

PART VI

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 the physical integration of public utility and functionally related properties of holding company systems, and those provisions, principally section 11 (b) (2), which require the simplification of intercorporate relationships and financial structures of holding company 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 intercompany transactions. The third area includes the provisions of the Act providing for exemptions, and those 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 CHANGES

During 1956 two registered holding companies, Interstate Power Co.¹ and Wisconsin Southern Gas Co., Inc.,² disposed of their remaining subsidiaries by means of dissolution and merger and as a result their registrations as holding companies were terminated by orders of the Commission pursuant to section 5 (d) of the Act. As a consequence, there remained on June 30, 1956, 23 public utility holding company systems, controlling one or more electric or gas utility subsidiaries, which are subject to the regulatory provisions of the Act as registered systems. The aggregate assets of these systems as at December 31, 1955, less valuation reserves, amounted to \$10,411 million. Included in these 23 systems were 27 registered holding companies of which 21 function solely as holding companies and 6 also function as operating companies plus 164 electric and gas utility subsidiaries, and 111 nonutility subsidiaries, a total of 302 companies. In two systems there are 2 registered holding companies each, and in another there are 3 registered holding companies. For convenience of discussion these 23 systems will be referred to as "active systems."

The following tabulation shows the number of holding companies, electric and gas utility companies and nonutility companies comprising the 23 active registered systems as at June 30, 1956, and their aggregate assets as of December 31, 1955.

¹ Holding Company Act Release No. 13039 (November 17, 1955).

² Holding Company Act Release No. 13015 (October 20, 1955).

Classification of Companies in Active Registered Holding Company Systems as of June 30, 1956

Active system	Solely registered holding companies	Registered holding-operating companies	Electric and gas utility subsidiaries	Non-utility subsidiaries	Total companies	Aggregate system assets, less valuation reserves, as at Dec. 31, 1955 (000,000 omitted)
1. American Gas and Electric Co.	1		12	12	25	\$1,071
2. American Natural Gas Co.	1		2	4	7	514
3. Central Public Utility Corp.	1		4	7	12	126
4. Central and South West Corp.	1		6	0	7	495
5. Cities Service Co.	1		1	40	42	² 1,095
6. Columbia Gas System, Inc., The.	1		10	5	16	721
7. Consolidated Natural Gas Co.	1		4	1	6	496
8. Delaware Power & Light Co.		1	2	0	3	143
9. Eastern Utilities Associates.	1		4	0	5	76
10. Electric Bond and Share Co.	1		53	13	67	³ 730
11. General Public Utilities Corp.	1		8	4	13	677
12. Granite City Generating Co. (Vol. Tr.).	1		1	0	2	1
13. International Hydro-Electric System (Tr.).	2		2	1	5	⁴ 31
14. Middle South Utilities, Inc.	1		7	1	9	590
15. National Fuel Gas Co.	1		4	6	11	155
16. New England Electric System.	1		26	2	29	497
17. Ohio Edison Co.		1	3	0	4	475
18. Philadelphia Electric Power Co.		1	1	0	2	45
19. The Southern Co.	1		4	4	9	880
20. Standard Shares, Inc.	3		1	4	8	⁵ 27
21. Union Electric Co.		1	3	2	6	458
22. Utah Power & Light Co.		1	1	0	2	184
23. West Penn Electric Co., The.	1	1	12	7	21	457
Total companies all systems.	21	6	171	113	311	9,844
Less: Adjustment to eliminate duplication in count resulting from five companies being subsidiaries, as defined in the Act, in two systems and two companies being subsidiaries, as defined in the Act, in three systems ⁶			7	2	9	
Add: Adjustment to include assets of these 7 subsidiaries and to remove investments therein which are included in system assets above.						567
Total companies in active systems.	21	6	164	111	302	7,101,411

¹ Union Electrica de Canarias S. A., a 92.9 percent owned subsidiary, is included as an investment and not consolidated. Financial statements of this company expressed in United States dollars are not available.

² Total consolidated assets, less valuation reserves, of Cities Service Co. and all of its subsidiaries amounted to \$1,095 million at Dec. 31, 1955. Cities' sole public utility subsidiary, Dominion Natural Gas Co., Ltd., had total assets, less valuation reserves, of \$15 million on that date.

³ Excludes Bond and Share's investment in its subsidiary, American & Foreign Power Co., Inc. (56-percent owned) which is not included in consolidation. For statistical purposes Foreign Power's consolidated assets, less valuation reserves, of \$644 million have been combined with the assets of Bond and Share, adjusted, as before described.

⁴ Pro forma as at Dec. 31, 1955. Excludes consolidated assets of Gatineau Power Co. and subsidiaries which, after deducting valuation reserves, totaled \$113 million at Dec. 31, 1955. IHES owns 18.8 percent of Gatineau's outstanding voting securities.

⁵ Represents market value of the corporate assets of Standard Shares, Inc., at Sept. 30, 1955. Standard Shares owns 45.59 percent of the common stock of Standard Gas & Electric Co., a registered holding company, which in turn owns all of the common stock of Philadelphia Co., another registered holding company. Standard Shares, Standard Gas, and Philadelphia, together own 14.6 percent of the common stock of Duquesne Light Co., an electric utility subsidiary, as defined in the Act, whose total assets, less valuation reserves, amounted to \$351 million at Dec. 31, 1955. Philadelphia Co. owns 50.9 percent of the common stock of Pittsburgh Railways Co., a nonutility subsidiary whose total assets, less valuation reserves, amounted to \$44 million at Dec. 31, 1955.

⁶ The 5 companies, each of which is a subsidiary, as defined in the Act, in 2 registered systems, are: Beech Bottom Power Co., Inc., and Windsor Power House Coal Co., each of which is owned 50 percent by the American Gas and Electric Co., system and 50 percent by The West Penn Electric Co. system; the Arkla-homa Corp., owned 32 percent by the Central & South West Corp. system, 34 percent by the Middle South Utilities, Inc., system and 34 percent by another electric utility company not associated with a registered system; Electric Energy, Inc., owned 10 percent by Middle South Utilities, Inc., system, 40 percent by Union Electric Co. system, and 50 percent by 3 electric utility companies not associated with registered systems; and Mississippi Valley Generating Co., owned 79 percent by Middle South Utilities, Inc., system and 21 percent by The Southern Co. system. The 2 companies, each of which is a subsidiary, as defined in the Act, in 3 registered systems, are: Ohio Valley Electric Corp., owned 37.8 percent by American Gas and Electric Co. system, 10.5 percent by Ohio Edison Co. system, 12.5 percent by The West Penn Electric Co. system and 33.2 percent by 7 electric utility companies not associated with registered systems; and Indiana-Kentucky Electric Corp., a wholly owned subsidiary of Ohio Valley Electric Corp.

⁷ Includes assets of all subsidiaries, as defined in the Act, of registered holding companies where 50 percent or more of the voting securities of such subsidiaries are owned in the aggregate by 1 or more registered systems, with 2 exceptions, see 1 and 5 above.

On June 30, 1955, there were 25 active registered systems, the aggregate assets of which, less valuation reserves, were \$9,972 million as at December 31, 1954. Included in these systems, were 30 registered holding companies of which 23 functioned solely as holding companies and 7 also functioned as operating companies plus 168 electric and gas utility subsidiaries and 136 nonutility subsidiaries, a total of 334 companies. In each of 3 systems there were 2 registered holding companies, and in a third system there were 3 registered holding companies.

During 1956 active registered systems divested themselves of 2 gas utility subsidiaries with aggregate assets of \$2.9 million and 7 nonutility subsidiaries with assets of \$11.3 million. Three additional utility subsidiaries and 20 nonutility subsidiaries were merged into other system companies. These and other changes bringing about the net decrease of 32 in the number of companies comprising active registered systems during the fiscal year are summarized in the table below. Details of changes occurring in each system are set forth in appendix table 10.

Summary of changes in the composition of active registered public utility holding company systems, 12 months ended June 30, 1956

	Solely registered holding companies	Registered holding operating companies	Electric and gas utility subsidiaries	Non-utility subsidiaries	Total companies
Companies in 25 active registered holding company systems—June 30, 1955.....	23	7	168	136	334
Additions during fiscal year 1956:					
Going concerns acquired.....				1	1
New companies organized.....			1	3	4
Total companies associated with active systems during fiscal year 1956.....	23	7	169	140	339
Deductions:					
Companies divested by holding companies; no longer subject to Act.....			2	7	9
Companies dissolved.....	1			1	2
Companies absorbed in mergers or consolidations.....			3	20	23
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	1		1	3
Companies in 23 active registered holding company systems—June 30, 1956.....	21	6	164	111	302

¹ This reflects a reduction from the previous year in the number of nonutility subsidiaries reported by Cities Service Co., a registered holding company, in its Annual Report on Form U.S. Since the normal operations of the industrial subsidiaries of Cities Service are exempt from the provisions of the Holding Company Act pursuant to rule U-3D-15 thereunder, notification as to the manner of elimination or disposition of these 20 companies has not been received. Published reports concerning the system reveal no record of sales of any of these 20 companies to other persons. Accordingly, it has been assumed that they were eliminated through merger or consolidation.

The maximum number of companies subject to the Act as components of registered holding company systems at any one point of time was 1,620 in June 15, 1938. Since that date additional systems registered, with the result that 2,314 companies have been subject to the Act as registered holding companies and subsidiaries thereof

throughout the entire period from June 15, 1938 to June 30, 1956. Included in this total were 216 holding companies (solely holding companies and operating-holding companies), 998 electric and gas utility companies and 1,100 non-utility enterprises. From June 15, 1938 to June 30, 1956, 2,012 of these companies have been released from the active regulatory jurisdiction of the Act or have ceased to exist as separate corporate entities. Of this number 916 companies with assets aggregating approximately \$14.9 billion as at their respective dates of divestment, have been divested by their respective parents and are no longer subject to the Act as components of registered systems.³ The balance of 1,096 companies includes 765 which were released from the regulatory jurisdiction of the Act as a result of dissolutions, mergers and consolidations,⁴ and 331 companies which ceased to be subject to the Act as components of registered systems as a result of exemptions granted under sections 2 and 3 of the Act and deregistrations pursuant to section 5 (d) of the Act.⁵

DEVELOPMENTS IN ACTIVE REGISTERED SYSTEMS

Among the significant corporate developments of registered systems have been the organization of new companies, divestments of subsidiaries, dispositions of nonretainable properties by operating subsidiaries, acquisitions by systems of additional subsidiaries, and, as previously indicated, the deregistration of certain holding company systems. Following is a discussion of each registered system in which there occurred during 1956 important corporate changes other than financing transactions which are treated in a separate section of this report at page 148 below.

American Gas and Electric Co.

This registered holding company and its 24 subsidiaries with consolidated assets, less valuation reserves, of \$1,071 million at December 31, 1955, constitutes the largest registered holding company system subject to the provisions of the Act. American Gas owns a 37.8 percent interest in one of its subsidiaries, Ohio Valley Electric Corp.^{5a} and the latter's wholly owned subsidiary, Indiana-Kentucky Electric Corp., which 2 companies have placed in operation 2 electric

³ The 916 companies consist of 283 electric utility companies with assets of \$10.5 billion, 180 gas utility companies with assets of \$2.0 billion and 453 holding companies and nonutility enterprises with assets of \$2.4 billion. These totals include companies which remained subject to the Act as components of registered systems immediately following their divestment and which subsequently were released from the regulatory jurisdiction of the Act as a result of exemptions, deregistrations, or other changes in status.

⁴ Includes 104 registered holding companies (solely holding companies and operating-holding companies), 281 electric and gas utility companies and 380 nonutility companies.

⁵ Includes 69 registered holding companies (solely holding companies and operating-holding companies), 96 electric and gas utility companies and 166 nonutility companies.

^{5a} Nine other sponsor-companies own the remainder of the common stock of Ohio Valley: West Penn Electric Company and Ohio Edison Company, both of which are registered holding companies; The Cincinnati Gas & Electric Co., Kentucky Utilities Co. and Louisville Gas and Electric Co., all of which are public utility operating companies and also exempt holding companies; and Columbus and Southern Ohio Electric Co., The Dayton Power and Light Co., Southern Indiana Gas and Electric Co. and The Toledo Edison Co., all of which are public utility operating companies, not subsidiaries of any holding companies.

generating stations with combined capability of 2,365,000 kilowatts.⁶ Almost all the output of these plants will be delivered under contract to an installation of the Atomic Energy Commission.^{6a} The American Gas and Electric system provides electric utility service in more than 2,321 communities in Virginia, West Virginia, Tennessee, Ohio, Indiana, and Michigan having an aggregate population of approximately 4,836,000.

In a proposal approved by the Commission on July 26, 1956,⁷ Appalachian Electric Power Co., a system company, acquired the assets and assumed the liabilities of Flat Top Power Co., another subsidiary of American Gas, with Flat Top being subsequently liquidated. In connection with the transaction, Appalachian issued 10,000 shares of its common stock to Flat Top, which upon its dissolution transferred the shares to American Gas.⁸

Cities Service Co.

Cities Service Co., which is a holding company controlling a large integrated petroleum production, refining and marketing organization, is also a registered holding company, having one public utility subsidiary, Dominion Natural Gas Co., Ltd. As at December 31, 1955, the system had consolidated assets, less valuation reserves, of \$1,095 million of which Dominion Natural Gas accounted for \$15 million.

With respect to a consolidated proceeding, described at page 57 of the 21st Annual Report, involving an exemption application filed by Cities pursuant to section 3 (a) (5) of the Act and a section 11 proceeding pertaining to the elimination of a publicly held 48.5 percent minority interest in its subsidiary, Arkansas Fuel Oil Corp. (Arkfuel), the Commission on August 31, 1956 denied the exemption application, holding, among other things, that the existence of the public minority interest constitutes a complexity and results in an inequitable distribution of voting power in violation of the Act, that it would be detrimental to the interest of investors to grant Cities the requested exemption, and that Cities and Arkfuel must within a reasonable time submit a program of compliance with the Act to effect either the elimination of the minority interest or the disposition by Cities

⁶ Two other subsidiaries are owned 50 percent each by a subsidiary of American Gas and by West Penn Power Co., a subsidiary of West Penn Electric Co., another registered holding company.

^{6a} In its Findings and Opinion and Order (Holding Company Act Release No. 11578 dated November 7, 1952) authorizing the acquisitions of the common stock of Ohio Valley Electric Corporation by 6 of the 10 sponsor-stockholder companies and the acquisition by Ohio Valley of all the common stock of its wholly owned subsidiary, Indiana-Kentucky Electric Corporation, the Commission reserved jurisdiction to consider at a later date (1) the issues under section 10 of the Act raised by these acquisitions and (2) the questions presented under section 13 of the Act with respect to the performance of services for Ohio Valley and its subsidiary, Indiana-Kentucky, by American Gas and Electric Service Corporation, a subsidiary of American Gas and Electric Company, one of the sponsor-stockholder companies. On November 19, 1956, the Commission issued its Notice and Order directing the reopening of the proceeding. (Holding Company Act Release No. 13312).

⁷ Holding Company Act Release No. 13234.

⁸ Holding Company Act Release No. 13220 (Notice of Filing) July 10, 1956.

of its 51.5-percent interest.⁹ On October 29, 1956, Cities filed a petition with the United States Court of Appeals for the Second Circuit seeking a review of the Commission's order pursuant to section 24 (a) of the Act.¹⁰

A petition filed by Reynolds Metals Co., in the United States Court of Appeals for the District of Columbia Circuit to review an order of the Commission approving the sale by Cities of its holdings of 51.5 percent of the common stock of Arkansas-Louisiana Gas Co. (Arkla) to W. R. Stephens Investment Co. which is described in the 21st Annual Report, was dismissed on the ground that the issues had been mooted.¹¹

The Commission reexamined, pursuant to section 3 (c) of the Act, an exemption previously granted to W. R. Stephens Investment Co., Inc., under section 3 (a) (4) of the Act. The exemption was predicated, among other things, on an understanding that W. R. Stephens Investment Co. would distribute the Arkla common stock it had acquired and that prior to the distribution it would cause Arkla to transfer its natural gas and oil properties to a company to be newly organized, and to distribute to its stockholders the stock of the new company which it would receive for its properties, and that the Stephens Co. would sell to a nonaffiliated interstate pipeline company the capital stock of the new company that it would receive as a stockholder of Arkla. The facts developed at the current hearing indicate that the Stephens Co. proceeded with its plans to dispose of Arkla's properties until it learned that the proposed disposition would be taxable to the stockholders of Arkla as an ordinary dividend. At this point it abandoned the proposal. Accordingly, the Commission determined in an order dated March 30, 1956, to modify the exemption order so that, *inter alia*, in the event Arkla or Stephens Co. take any action which would require the filing of an application or declaration, if the former were a subsidiary of and the latter a registered holding company, they are required to give the Commission timely written notice of such proposal in order that the Commission may determine whether an application or declaration shall be filed with respect thereto.¹² Within recent weeks Stephens Co. has renewed its efforts to sell its holdings of Arkla stock.

The Columbia Gas System, Inc.

The Columbia Gas System, Inc., a holding company controlling 14 operating subsidiaries and a subsidiary service company, had consolidated assets, less valuation reserves, totaling \$721 million as at December 31, 1955.

⁹ Holding Company Act Release No. 13254.

¹⁰ *Cities Service Company v. S. E. C.* (C. A. 2, Civil Action No. 24371).

¹¹ *Reynolds Metals Company v. S. E. C.*, unreported (C. A. D. C., Civil Action No. 12,530, January 11, 1956).

¹² Holding Company Act Release No. 13142.

Certain subsidiaries produce and sell gasoline and other hydrocarbons and one subsidiary produces and sells oil. Retail natural gas operations are conducted in the States of Ohio, Pennsylvania, West Virginia, Kentucky, New York, Maryland, and Virginia. Service is provided to 1,303,601 customers. In addition, subsidiaries conduct an extensive wholesale business, selling natural gas to nonaffiliated public utility companies for resale to their customers.

The subsidiaries obtain their natural gas supplies partially from gas produced or purchased in the Appalachian area and partially from gas which is purchased from southwest pipeline companies or which is purchased from southwest producers and transported by southwest pipeline companies. The subsidiaries have extensive underground gas storage facilities located in the Appalachian area.

Columbia has filed a motion, on which hearings have been held, requesting that the Commission find Columbia and its subsidiaries to be in conformity with the standards of section 11 (b) (1) of the Act, and that the jurisdiction heretofore reserved in an order dated November 30, 1944,¹³ be released. The Commission convened a hearing, which has been held, and in its notice thereof¹⁴ specified 7 issues to be considered all relating to the general question of whether 6 subsidiary companies, namely, Atlantic Seaboard Corp. and Home Gas Co., both gas transmission companies, and Amere Gas Utilities Co., Virginia Gas Distribution Corp., The Keystone Gas Co., Inc., and Binghamton Gas Works, all gas utility companies, are either retainable as parts of Columbia's gas utility system or as one or more additional retainable public utility systems, and whether the nonutility businesses of these companies are retainable as being reasonably incidental or economically necessary or appropriate to the operations of the principal or any additional retainable system, as the case may be.

Eastern Utilities Associates

Eastern Utilities Associates is a holding company organized in the form of a voluntary association under the laws of Massachusetts. It has three direct public-utility subsidiary companies, Blackstone Valley Gas & Electric Co., Brockton Edison Co. and Fall River Electric Light Co. These three subsidiary companies jointly own an electric generating subsidiary, Montaup Electric Co. The system operates in the States of Rhode Island and Massachusetts. It serves 170,935 customers with electric utility service and has 48,070 gas customers. Consolidated assets of the system as at December 31, 1955, less valuation reserves, totaled \$76 million.

The corporate simplification proceedings respecting the system before the Commission and the courts were reported in the 18th Annual Report, page 93, and the 19th Annual Report, page 57. On

¹³ 17 S. E. C. 494.

¹⁴ Holding Company Act Release No. 13070 (December 27, 1955).

April 4, 1950, the Commission, with the company's consent, ordered EUA to cause the disposition of the gas properties owned by Blackstone Valley Gas & Electric Co. ("Blackstone").¹⁵ On July 10, 1951, a year's extension was granted.¹⁶ On April 18, 1952, the Commission approved EUA's plan filed under section 11 (e) of the Act which, in brief, provided for the reclassification of its then outstanding common and convertible shares into a single class of common shares and the refinancing of a substantial portion of its bank debt.¹⁷ Although the plan did not propose the disposition of the gas properties of Blackstone, it provided that EUA would cause such disposition to be accomplished in an appropriate manner. At the request of EUA the Commission, by letter dated July 17, 1952, advised the company that it did not intend to insist upon the disposition of Blackstone's gas properties prior to January 1, 1955, if the earnings from such property were necessary to enable the company to pay dividends of between \$2 and \$2.20 per share on its common stock. Subsequently EUA was able to increase its dividends from \$2 to \$2.20 per share without dependence upon the gas property earnings.

Plans for compliance with the Commission's 1950 divestment order have been the subject of conferences between the Commission's staff and EUA representatives and such plans have been facilitated by the adoption by the Rhode Island Legislature of a special act permitting the incorporation of a new company to hold the gas properties.¹⁸

Electric Bond and Share Co.

Electric Bond and Share Co., which no longer holds as much as 5 percent of the outstanding voting securities of any domestic electric or gas utility company, had total assets, less valuation reserves, of \$127 million at December 31, 1955. This amount includes its investment in its 56 percent owned subsidiary, American & Foreign Power Co., Inc., which had consolidated assets, less valuation reserves, of \$644 million on that date.

Electric Bond and Share Co. has made application for exemption pursuant to section 3 (a) (5) of the Act, which is described at page 60 of the 21st Annual Report. The presentation by Bond and Share of its direct case has been completed. This consisted of the production of witnesses as representatives of Bond and Share, Ebasco Services, Inc. and United Gas Corp., a former subsidiary of Bond and Share. The testimony of these witnesses, accompanied by the production of many exhibits, has been completed. Cross-examination by Commission counsel and by counsel for the intervenors has also been com-

¹⁵ 31 S. E. C. 329.

¹⁶ Holding Company Act Release No. 10663.

¹⁷ Holding Company Act Release No. 11625.

¹⁸ Special Act of the Rhode Island General Assembly, January 1956 session (S-325 "Substitute A") approved May 2, 1956.

pleted. The principal issues being considered in this proceeding relate to the possible retention of control over, or the absence of arm's-length bargaining with respect to the negotiations with and the performance of services for, public-utility holding companies and public-utility companies, which formerly were subsidiaries of Electric Bond and Share Company, by Ebasco Services, Inc., a wholly owned subsidiary service company.

These issues, which relate to the possible existence of affiliation between the companies and to the possible exercise of a controlling influence by Bond and Share through Ebasco over certain holding companies and public utility companies in the absence of stock ownership and interlocking directorships, are complex. Preparation of the case has required concentrated analysis of a vast amount of details concerning the operations of both Ebasco and certain of its client companies in order to evaluate the relationships between the two. Because of the long period of close association between those clients and the Bond and Share System, which formerly were indirect subsidiaries of Bond and Share, examination of the problem cannot be limited to present day operations, but must of necessity involve careful analysis of changes in operating methods and relationships extending over a period of several years.

General Public Utilities Corp.

General Public Utilities Corp. (GPU) is the top holding company of an electric utility system with consolidated assets, as of December 31, 1955, less valuation reserves, totaling \$677 million. As a result of a merger undertaken in the past fiscal year, the number of domestic public-utility subsidiaries in the system was reduced from 7 to 6 and one wholly owned subsidiary registered holding company, through which GPU controlled 1 domestic and 2 foreign subsidiaries, was dissolved during the year. GPU has 2 subsidiaries operating in the Philippine Islands. The system renders electric utility service to 937,180 customers located in more than 1,350 communities in the States of Pennsylvania and New Jersey and to 267,738 customers in the Philippine Islands.

The Commission approved a joint application-declaration filed by GPU and certain system companies requesting that the Commission modify its order dated December 28, 1951,¹⁹ issued pursuant to section 11 (b) (1) of the Act to enable GPU to retain its subsidiary, Northern Pennsylvania Power Co., and the latter's subsidiary, the Waverly Electric Light & Power Co., with North Penn being merged with Pennsylvania Electric Co. (Penelec).²⁰ The Commission modified its order because of the construction, subsequent to the divestment order, of a transmission line across North Penn's entire service

¹⁹ 32 S. E. C. 807.

²⁰ Holding Company Act Release No. 13116 (March 2, 1956).

area from east to west which connected with the lines of Penelec, a retainable subsidiary in GPU's principal system, so that the properties of North Penn had become an integral part of the interconnected and coordinated properties of the GPU system. To avoid the "great grandfather" relationship prohibited by the second sentence of section 11 (b) (2), which would have arisen as a consequence of the merger by the interposition of two intermediate holding companies (Associated Electric Co. and Penelec) between GPU and Waverly, GPU and Associated Electric Co. requested, and was granted, authority to liquidate the latter company and to transfer its assets to GPU, subject to GPU's assumption of the companies' liabilities. These assets consisted principally of all the outstanding common stock of Penelec, all of the outstanding stock and \$4 million principal amount of debentures of Manila Electric Co. and all of the outstanding securities of Escudero Electric Service Co., the latter two companies being public-utility companies operating in the Republic of the Philippines.²¹

Another significant development occurred with respect to the retention by GPU of its two public utility subsidiary companies in the Republic of the Philippines with respect to which a section 11 (b) (1) divestment order, originally issued by the Commission in 1942, suspended in 1945 and reinstated on December 28, 1951. Legislation enacted in the 84th Congress permits GPU to retain these properties. This legislation is discussed in detail under the heading "Legislative Activities," at page 17 of this report.

International Hydro-Electric System

International Hydro-Electric System ("IHES") is a registered holding company which, as a result of completion of the various steps required to bring the system into compliance with the standards of section 11 (b) of the Act, has reduced its public utility interests to 18.8 percent of the outstanding common stock of Gatineau Power Co., a Canadian electric utility company. In 1944, Bartholomew A. Brickley was appointed trustee of the system pursuant to section 11 (d) of the Act by the United States District Court for the District of Massachusetts. Various steps taken by the trustee to effect compliance with the provisions of section 11 (b) of the Act have been described in previous Annual Reports.²² As at December 31, 1955, the assets of IHES were carried on its books at a total of \$57 million. It is expected that this book figure will be revised to an amount approximating the current market value of the company's portfolio assets (now about \$31 million including cash) upon conversion of the company to the status of a registered investment company. The consolidated assets of IHES's only public utility subsidiary, Gatineau

²¹ Holding Company Act Release No. 13117 (March 2, 1956).

²² 15th Annual Report, p. 106; 16th Annual Report, p. 74; 17th Annual Report, p. 82; 18th Annual Report, p. 95; 19th Annual Report, p. 60; 20th Annual Report, p. 58; and 21st Annual Report, p. 62.

Power Co. and its subsidiaries, less valuation reserves, totaled \$113 million as of the same date.

During the fiscal year the Commission issued its Findings and Opinion²³ and Order²⁴ approving a section 11 (e) plan filed by the Interim Board of Directors of IHES providing for the continuation of IHES as a registered, closed-end, nondiversified investment company (renamed "Abacus Fund") and the retention of IHES's present assets consisting of: (a) the 18.8 percent of the outstanding common stock of Gatineau Power Co. noted above; (b) all of the outstanding common stock of Eastern New York Power Corp., an inactive company with assets of approximately \$3 million in cash; (c) 4.6 percent of the outstanding common stock of New England Electric System, a registered holding company; and (d) cash in excess of \$9 million. In addition, the plan provided for various changes in IHES's Declaration of Trust, the principal ones being: the renaming of IHES, "Abacus fund;" the elimination of the several classes of authorized capital stock and the designation of the new stock as \$1 par value common stock; the provision of cumulative voting and preemptive rights for the stockholders; the increase of the quorum requirements for stockholders' meetings from one-third to one-half of the shares outstanding; the grant to the stockholders of the right to elect directors where, due to resignation, less than two-thirds of the remaining directors in office are elected by the stockholders; and the requirement that a quorum of directors be not less than a majority. Certain other proposed amendments of the Declaration of Trust, which would have reduced existing requirements for certain types of action from two-thirds to a simple majority vote of stockholders, were rejected by the Commission and eliminated from the provisions of the plan in accordance with the Commission's Findings and Opinion which stated that the proposals curtailed desirable stockholder protection and were therefore objectionable under the standards of the Act.

In conjunction with its approval of the Interim Board's Plan, the Commission also found (without, however, entering an order thereon) that IHES would qualify for an exemption pursuant to section 3 (a) (5) of the Act. The Commission also granted an application to modify the outstanding liquidation and dissolution order issued in 1942 pursuant to section 11 (b) (2) of the Act on the ground that the conditions upon which its previous order were predicated no longer existed.

The Interim Board's Plan was opposed by certain stockholder groups who submitted plans which the Commission rejected. The Commission's Findings and Opinion and Order were approved and ordered enforced by the United States District Court for the District of Massachusetts by order dated April 23, 1956.²⁵ An appeal has

²³ Holding Company Act Release No. 13044 (November 23, 1955).

²⁴ Holding Company Act Release No. 13083 (January 13, 1956).

²⁵ In re *International Hydro-Electric System*, unreported (D. Mass., Civil Action No. 2430, April 23, 1956).

been taken to the United States Court of Appeals for the First Circuit by two stockholder groups, namely, by Central-Illinois Securities Corp. and C. A. Johnson, and by the Equity Corp. In addition, the appellants petitioned the Court of Appeals for a stay of the district court's order pending disposition of their appeals which was granted on May 29, 1956.²⁶ The Court of Appeals on October 26, 1956, dismissed the appeals and affirmed the order of the district court.²⁷

During the past year the Commission disposed of various applications for fees and expenses incurred up to September 30, 1954, by certain participants in the IHES reorganization proceedings in accordance with the procedure for processing such applications outlined at page 64, 21st Annual Report. Thirty-one applications were received requesting allowances aggregating some \$1.7 millions. On November 25, 1955, the Commission issued an order approving maximum allowances aggregating some \$965,000 for all but 7 of the 31 applicants.²⁸ These payments were subsequently approved by the reorganization court.²⁹ Hearings were held with respect to the remaining seven applications on which the trustee had been unable to reach settlements, and shortly after the close of the fiscal year the Commission issued its Findings and Opinion and a Supplemental Order disapproving the requests of 5 of the 7 applicants and approving allowances aggregating some \$29,500 to the 2 remaining applicants.³⁰

Interstate Power Co. (Delaware)

This company, which was formerly a public utility subsidiary of Ogden Corp., a registered holding company, is an electric utility operating company which had, at the beginning of the year, one wholly owned public utility subsidiary, East Dubuque Electric Co. On December 31, 1955, the consolidated assets of the 2 companies, less valuation reserves, were \$63 million. The system was engaged, principally, in furnishing electricity to 96,657 customers in 224 communities in the States of Illinois, Iowa, Minnesota, and South Dakota. It also furnished a small amount of gas at retail to 13,555 customers in 2 communities in Illinois and South Dakota, and operated transportation facilities.

During 1956 the Commission approved a joint application-declaration filed by the companies proposing the dissolution and complete liquidation of East Dubuque with Interstate's acquisition of the latter's assets and the assumption of its liabilities.³¹ This transaction was made possible by the enactment of an amendment, effective July 1, 1955, to section 28 of the Illinois Public Utilities Act exempting

²⁶ *Equity Corporation et al. v. Brickley*, unreported (C. A. 1, Civil Action Nos. 5127 and 5128).

²⁷ — F. 2d — (C. A. 1, 1956).

²⁸ Holding Company Act Release No. 13045.

²⁹ *In re International Hydro-Electric System*, unreported (D. Mass., Civil Action No. 2430 (December 16, 1955)).

³⁰ Holding Company Act Release No. 13242 (August 23, 1956).

³¹ Holding Company Act Release No. 12994 (September 26, 1955).

from the requirement of incorporation in Illinois "public utility companies owning or operating a public utility system situated partly in Illinois and partly in an adjoining State or States".³² Following consummation of the proposal, and upon application by Interstate, the Commission entered an order pursuant to section 5 (d) of the Act declaring that the company had ceased to be a holding company.³³

Middle South Utilities, Inc.

Middle South Utilities, Inc., functions solely as a holding company. It has 4 operating subsidiaries, Arkansas Power and Light Co., Louisiana Power and Light Co., Mississippi Power and Light Co., and New Orleans Public Service, Inc. Middle South also owns a 10-percent common stock interest in Electric Energy, Inc., an electric generating company described elsewhere in this report in the discussion of Union Electric Co., and a 79-percent interest in Mississippi Valley Generating Co., now an inactive company but originally organized for the purpose of supplying electric energy to the Tennessee Valley Authority as replacement for power supplied by the latter to the Atomic Energy Commission. Middle South's subsidiary, Arkansas Power and Light, owns a 34-percent common stock interest in Arkklahoma Corp., a transmission facility owned jointly with two nonaffiliated power companies. One of these companies, Southwestern Gas & Electric Co., which owns a 32-percent interest in Arkklahoma, is a subsidiary of Central & South West Corp., a nonaffiliated registered holding company. The Middle South system furnishes electric service to over 1,700 communities and extensive rural areas in the States of Arkansas, Mississippi, and Louisiana and furnishes gas service to 48 communities in Louisiana. Transit service is also provided in the New Orleans metropolitan area. The system services 815,658 electric customers and 231,477 gas customers. Consolidated assets of the system as at December 31, 1955, less valuation reserves, totaled \$590 million. Included in the above are the system's investment in Electric Energy, Inc., Arkklahoma Corp., and Mississippi Valley Generating Co.

Subsequent to the remand, on September 12, 1955, of the case of the *State of Tennessee, et al. v. S. E. C.*, which is described at page 85 of the 21st Annual Report, the Commission on November 4, 1955, rescinded its previously issued order authorizing the issuance of 44,000 shares of common stock by Mississippi Valley Generating Co. and the acquisition thereof by Middle South Utilities, Inc., and The Southern Co. With respect to the 8,690 shares of common stock already issued by Mississippi Valley and acquired by Middle South, the Commission reserved jurisdiction to determine at a later date the action to be taken thereon.³⁴

³² State of Illinois Laws of 1955, S. B. 485, June 15, July 1, 1955; 23 Jones Illinois Statutes Annotated, 1955 Cumulative Supplement, 112.047.

³³ Holding Company Act Release No. 13039 (November 17, 1955).

³⁴ Holding Company Act Release No. 13029.

On March 20, 1953, the electric properties of the Middle South system were found by the Commission to constitute an integrated electric utility system; but in the same proceeding the Commission entered an order under section 11 (b) (1) of the Act directing Middle South and its subsidiary, Louisiana Power and Light Co. (Louisiana), to divest themselves of their interests in the nonelectric properties of Louisiana.³⁵ These included certain small water properties in Arcadia, La., and gas distributing properties providing service to some 48 communities in the northern and southeastern portions of the State of Louisiana including all of the territory extending around, but not embracing, the city of New Orleans. In compliance with this order, Louisiana filed an application-declaration for the purpose of transferring to a new company the nonelectric properties then held by Louisiana. Thereafter, the Louisiana Public Service Commission requested that the Commission not proceed with the application-declaration, and that it reopen the section 11 (b) (1) proceedings which had terminated in the order of March 20, 1953. It also urged that the Commission take certain evidence which the State commission alleged would indicate that the electric and gas properties of Louisiana Power should not be separated and that the combined properties be retained under a single corporate entity. Jefferson Parish, a political subdivision of the State of Louisiana, opposed the State commission in this matter. After considering an offer of proof filed by the Louisiana Commission, an order was entered by this Commission on September 13, 1955, denying the petition to reopen the section 11 (b) (1) proceeding.³⁶ A petition to review this order was filed by the State commission with the United States Court of Appeals for the Fifth Circuit which, on June 30, 1956, issued its Opinion holding, among other things, that the Commission erred in denying the petition to reopen the section 11 proceeding and thereupon remanded the matter to the Commission.³⁷ The Court of Appeals decided (1) that the Commission had improperly excluded from its consideration the question of what, if any, economies might be lost to Louisiana Power within the meaning of clause (A) of section 11 (b) (1) of the Act if it disposed of its gas properties as directed by the Commission, and (2) that the Commission's concept as to what constituted substantial economies was too rigid. Subsequent to the close of the fiscal year the Commission petitioned the United States Supreme Court to review the decision of the court of appeals.^{37a}

National Fuel Gas Co.

