general acceptance.

Since changes and new developments in financial and economic conditions affect the operations and financial status of the several thousand commercial and industrial companies required to file statements with the Commission, accounting and auditing procedures cannot remain static and continue to serve well a dynamic economy. It is necessary for the Commission to be informed of the changes and new developments in these fields and to make certain that the effects thereof are properly reported to investors. The Commission's accounting staff, therefore, engages in studies of the changes and new developments for the purpose of establishing and maintaining appropriate accounting and auditing policies, procedures and practices for the protection of investors. The primary responsibility for this program rests with the chief accountant of the Commission who has general supervision with respect to accounting and auditing policies and their application.

Progress in these activities requires constant contact and cooperation between the staff and accountants both individually and through such representative groups as, among others, the American Accounting Association, the American Institute of Certified Public Accountants, the American Petroleum Institute, the Controllers Institute of America, the National Association of Railroad and Utilities Commissioners, the National Federation of Financial Analysts Societies, as well as other government agencies. Recognizing the importance of cooperation in the formulation of accounting principles and practices, adequate disclosure and auditing procedures which will best serve the interests of investors, the American Institute of Certified Public Accountants, the Controllers Institute of America, and the National Federation of Financial Analysts Societies regularly appoint committees which maintain liaison with the Commission's staff.

The many daily decisions of the Commission require the almost constant attention of some of the chief accountant's staff. These include questions raised by each of the operating divisions of the Commission, the regional offices and the Commission. This day-to-day activity of the Commission and the need to keep abreast of current accounting problems cause the chief accountant's staff to spend much time in the examination and re-examination of sound and generally accepted accounting and auditing principles and practices. From time to time members of this staff are called upon to assist in field investigations, to participate in hearings and to review opinions, insofar as they pertain to accounting matters.

Prefiling and other conferences, in person or by telephone, with officials of corporations, practicing accountants and others, occupy a considerable amount of the available time of the staff. This procedure, which has proven to be one of the most important functions of the office of the chief accountant, and of the chief accountant of the Division of Corporation Finance and his staff, saves registrants and their representatives both time and expense.

Many specific accounting and auditing problems arise as a result of the examination of financial statements required to be filed with the Commission. Where examination reveals that the rules and regulations of the Commission have not been complied with or that applicable generally accepted accounting principles have not been adhered to, the examining division usually notifies the registrant by an informal letter of comment. These letters of comment and the correspondence or conferences that follow continue to be a most convenient and satisfactory method of effecting corrections and improvements in financial statements, both to registrants and to the Commission's staff. Where particularly difficult or novel questions arise which cannot be settled by the accounting staff of the divisions and by the chief accountant, they are referred to the Commission for consideration and decision. By these administrative procedures the Commission deals with many accounting questions.

Inquiries in ever-increasing volume as to the propriety of particular accounting practices come from accountants and from companies not presently subject to any of the acts administered by the Commission who wish to have the benefit of the Commission's views and thus utilize and apply the Commission's experience to the facts of their own case. Teachers of accounting and their students also use the public files and confer with the staff in the study of accounting problems.

Cooperation between the Commission and professional groups interested in improving financial reporting has been mentioned. An example is the publication in April, 1958, by the Committee on Accounting Procedure of the American Institute of Certified Public Accountants of its Accounting Research Bulletin No. 49 dealing with a number of the problems arising in connection with the computation of earnings per share and the presentation of such statistics in prospectuses, proxy material and annual reports to shareholders and in the compilation of business earnings statistics for the press, statistical services and other publications.

Appropriate determination of earnings per share has been a frequent subject for comment by the staff in connection with filings with the Commission. A decrease in improper presentations since publication of the bulletin may fairly be credited in part to the wide

distribution of the bulletin. Such literature contributes to greater uniformity in financial reporting, improves investor understanding, and decreases staff time spent in processing material filed with the Commission.

A further example of the importance of cooperation between the staff and professional accounting organizations is found in the Commission's authorization for its chief accountant to serve as a member of the American Institute of Certified Public Accountants' Special Committee on Research Program. This committee, the other members of which are leaders of the accounting profession in public and private practice and in teaching, was appointed to consider a new approach to accounting research. Since investors in securities depend upon the results of the accounting process, it is appropriate that the Commission be represented in this endeavor to find a better means for the development of generally accepted accounting principles which serve as a guide for independent accountants practicing before the Commission.

Some significant characteristics of the past year in the accounting field may be mentioned. As in the prior two years, accounting for mergers has again required much staff time in conferences with registrants and their accountants. Usually the problem has been to determine the propriety of applying the pooling of interests concept which avoids the booking of goodwill by using the accounting basis of the constituent companies and permits the carrying forward of the earned surplus of the parties to the merger.

In contrast to this desire of established companies to avoid the recognition of intangibles is the insistence by promoters of new ventures to place excessive valuations on the books for both tangible and intangible properties. Examples during the past year have been reminiscent of the early days of the Commission when it was found necessary to deal vigorously with promotional ventures in which shares of the issuer's stock were exchanged for assets of doubtful value but were recorded at the par value of the shares issued. For an example of this kind see the discussion of the Commission's decision *In the Matter of the Fall River Power Company*<sup>29</sup> at page 39 of this report.

Another characteristic of the past year has been the number of cases coming to the attention of our accountants in which a change in accounting policy has been adopted or desired. Where a change has appeared to be motivated by a desire to improve current earnings by deferring the expensing of incurred costs, we have objected unless it could be shown that the new method was clearly in the interest of improved financial reporting in the long run. Accounting for

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<sup>29</sup> Securities Act Release No. 3932 (June 4, 1958).

research and development costs for new products or expansion into new sales territories are examples of this problem which require further study.

Of a somewhat different order but, a problem requiring further study is the matter of accounting for pensions and other forms of deferred compensation. There are so many difficulties in the way of determining the amounts involved and the proper allocation of such costs to accounting periods that a considerable lack of uniformity in accounting treatment persists between companies and between periods in the same company. Improvement in reported earnings resulting from omission of any charge for pensions is an extreme example of the problem which seems to be vulnerable to severe criticisms but which has been defended when pensions have been overfunded in prior years. These and other problems in the reporting of corporate income are receiving active consideration by the accounting profession and by the Commission's accounting staff.

#### OPINIONS OF THE COMMISSION

Opinions are issued by the Commission in contested and other cases arising under the statutes administered by it and under the Commission's Rules of Practice, where the nature of the matter to be decided, whether substantive or procedural, is of sufficient importance to warrant a formal expression of views. These opinions include detailed findings of fact and conclusions of law based on evidentiary records taken before a hearing examiner who serves independently of the operating divisions, or, in an occasional case, before a single Commissioner or the entire Commission. In some cases, formal hearings are waived by the parties and the findings and conclusions are based on stipulated facts or admissions.

The Commission is assisted in the preparation of findings and opinions by its Office of Opinion Writing, a staff office completely independent of the operating divisions of the Commission and directly responsible to the Commission itself. The independence of the staff members of this office reflects the principle, embodied in the Administrative Procedure Act, of a separation between staff members performing investigatory or prosecutory functions and those performing quasi-judicial functions. In some cases, with the consent of all parties, the interested operating division participates in the drafting of opinions.

Opinions are publicly released and distributed to representatives of the press and to persons on the Commission's mailing list. In addition, the opinions are printed and published by the Government Printing Office in bound volumes entitled "Securities and Exchange Commission Decisions and Reports."

During the fiscal year 1958, the Commission issued findings and opinions and other rulings in 121 cases of an adversary nature.

## APPLICATIONS FOR NON-DISCLOSURE OF CERTAIN INFORMATION

The Commission is authorized under the various Acts administered by it to grant requests for non-disclosure of certain types of information which would otherwise be disclosed to the public in applications, reports or other documents filed pursuant to these statutes. Thus, under paragraph (30) of Schedule A of the Securities Act of 1933, disclosure of any portion of a material contract is not required if the Commission determines that such disclosure would impair the value of the contract and is not necessary for the protection of the investors. Under section 24 (a) of the Securities Exchange Act of 1934, trade secrets or processes need not be disclosed in any material filed with the Commission, and under section 24 (b) of that Act written objection to public disclosure of information contained in any such material may be made to the Commission which is then authorized to make public disclosure of such information only if in its judgment such disclosure is in the public interest. Similar provisions are contained in section 22 of the Public Utility Holding Company Act of 1935 and in section 45 of the Investment Company Act of 1940. These statutory provisions have been implemented by rules outlining the procedure to be followed by persons applying to the Commission for a determination that public disclosure is not necessary in a particular case.

The number of applications granted, denied or otherwise acted upon during the year are set forth in the following table:

*Applications for non-disclosure during 1958 fiscal year*

	Number pending July 1, 1957	Number received	Number granted	Number denied or withdrawn	Number pending June 30, 1958
Securities Act of 1933 <sup>1</sup> .....	2	20	16	4	2
Securities Exchange Act of 1934 <sup>2</sup> .....	3	16	7	8	4
Investment Company Act of 1940 <sup>3</sup> .....	0	6	6	0	0
Totals.....	5	42	29	12	6

<sup>1</sup> Filed under rule 485.

<sup>2</sup> Filed under rule 24b-2.

<sup>3</sup> Filed under rule 45a-1.

## STATISTICS AND SPECIAL STUDIES

The Section of Economic Research provides the Commission with statistical information needed in the administration of the Securities Acts and furnishes financial data to the Congress and other government agencies as part of the overall Government Statistical Program under the direction of the Bureau of the Budget.

The regular statistical series which are prepared include data on securities effectively registered under the Securities Act of 1933, offerings of securities by all corporations in the United States (including issues not registered with the Commission, such as privately placed issues and railroad securities), retirements of corporate securi-

ties, net change in corporate securities outstanding, stock prices and trading. The research and statistical activity carried out under the direction of the Bureau of the Budget includes individuals' saving in the United States, income flow and investments of private pension funds of United States corporations, current liquid position of United States corporations, sources and uses of corporate funds, anticipated expenditures for plant and equipment by United States businesses, and a quarterly financial report for all United States manufacturing concerns.

During the past year special effort was devoted to improvement in methodology and source data for several of these series. A special project was undertaken to re-examine the industrial classification of all listed companies to comply with the revised Standard Industrial Code of the Government, the revised codes for each company to be published during the 1959 fiscal year. Plans were also laid for a detailed survey of the assets and liabilities of all registered brokers and dealers in the United States. During the year data were prepared for two papers, the first of which was entitled "Implications of Pension Fund Accumulations" delivered in September, 1957, before the American Statistical Association, and the second of which was "The Structure and Realization of Business Investment Anticipations" presented in November, 1957, at the Conference on the Quality and Economic Significance of Anticipation Data, National Bureau of Economic Research. There was also participation during the year in plans of the National Bureau of Economic Research for a major study of the Nation's pension funds. Certain basic data derived from the Commission's surveys of corporate pension funds are to be provided in this study.

The statistical series described below are published in the Commission's Statistical Bulletin and in addition, except for data on registered issues, current figures and analyses of the data are published in quarterly press releases. The Commission's stock price index is released weekly, together with the data on round-lot and odd-lot trading on the two New York stock exchanges.

The various statistical series are as follows:

#### **Issues Registered Under the Securities Act of 1933**

Monthly and quarterly statistics are compiled on the number and volume of registered securities, classified by industry of issuer, type of security, and use of proceeds. Data for the 1958 fiscal year appear on page 30-32 and in appendix tables 1 and 2.

#### **New Securities Offerings**

This is a monthly and quarterly series covering all new corporate and non-corporate issues offered for cash sale in the United

States. The series includes not only issues publicly offered but also issues privately placed, as well as other issues exempt from registration under the Securities Act such as intrastate offerings and railroad securities. The offerings series includes only securities actually offered for cash sale, and only issues offered for account of issuers. Annual statistics on new offerings since 1953, as well as monthly figures from January 1957 through June 1958, are given in appendix tables 3 and 4. A summary of the data is shown annually from 1934 through June 1958 in appendix table 5.

#### **Corporate Securities Outstanding**

Estimates of the net cash flow through securities transactions are prepared quarterly and are derived by deducting from the amount of estimated gross proceeds received by corporations through the sale of securities the amount of estimated gross payments by corporations to investors for securities retired. Data on gross issues, retirements and net change in securities outstanding are presented for all corporations and for the principal industry groups.

#### **Stock Market Data**

Statistics are regularly compiled on the market value and volume of sales on registered and exempted securities exchanges, round-lot stock transactions of the New York exchanges for accounts of members and non-members, odd-lot stock transactions on the New York exchanges, special offerings and secondary distributions. Indexes of stock market prices are compiled, based upon the weekly closing market prices of 265 common stocks listed on the New York Stock Exchange. The indexes are composed of 7 major industry groups, 29 subordinated groups, and a composite group.

#### **Saving Study**

The Commission compiles quarterly estimates of the volume and composition of individuals' saving in the United States. The series represent net increases in individuals' financial assets less net increases in debt. The study shows the aggregate amount of saving and the form in which the saving occurred, such as investment in securities, expansion of bank deposits, increase in insurance and pension reserves, etc. The Commission has been cooperating in a program on national saving covering government, business and individuals' saving, and several changes and improvements have been made in the saving series in the course of the last fiscal year. A reconciliation of the Commission's estimates with the personal saving estimates of the Department of Commerce, derived in connection with its national income series, is published annually by the Commerce Department as well as in the Securities and Exchange Commission Statistical Bulletin.

**Corporate Pension Funds**

An annual survey is made of pension plans of all United States corporations where funds are administered by corporations themselves, or through trustees. The survey shows the flow of money into these funds, the types of assets in which the funds are invested and the principal items of income and expenditures.

**Financial Position of Corporations**

The series on working capital position of all United States corporations, excluding banks, insurance companies and savings and loan associations, shows the principal components of current assets and liabilities, and also contains an abbreviated analysis of the sources and uses of corporate funds.

The Commission, jointly with the Federal Trade Commission, compiles a quarterly financial report for all United States manufacturing concerns. This report gives complete balance sheet data and an abbreviated income account, data being classified by industry and size of company.

**Plant and Equipment Expenditures**

The Commission, together with the Department of Commerce, conducts quarterly and annual surveys of actual and anticipated plant and equipment expenditures of all United States business, exclusive of agriculture. Shortly after the close of each quarter, data are released on actual capital expenditures of that quarter and anticipated expenditures for the next two quarters. In addition, a survey is made at the beginning of each year of the plans for business expansion during that year.

**PUBLIC DISSEMINATION OF INFORMATION**

As indicated, one of the basic objectives of the Federal securities laws is the public disclosure of financial and other information with respect to securities so that they may be realistically appraised by the investing public. Not only is the Commission a repository for a vast amount of such information concerning several thousand companies which are subject to the Commission's registration and reporting requirements, but the data receive widespread circulation among members of the investing public through the medium of the prospectus on new issues, through the financial press and through various securities manuals and statistical services used extensively by securities firms, investment advisers, investment companies, trust departments, insurance companies and others. Thus, the analysis and evaluation of their securities by a broad segment of investors is made possible.

To facilitate public dissemination of financial and other proposals filed with and actions by the Commission, a daily News Digest is issued to the press containing a résumé of these filings and actions. For example, the News Digest contained a synopsis of each financing proposal reflected in the 779 registration statements filed during the year, as well as the 134 filings by investment companies increasing the amount of securities previously registered. Much of this information is published in the daily newspapers and in financial and other periodicals. Furthermore, most of the Commission's official pronouncements take the form of orders, decisions and rules, copies of which are issued in "release" form to mailing lists comprising the names of persons who have requested particular types of releases. During the year, a total of 800 such releases were issued and distributed to these lists; and a resume of each was included in the News Digest. Another 77 releases were issued announcing the results of the Commission's regular statistical studies referred to at page 188 hereof. An additional 173 releases were issued announcing actions with respect to court injunctions and criminal prosecutions, plus 33 miscellaneous releases.

In order that the investing public may better understand the Commission's role of investor protection, the Chairman, other members of the Commission and staff officials frequently deliver addresses before local groups or participate in radio or television discussions of the Commission's functions and activities. They also address professional and trade bodies to discuss particular aspects of the Commission's law enforcement activities or its general policies and practices. In addition, they make themselves available for interview by representatives of the press, individually or collectively, particularly when visiting financial centers throughout the country.

To alert the public to the risks involved in buying securities from unknown sources, such as the "boiler room" operators discussed in Part I of this report, the Commission has distributed more than 60,000 copies of an "Investors Beware" poster setting forth a 10-point guide for prospective purchasers of securities.<sup>1</sup> With the cooperation

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<sup>1</sup>The poster warns investors to observe the following ten-point guide to safer investments:

1. Before buying . . . Think!
2. Don't deal with strange securities firms. (Consult your broker!)
3. Beware of securities offered over the telephone by strangers.
4. Don't listen to high-pressure sales talk.
5. Beware of promises of spectacular profits.
6. Be sure you understand the risks of loss.
7. Don't buy on tips and rumors . . . Get all the facts!
8. Tell the salesman to: Put all the information and advice in writing and mail it to you . . . Save it!
9. If you don't understand all the written information . . . Consult a person who does.
10. Give at least as much consideration to buying securities as you would the purchase of any valuable property.

of the Post Office Department copies of the poster have been placed on the bulletin boards of all post offices in the United States and the Federal Deposit Insurance Corporation has assisted the Commission in distributing copies of the poster to all insured banks. In addition, copies have also been distributed to state securities commissioners, securities exchanges, brokers and dealers, better business bureaus, chambers of commerce and other organizations interested in the prevention of fraud in the offer and sale of securities.

### **Information Available for Public Inspection**

During every fiscal year thousands of requests for information are received by mail and through telephone calls and personal visits. Most of these requests are answered by employees in the Commission's public reference rooms in Washington, Chicago, and New York City.

The files of the Commission provide information of interest to a large cross section of the public. Numerous people visit the public reference rooms seeking information on which to base decisions to buy or sell securities; they are furnished the files which contain financial and other information about the issuers of the securities. Many visitors, on the other hand, consult Commission records. They may be representatives of business or financial journals, or students doing research for theses or other projects. Research of a slightly different nature is carried on by representatives of legal and accounting firms, corporations and labor unions; they are interested largely in gathering information to be used as specimens, as precedent material, or for other specialized purposes. The inquiries received through the mails and over the telephone follow the same pattern.

Copies of any public information filed with the Commission may be examined at the principal office in Washington, D. C. Such information includes registration statements, applications and declarations filed under the various statutes administered by the Commission, together with the records of agency action. In Washington, as in the regional offices, space considerations have necessitated the transfer of some of this material to warehouse-type space in nearby federal records centers. Files from these centers are usually available within twenty-four hours.

The New York Regional Office has copies of recent filings made by companies having securities listed on exchanges other than the New York Stock Exchange and the American Stock Exchange,<sup>30</sup> and copies of current filings of many companies which have effective reg-

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<sup>30</sup> Reports of listed companies on the New York and American stock exchanges may be seen at the exchange offices.

istration statements under the Securities Act of 1933. The Chicago Regional Office has copies of recent reports of companies which have securities listed on the New York and American stock exchanges.

All regional offices have copies of prospectuses used in recent public offerings of securities registered under the Securities Act, of active broker-dealer and investment adviser registration applications originating in their respective regions and of Regulation A letters of notification filed in their respective regions.

The public reference room in Washington had about 3,400 visitors during the fiscal year. Requests were filled for an additional 28,500 persons who were sent almost 660,000 copies of Commission publications. More than 112,000 photocopy pages of information were sold pursuant to over 2,000 orders.

Additional thousands of persons made use of the facilities provided by the New York and Chicago public reference rooms.

### PUBLICATIONS

Publications issued during the fiscal year included:

Monthly:

Statistical Bulletin.

Official Summary of Security Transactions and Holdings of Officers, Directors, and Principal Stockholders.

Quarterly:

Financial Reports, U. S. Manufacturing Corporations  
(Jointly with the Federal Trade Commission).

Plant and Equipment Expenditures of U. S. Corporations  
(Jointly with the Department of Commerce).

New Securities Offered for Cash.

Volume and Composition of Individual's Saving.

Working Capital of U. S. Corporations.

Annually:

Securities Traded on Exchanges under the Securities Exchange Act of 1934, as of December 31, 1957.

Companies Registered under the Investment Company Act of 1940, as of December 31, 1957.

Twenty-Third Annual Report of the Commission.

Other publications:

Volume 37 of the Decisions and Reports of the Commission,  
(to June 30, 1957).

The Work of the Securities and Exchange Commission (edition of August 20, 1957).

Amendment, dated November 5, 1957, to Statement of Policy under the Investment Company Act of 1940.

**ORGANIZATION**

The staff of the Commission is composed of lawyers, accountants, engineers, security analysts and examiners, and administrative and clerical employees. It is divided into divisions and offices, including nine regional offices and eight branch offices.

Under the Commission's program of continuing review of its organization and functions, a number of changes were made during the fiscal year in the interest of increased efficiency.

On December 15, 1957, the New York Regional Office was realigned to provide for a more functional organization. Corporate reorganization work under Chapter X of the Bankruptcy Act was transferred from the Branch of Operations to a new Branch of Reorganization. The remaining functions of the former Branch of Operations, i. e., interpretative work and the administration of Regulation A, were assigned to a new Branch of Interpretations and Small Issues.

In December 1957, a Branch of Examination and Training was established in the Division of Corporation Finance for the purpose of initiating, developing and executing a training program for professional employees assigned to the Division. The training activities of this Branch supplement those conducted in the various Branches of Corporate Analysis and Examination as part of the day-to-day employee development resulting from work assignments. All new employees are assigned to the Branch of Examination and Training for intensive job instruction, as are middle-level employees who have demonstrated the growth potential for supervisory positions.

The Commission established a Branch Office of the Atlanta Regional Office in Miami, Florida, on March 3, 1958, and a Branch Office of the Fort Worth Regional Office in Houston, Texas, on April 14, 1958.<sup>31</sup> The establishment of these Branch Offices will not increase overall personnel requirements but will enable the Commission to increase the effectiveness of its investigative activities and its broker-dealer inspection program in those areas in the public interest.

**PERSONNEL, BUDGET AND FINANCE**

The following comparative table shows the personnel strength of the Commission as of June 30, 1957 and 1958:

	June 30, 1958		June 30, 1957	
Commissioners.....		5		4
Staff:				
Headquarters Office.....	543		480	
Regional Offices.....	331	874	300	780
Total.....		879		784

<sup>31</sup> On October 21, 1958, the Commission announced the establishment of a Branch Office of the Chicago Regional Office in St. Louis, Missouri.

The table on the opposite page shows the budget estimates of the Commission, the recommendations of the President, the appropriation actions of the House of Representatives, the Senate and the House-Senate conferees and the appropriations (including supplementary appropriations for statutory pay increases) made for the Commission by the Congress for the fiscal years 1949-1959.

The Commission is required by law to collect fees for registration of securities issued, qualification of trust indentures, registration of exchanges, and sale of copies of documents filed with the Commission.<sup>32</sup>

The following table shows the Commission's appropriations, total fees collected, percentage of fees collected to total appropriation, and the net cost to the taxpayers of Commission operations for the fiscal years 1956, 1957, and 1958:

Year	Appropriation	Fees collected	Percentage of fees collected to total appropriation (percent)	Net cost of Commission operations <sup>2</sup>
1956.....	\$5,278,000	\$2,074,211	39	\$3,203,789
1957.....	5,749,000	2,243,580	39	3,505,420
1958.....	<sup>1</sup> 6,935,000	2,334,370	34	4,600,630

<sup>1</sup> Includes \$235,000 to cover statutory pay increases.

<sup>2</sup> Fees are deposited in the general fund of the Treasury and are not available for expenditure by the Commission.

In furtherance of the objectives of the Joint Accounting Improvement Program, an Imprest Fund was established in Headquarters as well as in the New York Regional Office for the purpose of simplifying the procurement and payment procedures of the Commission.

#### Personnel Program

During fiscal 1958 the Commission continued to give special emphasis to its recruitment program designed to attract outstanding college and law school graduates for starting professional level positions such as financial analyst, attorney, and investigator. Through on-campus interviews and contacts with the placement offices of various colleges and universities, the Commission was successful in appointing to its staff a substantial number of well qualified applicants of college caliber.

On March 31, 1958 the Commission approved a Promotion Program Policy and Guidelines statement as required by the Civil Service Commission's new government-wide Merit Promotion Program. The program statement was developed with the active assistance of Division and Office Heads and the views and comments of employees also

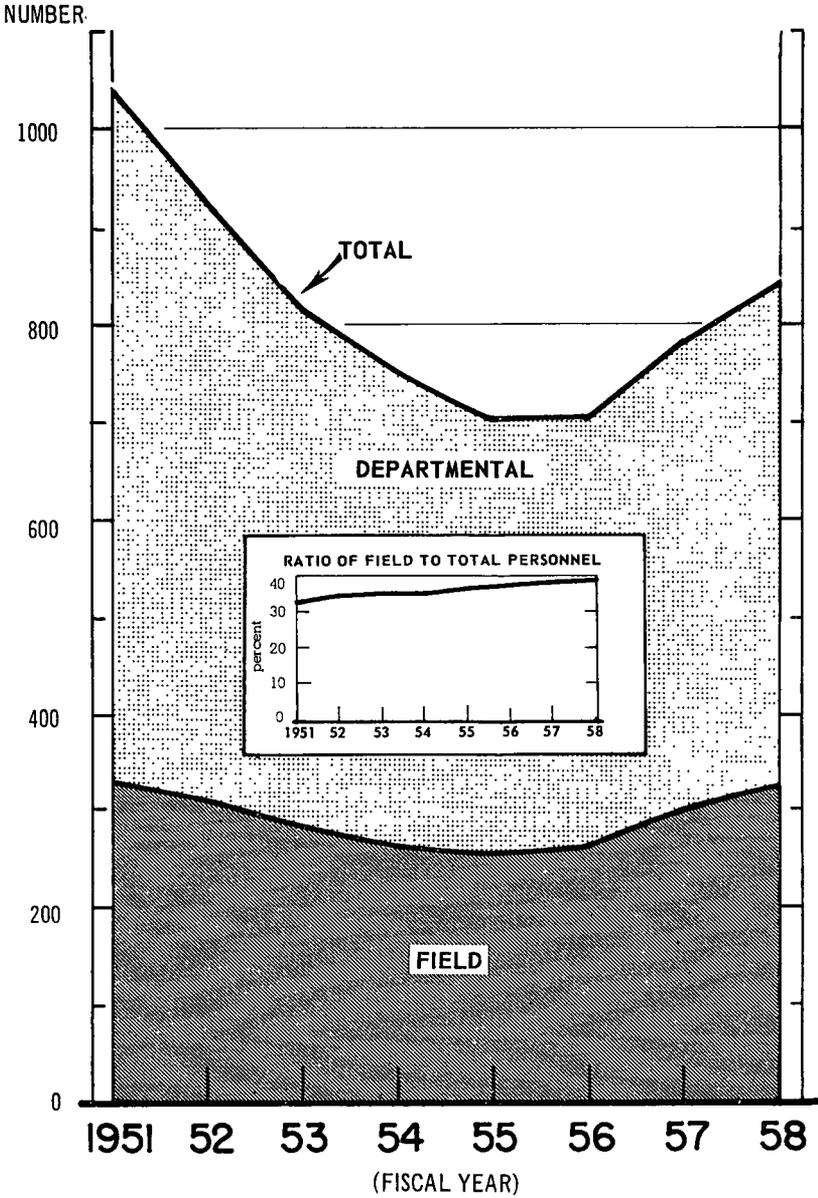
<sup>32</sup> Principal rates are (1) 1/100 of 1 percent of the maximum aggregate price of securities proposed to be offered but not less than \$25; (2) 1/500 of 1 percent of the aggregate dollar amount of stock exchange transactions. Fees for other services are only nominal.

