21st Annual Report

of the

Securities and Exchange Commission

Fiscal Year Ended June 30, 1955

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SECURITIES AND EXCHANGE COMMISSION

Headquarters Office

425 Second Street NW.

Washington 25, D. C.

COMMISSIONERS

March 30, 1956

J. SINCLAIR ARMSTRONG, *Chairman*
CLARENCE H. ADAMS
ANDREW DOWNEY ORRICK
HAROLD C. PATTERSON
EARL F. HASTINGS

ORVAL L. DUBOIS, *Secretary*

LETTER OF TRANSMITTAL

SECURITIES AND EXCHANGE COMMISSION,
Washington, D. C., March 30, 1956.

SIR: I have the honor to transmit to you the Twenty-first Annual Report of the Securities and Exchange Commission, covering the fiscal year July 1, 1954 to June 30, 1955, in accordance with the provisions of Section 23 (b) of the Securities Exchange Act of 1934, approved June 6, 1934; section 23 of the Public Utility Holding Company Act of 1935, approved August 26, 1935; section 46 (a) of the Investment Company Act of 1940, approved August 22, 1940; section 216 of the Investment Advisers Act of 1940, approved August 22, 1940; and section 3 of the act of June 29, 1949, amending the Bretton Woods Agreements Act.

Respectfully,

J. SINCLAIR ARMSTRONG,
Chairman.

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

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FOREWORD

The 21st Annual Report of the Securities and Exchange Commission to the Congress for the fiscal year July 1, 1954, to June 30, 1955, describes the Commission's activities during the year in discharging its duties under the statutes which it administers. These include supervision of the registration of securities for sale in interstate commerce to the public, the surveillance of the interstate markets in securities, regulation of the activities of brokers and dealers, regulation of registered public utility holding company systems and investment companies, as well as litigation in the courts.

In the fiscal year 1955 new issues of securities registered for public sale totaled almost $11 billion. This represents an increase of $1.8 billion over the previous fiscal year and compares with a previous peak of $9.5 billion for the fiscal year 1952.

In addition to this increase in normal workload, the Commission has been engaged in a program to simplify forms, eliminate duplicate filings and relieve those subject to regulation of unnecessary burdens without prejudicing the interest of investors. Though a reduced workload should ultimately result from this program, because of the complexity of such matters, such a program involves a large expenditure of time by high grade personnel. This program is continuing into fiscal 1956.

The Commission's work may be divided into two general classes. First, there is the work which usually must be completed within prescribed short-time limits. Examples of this are the registration statements relating to the raising of capital, applications of public utility companies for financing, proxy soliciting material, broker-dealer registrations, and certain types of enforcement activity. Other work, however, has no fixed time limit and is necessarily performed as the staff is available to do the work. Examples of this are the review of annual and periodic reports filed with the Commission, broker-dealer inspections, and certain applications for approval of transactions subject to the Investment Act of 1940. In allocating personnel, preference must be given to the first category of work mentioned above. Any reduction in personnel, therefore, tends to defer the handling of other essential work.

During this year the Commission has continued to use every effort to render an effective administration at a minimum of cost.

COMMISSIONERS AND STAFF OFFICERS

(As of June 30, 1955)

Commissioners

	Term Expires June 5
J. Sinclair Armstrong,[1] of Illinois, *Chairman*	1958
Clarence H. Adams, of Connecticut	1956
A. Jackson Goodwin, Jr.[2] of Alabama	1959
Andrew Downey Orrick,[3] of California	1957
Vacancy [4]	1960

Secretary: Orval L. DuBois

Staff Officers

Edward T. Tait,[5] Executive Director.
Frank G. Uriell,[6] Executive Assistant to the Chairman.
Byron D. Woodside, Director, Division of Corporation Finance.
Robert A. McDowell,[7] Director, Division of Corporate Regulation.
  Ray Garrett, Jr., Associate Director.
Harold C. Patterson,[8] Director, Division of Trading and Exchanges.
  Philip A. Loomis, Jr., Associate Director.
William H. Timbers,[9] General Counsel.
  Thomas G. Meeker,[10] Associate General Counsel.
Earle C. King, Chief Accountant.
Leonard Helfenstein, Director, Office of Opinion Writing.

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[1] Designated Chairman May 26, 1955, to succeed Ralph H. Demmler, resigned May 25, 1955.
[2] Resigned December 31, 1955. Succeeded by Earl F. Hastings, of Arizona, assumed office March 6, 1956.
[3] Assumed office May 26, 1955, to fill the vacancy created by the resignation of Ralph H. Demmler.
[4] Term of office of Paul R. Rowen expired June 5, 1955. Succeeded by Harold C. Patterson, of Virginia, assumed office August 5, 1955.
[5] Designated effective June 15, 1955, to succeed John V. Bowser, resigned. Mr. Tait resigned June 30, 1955. Thomas G. Meeker designated Acting Director effective July 1, 1955, Albert K. Scheidenhelm designated Executive Director effective November 29, 1955.
[6] Designated June 16, 1955, to succeed Edward T. Tait.
[7] Resigned January 6, 1956. Ray Garrett, Jr., designated Director effective January 7, 1956.
[8] Assumed office as Commissioner August 5, 1955. Philip A. Loomis, Jr., designated Director effective September 26, 1955.
[9] Resigned January 30, 1956. Thomas G. Meeker designated General Counsel effective January 31, 1956.
[10] Designated June 13, 1955, to succeed Myron S. Isaacs, resigned.

REGIONAL AND BRANCH OFFICES

Regional Administrators

Region 1. Francis J. Purcell,[1] 42 Broadway, New York 4, N. Y.

Region 2. Philip E. Kendrick, Federal Building, U. S. Post Office and Courthouse, Post Office Square, Boston 9, Mass.

Region 3. William Green, Peachtree Seventh Building (Room 350), Atlanta, Ga.

Region 4. Thomas B. Hart, Bankers Building (Room 630), 105 West Adams Street, Chicago 3, Ill.

Region 5. Oran H. Allred, United States Courthouse (Room 301), Tenth and Lamar Streets, Fort Worth 2, Tex.

Region 6. Joseph F. Krys (Acting),[2] New Customhouse (Room 573), 19th and Stout Streets, Denver 2, Colo.

Region 7. Arthur E. Pennekamp (Acting),[3] Appraisers Building (Room 334), 630 Sansome Street, San Francisco 11, Calif.

Region 8. James E. Newton, 905 Second Avenue Building (Room 304), Seattle 4, Wash.

Region 9. William S. Marshall[4], 425 Second Street NW. (Room 105), Washington 25, D. C.

Branch Offices

Standard Building (Room 1628), 1370 Ontario Street, Cleveland 13, Ohio.

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

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

Main Post Office and Courthouse (Room 1037), 180 East Kellogg Blvd., St. Paul 1, Minn.

Post Office Building (Room 420–A), Salt Lake City, Utah.

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[1] Resigned July 29, 1955. James C. Sargent designated Regional Administrator effective November 14, 1955.

[2] Succeeded William L. Cohn who retired May 31, 1955. Milton J. Blake designated Regional Administrator effective September 8, 1955.

[3] Succeeded Andrew Downey Orrick who was appointed Commissioner May 26, 1955. George A. Blackstone designated Regional Administrator effective August 1, 1955.

[4] Resigned January 11, 1956. Daniel J. McCauley, Jr., designated Regional Administrator effective March 19, 1956.

COMMISSIONERS

J. Sinclair Armstrong, Chairman

Chairman Armstrong was born in New York City on October 15, 1915. He received an A. B. degree from Harvard College in 1938 and an LL. B. degree from Harvard Law School in 1941. After passing the New York State Bar Examination in 1941 he moved to Chicago, Ill., in July 1941, was admitted to practice in Illinois in that year, and from 1941 to 1945 was associated with the law firm of Isham, Lincoln & Beale. From 1945 to 1946 he was on active duty in the U. S. Naval Reserve, assigned to the Office of the General Counsel for the Department of the Navy in Washington. In 1946 he returned to Isham, Lincoln & Beale, becoming a partner of the firm in 1950. On July 16, 1953, he took office as a member of the Securities and Exchange Commission for a term of office expiring June 5, 1958, and was designated Chairman of the Commission on May 25, 1955.

Clarence H. Adams

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

A. Jackson Goodwin, Jr.

Commissioner Goodwin was born in Anniston, Ala., on October 18, 1911 and resides in that city. He received an A. B. degree from Princeton University in 1934 and an M. B. A. degree from Harvard Business School in 1936. Between 1936 and 1940 he was associated with the investment banking firm of Dillon, Read & Co. Between 1946 and 1952, after 5 years military service during which, among other duties, he served as an assistant and aide to Undersecretary of War Robert P. Patterson and in the European Theater of Operations as a Lieutenant Colonel, he was associated with the Anniston National Bank of Anniston, Ala., as vice president and director. In 1952 and 1953 he was a Director of the Federal Reserve Bank of Atlanta, Birmingham Branch, and a Director of the Life Insurance Company of Alabama. On July 16, 1953, he took office as a member of the Securities and Exchange Commission for a term of office expiring June 5, 1954, and was reappointed for a term expiring June 5, 1959.

Andrew Downey Orrick

Commissioner Orrick was born in San Francisco, Calif., on October 18, 1917. He received his B. A. degree from Yale College in 1940 and an LL. B. degree from the University of California (Hastings College of Law) in 1947. From 1942 to 1946 he was on active duty with the United States Army as a captain in the Transportation Corps. After being admitted to practice in California in 1947 he was associated with the law firm of Orrick, Dahlquist, Herrington & Sutcliffe in San Francisco until February 1954, when he became Regional Administrator of the San Francisco Regional Office of the Securities and Exchange Commission. He served in that capacity until May 24, 1955, when he was appointed a member of the Commission for a term of office expiring June 5, 1957.

PART I

REVISIONS OF RULES AND FORMS

Progress has been made in the continuous program of revising the Commission's rules and forms to keep abreast of constantly changing techniques in the securities industry. Revisions during the 1955 fiscal year included those made in consequence of the enactment of Public Law 577, 83d Congress, Chapter 667, 2d session (68 Stat. 683), approved August 10, 1954 and effective October 10, 1954.[1] Certain of these and various other changes made during the year are outlined below. Other revisions of rules which are of primary interest to special groups, such as brokers and dealers and public utility holding companies, are described in the parts of this report dealing with the regulation of the activities of such persons and companies.

Rule 154.—Because of the decision in the *Ira Haupt & Company* case, 23 SEC 589 (1946), increasing doubts had arisen as to the scope of the exemption provided by section 4 (2) of the Securities Act for brokers' transactions effected on behalf of controlling persons. When the appropriate congressional committees were considering the legislative changes embodied in Public Law 577, 83d Congress, the Senate Committee on Banking and Currency took note of the fact that the Commission had under study the adoption of a rule that would deal with this particular problem and expressed its hope that such a rule would effectively solve it.[2]

After completing its study, in connection with which public hearings were conducted to obtain the widest possible range of views, the Commission adopted an amendment to rule 154 which defines the term "brokers' transactions" as used in section 4 (2) to include transactions of sale executed by a broker for the account of any person controlling, controlled by, or under common control with an issuer where the broker performs no more than the usual and customary broker's function and receives no more than the usual and customary commission, where neither he nor, to his knowledge, his principal solicits orders to buy, and where he is not aware of circumstances indicating that his principal is an underwriter or engaged in a distribution of securities. The rule contains a definition of the term "distribution" which will serve as a guide for distinguishing between a distribution and an

[1] This major change in the Federal securities laws was discussed in the 1954 annual report. Also described therein was the Commission's adoption on July 21, 1954 of Form S-9 which greatly simplified the procedure for registration under the Securities Act of non-convertible fixed interest debt securities of American and Canadian companies.

[2] Senate Report No. 1036, 83d Cong., 2d Session (1954), 7.

ordinary trading transaction entitled to the brokerage transaction exemption.

Changes in rules made to conform to Public Law 577, 83d Congress.—Rule 433 under the Securities Act was adopted to conform existing regulations to the statutory amendments. Under this rule it is now permissible to make written offers to sell and solicitations of offers to buy during the statutory 20 day waiting period between the filing date and the effective date of a registration statement by means of a preliminary prospectus which meets specified conditions and is filed with the Commission before its use.

Rule 460, concerning the preparation and distribution of preliminary prospectuses, provides certain standards for the acceleration of the effective dates of registration statements which theretofore had been dependent upon administrative practice.

Rule 153, with respect to the delivery of a prospectus in a transaction in a registered security effected on a national securities exchange was amended to reduce from 1 year to 40 days the period after the commencement of an offering during which prospectuses must be made available to the exchange for its members.

Rule 427 permits prospectuses used more than 9 months after the effective date of a registration statement under the Securities Act to omit required information insofar as information as of a date within 16 months of its use is provided on the same subject, in place of the former provisions keyed to intervals of 13 and 12 months, respectively.

An exception was made, by the amendment of rule 413 under the Securities Act, to the requirement that additional securities must be registered by a separate registration statement. This exception conforms to section 24 (e) (1) of the Investment Company Act, as amended, which permits investment companies which engage in continuous offerings of their shares to increase the number of their registered shares by post-effective amendments. Corresponding amendments were made in rules 457 and 470. This simpler procedure was used by investment companies in 81 instances during the 9 months of the 1955 fiscal year after it became available.

Rule N-24E-1.—Section 24 (e) (3) of the Investment Company Act, added by Public Law No. 577, 83d Congress, requires that a prospectus relating to a security issued by a face-amount certificate company or a redeemable security issued by an open-end management company or unit investment trust "which varies for the purposes of subsection (a) (3) of section 10 of the Securities Act of 1933 from the latest prospectus filed as a part of the registration statement" must be filed as a post-effective amendment in order to meet the requirements of section 10 of the Act, except to the extent the Commission otherwise provides by rules and regulations.

The quoted language in section 24 (e) (3) refers to a prospectus which is prepared for the purpose of providing more current information, in compliance with section 10 (a) (3), after the previous prospectus ceases to comply with that section because the information therein is no longer sufficiently current to meet the statutory requirements. In practice, investment companies engaged in a continuous offering of securities had customarily prepared such a revised prospectus at approximately annual intervals, and it was the purpose of section 24 (e) (3) to require the filing of such a revision as a post-effective amendment. Some apprehension was expressed, however, that the quoted language of section 24 (e) (3) might be interpreted as including any prospectus used more than nine months after the original effective date which differs in any respect from the latest prospectus included in the registration statement and, therefore, that it would be prudent to file all such prospectuses as post-effective amendments. Reports of congressional committees with respect to Public Law No. 577 indicate that section 24 (e) (3) was not intended to require the filing of every changed prospectus as a post-effective amendment.[3] The Commission accordingly adopted rule N–24E–1 [4] to make explicit that section 24 (e) (3) applies only to prospectuses prepared for the purpose of complying with section 10 (a) (3).

Rule 461.—This rule governs requests for acceleration of the effective date of a registration statement under the Securities Act. It requires each such request to be made in writing by the registrant, the managing underwriters, and the selling security holders, if any. It provides further that the request should state the date upon which it is desired that the registration statement shall be ordered effective.

Rule 133.—This rule makes clear through certain definitions that the registration and prospectus requirements of the Securities Act are inapplicable to certain mergers, consolidations, reclassifications of securities, and transfers of assets between two corporations. It was broadened by the adoption of an amendment which also excludes from these requirements certain cases involving a parent company, a controlled company, and a third corporation, where the assets of the third corporation are transferred to the controlled company in consideration of the issuance of securities of the parent corporation. The occasion for this amendment arose from the somewhat similar amendment that had been made in section 368 (a) (1) (c) of the Internal Revenue Code, which defines tax-free "reorganizations".[5]

[3] Senate Report No. 1036, 83d Cong., 2d session (1954), 21; House Report No. 1542, 83d Cong., 2d session (1953), 30.

[4] Investment Company Act release No. 2135 (April 22, 1955).

[5] Securities Act release No. 3522 (October 26, 1954).

Rules 134 and 135.—Rule 134, adopted shortly after the fiscal year, is expected to facilitate greatly the dissemination of information about a security before the sale thereof. It specifies the information required and permitted to be included in a notice, advertisement, letter or other communication with respect to a security which identifies the security and states from whom a prospectus may be obtained. Such a communication may be used prior to or after the effectiveness of the registration statement and is not deemed to constitute a "prospectus" as defined in section 2 (10) of the Securities Act. It is designed to permit an adequate announcement identifying the existence of a public offering and the availability of a prospectus. At the same time the Commission adopted rule 135 which provides that a notice or other communication sent by an issuer to security holders to inform them of the proposed issuance of rights to subscribe to additional securities shall not be deemed to offer any security for sale if the communication is transmitted within 60 days prior to the record date, states that the offering will be made only by the prospectus and in addition contains only certain specified information necessary to inform the security holders of the forthcoming offering. The rule is in the nature of an interpretative rule and in substance gives specific authority for a practice which had theretofore been followed without objection by the Commission.[6]

Rules 423, 428, and 404.—Amendments were made to these rules so that certain issuers of securities to be offered at competitive bidding would be permitted to invite competitive bids prior to the effective date of a registration statement which has been filed under the Securities Act with respect to the securities.[7]

Regulation A.—Rules 216 and 217 were amended to make Regulation A available for a rights offering by a domestic or foreign majority-owned subsidiary of any resident of the United States having its principal business in the United States and its securities registered for trading on a national securities exchange; and to exclude from the computation of the $300,000 limitation of Regulation A that portion of a warrant or rights offering pro rata to security holders made outside of the United States.[8]

Form 9–K and Related Rules.—After considerable study of the adequacy of its periodic reporting requirements, the Commission adopted a new Form 9–K and related Rules X-13A–13 and X-15D–13 to provide for semi-annual reports under the Securities Exchange Act. These reports will supply investors with important additional information about their securities. A report on the new form is to be filed

[6] Securities Act release No. 3568 (August 29, 1955).
[7] Securities Act release No. 3536 (March 10, 1955).
[8] Securities Act release No. 3521 (October 25, 1954).

only once a year, 45 days after the end of the first half of the registrant's fiscal year. Each report is to contain specified items of information with respect to sales and gross revenues, net income before and after taxes, extraordinary and special items, and charges and credits to earned surplus. The form does not require formal statements of profit and loss or earned surplus and is not required to be certified. Provision is made for any necessary or appropriate qualification or explanation of the information given. Where registrants otherwise issue semi-annual statements containing the information called for by the form, copies of such statements may be filed and incorporated by reference in the form in lieu of setting forth the information in the form itself.[9]

Form 10–K.—Instruction 8 of the instructions as to financial statements in Form 10–K, the principal form for annual reports filed by listed companies under the Securities Exchange Act, was amended to provide that financial statements need not be certified if the registrant is not in production and meets other conditions.[10]

Regulation BW.—This regulation, adopted January 9, 1950, pursuant to section 15 (a) of the Bretton Woods Agreements Act, specifies the periodic and other reports required to be filed with the Commission by the International Bank for Reconstruction and Development. In the light of its experience, the Commission during the 1955 fiscal year amended this regulation to change certain reports from a monthly to a quarterly basis, and to eliminate certain information which duplicated data otherwise available or which, in view of the special character of the Bank, was no longer necessary for the protection of investors.[11]

Revisions Under Consideration.—The Commission devoted much study during the 1955 fiscal year to other important changes in its rules and regulations, the determination of action upon which is in general awaiting the receipt and study of public comment that has been invited. Two of the principal proposals under consideration are revisions of the regulations governing the offering of small issues and of the proxy rules.

The Commission on July 18, 1955, announced a proposal for revision and consolidation of Regulation A, relating to domestic offerings, and Regulation D, covering Canadian offerings, pursuant to which issues not in excess of $300,000 are exempted from registration, and invited public comment upon the changes contemplated thereby.[12]

A principal feature of the suggested revision is the imposition of special requirements which would apply only to promotional companies.

[9] Securities Exchange Act release No. 5189 (June 23, 1955).
[10] Securities Exchange Act release No. 5130 (January 31, 1955).
[11] Bretton Woods Agreements Act release No. 2 (January 19, 1955).
[12] Securities Act release No. 3555.

The proposal to amend the proxy rules relates chiefly to the application of such rules to proxy contests. The proposed changes are designed to make the proxy rules more specific than the existing rules by incorporating in the regulation certain policies of the Commission regarding proxy contests previously dependent upon administrative interpretation and practice.

PART II

ADMINISTRATION OF THE SECURITIES ACT OF 1933

The Securities Act of 1933 is designed to provide disclosure to investors of material facts concerning securities publicly offered for sale by use of the mails or instrumentalities of interstate commerce, and to prevent misrepresentation, deceit or other fraudulent practices in the sale of securities. Disclosure is obtained by requiring the issuer of such securities to file with the Commission a registration statement, and related prospectus, containing significant information about the issuer and the offering. These documents are available for public inspection as soon as they are filed. In addition the prospectus must be furnished to the purchaser at or before the sale or delivery of the security. The contents of the registration statement are the primary responsibility of the registrant and the underwriter. The Commission has no authority to control the nature or quality of a security to be offered for public sale or to approve or disapprove its merits or the terms of its distribution.

DESCRIPTION OF THE REGISTRATION PROCESS

Registration Statement and Prospectus

Registration of any security proposed to be publicly offered may be secured by filing with the Commission a registration statement on the applicable form containing prescribed disclosures. The Commission has adopted several such forms designed to disclose appropriately for the type of issue involved the classes of information specified in Schedule A of the Act. In general the registration statement must describe such items as the names of persons who participate in the direction, manangement, or control of the issuer's business; their security holdings and remuneration and options or bonus and profit-sharing privileges allotted to them; the character and size of the business enterprise; its capital structure and past history and earnings; its financial statements, certified by independent accountants; underwriters' commissions; pending or threatened legal proceedings; and the purpose to which the proceeds of the offering are to be applied. The prospectus constitutes a part of the registration statement and presents in summary the more important of the required disclosures.

Examination Procedure

The Commission is charged with the responsibility of preventing the sale of securities to the public on the basis of statements which contain inaccurate or incomplete information. The staff of the Division of Corporation Finance examines each registration statement for compliance with the standards of disclosure and usually notifies the registrant by an informal letter of comment of any material respects in which the statement on its face apparently fails to conform to these requirements. The registrant is thus afforded an opportunity to file an amendment before the statement becomes effective. In addition, the Commission has power, after notice and opportunity for hearing, to issue an order suspending the effectiveness of a registration statement. Information about the use of this power during the 1955 fiscal year appears below.

Time Required to Complete Registration

Because prompt examination of a registration statement is important to industry, the Commission completes its analysis in the shortest possible time. Congress provided for a lapse of 20 days in the ordinary case between the filing date of a registration statement or of an amendment thereto and the time it may become effective. This waiting period is designed to provide investors with an opportunity to become familiar with the proposed offering. Widespread publicity is given to information disclosed in the registration statement immediately on its filing. The Commission is empowered to accelerate the effective date so as to shorten the 20-day waiting period where the facts justify such action. In exercising this power, the Commission is required by statute to take into account the adequacy of the information already available to the public, the complexity of the particular financing, and the public interest and protection of investors.

The median time which elapsed between the filing and the effective date with respect to 704[1] registration statements that became effective during the 1955 fiscal year was 22 days, the same as the corresponding figure in the preceding year. This time was divided among the three principal stages of the registration process approximately as follows: (*a*) from date of filing registration statement to date of letter of comment, 12 days, 2 days more than in the preceding year; (*b*) from date of letter of comment to date of filing first material amendment, 6 days, 1 day less than in the preceding year; and (*c*) from date of filing first amendment to date of filing final amendment and effective date of registration, 4 days, 1 day less than the year before.

VOLUME OF SECURITIES REGISTERED

Securities effectively registered under the Securities Act of 1933 during the fiscal year 1955 totalled almost $11 billion, the highest volume in the 21-year history of the Commission. The previous record amount of securities registered was $9.5 billion for the fiscal year 1952. These figures cover all registrations including new issues sold for cash by the issuer, secondary distributions, and securities

[1] This number does not take into account 75 registrations in the form of post-effective amendments filed pursuant to Section 24 (e) (1) of the Investment Company Act which became effective during the year.

registered for other than cash sale, such as exchange transactions and issues reserved for conversion of other securities.

The most important category of registrations, new issues to be sold for cash for account of the issuer, amounted to $8.3 billion in the 1955 fiscal year as compared with an average of somewhat over $6 billion for the five previous years. For the current fiscal year, the volume of debt securities and the volume of common stock were almost equal, 48 percent and 47 percent, respectively, of the total of new cash issues. Preferred stock amounted to less than 6 percent. For the fiscal year 1955 more than half of the volume of common stock represented securities of investment companies.

Figures showing the number of statements, total amounts registered, and a classification by type of security for new issues to be sold for cash for account of the issuing company for each of the fiscal years 1935 through 1955 appear in appendix table 1. More detailed information on registrations for the 1955 fiscal year is given in appendix table 2.

Of the dollar amount of securities registered in the 1955 fiscal year, 75.5 percent was for account of issuers for cash sale, 21.1 percent for account of issuers for other than cash sale and 3.4 percent was for account of others, as shown below. Most of the registrations involving issues not to be sold for cash cover securities offered in exchange for other securities and securities reserved for conversion of other registered securities.

Registered for account of issuers for cash sale	$8, 276, 811, 000
Registered for account of issuers for other than cash sale	2, 311, 728, 000
Registered for account of others than the issuers	371, 637, 000
Total	10, 960, 176, 000

The classification by industries of securities registered for cash sale for account of issuers in the fiscal year 1955 is as follows:

	In millions	*Percent of total*
Manufacturing	$1, 779	21. 5
Mining	106	1. 3
Electric, gas and water	2, 127	25. 7
Transportation, other than railroad	12	0. 1
Communication	837	10. 1
Investment companies	2, 236	27. 0
Other financial and real estate	789	9. 5
Trade	27	0. 3
Service	100	1. 2
Construction	160	1. 9
Total corporate	8, 173	98. 7
Foreign governments	104	1. 3
Total	8, 277	100. 0

The classification of issues of investment companies according to type of organization for the last two fiscal years is as follows:

	(In millions) 1954	1955
Management open-end companies	$1,106	$1,853
Management closed-end companies	5	28
Unit and face amount certificate companies	446	355
Total	1,557	2,236

About 55 percent of the net proceeds of the corporate securities registered for cash sale for account of issuers in the fiscal year 1955 was designated for new money purposes, including plant, equipment and working capital. Twelve percent was for retirement of securities and 33 percent for other purposes, principally the purchase of securities by investment companies.

REGISTRATION STATEMENTS FILED

During the 1955 fiscal year, 849 registration statements were filed covering aggregate proposed offerings of $11,009,757,143, compared with 649 statements covering offerings of $8,983,572,628 in the 1954 fiscal year. This all-time record volume exceeds by nearly two billion dollars the previous high mark reached in 1952 when 665 statements were filed covering offerings of $9,045,035,056.

The number of statements filed by companies which had not previously registered any securities under the Securities Act was 297, compared with 151 during the previous fiscal year.

Registrants during the 1955 fiscal year included 27 uranium exploration or development companies offering an aggregate of $40,415,000, and 113 companies engaged in some phase of the oil and gas business, offering an aggregate of $2,153,146,686.

Particulars regarding the disposition of all registration statements filed are summarized below.

Number and disposition of registration statements filed

	Prior to July 1, 1954	July 1, 1954 to June 30, 1955	Total as of June 30, 1955
Registration statements:			
Filed	11,018	[1] 849	11,867
Effective—net	9,469	[2] 782	[3] 10,248
Under stop or refusal order—net	184	0	184
Withdrawn	1,297	35	1,332
Pending at June 30, 1954	68		
Pending at June 30, 1955			103
Total	11,018		11,867
Aggregate dollar amount:			
As filed	$94,982,820,194	$11,009,757,143	$105,992,577,337
As effective	92,080,110,494	10,960,176,688	103,040,287,182

[1] Includes 81 post-effective amendments under which additonal shares are registered having the effect as provided by section 24 (e) of the Investment Company Act of 1940, as amended.

[2] Excludes 2 registration statements which became effective and were subsequently withdrawn.

[3] Three registration statements which became effective prior to July 1, 1954 were withdrawn and are counted in the number withdrawn.

The 81 statements filed in the form of section 24 (e) (1) post-effective amendments covered the registration of proposed offerings in the aggregate amount of $1,245,656,263 of additional securities of investment companies which make continuous offerings of their shares.

EXEMPTION FROM REGISTRATION UNDER THE ACT

The Commission is authorized under section 3 (b) of the Act to adopt rules providing exemption from the registration requirements for public offerings of securities not exceeding a maximum of $300,000. Among the six types of exemption provided by the Commission under this authority, the three most commonly used are: Regulation A, the general exemption for issues not exceeding $300,000 for issuers; Regulation B, the exemption for fractional undivided interests in oil or gas rights not exceeding $100,000; and Regulation D, the exemption for Canadian securities with the same dollar limitations as Regulation A.

Exemption from registration under section 3 (b) of the Act does not carry exemption from the civil liabilities for material misstatements or omissions imposed by section 12 (2) or from the criminal liabilities for fraud imposed by section 17.

Exempt Offerings under Regulations A and D.

During the 1955 fiscal year 1,628 notifications were filed under Regulation A, covering proposed offerings of $296,267,000, compared with 1,175 notifications covering proposed offerings of $187,153,226 in the 1954 fiscal year. Included in the substantially greater 1955 total were 162 notifications covering stock offerings of $32,335,668 with respect to companies engaged in the oil and gas business, and 509 filings covering offerings of $107,585,913 with respect to mining companies. These 509 filings by mining companies included 436 by uranium companies with proposed offerings aggregating $95,804,119.[2] In addition to initial offering circulars, 5,326 items of supplemental sales literature were filed under Regulation A.

[2] Uranium issues were largely concentrated in the Denver Regional Office where 376 of these notifications covering $84,415,345 were filed.

Certain particulars regarding these offerings are set forth in the following table.

Offerings made under Regulation A in 1955 fiscal year

Description	Number
Size:	
$100,000 or less	544
Over $100,000 but not over $200,000	312
Over $200,000 but not over $300,000	772
	1,628
Underwriting:	
Employed	785
Not used	843
	1,628
Offerors:	
Issuing companies	1,517
Stockholders	109
Issuers and stockholders jointly	2
	1,628

Most of the underwritings were undertaken by commercial underwriters who participated in 671 offerings while officers, directors or other persons not regularly engaged in the securities business, who received remuneration or commissions therefor, handled the remaining 114 cases.

Notifications filed under Regulation A

Calendar year 1954			First six months of 1955		
Month	Number filed	Amount	Month	Number filed	Amount
January	74	$11,291,000	January	130	$22,513,000
February	72	12,150,000	February	126	21,135,000
March	122	19,427,000	March	171	32,404,000
April	104	17,180,000	April	130	25,773,000
May	105	18,572,000	May	162	29,905,000
June	143	24,357,000	June	155	30,080,000
Totals for 6 months	620	102,977,000	Totals for 6 months	874	161,810,000
July	118	19,119,000			
August	132	26,110,000			
September	118	20,236,000			
October	139	25,280,000			
November	128	22,190,000			
December	119	21,522,000			
Totals for 6 months	754	134,457,000			
Totals for calendar 1954	1,374	237,434,000			

Ten-year period July 1, 1945, to June 30, 1955

Fiscal year ended June 30	Number filed	Amount	Fiscal year ended June 30	Number filed	Amount
1946	1,348	$181,600,000	1951	1,358	$174,278,000
1947	1,513	210,791,000	1952	1,494	210,673,000
1948	1,610	209,485,000	1953	1,528	223,350,000
1949	1,392	186,783,000	1954	1,175	187,153,000
1950	1,357	171,743,000	1955	1,628	296,267,000

During the 1955 fiscal year, 37 notifications were also filed under Regulation D, covering proposed offerings of $10,004,176, compared with 46 notifications covering proposed offerings of $11,334,350 in the 1954 fiscal year. Included in the 1955 total were 29 notifications of companies proposing to explore for uranium and other minerals, 4 intending to engage in the oil and gas business, and 1 each engaged in finance, the manufacture of porcelain enameled steel products, the distribution of bottled gas, and the distribution of sewing machines.

Denial or suspension of exemption.—Both Regulation A and Regulation D provide for the denial or suspension of the exemption in appropriate cases. During the 1955 fiscal year orders were issued in the following 18 cases.

Denial orders—

Regulation A:

Amalgamated Uranium Corporation, Salt Lake City; Securities Act release No. 3552 (June 23, 1955).

International Dairies, Inc., Miami, Fla.; Securities Act release No. 3526 (December 29, 1954).

San Miguel Uranium Mines, Inc., Grand Junction, Colo.; Securities Act release No. 3538 (April 4, 1955).

Star Uranium Company, Salt Lake City; Securities Act release No. 3552 (June 23, 1955).

Vandersee Corporation, Hillside, N. J., Securities Act release No. 3551 (June 22, 1955).

Regulation D:

Hawker Uranium Mines Ltd., Edmonton, Alberta, Canada; Securities Act releases Nos. 3541, 3548 and 3549 (April 22, 1955; May 31, 1955; and June 3, 1955).

Suspension orders—

Regulation A:

Alaska Gulf Oil and Gas Development, Inc., Anchorage; Securities Act releases Nos. 3513 and 3545 (September 7, 1955; April 29, 1955). Vacated.

Apollo Oil Uranium Company, Denver, Securities Act release No. 3544 (April 26, 1955).

Ebony Petroleum Corp. of Nevada, Inc., Las Vegas, Securities Act release No. 3524 (November 23, 1954).

Gerald V. Eisenhower, Greeley, Colo.; Securities Act release No. 3510 (August 2, 1954).

Four States Uranium Corporation, Grand Junction, Colo.; Securities Act releases Nos. 3520 and 3523 (October 12, 1955; October 28, 1955).

Front Range Uranium Mines, Inc., Denver, Securities Act release No. 3550 (June 22, 1955).

General Credit Corporation, Miami, Fla.; Securities Act release No. 3542 (April 26, 1955).

Jewell Oil & Gas Corporation, Los Angeles; Securities Act release No. 3533 (March 1, 1955).

New Mexico Petroleum Co., Inc., Pleasantville, N. J.; Securities Act release No. 3527 (January 3, 1955).

Sun Valley Mining Corporation, New York, N. Y; Securities Act releases Nos. 3531 and 3534 (January 28, 1955; March 1, 1955).

Regulation D:

North Country Uranium and Minerals Ltd., Edmonton, Alberta, Canada; Securities Act releases Nos. 3541, 3548, and 3549 (April 22, 1955; May 31, 1955; and June 3, 1955).

Northwest Uranium Corporation, New York, N. Y.; Securities releases Nos. 3511 and 3517 (August 16, 1954; September 17, 1954).

Exempt Offerings Under Regulation B

During the 1955 fiscal year, the Commission received 71 offering sheets filed under Regulation B. These filings relating to exempt offerings of oil and gas rights were examined by the specialized Oil and Gas Unit which collaborates with the Commission staff generally in the solution of the technical and complex problems peculiar to oil and gas securities which arise under various of the acts and regulations administered by the Commission.

Action taken on Filings under Regulation B

Temporary suspension orders—Rule 340 (a)	6
Orders terminating proceedings after amendment	3
Orders accepting amendment of offering sheet (no proceeding pending)	21
Order consenting to withdrawal of offering sheet (no proceeding pending)	1
Total number of orders	31

Reports of sales.—As an aid in determining whether violations of law have occurred in the marketing of securities exempt under Regulation B, the Commission obtains reports of actual sales made pursuant to rules 320 (e) and 322 (c) of that regulation. During the 1955 fiscal year, 1,076 such reports covering aggregate sales of $549,951 were filed.

FORMAL ACTION UNDER SECTION 8

During the 1955 fiscal year three proceedings were instituted under section 8 (d) to determine whether to issue a stop order suspending the effectiveness of a registration statement. In addition, the record in one private examination under section 8 (e) was made public at the request of counsel for the registrant.

Multi-Minerals Corporation.—This corporation, of Salt Lake City, was organized on April 11, 1955, for the purpose of acquiring, exploring, and developing uranium properties in Colorado, New Mexico, and Utah. The registration statement proposed the public offering of 2,250,000 shares of 1 cent par value common stock of which 1,500,000 shares were to be presently offered by the registrant at $1 per share and 750,000 shares were to be offered by certain selling stockholders at times and prices to be determined. According to the prospectus, the offering was to have been made through the underwriter, M. Raymond & Co., Inc., of New York, on a "best efforts" basis for which it would receive a selling commission of 25 cents per share. In addition, the company agreed to reimburse the underwriter for expenses in an amount not to exceed $75,000 to be withheld from the gross proceeds of the sale of stock and to pay $25,000 as compensation and out-of-pocket disbursements to counsel for the underwriter and the company, Crisona Brothers, of New York.

Stanley J. Lake, promoter of the company who received 1,500,000 shares, sold 300,000 shares to the underwriter at $0.001 per share, and 200,000 shares to counsel at the same price. The 1,500,000 shares were issued to Lake in exchange for mining claims which had cost him $15,000 and on which he had contracted to pay an additional $62,000. The $62,000 was to be paid to Lake out of the proceeds of the stock sale.

The Commission's order for proceedings challenged the adequacy and accuracy of various statements with respect to such matters as (1) an estimate pertaining to ore at one property in the amount of 1,250,000 tons, averaging about $20 per ton in uranium oxide, (2) the use of assays from a loose piece of rock weighing "over 5 pounds" relating to another property aggregating almost $12,000 per ton of ore in uranium, titanium, rare earths and other ore constituents and (3) the selling stockholders and the number of shares being offered for sale by each, the manner in which counsel proposed to dispose of his shares and whether they would be sold in competition with the offering by the issuer, and the full compensation to be paid in connection with distribution of the shares offered.

Following the institution of these proceedings, the registration statement was withdrawn and the proceedings were thereupon discontinued.[3]

Horton Aircraft Corporation.—The Commission instituted proceedings under section 8 (d) with respect to the registration statement filed by Horton Aircraft Corporation, of Las Vegas, Nev., which related to a proposed public offering of 500,000 shares of Horton Aircraft common stock at an initial public offering price of $1 per share. Of these shares, 400,000 were to be offered by the issuing company and 100,000 by William E. Horton, its president. Proceeds of the sale of company stock were to be used for the purpose of securing a factory or assembly structure in Santa Ana, Calif., and constructing a production model of the "Horton Wingless Aircraft."

The Commission announced that particular consideration would be given at the hearing to questions as to the adequacy and accuracy of statements concerning (1) the history and development of registrant's business, particularly statements concerning the "Horton Wingless

[3] Securities Act release No. 3554 (June 27, 1955).

Aircraft," the "experimental prototype" and testing thereof, the "principles" established and embodied in the Horton Wingless Aircraft, and application for Letters Patent filed by William E. Horton; (2) the nature of the "wingless" airplane produced and experimentation to be conducted; (3) the amount of securities outstanding, those held by William E. Horton, and securities previously issued without registration and the effect of having failed to register such shares, as well as the plan for distribution of the securities being registered, the prices at which they were proposed to be offered and the distribution spread, particularly concerning the extent to which agents of the issuer, officers, directors and promoters would participate in underwriting commissions; (4) the proposed use of proceeds of the stock sale, and the use to be made of any such proceeds should the entire issue not be sold; and (5) transactions with promoters of the registrant.

These proceedings were still pending at the close of the year.[4]

International Spa, Inc.—This company filed a registration statement by which it proposed to make a public offering of 12,000 shares of common stock at $500 per share, and with respect to which the Commission authorized proceedings to determine whether a stop order should issue.

International Spa proposed to construct and operate a luxury hotel together with a shopping center, theater, swimming pool, and other facilities near Las Vegas, Nev., emphasizing the interracial aspects of its proposed development. It proposed not only to offer publicly 12,000 common shares at $500 per share, but to issue an equal number to the promoters "in payment for services rendered and to be rendered during the sale and distribution of the registered stock."

Among other matters considered at the hearing were questions as to the adequacy and accuracy of statements concerning (1) the general history and development of the registrant's business including registrant's relationship to International Village, Inc., another corporation formed for similar purposes; (2) the option to purchase certain acreage and the price to be paid by the registrant for such acreage, the cost of such acreage to the seller, the value of such property, and any commission to be paid in connection with its purchase; (3) the plan of distribution of the shares, particularly the failure to disclose any agreements or claimed agreement relating to the issuance of stock to or for the account of the First National Company of Nevada; (4) options to purchase securities of the registrant; and (5) the issuance of stock to the promoters, the failure to file financial statements prepared in accordance with the Commission's requirements, and the failure to disclose a contingent liability with respect to notes sold by First National Company of Nevada with stock of International Spa.

[4] Securities Act release No. 3547 (May 18, 1955).

These proceedings had not been terminated by the end of the year.[5]

Cherokee Industries, Inc.—The Commission announced that a formal examination in progress with respect to the registration statement under the Securities Act filed by Cherokee Industries, Inc., Oklahoma City, had been made public at the request of counsel for the registrant.

The registration statement proposed a public offering of 5 million shares of Class B Non-voting Common Stock (1 cent par) at $1 per share. To develop the facts with respect to the question whether the registration statement and prospectus were complete and accurate and otherwise complied with the applicable disclosure requirements, the Commission instituted a private examination pursuant to section 8 (e) of the Act. Counsel for the registrant moved that the examination be converted into a proceeding under section 8 (d) to determine whether a stop order should issue suspending the effectiveness of the registration statement and that the proceedings be made public.

The Commission concluded that the section 8 (e) examination may appropriately be made public, except to the extent that any witness at the hearing should desire his testimony to remain confidential, but that it was not appropriate in advance of the development of the facts to direct the institution of stop-order proceedings.[6]

RESULTS OBTAINED BY THE REGISTRATION PROCESS

Results secured by the staff's examination of registration statements during the 1955 fiscal year are illustrated by the following examples.

Exploratory stage of mining venture clarified.—A company engaged in exploration for iron, which had previously registered securities under the Act, filed during the 1955 fiscal year an additional registration statement in connection with a proposed offering of common stock. Its stated purpose was principally to finance further surveys and engineering activity.

Examination showed that, despite previous expenditures of over $2 million, the existence of commercial bodies of iron ore had not been established. Nevertheless, for several years promoters and other persons identified with management had realized substantial trading profits in a market seemingly influenced by misleading and deceptive reports emanating from the company. For example, the company's 1954 annual report to stockholders had clearly implied the existence of known iron-bearing deposits ready for commercial exploitation in statements such as: "With the necessary exploration and metallurgical

[5] Securities Act release No. 3537 (March 18, 1955).

[6] Securities Act release No. 3516 (September 14, 1954).

research completed, negotiations with governmental authorities and potential markets being pursued, your Directors are concentrating their efforts toward the final objective of achieving production as quickly as possible, and on the most favoring terms available."

As a result of the staff's comments in this situation, the current prospectus was amended to include such disclosures as: (1) "The properties of the Company are in the exploratory stage and no representation is intended that any commercial ore reserves have been established;" (2) "The iron bearing material encountered is not direct shipping ore and if any production is eventually had, it will involve concentration;" and (3) "The iron ore deposits found to date have been too low in iron and too high in impurities to produce a marketable product without milling or beneficiation." The registrant also amended the prospectus to disclose that the company had departed from its program of exploration of its own properties by making an investment of $700,000 in another company with which two of its directors were affiliated, and that this investment had resulted in a loss to the registrant in the amount of $345,802.

Statement withdrawn to avoid full disclosure of promoter's business history.—A prospectus covering a proposed offering of common stock filed by a recently organized corporation engaged in the merchandising of a proprietary vitamin and mineral tonic stated that the promoter had previously had 5 years of experience with an earlier corporation in developing and merchandising a similar proprietary tonic under a different trade name; and that during this period the company's sales of the product totaled in excess of $22 million and its net profits totaled approximately $4 million. The prospectus failed to disclose that almost immediately after the promoter relinquished control of the earlier corporation, it went into bankruptcy, Federal income tax liens were filed against it, and proceedings were instituted by the Federal Trade Commission asserting that the corporation during the period it was under the control of the promoter had violated the Federal Trade Commission Act by the dissemination of false advertisements of its product. After the staff's letter of comment pointed out these omissions, as well as other material omissions and misstatements, the registration statement was withdrawn.

Significant events after balance sheet date.—Appropriate disclosure of significant events occurring after the date of financial statements required to be included in a registration statement is a recurring problem. A statement filed during the 1955 fiscal year affords an interesting example in which the significant event was the payment of cash to officers of the registrant.

In a note to the financial statements it was stated that payments on certain obligations to affiliated persons, reported as noncurrent liabilities in the balance sheet, had been accelerated subsequent to the balance sheet date. Since the acceleration resulted in a substantial reduction in the working capital indicated in the balance sheet, the registrant was requested to include in the captions, Total Current Assets, and Total Current Liabilities, a cross-reference to the note which was expanded to disclose the source of the funds used in the acceleration. The disclosure indicated a reduction in working capital of more than $500,000 in the two months after the balance sheet date when working capital amounted to approximately $750,000. In addition, the discussion in the forepart of the prospectus of the transaction giving rise to the obligation was similarly clarified.

Effect of amortization of intangibles on the determination of income.—The proper classification of and accounting for intangible assets presents substantial problems in many cases. An example from a registration statement for an issue of common stock follows:

The consolidated balance sheets included an item "contracts and goodwill" in the amount of $7,332,389 which was represented as consisting principally of the excess of cost of acquisition over the cost of inventories and allocated cost of assets acquired at the inception of the corporation.

The footnotes to the financial statements disclosed that during the year 1953 the corporation reached a settlement with the Internal Revenue Service with respect to the 1946 to 1948 Federal income tax returns, in which deductions were claimed for amortization of contracts. Under the terms of this settlement, the amount at which "contracts and goodwill" was stated ($7,332,389) was construed for Federal income tax purposes to be made up of $2,931,729 subject to amortization on an agreed basis, and $4,400,660 was considered to be goodwill and not subject to amortization.

The registrant was advised that the basis of settlement with the Internal Revenue Service in this case was likewise appropriate in the accounting for financial statement purposes and that segregation of the item covering both contracts and goodwill should be made and retroactive effect should be given to amortization of the contract portion.

The financial statements were amended to show in the balance sheet at June 30, 1954, the item of contracts and goodwill (segregated in a note), after amortization of $1,881,490, at a net amount of $5,450,899, which resulted in a reduction of earnings reinvested in the business from $3,959,623 to $2,078,133 at the balance sheet date.

LITIGATION UNDER THE SECURITIES ACT

Injunctive Actions

When it appears that damage to the public is threatened by continued violations of the Securities Act, the Commission may resort to the courts to obtain injunctions against such conduct.