National Fuel Gas Co. functions solely as a holding company. At the beginning of the fiscal year it had 4 domestic and 1 foreign gas

³⁵ Holding Company Act Release No. 11782.

³⁶ Holding Company Act Release No. 12978.

³⁷ *Louisiana Public Service Commission v. S. E. C.* 235 F. 2d 167 (C. A. 5, 1956).

^{37a} The petition for a Writ of Certiorari was granted on December 3, 1956, Supreme Court No. 466.

utility subsidiaries and 6 nonutility subsidiaries. Four of the six nonutilities are engaged in the production of petroleum products, one holds and operates real estate, and another is a gas transmission company. The system is principally engaged in the production, transmission, and retail distribution of natural and mixed gas. Service is furnished to 504,265 customers in 78 communities in New York, Pennsylvania, and Ohio. As at December 31, 1955, consolidated assets of the system, less valuation reserves, amounted to \$155 million.

During the past year National disposed of its holdings of its foreign utility subsidiary, Provincial Gas Co., Ltd., consisting of approximately 75 percent of the outstanding common stock of that company.

National also filed a proposal to eliminate a minority interest of approximately 38 percent of the common stock of its subsidiary, Pennsylvania Gas Co., which was held by 850 public stockholders. The proposal involved the issuance of additional common stock by National to be offered in exchange for the common stock of Pennsylvania Gas Co. held by the minority stockholders on the basis of 1.45 shares of National's stock for 1 share of Pennsylvania Gas Co.'s stock. One holder of a substantial amount of Pennsylvania Gas Co. stock appeared at the hearing in support of the proposals and no one appeared in opposition. In approving the transactions involved, the Commission found, among other things, that the exchange offer was reasonable and that the acquisition by National of the minority-held shares of Pennsylvania Gas Co. tended to minimize if not remove impediments and problems incident to the existence of such a minority interest in National's system. The Commission also noted that proposals having as their objective the reduction or elimination of publicly held minority interests in public-utility holding company systems should be encouraged.³⁸ The exchange offer was accepted by minority stockholders holding 191,771 shares and as a result National now owns 94.05 percent of Pennsylvania's outstanding capital stock as compared to its previous holdings of 62.26 percent.

The Southern Co.

The Southern Co. functions solely as a holding company over 4 public utility subsidiaries which furnish electric service to 1,318,553 customers in 1,394 communities in the States of Alabama, Florida, Georgia, and Mississippi. The system also includes a nonutility subsidiary and a mutual service company. Consolidated assets of the system as at December 31, 1955, less valuation reserves but including the Southern Co.'s investment in Mississippi Valley Generating Co., totaled \$880 million. The public utility subsidiaries of the system were formerly part of the Commonwealth and Southern Corp. holding company system.

³⁸ Holding Company Act Release No. 13036 (November 17, 1955).

Subsequent to the remand, on September 12, 1955, of the case of the *State of Tennessee et al. v. S. E. Co.*, which is described at page 85 of the 21st Annual Report, the Commission on November 4, 1955, rescinded its previously issued order authorizing the issuance of 44,000 shares of common stock by Mississippi Valley Generating Co. and the acquisition thereof by Middle South Utilities, Inc., and The Southern Co. With respect to the 2,310 shares of common stock already issued by Mississippi Valley and acquired by The Southern Co., the Commission reserved jurisdiction to determine at a later date the action to be taken thereon.³⁹

On June 28, 1956, the Commission approved a joint application-declaration filed by the system companies and by Southern Electric Generating Co., a newly organized company, proposing among other things: (1) the issuance and sale by two subsidiary companies, Alabama Power Co. and Georgia Power Co., and the acquisition by The Southern Co. of their common stock for an aggregate consideration of \$2 million; and (2) the issuance and sale and the acquisition by Alabama and Georgia of 10,000 shares each of the common stock of Southern Electric Generating Co. for an aggregate consideration of \$2 million. These proposals constituted the initial financing for the construction by Southern Electric Generating Co. of a steam electric generating plant on the Coosa River in the State of Alabama which it is estimated will have a capacity of over 1.0 million kilowatts by the end of 1963. The overall financing requirements for the construction of the plant are estimated to require \$150 million.⁴⁰

Ohio Edison Co.

Ohio Edison Co. is an operating electric utility company and is also a registered holding company by virtue of its control of Pennsylvania Power Co., also an electric utility company. The electric facilities of the company and its subsidiary constitute an integrated electric utility system serving 508,453 customers in 588 communities and in various rural areas in Ohio and 79,157 customers in 136 communities and adjoining rural areas in Pennsylvania. In addition, Ohio Edison owns 16.5 percent of the voting securities of Ohio Valley Electric Corp., which is also affiliated with other registered holding systems, as described elsewhere in this report, in the discussion of the American Gas and Electric Co. system at page 129. Consolidated assets of Ohio and its subsidiary as at December 31, 1955, less valuation reserves and including Ohio Edison's investment in Ohio Valley Electric, aggregated \$475 million.

During the past fiscal year Ohio Edison and Toledo Edison Co., a nonaffiliated public-utility company, entered into an exchange agreement which was approved by the Commission on September 30, 1955.⁴¹

³⁹ Holding Company Act Release No. 13029 (November 4, 1955).

⁴⁰ Holding Company Act Releases Nos. 13189 (June 1, 1956) and 13210 (June 28, 1956).

⁴¹ Holding Company Act Release No. 13001. (September 20, 1955).

Ohio Edison acquired from Toledo certain electric distribution and transmission facilities which are interconnected with Ohio Edison's remaining properties, and transferred to Toledo certain of its distribution and transmission facilities which are interconnected or capable of interconnection with Toledo's other properties. Ohio Edison also paid Toledo a cash adjustment balance of \$1,460,000 subject to certain closing entries to adjust for taxes, unbilled revenues, accounts receivable, and other items. The transaction was consummated on November 7, 1955, under a modified agreement which provided for the payment by Ohio Edison of an additional \$89,000 for adjustments due to property additions made by Toledo since the date of the agreement.

**Standard Shares, Inc.
Standard Gas and Electric Co.
Philadelphia Co.**

These companies are solely holding companies and all are registered under the Act. Their position in the system's corporate structure is described in the 21st Annual Report, page 70. Except in minor respects the system's corporate structure remains unchanged, with Duquesne Light Co. continuing to be the only public utility subsidiary in the system. The aggregate of the holdings of Standard Shares, Standard Gas and Philadelphia in the common stock of Duquesne constitutes 14.6 percent of the outstanding amount of that issue.

Standard Shares, Inc., which was formerly named Standard Power and Light Corp., remains the top holding company in the system. During 1956 its petition for modification of a dissolution order then outstanding under section 11 (b) of the Act was approved by the Commission.⁴² At the same time the Commission approved the company's plan under section 11 (c) for conversion into a closed-end, nondiversified investment company. This plan was approved and ordered enforced by the United States District Court for the District of Delaware.⁴³ With Commission approval⁴⁴ the company's investments have been restated at approximately \$31,000,000 which was substantially the market value thereof at the time the plan was enforced. The assets of the system's two subsidiaries, Pittsburgh Railways Co. and Duquesne Light Co., as at December 31, 1955, less valuation reserves, totaled \$44 million and \$351 million, respectively.

Under the plan, Standard Shares has embarked upon a restricted investment program, but it will continue to be a registered holding company under the Act until such time as the Commission, upon application, finds and declares by order under section 5. (d) of the Act that it has ceased to be a registered holding company.

⁴² Holding Company Act Release No. 13101 (February 16, 1956).

⁴³ *In re Standard Power and Light Corp.*, unreported (D. Del. Civil Action No. 1793, March 13, 1956).

⁴⁴ Holding Company Act Release No. 13178 (May 16, 1956).

Standard Gas & Electric Co. (Standard Gas) and Philadelphia Co. (Philadelphia) are subject to Commission orders to liquidate and dissolve.⁴⁵ It is proposed pursuant to a section 11 (e) plan that this liquidation and dissolution be accomplished by means of the divestment of a substantial part of the system's interests in Duquesne and of the system's entire interest in Pittsburgh Railways Co., a nonutility subsidiary. Unresolved tax difficulties have caused delay. During the fiscal year Standard Gas filed an application for approval of certain amendments to its section 11 (e) plan which would, among other things, amend a 1952 tax cutoff agreement between Philadelphia and Duquesne so as to permit some further progress towards consummation by reducing the need for Standard Gas and Philadelphia to retain assets to cover potential tax liabilities and thereby permitting distribution of common stock of Pittsburgh Railways Co. and Duquesne now held by these companies.

The tax difficulties arise from consolidated Federal income and excess profits tax returns filed by Standard Gas, Philadelphia, and certain other affiliated companies for the years 1942 to 1950, inclusive. At the end of the fiscal year the field agent of the Internal Revenue Service had reported on all of the years and had alleged tax deficiencies which, with interest, amount to some \$33 million.

Union Electric Co.

This company, formerly known as Union Electric Co. of Missouri, is an electric utility operating company and also a registered holding company. It was formerly a subsidiary of the North American Co., which was dissolved on February 11, 1955. Union Electric and its subsidiaries provide electric utility service to 544,930 customers in the city of St. Louis and in other communities in eastern and central Missouri, and in portions of Illinois and Iowa. About 228 communities are served. Consolidated assets of the system as at December 31, 1955, less valuation reserves, and including Union Electric's investment in Electric Energy, Inc., totaled \$458 million. In addition to its electric utility properties, Union Electric owns directly or indirectly through subsidiaries certain gas utility properties and non-utility assets. It also owns 40 percent of the voting securities of Electric Energy, Inc., which owns and operates a 6-unit steam electric generating station in Joppa, Ill., with aggregate capacity of 1,009,800 kilowatts. The station supplies 735,000 kilowatts of firm power to an Atomic Energy Commission installation near Paducah, Ky. The balance of its output is taken by the five electric utility systems which own all of the company's stock. Union Electric Co. is the largest stockholder of Electric Energy. Middle South Utilities, Inc., another registered holding company described elsewhere in this report, owns

⁴⁵ 28 S. E. C. 35 (June 1, 1948), 28 S. E. C. 944 (December 31, 1948), and 32 S. E. C. 545 (August 14, 1951).

10 percent. The balance is owned by 3 other electric utility companies not otherwise connected with any registered holding company systems; Central Illinois Public Service Co. and Illinois Power Co. each own 20 percent and Kentucky Utilities Co. owns 10 percent. The total assets of Electric Energy, Inc., as at December 31, 1955, less valuation reserves, amounted to \$195 million.^{45a}

During the past year Union Electric disposed of its direct interest in Hevi-Duty Electric Co., a wholly owned nonutility subsidiary company, and its indirect interest in Anchor Manufacturing Co., a subsidiary of Hevi-Duty. The proposals to effectuate this disposition, which the Commission approved on May 4, 1956,⁴⁶ included, among other things, (1) the reclassification of Hevi-Duty's 2,500 shares of authorized and outstanding no par value common stock into 345,230 shares of \$5 par value common stock; (2) an increase in the number of authorized shares of common stock as so reclassified to one million with provisions for preemptive rights and cumulative voting in the election of directors; (3) acquisition by Union Electric of the 345,230 shares of new Hevi-Duty common stock in exchange for the 2,500 shares of old common stock; and (4) distribution by Union Electric to its stockholders of the shares of the new common stock of Hevi-Duty at the rate of 1 share for each 30 shares of Union Electric common stock held of record on June 29, 1956. In addition, provision was made for the election of new directors to the boards of Hevi-Duty and Anchor, promptly after the distribution by Union Electric of the Hevi-Duty common stock. Subsequently, Hevi-Duty submitted a proposed slate of nominees which the Commission approved in an order dated June 28, 1956.⁴⁷ The Commission's order required Hevi-Duty to submit to its stockholders at the next annual meeting a charter amendment to increase the number of members of its board of directors so that a majority of such directors would be persons who were neither officers nor employees of either Hevi-Duty or Anchor and directed that the names of the nominees for the additional directors be submitted to the Commission for approval. The latter two requirements were consented to by Hevi-Duty and by Union Electric.

Union Electric also filed a notice of intention pursuant to rule U-44 (c) to sell its interests in Muzak Corp., consisting of 500 shares

^{45a} In its Memorandum Opinion and Interim Order (Holding Company Act Release No. 10340 dated January 15, 1951) approving the acquisitions of the common stock of Electric Energy, Inc. by four of the five sponsor-stockholder companies, the Commission reserved jurisdiction to consider at a later date (1) the issues under section 10 of the Act, which were raised by the acquisitions, and (2) the applications filed concurrently by three of the stockholder companies, Central Illinois Public Service Company, Illinois Power Company and Kentucky Utilities Company, for orders pursuant to section 2 (a) (7) (B) of the Act declaring each of such companies not to be a holding company with respect to Electric Energy, Inc. On November 19, 1956, the Commission entered its Notice and Order directing reopening of the proceeding. (Holding Company Act Release No. 13313).

⁴⁶ Holding Company Act Release No. 13170.

⁴⁷ Holding Company Act Release No. 13208 (June 28, 1956).

of 7-percent cumulative preferred stock having substantial dividend arrears thereon and its interest in a royalty agreement entitling Union Electric to royalties based on certain future operations of Muzak Corp. These interests were sold to and purchased by Muzak Corp. itself for \$535,000 and \$100,000 cash, respectively, on February 16, 1956.

Other nonutility dispositions made during the past year included the sale of properties constituting the St. Louis & Belleville Electric Railway Co. and the sale of water properties owned by Missouri Power & Light Co. located in Mexico, Missouri, on January 3, 1956 and July 16, 1956, respectively.

On March 6, 1956, Union Electric filed an application, which was pending at the close of the fiscal year, requesting an exemption from the Act pursuant to section 3 (a) (2) thereof on the ground that 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. Union Electric also requested that the Commission release the jurisdiction previously reserved over the question of the retainability of the gas systems of Union Electric and its subsidiaries.⁴⁸

Wisconsin Southern Gas Co., Inc.

This company, formerly known as Wisconsin Southern Gas and Appliance Corp., registered as a holding company on May 28, 1952, prior to which it had been an exempt holding company pursuant to rule U-9. The company distributes natural and propane gas in three counties in Wisconsin with a total population of 40,000. As at December 31, 1955, system assets, less depreciation reserves, totaled \$3.8 million. The company had had one public utility subsidiary, a gas utility, and in the fiscal year ending June 30, 1955, it proposed a statutory merger with its subsidiary, in connection with which it applied for and was granted an exemption pursuant to section 3 (a) (1) of the Act. In the past fiscal year the merger was consummated, and the Commission issued an order pursuant to section 5 (d) of the Act declaring that the company had ceased to be a holding company.⁴⁹

OTHER REGISTERED HOLDING COMPANIES

On June 30, 1955, there were 10 other companies subject to the provisions of the Act as registered holding companies but which as a result of having completed nearly all steps required for compliance with outstanding orders of the Commission under section 11 (b) of the Act, no longer held any public utility subsidiaries.⁵⁰ Seven of

⁴⁸ Holding Company Act File No. 31-635.

⁴⁹ Holding Company Act Release No. 13015 (October 20, 1955).

⁵⁰ Middle West Corp., New England Public Service Co., Northern New England Co., Engineers Public Service Co., Electric Power & Light Corp., American Power and Light Co., United Public Service Corp., United Corp., Western Kentucky Gas Co., and Sinclair Oil Corp. (successor to The Mission Oil Co. and Southwestern Development Co.).

these companies had completed all divestments of former subsidiaries and were in the final stages of liquidation.⁵¹ During 1956 the Commission granted an application of one of these companies, American Power and Light Co., declaring pursuant to section 5 (d) of the Act that such company had ceased to be a holding company,⁵² subject to the condition that the trustees in dissolution for American remain subject to the Commission's jurisdiction in respect to any further proceedings or orders the Commission may deem necessary or appropriate with respect to its order dated March 31, 1953, approving American's plan for liquidation under section 11 (e) of the Act.

During 1956 Electric Power & Light Corp., with the approval of the United States District Court for the Southern District of New York, made its final liquidating distribution of cash in an amount exceeding \$1 million to certain of its common stockholders and holders of option warrants.⁵³

Engineers Public Service Co. is another of the 7 registered holding companies in the final stages of liquidation and dissolution. Certain of its residual problems with respect to applications for fees and expenses incurred by participants in the company's reorganization under section 11 (e) of the Act were disposed of during the fiscal year. On March 14, 1956, the Commission issued a supplemental order approving payment of additional fees in the amount of \$2,500 to each of 2 applicants in compromise of all claims for services rendered and disbursements made by them subsequent to the filing of their original fee application in 1949.⁵⁴ No further steps were taken during the past fiscal year by the other 4 registered holding companies in process of final liquidation.

Three other registered holding companies which were not in process of liquidation remain in business as going concerns, but were in final stages of conversion to other status. At the close of the preceding fiscal year, Western Kentucky Gas Co., a registered holding company, was in process of consummating the merger of its sole subsidiary, Shelbyville Gas Co., as described at page 74 of the 21st Annual Report. The merger was completed during 1956 and, upon application by Western Kentucky, the Commission issued its order pursuant to section 5 (d) of the Act declaring that the company had ceased to be a holding company and terminating its registration as such.⁵⁵

The other two companies, Sinclair Oil Corp. (which formerly controlled Southwestern Development Co.) and United Corp., made sig-

⁵¹ Middle West Corp., New England Public Service Co., Northern New England Co., Engineers Public Service Co., Electric Power & Light Corp., American Power and Light Co., and United Public Service Corp.

⁵² Holding Company Act Release No. 13043 (November 21, 1955).

⁵³ *In re Electric Power & Light Corp.*, unreported (Civil Action No. 49-347, April 6, 1956).

⁵⁴ Holding Company Act Release Nos. 13129 (March 14, 1956) and 13154 (April 10, 1956).

⁵⁵ Holding Company Act Release No. 13059 (December 12, 1955).

nificant progress during the past fiscal year toward solution of their remaining problems.

**Southwestern Development Co.
Sinclair Oil Corp.**

The steps taken by Southwestern Development Co. and its subsidiaries to comply with the integration and simplification provisions of section 11 (b) of the Act are described in the 18th, 20th, and 21st Annual Reports, at pages 99, 65, and 69, respectively. An integral part of Southwestern's section 11 (e) plan related to the program of Sinclair Oil Corp., a partially exempt registered holding company, to dispose of its holdings of 384,860 shares (52.88 percent of common stock of Westpan Hydrocarbon Co., formerly a nonutility subsidiary of Southwestern, which shares were received by Sinclair under the provisions of Southwestern's plan. In the previous fiscal year Sinclair filed with the Commission a notice of intention pursuant to rule U-44 (c) to sell its Westpan holdings to Jalco, Inc., a nonaffiliated corporation, pursuant to a contract between the parties. The sale was not consummated and Sinclair and Jalco, Inc., entered into a new contract providing for the purchase by Jalco of Sinclair's holdings of Westpan common stock for an aggregate purchase price of \$4,887,733. A new notice of intention to sell pursuant to rule U-44 (c) was filed with the Commission and, on May 22, 1956, the sale was consummated.

The United Corp.

On January 16, 1956, the Commission issued its findings, opinion and order pursuant to section 5 (d) of the Act declaring that United Corp. had ceased to be a holding company, and denying, among other things, the request of Randolph Phillips, a stockholder of United Corp., for a hearing.⁵⁶ On January 17, 1956, United filed its Notification of Registration pursuant to section 8 (a) of the Investment Company Act as a closed-end nondiversified investment company. Subsequently Phillips petitioned the Commission for a rehearing asserting as grounds therefor that the Commission's findings and opinion were not factually accurate and contained erroneous conclusions of law. The Commission denied the petition on February 16, 1956,⁵⁷ and Phillips filed a petition for review of the January 16 and February 16 orders in the United States Court of Appeals for the Second Circuit.⁵⁸ This case was pending at the close of the fiscal year.

During the fiscal year the Commission also disposed of applications for fees and expenses for services rendered in connection with United's 1944 Exchange Plan and its 1951 Amended Investment Company Plan. After a public hearing, filing of briefs, recommended decision by the hearing examiner, and oral argument, the Commission on

⁵⁶ Holding Company Act Release No. 13088.

⁵⁷ Holding Company Act Release No. 13102.

⁵⁸ *Phillips v. S. E. C.*, Civil Action No. 24041.

June 28, 1956, issued its findings and opinion and order approving and releasing jurisdiction over fees and expenses claimed by the various applicants aggregating some \$543,000.⁵⁹ The United States District Court for the District of Delaware subsequently, directed enforcement of the Commission's order.⁶⁰

During the past fiscal year the Court of Appeals for the Third Circuit affirmed an order of the United States District Court for the District of Delaware approving and enforcing an order of the Commission regarding certain provisions of United's Investment Company Plan under section 11 (e) relating to charter and bylaw provisions and to the cancellation of United's outstanding option warrants without compensation.⁶¹ Subsequent to the close of the fiscal year a petition for certiorari to the United States Supreme Court was denied.⁶²

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

During 1956, registered holding companies and their subsidiaries sold to the public and to institutional investors \$565 million of their securities, all to provide new capital. In the preceding fiscal year, registered systems sold \$704 million of securities, of which \$524 million was for new construction and \$180 million was for the refunding of other securities. Thus, even though 9 subsidiaries of registered holding companies with aggregate assets of \$14 million were divested during the fiscal year 1956 and two registered systems with total assets of \$67 million were deregistered in that year, the volume of external financing by registered systems for new money purposes increased approximately \$41 million, or 7.8 percent.

Excluding companies in registered holding company systems, electric and gas utility companies and gas pipeline companies in the electric and gas utility industries sold \$1,980 million of securities to the public and to financial institutions in the fiscal year 1956. It is estimated that all but approximately \$23 million of this amount, or about \$1,957 million, was for new money purposes. In the fiscal year 1955 these companies sold \$2,238 million of securities, of which approximately \$592 million was for refunding purposes and about \$1,646 million was used for new money purposes. The volume of new money financing by these companies in the fiscal year 1956 thus reflected an increase of approximately \$315 million, or 19.1 percent, over the amount reported for the fiscal year 1955.

The increase in the volume of new money financing in 1956 over 1955 by registered systems and by other companies in the electric and gas

⁵⁹ Holding Company Act Release No. 13194.

⁶⁰ *In re United Corporation*, unreported (Civil Action No. 1650, October 31, 1956).

⁶¹ *General Protective Committee for the holders of the United Corporation's option warrants, et al. v. S. E. C.*, 232 F. 2d 601 (C. A. 3, 1956).

⁶² 352 U. S. 859 (October 8, 1956).

utility industries was caused by the continuation of the rising trend of expenditures for new plant and equipment which became evident in the last quarter of the fiscal year 1955. In that 3-month period expenditures by electric, gas and water utilities amounted to a seasonally adjusted annual rate of \$4,090 million. The volume of such expenditures has increased in each subsequent quarter, and in the final 3 months of the fiscal year 1956 reached a seasonally adjusted annual rate of \$4,610 million. Actual expenditures by these industries increased from the \$4,066 million reported for the fiscal year 1955 to a total of \$4,547 million for the fiscal year 1956. Total funds generated internally by means of depreciation, depletion, and amortization accruals and by the retention of undistributed net income, increased from an estimated \$1,128 million in the calendar year 1952 to \$1,416 million in the calendar year 1955. In the calendar year 1955 approximately 33.7 percent of the plant expenditures reported by the electric and gas utility industries were financed from internal sources, as compared with 34.0 percent in 1954, 28.2 percent in 1953 and 29.7 percent in 1952. The balance of the funds required was derived from sales of new securities and from bank borrowings.

The following table sets forth the amounts of various types of securities sold in the fiscal years 1956 and 1955 by registered holding companies and their subsidiaries and by all other companies in the electric and gas utility industries.

As shown by the data in the following table, registered systems sold proportionately greater amounts of notes and debentures and proportionately smaller amounts of preferred stocks in the fiscal year 1956 than did the other companies in the electric and gas utility industries. In the fiscal year 1955 the pattern was markedly different. The percentage of the total external financing of registered systems represented by mortgage bonds in 1955 was 1 percent higher than in 1956. Notes accounted for a much smaller percentage of the total and preferred stock financing represented a much greater share. In contrast, between 1955 and 1956 all other companies showed decreases in debt categories and increases in both preferred and common stock financing. Registered systems sold proportionately greater amounts of common stocks in both years than did the other companies, with the percentage in 1956 showing an increase over 1955.

In addition to passing upon the 43 issues of securities totaling \$565 million which were sold outside of their respective systems by registered holding companies and their subsidiaries in the fiscal year 1956, the Commission was required to authorize the issuance and sale of securities by subsidiaries of registered holding companies to their parents. That year 84 such issues with gross sales value of \$199 million were sold, as compared with 108 issues totaling \$224 million

Sales of securities for cash and issuances in connection with refunding exchanges to members of the public and to financial institutions by registered holding companies and their subsidiaries and by all other electric and gas utility companies, holding companies and gas pipeline companies in the electric and gas utility industries, fiscal years 1956 and 1955.¹

[Dollar amounts in millions]

	Fiscal year 1956						Fiscal year 1955					
	Registered holding company systems		All other companies, electric and gas utility industries		Total companies, electric and gas utility industries		Registered holding company systems		All other companies, electric and gas utility industries		Total companies, electric and gas utility industries	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Bonds.....	\$332	58.8	\$1,171	59.1	\$1,503	59.1	\$421	59.8	\$1,433	64.1	\$1,854	63.0
Debentures.....	80	14.2	131	6.6	211	8.3	25	3.6	232	10.3	257	8.8
Notes (due 5 years or longer).....	20	3.5	38	1.9	58	2.2	36	5.1	71	3.2	107	3.6
Preferred stock.....	33	5.8	318	16.1	351	13.8	127	18.0	217	9.7	344	11.7
Common stock.....	100	17.7	322	16.3	422	16.6	95	13.5	285	12.7	380	12.9
Total.....	565	100.0	1,980	100.0	2,545	100.0	² 704	100.0	² 2,238	100.0	² 2,942	100.0

¹ Includes all public offerings, rights offerings, refunding exchange offerings and private placements with financial institutions. Security sales by natural gas producing companies are not included, with the exception of a few companies in registered holding company systems.

² These figures reflect certain differences from the comparable data for the fiscal year 1955 as set forth at pp. 77 and 78 of the 21st Annual Report because of later reports received and minor corrections.

in the preceding fiscal year. The 43 issues of securities amounting to \$565 million sold externally included 27 issues with sales value of \$386 million sold to the public and, by means of rights offerings, to outside shareholders. Sixteen issues totaling \$179 million were placed directly with insurance companies and other financial institutions.

The types of securities included in the foregoing totals and the classes of companies in registered systems which sold the securities are shown in the following table.

Sales of securities for cash or pursuant to exchange offers authorized pursuant to secs. 6 and 7 of the Public Utility Holding Company Act of 1935 for the fiscal year ended June 30, 1956

(Securities issued in exchange for other securities in connection with reorganizations are excluded)

[Dollar amounts in millions]

	Type of sales				Totals, external financing		Sales by subsidiaries to their parents	
	Sales to public and outside stockholders		Private placements					
	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.....	\$173	13	\$92	5	\$265	18	\$47	11
Debtentures.....			20	6	20	6	35	23
Notes.....					33	5		
Preferred stock.....	33	5			17	3	89	35
Common stock.....	17	3						
Total.....	223	21	112	11	335	32	171	69
Holding companies:								
Bonds.....								
Debtentures.....	80	2			80	2		
Notes.....								
Common stock.....	83	4			83	4		
Total.....	163	6			163	6		
Nonutility companies:								
Bonds.....			67	5	67	5		
Debtentures.....							7	6
Notes.....							21	9
Common stock.....								
Total.....			67	5	67	5	28	15
Grand total.....	386	27	179	16	565	43	199	84

¹ Includes 10 issues in the amount of \$107 million representing 10 installments of securities issued and sold by Ohio Valley Electric Corp. pursuant to long-term construction financing arrangements exempted from competitive bidding requirements and authorized by the Commission in earlier fiscal years.

² These 5 issues represent 5 installments of securities issued and sold by American Louisiana Pipe Line Co. pursuant to a long-term construction financing arrangement exempted from competitive bidding requirements and authorized by the Commission in 1956.

Sales of securities by registered holding companies and by their subsidiaries pursuant to sections 6 and 7 of the Act and portfolio sales by registered holding companies under section 12 (d) are required to be made at competitive bidding in accordance with the provisions of rule U-50. Certain specified types of security issuances are automatically excepted from the competitive bidding requirement of the

rule by clauses (1) through (4) of paragraph (a) thereof. These include issues with proceeds of less than \$1 million; private borrowings from financial institutions with maturities of 10 years or less; issues the acquisition of which have been approved by the Commission under section 10 of the Act; and pro rata issues to existing security holders, such as nonunderwritten common stock rights offerings to stockholders.

All of the 27 issues of securities totaling \$386 million, shown by the above table as having been sold to the public and to outside shareholders during 1956, were sold at competitive bidding pursuant to rule U-50, with the exception of two issues of common stock aggregating \$8 million for which automatic exemptions provided by the rule were available.⁶³

The following table summarizes all sales of securities at competitive bidding pursuant to the requirements of rule U-50 for the fiscal year 1956 and for the entire period from the effective date of the rule to June 30, 1956.

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

[Dollar amounts in millions]

	Fiscal year 1956		May 7, 1941 ¹ to June 30, 1956	
	Number of issues	Volume	Number of issues	Volume
Bonds.....	13	\$173	400	\$6,024
Debentures.....	2	80	47	1,211
Notes.....			9	75
Preferred stock.....	5	33	116	989
Common stock.....	5	92	110	1,152
Total.....	25	378	682	9,451

¹ Effective date of rule U-50.

In 1956, all but 1 of the 16 issues of private placements with gross sales value of \$179 million, shown in the table on page 151, were sold by means of direct negotiations to financial institutions pursuant to orders of the Commission granting exemptions from competitive

⁶³ National Fuel Gas Co., a registered holding company, sold 447,797 shares of its common stock having a sales value of \$7.9 million to its stockholders pursuant to a nonunderwritten rights offering which was automatically exempt from competitive bidding requirements pursuant to paragraph (a) (1) of rule U-50. Yankee Atomic Electric Co., a new corporation organized by its 12 electric utility company sponsors to build an atomic reactor power plant, sold \$500,000 of its common stock in various amounts to the 12 companies. As a result it became a subsidiary, as defined in the Act, of (1) New England Power Co., a subsidiary of New England Electric System, a registered holding company, and (2) of Connecticut Light & Power Co., an exempt holding company. The sales of this stock and of \$500,000 of notes by Yankee Atomic to its sponsor companies were automatically exempted from competitive bidding requirements by the provisions of paragraph (a) (4) of rule U-50.

bidding requirements as permitted by the provisions of paragraph (a) (5) of rule U-50.⁶⁴ Of the 15 issues of securities totaling \$174 million exempted by order, 10 issues amounting to \$107 million were sold by Ohio Valley Electric Corp. pursuant to long term construction financing agreements authorized and exempted from competitive bidding requirements by the Commission in earlier years. The remaining 5 of these issues in the amount of \$67 million were pipeline mortgage bonds sold to insurance companies by American-Louisiana Pipe Line Co., a subsidiary of American Natural Gas Co., a registered holding company, pursuant to the long-term construction financing agreement authorized by the Commission during 1956 as described under "Relationships With State Public Utility Commissions" at page 166 of this report.

During 1956 only 2 orders were issued by the Commission pursuant to paragraph (a) (5) of rule U-50 exempting proposed issuances of securities from the competitive bidding requirements of the rule. The first was the order approving the American-Louisiana Pipe Line financing referred to above. The second related to the offer by National Fuel Gas Co., a registered holding company, of shares of its own stock in exchange for minority holdings of 234,772 shares of the common stock of its subsidiary, Pennsylvania Gas Co. National Fuel issued 286,768 shares of its stock in connection with this offering. This issue is not included in the preceding tables showing the total volume of financing by registered holding company systems and by all other companies in the electric and gas utility systems, because it involved the issuance of securities in exchange for other securities in connection with a reorganization transaction.

The following table shows the numbers of issues and dollar volume of securities sold by registered systems from the effective date of rule U-50 to June 30, 1956, pursuant to orders of the Commission granting exemptions from competitive bidding requirements. Issues sold with and without the aid of investment banker underwritings are listed separately.

⁶⁴ The issue not exempted by order of the Commission pursuant to rule U-50 (a) (5) was a note issue in the amount of \$5 million sold to commercial banks by Kingsport Utilities, Inc., a subsidiary of American Gas and Electric Co., a registered holding company. This sale was automatically exempt from competitive bidding requirements by the provisions of par. (a) (2) of rule U-50, because the maturity of the note did not exceed 10 years and it was purchased by commercial banks.

Sales by registered holding companies and their subsidiaries of securities exempted from competitive bidding requirements pursuant to the provisions of par. (a) (5) of rule U-50 by orders of the Commission entered from May 7, 1941,¹ to June 30, 1956

[Dollar amounts in millions]

	Underwritten		Nonunderwritten		Total	
	Number of issues	Amount	Number of issues	Amount	Number of issues	Amount
Bonds.....	4	\$27	76	\$1,087	80	\$1,114
Debentures.....	3	83	5	37	8	120
Notes.....			29	83	29	83
Preferred Stock.....	12	109	25	265	37	374
Common Stock.....	33	279	52	230	85	509
Total.....	52	\$498	187	\$1,702	239	\$2,200

¹ Effective date of rule U-50.

In 1956 registered systems sold 7 issues of common stock totaling \$100 million to the public and outside stockholders. All other companies in the electric and gas utility industries sold 67 issues of common stock amounting to \$322 million. Following the trend of earlier years, the rights offering to stockholders continued to be the favorite method for this type of financing. The following table shows the numbers of common issues and dollar volume sold by registered systems and by all other companies by means of rights offerings and public offerings.

Common equity financing during the fiscal year 1956 by registered holding company systems and by all other electric and gas utility companies, including holding companies, and gas transmission companies. Secondary offerings and inter-company transactions excluded

[Dollar volume 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	\$91	27	\$247	32	\$338
Public.....	1	9	13	70	14	79
Miscellaneous ¹	1	(²)	27	5	28	5
Total sales of common stocks..	7	100	67	322	74	422

¹ All but one of these sales were small offerings made pursuant to Regulation A, promulgated under the Securities Act of 1933.

² Sale by Yankee Atomic Electric Co. of \$327,000 of its common stock to sponsors not associated with registered systems.

The underwritten rights offering without oversubscription privileges appears to have been increasingly popular in the electric and gas utility industries in 1956. This is shown by the following table which indicates the types of rights offerings employed in 1955 and 1956 by registered systems, and by other electric and gas companies.