*Action taken on budget estimates and appropriations from fiscal 1949 through fiscal 1959*

Action	Fiscal 1949		Fiscal 1950		Fiscal 1951		Fiscal 1952		Fiscal 1953		Fiscal 1954		Fiscal 1955		Fiscal 1956		Fiscal 1957		Fiscal 1958		Fiscal 1959	
	Average employment	Money																				
Commission's estimate to the Bureau of the Budget.....	1,400	\$6,684,800	1,307	\$6,789,400	1,175	\$6,675,000	1,127	\$6,605,000	1,092	\$6,360,000	1,080	\$6,810,000	780	\$5,124,760	734	\$4,997,000	794	\$5,749,000	935	\$7,178,000	974	\$7,500,000
Excess over President's Budget.....	-155	-684,800	-177	-819,400	-40	-250,000	-77	-681,000	-157	-410,000	-142	-810,000	-63	-299,780							-58	-400,000
Amount recommended in President's Budget.	1,245	6,000,000	1,130	5,970,000	1,135	6,425,000	1,050	5,924,000	935	5,950,000	938	6,000,000	717	4,825,000	734	4,997,000	794	5,749,000	935	7,178,000	916	7,100,000
Action by the House of Representatives.....	-89	-173,860	-70	-220,000	-95	-295,000	-50	-225,000	-125	-704,920	-152	-754,920	-26	-125,000	-9	-122,000	-8	-49,000	-80	-478,000	-46	-300,000
Subtotal.....	1,156	5,826,140	1,060	5,750,000	1,040	6,130,000	1,000	5,699,000	810	5,245,080	786	5,245,080	691	4,700,000	725	4,875,000	786	5,700,000	855	6,700,000	870	6,800,000
Action by the Senate.....					+44	+200,000	-93	-320,520			-42	-245,080	+14	+75,000	+9	+122,000	+8	+49,000			+46	+300,000
Subtotal.....	1,156	5,826,140	1,060	5,750,000	1,084	6,330,000	907	5,378,480	810	5,245,080	744	5,000,000	705	4,775,000	734	4,997,000	794	5,749,000	855	6,700,000	916	7,100,000
Action by conferees.....					-22	-100,000							-6	-25,000	-4	-42,000						
Annual appropriation.....	1,156	5,826,140	1,060	5,750,000	1,062	6,230,000	907	5,378,480	810	5,245,080	744	5,000,000	699	4,750,000	730	4,955,000	794	5,749,000	855	6,700,000	916	7,100,000
Supplemental appropriation for statutory pay increases.....		295,000		128,250				435,000						93,180		323,000					235,000	
Total appropriation.....	1,156	6,121,140	1,060	5,878,250	1,062	6,230,000	907	5,813,480	810	5,245,080	744	5,000,000	699	4,843,180	730	5,278,000	794	5,749,000	855	6,935,000	916	7,100,000
Mandatory reserve required in 1951.....																						
					1,030	6,080,000																

1 Does not include funds for statutory pay increases.

# S. E. C. PERSONNEL <sup>1/</sup>



<sup>1/</sup> Average Employment

were solicited. Merit Promotion Plans which implement these policies and guidelines systematically in specific groups of positions are being developed and will be adopted by January 1, 1959.

The proper allocation of top level positions continues to be of utmost importance to the Commission for the effective execution of its programs. In the interest of attracting and retaining highly qualified persons for these positions, recommendations for the allocation of additional positions to grades GS-16, GS-17 and GS-18 were presented to the Civil Service Commission.

The passage of the Government Employees Training Act on July 7, 1958 for the first time provides the Commission with general training authority. As required under this Act, a complete review of the needs and requirements of the Commission for the training of its employees will be made and a suitable program providing for in-service, inter-agency or out-service training to meet identified needs and requirements will be established.

During fiscal 1958, special health programs for the benefit of the staff were undertaken in the Commission. On November 6, 1957, 140 members of the staff in Washington were inoculated against Asian influenza. Sixty-four employees in the regional offices also received this inoculation under programs arranged by Regional Administrators.

The first and second of a series of three inoculations of anti-polio vaccine were administered under the direction of a private physician on March 3 and March 25, 1958, respectively. A total of 121 employees participated in this program which was sponsored by the Commission's Employee Recreation and Welfare Association.

Recognition of career service with the Commission, meritorious work performance awards and public recognition in the form of awards made by outside organizations for outstanding achievements by staff members continued to be stressed under the Commission's incentive awards program. In September 1957, ten- and twenty-year service pins and certificates were presented to a total of 51 employees for service with the Commission. Six employees were awarded \$195 for adopted suggestions. Cash awards totalling \$5,805 and certificates of merit were presented to 66 employees.

Mr. Robert S. Wood of the Budget and Finance office was one of 120 successful candidates out of a total of 236 nominations submitted by government agencies for participation in the Civil Service Commission's 1958 Management Intern Program. In May 1958, a Certificate of Merit was awarded to Jule B. Greene, Attorney-in-Charge of the Commission's Miami Branch Office, by the William A. Jump Memorial Foundation. In June 1958, the National Civil Service League awarded certificates of merit to four Commission employees—

John T. Callahan, Special Counsel in the Division of Trading and Exchanges, Amerst E. Huson, Chief of the Office of Research and Service Company Regulation in the Division of Corporate Regulation, Franklin E. Kennamer, Jr., Chief Enforcement Attorney in the San Francisco Regional Office, and Edward H. Rakow, Assistant Regional Administrator in charge of the Detroit and Cleveland branch offices.

#### **Canons of Ethics for Members of the Commission**

The Commission for many years has had a Regulation regarding conduct of Members and Employees and Former Members and Employees of the Commission, which was codified in substantially its present form in 1953. This regulation prohibits any member or employee of the Commission from, among other things, acting in any official matter with respect to which there exists a personal interest incompatible with an unbiased exercise of official judgment; accepting, directly or indirectly, any valuable gift, favor, or service from any person with whom he transacts official business; and becoming unduly involved, through frequent or expensive social engagements or otherwise, with any person outside the Government with whom he transacts official business.

Supplementary to the overall Conduct Regulation, on July 22, 1958 the Commission adopted Canons of Ethics for Members of the Commission. These canons, which are presented in appendix table 30, set forth standards which the Commission has always believed are applicable to its executive, legislative and judicial responsibilities. They include statements of principle with respect to, among other things, Commission members' personal conduct, maintenance of independence, relationships with persons subject to agency regulation and avoidance of appearances of improper influence.



**PART XII**  
**APPENDIX**  
**STATISTICAL TABLES**



TABLE 1.—A 24 year record of registrations fully effective under the Securities Act of 1933

1935-1958

[Amounts in millions of dollars]

Fiscal year ended June 30	Number of statements	All registrations	For cash sale for account of issuers			
			Total	Bonds, debentures and notes	Preferred stock	Common stock
1935 <sup>1</sup> .....	284	\$913	\$686	\$490	\$28	\$168
1936.....	689	4,835	3,936	3,153	252	531
1937.....	840	4,851	3,635	2,426	406	802
1938.....	412	2,101	1,349	666	209	474
1939.....	344	2,579	2,020	1,593	109	318
1940.....	306	1,787	1,433	1,112	110	210
1941.....	313	2,611	2,081	1,721	164	196
1942.....	193	2,003	1,465	1,041	162	263
1943.....	123	659	486	316	32	137
1944.....	221	1,760	1,347	732	343	272
1945.....	340	3,225	2,715	1,851	407	456
1946.....	661	7,073	5,424	3,102	991	1,331
1947.....	493	6,732	4,874	2,937	787	1,150
1948.....	435	6,405	5,032	2,817	557	1,678
1949.....	429	5,333	4,204	2,795	326	1,083
1950.....	487	5,307	4,381	2,127	468	1,786
1951.....	487	6,459	5,169	2,838	427	1,904
1952.....	635	9,500	7,529	3,346	851	3,332
1953.....	593	7,507	6,326	3,093	424	2,908
1954.....	631	9,174	7,381	4,240	531	2,610
1955.....	779	10,960	8,277	3,951	462	3,864
1956.....	<sup>2</sup> 833	13,096	9,206	4,123	539	4,544
1957.....	<sup>2</sup> 860	14,624	12,019	5,689	472	5,858
1958.....	<sup>2</sup> 809	16,490	13,281	6,857	427	5,998

<sup>1</sup> For 10 months ended June 30, 1935.

<sup>2</sup> Statements registering American Depository Receipts against outstanding foreign securities as provided by Form S-12 are not included.

TABLE 2.—Registrations fully effective under the Securities Act of 1933  
PART 1.—DISTRIBUTION BY MONTHS, FISCAL YEAR ENDED JUNE 30, 1958  
[Amounts in thousands of dollars ]

Year and month	All registrations			Proposed for sale for account of issuers		
	Number of statements	Number of issues	Amount	Number of statements	Number of issues	Amount
<i>1957</i>						
July.....	62	78	\$1,095,287	55	66	\$991,735
August.....	65	97	1,321,511	56	77	990,778
September.....	63	79	927,028	55	61	750,623
October.....	56	88	989,575	51	75	810,643
November.....	78	104	1,048,208	68	81	905,759
December.....	42	76	465,365	35	59	353,786
<i>1958</i>						
January.....	60	75	3,087,442	56	65	1,830,169
February.....	64	77	938,875	55	63	891,898
March.....	63	86	1,038,745	58	71	873,280
April.....	99	119	2,805,833	92	108	2,666,619
May.....	71	111	1,370,459	58	92	983,664
June.....	86	104	1,401,407	79	89	1,231,885
Total, fiscal year 1958.....	<sup>2</sup> 809	1,094	16,489,736	718	907	13,280,840

PART 2.—PURPOSE OF REGISTRATION AND TYPE OF SECURITY, FISCAL YEAR ENDED  
JUNE 30, 1958

[Amounts in thousands of dollars ]

Purpose of registration	Type of security			
	All types	Bonds, de- bentures, and notes *	Preferred stock	Common stock *
All registrations (estimated value).....	\$16,489,736	\$6,914,479	\$455,015	\$9,120,241
For account of issuers for cash sale.....	13,280,840	6,856,553	426,635	5,997,651
Corporate.....	<sup>5</sup> 12,868,369	6,444,083	426,635	5,997,651
Offered to:				
General public.....	9,058,605	5,449,718	404,072	3,204,815
Security holders.....	2,213,984	991,154	21,719	1,201,111
Other special groups.....	1,595,781	3,211	844	1,591,725
Foreign governments.....	412,471	412,471		
For account of issuers for other than cash sale.....	3,007,993	54,540	11,234	2,942,219
For account of others than issuers.....	200,903	3,386	17,146	180,371

See footnotes at end of table.

TABLE 2.—Registrations fully effective under the Securities Act of 1933—Continued

PART 3.—PURPOSES OF REGISTRATION AND INDUSTRY OF REGISTRANT, FISCAL YEAR ENDED JUNE 30, 1958

[Amounts in thousands of dollars <sup>1</sup>]

Purpose of registration	Industry									
	All regis- trants	Manufac- turing	Mining	Electric, gas and water	Transpor- tation other than railroad	Communi- cation	Invest- ment com- panies	Other fi- nancial and real estate	Commer- cial and other	Foreign govern- ments
Number of statements.....	809	184	44	184	9	36	172	121	43	16
Number of issues.....	1,094	244	55	220	17	41	287	140	67	23
All registrations (estimated value).....	\$16,489,736	\$3,405,575	\$238,197	\$3,652,273	\$76,938	\$4,229,017	\$2,941,362	\$1,283,080	\$235,824	\$427,471
For account of issuers.....	16,288,832	3,240,593	231,442	3,645,218	72,481	4,229,017	2,941,362	1,282,759	218,491	427,471
For cash sale.....	13,280,840	2,238,741	109,874	3,373,459	52,493	2,977,991	2,918,950	1,109,308	87,553	412,471
Corporate.....	12,868,369	2,238,741	109,874	3,373,459	52,493	2,977,991	2,918,950	1,109,308	87,553	-----
Non-corporate.....	412,471	-----	-----	-----	-----	-----	-----	-----	-----	412,471
For other than cash sale.....	3,007,993	1,001,852	121,568	271,758	19,988	1,251,025	22,412	173,451	130,938	15,000
For exchange for other securities <sup>4</sup> .....	578,085	223,170	98,361	87,976	-----	2,303	321	141,353	24,601	-----
Reserved for conversion.....	1,911,531	410,455	11,409	178,961	13,269	1,237,058	-----	14,894	45,486	-----
For other purposes.....	518,377	368,228	11,798	4,821	6,719	11,665	22,091	17,205	60,851	15,000
For account of others than issuers.....	200,903	164,982	6,754	7,055	4,457	-----	-----	321	17,333	-----

See footnotes at end of table.

TABLE 2.—Registrations fully effective under the Securities Act of 1933—Continued  
PART 4.—USE OF PROCEEDS AND INDUSTRY OF REGISTRANT, FISCAL YEAR ENDED JUNE 30, 1958  
[Amounts in thousands of dollars <sup>1</sup>]

Use of proceeds	Industry								
	All corporate	Manufacturing	Mining	Electric, gas and water	Transportation other than railroad	Communication	Investment companies	Other financial and real estate	Commercial and other
Corporate issues for cash sale for account of issuers (estimated gross proceeds).....	\$12,868,369	\$2,238,741	\$109,874	\$3,373,459	\$52,493	\$2,977,991	\$2,918,950	\$1,109,308	\$87,553
Cost of flotation.....	403,287	54,803	5,282	58,727	2,220	15,444	240,999	20,312	5,501
Commissions and discounts.....	338,492	37,142	3,562	40,503	1,784	8,006	227,155	16,499	3,840
Expenses.....	64,795	17,661	1,720	18,223	435	7,438	13,844	3,812	1,661
Expected net proceeds.....	12,465,081	2,183,938	104,592	3,314,733	50,273	2,962,547	2,677,951	1,088,996	82,051
New money purposes.....	8,792,422	1,955,455	93,882	3,130,295	50,273	2,845,345	-----	647,462	69,710
Plant and equipment.....	7,666,009	1,534,946	35,966	3,119,971	40,253	2,845,345	-----	47,383	42,145
Working capital.....	1,126,413	420,509	57,915	10,324	10,020	-----	-----	600,079	27,565
Retirement of securities.....	320,230	115,521	1,070	83,688	-----	117,202	-----	725	4,024
Other purposes <sup>2</sup> .....	3,352,430	112,962	9,641	100,750	-----	-----	2,677,951	440,810	10,317

<sup>1</sup> Dollar amounts are rounded and will not necessarily add to totals shown.

<sup>2</sup> The 809 registrations differ from the 810 net registrations shown in the text table "Number and disposition of registration statements filed" by reason of (a) the exclusion of 4 registrations of American Depositary Receipts, (b) the exclusion of 3 statements subject to amendments which were not filed prior to the end of the fiscal year, (c) the inclusion of 3 statements which became effective during the 1957 fiscal year subject to amendments which were filed in fiscal year 1958 and (d) the inclusion of 3 statements which became effective during the fiscal year but were later withdrawn.

<sup>3</sup> Includes face amount certificates.

<sup>4</sup> Includes certificates of participation.

<sup>5</sup> This total differs from the sum of the monthly figures (\$7,847,025,000) for offerings shown in table 3, part 1, under the heading "Registered Under 1933 Act", as follows:

Excluded from this table but included in offerings:

Offerings of issues effectively registered prior to July 1, 1957..... \$155,404,000

Portion of exchange issues sold for cash..... 1,088,000

Included in this table but excluded from offerings:

Investment companies..... 2,912,346,000

Employee purchase plans and other continuous offerings..... 1,583,766,000

Effectively registered issues not yet offered for sale..... 165,887,000

Issues sold outside the United States, intercorporate offerings,

etc..... 515,857,000

<sup>6</sup> Includes voting trust certificates registered for issuance in exchange for original securities deposited.

<sup>7</sup> Principally the purchase of securities.

TABLE 3.—New securities offered for cash sale in the United States <sup>1</sup>

PART 1.—TYPE OF OFFERING  
[Estimated gross proceeds in thousands of dollars <sup>2</sup>]

Calendar year or month	All offerings (corporate and non-corporate)	CORPORATE							Private placements <sup>4</sup>	NON-CORPORATE	
		Classified by type of offering									
		Total corporate	Public offerings <sup>3</sup>				Registered under 1933 Act	Not registered under 1933 Act			
			Total public offerings	Total	Railroad issues	Issues exempt because of size <sup>4</sup>		Other exempt offerings <sup>5</sup>			
1951.....	21,264,507	7,741,099	4,326,407	3,684,286	642,121	331,097	133,273	177,751	3,414,692	13,523,408	
1952.....	27,209,159	9,534,162	5,532,619	4,807,929	724,690	472,227	169,484	82,979	4,001,543	17,674,998	
1953.....	28,824,485	8,897,996	5,580,424	5,004,782	575,642	295,913	159,846	119,883	3,317,572	19,926,489	
1954.....	29,764,843	9,516,168	5,847,743	4,959,641	888,102	440,152	194,850	253,400	3,668,425	20,248,675	
1955.....	26,772,349	10,240,155	6,763,161	5,752,604	1,010,557	532,049	269,059	209,450	3,476,994	16,532,195	
1956.....	22,405,413	10,938,718	7,052,574	6,138,792	913,782	370,362	176,096	367,324	3,886,144	11,466,695	
1957.....	30,570,624	12,883,533	8,958,974	8,171,410	787,564	343,647	114,433	329,484	3,924,559	17,687,900	
<i>1957</i>											
January.....	2,425,590	1,088,225	805,109	731,250	73,859	51,298	7,614	14,948	283,116	1,337,365	
February.....	2,115,931	1,108,365	866,118	808,026	58,092	22,112	7,285	28,694	1,007,566		
March.....	3,222,870	1,360,939	954,630	893,845	60,785	39,433	13,431	7,921	406,309	1,861,931	
April.....	2,371,193	966,462	688,285	642,616	45,670	28,415	9,680	7,575	278,177	1,404,731	
May.....	1,777,123	795,814	543,790	470,044	73,745	54,284	11,098	8,363	252,024	981,309	
June.....	2,349,229	1,495,270	1,090,947	1,041,310	49,636	24,598	11,157	13,881	404,323	853,959	
July.....	1,981,821	1,027,527	706,060	535,996	170,065	23,269	8,980	137,815	321,467	954,293	
August.....	1,943,768	946,556	642,190	609,620	32,570	15,465	12,841	4,264	304,366	997,212	
September.....	3,974,807	1,023,218	695,490	649,497	45,993	23,949	7,218	14,826	327,728	2,951,589	
October.....	2,704,698	1,112,656	774,283	694,929	79,354	17,688	5,520	56,147	338,372	1,592,042	
November.....	3,022,346	844,303	657,646	620,171	37,476	16,347	10,022	11,106	186,656	2,178,043	
December.....	2,681,248	1,114,198	534,424	474,105	60,319	26,789	9,586	23,944	579,774	1,567,050	
<i>1958</i>											
January.....	3,472,699	815,745	575,224	491,003	84,221	68,562	7,821	7,839	240,520	2,656,954	
February.....	2,487,345	874,625	660,087	625,000	35,087	17,252	7,704	10,131	214,537	1,612,721	
March.....	3,959,042	1,623,330	1,283,242	1,232,395	50,847	40,036	6,310	4,502	340,088	2,335,712	
April.....	6,962,616	1,231,956	1,031,663	995,372	36,291	19,549	9,047	7,695	200,293	5,730,660	
May.....	2,160,471	713,757	509,046	479,036	30,009	12,000	9,958	8,051	204,712	1,446,714	
June.....	3,015,905	962,640	456,130	439,900	16,230	0	8,458	7,771	506,510	2,053,264	

See footnotes at end of table.

TABLE 3.—New securities offered for cash sale in the United States <sup>1</sup>—Continued

PART 2.—TYPE OF SECURITY  
[Estimated gross proceeds in thousands of dollars <sup>2</sup>]

Calendar year or month	All types of securities			Bonds, debentures, and notes			Preferred stock	Common stock
	All issuers	Corporate	Noncorporate	All issuers	Corporate	Noncorporate		
1951.....	21,264,507	7,741,099	13,523,408	19,214,357	5,690,949	13,523,408	837,656	1,212,494
1952.....	27,209,159	9,534,162	17,674,998	25,276,111	7,601,113	17,674,998	564,498	1,368,551
1953.....	28,824,485	8,897,996	19,926,489	27,009,908	7,083,419	19,926,489	488,564	1,326,013
1954.....	29,764,843	9,516,168	20,248,675	27,736,258	7,487,583	20,248,675	815,908	1,212,677
1955.....	26,772,349	10,240,155	16,532,195	23,952,084	7,419,869	16,532,195	635,058	2,185,223
1956.....	22,405,413	10,938,718	11,466,695	19,463,795	8,002,100	11,466,695	635,527	2,301,091
1957.....	30,570,624	12,883,533	17,687,090	27,643,959	9,956,869	17,687,090	410,504	2,516,160
<i>1957</i>								
January.....	2,425,590	1,088,225	1,337,365	2,249,308	911,943	1,337,365	33,806	142,476
February.....	2,115,931	1,108,365	1,007,566	1,757,911	750,345	1,007,566	25,612	332,408
March.....	3,222,870	1,360,939	1,861,931	2,905,664	1,043,734	1,861,931	38,697	278,509
April.....	2,371,193	966,462	1,404,731	2,059,799	655,067	1,404,731	47,021	264,373
May.....	1,777,123	795,814	981,309	1,666,719	685,410	981,309	25,367	85,037
June.....	2,349,229	1,495,270	853,959	1,867,143	1,013,184	853,959	66,198	415,888
July.....	1,981,821	1,027,527	954,293	1,729,547	775,254	954,293	21,460	230,813
August.....	1,943,768	946,556	997,212	1,836,736	839,524	997,212	31,170	75,862
September.....	3,974,807	1,023,218	2,951,589	3,858,277	906,688	2,951,589	19,093	97,437
October.....	2,704,698	1,112,656	1,592,042	2,535,572	943,530	1,592,042	67,887	101,239
November.....	3,022,346	844,303	2,178,043	2,849,278	671,235	2,178,043	23,533	149,534
December.....	2,681,248	1,114,198	1,567,050	2,328,006	760,956	1,567,050	10,660	342,582
<i>1958</i>								
January.....	3,472,699	815,745	2,656,954	3,400,529	743,575	2,656,954	28,389	43,781
February.....	2,487,345	874,625	1,612,721	2,219,650	606,929	1,612,721	85,463	182,233
March.....	3,959,042	1,623,330	2,335,712	3,829,929	1,494,217	2,335,712	68,587	60,525
April.....	6,962,616	1,231,956	5,730,660	6,831,702	1,101,042	5,730,660	40,967	89,947
May.....	2,160,471	713,757	1,446,714	2,040,763	594,049	1,446,714	35,875	83,833
June.....	3,015,905	962,640	2,053,264	2,919,739	866,475	2,053,264	58,242	37,924

See footnotes at end of table.

TABLE 3.—New securities offered for cash sale in the United States<sup>1</sup>—Continued

PART 3.—TYPE OF ISSUER

[Estimated gross proceeds in thousands of dollars<sup>2</sup>]

Calendar year or month	Corporate									Noncorporate					
	Total corporate	Manufacturing	Mining <sup>3</sup>	Electric, gas and water	Railroad	Other transportation	Communication	Financial and real estate <sup>4</sup>	Commercial and other	Total noncorporate	U. S. Government (including issues guaranteed)	Federal agency (issues not guaranteed)	State and municipal	Foreign government and international	Non-profit institutions
1951-----	7,741,099	3,121,853	(?)	2,454,853	335,087	159,227	612,080	524,616	533,383	13,523,408	9,778,151	110,000	3,188,777	418,567	27,914
1952-----	9,534,162	4,038,794	(?)	2,674,694	525,205	467,094	760,239	515,178	552,958	17,674,998	12,577,446	459,058	4,401,317	222,743	14,434
1953-----	8,897,996	2,253,531	235,368	3,029,122	302,397	293,036	881,853	1,676,048	326,640	19,926,489	13,956,613	105,557	5,557,887	282,807	23,625
1954-----	9,516,168	2,268,040	538,597	3,713,311	479,322	299,432	720,102	1,075,818	421,547	20,248,675	12,532,250	458,304	6,968,642	244,721	44,758
1955-----	10,240,155	2,993,658	415,289	2,463,729	547,777	345,280	1,132,271	1,898,677	443,473	16,532,195	9,628,326	745,558	5,976,504	149,960	31,848
1956-----	10,938,718	3,647,243	455,523	2,529,175	382,012	342,000	1,419,457	1,855,953	307,355	11,466,695	5,516,972	169,450	5,446,420	300,343	33,510
1957-----	12,883,533	4,233,708	288,574	3,938,087	343,647	479,921	1,461,748	1,795,413	342,435	17,687,090	9,600,598	571,550	6,958,152	504,898	51,892
<i>1967</i>															
January-----	1,088,225	390,413	23,259	249,777	51,298	51,192	106,991	192,677	22,617	1,337,365	495,538	72,000	685,472	84,355	0
February-----	1,108,365	574,412	47,426	262,938	22,112	8,359	47,012	114,624	31,453	1,007,566	385,587	0	568,928	49,375	3,675
March-----	1,300,939	368,228	18,959	513,147	39,433	30,892	279,477	93,720	17,084	1,861,931	1,326,528	0	503,237	30,166	2,000
April-----	966,402	337,779	10,323	360,719	28,415	45,501	50,873	93,628	33,223	1,404,731	389,584	125,000	763,411	122,386	4,350
May-----	795,814	139,758	10,955	364,164	54,284	27,456	83,126	76,278	39,793	981,309	394,263	0	538,533	45,513	3,000
June-----	1,495,270	640,516	19,538	439,106	24,598	33,624	138,064	180,574	19,251	853,959	362,324	60,000	387,502	42,333	1,800
July-----	1,027,527	257,549	42,781	247,675	23,269	22,687	54,385	347,565	31,620	954,293	399,879	0	516,182	28,390	9,842
August-----	946,556	246,928	16,401	254,367	15,465	15,717	128,795	237,809	41,074	997,212	392,073	0	595,240	7,074	2,825
September-----	1,023,218	328,383	25,246	424,314	23,949	56,649	66,296	84,220	14,162	2,951,589	2,262,425	214,550	437,163	30,050	7,400
October-----	1,112,656	133,414	36,826	338,729	17,688	37,429	372,271	161,217	15,081	1,592,042	893,813	0	682,730	4,498	11,000
November-----	844,303	224,111	22,473	302,353	16,347	38,916	93,006	129,932	17,165	2,178,043	1,374,051	100,000	639,335	59,657	5,000
December-----	1,114,198	592,221	14,387	174,799	26,789	111,469	41,453	93,168	59,912	1,567,050	924,532	0	640,418	1,100	1,000
<i>1968</i>															
January-----	815,745	155,342	14,225	326,299	68,562	38,816	85,564	111,324	15,614	2,656,954	510,647	1,163,240	782,437	196,680	3,950
February-----	874,625	179,786	18,059	373,664	17,252	31,167	35,834	210,790	8,672	1,612,721	407,150	251,188	899,485	53,498	1,400
March-----	1,623,330	240,490	22,406	415,220	40,036	29,081	800,418	50,032	25,647	2,335,712	1,801,906	0	524,355	0	9,450
April-----	1,231,956	639,971	34,759	319,700	19,549	67,549	78,807	42,189	29,431	5,730,660	4,268,652	522,985	797,617	138,706	2,700
May-----	713,757	192,933	6,836	345,306	12,000	11,896	41,417	79,388	23,982	1,446,714	368,297	0	876,838	198,474	3,104
June-----	962,640	318,560	15,015	411,832	500	106,572	12,490	82,903	14,768	2,053,264	1,410,690	0	520,518	120,056	2,000

See footnotes at end of table.