Typical of the illegal oil and gas and mining promotions requiring Commission attention was that involved in *S. E. C.* v. *Jess Hickey Oil Corporation, Jess Hickey and Loui M. White.*[7] The Commission's complaint charged that individual defendants falsely represented that they believed they found the greatest undrilled oil field in the United States, maybe in the whole world, so big that a half dozen oil fields the size of the famed East Texas Field could be put in it with room left over; and that all the leases they were offering for sale were on a wonderful prospective oil structure.[8]

In the case of *S. E. C.* v. *Murmax Drilling Co., Inc., Dean Cook, and Charles F. Jensen*[9] the complaint alleged that the defendant was selling its capital stock by misrepresentations to the effect that the company had a "finding device" which had revealed commercial oil pools under acreage held under lease by the company, that based on the results of this device the enterprise was a sure thing and that they could not miss finding commercial quantities of oil. A final judgment by consent was obtained.

In *S. E. C.* v. *Billings Holding Corporation,*[10] a temporary restraining order and preliminary injunction were obtained following institution of injunctive action based upon alleged misrepresentations in the sale of preferred stock concerning the financial status of the corporation, its ability to pay dividends on the preferred stock, the riskless nature of the investment, and the uses to which the proceeds from the sale of preferred stock would be put.

The Commission also obtained final judgments and decrees permanently enjoining *Morris Luster, individually and doing business as Luster Securities & Co., and Stanley M. Posner,*[11] from violating the anti-fraud provisions of the Securities Act. It was alleged in the complaint that the defendants were effecting sales of stock at prices bearing no reasonable relationship to the market prices thereof without disclosing the prevailing market price and were falsely representing that the issuer of the stock which they were selling would merge with a nationally known corporation and that still another corporation was interested in the issuer and buying up its outstanding stock.

Injunctions were also obtained in many other cases to prevent further violations of the registration provisions of the Securities Act. Included in such actions were *S. E. C.* v. *Warren Oil and Uranium Mining Company, Inc., et al.;*[12] *S.E.C.* v. *French and Company et al.;*[13] *S. E. C.* v. *Scurlock Gear Corporation et al.;*[14] *S. E. C.* v. *John F.*

[7] N. D. Texas No. 3058.

[8] The individual defendants consented to the entry of a permanent injunction after the close of the fiscal year. The Commission dismissed its complaint against the defendant corporation.

[9] D. Idaho No. 3145.

[10] D. Montana No. 1665.

[11] D. N. J. No. 934-54.

[12] N. D. Tex. No. 2829.

[13] S. D. Tex. No. 8362.

[14] N. D. Ill. No. 54C-1159.

McBride, et al.;[15] *S. E. C.* v. *Roland Winburn*;[16] *S. E. C.* v. *International Spa Inc. et al.*;[17] *S. E. C.* v. *Elaterite Basin Uranium Corporation et al.*;[18] *S. E. C.* v. *Consolidated Enterprises, Inc. et al.*;[19] *S. E. C.* v. *Lone Star Mining and Development Corporation et al.*;[20] *S. E. C.* v. *Thunderbird Minerals, Inc. et al.*;[21] *S. E. C.* v. *Plator Gralouise Gold Mines Ltd. et al.*;[22] *S. E. C.* v. *Paul Payette et al.*;[23] and *S. E. C.* v. *Ned J. Bowman Company*.[24]

Further proceedings were had in actions which were referred to in the 19th[25] and 20th[26] Annual Reports. In *S. E. C.* v. *Thomas W. MacKenzie and Automatic Telephone Dialers, Inc.*,[27] the defendants consented to the entry of final judgment and a permanent injunction was entered restraining them from further violation of the anti-fraud and registration provisions of the Act. In *S. E. C.* v. *Kaye Real & Co., Inc. et al.*,[28] a final judgment enjoining further violations of the anti-fraud and registration provisions of the Act was entered against the three defendants.

A final injunction against the *Horton Aircraft Corporation, William E. Horton and Armand J. Hanson*[29] was also obtained following filing of a complaint in which it was alleged that the defendants were violating the registration provisions of the Act and also making untrue statements in violation of the fraud provisions by representing, among other things, that the Horton Wingless Airplane can carry 100 percent greater payload over 100 percent greater range than any other plane, and that a proposed Horton Wingless Jumbo Transport would carry 4,000 people 25,000 miles nonstop at 60,000 feet altitude at speeds in excess of 400 miles per hour.

In *Leighton* v. *S. E. C.*, the petitioner sought review of an alleged Commission "order" declining to accede to his request that the Commission take action to prevent the American Express Company from selling travelers' checks without complying with the registration requirements of the 1933 Act. The so-called "order" was a letter written by an Assistant Director of the Commission's Division of Corporation Finance advising the petitioner that the Commission did not believe it had jurisdiction in the matter since it did not appear

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[15] S. D. N. Y. No. 95-320.
[16] D. Colo. No. 4807.
[17] S. D. Calif. No. 17,288BH.
[18] D. Utah No. C-137-54.
[19] D. Colo. No. 4856.
[20] N. D. Tex. No. 5743.
[21] N. D. Tex. No. 5783.
[22] S. D. Iowa No. 2-570.
[23] S. D. N. Y. No. 98-364.
[24] D. Utah No. C-41-55.
[25] 19 p. 14.
[26] 20 p. 20.
[27] 21 D. N. J. No. 38-53.
[28] S. D. N. Y. No. 90-100.
[29] S. D. Calif. No. 16,681-T.

that travelers' checks were "securities" within the meaning of that Act. The Court of Appeals for the District of Columbia granted the Commission's motion to dismiss the petition for review for lack of jurisdiction under either the Securities Act or the Administrative Procedure Act.[30] The Court held that in light of the complete discretion vested in the Commission by the statute respecting the institution of enforcement proceedings in particular cases, the letter in question, even were it considered an "order", was not an "order" such as could be reviewed by the courts. A petition for a writ of certiorari was denied by the Supreme Court after the close of the fiscal year.

Enforcement of Commission Subpoenas

Litigation also arose in connection with the Commission's investigation of *Stardust, Inc.*, and *Anthony C. Stralla*. After the Commission had applied to the United States District Court for the Southern District of California for an order requiring obedience to its subpoena, the defendants filed a petition with the Court of Appeals for the Ninth Circuit to set aside the Commission's order of investigation and obtained a temporary stay of proceedings. They claimed that the investigation would do them irreparable harm and prevent their obtaining funds necessary to carry on their building enterprise. The Commission moved for summary dismissal of the petition and for dissolution of the stay order. The Commission's motion was granted in a written opinion entered on July 29, 1955.[31] Following this decision the district court entered an order granting the Commission's application.

Several questions were litigated in connection with the Commission's investigation to determine whether Edgar Robert Errion, Mt. Hood Hardboard & Plywood Cooperative, and several other cooperatives may have violated the anti-fraud provisions of the Securities Act. An attempt was made on the part of the Mt. Hood cooperative to enjoin the Commission from continuing with its investigation and it also sought a judgment declaring that the activities of the cooperative had been lawful. The Commission filed a motion to dismiss the complaint, which was granted.[32] In the meantime, the Commission had brought subpoena enforcement proceedings against two individuals associated with the Mt. Hood cooperative. They had refused to be sworn, basing their refusal upon the contention that the Commission's investigation was not being conducted in conformity with the requirements for hearing set forth in sections 7 and 8 of the Administrative Procedure Act. They urged that a subpoena should have been issued

[30] 221 F. 2d 91 (1955).
[31] 225 F. 2d 255.
[32] *Mt. Hood Hardboard & Plywood Cooperative* v. *S. E. C.*, (D. Ore. Civ. No. 8003).

by a hearing examiner pursuant to section 11 of the Administrative Procedure Act, that the testimony should be publicly taken, that the witnesses should be advised in advance that they could receive a copy of their transcript of testimony and that the same lawyers might represent the various witnesses subpoenaed. The Commission argued that the sections of the Administrative Procedure Act respecting hearings were not applicable to an investigation. The court granted the Commission's applications for enforcement of the subpoenas.[33]

Other cases in which the Commission was obliged to resort to court action for enforcement of its subpoenas were *S. E. C.* v. *John F. McBride, Wyoming-Gulf Sulphur Corporation, et al.*,[34] *S. E. C.* v. *Larsco Drilling Company and Dick Riggs*,[35] and *International Village, Inc., and Hugh E. MacBeth.*[36]

Participation as Amicus Curiae

The Commission filed a memorandum of law as *amicus curiae* in *Kinsey* v. *Knapp.*[37] It was charged *inter alia* in that action that the defendants had violated the Securities Act in failing to register an issue of voting trust certificates. There were also counter charges of violations of Rule X–10B–5 by the plaintiffs in their acquisition of stock of the company involved. The Commission's memorandum, submitted at the suggestion of the Court, contained a legal discussion of the private offering exemption from registration provided by section 4 (1) of the Securities Act, the scope of the general anti-fraud provisions of the Federal securities laws and the effect of a violation of such laws upon the validity of a transaction, and the availability of the private remedies afforded to the parties in the particular lawsuit. After the close of the fiscal year, on August 4, 1955, the District Judge entered a partial final judgment in favor of the plaintiffs.

LITIGATION CONCERNING DISCLOSURE OF COMMISSION'S CONFIDENTIAL FILES

After the close of the fiscal year the Court of Appeals for the Sixth Circuit handed down a landmark decision upholding the confidential nature of the Commission's investigation files and internal staff and Commission deliberations, and sustaining the validity of the Commission's rules which prohibit Commission employees from divulging such information without specific Commission authorization. Sustained also was the position of the Commission that its employees who decline to divulge information of this character in obedience to these rules

[33] *S. E. C.* v. *W. W. Lock* (D. Ore., Civ. No. 8036) and *S. E. C.* v. *Charles E. Goddard* (D. Ore. Civ. No. 8035).

[34] D. N. J. No. 201–55.

[35] W. D. Okla. No. 6414.

[36] S. D. Cal. No. 16929–WB.

[37] E. D. Mich. No. 13179.

cannot be properly held in contempt of court. *In re Appeals of S. E. C. and William H. Timbers, its General Counsel.*[38]

These questions arose in a private lawsuit in a federal district court in Detroit to which the Commission was at no time a party.[39] Plaintiffs' allegations of corporate mismanagement included, *inter alia*, a charge that the defendant management had violated the Securities Act in failing to register an issue of voting trust certificates designed to prevent the plaintiffs from obtaining control of the company. Early in the litigation consummation of the voting trust was barred by stipulation of the parties and by injunctive orders.

After the institution of the lawsuit, the Commission commenced its own private investigation of the alleged violation. During the trial the plaintiffs' attorney, at the suggestion of the District Judge, served a subpoena upon the attorney in charge of the Commission's Detroit branch office calling for the production of the Commission's investigation file and for testimony on matters covered by the investigation. In an effort to cooperate and on the representation of plaintiffs' counsel that this would fully satisfy his needs, the Commission released its correspondence with the parties to the litigation and authorized the subpoenaed Commission employee to testify on interviews and conversations which he may have had with the parties or their representatives. Thereafter, upon the further request of plaintiffs' counsel, the Commission voluntarily sent to Detroit two staff officials from its Washington office for the limited purpose of testifying on other conferences held in Washington with defendants' attorneys. The questioning of Commission employees in Detroit, however, went far beyond these conferences. Information was sought on intra-agency communications, reports, recommendations and internal administrative determinations with respect to the investigation and the action to be taken as a result thereof. Also sought were the identities of, and information obtained from confidential informants other than the parties to the litigation. The staff witnesses, obeying the Commission's rules and specific Commission instructions, declined to divulge the information. The District Judge having indicated that he might hold the staff witnesses in contempt, the Commission's General Counsel, William H. Timbers, went to Detroit to represent them. After several days of examination of Commission employees, the District Judge summarily ordered Timbers himself, over his protest, to take the witness stand. When Timbers refused to produce unconditionally a preliminary report of investigation in the Commission's file, he was summarily held in contempt, committed to the custody of the United States Marshal, and sentenced to 60 days imprisonment

[38] C. A. 6, No. 12,503, October 19, 1955.

[39] *Kinsey* v. *Knapp*, E. D. Mich., Civil Action No. 13,179.

unless he sooner purged himself of the alleged contempt. An appeal was filed immediately and a stay of execution obtained from the Court of Appeals.

In reversing and setting aside the contempt order and in directing that Timbers be "completely absolved" from any "alleged contempt," the Court of Appeals also held that the District Judge had "overstepped appropriate judicial bounds" in seeking to conduct "a searching inquisition" into the way in which the Commission was carrying out its statutory responsibilities in the particular matter. The appellate court also ruled that the District Judge had abused "all justifiable discretion" in his conduct of the case and in his treatment of the Commission's General Counsel.

The Department of Justice supported the position of the Commission and presented the matter to the appellate court.

PART III

ADMINISTRATION OF THE SECURITIES EXCHANGE ACT OF 1934

The Securities Exchange Act of 1934 is designed to insure the maintenance of fair and honest markets in securities transactions on the organized exchanges and in the over-the-counter markets. Accordingly, the Act provides for the regulation of such transactions and of matters related thereto. It requires that information as to the condition of corporations whose securities are listed on a national securities exchange shall be made available to the public and provides for the registration of such securities, exchanges, brokers and dealers in securities, and associations of brokers and dealers. It also regulates the use of credit in securities trading. While the authority to issue rules regarding such credit is lodged in the Board of Governors of the Federal Reserve System, the enforcement of these rules and the administration of the other provisions of the Act is vested in the Commission.

REGULATION OF EXCHANGES AND EXCHANGE TRADING

Registration and Exemption of Exchanges

At the close of the 1955 fiscal year the following 15 exchanges were registered as national securities exchanges:

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

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

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

Disciplinary Action by Exchanges

Each national securities exchange reports to the Commission any action of a disciplinary nature taken by it against any of its members, or against any partner or employee of a member, for violation of the Securities Exchange Act or any rule thereunder or of any exchange rule. During the year, 7 exchanges reported 34 cases of disciplinary action against members, member firms and partners of member firms.

The actions included fines ranging from $25 to $3,000 in 19 cases, with total fines aggregating $13,400; expulsion of one individual and one firm from exchange membership; suspension of two individuals from exchange membership; and censure of individuals and firms for infractions of exchange rules. The rules violated included those pertaining to conduct inconsistent with just and equitable principles of trade, commission rates, capital requirements, floor trading and specialists, and the handling of orders.

REGISTRATION OF SECURITIES ON EXCHANGES

Unless a security is registered under the Act (or is exempt therefrom), it is unlawful to effect any transaction in the security on any national securities exchange. Pursuant to section 12 an issuer may register a class of securities on an exchange by filing with the Commission and the exchange an application which discloses pertinent information concerning the issuer and its affairs. Each such issuer is required by section 13 to file periodic reports keeping that information current. These applications and reports furnish details about the issuer's capital structure, the terms of its securities, information about the persons who direct, manage, or control its affairs, remuneration paid its officers and directors, allotment of options and bonus and profit-sharing arrangements, and financial statements certified by independent accountants.

Applications for registration of securities and periodic reports filed under this Act are examined by the staff of the Division of Corporation Finance to determine whether the fair and adequate disclosure required by the statute has been made.

Statistics of Securities Registered on Exchanges

At the close of the 1955 fiscal year, 2,219 issuers had 2,645 stock issues and 1,013 bond issues registered on national securities exchanges. During the year, securities of 90 new issuers became registered on exchanges while the registration of all securities of 75 issuers was terminated.

The following table shows for the fiscal year the number of applications filed under section 12 and of reports filed under section 13 and, pursuant to undertakings contained in registration statements filed under the Securities Act to supply information equivalent to that supplied with respect to securities registered on an exchange, under section 15 (d) of the Securities Exchange Act:

Applications for registration of classes of securities on exchanges	210
Annual reports	3,073
Current reports	3,827

Information concerning the number of securities traded on each stock exchange is shown in the appendix.

Disclosure Obtained by the Registration Process

As suggested by the following illustration, the process of examining the applications and various periodic reports filed under the Securities

Exchange Act often presents problems of disclosure analogous to those arising under the Securities Act.

A registrant acquired during its fiscal year over 50 percent of the stock of another company. According to a periodic report filed with the Commission the acquisition was for investment and not for resale. During the same year the acquired company paid a dividend exceeding its entire earnings for that year. In its annual report for that year the registrant reported its investment as a current asset and the entire dividend received as income. When the staff objected to these procedures, the registrant sought to justify the accounting on the basis that, between the time its fiscal year ended and its annual report to shareholders was completed, the registrant had abandoned its original plan to acquire additional shares of the company and eventually to merge it. On this basis, it was urged that the shares held, being listed securities, could properly be classified as a current asset and that dividends received on the shares should be treated as income from marketable securities without regard to the fact that those dividends exceeded registrant's proportionate share in the earnings since the date of acquisition. The staff noted, however, that the abandonment of the original plan was only temporary, and that the plan was carried out substantially in its original form. The financial statements were amended to exclude the investment from current assets in the balance sheet, and to reduce that investment and the registrant's previously reported income by the amount of dividends paid out of earnings accumulated prior to the date of acquisition by the registrant. The effect of the exclusion of the investment from current assets was to reduce current assets from $5,900,000 to $2,800,000. Exclusion of dividends paid from earnings prior to acquisition reduced net income as reported from $352,000 to $189,000.

MARKET VALUE OF SECURITIES TRADED ON EXCHANGES

The unduplicated total market value on December 31, 1954, of all stocks and bonds admitted to trading on one or more of the 19 stock exchanges in the United States was $302,466,207,000.

	Number of issues	Market value Dec. 31, 1954
Stocks:		
New York Stock Exchange	1, 532	$169, 148, 544, 000
American Stock Exchange	824	22, 132, 853, 000
All other exchanges exclusively	693	3, 642, 997, 000
Total	3, 049	194, 924, 394, 000
Bonds:		
New York Stock Exchange	1, 014	106, 517, 243, 000
American Stock Exchange	82	899, 880, 000
All other exchanges exclusively	29	124, 690, 000
Total	1, 125	107, 541, 813, 000
Total stocks and bonds	4, 174	302, 466, 207, 000

The New York Stock Exchange and American Stock Exchange figures are as reported by those exchanges. There is no duplication of issues between them. The figures for all other exchanges are for the net number of issues appearing only on such exchanges, excluding the many issues on them which are also traded on one or the other New York exchange. The number of issues as shown includes a few which are not quoted by reason of suspension or otherwise.

The bonds on the New York Stock Exchange include United States Government and New York State and City issues with an aggregate market value of $83,353,859,000.

The stocks quoted may be divided into categories as follows, with market value as of December 31, 1954, in millions of dollars:

	Preferred stock		Common stock	
	Issues	Values	Issues	Values
Listed on registered exchanges	630	$9,671.4	2,012	$169,106.1
Unlisted on all exchanges	55	606.3	245	15,170.2
Listed on exempted exchanges [a]	11	15.3	63	355.1
Total stocks	696	10,293.0	2,320	184,631.4

[a] Excluding issues also traded on registered exchanges.

The market value of all stocks on the New York Stock Exchange on June 30, 1955, was $194,405,700,000. Reports as of that date are not available for the other exchanges.

Comparison With Market Value of Securities Traded Over the Counter

Comparable figures for securities traded over the counter and not on any exchange are not available since the Commission has limited jurisdiction over such securities. However, the following estimates concerning stocks traded over the counter in various categories have been developed by the Commission. At the close of 1952, it was estimated that some 3,500 domestic issuers whose stocks were traded over the counter and who reported that they had or appeared to have more than 300 stockholders had over-the-counter stocks with an aggregate market value of approximately $28 billion.[1] The Commission's estimate for the close of 1954 is around $38 billion for approximately the same number of domestic issuers. The $28 billion at the close of 1952 compared with $140.5 billion on the stock exchanges, while the $38 billion at the close of 1954 compares with $194.9 billion on the stock exchanges. There thus appears to be little change in the ratio of these over-the-counter stocks to exchange stocks during the period, despite the considerable number and amount of values transferred from the over-the-counter to the exchange markets by new listings and by mergers and absorptions into listed companies.

[1] See 19th Annual Report, page 25.

UNLISTED TRADING PRIVILEGES ON EXCHANGES

Volume of Unlisted Trading in Stocks on Exchanges

Upon application to the Commission, exchanges may admit issues to trading even though the issuer has not listed them on the particular exchange, if one of the three conditions specified in section 12 (f) of the Act is satisfied. Securities so admitted consist primarily of issues listed on other exchanges and issues which were admitted to unlisted trading when the statute was enacted.

The reported volume of shares traded on an unlisted basis on the stock exchanges during the calendar year 1954 included approximately 32.5 million shares in stocks admitted to unlisted trading only and 30 million shares in stocks listed and registered on exchanges other than those where the unlisted trading occurred. These amounts were respectively about 3.25 percent and 3 percent of the total share volume reported on all exchanges. The volumes in individual issues as reported by the stock exchanges or other reporting agencies are less than complete in some cases, particularly with respect to American Stock Exchange figures, which exclude odd lots and other items not reported on the stock tickers. Volumes of trading in short-term rights are not included. Appendix table 8 shows the distribution of share volumes among the various categories of unlisted trading privileges on exchanges.

Applications for Unlisted Trading Privileges

Pursuant to applications filed by the exchanges with respect to stocks listed on other exchanges, unlisted trading privileges were extended during the fiscal year as follows:

Stock exchange:	*Number of stocks*
Boston	21
Detroit	1
Los Angeles	19
Midwest	2
Philadelphia-Baltimore	9
Pittsburgh	1
San Francisco	5

During the fiscal year there were three applications by the American Stock Exchange and one by the Boston Stock Exchange for a determination that new securities were the substantial equivalent of old securities previously admitted to unlisted trading privileges within the meaning of paragraph (b) of rule X-12F-2. All of such applications were granted by the Commission.

DELISTING OF SECURITIES FROM EXCHANGES

During the fiscal year ending June 30, 1955, the Commission granted 23 applications filed by exchanges or issuers to remove securities from exchange listing and registration pursuant to section 12 (d) and rule X–12D2–1. The applications included 7 by exchanges, covering 1 bond issue and 6 stocks, and 16 by issuers, covering 16 stocks, 2 of which were removed from 2 exchanges. The applications by exchanges were based on the reduction of public holdings to amounts insufficient for further exchange trading. The applications by issuers included 7 for delisting from some exchanges of stocks which remained listed on other exchanges, 6 based on insufficient amounts available for exchange trading, 2 where the proposition to delist was made the subject of proxy statements and put to a vote of shareholders, and 1 where the applicant, at the direction of the Commission, notified all of its stockholders by sending them a copy of its application.

BLOCK DISTRIBUTIONS REPORTED BY EXCHANGES

Rule X–10B–2, in substance, prohibits any person engaged in distributing a security from paying any other person for soliciting or inducing a third person to buy a security on a national securities exchange. An exemption from the prohibition of the rule is provided for those cases where compensation is paid pursuant to the terms of a plan, filed by a national securities exchange and declared effective by the Commission, authorizing the payment of such compensation in connection with a distribution of securities.

At the present time two types of plans are in effect to permit a block of securities to be distributed through the facilities of a national securities exchange when it has been determined that the regular market on the floor of the exchange cannot absorb the particular block within a reasonable time and at a reasonable price or prices. These plans have been designated the "Special Offering Plan" and the "Exchange Distribution Plan."

In addition to these two methods of distributing large blocks of securities on national securities exchanges, a third method is commonly employed to distribute blocks of securities listed on exchanges to the public over the counter. This method is commonly referred to as a "Secondary Distribution" and such a distribution generally takes place after the close of exchange trading. It is generally the practice of exchanges to require members to obtain the approval of the exchange before participating in such secondary distributions.

More complete details concerning these three types of plans are contained in previous Annual Reports of this Commission (see e. g., pages 29–30 of the 20th Annual Report). The following table shows the number and dollar volume of special offerings and exchange distributions reported by the exchanges having such plans in effect, as well as similar figures for secondary distributions which exchanges have approved for member participation and reported to the Commission.

Total Sales

12 MONTHS ENDED DECEMBER 31, 1954 [1]

	Number made	Shares in original offer	Shares sold	Value (thousands of dollars)
Special offerings	14	181, 999	189, 772	6, 670
Exchange distributions	57	726, 364	705, 781	24, 664
Secondary distributions	84	5, 624, 313	5, 738, 359	218, 489
6 MONTHS ENDED JUNE 30, 1955 [1]				
Special offerings	7	123, 815	103, 450	4, 849
Exchange distributions	11	159, 125	145, 728	5, 988
Secondary distributions	63	4, 076, 973	4, 082, 804	194, 207

[1] Details of these distributions appear in the Commission's monthly Statistical Bulletin.

MANIPULATION AND STABILIZATION

Manipulation

The Securities Exchange Act prohibits manipulative practices in the securities markets. The Commission's analysts watch for unusual or unexplained market activity. They observe the tickers of the leading exchanges and examine the quotation sheets of all exchanges. The financial news-ticker, leading newspapers and various financial publications and services are also closely followed. Over-the-counter surveillance is maintained by the examination of the bids and offers appearing in the sheets of the national quotation services.

When unusual or unexplained market activity is observed, all known information regarding the security is evaluated and a decision made as to the necessity for an investigation. These investigations, which are generally conducted by the Commission's regional offices, take two forms. The "quiz" or "preliminary" investigation is designed to discover rapidly evidence of unlawful activity. If a quiz discloses no evidence of violations it is closed. If the quiz indicates that more intensive investigation is necessary, a formal order may be issued by the Commission. Virtually all of the Commission's investigations are privately conducted so that no unfair reflection will be cast on any persons or securities and the trading markets will not be upset. If violations are discovered, the appropriate action is taken by the Commission. In some cases the information obtained may be referred to other Federal or state authorities.

The following table shows the number of quizzes and formal investigations initiated in the fiscal year 1955, the number closed or completed during the same period, and the number pending at the ending of the fiscal year:

Trading investigations

	Quizzes	Formal investigations
Pending June 30, 1954	66	10
Initiated during fiscal year	146	3
Total to be accounted for	212	13
Closed or completed during fiscal year	101	4
Changed to formal during fiscal year	4	
Total disposed of	105	4
Pending at end of fiscal year	107	9

When securities are to be offered to the public their markets are watched very closely to make sure that the price is not artificially raised prior to or during the distribution. All registered offerings and all offerings made under Regulations A and D (in all some 2,372 offerings having a value exceeding $11,264,000,000) were so observed during the fiscal year. Hundreds of other smaller offerings, such as secondary distributions and distributions of securities under special plans filed by the exchanges, were also checked and many were kept under special observation for considerable lengths of time.

Stabilization

Stabilization involves open market purchases of securities to prevent or retard a decline in the market price in order to facilitate a distribution. It is permitted subject to restrictions designed to confine stabilizing activity to that necessary for purposes of the distribution and to require proper disclosures.

All stabilizing operations are very carefully observed. During the fiscal year, stabilizing was effected in connection with stock offerings aggregating 23,774,940 shares having an aggregate public offering price of $542,972,719. Bond issues having a total offering price of $39,575,000 were also stabilized. To accomplish this stabilization, 428,057 shares of stock were purchased by the offerors at a cost of $8,055,188. Bonds costing $345,475 were also bought by stabilizers. In connection with these operations more than 6,000 stabilizing reports which show purchases and sales of securities effected by persons conducting the distribution were received and examined during the fiscal year.

During the fiscal year further progress was made in the formulation of rules relating to the stabilization of securities under the Securities Exchange Act. Following a public hearing on the proposed rules in July 1954, frequent conferences were held by the staff with a committee formed by persons represented at the hearing, and further study was given to the suggestions and proposals submitted by interested persons. A revised draft of the proposed rules was released for public comment in April 1955, setting forth three comprehensive rules, one restricting trading activity by persons participating or expecting to participate in a distribution, a second setting forth principles governing stabilizing, and the third dealing with the peculiar problems arising in offerings of securities through rights. By the end of the fiscal year the final recommendations of the staff had been submitted to the Commission, and shortly thereafter the proposed rules were formally adopted.[2]

INSIDERS' SECURITY TRANSACTIONS AND HOLDINGS

Every person who is an owner of more than 10 percent of any class of equity security which is registered on a national securities exchange or an officer or a director of the issuer of any such security is required by section 16 (a) of the Securities Exchange Act to file with the Commission and the exchange a report disclosing his direct and indirect ownership of each class of the issuer's equity securities and additional reports showing subsequent changes in such ownership. The Public Utility Holding Company Act and the Investment Company Act contain similar requirements.

These reports are available for public inspection at the Commission's office and at the exchanges, but in order to make the information contained therein more readily available to interested persons it is condensed and published in the Commission's monthly "Official Summary of Security Transactions and Holdings," which is distributed on a subscription basis by the Government Printing Office. Approximately 3,000 copies of this summary are circulated each month.

There was a sharp increase in the number of insiders' reports filed with the Commission during the 1955 fiscal year, 28,975 as compared with 23,199 during the 1954 fiscal year and 22,333 during the 1953 fiscal year. The following tabulation shows details concerning the reports filed during the 1955 fiscal year.

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[2] Securities Exchange Act release No. 5194, (July 5, 1955). In connection with the formulation of the stabilization rules, see also previous Annual Reports, particularly 20th Annual Report, p. 35.

Number of ownership reports of officers, directors, principal security holders, and certain other affiliated persons filed during the fiscal year ended June 30, 1955

Description of report	Original reports	Amended reports	Total
Securities Exchange Act of 1934: [1]			
Form 4	24,086	867	24,953
Form 5	577	5	582
Form 6	2,469	6	2,475
Total	27,132	878	28,010
Public Utility Holding Company Act of 1935: [2]			
Form U-17-1	37	1	38
Form U-17-2	492	2	494
Total	529	3	532
Investment Company Act of 1940: [3]			
Form N-30F-1	86		86
Form N-30F-2	343	4	347
Total	429	4	433
Grand total	28,090	885	28,975

[1] Form 4 is used to report changes in ownership; Form 5 to report ownership at the time an equity security of an issuer is first listed and registered on a national securities exchange; and Form 6 to report ownership of persons who subsequently become officers, directors or principal stockholders of the issuer.

[2] Form U-17-1 is used for initial reports and Form U-17-2 for reports of changes of ownerhsip.

[3] Form N-30F-1 is used for initial reports and Form N-30F-2 for reports of changes of ownership.

Recovery of Insiders' Profits by Company

For the purpose of preventing the unfair use of information which may have been obtained by an insider by reason of his relationship to his company, sections 16 (b) of the Securities Exchange Act, 17 (b) of the Public Utility Holding Company Act, and 30 (f) of the Investment Company Act provide for the recovery by or on behalf of the issuer of any profit realized by the insider from certain purchases and sales, or sales and purchases, of securities of the company within any period of less than 6 months. The Commission is not charged with the enforcement of the civil remedies created by these provisions, which are matters for determination by the courts in actions brought by the proper parties.

REGULATION OF PROXIES

Scope of Proxy Regulation

Under sections 14 (a) of the Securities Exchange Act, 12 (e) of the Public Utility Holding Company Act of 1935, and 20 (a) of the Investment Company Act of 1940 the Commission has adopted Regulation X-14 requiring the disclosure of pertinent information in connection with the solicitation of proxies, consents and authorizations in respect of securities of companies subject to those statutes. The regulation also provides means whereby any security holders so desiring may communicate with other security holders when management is soliciting proxies, either by arranging for the independent distribution of their own proxy statements or by including their proposals in the proxy statements sent out by management.

Copies of proposed proxy material must be filed with the Commission in preliminary form prior to the date of the proposed solicitation. Where preliminary material fails to meet the prescribed disclosure standards, the management or other group responsible for its preparation is notified informally and given an opportunity to avoid such defects in the preparation of the proxy material in the definitive form in which it may be furnished to stockholders.

Statistics Relating to Proxy Statements

During the calendar year 1954 1,887 solicitations were made pursuant to Regulation X–14, of which 1,846 were conducted by management and 41 by non-management groups. The 1,846 solicitations by management related to 1,695 companies, more than one solicitation having been made with respect to some of the companies.

The purpose for which proxies are most often sought is the voting for nominees for directors. In 1954 this was an item of business in 1,705 stockholders' meetings, while at 161 meetings it was not involved. The remaining 21 solicitations, which did not involve any meeting of stockholders, sought consents or authorizations from stockholders with respect to certain proposals other than the election of directors.

During the 1954 calendar year 22 companies were subject to proxy contests for control or for representation on the board of directors compared to 14 such contests during the 1953 calendar year. Apart from those filed by management, 28 proxy statements were filed in 1954 by interested non-management groups, compared with 17 in 1953, in connection with these contests.

In addition to the election of directors, stockholders' decisions were sought in the calendar year 1954 with respect to the following types of matters:

Nature of business other than election of directors	*Number of proxy statements*
Mergers, consolidations, acquisition of businesses, and purchase and sales of property	91
Issuance of new securities, modifications of existing securities, and recapitalization plans other than mergers and consolidations	233
Employee pension plans	60
Employee stock purchase and stock option plans	80
Bonus and profit-sharing plans	24
Indemnification of officers and directors	12
Approval of independent auditors	466
Amendments to by-laws and other matters	308

While mergers and related combinations reflected in this tabulation increased from 66 in 1953 to 91 in 1954, the total of the three categories of compensation plans enumerated, pension, stock purchase and bonus, decreased from 223 to 164.

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

Registration

Section 15 (a) of the Securities Exchange Act requires registration of brokers and dealers using the mails or instrumentalities of interstate commerce to effect transactions in securities on the over-the-counter market except those brokers and dealers whose business is exclusively intrastate or exclusively in exempt securities. The following tabulation reflects certain data with respect to registration of brokers and dealers and applications therefor during the fiscal year 1955.

Statistics relating to registrations of brokers and dealers—fiscal year ending June 30, 1955

Effective registrations at close of preceding fiscal year	4, 132
Applications pending at close of preceding fiscal year	47
Applications filed during fiscal year	715
Total	4, 894
Applications denied	0
Applications withdrawn	15
Applications canceled	0
Registrations withdrawn	416
Registrations canceled	58
Registrations revoked during year	22
Registrations effective at end of year	4, 334
Applications pending at end of year	49
Total	4, 894

Administrative Proceedings

Registration as a broker and dealer may be denied or revoked pursuant to section 15 (b) of the Act by reason of criminal convictions, or civil injunctions involving securities transactions; for willful violations of the Federal Securities laws or the Commission's regulations thereunder; and for certain other specified types of misconduct on the part of the firm or its partners, officers, directors or persons controlling or controlled by it. In addition brokers and dealers may be suspended or expelled by the Commission from membership in the National Association of Securities Dealers Inc. and in stock exchanges for participating in violations of the Federal Securities laws or the regulations thereunder.

Statistics of administrative proceedings to deny and revoke broker-dealer registration, to suspend and expel from membership in the National Association of Securities Dealers or an exchange

Proceedings pending at start of fiscal year to:	
Revoke registration	10
Revoke registration and suspend or expel from NASD [1] or exchanges	7
Deny registration to applicant	3
Total proceedings pending	20
Proceedings instituted during fiscal year to:	
Revoke registration	42
Revoke registration and suspend or expel from NASD or exchanges	13
Deny registration to applicant	5
Cancel registration	2
Total proceedings instituted	62
Total proceedings current during fiscal year	82

Disposition of proceedings

Proceedings to revoke registration:	
Dismissed on withdrawal of registration	11
Dismissed—registration permitted to continue in effect	2
Registration revoked	17
Total	30
Proceedings to revoke registration and suspend or expel from NASD or exchanges:	
Registration revoked and firm expelled from NASD	5
Dismissed on withdrawal of registration	1
Dismissed—registration and membership permitted to continue in effect	1
Suspended for a period of time from NASD	3
Total	10
Proceedings to deny registration to applicant:	
Dismissed on withdrawal of application	4
Dismissed—registration permitted to become effective	1
Total	5
Total proceedings disposed of	45
Proceedings pending at end of fiscal year to:	
Revoke registration	22
Revoke registration and suspend or expel from NASD or exchanges	10
Deny registration to applicants	3
Cancel registration	2
Total proceedings pending at end of fiscal year	37
Total proceedings accounted for	82

[1] A substantial number of registered brokers and dealers are not members of the National Association of Securities Dealers, Inc., or of a national securities exchange.

Among the proceedings disposed of during the year were the following:

In the case of Charles M. Weber, doing business as *Weber-Millican and Company*,[3] involved findings that the respondent in connection with the sale of the common stock of Inland Oil Company, made false and misleading statements and omitted to state material facts concerning the expenses of distribution of the stock, the extent and results of oil-well drilling operations, and the purposes for which the proceeds from the sale of the stock would be used, and that the respondent in connection with selling of common stock of Magma King Manganese Mining Co. made false representations concerning the current market price of the stock and the availability of the stock in the market and effected sales at prices averaging 38.9 percent in excess of the prevailing market prices without disclosing to the purchasers such market prices. The Commission found that Weber willfully violated the anti-fraud provisions of the Securities Acts, and revoked his registration and expelled him from the National Association of Securities Dealers, Inc.

In the *Shaver and Company*[4] case, the Commission revoked the respondent's registration and expelled it from the National Association of Securities Dealers, Inc. upon the findings that the respondent and Stanley C. Shaver, who dominated and controlled the respondent, made false and misleading statements of material facts in connection with the sale of securities and employed a scheme to defraud customers of their funds and securities. Shaver, a director of the Florida Telephone Corporation, induced the respondent's customers to purchase that corporation's stock upon the false representation that the corporation would merge with another telephone company and that the stock would appreciably increase in value. On the pretext of having the stock available when the merger took effect, Shaver induced the customers to turn over to him 2,883 shares in negotiable form. More than half of these shares were subsequently converted by Shaver and Company to the use and benefit of Shaver and the respondent, without the knowledge or consent of the customers.

In proceedings instituted against *Pioneer Enterprises, Inc.*[5] the case was based in part upon the fact that the respondent in selling its own stock sent a telegram which referred to "the many favorable developments in corporations in which Pioneer is interested and which are reflected in a greatly improved financial structure of Pioneer," when in fact such a representation was not justified. The three companies in which Pioneer owned sizable amounts of stock had paid no dividends or any other form of income to the respondent, and the activities

[3] Securities Exchange Act release No. 5087 (September 14, 1954).
[4] Securities Exchange Act release No. 5116 (December 6, 1954).
[5] Securities Exchange Act release No. 5143 (March 1, 1955).

of the companies in the period preceding were not of a kind justifying a description of "favorable developments." Also the telegram failed to reveal certain material facts detrimental to Pioneer's financial structure. On these facts the Commission found Pioneer had violated the anti-fraud provisions of the Securities Act of 1933, and revoked Pioneer's registration and expelled it from membership in the NASD, Inc.

Proceedings against *Alm and Company*[6] involved the obtaining of secret profits by respondent and by Henry O. Alm, president, director and controlling stockholder, in securities transactions with an estate and trust of which Alm was executor and trustee. Alm, as executor, sold through another broker-dealer 15 of the 27 securities in the estate to respondent, which used some of the securities to cover short sales and resold the remainder to customers at a profit. Another security of the estate was purchased directly by Alm, who within a short time sold it to respondent at an appreciably higher price. Respondent then resold the security realizing additional profit. The Commission found that the respondent and Alm had willfully violated the anti-fraud provisions of the Securities Exchange Act of 1934 and suspended Alm from membership in the National Association of Securities Dealers, Inc. for 9 months. Registration was not revoked under the circumstances, including the fact that Alm had made restitution to the estate and had never been charged with other securities violations.

The extensive series of administrative and court proceedings discussed in the prior Annual Reports of the Commission were finally terminated by the Commission's dismissal of the broker-dealer proceedings against *Otis & Co.* and, as mentioned elsewhere in this report, its dismissal at the request of the NASD of the review petition filed in connection with the disciplinary action by the Association against Otis & Co., Cyrus S. Eaton and William R. Daley.[6a] Following the Commission's successful defense of the action brought by certain witnesses who sought to have the United States District Court for the Eastern District of Pennsylvania quash the Commission's subpoenas which had been served upon them, resumption of the broker-dealer proceedings was delayed pending completion of the Commission's further public investigation into the offering of Kaiser-Frazer stock. Thereafter, a stipulation incorporating into the record of the broker-dealer proceeding certain testimony taken in prior proceedings was entered into and, based upon that testimony and the remainder of the record, Otis & Co. filed a motion to dismiss the broker-dealer proceeding. In granting the motion to dismiss, the Commission, among

[6] Securities Exchange Act release No. 5177 (May 25, 1955).

[6a] See 15th Annual Report, pp. 73–77; 16th Annual Report, pp. 58–59; 18th Annual Report, pp. 79–80; 19th Annual Report, pp. 50–51.

its other conclusions, found that in view of the fact that no harm came to public investors to whom the Kaiser-Frazer stock was offered, it would not be in the public interest to take any action with respect to the registration of Otis & Co. as a broker-dealer and its membership in the NASD because of the alleged acts charged against it in this proceeding.[6b] The public investigation of the offering of Kaiser-Frazer stock was later terminated.

Broker-Dealer Inspections

The program of the Commission includes periodic and other examinations of the books and records of registered brokers and dealers, conducted pursuant to section 17 (a) of the Securities Exchange Act of 1934. The inspectors ascertain the financial condition of the firm and review its practices as to pricing, treatment of customers' funds and securities, and the making of proper disclosures to customers. Compliance with other Commission rules, including those relating to the maintenance of proper records, is also examined.

During the fiscal year the Commission's Regional Offices reported on 822 such inspections. As in former years these inspections uncovered many violations of the statutes, rules and regulations, including non-compliance with the Commission's capital and hypothecation rules, and with the margin and other requirements of Regulation T prescribed by the Board of Governors of the Federal Reserve System.

The following summary table shows the various types of violations disclosed in broker-dealer inspection reports during the last fiscal year.

Type	*Number of indicated violations*
Financial difficulties	27
Hypothecation rules	17
Unreasonable prices for securities purchased	212
Regulation "T" of the Federal Reserve Board	90
"Secret profits"	3
Confirmation and bookkeeping rules	429
Miscellaneous	39
Total indicated violations	817
Total number of inspections	822

The Commission does not necessarily take formal action against a broker-dealer who appears from these inspections to have violated the acts or the rules thereunder. The character of improper activity and the public interest are considered in determining which, if any, of the available types of action is appropriate. Where it appears that the violations are inadvertent or the result of misunderstanding, and

[6b] Securities Exchange Act release No. 5078 (August 24, 1954).

where wilfulness is not established, the Commission affords the broker-dealer an opportunity to correct his practices or to offer satisfactory assurances that they will not continue.

Where the facts indicate activity inconsistent with the Rules of Fair Practice of the National Association of Securities Dealers, Inc., but not necessarily violative of the anti-fraud provisions of the Commission's statutes, the Commission at times refers such cases to the Association for consideration and whatever action it deems appropriate. During the fiscal year nine such cases were referred to the Association.

Certain of the brokers and dealers registered with the Commission are inspected by other agencies such as certain stock exchanges, the National Association of Securities Dealers, Inc., and certain State authorities having inspection programs. The Commission and these agencies cooperate in a program designed to obtain the broadest coverage in routine inspection of brokers and dealers by interchanging information as to the dates of inspection of particular firms by each of the various parties. Information that a particular firm had recently been inspected by one agency permits others to concentrate their activity on other firms. The program is flexible to a degree sufficient to permit immediate action by any agency for a good cause regardless of inspections by others. The results of inspections are not interchanged due primarily to variations in inspection programs and in the jurisdiction of the inspecting agencies.

During the year the Philadelphia-Baltimore Stock Exchange substantially expanded the scope of its examinations and became a participant in the coordination program. Other cooperating agencies, each of which is in some way subject to the Commission's jurisdiction, include the American Stock Exchange, the New York Stock Exchange, the Midwest Stock Exchange, the San Francisco Stock Exchange and the National Association of Securities Dealers, Inc. These parties reported having made nearly 1,700 inspections of firms, and the availability of this information permitted the Commission, as well as each of the other parties, to avoid duplication of routine inspections and to increase the number of different firms inspected by some inspecting organization. In addition, many States also participate to the extent of their jurisdiction and inspection facilities, including particularly, California, Connecticut, Illinois, Michigan, Minnesota, Oklahoma, Oregon, Washington and Wisconsin.

Financial Statements

One of the Commission's rules, X-17A-5, requires brokers and dealers to file financial reports each calendar year. During the fiscal year 1955, 3,945 such reports were filed. By examining these reports the staff is afforded an opportunity to determine whether, as of the date of the report, a broker-dealer is in compliance with the capital requirements prescribed by rule X-15C3-1. If it is found that he is not in compliance, he is given a reasonable opportunity, if consistent with the public interest, to bring his financial condition into compliance. If he does not promptly comply, the Commission takes appropriate action.

Net Capital Rule

During the year the Commission adopted an amendment designed to increase the safeguards to customers afforded by its rule X-15C3-1 relating to capital requirements for brokers and dealers. Under this rule, no broker or dealer may permit his aggregate indebtedness to exceed 20 times his net capital. "Net capital," "aggregate indebtedness," and other terms are defined in the rule. These definitions were revised, effective May 20, 1955,[7] to increase from 10 percent to 30 percent the deduction from market value of common stock forming a part of the capital of a broker or dealer, which is required to be made in computing his net capital and otherwise to clarify and improve the principles under which net capital and aggregate indebtedness are determined for purposes of the rule. These revisions included modified deductions from market values of bonds and preferred stocks in computing net capital; revised treatment of certain secured obligations in calculating aggregate indebtedness and provision for the inclusion in capital of borrowings under "satisfactory subordination payments."

The rule was also amended in June 1955[8] to add the Philadelphia-Baltimore Stock Exchange to the list of exchanges whose members are exempt from the Commission's net capital rule because the rules and settled practices of these exchanges have been found to impose capital requirements more comprehensive than those of the Commission's rule.

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

Section 15A of the Securities Exchange Act of 1934 (the "Maloney Act") provides for the registration with the Commission of national securities associations whose rules are designed to promote just and equitable principles of trade and who otherwise meet the requirements of the statute. The National Association of Securities Dealers, Inc. (NASD) is the only association which has registered under the Act. Membership in the association is important to brokers and dealers engaged in underwriting or trading with other brokers and dealers since, as contemplated by section 15A (i) of the Act, the rules of

[7] Securities Exchange Act release No. 5156 (April 11, 1955).

[8] Securities Exchange Act release No. 5191 (June 24, 1955).

the association preclude members from dealing with non-members except upon the same terms as are accorded to the general public. Its membership stood at 3,350 at June 30, 1955. This represented an increase of 259 during the year as a result of 442 admissions to, and 183 terminations of, membership. At the same date there were registered with the NASD, as registered representatives, 41,066 individuals, including generally all partners, officers, salesmen, traders and other persons employed by or associated with member firms in capacities which involved their doing business directly with the public. The number of registered representatives increased by 5,387 during the fiscal year as a result of 8,761 initial registrations, 2,333 re-registrations and 5,707 terminations of registration.

Disciplinary Actions

The Commission received from the NASD, during the fiscal year, reports of final action in 28 disciplinary proceedings in which formal complaints had been filed against members alleging violations of specified provisions of the Association's Rules of Fair Practice. Eighteen of these complaints were directed solely against members, while ten other complaints contained allegations against members and also against registered representatives of the members.

In three of these proceedings members were expelled, in six members were fined and in six members were censured. One complaint was withdrawn prior to consideration of the merits and after such consideration four others were dismissed on findings that no violations had occurred. One member involved in three related complaints was suspended for 2 years.