Rights offerings of common stocks during the fiscal years 1955 and 1956 by all electric and gas utility companies, including holding companies and gas transmission companies secondary offerings, and intercompany transactions excluded

[Dollar amounts in millions]

	Underwritten offerings								Nonunderwritten 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	
	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956
Companies in registered holding company systems.....		1		\$35	1	3	\$14	\$48	3	1	\$22	\$8	1		\$23	
All other electric and gas utilities and gas transmission companies.....	8	4	\$40	9	14	20	113	213	2	2	20	22	2	2	6	\$3
Total.....	8	5	40	44	15	23	127	261	5	3	42	30	3	2	29	3

The discounts below market price at which electric and gas utilities set the subscription prices for their common stock rights offerings varied considerably in 1956. The offerings by registered systems carried discounts in the range from 5.00 to more than 10 percent, with 4 of their 5 rights offerings in the 5.00 to 9.99 percent bracket. The discounts chosen by other companies in the electric and gas utility industries extended over the entire range from 0 to more than 10 percent. In the preceding fiscal year the rights offering discounts set by registered systems and by other companies in the electric and gas industries showed a somewhat greater preference for the 10 percent or more range. Data for the 2 fiscal years are summarized in the following table:

Discounts below market price at which the subscription prices of rights offerings of common stock have been set by all electric and gas utility companies, holding companies and gas pipeline companies during the fiscal years 1956 and 1955

	Fiscal year 1956			Fiscal year 1955				
	Number of issues	Discount ranges			Number of issues	Discount ranges		
		0 to 4.99 percent	5.00 to 9.99 percent	10.00 percent or more		0 to 4.99 percent	5.00 to 9.99 percent	10.00 percent or more
Companies in registered holding company systems.	5	0	4	1	5	0	3	2
All other electric and gas utility companies; etc.....	28	9	14	5	26	7	12	7
Total.....	33	9	18	6	31	7	15	9

FINANCING STANDARDS—IMPORTANCE OF CAPITALIZATION RATIOS

The Commission has consistently urged the maintenance of sound capital structures by registered holding company systems since the Act became law. As stated in its 10th Annual Report: "A balanced capital structure provides a considerable measure of insurance against bankruptcy, enables the utility to raise new money economically, and avoids the possibility of deterioration in service to consumers if there is a decline in earnings."⁶⁵

The statutory basis for the Commission's concern with this problem lies in sections 1 (b), 6 (b), and 7 (d) of the Act. In section 1 (b), Congress declared that "the national public interest, the interest of investors in the securities of holding companies and their subsidiary companies and affiliates, and the interest of consumers of electric energy and * * * gas are or may be adversely affected" when, among other things, " * * * control of such companies is exerted through disproportionately small investment" (sec. 1 (b) (3)) and "when in any

⁶⁵ P. 99.

other respect there is * * * lack of economies in the raising of capital" (sec. 1 (b) (5)). Section 1 (c) directs that "all the provisions of this title shall be interpreted to meet the problems and eliminate the evils as enumerated in this section."

Section 6 (a) requires all securities issued by registered holding companies or their subsidiaries, not exempt under section 6 (b), to be subject to a declaration meeting the standards of section 7. Among the standards of section 7 (d) is the requirement that the Commission shall not permit a declaration to become effective if it finds that "the security is not reasonably adapted to the security structure of the declarant and other companies in the same holding company system; the security is not reasonably adapted to the earning power of the declarant; or the terms and conditions of the issue or sale of the security are detrimental to the public interest or the interest of investors or consumers."

Section 6 (b) exempts securities issued by a subsidiary which are solely for the purpose of financing the business of such subsidiary company and have been expressly authorized by the State commission of the State in which such subsidiary company is organized and doing business, but this exemption is made subject to "such terms and conditions as [the Commission] deems appropriate in the public interest or for the protection of investors or consumers."

Passage of the act by the Congress was preceded by long and detailed investigation by the Federal Trade Commission of the public utility industry, particularly as it was affected by the control exerted by the holding company device. As a result of its study, the Federal Trade Commission found that among the abuses of the holding company device was "Corporate organization which gives powers inconsistent with a just division of responsibilities and emoluments as between various groups or parties furnishing capital by loan or by contribution, either directly or indirectly by purchase, succession, or otherwise."⁶⁶ On the basis of these studies, Congress determined that the national public interest and the interest of investors and consumers were adversely affected when control of subsidiary public-utility companies "is exerted through disproportionately small investment" and this became a cornerstone of section 1 (b) (3) of the Act.

That the pyramided capital structures of many of the holding company systems were ill-equipped to withstand the rigors of any sudden decline in earnings is evident from the following facts. From September 1, 1929, to April 15, 1936, a total of 36 public-utility operating company subsidiaries of holding companies, with outstanding securities in the hands of the public of some \$445 million, went

⁶⁶ Summary Report of the Federal Trade Commission, vol. 73-A, p. 62, January 28, 1935, Doc. 92, pt. 73-A, 70th Cong., 1st sess.

into bankruptcy or receivership. Sixteen additional companies, with about \$152 million of securities outstanding in the hands of the public, offered readjustment or extension plans after defaulting on interest payments.⁶⁷ Many other operating companies escaped bankruptcy or receivership by deferring needed replacements, stinting on maintenance, and by stopping dividends on the publicly held preferred as well as the controlling common stocks. Of preferred stocks of operating subsidiaries aggregating about \$1.6 billion (involuntary liquidation preference) at December 31, 1940, approximately \$453 million (or 27 percent) were in default, such accumulated arrears amounting to \$165 million.⁶⁸

As might be expected, because of the greater leverage factor present, holding companies were in even more distressed financial condition. From September 1, 1929, to April 15, 1936, a total of 53 holding companies, with about \$1.7 billion of securities outstanding went into receivership or bankruptcy. An additional 23 holding companies, with about \$535 million of outstanding securities, defaulted on interest and offered readjustment plans.⁶⁹ The corporate income of many of the holding companies was insufficient to service both their debt securities and preferred stock, and arrears on the latter continued to mount. As of December 31, 1940, registered holding companies had outstanding approximately \$2,501,723,000 of preferred stock, of which \$1,442,188,000 (or 58 percent) was in arrears, the total arrears as of that date aggregating approximately \$476,000,000.⁷⁰

Since 1935 the electric utility industry has made very substantial strides toward basic financial soundness. While improved economic conditions have, of course, provided a favorable basis for such development, and most industries have shared, to a greater or lesser degree, in the general prosperity which has developed since that date, it is clear beyond any doubt that the combined regulatory efforts of the Securities and Exchange Commission, the Federal Power Commission, and the State regulatory commissions, have contributed materially to this improved financial health. The arrears on the operating company and holding company preferred stocks which existed at the end of 1940 have been eliminated; some \$1,107,000,000 of electric plant adjustments (i. e., writeups and other inflationary items—account No. 107) have been eliminated from the electric utility plant accounts, and approximately \$517,000,000 of electric plant acquisition adjustments (account No. 100.5) have been or are being amortized or otherwise disposed of; depreciation reserves have nearly doubled in terms of percentage of utility plant account; the proportion of outstanding long-term debt to net utility plant has substantially

⁶⁷ Tenth Annual Report for the year ended June 30, 1944, at p. 87.

⁶⁸ *Id.*, at p. 87.

⁶⁹ Tenth Annual Report for the Year Ended June 30, 1944, at pp. 86 and 87.

⁷⁰ *Id.*, at p. 87.

decreased; corporate structures have been substantially simplified and unnecessary corporate entities have been eliminated; and actual investment in common stock equity has been materially increased as a result of reorganizations, equity contributions by the parent, sales of equity securities, and the like.

As at the end of 1955, on the basis of the aggregate of the balance sheets of all class A and class B privately owned electric utility companies in the United States (as classified by the FPC), the composite capital structure was as follows: long-term debt 50.7 percent; preferred stock 12.3 percent; and common stock and surplus 37.0 percent. The composite percentage of long-term debt to net utility plant was 52.5 percent. The composite percentage of reserve for depreciation to gross utility plant was 19.0 percent. The composite annual depreciation accrual rate amounted to 2.3 percent of gross utility plant. Similarly on a composite basis, income deductions were earned (after taxes) 3.84 times, while income deductions plus preferred dividend requirements were earned 2.88 times.

It is interesting to note that whereas in 1935 the electric and gas utilities subject to the Public Utility Holding Company Act earned their income deductions plus preferred dividend requirements an average of 1.23 times (after taxes), the composite coverage in 1955, even on the basis of including parent company interest charges, of composite income deductions and preferred dividend requirements of the 12 principal electric registered holding company systems was 2.73 times. In the case of the 4 gas registered holding company systems, the composite coverage in 1955 was 3.55 times; and on a combined basis, for the 16 systems, the composite coverage in 1955 was 2.88 times. These composite coverages in 1955 are considerably better than the composite coverage of triple-A credit utilities in 1935.

In the *Eastern Utilities Associates* case (Holding Company Act Release No. 11625, p. 55, Dec. 18, 1952) the Commission prescribed, in connection with its approval of collateral trust bonds, that the system's funded debt ratio should not exceed 60% and that its common stock equity ratio should not be less than 30%. Since the remaining component of capital in a system with this maximum debt and minimum common stock equity would ordinarily be preferred stock, this prescription is sometimes characterized as expressing a 60-10-30 policy. Although the Commission has not attempted to prescribe optimum or ideal capitalization ratios, nor assumed that the 60-10-30 policy of the *Eastern Utilities* case sets a fixed or permanent standard to be applied to all systems, these ratios have been generally regarded as embodying the present working policy of the Commission.

The Commission's capitalization ratio standards are applied both on a consolidated basis and on an individual operating-company basis.

In carrying out its duties under the Public Utility Holding Company Act as respects security issuances, the Commission, while insisting at all times upon adherence to the standards of the Act, does not approach security issues with a rigid, preconceived set of requirements applicable to all situations. It considers one of its major functions to be that of helping companies to meet the requirements of the Act. For example, where the terms of a proposed security issue, as initially filed with the Commission, fail to meet one or more of the statutory standards, the Commission does not simply refuse to permit the issue to be sold, but seeks to strengthen the terms of the issue. This work is done largely over the conference table and in informal meetings with the company's officials and its financial and legal advisers.

As a remedial measure, designed to conform corporate structures to statutory standards where the ratio of debt to net property is excessive, the Commission has frequently required issuers to follow some systematic debt reduction plan. In some instances, conditions have been attached to the Commission's orders requiring that the interest savings from refunding or a certain amount of net earnings be reserved to redeem outstanding debt. In other instances, the Commission has required the inclusion of sinking fund provisions whereby the issuer agrees to devote annually a stated amount to retirement of bonds or to property additions. In still other instances, the objective of debt reduction has been achieved by means of serial financing.

Among other means employed to strengthen the financial structure of weak companies the Commission has required more adequate maintenance and depreciation charges, restrictions on dividends, limitations as to the future issuance of securities having a preference over the proposed security issue, restatement of certain accounting items, and other provisions.

In certain cases where the proposed issue has already been approved by a State commission, the issue is exempt from section 7 of the Act, and the jurisdiction of the Securities and Exchange Commission is limited to attaching, for the protection of investors and consumers, terms and conditions to its order of exemption. It has been the Commission's practice to communicate with the appropriate State commission to discuss any problems raised by the issue and to cooperate in settling the problems which exist. When it appears that a proposed debt issue in a section 6 (b) case is excessive, or that there is an insufficient equity "cushion" under the senior securities, including preferred stock issues, it is the Commission's policy to impose conditions which will improve the company's financial structure.

The Commission under unusual circumstances has departed from its general policy with respect to capitalization ratio standards even in the absence of factors which would bring about a relatively rapid improvement. Generally, such cases involve situations where a sub-

subsidiary company was formed by a public utility company in conjunction with one or more unaffiliated public utility companies for the purpose of building and owning generating facilities or transmission lines whose output or use was for the benefit of the sponsoring companies or a Government agency.

That the achievement and preservation of sound capitalization ratios are essential to the financial health of the public utility industry has been recognized not only by the Commission and some other regulatory bodies, but also by informed writers on the subject. Most of these authorities are generally agreed on the necessity for an adequate "cushion" of common stock equity to withstand the shock of a severe decline in earnings, and for not too excessive an amount of debt, notwithstanding the apparent cheapness of bond money versus common stock money and the deductibility for tax purposes of interest expense. Quite a number urge that a company should not use up all of its bonding credit, but rather should reserve a substantial portion of it for such time when it may become difficult to sell common stock.

On September 5, 1956, the Commission announced that its Division of Corporate Regulation has undertaken a study for the purpose of determining the advisability of recommending that the Commission issue for comment by interested persons a proposed Statement of Policy relative to appropriate capitalization ratios in connection with security issues by registered holding companies and their subsidiary operating companies subject to the Act. The Division considers that an administrative determination by the Commission through a Statement of Policy may be a desirable means of apprising issuers subject to the Act and investors and consumers of the standards respecting capitalization ratios which the Commission would generally apply in determining (1) whether to impose terms and conditions in granting applications under section 6 (b) or (2) whether to make adverse findings in respect of declarations pursuant to section 7 (d) of the Act.

The views and comments received from interested persons regarding the advisability of promulgating a formal Statement of Policy are being carefully considered by the staff of the Division for the purpose of making its recommendation to the Commission.

FINANCING OF ELECTRIC GENERATING COMPANIES DEVELOPING ATOMIC POWER OR SUPPLYING ELECTRIC ENERGY TO INSTALLATIONS OF THE ATOMIC ENERGY COMMISSION

Three large generating companies sponsored by certain registered holding company systems in cooperation with several nonaffiliated utility companies were organized in previous years to furnish power to installations of the Atomic Energy Commission. Electric Energy, Inc., owns and operates a steam electric generating station which supplies power to the Atomic Energy Commission project near

Paducah, Ky. The operations of this company and the ownership of its common stock are described at page 143 of this report under the discussion of Union Electric Co.

Ohio Valley Electric Corp. and its subsidiary, Indiana-Kentucky Electric Corp., were also organized to furnish electric energy to the Atomic Energy Commission at its plant near Portsmouth, Ohio. These companies are described at page 129 of this report under the discussion of the American Gas and Electric Company system.

A fourth company, Mississippi Valley Generating Co., was organized in July 1954 by two registered holding companies, Middle South Utilities, Inc. and The Southern Co., for the purpose of furnishing power to the Atomic Energy Commission, or to the Tennessee Valley Authority for the account of the AEC in replacement of power furnished by TVA to the AEC. However, the power contract embracing the terms of this arrangement was canceled by the Government of the United States. Details concerning the proceedings before the Commission with respect to the financing of Mississippi Valley and the action taken by the Commission to rescind certain authorizations are described at pages 84-85 of the 21st Annual Report and in this report at pages 138 and 140. Electric Energy, Inc., and Ohio Valley Electric Corp. obtained no new financing authorizations from the Commission during the past fiscal year. However, Ohio Valley issued and sold during the year \$91,500,000 of bonds and \$15,250,000 of notes pursuant to construction financing commitments negotiated in earlier years. The organization and previous financing arrangements of these companies are described in the 17th, 18th, 20th, and 21st Annual Reports.⁷¹

In the past fiscal year the Commission was presented with the first formal proposal under the Act relating to the construction of an electric generating plant powered by atomic energy.⁷² In this case, the Commission approved the issuance and sale of \$500,000 par value capital stock and \$500,000 of unsecured noninterest bearing notes, as part of the initial financing program for a new company, Yankee Atomic Electric Co., to be formed by a group of 12 sponsoring utility and holding companies for the purpose of constructing and operating an atomic power plant estimated to cost about \$33,400,000. The Commission also approved the acquisition of these securities by six

⁷¹ 17th Annual Report p. 102; 18th Annual Report p. 122; 19th Annual Report p. 80; 20th Annual Report pp. 84, 86; 21st Annual Report pp. 81, 83, 84, 85.

⁷² Yankee Atomic Electric Power Co. et al., Holding Company Act Release No. 13048 (November 25, 1955). The 12 public-utility and holding companies which have sponsored the project are: New England Power Co., subsidiary of New England Electric System, a registered holding company, The Connecticut Light and Power Co., The Hartford Electric Light Co., Western Massachusetts Companies, Public Service Co. of New Hampshire, Montaub Electric Co., Boston Edison Co., Central Maine Power Co., Connecticut Power Co., New Bedford Gas and Edison Co., Cambridge Electric Light Co., and Central Vermont Public Service Co.

of the sponsoring companies which were required to obtain the authorization of the Commission pursuant to the provisions of the Act.

Two of the sponsors, New England Power Co., a subsidiary of New England Electric System, a holding company registered under the Act, and Connecticut Light and Power Co., an operating-holding company exempt from the provisions of the Act, each proposed to acquire more than 10 percent of the voting stock of Yankee. These two companies were required to obtain the Commission's approval of their acquisitions of Yankee stock and they also applied for exemptions from the provisions of the Act as holding companies. Four other sponsoring companies, the Hartford Electric Light Co., Western Massachusetts Cos., Public Service Co. of New Hampshire, and Montaup Electric Co., were affiliates of other public-utility companies and for that reason were also required to obtain approval of the Commission of their proposed acquisitions of Yankee stock. Montaup Electric Co. is a subsidiary of Eastern Utilities Associates, a registered holding company. The Commission authorized all of the proposed transactions and granted the requested exemptions without imposing any terms or conditions. In its opinion, the Commission took into account the novel and unusual circumstances present in the case, noting among other things, that the Yankee project will involve unusual risks, not merely in higher capital costs, but also with respect to the dependability of its operation and the possibility of its early obsolescence as new developments in the atomic power field are made. However, it added that a group approach will not merely minimize these risks to each of the sponsoring utilities but will provide them with a full opportunity to gain experience in the new field of atomic power.

The Commission made the findings required by sections 10 (b) and 10 (c) of the Act in respect of the proposed acquisitions of securities of Yankee Atomic by the sponsor companies. In applying the standards of section 10 (b) of the Act, the Commission noted that the sponsor companies would not acquire any control over each other by virtue of the proposed joint undertaking, that the interlocking relations and arrangements embraced by the project were the normal requirements of a joint operation of that type, and that they did not create a relationship of a kind which is detrimental to the public interest of investors or consumers or the interest.

In considering the application of section 10 (c) of the Act, the Commission found that the proposed acquisitions of Yankee Atomic's securities by the sponsor companies would not be detrimental to the carrying out of the integration and corporate simplification provisions of section 11 of the Act, and that the joint project tended towards the economical and efficient development of an integrated electric utility system in the New England area. It was noted that the sponsor companies supplied about 90 percent of the power require-

ments of the New England States and that Yankee Atomic's plant was capable of physical interconnection with all sponsor companies.

The Yankee case demonstrates the adaptability of the Holding Company Act, as administered by the Commission, to meet the needs of the atomic age. Yankee's sponsors have been able to combine their forces to develop atomic power in full compliance with the Act without seeking or receiving any exemption based on the research and development aspects of the project. It appears that the effect of the Act is not to impede this important development but rather to channel it along sound corporate and financial lines and to prevent the advent of atomic power from causing the reappearance of abuses which the Act was so successfully designed to remove.

RULES, FORMS, AND STATEMENTS OF POLICY

In accordance with a continuing program to reexamine the rules and forms adopted pursuant to the Act and to issue statements of policy regarding interpretations and procedures under the Act, the Commission in the past fiscal year adopted an amendment to one rule, adopted two statements of policy, and withdrew a proposal to amend a rule.

On February 17, 1956, the Commission adopted Statements of Policy with respect to first mortgage bonds⁷³ and preferred stocks of public utility companies.⁷⁴ In effect, these Statements of Policy represent a codification of certain principles and policies prescribed for the protective provisions of securities announced on a case-by-case basis over a period of 15 years, as modified in the light of experience and a reappraisal of those principles and policies and in the further light of comments received from various interested persons whose views were solicited by the Commission prior to adoption of the Statements of Policy. It is expected that the adoption of these Statements of Policy will bring about substantial simplification in the administration of the Act. Among other things, the Statements provide the means of achieving a greater degree of uniformity of administration and interpretation than was permissible under methods formerly used. They also provide investors, the issuing company, and the professional practitioners who specialize in this field with a convenient guide to enable them to determine in advance the basic requirements required by the Commission in examining proposals for the issuance and sale of mortgage bonds and preferred stocks of public utility companies subject to the Act.

In the 84th Congress, legislation was introduced to amend the Public Utility Holding Company Act so as to exempt from its provisions nuclear power reactor companies and their sponsors.⁷⁵ These amending bills failed of adoption after having been the subject of study

⁷³ Holding Company Act Release No. 13105.

⁷⁴ Holding Company Act Release No. 13106.

⁷⁵ See the discussion of S. 2643 and related bills under "Legislative Activities", pp. 12-16. *supra*.

and comment and extensive hearings before a special subcommittee of the Senate Committee on Interstate and Foreign Commerce.

In the course of the subcommittee hearings it appeared that the managements of some utility and industrial companies might be reluctant to engage in sponsoring nuclear power projects because of fear of involvement in the Holding Company Act. To a large degree the Commission believed these fears groundless. Whereas the Commission had opposed efforts to grant automatic and permanent exemptions to nuclear power projects, it did agree as a matter of policy that nonprofit reactor companies were entitled to exempt status at least as long as they remained predominantly research and development projects. The Commission also found, in the last sentence of section 2 (a) (3) of the Act, authority to exempt certain nonprofit reactor companies by order or by rule.

Although none of the companies asserting fear of the Act as a deterrent to peaceful nuclear power development had in fact sought an exemptive rule or order, the Commission published for comment⁷⁶ and ultimately adopted⁷⁷ an amendment to rule U-7 for the benefit of nuclear power projects.

The amended rule in substance declares that a nuclear reactor company is not an electric utility company if (1) its ". . . only connection with the generation, transmission, or distribution of electric energy is the ownership or operation of facilities used for the production of heat or steam from special nuclear material which heat or steam is used in the generation of electric energy . . .", (2) if it ". . . is organized not for profit . . ." and (3) if it ". . . is engaged primarily in research and development activities." Certain filing requirements are set out for companies claiming exemption under the rule, and a procedure is established for challenge by the Commission.

Since it follows that if a non-profit nuclear reactor company in developmental stages is not a utility company, then no sponsor can become a holding company under the Act by virtue of its owning voting securities of the reactor company, the amended rule provides a device by which nuclear power projects can be organized without causing sponsors to become subject to the Act. This is not the only device, as the *Yankee Atomic Electric Co.* case and several other existing nuclear power projects attest, but the Commission believes it to be an important contribution to peaceful development in this important area. The Chairman stated, in a release on behalf of the Commission accompanying the adoption of the amended rule:

The Securities and Exchange Commission is fully aware of the national and worldwide importance of the development of nuclear power for peaceful purposes in accordance with the policies expressed by the Congress in the Atomic Energy Act of 1954. These include the promotion of world peace, improvement of the

⁷⁶ Holding Company Act Release No. 13200, June 15, 1956.

⁷⁷ Holding Company Act Release No. 13221, July 13, 1956.

general welfare, increase in the standard of living, and strengthening of free competition in private enterprise.

We do not believe that the Public Utility Holding Company Act, as administered by the Securities and Exchange Commission, should deter private enterprise from going forward with nuclear power projects. We believe that nuclear reactors for the generation of electricity can be developed and ultimately incorporated into the electric utility industry in a manner consistent with the principles and standards of the Holding Company Act.

With minor exceptions, rule U-50 requires competitive bidding in connection with the issuance or sale of securities by registered holding companies and their subsidiaries. In the fiscal year 1953, the Commission undertook a study as to whether competitive bidding should be imposed as a condition to the exemption afforded by section 6 (b) of the Act. On November 25, 1953, the Commission published a notice of a proposed amendment to rule U-50 which would exempt from the competitive bidding requirements of the rule securities issued by public utility subsidiaries of registered holding companies if such issues had been expressly authorized by a State commission.⁷⁸ Extensive written comments on the proposal were received and public hearings on the matter were held in March 1954. No further action on the proposal was taken and on July 2, 1956, the Commission announced its decision not to adopt the proposed amendment to rule U-50.⁷⁹

RELATIONSHIPS WITH STATE PUBLIC UTILITY COMMISSIONS

The long established policy of the Commission is to cooperate to the fullest extent possible with State and local regulatory authorities in all matters where their respective jurisdictions complement each other and in all other instances where such cooperation is desirable and appropriate. This policy was carried forward with renewed effectiveness in 1956. The underlying objective of the Holding Company Act is to free operating electric and gas utility companies from the control of absentee and uneconomic holding companies and to provide effective supervision over those regional integrated holding company systems which will continue in operation subject to the Act following compliance with the integration and corporate simplification provisions of section 11 (b) of the Act, thereby permitting more effective regulation of operating utility companies by the States and municipalities in which they operate.

This fundamental concept is inherent in the basic policies set out in the preamble of the Act. In section 1 (a) it is stated that: "Public-utility holding companies and their subsidiary companies are affected with a national public interest in that, among other things, * * * their activities extending over many States are not susceptible of effective control by any State and make difficult, if not impossible, effective State regulation of public-utility companies."

⁷⁸ See 20th Annual Report, p. 73.

⁷⁹ Holding Company Act Release No. 13213.

In section 1 (b) of the Act, Congress enumerated the serious abuses in public utility holding company financing and operations which it had found to exist and expressly stated that it was the policy of the Act, in accordance with which all other sections of the statute were to be construed, to meet the problems and eliminate the evils described. Among the abuses enumerated are several expressed references to obstructions to State regulation: (1) the issuance of securities by holding companies and other companies in holding company systems without the approval or consent of the States having jurisdiction over subsidiary public-utility companies; (2) the issuance of securities by subsidiary public-utility companies under circumstances which subject those companies to the burden of supporting overcapitalized financial structures and tend to prevent voluntary rate reductions; (3) the allocation of service company charges among subsidiary public-utility companies in different States so as to present problems of regulation which cannot be dealt with effectively by the States; and (4) the control of the accounting practices and rate, dividend and other policies of subsidiary public-utility companies so as to obstruct State regulation.⁸⁰

This policy fostering cooperation with State regulatory authorities finds direct expression in a number of other sections of the Act. For example, section 6 (b) directs the Commission to exempt from the requirements of section 7 an issuance and sale of securities which has been expressly authorized by a State commission of the State in which the issuer is both organized and doing business and where the issuance of the securities is solely for the purpose of financing the issuer's business. In granting an exemption pursuant to section 6 (b), however, the Commission is empowered to impose such terms and conditions as it deems appropriate in the public interest or for the protection of

⁸⁰ The abuses set forth in sec. 1 (b) of the Act are as follows:

"(1) When such investors cannot obtain the information necessary to appraise the financial position or earning power of the issuers, because of the absence of uniform standard accounts; when such securities are issued without the approval or consent of the States having jurisdiction over subsidiary public-utility companies; when such securities are issued upon the basis of fictitious or unsound asset values having no fair relation to the sums invested in or the earning capacity of the properties and upon the basis of paper profits from intercompany transactions, or in anticipation of excessive revenues from subsidiary public-utility companies; when such securities are issued by a subsidiary public-utility company under circumstances which subject such company to the burden of supporting an overcapitalized structure and tend to prevent voluntary rate reductions;

"(2) When subsidiary public-utility companies are subjected to excessive charges for services, construction work, equipment, and materials, or enter into transactions in which evils result from an absence of arm's-length bargaining or from restraint of free and independent competition; when service, management, construction, and other contracts involve the allocation of charges among subsidiary public-utility companies in different States so as to present problems of regulation which cannot be dealt with effectively by the States;

"(3) When control of subsidiary public-utility companies affects the accounting practices and rate, dividend, and other policies of such companies so as to complicate and obstruct State regulation of such companies, or when control of such companies is exerted through disproportionately small investment;

"(4) When the growth and extension of holding companies bears no relation to economy of management and operation or the integration and coordination of related operating properties; or

"(5) When in any other respect there is lack of economy of management and operation of public-utility companies or lack of efficiency and adequacy of service rendered by such companies, or lack of effective public regulation, or lack of economies in the raising of capital."

investors and consumers—a reservation which is essential to coordinate properly the financing practices of subsidiaries and their holding company parents so as to safeguard the overall financial integrity of the holding company system. In all instances where a State Commission has indicated an interest in the subject matter, the Commission has followed the regular practice of communicating with the State commission to discuss the issues raised by the proposal and to cooperate with it in settling the questions presented.

In this connection, the President of the National Association of Railroad and Utilities Commissioners, in addressing the Association's sixty-eighth annual convention in San Francisco in July 1956, stated:

Supervision over the issuance of securities by intrastate utilities is an important function and in most jurisdictions such financing must be passed upon by State commissions. In many important cases, the proposed financing is also reviewed by the Securities and Exchange Commission. In this important area of dual regulation our relations with the Federal agency are harmonious.

In its enforcement of the geographical integration and corporate simplification provisions of section 11 (b) of the Act, in which area the Commission's jurisdiction is exclusive, interested State commissions are always notified of all developments and are given the privilege of participating as parties in proceedings whenever they so request. The Commission endeavors to defer to the wishes of State commissions in such cases to the extent permitted by the requirements of section 11, as interpreted by the Commission and by the courts.

Certain security and utility asset acquisitions similarly are exempted under section 9 (b) where they have been approved by a State commission. Moreover, the Commission may not authorize security issues (sec. 7 (g)) or the acquisition of assets (sec. 10 (f)) unless applicable State laws have been complied with. Section 8 prevents the ownership of both electric and gas utility properties in violation of State law, and section 20 (b) requires that accounting standards established by the Commission shall not be inconsistent with the provisions of applicable State law.

Other provisions of the Act reflect the congressional intent that the Commission's work be coordinated with the work of State commissions. Section 19 expressly provides that in any proceeding before it, the Commission shall admit as a party any interested State, State commission, municipality or any political subdivision of the State. In accordance with this provision the Commission regularly notifies all interested State commissions of any proceedings before it which may affect the work of such commission.

A number of specific sections of the Act look toward action by the Commission and State commissions on a cooperative basis. Section 18 authorizes the Commission to make available to State commissions information obtained in the course of its investigations under the

Act and also places the investigatory powers of the Commission at the disposal of State commissions. Section 13 (d) empowers the Commission, upon the request of a State commission, to require after notice and opportunity for hearing, the revision or elimination of inequitable servicing arrangements among the member companies of a mutual service company. Section 13 (g), which authorizes the Commission to conduct investigations and make recommendations with respect to servicing arrangements, directs that such recommendations be made available to State commissions.

An excellent example of cooperation with State commissions is described in the Commission's order⁸¹ and Findings and Opinion,⁸² issued on July 29, 1955, and July 20, 1955, respectively, approving a proposal for the issuance and sale to institutional investors of \$97,500,000 principal amount First Mortgage Pipeline Bonds by American Louisiana Pipe Line Co., an interstate natural gas pipeline subsidiary of American Natural Gas Co., a registered holding company. The company also proposed the sale of \$20,000,000 of common stock of its parent. The purpose of the financing was to obtain funds to construct a new pipeline that would connect Louisiana gulf coast gas fields with the system's facilities at points near Detroit and Bridgman, Mich. In support of their proposal, applicants represented that the new facilities would relieve an existing natural gas shortage in the States of Wisconsin and Michigan.

Appearances in the proceedings before the Commission were entered by the attorney general of the State of Wisconsin, the Public Service Commission of Wisconsin, the Michigan Public Service Commission, and the Corporation Counsel for the city of Detroit, Mich. Interested local gas companies also entered appearances and all of the parties participated actively in the hearings.

One of the two main issues raised by the proposal was whether the redemption provisions of the indenture securing the bonds were in conflict with established policies and precedents set forth by the Commission in similar cases. The prices at which the bonds could be redeemed for general purposes began at 104¼ percent. However, in the event the bonds were to be redeemed for the purpose of refunding at a lower interest rate, the prices at which the bonds could be called started at 115 percent, with declining prices in subsequent years. This latter provision gave the Commission considerable concern since it rendered refunding by the issuer improbable for several years and appeared to be in conflict with the established requirement of the Commission that senior securities be fully redeemable at the option of the issuing company upon the payment of a reasonable premium.

⁸¹ Holding Company Act Release No. 12953.

⁸² Holding Company Act Release No. 12991.

The Wisconsin Public Service Commission took the position that if the reduction of the redemption premiums through renegotiation of the bond indenture provisions with the prospective purchasers could not be accomplished without undue delay, or if progress on the pipeline would be seriously impaired or obstructed thereby, the financing should be approved. The city of Detroit and the Michigan Public Service Commission urged the Commission to approve the financing as proposed and not to jeopardize the pipeline by requiring a further renegotiation of the redemption premiums. They stated that delay in the construction of the line would have an adverse effect on a great number of consumers in urgent need of natural gas. The Commission, giving weight to the views expressed by the State and local regulatory bodies on behalf of the urgent consumer interests present in the case, approved the financing proposal without imposing terms or conditions, although it reaffirmed its policy against non-redeemable features or excessively high call premiums in senior securities, citing the Congressional policy against "lack of economies in the raising of capital" set forth in section 1 (b) (5) of the Act.

Another issue confronting the Commission arose out of the company's application for exemption of the proposed bond issue from the competitive bidding requirements of rule U-50. The Commission granted the exemption, but expressed concern over the limited extent to which competitive conditions had been maintained in negotiations for the sale of the bonds. The record of the proceedings showed that the pipeline company had entered into the bond purchase agreement with the Metropolitan Life Insurance Co. and that a small participation was given to the Mutual Life Insurance Co. of New York. The proposed sale was not discussed with any other prospective purchasers. In its opinion, the Commission stated that it recognized the activity of Metropolitan Life in the field of pipeline construction financing, but felt that more than one major source of funds for a sound pipeline enterprise might be found. In conclusion, it pointed out that in the future the Commission will 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.

In addition to the specific cases in which the Commission and its staff have had occasion to cooperate or to coordinate their efforts with those of State commissions, the Commission has participated actively in the work of the National Association of Railroad and Utilities Commissioners since the Holding Company Act became law in 1935. All members of the Commission, its Secretary and its general counsel have been members of the Association continuously throughout the period. In all but 2 years a member of the Commission has served on the Executive Committee of the Association.

Commissioner Clarence H. Adams served on the Association's Executive Committee during the fiscal year, and he has been succeeded by Commissioner Andrew Downey Orrick. Members of the Commission have also served on various special and standing committees of the Association and its Secretary has served in similar capacities. In addition, members of the Commission's staff have served on accounting and other technical committees of the Association. Members of the Commission and members of its staff have attended all annual conventions of the Association and on a number of such occasions they have been invited to address the Association. This relationship has provided the Commission and its staff with a most valuable vehicle for the interchange of views on questions of mutual interest which is so essential to effective administration of the Holding Company Act.

PART VII

PARTICIPATION OF THE COMMISSION IN CORPORATE RE-ORGANIZATIONS UNDER CHAPTER X OF THE NATIONAL BANKRUPTCY ACT, AS AMENDED

Chapter X of the National Bankruptcy Act provides a procedure for reorganizing corporations in the United States District Courts. The Commission's duties under Chapter X are to provide independent expert assistance to the court and investors on the various legal and financial questions that arise in the proceeding, and to prepare reports on plans of reorganization. The Commission acts in an advisory capacity only and generally participates in proceedings in which there is a substantial public investor interest.

Under section 208 of Chapter X, the Commission is required to file a notice of appearance in a Chapter X proceeding if so requested by the judge of the court. The Commission may file a notice of appearance upon its own motion if approved by the judge of the court. Upon the filing of the notice, the Commission is deemed to be a party in interest with the right to be heard on all matters. The Commission has no right of appeal in a Chapter X proceeding, but it may participate in appeals taken by others.