TABLE 3.—New securities offered for cash sale in the United States<sup>1</sup>—ContinuedPART 4.—PRIVATE PLACEMENT OF CORPORATE SECURITIES<sup>2</sup>[Estimated gross proceeds in thousands of dollars<sup>3</sup>]

Calendar year or month	All private placements	Type of security		Industry of issuer							
		Bonds, debentures, and notes	Stocks	Manufacturing	Mining <sup>4</sup>	Electric, gas and water	Railroad	Other transportation	Communication	Financial and real estate	Commercial and other
1951.....	3,414,691	3,326,457	88,234	1,975,318	(7)	637,137	3,990	154,326	55,327	223,314	365,280
1952.....	4,001,543	3,956,525	45,018	2,240,788	(7)	665,115	52,978	305,322	71,494	311,586	353,906
1953.....	3,317,572	3,227,514	90,059	1,070,888	104,716	731,849	6,484	234,242	63,182	886,967	217,744
1954.....	3,668,425	3,484,246	184,179	1,299,832	340,237	370,157	39,170	290,139	91,430	534,341	203,059
1955.....	3,476,994	3,300,973	176,021	1,197,273	201,826	596,041	15,728	315,061	107,640	807,053	236,473
1956.....	3,886,144	3,776,994	109,151	1,612,952	134,812	618,319	11,650	215,494	91,539	1,028,338	175,041
1957.....	3,924,559	3,838,917	85,642	1,656,940	146,685	665,506	0	419,319	137,455	714,662	183,993
1957											
January.....	283,116	271,059	12,056	119,585	1,495	42,434	0	24,292	24,842	58,548	11,919
February.....	242,247	236,842	5,405	95,322	22,146	34,360	0	8,389	2,300	63,558	16,172
March.....	406,309	400,099	6,210	223,465	8,711	57,689	0	30,592	17,212	58,030	10,709
April.....	278,177	269,768	8,408	112,653	7,089	38,670	0	45,381	17,398	48,473	8,613
May.....	252,024	247,209	4,815	84,368	3,643	54,429	0	16,756	6,535	62,615	23,671
June.....	404,323	380,207	24,116	249,518	5,584	66,625	0	33,624	11,612	36,406	11,055
July.....	321,467	316,050	5,417	139,220	37,757	4,795	0	11,126	15,748	107,133	5,689
August.....	304,366	299,375	4,991	80,473	11,476	100,891	0	15,507	22,550	63,514	9,955
September.....	327,728	320,037	7,691	172,016	7,358	19,160	0	56,649	4,775	60,123	6,747
October.....	338,372	335,852	2,520	67,969	33,367	124,675	0	37,129	11,538	51,609	12,085
November.....	186,656	183,456	3,200	73,793	500	13,116	0	29,405	7,120	51,558	12,173
December.....	579,774	575,968	3,812	237,668	7,653	108,962	0	111,469	5,824	53,095	58,204
1958											
January.....	240,520	238,884	1,637	81,182	5,113	42,301	0	38,816	30,075	35,908	7,125
February.....	214,537	208,757	5,780	95,017	14,050	27,488	0	30,867	4,850	39,906	2,358
March.....	340,988	329,642	10,446	121,798	20,249	51,899	0	29,081	63,593	34,662	18,777
April.....	200,293	180,283	20,010	91,210	1,000	27,694	0	39,304	4,100	11,054	25,931
May.....	204,712	203,212	1,500	81,541	3,500	36,294	0	7,615	11,100	44,423	20,239
June.....	506,510	496,960	9,550	242,147	10,008	91,890	500	92,072	10,892	47,690	11,411

<sup>1</sup> The data in these tables cover substantially all new issues of securities offered for cash sale in the United States in amounts over \$100,000 and with terms to maturity of more than one year. Included in the compilation are issues privately placed as well as issues publicly offered, and unregistered issues as well as those registered under the Securities Act of 1933. The figures on publicly offered issues include a small amount of unsold securities, chiefly nonunderwritten issues of small companies. The figures on privately placed issues include securities actually issued but exclude securities which institutions have contracted to purchase but which had not been taken down during the period covered by the statistics. Also excluded are: intercorporate transactions; United States Government "Special Series" issues, and other sales directly to Federal agencies and trust accounts; notes issued exclusively to commercial banks; issues of investment companies; and issues to be sold over an extended period, such as offerings under employee-purchase plans. The chief sources of data are the financial press and documents filed with the Commission. Data for offerings of state and municipal securities are from totals published by the *Commercial and Financial Chronicle* and the *Bond Buyer*; these represent principal amounts instead of gross proceeds. All figures are subject to revision as new data are received. For data for the years 1934-1950, see 18th Annual Report.

<sup>2</sup> Gross proceeds are derived by multiplying principal amounts or numbers of units by offering prices, except for state and municipal issues where principal amount is used. Slight discrepancies between the sum of figures in the tables and the totals shown are due to rounding.

<sup>3</sup> Issues sold by competitive bidding directly to ultimate investors are classified as publicly offered issues.

<sup>4</sup> Issues in this group include those between \$100,000 and \$300,000 in size which are exempt under Regulations A and D of the Securities Act of 1933.

<sup>5</sup> Chiefly bank stock issues.

<sup>6</sup> The bulk of the securities included in this category are exempt from registration under sec. 4 (1) of the Securities Act of 1933.

<sup>7</sup> Prior to 1953 issues of mining companies are included in the category "Commercial and other."

<sup>8</sup> Excluding issues of investment companies.

<sup>9</sup> Excluding issues sold by competitive bidding directly to ultimate investors.

TABLE 4.—Proposed uses of net proceeds from the sale of new corporate securities offered for cash in the United States

PART 1.—ALL CORPORATE

[Amounts in thousands of dollars <sup>1</sup>]

Calendar year or month <sup>2</sup>	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds <sup>3</sup>	Total net proceeds <sup>4</sup>	Total new money	Plant and equipment	Working capital		
1951	7,741,099	7,606,520	6,531,403 <sup>5</sup>	5,110,105	1,421,298	486,413	588,703
1952	9,534,162	9,350,302	8,179,548	6,311,802	1,867,746	664,056	636,698
1953	8,997,096	8,754,721	7,959,966	5,646,840	2,313,126	260,023	534,733
1954	9,516,168	9,305,090	6,780,196	5,110,369	1,669,806	1,875,398	709,496
1955	10,240,155	10,048,855	7,957,394	5,333,328	2,624,066	1,227,494	863,967
1956	10,938,718	10,748,836	9,662,952	6,709,126	2,953,826	364,459	721,424
1957	12,883,533	12,661,300	11,783,879	9,039,778	2,744,101	214,294	663,127
<i>1957</i>							
January	1,088,225	1,068,333	1,023,270	797,840	225,431	8,818	36,245
February	1,108,365	1,084,892	912,947	705,110	207,836	19,433	152,513
March	1,360,939	1,340,096	1,244,148	1,088,274	155,874	20,274	75,674
April	966,462	946,815	871,321	663,192	208,129	16,068	59,425
May	795,814	780,318	703,134	545,954	157,180	15,235	61,949
June	1,495,270	1,467,280	1,373,311	1,028,925	344,386	14,572	79,397
July	1,027,527	1,011,020	941,467	534,023	407,444	8,353	61,200
August	946,556	933,346	915,639	621,152	294,487	8,514	8,194
September	1,023,218	1,006,855	951,638	800,274	151,363	34,105	21,112
October	1,112,656	1,093,504	1,080,000	832,391	177,609	8,885	29,610
November	844,303	823,051	763,915	559,074	204,841	39,229	24,907
December	1,114,198	1,096,789	1,023,089	813,570	209,519	20,809	52,892
<i>1958</i>							
January	815,745	804,996	711,218	592,582	118,636	82,414	11,364
February	874,625	856,333	832,306	577,440	254,867	5,229	15,798
March	1,623,330	1,607,646	1,525,228	1,300,176	135,052	47,044	35,374
April	1,231,956	1,213,303	1,037,122	885,181	151,940	71,939	104,242
May	713,757	698,830	632,089	438,649	93,440	99,081	67,661
June	962,640	947,994	709,020	572,156	136,864	67,166	171,808

PART 2.—MANUFACTURING

1951	3,121,863	3,066,852	2,617,233	1,832,777	784,456	220,828	228,291
1952	4,038,794	3,973,363	3,421,892	2,179,563	1,242,329	260,850	290,621
1953	2,253,531	2,217,721	1,914,853	1,324,675	590,178	90,115	212,753
1954	2,268,040	2,234,016	1,838,907	1,069,495	829,413	189,637	205,671
1955	2,993,658	2,929,734	2,020,932	1,265,272	755,930	682,671	376,210
1956	3,647,243	3,578,602	2,944,378	1,928,034	1,016,244	242,684	391,440
1957	4,233,708	4,153,534	3,764,423	2,644,460	1,119,963	49,131	339,980
<i>1957</i>							
January	390,413	383,519	377,121	306,176	70,945	4,653	1,745
February	574,412	561,384	440,475	361,369	79,106	3,787	117,122
March	368,228	361,794	329,299	264,446	64,853	1,014	31,480
April	337,779	330,915	278,554	173,848	104,706	8,522	43,840
May	139,758	136,215	101,484	32,916	68,568	6,269	28,463
June	640,516	627,974	573,145	398,949	174,166	4,788	60,661
July	257,546	253,053	238,389	129,652	109,336	5,382	9,283
August	246,928	243,122	240,636	180,880	59,756	354	2,132
September	328,383	323,812	316,706	212,303	104,403	3,782	3,325
October	133,414	130,795	121,619	68,847	52,772	2,174	7,002
November	224,111	220,298	206,988	119,840	87,138	253	13,056
December	592,221	580,855	540,009	395,824	144,185	8,174	32,472
<i>1958</i>							
January	155,342	153,686	139,550	120,171	19,370	6,753	7,283
February	179,786	173,471	164,789	116,395	48,394	2,803	5,879
March	240,490	236,844	192,807	121,829	70,978	41,186	2,851
April	639,971	631,616	542,448	434,843	107,605	11,577	77,601
May	192,933	189,825	123,439	92,460	30,978	26,418	39,088
June	318,560	315,543	231,328	165,580	65,748	49,015	35,200

See footnotes at end of table.

TABLE 4.—Proposed uses of net proceeds from the sale of new corporate securities offered for cash in the United States—Continued

## PART 3.—MINING

[Amounts in thousands of dollars <sup>1</sup>]

Calendar year or month <sup>1</sup>	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds <sup>2</sup>	Total net proceeds <sup>3</sup>	Total new money	Plant and equipment	Working capital		
1951	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
1952							
1953	235,368	222,051	199,151	113,104	86,048	1,912	20,988
1954	538,897	513,596	334,704	215,758	118,946	45,624	133,298
1955	416,289	390,758	325,490	197,594	128,098	3,921	61,347
1956	455,623	435,691	364,909	211,029	93,880	37,849	92,934
1957	288,574	276,809	242,826	159,783	83,042	6,838	27,146
1957							
January	23,259	22,007	18,024	11,165	6,859	1,416	2,567
February	47,426	45,390	42,751	28,777	13,973	0	2,639
March	18,959	17,421	10,208	4,753	5,455	0	7,212
April	10,323	10,145	9,944	9,843	602	0	201
May	10,955	10,421	6,234	3,212	3,022	32	4,155
June	19,538	18,001	13,863	7,048	6,815	274	3,864
July	42,781	41,742	40,443	25,122	15,321	0	1,299
August	16,401	15,904	11,087	7,605	3,482	4,570	1,248
September	25,246	24,116	22,472	14,321	8,151	0	1,644
October	36,826	36,167	35,523	33,862	1,661	200	444
November	22,473	21,701	20,523	10,787	9,737	0	1,178
December	14,387	13,796	11,753	3,790	7,964	347	1,695
1958							
January	14,225	13,520	13,194	8,017	5,177	0	326
February	18,059	17,694	13,455	9,874	3,582	0	4,239
March	22,406	22,094	21,603	20,464	1,139	67	424
April	34,759	33,569	25,677	12,756	12,921	50	7,842
May	6,836	6,539	4,110	1,180	2,938	1,996	424
June	15,015	14,453	14,253	8,774	5,479	0	200

## PART 4.—ELECTRIC, GAS AND WATER

1951	2,454,853	2,411,714	2,186,248	2,158,823	27,425	85,439	140,027
1952	2,674,694	2,626,377	2,457,823	2,441,862	15,961	87,726	80,827
1953	3,029,122	2,971,911	2,755,852	2,737,082	18,770	67,034	149,025
1954	3,713,311	3,664,922	2,597,651	2,582,366	15,285	989,799	77,473
1955	2,463,729	2,428,168	2,218,094	2,205,655	12,439	174,015	36,049
1956	2,629,176	2,487,493	2,409,885	2,394,928	14,957	13,794	63,814
1957	3,938,087	3,871,899	3,659,189	3,645,919	13,271	51,280	161,430
1957							
January	249,777	245,662	226,550	226,440	110	0	19,111
February	262,938	258,460	230,669	222,901	7,768	12,892	14,898
March	513,147	505,431	457,882	457,882	0	15,685	31,864
April	366,719	359,553	349,724	349,158	566	5,585	4,234
May	364,164	357,908	331,858	331,473	385	7,499	18,551
June	439,106	430,739	418,801	418,741	59	0	11,938
July	247,675	244,014	210,231	210,099	132	365	33,418
August	254,367	251,145	249,751	249,458	294	0	1,394
September	424,314	416,875	414,243	413,763	481	2	2,629
October	338,729	333,353	312,848	311,971	877	330	20,175
November	302,353	295,692	284,598	282,038	2,560	8,750	2,344
December	174,799	173,067	172,033	171,995	38	161	873
1958							
January	326,299	322,039	320,340	320,269	71	649	1,049
February	373,064	365,528	365,528	357,981	7,547	0	0
March	415,220	409,343	386,124	386,124	0	0	23,219
April	319,700	315,489	293,108	286,111	6,997	22,264	117
May	345,306	339,781	303,037	299,529	3,508	36,649	95
June	411,832	405,748	325,467	325,467	0	16,219	64,062

See footnotes at end of table.

TABLE 4.—Proposed uses of net proceeds from the sale of new corporate securities offered for cash in the United States—Continued

PART 5.—RAILROAD

[Amounts in thousands of dollars <sup>1</sup>]

Calendar year or month <sup>1</sup>	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds <sup>2</sup>	Total net proceeds <sup>3</sup>	Total new money	Plant and equipment	Working capital		
1951.....	335,087	331,864	296,917	291,886	5,030	34,214	733
1952.....	525,205	520,817	280,526	286,476	50	223,532	10,788
1953.....	302,397	298,904	267,024	244,254	22,770	31,879	0
1954.....	479,322	474,180	209,585	202,441	7,144	261,345	3,250
1955.....	547,777	540,345	215,702	214,411	1,291	318,965	5,679
1956.....	352,012	378,159	365,447	365,447	0	12,713	0
1957.....	343,647	340,244	320,409	320,409	0	13,835	0
<b>1957</b>							
January.....	51,298	50,731	50,731	50,731	0	0	0
February.....	22,112	21,902	21,902	21,902	0	0	0
March.....	39,493	39,115	39,115	39,115	0	0	0
April.....	28,415	28,129	28,129	28,129	0	0	0
May.....	54,224	53,774	53,774	53,774	0	0	0
June.....	24,598	24,281	16,361	16,361	0	7,930	0
July.....	23,269	23,029	23,029	23,029	0	0	0
August.....	15,465	15,337	15,337	15,337	0	0	0
September.....	23,049	23,741	23,741	23,741	0	0	0
October.....	17,688	17,491	11,586	11,586	0	5,905	0
November.....	16,347	16,196	16,196	16,196	0	0	0
December.....	26,789	26,508	26,508	26,508	0	0	0
<b>1958</b>							
January.....	68,562	67,810	43,559	43,559	0	24,251	0
February.....	17,252	17,074	17,074	17,074	0	0	0
March.....	40,036	39,410	34,500	18,858	15,641	4,910	0
April.....	19,549	19,393	19,393	19,393	0	0	0
May.....	12,000	11,845	11,845	9,889	1,956	0	0
June.....	500	487	487	487	0	0	0

PART 6.—OTHER TRANSPORTATION

1951.....	159,227	158,240	131,009	123,217	7,792	18,478	8,753
1952.....	467,094	462,006	410,778	377,064	33,713	1,119	50,109
1953.....	293,036	289,859	264,880	260,568	4,312	3,949	21,031
1954.....	299,432	296,907	270,342	267,042	3,300	9,073	17,493
1955.....	345,280	341,717	237,366	220,971	16,395	18,769	85,582
1956.....	342,000	335,772	322,855	298,537	24,318	7,147	5,770
1957.....	479,921	475,421	465,005	456,665	8,430	204	10,122
<b>1957</b>							
January.....	51,192	50,568	50,044	49,781	262	0	525
February.....	8,389	8,346	8,157	8,062	95	0	189
March.....	30,892	30,778	30,679	30,585	94	0	99
April.....	45,501	45,246	44,597	43,430	1,167	0	649
May.....	27,456	26,213	26,138	21,399	4,739	0	75
June.....	33,624	33,481	32,559	32,185	374	0	921
July.....	22,687	22,353	22,185	21,604	580	0	168
August.....	15,717	15,597	15,366	15,307	59	204	28
September.....	56,649	56,414	56,080	55,746	334	0	334
October.....	37,429	37,262	37,175	37,043	132	0	87
November.....	38,916	38,035	34,068	33,476	592	0	3,967
December.....	111,469	111,127	108,047	108,047	0	0	3,080
<b>1958</b>							
January.....	38,816	38,705	38,591	38,478	114	0	114
February.....	31,167	31,092	29,962	28,786	1,175	0	1,130
March.....	29,081	28,960	27,922	27,384	538	0	1,038
April.....	67,549	66,569	66,525	66,132	393	0	44
May.....	11,896	11,591	11,591	7,549	4,043	0	0
June.....	106,572	105,534	42,864	36,674	6,190	0	62,670

See footnotes at end of table.

TABLE 4.—Proposed uses of net proceeds from the sale of new corporate securities offered for cash in the United States—Continued

## PART 7.—COMMUNICATION

[Amounts in thousands of dollars <sup>1</sup>]

Calendar year or month <sup>1</sup>	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds <sup>2</sup>	Total net proceeds <sup>3</sup>	Total new money	Plant and equipment	Working capital		
1951.....	612,080	605,095	594,324	574,417	19,907	5,231	5,540
1952.....	760,239	763,169	738,924	736,096	1,928	6,095	8,151
1953.....	881,853	873,726	860,967	841,600	19,367	3,164	9,596
1954.....	720,102	710,819	641,487	639,376	2,111	60,089	9,243
1955.....	1,132,271	1,121,408	1,039,611	1,038,092	1,520	76,567	5,230
1956.....	1,419,457	1,405,006	1,371,471	1,369,832	1,639	20,674	12,861
1957.....	1,461,748	1,444,446	1,427,977	1,425,696	2,281	3,904	12,566
<i>1957</i>							
January.....	106,991	105,420	103,822	103,822	0	917	680
February.....	47,012	46,261	46,261	46,177	84	0	0
March.....	279,477	276,823	274,719	272,950	1,769	0	2,104
April.....	50,873	50,225	47,195	47,142	52	0	3,030
May.....	83,126	81,705	78,925	78,890	35	0	2,781
June.....	138,064	136,161	136,161	136,128	33	0	0
July.....	54,385	53,866	53,270	53,225	45	0	597
August.....	128,795	126,975	123,354	123,248	106	2,612	1,009
September.....	66,296	65,241	64,088	64,061	27	198	956
October.....	372,271	368,238	368,146	368,081	65	176	915
November.....	93,006	91,707	91,491	91,446	45	0	216
December.....	41,453	40,825	40,546	40,527	20	0	278
<i>1958</i>							
January.....	85,564	84,469	34,469	34,384	85	50,000	0
February.....	35,834	35,481	35,481	35,436	45	0	0
March.....	800,418	796,773	796,773	796,773	0	0	0
April.....	78,807	77,207	39,971	39,909	62	37,236	0
May.....	41,417	40,956	10,989	10,989	0	29,966	0
June.....	12,490	12,333	12,333	12,257	76	0	0

## PART 8.—FINANCIAL AND REAL ESTATE

1951.....	524,616	515,267	368,485	15,696	352,800	66,030	80,751
1952.....	615,178	598,184	409,630	14,243	395,387	60,498	38,056
1953.....	1,576,948	1,560,672	1,462,279	32,116	1,420,162	24,225	84,168
1954.....	1,076,818	1,061,016	619,155	29,547	689,608	273,043	168,817
1955.....	1,898,677	1,867,887	1,606,145	33,472	1,572,672	56,010	205,731
1956.....	1,856,953	1,831,560	1,703,487	39,038	1,664,449	16,947	111,116
1957.....	1,793,413	1,768,353	1,635,740	241,464	1,394,276	67,314	65,298
<i>1957</i>							
January.....	192,677	188,930	178,311	39,775	138,535	348	10,272
February.....	114,624	112,440	99,485	10,566	88,919	2,400	10,555
March.....	93,720	92,359	87,425	9,298	78,127	3,575	1,359
April.....	93,628	91,438	89,562	7,032	82,530	23	1,853
May.....	76,278	75,380	71,162	2,628	68,534	0	4,218
June.....	180,574	177,933	170,673	13,192	157,481	0	7,260
July.....	347,665	342,818	334,481	64,236	270,245	0	8,337
August.....	227,809	225,017	222,926	1,984	220,942	775	1,315
September.....	84,220	83,125	48,960	10,454	33,506	30,033	9,131
October.....	161,217	159,361	158,861	43,515	115,046	0	500
November.....	129,932	127,793	95,916	586	95,330	30,161	1,715
December.....	93,168	91,760	82,978	37,897	45,080	0	8,782
<i>1958</i>							
January.....	111,324	109,979	107,068	16,506	90,562	723	2,188
February.....	210,790	207,678	197,948	5,777	192,172	2,389	7,340
March.....	50,032	49,287	42,864	6,846	36,019	478	5,944
April.....	42,189	40,374	6,002	24,266	18,264	160	15,949
May.....	79,388	74,992	61,469	7,300	44,108	615	22,908
June.....	82,903	79,426	68,406	14,322	54,144	1,752	9,208

See footnotes at end of table.

TABLE 4.—Proposed uses of net proceeds from the sale of new corporate securities offered for cash in the United States—Continued

PART 9.—COMMERCIAL AND OTHER.

[Amounts in thousands of dollars ]

Calendar year or month <sup>1</sup>	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds <sup>2</sup>	Total net proceeds <sup>3</sup>	Total new money	Plant and equipment	Working capital		
1951.....	533,383	517,988	337,187	113,299	223,888	56,194	124,607
1952.....	552,958	536,386	463,975	275,598	178,377	24,235	58,176
1953.....	326,640	319,877	244,960	93,441	151,519	37,745	37,172
1954.....	421,547	409,635	268,364	164,365	104,000	46,889	94,382
1955.....	443,473	428,848	294,035	158,061	135,974	46,676	88,138
1956.....	307,355	296,663	240,521	102,281	138,239	12,652	43,491
1957.....	342,435	330,593	262,220	139,382	122,838	21,788	46,585
<i>1967</i>							
January.....	22,617	21,497	18,667	9,949	8,719	1,484	1,345
February.....	31,453	30,710	23,246	5,356	17,891	353	7,110
March.....	17,084	16,376	14,820	9,245	5,575	0	1,555
April.....	33,223	31,165	23,617	5,111	18,507	1,929	5,619
May.....	39,793	38,701	33,560	21,663	11,898	1,435	3,707
June.....	19,251	18,702	11,749	6,321	6,428	1,600	5,353
July.....	31,620	30,145	19,440	7,656	11,784	2,606	8,099
August.....	41,074	39,250	37,182	27,334	9,848	0	2,068
September.....	14,162	13,530	10,347	5,886	4,461	90	3,093
October.....	15,081	14,837	14,243	7,187	7,056	100	495
November.....	17,165	16,630	14,134	4,695	9,439	65	2,431
December.....	59,912	59,051	41,215	28,982	12,233	12,126	5,711
<i>1968</i>							
January.....	15,614	14,889	14,447	11,200	3,247	37	405
February.....	8,672	8,316	8,069	6,117	1,952	37	210
March.....	25,647	24,934	22,635	11,897	10,738	402	1,897
April.....	29,431	29,085	25,733	20,035	5,698	652	2,699
May.....	23,982	23,302	15,600	9,692	5,909	3,436	4,266
June.....	14,768	14,469	13,822	8,596	5,226	180	468

<sup>1</sup> Slight discrepancies between the sum of figures in the tables and the totals shown are due to rounding.  
<sup>2</sup> For earlier data see 18th Annual Report.

<sup>3</sup> Total estimated gross proceeds represent the amount paid for the securities by investors, while total estimated net proceeds represent the amount received by the issuer after payment of compensation to distributors and other costs of flotation.

<sup>4</sup> Included with "Commercial and other."

TABLE 5.—A summary of corporate securities publicly offered and privately placed in each year from 1934 through June 1958

[Amounts in millions of dollars]

Calendar year	Total			Public offerings			Private placements			Private placements as percent of total	
	All issues	Debt issues	Equity issues	All issues	Debt issues	Equity issues	All issues	Debt issues	Equity issues	All issues	Debt issues
1934.....	397	372	25	305	290	25	92	92	0	23.2	24.7
1935.....	2,332	2,225	108	1,945	1,840	106	387	385	2	16.6	17.3
1936.....	4,572	4,029	543	4,199	3,660	539	373	369	4	8.2	9.2
1937.....	2,309	1,618	691	1,979	1,291	688	330	327	3	14.3	20.2
1938.....	2,155	2,044	111	1,463	1,353	110	692	691	1	32.1	33.8
1939.....	2,164	1,979	185	1,458	1,276	181	706	703	4	32.6	35.5
1940.....	2,677	2,386	291	1,912	1,628	284	765	758	7	28.6	31.8
1941.....	2,667	2,389	277	1,854	1,578	276	813	811	2	30.5	33.9
1942.....	1,062	917	146	642	506	136	420	411	9	39.5	44.8
1943.....	1,170	990	180	621	481	140	372	369	3	31.8	37.3
1944.....	3,202	2,670	532	2,415	1,892	524	787	778	9	24.6	29.1
1945.....	6,011	4,855	1,155	4,989	3,851	1,138	1,022	1,004	18	17.0	20.7
1946.....	6,900	4,882	2,018	4,983	3,019	1,963	1,917	1,863	54	27.8	38.2
1947.....	6,577	5,036	1,541	4,342	2,889	1,452	2,235	2,147	88	34.0	42.6
1948.....	7,078	5,973	1,106	3,991	2,965	1,028	3,087	3,008	79	43.6	50.4
1949.....	6,052	4,890	1,161	3,550	2,437	1,112	2,502	2,453	49	41.3	50.2
1950.....	6,362	4,920	1,442	3,681	2,360	1,321	2,680	2,560	120	42.1	52.0
1951.....	7,741	5,691	2,050	4,326	2,364	1,962	3,415	3,326	88	44.1	58.4
1952.....	9,534	7,601	1,933	5,533	3,645	1,888	4,002	3,957	45	42.0	52.1
1953.....	8,898	7,083	1,815	5,580	3,856	1,725	3,318	3,228	90	37.3	45.6
1954.....	9,516	7,488	2,029	5,848	4,003	1,844	3,668	3,484	184	38.5	46.5
1955.....	10,240	7,420	2,820	6,763	4,119	2,644	3,477	3,301	176	34.0	44.5
1956.....	10,939	8,002	2,937	7,053	4,225	2,827	3,886	3,777	109	35.5	47.2
1957.....	12,884	9,957	2,927	8,959	6,118	2,841	3,925	3,839	86	30.5	38.6
1958 (Jan.-June).....	6,222	5,406	816	4,515	3,749	767	1,707	1,658	49	27.4	30.7

TABLE 6.—*Suspension orders issued pursuant to regulation A under the Securities Act of 1933 during the fiscal year 1958*

## Temporary Suspension Orders—

## Regulation A:

- Albuquerque Exploration, Inc., Albuquerque, N. Mex.; Securities Act Release No. 3880 (December 20, 1957).
- Al-Kem Mines, Inc., Austin, Nev.; Securities Act Release No. 3811 (July 15, 1957).
- Alunite Corp. of Utah, Salt Lake City, Utah; Securities Act Release No. 3921 (April 22, 1958).
- American Development Corp., Dover, Del.; Securities Act Release No. 3876 (December 13, 1957).
- American Reserve Oil & Mining Corp., Reno, Nev.; Securities Act Release No. 3881 (December 23, 1957).
- Michael Laurence and Stephen Richards as the "Amish Company", New York, N. Y.; Securities Act Release No. 3936 (June 10, 1958). Order vacated, Securities Act Release No. 3944 (July 8, 1958).
- Appell Oil & Gas Corp., Alice, Tex.; Securities Act Release No. 3820 (August 1, 1957). Order vacated, Securities Act Release No. 3920 (April 16, 1958).
- Australus Corp. of America, Jersey City, N. J.; Securities Act Release No. 3874 (December 11, 1957).
- Beckjord Manufacturing Corp., Toms River, N. J.; Securities Act Release No. 3936 (June 10, 1958).
- Ben Franklin Oil & Gas Corp., Franklin, N. J.; Securities Act Release No. 3823 (August 6, 1957).
- Big Ute Uranium Corp., Reno, Nev.; Securities Act Release No. 3862 (November 15, 1957).
- Blue Bird Mines, Inc., Pinal County, Ariz.; Securities Act Release No. 3933 (June 4, 1958).
- Brevilana, Inc., Hollywood, Calif.; Securities Act Release No. 3933 (June 4, 1958).
- James Preston and Charles Olsen as the "Career Co.", New York, N. Y.; Securities Act Release No. 3940 (June 20, 1958).
- Carver House, Inc., Las Vegas, Nev.; Securities Act Release No. 3899 (February 19, 1958).
- Central Oils, Inc., Seattle, Wash.; Securities Act Release No. 3902 (March 3, 1958).
- Col-Ny Uranium, Inc., Cortez, Colo.; Securities Act Release No. 3878 (December 18, 1957).
- Confidential Finance Corp., Omaha, Nebr.; Securities Act Release No. 3878 (December 18, 1957).
- Cottonwood Uranium Corp., Reno, Nev.; Securities Act Release No. 3911 (March 20, 1958).
- Digit-Ometer Co., Denver, Colo.; Securities Act Release No. 3913 (March 27, 1958). Order vacated, Securities Act Release No. 3930 (May 22, 1958).
- Douglass Muffler Manufacturing Corp., Alhambra, Calif.; Securities Act Release No. 3865 (November 26, 1957).
- Eagle Oil & Supply Co., Inc., Brockton, Mass.; Securities Act Release No. 3878 (December 18, 1957).