Five complaints aimed at both members and their representatives resulted in the revocation of the registration of the registered representatives on findings that they had misappropriated, or otherwise misused, customers' or firms securities or funds. In each of these cases the firms were found not to have acted improperly and the complaints were dismissed as to them. There were no losses to investors in these cases. In other cases involving registered representatives there were two revocations, suspensions of 30 and 90 days, respectively, and two fines. In some of the cases mentioned above more than one type of sanction was imposed on the disciplined member of representative. In several cases the penalty imposed included an assessment to cover, in whole or in part, the cost of the proceeding. The fines imposed by the National Association of Securities Dealers, Inc., ranged from $50 to $2,000 and aggregated $3,800.

Commission Review of the NASD Disciplinary Action

As provided in section 15A (g) of the Act, disciplinary actions by the NASD are subject to review by the Commission on its own motion or on application of any aggrieved person. Four such petitions, described in earlier Annual Reports, were pending at the close of the last fiscal year. In addition, two other petitions were filed during the year. Five of these cases were disposed of during the year and one was pending at the year end.[9]

The Commission affirmed findings by the NASD that Earl L. Combest, president and chief executive officer of Prugh, Combest and Land, Inc., had, among other things, violated specified provisions of the Association's Rules of Fair Practice, particularly section 27, by failure to exercise proper supervision over officer-salesmen who overcharged customers and held that this failure to supervise was conduct inconsistent with just and equitable principles of trade within the meaning of the Act and the Association's rules. Combest had been fined $2,500 and his registration as registered representative had been suspended for 2 years by the Association. The Commission found, in the light of all surrounding circumstances, including the sanctions imposed on other persons connected with the activities in question, that this penalty imposed on Combest was excessive or oppressive and affirmed the fine but canceled the suspension.[10]

As described in earlier Annual Reports, Otis & Co. and its registered representatives, Cyrus S. Eaton and William R. Daley, had appealed to the Commission an NASD decision finding them in violation of particular Association rules for refusing to supply certain information concerning the activity of Otis & Co. in a common stock offering of Kaiser-Frazer Corporation in 1948. This decision imposed a 2-year suspension of Otis & Co. from Association membership. In view of the Commission's action in granting the motion of Otis & Co. to dismiss the broker-dealer revocation proceedings and the outcome of Federal Court proceedings in which the NASD was involved with Otis & Co., the Association revoked its order of suspension and dismissed the underlying complaint against Otis & Co. and its representatives. The Association thereafter requested the Commission to dismiss the review petition as moot and the Commission granted the request.[11]

The Commission also dismissed a review petition filed by Thomas G. Wylie Co. who had been expelled by and from the Association on findings that he had violated applicable Rules of Fair Practice by selling non-producing oil royalties to customers at 212 percent over the current market as indicated by contemporaneous cost. Prior to Commission determination, applicant's membership as a sole pro-

[9] The pending case consisted of a petition filed by Mitchell Securities, Inc., from a decision which resulted in the expulsion of the firm on the finding that customers had been charged unfair prices in low priced securities. The appeal automatically stayed the effectiveness of the decision.

[10] Securities Exchange Act release No. 5064 (July 13, 1954).

[11] Securities Exchange Act release No. 5110 (November 4, 1954).

prietor had automatically terminated by death and the Commission dismissed the proceedings as moot.[12]

R. V. Klein Company brought before the Commission, on appeal, a decision in which the NASD held that his sales of producing oil royalties to customers at a uniform mark-up of 50 percent over the firm's cost involved doing business at unfair prices under the rules and in the circumstances of the case. The penalty of expulsion had been applied. On consideration, the Commission concluded that the firm's pricing practices were unfair and inconsistent with just and equitable principles of trade. In considering the severity of the penalty, the Commission held that it was not oppressive or excessive and on this basis dismissed the review proceeding thus confirming the action of the NASD.[13] This decision by the Commission was subsequently reversed by the Court of Appeals as described later in this report.

A review petition filed by Royal Securities Corporation and its president and sole stockholder, John B. Milliken, raised a novel question. The NASD through its District Business Conduct Committee, which has initial jurisdiction, had expelled the firm and revoked Milliken's registration on findings that they had violated specified rules by misrepresenting to customers that they were purchasing securities for them as agent without any commission being charged when, in fact, they were selling their own securities to such customers at mark-ups ranging from 20 percent to 75 percent over their contemporaneous costs, and in making false and fictitious entries on the books of the corporation. The NASD rules provide that a disciplinary action by a District Business Conduct Committee is subject to review by the Board of Governors on application by an aggrieved party filed within 15 days after the date of notice of the decision, or upon the Board's own motion within 30 days after such notice. The rules also provide for review by the Commission, in accordance with the statute, upon application of a party aggrieved by disciplinary action taken or approved by the Board of Governors. In this case, review by the Board of Governors was not sought within the specified period and the Board of Governors refused to review the decision on its own motion. Thereupon applicant applied directly to the Commission to review the decision of the District Business Conduct Committee and the refusal of the Board of Governors to review that decision or to hear the untimely appeal. The NASD moved to dismiss the petition on the assertion that the Commission had no jurisdiction because applicant had failed to comply with the rules relating to review within the NASD. The Commission concluded that applicants' failure to exhaust their remedies of review within the NASD, pursuant

12 No release published. File 16-1A-53.
13 Securities Exchange Act release No. 5123 (December 28, 1954).

to its rules, precluded Commission review of the disciplinary action and that applicable rules which specified procedural steps to be observed as a condition to a review were not in contravention of the statute. On this basis the Commission dismissed the review proceedings.[14]

Commission Review of Action on Membership

During the fiscal year the Commission had no occasion to exercise its jurisdiction under section 15A (b)(4) of the Act by which it may, with due regard to the public interest, approve or direct the admission to or continuance in membership of a member subject to any of the disabilities specified in that section of the statute. There was no change in the status of two such cases pending at the beginning of the fiscal year and no new cases were brought before the Commission during the year.[15]

LITIGATION UNDER THE SECURITIES EXCHANGE ACT OF 1934

In order to afford immediate protection to public investors, it is necessary at times for the Commission to apply to the courts for injunctive relief against continuing violations of the Securities Exchange Act.

In *S. E. C.* v. *Kelleher Securities Corporation and William H. Eynon* [16] the defendant corporation, a registered broker-dealer, and its controlling stockholder, consented to entry of a final judgment permanently enjoining them from further violations of the registration and anti-fraud provisions of the Securities Act of 1933 and the anti-fraud provisions of the Securities Exchange Act of 1934. The defendants were charged, among other things, with selling securities by making false statements to the effect that the price of such securities would double, that dividends would soon be paid and that the securities were no longer a speculation. In addition, it was alleged that the defendants concealed the fact that they were selling personally owned stock while falsely representing that the issuing corporation would receive the proceeds of such sales.

Injunctive proceedings were also instituted against *Carl J. Bliedung*,[17] a registered broker-dealer. By consent, the court issued a permanent injunction enjoining further violations of the Securities Exchange Act resulting from the defendant's failure to maintain and keep current the books and records required under the Commission's rules and regulations.

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[14] Securities Exchange Act release No. 5171 (May 20, 1955).

[15] The pending cases concerned petitions filed on behalf of Franklin Distributors, Inc. (Securities Exchange Act release No. 4818); and a member firm seeking approval of its continuance as a member with William A. Spanier as an employee and controlled person. (Securities Exchange Act release No. 4811).

[16] D. D. C. No. 2017-55 (May 20, 1955).

[17] D. D. C. No. 920-55 (March 16, 1955).

In *S. E. C.* v. *Shaver & Co., Stanley C. Shaver, Sr. and Stanley C. Shaver, Jr.,*[18] the complaint alleged that the defendants permitted the firm's aggregate indebtedness to exceed 2,000 percent of its net capital in violation of the Commission's rules. The defendants filed an answer admitting the allegations of the complaint and consented to the entry of a permanent decree of injunction.

A permanent injunction was also issued against *George McKaig,*[19] a registered broker-dealer, doing business as *George McKaig & Company,* as a result of a complaint filed during the previous fiscal year which, as discussed in the Twentieth Annual Report,[20] charged the defendant with violating the Commission's net capital rule, failure to keep required books and records, and failure to file a certified report of his financial condition.

In *S. E. C.* v. *Gordon Keith Proctor,*[21] the Commission obtained a final judgment by consent enjoining the defendant from further violations of the broker-dealer registration provisions. The complaint charged that he was engaged in a broker-dealer business without being registered with the Commission in accordance with section 15 (b) of the Securities Exchange Act.

In addition to its actions against broker-dealers the Commission had occasion to file a complaint against *Donald Graham Hamilton*[22] for violations of the anti-fraud provisions of the Securities Exchange Act. It was alleged that the defendant placed orders with various brokers for the purchase of certain securities and the short sale of other securities, for execution on the New York Stock Exchange, knowing that he could not provide margin to cover short sales effected for his account on the due dates. It was also charged that the defendant issued checks on non-existent bank accounts and bank accounts having insufficient funds to pay brokers for transactions effected for his account. The defendant consented to the entry of judgment and a permanent injunction was issued by the court.

In *S. E. C.* v. *LaVere Redfield,*[23] the Commission's complaint sought to enjoin the defendant from further violations of the anti-fraud provisions of the Securities Exchange Act. It was alleged that the defendant, a director of a certain corporation, in offering to purchase from stockholders of that company their stock at $12.50 per share, had failed to disclose to them that the corporation was then considering a cash purchase offer of $14.50 per share from another company and a proposal of merger with still another corporation. Following the filing of the complaint, the defendant agreed to refrain from

[18] S. D. Fla. No. 2603-T (August 20, 1954).
[19] D. Nev. No. 1132 (May 15, 1955).
[20] Pp. 48-49.
[21] N. D. Ga. No. 5192 (June 1, 1955).
[22] D. Mass. No. 54-705W (September 17, 1954).
[23] D. Mass. No. 55-68W (February 16, 1955, Stipulation).

further violations and also agreed to offer to rescind the purchases which he had made under the above-mentioned circumstances.

In 1952, a NASD District Business Conduct Committee instituted proceedings against a member for conduct violative of the NASD Rules of Fair Practice and inconsistent with just and equitable principles of trade. It was alleged, among other things, that the member had sold oil royalties at prices which were unfair and not reasonably related to the current market price, in violation of sections 1 and 4 of Article III of the Association's Rules of Fair Practice, namely at a mark-up of 50 percent over cost. The Association rejected his contentions that 50 percent was the customary mark-up in the sale of producing oil royalties, that therefore the NASD was under a duty to notify its members that it considered such a charge violative of its rules, which notice had not been given, and that, in any event, the propriety of his prices should have been determined on the basis of the intrinsic value of the royalties rather than on mark-up over cost and circumstances pertinent to the mark-up. After expulsion by the Association, he applied to the Commission for review of the expulsion order. The Commission affirmed.[24]

A petition for review of the Commission's order was filed in the Court of Appeals for the Second Circuit. In its opinion, the Court, noting that there is no established market price for oil royalties, accepted the Commission's ruling that the cost to the dealer of an oil royalty was the equivalent of a market price. In addition, the Court adopted the Commission's position that the NASD could properly determine what conduct was in violation of its rules on a case-to-case basis. However, in the present instance, the NASD a year before the instant transactions occurred had examined an account of the member in which there were two transactions in oil royalties with 50 percent mark-ups over cost. Since no action was taken or warning given by the NASD with respect to those transactions, the Court held that, although the inaction did not constitute an estoppel, the failure to discipline or to warn the member for the previous transactions justified his belief that a 50 percent mark-up was permissible under the Association's rules and constituted an interpretation of the rules on which the member reasonably relied. The case was therefore reversed and remanded to the Commission.[25]

In *Weber* v. *Securities and Exchange Commission*,[26] the Court of Appeals for the Second Circuit affirmed an order of the Commission revoking a broker-dealer's registration and expelling him from membership in the National Association of Securities Dealers. The action

[24] *R. V. Klein Company*, Securities Exchange Act release No. 5123 (December 28. 1954).

[25] *Rudolph V. Klein* v. *S. E. C.*, 224 F. 2d. 861 C A. 2, June 16, 1955; *petition for rehearing denied*, July 13, 1955.

[26] 222 F. 2d. 822 (1955).

was based on fraudulent diversion of an issuer's funds in connection with an underwriting, on sales of "penny" stock at prices not reasonably related to its current market price, and on misrepresentations relating to such market price. Among other things, the Court reaffirmed a previous holding that the National Daily Quotation Sheets of the National Quotation Bureau are admissible as evidence of over-the-counter market prices.

Participation as Amicus Curiae

In *Beury* v. *Beury*, the United States District Court for the Southern District of West Virginia held that a civil action under rule X–10B–5 would not lie in those cases where an action for fraud and deceit at common law existed. The court accordingly held that as to two of the defendants the extra-territorial service of process pursuant to section 27 of the Securities Exchange Act of 1934 was unavailable.[27] On appeal the Commission filed a brief, *amicus curiae*, urging that the concept of fraud under section 10 (b) of the Act and rule X–10B–5 thereunder includes causes of action cognizable at common law. In a *per curiam* opinion, the court held that the order was not appealable, and without passing upon the question, expressed its disagreement with the construction given by the court below to rule X–10B–5.[28]

[27] 127 F. Supp. 786 (1954).

[28] *Beury* v. *Beury*, 222 F. 2d 464 (C. A. 4, 1955).

PART IV

ADMINISTRATION OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

The Public Utility Holding Company Act of 1935 provides for three separate areas of regulation of holding company systems which control electric utility companies and companies engaged in the retail distribution of natural or manufactured gas. The first embraces those provisions of the Act, principally those in section 11 (b) (1), which require physical integration of the public utility and related properties of holding company systems, and those, principally contained in section 11 (b) (2), which require the simplification of intercorporate relationships and financial structures of the systems. The second area of regulation covers financing operations of registered holding companies and their subsidiaries, acquisitions and dispositions of securities and properties, their accounting practices and servicing arrangements and other intercompany transactions. The third area includes the provisions of the Act providing exemptions for intrastate and foreign holding company systems and those provisions of the Act regulating the right of a person who is affiliated with a public utility company to acquire securities resulting in a second such affiliation.

COMPOSITION OF REGISTERED HOLDING COMPANY SYSTEMS—SUMMARY OF CHANGES

On June 30, 1955, there were 25 public utility holding company systems which were subject to the regulatory provisions of the Act as registered holding company systems. In these systems there were 23 registered holding companies which function solely as holding companies, 7 registered holding companies which were also operating companies, 171 electric and gas utility subsidiaries and 137 non-utility subsidiaries, a total of 338 companies. In each of 3 systems there were 2 registered holding companies, and in a third system there were 3 registered holding companies. For convenience of discussion these systems are referred to as active systems, and a table showing their composition as of June 30, 1955, appears in appendix table 10. The aggregate assets of these 25 active registered systems totalled approximately $9,972 million, less valuation reserves, as at December 31, 1954. Included in these totals are 63 non-utility companies in the Cities Service system with total assets of approximately $1,039 million. Also included are 62 subsidiaries of American & Foreign Power, Inc. with total assets of approximately $630 million, most of which operate properties in foreign countries, which have not been included as components of active registered systems in previous annual reports since American & Foreign Power and its subsidiaries have been exempted from the Act by orders of the Commission under Sections 3 (a) (5) and 3 (b). In addition there were 7 other registered holding companies which no longer hold any electric or gas utility subsidiaries.

On June 30, 1954, there were 29 active registered holding company systems aggregating 386 companies with total assets of approximately $10,151 million, less valuation reserves, as at December 31, 1953. Four systems acquired exempt status under the Act during the fiscal year 1955, namely, Eastern Gas and Fuel Associates, Northern States Power Co. (Minn.), Wisconsin Electric Power Co., and New England Gas and Electric Association. The first three of these are operating-holding companies and the last is solely a holding company. These four systems contained a total of 15 electric and gas utility subsidiaries and 28 non-utility subsidiaries. In addition, The North American Company, which was the top registered holding company in the North American system, was dissolved during the year and its subsidiary, Union Electric Company of Missouri, a registered operating-holding company, continued as the top company in an active registered system.

One new holding company registered under the Act during the year as a result of its purchase of another utility company, which was merged into the parent shortly thereafter. Active registered systems added three public utility subsidiaries during the fiscal year.[1]

During the fiscal year 1955, 5 public utility subsidiaries with net assets aggregating more than $372 million and 5 non-utility subsidiaries with assets of $513 million [2] were divested by their respective holding company parents and as a result were no longer subject to the Act as components of registered systems.[3] In addition one company was absorbed by a merger, 5 were eliminated by dissolution, and 37 ceased to be associated with the active systems as a consequence of exemptions and other changes in status. The following table shows the changes which occurred during the year in the composition of active registered holding company systems.

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[1] These include Mississippi Valley Generating Company, which is jointly owned by Middle South Utilities, Inc. and The Southern Company, and Louisiana Gas Service Company, a newly organized subsidiary in the Middle South system. These two companies are classified for statistical purposes herein as public utility companies.

[2] The assets of public utility subsidiaries divested do not include investments in consolidated subsidiaries of United Gas Corporation, a gas utility with 4 non-utility subsidiaries, divested by Electric Bond and Share Company. The assets of one of the non-utility subsidiaries at the time of divestment were not reported.

[3] During the 20-year period from December 1, 1935, to June 30, 1955, registered holding companies have divested themselves of 839 subsidiaries with aggregate assets of approximately $12,905,000,000 which, as a result of such divestments, ceased to be subject to the Act as of June 30, 1955, as associates of registered systems. These companies included 260 electric utility companies with assets of approximately $9,213,000,000, 162 gas utility companies with assets of approximately $1,484,000,000, and 417 non-utility companies with assets of approximately $2,206,000,000. The dollar aggregates of assets of divested companies included herein represent the totals of the assets of such companies as at their respective dates of final divestment. No adjustments have been made to reflect subsequent growth of the assets of these companies following their divestment.

Summary of changes in the composition of active registered public utility holding company systems

12 MONTHS ENDED JUNE 30, 1955

	Active registered holding companies	Active registered holding operating companies	Electric and gas utility companies	Non-utility companies	Total companies in active systems
Companies in active registered holding company systems—June 30, 1954	25	10	133	156	324
Additions:					
Companies acquired during fiscal year 1955			3		3
Total companies associated with active systems during fiscal year 1955	25	10	136	156	327
Deductions:					
Companies divested by holding companies; no longer subject to Act			[1] 5	[1] 5	[1] 10
Companies dissolved	1		1	3	5
Companies absorbed in mergers or consolidations			1		1
Companies converted from status of registered holding companies or subsidiaries thereof to status of exempt holding company systems or other status not associated with registered systems	1	3	11	20	35
Companies in active registered holding company systems—June 30, 1955	23	7	118	128	276

[1] Includes the United Gas Corporation group of companies (1 gas utility and 4 non-utility companies) in which Electric Bond and Share Company, a registered holding company, reduced its interest in voting securities to less than 10 percent during the fiscal year 1955.

SIGNIFICANT DEVELOPMENTS IN AND LITIGATION INVOLVING HOLDING COMPANY SYSTEMS

American Gas and Electric Company

American Gas and Electric Company is a holding company controlling the largest electric utility system subject to the Act. As at December 31, 1954, consolidated assets of the system, less valuation reserves, aggregated $1,035 million. During the fiscal year the Commission approved a proposal filed pursuant to section 11 (e) of the Act providing for the merger of two system operating companies, The Ohio Power Company and The Central Ohio Light & Power Company.[4] The plan provided that Central Ohio's public stockholders would receive $50 per share in cash upon surrender of their stock at any time not later than December 31, 1959. The surviving company, The Ohio Power Company, assumed all of Central Ohio's indebtedness, including $4,998,000 principal amount of first mortgage bonds and $2,900,000 principal amount of notes payable to banks.

Two other system transactions approved by the Commission during the fiscal year were sales of certain electric facilities to nonaffiliates for an aggregate of $1,336,836.[5]

[4] Holding Company Act release No. 12730 (December 14, 1954), enforced, (N. D. Ohio, Civil Action No. 7308, January 21, 1955, unreported).

[5] Holding Company Act release No. 12833 (March 29, 1955); Holding Company Act release No. 12749 (December 17, 1954).

American Natural Gas Company

American Natural Gas Company controls one of the four registered gas utility holding company systems subject to the Act. As at December 31, 1954, consolidated assets of the system, less valuation reserves, aggregated $416 million.

During the fiscal year the Commission approved the transfer of 35,000 shares of common stock of Milwaukee Solvay Coke Company, a non-utility subsidiary of Milwaukee Gas Light Company, from the latter company to the parent company, American Natural Gas Company.[6] It was proposed to effectuate the transfer by means of not more than six quarterly dividends on Milwaukee Gas Light Company's common stock in shares of Solvay common stock.

At the close of the fiscal year the Commission had pending a joint financing proposal[7] by American Natural and American Louisiana Pipe Line Company, a non-utility subsidiary, involving, among other things, the issuance and sale by American Louisiana of $97,500,000 principal amount of First Mortgage Pipe Line Bonds and the issuance and sale by American Louisiana to American Natural of 200,000 additional shares of $100 par value common stock. The purpose of the proposed financing was to provide a major portion of the funds required to construct a natural gas pipe-line system extending from southern Louisiana to Detroit, Michigan, to supplement the gas supply of Michigan Consolidated Gas Company and Michigan-Wisconsin Pipe Line Company, subsidiaries of American Natural. After public hearings on the proposed transactions, the Commission issued an order of approval, including an exemption from the competitive bidding requirements of rule U-50 so as to permit the sale of the bonds to two insurance companies which entered into commitments to take the bonds down over the period of construction.

Subsequently, the Commission issued a detailed findings and opinion.[8] Therein it was pointed out that the pipeline bonds proposed to be issued and sold were redeemable for purposes of refunding at a lower interest rate at redemption prices beginning at 115 for the period to and including January 1, 1962, and at declining premiums thereafter. This high redemption premium in the event of a refunding presented the Commission with a problem in the light of its established policies under which it has almost uniformly required that senior securities be fully redeemable at the option of the issuing company upon the payment of a reasonable premium.

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[6] Holding Company Act release No. 12762 (December 30, 1954).
[7] Holding Company Act release No. 12931 (June 22, 1955).
[8] Holding Company Act releases Nos. 12953 and 12991 (July 29 and September 20, 1955).

In approving the terms of the bond financing the Commission determined that, under the circumstances of the case, it would not regard the bond redemption premiums, which make refunding unlikely for a period of years, as a basis for the imposition of a condition requiring renegotiation of such premiums with institutional investors. The Commission accorded appropriate weight in this regard to the position of the Federal Power Commission, which had approved the terms of the financing, and to the views of the affected State and municipal regulatory authorities. The city of Detroit and the Michigan Public Service Commission urged the Commission to approve the financing as proposed and not to jeopardize the future gas supply in their territory by requiring a further renegotiation of the redemption premiums. They took the position that any action which might imperil the prompt construction of the pipe line would have an adverse effect on a great number of consumers in urgent need of natural gas. The Public Service Commission of Wisconsin opposed the high redemption premiums on the bonds but took the position that the proposed issuance should be approved if the redemption premiums could not be reduced without undue delay or without serious impairment of progress of construction of the pipeline. However, the Commission reaffirmed its policy against nonredeemable features in senior securities, pointing out, as it has in previous cases, that such features violate the policy of the Act as set forth in section 1 proscribing "lack of economies in the raising of capital."

Central and South West Corporation

Central and South West Corporation and its four domestic electric utility subsidiaries were divested by the Middle West Corporation in 1947 and have operated since that time as a separate holding-company system. As at December 31, 1954, consolidated assets of the system, less valuation reserves, amounted to $455 million. At the time it was divorced from the Middle West system, the Central and South West system was subject to an outstanding order pursuant to section 11 (b) (1) which required the divestment from Central and South West of certain ice and water properties. This was done by the latter part of 1950. In the past year the system took steps to dispose of its remaining ice properties although the Commission had previously found them retainable under section 11 (b) (1). In part payment for these ice properties, Central Power and Light Company, a subsidiary of Central and South West, requested authority to acquire certain debt securities from the purchaser, Southern Texas Ice & Service Inc., a non-affiliated non-utility company. The Commission approved Central Power's request on June 28, 1955.[9]

[9] Holding Company Act release No. 12934.

Central Public Utility Corporation

Central Public Utility Corporation ("Cenpuc") is solely a holding company whose only public utility investments are in subsidiaries with electric and gas utility properties located exclusively in foreign countries. Cenpuc also has indirect interests in domestic non-utility properties. As at December 31, 1954, consolidated assets of the system, less valuation reserves, amounted to $24 million.

On June 1, 1955, Cenpuc filed with the Commission an application requesting modification of an outstanding section 11 (b) (2) order so that it would no longer require the dissolution of The Islands Gas and Electric Company, an intermediate holding company in the Cenpuc system. Cenpuc also requested an exemption pursuant to section 3 (a) (5), pursuant to which a holding company may be entitled to an exemption if it is not, and derives no material part of its income from any subsidiary company which is, a domestic public utility company. In an amendment to this application filed after the end of the fiscal year, Cenpuc disclosed that The Equity Corporation, a registered investment company, had acquired indirectly approximately 28 percent of the outstanding common stock of Cenpuc. This acquisition poses possible problems under section 11 which may have to be resolved before the requested exemption can be granted.

Cities Service Company

Cities Service Company, although primarily engaged in the oil and gas business, is a registered holding company, and is under a section 11 (b) order directing it to dispose of all of its utility interests. Pursuant to this order, Cities requested approval during the fiscal year of a sale of its holdings of 51.5 percent of the common stock of Arkansas Louisiana Gas Company to W. R. Stephens Investment Company, Inc. ("Stephens"). Problems presented by the proposal included whether it was appropriate to grant Cities an exemption from the competitive bidding requirements of rule U–50; whether the acquisition by Stephens, which was subject to section 9 (a) (2), met the standards of section 10; and whether Stephens should be given an exemption as a holding company under section 3 (a) (4) on the basis of its contention that it was acquiring the stock temporarily with a view to distribution. The Commission approved the sale, acquisition and exemption in consolidated proceedings after public hearings.[10] Appearances were made by various consumer interests, including Reynolds Metals Company. Reynolds Metals opposed the transaction, principally because Stephens proposed to "spin off" the production-extraction properties of Arkansas Louisiana Gas prior to distribution of the Arkansas Louisiana Gas stock, and Reynolds Metals considered that this would adversely affect the public interest and the

[10] Holding Company Act releases Nos. 12742 (December 14, 1954) and 12748 (December 17, 1954).

interest of investors and consumers. The sale by Cities of the Arkansas Louisiana Gas stock and the acquisition thereof by Stephens was consummated on December 27, 1954. On January 6, 1955, Reynolds Metals filed a petition for review pursuant to section 24 (a) of the Act in the Court of Appeals, District of Columbia Circuit. The case has been briefed and argued and was awaiting decision at the end of the fiscal year.

Following the sale of the Arkansas Louisiana Gas stock, Cities Service filed an application for exemption under section 3 (a) (5) of the Act. The Commission ordered that proceedings on this application be consolidated with section 11 proceedings pertaining to Arkansas Fuel Oil Corporation, formerly Arkansas Natural Gas Corporation, and ordered hearings thereon.[11] The questions presented are whether the granting of the exemption is detrimental to the public interest or the interest of investers or consumers prior to the resolution of any problems presented by the existence of a 48.5 percent publicly held minority interest in Arkansas Fuel Oil Corporation and whether the continued existence of such minority interest complies with the provisions of section 11 (b) (2) of the Act and is fair and equitable to the persons affected thereby. Public hearings have been completed in this proceeding but oral argument of the issues before the Commission had not been held prior to the end of the fiscal year.

During the fiscal year, the Commission gave the approvals required for the liquidation and dissolution of Gas Advisers Inc., a former mutual service company in the Cities Service system.[12]

As of December 31, 1954, the Cities Service Company system reported total consolidated assets of $1,054 million, less valuation reserves. However, all of these assets were devoted to petroleum and other non-utility operations with the exception of Cities' Canadian gas utility subsidiary, Dominion Natural Gas Company, Ltd., which had assets of $15 million as at December 31, 1954.

The Columbia Gas System, Inc.

The Columbia Gas System, Inc., is a holding company controlling 14 operating subsidiaries and a subsidiary service company, which conduct natural gas transmission, distribution and production operations. As at December 31, 1954, consolidated assets of this system, less valuation reserves, amounted to $674 million. During the fiscal year the Commission approved a joint proposal by Columbia and its subsidiary, Central Kentucky Natural Gas Company, authorizing Central to acquire all the assets of Frankfort Kentucky Natural Gas Company,[13] a non-affiliated company, in exchange for 33,050 shares

[11] Holding Company Act release No. 12809 (March 3, 1955).
[12] Holding Company Act release No. 12775 (January 10, 1955).
[13] Holding Company Act release No. 12891 (May 16, 1955).

of newly issued common stock of Columbia and the assumption by Central of Frankfort's outstanding 3¾ percent bonds and its current and miscellaneous liabilities.

On June 10, 1955, a motion was filed with the Commission on behalf of Columbia for the release of jurisdiction reserved in an order of the Commission dated November 30, 1944, and for a finding and determination that the system gas properties as presently constituted can be retained under the standards of section 11 (b) (1) of the Act. No action had been taken on the motion at the close of the fiscal year.

Consolidated Natural Gas Company

Consolidated Natural Gas Company is a holding company controlling four gas utility subsidiaries, and a gas transmission subsidiary. As at December 31, 1954, consolidated assets of this system, less valuation reserves, amounted to $459 million. During the year a subsidiary, The East Ohio Gas Company, was given authorization to acquire the assets of a non-affiliate, Lake County Gas Company, in consideration for shares of capital stock of Consolidated and the assumption by East Ohio of the liabilities of Lake County; [14] and The Peoples Natural Gas Company, another subsidiary, was given authorization to transfer the Jeannette Compressor Station and appurtenant facilities located in Pennsylvania to New York State Natural Gas Corporation, an affiliated non-utility company, and to Texas Eastern Transmission Corporation, a non-affiliated non-utility company.[15]

Eastern Gas & Fuel Associates
Koppers Company, Inc.

Koppers Company, Inc., which is primarily an industrial corporation, formerly was a holding company controlling Eastern Gas & Fuel Associates. This relationship no longer exists, Koppers having disposed of all but 13,000 shares of the common stock of Eastern which is less than 1 percent of the shares outstanding. In the fiscal year 1954 Koppers obtained a section 5 (d) order terminating its registration as a holding company.

Eastern is also a holding company, since, in addition to various subsidiaries engaged principally in the production, transportation, sale and conversion of coal, it owns all of the outstanding voting shares of Boston Consolidated Gas Company, a gas utility company operating in the City of Boston. As at December 31, 1954, consolidated assets of this system, less valuation reserves, amounted to $170 million. In 1950, when the Commission approved a section 11 (e) plan of Eastern, the Commission's findings and opinion [16] contemplated that Eastern would apply for exemption under section 3 (a) (1),

[14] Holding Company Act release No. 12835 (March 31, 1955).
[15] Holding Company Act release No. 12789 (January 26, 1955).
[16] Holding Company Act release No. 9633 (February 3, 1950).

pursuant to which a holding company may be entitled to an exemption from the Act if the holding company and every subsidiary thereof which is a public-utility company are predominantly intrastate in character and carry on their business substantially in a single State in which the holding company and the subsidiary are organized.

The proceedings pursuant to sections 11 (b) and 11 (e) involving Koppers and Eastern are described in the 17th Annual Report, p. 83; and Koppers' section 5 (d) order is described in the 20th Annual Report, p. 58.

Eastern's application under section 3 (a) (1) was pending before the Commission at the beginning of the fiscal year 1955. During the year Eastern filed an amendment to its application, and on February 28, 1955, after public notice, the Commission issued an order granting the requested exemption.[17]

During the past fiscal year the *Dumaine* case [18] was concluded. This involved two questions, first, whether Dumaine, a stockholder who acted as a committee member in the section 11 proceedings pertaining to Eastern, was barred from the receipt of any fee by reason of a sale by his wife during the reorganization of shares of the class of securities which Dumaine represented; and, second, whether Koppers was entitled to a fee from the estate of Eastern for its participation in Eastern's reorganization. The Commission denied any fee to Dumaine but permitted reimbursement of his expenses and denied the claim of Koppers. In enforcement proceedings the District Court reversed the Commission as to Dumaine, but affirmed as to Koppers. The Court of Appeals reversed the District Court as to Dumaine and sustained the Commission's decision as to both Dumaine and Koppers. A petition for certiorari was denied by the Supreme Court on May 16, 1955.

Electric Bond and Share Company

Electric Bond and Share Company ("Bond and Share") no longer owns as much as 5 percent of the voting securities of any public-utility company operating in the United States. At the end of the fiscal year 1955, its assets consisted principally of 53.53 percent of the common stock of American & Foreign Power Company, Inc., which is an exempt holding company controlling a large number of public-utility companies operating exclusively outside the United States; complete ownership of Ebasco Services Incorporated, a service company rendering substantial services to public-utility companies in the United States; 4.97 percent of the common stock of United Gas Corporation, which constitutes the largest single stockholding

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[17] Holding Company Act release No. 12807 (February 28, 1955).

[18] Holding Company Act release No. 11954 (May 29, 1953); enforced in part and reversed in part *In re Eastern Gas & Fuel Associates*, 120 F Supp. 460 (D. Mass. 1953); aff'd in part and reversed in part 218 F. 2d 308 (C. A. 1, 1954); cert. denied *Dumaine* v. *S. E. C.*, 349 U. S. 929 (1955).

in United Gas; investments in a number of industrial enterprises; and a substantial amount of current assets available for investment. The corporate assets of Bond and Share, less valuation reserves, amounted to $108 million.

Section 11 (e) proceedings involving Bond and Share, including the company's Final Comprehensive Plan, provided for, among other things, the reduction of Bond and Share's holdings in United Gas to less than 5 percent, which has now been accomplished; transformation of Bond and Share into an investment company registered under the Investment Company Act of 1940; and the prosecution of an application for a section 3 (a) (5) exemption from the Act upon completion of the required reduction of its holdings of United Gas stock. Under section 3 (a) (5) a holding company may be entitled to an exemption from the Act if it is not, and derives no material part of its income from any subsidiary company which is, a domestic public-utility company.

During the past year the Commission authorized Bond and Share to make distributions of United Gas common stock in accordance with the Plan.[19] Bond and Share also notified the Commission, as required by the Plan, that it intended to sell 75,000 shares of American & Foreign Power common stock, which is slightly in excess of 1 percent of the shares outstanding. The sales of American & Foreign Power common stock were for the purpose of realizing tax losses, and Bond and Share stated that it expected to purchase shares of American & Foreign Power common stock on the market before the end of calendar year 1955 in amounts sufficient to replace the shares sold. These sales and purchases of American & Foreign Power common stock were contemplated by the Plan.

On June 6, 1955, Bond and Share filed with the Commission an application for exemption as a holding company pursuant to section 3 (a) (5). This application, which was pending at the end of the fiscal year, presents the Commission with several problems, among which is the possible necessity of imposing terms and conditions to ensure that Bond and Share, directly or indirectly through Ebasco or otherwise, does not exercise a controlling influence over any public-utility or holding company in the United States or stand in such relationship to such a company that there is liable to be an absence of arm's-length bargaining between Bond and Share or Ebasco and such company. Hearings on this application commenced on September 14, 1955.[20]

Electric Power & Light Corporation

The fee litigation in connection with the reorganization and dissolution of Electric Power & Light Corporation, formerly a subsidiary

[19] Holding Company Act release No. 12767 (January 4, 1955).
[20] Holding Company Act release No. 12946 (July 18, 1955).

registered holding company in the Electric Bond and Share system, referred to in the 20th Annual Report, p. 57, was terminated in the past year. The Supreme Court of the United States reversed the Court of Appeals for the Second Circuit and on April 18, 1955 denied a petition for rehearing.[21] Modification and remand orders were requested and were entered by the Court of Appeals and by the District Court for the Southern District of New York. Subsequently, pursuant to a stipulation of settlement entered into between the Commission and Drexel and Company, the fee applicant, the Commission issued an order approving the payment by Bond and Share to Drexel of $80,000, which was $30,000 more than the amount which the Commission had previously approved but $20,000 less than the amount which has been requested by Drexel and which Bond and Share was willing to pay.[22]

The Supreme Court's decision affirmed the Commission's position that its jurisdiction to pass upon fees and expenses in the section 11 (e) reorganization of a subsidiary extends to any fees to be paid by the parent registered holding company for services performed for it in connection with such reorganization.

Engineers Public Service Company

The appeal pending at the close of fiscal year 1954 in connection with the allowance and denial of fees and expenses claimed by participants in the proceedings for the reorganization of Engineers Public Service Company,[23] referred to in the 20th Annual Report, p. 57, was decided on April 5, 1955.[24] The Court of Appeals affirmed the decision of the United States District Court of Delaware which refused to approve the order of the Commission denying the full amounts requested for fees and expenses to counsel for certain dissenting common stockholders of Engineers and granted such counsel amounts larger than had been allowed by the Commission. In upholding the District Court's determination to grant these allowances, the Court of Appeals held that although a District Court, acting pursuant to section 11 (e), could not rewrite a plan approved by the Commission, it did have power, by analogy to the appeal provisions of section 24 (a) of the Act, to modify Commission determinations with respect to fees. Pursuant to this decision of the Court of Appeals, the Commission on June 14, 1955 issued an order amending its Findings and Opinion and Order dated March 26, 1952, approving, among other things, the payment by Engineers to the claimants of $85,892 for fees and $8,252 for expenses.[25]

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[21] *S. E. C.* v. *Drexel and Company*, 348 U. S. 341 (1955); amended 349 U. S. 910 (1955); rehearing denied 349 U. S. 913 (1955).

[22] Holding Company Act release No. 12980 (September 9, 1955).

[23] Holding Company Act release No. 11096 (March 26, 1952).

[24] *S. E. C.* v. *Guggenheimer & Untermyer, et al.*, 221 F. 2d 708 (C. A. 3, 1955).

[25] Holding Company Act release No. 12921.

General Public Utilities Corporation

General Public Utilities Corporation ("GPU") is a holding company with seven domestic and two foreign public utility subsidiaries. One of the domestic subsidiaries and the two foreign subsidiaries are owned through a wholly owned subholding company. GPU's integrated public utility system lies in New Jersey and Pennsylvania. As at December 31, 1954, consolidated assets of the system, less valuation reserves, amounted to $653 million.

GPU has not yet complied with that part of a section 11 (b) order entered against it on December 28, 1951 directing GPU to divest itself of its foreign public utility subsidiaries, which are located in the Philippines, and of Northern Pennsylvania Power Company, and the latter's subsidiary, The Waverly Electric Light & Power Company, which are located in northern Pennsylvania and Waverly, New York. The 20th Annual Report, p. 57 describes the hearings held on a request by GPU that the Commission modify the outstanding section 11 (b) order so as to permit GPU to retain Northern Pennsylvania Power Company and Waverly Electric as part of its integrated public utility system. This matter remained undecided at the end of the fiscal year 1955. During the fiscal year legislation was introduced (H. R. 4370, 84th Cong.) designed to permit the retention by GPU of its Philippine subsidiaries. No committee hearings were held before the close of the fiscal year on this bill. In comments submitted to Congress the Commission set forth its views on the bill but took no position either in support of or in opposition to the measure.

International Hydro-Electric System

International Hydro-Electric System ("IHES"), a Massachusetts business trust, is a registered holding company, which at the close of fiscal year 1955 had no domestic public-utility subsidiaries. Its assets at that time consisted of 18.8 percent of the outstanding common stock of Gatineau Power Company, a Canadian public utility, 4.6 percent of the outstanding common stock of New England Electric System, a registered holding company, 100 percent of the outstanding stock of Eastern New York Power Company, an inactive company and approximately $9,250,000 in liquid assets. As at December 31, 1954, the total assets of IHES amounted to $56 million and the consolidated assets of Gatineau Power and its subsidiaries, less valuation reserves, aggregated $115 million. For several years IHES has been operated by a Trustee appointed by the District Court for Massachusetts pursuant to section 11 (d) of the Act. The reorganization of IHES has involved several steps taken pursuant to section 11 (d) plans filed by the Trustee which have been described in previous Annual Reports, see 15th Annual Report, page 106, 16th Annual Report, page 74, 17th Annual Report, page 82, 18th Annual

Report, page 95, 19th Annual Report, page 60, 20th Annual Report, page 58. The plan before the Commission since June 1953 has contemplated a modification of the dissolution order entered in 1942 by the Commission against IHES, the exemption of IHES as a holding company pursuant to section 3 (a) (5), and the registration of IHES as a closed-end, non-diversified investment company under the Investment Company Act of 1940.

In the spring of 1954, pursuant to the section 11 (d) plan, there was an election of directors of IHES, whose function, according to the section 11 (d) plan, was to represent the Class A stockholders in all proceedings before the Commission and the Court, and pending the reorganization of IHES as an investment company, to have such other powers as the Commission and the Court might approve. This election was the occasion for a proxy contest between two groups seeking control of IHES. The election developed a controversy over the legality of certain of the proxies and certain of the votes cast, which was presented to the District Court for Massachusetts. The Court provisionally resolved the controversy by entering an order on December 8, 1954, approving nine specified persons as interim directors for the purpose of representing the stockholders in all proceedings before the Commission and the Court involving proposals for the consummation of the final part of the Trustee's section 11 (d) plan. The nine interim directors included five members of the Todd-Jacobs slate of candidates in the 1954 election, and four members of the opposing Johnson-Romney slate, these being the individuals who, on the face of the returns, received the highest number of votes cast at that election.

On December 30, 1954, the Commission issued a notice and order reconvening the section 11 hearings for the purpose of considering the last part of the Trustee's section 11 (d) plan and any other plans which might be filed by persons having a bona fide interest in the reorganization.[26] Pursuant to this notice three plans were filed, as follows: (1) Interim Board Plan which undertook to implement with definitive details the outline proposed in the Trustee's section 11 (d) plan, and which was accompanied by an application for an order modifying the 1942 dissolution order and granting IHES an exemption under section 3 (a) (5); (2) the Johnson-Romney Plan, sponsored by Central-Illinois Securities Corporation, Christian A. Johnson, and Alfred Romney, Class A stockholders, which proposed the continuation of the enterprise through two independent investment companies, one to be controlled by the Todd-Jacobs group and the other by the Johnson-Romney group, with division of the assets in accordance with the number of shares owned by or electing to go along with each group; (3) a plan sponsored by the Class A Stockholders Protective Commit-

[26] Holding Company Act release No. 12763.

tee, which provided for the conversion of IHES into a corporation and its continuance as an investment company. Both the Johnson-Romney Plan and the Protective Committee Plan provided that stockholders should vote on the plan, and that if it should fail to receive the approval of at least two-thirds of the outstanding shares, IHES should be liquidated and dissolved; and that in any event dissenting stockholders should be allowed to retire from the enterprise with their ratable share of the assets. The Interim Board Plan did not provide for a vote by the stockholders, or for the withdrawal of dissenters.[27] These several plans and modifications thereof and an additional proposal made by The Equity Corporation, another lager stockholder of IHES, were considered in nine days of public hearings. After the hearings, the various participants filed recommended findings and opinions, and thereafter exceptions, and briefs in support thereof, to the recommended findings and opinions of the other parties. On July 6, 1955, the Commission heard oral argument of the issues.

During the past year the Commission disposed of various applications for fees and expenses in connection with the IHES proceedings. In connection with the plan relating to the retirement of IHES' debentures the Commission approved and released jurisdiction over fees and expenses aggregating $102,750 and $6,341, respectively.[28] These payments were subsequently approved by the reorganization court.[29]

Early in fiscal year 1955 the various participants in the reorganization of IHES (other than representatives of debenture holders, the Trustee and his counsel) were advised to file with the Commission any claims for fees not later than September 30, 1954. Fee applications aggregating approximately $1,700,000 were received and on January 13, 1955, the Commission directed the Trustee to negotiate with the several applicants and to report what payments he had agreed upon or was prepared to recommend with respect to them.[30] The Trustee's report was filed late in the fiscal year. Thereafter the Commission directed its staff to conduct further negotiations with the applicants, and these negotiations were continuing at the end of the fiscal year.

On June 17, 1955, the Commission issued an order pursuant to rule U-63 authorizing the Interim Board of Directors of IHES to make certain interim disbursements to defray the reasonable and necessary costs and expenses in performing its duties; and on June 24, 1955, the Commission denied a request for reconsideration of its order.[31] Subsequently, the Court approved the payment by the Trustee of the fees and expenses of the Interim Board in the aggregate amount of $19,468.13 with respect to services already rendered, but refused to authorize in advance periodic payments for services yet to be rendered

[27] Holding Company Act release No. 12792 (February 4, 1955).
[28] Holding Company Act release No. 12773 (January 11, 1955).
[29] *In re International Hydro-Electric System*, unreported (D. Mass., Civil Action No. 2430, April 12, 1955).
[30] Holding Company Act release No. 12780 (January 13, 1955).
[31] Holding Company Act release Nos. 12928 (June 17, 1955) and 12933 (June 24, 1955).

on the ground that a continuing authorization by the Court of compensation prior to the actual rendition of the services was a departure from normal procedure.[32]

Middle South Utilities, Inc.

Middle South Utilities, Inc., is solely a holding company. Its operating subsidiary companies are Arkansas Power & Light Company, Louisiana Power & Light Company, Mississippi Power & Light Company, and New Orleans Public Service, Inc. Middle South also owns 10 percent stock interest in Electric Energy, Inc., which supplies power to the Atomic Energy Commission, and its subsidiary, Arkansas Power & Light owns a 34 percent interest in Arklahoma Corporation, a jointly owned transmission facility. As at December 31, 1954, the consolidated assets of this system, including Middle South's investment in Electric Energy, Inc. and Arkansas Power & Light's investment in Arklahoma Corporation, less valuation reserves, aggregated $570 million. The electric properties of the four operating companies have been found by the Commission to constitute an integrated electric utility system, but certain gas and other non-utility properties owned by two subsidiary companies are subject to a divestment order issued under section 11 (b).

Steps taken during the past year to dispose of the non-retainable properties included the organization by Louisiana Power of a subsidiary company, Louisiana Gas Service Corporation, for the purpose of transferring to that company all of Louisiana Power's non-electric properties.[33] As part of the proposal, Louisiana Power requested an order of this Commission declaring, pursuant to section 3 (a) (4), that Louisiana Power was only temporarily a holding company, the filing indicating that, while no definitive program to dispose of the common stock of Louisiana Gas had been developed, it was the intent to effect divestment within 18 months of the acquisition. The Louisiana Public Service Commission requested a public hearing on the proposal and also filed a petition to reopen the record in the proceedings leading to the related divestment order of March 20, 1953. The Public Service Commission urged that the gas properties be permanently retained. It contended that all consumers of Louisiana Power would best be served by the continued operation by that company of the gas and electric properties. On May 16, 1955, the Commission published a notice of the petition filed by the Public Service Commission and its offer of proof and brief in support thereof.[34] Statements and briefs in support of and in opposition to the position of the Public Service Commission were filed and oral argument was

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[32] *In re International Hydro-Electric System*, *supra*, order dated July 14, 1955, as modified July 27, 1955 (unreported).