Section 172 of Chapter X provides that if the scheduled indebtedness of a debtor does not exceed \$3,000,000, the judge may, before approving any plan, submit such plan to the Commission for its examination and report. If the indebtedness exceeds \$3,000,000, the judge must submit the plan to the Commission before he may approve it. The Commission is not obligated to file a report, and 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 court and the security holders, affording them its disinterested views in a highly complex area of corporate law and finance.

SUMMARY OF ACTIVITIES

The Commission participated during 1956 in 33 proceedings involving the reorganization of 52 companies with aggregate stated assets of \$455,136,000 and aggregate stated indebtedness of \$324,036,000. During the year the Commission, with court approval, filed notices of appearances in 6 new proceedings under Chapter X involving companies with aggregate stated assets of \$15,578,000 and aggregate

stated indebtedness of \$16,837,000. Proceedings involving 4 principal debtor corporations were closed during the year. At the end of the year, the Commission was actively participating in 29 reorganization proceedings involving 48 companies with aggregate stated assets of \$344,564,000 and aggregate stated indebtedness of \$318,344,000.

Timing of Participation

Usually the Commission does not enter a case until the court has approved the petition for reorganization. However, section 208 of Chapter X, which authorizes the appearance of the Commission, either at the request of the court or upon the Commission's own motion if granted by the court, does not require the Commission to wait until approval of the petition. Developments in a particular case may impel the Commission to move to appear as soon as practicable, without awaiting approval of the petition.

In August 1954 an involuntary petition under Chapter X was filed by certain creditors against *Hudson & Manhattan Railroad Co.* in the United States District Court, Southern District of New York, and, after the company had moved to dismiss the proceeding, it filed an answer admitting that it was unable to pay its debts as they mature. The court thereupon approved the creditors' petition and appointed a trustee.¹ Thereafter a stockholder filed an answer denying that the debtor was unable to pay its debts as they mature. Subsequently, the company filed an amended answer and the court at this point requested the Commission to file its appearance, which the Commission did. Although the company had originally filed an answer consenting to reorganization under Chapter X, the company petitioned the court in March 1955 for leave to file a contrary answer. The court denied this petition. A hearing was then held on the issue of whether the debtor was unable to pay its debts as they mature and the court affirmed its approval of the involuntary petition on the ground that efforts to refinance the debtor's bonds, which matured in 2½ years, "had been abandoned as fruitless" * * * and "to insist on further liquidation to a point of actual default would be to ignore the purpose of Chapter X, which contemplates court intervention while there is still some hope of survival through readjustment of fixed obligations."² A further ground for the court's holding that the debtor was unable to pay its obligations as they mature was the fact that it was paying its current obligations by a process of liquidation inconsistent with its continuation as a going business.

The foregoing determinations of the district court were in accord with views expressed by the Commission, and were affirmed by the United States Court of Appeals for the Second Circuit.³

¹ *In the Matter of Hudson & Manhattan Railroad Co.*, 126 F. Supp. 359 (1954).

² *In the Matter of Hudson & Manhattan Railroad Co.*, 138 F. Supp. 195 (1955).

³ *In the Matter of Hudson & Manhattan Railroad Co.*, 229 F. 2d 616, cert. den., *Hudson & Manhattan Railroad Co. v. Harding, et al.*, 351 U. S. 582 (1956).

Generally the Commission participates only in proceedings in which there is a substantial public investor interest. However, there are many cases which, while the value of assets and numbers of investors involved do not appear to warrant participation as a party by the Commission, nevertheless appear to require continuous and careful observation. In these cases, the Commission makes suggestions to the trustee and the parties and occasionally submits briefs or reports.

One such case pending during 1956 was the reorganization of *Horsting Oil Co.* The trustees appointed by the United States District Court, Northern District of Illinois, filed an amended plan of reorganization based upon the issuance of additional shares of stock and all of the present stockholders were to be given the right to subscribe to the stock in proportion to their present holdings. One of the principal stockholders, who had been the debtor's executive vice president, agreed to subscribe to all shares not taken by other stockholders. Before the amended plan was acted upon by the court, this principal stockholder had been found guilty of making false and misleading representations in soliciting sales of fractional interests for the company. The Commission advised the trustees of the fact that this stockholder had been convicted of violations of the Securities Act of 1933 and also called their attention to the fact that the plan would leave this stockholder in control of the reorganized company. The trustees did not withdraw from their sponsorship of the amended plan and the Commission filed its appearance in the proceeding in order that it might be in a position to object to the plan.

Examinations and Reports on Plans of Reorganization

During 1956 the Commission issued two supplemental advisory reports in the consolidated reorganization proceedings involving *Inland Gas Corp.*, *Kentucky Fuel Gas Corp.*, and *American Fuel & Power Co.* These supplemental reports were issued as a result of the submission to the Commission by the United States District Court, Eastern District of Kentucky, of an amended plan of reorganization for these debtors. This plan, identified as the trustee's plan, provided for the sale of certain physical properties and materials and supplies of *Inland Gas Corp.* and three of the *American Fuel & Power Co.*'s subsidiaries. The Commission found the trustee's plan, as finally amended, fair and equitable and feasible, and it was approved by the court and accepted by one of two classes of affected security holders but rejected by the other class. The court subsequently issued an order denying confirmation of this plan, because of the existence of a tax question and because it provided for payment to

unsecured creditors of interests accrued on the principal amounts of their claims from the date of filing of the Chapter X petition. This order has been appealed.

The district court also found unworthy of consideration a plan submitted by a creditor providing for an internal reorganization of the debtor, holding that the plan was neither fair nor feasible and provided for "heavy indebtedness." This order was also appealed. These two appeals are now pending before the United States Court of Appeals, Sixth Circuit,⁴ and the Commission has taken the position in that court that the district court properly refused to confirm the trustee's plan because the plan had not been accepted by the creditors affected thereby and an internal reorganization plan appears to be available which would eliminate the tax question. The Commission also contends that the district court should have submitted the creditor's plan providing for an internal reorganization to the Commission for examination and report. It asserts that the fact that a plan appears to have features which are unfair or unfeasible does not necessarily make it unworthy of consideration since often the improper features are not of the essence of the plan and might be subsequently corrected. As to the district court's objection to "heavy indebtedness," the Commission contends that with respect to questions of feasibility, which involve a financial judgment to the future, it was intended by Congress that the Commission's analysis should be made available to courts and investors.

A very important issue in both appeals involves the question whether public holders of unsecured debt may be deprived of postreorganization interest. The Commission contends that the statutory limitations of section 63a of the Bankruptcy Act, which sets forth the types of debts that may be proved and allowed in bankruptcy, do not apply in Chapter X. It further contends that the barring of postreorganization interest to public holders of unsecured debt in the circumstances of this case is improper since the surplus would be distributed to a creditor whose holdings were subordinated by reason of its inequitable conduct towards the public holders of unsecured debt of the debtor.

During 1956 a plan of reorganization proposed by the trustee of *Third Avenue Transit Corp.* and its subsidiaries was submitted to the Commission for examination and report. The Commission concluded that the plan was not feasible in light of the debtor's history and the risks inherent in its business because the consolidated debt ratio proposed for the reorganized company was in the Commission's opinion grossly excessive. The Commission, therefore, recommended

⁴ *In the Matter of Inland Gas Corp.; In the Matter of Kentucky Fuel Gas Corp.; In the Matter of American Fuel & Power Co., Nos. 12861-12867.*

that consideration be given to amending the plan to eliminate proposed new income debentures and substitute new common stock therefor, to improve the sinking fund for proposed new bonds that were to be issued, and to provide for the merger of Third Avenue and its principal operating subsidiary, Surface Transportation Co., Inc. As to fairness, the Commission concluded that the plan would be fair to all classes of creditors and security holders if it were amended to provide for more effective competition for the underwriting of the new securities to be issued by the reorganized company, to provide for more equitable provisions respecting the composition of the initial board of directors, and to eliminate provisions for settlement of claims against former officers and directors of Third Avenue unless based upon valid consideration. In a supplemental report to the district court on the amendments to the plan submitted by the trustee, the Commission expressed the view that the plan was still unfeasible in that the proposed amendments failed to meet the basic objections expressed by the Commission in its advisory report.

Through the assistance of the Commission's staff a new plan of reorganization was worked out. The trustee withdrew his earlier plan and, jointly with an adjustment bondholders' committee, sponsored a plan which provided for the merger of Third Avenue and its principal operating subsidiary and for the issuance by the new company of new first mortgage bonds and common stock. All of the new common stock would be acquired by Fifth Avenue Coach Lines, Inc., in consideration for which it would issue to the trustee shares of its own common stock and cash. Under the plan the refunding bondholders of Third Avenue were treated substantially the same as in the earlier plan except that the sinking fund was appropriately strengthened. The adjustment bondholders were afforded substantially better treatment under the new plan. The Commission reported to the district court in a second supplemental report that the joint plan was fair and equitable and feasible. Later in approving the plan, the court commended the Commission and the New York Public Service Commission for their assistance.⁵

Activities With Respect to Allowances

The Commission has taken an active part in the matter of allowance of compensation for those claiming to have rendered services and incurred expenses in Chapter X proceedings. In making allowances the court seeks to protect the estate from exorbitant charges,

⁵ In the court's opinion Judge Dimock stated:

"The plan, down to the minutest detail, has been discussed and approved in the reports of the New York Public Service Commission and the Securities and Exchange Commission. It would be presumptuous for me to attempt to add everything to the analysis of these experts. I have nothing but praise for the wisdom of the legislation which gave the court the benefit of their participation and nothing but gratitude for the enormous amount of work done by these two bodies on very demanding schedules as the court submitted plan after plan and amendment after amendment to them." *In the Matter of Third Avenue Transit Corp. and Subsidiaries*. (U. S. D. C. S. D. N. Y. Nos. 85851, 86410, 86413, 86412, 86537 Consolidated.)

at the same time providing equitable treatment to the applicants. The Commission receives no allowances from estates in reorganization and is able to present a wholly disinterested and impartial view. In each case in which the Commission participates it makes a careful study of the applications of the various parties to the end that unnecessary duplication of services shall not be compensated and that compensation shall be allotted on the basis of the work done by each claimant and of his relative contribution to the administration of the estate and the formulation of a plan.

A significant decision involving allowances was rendered during 1956 in the *Central States Electric Corp.* reorganization in the United States District Court, Eastern District of Virginia.⁶ The trustees appointed by the court had brought an action in the United States District Court, Southern District of New York, against former officers and directors of the debtor and others. This action was ultimately unsuccessful and certain of the defendants made application to the District Court in New York for allowance of expense and attorneys' fees pursuant to article 6A of the New York General Corporation Law, which provides for indemnification of officers and directors of litigation expenses under certain conditions. The United States Court of Appeals, Second Circuit, reversed and directed, dismissal of the New York District Court's order assessing expenses and attorneys' fees against the debtor in favor of the former officers and directors.⁷ The basis of the reversal was that jurisdiction concerning such allowances was in the reorganization court in Virginia. Thereafter, attorneys for certain of the defendants in the prior action applied to the reorganization court seeking compensation. One of the grounds relied on was the contention that the attorneys' services in defending the directors advanced or benefited the reorganization proceeding in that termination of the litigation was necessary for the final disposition of the reorganization proceeding. The Commission was an active participant in the reorganization from the outset and urged that the petition be denied. The reorganization court dismissed the petition on the grounds that the New York General Corporation Law was not binding upon it and that counsel for the defendants, seeking to avoid liability for certain claims asserted by the trustees, did not contribute anything to the reorganization. An appeal has been filed by the unsuccessful applicants in the United States Court of Appeals, Fourth Circuit.⁸ The matter was pending at the close of the fiscal year.

⁶ *In the Matter of Central States Electric Corp.*, Civil Action No. 16-620.

⁷ *Austrian v. Williams*, 216 F. 2d 278 (1954).

⁸ *LeBoeuf v. Austrian*, No. 7304, (November Term 1956)

Commission's Activities Under Chapter XI

Section 328 of Chapter XI of the Bankruptcy Act provides that the Commission may apply to the district court for dismissal of a Chapter XI proceeding when it believes that the case properly belongs under Chapter X. The question of whether Chapter X or Chapter XI is the appropriate statutory proceeding for the financial rehabilitation of a corporation in a particular case is one which has arisen with increasing frequency in recent years. This problem was illustrated in the recent decision of the United States Supreme Court in the *General Stores Corporation* case, where the court considered whether Chapter X or Chapter XI was available for relief of the corporation involved.⁹

General Stores Corporation's publicly held securities consisted of over 2,000,000 shares of \$1 par value common stock owned by more than 7,000 widely scattered shareholders. It had no other publicly held securities. For some years General Stores (formerly D. A. Schulte, Inc.) operated a chain of tobacco stores. After a reorganization under section 77B of the Bankruptcy Act in 1940 and a few years of prosperity, substantial losses caused a new management to be installed. It decided to abandon the existing business and to have the corporation acquire the stock of two drug chains. In October 1954 General Stores filed a petition under Chapter XI in the United States District Court, Southern District of New York, proposing an arrangement extending its unsecured obligations. The court granted motions of the Commission and a stockholder to dismiss the Chapter XI proceedings¹⁰ and this decision was affirmed by the United States Court of Appeals, Second Circuit.¹¹

The Supreme Court granted a petition for a writ of certiorari¹² filed by the corporation and, with two Justices dissenting, affirmed the Court of Appeals' decision holding that "the lower court took a fair reading of c. X and the functions it served and reasonably concluded" that General Stores Corporation "needed a more pervasive reorganization than is available under c. XI."¹³ Accordingly, it found that the district court's "exercise of discretion" did not transcend "the allowable bounds." Following the decision of the Supreme Court, General Stores filed a voluntary petition under Chapter X.

The Supreme Court disagreed with the Commission's contention that public ownership of the debtor's securities is the determinative factor. The court recognized that in most cases where the debtor's securities are publicly held Chapter X might well afford the more appropriate remedy but stated that neither the character of the debtor nor its capital structure is controlling. The essential criterion

⁹ *General Stores Corp. v. Shlensky et al.*, 350 U. S. 462 (1956).

¹⁰ *In re General Stores Corporation*, 129 F. Supp. 801 (1955).

¹¹ *In re General Stores Corporation*, 222 F. 2d 134 (1955).

¹² *General Stores Corp. v. Shlensky et al.*, 350 U. S. 809 (1955).

¹³ *General Stores v. Shlensky*, 350 U. S. 462 (1956).

is the needs to be served. To the extent that the Supreme Court did not lay down absolute criteria in the *General Stores* case, an area of uncertainty remains as to the choice of remedies by a corporation in need of debtor relief. The question of determining whether the Commission should move to dismiss a Chapter XI petition will necessitate an extensive examination of the facts in each particular case.

Subsequent to the Supreme Court's decision in the *General Stores* case the United States Court of Appeals, Sixth Circuit, affirmed the decision of the United States District Court, Western District of Michigan, refusing to dismiss a Chapter XI proceeding involving *Wilcox-Gay Corporation* and referred to the Supreme Court's pronouncement in the *General Stores* case "that the District Judge * * * was privileged to exercise * * * sound discretion".¹⁴ The Commission did not seek a writ of certiorari.

Where there are indications of misdeeds by management, Chapter X appears to provide the appropriate proceeding for the needs to be served. Accordingly the Commission moved for dismissal of a petition filed in the United States District Court, Western District of Washington, by *Alaska Telephone Corp.* under Chapter XI, because the circumstances of the case called for an investigation into the existence of possible causes of action against the management and the underwriters. The Chapter XI petition disclosed that *Alaska's* \$71,600 of outstanding debentures were held by approximately 1,300 investors residing at a great distance from the company's operations and offices and from the forum of the court proceeding. Shortly after the Commission's motion, *Alaska* consented to file under Chapter X and the district court approved the petition.¹⁵

In another case arising before the decision in the *General Stores* case, a motion by the Commission to dismiss a proceeding brought by *Liberty Baking Corp.* for an arrangement under Chapter XI was denied by the United States District Court, Southern District of New York.¹⁶ Of *Liberty's* outstanding debt securities, 65 percent, amounting to \$1,031,820, is in the hands of public investors; the entire issue of presently outstanding preferred stock and 20 percent of *Liberty's* common stock are also publicly held. The Commission has appealed the district court's decision, contending that the Chapter XI arrangement in this case does not accord public debenture holders fair and equitable treatment because these security holders are not fully compensated while stockholders are accorded participation under the plan. The Commission contends that the district court erred in permitting the debtor to utilize Chapter XI.

¹⁴ *Securities and Exchange Commission v. Wilcox-Gay Corporation*, 231 F. 2d 859 (1956).

¹⁵ For a discussion of the indictment of officers of Alaska and the underwriter of its debentures, see the section on criminal proceedings in Part XI herein.

¹⁶ *In re Liberty Baking Corp.*, Civil Action No. 91173 (1955).

PART VIII

ADMINISTRATION OF THE TRUST INDENTURE ACT OF 1939

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

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

Number of indentures filed under the Trust Indenture Act of 1939

	Number	Aggregate amount
Indentures pending June 30, 1955.....	12	\$275, 452, 000
Indentures filed during fiscal year.....	183	4, 495, 059, 626
Total.....	195	4, 770, 511, 626
Disposition during fiscal year:		
Indentures qualified.....	168	3, 992, 059, 526
Indentures deleted by amendment or withdrawn.....	7	124, 302, 800
Indentures pending June 30, 1956.....	20	654, 149, 300
	195	4, 770, 511, 626

Section 304 (d) of the Act permits an exemption from any one or more provisions of the Act in the case of corporations organized and existing under the laws of a foreign government if and to the extent the Commission finds that compliance with such provision or provisions is not necessary in the public interest and for the protection of investors. During the year certain German corporations filed applications pursuant to this provision for exemption from the provisions of the Act requiring that the rights, powers, duties and obligations under the indenture be conferred upon an American Institutional Trustee alone or jointly with a German cotrustee except under certain circumstances.¹ These applications were made in connection with the issuance of debt adjustment bonds by such corporations under offers of settlement made pursuant to the London Agreement on German External Debts of February 27, 1953, between the Federal Republic of Germany, the United States of America and other countries. It was the contention of the corporations that the vesting of title and related powers in the German cotrustee was essential to the orderly settlement and payment of the obligations, in that the bondholders' rights in the security were rights in German property, created under German mortgage laws and to a large extent dependent upon the interpretation of the German laws implementing the London Agreement, and that the rights in the security should be adjudicated only by German courts. While the vesting of title to the security in the cotrustee necessarily results in certain acts (relating to the release of property, the reduction of the registered amount of liens and the disposition of release moneys) being performable by the cotrustee, any such action is subject to ultimate control by the American Institutional Trustee if such control is exercised within 30 days after notice of the proposed action by the cotrustee.

¹ Trust Indenture Act Releases Nos. 81, 88, 89, 91, and 98.

PART IX

ADMINISTRATION OF THE INVESTMENT COMPANY ACT OF 1940

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

COMPANIES REGISTERED UNDER THE ACT

As of June 30, 1956, there were 399 investment companies registered under the Act, and it is estimated that on that date the aggregate value of their assets was approximately \$14 billion. This represents an increase of approximately \$2 billion over the corresponding total at June 30, 1955. These companies were classified as follows:

Management open-end	201
Management closed-end	106
Unit	79
Face amount	13
Total	399

TYPES OF NEW INVESTMENT COMPANIES REGISTERED

During 1956, 46 new companies registered under the Act while the registration of 34 was terminated. These companies were classified as follows:

	Registered during the fiscal year	Registration terminated during the fiscal year
Management open-end	21	4
Management closed-end	17	21
Unit	8	9
Total	46	34

The classification of two management closed-end registered investment companies was changed to management open-end companies during the year.

The new management investment companies registered under the Act during the year subscribed to a wide variety of investment objectives. Five of these companies were organized for the purpose of emphasizing investment in industrial companies engaged in various phases of automation, several others for investment in the securities of life insurance companies, and several for investments in so-called "special situations." For the first time an investment company organized in Hawaii registered under the Act in order to make its shares available for sale in the continental United States. Each of the nine unit investment companies registered during the year was organized to operate periodic payment plans for the purchase of the common stock of a single specified industrial corporation or shares of other investment companies.

GROWTH OF INVESTMENT COMPANY ASSETS

The striking growth of investment company assets during the past 15 years, particularly in the most recent years, is shown in the following table:

Number of investment companies registered under the Investment Company Act of 1940 and the estimated aggregate assets at the end of each fiscal year 1941 through 1956

Fiscal year ended June 30	Number of companies				Estimated aggregate assets at end of year (in millions)
	Registered at beginning of year	Registered during year	Registration terminated during year	Registered at end of year	
1941.....	0	450	14	436	\$2, 500
1942.....	436	17	46	407	2, 400
1943.....	407	14	31	390	2, 300
1944.....	390	8	27	371	2, 200
1945.....	371	14	19	366	3, 250
1946.....	366	13	18	361	3, 750
1947.....	361	12	21	352	3, 600
1948.....	352	18	11	359	3, 825
1949.....	359	12	13	358	3, 700
1950.....	358	26	18	366	4, 700
1951.....	366	12	10	368	5, 600
1952.....	368	13	14	367	6, 800
1953.....	367	17	15	369	7, 000
1954.....	369	20	5	384	8, 700
1955.....	384	37	34	387	12, 000
1956.....	387	46	34	399	14, 000
Total.....		729	330		

STUDY OF SIZE OF INVESTMENT COMPANIES

Under section 14 (b) "The Commission is authorized, at such times as it deems that any substantial further increase in size of investment companies creates any problem involving the protection of investors or the public interest, to make a study and investigation of the effects

of size on the investment policy of investment companies and on security markets, on concentration of control of wealth and industry, and on companies in which investment companies are interested, and from time to time to report the results of its studies and investigations and its recommendations to the Congress." This provision has been in effect since the adoption of the Act, but no study or investigation has been made.

With funds made available by the Congress in its 1956 and 1957 fiscal year appropriations the Commission has commenced a study under this section of the Act. The great expansion in the aggregate assets of investment companies registered under the Investment Company Act, from approximately \$2.5 billion in 1941 to the present total of approximately \$14 billion, the rapid growth in size in recent years of investment companies, and the growing significance of investment companies as holders of equity securities traded in the market are some of the reasons for such a study. As the first step, the Commission has retained the services of Prof. Paul F. Wendt, professor of finance at the University of California (Berkeley), and two associates on the faculty, James E. Walter and James R. Longstreet, to report on a program for research and study for the Commission. When this necessary groundwork has been completed the Commission hopes to be in a position to determine the statistical and other data which may be relevant, and the methods to be used in obtaining them.

CURRENT INFORMATION

The basic information disclosed in notifications of registration and registration statements is required by rules promulgated under the statute to be kept up to date, except in the case of certain inactive unit trusts or face-amount companies. During the 1956 fiscal year the following current reports and documents were filed:

Annual reports.....	267
Quarterly reports.....	195
Periodic reports to stockholders (containing financial statements).....	698
Copies of sales literature.....	1, 935

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 may be granted pursuant to 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 1956 a total of 172 applications of various types were pending before the Commission, of which 115 were disposed of, leaving 57 pending on June 30, 1956. Thirty-three of the 128 applications filed during the fiscal year were for general exemptions, 24 for orders terminating registrations, 33 for orders under section 17 of the Act permitting transactions between investment companies and affiliates, and 38 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 the fiscal year ended June 30, 1956

Sections	Subject involved	Pending July 1, 1955	Filed	Closed	Pending June 30, 1956
2, 3, 6	Status and exemption	12	33	24	21
7 (d)	Registration of foreign investment companies	1	1	0	2
8, 35	Compliance with registration requirements	0	1	1	0
8 (f)	Termination of registration	12	24	23	13
9, 10, 16	Regulation of affiliations of directors, officers, employees, investment advisers, underwriters, and others	1	15	16	0
11, 25	Regulation of security exchange offers and reorganization matters	1	2	1	2
12, 13, 14 (a), 15	Regulation of functions and activities of investment companies	2	6	8	0
17	Regulation of transactions with affiliated persons	11	33	29	15
18, 19, 21, 22, 23	Requirements as to capital structures, loans, distributions and redemptions, and related matters	4	9	10	3
28 (b)	Regulation of face-amount certificate companies	0	2	2	0
32	Accounting supervision	0	2	1	1
Total		44	128	115	57

^a Excludes 12 sec. 8 (f) proceedings initiated by the Commission on its own motion without application.
^b Excludes 7 sec. 8 (f) orders entered by the Commission on its own motion without application.

In the past fiscal year eight applications relating to the following companies were set down for formal hearing: *Atlas Corp.*,¹ *International Mining Corp.*,² *Investors Diversified Services, Inc.*,³ *North River Securities Co., Inc.*,⁴ *B. S. F. Co.*,⁵ *Private Investment Fund for Governmental Personnel, Inc.*,⁶ *Atomic, Chemical & Electronic Shares, Inc.*,⁷ and *Alleghany Corp.*⁸ These matters are discussed below and illustrate the problems arising under various sections of the Act.

¹ Investment Company Act Release No. 2301 (January 24, 1956).
² Investment Company Act Release No. 2332 (April 2, 1956).
³ Investment Company Act Release No. 2228 (September 21, 1955).
⁴ Investment Company Act Release No. 2378 (June 25, 1956).
⁵ Investment Company Act Release No. 2350 (June 27, 1956).
⁶ Investment Company Act Release No. 2307 (January 27, 1956).
⁷ Investment Company Act Release No. 2335 (April 6, 1956).
⁸ Investment Company Act Release Nos. 2313 and 2323 (February 13 and March 2, 1956).

Of the matters considered by the Commission pursuant to formal applications filed under a particular section of the Act, those arising under section 17 (a) and (b) of the Act requiring a determination of the fairness of transactions between affiliates are generally the most difficult and complex. The *Atlas Corp.* and the *International Mining Corp.* matters are two examples, both of which involved the merger of affiliated companies in which it was necessary to value securities of diverse types for the purpose of assuring their equitable allocation among public security holders of the merging companies. In the *Investors Diversified Services, Inc.*, matter, that company was under common control with Atlantic Life Insurance Co. and Life Companies, Inc., and sought to exchange its holdings of preferred stock in one of these insurance companies for that of the other and to purchase additional shares. The Commission granted the requested exemptions in the foregoing cases upon finding that the transactions were fair and reasonable and involved no overreaching. The *North River* case involved the purchase of the assets of real estate companies and the securities of a wholesale hardware company from affiliated persons. This matter was pending at the end of the year.

Matters involving affiliated transactions as to which no hearing was necessary included (i) the purchase by an affiliate from an investment company of the control of a business development company;⁹ (ii) the exchange by two investment companies of the second mortgage bonds of an affiliated industrial company for its debentures and common stock warrants;¹⁰ and (iii) the surrender of securities by a company controlled by an investment company to an affiliated company in partial liquidation and the receipt of cash and other securities therefor.¹¹

Another important activity under the Investment Company Act relates to questions and proceedings arising under sections 3 and 6 as to whether a company is required to register under the Act or whether a company 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. In the *B. S. F. Co.* matter mentioned above, which was pending at the close of the fiscal year, and in *Real Silk Hosiery Mills, Inc.*,¹² formal hearings were held to determine the claims of these companies that they were primarily engaged in a business other than that of an investment company. In addition, the Commission has instituted injunctive proceedings against the *Variable Annuity Life Insurance Company of America* alleging that it is an investment company required to register under the Act. An alterna-

⁹ *American Research & Development Co.*, Investment Company Act Release No. 2254 (November 3, 1955).

¹⁰ *Aze Houghton Fund A*, Investment Company Act Release No. 2373 (June 22, 1956).

¹¹ *E. I. DuPont De Nemours and Co.*, Investment Company Act Release No. 2208 (August 5, 1955).

¹² Application granted. *Real Silk Hosiery Mills, Inc.*, Investment Company Act Release No. 2220 (August 22, 1955).

tive allegation seeks the registration of the variable annuity reserve fund maintained by the company as an investment company. This matter is discussed more fully hereinafter under Litigation.

Section 35 of the Act authorizes the Commission to prevent an investment company from adopting a deceptive or misleading name or implying that the company or its securities have been recommended or approved by the United States or an agency or officer thereof. *The Private Investment Fund for Governmental Personnel, Inc.*, mentioned above, involved both of these aspects of section 35, including an issue of possible confusion in name with an existing insurance company. Hearings in this matter have been held, the case was argued before the Commission and the matter was pending at the close of the fiscal year. In the *Atomic, Chemical & Electronic Shares, Inc.*, case, two established existing investment companies claimed that because of similarity of names with a proposed investment company the public would be misled as to the identities of the companies. The matter, after being noticed for hearing, was settled by a change in the name of the new company.

Due perhaps to the increase in recent years in the number of investment companies and the highly competitive nature of the industry, there appears to be a growing tendency to adopt corporate names containing some special sales appeal by implying that its securities have particular investment characteristics or that the company invests in a particular industry. Such names may be misleading and deceptive unless the investment policies of the company offer reasonable assurance that the implications of the name will be realized. In numerous instances during the year the Commission settled such problems administratively by requiring either a modification of the name or the conformance of the company's investment policy to the representations implicit in the name.

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 scrutinized by reason of the Commission's responsibilities under sections 25 and 36 of the Act to bring court proceedings if it believes that proposed transactions in reorganizations are grossly unfair or that management has committed a "gross abuse of trust." An important example of this type of matter which arose in 1956 involved the proposal of an investment company to repurchase a substantial number of its outstanding shares of preferred stock on the market with cash on hand. The stock was entitled to accumulated dividend arrears for a considerable number of years, although in recent years the current dividends had been more than earned and had been paid. These excess earnings which might have been used to reduce the dividend arrears had instead been retained by the

company although admittedly not needed in the business. It appeared inequitable to the Commission that such funds, on which all the preferred stockholders had an equitable claim, be used to buy out a few preferred stockholders. This was particularly true since the market price of the stock was substantially less than its liquidating value as well as its redemption price and the benefits arising from such a use of the funds would redound essentially to the common stock and not the remaining preferred stockholders. After the Commission's views had been brought to the company's attention, the repurchase program was abandoned.

Alleghany Corp.

The question of Alleghany Corp.'s status as an investment company and the litigation in connection therewith is described in detail at pages 101-102 of the Commission's 21st Annual Report. Since that report Alleghany's status has been resolved for the time being by its registration as an investment company on December 9, 1955.

On November 18, 1955, a special three judge court of the United States District Court for the Southern District of New York, upon complaint of certain Alleghany stockholders, entered an opinion finding, among other things, that Alleghany was an investment company subject to regulation under the Act and that the Interstate Commerce Commission had improperly asserted jurisdiction over Alleghany by orders dated March 2 and May 24, 1955.¹³ The Interstate Commerce Commission orders, if effective, would have subjected Alleghany to regulation under the Interstate Commerce Act and thus brought it within the exceptive provisions of section 3 (c) (9) of the Investment Company Act.

Since the three-judge court found that the Interstate Commerce Commission either had no jurisdiction over Alleghany or had not properly exercised it, the court found certain Interstate Commerce Commission orders of May 26 and June 22, 1955, to be a nullity. These orders had approved Alleghany's issuance of new convertible preferred stock in exchange for an outstanding issue of preferred stock which had a claim on assets of approximately \$33,000,000. Having found Alleghany to be an unregistered investment company on June 23, 1955, the court found the issuance of the new preferred stock on that day to be unlawful under section 7 of the Investment Company Act. This section prohibits, among other things, the use of the mails or means of interstate commerce by an unregistered investment company in effecting security transactions.

¹³ *Breswick & Co. v. U. S. et al.*, 138 F. Supp. 123 (1955). In the proceedings before the Interstate Commerce Commission this Commission had filed memoranda setting forth the view that Alleghany was primarily an investment company and that accordingly the Interstate Commerce Commission should in its discretion limit its jurisdiction to matters relating to any acquisition of a carrier by Alleghany, and that in other respects Alleghany should be subject to the broader and more comprehensive regulatory provisions of the Investment Company Act.

Pursuant to its finding the court entered a final injunction on December 23, 1955, making permanent earlier orders restraining the distribution and transfer of approximately 400,000 shares of the new convertible preferred stock which was held by the exchange agent for delivery. The transfer of 900,000 shares of this stock which had been delivered to the stockholders through the mails on June 23, 1955, had also been preliminarily enjoined, but Mr. Justice John Marshall Harlan of the United States Supreme Court stayed the preliminary injunction in this respect. Trading in the new convertible preferred stock has been suspended on the stock exchanges since June 1955.

Alleghany and the Interstate Commerce Commission have filed notices of appeal to the United States Supreme Court from the three-judge court order of December 23, 1955, and the matter is now pending for argument.

Shortly after Alleghany had registered as an investment company a number of its preferred and common stockholders, as well as Alleghany itself, filed applications with the Commission seeking an exemption, *nunc pro tunc*, under section 6 (c) of the Act from the provisions of section 7 of the Act for the issuance and exchange of the new preferred stock. Objection to the granting of the application was entered by certain common stockholders, who were the complainants in the injunctive actions. Extensive public hearings were held and the matter was pending before the Commission at the end of the fiscal year.^{13a}

RULES AND REGULATIONS

Section 17 (a) prohibits, with certain exceptions, an affiliate of a registered investment company from purchasing from, or selling to, the investment company securities or property. The terms "purchase" and "sale" as used in this section embrace distributions of various kinds made by investment companies to their security holders, sometimes under circumstances in which the evils intended to be prevented by this section of the Act are not present. To obviate the burden on the Commission and on the companies involved in filing and considering certain of these transactions under the exemptive

^{13a} On November 30, 1956, the Commission denied the applications for exemption, *Alleghany Corporation*, Investment Company Act Release No. 2446. The Commission found that the new convertible preferred stock was a right to purchase, specifically outlawed by Section 18 (d) of the Investment Company Act, and not a senior security which would be exempt from Section 18 (d). It stated that whether a security is a right to purchase "is not controlled by the nominal designation given the security but is rather appropriately based on a realistic appraisal of the rights and values attaching to it at time of issuance", and pointed out that the preferred stock attributes of the new stock are "clearly subordinate and probably have an indiscernible influence on its market value." The Commission concluded that the requested exemption from the statute could not be granted in view of the difficulties of evaluating the new security that would be imposed on investors, both present as well as prospective, to whom the safeguards of the statute extend, and the fact that it was not able to find on the basis of the record, which was unclear and conflicting as to the ultimate value of the new stock, that the exchange offer fell within the range of fairness.

Commissioner Patterson dissented on the ground that, since the new preferred stock carried with it a priority over the common stock as to distribution of assets and payment of dividends, it was a senior security and therefore specifically exempted by Section 18 (e) (2) from the prohibitions of Section 18, and that the record showed the exchange offer fell within the permissible range of fairness.

provisions of section 17 (b) of the Act, the Commission on September 28, 1955, after notice and opportunity for public hearing, adopted its rule N-17A-5 which provides as follows: "When a company makes a pro rata distribution in cash or in kind among its common stockholders without giving any election to any stockholder as to the specific assets which such stockholder shall receive, such distribution shall not be deemed to involve a sale to or a purchase from such distributing company as those terms are used in sections 17 (a) of the Act."