TABLE 6.—*Suspension orders issued pursuant to regulation A under the Securities Act of 1933 during the fiscal year 1958—Continued*

Temporary Suspension Orders—Continued

Regulation A—Continued

- Escalante Garlic Corp., Caliente, Nev.; Securities Act Release No. 3847 (October 10, 1957).
- Fidelity Trust of America, Dallas, Tex.; Securities Act Release No. 3812 (July 17, 1957).
- Fireball Uranium Mines, Inc., Moab, Utah; Securities Act Release No. 3895 (January 31, 1958).
- Florida Real Estate Investors Syndicate, Dania, Fla.; Securities Act Release No. 3905 (March 6, 1958).
- Franklin Atlas Corp., New York, N. Y.; Securities Act Release No. 3857 (October 30, 1957). Proceedings pending at end of fiscal year.
- Russell Janney as "Frontier Co.", New York, N. Y.; Securities Act Release No. 3874 (December 11, 1957).
- Garner Aluminum Corp., Washington, D. C.; Securities Act Release No. 3913 (March 27, 1958).
- Gem States Securities Corp., Boise, Idaho; Securities Act Release No. 3923 (May 5, 1958).
- George L. Headley Associates, Inc., New York, N. Y.; Securities Act Release No. 3874 (December 11, 1957).
- Giant Petroleum Corp., New York, N. Y.; Securities Act Release No. 3850 (October 22, 1957). Proceedings pending at end of fiscal year.
- Gob Shops of America, Inc., Providence, R. I.; Securities Act Release No. 3818 (July 31, 1957). Proceedings pending at end of fiscal year.
- Gold Crown Mining Corp., Allegheny, Calif.; Securities Act Release No. 3940 (June 20, 1958). Proceedings pending at end of fiscal year.
- Great Bear Lake Uranium Mines, Ltd., Regina, Saskatchewan, Canada; Securities Act Release No. 3940 (June 20, 1958).
- Gunn and McCrary, Inc., Shreveport, La.; Securities Act Release No. 3819 (August 1, 1957).
- Half Moon Uranium Corp., Ogden, Utah; Securities Act Release No. 3899 (February 19, 1958).
- Hardrock Mining Syndicate, Las Vegas, Nev.; Securities Act Release No. 3895 (January 31, 1958).
- Hart Oil Corp., Seattle, Wash.; Securities Act Release No. 3926 (May 15, 1958). Proceedings pending at end of fiscal year.
- H. F. Rieser's Sons, Inc., West Leesport, Pa.; Securities Act Release No. 3874 (December 11, 1957).
- Holiday Lake, Inc., Camden, N. J.; Securities Act Release No. 3936 (June 10, 1958).
- Illowata Oil Corp., Denver, Colo.; Securities Act Release No. 3866 (November 26, 1957). Proceedings pending at end of fiscal year.
- Index Corp., Glenns Ferry, Idaho; Securities Act Release No. 3848 (October 11, 1957).
- Inspiration Lead Co., Inc., Spokane, Wash.; Securities Act Release No. 3929 (May 26, 1958). Proceedings pending at end of fiscal year.
- International Telo-Service Corp., New York, N. Y.; Securities Act Release No. 3874 (December 11, 1957).
- Interstate Holding Corp., Memphis, Tenn.; Securities Act Release No. 3809 (July 9, 1957).

TABLE 6.—*Suspension orders issued pursuant to regulation A under the Securities Act of 1933 during the fiscal year 1958—Continued*

## Temporary Suspension Orders—Continued

## Regulation A—Continued

- John Paul Enterprises, Inc., New York, N. Y.; Securities Act Release No. 3874 (December 11, 1957).
- Jontex, Inc., Reno, Nev.; Securities Act Release No. 3860 (November 13, 1957).
- Jurassic Minerals, Inc., Cortez, Colo.; Securities Act Release No. 3891 (January 23, 1958).
- Lake Champlain Associates, Inc., Wellsboro, N. Y.; Securities Act Release No. 3874 (December 11, 1957).
- McCullough Motors Corp., Philadelphia, Pa.; Securities Act Release No. 3835 (September 3, 1957).
- Mia Nina Mining Corp., Salt Lake City, Utah; Securities Act Release No. 3847 (October 10, 1957).
- Microveer, Inc., Santurce, Puerto Rico; Securities Act Release No. 3928 (May 19, 1958).
- Monarch Laundry Machine Corp., Fort Lauderdale, Fla.; Securities Act Release No. 3869 (December 2, 1957).
- Mutual Investors Corp. of New York, New York, N. Y.; Securities Act Release No. 3936 (June 10, 1958).
- Oliver Products, Inc., New York, N. Y.; Securities Act Release No. 3936 (June 10, 1958).
- Pawnee Oil Co., Los Angeles, Calif.; Securities Act Release No. 3891 (January 23, 1958).
- Pixie Beverage Corp., Reno, Nev.; Securities Act Release No. 3871 (December 5, 1957).
- James Spicer as "Porcelain Clay Co.", New York, N. Y.; Securities Act Release No. 3936 (June 10, 1958).
- Profile Mines, Inc., Boise, Idaho; Securities Act Release No. 3814 (July 22, 1957).
- Pyramid Mining and Metal Corp., Lubbock, Tex.; Securities Act Release No. 3870 (December 5, 1957).
- Rainbow Uranium Corp., Tonopah, Nev.; Securities Act Release No. 3848 (October 11, 1957).
- Rancho Club Cabazon Corp., Las Vegas, Nev.; Securities Act Release No. 3858 (November 4, 1957).
- Real Estate Clearing House, Inc., New York, N. Y.; Securities Act Release No. 3874 (December 11, 1957).
- Red Rock Oil & Gas Co., Las Vegas, Nev.; Securities Act Release No. 3883 (December 30, 1957).
- Reliance Uranium Corp., Reno, Nev.; Securities Act Release No. 3910 (March 18, 1958).
- Salesology, Inc., Phoenix, Ariz.; Securities Act Release No. 3889 (January 20, 1958). Proceedings pending at end of fiscal year.
- Seaboard Drug Co., Inc., New York, N. Y.; Securities Act Release No. 3931 (May 28, 1958).
- Peter Lawrence as "Shinbone Alley Co.", New York, N. Y.; Securities Act Release No. 3940 (June 20, 1958).
- Simplex Precast Industries, Inc., Norristown, Pa.; Securities Act Release No. 3824 (August 7, 1957).

TABLE 6.—*Suspension orders issued pursuant to regulation A under the Securities Act of 1933 during the fiscal year 1958—Continued*

Temporary Suspension Orders—Continued

Regulation A—Continued

- S & M Mining & Exploration, Worland, Wyo.; Securities Act Release No. 3915 (April 7, 1958).
- Southwestern Chemical & Mineral Corp., New York, N. Y.; Securities Act Release No. 3849 (October 21, 1957).
- Howard Hoyt as "Strip for Action Co.", New York, N. Y.; Securities Act Release No. 3877 (December 13, 1957).
- Tejanos Mining Corp., El Reno, Okla.; Securities Act Release No. 3930 (May 27, 1958).
- Texas-Augello Petroleum Exploration Co., Anchorage, Alaska; Securities Act Release No. 3904 (March 5, 1958). Proceedings pending at end of fiscal year.
- Truly Nolen Products, Inc., Miami, Fla.; Securities Act Release No. 3841 (September 24, 1957). Proceedings pending at end of fiscal year.
- Turbo Corp. of America, Philadelphia, Pa.; Securities Act Release No. 3874 (December 11, 1957).
- United Production Co., Inc., New York, N. Y.; Securities Act Release No. 3921 (April 22, 1958).
- Universal Life and Accident Insurance Co., Duncan, Okla.; Securities Act Release No. 3921 (April 22, 1958).
- Universal Metals Corp. of Nevada, Reno, Nev.; Securities Act Release No. 3880 (December 20, 1957).
- Universal Mining and Milling Co., Albuquerque, N. Mex.; Securities Act Release No. 3915 (April 7, 1958).
- Universal Oil Recovery Corp., Chicago, Ill.; Securities Act Release No. 3862 (November 15, 1957). Proceedings pending at end of fiscal year.
- Urania, Inc., Las Vegas, Nev.; Securities Act Release No. 3895 (January 31, 1958).
- Uranium Exploration and Copper Co. of Nevada, Las Vegas, Nev.; Securities Act Release No. 3887 (January 13, 1958).
- Uranium Queen Exploration Co., Greeley, Colo.; Securities Act Release No. 3913 (March 27, 1958).
- Voltar Electronics, Inc., Brooklyn, N. Y.; Securities Act Release No. 3936 (June 10, 1958).
- Washington Planning Corp. of Maryland, Washington, D. C.; Securities Act Release No. 3925 (May 8, 1958).

Findings, opinions and orders permanently suspending the exemption after hearing were issued in the following three cases under Regulation A:

- Apache Uranium Company; Securities Act Release No. 3830 (August 15, 1957).
- Interstate Holding Corporation; Securities Act Release No. 3831 (August 19, 1957).
- Idea, Inc.; Securities Act Release No. 3837 (September 5, 1957).

TABLE 7.—Brokers and dealers registered under the Securities Exchange Act of 1934<sup>1</sup>—effective registrations as of June 30, 1953, classified by type of organization and by location of principal office

Location of principal office	Number of registrants				Number of proprietors, partners, officers, etc. <sup>2,3</sup>			
	Total	Sole proprietors	Partnerships	Corporations <sup>4</sup>	Total	Sole proprietors	Partnerships	Corporations <sup>4</sup>
Alabama.....	36	13	7	16	107	13	22	72
Arizona.....	30	5	9	16	129	5	21	103
Arkansas.....	22	9	3	10	52	9	6	37
California.....	332	133	85	114	1,161	133	445	583
Colorado.....	99	36	5	58	346	36	30	280
Connecticut.....	42	18	11	13	175	18	59	98
Delaware.....	9	1	2	6	51	1	15	35
District of Columbia.....	92	32	22	38	356	32	94	230
Florida.....	89	37	14	38	246	37	34	175
Georgia.....	43	12	6	25	184	12	24	148
Idaho.....	16	9	2	5	33	9	5	19
Illinois.....	182	41	62	79	879	41	296	542
Indiana.....	54	23	6	25	162	23	11	128
Iowa.....	34	14	4	16	97	14	8	75
Kansas.....	31	10	6	15	126	10	18	98
Kentucky.....	18	7	5	6	64	7	19	38
Louisiana.....	53	32	13	8	100	32	40	28
Maine.....	31	11	2	18	88	11	8	69
Maryland.....	45	21	14	10	145	21	85	39
Massachusetts.....	196	83	31	82	882	83	217	582
Michigan.....	58	13	19	26	262	13	95	154
Minnesota.....	51	7	9	35	254	7	32	215
Mississippi.....	24	11	7	6	50	11	17	22
Missouri.....	93	25	20	48	473	25	134	314
Montana.....	10	7	1	2	16	7	2	7
Nebraska.....	28	10	2	16	119	10	5	104
Nevada.....	7	5	0	2	9	5	0	4
New Hampshire.....	11	9	0	2	18	9	0	9
New Jersey.....	207	119	34	54	444	119	92	233
New Mexico.....	13	7	3	3	29	7	8	14
New York State (excluding New York City).....	344	231	37	76	652	231	118	303
North Carolina.....	36	14	5	17	147	14	13	120
North Dakota.....	4	3	0	1	8	3	0	5
Ohio.....	131	26	41	64	550	26	188	336
Oklahoma.....	45	29	6	10	79	29	12	38
Oregon.....	26	6	7	13	82	6	18	58
Pennsylvania.....	199	55	81	63	845	55	392	398
Rhode Island.....	18	4	10	4	43	4	29	10
South Carolina.....	28	12	4	12	84	12	9	63
South Dakota.....	11	7	0	4	21	7	0	14
Tennessee.....	38	10	10	18	149	10	27	112
Texas.....	257	126	30	101	696	126	85	485
Utah.....	45	11	6	28	146	11	25	110
Vermont.....	3	2	0	1	11	2	0	9
Virginia.....	46	19	14	13	150	19	60	71
Washington.....	89	48	7	34	248	48	16	184
West Virginia.....	12	7	3	2	26	7	9	10
Wisconsin.....	45	10	5	30	204	10	26	168
Wyoming.....	6	5	0	1	12	5	0	7
Total (excluding New York City).....	3,339	1,385	670	1,284	11,210	1,385	2,869	6,956
New York City.....	1,325	364	596	365	5,945	364	3,680	1,901
	4,664	1,749	1,266	1,649	17,155	1,749	6,549	8,857

<sup>1</sup> Domestic registrants only, excludes 88 outside continental limits of the United States.

<sup>2</sup> Includes directors, officers, trustees, and all other persons occupying similar status or performing similar functions.

<sup>3</sup> Allocations made among States on the basis of location of principal offices of registrants, not actual location of persons. Information taken from latest reports filed prior to June 30, 1953.

<sup>4</sup> Includes all forms of organizations other than sole proprietorships and partnerships.

TABLE 8.—Number of issuers and security issues on exchanges

PART 1.—UNDUPLICATED NUMBER OF STOCK AND BOND ISSUES ADMITTED TO TRADING ON ALL EXCHANGES AND NUMBER OF ISSUERS INVOLVED, AS OF JUNE 30, 1958.

Status under the Securities Exchange Act of 1934	Stocks	Bonds	Total stocks and bonds	Issuers involved
Registered pursuant to Sections 12 (b), (c) and (d).....	2,663	1,132	3,795	2,236
Temporarily exempted from registration by Commission Rule.....	7	2	9	7
Admitted to unlisted trading privileges on registered exchanges pursuant to Section 12 (f).....	240	32	272	218
Listed on exempted exchanges under exemption orders of the Commission.....	72	8	80	59
Admitted to unlisted trading privileges on exempted exchanges under exemption orders of the Commission.....	15	0	15	15
Total.....	2,997	1,174	4,171	2,535

PART 2.—NUMBER OF STOCK AND BOND ISSUES ON EACH EXCHANGE AND NUMBER OF ISSUERS INVOLVED AS OF JUNE 30, 1958.

Exchanges	Issuers	Stocks						Bonds				
		R	X	U	XL	XU	Total	R	X	U	XL	Total
American.....	802	615	1	243			859	23		34		57
Boston.....	423	74		363			437	16				16
Chicago Board of Trade.....	12	7		5			12					
Cincinnati.....	133	47		95			142	7	1			8
Colorado Springs.....	12				13		13					
Detroit.....	217	107	1	117			225					
Honolulu.....	59				53	16	69				8	8
Midwest.....	455	398	3	114			515	14				14
New Orleans.....	14	4		14			18	1		1		2
New York Stock.....	1,282	1,526					1,526	1,087	2			1,089
Pacific Coast.....	479	300	1	249			550	20				20
Philadelphia—												
Baltimore.....	519	161	7	427			595	52				52
Pittsburgh.....	115	48		74			122	1				1
Richmond.....	18				27		27					
Salt Lake.....	93	92		4			96					
San Francisco Mining.....	48	49					49					
Spokane.....	28	25		6			31					
Wheeling.....	13				12	3	15					

Symbols: R—registered; X—temporarily exempted; U—admitted to unlisted trading privileges; XL—listed on an exempted exchange; XU—admitted to unlisted trading privileges on an exempted exchange

NOTE.—Issues exempted under Section 3 (a) (12) of the Act, such as obligations of the United States Government, the States and cities, are not included in this table.

TABLE 9.—Unlisted stocks on securities exchanges <sup>1</sup>

PART 1.—NUMBER OF STOCKS ON THE EXCHANGES IN THE VARIOUS UNLISTED CATEGORIES AS OF JUNE 30, 1958

Exchanges	Unlisted only <sup>2</sup>		Listed and registered on another exchange		
	Clause 1	Clause 3	Clause 1	Clause 2	Clause 3 <sup>4</sup>
American.....	200	2	38	2	1
Boston.....	1	0	154	208	0
Chicago Board of Trade.....	3	0	2	0	0
Cincinnati.....	0	0	0	95	0
Detroit.....	0	0	14	103	0
Honolulu.....	16	0	0	0	0
Midwest.....	0	0	0	114	0
New Orleans.....	8	0	4	2	0
Pacific Coast.....	26	0	61	162	0
Philadelphia-Baltimore.....	4	0	246	177	0
Pittsburgh.....	0	0	16	58	0
Salt Lake.....	3	0	0	0	1
Spokane.....	4	0	1	1	0
Wheeling.....	0	0	0	3	0
Total <sup>5</sup> .....	265	2	536	925	2

PART 2.—UNLISTED SHARE VOLUME ON THE EXCHANGES—CALENDAR YEAR 1957

Exchanges	Unlisted only		Listed and registered on another exchange		
	Clause 1	Clause 3	Clause 1	Clause 2	Clause 3
American.....	26,418,870	18,120	3,277,360	369,200	15,020
Boston.....	8,046	0	2,201,382	1,948,501	0
Chicago Board of Trade.....	0	0	0	0	0
Cincinnati.....	0	0	0	299,891	0
Detroit.....	0	0	185,745	1,591,034	0
Honolulu.....	37,341	0	0	0	0
Midwest.....	0	0	0	6,515,680	0
New Orleans.....	69,509	0	0	548	0
Pacific Coast.....	2,201,174	0	2,818,199	4,279,028	0
Philadelphia-Baltimore.....	2,263	0	2,972,816	2,214,279	0
Pittsburgh.....	0	0	266,069	232,549	0
Salt Lake.....	248	0	0	0	573
Spokane.....	87,888	0	0	0	0
Wheeling.....	0	0	0	1,252	0
Total.....	28,825,339	18,120	11,721,571	17,451,962	15,593

<sup>1</sup> Refer to text under heading "Unlisted Trading Privileges on Exchanges." Volumes are as reported by the stock exchanges or other reporting agencies and are exclusive of those in short-term rights.

<sup>2</sup> The categories are according to clauses 1, 2, and 3 of sec. 12 (f) of the Securities Exchange Act.

<sup>3</sup> None of these issues has any listed status on any domestic exchange, except that 9 of the 26 Pacific Coast Stock Exchange issues are also listed on an exempted exchange.

<sup>4</sup> These issues became listed and registered on other exchanges subsequent to their admission to unlisted trading on the exchanges as shown.

<sup>5</sup> Duplication of issues among exchanges brings the figures to more than the actual number of issues involved.

TABLE 10.—Market value and volume of sales effected on securities exchanges in the 12-month period ended December 31, 1957, and the 6-month period ended June 30, 1958

[Amounts in thousands]

PART 1.—12 MONTHS ENDED DECEMBER 31, 1957

	Total market value (dollars)	Stocks <sup>1</sup>		Bonds <sup>2</sup>		Rights and warrants	
		Market value (dollars)	Number of shares	Market value (dollars)	Principal amount (dollars)	Market value (dollars)	Number of units
Registered exchanges.	33,360,273	32,050,020	1,070,093	1,154,256	1,252,794	146,997	222,332
American.....	2,376,051	2,315,383	224,738	14,111	16,688	46,557	9,756
Boston.....	246,169	246,065	5,100	5	5	99	130
Chicago Board of Trade.....							
Cincinnati.....	24,694	24,061	544	237	451	396	280
Detroit.....	134,677	134,597	4,588			81	461
Midwest.....	866,143	864,754	25,901	10	13	1,379	4,263
New Orleans.....	1,448	1,448	74				
New York.....	28,686,335	27,450,748	714,451	1,139,573	1,235,240	96,014	199,711
Pacific Coast.....	651,284	650,011	32,362	34	26	1,239	2,901
Philadelphia-Baltimore.....	323,257	321,741	7,868	285	370	1,231	4,820
Pittsburgh.....	39,829	39,828	1,613			1	2
Salt Lake.....	3,983	3,981	27,348			1	7
San Francisco Mining.....	5,831	5,831	24,404				
Spokane.....	574	574	1,101				
Exempted exchanges.	8,842	8,747	573	13	15	82	24
Colorado Springs.....	21	21	43				
Honolulu.....	7,747	7,651	499	13	15	82	24
Richmond.....	637	637	19				
Wheeling.....	438	438	12				

PART 2.—6 MONTHS ENDED JUNE 30, 1958

	Total market value (dollars)	Stocks <sup>1</sup>		Bonds <sup>2</sup>		Rights and warrants	
		Market value (dollars)	Number of shares	Market value (dollars)	Principal amount (dollars)	Market value (dollars)	Number of units
Registered exchanges.	15,704,710	14,932,617	526,438	704,827	741,376	67,266	43,451
American.....	1,046,831	1,015,271	99,998	9,688	11,085	21,871	3,303
Boston.....	120,193	118,170	2,561	107	80	1,916	702
Chicago Board of Trade.....							
Cincinnati.....	12,953	12,840	294	85	165	27	34
Detroit.....	55,833	55,736	2,029			97	41
Midwest.....	414,374	412,883	12,181			1,491	801
New Orleans.....	403	402	21	1	1		
New York.....	13,543,808	12,810,250	371,355	694,508	729,659	39,049	37,095
Pacific Coast.....	329,148	326,832	14,516	362	278	1,953	1,035
Philadelphia-Baltimore.....	164,092	163,156	4,172	75	109	861	434
Pittsburgh.....	14,350	14,350	1,030				
Salt Lake.....	1,216	1,216	10,425			(3)	6
San Francisco Mining.....	878	878	6,679				
Spokane.....	633	633	1,178				
Exempted exchanges.	4,801	4,655	359	39	43	107	60
Colorado Springs.....	6	6	54				
Honolulu.....	4,348	4,201	289	39	43	107	60
Richmond.....	327	327	10				
Wheeling.....	121	121	6				

<sup>1</sup> "Stocks" include voting trust certificates, American depositary receipts, and certificates of deposit.

<sup>2</sup> United States Government bonds are not included in these data.

<sup>3</sup> Less than \$500.

NOTE.—Value and volume of sales effected on registered securities exchanges are reported in connection with fees paid under Section 31 of the Securities Exchange Act of 1934. For most exchanges the figures represent transactions cleared during the calendar month. Figures may differ from comparable data in the Statistical Bulletin due to revisions of data by exchanges. Figures have been rounded and will not necessarily add to totals shown.

TABLE 11.—*Block distributions*

[Value in thousands of dollars]

Calendar year	Special offerings			Exchange distributions			Secondary distributions		
	Number	Shares sold	Value	Number	Shares sold	Value	Number	Shares sold	Value
1942 <sup>1</sup> .....	79	812,390	22,694	.....	.....	.....	116	2,397,454	82,840
1943 .....	80	1,097,338	31,054	.....	.....	.....	81	4,270,580	127,462
1944 .....	87	1,053,667	32,454	.....	.....	.....	94	4,097,298	135,780
1945 .....	79	947,231	29,878	.....	.....	.....	115	9,457,358	191,961
1946 .....	23	308,134	11,002	.....	.....	.....	100	6,481,291	232,398
1947 .....	24	314,270	9,133	.....	.....	.....	73	3,961,572	124,671
1948 .....	21	238,879	5,466	.....	.....	.....	95	7,302,420	175,991
1949 .....	32	500,211	10,956	.....	.....	.....	86	3,737,249	104,062
1950 .....	20	150,308	4,940	.....	.....	.....	77	4,280,681	88,743
1951 .....	27	323,013	10,751	.....	.....	.....	88	5,193,756	146,459
1952 .....	22	357,897	9,931	.....	.....	.....	76	4,223,258	149,117
1953 .....	17	380,680	10,486	.....	.....	.....	68	6,906,017	108,229
1954 .....	14	189,772	6,670	57	705,781	24,694	84	5,738,359	218,490
1955 .....	9	161,850	7,223	19	258,348	10,211	116	6,756,767	344,871
1956 .....	8	131,755	4,557	17	156,481	4,645	146	11,696,174	520,966
1957 .....	5	63,408	1,845	33	390,832	15,855	99	9,324,599	339,062

<sup>1</sup> The first Special Offering Plan was made effective Feb. 14, 1942; the Plan of Exchange Distribution was made effective Aug. 21, 1953. Secondary Distributions are not made pursuant to any plan but generally exchanges require members to obtain approval of the exchange to participate in a secondary and a report on such distribution is filed with this Commission.