[33] Holding Company Act release No. 12740 (December 13, 1954).

[34] Holding Company Act release No. 12892.

held. On September 13, 1955, the Commission issued its order denying the Public Service Commission's petition to reopen the section 11 (b) (1) divestment proceedings.[35]

During the fiscal year, Middle South proposed to acquire 79 percent of the common stock of Mississippi Valley Generating Company, a new corporation organized by Middle South and The Southern Company, for the purpose of constructing a generating plant and supply electricity under a power contract with the Atomic Energy Commission. The acquisition was approved by the Commission.[36] The details of the creation and financing of Mississippi Valley Generating Company are discussed under the caption "Financing of Electric Generating Companies Which Supply Electricity to Facilities of the Atomic Energy Commission" hereafter in this report.

New England Electric System

New England Electric System ("NEES") is a holding company controlling 26 subsidiaries which furnish electricity and gas at retail in the States of Massachusetts, Rhode Island, New Hampshire, and Connecticut. As at December 31, 1954, the consolidated assets of this system, less valuation reserves, amounted to $474 million.

There are minority stock interests in several of these subsidiaries and the Commission and its staff over the years have urged NEES to reduce the number of its subsidiaries and to reduce or eliminate the minority interests. Steps have been made in this direction through a series of mergers and offers of cash for the minority stock. Discussions are continuing between the staff and representatives of NEES with a view to further reduction in the number of subsidiaries and reduction or elimination of the minority interests.

During the past fiscal year the Commission approved a joint proposal by three system companies authorizing, among other things, the sale and transfer by Connecticut River Power Company of its properties to New England Power Company, the principal system generating company, for an aggregate consideration of $38,646,924.[37] This and related transactions, including the liquidation of Connecticut River Power Company, were consummated on January 26, 1955.

During the year a new company, Yankee Atomic Electric Company, was formed by 12 sponsoring New England utility companies, the leader of which was New England Power Company. Yankee proposes to build a 134,000-kw. generating station using atomic energy. During the fiscal year an application-declaration was filed with the Commission seeking approval of the initial financing of this proposed project. Public hearings on the application-declaration were held on September 13, 1955.

[35] Holding Company Act release No. 12978.
[36] Holding Company Act release No. 12794 (February 9, 1955).
[37] Holding Company Act release No. 12768 (January 4, 1955).

North American Company, The
Union Electric Company of Missouri

During the past fiscal year the final steps were taken by The North American Company to liquidate and dissolve pursuant to its section 11 (e) plan. This plan and the interim steps taken pursuant to it are described in the 18th Annual Report, page 122, 19th Annual Report, page 66, and 20th Annual Report, page 62.

Union Electric Company of Missouri is the surviving holding company in North American's integrated electric system, located in Missouri, Illinois, and Iowa. Union is both an operating company and a holding company, and in addition to its electric properties owns directly and indirectly some gas utility properties and some nonutility assets. As at December 31, 1954, consolidated assets of Union Electric and its subsidiaries, less valuation reserves, amounted to $448 million. Upon the completion of the merger of Union Electric Power Company, an Illinois subsidiary, into Union, which was approved by the Commission after the end of the fiscal year 1955,[38] Union continued to have three public utility subsidiaries, including a 40 percent interest in Electric Energy Inc., an electric generating company whose output is under contract to the Atomic Energy Commission. This merger was made possible by a recent amendment of the Illinois corporation laws which permits a foreign corporation under certain circumstances to own and operate utility properties in Illinois.

On January 20, 1955, North American made the final liquidating distribution to its stockholders of the common stock of Union. Subsequently a request was made to the Commission for the release of jurisdiction previously reserved over a contract between North American and Union providing for the transfer by North American to Union of all of North American's remaining assets, including the 30,256 shares of Union common stock not needed for the final liquidating distribution, and for the assumption by Union of all of North American's remaining liabilities. The Commission entered an order on February 10, 1955, granting the requested release of jurisdiction and the contract was consummated that same date.[39] Union received from North American under this contract all of the outstanding capital stock of North American Light and Power Company, which was then an inactive company whose assets consisted solely of a small amount of cash and a claim for tax refunds. In June 1955, Union, with the Commission's approval, took steps to liquidate and dissolve North American Light and Power.[40] Union is subject to a section 11 (b) order requiring it to dispose of its water properties in Mexico, Mo. The date for compliance has been extended from

[38] Holding Company Act release No. 12957 (August 5, 1955).
[39] Holding Company Act release No. 12797 (February 10, 1955).
[40] Holding Company Act release No. 12922 (June 14, 1955).

time to time, and most recently has been extended to December 31, 1955.[41] Pursuant to the contract mentioned above Union received from North American certain shares of preferred stock of Muzak Corporation, and all of the common stock of Hevi-Duty Electric Company, both of which are non-utility corporations. Union is subject to an order of the Commission which originally required it to dispose of these securities before August 10, 1955. On August 5, 1955, at the request of Union, the Commission extended the compliance date to August 10, 1956.[42]

During the last fiscal year two subsidiaries of Union acquired 26.7 miles of transmission lines and related electric properties from a power cooperative, which acquisition the Commission approved on January 11, 1955.[43]

Northern States Power Company (Del.)

Northern States Power Company (Del.), formerly a holding company, has been in the process of liquidation, pursuant to a section 11 (e) plan approved on January 30, 1948, which is described in the 15th Annual Report, p. 111. The liquidation has been completed except that holders of securities in Northern States (Del.) who have not yet turned in their securities for a liquidation distribution continue to have certain rights under the plan. The Commission recently approved an amendment to the section 11 (e) plan of Northern States (Del.) so as to provide that the remaining rights attaching to unexchanged stocks in Northern States (Del.) would expire on December 30, 1956, 8 years after the effective date of the plan.[44]

Pennsylvania Gas & Electric Corporation
North Penn Gas Company

The proceedings leading to the corporate simplification and dissolution of Pennsylvania Gas & Electric Corporation pursuant to section 11 (e) of the Act are described in the 18th Annual Report, page 98, and the 19th Annual Report, page 67. North Penn Gas Company, formerly a subsidiary of Pennsylvania Gas & Electric Corporation, and formerly a registered holding company, became an independent holding company, following the dissolution of Pennsylvania Gas. Until recently John Fox owned directly or indirectly 93 percent of the outstanding stock of North Penn. On June 16, 1955 this stock was offered to the public through underwriters with the result that North Penn is now a publicly held corporation.

Pursuant to the section 11 (e) plan filed by Pennsylvania Gas and calling for dissolution of that company, North Penn was required

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[41] Holding Company Act release No. 12766 (December 31, 1954).
[42] Holding Company Act release No. 12963 (August 10, 1955).
[43] Holding Company Act release No. 12778 (January 11, 1955).
[44] Holding Company Act release No. 12983 (September 9, 1955).

to divest itself of its entire interest in Crystal City Gas Company; and in anticipation of that divestment the plan sought an order of the Commission under section 5 (d) of the Act declaring that North Penn had ceased to be a holding company. This order was denied at the time of approval of the plan since North Penn had not yet divested itself of this interest. North Penn completed divestment of its interest in Crystal City Gas and renewed its request for a section 5 (d) order. The Commission issued the requested order on November 2, 1954.[45]

The Southern Company

The Southern Company is a holding company over four public-utility subsidiaries which furnish electricity in the States of Alabama, Florida, Georgia, and Mississippi. The system also includes a non-utility subsidiary and a mutual service company. As at December 31, 1954, consolidated assets of the system, less valuation reserves, amounted to $829 million.

During the fiscal year, Southern proposed to acquire 21 percent of the common stock of Mississippi Valley Generating Company, a corporation organized by Southern and Middle South Utilities, Inc., for the purpose of constructing a generating plant and supplying electricity under a power contract with the Atomic Energy Commission. The acquisition was approved by the Commission.[46] The details of the creation and financing of Mississippi Valley Generating Company are discussed, under the caption "Financing of Electric Generating Companies Which Supply Electricity to Facilities of the Atomic Energy Commission", hereafter in this report.

Southwestern Development Company
Sinclair Oil Corporation

The steps taken by Southwestern Development Company and its subsidiaries to comply with the integration and simplification provisions of section 11 (b) of the Act are described in the 18th Annual Report, page 99, and the 20th Annual Report, page 65. Southwestern itself is no longer in existence, having merged into Pioneer Natural Gas Company, which is now publicly held and owns gas production and distribution properties. An integral part of Southwestern's 11 (e) plan related to the program of Sinclair Oil Corporation, a partially exempt registered holding company, to dispose of its shares in Westpan Hydrocarbon Company, formerly a non-utility subsidiary of Southwestern, which shares were received by Sinclair under the provisions of Southwestern's plan. In the past fiscal year Sinclair requested and the Commission approved a further 6-month extension of the

[45] Holding Company Act release No. 12692.
[46] Holding Company Act release No. 12794 (February 9, 1955).

period within which to dispose of its Westpan holdings to December 21, 1955.[47] Prior to the issuance of this extension order Sinclair filed with the Commission a notice of intention pursuant to rule U-44 (c) to sell its holdings of Westpan stock (52.88 percent of the shares outstanding) to Jalco, Inc., which is not affiliated with either Westpan or Sinclair, pursuant to a contract between the parties dated March 31, 1955, at a base price of $4,618,330. Under the terms of the contract minority stockholders in Westpan are to have the opportunity to receive for their shares an amount per share not less than the amount per share to be received by Sinclair. After a study of the material in the notice and after requesting and receiving additional information about the proposed transactions the Commission advised Sinclair that it need not file a declaration with respect to the proposal, since the proposed sale price and other terms and conditions of the proposed sale were deemed to be fair and reasonable and the sale would enable Sinclair to consummate the divestment of the stock in accordance with the terms of the Southwestern section 11 (e) plan. The sale of Westpan stock to Jalco has not yet been consummated.

Standard Power and Light Corporation
Standard Gas and Electric Company
Philadelphia Company

These three companies are solely holding companies. They are subject to outstanding section 11 (b) orders which require their liquidation and dissolution. In order to satisfy these orders the companies have filed various plans under section 11 (e), and pursuant to these plans have disposed of sufficient shares of all but one of their former public utility subsidiaries so as to reduce their present holdings in such companies to less than 5 percent of the outstanding voting securities, and eliminated all of their previously outstanding senior securities and except for short-term bank loans, and intra-system debt, have reduced their respective capitalizations to a single class of stock. Standard Power presently owns approximately 45.6 percent of the outstanding stock of Standard Gas; Standard Gas owns 100 percent of the outstanding stock of Philadelphia; and Standard Power, Standard Gas and Philadelphia together own approximately 15 percent of the common stock of Duquesne Light Company, which is the only remaining public utility subsidiary in the system. In addition Philadelphia owns approximately 51 percent of Pittsburgh Railways Company, a non-utility company. As at December 31, 1954, the corporate assets of Standard Power were stated at $134 million, after deducting valuation reserves. A restatement of the company's investments at the market values thereof would reduce the total asset figure to $32 million. The consolidated assets of Standard Gas and its wholly owned subsidiaries, less valuation reserves, were stated at $393 thousand as at December

[47] Holding Company Act release No. 12935 (June 29, 1955).

31, 1954. However, the combined market values of Standard Gas' investments exceeded the stated values thereof by more than $35 million.

Unresolved tax questions and substantial fee claims have in the past held up compliance by Standard Power, Standard Gas and Philadelphia with the Commission's section 11 (b) orders. The tax questions remain unresolved but, as indicated below, substantially all of the fee claims were disposed of during fiscal year 1955. It is the present desire of the management of Standard Power to have the Commission modify the dissolution order directed against Standard Power and to keep Standard Power in existence as a closed-end, non-diversified investment company registered under the Investment Company Act of 1940. This program envisages the reduction of Standard Power's holdings in Duquesne to less than 5 percent of the common stock before such time as Standard Power would seek a section 5 (d) order declaring that it had ceased to be a holding company, whereupon registration would be effected under the Investment Company Act. In the interim, a restricted investment program would be embarked upon for the purpose of profitably investing the liquid assets of Standard Power. In March 1955 Standard Power filed a section 11(e) plan and a petition for modification of the section 11(b) dissolution order outstanding against it. These filings are designed to carry out the present desires of the management as described above, except that they do not include any application for a section 5 (d) order. In May 1955 a public hearing was held on these filings, and the Commission took the matter under advisement.

During the past fiscal year a settlement was made of the claims and cross-claims existing between Standard Power and H. M. Byllesby and Company. Byllesby formerly held 18.75 percent of Standard Power's common stock, and in 1940 surrendered this stock to Standard Power for cancellation pursuant to a contract which gave Byllesby the right to share proportionately upon liquidation of Standard Power in the latter's assets. Standard Power's cross-claims were based on alleged wrongful profits received by Byllesby in connection with the acquisition by Standard Power of control of Philadelphia in the 1924–26 period, and on alleged wrongful profits and fees received by Byllesby in connection with subsequent transfers of securities, underwriting contracts, and service and management contracts. Under the settlement Byllesby gave up approximately 20 percent of its claim, and full releases were exchanged by the parties. A section 11 (e) plan embodying the settlement was filed and was approved by the Commission on October 29, 1954.[48] The Commission's order of approval was enforced by the District Court in December 1954.[49] The settlement

[48] Holding Company Act release No. 12695 (October 29, 1954).

[49] *In re Standard Power and Light Corporation*, unreported (D. Del., Civil Action No. 1658).

was consummated on January 31, 1955 by Standard Power's delivering to Byllesby $209,800 in cash, 174,000 shares of Standard Gas common stock, 18,500 shares of Duquesne common stock, and 18,000 shares of Oklahoma Gas and Electric Company common stock. As a result of these transactions, Standard Power's holdings of Standard Gas common stock was reduced from 54 percent to 45.6 percent. The cash equivalent of the settlement was approximately $4,750,000.

As stated in the 20th Annual Report the Commission approved payment of approximately $2 million of fees and expenses during the fiscal year 1954 for services rendered by various fee applicants in the reorganization of Standard Gas. There remained for determination at the commencement of fiscal year 1955 the application of Guggenheimer & Untermyer and associated counsel for a fee of $3,500,000 for services rendered in the reorganization of Standard Gas, and in addition another small claim for expenses. An allowance of $6,000 in satisfaction of the small claim was approved by the Commission on February 14, 1955.[50] Public hearings on the Guggenheimer & Untermyer claim were completed in December 1954, after preliminary litigation in the District Court for the District of Delaware over the question of whether the Court or the Commission had primary jurisdiction to approve a fee for these claimants. Although the Court permitted the claimants to file their claims with the Court, it stayed proceedings thereon until the Commission had had an opportunity to hear and determine a similar claim filed with the Commission.[51] During the Commission's hearings, a settlement was reached under which the company would pay an aggregate fee to Guggenheimer & Untermyer and associated counsel of $861,000 plus expenses of $9,327.52. This settlement was approved by the Commission on May 13, 1955,[52] and the Commission's order of approval was enforced by the District Court on June 10, 1955.[53]

As noted above, the complete liquidation and dissolution of Standard Gas continues to be subject to delay as a result of unresolved tax questions. The tax situation, however, did not prevent a partial liquidating distribution of one-tenth of a share of Duquesne common stock for each share of Standard Gas, which was made in December 1954, pursuant to a section 11 (e) plan which was approved by the Commission, and enforced by the District Court for the District of Delaware.[54] The section 11 (e) plan covering the distribution provided also for the amendment of Standard Gas' certificate of incorporation so as to change its no par common stock (with a stated value on the books of $10 per share) into an equal number of shares of common stock of the par value of $1 per share.

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[50] Holding Company Act release No. 12799 (February 14, 1955).

[51] *In re Standard Gas and Electric Company et al.*, 16 F. R. D. 221 (D. Del. 1954).

[52] Holding Company Act release No. 12878 (May 13, 1955).

[53] *In re Standard Gas and Electric Company et al.*, unreported (D. Del. Civil Action Nos. 489 and 1497, June 10, 1955).

[54] Holding Company Act release No. 12735 (December 10, 1954); *In re Standard Gas and Electric Company and Standard Power and Light Corporation*, unreported (D. Del., Civil Action No. 1497).

The guarantees by Philadelphia of Duquesne's contractual obligation to pay to Monongahela Light and Power Company, a non-affiliate, certain lease-rental payments on properties leased by Monongahela to Duquesne for a term of 900 years were eliminated on March 18, 1955, after approval by the Commission and enforcement by the District Court of a section 11 (e) plan providing for such elimination.[55] Philadelphia also guaranteed the performance of Duquesne's obligation under the contract of lease to keep the leased premises insured and to surrender them at the end of the lease "in the same good order and condition in which they now are". These guarantees were a complexity in the system and their elimination was a necessary step toward ultimate liquidation and dissolution of Philadelphia. The lease-rental was $85,300 per annum, plus such amounts as were necessary to cover the interest on Monongahela's outstanding bonds in the principal amount of $1,698,000, all of which were owned by Duquesne, and all taxes imposed on Monongahela.

The United Corporation

The United Corporation is a registered holding company but no longer has any public-utility subsidiaries. During the fiscal year it filed an application for a section 5 (d) order declaring that it has ceased to be a holding company. If this order is granted, it proposes to register as a non-diversified, closed-end investment company under the Investment Company Act of 1940.

In the fiscal year 1955 two orders of the Commission involving United were upheld in the courts. In one proceeding, which was pending during the previous fiscal year, the Court of Appeals affirmed a decision of the District Court enforcing the Commission's order denying recovery by United of fees and expenses from its former subsidiary, Niagara Hudson Power Corporation, in connection with the latter's plan of reorganization.[56] In the other proceeding the District Court approved the Commission's application for enforcement of its order regarding certain provisions of United's Final Comprehensive Plan under section 11 (e) relating to charter and by-law provisions and for the cancellation of United's outstanding option warrants without any compensation.[57] Appeals taken from this decision were pending at the close of the fiscal year.

Proceedings before the Commission were in progress during the past fiscal year with respect to applications for fees and expenses aggregating approximately $848,800 for services rendered in connection with United's 1944 Exchange Plan and its 1951 Amended Investment Company Plan. After public hearings on these applications, the Commission issued an order fixing the post-hearing procedure and disposed

[55] Holding Company Act release No. 12693 (November 4, 1954); *In re Philadelphia Company and Standard Gas and Electric Company*, unreported (W. Pa., Civil Action No. 10781, January 10, 1955).
[56] *The United Corporation* v. *S. E. C.*, 219 F. 2d 859 (C. A. 2, 1955).
[57] *In re The United Corporation*, 128 F. Supp. 725 (D. Del. 1955).

of certain procedural motions.[58] Oral argument was held on October 4, 1955, and the Commission took the matter under advisement.

On February 14, 1955, the Commission issued an order approving an additional allowance for fees incurred by counsel for a Preference Stockholders' Committee.[59] The additional allowance was made in compliance with a District Court order which considered that the Commission's original allowance of $2,000 was too low, and which directed the Commission to approve a fee of $5,000.[60]

After United's section 5 (d) application was filed, a stockholder requested that a hearing be held on it. The Commission treated the request as an offer of proof insofar as it contained factual allegations, and after giving United and the staff an opportunity to file answers to it, held oral argument after the end of the fiscal year.

Western Kentucky Gas Company

Western Kentucky Gas Company filed a notification of registration under the Act on July 9, 1954. It was then a holding company by reason of its acquisition 2 days earlier of all the outstanding common stock of Shelbyville Gas Company. As at December 31, 1954, consolidated assets of Western Kentucky and its subsidiary, less valuation reserves, amounted to $10 million. A merger of these companies was approved by the Commission on March 7, 1955.[61] The merger has been consummated except for the filing of a certificate of dissolution of Shelbyville Gas Company. Western Kentucky has advised the Commission that as soon as this filing is made, it will apply pursuant to section 5 (d) for an order declaring that it has ceased to be a holding company.

Wisconsin Electric Power Company

Wisconsin Electric Power Company is a holding company and an operating public-utility company. It has two public-utility subsidiaries, Wisconsin Michigan Power Company and Wisconsin Natural Gas Company, and one non-utility subsidiary, The Milwaukee Electric Railway & Transport Company, which in turn owns Badger Auto Service Company, also a non-utility. All companies in the system are incorporated in the State of Wisconsin. The Wisconsin Electric system generates and distributes electricity in Wisconsin and Michigan and distributes gas in Wisconsin. As at December 31, 1954, consolidated assets of the system, less valuation reserves, amounted to $302 million.

On February 15, 1955 Wisconsin Electric filed an application for exemption pursuant to section 3 (a) (2) under which a holding com-

[58] Holding Company Act release No. 12826 (March 21, 1955).
[59] Holding Company Act release No. 12798 (February 14, 1955).
[60] See *In re The United Corporation*, 119 F. Supp. 524 (D. Del. 1954).
[61] Holding Company Act release No. 12813 (March 7, 1955).

pany may be entitled to an exemption from the Act if it is predominantly a public-utility company whose operations as such do not extend beyond the State in which it is organized and States contiguous thereto. At the time this application was filed there was pending a proceeding instituted by the Commission in 1950 under section 11 (b) (1) of the Act for the purpose of determining whether it was consistent with the standards of the Act for Wisconsin Electric to own and operate an electric utility system and at the same time to carry on gas utility operations and own non-utility properties. By an order dated June 3, 1955, the Commission granted the requested exemption and dismissed the pending section 11(b) (1) proceeding.[62]

Wisconsin Southern Gas Company, Inc.

Wisconsin Southern Gas Company, Inc. (formerly Wisconsin Southern Gas and Appliance Corporation) filed a Notification of Registration under the Act on May 28, 1952, at which time it had one public utility subsidiary, Wisconsin Southern Gas Company. Both companies are Wisconsin corporations supplying propane and natural gas to customers in the State of Wisconsin. As of December 31, 1954, consolidated assets of the system, less valuation reserves, amounted to $3 million.

Since Wisconsin Southern registered in 1952 it has made substantial improvement in its capital structure, which at that time was unbalanced. During the past fiscal year Wisconsin Southern proposed a statutory merger with its subsidiary pursuant to Wisconsin law. In connection with the proposal, and to permit its effectuation under State law, Wisconsin Southern requested an exemption pursuant to section 3 (a) (1) of the Act, under which a holding company may be entitled to an exemption from the Act if it is predominantly a public utility company whose operations as such do not extend beyond the State in which it is organized and States contiguous thereto. The Commission granted the exemption shortly after the close of the fiscal year.[63] Upon consummation of the merger Wisconsin Southern will cease to be a holding company.

REVISIONS OF RULES

The results of a program initiated by the Commission early in fiscal 1954 to reexamine the rules and forms adopted pursuant to the Act were reported in the 20th Annual Report, p. 70. In the past fiscal year the Commission adopted three amendments to existing rules under the Act.

On December 10, 1954, the Commission adopted an amendment to rule U-48. The amendment provides an exemption from sections 9 (a)

[62] Holding Company Act release No. 12917 (June 3, 1955).

[63] Holding Company Act release No. 12960 (August 9, 1955).

and 6 (a) of the Act with respect to loans to officers and employees made pursuant to a personnel policy of general application by registered public utility holding companies or their subsidiaries.[64] Previously, the rule provided exemptions for these companies in connection with appliance sales only. The amendment was proposed in a petition filed by Columbia Gas System, Inc., a registered holding company. Columbia was interested in adopting as part of its personnel policy provisions for personal loans to employees so as to assist them in purchasing new homes whenever they were relocated within the system.

On January 12, 1955 the Commission adopted an amendment to rule U–45 (b) (6) under section 12 of the Act.[65] This rule regulates the allocation of consolidated income taxes among the several members of a registered holding company system. The amendment provides an alternate method of tax allocation. Holding companies may now choose between the methods prescribed in sections 1552 (a) (1) ("source of income" method) and 1552 (a) (2) ("separate return tax" relationship) of the Internal Revenue Code of 1954. The amendment also provides that the tax allocated to a subsidiary shall not exceed the amount of tax that would have been payable by such subsidiary on a separate return basis and that any such "excess" shall be apportioned among the other members of the consolidated group, including the parent company, in proportion to their tax savings by reason of the consolidation. Previously, the rule required that the top company allocate the tax on a separate return tax relationship basis among all members of the consolidated group in amounts not exceeding, as to any company, that percentage of the consolidated tax liability which the income tax liability of such company if paid on a separate return basis would be of the aggregate income tax liability of the individual companies based upon separate returns.

An amendment to rule U–70, subparagraph (b) (2), was adopted on March 21, 1955.[66] Subparagraph (b) (2) limits financial transactions between registered holding companies and their subsidiaries, on the one hand, and financial institutions having common directors with such holding companies or subsidiaries, on the other. The amendment clarifies the authority of holding companies and their subsidiaries to borrow from certain local commercial banks which have common directors with the holding company or subsidiaries.

After the close of the fiscal year the Commission adopted minor amendments of rules U–104 and U–105 promulgated under the Act relating to the confidential treatment of information filed with the Commission.[67] The purpose of the amendments was to make these

[64] Holding Company Act release No. 12738.
[65] Holding Company Act release No. 12776.
[66] Holding Company Act release No. 12825.
[67] Holding Company Act release No. 12977 (September 8, 1955).

rules consistent with Executive Order No. 10501, 18 F. R. 7049, which withdrew from this Commission any power to classify information in the interest of national defense. The amendments are intended to minimize any confusion between the use of the word "confidential" in the national defense classification and its use elsewhere.

FINANCING OF REGISTERED PUBLIC UTILITY HOLDING COMPANY SYSTEMS

Security sales reported by the entire electric and gas utility industries for the fiscal year 1955 amounted to approximately $2,750 million as compared with approximately $3,450 million for the fiscal year 1954, a decrease of nearly 21 percent. Among the factors which appeared to affect the 1955 totals were the sharp increase in the rate of utility financing in the last half of the fiscal year 1954, which provided in advance a considerable portion of the funds required for 1955 needs, and a moderate decline of industry construction expenditures beginning early in the fiscal year 1955.

The seasonally adjusted annual rate of expenditures for plant and equipment by privately owned electric, gas and water utilities declined from about $4.35 billion in the last half of the fiscal year 1954 to $4.01 billion in the second and third quarters of the fiscal year 1955. The adjusted annual rate of expenditures for plant and equipment increased to $4.09 billion in the last quarter of 1955 and estimates for the first and second quarters of the fiscal year 1956 place the rates at $4.64 billion and $4.68 billion, respectively.[68] The level of such expenditures estimated for fiscal 1956 indicates a significant reversal of the downward trend of such expenditures predicted by the industry in 1954,[69] and if these expectations are borne out the volume of utility financing may also register an important increase in coming months.

The volume of external financing by registered systems, which includes both public offerings and private placements of securities with institutions, declined 26 percent to $667.8 million in the fiscal year 1955 from the $902.9 million reported for 1954. The volume for the fiscal year 1953 totaled $712.3 million. The 1955 decline is attributable in part to the general contraction in security sales by the entire electric and gas utility industries in the fiscal year 1955 and in part to divestments of utility subsidiaries by registered holding company systems over the past several years and exemptions of certain systems from the provisions of the Act. In addition to passing upon the external financings of registered holding company systems, the Commission also passes upon sales of securities by subsidiaries in registered systems to their parents.

[68] S. E. C. Statistical Series release No. 1330 (September 13, 1955).
[69] 20th Annual Report, p. 81.

The following table shows the number and dollar volume of the issuance of securities for cash or pursuant to exchange offers passed upon by the Commission pursuant to the Holding Company Act in the fiscal years 1955 and 1954.

Issuance and sale of securities for cash or pursuant to exchange offers authorized pursuant to sections 6 and 7 of the Public Utility Holding Company Act of 1935 for the fiscal years ended June 30, 1955 and June 30, 1954

[Dollar figures in millions]

	For fiscal year ended—									
	June 30, 1955								June 30, 1954	
	Type of sales						Totals		Totals	
	Sales to public		Private placements		Sales to parents					
	Gross sales value	Number of issues	Gross sales value	Number of issues	Gross sales value	Number of issues	Gross sales value	Number of issues	Gross sales value	Number of issues
Electric and gas utilities:										
Bonds	$209.5	16	$174.0	11	$113.5	18	$497.0	45	$550.4	49
Debentures									25.2	1
Notes			28.0	8	43.7	35	71.7	43	68.3	58
Preferred stock	116.5	9					116.5	9	79.7	11
Common stock	15.9	1			38.5	35	54.4	36	215.3	54
Total	341.9	26	202.0	19	195.7	88	739.6	133	938.9	173
Holding companies:										
Bonds	7.5	1					7.5	1	7.0	1
Debentures	25.2	1					25.2	1	132.0	4
Notes	12.0	1					12.0	1		
Common stock	79.2	6					79.2	6	22.5	3
Total	123.9	9					123.9	9	161.5	8
Nonutility companies:										
Bonds										
Debentures									10.0	1
Notes					4.3	7	4.3	7	19.5	15
Common stock					23.9	14	23.9	14	24.6	9
Total					28.2	21	28.2	21	54.1	25
Grand totals	465.8	35	202.0	19	223.9	109	891.7	163	1,154.5	206

External financing of registered holding company systems accounted for 23 percent of the total volume of financing by the entire electric and gas utility industries in the fiscal year 1955 as compared with 26 percent in 1954. This decline was due in part to divestments of non-retainable utility subsidiaries by registered holding company systems over the past several years and exemptions of certain systems from the provisions of the Act.

Common and preferred equity financings by registered systems was at a higher level in the year 1955 than in 1954. External sales of common stocks by registered systems in 1955 amounted to 14 percent of their total outside financing and preferred stock offerings amounted to an additional 17 percent, the comparable 1955 percentages for the entire electric and gas utilities industry being 14 percent and 11 percent, respectively. In 1954 external sales of common stocks by registered systems amounted to 12 percent of their total outside financing and preferred stock offerings amounted to an additional 9 percent; the comparable 1954 percentages for the entire electric and gas utilities industry were 18 percent and 12 percent, respectively.

Rights offering to stockholders have continued during 1955 to be the most popular method of effecting sales of common stocks not only among registered holding company systems but throughout the electric and gas utility industries. Of the seven common-stock issues totaling $95 million sold externally by registered systems in 1955, five issues with sales value of $59 million, amounting to 62 percent of the total dollar volume, were offered to stockholders by means of rights. Sixty-four percent of the dollar volume of common stocks sold in 1955 by all other electric and gas utilities were offered through rights.

Common equity financing during the fiscal year 1955 by registered holding company systems and by all other electric and gas utility companies, including holding companies, and gas transmission companies. Secondary offering and intercompany transactions excluded

[Dollar figures in millions]

Type of offering	Registered holding company systems		All other electric and gas utilities		Total electric and gas utility industries	
	Number of issues	Volume	Number of issues	Volume	Number of issues	Volume
Rights	5	$59	26	$180	31	$239
Public	2	36	15	102	17	138
Totals	7	95	41	282	48	377

The trend in the direction of non-underwritten rights offerings for common stock financing in the electric and gas utility industries, which was in evidence in the fiscal years 1953 and 1954, was reversed in 1955, although registered holding companies continued to show a preference for this method of fund raising. There was also a pronounced tendency in 1955 for electric and gas utilities to omit the over-subscription privilege from their underwritten rights offering. The sole underwritten rights offering by a registered holding company during the year was set up in this manner. Non-underwritten rights offerings by companies not subject to the Act were about equally divided between those with an oversubscription privilege and those without. Registered holding companies showed greater preference for use of the privilege.

Rights offerings of common stocks during the fiscal year 1955 by all electric and gas utility companies, including holding companies and gas transmission companies. Secondary offerings and intercompany transactions excluded

[Dollar figures in millions]

	Underwritten offerings				Non-underwritten offerings			
	With over-subscription privileges		Without over-subscription privileges		With over-subscription privileges		Without over-subscription privileges	
	Issues	Volume	Issues	Volume	Issues	Volume	Issues	Volume
Companies in registered holding company systems			1	$13.7	3	$22.5	1	$22.9
All other electric and gas utilities and gas transmission companies	6	$34.7	16	118.2	2	16.4	2	9.7
Totals	6	34.7	17	131.9	5	38.9	3	32.6

Offerings of securities by issuing companies pursuant to sections 6 (b) and 7 of the Act and portfolio sales by registered holding companies under section 12 (d) are required to be made in accordance with the provisions of rule U–50, which requires competitive bidding unless an exemption is available. Automatic exemptions from competitive bidding requirements for certain types of sales, including nonunderwritten sales made to stockholders pursuant to preemptive rights, are provided by clauses (1) through (4) of paragraph (a) of the rule. Under paragraph (a) (5) the Commission may by order exempt an offering from competitive bidding if it appears unnecessary or inappropriate to carry out the provisions of the Act. In any application for exemption pursuant to paragraph (a) (5) of rule U–50, the seller must show that competitive conditions have been maintained by discussing the proposed sale of securities with a reasonable number of possible purchasers or underwriters.

The following table shows the volume of securities sold at competitive bidding pursuant to rule U–50 in the fiscal year 1955 by registered holding companies and their subsidiaries, including portfolio sales. Cumulative totals from May 1, 1941, the effective date of the rule, are also shown.

Sales of securities at competitive bidding pursuant to rule U–50

[Dollar amounts in millions]

	July 1, 1954, to June 30, 1955		May 7, 1941, to June 30, 1955	
	Number of issues	Volume [1]	Number of issues	Volume [1]
Bonds	17	$217	387	$5,851
Debentures	1	25	45	1,131
Notes			9	75
Preferred stock	7	71	111	956
Common stock	4	52	105	1,060
Total	29	365	657	9,073

[1] Amounts shown represent principal amounts of bonds, debentures and notes, par or stated values of preferred stocks, and proceeds of sales of common stocks.

The number of issues sold at competitive bidding is lower than in prior years due to the reduction in the volume of financing by companies in registered holding company systems referred to above.

Only two issues of securities were exempted from competitive bidding requirements pursuant to paragraph (a) (5) of rule U–50, as a consequence of orders entered by the Commission in the fiscal year 1955. Neither of these issues were sold for the purpose of raising new money. Cities Service Company was granted an exemption in connection with its proposal to dispose of its holdings of 51.5 percent of the outstanding common stock of its subsidiary, Arkansas Louisiana Gas Company, pursuant to the plan of reorganization approved by the Commission under section 11 (b) (1) of the Act. This involved the sale of 1,958,189 common shares of Arkansas Louisiana for a total of $24,479,363 to W. R. Stephens Investment Company, Inc., for purposes of subsequent reorganization and disposal to the public.

Georgia Power Company, a subsidiary of The Southern Company, was granted an exemption for a proposal to make an offering of $43 million to $4.60 preferred stock in exchange for outstanding $6 preferred stock.[70] The company based its application for exemption on the exceptionally large size of the offering and the fact that it desired to have as much as possible of the stock held in its operating territory.

While these two issues were the only issues sold under exemption orders entered in the fiscal year 1955, bonds and notes totalling $198 million were sold by Ohio Valley Electric Corporation and Electric Energy, Inc., during the year pursuant to orders of exemption entered by the Commission in 1951 and 1953 as described in the 20th Annual Report, pages 84 and 85.

Shortly after the close of the fiscal year American Louisiana Pipeline was granted an exemption from the competitive bidding requirements of Rule U–50 pursuant to paragraph (a) (5) thereof in connection with the proposed sale of its construction bonds. In this case the Commission considered the effect upon the consumer and public interests as well as the prevailing state of the money market and the possibility that there would be an increase rather than a decrease in the cost of money to the issuer if a renegotiation of the sale of the bonds was required. Although granting the exemption, the Commission expressed concern over the extent to which competitive conditions had been maintained in negotiations for the sale of the bonds, since the pipeline company had entered into the bond purchase agreement with the Metropolitan Life Insurance Company and the Mutual Life Insurance Company of New York without discussing the proposed sale with any other possible purchasers. The

[70] Holding Company Act release No. 12651 (September 14, 1954).

Commission's opinion stated that it recognized the activity of Metropolitan in the field of pipeline construction bond financing, but it felt that more than one source of funds for a sound pipe line enterprise might be found and pointed out that: ". . . in the future we shall expect, as a condition to obtaining an exception from Rule U-50, that an issuer give evidence that it has discussed its issue with a reasonable number of prospective purchasers." [71]

In comparison with the 657 issues of securities totalling $9,073 million sold by registered holding companies and their subsidiaries at competitive bidding from the effective date of rule U-50, May 7, 1941, to the close of the fiscal year 1955, 217 issues with dollar volume of $2,095 million were sold through other channels in accordance with orders of the Commission granting exemptions from competitive bidding requirements pursuant to paragraph (a) (5) of the rule. The following table sets forth the cumulative totals of issues and dollar volume of each type of security sold pursuant to these exemptions.

Sales of securities exempted from competitive bidding requirements pursuant to the provisions of paragraph (a)(5) of rule U-50 by orders of the Commission entered from May 7, 1941, to June 30, 1955

[Dollar amounts in millions]

	Underwritten		Nonunderwritten		Total	
	Number of issues	Amount [1]	Number of issues	Amount [1]	Number of issues	Amount [1]
Bonds	4	$27	75	[2] $989	79	[2] $1,016
Debentures	3	83	5	37	8	120
Notes			29	[2] 83	29	[2] 83
Preferred stock	12	109	25	265	37	374
Common stock	33	279	51	223	84	502
Total	52	498	185	1,597	237	2,095

[1] Proceeds before expenses.

[2] These amounts include $420 million of bonds and $48 million of notes sold up to June 30, 1955, by Electric Energy, Inc., and Ohio Valley Electric Corp. pursuant to long-term construction loan commitments authorized by the Commission. The entire amounts of these commitments were exempted from competitive bidding requirements by orders of the Commission pursuant to rule U-50 (a) (5). The total authorizations are: Electric Energy, Inc., $195 million of mortgage bonds, all of which have been taken down; Ohio Valley Electric Corp., $360 million of mortgage bonds, of which $225 million have been taken down; and $60 million of notes, of which $48 million have been taken down.

The granting of exemptions from the competitive bidding requirements of rule U-50 in respect of all of the security sales included in the above table were based upon unusual circumstances which did not favor public offerings through competitive underwriting channels. To illustrate, it will be noted from the above table that only 52 of the exempted issues with an aggregate dollar value of $498 million were sold through underwriters. Of the $989 million of bonds sold in nonunderwritten transactions exempt from competitive bidding, $954 million represented private placement of bonds and the remainder of $35 million were miscellaneous other types of nonunderwritten sales.

[71] Holding Company Act release No. 12991 (September 20, 1955).

Included in the private placements were $420 million of bonds sold pursuant to the construction loan commitments made by Ohio Valley Electric Corp. and Electric Energy, Inc., described in footnote 2 of the preceding table. Two subsidiary natural gas pipe line companies sold $94 million of bonds during the period under similar agreements. Also included among the private placements were $100 million of collateral trust bonds issued as part of a reorganization settlement under section 11 of the Act. All of the $83 million of notes sold pursuant to exemption orders during the period and more than half of the $37 million of debentures sold without underwritings were also in the nature of private placements. Of the 37 issues of preferred stock issues totaling $374 million, 17 issues aggregating $286 million exempted from competitive bidding were refunding exchange offerings, 14 of which, with total volume of $227 million, were initiated prior to the announcement by the Commission of its general policy requiring competitive bidding in such cases.[72] Of the 84 issues of common stock amounting to $502 million which were exempted from competitive bidding, 16 issues, totaling $83 million, represented sales of equity investments in subsidiaries by registered holding companies to other public utility or holding companies. Seventeen other issues, aggregating $43 million, were in the nature of sales of common stock investments in small non-retainable subsidiaries directly to private individuals or small groups of individuals.

Another financing development occurring during the year was the refunding of several high dividend-bearing callable preferred stocks.[72a] This development was the continuation of a financial trend which started with a preferred stock refunding of this nature in the latter part of fiscal 1954.[73] Northern States Power Company (Minn.) refunded $20 million par value of $4.80 preferred stock by means of the sale of 200,000 shares of new $4.11 preferred stock of $100 par value at competitive bidding without an exchange offer.[74] Georgia Power Company, a subsidiary of The Southern Company, offered 433,869 shares of new $4.60 no par value preferred stock in exchange for its outstanding $6 preferred stock. This exchange offer was carried out on a negotiated underwritten basis pursuant to an exception granted by the Commission from the competitive bidding requirements of rule U-50.[75] Interstate Power Company sold $10 million of new 4.36 percent $50 par value preferred stock to the public at competitive bidding, without an exchange offer, and used part of the proceeds to refund $5 million par value of outstanding 4.70 percent preferred

[72] Holding Company Act release No. 6449 (March 5, 1946).

[72a] In such cases the Commission follows its established policy requiring that senior securities be fully redeemable at the option of the issuer upon the payment of a reasonable premium. See Holding Company Act releases Nos. 12991 (September 20, 1955) and 12140 (September 21, 1953).

[73] West Texas Utility Company, Holding Company Act release No. 12439 (March 31, 1954).

[74] Holding Company Act release No. 12620 (August 16, 1954).

[75] Holding Company Act release No. 12651 (September 14, 1954).

stock.[76] Arkansas Power & Light Company, a subsidiary of Middle South Utilities, Inc., issued $9,350,000 par value of 4.72 percent preferred stock pursuant to an underwritten exchange offer made to the holders of that company's outstanding $7 and $6 preferred stocks. This financing was done at competitive bidding.[77]

FINANCING OF ELECTRIC GENERATING COMPANIES WHICH SUPPLY ELECTRICITY TO FACILITIES OF THE ATOMIC ENERGY COMMISSION

Three large generating companies, Electric Energy, Inc., and Ohio Valley Electric Corporation and its subsidiary Indiana-Kentucky Electric Corporation, were organized to furnish power to facilities of the Atomic Energy Commission. They are subject to the Act because they are subsidiaries of registered holding companies. The organization and financing arrangements of these companies are described in the 17th, 18th, and 20th Annual Reports of the Commission. In the fiscal year 1955 Electric Energy completed its financing by selling the remaining $30 million of its total authorization of $195 million mortgage bonds. Ohio Valley Electric sold an additional $144 million of mortgage bonds out of its total authorization of $360 million, leaving $135 million remaining to be taken down. The company also issued and sold $24 million of notes in 1955 under previous authorizations. On May 10, 1955 the sponsors of Ohio Valley were authorized by the Commission to postpone the purchase of $10 million of the $20 million of common shares of the company which they were obligated to purchase, and Ohio Valley was authorized to sell in lieu thereof $10 million of interim notes—due 90 days after demand.[78] Six million dollars of these notes were issued and sold on June 17, 1955.

On November 9, 1954, Middle South Utilities, Inc., and The Southern Company, both registered holding companies, jointly filed an application-declaration for approval of the issuance and sale of common stock of a new generating company, Mississippi Valley Generating Company, and for the acquisition thereof by Middle South and Southern. Mississippi Valley was organized under the laws of Arkansas for the purpose of constructing and operating a generating station to furnish power pursuant to a power contract dated November 11, 1954, between Mississippi Valley and the United States of America acting by and through the Atomic Energy Commission. The power would have been delivered to the Tennessee Valley Authority for or on account of the Atomic Energy Commission.

Middle South and Southern proposed to purchase 79 percent and 21 percent, respectively, of a total of 55,000 shares of $100 par value

[76] Holding Company Act release No. 12705 (November 16, 1954).
[77] Holding Company Act release No. 12829 (March 23, 1955).
[78] Holding Company Act release No. 12909 (May 25, 1955).

common stock of Mississippi Valley. After notice,[79] public hearings were held before the Commission sitting en banc, and the State of Tennessee and various municipalities and electric power cooperatives located in the Tennessee Valley area appeared in opposition to the application. The Commission approved the issuance and acquisition of the securities on February 9, 1955.[80] On March 14, 1955, the State of Tennessee, et al., filed a petition for review in the United States Court of Appeals for the District of Columbia requesting that the case be remanded to the Commission with directions to disapprove the companies' joint application.

On April 22, 1955, while the appeal was pending, Middle South, Southern, and Mississippi Valley filed a joint application-declaration for approval of the issuance and sale by Mississippi Valley of $77,362,000 principal amount of first mortgage bonds and $22,553,000 principal amount of notes for the purpose of financing the construction of its proposed generating plant. After notice,[81] public hearings were held commencing May 16, 1955, before a trial examiner and the State of Tennessee and others again appeared in opposition.

On July 11, 1955, the Government announced that the Power Contract would be cancelled since the city of Memphis had indicated that it would construct a municipal power plant to take care of its needs after expiration in 1958 of its existing power arrangements with the Tennessee Valley Authority. As a result of this announcement, the Commission on July 14, 1955, suspended post-hearing procedures on the bond and note financing. On August 11, 1955, the applicants filed amendments to their application-declaration in the two proceedings, which stated, among other things, that on July 30, 1955, the President of the United States had directed the Atomic Energy Commission to take the necessary steps to bring to an end the relationship between Mississippi Valley and the United States. Thereafter, upon motion by the Commission, the Court of Appeals on September 12, 1955, remanded the case before it to the Commission with directions to take such action as appeared appropriate in view of the changed circumstances.[82]

COOPERATION WITH STATE AND LOCAL REGULATORY AUTHORITIES

The Commission has continued to pursue its policy of cooperation with State public utility commissions and municipal regulatory bodies on all matters of mutual interest. In addition to day-to-day contacts, most of which were informal in nature, there were several instances

[79] Holding Company Act release No. 12711 (November 19, 1954).
[80] Holding Company Act release No. 12794 (February 9, 1955); rehearing denied, Holding Company Act release No. 12802 (February 18, 1955).
[81] Holding Company Act release No. 12857 (April 27, 1955).
[82] *State of Tennessee, et al.*, v. *S. E. C.* (C. A. D. C., Civil Action No. 12607).

during the fiscal year 1955 where State public authorities took part in proceedings under the Act before the Commission.

An underlying objective of the Act is to supplement and strengthen local regulation of public utilities. Notices of proceedings and of proposals to amend or adopt rules, forms and regulations under the Act, which are considered likely to be of interest to State and local authorities, are sent to those agencies. All matters of general interest are circulated in this manner among the members of the National Association of Railroad and Utilities Commissioners.

Some examples of cooperation with State and local authorities are described below.

On January 12, 1955, the Commission adopted an amendment of rule U–45 (b) (6) under the Act which regulates the allocation of consolidated income taxes among the several members of a holding company system.[83] This amendment was preceded by nearly 2 years of study of the operation of the rule and its possible inequities. The Commission, after invitation for comments on a proposed amendment of the rule, received comments from the various companies affected, from various State and local regulatory authorities, and from the National Association of Railroad and Utilities Commissioners. After considering these comments, the Commission issued an announcement on December 30, 1953, that the proposed revision previously promulgated would not be adopted but that further studies of tax allocations in registered holding company systems would be carried out.[84] During the last fiscal year the Commission invited comments on a further revision based in part upon the provisions of the Internal Revenue Code of 1954.[85] Comments were received from various persons, including one municipal regulatory authority, and these comments as well as those received on the revision proposed in the previous fiscal year were taken into consideration by the Commission in finally amending the rule in January 1955.