LITIGATION UNDER THE INVESTMENT COMPANY ACT OF 1940

Just before the end of the fiscal year the Commission filed a complaint in the United States District Court for the District of Columbia against the Variable Annuity Life Insurance Co. of America, Inc.¹⁴ (VALIC) in which it was alleged that the company is issuing securities which should be registered under the Securities Act of 1933 and that the company, or in the alternative certain funds which it administers, is an investment company which should be registered under the Investment Company Act of 1940. In its answer, VALIC, among other things, denied that the contracts it is selling are securities and that it is an investment company. VALIC is one of the first companies to sell to the general public so-called "variable annuities," which are widely recognized as a new and novel instrument. The company is incorporated under the laws of the District of Columbia pertaining to the incorporation of life insurance companies and is supervised by the Superintendent of Insurance of the District of Columbia. Since the filing of the complaint, VALIC has been issued a license to transact business in the State of West Virginia by the West Virginia Commissioner of Insurance. VALIC intends to invest the "net premiums" which it receives from the sale of its contracts in equity type investments such as common stocks. During the accumulation period, the purchaser of a contract will be credited with "accumulation units" representing his interest in the underlying investments. The value of the "accumulation unit" will increase or decrease in accordance with the value of the underlying investments. Prior to the "maturity date," the purchaser may receive the cash value of his proportionate share of the investments. At "maturity," the purchaser has an election to convert his "accumulation units" into "annuity units" under various options set forth in the contracts. The number of "annuity units" which a purchaser will receive involves a mortality factor. Like the "accumulation unit," the "annuity unit" varies in value in accordance with the underlying investments. Broadly speaking, the case presents to the Court the questions, *inter alia*, of whether the VALIC contracts fall within the exemption of

¹⁴ D. C. No. 2549-56.

insurance or annuity contracts from registration contained within section 3 (a) (8) of the Securities Act of 1933 and whether the company's primary and predominant business is the writing of insurance and thus the company is exempt under section 3 (a) (3) from the registration provisions of the Investment Company Act of 1940.

RECENT DEVELOPMENTS

Investment Clubs

A new development relating to the activities of the Commission under the Investment Company Act is the rapid growth in recent years of so-called investment clubs. While no firsthand information is available as to the number of such clubs in existence or the number of people involved, officials of a federation of approximately 1,700 clubs with approximately 23,000 members, estimate there are about 15,000 investment clubs in existence involving about 200,000 persons.

An investment club, generally speaking, is an investment company in miniature, formed by a small group of persons. The typical investment club consists of approximately 15 persons organized under a partnership arrangement, although some are organized as corporations. Periodically, specific amounts in the form of dues are paid to one member designated as secretary or treasurer by all members and the proceeds are pooled and invested in stocks. The investments are held in the name of the club or of one of the members. All members share equally in profits and losses and may withdraw their pro rata share of the club's net asset value upon notice and at certain times. Usually there is no paid officer or investment adviser, although increasing interest has been shown by various brokerage houses in counseling clubs on their investments. Various stocks are discussed at periodic meetings and investments are made with the consent of the majority of the members.

The Commission has given consideration to the fact that membership in the club constitutes participation in a "profit sharing agreement" or "investment contract" and thus constitutes a security, and that the club as such falls within the definition of an investment company under the Act. However, section 3 (c) (1) of the Act excludes an investment company which has less than 100 stockholders and which is "not making and does not propose to make a public offering of its securities." Since so far as the Commission is aware these clubs consist of less than 100 members, the central question under the Act is whether a club is making or proposes to make a public offering of its membership. If a public offering were involved, registration under the Securities Act of 1933 would also be required because the exemptions provided in section 3 (a) (11) of that Act for an intrastate offering or under regulation A for an offering of \$300,000 or less is not available to investment companies.

Liquidation or Withdrawal Plans

New programs or methods for the sale of mutual fund shares make their appearance from time to time and require the Commission's scrutiny. During the past fiscal year there appeared a number of plans under which a purchaser of open-end investment company shares may arrange for the redemption of sufficient number of his shares to provide a fixed dollar monthly repayment until the principal sum is exhausted. These plans may be misleading to the investor unless there is a full realization that the monthly repayments he receives represents not only income and capital gains but also a return of his own capital. Another facet of the problem is the necessity under the plan of liquidating an investor's shares at times when because of adverse markets the net asset value of the shares redeemed may be low. Still another aspect of the problem is the fairness of charging a full sales commission for the purchase of mutual fund shares when all or part of the shares purchased are concurrently being redeemed. These are some of the aspects of this particular sales device which the Commission is now studying.

Certain Insurance Company Contracts

Late in the fiscal year the Commission's attention was drawn to a new type of contractual arrangement offered for sale by certain insurance companies in connection with their conventional life insurance policies. Though varying in detail, they involve essentially the creation of a separate identifiable fund of common stocks created either by payments made to the company specifically for such purpose or by the withholding and investment of dividends payable to the insurance policyholder. The participant's interest in the fund and its investment results may be absolute or contingent upon his surviving a given period of years. While certain mortality aspects may be present, there are no aspects of "risk shifting" such as is present in pure life insurance, and the contracts are apparently offered solely on an investment basis.

The Commission is investigating the questions whether the registration of contracts of this type is required under the Securities Act of 1933 because the contract is in fact severable from the insurance policy to which it is appended and constitutes in itself a security, and whether the fund of common stocks created by the arrangement would under the Investment Company Act comprise an investment company required to register under that Act.

PART X

ADMINISTRATION OF THE INVESTMENT ADVISERS ACT OF 1940

Persons engaged for compensation in the business of advising others with respect to securities are required under the Investment Advisers Act of 1940 to register as investment advisers. Under the Act it is unlawful for investment advisers to engage in practices which constitute fraud or deceit. The Act also requires investment advisers to disclose the nature of their interest in transactions which they may effect for their clients, prohibits profit-sharing arrangements and, for all practical purposes, prevents the assignment of any investment advisory contract without the consent of the interested client.

The Investment Advisers Act gives the Commission no power to inspect the books and records of investment advisers, nor may the Commission deny or revoke the registration of an investment adviser except upon the ground that he has been convicted of certain offenses involving securities or arising out of his conduct as an investment adviser or in certain other financial relationships, or if he has been enjoined by a court of competent jurisdiction on the same grounds, or if he has falsified his application. Violation of the Investment Advisers Act or the Federal securities laws is not a ground for revocation absent prior conviction or injunction in court. Although the Act prohibits investment advisers from engaging in practices which amount to a fraud upon their clients, the lack of effective procedures for the enforcement of the statute has made it difficult for the Commission to control the activities of tipsters who make extravagant representations relating to speculative securities. The Commission is currently considering recommendations to the Congress for amendments to this Act which would permit more effective enforcement and greater protection to the investing public.

ADMINISTRATIVE PROCEEDINGS

An application for registration as an investment adviser filed by *Bradford Dorr*¹ was denied by the Commission following a proceeding in which it appeared that the applicant had been permanently enjoined by a United States district court from engaging in and continuing certain conduct and practices in connection with his activity

¹ Investment Advisers Act Release No. 84 (August 12, 1955).

as an investment adviser and, in answer to a question in his application for registration, falsely represented that he was not so enjoined. A permanent injunction had been entered against the applicant in 1939 enjoining him, in effect, from committing further violations of section 17 (b) of the Securities Act of 1933 on the basis of allegation that the applicant was publishing and circulating an investment service consisting of a book and monthly supplements thereto in which the applicant described various bank stocks and recommended the purchase and sale thereof without disclosing the receipt from securities dealers of a percentage of their commissions on transactions in such stocks induced by such recommendations.

LITIGATION UNDER THE INVESTMENT ADVISERS ACT OF 1940

An injunctive action was filed by the Commission against *Clifford A. Greenman, doing business as the Western Trader & Investor and the Western Trader, Inc.*,² its successor, to enjoin the defendants from further violations of sections 206 (1), (2), and (3) of the Investment Advisers Act of 1940, as well as of the registration and antifraud provisions of the Securities Act of 1933 and the antifraud provisions of the Securities Exchange Act of 1934. The complaint charged, among other things, that the defendants represented to purchasers and prospective purchasers of stock of a uranium company that such company had ore reserves in the amount of \$70,791,000 but omitted to state that these ore reserves were predicated on only 4 samplings, 3 of which were taken more than a decade ago, and that the defendants took undisclosed profits in discretionary accounts in connection with the purchase and sale of securities and converted to their own use funds deposited with them by persons to whom representations were made that such funds should be kept by the defendants in a special trust fund not to be used except for the accounts of such customers. A final judgment by consent was entered and a permanent injunction was issued by the court in accordance with the Commission's prayer. The court also appointed a permanent receiver for the assets of the defendants.

In another injunctive action against a registered investment adviser, the Commission charged *Thomas L. North, doing business as North's News Letter*, with violations of section 17 (b) of the Securities Act of 1933. This action is described under the heading "Litigation Under the Securities Act of 1933" appearing elsewhere in this report.

² D. Utah No. C-67-56. (May 7, 1956)

PART XI

RELATED ACTIVITIES OF THE COMMISSION

COURT PROCEEDINGS

Civil Proceedings

At the beginning of the fiscal year 1956 there were pending in the courts 14 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 35 additional proceedings were instituted and 28 cases were disposed of, leaving 21 such proceedings pending at the end of the year. In addition the Commission participated in a number of corporate reorganization cases under chapter X of the Bankruptcy Act, in 6 proceedings in the district courts under section 11 (e) of the Public Utility Holding Company Act; and in 7 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 30 civil appeals. Of these, 12 came before the courts on petition for review of an administrative order, 7 arose out of corporate reorganizations in which the Commission had taken an active part, 6 were appeals in actions brought by or against the Commission, 2 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 14 and 16 to 23, inclusive.

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

The statutes administered by the Commission provide for the transmission of evidence of violations to the Attorney General, who may institute criminal proceedings. The regional offices of the Commission prepare detailed reports in cases where the facts appear to warrant criminal prosecution. After careful review by the General Counsel's Office, these are considered by the Commission, and if it

believes criminal prosecution is appropriate they are forwarded to the Attorney General. Commission employees familiar with the case often assist the United States attorneys in its presentation to the grand jury, the conduct of the trial, and the preparation of briefs on appeal. The Commission also submits parole reports prepared by its investigators relating to convicted offenders.

Seventeen new cases were referred to the Justice Department for prosecution during the past fiscal year. From 1934 to June 30, 1956, 2,283 defendants have been indicted in United States district courts in 543 cases developed by the Commission. These figures included 10 indictments returned during the past fiscal year against 24 defendants. Also during the fiscal year 1956 there were 14 convictions in 12 cases, making the total 1,237 convictions in 513 cases. In one of these cases the defendant, whose prior conviction had previously been reversed was convicted on his *nolo contendere* plea entered at the retrial. On the basis of these 513 cases the Commission's record of convictions is 87 percent. Convictions against 2 defendants were affirmed by a court of appeals in 1 case and a criminal contempt conviction was also affirmed. An appeal is pending in another case in which the sole defendant was convicted.

Cases in 1956 again covered a wide variety of charges of fraudulent practices including broker-dealer frauds, and promotions involving oil, gas and mining ventures, insurance, and other types of businesses.

Broker-dealers figured in several cases. Stanley C. Shaver, Sr., who had, among other things, falsely advised that two Florida telephone companies would merge in order to induce his customers to purchase stock and had thereafter converted to his own use the funds provided for this purpose, was convicted in the United States District Court for the Southern District of Florida, placed on probation for 5 years, and ordered to pay back \$8,000 to defrauded customers. The defendant in *U. S. v. Ernstrom* (E. D. N. Y.), advised clients to purchase over-the-counter securities at prices in excess of the market prices, without disclosing this fact to them. Edwiin R. Hawley, a broker-dealer, who had embezzled customers' funds, was sentenced to 5 years probation and ordered to pay a \$5,000 fine (*U. S. v. Hawley*, D. Ariz., sentenced S. D. Cal.).

Another defendant indicted in his capacity as broker-dealer is awaiting trial. W. F. Tellier and two officers of the Alaska Telephone Corp. (*U. S. v. Tellier, et al.*, E. D. N. Y.),¹ are charged, among other things, with concealing the fact that Alaska Telephone Corp., whose debentures investors were being asked to buy, was unable to pay interest out of earnings, and was paying it instead from sales of new debentures. In addition, the indictment charges that Tellier advanced

¹ This case was tried after the close of the fiscal year. The jury failed to agree on a verdict and the case is awaiting retrial.

funds to the Telephone Corp. with the understanding that he would receive repayment from the proceeds of new debenture sales and did not disclose this to his customers. Tellier is also charged in a subsequent indictment with fraud in selling uranium stock. This indictment charges that in his capacity as a broker he persuaded customers to buy shares of Consolidated Uranium Mines, Inc., by making numerous false claims as to its value. It also charges that he purchased shares for one cent and sold them through his company for between 75 cents and \$1.87, without disclosing his original cost to his customers. After the close of the fiscal year a third indictment was resumed against Tellier and others charging them with fraud in the sale of a stock of Colorado Uranium Mines, Inc., Mesa Uranium Corp., Three States Uranium Corporation, Paradox Uranium Mining Corporation, Consolidated Uranium Mines Inc., Cherokee Uranium Mining Corp. and Blackstone Uranium Mines, Inc., in violation of the anti-fraud provisions of the Securities Act and the Mail Fraud Statute and with conspiracy to violate these statutory provisions, as well as the registration provisions of the Securities Act and conspiracy to defraud the United States by filing false documents and reports with the Commission.

Other cases concerned allegedly fraudulent business ventures. *U. S. v. Horton, et al.*, in which an indictment was obtained in the Southern District of California, involved the promotion of a wingless airplane. It is alleged that the airplane in question was represented to potential investors as one which would carry twice the load, twice as far, and twice as fast as any other plane. It is also alleged that a proposed Horton airplane was represented as capable of carrying 4,000 passengers 25,000 miles nonstop at over 400 miles per hour.

As in past years, a large number of the Commission's cases centered around oil and gas ventures. In the fiscal year 1956, 5 allegedly fraudulent oil and gas promotions led to 2 convictions and a number of pending indictments. One convicted defendant, Ben H. Frank, had been found guilty earlier but the conviction was reversed because of judicial error. He subsequently entered a plea of *nolo contendere* (*U. S. v. Frank*, W. D. Okla.). A conviction was also obtained against *William F. Horsting* (E. D. Wis.). Horsting had misrepresented the amounts paid for various leases, misstated the company's earlier record, deceived investors by claiming that funds invested were in trust, and used the money so obtained for his own purposes. *Ben E. Young* (E. D. Wash.) is charged with taking money for advanced rent and filing fees on oil leases and converting the money to his own use. *Eldridge S. Price* and his wife (N. D. Ga.) are charged with falsely representing to investors, *inter alia*, that certain lands were proven to have oil, that they owned large

amounts of drilling equipment and other valuable assets and that Price had never drilled a dry well.

The indictment pending against *Homer W. Snowden* and *Allen A. Borton* (E. D. Ill.) covers a large scale oil promotion as well as the sale of securities in other enterprises, including an insurance company. It is charged in this case that the defendants falsely guaranteed that the investors' money would be refunded on demand and made numerous other misrepresentations.

A 5-year sentence and \$3,000 fine was imposed upon *Arthur V. Donaldson* (*U. S. v. Donaldson*, D. C. Mont.) for fraud in connection with an insurance company promotion. Donaldson sold stock in a health and accident insurance company by falsely representing the manner in which the funds were to be used, the extent of company assets, and the progress made toward creating the company as a going concern. Sale of stock in another insurance venture also gave rise to the indictment of *James O. Jensen, et al.* in the District Court at Spokane (E. D. Wash.). The charges include allegations that the defendants falsely told a large number of investors that the sale of stock in the Washington Insurance Co. had the approval of the State Insurance Commission, that all funds would be Commission supervised, and that investors would receive 6-percent interest and could withdraw their investment at any time.

Richard Bowler was convicted and sentenced (E. D. Wash.) for fraudulently representing to investors that a warehouse and storage company was a debt free, profitable operation when, in fact, it had a \$350,000 debt and had defaulted on its interest payments. Bowler has filed an appeal. In *U. S. v. Holsman* (N. D. Ill.) the two defendants, father and son, were convicted for selling stock in a fraudulent venture involving construction of a cooperative apartment house. The promotion was effected by a series of false and misleading statements, such as that all funds would be watched over by a conservative trust company. In fact, the defendants diverted to their own use a considerable part of the funds obtained from investors. A promoter of a mining venture was sentenced to 1 year (*U. S. v. Elliott*, S. D. Cal.).

In the criminal appellate cases, the convictions of *James Robert Palmer* and his wife, Lenore, for violations of the antifraud provisions of the Securities Act and the Mail Fraud Statute, were affirmed in December 1955 by the Court of Appeals for the tenth Circuit.² The Palmers, who had conducted business as Ace Motors, fraudulently obtained funds through the issuance of fictitious notes and spurious automobile chattel mortgages. In addition, James Palmer fraudulently sold preferred stock of Ace Finance, Inc., by means of numerous misrepresentations, including claims that each investment

² *Palmer v. U. S.*, 229 F. 2d 861, cert. den., 350 U. S. 996 (1956).

was insured up to \$10,000; that a reserve fund of \$25,000 was maintained to make refunds to investors; and that Ace Finance was audited every quarter by the Controller of Currency of the State of Colorado.

In *Mills v. U. S. ex rel S. E. C.*,³ the Court of Appeals affirmed Mills' conviction for criminal contempt for violating preliminary and final injunctive decrees enjoining him from selling securities in violation of the registration provisions of the Securities Act of 1933. Mills' contempt arose from his sale to the public of Searchlight Consolidated Mining & Milling Co. common stock without registering the stock with the Commission.

COMPLAINTS AND INVESTIGATIONS

The Commission conducts investigations under authority contained in each of the acts which it administers for the purpose of determining whether violations of these laws have occurred. Conduct of such investigations is the responsibility of the Commission's nine regional offices working under the general supervision of the Division of Trading and Exchanges. As in the case of the Federal Bureau of Investigation and other government enforcement agencies, the Commission's investigation files are nonpublic since making such files public would seriously impair, if not make impossible, effective investigation work. Furthermore this policy protects innocent persons where the subject of an investigation is found ultimately to be innocent of wrongdoing.

Complaints by the investing public, together with the Commission's broker-dealer inspection program with respect to registered broker-dealers and the Commission's surveillance of the securities markets, account for most of the leads which develop into Commission investigations. Complaints and inquiries received from the public number many thousands every year. These complaints and broker-dealer inspection reports are carefully examined with a view toward determining whether violations of the acts are revealed which merit enforcement attention. Where a brief examination is necessary to determine whether or not a violation occurred, a preliminary investigation may be initiated for the purpose of determining whether further investigation is justified.

These preliminary investigations which are generally limited to an examination of the Commission's files, correspondence with persons in possession of pertinent information, and telephone or personal interviews with a small number of individuals, may serve to provide the information needed for a determination of whether a violation has occurred. Where the preliminary investigation is sufficient to disclose

³ (C. A. 9, No. 14613 (unreported)).

that no violation has been committed or that a violation has occurred because of a misunderstanding or ignorance of the law, no further action is ordinarily taken except that under the latter circumstances the offender is informed of his violations and steps are taken to procure compliance. In this manner the preliminary investigation results in compliance with the law before the investing public has suffered serious damage or loss.

In the event that a satisfactory disposition cannot be made following such a preliminary investigation, the matter is docketed as a case and a full, detailed investigation is made. The Commission may, in connection with such investigation, issue a formal order appointing officers from members of its staff to issue subpoenas calling for the appearance of witnesses to testify under oath and for the production of documents. Authority under it is limited to the persons named by the Commission in that order and its use is limited to the subject matter specifically designated. During the fiscal year 47 such orders were issued.

Upon completion of an investigation the regional administrator of the office in which the investigation is being conducted receives a report from the investigators assigned to the case and, following a review of that report, the regional administrator submits a recommendation that appropriate action be instituted by the Commission or that the investigation be closed. These reports in every instance are reviewed and analyzed by the staff of the Commission's principal office before being presented to the Commission for disposition.

In cases where it appears that a criminal prosecution would be appropriate, the action of the Commission may take the form of a reference of the evidence to the Department of Justice. In that event, members of the staff familiar with the development of the investigation, assist the United States Attorney, to whom the Department of Justice has assigned the matter, in the presentation of the evidence to a grand jury, and, where an indictment is returned, in the prosecution of the case.

In other cases the Commission may authorize institution of a civil proceeding for injunctive relief or bring administrative proceedings against broker-dealers and investment advisers. At times where it appears appropriate to do so, the Commission will also refer evidence of violations of other Federal statutes and State laws to the Department of Justice or other interested Federal or State authority.

During prior fiscal years intensive efforts were made to close old cases upon which further work did not appear to be justified with the result that the investigations pending at the beginning of the year largely included matters requiring active work. An unusual proportion of these involved complex situations requiring intensive effort by numerous investigators to develop all of the pertinent information.

This situation resulted in a decrease in the number of cases closed as compared with prior years. The following table reflects investigative activities:

	Preliminary investigations	Docketed investigations	Total
Pending June 30, 1955.....	163	481	644
New cases.....	163	175	338
Transferred from preliminary.....	0	24	24
Total.....	326	680	1,006
Closed.....	84	85	169
Transferred to docketed.....	24	0	24
Pending at June 30, 1956.....	218	595	813

Restitution

While the statutes administered by the Commission do not specifically authorize it to bring action or conduct investigations for the purpose of effecting recovery of money for investors, a substantial amount is recovered each year by investors as a result of investigations by the Commission. The amount of such recoveries cannot be computed with any degree of accuracy. It is estimated that several millions of dollars annually are so restored.

For example, in one situation during 1956, an investigation disclosed a distribution in violation of the registration requirements of the Securities Act to residents of the United States, of securities of a Canadian mining venture by a registered broker-dealer located in this country. The firm recognized its responsibility and, regardless of the proceedings instituted by the Commission to determine whether its registration as a broker-dealer should be revoked, voluntarily effected an offer of rescission at a cost to it of over \$200,000.

Payments to members of the public through the Commission's enforcement efforts also result from the appointment by the courts of receivers at the instance of the Commission in connection with broker-dealer injunctive actions. Where the situation warrants such action, the Commission will seek appointment of a receiver by the court to preserve assets of firms against whom action is taken for distribution to customers. While neither the Securities Act of 1933 nor the Securities Exchange Act of 1934 contains specific authorization for the appointment of a receiver which the Commission may seek in order to fully protect the public interest, the Federal courts have consistently sustained the Commission's position that the authority to appoint such a receiver is inherent in the broad equity power of the judiciary.^{3a}

^{3a} Recent cases in which the Federal courts have at the Commission's request appointed such receivers include:

S. E. C. v. Barrett Herrick & Co., Inc., S. D. N. Y. No. 112-396 (September 11, 1956)

S. E. C. v. Golden-Dersch & Co., Inc., S. D. N. Y. No. 112-377 (September 7, 1956)

S. E. C. v. Coombs & Company of Washington, D. C., U. S. D. C. No. 3437-56 (August 17, 1956)

The effect of the enforcement program cannot, of course, be measured by money restored to customers and investors as a result of Commission action. Far more important is the money saved to the investing public by vigorous enforcement action to prevent fraudulent transactions before they can be consummated.

Enforcement Problems With Respect to Canadian Securities

In general the initiation and conduct of investigations with respect to violations which have their origin in Canada parallel other enforcement procedures. The principal difference arises from the territorial limitations of the Commission's authority and the fact that in a large majority of such cases the evidence is located, as are the violators, in a foreign country. The Commission staff cannot examine these persons under oath or inspect their books and records nor is it possible to obtain proof of the falsity of their representations concerning the issuers of the securities being offered for sale. Even where evidence is available, sanctions such as criminal or civil prosecution or administrative proceedings cannot be effective unless personal jurisdiction over the defendants is obtained. The difficulty in obtaining the requisite personal jurisdiction is highlighted by the narrow construction given by the Canadian courts to the Supplementary Extradition Convention between Canada and the United States. In the first case, *U. S. v. Link and Green*, 3 D. L. R. 386 (1955), brought under the new extradition arrangements which had been designed to permit extradition from Canada of persons engaged in the fraudulent sale of securities by mail and telephone to United States residents, the Canadian courts denied extradition. At the conclusion of the 5 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. Application was made to the Supreme Court of Canada for leave to appeal the decision, and that application was denied by the court for lack of jurisdiction, *U. S. v. Link and Green* (1955) S. C. R. 183. Negotiations aimed at a solution of the problem have been continued through the Department of State. Meanwhile, enforcement efforts are necessarily dependent to a very large degree upon the cooperation of appropriate Canadian Federal and Provincial officials which, as mentioned in this Report under "Enforcement Program", has been excellent.

Despite these difficulties, the Commission and other Federal agencies have made aggressive efforts to cope with the overall situation. Hundreds of investigations have been made, injunctions have been secured whenever jurisdiction over the violator could be obtained, a substantial number of criminal indictments have been entered, and over 80 postal fraud orders have been issued. A central clearing

house for information concerning violators has been established within the Commission, whereby information in the possession of numerous law enforcement agencies is compiled and exchanged.

Early in 1956, there was reason to be optimistic concerning the progress being made. Available information indicated that fraudulent offerings from Canada had decreased very substantially since the peak of 1949-52, both in number and in magnitude. This progress was the more encouraging because the past year or two have been a period of activity in the securities market and relatively high public interest in speculative securities when an increase rather than a decrease in the fraudulent offerings from Canada might reasonably have been anticipated.

The favorable trend which was noted earlier in the year was reversed in the succeeding months of 1956 and is a cause for serious concern. The recent instances of fraudulent activity seem to be largely attributable to a small coterie operating in western Canada. There is reason to believe that this newly troublesome group includes notorious "stockateers" from Eastern Canada who were forced to discontinue activities there because of the vigilance of Quebec and Ontario authorities.

The migration of persons engaged in illegal sales activities from one province to another in Canada creates a problem for the Canadian authorities who have been vigorously cooperating with the Commission; and points up the inadequacy of provincial regulation to bring this illegal activity under control. The limitations of provincial law did not, however, prevent effective action by Canadian provincial authorities against 6 broker-dealers and 3 securities issuers whose registrations were either canceled or not renewed upon expiration following complaints submitted by the Commission. In particular, the cooperation of the provincial authorities of Ontario and Quebec and their positive attitude toward the enforcement of their respective securities regulations have contributed greatly to the measure of success that has resulted from the cooperative enforcement program. In this connection, enactment of new legislation has enabled Quebec authorities to take forceful measures to halt fraudulent sales activities in that province. The Quebec Legislature which created the Securities Commission for that province was fully aware of the need for its Commission to be in a position to deal effectively with securities violators and therefore armed it with summary power to penalize and halt the activities of those persons who did not comply with the requirements of the law. It should also be mentioned that the Canadian provincial and Federal authorities have continued to cooperate with the Commission by making available evidence from their official files for use in proceedings initiated by the Commission,

as well as by furnishing the assistance of members of their staffs in some instances. The Commission has cooperated with and assisted Canadian authorities by obtaining and making available evidence necessary for enforcement actions in that country.

In April 1956 the Commission revised its Canadian restricted list, initially issued in September 1951, which contains a list of Canadian issuers whose securities the Commission has reason to believe recently have been or currently are being distributed in the United States in violation of the registration requirements of the Securities Act of 1933. The Commission's release publishing the list also, and for the first time, specified the conditions under which a name would be deleted from the restricted list. Deletions are effected after a reasonable time if it appears that the issuer has ceased to exist and there appears to be no trading in the securities in the United States. Deletions may also be made upon compliance with the Federal securities laws by effective registration under the Securities Act of 1933, or qualification for an exemption under the Commission's regulations. Normally, a security will not be removed from the list until at least a year after the unlawful distribution is completed absent an appropriate filing under the Securities Act. In the originally revised restricted list, the names of 79 issuers no longer in existence were deleted and the names of 30 issuers were added, making a total of 135 issuers on the restricted list. In June 1956, the first supplement to the revised list was issued, adding the names of 14 Canadian issuers. It is the intention of the Commission to issue additional current supplements as the need appears in keeping with the primary function of the list to put brokers and dealers, as well as the investing public, in the United States on notice of the fact that securities of Canadian issuers named thereon appear to be the subject of illegal distributions.

The list even as supplemented does not purport to include all Canadian securities being illegally distributed in the United States. It does serve as notice with respect to the securities of the issuers named which have come to the attention of the Commission. Before executing transactions in such securities, brokers and dealers are expected to satisfy themselves that any such security purchased by them for resale or acquired in the execution as broker of a customers' order is not a part of the unlawful distribution, since otherwise the broker or dealer himself may be regarded as participating in an unlawful distribution. The list, among other things, discourages a particular technique of illegal distribution by which investors in the United States are solicited to place orders with their own brokers or dealers instead of directly with Canadian brokers, and the securities being distributed are used to fill the resulting orders from brokers and dealers in the United States. The current list is as follows:

CANADIAN RESTRICTED LIST

(In effect October 11, 1956)

Canadian issuers whose securities the Commission has reason to believe recently have been distributed or currently are being distributed in the United States in violation of the registration requirements of the Securities Act of 1933.

Alba Explorations Limited	Continental Uranium Corporation Ltd.
Algro Uranium Mines Limited	Copper Island Mining Company Ltd.
Alminster Oils Limited	Copper Prince Mines Limited
Amshaw Porcupine Mines Limited	Cordan Cobalt Mines Limited
Antimony Gold Mining and Smelting Corporation Limited	Cove Uranium Mines Limited
Apollo Mineral Developers Inc.	Craggold Mines Limited
Ar-Can Limited (formerly Transvision-Television (Canada) Limited)	Dalo Oil and Gas Limited
Armour Uranium and Copper Mines Limited (formerly Naneek Mines Ltd.)	Cavalier Mining Corporation Limited
August Porcupine Gold Mines Limited	David Copperfield Explorations Limited
Augdome Exploration Limited	Deneroff Mines Limited
Aunite Mining Corporation Limited	Derrick Oil and Gas Company Ltd.
Barbary Gold Mines Limited	Desmont Mining Corporation Ltd.
Bar-Fin Mining Corporation Limited	Detomac Mines Limited
Bargis Mines Limited	De Ville Copper Mines Limited
Barvin Mines Limited	Docana Oils and Mines Limited
Basic Minerals Limited	Dolmac Mines Limited
B. C. Metal Mines Limited	Dougron Gold Mines Limited
Beaucoeur Yellowknife Mines Limited	Dubar Exploration Limited
Bibis Yukon Mines Limited	Dupont Mining Company Limited
Bli-Riv Uranium and Copper Corporation Limited	Eastwebb Mines Limited
Britco Oils Limited	Edson Oil Company Limited
Brunhurst Mines Limited (formerly Porcupine Peninsula Gold Mines Ltd.)	Export Nickle Corporation of Canada Limited
Caldina Oils Limited	Falgar Mining Corporation Limited
Calumet Uranium Mines Limited	Famous Gus Uranium Mines Limited
Cameron Copper Mines Limited	Fission Mines Limited
Camoose Mines Limited	Fleetwood Yellowknife Mines Ltd.
Camrose Gold and Metals Limited	Forbes Lake Mining Corporation Ltd.
Canso Mining Corporation Limited	Gay River Lead Mines Limited
Casa Loma Uranium Mines Limited	Genalta Petroleum Limited
Cavalcade Petroleum Limited	Gold Uranium Exploration Company Ltd.
Central Sudbury Lead-Zinc Mines Ltd.	Gordona Mining Corporation Limited
Chief Mountain Oils Limited	Gothic Mines and Oils Limited
Clenor Mining Company Limited	Greatlakes Copper Mines Limited
Clix Athabasca Uranium Mines Ltd.	Great Valley Exploration and Mining Limited
Cobalt Badger Silver Mines Limited	Haitian Copper Corporation Limited
Cob-Sil-Ore Mines Limited	Halden Red Lake Mines Limited
Colonial Asbestos Corporation Ltd.	Hamil Silver-Lead Mines Limited
Consolidated Cordasun Oils Ltd.	Harvard Mines Limited
Consolidated Peak Oils Limited (formerly Peak Oils Limited)	Head of the Lakes Iron Limited
Consolidated Quebec Yellowknife Mines Limited	Hercules Uranium Mines Limited
Consolidated Thor Mines Limited	Holwood Mines Limited
Continental Potash Corporation Ltd. (formerly Western Potash)	Huddersfield Uranium and Minerals Ltd.
	Huhill Yellowknife Mines Limited
	Judella Uranium Mines Limited
	Kabour Mines Limited
	Kaiser Development Corporation Ltd.
	Kamis Uranium Mines Limited
	Kersley Oil and Gas Company Limited

Keylode Cobalt Silver Mines Limited	Obabika Mines Limited
Keymore Gold Mines Limited	Orbit Uranium Developments Limited
Key West Exploration Company Ltd.	Ordala Mines Limited
Kidihawk Mines Limited	Osage Oil and Exploration Limited
Kirk-Hudson Mines Limited	Packeno Yukon Mines Limited
Kirkland Larder Mines Limited	Paramount Petroleum and Mineral Corporation Limited
Kop Beverages Limited	Plateau Petroleum Limited
Lake Superior Iron Limited	Prescott Porcupine Gold Mines Ltd.
Leberta-Redwater Oil Company Ltd.	Pyramid Oils Limited
Lee Gordon Mines Limited	Trio Uranium Mines Limited
Lithium Corporation of Canada Ltd.	Quebank Uranium Copper Corporation
Lloydal Petroleum Limited	Quebec Developers and Smelters Ltd.
Loranda Uranium Mines Limited	Rebar Gold Mines Limited
Madison Mining Corporation Limited	Resolute Oil and Gas Company Limited
Mag-Iron Mining and Milling Limited	Ribstone Valley Petroleum Limited
Mallen Red Lake Gold Mines Limited	Richore Gold Mines Limited
Marvel Uranium Mines Limited (formerly Marvel Rouyn Mines Ltd)	Ridgefield Uranium Mining Corporation Limited
Marwood Mining Corporation Limited	Rigby Kirkland Mines Limited
Masters Oil and Gas Limited	Roland Gold and Copper Mines Ltd.
Mensilva Mines Limited	Rouandah Oils and Mines Limited
Mercedes Exploration Company Ltd.	St.-Pierre & Miquelon Explorations Inc.
Mid-West Mining Corporation Limited	Salmita Consolidated Mines Limited
Mining Endeavor Company Limited	Saratoga Exploration Company Limited
Min-Ore Mines Limited (formerly Ryan Lake Mines Limited)	Sentry Petroleum Limited
Monogram Petroleum Limited	Sioux Petroleum Limited
Moupre Uranium Exploration Ltd.	Skyline Uranium and Minerals Corporation Limited
Monteo Copper Corporation Limited	Soo-Tonic Uranium Mines Limited
Nationwide Minerals Limited	Spike Redwater Oil Company Limited
New Bailey Mines Limited	Strathmore Mines Limited
New Concord Development Corporation Limited (formerly Concord Development Corporation Ltd.)	Surety Oils and Minerals Limited
New Goldvue Mines Limited	Trans-Leduc Oils Limited
New Jack Lake Uranium Mines Ltd.	United Copper and Mining Limited
New Lafayette Asbestos Company Ltd.	United Uranium Corporation Limited (formerly Indore Gold Mines Ltd.)
New Metalore Mining Company Ltd.	Wainwright Producers and Refiners Limited
New Telluride Gold Mines of Canada Limited	Wakefield Uranium Mines Limited
New Vinray Mines Limited	Westberta Oils Limited
Ni-Ag-Co Mines Limited	West Plains Oil Resources Limited
Norlartic Mines Limited	Westville Mines Limited
Normingo Mines Limited	Winston Mining Corporation Limited
Nu-Age Uranium Mines Limited	Whitney Uranium Mines Limited
Nu-World Uranium Mines Limited	Yukeno Mines Limited
Oakridge Mining Corporation Limited	Yukore Mines Limited

To assist in the enforcement work of the Commission, brokers, dealers, and members of the public are requested to report to the Commission evidence of violations of the Securities Acts which may come to their attention.⁴

SECTION OF SECURITIES VIOLATIONS

A section of Securities Violations is operated by the Division of Trading and Exchanges of the Commission as a part of its enforcement program and to provide a further means of detecting and preventing fraud in securities transactions. The Securities Violations Section maintains files which provide a clearing house for information concerning persons who have been charged with violations of various Federal and State securities statutes. Considerable information is also available concerning violators who are resident in the provinces of Canada. The specialized information in these files is kept current through the cooperation of the United States Post Office Department, the Federal Bureau of Investigation, parole and probation officials, State securities authorities, Federal and State prosecuting attorneys, police officers, Better Business Bureaus, and chambers of commerce. At the end of the fiscal year these records contained information concerning 59,664 persons against whom Federal or State action had been taken in connection with securities violations. In keeping these records current there were added during 1956 information concerning 4,798 persons, including 1,695 concerning persons not previously identified therein.