TABLE 12.—Comparative share sales and dollar volumes on exchanges

[Annual sales, including stocks, warrants and rights, as reported by all United States exchanges to the Commission. Figures for merged exchanges are included in those of the exchanges into which they were merged]

Year	Share sales	NYS %	AMS %	MSE %	PCS %	PBS %	BSE %	DSE %	PIT %	CIN %	Other %
1935	681,970,500	73.13	12.42	1.91	2.69	0.76	0.06	0.85	0.34	0.03	6.91
1936	962,135,940	73.02	16.43	2.18	2.96	.69	.72	.74	.32	.04	2.90
1937	838,469,889	73.19	14.75	1.79	3.23	.70	.83	.59	.38	.03	4.51
1938	543,331,878	78.08	10.55	2.27	2.67	.79	1.03	.75	.25	.04	3.57
1939	468,330,340	78.23	11.39	2.26	2.35	.93	1.18	.76	.25	.05	2.60
1940	377,896,572	75.44	13.20	2.11	2.78	1.02	1.19	.82	.31	.08	3.05
1941	311,150,395	73.96	12.73	2.72	2.69	1.24	1.50	.87	.36	.14	3.79
1942	221,159,616	76.49	11.64	2.70	2.62	1.08	1.39	.90	.29	.12	2.77
1943	486,291,926	74.58	16.72	2.20	1.92	.85	.76	.64	.20	.07	2.06
1944	465,523,183	73.40	16.87	2.07	2.40	.79	.81	.86	.26	.06	2.48
1945	769,018,138	65.87	21.31	1.77	2.98	.66	.66	.79	.40	.05	5.51
1946	803,076,532	66.07	19.37	1.74	3.51	.68	.84	.63	.28	.05	6.83
1947	513,274,867	69.82	16.98	1.67	4.22	.90	1.05	.66	.19	.08	4.43
1948	571,107,842	72.42	15.07	1.63	3.95	.87	.76	.68	.18	.08	4.36
1949	516,408,706	73.51	14.49	1.67	3.72	1.21	.93	.73	.18	.09	3.47
1950	893,321,438	70.32	13.54	2.16	3.11	.79	.65	.55	.18	.09	2.61
1951	863,918,401	74.40	14.80	2.10	3.54	.76	.70	.58	.16	.08	3.08
1952	732,400,451	71.21	16.08	2.43	3.85	.85	.73	.55	.16	.09	4.05
1953	716,732,406	72.64	15.85	2.28	3.90	.83	.81	.55	.15	.11	2.88
1954	1,053,841,443	71.04	16.87	2.00	3.24	.88	.60	.53	.13	.07	4.74
1955	1,321,400,711	68.85	19.19	2.09	3.08	.75	.48	.39	.10	.05	6.02
1956	1,182,487,085	66.31	21.01	2.32	3.25	.72	.47	.49	.11	.05	5.27
1957	1,293,021,856	70.70	18.14	2.33	2.73	.98	.40	.39	.13	.06	4.14
1958:											
Six months to June 30, 1958.	570,308,000	71.61	18.12	2.28	2.73	.81	.57	.36	.18	.06	3.28
	Dollar volume (000 omitted)										
1935	\$15,396,139	86.64	7.83	1.32	1.39	.68	1.34	.40	.20	.04	.16
1936	23,640,431	89.24	8.99	1.39	1.33	.62	1.05	.31	.20	.03	.14
1937	21,023,865	87.85	7.56	1.06	1.25	.60	1.10	.24	.20	.03	.11
1938	12,345,419	89.24	5.57	1.03	1.27	.72	1.51	.37	.18	.04	.07
1939	11,434,328	87.20	6.56	1.70	1.37	.82	1.70	.34	.18	.06	.07
1940	8,419,772	85.17	7.98	2.07	1.52	.92	1.91	.36	.19	.09	.09
1941	6,248,055	84.14	7.45	2.59	1.67	1.10	2.27	.33	.21	.12	.12
1942	4,314,294	85.16	6.60	2.43	1.71	.96	2.33	.34	.23	.13	.11
1943	9,033,907	84.93	8.90	2.02	1.43	.80	1.30	.30	.16	.07	.09
1944	9,810,149	84.14	9.30	2.11	1.70	.79	1.29	.34	.15	.07	.11
1945	16,284,552	82.75	10.81	2.00	1.78	.82	1.16	.35	.14	.06	.13
1946	18,828,477	82.65	10.73	2.00	1.87	.79	1.23	.33	.16	.07	.17
1947	11,596,806	84.01	8.77	1.82	2.26	.91	1.51	.36	.14	.11	.11
1948	12,911,665	84.67	8.07	1.85	2.53	.85	1.33	.34	.14	.10	.09
1949	10,746,935	83.85	8.44	1.95	2.49	1.11	1.43	.39	.13	.12	.09
1950	21,808,284	85.91	6.83	2.35	2.19	.92	1.12	.39	.11	.11	.05
1951	21,306,087	85.48	7.56	2.30	2.06	.89	1.06	.36	.11	.11	.07
1952	17,394,395	84.86	7.39	2.67	2.20	.99	1.11	.43	.15	.12	.08
1953	16,715,533	85.25	6.79	2.84	2.20	1.06	1.04	.46	.16	.13	.07
1954	28,140,117	86.23	6.79	2.42	2.02	.94	.89	.39	.14	.10	.08
1955	38,039,107	86.31	6.98	2.44	1.90	.90	.78	.39	.13	.09	.08
1956	35,143,115	84.95	7.77	2.75	2.08	.96	.80	.42	.12	.08	.07
1957	32,214,846	85.51	7.33	2.69	2.02	1.00	.76	.42	.12	.08	.07
1958:											
Six months to June 30, 1958.	15,004,655	85.63	6.92	2.76	2.19	1.09	.80	.37	.10	.09	.05

Symbols: NYS, New York Stock Exchange; AMS, American Stock Exchange; MSE, Midwest Stock Exchange; PCS, Pacific Coast Stock Exchange; PBS, Philadelphia-Baltimore Stock Exchange; BSE, Boston Stock Exchange; DSE, Detroit Stock Exchange; PIT, Pittsburgh Stock Exchange; CIN, Cincinnati Stock Exchange.

TABLE 13.—Reorganization proceedings in which the Commission participated during the fiscal year 1958

Debtor	District court	Petition filed	Petition approved	Securities and Exchange Commission notice of appearance filed
Alaska Telephone Corporation.....	W. D. Wash.....	Nov. 2, 1955	Nov. 21, 1955	Nov. 7, 1955
American Fuel & Power Co.....	E. D. Ky.....	Dec. 6, 1935	Dec. 20, 1935	May 1, 1940
Buckeye Fuel Co.....	do.....	Nov. 28, 1939	Nov. 28, 1939	Do.
Buckeye Gas Service Co.....	do.....	do.....	do.....	Do.
Carbreath Gas Co.....	do.....	do.....	do.....	Do.
Inland Gas Distributing Co.....	do.....	do.....	do.....	Do.
Automatic Washer Company.....	S. D. Iowa.....	Oct. 17, 1956	Nov. 2, 1956	Nov. 2, 1956
N. O. Nelson Company <sup>2</sup> .....	E. D. Mo.....	Oct. 22, 1956	Nov. 8, 1956	Nov. 1, 1956
Central States Electric Corp.....	E. D. Va.....	Feb. 26, 1942	Feb. 27, 1942	Mar. 11, 1942
Coastal Finance Corporation.....	D. Md.....	Feb. 15, 1956	Feb. 18, 1956	Apr. 16, 1956
Columbus Venetian Stevens Buildings, Inc.	N. D. Ill.....	Aug. 30, 1955	Aug. 31, 1955	Oct. 3, 1955
Empire Warehouses, Inc.....	do.....	June 15, 1956	June 15, 1956	July 19, 1956
Equitable Plan Company <sup>1</sup> .....	S. D. Calif.....	Mar. 18, 1958	May 29, 1958	Mar. 27, 1958
Frank Fehr Brewing Co. <sup>1</sup> .....	W. D. Ky.....	Aug. 13, 1957	Aug. 14, 1957	Nov. 8, 1957
General Stores Corp.....	S. D. N. Y.....	Apr. 30, 1956	May 1, 1956	May 23, 1956
Adolf Gobel, Inc.....	D. N. J.....	July 23, 1953	Dec. 28, 1953	Sept. 8, 1953
Eastern Edible Refinery Corp.....	do.....	June 23, 1954	June 23, 1954	Oct. 14, 1954
Gobel's Q. F. Distributors.....	do.....	do.....	do.....	Do.
Gobel Pharmaceuticals, Inc.....	do.....	do.....	do.....	Do.
Metropolitan Shortening Corp.....	do.....	do.....	do.....	Do.
Green River Steel Corporation.....	W. D. Ky.....	Sept. 13, 1956	Sept. 18, 1956	Oct. 5, 1956
Horsling Oil Company.....	D. N. Dak.....	Mar. 17, 1952	Mar. 17, 1952	Sept. 30, 1955
Hudson & Manhattan Railroad Company.	S. D. N. Y.....	Aug. 11, 1954	Dec. 14, 1954	Jan. 7, 1955
Inland Gas Corporation.....	E. D. Ky.....	Oct. 14, 1935	Nov. 1, 1935	Mar. 28, 1939
International Power Securities Corp.....	D. N. J.....	Feb. 24, 1941	Feb. 24, 1941	Mar. 3, 1941
International Railway Company.....	W. D. N. Y.....	July 28, 1947	July 28, 1947	Aug. 4, 1947
Keeshin Freight Lines, Inc.....	N. D. Ill.....	Jan. 31, 1946	Jan. 31, 1946	Apr. 25, 1949
Keeshin Motor Express Co., Inc.....	do.....	do.....	do.....	Do.
Seaboard Freight Lines, Inc.....	do.....	do.....	do.....	Do.
National Freight Lines, Inc.....	do.....	do.....	do.....	Do.
Kentucky Fuel Gas Corporation.....	E. D. Ky.....	Oct. 25, 1935	Nov. 1, 1935	Mar. 28, 1939
Liberty Baking Corporation.....	S. D. N. Y.....	Apr. 22, 1957	Apr. 22, 1957	May 2, 1957
Magnolia Park, Inc. <sup>1</sup> .....	E. D. La.....	Oct. 16, 1957	Feb. 26, 1958	Oct. 24, 1957
Muntz TV, Inc.....	N. D. Ill.....	Mar. 2, 1954	Mar. 3, 1954	Mar. 4, 1954
Tel-A-Vogue.....	do.....	do.....	do.....	Do.
Muntz Industries, Inc.....	do.....	do.....	do.....	Do.
Northeastern Steel Corporation.....	Conn.....	Feb. 1, 1957	Feb. 5, 1957	Feb. 19, 1957
Parker Petroleum Co., Inc. <sup>1</sup> .....	W. D. Okla.....	May 6, 1958	May 6, 1958	June 9, 1958
Pittsburgh Railways Co.....	W. D. Pa.....	May 10, 1938	May 10, 1938	Jan. 4, 1939
Pittsburgh Motor Coach Co.....	do.....	do.....	do.....	Do.
Seaboard Drug Co.....	S. D. N. Y.....	May 7, 1957	May 10, 1957	June 25, 1957
Selected Investments Trust Fund <sup>1</sup> .....	N. D. Okla.....	Mar. 3, 1958	Mar. 3, 1958	Mar. 17, 1958
Selected Investments Corporation <sup>1</sup> .....	do.....	do.....	do.....	do.....
Sierra Nevada Oil Co.....	D. Nev.....	June 22, 1951	June 22, 1951	July 25, 1951
Silesian American Corp.....	S. D. N. Y.....	July 29, 1941	July 29, 1941	Aug. 1, 1941
South Texas Oil & Gas Co. <sup>1</sup> .....	S. D. Tex.....	Feb. 2, 1958	Feb. 2, 1958	Feb. 15, 1958
Stardust, Inc.....	Nev.....	July 19, 1956	Sept. 10, 1956	Sept. 7, 1956
Swan-Pinch Oil Corporation <sup>1</sup> .....	S. D. N. Y.....	Jan. 2, 1958	Jan. 2, 1958	Jan. 27, 1958
Texas City Chemicals, Inc. <sup>2</sup> .....	S. D. Tex.....	June 22, 1956	Sept. 26, 1956	Oct. 11, 1956
Third Avenue Transit Corp.....	S. D. N. Y.....	Oct. 25, 1948	June 21, 1949	Jan. 3, 1949
Surface Transportation Corp.....	do.....	June 21, 1949	do.....	July 7, 1949
Westchester St. Transportation Co. Inc.	do.....	do.....	do.....	Do.
Westchester Electric R. R. Co.....	do.....	do.....	do.....	Do.
Warontas Press, Inc.....	do.....	Sept. 8, 1949	Sept. 8, 1949	Sept. 8, 1949
Yonkers Railroad Co.....	do.....	June 21, 1949	June 21, 1949	July 7, 1949
TMT Trailer Ferry, Inc. <sup>1</sup> .....	S. D. Fla.....	June 27, 1957	Nov. 15, 1957	Nov. 25, 1957
Trinity Buildings Corp. of N. Y.....	S. D. N. Y.....	Jan. 18, 1945	Jan. 18, 1945	Feb. 19, 1945
Uintah Dome Oil & Gas Corporation <sup>1,2</sup> .....	C. D. Utah.....	Apr. 1, 1957	Apr. 2, 1957	July 29, 1957
U. S. Realty & Improvement Co. <sup>2</sup> .....	S. D. N. Y.....	Feb. 2, 1944	Feb. 1, 1944	Feb. 8, 1944

<sup>1</sup> Commission filed notice of appearance in fiscal year 1958.  
<sup>2</sup> Reorganization proceeding closed during fiscal year 1958.  
<sup>3</sup> Commission no longer participating in proceeding.

TABLE 14.—Summary of cases instituted in the courts by the Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940, and the Investment Advisers Act of 1940

Types of cases	Total cases instituted up to end of 1958 fiscal year	Total cases closed up to end of 1958 fiscal year	Cases pending at end of 1958 fiscal year	Cases pending at end of 1957 fiscal year	Cases instituted during 1958 fiscal year	Total cases pending during 1958 fiscal year	Cases closed during 1958 fiscal year
Actions to enjoin violations of the above acts.....	842	789	53	43	62	105	52
Actions to enforce subpoenas under the Securities Act and the Securities Exchange Act.....	69	68	1	0	3	3	2
Actions to carry out voluntary plans to comply with sec. 11 (b) of the Holding Company Act.....	125	120	5	2	5	7	2
Miscellaneous actions.....	24	23	1	0	1	1	0
Total.....	1,060	1,000	60	45	71	116	56

TABLE 15.—Summary of cases instituted against the Commission, cases in which the Commission participated as intervenor or amicus curiae, and reorganization cases on appeal under ch. X in which the Commission participated

Types of cases	Total cases instituted up to end of 1958 fiscal year	Total cases closed up to end of 1958 fiscal year	Cases pending at end of 1958 fiscal year	Cases pending at end of 1957 fiscal year	Cases instituted during 1958 fiscal year	Total cases pending during 1958 fiscal year	Cases closed during 1958 fiscal year
Actions to enjoin enforcement of Securities Act, Securities Exchange Act and Public Utility Holding Company Act with the exception of subpoenas issued by the Commission.....	64	64	0	0	0	0	0
Actions to enjoin enforcement of or compliance with subpoenas issued by the Commission.....	8	8	0	0	0	0	0
Petitions for review of Commission's orders by courts of appeals under the various acts administered by the Commission.....	209	195	14	6	11	17	3
Miscellaneous actions against the Commission or officers of the Commission and cases in which the Commission participated as intervenor or amicus curiae.....	196	192	4	7	6	13	9
Appeal cases under ch. X in which the Commission participated.....	154	150	4	1	6	7	3
Total.....	631	609	22	14	23	37	15

TABLE 16.—*Injunctive proceedings brought by the Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Investment Advisers Act of 1940, and the Investment Company Act of 1940, which were pending during the fiscal year ended June 30, 1958*

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
Adams Bond & Share, Inc.....	2	Idaho.....	Jan. 11, 1958	Sec. 17 (a), 1933 Act.....	Injunction by consent as to 1 defendant, Feb. 13, 1958. Order, May 27, 1958, dismissing remaining defendant. Closed.
The American Founders Life Insurance Company of Denver, Colorado.	7	Colorado.....	Apr. 1, 1958	Secs. 5 (a) and (c) and 17 (a), 1933 Act.	Answers by defendants filed Apr. 23 and June 2, 1958. Preliminary injunction entered May 21, 1958. Pending.
Anderson, W. T., Company, Inc.	3	Eastern District of Washington.	Apr. 8, 1957	Sec. 10 (b) and rule 10b-5, 1934 Act.	Complaint filed Apr. 8, 1957. Answer filed June 28, 1957. Injunction by consent as to 1 defendant, June 13, 1958. Pending as to remaining defendants.
Argeros, George T.....	5	Western District of New York.	June 20, 1958	Secs. 15 (c) (1), 15 (c) (3) and 17 (a), 1934 Act.	Injunction by consent as to all defendants, June 30, 1958. Closed.
Arkansas Securities Corp.....	3	Western District of Arkansas.	Jan. 9, 1958	Sec. 5 (a) and (c), 1933 Act; secs. 15 (c) (1), 15 (c) (3), 17 (a) and 32 (a) and rules 15c1-2, 15c1-4, 15c3-1 and 17a-3, 1934 Act.	Injunction by consent as to all defendants, Feb. 14, 1958. Closed.
Backers Discount & Finance Co., Inc.	2	New Jersey.....	Jan. 7, 1958	Sec. 5 (a) (1), (2) and 5 (c), 1933 Act.	Injunction by consent as to both defendants, Jan. 20, 1958. Closed.
Barrington, Laurence W. L.....	1	Massachusetts.....	Oct. 17, 1957	Secs. 10 (b) and 15 (c) (1) and rules 10b-5 and 15c1-2, 1934 Act.	Temporary restraining order and receiver appointed Oct. 17, 1957. Injunction by consent and order fixing compensation of receiver and terminating receivership, Oct. 25, 1957. Closed.
Billings Holding Corp.....	3	Montana.....	Dec. 4, 1954	Sec. 17 (a) (2) and (3), 1933 Act..	Preliminary injunction, Feb. 17, 1955. Order June 17, 1955, denying defendants' motion to dismiss. Defendants' answer to complaint filed July 25, 1955. Injunction dismissed as to 2 defendants, June 11, 1958. Pending as to remaining defendant.
Bradford, William Douglas.....	1	Southern District of California.	Feb. 26, 1958	Sec. 17 (a) and rules 17a-3 and 17a-5, 1934 Act.	Complaint filed Feb. 26, 1958. Answer filed Mar. 19, 1958. Amended and supplemental complaint filed June 23, 1958. Pending.
Burd, Jacwin & Costa, Inc.....	1	Southern District of New York.	Dec. 18, 1956	Sec. 17 (a), 1933 Act.....	Reply affidavit and defendant's answer filed Dec. 26, 1956. Preliminary injunction by consent entered Dec. 28, 1956. Pending.
Cataract Mining Corp.....	6	Southern District of New York.	Oct. 30, 1957	Secs. 5 (a) (1) and (2) and 5 (c), 1933 Act.	Injunction by consent as to 5 defendants, Nov. 7, 1957. Preliminary injunction by consent as to remaining defendant, Mar. 13, 1958. Pending.
F. R. Chatfield Co., Inc.....	1	Massachusetts.....	Sept. 25, 1957	Secs. 10 (b) and 15 (c) (1) and rules 10b-5 and 15c1-2, 1934 Act.	Injunction by consent, Dec. 26, 1957. Closed.

**TABLE 16.—Injunctive proceedings brought by the Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Investment Advisers Act of 1940, and the Investment Company Act of 1940, which were pending during the fiscal year ended June 30, 1958—Continued**

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
Churchill Securities Corp.-----	4	Southern District of New York.	Feb. 11, 1957	Sec. 15 (c) (1) and (3) and rules 15c1-2 and 15c3-1, 1934 Act.	Answer to complaint served Mar. 4, 1957. Preliminary injunction refused by court Mar. 5, 1957 but temporary restraining order continued in effect indefinitely. Pending.
Columbus-Rexall Oil Co.-----	3	Utah-----	Oct. 9, 1957	Sec. 5 (a) (1) and (2) and 5 (c), 1933 Act.	Injunction by consent as to 2 defendants, Nov. 13, 1957. Pending as to remaining defendant.
Coombs & Company of Washington, D. C.	1	District of Columbia	Aug. 17, 1956	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Injunction by consent and order appointing receiver Aug. 27, 1956. Order entered discharging equity receiver July 16, 1957. Closed.
J. D. Cregor & Co.-----	1	Southern District of California.	Mar. 21, 1957	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Temporary restraining order signed Mar. 21, 1957. Answer to complaint filed May 2, 1957. Amendment to answer of complaint, July 11, 1957. Injunction entered Sept. 18, 1957. Closed.
Creswell-Keith Mining Trust.-----	3	Western District of Arkansas.	Jan. 9, 1958	Sec. 5 (a) and (c), 1933 Act.-----	Injunction by consent as to all defendants, Feb. 14, 1958. Closed.
Cromwell, William Rex.-----	1	Northern District of Texas.	Apr. 4, 1958	Sec. 17 (a) and rule 17a-3, 1934 Act.	Injunction by consent, Apr. 30, 1958. Closed.
Crusader Oil and Uranium Co.-----	3	Colorado-----	Aug. 19, 1957	Secs. 5 (a) and (c) and 17 (a), 1933 Act.	Injunction by consent as to 2 defendants, June 3, 1958. Injunction by consent as to remaining defendant as to sec. 17 (a) (2), June 3, 1958. Closed.
Cryan, Frank M. (Jefferson Custodian Fund, Inc.).	5	Southern District of New York.	Mar. 14, 1958	Sec. 36 and 16 (a), IC Act of 1940.	Complaint filed and order appointing temporary receiver, Mar. 14, 1958. Answer filed Apr. 28, 1958. Order entered May 9, 1958 continuing receivership with power to reorganize or reconstitute The Fund. Pending.
Dawn Uranium and Oil Co.-----	7	Eastern District of Washington.	June 1, 1956	Sec. 5, 1933 Act.-----	Injunction by consent against the corporation and 3 individual defendants, Dec. 11, 1956; dismissed as to 1 defendant, Sept. 25, 1957. Permanent restraining order as to 2 other defendants entered by consent, Sept. 25, 1957. Closed.
Doctors' Motels, Inc.-----	2	Kansas-----	June 27, 1957	Sec. 5 (a) and (c), 1933 Act.-----	Complaint filed June 27, 1957. Temporary restraining order signed June 27, 1957. Answer filed July 17, 1957. Order entered Feb. 11, 1958, dismissing action without prejudice. Closed.
Doeskin Products, Inc.-----	7	Southern District of New York.	Apr. 18, 1957	Sec. 5 (a) and (c), 1933 Act.-----	Answers by 5 defendants, Apr. 25, 1957. Injunction by consent as to 5 defendants, May 13, 1957. Order of dismissal as to remaining defendants, Oct. 15, 1957. Closed.
Dyer, J. Raymond.-----	1	Eastern District of Missouri.	Apr. 9, 1957	Sec. 12 (e), 1935 Act.-----	Complaint filed Apr. 9, 1957. Defendant's answer filed Apr. 26, 1957. Order June 25, 1957, vacating plaintiff's notice of dismissal. Order dismissing defendant's counterclaim for lack of jurisdiction entered Nov. 12, 1957. Order entered amending order dated Nov. 12, 1957, and denying defendant's motion to vacate said order, Feb. 7, 1958. Pending.

Elliott, Edward L.....	4	Southern District of New York.	Aug. 12, 1957	Sec. 5 (a) and (c), 1933 Act.....	Injunction by consent as to all defendants, Aug. 12, 1957. Closed.
Evergreen Memorial Park Association.	2	Eastern District of Pennsylvania.	Apr. 3, 1958	Sec. 17 (a), 1933 Act.....	Injunction by consent as to both defendants, Apr. 11, 1958. Closed.
Farm and Home Agency, Inc.....	5	Southern District of Indiana.	Apr. 16, 1958	Sec. 5 (a) and (c), 1933 Act.....	Injunction by consent as to all defendants, Apr. 16, 1958. Closed.
Fenner, Lynne B.....	2	Southern District of New York.	Jan. 8, 1958	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Complaint filed Jan. 8, 1958. Injunction by consent as to both defendants, Jan. 24, 1958. Closed.
First Investment Savings Corp....	1	Northern District of Alabama.	Mar. 5, 1957	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Complaint filed Mar. 5, 1957. Temporary restraining order signed Mar. 5, 1957. Preliminary injunction entered Mar. 26, 1957. Pending.
First Jersey Securities Corp.....	2	New Jersey.....	Dec. 21, 1956	Secs. 15 (c) (1), 15 (c) (3) and 17 (a), 1934 Act.	Preliminary injunction entered Mar. 5, 1957, enjoining both defendants as to secs. 15 (c) (3) and 17 (a), 1934 Act. Amended complaint filed Mar. 19, 1957. Answer to amended complaint, Apr. 2, 1957. Injunction by consent as to secs. 15 (c) (3) and 17 (a), 1934 Act, Feb. 17, 1958. Closed.
Francis Distributing Company, Inc.	4	Massachusetts.....	Apr. 22, 1958	Sec. 5 (a) and (c), 1933 Act.....	Injunction as to all defendants, June 2, 1958. Closed.
Franklin Atlas Corp.....	5	Southern District of New York.	May 9, 1957	Secs. 5 (a) (1) and (2), and 17 (a) (1), (2) and (3), 1933 Act.	Complaint filed May 9, 1957. Temporary restraining order signed May 9, 1957. Answers filed June 6 and 21, 1957. Opinion denying preliminary injunction as to 2 defendants, Aug. 16, 1957. Preliminary injunction as to 3 defendants, Aug. 28, 1957. Pending.
Ben Franklin Oil and Gas Corp....	11	New Jersey.....	June 19, 1957	Sec. 5 (a) and (c), 1933 Act.....	Complaint filed June 19, 1957. Temporary restraining order signed June 19, 1957. Preliminary injunction entered July 26, 1957, as to 8 defendants and denied as to remaining defendants. Pending.
Globe Securities Corp.....	10	Southern District of New York.	Apr. 29, 1958	Sec. 17 (a), 1933 Act.....	Complaint filed Apr. 29, 1958. Preliminary injunction by consent as to 8 defendants, June 30, 1958. Pending.
Golden-Dersch & Co., Inc.....	1	Southern District of New York.	Sept. 7, 1956	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Injunction by consent, Sept. 18, 1956. Receiver appointed Sept. 27, 1956. Pending.
Gondelman, Sidney.....	8	Southern District of New York.	May 19, 1958	Sec. 14 (a) and Regulation X-14, 1934 Act.	Complaint filed May 19, 1958. Answer by 1 defendant filed approximately May 29, 1958. Pending.
A. J. Gould & Co., Inc.....	5	Southern District of New York.	Sept. 18, 1956	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Preliminary injunction by consent as to all defendants, Oct. 2, 1956. Injunction by default as to all defendants, June 3, 1958. Closed.
Graye, James C.....	1	Southern District of New York.	Mar. 26, 1957	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Complaint filed Mar. 26, 1957. Preliminary injunction denied and temporary restraining order vacated, Apr. 29, 1957. Pending.
Graye, James C.....	1	Southern District of New York.	Oct. 29, 1957	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Appeal, Dec. 17, 1957, from the order of preliminary injunction signed Nov. 27, 1957. Injunction by consent, Apr. 3, 1958. Closed.
Graye, James C.....	4	Southern District of New York.	Jan. 23, 1958	Sec. 17 (a), 1933 Act.....	Preliminary injunction by consent entered Feb. 6, 1958 as to 3 defendants. Injunction by consent as to 1 defendant, Apr. 3, 1958. Pending.
Great Fidelity Life Insurance Co..	6	Southern District of Indiana.	Jan. 16, 1958	Sec. 5 (a) and (c), 1933 Act; sec. 15 (a), 1934 Act.	Injunction by consent as to 4 defendants, Jan. 16, 1958. Final judgment by consent as to remaining defendants, Jan. 30, 1958. Closed.

**TABLE 16.—Injunctive proceedings brought by the Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Investment Advisers Act of 1940, and the Investment Company Act of 1940, which were pending during the fiscal year ended June 30, 1958—Continued**

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
Greenman, Clifford A.....	2	Utah.....	May 7, 1956	Secs. 5 (a) and (c) and 17 (a), 1933 Act; secs. 10 (b) and 15 (c) (1), 1934 Act; sec. 206 (1), (2) and (3), IA Act of 1940.	Injunction by consent as to both defendants, May 15, 1956. Receivership continued. Order Nov. 19, 1956, approving receiver's first report. Order approving report of receiver, final accounting and acts of receiver, and order allowing costs and fees and discharge, Oct. 9, 1957. Closed.
P. J. Gruber & Co., Inc.....	3	Southern District of New York.	Nov. 7, 1956	Sec. 17 (a) and rule 17a-3, 1934 Act.	Preliminary injunction by consent as to 2 defendants and by default as to remaining defendant, Dec. 18, 1956. Answer by 2 defendants filed Dec. 31, 1956. Pending.
Helser, J. Henry, & Co.....	2	Northern District of California.	Nov. 19, 1954	Sec. 17 (a) (2) and (3), 1933 Act; sec. 10 (b) and rule 10b-5 (2) and (3), 1934 Act; sec. 206 (2), IA Act of 1940.	Amendment to Interlocutory Order entered Nov. 22, 1955, extending term from twelve to fifteen months within which Commission may apply for injunction. Order Nov. 20, 1956, continuing motion to dismiss. Final compliance order by consent, Mar. 22, 1957. Order, Mar. 26, 1958, granting application for amendment of Exhibit A to Interlocutory Order dated Apr. 29, 1955. Amended final compliance order, May 8, 1958. Pending.
Barrett Herrick & Co., Inc.....	2	Southern District of New York.	Sept. 11, 1956	Sec. 15 (c) (1) and (3) and rules 15c1-2 and 15c3-1, 1934 Act.	Amended complaint filed Sept. 14, 1956. Injunction by consent as to both defendants, Sept. 14, 1956, and appointment of receiver. Order signed Mar. 20, 1957, to show cause why receiver should not be authorized to make payment to receiver's certified public accountant. Pending.
Indian Valley Chemical Co.....	4	Northern District of California.	Mar. 15, 1957	Sec. 5 (a) and (c), 1933 Act.....	Order Apr. 24, 1957, denying motion for preliminary injunction. Answer to complaint filed May 6, 1957. Stipulation for dismissal of action without prejudice, Apr. 23, 1958. Closed.
Insurance Securities Inc.....	6	Northern District of California.	Aug. 13, 1956	Sec. 36 and rule N-20A-1, IC Act of 1940.	Amendment to complaint filed Aug. 13, 1956. Interlocutory orders, Aug. 14 and 30, 1956. Answer of Commission, Oct. 24, 1956, in opposition to motions to dismiss and for summary judgment. Order Dec. 4, 1956, dismissing the amended complaint and dissolving the court's second interlocutory order. Appeal by Commission Jan. 24, 1957. Order entered by CA-9 affirming the judgment of the District Court, Apr. 7, 1958. Pending.
Kaiser Development Corporation, Ltd.	2	Western District of Washington.	Apr. 9, 1957	Secs. 5 (a) and (c) and 17 (a), 1933 Act.	Complaint filed Apr. 9, 1957. Order of preliminary injunction signed Apr. 30, 1957. Injunction by default as to 1 defendant, July 15, 1957. Permanent injunction by consent as to remaining defendant, July 29, 1957. Closed.
Kaye, Tanya.....	1	Eastern District of New York.	Feb. 6, 1958	Secs. 15 (c) (3) and 17 (a) and rules 15c3-1 and 17a-3, 1934 Act.	Injunction by consent, Feb. 26, 1958. Closed.