During the fiscal year 1955 applications for exemptions of various registered holding company systems from the Act pursuant to section 3 thereof were passed upon by the Commission. In a proceeding granting an exemption to Northern States Power Company (Minn.)[86] the Public Service Commissions of Wisconsin and North Dakota and the city of St. Paul, Minn., appeared and made statements in support of the exemption. On June 3, 1955, the Commission entered an order exempting Wisconsin Electric Power Company from the Act,[87] and in that proceeding the Public Service Commissions of Wisconsin and

[83] Holding Company Act release No. 12776.
[84] Holding Company Act release No. 12288.
[85] Holding Company Act release No. 12722 (December 3, 1954).
[86] Holding Company Act release No. 12655 (September 16, 1954).
[87] Holding Company Act release No. 12917 (June 3, 1955).

Michigan and the city of Milwaukee each wrote letters to the Commission supporting the exemption.

Immediately after the close of fiscal year 1955 the Commission had occasion in three other instances to consider the positions of state or regulatory authorities. One of these involved Wisconsin Southern Gas Company, Inc., a holding company over a single operating company whose operations were confined to the State of Wisconsin. The Commission first granted Wisconsin Southern an exemption from the Act in the light of a proposed merger between the company and its subsidiary,[88] and then, after the merger, issued an order pursuant to section 5 (d) declaring that Wisconsin Southern had ceased to be a holding company.[89] These steps were taken in consultation with the Public Service Commission of Wisconsin. The second instance involved Louisiana Power & Light Company, a subsidiary of Middle South Utilities, Inc. Pursuant to a prior section 11 (b) (1) order of the Commission, Louisiana Power proposed to create a new subsidiary and transfer to it gas and water properties which Louisiana Power had been ordered by the Commission to dispose of. The Louisiana Public Service Commission filed a petition with the Commission seeking a reopening of the proceeding which had led to the issuance of the outstanding section 11 (b) (1) order. Jefferson Parish in Louisiana, on the other hand, opposed the petition of the Louisiana Commission. After careful consideration of an offer of proof made by the Louisiana Commission, the Commission denied the petition on September 13, 1955.[90] The proposal by Louisiana Power to form a new subsidiary and transfer its gas and water properties to it was pending at the close of the fiscal year.

On June 9, 1955, the Georgia Public Service Commission filed a petition for the reopening of the section 11 (b) proceedings pursuant to which Florida Power Corporation, an exempt holding company, became the parent of Georgia Power & Light Company, an electric utility company operating in Georgia. The Georgia Commission was of the view that the retail rates being charged by Georgia Power & Light were too high and that this was due to excessive wholesale rates charged to Georgia Power & Light by its parent, Florida Power. In August 1955 the Commission decided that since the electric properties of Florida Power and its subsidiary constituted an integrated public-utility system, and since there was no substantial change in the facts in this regard between January 25, 1945, the date of the Commission's previous order, and August 1955, there was no basis for reopening the section 11 (b) proceedings.

88 Holding Company Act release No. 12960 (August 9, 1955).

89 Holding Company Act release No. 13015 (October 20, 1955).

90 Holding Company Act release No. 12978 (September 13, 1955).

On July 29, 1955, the Commission approved a joint financing proposal by American Natural Gas Company and its new subsidiary, American Louisiana Pipe Line Company, designed to provide monies for the construction of a new pipe line from southern Louisiana to Detroit, Michigan. The State of Wisconsin, the Michigan Public Service Commission and the city of Detroit appeared in this proceeding. The State of Wisconsin opposed the proposal, but the other public bodies supported it. The Commission accorded appropriate weight to the views of these parties in approving the proposal.[91]

[91] Holding Company Act releases Nos. 12953 (July 29, 1955) and 12991 (September 20, 1955).

PART V

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 federal courts. The Commission's duties under Chapter X are, at the request or with the approval of the court, to provide the court and investors with independent expert assistance on the various legal and financial questions that arise in the proceeding and to prepare advisory reports on plans of reorganization. The Commission has no right of appeal in a Chapter X proceeding, but it may participate in appeals taken by others.

The Commission acts in a purely advisory capacity. It has no authority either to veto or to require the adoption of a plan of reorganization or to render a decision on any other issue in the proceeding. Its recommendations are made for the benefit of the judge and the security holders, affording them its disinterested views in a highly complex area of corporate law and finance. Generally, the Commission participates only in proceedings in which there is a substantial public investor interest.

In connection with a reappraisal of its functions under Chapter X, the Commission, with the approval of the Judicial Conference and with the assistance of the Administrative Office of the United States Courts, sought the comments of the federal judiciary. Comments have been received which reflect a wide variety of views. Particularly significant was a comment from Chief Judge Charles E. Clark written on behalf of all of the active judges (as of March 21, 1955) of the Court of Appeals for the Second Circuit, which court sits in a review capacity over a large proportion of all Chapter X proceedings. Judge Clark stated:

> We regard the service being rendered by the Commission to the Courts in connection with the reorganization of corporations to be most valuable, if not indispensable, for the proper disposition of this vital segment of court business according to the Congressional intent. The Commission affords the necessary expert knowledge, the skill, and the uniform approach which individual judges cannot have; and to the district judges in particular, the assistance is unique in its usefulness, and not otherwise to be obtained. The judge is not bound to observe all suggestions of the Commission, but the very fact that he has them before him is assurance of his complete preparation for adjudication, with the public interest adequately protected. We regard it as peculiarly unfortunate if considerations of economy (which must be of small and petty character as compared to the value of the interests protected) are allowed to curtail such worthwhile activities.

SUMMARY OF ACTIVITIES

The Commission participated during the 1955 fiscal year in 38 proceedings involving the reorganization of 61 companies with aggregate stated assets of $671,596,000 and aggregate stated indebtedness of $478,050,000. During the year the Commission, with court approval, filed notices of appearance in two new proceedings under Chapter X involving six companies with aggregate stated assets of $112,769,000 and aggregate stated indebtedness of $113,230,000. Proceedings involving 11 principal debtor corporations and 4 subsidiary debtors were closed during the year. At the end of the year the Commission was actively participating in 27 reorganization proceedings involving 46 companies with aggregate stated assets of $494,783,000 and aggregate stated indebtedness of $433,089,000.

Problems in the Administration of the Debtor's Estate

A fundamental aim of Chapter X is to make available to the court, the parties and the security holders full and accurate information regarding the debtor's affairs. The independent trustee customarily transmits to security holders a report on the history and financial condition of the debtor, the operation of its business, and the desirability of its continuance. Such reports enable security holders to consider suggestions for a plan of reorganization or proposed plans of others and aid the court in considering problems before it. The Commission has consulted through its staff with trustees in connection with their investigations and the preparation of their reports and generally renders assistance in connection with the varied problems that arise in the administration of the estate.

Examinations and Reports on Plans of Reorganization

Section 172 of Chapter X of the Bankruptcy Act provides that the judge may, if the scheduled indebtedness of the debtor does not exceed $3 million, and shall, if such indebtedness exceeds $3 million, submit to the Commission for examination and report a plan or plans of reorganization which the judge regards as worthy of consideration.

During the fiscal year 1955 a plan of reorganization proposed by the trustees of *Muntz TV Inc.*, and its subsidiaries, *Tele-Vogue, Inc.*, and *Muntz Industries, Inc.*, was submitted to the Commission for examination and report. The Commission concluded that the plan was fair to all classes of creditors and security holders. However, it found that the plan was not feasible since the total amount of the proposed debt estimated to be assumed by the reorganized company was too high in relation to the indicated value of the company's assets. The Commission, therefore, recommended that consideration be given to amending the plan to provide for the issuance of common stock to the creditors for some portion of their claim, and to provide for an appropriate extension of the period within which the remaining debt could be paid without imposing a handicap on management in its operation of the business.

Amendments to the plan submitted by the trustees provided in substance for the issuance to the unsecured general creditors of promissory notes for 75 percent of the allowed amounts of their claims, with full payment thereof to be made within 8 years after confirmation of the plan, and for the issuance at par to the unsecured general creditors of a new class of preferred stock, of the par value of $1 per share, for the remaining 25 percent of the allowed amounts of their claims. Although the amendments to the plan provided for the issuance of a new class of preferred stock to the unsecured general creditors for some portion of their claim, instead of common stock as suggested by the Commission in its advisory report, and although the terms and provisions of the preferred stock did not conform in all respects to those which the Commission would normally recommend for a preferred stock, the Commission concluded in a supplemental advisory report that the amendments substantially met the objections which it had raised as to the feasibility of the plan, particularly since the unsecured creditors were merchandise or trade creditors with a special interest in the reorganized debtor.

During the fiscal year 1955 the Commission issued two supplemental advisory reports in the consolidated reorganization proceedings involving *Inland Gas Corporation*, *Kentucky Fuel Gas Corporation*, and *American Fuel and Power Company*. These supplemental reports were required as a result of the submission to the Commission by the Court of various alternative amended or revised plans for the reorganization of these debtors. The various plans were predicated upon a sale procedure with an upset price for the physical properties of the debtors. A novel aspect of two of the plans was an arrangement whereby a bid could be made on behalf of the reorganized company and, if it were the successful bid, security holders would then have the election to take stock in the reorganized company or a cash distribution upon the basis of the amount of the successful bid. None of the plans, however, was approved by the court because they were conditioned upon a favorable tax ruling which was not obtained. Proceedings are still pending.

Fairness of Treatment of Security Holders

During the fiscal year an important issue involving the treatment of security holders was decided in the *Third Avenue Transit Corporation* case [1] in which the Commission participated.

[1] *In re Third Avenue Transit Corporation*, 222 F. 2d. 466 (C. A. 2, May 5, 1955).

An involuntary petition under Chapter X was filed in 1948 against Third Avenue. Prior thereto, the debtor had acquired, and there were delivered to the trustee, approximately $5,600,000 of First Refunding Mortgage Bonds out of a total of about $20,500,000 of outstanding bonds. In the course of the administration of the estate of the debtor, the reorganization trustee petitioned the District Court for an order determining that the bonds held by him were enforceable against the mortgaged property on a parity with the bonds which were publicly held. The effect of granting the trustee's petition would have been to free certain of the debtor's mortgaged property for the benefit of general creditors.

The Commission joined with the indenture trustee under the mortgage and a bondholders committee in opposing the granting of the reorganization trustee's petition on the grounds that it would violate the rule of "absolute priority" which had been upheld in *Consolidated Rock Products Co.* v. *DuBois*, 312 U. S. 510 (1941), and other cases. The district judge felt bound by two equity receivership precedents and entered an order declaring that the bonds held by the reorganization trustee were enforceable against the debtor's property and constituted "free" assets for the benefit of general creditors. On appeal the Court of Appeals for the Second Circuit upheld the Commission's position and reversed the decision of the District Court.

During the past fiscal year, the Commission actively participated in negotiations leading to a settlement approved by the District Court of the complex and lengthy litigation involved in the *Pittsburgh Terminal Coal Corporation* case.[2] Under the settlement, public stockholders of the reorganized company received $40 per share as a final distribution for their stock out of a cash fund created by respondents in the litigation. The amount paid to stockholders, including prior distributions during the reorganization and thereafter, aggregated $130.50 per share of old preferred stock of the debtor. The issues existing prior to the settlement included the accountability of members of a reorganization committee, their near relatives and friends, for profits made on the purchase of preferred stock of the debtor prior to and during the reorganization and of stock of the reorganized debtor directly after the reorganization plan was consummated, the accountability of the management of the reorganized debtor for profits allegedly made in contravention of the terms of the plan limiting salaries and other remuneration, and the liability of the reorganization trustee for allegedly failing to collect rents and to administer the estate properly in other ways. The facts and law on these and other issues were being vigorously disputed by all parties when the settlement was reached.

[2] *Matter of Pittsburgh Terminal Coal Corporation*, W. D. Pa., Docket No. 20,716.

Consummation of Reorganization Plan

The Commission examines the corporate charters, by-laws, trust indentures, and other instruments which are to govern the internal structure of the reorganized debtor, and in general strives to assure investors the inclusion of protective features and safeguards which its experience has shown to be desirable. Another matter with which the Commission has been concerned in connection with the consummation of plans of reorganization is the problem of unexchanged securities. Chapter X provides that a period of not less than 5 years following the final decree may be fixed by the judge within which security holders may make the exchange called for by the plan, after which they are barred from any participation. The Commission has been anxious that all security holders obtain the new securities or cash distributable to them under the plan of reorganization. Accordingly, it has endeavored to see that adequate notice and publicity is given of the bar date, that a professional search is made where possible, and that the bar date is extended when appropriate.

Commission's Activities Under Chapter XI

A problem that has come up with increasing frequency in recent years involves the question of whether Chapter X or Chapter XI is the appropriate statutory procedure for the financial rehabilitation of a corporation under the Bankruptcy Act in a particular case. It has been the Commission's position that the provisions of Chapter XI were intended for the relief of debtors desiring to enter into an arrangement with their unsecured creditors where there are no public investor interests concerned which require the protective measures and safeguards afforded under Chapter X. The Commission has argued that Chapter X alone provides the necessary investigative and analytical procedure which can deal effectively with the financial and rehabilitation problems of a corporation having securities widely held by the public. Section 328 of Chapter XI of the Bankruptcy Act, as amended in 1952, confirmed the Commission's status, as determined by the Supreme Court in *S. E. C.* v. *United States Realty and Improvement Company*, 310 U. S. 434 (1940), as a proper party to apply to the court for dismissal of a Chapter XI proceeding where it believed the case properly belonged under Chapter X.

In the *Transvision* case [3] the Court of Appeals for the Second Circuit disagreed with the Commission's contention and refused to dismiss a Chapter XI proceeding although some 425 public investors held a portion of the common stock of the company acquired through a public offering and representing an investment of about $350,000. The court in that case indicated that the nature of the plan which was relatively simple, and the absence of evidence of irregularities by

[3] *In re Transvision, Inc.*, 217 F. 2d 243 (1954) cert. denied, 348 U. S. 952 (1955).

the management made Chapter XI appropriate, and within the discretion of the District Court. A petition for certiorari filed by the Commission, which believed this decision inconsistent with the *United States Realty* case, was denied.

During the pendency of the *Transvision* appeal, the Commission moved to dismiss a proceeding instituted by General Stores Corporation under Chapter XI of the Bankruptcy Act, joining a stockholder who had made a similar motion. The Commission contended that Chapter X was the appropriate statutory remedy for this corporation which had outstanding $2,232,422 par value of common stock in the hands of over 7,000 widely scattered stockholders.

The District Court entered an order dismissing the Chapter XI petition [4] and the Court of Appeals for the Second Circuit affirmed the District Court's order.[5] Both Courts distinguished the *Transvision* case, holding that the debtor was the kind of company, referred to in the *United States Realty* case, as belonging under Chapter X because of the large and widespread public investor interest. After the close of the fiscal year the United States Supreme Court granted a petition for a writ of certiorari filed by the corporation.

Two other cases are pending involving generally the same question. In *Wilcox-Gay Corporation*,[6] the Commission's motion to dismiss the Chapter XI proceedings involving this corporation and its subsidiary was denied by the District Court. The Court, relying upon the *Transvision* case, determined in the exercise of its discretion that the Chapter XI procedure was justified and advisable under the particular circumstances of the case. An appeal is pending from this decision. In another case, *Liberty Baking Corporation*, the question is pending before the District Court.[7]

[4] *In re General Stores Corporation*, 129 F. Supp. 801 (1955).
[5] *Shlensky* v. *General Stores Corporation*, 222 F. 2d 234 (1955).
[6] *In re The Wilcox-Gay Corporation*, W. D. Mich., So. Div., No. 12735.
[7] *In re Liberty Baking Corporation*, S. D. N. Y., No. 91173.

PART VI

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 primarily 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 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.

Number of Indentures filed under the Trust Indenture Act of 1939

	Number	Aggregate amount
Indentures pending June 30, 1954	12	$387,750,000
Indentures filed during fiscal year	163	3,674,783,637
Total	175	4,062,533,637
Disposition during fiscal year:		
Indentures qualified	157	3,721,108,837
Indentures deleted by amendment or withdrawn	6	65,972,800
Indentures pending June 30, 1955	12	275,452,000
Total	175	4,062,533,637

PART VII

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.

COMPANIES REGISTERED UNDER THE ACT

As of June 30, 1955, 387 investment companies were registered under the Act, and it is estimated that on that date the aggregate value of their assets was approximately $12 billion. This represents an increase of approximately $3.3 billion over the corresponding total at the beginning of the 1955 fiscal year.

Since the Commission's rules no longer require investment companies to report sales data to the Commission, statistics regarding public sales of shares issued by investment companies comparable to those which have appeared in the previous annual reports are not available. However, substantially similar information is reported to the National Association of Investment Companies by its members and published by that association. It appears therefore that during the entire 1955 fiscal year about 116 open-end management investment companies sold to the public $1,089,769,000 of their shares, redeemed $455,980,000 of such securities, and thus realized net sales of $633,789,000. For the last 6 months of the fiscal year additional information published by the association shows that 29 closed-end management investment companies had corresponding sales of $29,136,000, acquisitions of $25,704,000, and net sales of $3,432,000.

Investment companies registered at the end of the 1955 fiscal year were classified as follows:

Management open-end	182
Management closed-end	112
Unit	80
Face amount	13
Total	387

TYPES OF NEW INVESTMENT COMPANIES REGISTERED

During the 1955 fiscal year 37 new investment companies were registered under the Act, of which 22 were open-end management companies (which redeem their shares on presentation by the shareholder) and 13 were of the closed-end management type (in which the shareholder does not have a redemption privilege). Two companies of the unit type were also registered. During the year registration was terminated with respect to 21 management companies of which 15 were open-end and 6 were closed-end, and with respect to 11 unit and 2 face-amount companies.

The new management investment companies registered under the Act during the year subscribed to a wide variety of investment objectives. Several among them were organized for the purpose of emphasizing investments in securities of industrial corporations engaged in some phase of the development of atomic energy or electronics and five which were incorporated in Canada secured authority under section 7 (d) of the Act to make public offerings of their shares in the United States. Rule N–7D–1, which was adopted to provide especially for the registration of Canadian investment companies, is discussed in the 20th Annual Report, at pages 94–96. Each of the two unit investment companies registered during the year were organized to operate periodic payment plans for the purchase of the common stock of a single specified industrial corporation.

CURRENT INFORMATION

The basic information disclosed in notifications of registration and registration statements is required by statute to be kept up to date. During the 1955 fiscal year the following current reports and documents were filed:

Annual reports	260
Quarterly reports	197
Periodic reports to stockholders (containing financial statements)	674
Copies of sales literature	1, 829

APPLICATIONS AND PROCEEDINGS

One of the functions of the Commission in its regulation of investment companies is to determine whether applications for exemption filed under various provisions of the Act meet the statutory standards. Under section 6 (c) of the Act, the Commission is empowered, either upon its own motion or by order upon application, to exempt any person, security or transaction from any provision of the Act if and to the extent such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. 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.

During the fiscal year 1955 a total of 177 applications of various types were pending before the Commission, of which 133 were disposed of, leaving 44 pending on June 30, 1955. Thirty-one of the 141 applications filed during the fiscal year were for general exemptions, 36 for orders terminating registrations, 23 for orders under section 17 of the Act permitting transactions between investment companies and affiliates, and 51 for other relief. The various sections of the Act under which these applications were filed, 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 fiscal year ended June 30, 1955

Sections	Subject involved	Pending July 1, 1954	Filed	Closed	Pending June 30, 1955
2, 3, 6	Status and exemption	11	31	30	12
7 (d)	Registration of foreign investment companies	2	6	7	1
8, 35	Compliance with registration requirements	1	3	4	0
8 (f)	Termination of registration	10	36	[1] 34	12
9, 10, 16	Regulation of affiliations of directors, officers, employees, investment advisers, underwriters and others.	0	19	18	1
11, 25	Regulation of security exchange offers and reorganization matters.	1	1	1	1
12, 13, 14 (a), 15	Regulation of functions and activities of investment companies.	0	8	6	2
17	Regulation of transactions with affiliated persons.	9	23	21	11
18, 19, 21, 22, 23	Requirements as to capital structures, loans, distributions and redemptions, and related matters.	1	12	9	4
30	Reports and other documents reviewed for compliance.	0	2	2	0
26 (a) (2) (C)	Trustee compensation	1	0	1	0
32	Accounting supervision	0	5	5	0
	Total	36	146	138	44

[1] Excludes 5 section 8 (f) orders entered by the Commission on its own motion without application.

In passing upon applications under the Investment Company Act, the endeavor is made so far as possible to resolve any problems on an informal basis, by discussion and correspondence rather than by formal hearing procedure. In the past fiscal year only four applications were set down for a formal hearing, namely, *Northeast Capital Corporation,*[1] *Newmont Mining Corporation,*[2] *Government Employees Mutual Fund, Inc.,*[3] and *Atomic-Electronics Fund, Inc.*[4] The first two of these cases involved requests for orders pursuant to section 3 (b) (2) of the Act declaring applicants not be investment companies. Newmont was granted the requested order,[5] but the questions raised by Northeast's application remained undecided at the close of the fiscal year. The latter two of these cases each involved the question whether, in view of the substantial identity in name of two corporations registered under the Act, the Commission should find, under the provisions of section 35 (d), that the name of one of such corporations was "deceptive or misleading." In each case, before the hearing was completed, the matter was settled by the deregistration of one or both companies voluntarily.

Of the matters considered by the Commission pursuant to formal applications filed under a particular section of the Act, those requiring a determination of the fairness of transactions between affiliates are generally the most difficult and complex. Examples of these include a loan to an affiliated company by an investment company,[6] the optional receipt of portfolio securities of an investment company by an affiliated person in exchange for his stock of the company,[7] the sale of securities by an affiliated person to an investment company,[8] the acquisition of cash and other assets of one controlled company for a portion of its stock held by another controlled company,[9] and a merger.[10]

Some transactions involving investment companies, while important and complicated, do not require a filing under the statute by the investment company or any affiliated person. Nevertheless, these matters are examined carefully by reason of the Commission's responsibilities under sections 25 and 36 of the Act to bring court proceedings if it believes that proposed reorganizations are grossly unfair or that management has committed a gross abuse of trust. An example is the case of *Home and Foreign Securities Corporation* and *Oils & Industries, Inc.,* two registered investment companies. This matter involved a plan of reorganization proposed in settlement of a proceed-

1 Investment Company Act release No. 2084 (January 19, 1955).
2 Investment Company Act release No. 2159 (June 8, 1955).
3 Investment Company Act release No. 2026 (October 26, 1954).
4 Investment Company Act release No. 2076 (December 30, 1954).
5 Investment Company Act release No. 2248 (October 24, 1955).
6 *Israel Enterprises, Inc.*, Investment Company Act release No. 2016 (September 27, 1954).
7 *Detroit and Cleveland Navigation Company*, Investment Company Act release No. 2029 (November 1, 1954).
8 *Crum & Forster Securities Corp.*, Investment Company Act release No. 2072 (December 27, 1954).
9 *E. I. DuPont de Nemours and Company*, Investment Company Act release No. 2208 (August 5, 1955).
10 *United States & Foreign Securities Corp.*, Investment Company Act release No. 2173 (June 24, 1955).

ing brought by the Commission in December 1952 under section 36 alleging gross abuse of trust by certain officers and directors of the investment companies. The plan of reorganization was regarded by the Commission as a satisfactory basis for settlement. It involved three steps: (1) acquisition by Chesapeake Industries, Inc., of the publicly held preferred and common stocks of Home and Foreign, Oils & Industries, and certain subsidiaries in exchange for common and preferred stocks of Chesapeake, through invitation for tenders; (2) the merger of Home and Foreign, Oils & Industries, and an oil company subsidiary into a wholly owned subsidiary of Chesapeake, subject to appraisal rights of dissenters; and (3) the dissolution of a subsidiary of Home & Foreign and distribution of its cash assets. Certain protective provisions for the preferred stockholders in the event of default in payment of six quarterly dividends were included in the plan.

Changes in the ownership of stock of a corporation acting as underwriter or investment adviser often present questions under sections 15 and 36 of the Act. Under sections 2 and 15 the assignment of an investment advisory or underwriting contract necessarily results in its automatic cancellation; and the transfer of a controlling block of stock of a corporation having such a contract is deemed to constitute such an assignment. In a 1942 opinion [11] the Commission's General Counsel stated that in general the purported transfer of an investment advisory contract for a consideration would constitute a gross abuse of trust and be the subject of Commission action under section 36 of the Act. A serious question is raised where there is a proposal to sell a controlling block of stock in a corporation rendering underwriting or investment advisory services to an investment company and the sale is to be made at a figure above book value or at book value with other collateral promises on the part of the purchaser, and where consummation of the transfer is conditional upon the effectiveness of a new underwriting or investment advisory contract with the same investment company. Such questions arose with increasing frequency during the fiscal year.

Another important segment of activity under the Investment Company Act relates to questions and proceedings arising under sections 3 and 6 which pertain to the status of a company under the Act, i. e., whether it is required to register under the Act, or, whether it is entitled to an exemption from any or all the provisions of the Act. Much of this work is accomplished by correspondence and by conference. An example of a case where a complete exemption was granted is *United Steel Works Corporation* [12] where the Commission considered that a fund created by the deposit of certain mortgage

[11] Investment Company Act release No. 354 (May 11, 1942).
[12] Investment Company Act release No. 2025 (October 14, 1954).

bonds of German companies, formerly part of the United Steel Works Corporation, Germany, and the issuance of Participation Certificates (representing an interest in such bonds) to American holders of the old bonds of United Steel were entitled to a complete exemption under the Act. The application pointed out that few if any of the substantive provisions of the Act could sensibly be applied to the situation.

Status of The Alleghany Corporation Under the Act

The Alleghany Corporation registered under the Investment Company Act on November 1, 1940. The Commission, on the basis of an order of the Interstate Commerce Commission dated June 5, 1945, ordered Alleghany's registration terminated on October 4, 1945 (20 S. E. C. 731). The ICC order had approved Alleghany's then existing control of the Chesapeake & Ohio Railway Company and subjected Alleghany to certain regulatory provisions of the Interstate Commerce Act involving, primarily, reporting requirements and supervision of security issues. A company subject to regulation under the Interstate Commerce Act is excepted from the definition of an "investment company" by section 3 (c) (9) of the Investment Company Act. At that time, about 86 percent of Alleghany's assets were invested in railroad securities including 38 percent in the Chesapeake & Ohio.

On January 19, 1954, Alleghany disposed of its control of the Chesapeake & Ohio. Thereafter the ICC instituted a proceeding to determine whether its 1945 order should be terminated. This proceeding was joined with a subsequent proceeding by Alleghany seeking a new order declaring Alleghany to be a "carrier" subject to the above-mentioned provisions of the Interstate Commerce Act. The latter proceeding was predicated upon the asserted control by Alleghany of the New York Central Railroad Company. Alleghany, under a separate application, also sought approval by the ICC of the issuance of new preferred stock under a voluntary exchange offer to its existing preferred stockholders.

This Commission intervened in the proceedings before the ICC to determine the status of Alleghany and suggested (1) that Alleghany's investment picture had almost reversed itself so that on September 14, 1954, only 16 percent of its assets were invested in railroad securities and the balance almost entirely in investment securities; (2) that it would be in the public interest under both the Interstate Commerce Act and the Investment Company Act for Alleghany to be regulated under the Investment Company Act in view of the investment activities of Alleghany and that such regulation would be consistent with the purposes of the Interstate Commerce Act; and (3) that the ICC should exercise the discretionary powers granted it under section 5 (3) of the Interstate Commerce Act to permit such regulation under the Investment Company Act by this Commission.

On March 2, 1955, Division 4 of the ICC entered an order declaring Alleghany to be a carrier subject to the Interstate Commerce Act and stated among other things that it had "no discretionary power to yield [its] jurisdiction to any other statutory agency". In view of the importance of the issue raised, this Commission filed a petition for reconsideration by the entire ICC of the Division 4 order. The entire ICC affirmed the action of Division 4 on May 24, 1955, stating "that unless Congress amends either or both of the statutes involved herein, the results the SEC desires to achieve are not within our powers under the Interstate Commerce Act." This Commission sought no review of this determination. By separate order the ICC approved Alleghany's voluntary exchange offer.

On July 26, 1955, a three-judge court of the United States District Court for the Southern District of New York, upon complaint of certain stockholders of Alleghany, entered a preliminary injunction, which, so far as here relevant, enjoined, pending final judgment, any action pursuant to the foregoing ICC orders. The Court also noted that the ICC's denial of any discretionary powers under the Interstate Commerce Act "was without foundation" but stated that it was premature for it to determine whether the ICC action in this connection was "reviewable as an abuse of discretion."

In its opinion of November 18, 1955, issued after a full hearing on the merits, the three-judge court determined that the ICC was without jurisdiction over Alleghany at the time it issued the new preferred stock, or that if such jurisdiction existed, the necessary findings in support thereof were not made. The court also held in the absence of proper jurisdiction over Alleghany by the ICC, Alleghany was an investment company subject to regulation under the Investment Company Act of 1940 and the issuance of the new preferred stock was unlawful because of section 7 of that statute. A final decree was issued by the Court in December 23, 1955.[13]

As *amicus curiae*, the Commission filed a memorandum and participated in the oral argument before Justice Harlan of the United States Supreme Court on Alleghany's application for a stay pending appeal from the preliminary injunction.

[13] See *Breswick & Co.* v. *United States, et al*, S. D. N. Y., Civil Action No. 101-114.

PART VIII

ADMINISTRATION OF THE INVESTMENT ADVISERS ACT OF 1940

The Investment Advisers Act of 1940 requires the registration as investment advisers of persons engaged for compensation in the business of advising others with respect to securities. The Commission is empowered to deny registration to or revoke the registration of any investment adviser who, after notice and opportunity for hearing, is found by the Commission to have been convicted or enjoined because of misconduct in connection with securities transactions or to have made false statements in his application for registration. The Act makes it unlawful for investment advisers to engage in practices which constitute fraud or deceit, requires investment advisers to disclose the nature of their interest in transactions executed for their clients, prohibits profit-sharing arrangements, and prevents assignment of investment advisory contracts without the client's consent.

Statistics of investment adviser registrations—1955 fiscal year

Effective registrations at close of preceding fiscal year	1, 134
Applications pending at close of preceding fiscal year	11
Applications filed during fiscal year	199
Total	1, 344
Registrations canceled or withdrawn during year	124
Registrations denied or revoked during year	0
Applications withdrawn during year	3
Registrations effective at end of year	1, 203
Applications pending at end of year	14
Total	1, 344

SIMPLIFICATION OF FORMS AND RULES

Effective July 1, 1954, the Commission substantially revised forms and rules pertaining to the registration of investment advisers.[1] This action was taken in connection with a comprehensive review of rules, regulations, forms and procedures to eliminate duplication and to simplify the requirements, wherever practicable, without prejudice to the public interest or the protection of investors.

In adopting the new forms for registration as an investment adviser and in revising applicable rules the Commission acted on the view that, wherever possible, an application for registration should be

[1] Investment Advisers Act of 1940 release No. 73 (June 25, 1954).

limited generally to information necessary to determine whether a registrant, or an applicant for registration, or any controlling person is subject to a statutory disqualification.

Form ADV adopted during the year, applicable to investment advisers, is an all purpose form to be used as the form of application for registration; as the form to amend such an application and as the form of supplemental report to be filed by a registered person. The new six-page Form ADV contains only 16 items or questions whereas Form 1-R previously used as an application for registration consisted of twenty pages and required information under 38 items. Adoption of Form ADV made it possible to rescind the single purpose Forms 1-R, 2-R and 3-R formerly used by investment advisers. The Commission also rescinded the rule providing that registered investment advisers file semi-annual reports and amended applicable rules. The current rules require that information contained in the application for registration of investment advisers be kept current by amendments to the original application. By providing that the new form may be used as a supplement to the old forms, persons registered before adoption of the new form are now required to furnish only current information with respect to the information in the abbreviated and simplified new form.

REGISTRATION OF FOREIGN INVESTMENT ADVISERS

The problem of registration of investment advisers with principal offices outside the United States raises important questions with respect to the enforcement of civil liabilities arising out of violations of the Act and with reference to the enforcement of sanctions which the Commission may invoke against such violations. Rights arising because of violations may be unenforceable against non-resident investment advisers and non-resident individual partners in such firms where it is impossible to obtain service upon such persons. In order to afford to the Commission and others the same opportunity to enforce rights or duties against such persons as they have in the case of resident investment advisers and resident partners in such firms, the Commission promulgated rule R-2 under the Investment Advisers Act of 1940.[2] This rule which became effective on August 2, 1954, requires each non-resident investment adviser, general partner, and managing agent to file with the Commission a written irrevocable consent and power of attorney, designating the Commission as an agent upon whom may be served any process, pleadings or other papers in certain civil suits or actions brought in the United States. The Commission also adopted four forms, designated as 4-R, 5-R, 6-R, and 7-R, to be used for the filing of irrevocable consents to service by persons subject to the rule.

[2] Investment Advisers Act of 1940 release No. 74 (June 30, 1954).

LITIGATION UNDER THE INVESTMENT ADVISERS ACT OF 1940

The Commission filed a complaint in the United States District Court in San Francisco against J. Henry Helser & Co., an Oregon corporation, and J. Henry Helser, its president, to enjoin them from violations of the anti-fraud provisions of the Investment Advisers Act of 1940. J. Henry Helser & Co., doing business as a registered investment adviser had some 6,000 clients whose accounts with carrying brokers contained approximately $62 million in cash and securities. The complaint described the Helser Plan of Investment Management as one whereby Helser clients were induced to give the Helser Company unlimited power of attorney authorizing it to purchase, sell and trade in securities on a cash and margin basis for the accounts of such customers. The defendant corporation charged a fee of $1 per share for each purchase and sale of stock.

The commission alleged, among other things, that in soliciting and maintaining clients' accounts defendants falsely represented safety of principal, 100 percent capital appreciation in from 7 to 10 years and net earnings from 9 percent to 15 percent per annum. The Commission also alleged that the defendants induced their clients to deposit all available cash, securities and other resources under defendants' management, to mortgage homes and other real estate and to borrow on or surrender life insurance and annuity policies in order to make such deposits; that clients were not informed that "Credit Arrangements" were in fact margin agreements, and that defendants customarily made immediate use of such margin agreements to margin clients' accounts almost fully; and that clients were not informed that it was necessary for the Helser corporation to trade more than 1 million shares of stock in clients' accounts each year to meet defendants' annual fixed operating expenses, which equaled or exceeded $1 million.

After a 3 week trial, the court issued an interlocutory order which stated in part:

> After consideration of the entire matter, it is the Court's view and opinion that the evidence and facts support the allegations of the Complaint, and are sufficient to warrant the issuance of an injunction for violation of the Investment Advisers Act of 1940. However, the Court believes that the issuance of an injunction at this time would be a harsh remedy under the circumstances of this case, and that the defendants should be given an opportunity to bring themselves into compliance with the statute. The defendants have submitted a written document undertaking to refrain from certain practices, and to make changes in their practices and procedures to bring themselves into compliance with the statute. The Court approves the Undertaking and orders that it be filed in this action.

The undertaking which became a part of the court's order provided that the company will make no representations that it has a special individual investment program for each client; that it will accurately describe operations of the company and the trading done with clients' accounts; that it will not encourage the borrowing of money on insurance policies or homes; that it will amend its reports to clients so that they will accurately describe the performance, the status and the liquidating value of each client's account and be easily understood; that it will eliminate fees based upon the number of shares of stock purchased or sold and will substitute a fee system based on the percentage of clients' net equity; that it will describe the possible hazards of accounts which are opened as margin accounts; and that it will not represent that safety of principal is assured or that accounts will appreciate or produce income in any particular amounts.

PART IX

RELATED ACTIVITIES OF THE COMMISSION

LEGISLATIVE MATTERS

The Commission devoted a substantial amount of time to matters pertaining to proposed legislation and Congressional inquiries. Ten legislative proposals were analyzed and reports submitted on them to the appropriate Congressional committees, at their request. Apart from specific legislative proposals, the Commission compiled much background material for the Senate Committee on Banking and Currency in connection with its "Stock Market Study", and testified in its hearings. Senate Report No. 376, 84th Congress (May 26, 1955). Additional information and testimony was furnished to that Committee in connection with its hearings on corporate proxies. Information was made available to the Anti-Monopoly Subcommittee of the Senate Committee on the Judiciary in connection with its investigation concerning Middle South Utilities, Inc. and Mississippi Power and Light Company. The Commission provided skilled personnel to assist the Committees in some of these matters.

An extensive study relating to amendments of various statutes administered by the Commission culminated in the approval on August 10, 1954 of Public Law 577, 83d Congress, amending the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939 and the Investment Company Act of 1940. Towards the end of the fiscal year work was commenced, and testimony given on a bill to extend those provisions of the Securities Exchange Act of 1934 which now apply to securities listed and registered on national securities exchanges, to unlisted companies in which there is a substantial public interest.

In addition, numerous Congressional inquiries were received and answered relating to matters other than specific legislative proposals.

COURT PROCEEDINGS

Civil Proceedings

At the beginning of the 1955 fiscal year there were pending in the courts 16 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 31 additional proceedings were instituted and 33 cases were disposed of, leaving 14 of such proceedings pending at the end of the year. In addition the Commission participated in a number of reorganization cases under

Chapter X of the Bankruptcy Act, in 9 proceedings in the district courts under section 11 (e) of the Public Utility Holding Company Act; and in 11 miscellaneous actions, usually as amicus curiae, to advise the court of its views regarding the construction of provisions of statutes administered by the Commission which were involved in private lawsuits. The Commission also participated in 29 civil appeals. Of these, 6 came before the courts on petition for review of an administrative order, 9 arose out of corporate reorganizations in which the Commission had taken an active part, 3 were appeals in actions brought by or against the Commission, 8 were appeals from orders entered pursuant to section 11 (e) of the Public Utility Holding Company Act, and 3 were appeals in cases in which the Commission appeared as amicus curiae.

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

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

Criminal Proceedings

Indictments were returned against 2,259 defendants in 533 cases developed by the Commission prior to June 30, 1955.[1] These figures include 14 defendants in 8 cases in which indictments were returned during the past fiscal year. At the close of the year, convictions of a total of 1,223 defendants had been obtained in 433,[2] or 86 percent, of the 501 cases disposed of as to one or more defendants. Convictions of 27 defendants in 15 cases were obtained during the fiscal year.[3] In addition, two defendants in two cases were convicted of criminal contempt for violation of injunctive decrees previously entered against them.[4] An appeal is pending in one of these cases.

In the six appellate cases decided during the fiscal year[5] judgments of conviction were affirmed in five cases as to all six defendants who appealed.[6] The remaining case, in which the conviction of a single defendant was reversed for trial errors, was remanded for a new trial. At the close of the fiscal year one case involving two defendants was pending on appeal.

[1] A condensed statistical summary of all criminal cases developed by the Commission from the fiscal year 1934 through the fiscal year 1955 is set forth in appendix table 24. The status of criminal cases developed by the Commission which were pending at the end of the fiscal year is set forth in appendix table 25.

[2] The 68 remaining cases, which resulted in acquittals or dismissals as to all defendants, included a number where the indictments were dismissed because of the death of defendants.

[3] One of these cases is still pending as to one defendant.

[4] See Criminal Contempt Proceedings, appendix table 17.

[5] An appeal in an additional case was dismissed.

[6] Petitions for certiorari were denied after the fiscal year in one of these cases and are pending in two other cases.

As in past years, the criminal cases developed and prosecuted during the year, covered a wide variety of fraudulent practices. They included fraudulent activities on the part of securities broker-dealers and their representatives, frauds in the sale of securities relating to oil and gas and mining ventures, and fraudulent securities promotions with respect to alleged inventions and a variety of business enterprises. In addition to fraud charges, the defendants in a number of cases also were charged with violating the registration provisions of the Securities Act.

The first criminal prosecution and convictions for the "churning" of customers' securities brokerage accounts were obtained during the past year in *U. S.* v. *J. Arthur Warner, et al.* (D. Mass.).[7] "Churning" is the term commonly used in the securities field to describe the fraudulent practice of inducing customers to engage in excessive securities trading for the purpose of obtaining commissions, fees, and profits. In this case it was charged, among other things, that the defendants, for the purpose of facilitating and increasing the excessive trading, arranged collateral bank loans for the accounts of their customers and concealed from them the risks inherent in these loans, purchased for the accounts of customers securities on which dividends were about to be declared, and falsely represented that the dividends were additional income and part of the increased yield to customers who traded through the defendants, and charged substantial overriding commissions and markups, in addition to the usual stock exchange commissions, on listed securities purchased for the accounts of customers, without sufficiently disclosing to customers the nature or amount of these overriding commissions and markups.[8]

In *U. S.* v. *Albert J. Rich* (S. D. Fla.), the defendant plead guilty and was sentenced to a 3-year prison term for having defrauded his customers by inducing them to sell securities held by them and to purchase other securities from him at prices greatly in excess of their current market prices and for operating as a securities broker-dealer without having registered with the Securities and Exchange Commission.

Other fraudulent practices on the part of broker-dealers are charged in *U. S.* v. *James J. MacKnight, et al.* (D. Mass.), and in *U. S.* v. *Stanley C. Shaver, Sr.* (S. D. Fla.), in which indictments are pending. In the *MacKnight* case the defendants are charged with employing a scheme to defraud investors in the operation of a so-called "Collective Trading Fund", an investment trust solely created and controlled

[7] Varying sentences ranging from 2 years probation and a $5,000 fine to 1 year's probation and a $1,000 fine were imposed on the defendants who were convicted in this case upon pleas of guilty entered after commencement of the trial.

[8] A final injunctive decree enjoining similar practices was entered against the Warner firm and certain of its representatives during the year. For additional details concerning the injunctive case, see 18th Annual Report, page 73.

by the defendants.[9] In the *Shaver* case the defendant is charged, among other things, with having converted customers funds and securities.

Oil and gas promotions were involved in convictions obtained during the fiscal year in *U. S.* v. *Homer J. Cox* (D. N. M.); *U. S.* v. *D. W. Crawford et al* (D. S. D.) and *U. S.* v. *Thomas H. Carney* (D. Utah). In the *Cox* case the defendant was found guilty and sentenced to 5 years imprisonment for fraud and registration violations in selling interests in carbon dioxide gas wells by false representations concerning the number of wells on the property in question, the purported returns to be received on the investment and similar matters. In the *Crawford* case, defendants were convicted for fraudulent conduct in procuring fractional mineral deeds from landowners in North and South Dakota. A probationary sentence of 2 years and a $750 fine was imposed on each of the defendants. In the third case, Carney received a 2-year prison sentence upon his plea of guilty to an indictment charging fraudulent representations in the sale of oil and gas interests and misappropriation of funds solicited to operate the properties involved.

An indictment has been returned in the Eastern District of Wisconsin against William F. Horsting, Sr., and his son, charging fraud in the sale of fractional undivided oil, gas, and mineral rights by means of false representations concerning the alleged investments made by the defendants in the properties, their success as oilmen, and similar matters. After the close of the fiscal year, an indictment was returned against Ben E. Young at Spokane, Wash., charging fraud violations in the solicitation of funds to be paid to the United States as rental and filing fees for its Oregon oil leases, which funds it is charged the defendant appropriated to his own use, while informing investors that the applications had been filed.

Fraud violations resulted in a conviction in *U. S.* v. *Oliver O. Kendall* (W. D. Tex.) and registration violations in convictions in *U. S.* v. *Charles A. Howe et al.* (S. D. Ohio), both cases involving mining promotions. Kendall plead guilty to an indictment charging him with making false representations concerning a Mexican lead mine, purported investment returns and the like, and was sentenced to a 3-year term.[10] In the *Howe* case, registration violation charges were sustained in the sale by the defendants of investment contracts covering alleged gold properties and a purported process for extracting gold from fine deposits. Howe received a prison term of a year and a day and the corporate defendants were fined $1,000 each.[11] In

[9] Upon facts similar to those charged in the indictment, a permanent injunction was previously entered against the defendants in this case, see 20th Annual Report 46–47.

[10] Kendall also was sentenced to a concurrent 3-year term upon a plea of guilty to a previous perjury indictment returned as a result of his testimony in an investigation in 1943.

[11] The defendants were acquitted on the fraud charges included in this case.

another mining venture, an indictment was returned in the Southern District of New York against Standard Tungsten Corporation, its president and its secretary, charging fraud in the sale of the company's stock by means of alleged false representations including offering circulars and press releases relating to the purported value and prior development of the mining claims involved, the identity of investors, funds available for operations and other matters.

Cases involving corporate and other miscellaneous business promotional enterprises include *U. S.* v. *Pierre P. Pattyn* (E. D. Mich.), *U. S.* v. *Giles H. Florence et al.* (E. D. Wash.), *U. S.* v. *James Robert Palmer et al.* (D. Colo.), *U. S.* v. *George L. White* (N. D. Ill.), all of which resulted in convictions for registration, fraud violations or both. Pattyn plead nolo contendere to an indictment charging fraud and registration violations in the sale of unregistered securities of a corporation misrepresented as successfully manufacturing and marketing ingenious electronic gadgets enabling the blind to see, creating wireless lights and similar devices.[12] Sentence was suspended for a 2 year probationary period. Palmer was convicted of fraudulently misrepresenting the financial integrity and value of stock of the finance company being promoted by him.[13] He was sentenced to a prison term of 6 years.[14]

Defendant Florence and co-defendants [15] entered pleas of guilty to an indictment charging fraud and registration violations in the sale of stock in a certain furniture company by false representations as to the company's financial condition and future business prospects. Florence and co-defendant Druke received 1 year prison terms and fines of $1,000 and other co-defendants were placed on 3 years probation and fined $500. George S. White plead guilty to fraud violations in the sale of stock of a motor products company involving false representations as to the identity of the corporation whose stock was being sold, its value, and other matters.[16]

In *U. S.* v. *Osceola Groves Inc. et al.* (S. D. Fla.) the corporation was convicted of fraud and fined a total of $42,000 for employing a scheme to defraud investors in the sale of citrus groves by means of misrepresentations as to the operating condition of the properties involved, financial returns potential and related matters.[17]

Indictments have been returned in the District of Montana against Charles A. and Arthur V. Donaldson alleging fraud violations in the sale of stock of Billings Holding Corporation and the issuance of

[12] For additional details, see 18th Annual Report 173.

[13] For additional details, see 20th Annual Report 103.

[14] Palmer and his wife, were also convicted in the same case of mail fraud in connection with the assignment of automobile chattel mortgages. Mrs. Palmer's sentence was suspended for a 3-year probationary period.

[15] Certain co-defendants plead guilty only to registration violations.

[16] For additional details, see 18th Annual Report 174.