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

Extensive use is made of the information available in these records by regulatory and law enforcing officials. During the past year the Commission received 3,204 "securities violations" letters or reports and dispatched 1,823 communications to cooperating agencies.

ACTIVITIES OF THE COMMISSION IN ACCOUNTING AND AUDITING

The several acts administered by the Commission provide that dependable, informative financial statements, which disclose the financial status and earnings history and potentialities of a corporation or other commercial entity, shall be made a part of registration statements, applications for registration, and periodic reports required to

⁴ Securities Act Release No. 3632.

be filed with the Commission. These financial statements are always a vital, often the most significant, element of the information the investor must have upon which to predicate investment decisions.

The Congress recognized the importance of these statements. It was aware also that they lend themselves readily to misleading inferences or even deception, whether or not intended. Consequently, the various statutes administered by the Commission deal extensively with financial statement presentation and the accounting concepts and principles on which they are based. The recognition by the Congress that accountants and accounting perform a vital role in achieving the statutory objectives of fair disclosure, prevention of fraud, inequitable and unfair practices, and control and regulation, makes the activities of the Commission in the field of accounting most significant from the standpoint of the investor.

Thus, for example, the Securities Act requires the inclusion in prospectuses of balance sheets and profit and loss data "in such form as the Commission shall prescribe,"⁵ and authorizes the Commission to prescribe "the items or details to be shown in the balance sheet and earnings statement, and the methods to be followed in the preparation of accounts * * *"⁶ Similar authority is contained in the Securities Exchange Act,⁷ and more comprehensive power is embodied in the Investment Company Act⁸ and the Holding Company Act.⁹

The Securities Act provides that the financial statements required to be made available to the public through filing with the Commission shall be certified by "an independent public or certified accountant."¹⁰ The other three statutes permit the Commission to require that such statements be accompanied by a certificate of an independent public accountant,¹¹ and the Commission's rules require, with minor exceptions, that they be so certified. The value of certification by qualified accountants has been conceded for many years, but the requirement as to independence, long recognized and adhered to by some individual accountants, was for the first time authoritatively and explicitly introduced into law in 1933. Out of this initial provision in the Securities Act and the rules promulgated by the Commission,¹² together with strict action taken by the Commission in certain cases,¹³ there have grown concepts of accountant-client relationships that have strengthened the protection afforded investors.

⁵ Sec. 10 (a) (1) (schedule A, pars. 25, 26).

⁶ Sec. 19 (a).

⁷ Sec. 13 (b).

⁸ Secs. 30, 31.

⁹ Secs. 14, 15.

¹⁰ Sec. 10 (a) (1) (schedule A, pars. 25, 26).

¹¹ Securities Exchange Act, sec. 13 (a) (2); Investment Co. Act, sec. 30 (e); Holding Company Act, sec. 14.

¹² See, for example, rule 2-01 of regulation S-X.

¹³ See, for example, Securities Exchange Act Release No. 3073 (1941); 10 S. E. C. 982 (1942); and Accounting Series Release No. 68 (1949).

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, for any period during which he has any financial interest, direct or indirect, in such person, or with whom he is or as connected was 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.

Experience with these rules shows that many accountants, especially those certifying financial statements of companies coming within the Commission's jurisdiction for the first time by reason of a registration statement for a new issue or the listing of an outstanding issue on an exchange, find that they cannot certify financial statements of clients of long standing because during the period for which financial data is required to be furnished they have served clients of whom they have in fact not been independent. The most common (and often unwitting) cause of lack of independence is ownership of stock by a member of the accounting firm of the client company during any of the periods certified. This the Commission deems an absolute bar to independence, though exceptions where there would be particular hardship and investor protection can be achieved by other safeguards, have occasionally been permitted.

As shown above, the statutes administered by the Commission give it broad rule-making power with respect to the preparation and presentation of financial statements. Pursuant to the authority contained in the statutes the Commission has prescribed uniform systems of accounts for companies subject to the provisions of the Holding Company Act;¹⁴ has adopted rules under the Securities Exchange Act governing accounting and auditing of securities brokers and dealers; and has promulgated rules contained in a single, comprehensive regulation, identified as Regulation S-X,¹⁵ which govern the form and content of financial statements filed in compliance with the various acts. This regulation is implemented by the Commission's Accounting Series releases, of which 77 have so far been issued. These releases were inaugurated in 1937, and were designed as a program for making public, from time to time, opinions on accounting principles for the purpose of contributing to the development of uniform standards and practice in major accounting questions. The rules and

¹⁴ *Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies* (effective August 1, 1936); *Uniform System of Accounts for Public Utility Holding Companies* (effective January 1, 1937; amended effective January 1, 1943).

¹⁵ Adopted February 21, 1940 (Accounting Series Release No. 12; revised December 20, 1950 (Accounting Series Release No. 70)).

regulations thus established, except for the uniform systems of accounts, prescribe the accounting to be followed only in certain basic respects. In the large area not covered by such rules the Commission's principal reliance for the protection of investors is on the determination and application of accounting principles and standards which are recognized as sound and which have attained general acceptance.

Changes and new developments in financial and economic conditions affect the operations and financial status of the several thousand commercial and industrial companies required to file statements with the Commission. It is necessary for the Commission to be informed of the changes and new developments in these fields and to make certain that the effects thereof are properly reported to investors. The Commission's accounting staff, therefore, engages in study designed to establish and maintain appropriate accounting procedures and practices. The primary responsibility for this program rests with the chief accountant of the Commission who has general supervision with respect to accounting and auditing policies and their application.

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

For example, experience over the years has shown the need for an adequate guide for the auditing of broker-dealers who are required to file reports on Form X-17A-5 with the Commission, under rule X-17A-5. These reports include responses to a financial questionnaire and supplementary questions. Our rules now prescribe what are referred to as "Minimum Audit Requirements." Examination of the reports seems to indicate that many accountants consider these to be all of the requirements and fail to vary their procedures to fit changing conditions. Our chief accountant has been cooperating for some time with committees of the American Institute of Accountants in an effort to produce a comprehensive guide in this specialized field of auditing. This work resulted in the publication by the American Institute of Accountants, under date of October 24, 1956, of a booklet

entitled: "Audits of Brokers or Dealers in Securities." It is expected that Form X-17A-5 will be appropriately amended.

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

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

Many specific accounting and auditing problems arise as a result of the examination of financial statements required to be filed with the Commission. Where examination reveals that the rules and regulations of the Commission have not been complied with or that applicable sound accounting principles have not been adhered to, the examining division usually notifies the registrant by an informal letter of comment. These letters of comment and the correspondence or conferences that follow continue, as in the past, to be a most convenient and satisfactory method of effecting corrections and improvements in financial statements, both to registrants and to the Commission's staff. Where particularly difficult or novel questions arise, which cannot be settled by the accounting staff of the divisions and by the chief accountant, they are referred to the Commission for consideration and decision. The Commission's treatment of accounting questions by these administrative means is extensive. A considerable portion of the time of the accounting staff is spent in the discussion of such cases by letter and telephone, and in conference with registrants and their accounting and legal advisers. There is also a large, and in recent years growing, volume of inquiries as to the propriety of particular accounting practices from accountants and from companies not presently subject to any of the acts administered by the Commission who wish to have the benefit of the Commission's views, and thus utilize and apply the Commission's experience to the facts of their own case.

During 1956 several accounting problems required the staff's consideration, some for the first time because of new economic developments and others due to changed viewpoints. The past year has seen an increasingly large number and variety of corporate mergers and acquisitions, and many more reportedly are in process. Since the transactions occurring in this area of business activity may have material effect upon the reported earnings of the corporations involved as well as serious tax consequences, it is essential that sound and workable criteria be established governing the accounting therefor. The Commission's staff has been cooperating closely with the accounting profession to bring about the establishment of uniform procedures in this area.

Novel accounting problems have been raised in connection with a public offering by a corporation organized under the laws of the District of Columbia pertaining to the incorporation of insurance companies, of contracts described as "variable annuity contracts." These contracts are discussed in greater detail on pages 190, 192 of this report. While proposals have also been made in other jurisdictions for the issuance of this type of contract, this case is the only one thus far presented to the Commission for its consideration. This form of contract differs from the conventional annuity contract usually available from insurance companies in that the issuer is not obligated to pay a fixed dollar amount but instead contracts to pay varying periodic sums depending upon the value of an underlying fund invested in common stocks and other equity securities. The appropriate accounting for these contracts is receiving the attention of the Commission's staff in cooperation with the accounting profession.

OPINIONS OF THE COMMISSION

Opinions are issued by the Commission in contested and other cases arising under the Securities Act of 1933, the Securities and 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 where the nature of the matter to be decided, whether substantive or procedural, is of sufficient importance to warrant a formal expression of views. These opinions include detailed findings of fact and conclusions of law based on evidentiary records, taken before a hearing examiner, or, in an occasional case, before a single Commissioner or the entire Commission. In some cases formal hearings are waived by the parties and the findings and conclusions are based on stipulated facts or admissions.

The Commission is assisted in the preparation of findings, opinions and orders by its Office of Opinion Writing, an independent staff office directly responsible to the Commission. It receives all assign-

ments and instructions from, and makes recommendations and submits its work to, the Commission directly. While engaged in the preparation of opinions members of the Office of Opinion Writing are completely isolated from members of the operating division actively participating in the proceedings, and it is an invariable rule that those assigned to prepare such an opinion must not have had any prior participation in any phase of the proceedings with respect to which the opinion is to be prepared. Commission experts are from time to time consulted on technical problems arising in the course of the preparation of opinions and findings, but these experts are never individuals who have participated in the proceedings. This complete independence of staff members assisting in the preparation of opinions accords with the principle embodied in the Administrative Procedure Act requiring a separation between staff members performing prosecutory functions and those performing quasi-judicial functions.

Members of the Office of Opinion Writing who are assigned to work on a particular case attend the oral argument of the case before the Commission and frequently keep abreast of current hearings. Prior to the oral argument the office makes a preliminary review of the record and prepares and submits to the Commission a summary of the uncontested facts and the factual and legal issues raised in the hearings as well as in any proposed findings and supporting briefs, the hearing examiner's recommended decision and exceptions thereto taken by the parties. Following oral argument or, if no oral argument has been held, at such time as the case is ready for decision, the Office of Opinion Writing is instructed by the Commission respecting the nature and content of the opinion and order to be prepared.

In preparing the draft of the Commission's formal opinion, the entire record in the proceedings is carefully read and in some cases a narrative abstract of the record is prepared. Upon completion of a draft opinion and review and revision in the Office of Opinion Writing it is submitted to the Commission. The draft as submitted may be modified, amended, or completely rewritten in accordance with the Commission's final instructions.

When the opinion accurately expresses the views and conclusions of the Commission it is adopted and promulgated as the official decision of the Commission and constitutes a source of information for the bar, investors and other interested persons. Opinions are publicly released and distributed to representatives of the press and persons on the Commission's mailing list. In addition, the opinions are printed and published by the Government Printing Office in bound volumes entitled "Securities and Exchange Commission Decisions and Reports."^{15a}

^{15a} There are presently 33 published volumes, covering the period from July 2, 1934 to September 30, 1952. Volumes 34 to 36, covering the period from October 1, 1952 to January 31, 1956, are now at the Government Printing Office and are expected to be distributed by March 1957.

During the fiscal year 1956 the Commission issued findings, opinions and orders in 84 cases, exclusive of numerous uncontested matters disposed of without opinion.

APPLICATIONS FOR NON-DISCLOSURE OF CERTAIN INFORMATION

Under various of the acts administered by the Commission, public disclosure of certain limited types of information by persons filing documents with the Commission is not required. Thus, under item (30) of schedule A of the Securities Act of 1933, no disclosure is required of any portion of a material contract if the Commission determines that disclosure of such portion would impair the value of the contract and would not be necessary for the protection of investors. Under section 24 (a) of the Securities Exchange Act of 1934, trade secrets or processes need not be disclosed in any material filed with the Commission and, under section 24 (b) of that act, written objection to public disclosure of information contained in any such material may be made to the Commission which is then authorized to make public disclosure of such information only if in its judgment such disclosure is in the public interest. Somewhat similar provisions are contained in section 22 of the Public Utility Holding Company Act of 1935 and in section 45 of the Investment Company Act of 1940.

The Commission has implemented these sections of the acts by rules outlining the procedure to be followed by persons applying to the Commission for a determination that public disclosure of certain information is not necessary. The Commission has exercised sparingly its authority to grant applications for nondisclosure of information that would otherwise be public. The Commission has required a showing of a real detriment to the issuer of the securities with no real detriment to investors if such information is not disclosed. For example, the Commission has not granted applications for nondisclosure of sales and cost of sales except in one case where it appeared that the foreign operations of a company would have been seriously damaged.

Certain applications for nondisclosure, particularly under the Securities Exchange Act of 1934, are of a recurring nature because of the requirements of that act that reports be filed periodically. It is the policy of the Commission to reexamine such applications for the purpose of determining whether in the light of current conditions the applications should be denied in whole or in part even though such applications may have been granted in the past. This critical attitude of the Commission is known to the industry and has resulted in a small number of applications in the past fiscal year.

The number of applications granted, denied or otherwise accounted for during the year are shown in the following table.

Applications for nondisclosure of certain information 1956 fiscal year

	Number pending July 1, 1955	Number received	Number granted	Number denied or withdrawn	Number pending June 30, 1956
Securities Act of 1933 ^a	3	23	16	7	3
Securities Exchange Act of 1934 ^b	3	12	8	4	3
Investment Company Act of 1940 ^c	0	5	5	0	0
Total.....	6	40	29	11	6

^a Filed under rule 485.
^b Filed under rule X-24B-2.
^c Filed under rule N-45A-1.

STATISTICS AND SPECIAL STUDIES

The statistical work of the Commission is divided into two broad groups, the first covering statistics necessary to the Commission as the agency of the Government concerned with the operation, according to statutory standards, of the capital markets of the country. The second group of statistics pertain to general economic data connected with the overall government statistical program under the direction of the Office of Statistical Standards of the Bureau of the Budget. These general data are for the most part related to capital formation and other financial aspects of registered companies, and thus are also important to the Commission in carrying out its regulatory functions.

The statistical series which are prepared include data on securities effectively registered under the Securities Act of 1933, offerings of securities by all corporations in the United States (including issues not registered with the Commission, such as privately placed issues and railroad securities), retirements of corporate securities, net change in corporate securities outstanding, stock prices and trading. The research and statistical activity carried out under the direction of the Bureau of the Budget includes individuals' savings in the United States, income flow and investments of private pension funds of United States corporations, current liquid position of United States corporations, anticipated expenditures for plant and equipment by United States businesses, and a quarterly financial report for all United States manufacturing concerns.

Special studies are made from time to time on certain phases of the statistical data, and special reports are also prepared at the request of the Congress, the Council of Economic Advisers and other Government agencies. During 1956 studies and surveys concerned with stock market activity and practices were prepared for internal use and for the use of the Senate Committee on Banking and Currency

in its study of the stock market. Statistical data on the cost of flotation for registered and unregistered issues covering the years 1951, 1953, and 1955 were compiled, a report being planned for publication in 1957. Another special report, covering self-insured pension plans developed from the Commission's annual survey of corporate pension funds was published in November 1956.

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

The various statistical series are as follows:

Issues Registered under the Securities Act of 1933

Monthly and quarterly statistics are compiled on the number and volume of registered securities, classified by industry of issuer, type of security, and use of proceeds. Data for the 1956 fiscal year appear at page 52 and in appendix tables 1 and 2.

New Securities Offerings

This is a monthly and quarterly series covering all new corporate and noncorporate 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 1951, as well as monthly figures from January 1955 through June 1956, are given in appendix tables 3 and 4. A summary of the data is shown annually from 1934 through June 1956 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 nonmembers, 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. The saving series was initiated by the Commission in the Thirties and in recent years has been considerably refined and improved. During 1956, the Office of Statistical Standards discussed with the Commission its proposal to transfer central responsibility for savings statistics to the Federal Reserve Board. The Commission is cooperating with the Board in developing a new program of savings statistics along the lines suggested by the Task Force on Saving Statistics of the Joint Committee on the Economic Report.^{15b} Some of these improvements, already under way by the Commission, were incorporated in the Commission's 1955 annual release on saving, published in May 1956. 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 Number 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 source and use 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

^{15b} See "Reports of Federal Reserve Consultant Committees on Economic Statistics". *Hearings before Statistics of the Joint Committee on the Economic Report*. 84th Cong., 1st Session (1955) and Senate Report No. 1309 84th Cong., 2d Session (1956), 15.

released on actual capital expenditures of that quarter and anticipated expenditures for the next two quarters. In addition, a survey is made at the beginning of each year of the plans for business expansion during that year.

PUBLIC DISTRIBUTION OF INFORMATION

Among the basic purposes included in the statutes administered by the Commission are to provide information to the public about corporations and others selling new issues of securities to the public in interstate commerce or having securities listed on national securities exchanges, and detection, prevention and punishment of fraud, manipulation and other illegal activities in the securities markets, where Federal jurisdiction is involved.

As a result of the activities of the Commission in administering the "full disclosure" principles of the Federal securities laws, a vast amount of business and financial information has become available to the investing public. The availability of this information has been of particular importance in recent years because of the expanding and developing economy and the concomitant requirements for large amounts of new investment capital. Virtually all of the data obtained by the Commission under statutes administered by it is available to the public. In terms of volume, in excess of 90 percent of the Commission's files and records are freely available for public use and inspection.

Only a limited amount of information is not generally available to the public and this covers primarily the internal operating files of the Commission and the Commission's investigation files, the disclosure of which would be detrimental to the public interest. As the Attorney General pointed out:¹⁶

* * * The great mass of material relating to the internal operation of an agency is not a matter of official record. For example, intra-agency memoranda and reports prepared by agency employees for use within the agency are not official records since they merely reflect the research and analysis preliminary to official agency action. Intra-agency reports of investigations are, in general, not matters of official record; in addition, they usually involve matters of internal management and, in view of their nature, must commonly be kept confidential * * *

Members of the Commission as well as top staff officials frequently make themselves available for speeches and discussions before civic, professional and industry groups interested in the work of the Commission.

While the Commission has no formal public relations office, the Chairman, the other Commissioners, the Secretary and staff members of the home office as well as the regional offices, are always available for press interviews regarding the Commission's day to day operations. This is true, not only in the main office in Washington, but through-

¹⁶ Attorney General's Manual on the Administrative Procedure Act (1947) p. 25.

out the country generally, the practice being for Commissioners and Commission representatives to meet with the press whenever Commission business requires their presence in other sections of the country.¹⁷ During the 1956 fiscal year, over 30 press conferences were held by Commissioners and staff members in Washington and throughout the country.

Most Commission actions take the form of orders for hearing (or orders giving notice of opportunity to request a hearing), interim or final decisions and orders, and rules and regulations. So that the investing public may keep currently informed of these actions, copies thereof are distributed in "release" form to the Commission's mailing lists, comprising the names of persons who have specifically requested certain types of releases. During the year, a total of 736 such releases were distributed to these lists. An additional 73 releases were issued announcing court actions involving the Commission's law enforcement activities, such as injunction actions and criminal prosecutions. Another 73 releases were issued in the Statistical Series announcing the results of the Commission's regular statistical studies including New Security Offerings, Expenditures on New Plant and Equipment, Working Capital of Corporations, Saving of Individuals, the Financial Reports of Manufacturing Companies, and Surveys of Pension Plans.

Furthermore, to facilitate widespread press coverage of financial and other proposals filed with, and actions by, the Commission, and thus contribute to a greater public knowledge and understanding of the Commission's activities, a daily digest or summary of all such developments is prepared and distributed to the press. In addition to summarizing the Commission's orders, decisions and rules, including such administrative actions as the suspension of registration statements or regulation A notifications with respect to public offerings of securities or the revocation of broker-dealer registrations, a brief description of all new financing proposals included in registration statements filed with the Commission, including the terms of the offering, expected use of the proceeds, and similar information, is reflected in the daily summary.

This program of information distribution is supplemented by many responses each day to individual inquiries of press representatives and others with respect to the Commission's activities and the financial proposals and other matters pending before the Commission.

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.

¹⁷ For an additional discussion of Commission informational policies, see discussion of House Special Subcommittee on Government Information of the Committee on Government Operations, Pt. II, p. 21.

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 3,348 persons made personal visits to the public reference room seeking public information and an additional 24,908 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, 1,845 orders involving a total of 102,739 pages were filled and 325 certificates attesting to the authenticity of copies of Commission records were prepared. The Commission also mailed 445,588 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 11,670 persons visited this public reference room and more than 10,006 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.

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.

Twenty-first Annual Report of the Commission.

Securities Traded on Exchanges under the Securities Exchange Act of 1934, as of December 31, 1955.

Companies Registered under the Investment Company Act of 1940, as of December 31, 1955.

Financial Report, United States Manufacturing Corporations. (Jointly with Federal Trade Commission) Quarterly, 1955.

Compilation of Accounting Series Releases Nos. 1-77 as of March 10, 1956.

Compilation of Amendments to 1935 Rules and Regulations as of March 15, 1956.

Volumes Nos. 28, 29, and 30 of the Commission's Decisions and Reports.
 Working Capital of United States Corporations. Quarterly.
 Volume and Composition of Saving. Quarterly.
 New Securities Offered for Cash. Quarterly.
 Plant and Equipment Expenditures of United States Corporations. (Jointly with Department of Commerce) Quarterly.
 Fulbright Committee Report as of May 25, 1956—S. 2054, 84th Congress, a bill to amend the Securities Exchange Act of 1934.

ORGANIZATION

The Securities and Exchange Commission is an independent regulatory agency exercising quasi-judicial, quasi-legislative, and administrative functions. Its staff is composed of attorneys, accountants, engineers, securities analysts, and clerical employees. The staff is divided into divisions and offices, including nine regional offices, as indicated in the organization chart on the following page.

The executive director is the chief operating official of the Commission. He acts under the direction of the Commission in the coordination of, and the performance of functions by, the operating divisions and offices of the agency, but under the direction of the Chairman with respect to administrative matters. He serves as head of the Division of Administrative Management, which includes the branches of Personnel, Budget and Finance, and Records and Service.

Reorganization Plan 10 of 1950, pursuant to the Reorganization Act of 1949,¹⁸ providing for reorganization of the Securities and Exchange Commission, became effective on May 24, 1950.

Plan 10 does not affect the substantive statutory responsibilities or the general policy-making functions of the Commission. Registrations,

¹⁸ Prepared by the President and transmitted to the Senate and the House of Representatives in Congress assembled, March 13, 1950, pursuant to the provisions of the Reorganization Act of 1949, approved June 20, 1949.

"SECTION 1. Transfer of functions to the Chairman.—(a) Subject to the provisions of subsection (b) of this section there are hereby transferred from the Securities and Exchange Commission, hereinafter referred to as the Commission, to the Chairman of the Commission, hereinafter referred to as the Chairman, the executive and administrative functions of the Commission, including functions of the Commission with respect to (1) the appointment and supervision of personnel employed under the Commission, (2) the distribution of business among such personnel and among administrative units of the Commission, and (3) the use and expenditure of funds.

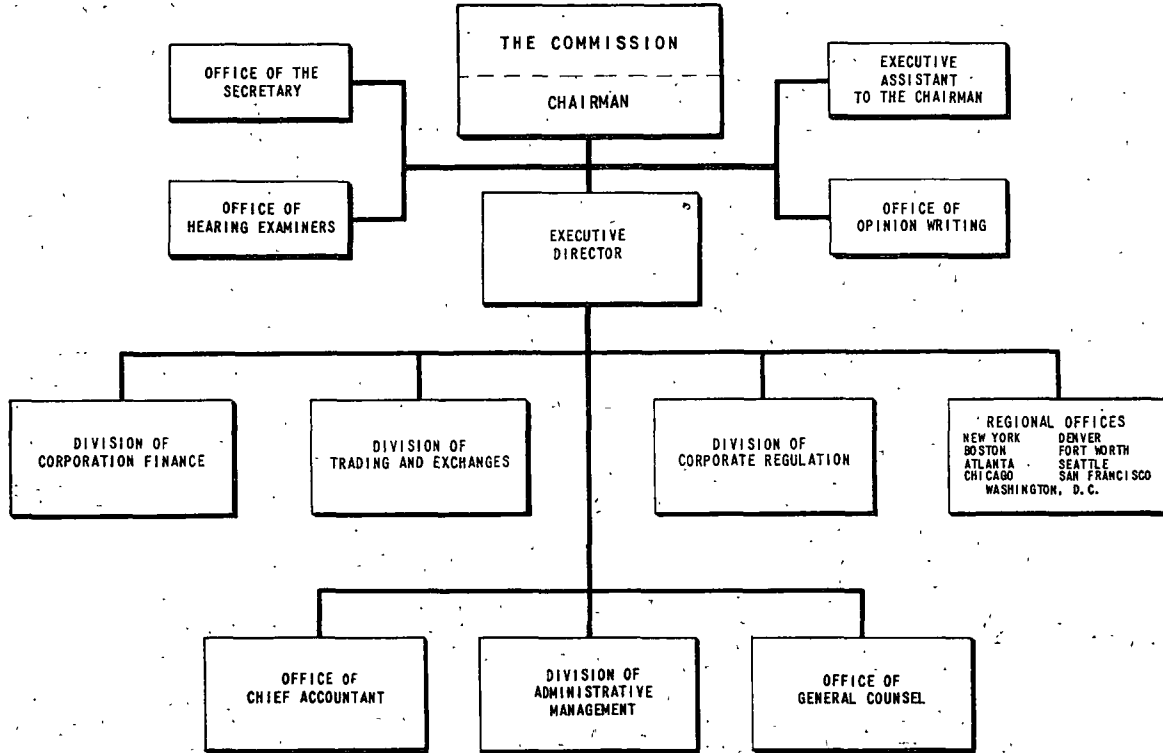
(b) (1) In carrying out any of his functions under the provisions of this section the Chairman shall be governed by general policies of the Commission and by such regulatory decisions, findings, and determinations, as the Commission may by law be authorized to make. (2) The appointment by the Chairman of the heads of major administrative units under the Commission shall be subject to the approval of the Commission. (3) Personnel employed regularly and full time in the immediate offices of Commissioners other than the Chairman shall not be affected by the provisions of this reorganization plan.

(4) There are hereby reserved to the Commission its functions with respect to revising budget estimates and with respect to determining upon the distribution of appropriated funds according to major programs and purposes.

SEC. 2. Performance of transferred functions.—The Chairman may from time to time make such provisions as he shall deem appropriate authorizing the performance by any officer, employee, or administrative unit under his jurisdiction of any function transferred to the Chairman by the provisions of section 1 of this reorganization plan.

SEC. 3. Designation of Chairman.—The function of the Commission with respect to choosing a Chairman from among the Commissioners composing the Commission are hereby transferred to the President."

SECURITIES AND EXCHANGE COMMISSION



applications and other matters arising under the statutes flow from the operating divisions and offices directly to the Commission. Plan 10 specifically provides that the appointment of the heads of major administrative units shall be made by the Commission on recommendation of the Chairman, and that personnel employed in the immediate offices of the Commissioners shall not be affected by provisions of the plan. The Plan also reserves to the Commission its functions as to revising budget estimates and with respect to determining the distribution of appropriated funds according to major programs and purposes. Although certain executive and administrative responsibilities are vested in the Chairman by Plan 10, the Commission is regularly consulted with respect to important executive and administrative matters. In addition, personnel actions affecting professional, technical and administrative employees are reported regularly to the Commission.

The Commission operates under a continuing policy of review of its organization and functions in order that its responsibilities may be discharged as efficiently and economically as possible. Under this policy, management studies were made of all of the Commission's major divisions in Washington, and the New York Regional Office during the fiscal year 1956. The principal realignments of functions and personnel approved by the Commission pursuant to this self-evaluation program were as follows:

The Division of Corporate Regulation formerly had three operating units, two of which handled the Division's work under the Public Utility Holding Company Act of 1935. The work is now concentrated in one Branch of Public Utility Regulation. The other operating unit, the Branch of Investment Companies, will continue to handle the Division's work under the Investment Company Act of 1940. An office of Special Studies and Administration was created to replace the Branch of Special Studies, thus concentrating in one branch the general analytical, financial, economic, and administrative functions of the Division. The newly created Office of Chief Counsel will be responsible for legal advice to the Division as well as for the Division's work under Chapter X of the Bankruptcy Act. This realignment of functions and personnel became effective June 1, 1956.

The Division of Administrative Management formerly consisted of the Branches of Personnel, Budget and Finance, Records, and Service. Effective June 1, 1956, the two latter branches were combined into one Branch of Records and Service.

Effective June 25, 1956, the functions and personnel of the Division of Trading and Exchanges were realigned to a minor extent. The Section of Enforcement was reconstituted and given immediate supervision over three component units each performing related functions. Similarly, the Section of Economic Research was reconstituted to provide for three units each responsible for a broad area

of the Commission's statistical program. These changes were designed to improve the flow of work within the Division.

The table of organization of the Office of the General Counsel formerly provided for a General Counsel, an Associate General Counsel and an Assistant General Counsel. Effective June 27, 1956, two additional Assistant General Counsel positions were created. The Associate General Counsel position, which had been vacant, was filled by promotion, as were the resulting three Assistant General Counsel positions. These changes gave recognition to the duties and responsibilities theretofore discharged by members of the General Counsel's staff and provide for an Assistant General Counsel with primary responsibility over each of the following major areas of work: contested trial court litigation, appellate court litigation, and legislative matters.

The functions and personnel of the Division of Corporation Finance were realigned to provide for three Assistant Directors in charge of the examination of registration statements under the Securities Act of 1933 and related matters, each having under his supervision two Branches of Corporate Examination and Analysis; an Assistant Director in charge of a Branch of Small Issues and a Branch of Administrative Proceedings and Investigation; a Chief Counsel of the Division in charge of a Branch of Interpretations and Review and a Branch of Forms, Rules, Regulations and Legislative Matters; a chief accountant of the Division; an Office of Engineering; and an Office of Filings and Reports. These changes, as modified August 15, 1956, were effective July 2, 1956.

PERSONNEL AND FISCAL

The personnel of the Commission as of June 30, 1956, compared with June 30, 1955, consisted of the following:

	June 30, 1956		June 30, 1955	
Commissioners.....		5		4
Staff:				
Headquarters office.....	458		411	
Regional offices.....	271	729	251	662
Total.....		734		666

The table on the following page shows the Budget Estimates of the Commission, the recommendations of the President, the appropriations actions of the House of Representatives, the Senate and the House-Senate Conferees and the appropriations (including supplementary appropriations for statutory pay increases) made for the Commission by the Congress for the fiscal years 1949-1956.

Action taken on budget estimates and appropriation from fiscal 1949 through fiscal 1956

Action	Fiscal 1949		Fiscal 1950		Fiscal 1951		Fiscal 1952		Fiscal 1953		Fiscal 1954		Fiscal 1955		Fiscal 1956		Fiscal 1957	
	Average em- ployment	Money	Average em- ployment	Money	Average em- ployment	Money	Average em- ployment	Money	Average em- ployment	Money	Average em- ployment	Money	Average em- ployment	Money	Average em- ployment	Money	Average em- ployment	Money
Commission's estimate to the Bureau of the Budget.....	1,400	\$6,684,800	1,307	\$6,789,400	1,175	\$6,675,000	1,127	\$6,605,000	1,092	\$6,360,000	1,030	\$6,810,000	780	\$5,124,760	734	\$4,997,000	794	\$5,749,000
Excess over President's Budget.....	-155	-684,800	-177	-819,400	-40	-250,000	-77	-681,000	-157	-410,000	-142	-810,000	-63	-299,780	-----	-----	-----	-----
Amount recommended in President's Budget.....	1,245	6,000,000	1,130	5,970,000	1,135	6,425,000	1,050	5,924,000	935	5,950,000	938	6,000,000	717	4,825,000	734	4,997,000	794	5,749,000
Action by the House of Representatives.....	-89	-173,860	-70	-220,000	-95	-295,000	-50	-225,000	-125	-704,920	-152	-754,920	-26	-125,000	-9	-122,000	-8	-49,000
Subtotal.....	1,156	5,826,140	1,060	5,750,000	1,040	6,130,000	1,000	5,699,000	810	5,245,080	786	5,245,080	691	4,700,000	725	4,875,000	786	5,700,000
Action by the Senate.....	-----	-----	-----	-----	+44	+200,000	-93	-320,520	-----	-----	-42	-245,080	+14	+75,000	+9	+122,000	+8	+49,000
Subtotal.....	1,156	5,826,140	1,060	5,750,000	1,084	6,330,000	907	5,378,480	810	5,245,080	744	5,000,000	705	4,775,000	734	4,997,000	794	5,749,000
Action by conferees.....	-----	-----	-----	-----	-22	-100,000	-----	-----	-----	-----	-----	-----	-6	-25,000	-4	-42,000	-----	-----
Annual appropriation.....	1,156	5,826,140	1,060	5,750,000	1,082	6,230,000	907	5,378,480	810	5,245,080	744	5,000,000	699	4,750,000	730	4,955,000	794	5,749,000
Supplemental appropriation for statutory pay increases.....	-----	295,000	-----	128,250	-----	-----	-----	435,000	-----	-----	-----	-----	-----	93,180	-----	323,000	-----	-----
Total appropriation.....	1,156	6,121,140	1,060	5,878,250	1,082	6,230,000	907	5,813,480	810	5,245,080	744	5,000,000	699	4,843,180	730	5,278,000	794	5,749,000
Mandatory reserve required in 1951.....	-----	-----	-----	-----	-32	-150,000	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	-----	-----	-----	-----	1,030	6,080,000	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Fees

The Commission is required by law to collect fees for registration of securities issued; qualification of trust indentures; registration of exchanges; and sale of copies of documents filed with the Commission.^{18a}

The following table shows the Commission's appropriations, total fees collected, percentage of fees collected to total appropriation, and the net cost to the taxpayers of Commission operations for fiscal years 1954, 1955, and 1956:

	Appropriation	Fees collected	Percentage of fees collected to total appropriation (percent)	Net cost of Commission operations ^a
1954.....	\$5,000,000	\$1,215,749	24	\$3,784,251
1955.....	4,843,180	1,703,200	35	3,139,980
1956.....	5,278,000	2,074,211	39	3,203,789

^a Fees are deposited to the General Fund of the Treasury and are not available for expenditure by the Commission.