William Harrison Keller, Jr. ....	1	Southern District of Indiana.	Mar. 20, 1958	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Injunction by consent, Apr. 29, 1958. Closed.
Kelly, Roy B. ....	2	District of Columbia...	Oct. 18, 1957	Sec. 5 (a) and (c), 1933 Act.....	Answer filed Nov. 25, 1957. Stipulation and dismissal, Dec. 18, 1957. Closed.
Land Development Company of Nevada.	3	Nevada.....	Sept. 27, 1957	Sec. 5 (a) and (c), 1933 Act.....	Complaint filed Sept. 27, 1957. Preliminary injunction signed Dec. 20, 1957. Pending.
Alfred D. Laurence & Co. ....	1	Southern District of Florida.	Aug. 5, 1957	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Complaint filed Aug. 5, 1957. Order Aug. 7, 1957, denying application for temporary restraining order and directing defendant to file answer by Aug. 21, 1957. Motion to dismiss and answer filed Aug. 21, 1957. Pending.
J. H. Lederer Co., Inc. ....	2	Southern District of New York.	June 25, 1958	Sec. 5 (a) and (c), 1933 Act.....	Injunction by consent as to both defendants, June 26, 1958. Closed.
Lincoln Securities Corp. ....	14	Southern District of New York.	June 25, 1958	Secs. 5 (a) and 17 (a), 1933 Act.....	Complaint filed June 25, 1958. Temporary restraining order signed June 25, 1958. Pending.
Los Angeles Trust Deed & Mortgage Exchange.	7	Southern District of California.	Mar. 24, 1958	Secs. 5 (a) and (c) and 17 (a), 1933 Act; secs. 15 (a) and 15 (c) (1) and rule 15c1-2, 1934 Act.	Complaint filed Mar 24, 1958. Answer of 6 defendants filed Apr. 9, 1958. Pending.
Martin, Edward H. ....	1	New Mexico.....	Jan. 27, 1953	Sec. 17 (a), 1934 Act.....	Temporary restraining order Jan. 27, 1953, and receiver appointed. Preliminary injunction, Feb. 5, 1953. Injunction by consent, May 22, 1953. Amended final injunction, June 2, 1953. Receivership terminated with the entry of the court order discharging the receiver's bond, Dec. 27, 1957. Closed.
Micro-Moisture Controls, Inc. ....	16	Southern District of New York.	Jan. 9, 1957	Sec. 5 (a) and (c), 1933 Act.....	Affidavits in opposition and answers by defendants filed on various dates. Preliminary injunction entered Mar. 6, 1957. Decision June 17, 1957, allowing 2 defendants to serve an amended answer and denying Commission's motion for summary judgment. Injunction entered as to all defendants, Apr. 23, 1958. Appeals filed by 9 defendants on various dates. Pending.
Mississippi Valley Portland Cement Co.	1	District of Columbia.	Dec. 20, 1957	Secs. 17 (a) and 23, 1933 Act.....	Injunction by consent, Dec. 20, 1957. Closed.
Mono-Kearsarge Consolidated Mining Co.	7	Utah.....	June 2, 1958	Sec. 5 (a) and (c), 1933 Act.....	Complaint filed June 2, 1958. Answer by 1 defendant filed June 27, 1958. Pending.
The National Society of Music and Art, Inc.	2	Southern District of New York.	Aug. 22, 1956	Sec. 17 (a), 1933 Act.....	Injunction by default as to 1 defendant, Oct. 8, 1956. Action dismissed as to remaining defendant, May 16, 1958. Closed.
Oregon Timber Products Co., Inc.	3	Nevada.....	Oct. 3, 1956	Sec. 5 (a) and (c), 1933 Act.....	Preliminary injunction entered Oct. 19, 1956, as to 2 defendants. Answer by remaining defendant, Jan. 15, 1957. Injunction by default as to 2 defendants, Aug. 29, 1957. Stipulation for dismissal as to remaining defendant, Apr. 24, 1958. Closed.
Owens and Co. ....	1	Colorado.....	Jan. 21, 1958	Sec 15 (c) (3) and rule 15c3-1, 1934 Act.	Answer filed Jan. 24, 1958. Injunction by consent Jan. 24, 1958. Closed.
Owen, William J. ....	4	Colorado.....	July 24, 1957	Sec. 5 (a) and (c), 1933 Act.....	Injunction by consent as to all defendants, Oct. 21, 1957. Closed.
Peerless-New York, Inc. ....	1	Southern District of New York.	Nov. 7, 1957	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Answer served Dec. 19, 1957. Preliminary injunction signed Feb. 3, 1958. Pending.
Perkins & Co., Inc. ....	1	Massachusetts.....	Dec. 3, 1957	Sec. 17 (a) and rule 17a-3, 1934 Act.	Injunction by consent entered Dec. 16, 1957. Closed.

TABLE 16.—*Injunctive proceedings brought by the Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Investment Advisers Act of 1940, and the Investment Company Act of 1940, which were pending during the fiscal year ended June 30, 1958—Continued*

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
Pierce, John.....	1	Nevada.....	Oct. 7, 1954	Sec. 15 (a), 1934 Act.....	Stipulation Sept. 23, 1955, providing for a period of 9 months within which motion for preliminary injunction may be restored if defendant violates sec. 15 (a), 1934 Act. Order, June 30, 1953 dismissing complaint. Closed. Injunction by consent Feb. 19, 1958. Closed.
Preston, Edward J.....	1	Montans.....	Dec. 20, 1957	Sec. 5 (a) and (c), 1933 Act.....	Injunction by consent Feb. 19, 1958. Closed.
Rapp, Herbert.....	14	Southern District of New York	Apr. 29, 1958	Sec. 17 (a), 1933 Act.....	Complaint filed Apr. 29, 1958. Preliminary injunction by consent as to 5 defendants, June 9, 1958. Pending.
Reasor, Gerald L.....	2	Northern District of Illinois	Dec. 4, 1956	Sec. 5 (a), 1933 Act.....	Answer of defendants filed Dec. 27, 1956. Order June 19, 1957, directing defendant to produce certain documents. Order dismissing 1 defendant, Dec. 10, 1957. Injunction by consent as to remaining defendant, Dec. 10, 1957. Closed.
Red Bank Oil Co.....	7	Southern District of Texas	Dec. 12, 1956	Sec. 13, 1934 Act.....	Injunction by consent as to all defendants, Jan. 24, 1957. Order Mar. 27, 1957, extending time for filing required reports. Financial report for the year 1953 filed. Pending.
Reiter, Morris J.....	2	Southern District of New York	Sept. 19, 1956	Sec. 15 (c) (1) and (3) and rules 15c1-2 and 15c3-1, 1934 Act.	Answer filed Sept. 25, 1956. Memorandum opinion Nov. 5, 1956, denying motion for preliminary injunction. Supplemental memorandum opinion dated Nov. 26, 1956. Amended complaint filed Jan. 21, 1957. Answer to amended complaint filed Feb. 21, 1957. Pending.
Keith Richard Securities Corp.....	1	Southern District of New York	Oct. 17, 1956	Secs. 15 (c) (1) and (3) and 17 (a) and rules 15c1-2, 15c3-1 and 17a-3, 1934 Act.	Amended complaint filed Oct. 29, 1956. Opinion Jan. 17, 1957, granting motion for preliminary injunction based upon the bookkeeping rules but not granting full relief on the net capital rule. Order for a preliminary injunction entered Feb. 11, 1957. Answer filed Feb. 25, 1957. Pending.
Robinson Development Corp.....	6	Western District of Pennsylvania	Sept. 11, 1957	Secs. 5 (a) and (c) and 17 (a), 1933 Act.	Injunction by consent as to all defendants, June 27, 1958. Closed.
Royal Drift Mining Co.....	3	Northern District of California	Mar. 5, 1958	Sec. 5 (a) and (c), 1933 Act.....	Complaint filed Mar. 5, 1958. Findings of fact and conclusions of law and order entered preliminarily enjoining all defendants, May 21, 1958. Pending.
Alan Russell Securities, Inc.....	4	Southern District of New York	Mar. 7, 1958	Sec. 17 (a), 1933 Act.....	Injunction by consent as to 3 defendants, Apr. 29, 1958. Pending as to remaining defendant.
Sanders Investment Co.....	1	New Mexico.....	Dec. 12, 1957	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Receiver appointed Dec. 12, 1957. Injunction by consent, June 2, 1958. Pending.

Securities Distributors, Inc.....	2	Southern District of New York.	Nov. 25, 1957	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Complaint filed Nov. 25, 1957. Preliminary injunction entered, Nov. 25, 1957, as to both defendants. Pending.
Security Forecaster Co., Inc.....	3	Southern District of New York.	Feb. 28, 1958	Sec. 206 (2), IA Act of 1940.....	Injunction by consent as to 2 defendants, Mar. 27, 1958. Pending as to remaining defendant.
Sherwood & Co.....	3	Northern District of California.	Mar. 18, 1958	Rule 17a-3, 1934 Act.....	Preliminary injunction by consent, Mar. 25, 1958. Amended and supplemental complaint for appointment of a receiver, May 12, 1958. Injunction by consent as to 2 defendants, June 3, 1958. Pending as to remaining defendant.
Shuck, M. J.....	1	Southern District of New York.	Aug. 28, 1956	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Complaint filed Aug. 28, 1956. Memorandum of Commission filed Sept. 4, 1956. Preliminary injunction signed Sept. 7, 1956. Pending.
Southwest Securities, Inc.....	3	Eastern District of Arkansas.	May 19, 1958	Sec. 17 (a) (2), 1933 Act; sec. 15 (a), 1934 Act.	Complaint filed May 19, 1958. Notice of dismissal filed May 27, 1958. Dismissed by consolidation with S. E. C. v. Southwest Securities, Inc., et al.
Southwest Securities, Inc.....	7	Eastern District of Arkansas.	May 19, 1958	Secs. 5 (a) and (c) and 17 (a) (2), 1933 Act; sec. 15 (a), 1934 Act.	Complaint filed May 19, 1958. Amended and substituted complaint filed May 24, 1958. Injunction by consent as to 4 defendants, June 4, 1958. Pending as to remaining defendants.
Strategic Minerals Corporation of America.	8	Northern District of Texas.	June 6, 1958	Sec. 5 (a) and (c), 1933 Act.....	Injunction by consent as to 7 defendants, June 6, 1958. Final judgment by consent as to remaining defendant, June 17, 1958. Closed.
Swan-Finch Oil Corp.....	24	Southern District of New York.	Apr. 15, 1957	Sec. 5 (a) and (c), 1933 Act.....	Complaint filed and temporary restraining order signed, Apr. 15, 1957. Appeal by Commission from order Apr. 22, 1957, dissolving temporary restraining order as to 2 defendants. Temporary restraining order restored Apr. 24, 1957. Appeal by 6 defendants, May 8, 1957. Injunction by consent as to all except 1 defendant. Order of dismissal as to remaining defendant, Oct. 15, 1957. Closed.
Tannen & Co., Inc.....	20	Southern District of New York.	Aug. 2, 1957	Sec. 5 (a) (1) and (2) and 5 (c), 1933 Act.	Injunction by consent as to 8 defendants on various dates. Order entered dismissing motion for preliminary injunction as to 11 defendants, Mar. 31, 1958. Pending.
Television and Radio Broadcasting Corp.	2	Massachusetts.....	July 1, 1957	Secs. 5 (a) (1) and (2) and 5 (c), 1933 Act.	Injunction by consent as to both defendants, July 15, 1957. Closed.
Thompson & Sloan, Inc.....	2	Southern District of California.	Mar. 3, 1958	Secs. 10 (b), 15 (c) (1) and 17 (a) and rules 10b-5, 15c1-2 and 17a-3, 1934 Act.	Injunction by consent as to both defendants, Mar. 4, 1958. Closed.
Triumph Mines, Ltd.....	3	Western District of Washington.	Mar. 18, 1958	Secs. 5 (a) and (c) and 17 (a), 1933 Act.	Complaint filed Mar. 18, 1958. Injunction by consent as to 2 defendants, Mar. 18, 1958. Pending as to remaining defendant.
Truckee Showboat, Inc.....	1	Southern District of California.	July 23, 1957	Sec. 5 (a) and (c), 1933 Act.....	Judgment Nov. 22, 1957, denying motion for preliminary injunction. Pending.
Universal Service Corporation, Inc.	6	Southern District of Texas.	Mar. 6, 1958	Secs. 5 (b), 7, 10 and 17 (a), 1933 Act.	Injunction by consent as to 2 defendants, Mar. 17, 1958. Pending as to remaining defendants.

TABLE 16.—*Injunctive proceedings brought by the Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Investment Advisers Act of 1940, and the Investment Company Act of 1940, which were pending during the fiscal year ended June 30, 1958—Continued*

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
The Variable Annuity Life Insurance Company of America, Inc.	1	District of Columbia	June 19, 1956	Sec. 5 (a) (1) and (c), 1933 Act; sec. 7 (a) or (b), IC Act of 1940.	Answer to complaint filed July 25, 1956. Order Dec. 6, 1956, granting intervention by The Equity Annuity Life Insurance Company. Answer to complaint Jan. 6, 1957, by intervenor. Order Apr. 16, 1957, granting intervention by NASD as party plaintiff. Order May 13, 1957, denying motion for leave to amend complaint. Commission and NASD trial brief and defendants trial brief filed June 7, 1957. Case tried June 10-21, 1957. Final judgment directing that complaint be dismissed with prejudice, Sept. 30, 1957. Notice of appeals filed by NASD and Commission, Oct. 21, 1957. Opinion and judgment of CA DC affirming the order of the District Court, May 22, 1958. Order June 24, 1958 staying the transmission of the opinion and the certified copy of the judgment to and including Aug. 20, 1958. Pending.
Jean R. Veditz Company, Inc.	1	Southern District of New York	Mar. 25, 1957	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Complaint filed Mar. 25, 1957. Decision rendered Apr. 5, 1957, denying motion for preliminary injunction and vacating temporary restraining order. Answer filed July 17, 1957. Pending.
Jean R. Veditz Co., Inc.	1	Southern District of New York	Oct. 18, 1957	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Complaint filed Oct. 18, 1957. Opinion Nov. 19, 1957, denying motion for preliminary injunction. Pending.
Warner, J. Arthur & Company, Inc.	12	Massachusetts	Oct. 31, 1951	Secs. 5 (b) (2) and 17 (a) (3), 1933 Act; secs. 7 (c) (1) and (2), 9 (a) (4), 10 (b) and 15 (c) (1) and rules 10b-5 (3) and 15c1-2 and Regulation T, 1934 Act.	Injunction by default entered as to remaining defendant, Feb. 20, 1958 as to sec. 17 (a) (3), 1933 Act, secs. 7 (c) (1) and (2), 9 (a) (4), 10 (b) and 15 (c) (1) and rules 10b-5 (3) and 15c1-2 and Regulation T, 1934 Act. Closed.
Watanabe, Tadao I.	1	Hawaii	Oct. 15, 1957	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Injunction by consent, Oct. 30, 1957. Closed.
Watkins, Horace E.	5	Colorado	Nov. 9, 1956	Sec. 5 (a) and (c), 1933 Act	Preliminary injunction entered Nov. 19, 1956. Answer of defendants, Dec. 3, 1956. Injunction by consent as to 1 defendant, June 25, 1957. Injunction by consent as to 2 defendants, Mar. 14, 1958. Injunction by remaining defendants, Mar. 14, 1958. Closed.
Whitehead, William	1	New Jersey	Dec. 31, 1957	Secs. 15 (c) (3) and 17 (a) and rules 15c3-1 and 17a-3, 1934 Act.	Injunction by consent, Feb. 25, 1958. Closed.
Joseph J. Wlensky & Co.	1	Southern District of Florida	June 13, 1958	Sec. 15 (c) (4) and rule 15c3-1, 1934 Act.	Injunction by consent, June 1958, 19. Closed.

Wimer, Nye A.-----	1	Western District of Pennsylvania.	Oct. 29, 1947	Secs. 5 (a) (1) and (2) and 17 (a) (2), 1933 Act.	Temporary restraining order entered, Oct. 29, 1947. Preliminary injunction entered, Nov. 18, 1947. Defendant's motion to dismiss complaint denied Mar. 3, 1948. Trial date postponed indefinitely due to illness of defendant. Pending.
Wolfson, Louis E.-----	1	Southern District of New York.	June 24, 1958	Secs. 9 (a) (4) and 19 (b), 1934 Act.	Complaint filed June 24, 1958. Pending.
World Wide Investors Corp.-----	1	New Jersey.-----	July 2, 1957	Sec. 17 (a) and rule 17a-3, 1934 Act.	Temporary restraining order signed, July 2, 1957. Order entered vacating application for final judgment and dismissing complaint, July 17, 1957. Closed.
R. G. Worth & Co., Inc.-----	1	Southern District of New York.	Jan. 11, 1957	Secs. 15 (c) (3) and 17 (a) and rules 15c3-1 and 17a-3, 1934 Act.	Temporary restraining order signed Jan. 11, 1957. Order of preliminary injunction, Feb. 13, 1957. Answer filed. Pending.
Benjamin Zwang & Co., Inc.-----	2	Southern District of New York.	Sept. 27, 1956	Sec. 15 (c) (3) and rule 15c3-1, 1934 Act.	Answer of defendants Oct. 16, 1956. Order Nov. 15, 1956, denying motion for preliminary injunction but permitting further application if situation warrants. Pending.

TABLE 17.—Indictments returned for violation of the acts administered by the Commission, the Mail Fraud Statute (sec. 1341, formerly sec. 338, title 18, U. S. C.), and other related Federal statutes (where the Commission took part in the investigation and development of the case) which were pending during the 1958 fiscal year

Name of principal defendant	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
Ames, Harry G.-----	1	Northern District of Illinois.	July 3, 1956	Secs. 5 (a) (2) and 17 (a) (2), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant surrendered and posted \$2,500 bond. Motion to dismiss indictment, denied Mar. 29, 1957. Defendant's motion for bill of particulars granted Jan. 9, 1958. Case awaiting trial. Pending.
Autrey, Basil P. (National Union Life Insurance Co.).	7	Southern District of Florida.	Jan. 23, 1958	Secs. 5 (a) (1) and (2) and 17 (a) (1), 1933 Act; secs. 371, 1341 and 1343, title 18, U. S. C.	Order 6/30/58 granting severance as to 2 defendants and transferring case to ND of Ala. as to remaining defendants. Pending.
Bartz, Donald E. (Financial Enterprises, Inc.).	2	District of Nevada....	May 14, 1957	Sec. 17 (a) (1), 1933 Act; sec. 371, title 18, U. S. C.	Both defendants apprehended and released on bond. Due to illness one defendant has not yet entered his plea. Trial for defendant Bartz set for Mar. 9, 1959. Pending.
Bowler, Richard William.....	1	Eastern District of Washington.	Sept. 12, 1955	Sec. 17, 1933 Act; sec. 1341, title 18, U. S. C.	Conviction affirmed by CA-9 Nov. 24, 1957.
Broadley, Albert E. (Hudson Securities).	5	Western District of New York.	July 17, 1947	Secs. 5 (a) (1) and (2) and 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 89 (now sec. 371), title 18, U. S. C.	One defendant deceased, other defendants not apprehended. Pending.
Carden, Branch J., Jr. (Branch Carden & Co., Inc.).	2	Western District of Virginia.	Nov. 12, 1957	Sec. 17 (a), 1933 Act; sec. 10 (b) and rule 10b-5, 1934 Act; sec. 1341, title 18, U. S. C.	Defendants pleaded guilty to all counts. Defendant corporation was fined \$2,000. Defendant Carden was sentenced to 2 years imprisonment.
Collins, Paul H.....	1	Southern District of Illinois.	June 6, 1958	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant pleaded guilty on July 23, 1958, to 10 counts. Imposition of sentence was suspended and defendant was placed on probation for 3 years conditioned upon reasonable effort at restitution. Pending.
DePalma, Albert Edward (A. E. DePalma & Co.).	1	Northern District of Ohio.	June 11, 1947	Secs. 5 (a) (1) and (2) and 17 (a) (1), 1933 Act; sec. 338 (now sec. 1341), title 18, U. S. C.	Indictment dismissed Mar. 18, 1958, defendant deceased.
Donaldson, Arthur V.....	2	District of Montana..	June 16, 1954	Sec. 17, 1933 Act; secs. 1341 and 371, title 18, U. S. C.	One defendant deceased. Conviction affirmed by CA-9 Sept. 27, 1957, as to remaining defendant. Petition for certiorari filed Dec. 27, 1957; denied Mar. 31, 1958.
Dorsey, William L., Sr.....	1	Western District of Missouri.	Mar. 6, 1958	Secs. 5 (a) (1) and (2) and 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant pleaded guilty to all except five mail fraud counts which were nolle prossed, and was sentenced on Apr. 11, 1958, to 1 year and a day on each of the first 4 counts, sentences to run concurrently, and was placed on probation for 5 years on the last 4 counts.
Errion, Edgar Robert (Beaver Plywood Coop.).	5	District of Oregon.....	Oct. 2, 1956	Sec. 17 (a), 1933 Act; secs. 371 and 1341, title 18, U. S. C.	Defendants pleaded not guilty. All counts were dismissed as to 4 defendants, of whom one was convicted in other Errion case (Mt. Hood). Remaining defendant then pleaded guilty to 2 mail fraud counts and was sentenced to 6 years on Aug. 2, 1957.

Errion, Edgar Robert (Mt. Hood Hardboard & Plywood Coop.)	9	District of Oregon.....	Oct. 2, 1956	Sec. 17 (a), 1933 Act; secs. 371 and 1341, title 18, U. S. C.	Errion pleaded guilty to 1 mail fraud count and 1 sec. 17 (a) count and was sentenced to 6 years. Four defendants were found guilty on 6 mail fraud counts, 5 sec. 17 (a) counts, and 1 conspiracy count, and received sentences ranging from 15 months to 7 years. Two defendants were found guilty on 1 conspiracy count and one was sentenced to 15 months; the other defendant, who was sentenced to 1 year and released on \$2,500 bond, has filed notice of appeal. One defendant dismissed because of illness and another acquitted. Pending.
Forsyth, Council Mayo (Central Finance Service, Inc.)	2	Eastern District of Texas.	Jan. 15, 1958	Sec. 17 (a), 1933 Act; secs. 371 and 1341, title 18, U. S. C.	One defendant pleaded guilty and was sentenced on Apr. 14, 1958, to 2 years imprisonment on count 1 and a 3 year suspended sentence on count 2. The remaining counts were dismissed. The other defendant pleaded not guilty on Mar. 10, 1958, and is awaiting trial. Pending.
Geller, George B.....	1	Southern District of New York.	Oct. 30, 1953	Sec. 1621, title 18, U. S. C.....	Defendant pleaded not guilty. Bail set at \$1,500. Motion by defendant to dismiss indictment, denied Sept. 24, 1957. Trial set for Sept. 8, 1958. Pending.
Getchell, Francis E. (Florida Palms, Inc.)	4	Southern District of Florida.	Jan. 15, 1957 Superseding indictment returned Aug. 19, 1957.	Secs. 5 (a) and 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C.	One defendant found guilty on 2 sec. 17 (a) (1) counts and 3 mail fraud counts and sentenced to 5 years; two defendants found guilty on 2 sec. 17 (a) (1) counts and sentenced to 2 years each; and one defendant found guilty on 1 sec. 17 (a) (1) count and sentenced to 1 year. Sentences imposed Apr. 30, 1958. Defendants released on bond pending appeal. Pending.
Gill, Jesse S.....	3	Northern District of Georgia.	May 20, 1957	Sec. 1341, title 18, U. S. C.....	Two defendants found guilty of all counts and each sentenced on July 25, 1957, to imprisonment for 1 year; execution of sentence suspended and defendants placed on 5 year probation on condition that restitution be made in the sum of \$2,000 for each defendant. Case as to one defendant dismissed Dec. 2, 1957.
Gould, Oscar U.....	1	Southern District of New York.	June 25, 1954	Sec. 1621, title 18, U. S. C.....	Case nolle prosequi on Apr. 11, 1958.
Graves, Charles M. (The Locators, Inc.)	2	Territory of Alaska.....	Oct. 22, 1957	Sec. 15 (b) and (c) (1) and rule 15c1-2; sec. 1341, title 18, U. S. C.	One defendant pleaded guilty to 1 sec. 15 (b) count and was sentenced on Feb. 5, 1958, to a suspended sentence of 6 months and was fined \$250. The remaining 2 counts were dismissed. The corporate defendant pleaded guilty to all counts and was fined \$250 on each count, a total of \$750.00. Defendants were not to engage in stock transactions for 30 months.
Hefferan, Albert.....	1	Western District of Michigan.	Feb. 27, 1958	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant pleaded guilty to 5 counts. Sentence to be imposed July 7, 1958. Pending.
Herck, John.....	6	Eastern District of Michigan.	July 30, 1942	Sec. 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Herck pleaded not guilty. Remaining defendants are fugitives. Pending as to all defendants.
Do.....	1	do.....	do.....	Sec. 15 (a), 1934 Act.	
Do.....	5	do.....	do.....	Sec. 5 (a) (1) and (2), 1933 Act; sec. 88 (now sec. 371), title 18, U. S. C.	
Hu, Seng-Chiu.....	3	Southern District of New York.	Dec. 20, 1954	Sec. 17 (a), 1933 Act; secs. 371 and 1341, title 18, U. S. C.	Nolle prosequi filed Mar. 19, 1958, as to all defendants.