[17] The president of the corporation, who was a co-defendant, was acquitted.

insurance policies by a company alleged to be non-existent. Two Chicago architects, Henry K. and William T. Holsman have been indicted in the Northern District of Illinois for allegedly making fraudulent representations in the sale of trust certificates relating to a large scale cooperative apartment house project. After the fiscal year, an indictment was returned at Spokane, Wash., charging Richard W. Bowler with fraud violations involving alleged misrepresentations in the sale of his personally owned stock in a warehouse company, whose precarious financial condition was allegedly concealed by him.

Violations of injunctive decrees previously obtained by the Commission led to the convictions for criminal contempt in the *William E. Horton* (S. D. Cal.) and *Homer C. Mills* (D. Nev.) cases. Horton was found guilty of criminal contempt of court for selling unregistered securities of the Horton Aircraft Corporation in violation of court orders previously entered against him restraining him from violating the registration requirements of the Securities Act of 1933. He was fined $1,000 and placed on probation for a 5-year period. Similarly Mills, who was also placed on probation for 3 years, was convicted of criminal contempt for selling unregistered securities to residents of southern California in violation of the terms of preliminary and final injunctive decrees previously entered against him in the District of Nevada. He has appealed his conviction.

In the criminal appellate cases decided during the year, judgments of conviction were affirmed in *U. S.* v. *Vasen*, 222 F. 2d 3 (C. A. 7, 1955); *cert. denied*, 350 U. S. 834 (1955); *Henderson* v. *U. S.*, 218 F. 2d 14 (C. A. 6, 1955), *cert. denied* 349 U. S. 920; *Estep* v. *U. S.*, 223 F. 2d 19 (C. A. 5, 1955)[18]; *Owens* v. *U. S.*, 221 F. 2d 351 (C. A. 5, 1955); *Thomas* v. *U. S.*, 227 F. 2d 667 (C. A. 9, 1955)[18]; and reversed in *Frank* v. *U. S.*, 220 F. 2d 559 (C. A. 10, 1955). The latter case, which involved an oil and gas lease promotion[19], was remanded for a new trial because of certain trial errors. The Vasen conviction, which also arose out of an oil promotion, involved the sale of fractional undivided interests in a well that reached a depth of 20,450 feet, said to be the second deepest well in existence.[20] In the *Henderson* case, in which a prior conviction on the same charge of mail fraud violation previously had been reversed upon appeal and a new trial granted,[21] the conviction also resulted from the sale of fractional interests in oil and gas rights. The defendant in the *Estep* case, who has variously held himself out as an atomic scientist, an inventor, a doctor of medicine, and a spiritualistic healer, was convicted of fraud and registration violations in connection with the sale of stock of Atomotor Manufacturing

[18] Petitions for certiorari are pending in these cases.
[19] For additional details, see 20th Annual Report 102.
[20] For additional details, see 20th Annual Report 102.
[21] See 20th Annual Report 101, 19th Annual Report 104, 17th Annual Report 151.

Company, Inc., which was fraudulently represented as being about to market a fuelless self-energizing motor or, in effect, a claimed perpetual motion machine.[22] The convictions of the defendants in the *Owens* case, resulted from a scheme which included, among other things, an alleged romance with an investor, the setting up of dummy corporations and the obtaining of money by means of a variety of representations and promises calculated to deceive investors into believing that the defendant "Owens was a powerful and clever magnate". The *Thomas* case involved the sale, by means of misrepresentations and concealment of material facts, of stock of Thomascolor Incorporated, a company organized for the purpose of exploiting an allegedly new color photography process and a company for which a registration statement covering the sale of its stock had previously been the subject of stop order proceedings under section 8 (d) of the Securities Act.[23]

Extradition Proceedings

In an effort to meet the important and recurrent enforcement problem arising out of the fraudulent sale of securities by mail and telephone to United States residents by promoters operating out of Canada, a Supplementary Extradition Convention between Canada and the United States was ratified on July 11, 1952, which was designed to broaden the existing extradition arrangements so as to permit the extradition of persons engaging in such activities.[24] In the fall of 1954 in the first case, *U. S.* v. *Link and Green*,[25] 3 D. L. R. 386 (1955), brought under the new extradition arrangements, extradition was denied. After an extensive five weeks hearing, the Extradition Judge announced that he was satisfied that a *prima facie* case of fraud had been made out against the defendants involved, but nevertheless denied the extradition request because he did not approve of the extent of the evidence which might be admissible in the prosecution of these defendants in the United States. Because of the adverse effect this judgment would have upon future extradition cases, application was made to the Supreme Court of Canada for leave to appeal the decision. However, the application was denied by the Court for lack of jurisdiction, *U. S.* v. *Link and Green* [1955] S. C. R. 183.

It is possible that an advisory opinion in this important area may still be obtained from the Supreme Court of Canada. The Canadian Government, should it deem it appropriate, may refer the questions involved to the Court under special jurisdictional provisions contained in the Canadian Supreme Court Act.

[22] For additional details, see 20th Annual Report 103.

[23] See 18th Annual Report 173, 14th Annual Report 13-15 and *In the Matter of Thomascolor Incorporated*, 27 S. E. C. 151 (1947).

[24] For additional details, see 17th Annual Report 159-160; 18th Annual Report 179-180.

[25] Defendants in the *T. M. Parker* case, see 20th Annual Report 103-104.

COMPLAINTS AND INVESTIGATIONS

Specific authority for the Commission to conduct its own investigations to determine whether violations of law have occurred is contained in each of the Acts administered by the Commission. These investigations are conducted primarily by the regional offices under the general administrative supervision of the principal office.

Most Commission investigations originate from direct complaints by members of the investing public and, with respect to registered broker-dealers, from the Commission's broker-dealer inspection program. The number of such complaints and inquiries amounts to many thousands every year. Each complaint and broker-dealer inspection report is examined and considered to determine whether possible violations of the Acts are involved. If it then appears that a violation may have been committed, a preliminary investigation is made.

Preliminary investigations may take the form of an examination of the Commission's files, correspondence with persons who have information on the subject and telephone inquiries or, when believed advisable, may extend to personal interviews with a limited number of persons. In many instances this preliminary investigation will be sufficient to disclose that no violation has been committed or that an inadvertent violation has taken place because the offender has either misunderstood or been unaware of the law. Under the latter circumstance, the violator is appropriately advised of the requirements of the law and the preliminary investigation serves to bring about compliance with the law before serious damage or loss befalls the investing public.

If a matter cannot be disposed of satisfactorily after a preliminary investigation, a case is docketed and a full and detailed investigation is made. In connection with such investigation, the Commission may utilize its power, through officers it may appoint for such purpose from its staff, to issue subpoenas requiring the appearance of witnesses to testify under oath and the production of documents. This power is used only when the necessary evidence cannot otherwise be obtained and the exercise thereof is limited to the persons specifically designated by order of the Commission and to the subject matter of a particular investigation. During the fiscal year 35 such orders were issued.

When an investigation has been completed, a report is submitted by the investigators to the Regional Administrator who, after review, makes a recommendation that the Commission institute appropriate action or close the investigation. In each instance, these reports are analyzed by the staff in the Commission's principal office and presented to the Commission for disposition.

Action of the Commission may take the form of a reference of evidence to the Attorney General in cases that appear to call for criminal prosecution, a civil proceeding for injunctive relief, or administrative proceedings against broker-dealers and investment advisers. In addition, the Commission also refers evidence of violations of other Federal statutes and State laws to appropriate federal or state authorities.

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

Investigations of possible violations of the acts administered by the Commission

	Preliminary	Docketed	Total
Pending June 30, 1954	198	527	725
New cases	164	194	358
Transferred from preliminary		34	34
Total	362	755	1,117
Closed	165	274	439
Transferred to docketed	34		34
Pending at June 30, 1955	163	481	644

Restitution

One of the most important results of the investigative activities of the Commission is the restitution to investors and others of amounts obtained from them by practices which violate the securities laws. Although it is impossible to compute the total so restored through the rescission of purchases and sales and otherwise it is estimated that the aggregate amounts to several million dollars annually.

In one case investigated during the year it appeared that an insurance company had sold 57 percent of its stock to promoters and other insiders for $265,000 and the remaining 43 percent to the public for $3,913,000. The insiders then resold part of their stock, realizing a profit of $496,000. Investigation showed that the public sales had been effected on the basis of incomplete disclosure regarding, among other things, the issuance of the promoters' stock. Acting on advice of their counsel, the insiders turned over their profits to the company and transferred large amounts of their personally owned stock to other stockholders. The cash and the estimated value of the stock so restored amounted to over $1 million.

In another case it was found that the president of a company had purchased stock direct from stockholders at $28 a share when the stock was being quoted at a much higher figure by dealers in the over-the-counter market. During the course of the investigation the president sold the stock in the over-the-counter market for $108 a share and remitted the excess over $28 received to the stockholders who had sold him the stock.

The amounts actually returned to investors in cases of this nature, large as they are, are only a small part of the amounts that are saved by the prevention of fraudulent transactions before they can be consummated.

SECTION OF SECURITIES VIOLATIONS

The Commission maintains a Section of Securities Violations for assistance in the enforcement of the various statutes which it administers and to provide a further means of preventing fraud in the purchase and sale of securities. This Section has developed files which provide a clearing house of information concerning persons who have been charged with violations of various Federal and State securities statutes. The specialized information in these files has been kept current through the cooperation of the United States Post Office Department, the Federal Bureau of Investigation, parole and probation officials, state securities commissions, Federal and State prosecuting attorneys, police officers, Better Business Bureaus, and the United States Chamber of Commerce. By the end of the 1955 fiscal year these records contained data concerning 58,187 persons against whom Federal or State action had been taken in connection with securities violations. During the past year items of information relating to 3,867 persons were added to the records of this Section, including information concerning 1,585 persons not previously identified therein.

Extensive use is made of this clearing house of information. During the past year in connection with the maintenance and preventive use of these records, the Commission received 2,995 "securities violations" letters or reports and dispatched 1,601 communications to cooperating agencies.

ACTIVITIES OF THE COMMISSION IN ACCOUNTING AND AUDITING

Recognizing the importance to investors of dependable financial statements which disclose the financial status and earnings history and potentialities of a corporation or other commercial entity, the various Acts administered by the Commission deal extensively with financial statement presentation and the accounting concepts and principles upon which they are based. These Acts grant the Commission broad authority to prescribe, among other matters, the form and content of financial statements required to be filed by registrants subject to the Securities Act of 1933 and the Securities Exchange Act of 1934, to prescribe uniform systems of accounts for companies subject to the Public Utility Holding Company Act of 1935, and to provide for a reasonable degree of uniformity in accounting principles and policies to be followed by registered investment companies in maintaining their accounting records and in preparing financial statements required by the Investment Company Act of 1940.

The principal accounting requirements prescribed by the Commission under these Acts are contained in Regulation S-X, which governs the form and content of most financial statements required to be filed with the Commission. Implementing this regulation are 77

Accounting Series Releases which have been issued from time to time since 1937 for the purpose of contributing to the development of uniform standards and practice in major accounting questions. In addition, uniform systems of accounts have been prescribed for certain public utility holding companies and for public utility mutual and subsidiary service companies, and, under the Securities Exchange Act, rules have been adopted governing record keeping, financial reporting, and the auditing of the books and records of exchange members, brokers and dealers.

These requirements, except for the uniform systems of accounts, pertain to the accounting to be followed only in certain basic respects, and in those areas not covered reliance for the protection of investors is placed upon the determination and application of accounting principles and standards which are recognized as sound and which have attained general acceptance.

The various Acts also give recognition to the desirability of obtaining independent review of financial statements made available to investors or prospective investors through filing with the Commission, and the Commission requires that such statements be certified by independent public accountants. The Commission's standards of independence are stated in rules 2–01 (b) and (c) of Regulation S–X which provide among other things that an accountant will not be considered independent with respect to any person, or any affiliate thereof, in whom he has any financial interest, direct or indirect, or with whom he is connected as a promoter, underwriter, voting trustee, director, officer, or employee. In determining whether an accountant is in fact independent with respect to a particular registrant, the Commission will give appropriate consideration to all relevant circumstances, including evidence bearing on all relationships between the accountant and that registrant or any affiliate thereof.

In order that the Commission may be kept informed as to whether financial statements filed with the Commission are based upon sound and generally accepted accounting principles the Commission's accounting staff engages in continuing study and research. These activities, primary responsibility for which rests with the Chief Accountant of the Commission, require close contact and cooperation between the staff and accountants both individually and through such representative groups as, among others, the American Accounting Association, the American Institute of Accountants, the Controllers Institute of America, the American Petroleum Institute, the National Association of Railroad and Utilities Commissioners, and the National Federation of Financial Analysts Societies, as well as with other governmental agencies. During the year matters which required consideration and discussion with one or more of these groups included the appropriate accounting for corporate mergers and acquisitions;

the effect accounting-wise of the repeal of section 452 of the Internal Revenue Act of 1954 which permits the deferment, until earned, of income collected in advance, and section 462 which provides for deductions for certain reserve provisions (e. g., cash and quantity discounts, vacation pay, product guarantees) in lieu of actual expenditures therefor; and the requirement of filing of semi-annual income and surplus statements.[26]

OPINIONS OF THE COMMISSION

Findings and opinions are issued by the Commission in all cases where the matter to be decided, whether substantive or procedural, is of sufficient importance to warrant a formal expression of views. The Office of Opinion Writing, a staff office which is directly responsible to the Commission, aids the Commission in the preparation of findings and opinions in contested and other cases arising under statutes administered by it. In accordance with the principle embodied in the Administrative Procedure Act requiring a separation between quasi-prosecutory functions and quasi-judicial functions, the personnel of the Office of Opinion Writing is entirely independent of the divisions engaged in the investigation and prosecution of cases. In some cases, the interested operating division, with the consent of all parties, participates in the drafting of opinions. During the fiscal year the Commission issued findings, opinions and orders in 77 matters. With minor exceptions, all findings, opinions and orders are publicly released and constitute a source of information for the bar and other interested persons.

CONFIDENTIAL TREATMENT OF APPLICATIONS, REPORTS, AND DOCUMENTS FILED WITH THE COMMISSION

The Commission is empowered under various of the Acts administered by it to grant upon application confidential treatment with respect to certain types of information which would otherwise be disclosed to the public in applications, reports, or other documents filed pursuant to these statutes. In the exercise of such authority, under the Securities Act, it has adopted rule 485 providing that information as to material contracts, or portions thereof, filed as a part of a registration statement will be given confidential treatment where it determines that disclosure would impair the value of the contracts and is not necessary for the protection of investors. Circumstances under which other rules provide for holding non-public information contained in filings with the Commission include cases where the information may require classification in the interests of national defense, and in such cases the Commission may protect such informa-

[26] See Securities Act release No. 5189 (June 23, 1955).

tion pending determination by an appropriate department or agency as to whether such information should be classified.

The number of applications granted, denied or otherwise accounted for during the year may be noted below.

Applications for confidential treatment—1955 fiscal year

	Number pending July 1, 1954	Number received	Number granted	Number denied or withdrawn	Number pending June 30, 1955
Securities Act of 1933 [1]	1	27	23	2	3
Securities Exchange Act of 1934 [2]	1	14	10	2	3
Investment Company Act of 1940 [3]	0	4	4	0	0
Total	2	45	37	4	6

[1] Filed under rules 485 and 171.
[2] Filed under rule X-24B-2.
[3] Filed under rule N-45A-1.

The total of 45 applications filed during the year compares with 93 in the 1954 fiscal year and 121 in the 1953 fiscal year. The revision of Form N-30A-1 which became effective May 6, 1954, eliminated the requirement for open-end investment companies to file a list of its dealers under rule N-45A-1 as an exhibit to its annual report. This revision accounts almost entirely for the sharp drop in the total number of applications filed during the 1955 fiscal year.

STATISTICS AND SPECIAL STUDIES

The Commission prepares and publishes regularly a number of statistical series relating to the capital markets, saving and investment, which are briefly described below. There are also prepared from time to time special studies for the Commission's own use in formulating its rules and regulations, data for use by the Congress, and special surveys for improving the regular statistical series of the Commission. The Commission's activities in these respects are coordinated with the overall government statistical program.

During the fiscal year 1955, several studies concerned with stock market activity and practices were prepared for internal use, and data in this connection were also furnished the Senate Committee on Banking and Currency for its study of the stock market. Some of the data prepared for this Committee regarding institutional purchases of stock in recent years were published in Chapter V of the Committee's staff report entitled "Factors Affecting the Stock Market."

One new survey relating to corporate pension funds was undertaken during the latter part of fiscal year 1955, and is expected to be conducted annually. This report, which covers the assets and income items of all corporate pension funds, is based on sample data obtained from companies registered with the Commission.

All of the statistical series described below are published regularly in the Commission's Statistical Bulletin. In addition, press releases presenting current figures and analyses of the data are published quarterly (and may be obtained upon request) for the following series: securities offerings, working capital of U. S. corporations, individuals' saving, plant and equipment expenditures and financial report for manufacturing companies. The stock price index is released weekly, together with data on round-lot and odd-lot trading.

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 1955 fiscal year appear at page 8 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 1950, as well as monthly figures from January 1954 through June 1955, are given in appendix tables 3 and 4. A summary of the data is shown annually from 1934 through June 1955 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 on 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 subordinate 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 represents net increases in individuals' financial assets less net increases in mortgage and consumer debt. The study shows the aggregate value 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. 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 in the National Income Supplement of the Survey of Current Business.

Financial Position of Corporations.—The series on working capital position of all United States corporations, excluding banks and insurance companies, 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, an outgrowth of the working capital series, 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 businesses, 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.

PERSONNEL AND FISCAL

The personnel of the Commission as of June 30, 1955, consisted of the following:

Commissioners		4
(1 vacancy)		
Staff:		
Headquarters Office	411	
Regional Offices	251	
		662
Total		666

Although the Commission's appropriation for fiscal 1955 permitted an average employment of 699 persons, it was necessary to reduce the staff to 666 by the year's end in order to stay within the appropriation. This was accomplished principally by not filling vacancies and by lending employees to other agencies on a reimbursable basis.

In comparison to the Commission's peak employment of 1,723 in fiscal 1941, employment in fiscal 1955 represented a reduction of 61%. Even when compared to fiscal 1951 employment of 1,040, it represents a reduction of over 32%. In contrast to these severe reductions in personnel, the statutory duties of the Commission remained unchanged, and during the fiscal year 1955 practically all of the Commission's responsibilities were increased in view of the great activity in the securities markets.

The Commission's appropriations and employment for fiscal years 1951 through 1955 are shown in the following table.

Fiscal year	Appropriation	Average during fiscal year	Employment at end of fiscal year
1951	$6,230,000	1,040	1,027
1952	5,813,480	930	866
1953	5,245,080	813	772
1954	5,746,699	746	699
1955	*4,813,180	699	666

*Includes $93,180 for salary increases authorized under Public Law 94—84th Congress.

The amount of public financing undertaken in fiscal 1955 exceeded that of any year in the Commission's history, and as indicated elsewhere in this report, there is every indication that economic activity will continue at a high level. Although funds appropriated by the Congress for fiscal 1956 will permit an average employment of 717, a further increase in staff is essential if the Commission is to continue to protect the public in the manner and to the extent directed by statute.

Fees.—The following fees were collected in fiscal 1955:

Registration of securities issued	$1,101,337
Qualification of trust indentures	1,800
From registered exchanges	583,135
Sale of copies of documents or portions thereof	16,535
Miscellaneous collections	483
Total	1,703,290

Fees are turned over to the General Fund of the Treasury and are not available for expenditure by the Commission. Approximately 35% of the Commission's appropriation for fiscal 1955 was offset by these fees.

PUBLICATIONS

Publications issued during the fiscal year include:

Statistical Bulletin. Monthly.

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

Twentieth Annual Report of the Commission.
Securities Traded on Exchanges under the Securities Exchange Act of 1934, as of December 31, 1954.
Companies Registered under the Investment Company Act of 1940, as of December 31, 1954.
Financial Report, U. S. Manufacturing Corporations. (Jointly with Federal Trade Commission.) Quarterly, 1954.
Regulation S-X as of January 10, 1955.
Rules and Regulations under the Securities Exchange Act of 1934, January 3, 1955.
Rules and Regulations under the Investment Company Act of 1940, May 1, 1955.
Statement of Policy amended January 31, 1955.
Working Capital of United States Corporations. Quarterly.
Volume and Composition of Saving. Quarterly.
New Securities Offered for Cash. Quarterly.
Plant and Equipment Expenditures of U. S. Corporations. (Jointly with Department of Commerce.) Quarterly.

INFORMATION AVAILABLE FOR PUBLIC INSPECTION

The Commission maintains Public Reference Rooms at the headquarters office in Washington, D. C., and at its Regional Offices in New York City and Chicago, Ill.

Copies of all public information on file with the Commission contained in registration statements, applications, declarations and other public documents are available for inspection in the Public Reference Room in Washington. During the fiscal year 2,805 persons made personal visits to the Public Reference Room seeking public information and an additional 20,011 requests for registered public information and copies of forms, releases and other material of a public nature were received. Through the facilities provided for the sale of reproductions of public information, 2,029 orders involving a total of 80,810 page units were filled and 524 certificates attesting to the authenticity of copies of Commission records were prepared. The Commission also mailed 425,327 copies of publications to persons requesting them.

There are available in the New York Regional Office copies of recent filings made by companies which have securities listed on exchanges other than the New York exchanges and copies of current periodical reports of many other companies which have filed registration statements under the Securities Act of 1933. During the fiscal year 12,291 persons visited this Public Reference Room and more than 8,842 telephone calls were received from persons seeking public information and copies of forms, releases and other material. In the Chicago Regional Office there are available copies of recent filings made by companies which have securities listed on the New York exchanges.

Copies of recent prospectuses used in the public offering of securities registered under the Securities Acts are available in all Regional Offices, as are copies of active broker-dealer and investment adviser registration applications and Regulation A Letters of Notification filed by persons or companies in the respective regions.

Copies of certain reports filed with the Commission are also available at the respective national securities exchanges upon which the securities of the issuer are registered.

PART X

APPENDIX

STATISTICAL TABLES

TABLE 1.—*A 21-year record of registrations fully effective under the Securities Act of 1933*

1935–1955

[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	Common
1935 [1]	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	537	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	2,808
1954	631	9,174	7,381	4,240	531	2,610
1955	[2] 779	10,960	8,277	3,951	462	3,864

[1] For 10 months ended June 30, 1935.

[2] Of these, 75 represent amendments by investment companies registering additional securities as provided by section 24 (e) (1) of the Investment Company Act of 1940.

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

PART 1.—DISTRIBUTION BY MONTHS, FISCAL YEAR ENDED JUNE 30, 1955

[Amounts in thousands of dollars [1]]

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
1954						
July	47	63	949,049	43	57	931,083
August	43	47	507,949	36	36	452,529
September	56	83	742,756	51	73	625,372
October	71	88	1,609,644	62	71	622,082
November	54	88	444,169	42	69	305,937
December	53	92	515,775	40	72	405,405
1955						
January	63	105	860,065	55	92	693,707
February	51	62	880,639	49	57	837,414
March	82	121	1,229,158	74	108	1,063,650
April	82	112	1,078,091	78	96	935,623
May	94	120	1,487,717	85	94	976,733
June	83	108	655,164	63	75	427,277
Total, fiscal year 1955	[2] 779	1,089	10,960,177	678	900	8,276,811

PART 2.—PURPOSE OF REGISTRATION AND TYPE OF SECURITY, FISCAL YEAR ENDED JUNE 30, 1955

[Amounts in thousands of dollars [1]]

Purpose of registration	Type of security			
	All types	Bonds, debentures, and notes [3]	Preferred stock	Common stock [4]
All registrations	10,960,177	3,966,389	683,131	6,310,657
For account of issuers for cash sale	8,276,811	3,950,768	462,053	3,863,990
Corporate	[5] 8,172,448	3,846,405	462,053	3,863,990
Offered to:				
General public	6,279,166	3,455,729	366,562	2,456,875
Security holders	1,512,441	314,543	92,655	1,105,243
Other special groups	380,841	76,133	2,836	301,873
Foreign governments	104,363	104,363		
For account of issuers for other than cash sale	2,311,728	13,170	198,827	2,099,731
For account of others than issuers	371,637	2,450	22,251	346,936

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, 1955

[Amounts in thousands of dollars [1]]

Purpose of registration	Industry									
	All registrants	Manufacturing	Mining	Electric, gas and water	Transportation other than railroad	Communication	Investment companies	Other financial and real estate	Commercial and other	Foreign governments
Number of statements	779	215	61	153	10	32	166	84	53	5
Number of issues	1,089	291	85	182	10	36	297	107	73	8
All registrations (estimated value)	10,960,177	3,731,092	200,153	2,356,038	40,956	860,674	2,291,441	875,906	497,105	106,813
For account of issuers	10,588,540	3,511,090	191,686	2,285,911	20,827	853,876	2,291,441	853,064	476,281	104,363
For cash sale	8,276,811	1,779,069	106,357	2,126,808	12,090	837,099	2,235,920	788,412	286,694	104,363
Corporate	[5] 8,172,448	1,779,069	106,357	2,126,808	12,090	837,099	2,235,920	788,412	286,694	----------
Noncorporate	104,363	----------	----------	----------	----------	----------	----------	----------	----------	104,363
For other than cash sale	2,311,728	1,732,021	85,330	159,103	8,737	16,777	55,521	64,652	189,587	----------
For exchange for other securities [6]	1,368,162	1,022,999	58,114	77,412	837	----------	44,591	31,102	133,106	----------
Reserved for conversion	720,536	552,441	9,326	59,564	----------	16,752	----------	27,504	54,949	----------
For other purposes	223,030	156,580	17,890	22,127	7,900	25	10,930	6,047	1,532	----------
For account of others than issuers	371,637	220,002	8,466	70,127	20,129	6,797	----------	22,842	20,824	2,450

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, 1955

[Amounts in thousands of dollars [1]]

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)	8,172,448	1,779,069	106,357	2,126,808	12,090	837,099	2,235,920	788,412	286,694
Cost of flotation	294,276	41,949	14,068	32,693	430	8,145	171,785	14,035	11,171
Commissions and discounts	256,361	31,606	11,534	20,776	253	5,067	167,110	11,071	8,942
Expenses	37,915	10,343	2,533	11,916	177	3,078	4,675	2,964	2,229
Expected net proceeds	7,878,172	1,737,120	92,289	2,094,115	11,660	828,954	2,064,135	774,377	275,523
New money purposes	4,349,071	1,495,536	72,617	1,520,550	9,683	752,536		353,698	144,451
Plant and equipment	3,574,987	1,175,429	24,885	1,510,142	5,607	752,204		8,142	98,577
Working capital	774,084	320,106	47,732	10,408	4,075	332		345,556	45,874
Retirement of securities	950,984	161,210	145	533,489		76,418		149,132	30,591
Other purposes [7]	2,578,118	80,375	19,527	40,076	1,977		2,064,135	271,546	100,482

[1] Dollar amounts are rounded and will not necessarily add to totals shown.

[2] During the fiscal year 1955, additional securities of investment companies were effectively registered by 75 amendments to earlier registrations. These amendments have been counted as statements. The 779 statements shown in this table as fully effective differ from the 782 statements shown in the table on page 10 by reason of (a) exclusion of 5 statements effective during the 1955 fiscal year subject to amendments which were not filed by the end of the fiscal year, (b) the inclusion of one statement which became effective during the previous fiscal year subject to amendments which were filed during the 1955 fiscal year and (c) the inclusion of one statement which became effective in the 1955 fiscal year but was later withdrawn.

[3] Includes face amount certificates.

[4] Includes certificates of participation.

[5] This total differs from the sum of the monthly figures on securities 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, 1954 .... $34,535,000
Included in this table but excluded from offerings:
Issues offered continuously:
Investment companies 2,198,162,000
Employee purchase plans and other 303,203,000
Effectively registered issues not yet offered for sale 29,766,000
Issues sold outside the United States, intercorporate offerings, etc. 181,990,000

[6] Includes voting trust certificates and certificates of deposit registered for issuance in exchange for original securities deposited.

[7] Principally the purchase of securities.

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TABLE 3.—*New securities offered for cash sale in the United States* [1]

PART 1.—TYPE OF OFFERING

[Estimated gross proceeds in thousands of dollars [2]]

Calendar year or month	All offerings (corporate and noncorporate)	Corporate: Total corporate	Corporate: Public offerings [3]: Total public offerings	Corporate: Public offerings: Registered under 1933 Act	Corporate: Public offerings: Not registered under 1933 Act: Total	Not registered: Railroad issues	Not registered: Issues exempt because of size [4]	Not registered: Other exempt offerings [5]	Corporate: Private placements [6]	Noncorporate
1950	19,892,793	6,361,043	3,681,441	2,904,783	776,657	542,022	116,946	117,690	2,679,602	13,531,750
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	194,550	253,400	3,668,425	20,248,675
1954										
January	1,656,673	572,956	393,253	355,080	38,173	22,953	8,884	6,336	179,703	1,083,717
February	1,374,818	444,404	259,165	207,316	51,849	30,205	9,847	11,797	185,239	930,414
March	1,948,469	712,370	420,832	389,110	31,722	14,602	14,695	2,424	291,538	1,236,098
April	1,957,998	639,388	418,849	374,953	43,897	19,049	15,060	9,788	220,538	1,318,611
May	4,387,557	850,915	595,686	579,078	16,608	971	14,160	1,477	255,229	3,536,642
June	2,421,724	1,040,746	588,952	555,047	33,906	7,379	19,581	6,946	451,794	1,380,978
July	2,167,442	1,252,886	846,038	772,057	73,981	43,383	17,772	12,826	406,848	914,557
August	1,278,510	423,849	221,794	184,531	37,262	13,351	18,214	5,698	202,056	854,660
September	2,124,983	1,008,074	699,154	542,230	156,924	130,432	19,036	7,455	308,920	1,116,909
October	6,543,955	1,130,257	763,523	533,895	229,628	45,038	20,153	164,436	366,734	5,413,698
November	1,350,241	421,585	198,082	115,671	82,411	50,965	18,742	12,703	223,503	928,656
December	2,552,473	1,018,738	442,416	350,673	91,742	61,822	18,405	11,515	576,322	1,533,735
1955										
January	2,706,307	672,348	429,982	334,584	95,398	61,247	19,188	14,963	242,366	2,033,959
February	1,431,185	500,818	282,246	236,995	45,252	0	17,112	28,140	218,572	930,367
March	2,582,734	1,420,000	1,071,812	1,013,006	58,806	22,783	25,742	10,281	348,188	1,162,734
April	1,653,884	674,903	468,422	352,148	116,274	91,199	22,019	3,056	206,481	978,981
May	4,398,963	998,056	764,714	689,396	75,318	12,118	24,674	38,526	233,343	3,400,907
June	1,919,045	795,636	438,942	368,674	70,268	18,086	29,850	22,332	356,694	1,123,409

See footnotes at end of table.

TABLE 3.—*New securities offered for cash sale in the United States* [1]—Continued

PART 2.—TYPE OF SECURITY

[Estimated gross proceeds in thousands of dollars [2]]

Calendar year or month	All types of securities			Bonds, debentures, and notes			Preferred stock	Common stock
	All issuers	Corporate	Noncorporate	All issuers	Corporate	Noncorporate		
1950	19,892,793	6,361,043	13,531,750	18,451,317	4,919,567	13,531,750	630,822	810,654
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
1954								
January	1,656,673	572,956	1,083,717	1,546,683	462,966	1,083,717	20,186	89,804
February	1,374,818	444,404	930,414	1,285,699	355,285	930,414	26,704	62,416
March	1,948,469	712,370	1,236,098	1,735,598	499,500	1,236,098	68,350	144,521
April	1,957,998	639,388	1,318,611	1,738,002	419,392	1,318,611	109,369	110,627
May	4,387,557	850,915	3,536,642	4,185,201	648,558	3,536,642	129,419	72,937
June	2,421,724	1,040,746	1,380,978	2,172,540	791,563	1,380,978	130,825	118,359
July	2,167,442	1,252,886	914,557	1,999,309	1,084,753	914,557	75,740	92,393
August	1,278,510	423,849	854,660	1,206,695	352,035	854,660	44,648	27,166
September	2,124,983	1,008,074	1,116,909	2,002,685	885,776	1,116,909	59,822	62,476
October	6,543,955	1,130,257	5,413,698	6,226,805	813,106	5,413,698	52,071	265,080
November	1,350,241	421,585	928,656	1,249,578	320,922	928,656	36,987	63,676
December	2,552,473	1,018,738	1,533,735	2,387,463	853,728	1,533,735	61,786	103,223
1955								
January	2,706,307	672,348	2,033,959	2,518,167	484,208	2,033,959	53,051	135,089
February	1,431,185	500,818	930,367	1,294,000	363,633	930,367	24,506	112,680
March	2,582,734	1,420,000	1,162,734	2,033,308	870,574	1,162,734	37,416	512,010
April	1,653,884	674,903	978,981	1,453,494	474,513	978,981	53,950	146,440
May	4,398,963	998,056	3,400,907	4,095,116	694,209	3,400,907	94,841	209,007
June	1,919,045	795,636	1,123,409	1,656,477	533,068	1,123,409	56,755	205,813

See footnotes at end of table.

TABLE 3.—*New securities offered for cash sale in the United States* [1]—Continued

PART 3.—TYPE OF ISSUER

[Estimated gross proceeds in thousands of dollars [2]]

Calendar year or month	Corporate									Noncorporate					
	Total corporate	Manufacturing	Mining [7]	Electric, gas and water	Railroad	Other transportation	Communication	Financial and real estate [8]	Commercial and other	Total noncorporate	U. S. Government (including issues guaranteed)	Federal agency (issues not guaranteed)	State and municipal	Foreign government and international	Nonprofit institutions
1950	6, 361, 043	1, 200, 017	(7)	2, 648, 822	554, 100	259, 057	399, 391	746, 740	552, 916	13, 531, 750	9, 687, 497	30, 000	3, 531, 992	262, 584	19, 677
1951	7, 741, 099	3, 121, 853	(7)	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	(7)	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, 576, 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
1954															
January	572, 956	135, 310	34, 608	279, 341	47, 973	17, 227	27, 178	12, 677	18, 642	1, 083, 717	561, 230	0	399, 429	121, 148	1, 910
February	444, 404	48, 140	19, 473	268, 293	30, 205	14, 269	7, 192	48, 639	8, 193	930, 414	515, 108	0	414, 306	0	1, 000
March	712, 370	108, 733	33, 137	368, 277	16, 402	30, 093	29, 100	89, 985	36, 643	1, 236, 098	601, 779	0	569, 850	53, 295	11, 174
April	639, 388	86, 127	40, 615	313, 817	31, 049	39, 530	25, 947	63, 488	38, 815	1, 318, 611	511, 231	71, 000	735, 074	1, 306	0
May	850, 915	209, 314	35, 272	508, 634	971	19, 588	41, 267	27, 165	8, 703	3, 536, 642	2, 668, 842	80, 000	782, 572	528	4, 700
June	1, 040, 746	300, 644	76, 095	437, 210	7, 379	33, 178	9, 655	156, 708	19, 877	1, 380, 978	522, 692	0	854, 718	3, 569	0
July	1, 252, 886	530, 074	72, 321	324, 899	43, 383	48, 229	2, 040	201, 512	30, 428	914, 557	507, 602	123, 154	280, 426	500	2, 875
August	423, 849	117, 986	14, 377	160, 738	13, 351	33, 470	26, 867	13, 875	43, 184	854, 660	546, 416	0	300, 344	6, 800	1, 100
September	1, 008, 074	151, 016	42, 637	251, 193	130, 432	34, 330	332, 218	47, 476	18, 771	1, 116, 909	463, 766	0	651, 593	500	1, 050
October	1, 130, 257	281, 438	35, 564	275, 324	45, 038	2, 391	99, 713	277, 086	113, 703	5, 413, 698	4, 611, 069	184, 150	615, 479	0	3, 000
November	421, 585	110, 129	59, 573	62, 214	51, 315	18, 544	74, 535	27, 569	17, 707	928, 656	465, 710	0	458, 795	2, 400	1, 750
December	1, 018, 738	189, 127	74, 924	463, 371	61, 822	8, 583	44, 389	109, 640	66, 882	1, 533, 735	556, 805	0	906, 056	54, 675	16, 199
1955															
January	672, 348	190, 063	19, 906	241, 908	63, 575	17, 384	7, 362	98, 426	33, 724	2, 033, 959	742, 264	715, 558	541, 449	34, 688	0
February	500, 818	85, 653	13, 132	110, 596	1, 400	6, 730	44, 546	148, 729	90, 031	930, 367	602, 040	0	327, 527	0	800
March	1, 420, 000	643, 760	49, 302	226, 285	24, 783	11, 758	26, 863	386, 047	51, 203	1, 162, 734	613, 732	0	539, 767	4, 960	4, 275
April	674, 903	171, 612	30, 602	217, 900	93, 299	15, 495	19, 006	116, 073	10, 915	978, 981	534, 652	0	429, 030	15, 000	300
May	998, 056	435, 018	15, 108	249, 351	12, 718	42, 983	24, 989	185, 160	32, 729	3, 400, 907	3, 019, 682	30, 000	349, 648	1, 577	0
June	795, 636	179, 586	81, 554	279, 714	18, 286	39, 132	70, 532	81, 851	44, 981	1, 123, 409	495, 900	0	623, 059	4, 450	0

See footnotes at end of table.

TABLE 3.—*New securities offered for cash sale in the United States*—Continued

PART 4.—PRIVATE PLACEMENT OF CORPORATE SECURITIES [9]

[Estimated gross proceeds in thousands of dollars [2]]

Calendar year or month	All private placements	Type of security: Bonds, debentures, and notes	Type of security: Stocks	Industry of issuer: Manufacturing	Mining [7]	Electric, gas, and water	Railroad	Other transportation	Communication	Financial and real estate	Commercial and other
1950	2,679,602	2,559,235	120,367	809,715	(7)	683,835	12,078	181,074	54,505	541,218	397,178
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	311,880	353,966
1953	3,317,572	3,227,514	90,059	1,070,888	106,716	731,349	6,484	234,242	63,182	886,967	217,744
1954	3,668,425	3,484,246	184,179	1,299,882	340,237	870,157	39,170	290,139	91,430	534,341	203,069
1954											
January	179,703	178,253	1,450	74,468	18,600	20,699	25,020	16,784	3,000	4,803	16,328
February	185,239	177,532	7,708	33,893	7,972	96,542	0	13,779	1,950	24,388	6,715
March	291,538	273,221	18,317	77,087	19,005	86,791	1,800	29,494	9,375	50,081	17,905
April	220,538	203,273	17,266	21,656	30,138	52,467	12,000	39,530	16,692	44,778	3,278
May	255,229	226,922	28,307	155,680	28,326	27,716	0	19,338	4,785	14,334	5,050
June	451,794	448,869	2,925	89,838	60,494	106,087	0	32,878	5,573	141,647	15,276
July	406,848	371,044	35,804	199,127	63,223	53,380	0	48,229	540	28,725	13,625
August	202,056	186,482	15,574	107,855	2,188	30,568	0	29,522	4,700	10,315	16,906
September	308,920	304,600	4,320	125,671	28,218	72,135	0	34,030	3,200	39,888	5,779
October	366,734	343,425	23,309	153,399	9,100	65,484	0	2,141	6,456	98,485	31,669
November	223,503	204,679	18,824	90,799	33,179	45,382	350	16,551	22,675	4,503	10,064
December	576,322	565,945	10,377	170,409	39,794	212,905	0	7,863	12,485	72,393	60,473
1955											
January	242,366	231,846	10,520	93,314	9,034	43,901	2,328	17,384	6,956	48,251	21,197
February	218,572	207,588	10,984	62,657	4,497	23,934	1,400	6,480	1,150	100,189	18,265
March	348,188	346,451	1,737	133,483	30,524	80,627	2,000	10,500	10,942	65,889	14,223
April	206,481	177,885	28,595	48,160	7,500	37,294	2,100	13,895	4,200	88,375	4,956
May	233,343	228,937	4,406	57,531	400	27,985	600	37,225	2,450	83,527	23,625
June	356,694	343,554	13,140	105,601	57,226	49,891	200	38,532	48,266	44,946	12,033

[1] The data in these tables cover substantially all new issues of securities offered for cash sale in the United States in amounts over $100,000 and with terms to maturity of more than 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; and corporate issues sold through continuous offering, such as issues of open-end investment companies. The chief sources of data are the financial press and documents filed with the Commission. Data for offerings of state and municipal securities are from totals published by the *Commercial and Financial Chronicle* and the *Bond Buyer*; these represent principal amounts instead of gross proceeds. All figures are subject to revision as new data are received. For data for the years 1934–1949, see 18th Annual Report.

[2] 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.

[3] Issues sold by competitive bidding directly to ultimate investors are classified as publicly offered issues.

[4] 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.

[5] Chiefly bank stock issues.

[6] The bulk of the securities included in this category are exempt from registration under Section 4 (1) of the Securities Act of 1933.

[7] Prior to 1953 issues of mining companies are included in the category "Commercial and other."

[8] Excluding issues of investment companies.

[9] 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 [1]]

Calendar year and month [2]	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds [3]	Total net proceeds [3]	Total new money	Plant and equipment	Working capital		
1950	6,361,043	6,261,444	4,006,480	2,965,598	1,040,881	1,271,230	983,734
1951	7,741,099	7,606,520	6,531,403	5,110,105	1,421,298	486,413	588,703
1952	9,534,162	9,380,302	8,179,548	6,311,802	1,867,746	664,056	536,698
1953	8,897,996	8,754,721	7,959,966	5,646,840	2,313,126	260,023	534,733
1954	9,516,168	9,365,090	6,780,196	5,110,389	1,669,806	1,875,398	709,496
1954							
January	572,956	564,362	516,161	475,870	40,292	17,173	31,028
February	444,404	437,087	391,911	322,760	69,151	11,118	34,059
March	712,370	698,332	553,117	441,415	111,702	63,492	81,723
April	639,388	626,935	483,272	406,118	77,155	129,738	13,925
May	850,915	836,918	595,670	447,318	148,351	181,299	59,949
June	1,040,746	1,024,678	788,628	598,356	190,272	182,646	53,404
July	1,252,886	1,237,302	827,954	642,722	185,231	328,768	80,580
August	423,849	416,566	303,771	194,632	109,140	81,834	30,961
September	1,008,074	994,215	705,050	591,248	113,802	246,946	42,219
October	1,130,257	1,112,065	856,393	477,663	378,730	109,239	146,433
November	421,585	412,546	243,670	145,074	98,596	122,708	46,168
December	1,018,738	1,004,084	514,599	367,214	147,385	400,437	89,047
1955							
January	672,348	659,814	465,105	325,492	139,613	113,956	80,754
February	500,818	492,131	362,099	176,881	185,218	56,309	73,723
March	1,420,000	1,396,221	1,190,246	759,427	430,819	135,076	70,899
April	674,903	658,596	444,337	259,832	184,505	164,600	49,659
May	998,056	977,004	790,943	566,548	224,395	73,631	112,429
June	795,636	778,146	634,763	440,289	194,474	81,375	62,008

PART 2.—MANUFACTURING

Calendar year and month [2]	Total gross proceeds [3]	Total net proceeds [3]	Total new money	Plant and equipment	Working capital	Retirement of securities	Other purposes
1950	1,200,017	1,175,363	688,074	312,701	375,374	149,010	338,279
1951	3,121,853	3,066,352	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	1,009,495	829,413	189,537	205,571
1954							
January	135,310	133,869	110,408	87,159	23,249	16,792	6,669
February	48,140	46,968	35,318	11,694	23,624	2,090	9,561
March	108,733	105,526	75,731	48,176	27,556	6,898	22,897
April	86,127	83,868	72,860	40,930	31,930	7,992	3,016
May	209,314	204,965	185,480	62,802	122,678	6,060	13,425
June	300,644	295,072	237,707	136,768	100,939	22,555	34,810
July	530,074	525,208	501,749	389,949	111,800	5,463	17,996
August	117,986	116,256	94,126	13,089	81,037	9,586	12,544
September	151,016	149,084	82,477	24,681	57,796	40,196	26,412
October	281,438	277,819	266,899	131,008	135,891	4,911	6,009
November	110,129	108,100	89,125	20,530	68,595	2,794	16,181
December	189,127	187,281	87,028	42,710	44,318	64,201	36,051
1955							
January	190,063	186,027	105,225	69,648	35,578	23,128	57,674
February	85,653	84,156	52,976	16,323	36,653	15,682	15,498
March	643,760	632,277	514,577	438,526	76,051	85,493	32,207
April	171,612	167,447	125,942	50,579	75,364	26,447	15,057
May	435,018	424,084	332,345	245,654	86,691	48,148	43,592
June	179,586	174,065	135,510	60,871	74,639	9,864	28,692

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 [1]]

Calendar year and month [2]	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds [3]	Total net proceeds [3]	Total new money	Plant and equipment	Working capital		
1950	(4)	(4)	(4)	(4)	(4)	(4)	(4)
1951							
1952							
1953	235, 368	222, 051	199, 151	113, 104	86, 048	1, 912	20, 988
1954	538, 597	513, 596	334, 704	215, 758	118, 946	45, 624	133, 268
1954							
January	34, 608	32, 996	13, 501	12, 527	974	0	19, 495
February	19, 473	17, 900	17, 306	15, 194	2, 112	0	594
March	33, 137	32, 567	30, 435	17, 341	13, 094	0	2, 132
April	40, 615	38, 317	24, 689	15, 659	9, 030	12, 340	1, 288
May	35, 272	33, 907	11, 362	7, 587	3, 775	0	22, 545
June	76, 095	73, 890	61, 825	35, 138	26, 688	0	12, 065
July	72, 321	70, 938	12, 645	5, 065	7, 580	22, 435	35, 858
August	14, 377	13, 153	11, 694	5, 051	6, 643	0	1, 459
September	42, 637	40, 670	38, 708	31, 728	6, 980	109	1, 853
October	35, 564	31, 880	21, 146	6, 716	14, 431	9, 100	1, 634
November	59, 573	56, 745	39, 593	32, 580	7, 013	0	17, 152
December	74, 924	70, 633	51, 799	31, 172	20, 627	1, 640	17, 194
1955							
January	19, 906	18, 547	16, 573	11, 579	4, 994	139	1, 835
February	13, 132	12, 093	10, 453	3, 385	7, 068	604	1, 036
March	49, 302	46, 695	44, 952	36, 776	8, 176	70	1, 673
April	30, 602	27, 995	25, 310	11, 192	14, 118	474	2, 210
May	15, 108	13, 419	11, 594	4, 289	7, 306	20	1, 805
June	81, 554	78, 337	72, 867	55, 248	17, 618	1, 508	3, 963

PART 4.—ELECTRIC, GAS AND WATER

Calendar year and month	Total gross proceeds	Total net proceeds	Total new money	Plant and equipment	Working capital	Retirement of securities	Other purposes
1950	2, 648, 822	2, 608, 491	1, 728, 378	1, 711, 320	17, 058	681, 577	198, 537
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
1954							
January	279, 341	275, 478	274, 946	273, 206	1, 740	133	399
February	268, 293	265, 566	254, 502	251, 392	3, 109	0	11, 064
March	368, 277	362, 703	301, 551	300, 922	628	46, 403	14, 749
April	313, 817	309, 456	236, 878	236, 035	843	72, 498	80
May	508, 634	502, 339	328, 630	328, 499	131	172, 612	1, 097
June	437, 210	431, 215	372, 170	370, 857	1, 313	57, 800	1, 244
July	324, 899	320, 739	176, 745	176, 700	45	132, 415	11, 578
August	160, 738	158, 465	102, 029	101, 708	320	54, 535	1, 902
September	251, 193	247, 493	161, 458	160, 886	572	73, 938	12, 097
October	275, 324	271, 779	192, 568	190, 019	2, 548	59, 659	19, 552
November	62, 214	61, 149	45, 406	43, 564	1, 843	14, 676	1, 067
December	463, 371	458, 541	150, 770	148, 576	2, 193	305, 128	2, 643
1955							
January	241, 908	239, 070	193, 325	193, 325	0	41, 040	4, 705
February	110, 596	108, 263	100, 390	100, 121	269	7, 739	134
March	226, 285	223, 657	196, 171	195, 373	797	27, 249	238
April	217, 900	213, 808	175, 631	173, 640	1, 991	36, 207	1, 970
May	249, 351	246, 744	226, 151	223, 236	2, 915	16, 568	4, 025
June	279, 714	275, 445	242, 266	238, 589	3, 677	14, 974	18, 204

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 [1]]

Calendar year and month [2]	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds [3]	Total net proceeds [3]	Total new money	Plant and equipment	Working capital		
1950	554,100	548,366	301,408	281,890	19,518	192,651	54,307
1951	335,087	331,864	296,917	291,886	5,030	34,214	733
1952	525,205	520,817	286,526	286,476	50	223,532	10,758
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
1954							
January	47,973	47,703	47,703	47,703	0	0	0
February	30,205	29,858	22,517	22,517	0	7,340	0
March	16,402	16,274	14,483	14,432	51	1,791	0
April	31,049	30,834	18,890	18,890	0	11,944	0
May	971	964	964	964	0	0	0
June	7,379	7,310	7,310	7,310	0	0	0
July	43,383	42,848	18,247	18,247	0	24,600	0
August	13,351	13,213	9,963	8,283	1,680	0	3,250
September	130,432	128,696	5,834	5,834	0	122,862	0
October	45,038	44,515	19,905	14,818	5,088	24,610	0
November	51,315	50,757	325	0	325	50,432	0
December	61,822	61,208	43,443	43,443	0	17,765	0
1955							
January	63,575	62,814	26,847	25,612	1,235	35,967	0
February	1,400	1,396	1,396	1,396	0	0	0
March	24,783	24,551	24,551	24,533	18	0	0
April	93,299	91,545	4,414	4,414	0	87,131	0
May	12,718	12,644	12,644	12,644	0	0	0
June	18,286	18,143	18,143	18,143	0	0	0

PART 6.—OTHER TRANSPORTATION

Calendar year and month [2]	Total gross proceeds [3]	Total net proceeds [3]	Total new money	Plant and equipment	Working capital	Retirement of securities	Other purposes
1950	259,057	257,182	242,902	241,599	1,303	3,421	10,860
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
1954							
January	17,227	17,038	17,038	16,971	66	0	0
February	14,269	14,128	13,633	13,559	74	0	495
March	30,093	29,808	27,625	27,471	154	1,985	198
April	39,530	39,318	39,268	39,268	0	0	50
May	19,588	19,482	4,602	4,564	38	420	14,460
June	33,178	32,933	32,859	32,622	237	0	74
July	48,229	47,928	40,909	40,249	660	6,346	673
August	33,470	33,062	33,062	32,644	418	0	0
September	34,330	34,198	34,017	33,639	378	0	180
October	2,391	2,316	2,266	1,528	739	25	25
November	18,544	18,209	16,724	16,380	344	223	1,262
December	8,583	8,489	8,340	8,147	192	75	75
1955							
January	17,384	17,226	10,296	10,230	67	6,930	0
February	6,730	6,696	6,409	6,091	318	100	187
March	11,758	11,642	11,006	5,664	5,341	25	612
April	15,495	15,187	4,730	2,972	1,759	1,790	8,666
May	42,983	42,645	42,609	40,101	2,508	36	0
June	39,132	38,821	34,084	30,315	3,769	4,737	0

See footnotes at end of table.