Personnel Program

During fiscal 1956 there were significant developments in employment. As a result of a series of budget cuts, during the period 1949 to 1954 the Commission's staff was reduced from 1,149 on June 30, 1948, to 666, as of June 30, 1955. The figure of 666 represents an all-time low since the formative days of the Commission. As a result of favorable action on the Commission's budgets for fiscal years 1956 and 1957, this downward trend has been reversed. An aggregate of 140 appointments were made to fill the new positions in the Commission provided for by these appropriations and to replace retirements and resignations. In addition, 22 temporary clerical employees were appointed. During the summer months of 1956, 10 law school and business college students were hired under the Commission's newly established student assistant program. During the same period, it was also possible to make 172 promotions for members of the staff who were assigned increased duties and responsibilities which made possible their upgrading. The policy of recognition of hard, devoted, and productive work by the staff, which has resulted in these increased responsibilities at higher grades, is basic in providing incentive and enthusiasm, and the Commission believes contributes to the very high professional standing of the agency.

The Commission's appropriation for 1957 will permit an average employment of 794.^{18b} The Commission believes that an adequate

^{18a} Principal rates are (1) 1/100 of 1% of the maximum aggregate price of securities proposed to be offered, but not less than \$25; (2) 1/500 of 1% of the aggregate dollar amount of stock exchange transactions. Fees for other services are only nominal.

^{18b} At December 1, 1956, there were 785 employees in service.

staff is essential to insure that the basic policies of the Congress enacted in the securities laws for the protection of the investing public shall continue to be effectively discharged by the Commission.

During fiscal 1956, the Commission administratively extended to certain employees in positions excepted from the competitive civil service career tenure similar to that given to employees in the competitive service by law and regulation. In January 1956, the Commission adopted a program making possible the conversion of the indefinite appointment of attorneys who joined the staff after December 1, 1950, to a permanent or career basis. In addition, the Commission took administrative action converting to a permanent basis the indefinite promotions of employees in excepted positions.

During fiscal 1956, there have been significant accomplishments under the Commission's Incentive Awards Plan. In September 1955, the Commission recognized the long service of its career employees by presenting 10- and 20-year service pins and certificates to a total of 453 employees (63 percent of the entire staff) for service with the Commission.¹⁹ In addition 6 employees were awarded \$175 for adopted suggestions and cash awards totaling \$3,500 and certificates of merit were presented to 33 employees.

Fiscal 1956 was also a notable year for the recognition of the achievements of members of the Commission's staff by other organizations. In December 1955, the National Civil Service League presented 1 of its 10 career service awards to the chief accountant of the Division of Corporation Finance, Andrew Barr, and certificates of merit were awarded to 4 other Commission employees, Arden L. Andresen, William E. Becker, Orval L. DuBois, and Karl C. Smeltzer. In March of 1956, 2 of 16 Rockefeller Public Service Awards made throughout the Federal service were granted to the chief counsel of the Division of Corporation Finance, Manuel F. Cohen, and to an attorney-adviser in the Division of Trading and Exchanges, Edward C. Jaegerman. In June 1956, an attorney-adviser in the Office of the General Counsel, Elizabeth B. A. Rogers, was awarded a certificate of merit by the William A. Jump Memorial Foundation.²⁰

The Commission is justifiably proud of this record of distinction earned by its employees, and they are richly deserved by an able and conscientious staff that has contributed much to furthering the objectives for which the Commission was created.

¹⁹ In September 1956, 10- and 20-year service pins and certificates were awarded to an additional 62 employees.

²⁰ In addition, in August 1956, the National Civil Service League awarded its Merit Citation to 5 Commission employees in recognition of their outstanding careers in the public service. Also in August 1956, 3 employees were selected for participation in the Civil Service Commission's Eighth Junior Management Intern Program, out of a total of only 19 government employees admitted to the program.

PART XII
APPENDIX
STATISTICAL TABLES



TABLE 1.—A 22-year record of registrations fully effective under the Securities Act of 1933

1935-1956

[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
1956	³ 833	13,096	9,206	4,123	539	4,544

¹ For 10 months ended June 30, 1935.

² Includes 75 registrations of additional securities of investment companies by amendment of earlier registrations as provided by Section 24 (e) (1) of the Investment Company Act of 1940.

³ Includes 127 registrations of additional securities of investment companies by amendment of earlier registrations. There have been excluded the 73 statements registering American Depositary Receipts against outstanding foreign securities on Form S-12.

TABLE 2.—Registrations fully effective under the Securities Act of 1933
PART 1.—DISTRIBUTION BY MONTHS, FISCAL YEAR ENDED JUNE 30, 1956

[Amounts in thousands of dollars †]

Year and month	All registrations			Proposed for sale for account of issuers		
	Number of statements	Number of issues	Amount	Number of statements	Number of issues	Amount
<i>1955</i>						
July.....	69	89	642,715	61	73	522,118
August.....	54	77	2,664,816	49	66	1,438,940
September.....	41	53	601,154	35	45	564,544
October.....	62	83	707,281	53	67	530,039
November.....	80	106	915,017	74	90	727,767
December.....	51	82	411,316	47	71	321,219
<i>1956</i>						
January.....	63	76	1,617,939	54	61	551,122
February.....	58	75	609,005	53	65	470,143
March.....	87	115	1,385,162	82	100	1,175,770
April.....	95	139	1,540,234	85	117	1,199,986
May.....	83	105	1,233,235	79	90	1,092,885
June.....	90	117	767,636	81	92	611,081
Total, fiscal year 1956....	2,833	1,117	13,095,508	753	937	9,205,613

PART 2.—PURPOSE OF REGISTRATION AND TYPE OF SECURITY, FISCAL YEAR ENDED
JUNE 30, 1956

[Amounts in thousands of dollars †]

Purpose of registration	Type of security			
	All types	Bonds, debentures, and notes ‡	Preferred stock	Common stock †
All registrations.....	13,095,508	4,145,421	653,191	8,296,895
For account of issuers for cash sale.....	9,205,613	4,122,801	539,220	4,543,592
Corporate.....	9,005,981	3,923,169	539,220	4,543,592
Offered to:				
General public.....	6,616,725	2,911,682	492,876	3,212,166
Security holders.....	1,901,422	1,001,321	42,827	857,273
Other special groups.....	487,835	10,166	3,517	474,152
Foreign governments.....	199,632	199,632		
For account of issuers for other than cash sale.....	2,819,117	11,331	111,550	2,696,236
For account of others than issuers.....	1,070,778	11,290	2,421	1,057,067

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, 1956

[Amounts in thousands of dollars ¹]

Purpose of registration	Industry									
	All regis- trants	Manufac- turing	Mining	Electric, gas and water	Transpor- tation other than railroad	Communi- cation	Invest- ment com- panies	Other fi- nancial and real estate	Commert- cial and other	Foreign govern- ments
Number of statements.....	833	245	60	131	19	37	175	103	50	8
Number of issues.....	1, 117	339	84	151	27	40	264	128	71	13
All registrations (estimated value).....	13, 095, 503	3, 790, 319	242, 512	1, 916, 330	171, 927	2, 507, 185	3, 123, 236	917, 714	221, 264	205, 022
For account of issuers.....	12, 024, 731	2, 811, 642	235, 077	1, 898, 090	170, 307	2, 506, 966	3, 123, 236	878, 197	201, 583	199, 632
For cash sale.....	9, 205, 613	1, 787, 724	148, 486	1, 801, 861	118, 093	1, 294, 275	2, 890, 034	852, 169	113, 289	199, 632
Corporate.....	9, 005, 981	1, 787, 724	148, 486	1, 801, 861	118, 093	1, 294, 275	2, 890, 034	852, 169	113, 289	-----
Noncorporate.....	199, 632	-----	-----	-----	-----	-----	-----	-----	-----	199, 632
For other than cash sale.....	2, 819, 117	1, 023, 918	86, 592	96, 229	52, 214	1, 212, 691	233, 152	26, 023	88, 294	-----
For exchange for other securities ²	479, 623	217, 630	35, 037	36, 044	-----	18, 637	106, 623	16, 467	49, 135	-----
Reserved for conversion.....	1, 835, 729	488, 862	32, 964	41, 862	48, 356	1, 194, 054	-----	4, 210	25, 429	-----
For other purposes.....	503, 761	317, 425	18, 550	18, 323	3, 859	-----	126, 524	5, 351	13, 729	-----
For account of others than issuers.....	1, 070, 778	978, 676	7, 434	18, 240	1, 620	219	-----	39, 517	19, 681	5, 390

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, 1956

[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).....	9,005,981	1,787,724	148,486	1,801,861	118,093	1,294,275	2,890,084	852,169	113,289
Cost of flotation.....	365,113	49,954	12,382	32,311	4,490	10,945	232,611	16,197	6,222
Commissions and discounts.....	318,416	38,698	9,783	20,779	3,483	5,010	222,702	13,328	4,633
Expenses.....	46,696	11,256	2,599	11,532	1,007	5,935	9,909	2,870	1,589
Expected net proceeds.....	8,640,869	1,737,770	136,104	1,769,550	113,603	1,283,330	2,657,474	835,972	107,067
New money purposes.....	5,375,193	1,508,498	121,828	1,766,704	94,171	1,282,776	-----	501,639	99,576
Plant and equipment.....	4,246,001	986,959	61,739	1,762,734	83,137	1,282,657	-----	21,554	47,222
Working capital.....	1,129,192	521,539	60,089	3,971	11,034	120	-----	450,085	52,354
Retirement of securities.....	126,749	115,670	112	2,640	7,428	-----	-----	816	83
Other purposes ⁷	3,138,927	113,601	14,164	206	12,004	554	2,657,474	333,516	7,405

¹ Dollar amounts are rounded and will not necessarily add to totals shown.² The registrations shown in this table as fully effective include 127 effective registrations of additional securities of investment companies by amendment of earlier registrations. The 833 registrations differ from the 906 registrations shown in the table on page 230 by reason of (a) the exclusion of 73 registrations of American Depositary Receipts, (b) the exclusion of 3 statements effective subject to amendments which were not filed by the end of the fiscal year and the inclusion of 3 statements which were later withdrawn.³ Includes face amount certificates.⁴ Includes certificates of participation.⁵ This total differs from the sum of the monthly figures (\$5,465,315,000) for offerings shown in table 3, part 1, under the heading "Registered under 1933 Act," as follows:*Excluded from this table but included in offerings:*

Offerings of issues effectively registered prior to July 1, 1955..... \$32,957,000

Portion of exchange issues sold for cash..... 4,093,000

Included in this table but excluded from offerings:

Issues offered continuously:

Investment companies..... 2,840,729,000

Employee purchase plans and other..... 461,822,000

Effectively registered issues not yet offered for sale..... 78,290,000

Issues sold outside the United States, intercorporate offerings, etc. 196,875,000

⁶ Includes voting trust certificates registered for issuance in exchange for original securities deposited.⁷ Principally the purchase of securities.

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 non-corporate)	CORPORATE							Non-corporate			
		Total corporate	Classified by type of offering							Private placements ³		
			Public offerings ⁴				Registered under 1933 Act	Not registered under 1933 Act				
			Total public offerings	Total				Railroad issues			Issues exempt because of size ⁴	Other exempt offerings ⁵
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.....	29,784,843	9,516,168	5,847,743	4,959,641	888,102	440,152	194,550	253,400	3,668,425	20,248,675		
1955.....	26,772,349	10,240,155	6,763,161	5,752,604	1,010,557	532,049	269,059	209,450	3,476,994	16,532,195		
<i>1955</i>												
January.....	2,709,708	675,749	430,007	334,609	95,398	61,247	19,188	14,963	245,743	2,033,959		
February.....	1,390,079	459,712	247,484	202,232	45,252	0	17,112	28,140	212,228	930,367		
March.....	2,559,937	1,394,753	1,061,349	1,002,294	59,056	22,783	25,742	10,531	333,404	1,165,184		
April.....	1,642,822	663,841	463,422	352,148	116,274	91,199	22,010	3,056	195,419	978,981		
May.....	4,382,348	981,041	764,064	689,396	75,568	12,118	24,674	38,776	216,078	3,401,307		
June.....	1,919,221	764,091	433,894	361,043	72,851	18,086	29,850	24,915	334,196	1,151,130		
July.....	2,504,472	752,968	274,160	236,999	37,161	3,588	24,164	9,410	478,808	1,751,504		
August.....	1,638,073	869,635	693,763	484,896	208,867	169,507	30,268	9,092	175,871	768,439		
September.....	1,627,138	735,573	459,150	395,624	63,526	28,983	23,404	11,139	276,424	891,565		
October.....	2,645,872	1,250,248	1,044,972	923,385	121,587	63,380	22,175	36,032	205,275	1,395,624		
November.....	1,839,842	703,183	407,324	371,241	36,083	9,770	14,896	11,417	300,859	1,131,659		
December.....	1,912,836	980,361	477,673	398,737	78,936	51,388	15,568	11,980	502,688	932,474		
<i>1956</i>												
January.....	1,710,172	621,036	227,955	178,905	49,050	18,543	14,949	15,558	393,081	1,089,136		
February.....	1,997,864	744,455	411,622	303,923	107,699	30,769	12,925	64,005	332,833	1,253,408		
March.....	1,787,412	860,559	564,683	478,996	85,686	38,022	20,842	26,822	295,877	926,853		
April.....	1,876,453	914,936	579,543	481,356	98,187	13,112	17,201	67,873	335,392	961,518		
May.....	2,127,626	1,184,729	868,953	788,300	80,654	37,241	20,409	23,004	315,776	942,896		
June.....	2,123,227	889,233	485,464	422,952	62,512	33,347	13,645	15,520	403,769	1,233,994		

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		
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.....	29,764,813	9,516,168	20,248,675	27,736,258	7,487,533	20,248,675	815,908	1,212,677
1955.....	26,772,349	10,240,155	16,532,195	23,952,064	7,419,869	16,532,195	635,058	2,185,228
<i>1955</i>								
January.....	2,709,708	675,749	2,033,959	2,520,409	496,450	2,033,959	53,051	136,249
February.....	1,390,079	459,712	930,367	1,257,151	326,784	930,367	23,006	109,022
March.....	2,559,937	1,394,753	1,165,184	2,013,503	848,319	1,165,184	34,916	511,518
April.....	1,642,822	663,841	978,981	1,442,042	463,061	978,981	53,950	146,830
May.....	4,382,348	981,041	3,401,307	4,076,802	675,495	3,401,307	95,996	209,550
June.....	1,919,221	768,091	1,151,130	1,655,378	504,248	1,151,130	57,747	206,096
July.....	2,504,472	752,968	1,751,504	2,340,756	589,252	1,751,504	52,847	110,869
August.....	1,638,073	869,635	768,439	1,423,206	654,767	768,439	14,855	200,013
September.....	1,627,138	735,573	891,565	1,451,149	559,584	891,565	82,084	93,905
October.....	2,645,872	1,250,248	1,395,624	2,441,985	1,046,361	1,395,624	43,323	160,564
November.....	1,839,842	708,183	1,131,659	1,562,327	430,668	1,131,659	84,661	192,854
December.....	1,912,836	980,361	932,474	1,767,355	834,881	932,474	38,622	106,858
<i>1956</i>								
January.....	1,710,172	621,036	1,089,136	1,618,567	529,431	1,089,136	19,019	72,586
February.....	1,997,864	744,455	1,253,408	1,731,151	477,743	1,253,408	127,573	139,139
March.....	1,787,412	860,559	926,853	1,602,025	675,172	926,853	42,328	143,059
April.....	1,876,453	914,936	961,518	1,634,089	672,572	961,518	31,918	210,446
May.....	2,127,626	1,184,729	942,896	1,925,621	982,724	942,896	65,316	136,689
June.....	2,123,227	889,233	1,233,994	1,894,519	660,526	1,233,994	50,023	178,685

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 3	Electric, gas and water	Railroad	Other transportation	Communication	Financial and real estate 4	Commercial and other	Total noncorporate	U. S. Government (including issues guaranteed)	Federal agency (issues not guaranteed)	State and municipal	Foreign government and international	Non-profit institutions
1951.....	7,741,099	3,121,853	(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	538,697	3,713,311	479,322	299,432	720,102	1,075,818	421,547	20,248,675	12,532,250	458,304	6,968,642	244,721	44,758
1955.....	10,240,155	2,993,658	415,289	2,463,729	547,777	345,280	1,132,271	1,898,677	443,473	16,532,195	9,623,326	745,558	5,976,504	149,960	31,848
<i>1955</i>															
January.....	675,749	188,272	21,065	238,608	63,575	27,863	7,086	97,926	31,353	2,033,959	742,264	715,558	541,449	34,688	0
February.....	459,712	84,433	12,942	106,823	1,400	6,730	45,148	150,755	51,480	930,367	602,040	0	327,527	0	800
March.....	1,394,753	636,525	48,852	225,622	24,783	11,751	27,134	366,984	53,003	1,165,184	613,732	0	539,767	7,410	4,275
April.....	663,841	158,003	30,602	218,348	93,299	15,495	19,006	117,456	11,631	978,981	534,652	0	429,030	15,000	300
May.....	981,041	413,281	15,108	249,336	12,718	42,983	24,989	185,980	36,645	3,401,307	3,019,632	30,000	349,648	1,577	400
June.....	768,091	168,263	80,233	275,410	18,286	39,689	64,903	78,541	42,766	1,151,130	495,900	0	650,780	0	4,450
July.....	752,968	358,969	32,395	105,019	3,588	27,148	46,180	145,107	34,563	1,751,504	1,264,635	0	470,161	13,450	3,258
August.....	869,635	174,114	29,270	91,037	169,507	19,261	92,361	278,537	15,548	768,439	509,432	0	258,707	0	300
September.....	755,573	159,456	52,209	224,062	28,983	25,487	28,665	164,413	22,299	891,565	430,861	0	407,314	2,940	450
October.....	1,250,548	83,905	26,203	169,946	65,980	41,927	697,822	113,095	46,369	1,395,624	461,306	0	925,818	400	8,100
November.....	708,183	186,862	13,947	284,858	13,770	7,243	40,378	97,032	64,093	1,131,659	437,897	0	661,017	24,745	8,000
December.....	980,361	346,575	52,363	274,659	61,888	79,702	38,600	102,851	33,724	932,474	463,925	0	415,285	49,750	1,515
<i>1956</i>															
January.....	621,036	209,953	13,428	65,576	18,543	8,246	3,063	266,758	35,470	1,089,136	644,836	0	406,800	37,000	500
February.....	744,455	225,519	22,748	199,756	30,789	10,401	37,885	196,163	21,715	1,253,408	543,964	0	709,444	0	0
March.....	860,559	277,582	21,691	190,239	47,269	35,108	121,667	135,825	31,280	926,853	517,561	0	400,650	7,942	700
April.....	914,936	342,422	9,854	299,162	13,892	38,895	15,275	174,836	20,600	961,518	452,552	60,000	390,541	49,800	8,625
May.....	1,184,729	486,818	35,386	339,395	38,865	50,424	82,055	112,354	39,434	942,896	451,271	0	490,526	0	1,100
June.....	889,233	306,635	69,087	239,058	33,347	27,272	11,570	190,779	21,485	1,233,994	436,931	0	698,426	95,972	2,665

See footnotes at end of table.

TABLE 3.—New securities offered for cash sale in the United States¹—Continued
PART 4.—PRIVATE PLACEMENT OF CORPORATE SECURITIES²
[Estimated gross proceeds in thousands of dollars³]

Calendar year or month	All private placements	Type of security		Industry of issuer							
		Bonds, debentures, and notes	Stocks	Manufacturing	Mining ⁴	Electric, gas and water	Railroad	Other transportation	Communication	Financial and real estate	Commercial and other
1951.....	3, 414, 691	3, 326, 457	88, 234	1, 975, 318	(7)	637, 137	3, 900	154, 326	55, 327	223, 314	365, 290
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
1955.....	3, 476, 994	3, 300, 973	176, 021	1, 197, 273	201, 826	596, 041	15, 728	315, 061	107, 540	807, 053	236, 473
<i>1955</i>											
January.....	245, 743	234, 088	11, 655	91, 499	10, 193	40, 601	2, 328	27, 863	6, 680	47, 751	18, 926
February.....	212, 228	202, 414	9, 814	61, 437	4, 307	23, 248	1, 400	6, 480	1, 752	102, 215	11, 389
March.....	333, 404	331, 446	1, 958	125, 999	30, 174	79, 964	2, 000	10, 493	11, 212	57, 539	16, 023
April.....	195, 419	166, 433	28, 985	34, 552	7, 500	37, 742	2, 100	13, 895	4, 200	89, 758	5, 672
May.....	216, 078	210, 224	5, 854	35, 794	400	27, 970	600	37, 225	2, 450	84, 097	27, 542
June.....	334, 196	318, 615	15, 581	94, 277	59, 655	49, 467	200	39, 080	41, 994	39, 696	9, 818
July.....	478, 808	453, 416	25, 391	275, 466	9, 267	42, 299	0	18, 478	8, 055	108, 106	17, 138
August.....	175, 871	163, 339	12, 532	66, 615	3, 904	28, 183	0	16, 122	600	53, 440	7, 008
September.....	276, 424	258, 585	17, 839	100, 911	36, 425	41, 402	0	24, 443	14, 730	42, 408	16, 104
October.....	205, 276	188, 274	17, 002	32, 007	2, 700	35, 090	2, 600	39, 152	4, 150	47, 387	42, 189
November.....	300, 859	275, 455	25, 404	73, 662	0	104, 512	4, 000	2, 118	1, 042	71, 852	-3, 674
December.....	502, 688	498, 683	4, 005	205, 054	37, 302	85, 563	500	79, 702	10, 675	62, 803	21, 090
<i>1956</i>											
January.....	393, 081	388, 450	4, 631	146, 623	3, 381	54, 952	0	6, 116	2, 350	162, 395	17, 264
February.....	332, 833	329, 144	3, 689	105, 161	4, 225	56, 622	0	9, 899	8, 869	131, 141	16, 807
March.....	295, 877	282, 260	13, 626	78, 324	6, 866	40, 102	9, 246	27, 746	18, 030	104, 490	11, 072
April.....	335, 392	332, 292	3, 100	107, 765	1, 232	62, 975	780	10, 200	2, 324	75, 042	15, 075
May.....	315, 776	297, 049	18, 728	76, 789	15, 655	83, 144	1, 624	25, 672	4, 450	80, 332	28, 110
June.....	403, 769	390, 973	12, 796	204, 943	10, 950	77, 742	0	4, 417	1, 500	83, 895	10, 322

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 1934-50, 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]

Calendar year or 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		
1951.....	7,741,099	7,606,520	6,531,403	5,110,105	1,421,298	486,413	588,793
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
1955.....	10,240,155	10,048,855	7,957,394	5,333,328	2,624,066	1,227,494	863,967
<i>1955</i>							
January.....	675,749	662,751	467,919	328,316	139,603	127,862	66,971
February.....	459,712	451,016	344,929	164,773	180,156	44,412	61,675
March.....	1,394,753	1,371,331	1,174,878	764,644	410,234	148,224	48,229
April.....	663,841	647,516	428,729	249,037	179,693	169,192	49,595
May.....	981,041	959,857	773,923	559,243	214,679	73,562	112,352
June.....	768,091	751,169	611,215	421,795	189,420	64,172	75,783
July.....	752,968	739,125	526,211	244,468	281,753	142,586	70,328
August.....	869,635	852,581	613,769	280,216	333,554	208,377	30,434
September.....	735,573	721,963	558,562	372,840	185,722	52,175	111,226
October.....	1,250,248	1,233,662	1,074,188	949,858	124,329	71,336	88,133
November.....	708,183	694,167	590,465	454,570	135,895	62,149	41,558
December.....	980,361	963,717	792,606	543,578	249,028	63,428	107,683
<i>1956</i>							
January.....	621,036	610,555	495,534	178,343	317,191	31,874	83,147
February.....	744,455	730,386	663,584	387,599	275,984	26,449	40,853
March.....	860,559	845,630	761,679	525,382	236,298	55,681	28,270
April.....	914,936	897,887	702,100	481,703	220,397	82,128	113,658
May.....	1,184,729	1,164,679	1,115,832	948,460	167,373	21,022	27,824
June.....	889,233	872,764	768,402	445,945	322,456	43,084	61,278

PART 2.—MANUFACTURING

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	189,637	205,571
1955.....	2,993,658	2,929,734	2,020,952	1,265,272	755,680	532,571	376,210
<i>1955</i>							
January.....	188,272	184,046	101,007	64,224	36,783	37,415	45,825
February.....	84,433	82,944	45,294	10,465	34,829	16,441	21,209
March.....	636,525	625,033	514,106	446,108	67,998	85,688	25,238
April.....	158,003	153,950	108,656	37,486	71,171	30,815	14,479
May.....	413,281	402,376	312,563	237,193	75,370	51,825	37,989
June.....	168,263	162,662	133,804	59,663	74,142	7,972	20,886
July.....	358,969	354,798	172,941	63,901	109,040	140,462	41,395
August.....	174,114	170,511	112,971	47,511	65,460	55,493	2,047
September.....	189,456	185,079	77,730	55,532	22,207	18,979	88,361
October.....	88,905	86,136	36,644	22,897	13,747	1,498	47,993
November.....	186,862	181,755	140,267	110,744	29,522	32,390	9,099
December.....	346,575	340,445	264,961	109,550	155,411	53,593	21,890
<i>1956</i>							
January.....	209,953	205,625	119,072	69,972	49,100	26,046	60,507
February.....	225,519	220,097	167,575	105,984	61,591	22,737	29,785
March.....	277,582	271,222	231,834	146,105	85,729	21,962	17,425
April.....	342,422	336,365	171,582	113,124	58,457	78,236	86,547
May.....	486,818	478,512	454,779	412,072	42,706	13,514	10,220
June.....	306,635	301,599	252,630	125,993	126,637	26,574	23,395

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]							
Calendar year or month ¹	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds ²	Total net proceeds ³	Total new money	Plant and equipment	Working capital		
1951.....	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)
1952.....							
1953.....	235,368	222,051	199,151	113,104	86,048	1,912	29,988
1954.....	538,597	513,598	334,704	215,758	118,946	45,624	133,268
1955.....	415,289	390,758	325,490	197,394	128,096	3,921	61,347
1956							
January.....	21,065	19,685	16,565	11,570	4,994	139	2,981
February.....	12,942	11,885	10,760	3,671	7,088	65	1,061
March.....	48,952	46,346	44,742	36,619	8,124	0	1,603
April.....	30,602	27,998	25,313	11,195	14,118	474	2,211
May.....	15,108	13,419	11,594	4,289	7,306	20	1,805
June.....	80,233	77,812	51,664	36,376	15,288	643	25,504
July.....	32,395	29,528	27,496	7,612	19,884	17	2,015
August.....	29,270	26,580	20,359	7,657	12,702	2,562	3,659
September.....	52,209	50,143	38,702	28,257	10,445	0	11,441
October.....	26,203	23,953	22,763	10,800	11,962	0	1,190
November.....	13,947	12,677	7,959	3,394	4,565	0	4,717
December.....	52,363	50,732	47,573	35,952	11,620	0	3,159
1956							
January.....	13,428	12,505	10,195	4,134	6,061	607	1,703
February.....	22,748	20,790	17,247	8,920	8,327	422	3,121
March.....	21,691	20,455	17,083	9,471	7,612	602	2,770
April.....	9,854	8,874	7,171	2,165	5,006	111	1,692
May.....	35,356	33,203	26,708	15,996	10,713	1,496	4,998
June.....	59,087	56,748	55,027	32,056	22,971	599	1,122

PART 4.—ELECTRIC, GAS AND WATER

1951.....	2,454,853	2,411,714	2,186,248	2,158,823	27,425	85,439	140,027
1952.....	2,674,694	2,626,377	2,457,823	2,441,862	15,961	87,726	80,827
1953.....	3,029,122	2,971,911	2,755,852	2,737,082	18,770	67,034	149,025
1954.....	3,713,311	3,664,922	2,597,651	2,582,366	15,285	989,799	77,473
1955.....	2,463,729	2,428,158	2,218,094	2,205,655	12,439	174,015	36,049
1956							
January.....	238,608	235,791	192,628	192,628	0	41,226	1,937
February.....	106,823	104,602	97,229	96,960	269	7,338	35
March.....	225,622	222,950	194,842	193,902	940	27,942	167
April.....	218,348	214,231	175,897	173,778	2,119	36,198	2,137
May.....	249,336	246,705	226,706	223,474	3,232	16,122	3,877
June.....	275,410	271,209	241,772	238,132	3,640	10,733	18,704
July.....	105,019	103,035	101,823	101,006	817	402	810
August.....	91,037	90,063	83,230	82,944	286	6,297	535
September.....	224,062	220,643	207,646	207,058	588	12,540	457
October.....	169,946	166,946	166,226	165,818	409	619	100
November.....	284,858	280,690	263,057	263,019	38	12,360	5,274
December.....	274,659	271,293	267,039	266,937	101	2,237	2,017
1956							
January.....	65,576	64,688	61,270	60,748	522	1,517	1,901
February.....	199,756	195,998	195,364	192,569	2,795	349	285
March.....	190,239	187,666	185,160	185,026	134	919	1,587
April.....	299,162	294,709	288,321	287,271	1,050	593	5,796
May.....	339,395	334,833	333,909	333,760	149	0	974
June.....	239,058	235,508	220,820	220,720	100	4,700	9,988

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 dollars¹]

Calendar year or month ¹	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds ²	Total net proceeds ³	Total new money	Plant and equipment	Working capital		
1951.....	335,087	331,864	296,917	291,886	5,030	34,214	733
1952.....	525,205	520,817	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
1955.....	547,777	540,345	215,702	214,411	1,291	318,965	5,679
<i>1955</i>							
January.....	63,575	62,814	26,846	25,611	1,235	35,967	0
February.....	1,400	1,395	1,395	1,395	0	0	0
March.....	24,783	24,550	24,550	24,532	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
July.....	3,588	3,561	3,561	3,561	0	0	0
August.....	169,507	166,989	27,052	27,052	0	139,937	0
September.....	28,983	28,758	28,758	28,758	0	0	0
October.....	65,980	64,920	12,914	12,914	0	52,006	0
November.....	13,770	13,594	9,671	9,633	38	3,924	0
December.....	51,888	51,432	45,753	45,753	0	0	5,679
<i>1956</i>							
January.....	18,543	18,400	18,400	18,400	0	0	0
February.....	30,769	30,335	29,175	29,175	0	1,160	0
March.....	47,269	46,876	37,718	37,718	0	9,158	0
April.....	13,892	13,729	12,958	12,958	0	772	0
May.....	38,865	38,481	36,858	36,858	0	1,623	0
June.....	33,347	33,046	33,046	33,046	0	0	0

PART 6.—OTHER TRANSPORTATION

1951.....	159,227	158,240	131,009	123,217	7,792	18,478	8,753
1952.....	467,094	462,006	410,778	377,064	33,713	1,119	50,109
1953.....	293,036	289,859	264,880	260,568	4,312	3,949	21,031
1954.....	299,432	296,907	270,342	267,042	3,300	9,073	17,493
1955.....	345,280	341,717	237,366	220,071	16,395	18,760	85,582
<i>1955</i>							
January.....	27,863	27,631	20,819	20,753	67	6,812	0
February.....	6,730	6,696	6,409	6,091	318	100	187
March.....	11,751	11,643	11,056	5,714	5,342	0	587
April.....	15,495	15,187	4,730	2,972	1,759	1,790	8,666
May.....	42,983	42,683	42,683	40,202	2,482	0	0
June.....	39,689	39,393	36,398	32,441	3,957	2,995	0
July.....	27,148	26,250	6,540	6,442	97	1,000	18,711
August.....	19,261	18,925	18,137	17,972	165	788	0
September.....	25,487	25,320	21,115	20,988	128	4,204	0
October.....	41,927	41,450	22,524	21,856	668	308	18,617
November.....	7,243	7,019	6,514	6,514	0	168	337
December.....	79,702	79,520	40,439	39,026	1,413	604	38,478
<i>1956</i>							
January.....	8,246	7,989	6,633	6,633	0	841	515
February.....	10,401	10,354	9,787	4,834	4,953	189	378
March.....	35,108	34,403	30,440	29,454	985	640	3,323
April.....	38,895	38,208	37,796	35,868	1,929	137	274
May.....	50,424	49,788	49,137	47,004	2,133	217	434
June.....	27,272	26,210	21,153	15,192	5,961	5,057	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

Calendar year or month ¹	Proceeds		New money			Retirement of securities	Other purposes
	Total gross proceeds ²	Total net proceeds ³	Total new money	Plant and equipment	Working capital		
1951.....	612,080	605,095	594,324	574,417	19,907	5,231	5,540
1952.....	760,239	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
1955.....	1,132,271	1,121,408	1,039,611	1,038,092	1,520	76,567	5,230
<i>1955</i>							
January.....	7,086	6,917	4,532	4,471	61	1,532	853
February.....	45,148	44,503	26,335	26,290	45	18,168	0
March.....	27,134	26,976	20,432	20,401	31	5,966	578
April.....	19,006	18,158	11,670	11,635	34	5,895	594
May.....	24,989	24,190	23,644	23,567	76	337	209
June.....	64,903	64,185	31,906	31,883	23	32,258	21
July.....	46,180	45,285	44,691	44,691	0	257	337
August.....	92,361	90,810	90,281	90,236	45	0	529
September.....	28,665	28,457	18,214	17,772	441	9,519	725
October.....	697,822	691,030	693,380	693,244	136	0	650
November.....	40,378	39,810	39,810	39,749	61	0	0
December.....	38,600	38,087	34,718	34,152	566	2,636	734
<i>1956</i>							
January.....	3,063	3,004	2,771	2,664	107	233	0
February.....	37,385	36,958	36,665	36,665	0	293	0
March.....	121,567	120,128	103,044	103,044	0	17,083	0
April.....	15,275	14,862	14,862	14,235	627	0	0
May.....	82,055	80,652	80,454	80,409	45	198	0
June.....	11,570	10,959	10,405	10,286	120	0	554

PART 8.—FINANCIAL AND REAL ESTATE

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	1,660,672	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
1955.....	1,898,677	1,867,887	1,606,145	33,472	1,572,672	56,010	205,731
<i>1955</i>							
January.....	97,926	96,434	90,919	138	90,781	0	5,516
February.....	150,755	149,455	126,729	110	126,618	2,000	20,726
March.....	366,984	362,362	319,865	189	319,676	25,773	16,723
April.....	117,456	115,666	89,147	2,187	86,960	6,138	20,382
May.....	185,980	181,944	118,724	3,110	115,614	4,492	58,727
June.....	78,541	76,970	71,924	1,177	70,747	874	4,172
July.....	145,107	143,424	137,192	368	136,824	448	5,784
August.....	278,537	273,927	249,789	1,056	248,733	1,800	22,338
September.....	164,413	161,667	149,788	9,385	140,404	3,320	8,559
October.....	113,095	110,572	96,150	14,455	81,696	3,343	11,079
November.....	97,032	95,375	80,712	1,122	79,590	7,524	7,138
December.....	102,851	100,093	75,205	175	75,030	300	24,588
<i>1956</i>							
January.....	266,758	264,327	247,707	1,890	245,817	1,723	14,897
February.....	196,163	194,908	193,545	1,758	191,787	719	643
March.....	135,825	134,489	130,161	2,213	127,948	2,628	1,700
April.....	174,836	171,137	153,309	10,625	142,684	973	16,854
May.....	112,354	111,015	102,992	2,594	100,399	1,614	6,408
June.....	190,779	188,047	160,051	70	159,981	5,898	22,098

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		
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
1955.....	443,473	428,848	294,035	158,061	135,974	46,676	88,138
<i>1955</i>							
January.....	31,353	29,433	14,603	8,921	5,682	4,771	10,059
February.....	51,480	49,536	30,780	19,791	10,989	299	18,457
March.....	53,003	51,471	45,284	37,179	8,105	2,856	3,331
April.....	11,631	10,781	8,904	5,371	3,532	751	1,126
May.....	36,645	35,896	25,363	14,764	10,599	787	9,746
June.....	42,766	40,796	25,604	3,980	21,624	8,696	6,496
July.....	34,563	33,244	31,967	16,876	15,091	0	1,276
August.....	15,548	14,777	11,950	5,787	6,164	1,500	1,326
September.....	22,299	21,896	16,600	5,090	11,510	3,613	1,684
October.....	46,369	45,657	23,586	7,875	15,712	13,561	8,509
November.....	64,093	63,246	42,475	20,394	22,081	5,783	14,989
December.....	33,724	32,115	16,919	12,034	4,886	4,058	11,138
<i>1956</i>							
January.....	35,470	34,008	29,477	13,893	15,584	907	3,624
February.....	21,715	20,947	14,226	7,694	6,532	580	6,141
March.....	31,280	30,391	26,241	12,351	13,890	2,687	1,464
April.....	20,600	20,003	16,102	5,458	10,644	1,306	2,595
May.....	39,434	38,145	30,995	19,767	11,228	2,360	4,790
June.....	21,485	20,647	15,269	8,583	6,686	1,257	4,121

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 1956

[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	360	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	1,493	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	2,336	291	1,912	1,628	284	765	753	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	30.5	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	4,933	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	5,500	3,856	1,725	3,318	3,223	90	37.3	45.6
1954	9,516	7,488	2,029	5,848	4,003	1,844	3,668	3,484	184	38.5	46.5
1955	10,240	7,420	2,820	6,763	4,119	2,644	3,477	3,301	176	34.0	44.5
1956 (January-June)	5,215	3,998	1,217	3,138	1,978	1,160	2,077	2,020	57	39.8	50.5

TABLE 6.—Brokers and dealers registered under the Securities Exchange Act of 1934¹—effective registrations as of June 30, 1956, 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			
	Total	Sole proprietors	Partnerships	Corporations ³	Total	Sole proprietors	Partnerships	Corporations ⁴
Alabama.....	30	9	8	13	88	9	25	54
Arizona.....	27	9	9	9	89	9	23	57
Arkansas.....	21	10	4	7	42	10	8	24
California.....	293	123	84	86	1,079	123	430	526
Colorado.....	123	53	12	58	364	53	40	271
Connecticut.....	42	16	12	14	174	16	62	96
Delaware.....	8	1	2	5	48	1	16	31
District of Columbia.....	85	29	21	35	325	29	86	210
Florida.....	71	36	11	24	167	36	25	106
Georgia.....	35	13	5	17	128	13	23	92
Idaho.....	16	10	3	3	29	10	8	11
Illinois.....	193	48	64	81	863	48	288	527
Indiana.....	53	23	7	23	157	23	13	121
Iowa.....	34	13	5	16	86	13	10	63
Kansas.....	35	14	5	16	129	14	16	99
Kentucky.....	17	5	5	7	60	5	18	37
Louisiana.....	62	34	19	9	154	34	64	36
Maine.....	30	11	2	17	88	11	8	69
Maryland.....	35	14	3	5	122	14	86	22
Massachusetts.....	202	86	37	79	843	86	237	520
Michigan.....	53	10	17	26	248	10	89	149
Minnesota.....	52	8	10	34	262	8	35	218
Mississippi.....	17	9	5	3	31	9	12	10
Missouri.....	94	23	23	48	443	23	138	282
Montana.....	7	3	1	3	20	3	2	15
Nebraska.....	28	9	2	18	113	9	2	102
Nevada.....	10	7	0	3	18	7	0	11
New Hampshire.....	10	7	0	3	26	7	0	19
New Jersey.....	183	110	35	38	396	110	92	194
New Mexico.....	14	8	2	4	28	8	5	15
New York State (excluding New York City).....	282	189	37	56	529	189	108	232
North Carolina.....	34	16	6	12	121	16	14	91
North Dakota.....	4	3	0	1	8	3	0	5
Ohio.....	134	30	41	63	524	30	189	305
Oklahoma.....	45	27	7	11	83	27	14	42
Oregon.....	23	6	7	10	66	6	16	44
Pennsylvania.....	204	62	82	60	795	62	365	368
Rhode Island.....	25	11	11	3	51	11	32	8
South Carolina.....	30	14	5	11	78	14	11	53
South Dakota.....	6	3	0	3	14	3	0	11
Tennessee.....	41	13	8	20	153	13	24	116
Texas.....	244	130	29	85	642	130	82	430
Utah.....	71	15	19	37	242	15	67	160
Vermont.....	3	2	0	1	11	2	0	9
Virginia.....	42	19	13	10	125	19	55	51
Washington.....	83	43	8	32	236	43	19	174
West Virginia.....	13	8	3	2	27	8	9	10
Wisconsin.....	49	13	5	31	197	13	24	160
Wyoming.....	10	8	0	2	17	8	0	9
Total (excluding New York City).....	3,223	1,363	706	1,154	10,519	1,363	2,890	6,266
New York City.....	1,274	357	600	317	5,449	357	3,436	1,656
	4,497	1,720	1,306	1,471	15,968	1,720	6,326	7,922

¹ Domestic registrants only, excludes 94 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, 1956.