TABLE 17.—*Indictments returned for violation of the acts administered by the Commission, the Mail Fraud Statute (sec. 1341, formerly sec. 338, title 18, U. S. C.), and other related Federal statutes (where the Commission took part in the investigation and development of the case) which were pending during the 1958 fiscal year—Continued*

Name of principal defendant	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
Intermountain Development Co., Inc., et al.	9	District of Idaho.....	Aug. 29, 1957	Sec. 5 (a) (2) and 17 (a), 1933 Act; sec. 371 and 1341, title 18, U. S. C.	One defendant convicted on all counts, fined \$10,000 and sentenced to 5 years imprisonment, later reduced to 4 years. Corporate defendant convicted on all counts and fined \$5,000. Another defendant fined \$1,000 and sentenced to 1 year, later reduced to 10 months. Four defendants each received 1 year suspended sentences, were placed on probation for 1 year and each fined \$600. Another defendant was fined \$1,000. One defendant apprehended but not yet arraigned. Pending.
Jacobson, Hilding L. (Confidential Finance Corp.).	1	District of Nebraska..	Dec. 3, 1957 Information filed.	Sec. 17 (a) (1), 1933 Act; secs. 1001 and 1341, title 18, U. S. C.	Defendant pleaded nolo contendere and was sentenced on Mar. 14, 1958, to 2 years on each of 17 counts, sentence suspended, and defendant placed on probation for 3 years.
Jensen, James O.....	4	Eastern District of Washington.	Apr. 12, 1956	Sec. 17 (a), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Defendants previously sentenced on Nov. 2, 1956. CA-9 on Apr. 11, 1958, affirmed convictions. Petition by 3 defendants for rehearing in CA-9 filed May 6, 1958. Pending.
King, Wilbert Fay (Tri-State Metals, Inc.).	2	District of Nevada....	May 15, 1957	Sec. 17 (a), 1933 Act; sec. 371, title 18, U. S. C.	Defendants pleaded not guilty and posted \$2,500 bond on Nov. 1, 1957. Order, Nov. 1, 1957, denying one defendant's motions to dismiss and strike. Trial set for Nov. 3, 1958. Pending.
Low, Harry (Trenton Valley Distillers Corp.).	2	Eastern District of Michigan.	Feb. 3, 1939	Sec. 17 (a) (1), 1933 Act; sec. 338 (now sec. 1341), title 18, U. S. C.	Indictment previously dismissed as to defendant Low, now deceased, after plea of guilty to income tax evasion indictment. Pending as to Hardie, who is a fugitive.
Mallen, George E.....	6	Eastern District of Michigan.	June 2, 1944	Secs. 5 (a) (2) and 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Two defendants deceased, pending as to remaining defendants, who are fugitives.
E. M. McLean & Co. (Devon Gold Mines, Ltd.).	2	Eastern District of Michigan.	Oct. 21, 1941	Sec. 15 (a), 1934 Act.....	Case pending as to 1st indictment, 3 defendants previously convicted and sentenced on 2d and 3d indictments. Indictment as to another defendant dismissed June 25, 1958. Pending as to remaining 8 defendants on the 2d and 3d indictments. Pending.
Do.....	7	do.....	do.....	Sec. 5 (a) (1) and (2), 1933 Act; sec. 88 (now sec. 371), title 18, U. S. C.	
Do.....	12	do.....	do.....	Sec. 17 (a) (1) and (2), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	
Monarch Radio and Television Corp.	9	Southern District of New York.	June 4, 1954	Sec. 17, 1933 Act; secs. 371 and 1341, title 18, U. S. C.	All defendants arraigned and released on bail or own recognizance. Motions by defendants for bills of particulars and examination of grand jury minutes denied. Motion to dismiss indictment for failure to prosecute denied June 24, 1958. Pending.

Newton, Silas M. (Yellow Cat Royalty Trust). Parker, T. M., Inc.-----	3	District of Colorado...	Mar. 4, 1958	Sec. 17 (a), 1933 Act; secs. 371 and 1341, title 18, U. S. C.	Defendants arrested and each posted \$3,000 bond. Arraignment set for Mar. 21, 1958. Pending.
Do-----	16	Eastern District of Michigan.	Apr. 27, 1954	Sec. 371, title 18, U. S. C.-----	Eight defendants pleaded guilty to 1 sec. 15 (a) of the 1934 Act count and six of these defendants were given sentences on Jan. 3, 1958, ranging from 6 to 15 months. The 15 month sentence was later reduced to 1 year. One other defendant was placed on probation for 2 years. The remaining counts as to these 8 defendants were dismissed on Jan. 20, 1958. Other defendant previously deceased. Remaining defendants not apprehended. Pending.
Do-----	15	do-----	do-----	Sec. 1341, title 18, U. S. C.-----	
Do-----	15	do-----	do-----	Sec. 17 (a), 1933 Act-----	
Do-----	15	do-----	do-----	Sec. 15 (a), 1934 Act-----	
Price, Eldridge Solomon-----	2	Northern District of Georgia.	Mar. 27, 1956	Secs. 5 (a) (2) and 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C	Defendants previously pleaded not guilty. One defendant was acquitted Oct. 16, 1957; the other defendant was convicted Oct. 18, 1957, on all counts and sentenced on Nov. 22, 1957, to 7 years. Notice of appeal filed and bond fixed at \$10,000 Nov. 22, 1957. Motion for a 6 months extension in which to file the record on appeal granted. Pending.
Roe, D. H. (Stratoray Oil, Inc.)...	3	Northern District of Texas.	Aug. 16, 1957	Secs. 5 (a) (1) and (2) and 17 (a) (1), 1933 Act; secs. 371 and 1341, title 18, U. S. C.	Two defendants were arrested on Aug. 19, 1957, and released on \$1,000 bond each. All defendants were arraigned and pleaded not guilty Sept. 4, 1957. Awaiting trial. Pending.
Schaefer, Carl D.-----	1	Northern District of Illinois.	Mar. 26, 1958	Secs. 5 (a) (2) and 17 (a), 1933 Act.	Defendant was arrested and released on \$5,000 bond. On Apr. 22, 1958, defendant was arraigned and pleaded not guilty to all counts. Motions to strike surplusage from the indictment and to dismiss the indictment filed by defendant June 13, 1958. Pending.
Shindler, David L.-----	4	Southern District of New York.	June 28, 1957	Sec. 17 (a) (2), 1933 Act; sec. 9 (a) (2), 1934 Act; sec. 371, title 18, U. S. C.	All defendants were arraigned and released on bail of \$1,000 each. Pending.
Shoemaker, A. B. (U. S. Trust & Guaranty Co.).	7	Southern District of Texas.	Aug. 9, 1957 Superseding indictment returned Mar. 13, 1958.	Sec. 17 (a), 1933 Act; secs. 371 and 1341, title 18, U. S. C.	Judge Hannay set bonds of \$1,000 for Shoemaker, \$5,000 for Lewis, and \$3,000 for each of the other defendants. Awaiting arraignment and trial. Pending.
Snowden, Homer W.-----	2	Eastern District of Illinois.	Jan. 18, 1956	Secs. 5 (a) and 17 (a), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Defendants previously convicted. Appeal dismissed on defendant's motion Mar. 13, 1958.
Tellier, Walter F. (Alaska Telephone Corp.).	4	Eastern District of New York.	Dec. 1, 1955	Sec. 17 (a), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Individual defendants convicted on all counts, corporate defendant convicted upon default on Mar. 13, 1957. One defendant sentenced to 4½ years imprisonment and fined \$18,000; two other defendants received 1 year probation. Corporate defendant fined \$50. Conviction of Walter F. Tellier and additional defendant who appealed upheld by CA-2 on May 6, 1957. Petition for Writ of Certiorari by Tellier filed June 26, 1958. Pending.
Tellier, Walter F. (Consolidated Uranium Mines, Inc.).	1	Eastern District of New York.	Apr. 26, 1956	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant pleaded not guilty. Pending.
Tellier, Walter F.-----	7	Eastern District of New York.	Aug. 3, 1956	Sec. 17 (a), 1933 Act; secs. 371 and 1341, title 18, U. S. C.	One defendant arraigned and bond of \$25,000 continued. Pending.
Metz, Abraham M.-----	1	do-----	do-----	Sec. 1621, title 18, U. S. C.-----	Awaiting trial. Pending.
U. S. Manganese Corp.-----	3	Southern District of New York.	May 20, 1957	Sec. 371, title 18, U. S. C.-----	Two individual defendants apprehended. Pending.

TABLE 17.—*Indictments returned for violation of the acts administered by the Commission, the Mail Fraud Statute (sec. 1341, formerly, sec. 338 title 18, U. S. C.), and other related Federal statutes (where the Commission took part in the investigation and development of the case) which were pending during the 1958 fiscal year—Continued*

Name of principal defendant	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
Van Valkenburgh, Hugh C. (Instant Beverage, Inc.)	2	District of Nebraska	Feb. 15, 1957	Secs. 5 (a) (2) and 17 (a) (1) and (2) 1933 Act; sec. 1341, title 18, U. S. C.	One defendant found guilty following a plea of nolo contendere to 8 counts, and on Apr. 18, 1958, was sentenced to 2 years on each count. Sentence suspended; defendant placed on probation for 30 months and fined \$2,000. Order, May 8, 1958, granting other defendant leave to take deposition and continuing trial to Sept. 8, 1958. Pending.
Vitale, Edward J.	1	Eastern District of Michigan	Jan. 7, 1958	Sec. 17 (a), 1933 Act; secs. 1001 and 1341, title 18, U. S. C.	Defendant pleaded not guilty to all counts on Jan. 13, 1958, and was released on \$10,000 bond. Awaiting trial. Pending.
Warner, J. Arthur & Co., Inc.	1	District of Massachusetts	July 7, 1953	Sec. 17 (a) (3) 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Six defendants previously convicted and indictment dismissed as to 3 defendants and abated as to 1 defendant who is deceased. Pending as to defendant Thayer, a fugitive since 1953, who was indicted Nov. 4, 1957, at Boston, Mass., for "Ball Jumping" in violation of sec. 3146, title 18, U. S. C. Pending.
Werner, George J.	1	Northern District of Indiana	May 29, 1957	Sec. 5 (a) and 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant not yet apprehended. Pending.

TABLE 18.—*Petitions for review of orders of Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, and the Investment Company Act of 1940, pending in courts of appeals during the fiscal year ended June 30, 1958*

Petitioner	United States Court of Appeals	Initiating papers filed	Commission action appealed from and status of case
Alleghany Corporation.....	4th Circuit.....	Jan. 21, 1957	Order of Nov. 30, 1956, denying the various applications for a declaration that no action by the Commission was required with respect to the voluntary exchange of stock, or, in the alternative, for an order pursuant to sec. 6 (c) of the IC Act of 1940 exempting the transactions. Motions by Randolph Phillips and Breswick & Co. for leave to intervene. Order Feb. 5, 1958, continuing case pending decision of Supreme Court in a related matter. Pending.
Arkansas Fuel Oil Corp., et al.....	3rd Circuit.....	Nov. 8, 1957	Order of Sept. 20, 1957, directing Arkansas Fuel Oil Corp. and Cities Service Co. to comply with sec. 11 (b) (2) of the 1935 Act directing the elimination of the public minority interest in Arkansas Fuel Oil Corp. Order Nov. 22, 1957, granting Pennroad Corp. and Louis E. Marron leave to intervene as intervenor-respondents. Order Dec. 17, 1957, granting intervening respondents, James W. Hearn, Paul S. Hearn, William J. Hearn and Eleanor Hearn leave to file brief. Order Feb. 7, 1958, postponing decisions on Commission's motions to dismiss petition for review until appeals have been heard; Briefs of Arkansas Fuel Oil Corp., M. L. Benedum and Cities Service Co. filed Mar. 19, 1958. Intervenor-respondents' joint brief filed Apr. 18, 1958. Commission's brief filed Apr. 18, 1958. Pending.
Cities Service Co.....	3rd Circuit.....	Nov. 8, 1957	Order of Sept. 20, 1957, directing Cities Service Co. and Arkansas Fuel Oil Corp. to comply with sec. 11 (b) (2) of the 1935 Act directing the elimination of the public minority interest in Arkansas Fuel Oil Corp. Order Nov. 22, 1957, granting Pennroad Corp. and Louis E. Marron leave to intervene as intervenor-respondents. Order Dec. 17, 1957, granting intervening respondents, James W. Hearn, Paul S. Hearn, William J. Hearn and Eleanor Hearn leave to file brief. Order Feb. 7, 1958, postponing decisions on Commission's motions to dismiss petition for review until appeals have been heard. Briefs of Cities Service Co., Arkansas Fuel Oil Corp. and M. L. Benedum filed Mar. 19, 1958. Intervenor-respondents' joint brief filed Apr. 18, 1958. Commission's brief filed Apr. 18, 1958. Pending.
Cities Service Co.....	2d Circuit.....	Oct. 29, 1956	Order of Aug. 31, 1956, denying application for exemption to sec. 3 (a) (5) of the Public Utility Holding Company Act of 1935. Order of Aug. 14, 1957, affirming Commission's order of Aug. 31, 1956. Order of CA-2 of Sept. 3, 1957, denying application for stay. Order of Sept. 17, 1957, by USSC denying application for stay of judgment of CA-2. Writ of certiorari denied on Jan. 6, 1958. Closed.
Columbia General Investment Corp.....	5th Circuit.....	May 1, 1958	Orders of Mar. 5, 1958, regarding sec. 8 (d) of the 1933 Act, suspending the effectiveness of petitioner's registration statement filed with the Commission on Mar. 29, 1956, and denying petitioner's motion to dismiss proceedings and its request for withdrawal of its registration statement. Order of June 19, 1958, granting petitioner's motion to enlarge time within which designation of the portions of the record which petitioner intends to print as an appendix to its brief to July 3, 1958. Pending.
Comico Corp.....	District of Columbia.....	Feb. 18, 1958	Order of Dec. 17, 1957, denying plaintiff's application for withdrawal of its registration statement. Order of CA DC Mar. 24, 1958, dismissing petition for review. Closed.
Cremens, John F.....	1st Circuit.....	June 18, 1957	Order of Apr. 22, 1957, granting application and permitting declaration of New England Electric System to become effective with respect to exchange offer of stock of a holding company for stock of a non-affiliated public utility company. Petition for review filed June 18, 1957. Order Oct. 4, 1957, dismissing petition for review for want of diligent prosecution. Closed.

TABLE 18.—*Petitions for review of orders of Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, and the Investment Company Act of 1940, pending in courts of appeals during the fiscal year ended June 30, 1958—Continued*

Petitioner	United States Court of Appeals	Initiating papers filed	Commission action appealed from and status of case
Dyer, Nancy Corinne, et al.....	8th Circuit.....	Mar. 29, 1957	Order of Mar. 21, 1957, permitting declaration to become effective regarding solicitation of proxies. Order Apr. 9, 1957, denying petitioners' application for a stay pending review. Judgment of CA-8 Jan. 24, 1958, dismissing petition for review. Order Feb. 25, 1958, denying petition for rehearing. Order Mar. 12, 1958, denying application for stay of judgment. Petition for writ of certiorari filed May 20, 1958, in the USSC. Commission's memorandum filed June 11, 1958. Pending.
Dyer, Nancy Corinne, et al.....	8th Circuit.....	Apr. 4, 1958	Orders of Mar. 21 and 25, 1958, permitting the declaration filed under sec. 12 (c) of the 1935 Act and U-62 thereunder by Union Electric Company, to become effective. Order Apr. 17, 1958, granting Union Electric Company to intervene. Order of CA-8, Apr. 18, 1958, denying petitioners' application for stay. Order May 9, 1958, granting to Cyrus L. Day status as intervenor-petitioner. Pending.
Fisher, William.....	2d Circuit.....	Dec. 26, 1957	Order of Nov. 25, 1957, in which the petitioner was found to be a cause of the revocation of the broker-dealer registration of A. J. Gould & Co., Inc. Pending.
Gilligan, Will & Co., James Gilligan and William Will.....	2d Circuit.....	May 14, 1958	Order of May 7, 1958, suspending the partnership of Gilligan, Will & Company for 5 days from membership in the NASD, Inc. and finding individual partners, Gilligan and Will as causes of such suspension. Petitioner granted stay of Commission's order pending disposition of petition for review. Pending.
Great Sweet Grass Oils, Ltd.....	District of Columbia.....	June 5, 1957	Order of Apr. 8, 1957, directing that subject's stock be withdrawn from listing and registration on the American Stock Exchange, effective after Apr. 13, 1957. Briefs filed. Judgment of CA DC June 24, 1958, affirming Commission's order. Pending.
Gruber, P. J., and Co. and P. J. Gruber.....	District of Columbia.....	Mar. 17, 1958	Order of Jan. 15, 1958, denying the application of the company for registration as a broker-dealer and its request for withdrawal of such application and finding Peter J. Gruber and Phil Sachs to be causes of such denial. Petition for review filed Mar. 17, 1958. Pending.
Kroy Oils Limited.....	District of Columbia.....	June 5, 1957	Order of Apr. 8, 1957, directing that subject's stock be withdrawn from listing and registration on the American Stock Exchange, effective after Apr. 13, 1957. Order Feb. 26, 1958, rescinding order of Nov. 10, 1957, which provided that Great Sweet Grass Oils Ltd. and Kroy Oils Ltd. be consolidated for hearing. Order Apr. 30, 1958, extending time to file briefs. Pending.
Kroy Oils Limited.....	District of Columbia.....	Dec. 14, 1957	Order of Oct. 18, 1957, refusing to reopen the hearing under sec. 19 (a) (2) of the 1934 Act which resulted in an order withdrawing the registration of petitioner's capital stock on the American Stock Exchange. Order of CA DC of Mar. 24, 1958, postponing consideration of respondent's motion to dismiss. Pending.
Lewisohn Copper Corp.....	9th Circuit.....	May 16, 1958	Order of Mar. 18, 1958, permanently suspending petitioner's exemption pursuant to sec. 3 (b) of the 1933 Act and Regulation A thereunder, from the registration provision of the 1933 Act with respect to a proposed offering of 10,000,000 shares of petitioner's common stock. Pursuant to sec. 8 (d) of the 1933 Act, a stop order was issued suspending the registration statement. Pending.
Shuck, Milton J.....	District of Columbia.....	Nov. 12, 1957	Order of Sept. 13, 1957, revoking petitioner's broker-dealer registration. Petition for review filed, Nov. 12, 1957. Petitioner's brief filed, Feb. 24, 1958; Commission's brief filed, Apr. 1, 1958; petitioner's reply brief served, Apr. 23, 1958. Order May 26, 1958, postponing oral argument until after Sept. 1, 1958. Pending.

TABLE 19.—Contempt proceedings pending during the fiscal year ended June 30, 1958

## CRIMINAL CONTEMPT PROCEEDINGS

Principal defendants	Number of defendants	United States District Court	Initiating papers filed	Status of case
Birrell, Lowell M.....	1	Southern District of New York.....	Oct. 11, 1957	Order of Oct. 11, 1957, directing the defendant to show cause why he should not be punished for criminal contempt for not obeying the subpoena in cause, "S. E. C. v. Swan-Finch Oil Corp., et al." Order of District Court Dec. 2, 1957, denying motion to quash bench warrant issued Nov. 20, 1957. Notice of motion filed Dec. 2, 1957 in CA-2, with petition by defendant for a writ of prohibition to the District Court from proceeding with contempt action. Petitioner's brief and government's brief filed, Dec. 9, 1957 in CA-2. Petition denied by CA-2, Dec. 9, 1957. Motion by defendant in Supreme Court for leave to file and petition for a writ of prohibition and mandamus served, Dec. 23, 1957. Order Dec. 26, 1957, in the District Court denying application for stay of contempt proceedings pending final determination in Supreme Court. Memorandum filed Dec. 31, 1957, in Supreme Court in opposition on petition for stay. Brief filed Jan. 21, 1958, in Supreme Court in opposition to petitioner's motion for writ of prohibition and mandamus. District Court on Feb. 10, 1958, denied defendant's motion for discovery of Commission's reports. Supreme Court on Mar. 3, 1958, denied motion by defendant for leave to file petition of prohibition and mandamus. Pending.
Christopoulos & Nichols Brokerage Co., et al.	3	Utah.....	Sept. 20, 1957	Order of Sept. 20, 1957, directing defendants to show cause why they should not be punished for criminal contempt for violating an injunction entered on Nov. 19, 1956. Defendants found in criminal contempt on Jan. 9, 1958; two defendants fined \$500 each and the corporate defendant fined \$1,000. Closed.
Colotex Uranium and Oil, Inc.....	3	Colorado.....	Jan. 17, 1957	Order of Jan. 17, 1957, directing defendants to show cause why they should not be adjudged in criminal contempt for violating secs. 5 and 17 injunction, 1933 Act. Stipulation of facts; May 28, 1957. Defendants' memorandum and memorandum briefs filed, Aug. 1, 1957. Plaintiff's reply brief, Sept. 15, 1957. Pending.
McBride, John F.....	2	Southern District of New York.....	Aug. 3, 1956	Order Aug. 3, 1956, directing defendants to show cause why they should not be found guilty of criminal contempt for violating injunction under sec. 5, 1933 Act. Pending.

TABLE 20.—Cases in which the Commission participated as intervenor or as amicus curiae, pending during the fiscal year ended June 30, 1958

Name of case	United States District Court, Court of Appeals, or U. S. Supreme Court	Date of entry	Nature and status of case
Barker, Harold O., et al. v. Russell McPhail, et al.	Southern District of New York.	Mar. 21, 1958	Action for violation of sec. 14 (a) of the 1934 Act and Regulation 14 thereunder, involving solicitation of proxies. Complaint by Commission as intervenor filed on Mar. 21, 1958, demanding a final judgment, temporary restraining order and a preliminary injunction. Temporary restraining order signed on Mar. 21, 1958, restraining defendants and plaintiffs from voting their shares and proxies except for the purpose of a 'journing the meeting to Apr. 24 1958. Proxies were finally voted May 6, 1958, after further adjournments. Pending.
Greene, et al. v. Dietz, et al.....	2d Circuit.....	June 20, 1957	Action under sec. 16 (b) of the 1934 Act involving a shareholders' derivative suit against officers of CIT Financial. Opinion of CA-2, June 7, 1957, affirming the order of the district court dismissing the complaint. Memorandum of Commission as amicus curiae filed July 15, 1957. CA-2 denied Commission's petition for rehearing on Aug. 12, 1957. Closed.
Hull, J. Warren v. Newman, Kennedy & Co., et al.	Southern District of New York.	Sept. 10, 1957	Action for violation of sec. 215 (b) of the Investment Advisers Act of 1940 involving money plaintiff alleges he lost as result of a contract with defendants. Memorandum of the Commission amicus curiae filed Sept. 10, 1957. Supplemental memorandum amicus curiae filed Nov. 25, 1957. Pending.
Ostergren, et al. v. Kirby, et al.....	Northern District of Ohio, 6th Circuit.	Feb. 15, 1957 May 3, 1957	Action for violation of Regulation X-14 of 1934 Act. Complaint filed by Commission as intervenor Feb. 15, 1957, seeking injunction. Order Apr. 10, 1957, amended Apr. 12, 1957, granting permanent injunction to restrain violations of proxy rules by opposition group. Appeal to CA-6 by defendants comprising shareholders' committee filed Apr. 17, 1957. Order by stipulation entered Jan. 17, 1958, by CA-6 dismissing the appeal, leaving injunction in effect. Closed.

TABLE 21.—*Proceedings by the Commission to enforce subpoenas under the Securities Act of 1933 and the Securities Exchange Act of 1934, pending during the fiscal year ended June 30, 1958*

Principal defendants	Number of defendants	United States District Court	Initiating papers filed	Section of act involved	Status of case
Henderson, Leon.....	2	Southern District of New York.	Mar. 18, 1958	Sec. 22 (b), 1933 Act.....	Order Mar. 18, 1958, directing respondent to show cause why order should not issue requiring respondent to comply with subpoena. Stipulation Apr. 3, 1958, discontinuing court action in view of compliance with subpoena. Closed.
Lord, Linda.....	1	do.....	May 28, 1958	Sec. 22 (b), 1933 Act; sec. 21 (c), 1934 Act.	Order June 2, 1958, directing respondent to show cause why order should not issue requiring respondent to comply with subpoena. Pending.
South, Dudley P.....	1	Southern District of Texas.....	Feb. 5, 1958	Sec. 22 (b), 1933 Act.....	Order Feb. 17, 1958, directing respondent to obey subpoena. Respondent consented to the entry of the order. Closed.

TABLE 22.—Miscellaneous actions involving the Commission or employees of the Commission during the fiscal year ended June 30, 1958

Plaintiff	Court	Initiating papers filed	Status of case
Doeskin Products, Inc.-----	Supreme Court of New York State, Southern District of New York and 2d Circuit.	Sept. 5, 1957	Action commenced on Sept. 5, 1957, in the Supreme Court of the State of New York by the service of a summons without a complaint which demanded damages in the amount of \$10,000,000 against all defendants. Complaint received Dec. 17, 1957, charging malicious interference with purported legal rights of plaintiff and seeking damages of \$1,000,000. Amended complaint received Jan. 3, 1958. Commission's petition for removal of case from New York Supreme Court to the United States District Court, Southern District of New York, filed Jan. 4, 1958. Judgment of district court Jan. 31, 1958, granting defendants' motion to dismiss for failure to state a claim and dismissing the action with prejudice. Appeal to CA-2, Feb. 14, 1958 by plaintiff. Appeal withdrawn and dismissed on stipulation, Mar. 18, 1958. Closed.
Great Sweet Grass Oils Limited.---	District of Columbia.-----	Oct. 29, 1956	Complaint filed Oct. 29, 1956, for a declaratory judgment concerning certain sections and rules of the 1934 Act and directing the Commission to vacate and set aside its order of Oct. 25, 1956. Action dismissed as moot after the securities involved were permanently suspended. Closed.
Hancock Trucking, Inc., In Re.---	Southern District of Indiana.---	Mar. 8, 1957	Petition for order directing that Commission show cause why securities to be issued pursuant to plan of reorganization are not exempt from registration and brief in support thereof. Order Nov. 15, 1957, dismissing action as per request of petitioner. Closed.
Kroy Oils Limited.-----	District of Columbia.-----	Nov. 3, 1956	Complaint filed Nov. 3, 1956, for declaratory judgment concerning certain sections and rules of the 1934 Act and directing the Commission to vacate and set aside its order of Nov. 2, 1956. Action dismissed as moot after the securities involved were permanently suspended. Closed.
Levinson, Herman D.-----	U. S. Court of Claims.-----	July 30, 1954	Petition for judgment alleging improper separation in reduction in force and seeking recovery of lost pay filed, July 30, 1954. Pending.
National Lithium Corp.-----	District of Columbia.-----	Feb. 24, 1958	Motion filed Feb. 24, 1958, for an order requiring the Commission to show cause why application for withdrawal of the registration statement of plaintiff should not be granted. The district court on Feb. 26, 1958 denied the request for a show cause order. Closed.
Peoples Securities Co.-----	District of Columbia.-----	Mar. 5, 1958	Complaint filed Mar. 5, 1958 for preliminary injunction restraining the Commission from conducting a hearing and permanent injunction directing Commission to enter an order cancelling plaintiff's application for registration as a broker-dealer. Order Mar. 14, 1958, denying plaintiff's motion for preliminary injunction. Appeal to court of appeals by plaintiff and application for injunction pending appeal filed, Mar. 14, 1958. On Mar. 17, 1958 the court of appeals stayed the Commission's proceedings until further order of the court. Order Mar. 25, 1958, rescinding order of Mar. 17, 1958 and denying motion by plaintiff for an injunction pending appeal. Agreement for dismissal of appeal by both parties filed, Apr. 28, 1958. Order June 12, 1958, of the district court granting defendants' motion to dismiss complaint and application for injunction. Closed.
Randolph Phillips.-----	District of Delaware.-----	May 17, 1958	Petition by Randolph Phillips filed in the district court, May 17, 1958, requesting an order to show cause why the Commission should not be adjudged in criminal and civil contempt of court's order of Dec. 30, 1957. Rule to show cause entered May 21, 1958. Petition of Commission to vacate and dissolve rule to show cause and to dismiss Phillips' petition filed May 27, 1958. Rule on Phillips to show cause entered May 28, 1958. Hearing before court June 6, 1958. Pending. (Proceeding also listed in Table No. 23 under The United Corp.)
Schwebel, Morris Mac.-----	District of Columbia.-----	June 24, 1957	Complaint for injunction and a declaratory judgment filed June 24, 1957, restraining Commission from prosecuting disciplinary proceedings against plaintiff. Judgment July 13, 1957, granting Commission's motion to dismiss and denying plaintiff's motion for preliminary injunction. Appeal to C.A., July 26, 1957. Opinion Jan. 30, 1958, affirming order of the district court. Petition for writ of certiorari filed, Feb. 25, 1958. Commission's brief in opposition filed, Mar. 23, 1958. Certiorari denied, Apr. 7, 1958. Closed.