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

PART 7.—COMMUNICATION

[Amounts in thousands of dollars [1]]

Calendar year and month [2]	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds [3]	Total net proceeds [3]	Total new money	Plant and equipment	Working capital		
1950	399,391	395,172	304,006	300,264	3,741	81,002	10,164
1951	612,080	605,095	594,324	574,417	19,907	5,231	5,540
1952	760,239	753,169	738,924	736,996	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
1954							
January	27,178	26,739	25,025	24,572	453	228	1,487
February	7,192	6,880	6,670	6,641	28	210	0
March	29,100	27,947	23,803	23,758	45	0	4,143
April	25,947	25,635	25,151	25,100	50	0	484
May	41,267	40,391	40,341	39,986	355	0	50
June	9,655	9,332	7,921	7,901	20	985	426
July	2,040	1,956	1,956	1,956	0	0	0
August	26,867	26,540	24,605	24,538	68	1,494	441
September	332,218	329,211	326,391	325,593	799	2,730	90
October	99,713	98,351	98,001	97,893	108	0	350
November	74,535	73,895	20,302	20,220	82	53,593	0
December	44,389	43,943	41,321	41,217	104	850	1,773
1955							
January	7,362	7,208	4,857	4,796	61	1,691	660
February	44,546	43,914	25,647	25,602	45	18,267	0
March	26,863	26,703	20,188	19,777	411	6,144	371
April	19,006	18,158	12,115	12,081	34	6,014	30
May	24,989	24,199	23,593	23,516	76	485	121
June	70,532	69,940	31,330	28,344	2,986	38,549	60

PART 8.—FINANCIAL AND REAL ESTATE

Calendar year and month	Total gross proceeds	Total net proceeds	Total new money	Plant and equipment	Working capital	Retirement of securities	Other purposes
1950	746,740	739,263	480,154	24,309	455,846	100,429	158,679
1951	524,616	515,267	368,485	15,686	352,800	66,030	80,751
1952	515,178	508,184	409,630	14,243	395,387	60,498	38,056
1953	1,576,048	1,560,672	1,452,279	32,116	1,420,162	24,225	84,168
1954	1,075,818	1,061,015	619,155	29,547	589,608	273,043	168,817
1954							
January	12,677	12,185	11,320	105	11,214	0	865
February	48,639	47,739	36,449	67	36,382	0	11,290
March	89,985	88,047	54,111	100	54,011	224	33,712
April	63,488	62,763	29,923	11,222	18,702	24,895	7,944
May	27,165	26,561	18,768	539	18,229	830	6,963
June	156,708	155,676	55,569	2,481	53,088	97,716	2,391
July	201,512	199,086	60,711	2,454	58,258	128,334	10,041
August	13,875	13,698	10,630	77	10,553	1,870	1,198
September	47,476	47,155	39,909	82	39,828	6,592	653
October	277,086	273,682	212,359	10,783	201,576	3,923	57,400
November	27,569	26,644	17,408	1,058	16,349	669	8,567
December	109,640	107,780	71,998	580	71,418	7,990	27,792
1955							
January	98,426	97,095	90,951	138	90,813	210	5,935
February	148,729	147,610	125,594	110	125,484	2,347	19,669
March	386,047	380,996	332,910	189	332,720	13,310	34,776
April	116,073	114,340	87,431	211	87,220	6,397	20,512
May	185,160	181,177	119,658	3,015	116,643	4,659	56,861
June	81,851	80,376	73,389	1,567	71,821	2,137	4,850

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 [1]]

Calendar year and month [2]	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds [3]	Total net proceeds [3]	Total new money	Plant and equipment	Working capital		
1950	552,916	537,606	261,559	93,516	168,043	63,139	212,908
1951	533,383	517,988	337,187	113,299	223,888	56,194	124,607
1952	552,958	536,386	453,975	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
1954							
January	18,642	18,355	16,221	13,626	2,595	20	2,113
February	8,193	8,049	5,517	1,694	3,823	1,477	1,055
March	36,643	35,460	25,378	9,215	16,163	6,191	3,891
April	38,815	36,745	35,613	19,014	16,599	69	1,063
May	8,703	8,309	5,523	2,377	3,146	1,377	1,409
June	19,877	19,251	13,267	5,279	7,987	3,590	2,394
July	30,428	28,599	14,991	8,102	6,889	9,175	4,434
August	43,184	42,180	17,662	9,242	8,421	14,349	10,168
September	18,771	17,708	16,255	8,805	7,450	519	934
October	113,703	111,723	43,249	24,900	18,349	7,011	61,463
November	17,707	17,048	14,788	10,742	4,046	322	1,938
December	66,882	66,209	59,901	51,368	8,532	2,788	3,520
1955							
January	33,724	31,825	17,030	10,165	6,865	4,851	9,945
February	90,031	88,003	39,234	23,851	15,382	11,570	37,200
March	51,203	49,700	45,893	38,588	7,305	2,786	1,021
April	10,915	10,117	8,764	4,743	4,021	140	1,214
May	32,729	32,091	22,349	14,093	8,256	3,716	6,026
June	44,981	43,018	27,174	7,212	19,962	9,605	6,239

[1] Slight discrepancies between the sum of figures in the tables and the totals shown are due to rounding.
[2] For earlier data see 18th annual report.
[3] 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.
[4] Included with "Commercial and other."

TABLE 5.—*A summary of corporate securities publicly offered and privately placed in each year from 1934 through June 1955*

[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	280	25	92	92	0	23.2	24.7
1935	2,332	2,225	108	1,945	1,840	106	387	385	2	16.6	17.3
1936	4,572	4,029	543	4,199	3,660	539	373	369	4	8.2	9.2
1937	2,309	1,618	691	1,979	1,291	688	330	327	3	14.3	20.2
1938	2,155	2,044	111	1,463	1,353	110	692	691	1	32.1	33.8
1939	2,164	1,979	185	1,458	1,276	181	706	703	4	32.6	35.5
1940	2,677	2,386	291	1,912	1,628	284	765	758	7	28.6	31.8
1941	2,667	2,389	277	1,854	1,578	276	813	811	2	30.5	33.9
1942	1,062	917	146	642	506	136	420	411	9	39.5	44.8
1943	1,170	990	180	798	621	178	372	369	3	31.8	37.3
1944	3,202	2,670	532	2,415	1,892	524	787	778	9	24.6	29.1
1945	6,011	4,855	1,155	4,989	3,851	1,138	1,022	1,004	18	17.0	20.7
1946	6,900	4,882	2,018	4,983	3,019	1,963	1,917	1,863	54	27.8	38.2
1947	6,577	5,036	1,541	4,342	2,889	1,452	2,235	2,147	88	34.0	42.6
1948	7,078	5,973	1,106	3,991	2,965	1,028	3,087	3,008	79	43.6	50.4
1949	6,052	4,890	1,161	3,550	2,437	1,112	2,502	2,453	49	41.3	50.2
1950	6,362	4,920	1,442	3,681	2,360	1,321	2,680	2,560	120	42.1	52.0
1951	7,741	5,691	2,050	4,326	2,364	1,962	3,415	3,326	88	44.1	58.4
1952	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 (January-June)	5,062	3,420	1,642	3,456	1,884	1,572	1,606	1,536	69	31.7	44.9

TABLE 6.—*Brokers and dealers registered under the Securities Exchange Act of 1934* [1]*—effective registrations as of June 30, 1955, classified by type of organization and by location of principal office*

Location of principal office	Number of registrants				Number of proprietors, partners, officers, etc. [2] [3]			
	Total	Sole proprietorships	Partnerships	Corporations [4]	Total	Sole proprietorships	Partnerships	Corporations [4]
Alabama	25	8	6	11	75	8	20	47
Arizona	24	9	9	6	70	9	23	38
Arkansas	19	10	2	7	38	10	4	24
California	271	106	82	83	1,050	106	449	495
Colorado	106	61	12	33	262	61	43	158
Connecticut	44	16	14	14	174	16	61	97
Delaware	6	0	3	3	41	0	28	13
District of Columbia	87	34	19	34	305	34	74	197
Florida	58	34	10	14	119	34	24	61
Georgia	31	13	5	13	107	13	20	74
Idaho	13	7	4	2	24	7	10	7
Illinois	191	50	65	76	837	50	296	491
Indiana	49	21	6	22	149	21	11	117
Iowa	32	10	5	17	94	10	10	74
Kansas	37	17	5	15	123	17	11	95
Kentucky	16	5	4	7	52	5	13	34
Louisiana	58	35	17	6	124	35	59	30
Maine	30	13	2	15	81	13	7	61
Maryland	36	14	16	6	122	14	82	26
Massachusetts	211	94	39	78	835	94	242	499
Michigan	52	9	17	26	236	9	90	137
Minnesota	51	6	9	36	268	6	32	230
Mississippi	15	6	6	3	30	6	14	10
Missouri	88	18	26	44	421	18	140	263
Montana	10	3	3	4	27	3	6	18
Nebraska	29	10	1	18	111	10	2	99
Nevada	10	6	1	3	18	6	2	10
New Hampshire	11	8	0	3	27	8	0	19
New Jersey	149	92	29	28	311	92	70	149
New Mexico	16	10	2	4	31	10	5	16
New York State (excluding New York City)	261	178	28	55	497	178	86	233
North Carolina	29	11	6	12	107	11	13	83
North Dakota	5	3	1	1	13	3	5	5
Ohio	133	33	40	60	499	33	176	290
Oklahoma	45	30	10	5	71	30	22	19
Oregon	23	8	6	9	60	8	14	38
Pennsylvania	202	62	81	59	775	62	358	355
Rhode Island	27	14	10	3	55	14	31	10
South Carolina	29	13	6	10	74	13	14	47
South Dakota	9	6	0	3	17	6	0	11
Tennessee	40	13	9	18	149	13	27	109
Texas	216	123	25	68	527	123	69	335
Utah	85	26	24	35	260	26	71	163
Vermont	2	1	0	1	10	1	0	9
Virginia	37	15	12	10	121	15	53	53
Washington	85	45	9	31	232	45	21	166
West Virginia	12	8	3	1	24	8	9	7
Wisconsin	49	13	5	31	194	13	24	157
Wyoming	8	7	0	1	13	7	0	6
Total (excluding New York City)	3,072	1,334	694	1,044	9,860	1,334	2,841	5,685
New York City	1,188	325	587	276	5,096	325	3,274	1,497
	4,260	1,659	1,281	1,320	14,956	1,659	6,115	7,182

[1] Domestic registrants only, excludes 74 outside continental limits of the United States.
[2] Includes directors, officers, trustees, and all other persons occupying similar status or performing similar functions.
[3] Allocations made among States on the basis of location of principal offices of registrants, not actual location of persons. Information taken from latest reports filed prior to June 30, 1955.
[4] Includes all forms of organizations other than sole proprietorships and partnerships.

TABLE 7.—*Market value and volume of sales effected on securities exchanges in the 12-month period ended December 31, 1954, and the 6-month period ended June 30, 1955*

[Amounts in thousands]

PART 1.—12 MONTHS ENDED DEC. 31, 1954

	Total market value (dollars)	Stocks[1]		Bonds[2]		Rights and warrants	
		Market value (dollars)	Number of shares	Market value (dollars)	Principal amount (dollars)	Market value (dollars)	Number of units
Registered exchanges	29,156,725	28,075,114	993,876	1,026,317	1,121,048	55,294	58,897
American	1,931,564	1,872,549	169,875	21,085	29,678	37,930	7,969
Boston	249,038	249,036	5,278	-----	-----	2	18
Chicago Board	-----	-----	-----	-----	-----	-----	-----
Cincinnati	28,083	27,701	623	183	322	199	109
Detroit	110,901	110,626	4,827	-----	-----	275	717
Los Angeles	267,268	266,730	17,072	121	112	417	720
Midwest	681,337	680,927	19,971	48	41	362	1,117
New Orleans	3,793	3,793	87	-----	-----	(3)	1
New York	25,267,128	24,249,100	703,072	1,003,293	1,089,390	14,735	45,533
Philadelphia-Baltimore	266,571	265,260	7,177	915	960	396	2,074
Pittsburgh	40,279	40,278	1,410	-----	-----	1	5
Salt Lake	4,353	4,353	26,243	-----	-----	-----	-----
San Francisco Mining	3,320	3,320	20,579	-----	-----	-----	-----
San Francisco Stock	302,416	300,767	15,669	672	545	977	634
Spokane	674	674	1,993	-----	-----	-----	-----
Exempted exchanges	9,775	9,575	1,054	66	70	134	14
Colorado Springs	92	92	132	-----	-----	-----	-----
Honolulu	8,644	8,444	875	66	70	134	14
Richmond	465	465	16	-----	-----	-----	-----
Wheeling	574	574	31	-----	-----	-----	-----

PART 2.—6 MONTHS ENDED JUNE 30, 1955

	Total market value (dollars)	Stocks[1]		Bonds[2]		Rights and warrants	
		Market value (dollars)	Number of shares	Market value (dollars)	Principal amount (dollars)	Market value (dollars)	Number of units
Registered exchanges	20,981,233	20,329,555	674,297	567,256	612,601	84,422	54,351
American	1,490,097	1,437,353	136,283	12,296	17,711	40,448	5,509
Boston	156,862	156,653	3,058	-----	-----	209	128
Chicago Board	-----	-----	-----	-----	-----	-----	-----
Cincinnati	17,898	17,733	365	132	229	33	27
Detroit	75,664	75,579	2,906	-----	-----	85	78
Los Angeles	171,987	171,140	10,000	26	22	821	784
Midwest	478,191	476,285	13,293	1	1	1,905	1,053
New Orleans	5,111	5,111	83	-----	-----	(3)	4
New York	18,170,477	17,576,966	454,025	554,429	594,290	39,082	43,731
Philadelphia-Baltimore	179,525	178,114	4,339	147	173	1,264	1,223
Pittsburgh	25,419	25,417	743	-----	-----	2	4
Salt Lake	6,303	6,299	25,049	-----	-----	4	7
San Francisco Mining	2,822	2,822	13,867	-----	-----	-----	-----
San Francisco Stock	200,433	199,639	9,105	225	175	569	1,803
Spokane	444	444	1,181	-----	-----	-----	-----
Exempted exchanges	5,274	5,253	554	21	22	-----	-----
Colorado Springs	29	29	77	-----	-----	-----	-----
Honolulu	4,596	4,575	455	21	22	-----	-----
Richmond	443	443	13	-----	-----	-----	-----
Wheeling	206	206	9	-----	-----	-----	-----

[1] "Stocks" include voting trust certificates, American depositary receipts, and certificates of deposit.
[2] "Bonds" include mortgage certificates and certificates of deposit for bonds. Since Mar. 18, 1944, United States Government bonds have not been included in these data.
[3] 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.

TABLE 8.—*Unlisted stocks on securities exhanges* [1]

PART 1.—NUMBER OF STOCKS ON THE EXCHANGES IN THE VARIOUS UNLISTED CATEGORIES [2] AS OF JUNE 30, 1955

Exchanges	Unlisted only [3]		Listed and registered on another exchange		
	Clause 1	Clause 3	Clause 1	Clause 2	Clause 3 [4]
American	235	2	50	3	1
Boston	1	0	156	176	0
Chicago Board of Trade	3	0	2	0	0
Cincinnati	0	0	0	84	0
Detroit	0	0	14	103	0
Honolulu	24	0	0	0	0
Los Angeles	1	0	38	168	0
Midwest	0	0	0	93	0
New Orleans	9	0	4	2	0
Philadelphia-Baltimore	4	0	249	146	0
Pittsburgh	0	0	16	59	0
Salt Lake	3	0	0	0	1
San Francisco Stock	34	0	63	85	0
Spokane	5	0	1	1	0
Wheeling	0	0	0	3	0
Total [5]	319	2	593	923	2

PART 2.—UNLISTED SHARE VOLUME ON THE EXCHANGES—CALENDAR YEAR 1954

Exchanges	Unlisted only		Listed and registered on another exchange		
	Clause 1	Clause 3	Clause 1	Clause 2	Clause 3
American	29, 619, 873	14, 890	5, 404, 095	1, 261, 000	11, 910
Boston	8, 764	0	2, 282, 824	1, 438, 642	0
Chicago Board of Trade	0	0	0	0	0
Cincinnati	0	0	0	348, 536	0
Detroit	0	0	190, 803	1, 678, 346	0
Honolulu	66, 789	0	0	0	0
Los Angeles	2, 032	0	1, 132, 681	2, 411, 358	0
Midwest	0	0	0	5, 771, 380	0
New Orleans	75, 647	0	6, 644	1, 656	0
Philadelphia-Baltimore	6, 286	0	2, 883, 101	1, 505, 236	0
Pittsburgh	0	0	315, 628	256, 432	0
Salt Lake	0	0	0	0	254
San Francisco Stock	2, 540, 823	0	1, 486, 315	1, 559, 208	0
Spokane	117, 027	0	3, 600	20	0
Wheeling	0	0	0	883	0
Total	32, 437, 241	14, 890	13, 705, 691	16, 232, 697	12, 164

[1] Refer to text under heading "Unlisted Trading Privileges on Exchanges."
[2] The categories are according to clauses 1, 2, and 3 of Section 12 (f) of the Securities Exchange Act.
[3] None of these issues has any listed status on any domestic exchange, except that 9 of the 34 San Francisco Stock Exchange issues are also listed on an exempted exchange.
[4] These issues became listed and registered on other exchanges subsequent to their admission to unlisted trading on the exchanges as shown.
[5] Duplication of issues among exchanges brings the figures to more than the actual number of issues involved.

TABLE 9.—*Issues and issuers on exchanges*

PART 1.—NUMBER OF ISSUES ON EACH EXCHANGE AS OF JUNE 30, 1955

Exchanges	Stocks						Bonds				
	R	X	U	XL	XU	Total	R	X	U	XL	Total
American	524	-----	291	-----	-----	815	20	-----	55	-----	75
Boston	82	1	333	-----	-----	416	16	-----	-----	-----	16
Chicago Board of Trade	7	-----	5	-----	-----	12	-----	-----	-----	-----	-----
Cincinnati	52	-----	84	-----	-----	136	5	1	-----	-----	6
Colorado Springs	-----	-----	-----	13	-----	13	-----	-----	-----	-----	-----
Detroit	112	-----	117	-----	-----	229	-----	-----	-----	-----	-----
Honolulu	-----	-----	-----	55	24	79	-----	-----	-----	8	8
Los Angeles	179	4	207	-----	-----	389	5	-----	-----	-----	5
Midwest	396	2	93	-----	-----	492	13	-----	-----	-----	13
New Orleans	3	-----	15	-----	-----	18	1	-----	1	-----	2
New York Stock	1,538	5	-----	-----	-----	1,543	968	7	-----	-----	975
Philadelphia-Baltimore	150	9	399	-----	-----	558	53	-----	-----	-----	53
Pittsburgh	52	-----	75	-----	-----	127	-----	-----	-----	-----	-----
Richmond	-----	-----	-----	28	-----	28	-----	-----	-----	-----	-----
Salt Lake	96	-----	4	-----	-----	100	-----	-----	-----	-----	-----
San Francisco Mining	50	-----	-----	-----	-----	50	-----	-----	-----	-----	-----
San Francisco Stock	205	3	182	-----	-----	390	20	-----	-----	-----	20
Spokane	24	-----	7	-----	-----	31	-----	-----	-----	-----	-----
Wheeling	-----	-----	-----	15	3	18	-----	-----	-----	-----	-----

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

PART 2.—UNDUPLICATED NUMBER OF STOCK AND BOND ISSUES ON ALL EXCHANGES, AND ISSUERS INVOLVED, AS OF JUNE 30, 1955

Status under the act	Stocks	Bonds	Total stocks and bonds	Issuers involved
Registered	2,645	1,013	3,658	2,219
Temporarily exempted from registration	17	7	24	14
Admitted to unlisted trading privileges on registered exchanges	284	53	337	264
Listed on exempted exchanges	75	8	83	63
Admitted to unlisted trading privileges on exempted exchanges	23	----------	23	21
Totals	3,044	1,081	4,125	2,581

TABLE 10.—*Classification of companies in active registered holding company systems as of June 30, 1955* [1]

Active systems	Registered holding companies [2]	Registered operating-holding companies [3]	Electric and gas utility companies	Nonutility companies	Total companies in system
1. American Gas and Electric Co	1		12	9	22
2. American Natural Gas Co	1		2	4	7
3. Central Public Utility Corp	1		4	7	12
4. Central and South West Corp	1		6	0	7
5. Cities Service Co	1		1	63	65
6. Columbia Gas System, Inc., The	1		10	5	16
7. Consolidated Natural Gas Co	1		4	1	6
8. Delaware Power & Light Co		1	2	0	3
9. Eastern Utilities Associates	1		4	0	5
10. Electric Bond and Share Co	1		53	14	68
11. General Public Utilities Corp	2		9	4	15
12. Granite City Generating Co. (Voting Trust)	1		1	0	2
13. International Hydro-Electric System (Trustee)	2		2	2	6
14. Interstate Power Co		1	1	0	2
15. Middle South Utilities, Inc	1		8	0	9
16. National Fuel Gas Co	1		5	6	12
17. New England Electric System	1		26	2	29
18. Ohio Edison Co		1	3	0	4
19. Philadelphia Electric Power Co		1	1	0	2
20. Southern Co., The	1		5	2	8
21. Standard Power and Light Corp	3		1	3	7
22. Union Electric Co. of Missouri		1	4	6	11
23. Utah Power & Light Co		1	1	0	2
24. West Penn Electric Co., The	1	1	12	11	25
25. Wisconsin Southern Gas Co., Inc	1		1	0	2
Total companies all systems	23	7	178	139	347
Correction for duplication:					
Five companies which are subsidiaries in two systems [4]	0	0	3	2	5
Two companies which are subsidiaries in three systems [5]	0	0	4	0	4
Total companies in active systems	23	7	171	137	338

[1] In addition, there were 7 other companies which have registered as holding companies but which no longer have any public utility subsidiaries. The Middle West Corp., New England Public Service Company, Northern New England Co., Pennsylvania Gas & Electric Corp., and United Public Service Corp. are in final stages of liquidation, but had not completed all necessary distributions at the close of the fiscal year. The Mission Oil Co. was granted an extension of time within which to effect disposal of its nonutility subsidiary, Westpan Hydrocarbon Co. The United Corp. has filed an application under section 5 (d) of the Act for an order declaring that it has ceased to be a holding company.

[2] These companies function solely as holding companies.

[3] Utility or nonutility operating companies, which are also registered holding companies deriving other income from investments in public utility subsidiaries.

[4] Beech Bottom Power Co., Inc.; Windsor Power House Coal Co.; The Arklahoma Corp.; Electric Energy Inc.; and Mississippi Valley Generating Company.

[5] Ohio Valley Electric Corp. and Indiana-Kentucky Electric Corp.

TABLE 11.—*Reorganization proceedings in which the Commission participated during the fiscal year 1955*

Debtor	District court	Petition		Securities and Exchange Commission notice of appearance filed
		Filed	Approved	
American Bantam Car Co	W. D. Pa	Apr. 19, 1950	Apr. 19, 1950	May 29, 1950
American Fuel & Power Co	E. D. Ky	Dec. 6, 1935	Dec. 20, 1935	May 1, 1940
Buckeye Fuel Co	do	Nov. 28, 1939	Nov. 28, 1939	Do.
Buckeye Gas Service Co	do	do	do	Do.
Carbreath Gas Co	do	do	do	Do.
Inland Gas Distributing Co	do	do	do	Do.
Blackhawk Brewing Co	S. D. Iowa	Jan. 4, 1952	Jan. 7, 1952	Mar. 7, 1952
Central States Electric Corp	E. D. Va	Feb. 26, 1942	Feb. 27, 1942	Mar. 11, 1942
Chicago & West Towns Railways, Inc	N. D. Ill	June 30, 1947	July 1, 1947	July 24, 1947
Consolidated Caribou Silver Mines, Inc	D. Colo	Nov. 14, 1952	Nov. 14, 1952	Jan. 21, 1953
Dallas Parcel Post Station, Inc	N. D. Ill	Sept. 22, 1950	Sept. 22, 1950	Oct. 26, 1950
Federal Facilities Realty Trust	do	Dec. 26, 1934	Apr. 25, 1935	Oct. 29, 1940
Ferry Station Post Office, Inc	do	June 18, 1953	Dec. 2, 1953	Jan. 29, 1954
Franklin County Coal Corp	E. D. Ill	Oct. 3, 1952	Oct. 3, 1952	Oct. 3, 1952
General Public Utilities Corp	S. D. N. Y	Jan. 10, 1940	Jan. 19, 1940	Jan. 15, 1940
Associated Gas & Electric Corp	do	do	do	Do.
Adolf Gobel, Inc	D. N. J	July 23, 1953	Sept 8, 1953	Dec. 28, 1953
Eastern Edible Refinery Corp	do	June 28, 1954	June 28, 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.
Hudson & Manhattan Railroad Co	S. D. N. Y	Aug. 11, 1954	Aug. 20, 1954	Sept. 3, 1954
Inland Gas Corp	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 Co	W. D. N. Y	July 28, 1947	July 28, 1947	Aug. 4, 1947
Keeshin Freight Lines, Inc	N. D. Ill	Jan. 31, 1946	Jan. 31, 1946	Apr. 25, 1949
Keeshin Motor Express Co., Inc	do	do	do	Do.
Seaboard Freight Lines, Inc	do	do	do	Do.
National Freight Lines, Inc	do	do	do	Do.
Kentucky Fuel Gas Corp	E. D. Ky	Oct. 25, 1935	Nov. 1, 1935	Mar. 28. 1939
Las Vegas Thoroughbred Racing Association.	D. Nev	Jan. 22, 1952	Mar. 1, 1952	Feb. 27, 1952
Momence Milk Cooperative Association	E. D. Ill	June 18, 1949	June 18, 1949	Sept. 12, 1949
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.
National Realty Trust	N. D. Ill	Dec. 26, 1934	Apr. 25, 1935	Oct. 29, 1940
Norwalk Tire & Rubber Co., The	D. Conn	May 20, 1949	May 20, 1949	June 8, 1949
Pittsburgh Railways Co	W. D. Pa	May 10, 1938	May 10, 1938	Jan. 4, 1939
Pittsburgh Motor Coach Co	do	do	do	Do.
Pittsburgh Terminal Coal Corp	do	Dec. 4, 1939	Jan. 2, 1940	Jan. 6, 1940
Powers Manufacturing Co	E. D. Tex	Feb. 11, 1954	Feb. 11, 1954	June 11, 1954
Quaker City Cold Storage Co	E. D. Pa	Dec. 17, 1941	Feb. 13, 1942	Jan. 28. 1942
Sierra Nevada Oil Co	D. Nev	June 22, 1951	June 22, 1951	July 25, 1951
Silesian American Corp	S. D. N. Y	July 29, 1941	July 29, 1941	Aug. 1, 1941
Solar Manufacturing Corp	D. N. J	Dec. 14, 1948	Dec. 14, 1948	Dec. 27, 1948
South Bay Consolidated Water Co., Inc	S. D. N. Y	Apr. 26, 1949	Apr. 26, 1949	May 23, 1949
Tele-Tone Radio Corp	D. N. J	Feb. 7, 1952	Apr. 21, 1952	Apr. 28, 1952
Tele-Tone National Corp	do	July 21, 1952	July 21, 1952	Oct. 13, 1952
Tele-Tone New York Corp	do	do	do	Do.
Rico Television Corp	do	June 3, 1952	June 3, 1952	July 7, 1952
Texas Gas Utilities Co	W. D. Tex	Sept. 4, 1951	Sept. 21, 1951	Sept. 11, 1951
Third Avenue Transit Corp	S. D. N. Y	Oct. 25, 1948	Oct. 25. 1948	Jan. 3, 1949
Surface Transportation Corp	do	June 21, 1949	June 21, 1949	July 7, 1949
Westchester St. Transportation Co., Inc.	do	do	do	Do.
Westchester Electric Railroad Co	do	do	do	Do.
Warontas Press, Inc	do	Sept. 8, 1949	Sept. 8, 1949	Oct. 24, 1949
Yonkers Railroad Co	do	June 21, 1949	June 21, 1949	July 7. 1949
Trinity Buildings Corp. of New York	do	Jan. 18, 1945	Jan. 18, 1945	Feb. 19, 1945
U. S. Realty & Improvement Co	do	Feb. 1, 1944	Feb. 1, 1944	Feb. 7, 1944
Warner Sugar Corp	do	June 7, 1940	July 9, 1940	July 9. 1940
Willoughby Tower Building Corp	N. D. Ill	Jan. 10, 1955	Mar. 3, 1955	June 24, 1955

TABLE 12.—*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 1955 fiscal year	Total cases closed up to end of 1955 fiscal year	Cases pending at end of 1955 fiscal year	Cases pending at end of 1954 fiscal year	Cases instituted during 1955 fiscal year	Total cases pending during 1955 fiscal year	Cases closed during 1955 fiscal year
Actions to enjoin violations of the above acts	679	667	12	16	26	42	30
Actions to enforce subpenas under the Securities Act and the Securities Exchange Act	62	60	2	0	5	5	3
Actions to carry out voluntary plans to comply with section 11 (b) of the Holding Company Act	115	112	3	8	5	13	10
Miscellaneous actions	21	18	3	2	2	4	1
Total	877	857	20	26	38	64	44

TABLE 13.—*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 1955 fiscal year	Total cases closed up to end of 1955 fiscal year	Cases pending at end of 1955 fiscal year	Cases pending at end of 1954 fiscal year	Cases instituted during 1955 fiscal year	Total cases pending during 1955 fiscal year	Cases closed during 1955 fiscal year
Actions to enjoin enforcement of Securities Act, Securities Exchange Act and Public Utility Holding Company Act with the exception of subpenas issued by the Commission	64	64	0	0	0	0	0
Actions to enjoin enforcement of or compliance with subpenas issued by the Commission	8	8	0	0	0	0	0
Petitions for review of Commission's orders by courts of appeals under the various acts administered by the Commission	180	175	5	1	5	6	1
Miscellaneous actions against the Commission or officers of the Commission and cases in which the Commission participated as intervenor or amicus curiae	177	173	4	6	8	14	10
Appeal cases under ch. X in which the Commission participated	140	138	2	4	5	9	7
Total	569	558	11	11	18	29	18

TABLE 14.—*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, 1955*

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
Addison, Carl I	2	Eastern District of Texas.	Aug. 22, 1950	Secs. 5 (a) (1) and (2) and 17 (a) (2), 1933 Act.	Injunction by consent Sept. 2, 1950. Defendants' motion to dissolve the permanent injunction filed Sept. 29, 1954. Plaintiff's answer and supporting memorandum filed Oct. 19, 1954. Order Nov. 2, 1954, dissolving permanent injunction. Closed.
Billings Holding Corp	3	Montana	Dec. 4, 1954	Sec. 17 (a) (2) and (3), 1933 Act	Complaint filed Dec. 4, 1954. Temporary restraining order, Dec. 16, 1954. Preliminary injunction, Feb. 17, 1955. Pending.
Bliedung, Carl J	1	District of Columbia	Mar. 2, 1955	Sec. 17 (a) and rule X-17A-3, 1934 Act.	Injunction by consent, Mar. 16, 1955. Closed.
Bowman, Ned J., Co	1	Utah	Mar. 25, 1955	Sec. 5 (a) and (c), 1933 Act	Injunction by consent, Apr. 18, 1955. Closed.
W. E. Buford & Co., Inc	1	Western District of Virginia.	Mar. 17, 1954	Sec. 15 (c) (3) and rule X-15C3-1, 1934 Act.	Injunction by consent June 25, 1954. Final order by consent of both parties dissolving injunction and dismissing action, Feb. 18, 1955. Closed.
Consolidated Enterprises, Inc	2	Colorado	Oct. 22, 1954	Sec. 5 (a), 1933 Act	Injunction by consent as to corporate defendant, Nov. 5, 1954 and as to individual defendant, Nov. 9, 1954. Closed.
East Boston Co	1	Massachusetts	May 23, 1954	Sec. 13 and rule X-13A-1, 1934 Act.	Complaint filed May 23, 1954. Answer filed June 28, 1954. Motion for summary judgment filed July 25, 1954. Final judgment July 13, 1955. Closed.
French and Co	2	Southern District of Texas.	July 20, 1954	Sec. 5 (a), 1933 Act	Injunction by consent as to both defendants, July 20, 1954. Closed.
Hamilton, Donald Graham	1	Massachusetts	Sept. 7, 1954	Sec. 10 (b) and rule X-10B-5, 1934 Act.	Injunction by consent, Sept. 17, 1954. Closed.
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 X-10B-5 (2) and (3), 1934 Act; sec. 206 (2), IA Act of 1940.	Complaint filed Nov. 19, 1954. Answer filed Jan. 5, 1955. Interlocutory order Apr. 29, 1955, staying further proceedings for 12 months and retaining jurisdiction. Pending.
Jess Hickey Oil Corp	3	Northern District of Texas.	May 30, 1955	Secs. 5 (a) (1) and (2), 5 (c), and 17 (a) (1), (2), and (3), 1933 Act.	Complaint filed May 30, 1955. Temporary restraining order entered May 30, 1955. Injunction by consent as to 2 defendants, July 22, 1955. Action dismissed as to corporate defendant. Closed.
Home and Foreign Securities Corp.	7	Southern District of New York.	Dec. 8, 1952	Secs. 12 (d), 17 (a), 18, 21 (b) and 36, Investment Company Act of 1940.	Notice of motion for partial summary judgment, July 2, 1954. Notice of motion for voluntary dismissal, Apr. 28, 1955. Order entered May 17, 1955, dismissing action and allowing fees. Judgment entered May 20, 1955. Closed.
Horton Aircraft Corp	3	Southern District of California.	Apr. 23, 1954	Secs. 5 (a) and 17 (a), 1933 Act	Injunction by consent as to all defendants, Sept. 14, 1954. Closed.
International Spa, Inc	5	Southern District of California.	Oct. 1, 1954	Sec. 5 (a), 1933 Act	Injunction by consent as to all defendants, Oct. 26, 1954. Closed.
Kaye, Real & Co., Inc., et al	3	Southern District of New York.	Dec. 17, 1953	Secs. 5 (a) (1) and (2) and 17 (a) (1), (2) and (3), 1933 Act	Injunction by court as to all defendants, Aug. 10, 1954. Closed.

TABLE 14.—*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, 1955*—Continued

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
Kelleher Securities Corp	2	District of Columbia	May 4, 1955	Secs. 5 (a) (1) and 17 (a) (1) and (2), 1933 Act; secs. 15 (c) (1) and 20 (b) and rule X-15C1-2, 1934 Act.	Injunction by consent as to both defendants, May 20, 1955. Closed.
Kelly, Frank S	1	Northern District of Illinois.	Dec. 26, 1950	Secs. 10 (b), 15 (c) (1) and rule X-10B-5, 1934 Act.	Temporary restraining order entered Dec. 26, 1950, and receiver appointed. Preliminary injunction entered Jan. 4, 1951. Injunction by consent Apr. 27, 1951. Final Report and Supplemental Final Report of Receiver filed Jan. 11 and Feb. 11, 1955, respectively. Order Feb. 11, 1955, approving reports of Receiver and discharging and relieving him of further duties. Closed.
Lone Star Mining and Development Corp.	5	Northern District of Texas.	Oct. 18, 1954	Sec. 5 (a), 1933 Act	Injunction by consent as to all defendants, Oct. 18, 1954. Closed.
Luster, Morris	2	New Jersey	Nov. 24, 1954	Sec. 17 (a), 1933 Act	Injunction by consent as to 1 defendant, Dec. 10, 1954. Injunction by default as to remaining defendant, Jan. 24, 1955. Closed.
MacKenzie, Thomas W	2	New Jersey	Jan. 15, 1953	Secs. 5 (a) (1) and (2) and 17 (a) (1), 1933 Act.	Injunction by consent as to both defendants, Jan. 17, 1955. Closed.
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. Pending on receivership.
McBride, J. Lawrence	6	Middle District of Tennessee.	Mar. 10, 1954	Sec. 5 (a), 1933 Act	Injunction by consent as to 3 defendants Mar. 10, 1954. Answers of 3 defendants who did not consent filed Mar. 29, 1954. Oral Memorandum of court Apr. 5, 1954, denying preliminary injunction. Case set for trial. Pending.
McBride, John F	3	Southern District of New York.	Sept. 13, 1954	Sec. 5 (a) (1) and (2), 1933 Act	Injunction by consent as to all defendants, Dec. 20, 1954. Closed.
McKaig, George	1	Nevada	Feb. 26, 1954	Secs. 15 (c) (2) and (3) and 17 (a) and rules X-15C2-1 (a) (3), X-15C2-1 (f), X-15C3-1, X-17A-3 and X-17A-5, 1934 Act.	Complaint amended, May 10, 1955. Injunction by consent, as to secs. 15 (c) (3) and 17 (a) and rules X-15C3-1 and X-17A-3 and 5, 1934 Act, May 10, 1955. Closed.
Murmax Drilling Co., Inc	3	Idaho	Jan. 14, 1955	Sec. 17 (a) (2) and (3), 1933 Act	Injunction by consent as to all defendants, Jan. 14, 1955. Closed.
Payette, Paul	8	Southern District of New York.	Feb. 11, 1955	Sec. 5 (a) and (c), 1933 Act	Injunction by consent as to all defendants, Feb. 28, 1955. Closed.
Pierce, John	1	Nevada	Oct. 7, 1954	Sec. 15 (a), 1934 Act	Complaint filed Oct. 7, 1954. Answer filed Nov. 12, 1954. Plaintiff's first and second request for admissions of fact and defendant's motion against requested admissions and motion for preliminary injunction filed. Pending.
Pioneer Enterprises, Inc	2	District of Columbia	Aug. 13, 1953	Sec. 17 (a) and rule X-17A-3, 1934 Act.	Defendants' answers to complaint Sept. 8, and 10, 1953. Stipulation dismissing complaint, June 1, 1955. Closed.

Plator Gralouise Gold Mines, Ltd.	2	Southern District of Iowa.	Jan. 14, 1955	Sec. 5 (a) and (c), 1933 Act	Injunction by consent as to both defendants, Mar. 23, 1955. Closed.
Proctor, Gordon Keith	1	Northern District of Georgia.	May 16, 1955	Sec. 15 (a), 1934 Act	Injunction by consent, June 1, 1955. Closed.
Redfield, LaVere	1	Massachusetts	Jan. 31, 1955	Sec. 10 (b) and rule X-10B-5, 1934 Act.	Complaint filed Jan. 31, 1955. Stipulation in lieu of final judgment entered Feb. 16, 1955, with jurisdiction reserved to enforce defendant's agreement to refrain from further violation and to offer rescission of defendant's stock purchase. Pending.
Scurlock Gear Corp	4	Northern District of Illinois.	Aug. 11, 1954	Sec. 5 (a), 1933 Act	Injunction by consent as to 3 defendants and by default as to remaining defendant, Sept. 24, 1954. Closed.
Seipel, Ralph H	1	District of Columbia	July 27, 1953	Sec. 206 (1) (2), IA Act of 1940	Final judgment Oct. 11, 1954. Seipel notice of appeal filed Nov. 29, 1954. Briefs for appellant and appellee filed. Pending.
Shaver & Co	3	Southern District of Florida.	Aug. 18, 1954	Sec. 15 (c) (3) and rule X-15C3-1, 1934 Act.	Injunction by consent as to all defendants, Aug. 20, 1954. Closed.
Snoddy, James J	1	Southern District of Texas.	Nov. 16, 1954	Sec. 17 (a) (2) and (3), 1933 Act; secs. 10 (b) and 15 (c) (1) and (3), 1934 Act.	Complaint filed Nov. 16, 1954. Temporary restraining order entered Nov. 16, 1954. Preliminary injunction entered and receiver appointed, Nov. 24, 1954. Receiver's report filed Mar. 11, 1955. Order entered Mar. 11, 1955, dissolving temporary injunction and dismissing the action. Closed.
Spearow, Albert Ralph	4	Oregon	June 21, 1951	Sec. 5 (a), 1933 Act	Memorandum opinion of court, May 16, 1953, denying injunction but maintaining jurisdiction for surveillance of defendants' activities by Commission. Findings of fact, Conclusions of Law and Order entered Jan. 31, 1955, dismissing the case. Closed.
Thunderbird Minerals, Inc	3	Northern District of Texas.	Nov. 12, 1954	Sec. 5 (a) and (c), 1933 Act	Injunction by consent as to all defendants, Nov. 12, 1954. Closed.
Uranium, Oil & Trading Co	4	Utah	Sept. 7, 1954	Sec. 5 (a), 1933 Act	Complaint filed Sept. 7, 1954. Preliminary injunction entered against successor corporation (into which the two defendant corporations were merged) and against the individual defendant, Oct. 8, 1954. Defendants answer, Oct. 14, 1954. Pending.
Warner, J. Arthur, & Co., Inc	12	Massachusetts	Oct. 31, 1951	Secs. 5 (b) (2) and 17 (a) (3), 1933 Act; secs. 7 (c) (1) and (2), 9 (a) (4), 10 (b) and 15 (c) (1) and rules X-10B-5 (3) and X-15C1-2 and Regulation T, 1934 Act.	Injunction by consent May 25, 1955, as to all defendants except one who is a fugitive and another who is deceased. Pending.
Warren Oil and Uranium Mining Co., Inc.	5	Northern District of Texas.	July 8, 1954	Sec. 5 (a), 1933 Act	Injunction by consent as to all defendants, July 12, 1954. 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.
Winburn, Roland	1	Colorado	Sept. 15, 1954	Sec. 5 (a), 1933 Act	Injunction by default, June 30, 1955. Pending.
Zippin & Co	1	Northern District of Illinois.	Jan. 13, 1953	Sec. 15(c) (1), 1934 Act	Temporary restraining order Jan. 13, 1953, and receiver appointed. Preliminary injunction Jan. 22, 1953. Injunction by consent Feb. 5, 1953. Final account and report of Receiver filed. Pending on receivership.