**TABLE 23.—Actions pending during the fiscal year ended June 30, 1958, to enforce voluntary plans under sec. 11 (e) to comply with sec. 11 (b) of the Public Utility Holding Company Act of 1935**

Name of case	United States District Court	Initiating papers filed	Status of case
Arkansas Natural Gas Corp.....	Delaware.....	Reopened June 25, 1956....	Petition filed June 25, 1956, by Cities Service Company for an order requiring Elias Auerback to show cause why he should not be adjudged in contempt of order entered Jan. 29, 1953. Petition filed by Louis E. Marron July 23, 1956, seeking intervention. Order Oct. 26, 1956, denying petition for intervention but directing that petitioner be permitted to appear amicus curiae. Pending.
Louisiana Gas Service, et al., In Re....	Eastern District of Louisiana.	Dec. 2, 1957.....	Application filed Dec. 2, 1957, by Commission for an order enforcing the carrying out of a plan pursuant to secs. 11 (e) and 18 (f) of the Public Utility Holding Company Act of 1935 approved by Commission order of Nov. 22, 1957, and to enjoin interference with the plan. Order Jan. 14, 1958, enforcing provisions of the plan. Closed.
New England Public Service Co., In Re.	Maine.....	Reopened Mar. 5, 1958....	Supplemental application IV filed Mar. 5, 1958. Order rescinding order of Mar. 25, 1953 by substituting July 14, 1958 as the bar date and that Guaranty shall attempt to locate persons entitled to unclaimed assets and furnish to the Commission and the court a report as to assets unclaimed as at June 15, 1958; and the court shall continue to retain jurisdiction. Pending.
Philadelphia Co., et al., In Re.....	Western District of Pennsylvania.	Reopened Sept. 25, 1957....	Petition filed Sept. 25, 1957 by Standard Gas and Electric Co. requesting an order approving as reasonable its efforts to locate all stockholders re Step 4 of the amended plan. Commission's answer agreeing with the petition, filed Nov. 5, 1957. Order Nov. 5, 1957 approving Standard's petition. Petition filed Apr. 2, 1958 by Standard requesting an order approving as reasonable Standard's efforts to locate all stockholders and directing the securities and funds held by the Exchange Agent be disposed of pursuant to the Plan. Commission's answer to the petition consenting to the proposed order, May 16, 1958. Order May 20, 1958 approving Standard's petition, except as to specified stockholders who were in process of making the exchange. Pending.
Portland Gas & Coke Co., In Re..... Standard Gas and Electric Co., et al., In Re.	District of Oregon..... Delaware.....	Reopened Nov. 20, 1957... Reopened Nov. 1, 1957....	Application filed Nov. 20, 1957. Order Dec. 18, 1957 approving application. Closed. Petition filed Nov. 1, 1957 by Standard Gas and Electric Co. relating to the cut-off rights of holders of unexchanged securities to Step 1 of the Plan dated Feb. 8, 1951, for compliance by Standard Gas and Electric Co. and Philadelphia Co. with sec. 11 of the 1935 Act. Commission's answer to petition of Standard, Dec. 3, 1957. Order Dec. 5, 1957 approving petition of Standard. Petition filed Apr. 15, 1958 by Standard requesting an order approving as reasonable Standard's efforts to locate all stockholders and directing that the securities and funds held by the Exchange Agent be disposed of pursuant to the Plan. Commission's answer to petition of Standard filed May 13, 1958. Order May 23, 1958 approving Standard's petition, except as to specified stockholders who were in process of making the exchange. Pending.

TABLE 23.—Actions pending during the fiscal year ended June 30, 1958, to enforce voluntary plans under sec. 11 (e) to comply with sec. 11 (b) of the Public Utility Holding Company Act of 1935—Continued

Name of case	United States District Court	Initiating papers filed	Status of case
The United Corp.-----	Delaware-----	Oct. 11, 1954-----	Application filed Oct. 11, 1954. Enforcement order entered Mar. 7, 1955. Judgment of CA-3, Apr. 16, 1956, affirming the district court order. Petition for writ of certiorari by Protective Committee and Biddle filed July 13, 1956. Certiorari denied Oct. 8, 1956. Supplemental application for enforcement of order relating to fees filed July 27, 1956. Order Oct. 31, 1956, approving order of Commission re fees. Notices of appeal to CA-3 by Randolph Phillips and Joseph B. Hyman filed Dec. 28, and 29, 1956. Judgment of CA-3, Oct. 24, 1957 affirming in part and reversing in part the order of Oct. 31, 1956, and remanding cause to the district court. Commission's petition for rehearing denied by CA-3, Dec. 3, 1957. Order of district court Dec. 30, 1957, remanding proceeding to the Commission for modification of its Findings, Opinion and Order of June 28, 1956. Petition by Randolph Phillips filed in the district court, May 17, 1958, requesting an order to show cause why the Commission should not be adjudged in criminal and civil contempt of court's order of Dec. 30, 1957. Rule to show cause entered May 21, 1958. Petition of Commission to vacate and dissolve rule to show cause and to dismiss Phillips' petition filed May 27, 1958. Rule on Phillips to show cause entered May 28, 1958. Hearing before court June 6, 1958. Pending. (Latter proceeding also listed in Table No. 22 under Randolph Phillips.)

TABLE 24.—Actions under sec. 11 (d) of the Public Utility Holding Company Act of 1935 pending during the fiscal year ended June 30, 1958, to enforce compliance with the Commission's order issued under sec. 11 (b) of that act

Name of case	United States District Court	Initiating papers filed	Nature and history of case
International Hydro-Electric System..	Massachusetts.....	Reopened July 15, 1957....	Application for order directing trustee to deliver assets to Old Colony Trust Company and for authority to operate the business, filed July 15, 1957. Order Sept. 16, 1957, releasing Abacus Fund from jurisdiction of the court with certain exceptions. Petition filed Jan. 21, 1958 by trustee for approval and allowance of account for period Nov. 13, 1944 to Sept. 18, 1957. Supplemental application of Commission Jan. 21, 1958, for approval of payment on account of maximum final allowances of compensation and reimbursement of expenses. Orders Mar. 3, 1958, approving trustee's petition and allowances and expenses. Pending.

TABLE 25.—*Reorganization cases under ch. X of the Bankruptcy Act pending during the fiscal year ended June 30, 1958, in which the Commission participated when district court orders were challenged in appellate courts*

Name of case and United States Court of Appeals	Nature and status of case
General Stores Corp., debtor; Lewis J. Ruskin, Ford Hopkins Co., Stineway Drug Co., Sargent's Drug Store and Wright & Lawrence, Inc., appellants (2d Circuit).	Appeals from orders of May 2, 1957, staying Lewis J. Ruskin, secured creditor, from foreclosing on stocks of debtor's subsidiaries and from order of July 1, 1957, requiring management of subsidiaries to give notice to the Chapter X trustee 20 days in advance of substantial commitments and authorizing veto by trustee unless reversed by court. Appellants' brief and appendix filed approximately Sept. 13, 1957. Briefs for Richard Goodman, appellee, filed approximately Oct. 16, 1957. Commission's brief filed Nov. 4, 1957, in opposition to appeals. Briefs and appendix of reorganization trustee, appellee, filed Nov. 4, 1957, and approximately Nov. 20, 1957. Reply brief for appellant and supplemental appendix filed Nov. 27, 1957. Commission's memorandum filed Dec. 20, 1957. Opinion Jan. 6, 1958, by CA-2 affirming orders of May 2, 1957, and July 1, 1957. Closed.
Inland Gas Corp., et al., debtors; Ben Williamson, Jr., Paul E. Kern, Green Committee, Clinton M. Harbison, Allen Committee, Vanston Committee and Gregory Committee, appellants (6th Circuit).	Appeals from order of Mar. 14, 1956, inter alia denying confirmation of Trustees' Amended Plan of Reorganization refusing to find worthy of consideration a plan submitted by a security holder and refusing to confirm a plan of reorganization because it provided for post-bankruptcy interest and since it was not accepted by the requisite majority of creditors affected by the plan. Brief of Commission filed Aug. 1, 1956, supporting certain of the appeals. Decision of CA-6 Feb. 14, 1957, affirming the order of the district court. Petition of Kentucky Debenture Holders Committee and Paul E. Kern, Mar. 4, 1957, for rehearing and memorandum of Commission, Mar. 4, 1957, in support of petition for rehearing. Order entered by CA-6, May 8, 1957, denying the petition for rehearing. Petitions by appellants for writ of certiorari to review judgment entered by CA-6, Feb. 14, 1957. Memorandum of the Commission in support of petition, Aug. 15, 1957. Brief and consolidated brief of Columbia Gas System, Inc., in opposition to petitions for writ of certiorari, Sept. 9, 1957. Reply brief of Allen Committee and Edward D. Spilman, Sept. 19, 1957, to brief of Columbia Gas System, Inc., in opposition to petition for writ of certiorari and memorandum of the Commission. Writ of certiorari denied, Oct. 14, 1957. Petition of Paul E. Kern for rehearing, Nov. 1, 1957. Petition for rehearing denied by Supreme Court, Nov. 19, 1957. Closed.
Inland Gas Corp., et al., debtors; Thomas Choate and Harmon L. Remmel, Charles J. Gregory and Clyde L. Paul, Paul E. Kern, Elmo E. Allen, George H. Greenwald and Edward D. Spilman, appellants (6th Circuit).	Appeals from orders of May 13, 1958, and June 2, 1958, finding the plan for reorganization of Feb. 25, 1958, as amended, is fair, equitable and feasible. Motion by Clinton M. Harbison, as trustee of American Fuel & Power Company, to dismiss appeal of Paul E. Kern, et al., approximately June 20, 1958. Memorandum June 25, 1958, of appellee, The Columbia Gas System, Inc., in support of motion to dismiss appeals. Memorandum June 27, 1958, of Green Committee in support of American's trustee's motion to dismiss appeals from order of May 13, 1958. Pending.
Magnolia Park, Inc., debtor; Stephen Goldring and Malcolm Woldenberg, appellants (5th Circuit).	Appeal from order of Feb. 25, 1958, approving petition for reorganization. Motion by Stephen Goldring and Malcolm Woldenberg for leave to file petition, petition for writ of mandamus and prohibition or for a supersedeas or stay of the district court's order of Feb. 25, 1958, and brief in support thereof served Apr. 16, 1958. Commission's memorandum May 2, 1958, in opposition to petition for writs of mandamus and prohibition, etc. Trustee's memorandum May 7, 1958, in opposition to motion of appellants. Rejoinder memorandum on behalf of petitioners filed May 9, 1958. Order by CA-5 May 21, 1958, denying leave to file petition for writ of mandamus and refusing the alternate application for supersedeas. Pending.
Selected Investments Corp., et al., debtors; Selected Investments Corp., Selected Investments Trust Fund, Hugh A. Carroll, Julia L. Moore Carroll, William A. Rigg, H. P. and Zona Willis; C. M. Holliday and Herschel Hillery, et al., appellants (10th Circuit).	Appeals from order of Mar. 3, 1958, declaring Selected Investments Corporation and Selected Investments Trust Fund to be bankrupt, and finding certain trust certificates issued by Selected Investments Trust Fund not to be debt securities within the meaning of the Bankruptcy Act and therefore not under the jurisdiction of the district court. Application Apr. 4, 1958, of appellants for order staying proceedings in district court pending determination and final decision of appeal to CA-10; denied Apr. 7, 1958. Commission's designation of additional portions of the record on appeal, Apr. 9, 1958. Pending.
Selected Investments Corp., et al., debtors; C. M. Holliday, Herschel M. Hillery, J. S. Pledger and Lucille Pledger, appellants (10th Circuit).	Petition for writ of prohibition directed to Hon. Stephen S. Chandler commanding him to desist and refrain from further proceeding in the district court and exercising further jurisdiction. Debtors' petition Apr. 4, 1958, for intervention and consolidation and for stay of proceedings in the district court. Commission's statement in opposition to petition for writ of prohibition, Apr. 4, 1958. Brief and response of Hon. Stephen S. Chandler, Apr. 7, 1958. CA-10 Apr. 7, 1958, denied application for writ of prohibition. Closed.
Third Avenue Transit Corp., et al., debtors; Hiram S. Gans, appellant (2d Circuit).	Appeal from opinion of Feb. 6, 1958, denying application of Amen, Gans, Weisman and Butler for compensation and denying the application for approval of a certain transfer of securities. Pending.

TABLE 26.—A 25-year summary of criminal cases developed by the Commission—1934 through 1958 by fiscal year

[See table 29 for classification of defendants as broker-dealers, etc.]

Fiscal year	Number of cases referred to Department of Justice in each year	Number of persons as to whom prosecution was recommended in each year	Number of such cases in which indictments were obtained by United States attorneys	Number of defendants indicted in such cases <sup>1</sup>	Number of these defendants convicted	Number of these defendants acquitted	Number of these defendants as to whom proceedings were dismissed on motion of United States attorneys	Number of these defendants as to whom cases are pending <sup>2</sup>
1934	7	36	3	32	17	0	15	0
1935	29	177	14	149	84	5	60	0
1936	43	379	34	368	164	46	158	0
1937	42	128	30	144	78	32	34	0
1938	40	113	33	134	75	13	45	1
1939	52	245	47	292	199	33	60	0
1940	59	174	51	200	96	38	66	0
1941	54	150	47	145	94	15	36	0
1942	50	144	46	194	108	23	49	14
1943	31	91	28	105	62	10	33	3
1944	27	69	24	79	48	6	20	5
1945	19	47	18	61	36	10	14	1
1946	16	44	14	40	13	8	4	15
1947	20	50	13	34	9	5	16	4
1948	16	32	15	29	20	3	6	0
1949	27	44	25	57	19	13	25	0
1950	18	28	15	27	21	1	5	0
1951	29	42	24	48	37	5	6	0
1952	14	26	13	24	17	4	3	0
1953	18	32	15	33	20	6	5	2
1954	19	44	19	52	26	4	6	16
1955	8	12	8	13	7	0	6	0
1956	17	43	16	44	18	3	6	17
1957	26	132	15	53	23	1	2	27
1958	<sup>3</sup> 15	51	8	16	4	0	0	12
Total	696	2,333	<sup>4</sup> 575	2,376	1,295	284	<sup>5</sup> 680	117

<sup>1</sup> The number of defendants in a case is sometimes increased by the Department of Justice over the number against whom prosecution was recommended by the Commission. For the purpose of this table, an individual named as a defendant in 2 or more indictments in the same case is counted as a single defendant.

<sup>2</sup> See table 27 for breakdown of pending cases.

<sup>3</sup> Six of these references as to 33 proposed defendants were still being processed by the Department of Justice as of the close of the fiscal year, and also 9 of the 1957 references as to 82 proposed defendants.

<sup>4</sup> 546 of these cases have been completed as to 1 or more defendants. Convictions have been obtained in 473 or 87 percent of such cases. Only 73 or 13 percent of such cases have resulted in acquittals or dismissals as to all defendants, this includes numerous cases in which indictments were dismissed without trial because of the death of defendants or for other administrative reasons. See note 5, *infra*.

<sup>5</sup> Includes 54 defendants who died after indictment.

TABLE 27.—Summary of criminal cases developed by the Commission which were still pending at June 30, 1958

	Cases	Number of defendants in such cases	Number of such defendants as to whom cases have been completed	Number of such defendants as to whom cases are still pending and reasons therefor		
				Not yet apprehended	Awaiting trial	Awaiting appeal
Pending, referred to Department of Justice in the fiscal year:						
1938.....	1	2	1	1	0	0
1939.....	0	0	0	0	0	0
1940.....	0	0	0	0	0	0
1941.....	0	0	0	0	0	0
1942.....	2	18	4	13	1	0
1943.....	1	5	2	2	1	0
1944.....	1	7	2	5	0	0
1945.....	1	1	0	1	0	0
1946.....	4	16	1	15	0	0
1947.....	1	5	1	4	0	0
1948.....	0	0	0	0	0	0
1949.....	0	0	0	0	0	0
1950.....	0	0	0	0	0	0
1951.....	0	0	0	0	0	0
1952.....	0	0	0	0	0	0
1953.....	2	12	10	1	1	0
1954.....	2	25	9	7	9	0
1955.....	0	0	0	0	0	0
1956.....	8	23	6	0	12	5
1957.....	9	35	8	1	21	5
1958.....	4	12	0	0	12	0
Total.....	136	1161	44	50	57	10

## SUMMARY

Total cases pending <sup>1</sup> .....	51
Total defendants <sup>1</sup> .....	276
Total defendants as to whom cases are pending <sup>1</sup> .....	232

<sup>1</sup> Except for 1957 and 1958 indictments have been returned in all pending cases. As of the close of the fiscal year, indictments had not yet been returned as to 115 proposed defendants in 15 cases referred to the Department of Justice in 1957 and 1958. These are reflected only in the recapitulation of totals at the bottom of the table.

TABLE 28.—A 25-year summary classifying all defendants in criminal cases developed by the Commission—1934 to June 30, 1958

	Number indicted	Number convicted	Number acquitted	Number as to whom cases were dismissed on motion of United States attorneys	Number as to whom cases are pending
Registered broker-dealers <sup>1</sup> (including principals of such firms).....	360	224	24	100	12
Employees of such registered broker-dealers.....	128	65	17	43	3
Persons in general securities business but not as registered broker-dealers (includes principals and employees).....	722	368	57	261	36
All others <sup>2</sup> .....	1,166	638	186	276	66
Total.....	2,376	1,295	284	680	117

<sup>1</sup> Includes persons registered at or prior to time of indictment.

<sup>2</sup> The persons referred to in this column, while not engaged in a general business in securities, were almost without exception prosecuted for violations of law involving securities transactions.

TABLE 29.—A 25-year summary of all injunction cases instituted by the Commission, 1934 to June 30, 1958, by calendar year

Calendar year	Number of cases instituted by the Commission and the number of defendants involved		Number of cases in which injunctions were granted and the number of defendants enjoined. <sup>1</sup>	
	Cases	Defendants	Cases	Defendants
1934.....	7	24	2	4
1935.....	36	242	17	56
1936.....	42	116	36	108
1937.....	96	240	91	211
1938.....	70	152	73	153
1939.....	57	154	61	165
1940.....	40	100	42	99
1941.....	40	112	36	90
1942.....	21	73	20	54
1943.....	19	81	18	72
1944.....	18	80	14	36
1945.....	21	74	21	87
1946.....	21	45	15	34
1947.....	20	40	20	47
1948.....	19	44	15	26
1949.....	25	59	24	55
1950.....	27	73	26	71
1951.....	22	67	17	43
1952.....	27	103	18	50
1953.....	20	41	23	68
1954.....	22	59	22	62
1955.....	23	54	19	43
1956.....	53	122	42	89
1957.....	58	192	32	93
1958 (to June 30).....	38	162	38	107
Total.....	842	2,509	742	1,892

SUMMARY

	Cases	Defendants
Actions instituted.....	842	2,509
Injunctions obtained.....	731	1,892
Actions pending.....	36	<sup>2</sup> 173
Other dispositions <sup>4</sup> .....	75	444
Total.....	842	2,509

<sup>1</sup> These columns show disposition of cases by year of disposition and do not necessarily reflect the disposition of the cases shown as having been instituted in the same years.

<sup>2</sup> Includes 11 cases which were counted twice in this column because injunctions against different defendants in the same cases were granted in different years.

<sup>3</sup> Includes 39 defendants in 12 cases in which injunctions have been obtained as to 39 co-defendants.

<sup>4</sup> Includes (a) actions dismissed (as to 376 defendants); (b) actions discontinued, abated, vacated, abandoned, stipulated, or settled (as to 53 defendants); (c) actions in which judgment was denied (as to 11 defendants); (d) actions in which prosecution was stayed on stipulation to discontinue misconduct charged (as to 4 defendants).

TABLE 30.—*Canons of Ethics for Members of the Securities and Exchange Commission*

## PREAMBLE

Members of the Securities and Exchange Commission are entrusted by various enactments of the Congress with powers and duties of great social and economic significance to the American people. It is their task to regulate varied aspects of the American economy, within the limits prescribed by Congress, to insure that our private enterprise system serves the welfare of all citizens. Their success in this endeavor is a bulwark against possible abuses and injustice which, if left unchecked, might jeopardize the strength of our economic institutions.

It is imperative that the members of this Commission continue to conduct themselves in their official and personal relationships in a manner which commands the respect and confidence of their fellow citizens. Members of this Commission should continue to be mindful of, and strictly abide by, the standards of personal conduct set forth in its Regulation regarding Conduct of Members and Employees and Former Members and Employees of the Commission, most of which has been in effect for many years and which was codified in substantially its present form in 1953. Rule 1 of said Regulation enunciates a General Statement of Policy as follows:

"It is deemed contrary to Commission policy for a member or employee of the Commission to—

"(a) engage, directly or indirectly, in any personal business transaction or private arrangement for personal profit which accrues from or is based upon his official position or authority or upon confidential information which he gains by reason of such position or authority;

"(b) accept, directly or indirectly, any valuable gift, favor, or service from any person with whom he transacts business on behalf of the United States;

"(c) discuss or entertain proposals for future employment by any person outside the Government with whom he is transacting business on behalf of the United States;

"(d) divulge confidential commercial or economic information to any unauthorized person, or release any such information in advance of authorization for its release;

"(e) become unduly involved, through frequent or expensive social engagements or otherwise, with any person outside the Government with whom he transacts business on behalf of the United States; or

"(f) act in any official matter with respect to which there exists a personal interest incompatible with an unbiased exercise of official judgment.

"(g) fail reasonably to restrict his personal business affairs so as to avoid conflicts of interest with his official duties."

In addition to the continued observance of these foregoing principles of personal conduct, it is fitting and proper for the members of this Commission to restate and resubscribe to the standards of conduct applicable to its executive, legislative and judicial responsibilities.

## 1. Constitutional Obligations

The members of this Commission have undertaken in their oaths of office to support the Federal Constitution. Insofar as the enactments of the Congress impose executive duties upon the members, they must faithfully execute the laws which they are charged with administering. Members shall also care-

fully guard against any infringement of the constitutional rights, privileges or immunities of those who are subject to regulation by this Commission.

## 2. Statutory Obligations

In administering the law, members of this Commission should vigorously enforce compliance with the law by all persons affected thereby. In the exercise of the rule-making powers delegated this Commission by the Congress, members should always be concerned that the rule-making power be confined to the proper limits of the law and be consistent with the statutory purpose expressed by the Congress. In the exercise of their judicial functions, members shall honestly, fairly and impartially determine the rights of all persons under the law.

## 3. Personal Conduct

Appointment to the office of member of this Commission is a high honor and requires that the conduct of a member, not only in the performance of the duties of his office but also in his everyday life, should be beyond reproach.

## 4. Relationship with Other Members

Each member should recognize that his conscience and those of other members are distinct entities and that differing shades of opinion should be anticipated. The free expression of opinion is a safeguard against the domination of this Commission by less than a majority, and is a keystone of the commission type of administration. However, a member should never permit his personal opinion so to conflict with the opinion of another member as to develop animosity or unfriendliness in the Commission, and every effort should be made to promote solidarity of conclusion.

## 5. Maintenance of Independence

This Commission has been established to administer laws enacted by the Congress. Its members are appointed by the President by and with the advice and consent of the Senate to serve terms as provided by law. However, under the law, this is an independent Agency, and in performing their duties, members should exhibit a spirit of firm independence and reject any effort by representatives of the executive or legislative branches of the government to affect their independent determination of any matter being considered by this Commission. A member should not be swayed by partisan demands, public clamor or considerations of personal popularity or notoriety; so also he should be above fear of unjust criticism by anyone.

## 6. Relationship with Persons Subject to Regulation

In all matters before him, a member should administer the law without regard to any personality involved, and with regard only to the issues. Members should not become indebted in any way to persons who are or may become subject to their jurisdiction. No member should accept loans, presents or favors of undue value from persons who are regulated or who represent those who are regulated. In performing their judicial functions, members should avoid discussion of a matter with any person outside this Commission and its staff while that matter is pending. In the performance of his rule-making and administrative functions, a member has a duty to solicit the views of interested persons. Care must be taken by a member in his relationship with persons within or outside of the

Commission to separate the judicial and the rule-making functions and to observe the liberties of discussion respectively appropriate. Insofar as it is consistent with the dignity of his official position, he should maintain contact with the persons outside the agency who may be affected by his rule-making functions, but he should not accept unreasonable or lavish hospitality in so doing.

#### 7. Qualification to Participate in Particular Matters

The question of qualification of an individual member to vote or participate in a particular matter rests with that individual member. Each member should weigh carefully the question of his qualification with respect to any matter wherein he or any relatives or former business associates or clients are involved. He should disqualify himself in the event he obtained knowledge prior to becoming a member of the facts at issue before him in a quasi-judicial proceeding, or in other types of proceeding in any matter involving parties in whom he has any interest or relationship directly or indirectly. If an interested person suggests that a member should disqualify himself in a particular matter because of bias or prejudice, the member shall be the judge of his own qualification.

#### 8. Impressions of Influence

A member should not, by his conduct, permit the impression to prevail that any person can improperly influence him, that any person unduly enjoys his favor or that he is affected in any way by the rank, position, prestige or affluence of any person.

#### 9. Ex parte Communications

Matters of a quasi-judicial nature should be determined by a member solely upon the record made in the proceeding and the arguments of the parties or their counsel properly made in the regular course of such proceeding. All communications by parties or their counsel to a member in a quasi-judicial proceeding which are intended or calculated to influence action by the member should at once be made known by him to all parties concerned. A member should not at any time permit ex parte interviews, arguments or communications designed to influence his action in such a matter.

#### 10. Commission Opinions

The opinions of the Commission should state the reasons for the action taken and contain a clear showing that no serious argument of counsel has been disregarded or overlooked. In such manner, a member shows a full understanding of the matter before him, avoids the suspicion of arbitrary conclusion, promotes confidence in his intellectual integrity and may contribute some useful precedent to the growth of the law. A member should be guided in his decisions by a deep regard for the integrity of the system of law which he administers. He should recall that he is not a repository of arbitrary power, but is acting on behalf of the public under the sanction of the law.

#### 11. Judicial Review

The Congress has provided for review by the courts of the decisions and orders by this Commission. Members should recognize that their obligation to preserve the sanctity of the laws administered by them requires that they pursue and prosecute, vigorously and diligently but at the same time fairly and impartially and with dignity, all matters which they or others take to the courts for judicial review.

## 12. Legislative Proposals

Members must recognize that the changing conditions in a volatile economy may require that they bring to the attention of the Congress proposals to amend, modify or repeal the laws administered by them. They should urge the Congress, whenever necessary, to effect such amendment, modification or repeal of particular parts of the statutes which they administer. In any such action a member's motivation should be the common weal and not the particular interests of any particular group.

## 13. Investigations

The power to investigate carries with it the power to defame and destroy. In determining to exercise their investigatory power, members should concern themselves only with the facts known to them and the reasonable inferences from those facts. A member should never suggest, vote for or participate in an investigation aimed at a particular individual for reasons of animus, prejudice or vindictiveness. The requirements of the particular case alone should induce the exercise of the investigatory power, and no public pronouncement of the pendency of such an investigation should be made in the absence of reasonable evidence that the law has been violated and that the public welfare demands it.

## 14. The Power to Adopt Rules

In exercising its rule-making power, this Commission performs a legislative function. The delegation of this power by the Congress imposes the obligation upon the members to adopt rules necessary to effectuate the stated policies of the statute in the interest of all of the people. Care should be taken to avoid the adoption of rules which seek to extend the power of the Commission beyond proper statutory limits. Its rules should never tend to stifle or discourage legitimate business enterprise or activities, nor should they be interpreted so as unduly and unnecessarily to burden those regulated with onerous obligations. On the other hand, the very statutory enactments evidence the need for regulation, and the necessary rules should be adopted or modifications made or rules should be repealed as changing requirements demand without fear or favor.

## 15. Promptness

Each member should promptly perform the duties with which he is charged by the statutes. The Commission should evaluate continuously its practices and procedures to assure that it promptly disposes of all matters affecting the rights of those regulated. This is particularly desirable in quasi-judicial proceedings. While avoiding arbitrary action in unreasonably or unjustly forcing matters to trial, members should endeavor to hold counsel to a proper appreciation of their duties to the public, their clients and others who are interested. Requests for continuances of matters should be determined in a manner consistent with this policy.

## 16. Conduct Toward Parties and Their Counsel

Members should be temperate, attentive, patient and impartial when hearing the arguments of parties or their counsel. Members should not condone unprofessional conduct by attorneys in their representation of parties. The Commission should continuously assure that its staff follows the same principles in their relationships with parties and counsel.

**17. Business Promotions**

A member must not engage in any other business, employment or vocation while in office, nor may he ever use the power of his office or the influence of his name to promote the business interests of others.

**18. Fiduciary Relationships**

A member should avoid serving as a fiduciary if it would interfere or seem to interfere with the proper performance of his duties, or if the interests of those represented require investments in enterprises which are involved in questions to be determined by him. Such relationships would include trustees, executors, corporate directors and the like.

**19. Organization**

Members and particularly the Chairman of the Commission should scrutinize continuously its internal organization in order to assure that such organization handles all matters before it efficiently and expeditiously, while recognizing that changing times bring changing emphasis in the administration of the laws.