TABLE 15.—*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 1955 fiscal year*

Name of principal defendant	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
Bank, Harry W. (Cosmo Records, Inc.).	9	Southern District of New York.	Dec. 1, 1948	Sec. 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Defendants made restitution; indictment dismissed on motion of U. S. Attorney Mar. 31, 1955.
Bobbroff, James D. (Eversharp Launwhiz, Inc.).	2	District of Nevada	Feb. 9, 1951	Sec. 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Bobbroff's conviction affirmed by CA-9 on Feb. 25, 1953; indictment dismissed as to Chadwell, remaining defendant, on Oct. 15, 1955.
Broadley, Albert E. (Hudson Securities).	5	Western District of New York.	July 17, 1947	Secs. 5 (a) (1), (2) and 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	One defendant deceased, other defendants not apprehended. Pending.
Carney, Thomas H	1	District of Montana	June 17, 1954	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant pleaded guilty to all counts and was sentenced to 2 years imprisonment.
Cox, Homer J. (U. S. Frigidice, Inc.).	1	District of New Mexico.	Jan. 14, 1954	Secs. 5 (a) (1) and 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C.	On July 22, 1954, defendant found guilty by jury on 2 sec. 5 (a) (1) counts, 3 sec. 17 (a) (1) counts and 1 mail fraud count, and acquitted by court on remaining 4 counts. Sentenced to 5 years imprisonment.
Crawford, D. W	2	District of South Dakota.	Mar. 19, 1954	Sec. 10 (b) and rule X-10B-5, 1934 Act; sec. 1341, title 18, U. S. C.	Defendants found guilty on 1 mail fraud count and not guilty on remaining counts. Imposition of sentence suspended and each defendant placed on probation for 2 years and fined $750 each. Appeal dismissed pursuant to stipulation.
DePalma, Albert Edward (A. E. DePalma & Co.).	1	Northern District of Ohio.	June 11, 1947	Secs. 5 (a) (1), (2) and 17 (a) (1), 1933 Act; sec. 338 (now sec. 1341), title 18, U. S. C.	DePalma forfeited $40,000 appearance bond and is presently a fugitive. Pending.
Donaldson, Arthur V	2	District of Montana	June 16, 1954	Sec. 17, 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Defendants apprehended and released on bond. Pending.
Elliott, N. James	1	Southern District of New York.	Sept. 29, 1948	Sec. 17 (a) (1) and (2), 1933 Act; sec. 338 (now sec. 1341), title 18, U. S. C.	Elliott apprehended on Oct. 16, 1953, arraigned, and pleaded not guilty and released on $2,500 bail. Pending.
Estep, William (Atomotor Mfg. Co., Inc.).	1	Northern District of Texas.	Jan. 21, 1954	Secs. 5 (a) and 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Estep found guilty on all counts, except one previously dismissed, and sentenced to 5 years and fined $2,000. Conviction affirmed by CA-5 June 8, 1955. Petition for certiorari filed Aug. 12, 1955. Pending.
Florence, Giles H. (Inter-Lock-In Products Corp., et al).	4	Eastern District of Washington.	Apr. 2, 1954	Secs. 5 (a) (2) and 17, 1933 Act; secs. 371 and 1341, title 18, U. S. C.	Two defendants changed pleas to guilty to 1 sec. 5 and 1 sec. 17 count under 1933 Act and 2 mail fraud counts and were sentenced to one year imprisonment and fined $2,500. Remaining defendants pleaded guilty to 1 registration count each and were placed on probation for 3 years and fined $1,000 and $500 respectively. Remaining counts were dismissed.

Frank, Ben H. (Sungold Oil Co. of Colorado).	1	Western District of Oklahoma.	Oct. 8, 1952	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant Frank convicted on 5 sec. 17 (a) counts, remaining counts dismissed; sentenced to 18 months imprisonment. Conviction reversed for trial errors Mar. 16, 1955, and new trial ordered. Petition for rehearing denied, Apr. 29, 1955. 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. Pending.
Gonterman, Courtenay J. (Osceola Groves, Inc.).	2	Southern District of Florida.	June 10, 1954	Sec. 17 (a) (1), 1933 Act; secs. 1001 and 1341, title 18, U. S. C.	Osceola Groves, Inc., convicted on 7 mail fraud counts and 7 sec. 17 counts and fined $42,000 on Aug. 10, 1955. Sec. 1001 count dismissed. Gonterman, remaining defendant, was acquitted.
Gould, Oscar U	1	Southern District of New York.	June 25, 1954	Sec. 1621, title 18, U. S. C	Defendant arraigned and released on $5,000 bail. Pending.
Hallock, Dan (Chinchilla, Inc., et al).	1	Northern District of Illinois.	May 27, 1954	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant entered a plea of not guilty and released on $5,000 bond. Pending.
Hawley, Edwiin	1	District of Arizona	Nov. 10, 1949	Sec. 17 (a) (3), 1933 Act; sec. 32 (a), 1934 Act.	Defendant not apprehended. Pending.
Henderson, J. Stacey	3	Western District of Tennessee.	Sept. 6, 1950	Secs. 5 (a) (1), (2) and 17 (a) (1), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Henderson convicted again upon retrial, and sentenced to 5 years imprisonment and fined $1,000. Conviction affirmed by CA-6 on Jan. 11, 1955; certiorari denied May 9, 1955.
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.	
Holsman, William T	2	Northern District of Illinois.	Feb. 8, 1955	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendants pleaded not guilty and posted $1,000 bond each. Pending.
Horsting, William F., Sr	2	Eastern District of Wisconsin.	Aug. 9, 1954	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Both defendants pleaded not guilty. Pending.
Howe, Charles A. (Maryland-Nevada Operating Company, Inc.).	3	Southern District of Ohio.	Dec. 7, 1951	Secs. 5 (a) and 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Howe found guilty on 2 sec. 5 (a) counts and sentenced to a year and a day. Two corporate defendants found guilty on Nov. 26, 1954, and were each fined $1,000.
Hu, Seng-Chiu (Standard Tungsten Corp.).	3	Southern District of New York.	Dec. 20, 1954	Sec. 17 (a), 1933 Act; secs. 371 and 1341, title 18, U. S. C.	Defendants pleaded not guilty and two individual defendants released on bonds of $500 each. Pending.
Kendall, Oliver O. (Artemisa Mines, Ltd.).	1	District of Arizona	Sept. 20, 1944	Sec. 231 (now sec. 1621), title 18, U. S. C.	Kendall apprehended June 21, 1954. On July 15, 1954, he pleaded guilty to various counts covering violations charged in 1954 indictment and on July 30, 1954, he pleaded guilty to 3 counts of 1944 perjury indictment which was made public after his apprehension. Kendall, was sentenced to a 3-year prison term.
Kendall, Oliver O. (United Mines, S. A.).	1	Western District of Texas.	Apr. 6, 1954	Secs. 5 (a) (1) and (2) and 17 (a), 1933 Act; secs. 1341 and 1343, title 18, U. S. C.	
Klein, Edwin R. (Superior Finance Service).	1	Northern District of Illinois.	July 31, 1953	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant found guilty on 3 sec. 17 (a) counts and 1 mail fraud count and was sentenced to 5 years imprisonment. Remaining counts dismissed. Appeal to CA-7 dismissed.
Knowles, Noel H. (LaSalle Yellowknife Mines, Ltd.).	3	Eastern District of New York.	Oct. 1, 1946	Secs. 5 (a) (1), (2) and 17 (a) (1), 1933 Act; sec. 338 (now sec. 1341), title 18, U. S. C.	Indictment against Noel H. Knowles (deceased) and LaSalle Yellowknife Gold Mines, Ltd., dismissed on Feb. 23, 1954; indictment previously dismissed as to remaining defendant.

TABLE 15.—*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 1955 fiscal year*—Continued

Name of principal defendant	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
Lightfoot, Melton E.	1	Southern District of Florida.	Apr. 23, 1953	Sec. 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant posted bond of $1,000. Motion for continuance granted. Pending.
Low, Harry (Trenton Valley Distillers Corporation).	2	Eastern District of Michigan.	Feb. 3, 1939	Sec. 17 (a) (1), 1933 Act; sec. 338 (now sec. 1341), title 18, U. S. C.	Low apprehended Dec. 9, 1953, and indictment dismissed as to him after he pleaded guilty to one count of another indictment charging evasion of income tax. He was sentenced to year and a day; execution of sentence was suspended and he was placed on probation for 5 years on condition that he not enter U. S. during such period and he was committed to custody of immigration authorities for deportation. Pending as to Hardie, who is a fugitive.
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. Pending as to remaining 9 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 Corporation.	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. Pending.
Owens, Hardy Joseph	3	Southern District of Florida.	Oct. 3, 1952	Sec. 17 (a) (1), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Owens convicted on all counts of indictment except one dismissed and sentenced to 5 years imprisonment. Cogdill convicted on conspiracy count and 4 mail fraud counts and sentenced to 2 years imprisonment. Remaining defendant acquitted by court. Convictions of Owens and Cogdill affirmed by CA-5 on Apr. 15, 1955; rehearing denied May 17, 1955.
Palmer, James Robert (Ace Finance, Inc.).	2	District of Colorado	Mar. 24, 1954	Sec. 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C.	Both defendants found guilty as charged in the information. James Palmer sentenced to 6 years imprisonment. Imposition of sentence on Lenore Palmer, on 1 mail fraud count, suspended and she was placed on probation for 3 years. Appeal by both defendants pending in CA-9.
Parker, T. M., Inc.	16	Eastern District of Michigan.	Apr. 27, 1954	Sec. 371, title 18, U. S. C.	Nine defendants arraigned and pleaded not guilty to all indictments and posted bond. Extradition of defendants, Link and Green, from Canada denied Dec. 17, 1954. Leave to appeal denied by Canadian Supreme Court because of lack of jurisdiction, Mar. 7, 1955. 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	

Pattyn, Pierre P. (Modern Products Corp.).	1	Eastern District of Michigan.	June 9, 1952	Secs. 5 (a) (2) and 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant changed plea to nolo contendere on all counts of indictment. Imposition of sentence suspended and defendant placed on probation for 2 years
Rich, Albert G	1	Southern District of Florida.	Apr. 14, 1955	Sec. 17 (a) (1), 1933 Act; sec. 15 (a), 1934 Act; sec. 1341, title 18, U. S. C.	Defendant pleaded guilty to 1 mail fraud count and 1 sec. 15 count and sentenced to 3 years on first count and placed on probation for an additional 3 years on the sec. 15 count. Remaining counts dismissed.
Saunders, Malcolm L	2	District of Massachusetts.	Dec. 17, 1954	Sec. 17 (a), 1933 Act; sec. 15 (c), 1934 Act; secs. 371 and 1341, title 18, U. S. C.	Defendant Saunders pleaded not guilty and released on $1,000 bail. Remaining defendant not apprehended. Pending.
Shaver, Stanley C., Sr	1	Southern District of Florida.	Mar. 30, 1955	Sec. 17 (a) (3), 1933 Act; sec. 15 (c) (1) and rule X-15C1-2, 1934 Act; secs. 1001 and 1341, title 18, U. S. C.	Defendant pleaded not guilty and released on bond of $2,500. Pending.
Shindler, David L. (Universal Laboratories).	2	Southern District of New York.	Sept. 12, 1952	Sec. 9 (a) (1) (A) and (2), 1934 Act; sec. 371, title 18, U.S. C.	Defendants' motions for judgment of acquittal granted Feb. 11, 1955.
Thomas, Richard (Thomascolor, Inc.).	2	District of Arizona	Oct. 29, 1951	Sec. 17 (a) (2), 1933 Act; sec. 371, title 18, U. S. C.	Thomas and Powell found guilty on 3 sec. 17 (a) (2) counts and acquitted on the conspiracy count. Thomas sentenced to 18 months and fined $1,000. Imposition of sentence suspended for five years as to Powell. Thomas' conviction affirmed by CA-9, May 18, 1955. Pending.
Vasen, George F	1	Northern District of Illinois.	May 27, 1953	Secs. 5 (a) and 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Vasen convicted on 1 sec. 5 (a) count, 3 sec. 17 (a) counts, and 5 mail fraud counts, remaining counts dismissed. Sentenced to 5 years imprisonment, to be followed by 5 years probation and fined $25,000. Conviction affirmed Apr. 15, 1955. Petition for certiorari filed July 1, 1955. Pending.
Walters, J., Jr. (Cedar Talisman Cons. Mines Co.).	1	District of Nevada	Dec. 18, 1953	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Case transferred to USDC D Arizona. Defendant released on $2,500 bond; arraignment postponed because of illness of defendant. Pending.
Warner, J. Arthur & Co., Inc	11	District of Massachusetts.	July 7, 1953	Sec. 17 (a) (3), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Six defendants, including corporate defendant, pleaded guilty to indictment and received sentences ranging from 1 year probation and $1,000 fine to 2 years probation and $5,000 fine, a $5,000 fine being imposed on the company. Indictment dismissed as to 3 defendants, severed as to 1 defendant, Thayer, who is a fugitive, and abated as to 1 defendant who is deceased. Pending.
Weber, Charles M	1	Southern District of New York.	June 6, 1955	Sec. 1621, title 18, U. S. C	Defendant arraigned, pleaded not guilty and released on $2,000 bail. Pending.
White, George L. (S-M-P Co.)	1	Northern District of Illinois.	Jan. 4, 1952	Sec. 17 (a), 1933 Act	Defendant withdrew not guilty plea and pleaded guilty to 2 counts. Imposition of sentence suspended and defendant placed on probation for 1 year.
White, John B	2	Eastern District of Washington.	Feb. 11, 1955	Secs. 371 and 1341, title 18, U. S. C.	Defendant White deceased; indictment dismissed as to both defendants, May 17, 1955.
Wickham, Wilder Frank (El Dorado Gold Mines, Ltd.).	4	District of Nevada	May 1, 1952	Sec. 17 (a) (1), 1933 Act; sec. 371, title 18, U. S. C.	Wilder Frank Wickham and William Kelso withdrew not guilty pleas and entered nolo contendere pleas to sec. 17 (a) count and were sentenced to 3 years and 2 years respectively. Remaining counts dismissed. Indictment dismissed as to two remaining defendants.
Wimer, Nye A. (Tennessee Schuylkill Corporation).	1	District of New Jersey	Aug. 3, 1948	Secs. 5 (a) (2) and 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	Indictment dismissed on Sept. 13, 1954, because of defendant's illness.

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TABLE 16.—*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, 1955*

Petitioner	United States Court of Appeals	Initiating papers filed	Commission action appealed from and status of case
Klein, Rudolph V	2d circuit	Jan. 21, 1955	Order of Dec. 28, 1954, dismissing the proceeding for review of action of the National Association of Securities Dealers, Inc. expelling Klein from membership. Opinion of CA-2, June 16, 1955, reversing the order of the Commission and remanding the case for further proceedings. Petition by Commission for rehearing, denied by order of July 13, 1955, correcting opinion. Pending.
Leighton, William	District of Columbia	Sept. 3, 1954	Alleged order of July 8, 1954, declining to accede to petitioner's request that Commission institute an investigation and seek an injunction against American Express Company for alleged violations of 1933 Act registration requirements. Respondent's motion to dismiss for lack of jurisdiction, Sept. 22, 1954. Opinion, Feb. 10, 1955, dismissing petition for review. Petition for certiorari, May 28, 1955. Brief of Commission in opposition, June 20, 1955. Pending.
Reynolds Metals Co	District of Columbia	Jan. 6, 1955	Order of Dec. 14, 1954, approving proposed sale by Holding Company of interest in public utility subsidiary and related transactions; exempting such sale from requirements of Rule U-50; exempting purchasers as Holding Company from Act; and approving indirect acquisition of such interest by affiliate of such purchaser. Motions by Cities Service Co., W. R. Stephens Investment Co. and W. R. Stephens to intervene, granted Mar. 4, 1955. Briefs for the parties filed. Pending.
State of Tennessee, et al	District of Columbia	Mar. 14, 1955	Orders of Feb. 9 and 18, 1955, granting a joint application filed pursuant to secs. 6 (b), 9 (a) and 10 of the Public Utility Holding Company Act of 1935 by Mississippi Valley Generating Co. and Middle South Utilities, Inc. and The Southern Co. Motions of Mississippi Valley Generating Co., Middle South Utilities, Inc. and The Southern Co. for intervention granted Apr. 8, 1955. Motions of intervenors to dismiss, Apr. 13, 1955. Response of Commission to motion to dismiss, Apr. 19, 1955. Brief of U. S. as amicus curiae filed May 17, 1955. Brief of Commission filed May 24, 1955. Reply briefs for petitioners and intervenors filed May 26, 1955. Pending.
The United Corporation (Public Service Corp. of N. J.).	3d circuit	Aug. 7, 1953	Order of June 16, 1953, denying reimbursement for fees and expenses incurred in reorganization of subsidiary pursuant to sec. 11 (e) of Holding Company Act. Judgment Feb. 26, 1954, affirming the Commission decision. Petition for certiorari filed May 25, 1954; brief in opposition filed July 2, 1954, certiorari denied, Oct. 14, 1954. Closed.
Weber, Charles M	2d circuit	Nov. 12, 1954	Order of Sept 14, 1954, revoking the broker-dealer registration of Charles M. Weber and expelling him from membership in the National Association of Securities Dealers, Inc. Briefs for petitioner and respondent filed. Decision of CA-2, May 20, 1955, affirming the Commission's order. Pending.

TABLE 17.—*Criminal contempt proceedings pending during the fiscal year ended June 30, 1955*

Principal defendants	Number of defendants	United States District Court	Initiating papers filed	Status of case
William E. Horton	1	Southern District of California.	Oct. 21, 1954	Order to show cause issued Oct. 21, 1954, returnable Nov. 22, 1954, why Horton should not be held in criminal contempt for violating temporary restraining order, Apr. 23, 1954, and preliminary injunction, May 17, 1954, enjoining violations of Sec. 5 of 1933 Act. Horton pleaded guilty to 3 counts of criminal contempt on Dec. 6, 1954, and was sentenced to 90 days. On Jan. 21, 1955, he was permitted to withdraw his plea of guilty and on Apr. 7, 1955, after hearing he was found guilty of criminal contempt and fined $1,000 and sentenced to 5 years probation. Closed.
Homer C. Mills	1	District of Nevada	June 4, 1954	Mills was found guilty of criminal contempt on Oct. 7, 1954, for four violations of injunctive decree entered June 30, 1953, and placed on probation for 3 years. Notice of appeal filed Oct. 7, 1954. Pending.

TABLE 18.—*Cases in which the Commission participated as intervenor or as amicus curiae, pending during the fiscal year ended June 30, 1955*

Name of case	United States District Court, Court of Appeals, or U. S. Supreme Court	Date of entry	Nature and status of case
Austrian and Butcher as Trustees of Central States Electric Corp. v. *Harrison Williams, et al.*	2d Circuit; U. S. Supreme Court.	Reopened: Apr. 9, 1954; Oct. 5, 1954; Feb. 23, 1955.	Appeal by trustee from order of District Court entered Oct. 17, 1953, applying New York indemnity provisions to action brought in U. S. District Court in New York by Chapter X trustee. Decision May 17, 1954, reversing judgment of court below and directing dismissal of proceeding for lack of jurisdiction. Petition for rehearing and briefs in opposition filed. Petition granted July 23, 1954, and briefs on rehearing filed. Opinion, Oct. 19, 1954, reaffirming original decision. Petition for certiorari filed Jan. 17, 1955, denied Feb. 28, 1955. Closed.
Beury, et al. v. *Beury, et al*	4th Circuit	Apr. 9, 1955	Review of decision dismissing private suit under Sec. 10 (b) of 1934 Act and Rule X-10B-5, as to certain defendants. Record and appellants brief filed. Motion to dismiss and brief of appellees filed. Commission brief filed Apr. 9, 1955. Decision, May 9, 1955, dismissing the appeal. Closed.
Carr Consolidated Biscuit Co. v. *Moore*	Middle District of Pennsylvania.	Dec. 6, 1951	Action under sec. 16 (b) of Securities Exchange Act. Motion for summary judgment filed by plaintiff and motion to dismiss by defendant. Defendant's motion to dismiss denied without prejudice Oct. 25, 1954, and plaintiff granted leave to amend. Plaintiff's motion for an additional 20 days to file amended pleading granted Nov. 10, 1954. Closed.
Forker v. *Wyoming-Gulf Sulphur Corp. et al.*	District of New Jersey	Oct. 25, 1954; Nov. 22, 1954; Jan. 5, 1955.	Action seeking damages and a mandatory order requiring transfer of stock to purchasers. Commission intervened, Oct. 25, 1954, to protect injunctive decree. Commission memorandum filed Nov. 22, 1954, and answer filed Jan. 5, 1955. Pending.
Kinsey, et al. v. *Knapp, et al*	Eastern District of Michigan.	Feb. 8, 1955	Action alleging *inter alia* violations of 1933 and 1934 Acts. Memorandum of Commission as amicus curiae, Feb. 8, 1955. Findings of Fact, Conclusions of Law, and Partial Final Judgment in favor of plaintiffs, Aug. 4, 1955. Closed.
Nichols, et al. v. *Long Island Lighting Company.*	Eastern District of New York; Second Circuit; U. S. Supreme Court.	Dec. 11, 1952; Apr. 13, 1953; Aug. 5, 1954.	Action by Nichols and other stockholders of Long Island Lighting Co. for damages from consummation of Holding Company Act plan. Order Jan. 12, 1953, denying defendant's motion for summary judgment. Order Jan. 22, 1953, granting SEC's motion to intervene and to dismiss action. Appeal from orders of Jan. 12, and 22, 1953, by Nichols, et al. Opinion of CA-2, Nov. 12, 1953, affirming order of dismissal. Amended decision, Mar. 22, 1954. Order Apr. 7, 1954, denying petition for rehearing. Petition for certiorari filed. Brief of Commission in opposition, Aug. 5, 1954. Certiorari denied, Oct. 14, 1954. Petition for rehearing filed by Nichols, Oct. 29, 1954; denied Nov. 15, 1954. Closed.
Speed, et al. v. *Transamerica Corp*	District of Delaware	Feb. 19, 1947; Oct. 14, 1948; Jan. 14, 1949.	Action for violation of rule X-10B-5 under sec. 10 (b) of Securities Exchange Act. Motion to dismiss denied May 9, 1947. Rehearing denied June 25, 1947. Case tried on merits. Reargument on questions of law June 22-23, 1950. Opinion in favor of plaintiffs Aug. 8, 1951. Special master appointed Oct. 18, 1951, to recommend amount of damages. Special master died before final report on damages. District Judge reassumed jurisdiction. Pending.
Sullivan v. *Burns*	District of Massachusetts	Mar. 31, 1952	Action for services rendered to defendant, partly in connection with proceedings under Holding Company Act in the matter of Eastern Gas & Fuel Associates. Motion for stay by defendant. Case settled Dec. 15, 1954. Closed.

TABLE 19.—*Proceedings by the Commission to enforce subpenas under the Securities Act of 1933 and the Securities Exchange Act of 1934, pending during the fiscal year ended June 30, 1955*

Principal defendants	Number of defendants	United States District Court	Initiating papers filed	Section of act involved	Status of case
Goddard, Charles E	3	District of Oregon	Apr. 13, 1955	Sec. 22 (b), 1933 Act	Order Apr. 13, 1955, directing respondents to show cause why an order should not be issued requiring respondents to comply with subpenas. Order May 23, 1955, enforcing subpenas and requiring appearance of respondents. Order June 7, 1955, pursuant to stipulation, resetting the time for respondents appearance to June 16, 1955. Pending.
International Village, Inc	2	Southern District of California.	July 16, 1954	Sec. 22 (b), 1933 Act	Order July 19, 1954, directing respondents to show cause why an order should not be issued requiring respondents to comply with subpenas duces tecum. Order Sept 20, 1954, directing obedience to subpenas. Closed.
Larsco Drilling Co	2	Western District of Oklahoma.	Sept. 29, 1954	Sec. 22 (b), 1933 Act	Application Sept. 29, 1954, for an order requiring respondents to comply with subpena duces tecum. Order Sept. 29, 1954, pursuant to stipulation of respondents consenting to entry of order requiring obedience to subpena. Closed.
McBride, John F	3	District of New Jersey	Mar. 8, 1955	Sec. 22 (b), 1933 Act	Application Mar. 8, 1955, for an order requiring respondents to comply with subpena duces tecum. Order by consent of respondents directing compliance with subpena. Closed.
Stardust, Inc	2	Southern District of California.	June 24, 1955	Sec. 22 (b), 1933 Act	Order June 24, 1955, directing respondents to show cause why an order should not be issued requiring respondents to comply with subpenas duces tecum. Pending.

TABLE 20.—*Miscellaneous actions involving the Commission or employees of the Commission during the fiscal year ended June 30, 1955*

Plaintiff	Court	Initiating papers filed	Status of case
Alleghany Corp., In re	Before Interstate Commerce Commission.	Sept. 20, 1954	Petitions of SEC Sept. 20 and 24, 1954, to intervene for purpose of requesting that ICC limit its jurisdiction over Alleghany Corp. as a carrier, intervention granted but SEC request denied. SEC supplemental memorandum filed Dec. 14, 1954; reply of Alleghany, Dec. 31, 1954. Petition for reconsideration filed Apr. 1, 1955, petition granted and prior determination was affirmed May 24, 1955. Pending.
Feasted, Jerome J. H	District of Columbia	July 1, 1954	Summons and complaint filed July 1, 1954, to enjoin the Commission from enforcing separation in reduction in force. Order for preliminary injunction entered July 13, 1954. Order July 23, 1954, staying injunction pending appeal. Government's motion to dismiss complaint granted Aug. 30, 1954. Appeal dismissed Nov. 19, 1954. Closed.
Kinsey, John P	Eastern District of Michigan.	Feb. 2, 1954	Complaint filed Feb. 2, 1954, seeking to void voting trust established by existing management of Monroe Paper Products Co., to oust management, and to obtain damages for alleged breaches of fiduciary duties. Complaint alleged, *inter alia*, violation of Sec. 5 of 1933 Act in establishment of voting trust. Trial commenced Oct. 12, 1954. Subpena for testimony and Commission files served on SEC attorney in Detroit Dec. 23, 1954. Brief of Commission on privileged nature of documents and testimony sought, filed Feb. 4, 1955. Expanded subpena served Feb. 7, 1955. Motion to quash filed Feb. 8, 1955, and denied Feb. 11, 1955. Formal claim of privilege filed Feb. 10, 1955. While representing SEC employees called as witnesses, General Counsel Timbers ordered to take witness stand himself on Mar. 1, 1955. Oral order holding Timbers in contempt for refusing to produce internal report of investigation, Mar. 2, 1955. Notice of appeal filed by Timbers Mar. 2, 1955. Stay of oral contempt order granted by CA-6, Mar. 2, 1955. Written order adjudicating Timbers in contempt filed Mar. 2, 1955. Appeal from written contempt order filed by Timbers Mar. 5, 1955. Appeals from both contempt orders filed by Commission Mar. 5, 1955. CA-6 stay order amended to stay written contempt order also, Mar. 5, 1955. Appeal given calendar preference. Appellate record, briefs, reply briefs, and appendices filed. Oral argument heard by CA-6, Apr. 12, 1955. Pending.
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. Defendant's answer and motion for summary judgment filed. Plaintiff's time to answer extended to Aug. 1, 1955. Pending.
Lynch, Mildred J	District of Columbia	May 7, 1953	Complaint demanding judgment for personal injury filed May 7, 1953. Answer filed July 13, 1953. Stipulation for settlement approved by court, Aug. 20, 1954. Closed.
Mt. Hood Hardboard & Plywood Cooperative.	District of Oregon	Mar. 17, 1955	Complaint to enjoin Commission investigation under Sec. 20 of the Securities Act of 1933, filed Mar. 17, 1955. Commission motion to dismiss, April 13, 1955 and memorandum in support, May 16, 1955. Plaintiff's reply memorandum filed May 26, 1955. Commission reply memorandum, June 2, 1955. Opinion, June 14, 1955, granting motion to dismiss. Closed.

TABLE 21.—*Actions pending during fiscal year ended June 30, 1955, to enforce voluntary plans under section 11 (e) to comply with section 11 (b) of the Public Utility Holding Company Act of 1935*

Name of case	United States District Court	Initiating papers filed	Status of case
Central Ohio Light & Power Co.	Northern District of Ohio	Dec. 15, 1954	Application filed Dec. 15, 1954. Plan approved and enforced Jan. 21, 1955. Court order releasing jurisdiction of assets, Aug. 1, 1955. Closed.
Eastern Gas and Fuel Associates	Massachusetts	Reopened July 27, 1953.	Supplemental application on fees filed July 27, 1953. Objections by Koppers Co., Inc. and by F. C. Dumaine, Jr., et al., individually and as a Committee for 6 percent Preferred Shares. Supplemental order Mar. 11, 1954, approving and enforcing plan except as to F. C. Dumaine, Jr. Notice of appeals filed by Koppers Co., Inc., May 3, 1954, and by the Commission May 4, 1954. Order Oct. 5, 1954, denying motion of Arthur E. Spellissy for leave to file brief as amicus curiae. Judgment by CA-1 Dec. 31, 1954, affirming as to fee of Koppers Company and reversing as to fee of Dumaine and remanding case to District Court. Petition for certiorari by Dumaine denied May 16, 1955. Closed.
Electric Power & Light Corp.	Southern District of New York.	Reopened June 20, 1952.	Supplemental application on fees filed June 20, 1952. Order Feb. 18, 1953, overruling objections and approving and enforcing plan. Notice of appeals filed by Drexel & Co. and Christian A. Johnson and Cameron Biewend on Apr. 10, 1953. Judgment by CA-2 Feb. 25, 1954, affirming the order of the District Court, except as to fee of Drexel & Co., which was reversed. Order Mar. 23, 1954, denying petition of Christian A. Johnson and Cameron Biewend for rehearing. Petitions for writ of certiorari filed by Commission and Christian A. Johnson, et al., June 21, 1954. Commission's petition for certiorari granted and petition of Johnson, et al. denied, Oct. 14, 1954. Opinion of Supreme Court Feb. 28, 1955, reversing the order of CA-2. Opinion Apr. 18, 1955, denying petition for rehearing. Remanded by CA-2, June 9, 1955, pursuant to stipulation of June 3, 1955. Pending.
Engineers Public Service Co.	Delaware	Reopened May 8, 1952.	Supplemental application II on fees filed May 8, 1952. Objections by Louis Boehm, Frances Boehm, Guggenheimer & Untermyer, Raymond L. Wise and Lawrence R. Condon. Order of District Court Feb. 16, 1954, directing allowance of additional compensation to Lawrence R. Condon, Guggenheimer & Untermyer, and Louis Boehm and Raymond L. Wise. Appeal by Commission Mar. 11, 1954, from additional allowances except that to Condon. Brief and appendix of Commission filed July 10, 1954. Briefs of appellees filed Oct. 6 and 22, 1954. Reply briefs of Commission and appellees filed Nov. 1 and 12, 1954. Judgment Apr. 5, 1955, by CA-3 affirming the District Court order. Closed.
Long Island Lighting Co.	Eastern District of New York.	Dec. 5, 1952	Supplemental application filed Feb. 25, 1953. Order May 11, 1953, approving Commission's fee allowances as to all claimants with the exception of the Langley Committee, which was allowed additional expenses. Notice of appeal filed by Nichols Committee July 9, 1953. Decision of CA-2 Mar. 12, 1954, affirming in part and reversing in part. Order Apr. 7, 1954, denying Committee's petition for rehearing. Order of District Court July 7, 1954, remanding cause to Commission pursuant to mandate of CA-2. Order for settlement of fees entered by District Court, Aug. 13, 1954. Closed.

TABLE 21.—*Actions pending during fiscal year ended June 30, 1955, to enforce voluntary plans under section 11 (e) to comply with section 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
Market Street Railway Co.	Northern District of California.	May 3, 1950	Order July 11, 1950, approving principal provisions of the plan for disapproving plan insofar as it failed to provide an allowance of fees for attorney for the Van Kirk Committee for prior preference stockholders and remanding case to Commission. Appeal taken by Commission from those portions of order which disapproved Commission's determination with respect to fee. Appeals taken by William J. Cogan and Charles T. Jones from provisions of the order which approved the plan in substantially all other respects. Cogan and Jones also appealed from order of Nov. 21, 1950, which both approved and directed enforcement of Step One of an amended plan, consisting of those provisions of earlier plan approved by July 11, 1950, order, and which Commission, after remand, had severed from fee provisions constituting Step Two. Appeals from both orders consolidated Mar. 7, 1951. District Court order of Nov. 21, 1950, approving Step One, affirmed Dec. 27, 1951; portion of order of July 11, 1950, relating to Cogan's fee reversed. Petition filed by Cogan for rehearing as to his fee granted Feb. 13, 1952. Opinion by CA-9, Dec. 22, 1952 (201 F. 2d 78), affirming all orders of the District Court. Supplemental application II filed May 16, 1953. Order July 3, 1953, overruling objections and approving and enforcing plan. Pending.
Niagara Hudson Power Corp.	Northern District of New York.	Reopened Mar. 12, 1953.	Supplemental application II on fees filed Mar. 12, 1953. Objections of The United Corp. filed Apr. 13, 1953. Supplemental order Nov. 12, 1953, overruling objections and approving and enforcing plan. Notice of appeal filed by The United Corp., Dec. 15, 1953. Brief for appellant served Mar. 19, 1954. Brief for appellee filed Sept. 27, 1954. Affirmed by CA-2, Feb. 3, 1955. Closed.
Northern States Power Co.	Minnesota	Reopened June 2, 1952.	Supplemental application on fees filed June 2, 1952. Order Mar. 3, 1953, directing modification of Commission orders with respect to claims of certain persons. Appeals to CA-8 by Commission and Standard Gas and Electric Co. District Court order affirmed by CA-8 on Apr. 19, 1954. Petition for writ of certiorari filed July 15, 1954, by Standard Gas and Electric Co. Certiorari denied Oct. 14, 1954. Closed.
Philadelphia Company	Western District of Pennsylvania.	Reopened Dec. 14, 1954.	Supplemental application III filed Dec. 14, 1954. Plan approved and enforced for elimination of guaranties to Monongahela Light and Power Co., Jan. 10, 1955. Closed.
Standard Gas and Electric Co.	Delaware	Reopened June 17, 1954.	Motion for leave to file application for compensation and reimbursement of expenses, June 17, 1954. Brief of Commission in opposition, July 20, 1954. Reply brief by applicants, July 27, 1954. Supplemental application II filed Dec. 27, 1954. Order Feb. 11, 1955, approving and enforcing plan. Supplemental application III filed May 19, 1955. Order approving and enforcing plan June 10, 1955. Closed.
Standard Power and Light Corp.	Delaware	Nov. 1, 1954	Application filed Nov. 1, 1954. Plan approved and enforced Dec. 3, 1954. Closed.
The United Corporation	Delaware	Reopened July 9, 1952.	Supplemental application on fees filed July 9, 1952. Objections filed by The United Corporation, by Counsel for the Committee of Holders of $3 Cumulative Preference Stock, and by Randolph Phillips. Opinion Mar. 2, 1954, affirming Commission orders relating to fees with exception of order pertaining to Preference Stockholders Committee, which was remanded. Order of settlement signed Oct. 11, 1954. Closed.
The United Corporation	Delaware	Oct. 11, 1954	Application filed Oct. 11, 1954. Objections of Alfred A. Biddle and the Protective Committee for Holders of Option Warrants, Oct. 28, 1954. Objections by Downing and Phillips, et al., Nov. 8, 1954. Objections by Herbert Diamond, et al., Nov. 9, 1954. Opinion Jan. 17, 1955, approving plan. Enforcement order entered Mar. 7, 1955. Notices of appeal by Biddle and Diamond filed May 3 and 5, 1955. Appeal by Schamus from order dated May 26, 1955, denying him leave to file a declaration in declaratory judgment, filed June 14, 1955; dismissed July 25, 1955. Pending.

TABLE 22.—*Actions under sec. 11 (d) of the Public Utility Holding Company Act of 1935 pending during the fiscal year ended June 30, 1955, 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	May 1, 1953	Dissolution of this holding company was ordered by the Commission on July 21, 1942, pursuant to sec. 11 (b) (2) of the Act. 11 S. E. C. 888, affirmed 137 F. 2d 475, modification denied, HCA Release No. 9535, affirmed 184 F. 2d 646. In 1943 proceedings were instituted under sec. 11 (d) in the U. S. District Court (Mass.). In 1944 a trustee was appointed. Plan for retirement of debentures was approved and consummated in 1950. Sales of certain system properties approved by orders entered on June 5 (affirmed 208 F. 2d 800) and June 16, 1953. Plan for retirement of preferred stock approved by order Nov. 16, 1953. Order Nov. 30, 1953, approved Trustee's petition to sell shares of New England Electric System. Trustee's report dated May 11, 1954, of results of nomination and election of directors by Class A Stockholders under Part III (First Amendment) of Trustee's Second Plan. Order July 26, 1954, allowing Trustee's petition to invest funds in Obligations of U. S. Order Dec. 8, 1954, denying motions to strike and to dismiss petition, appointing a master, and for approval of interim directors. Order Apr. 12, 1955, approving compensation and reimbursement of expenses to representatives of debenture holders. Order of notice June 21, 1955, for hearing on petition for fees and expenses to Interim Board of Directors. Pending.

TABLE 23.—*Reorganization cases under ch. X of the Bankruptcy Act pending during the fiscal year ended June 30, 1955, in which the Commission participated when appeals were taken from district court orders*

Name of case and United States Court of Appeals	Nature and status of case
General Stores Corporation, debtor; Securities and Exchange Commission and Max Shlensky, stockholder, appellants (2d circuit).	Appeal from order of Feb. 4, 1955, granting motions of Commission and Max Shlensky, a stockholder, for dismissal of debtor's Chapter XI petition. Appellant's brief filed Mar. 18, 1955. Commission filed brief, Mar 18, 1955. Debtor's motion for stay pending appeal granted Mar. 21, 1955. Opinion of CA-2, Apr. 14, 1955, holding that relief should be sought under Chapter X. Petition for writ of certiorari filed by debtor, June 22, 1955. Pending.
Inland Gas Corp., et al., debtors; Vanston Committee, Green Committee, Paul E. Kern and Clinton M. Harbison, Trustee, appellants (6th circuit).	Appeals from order of Feb. 12, 1953, approving the amended plan of reorganization. Commission filed brief Oct. 5, 1953, in support of plan. Decision of CA-6, Mar. 18, 1954, affirming the plan of reorganization. Order Apr. 7, 1954, denying petition for rehearing. Petition for writ of certiorari filed July 3, 1954. Briefs by the Green Committee on July 30, 1954, and by the Commission on Aug. 5, 1954, in opposition. Certiorari denied Oct. 14, 1954. Closed.
Inland Gas Corp., et al, debtors; Alfred Howell, Edward D. Spilman, Elmo E. Allen, Paul W. Kautz and George H. Greenwald, appellants (6th circuit).	Appeal from order of Oct. 7, 1954, denying the petition of stockholders of American Fuel and Power Company which requested that the plan of reorganization be modified. Petition of Green Committee to dismiss appeal, Nov. 16, 1954. Reply of Inland Gas Corp. to petition of Green Committee. Commission filed response Nov. 1, 1954, urging the dismissal of the appeal. Judgment by CA-6, Dec. 15, 1954, dismissing appeal. Closed.
Pittsburgh Railways Company, debtor; Estate of Joseph Nemerov and Prichard, Lawler, Malone & Geltz, appellants (3d circuit).	Appeal from order of June 8, 1954, amended June 22, 1954, denying the petition for approval of agreement to share in compensation. Brief of appellant filed July 9, 1954. Commission filed memorandum in opposition to appeal, July 22, 1954. Order Aug. 6, 1954, denying petition for leave to appeal. Closed.
Pittsburgh Terminal Coal Corp., debtor; Securities and Exchange Commission, appellant (3d circuit).	Appeal from order of Nov. 29, 1954, directing the Commission to pay one-half of the cost of the transcription of the record of court proceedings. Brief of Commission filed Mar. 2, 1955. Order by CA-3, Apr. 6, 1955, directing that District Court enter an appropriate order. Order May 2, 1955, upon Commission motion, dismissing the appeal, following withdrawal by District Court of order from which appeal was taken. Closed.
Silesian-American Corp., debtor; Francis X. Conway, Trustee, et al., appellants (2d circuit).	Appeals from order of June 17, 1952, dismissing petition of Trustee for an accounting and other relief against the Swiss Banks. Commission filed briefs Jan. 23 and Mar. 3, 1953, supporting appeals and contending court had jurisdiction over claims against the banks. Opinion Apr. 13, 1953, affirming the order of the district court. Petition for rehearing denied June 8, 1953. Petitions for writ of certiorari supported by Commission filed in Nov. 1953. Brief for respondents in opposition, Nov. 1, 1954. Consideration of petitions for certiorari deferred by Supreme Court. Pending.
Solar Manufacturing Corp., debtor; Samuel Marion, Milton M. Unger and Edward Endelman, and Morton Stavis, appellants (3d circuit).	Appeals from order of Dec. 11, 1953, fixing allowances for services rendered. Briefs filed in April 1954. Commission's brief took position that overall fees were too high while fees awarded certain creditors' representatives were too low. Judgment Aug. 2, 1954 vacating the District Court order and remanding for a new order. Amended opinion filed Sept. 1, 1954. Petition for rehearing denied Sept. 2, 1954. Closed.
Third Avenue Transit Corp., et al., debtors; The Hanover Bank, Aaron A. Melniker, William Melniker, Clarence E. Pyle, O'Connell Committee, Harry R. Amott, Ralph H. Haas and Wadsworth Garfield, appellants (2d circuit).	Appeals from order of May 28, 1954, finding and declaring the status of certain Treasury Bonds, filed June 1, 10, 14 and 15, 1954. Briefs for appellants and appellees filed. Commission filed brief Feb. 24, 1955, in support of appeals. Reply briefs filed during March 1955. Decision of CA-2, May 5, 1955, reversing and holding that required bonds reduced pro rata the lien of the bondholders. Closed.
Transvision, Inc., debtor; Securities and Exchange Commission, appellant (2d circuit).	Appeal from order of Jan. 12, 1954, denying the Commission's motion to dismiss the Chapter XI proceedings for Transvision, Inc. on ground that Chapter XI was inappropriate since debtor has a substantial number of public investors. Brief for Commission Apr. 26, 1954, in support of appeal, and appellees brief filed June 30, 1954. Opinion Nov. 9, 1954, affirming the order which denied motion to dismiss and reversing order which denied intervention. Order Dec. 15, 1954, denying petition for rehearing. Petition by Commission for writ of certiorari, Jan. 14, 1955. Brief for respondent in opposition, Feb. 9, 1955 and memorandum for Commission in reply, Feb. 21, 1955. Certiorari denied, Feb. 28, 1955. Closed.

TABLE 24.—*A 22-year summary of criminal cases developed by the Commission—1934 through 1955 by fiscal year*

[See table 26 for classification of defendants as broker-dealers, etc.]

Fiscal year	Number of cases referred to Department of Justice in each year	Number of persons as to whom prosecution was recommended in each year	Number of such cases in which indictments were obtained by United States attorneys	Number of defendants indicted in such cases [1]	Number of these defendants convicted	Number of these defendants acquitted	Number of these defendants as to whom proceedings were dismissed on motion of United States attorneys	Number of these defendants as to whom cases are pending [2]
1934	7	36	3	32	17	0	15	0
1935	29	177	14	149	84	5	60	0
1936	43	379	34	368	164	46	158	0
1937	42	128	30	144	78	32	34	0
1938	40	113	33	134	75	13	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	48	15
1943	31	91	28	108	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	15	5
1948	16	32	15	29	20	3	6	0
1949	27	44	25	57	17	13	25	2
1950	18	28	15	27	21	1	5	0
1951	29	42	24	48	37	5	6	0
1952	14	26	13	24	16	4	3	1
1953	18	32	15	33	17	6	5	5
1954	19	44	19	52	11	3	0	38
1955	[3] 8	12	5	9	1	0	2	6
Total	638	2,107	[4] 533	2,259	1,223	279	[5] 660	97

[1] The number of defendants in a case is sometimes increased by the Department of Justice over the number against whom prosecution was recommended by the Commission. For the purpose of this table, an individual named as a defendant in 2 or more indictments in the same case is counted as a single defendant.
[2] See table 25 for breakdown of pending cases.
[3] Three of these references as to 4 proposed defendants were still being processed by the Department of Justice as of the close of the fiscal year.
[4] 501 of these cases have been completed as to 1 or more defendants. Convictions have been obtained in 433 or 86 percent of such cases. Only 68 or 14 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.
[5] Includes 50 defendants who died after indictment.

TABLE 25.—*Summary of criminal cases developed by the Commission which were still pending at June 30, 1955*

	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	3	14	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	2	6	1	5	0	0
1948	0	0	0	0	0	0
1949	2	2	0	1	1	0
1950	0	0	0	0	0	0
1951	0	0	0	0	0	0
1952	1	2	1	0	0	1
1953	5	15	10	1	3	1
1954	11	38	0	8	27	3
1955	3	6	0	0	6	0
Total	[1] 34	[1] 118	21	53	39	5

SUMMARY

Total cases pending [1]	37
Total defendants [1]	122
Total defendants as to whom cases are pending [1]	101

[1] Except for 1955, indictments have been returned in all pending cases. As of the close of the fiscal year, indictments had not yet been returned as to 4 proposed defendants in 3 cases referred to the Department of Justice in 1955. These are reflected only in the recapitulation of totals at the bottom of the table.

TABLE 26.—*A 22-year summary classifying all defendants in criminal cases developed by the Commission—1934 to June 30, 1955*

	Number indicted	Number convicted	Number acquitted	Number as to whom cases were dismissed on motion of United States attorneys	Number as to whom cases are pending
Registered broker-dealers [1] (including principals of such firms)	343	210	24	99	10
Employees of such registered broker-dealers	123	64	16	42	1
Persons in general securities business but not as registered broker-dealers (includes principals and employees)	716	357	57	257	45
All others [2]	1,077	592	182	262	41
Total	2,259	1,223	279	660	97

[1] Includes persons registered at or prior to time of indictment.
[2] The persons referred to in this column, while not engaged in a general business in securities, were almost without exception prosecuted for violations of law involving securities transactions.

TABLE 27.—*A 22-year summary of all injunction cases instituted by the Commission, 1934 to June 30, 1955, 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.[1]	
	Cases	Defendants	Cases	Defendants
1934	7	24	2	4
1935	36	242	17	56
1936	42	116	36	108
1937	96	240	91	211
1938	70	152	73	153
1939	57	154	61	165
1940	40	100	42	99
1941	40	112	36	90
1942	21	73	20	54
1943	19	81	18	72
1944	18	80	14	35
1945	21	74	21	57
1946	21	45	15	34
1947	20	40	20	47
1948	19	44	15	26
1949	25	59	24	55
1950	27	73	26	71
1951	22	67	17	43
1952	27	103	18	50
1953	20	41	23	68
1954	22	59	22	62
1955 (to June 30)	9	22	8	20
Total	679	2,001	[2] 619	1,580

SUMMARY

	Cases	Defendants
Actions instituted	679	2,001
Injunctions obtained	612	1,580
Actions pending	6	[3] 16
Other dispositions [4]	61	405
Total	679	2,001

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

[2] Includes 7 cases which were counted twice in this column because injunctions against different defendants in the same cases were granted in different years.

[3] Includes 4 defendants in 2 cases in which injunctions have been obtained as to 13 co-defendants.

[4] Includes (a) actions dismissed (as to 339 defendants); (b) actions discontinued, abated, vacated, abandoned, or settled (as to 52 defendants); (c) actions in which judgment was denied (as to 11 defendants); (d) actions in which prosecution was stayed on stipulation to discontinue misconduct charged (as to 3 defendants).

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