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, 1955, and the 6-month period ended June 30, 1956

[Amounts in thousands]

PART 1.—12 MONTHS ENDED DEC. 31, 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.....	39,260,611	37,868,054	1,212,369	1,231,372	1,261,489	161,185	108,017
American.....	2,680,149	2,593,456	243,932	23,134	34,219	63,560	9,599
Boston.....	297,495	295,259	5,577	33	25	2,203	756
Chicago Board.....	33,444	33,145	662	199	346	101	53
Cincinnati.....	149,809	149,597	4,978	38	32	212	227
Detroit.....	347,123	345,455	18,142	38	32	1,630	1,185
Los Angeles.....	928,370	924,718	25,175	89	71	3,564	2,397
Midwest.....	6,704	6,493	127	211	200	(³)	4
New Orleans.....	34,037,892	32,745,423	820,456	1,207,054	1,226,030	85,415	89,329
New York.....	341,391	338,722	7,930	246	281	2,423	1,990
Philadelphia-Baltimore.....	47,907	47,901	1,359	---	---	6	28
Pittsburgh.....	8,563	8,556	39,293	---	---	6	14
Salt Lake.....	5,498	5,498	23,811	---	---	---	---
San Francisco Mining.....	375,497	373,064	18,995	368	285	2,064	2,435
San Francisco Stock.....	769	769	1,931	---	---	---	---
Spokane.....	---	---	---	---	---	---	---
Exempted exchanges.....	9,897	9,858	1,013	30	30	9	1
Colorado Springs.....	57	57	143	---	---	---	---
Honolulu.....	8,674	8,635	827	30	30	9	1
Richmond.....	769	769	22	---	---	---	---
Wheeling.....	397	397	20	---	---	---	---

PART 2.—6 MONTHS ENDED JUNE 30, 1956

Registered exchanges.....	19,232,189	18,566,683	584,449	631,363	637,997	34,143	40,772
American.....	1,498,908	1,471,401	129,579	8,782	12,668	18,725	3,040
Boston.....	148,764	148,762	2,797	---	---	2	39
Chicago Board.....	15,809	15,605	301	204	364	---	---
Cincinnati.....	79,285	79,282	2,727	---	---	3	14
Detroit.....	185,491	185,261	10,224	4	4	226	380
Los Angeles.....	503,901	503,431	13,982	6	8	464	782
Midwest.....	1,277	1,277	48	(³)	(³)	---	---
New Orleans.....	16,386,935	15,751,257	375,388	622,148	624,740	13,530	34,984
New York.....	181,392	180,623	3,979	128	148	640	629
Philadelphia-Baltimore.....	20,425	20,425	623	---	---	---	---
Pittsburgh.....	2,623	2,622	16,617	---	---	1	3
Salt Lake.....	4,740	4,740	15,224	---	---	---	---
San Francisco Mining.....	202,316	201,672	12,165	91	66	553	901
San Francisco Stock.....	325	325	794	---	---	---	---
Spokane.....	---	---	---	---	---	---	---
Exempted exchanges.....	6,004	5,895	488	23	24	86	26
Colorado Springs.....	32	32	107	---	---	---	---
Honolulu.....	5,318	5,209	363	23	24	86	26
Richmond.....	478	478	11	---	---	---	---
Wheeling.....	176	176	7	---	---	---	---

¹ "Stocks" include voting trust certificates, American depository 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. Figures have been rounded and will not necessarily add to totals shown.

TABLE 8.—Unlisted stocks on securities exchanges ¹

PART 1.—NUMBER OF STOCKS ON THE EXCHANGES IN THE VARIOUS UNLISTED CATEGORIES ² AS OF JUNE 30, 1956

Exchanges	Unlisted only ³		Listed and registered on another exchange		
	Clause 1	Clause 3	Clause 1	Clause 2	Clause 3 ⁴
American.....	225	2	45	3	1
Boston.....	1	0	154	190	0
Chicago Board of Trade.....	3	0	2	0	0
Cincinnati.....	0	0	0	85	0
Detroit.....	0	0	14	103	0
Honolulu.....	21	0	0	0	0
Los Angeles.....	1	0	37	198	0
Midwest.....	0	0	0	102	0
New Orleans.....	9	0	4	2	0
Philadelphia-Baltimore.....	4	0	247	152	0
Pittsburgh.....	0	0	16	59	0
Salt Lake.....	3	0	0	0	1
San Francisco Stock.....	30	0	62	127	0
Spokane.....	5	0	1	1	0
Wheeling.....	0	0	0	3	0
Total ⁵	302	2	582	1,025	2

PART 2.—UNLISTED SHARE VOLUME ON THE EXCHANGES—CALENDAR YEAR 1955

Exchanges	Unlisted only		Listed and registered on another exchange		
	Clause 1	Clause 3	Clause 1	Clause 2	Clause 3
American.....	34,958,913	11,880	7,175,300	1,848,700	12,860
Boston.....	8,058	0	2,267,686	1,642,346	0
Chicago Board of Trade.....	0	0	0	0	0
Cincinnati.....	0	0	0	372,548	0
Detroit.....	0	0	164,780	1,715,336	0
Honolulu.....	52,760	0	0	0	0
Los Angeles.....	3,346	0	1,057,141	2,889,043	0
Midwest.....	0	0	0	5,868,323	0
New Orleans.....	118,009	0	1,848	555	0
Philadelphia-Baltimore.....	7,000	0	2,924,014	1,943,203	0
Pittsburgh.....	0	0	312,057	259,782	0
Salt Lake.....	60	0	0	0	138
San Francisco Stock.....	2,713,957	0	1,416,655	2,001,890	0
Spokane.....	40,313	0	1,500	0	0
Wheeling.....	0	0	0	808	0
Total.....	37,902,416	11,880	15,320,981	18,542,534	12,998

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

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 30 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.—UNDUPLICATED NUMBER OF STOCK AND BOND ISSUES ON ALL EXCHANGES, AND THE NUMBER OF ISSUERS INVOLVED, AS OF JUNE 30, 1956

Status under the act	Stocks	Bonds	Total stocks and bonds	Issuers involved
Registered.....	2,659	1,027	3,686	2,253
Temporarily exempted from registration.....	16	13	29	12
Admitted to unlisted trading privileges on registered exchanges.....	271	49	320	252
Listed on exempted exchanges.....	72	7	79	59
Admitted to unlisted trading privileges on exempted exchanges.....	20	-----	20	18
Unduplicated totals.....	3,038	1,096	4,134	2,594

PART 2.—NUMBER OF ISSUES AND ISSUERS ON EACH EXCHANGE AS OF JUNE 30, 1956

Exchanges	Issuers	Stocks						Bonds				
		R	X	U	XL	XU	Total	R	X	U	XL	Total
American.....	810	578	1	276	-----	-----	855	20	-----	51	-----	71
Boston.....	410	79	1	345	-----	-----	425	16	-----	-----	-----	16
Chicago Board of Trade.....	12	7	-----	5	-----	-----	12	-----	-----	-----	-----	-----
Cincinnati.....	126	48	1	85	-----	-----	134	5	1	-----	-----	6
Colorado Springs.....	12	-----	-----	-----	13	-----	13	-----	-----	-----	-----	-----
Detroit.....	222	113	-----	117	-----	-----	230	-----	-----	-----	-----	-----
Honolulu.....	61	-----	-----	-----	52	21	73	-----	-----	-----	7	7
Los Angeles.....	385	193	5	236	-----	-----	434	5	-----	-----	-----	5
Midwest.....	435	392	1	102	-----	-----	495	15	-----	-----	-----	15
New Orleans.....	15	4	-----	15	-----	-----	19	1	-----	1	-----	2
New York Stock.....	1,276	1,513	5	-----	-----	-----	1,518	985	13	-----	-----	998
Philadelphia-Baltimore.....	499	151	9	403	-----	-----	563	46	-----	-----	-----	46
Pittsburgh.....	119	51	-----	75	-----	-----	126	-----	-----	-----	-----	-----
Richmond.....	19	-----	-----	-----	28	-----	28	-----	-----	-----	-----	-----
Salt Lake.....	96	95	-----	4	-----	-----	99	-----	-----	-----	-----	-----
San Francisco Mining.....	54	56	-----	-----	-----	-----	66	-----	-----	-----	-----	-----
San Francisco Stock.....	375	205	3	219	-----	-----	427	20	-----	-----	-----	20
Spokane.....	28	24	-----	7	-----	-----	31	-----	-----	-----	-----	-----
Wheeling.....	16	-----	-----	-----	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.

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

TABLE 10.—Changes in the composition of active registered public utility holding company systems—fiscal year ended June 30, 1956

	Solely registered holding companies	Registered holding-operating companies	Electric and gas utility subsidiaries	Nonutility subsidiaries	Total companies and changes in active systems
Companies in active registered holding company systems—June 30, 1955.	23	7	168	136	334
Companies added:					
<i>American Gas and Electric Co.:</i>					
Captina Operating Co.				New incorporation	1
<i>Electric Bond and Share Co.:</i>					
Ebasco Corporation				do	1
Chemical Construction Corp.				Acquired	1
<i>New England Electric System:</i>					
Yankee Atomic Electric Co.			New incorporation		1
<i>The Southern Co.:</i>					
Southern Electric Generating Co.				New incorporation	1
Totals—companies added			1	4	5
Companies removed:					
<i>Cities Service Co.:</i>					
Various companies				Merged ¹	120
<i>General Public Utilities Corp.:</i>					
Associated Electric Co.	Dissolved				1
Northern Pennsylvania Power Co.			Merged		1
<i>International Hydro-Electric System:</i>					
Gatineau Bus Co., Ltd.				Divested	1
<i>Interstate Power Co.:</i>					
East Dubuque Electric Co.		Deregistered			1
National Fuel Gas Co.			Merged		1
Provincial Gas Co., Ltd.					
New England Electric System:			Divested		1
Blackstone Gas Co.				do	1
<i>Union Electric Co.:</i>					
Hevi Duty Electric Co.				Divested	1
Anchor Manufacturing Co.				do	1
St. Louis & Belleville Electric Rwy. Co.				do	1
<i>West Penn Electric Co.:</i>					
Blue Ridge Lines Inc.				Dissolved	1
Blue Ridge Transportation				Divested	1
Penn Bus Co.				do	1
West Penn Railways				Deregistered	1
White Star Lines				Divested	1
<i>Wisconsin Southern Gas Co., Inc.</i>					
Wisconsin Southern Gas Co.	Deregistered		Merged		1
Totals—companies removed	2	1	5	29	37
Companies in active registered holding company systems—June 30, 1956.	21	6	164	111	302

¹ The Annual Report on Form U58 filed by Cities Service Co., a registered holding company, for the year ending Dec. 31, 1955, reported that there were 20 less nonutility subsidiaries in this holding company system than the number of such companies reported in the Annual Report for the previous year. Since the normal operations of the industrial subsidiaries of Cities Service are exempt from the provisions of the Holding Company Act

pursuant to Rule U-3D-15, the Commission has not received notification as to the manner of elimination or disposition of these 20 companies. Published reports concerning the Cities Service system reveal no record of sales of any of these 20 companies to other persons. Accordingly it has been assumed that they were eliminated through merger or consolidation.

TABLE 11.—*Reorganization proceedings in which the Commission participated during the fiscal year 1956*

Debtor	District court	Petition		Securities and Exchange Commission notice of appearance filed
		Filed	Approved	
Alaska Telephone Corp.	W. D. Wash.	Nov. 2, 1955	Nov. 21, 1955	Nov. 7, 1955
American Fuel & Power Co.	E. D. Ky.	Dec. 6, 1935	Dec. 20, 1935	May 5, 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.
Associated Plastic Companies, Inc.	E. D. Mich.	Dec. 3, 1954	Feb. 15, 1955	July 8, 1955
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
Coastal Finance Corp.	D. Md.	Feb. 15, 1956	Feb. 18, 1956	Apr. 16, 1956
Columbus Venetian Stevens Buildings, Inc.	N. D. Ill.	Aug. 30, 1955	Aug. 31, 1955	Oct. 3, 1955
Dallas Parcel Post Station, Inc.	do	Sept. 22, 1950	Sept. 22, 1950	Oct. 26, 1950
Federal Facilities Realty Trust	do	Dec. 26, 1942	Apr. 25, 1935	Oct. 29, 1940
Ferry Station Post Office, Inc.	do	June 18, 1953	Dec. 2, 1953	Jan. 29, 1954
General Stores Corp.	S. D. N. Y.	Apr. 30, 1956	May 14, 1956	May 23, 1956
Adolf Gobel, Inc.	D. N. J.	July 23, 1953	Dec. 28, 1953	Sept. 8, 1953
Eastern Edible Refinery Corp.	do	June 23, 1954	June 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.
Horsting Oil Co.	D. N. Dak.	Mar. 17, 1952	Mar. 17, 1952	Sept. 30, 1955
Hudson & Manhattan Railroad Co.	S. D. N. Y.	Oct. 11, 1954	Dec. 14, 1954	Jan. 7, 1955
Inland Gas Corp.	E. D. Ky.	Aug. 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
Muntz TV, Inc.	N. D. Ill.	Mar. 2, 1954	Mar. 3, 1954	Mar. 4, 1954
Tele-Vogue, Inc.	do	do	do	Do.
Muntz Industries, Inc.	do	do	do	Do.
National Realty Trust	do	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
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
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	June 21, 1949	Jan. 3, 1949
Surface Transportation Corp.	do	June 21, 1949	do	July 7, 1949
Westchester St. Transportation Co., Inc.	do	do	do	Do.
Westchester Electric Railroad Co.	do	do	do	Do.
Warontas Press, Inc.	do	Sept. 8, 1949	Sept. 8, 1949	Sept. 8, 1949
Yonkers Railroad Co.	do	June 21, 1949	June 21, 1949	July 7, 1949
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. 8, 1944
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 1956 fiscal year	Total cases closed up to end of 1956 fiscal year	Cases pending at end of 1956 fiscal year	Cases pending at end of 1955 fiscal year	Cases instituted during 1956 fiscal year	Total cases pending during 1956 fiscal year	Cases closed during 1956 fiscal year
Actions to enjoin violations of the above acts.....	712	692	20	12	33	45	25
Actions to enforce subpoenas under the Securities Act and the Securities Exchange Act.....	63	62	1	2	1	3	2
Actions to carry out voluntary plans to comply with section 11 (b) of the Holding Company Act.....	119	115	4	3	4	7	3
Miscellaneous actions.....	23	22	1	3	2	5	4
Total.....	917	891	26	20	40	60	34

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 1956 fiscal year	Total cases closed up to end of 1956 fiscal year	Cases pending at end of 1956 fiscal year	Cases pending at end of 1955 fiscal year	Cases instituted during 1956 fiscal year	Total cases pending during 1956 fiscal year	Cases closed during 1956 fiscal year
Actions to enjoin enforcement of Securities Act, Securities Exchange Act and Public Utility Holding Company Act with the exception of subpoenas issued by the Commission.....	64	64	0	0	0	0	0
Actions to enjoin enforcement of or compliance with subpoenas issued by the Commission.....	8	8	0	0	0	0	0
Petitions for review of Commission's orders by courts of appeals under the various acts administered by the Commission.....	187	181	6	5	7	12	6
Miscellaneous actions against the Commission or officers of the Commission and cases in which the Commission participated as intervenor or amicus curiae.....	181	179	2	4	4	8	6
Appeal cases under ch. X in which the Commission participated.....	145	142	3	2	5	7	4
Total.....	585	574	11	11	16	27	16

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, 1956*

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
Alaska Chrome Corp.....	2	Alaska.....	Oct. 14, 1955	Sec. 5 (a) and (c), 1933 Act.....	Injunction by consent as to both defendants Oct. 14, 1955.
Alesker, Samuel A.....	1	Eastern District of Pennsylvania.	Apr. 3, 1956	Sec. 16 (a), 1934 Act.....	Complaint filed Apr. 3, 1956. Answer of defendant served May 4, 1956.
Americol Petroleum, Inc.....	5	Southern District of California.	Nov. 4, 1955	Sec. 5 (a) and (c), 1933 Act.....	Complaint filed Nov. 4, 1955. Preliminary injunction entered Mar. 14, 1956. Final injunction by consent as to all defendants, May 2, 1956.
Billings Holding Corp.....	3	Montana.....	Dec. 4, 1954	Sec. 17 (a) (2) and (3), 1933 Act.....	Preliminary injunction, Feb. 17, 1955. Order June 17, 1955, denying defendants' motion to dismiss. Defendants' answer to complaint filed July 25, 1955.
Camoose Mines, Ltd.....	4	Southern District of New York.	Apr. 5, 1956	Sec. 5 (a) and (c), 1933 Act.....	Injunction by consent as to 2 defendants, Apr. 17, 1956, and notice of dismissal as to remaining defendants. Closed.
Canadian Resources Corp.....	4	Southern District of New York.	June 15, 1956	Sec. 203 (a), IA Act of 1940.....	Complaint filed June 15, 1956.
Central Finance Service, Inc.....	4	Eastern District of Texas.	Mar. 27, 1956	Secs. 5 (a) and (c) and 17 (a), 1933 Act.	Injunction by consent as to all defendants, Apr. 5, 1956.
Colotex Uranium and Oil, Inc.....	4	Colorado.....	May 16, 1956	Secs. 5 (a) and (c) and 17 (a), 1933 Act.	Complaint filed May 16, 1956. Temporary restraining order entered May 16, 1956. Preliminary injunction by consent as to all defendants, May 25, 1956.
Currie, Trevor.....	1	Colorado.....	Jan. 19, 1956	Secs. 5 (a) and (c) and 17 (a), 1933 Act; secs. 10 (b), 15 (c) (1) and 17 (a) and rules X-10B-5, X-15C1-2 and X-17A-3, 1934 Act.	Injunction by consent, Jan. 19, 1956.
Dawn Uranium & Oil Co.....	7	Eastern District of Washington.	June 1, 1956	Sec. 5, 1933 Act.....	Complaint filed June 1, 1956. Order June 14, 1956, restraining defendants until case is heard.
Doxey-Merkley & Co.....	3	Utah.....	Nov. 22, 1955	Sec. 15 (c) (3) and rule X-15C3-1, 1934 Act.	Injunction by consent as to all defendants, Jan. 13, 1956.
Fish, John Robert.....	2	Southern District of Florida.	Apr. 2, 1956	Secs. 5 (a) and (c) and 17 (a), 1933 Act.	Complaint filed Apr. 2, 1956. Preliminary injunction by consent of both defendants Apr. 11, 1956, as to Secs. 5 (a) and (c) and 17 (a) (2), 1933 Act.
Greenman, Clifford A.....	2	Utah.....	May 7, 1956	Secs. 5 (a) and (c) and 17 (a), 1933 Act; secs. 10 (b) and 15 (c) (1), 1934 Act; sec. 206 (1), (2) and (3), IA Act of 1940.	Complaint filed May 7, 1956. Temporary restraining order entered May 7, 1956, appointing receiver. Injunction by consent as to both defendants, May 15, 1956. Receivership continued.
Grimmett, J. Tom.....	1	Southern District of New York.	June 14, 1956	Sec. 5 (a), 1933 Act.....	Complaint filed June 14, 1956.
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.	Interlocutory order Apr. 29, 1955, staying further proceedings for 12 months and retaining jurisdiction. Amendment to Interlocutory Order entered Nov. 22, 1955, extending term from 12 to 15 months within which Commission may apply for injunction.

Insurance Corp. of America.....	4	Southern District of Indiana.....	June 22, 1956	Sec. 17 (a) (2) and (3), 1933 Act.....	Complaint filed June 22, 1956. Answer of two defendants to plaintiff's motion for a temporary restraining order filed June 29, 1956. Order of June 29, 1956, withholding issuance of temporary restraining order and overruling defendants' motions to dismiss complaint.
Jewett, Eldon L.....	2	Western District of Washington.....	Feb. 16, 1956	Secs. 5 (a) and (c) and 17 (a), 1933 Act.....	Complaint filed Feb. 16, 1956. Preliminary injunction by consent of corporate defendant, Mar. 10, 1956. Answer of defendants filed Mar. 26, 1956.
Kolb, Glenn Galen.....	1	Colorado.....	Dec. 8, 1955	Sec. 15 (c) (3) and rule X-15C3-1, 1934 Act.....	Injunction by consent, Dec. 16, 1955.
Langlois, Robert Dean.....	1	Utah.....	Oct. 3, 1955	Sec. 15 (c) (3), 1934 Act.....	Complaint filed Oct. 3, 1955. Temporary restraining order entered Oct. 3, 1955. Preliminary injunction entered Oct. 21, 1955. Injunction by consent Dec. 6, 1955.
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.
May, Mitchell, Jr.....	4	Southern District of New York.....	Aug. 3, 1955	Sec. 14 (a) and Regulation X-14, 1934 Act.....	Complaint filed Aug. 3, 1955. Preliminary injunction entered Aug. 16, 1955. Answer of defendants filed Aug. 19 and 23, 1955. Order Sept. 1, 1955, denying individual defendants' motions for further adjournment of stockholders meeting. Notice of appeal from preliminary injunction to CA-2, Sept. 1, 1955. Opinion Jan. 11, 1956, affirming preliminary injunction order. Final injunction by consent of individual defendants, Mar. 14, 1956.
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. Order Mar. 8, 1956, dismissing action as to one defendant, who is deceased. Order May 3, 1956, directing another defendant to produce records. Memorandum filed by Commission on May 16, 1956.
Mitchell Securities, Inc. National Securities, Inc.....	3 2	Maryland..... Utah.....	May 8, 1956 Sept. 26, 1955	Sec. 17 (a) (2), 1933 Act..... Secs. 10 (b), 1934 Act.....	Injunction by consent, May 16, 1956, as to all defendants. Injunction by consent Nov. 10, 1955, as to both defendants.
Nev-Tah Oil & Mining Co..... Nielsen, Harold L.....	4 1	Nevada..... Idaho.....	Nov. 17, 1955 Oct. 20, 1955	Sec. 5 (a) and (c), 1933 Act..... Secs. 5 (a) and 17 (a), 1933 Act; secs. 10 (b), 15 (c) (1) and (3) and 17 (a) and rules X-10B-5, X-15C1-2, X-15C3-1 and X- 17A-3, 1934 Act.....	Injunction by consent as to all defendants, Dec. 20, 1955. Complaint filed Oct. 20, 1955. Temporary restraining order entered Oct. 20, 1955. Preliminary injunction entered Nov. 16, 1955.
North, Thomas L.....	1	Northern District of California.....	Feb. 10, 1956	Sec. 17 (b), 1933 Act.....	Injunction by consent, Mar. 15, 1956.
Pandora Metals, Inc. Pierce, John.....	2 1	Colorado..... Nevada.....	Aug. 18, 1955 Oct. 7, 1954	Sec. 5 (a) and (c), 1933 Act..... Sec. 15 (a), 1934 Act.....	Injunction by consent as to both defendants, Aug. 31, 1955. Answer filed Nov. 12, 1954. Order Sept. 19, 1955, denying defendant's motion for continuance of hearing on preliminary injunction. Stipulation Sept. 23, 1955, providing for a period of nine months within which motion for preliminary injunction may be restored if defendant violates sec. 15 (a), 1934 Act.

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, 1956—Continued*

Name of principal defendant	Number of defendants	United States District Court	Initiating papers filed	Alleged violations	Status of case
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.
Renhard, Bertil T.....	1	Western District of Washington.	Jan. 24, 1956	Sec. 17 (a), 1933 Act.....	Injunction by consent, Jan. 24, 1956.
Seaboard Securities Corp.....	2	District of Columbia.....	June 6, 1956	Sec. 17 (a), 1933 Act; sec. 15 (c) (1) and (3) and rules X-15C1-2 and X-15C3-1, 1934 Act.	Complaint filed June 6, 1956. Temporary restraining order entered June 6, 1956.
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. Judgment of district court affirmed by CA DC, Nov. 3, 1955. Petition for rehearing denied Feb. 29, 1956. Applications for extension of time to file petition for writ of certiorari denied June 5, 1956. Closed.
Shapiro, A. J.....	1	Western District of Washington.	Sept. 1, 1955	Secs. 5 (a) and (c) and 17 (a) (3), 1933 Act; sec. 15 (a) and 15 (c) (1) and rule X-15C1-2, 1934 Act.	Injunction by consent on Sept. 21, 1955 as to sec. 5 (a) and (c), 1933 Act and sec. 15 (a), 1934 Act.
Sheehan, Daniel M., Jr.....	1	Massachusetts.....	Oct. 31, 1955	Secs. 10 (b), 15 (c) (1) and 17 (a) and rules X-10B-5, X-15C1-2 and X-17A-3, 1934 Act.	Injunction by consent, Oct. 31, 1955.
Tri-State Metals, Inc.....	4	Nevada.....	Sept. 6, 1955	Sec. 5 (a) and (c), 1933 Act.....	Complaint filed Sept. 6, 1955. Temporary restraining order entered Sept. 7, 1955. Preliminary injunction entered Sept. 19, 1955. Injunction by default Oct. 11, 1955, as to all defendants.
Uranium, Oil & Trading Co.....	4	Utah.....	Sept. 7, 1954	Sec. 5 (a), 1933 Act.....	Preliminary injunction entered against successor corporation (into which the two defendant corporations were merged) and against the individual defendant, Oct. 8, 1954. Injunction by consent as to corporate and individual defendant, Oct. 28, 1955.
Van Loo, William H.....	1	Western District of Michigan.	Nov. 9, 1955	Sec. 10 (b) and rule X-10B-5, 1934 Act.	Injunction by consent, Dec. 9, 1955.
The Variable Annuity Life Insurance Company of America, Inc.	1	District of Columbia.....	June 19, 1956	Sec. 5 (a) (1) and (c), 1933 Act; sec. 7 (a) and (b), IO Act of 1940.	Complaint filed June 19, 1956.
Vogel, William D.....	1	Eastern District of Wisconsin.	June 11, 1956	Sec. 16 (a), 1934 Act.....	Complaint filed June 11, 1956.
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. Order, Nov. 8, 1955, directing that court retain jurisdiction over capital assets for additional period of 1 year and subject to further order.

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.
Winburn, Roland.....	1	Colorado.....	Sept. 15, 1954	Sec. 5 (a), 1933 Act.....	Injunction by default, June 30, 1955.
Wyco Development Corp.....	4	Connecticut.....	Apr. 28, 1956	Sec. 5 (a) (1) and (2) and 5 (c), 1933 Act.	Injunction by consent, May 28, 1956, as to all defendants.
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. Final order approving the Final Account and Reports of Receiver, discharging Receiver and cancelling his bond, July 25, 1955.

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 1956 fiscal year

Name of principal defendant	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
Bowler, Richard William.....	1	Eastern District of Washington.	Sept. 12, 1955	Sec. 17, 1933 Act; sec. 1341, title 18, U. S. C.	Defendant found guilty on 2 sec. 17 counts of indictment; sentenced on May 16, 1956, to 8 months and \$1,000 fine and 3 years probation. Appeal pending.
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.
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.
Donaldson, Arthur V.....	2	District of Montana...	June 16, 1954	Sec. 17, 1933 Act; secs. 1341 and 371, title 18, U. S. C.	One defendant deceased; other defendant found guilty on 4 mail fraud counts and 4 sec. 17 counts; sentenced to 5 years imprisonment and fined \$3,000. Motion for new trial denied Dec. 5, 1955. Notice of appeal filed; bail set at \$15,000. Defendant did not make bail and elected to start serving sentence.
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.	Defendant pleaded guilty in USDC ND Ill. to indictment returned in USDC SD NY on Nov. 8, 1955; sentenced to one year imprisonment (to be served consecutively to sentence in another case).
Ernstrom, George R.....	1	Eastern District of New York.	Dec. 22, 1955	Sec. 17 (a), 1933 Act; sec. 15 (a), 1934 Act.	Defendant pleaded guilty to 2 sec. 15 (a) counts of indictment; imposition of sentence suspended and placed on probation for 3 years.
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.	Conviction affirmed by CA-5 June 8, 1955. Petition for certiorari filed Aug. 12, 1955; denied Oct. 17, 1955. Motion filed pursuant to 28 U. S. C. 2255 to set aside sentence.
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.	Conviction reversed for trial errors Mar. 16, 1955, and new trial ordered. On retrial, defendant changed plea to nolo contendere; imposition of sentence deferred and defendant placed on probation for 1 year.
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.
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.
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 acquitted by court.
Hawley, Edwiin.....	1	District of Arizona....	Nov. 10, 1949	Sec. 17 (a) (3), 1933 Act; sec. 32 (a), 1934 Act.	Defendant apprehended Apr. 6, 1956, pleaded guilty to 1 sec. 17 (a) (3) count and 1 sec. 32 (a) count of indictment; placed on 5 years probation and fined \$5,000 on June 11, 1956.

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.	Both defendants found guilty on 7 sec. 17 (a) counts and 6 mail fraud counts on Jan. 19, 1956, and 1 defendant sentenced to 4 years. Motions for new trial and reduction of sentence denied. Other defendant sentenced to 1 hour in custody on Feb. 20, 1956, and served sentence immediately.
Horsting, William F., Sr.....	2	Eastern District of Wisconsin.	Aug. 9, 1954	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	During trial, one defendant changed plea to nolo contendere and found guilty thereon. Sentences deferred. Case dismissed as to remaining defendant.
Horton, William E.....	3	Southern District of California.	Dec. 7, 1955	Sec. 17 (a) (1), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Defendants arraigned and pleaded not guilty to all counts.
Hu, Seng-Chiu.....	3	Southern District of New York.	Dec. 20, 1954	Sec. 17 (a), 1933 Act; secs. 371 and 1341, title 18, U. S. C.	Defendants pleaded not guilty and two individual defendants released on bonds of \$500 each.
Jensen, James O.....	4	Eastern District of Washington.	Apr. 12, 1956	Sec. 17 (a), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	All defendants apprehended and released on bond of \$1,000 each.
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.
Low, Harry (Trenton Valley Distillers Corp.).	2	Eastern District of Michigan.	Feb. 3, 1939	Sec. 17 (a) (1), 1933 Act; sec. 338 (now sec. 1341), title 18, U. S. C.	Indictment previously dismissed as to defendant Low, now deceased, after plea of guilty to income tax evasion indictment. Pending as to Hardie, who is a fugitive.
Mallen, George E.....	6	Eastern District of Michigan.	June 2, 1944	Secs. 5 (a) (2) and 17 (a) (1), 1933 Act; secs. 338 (now sec. 1341) and 88 (now sec. 371) title 18, U. S. C.	Two defendants deceased, pending as to remaining defendants, who are fugitives.
E. M. McLean & Co. (Devon Gold Mines, Ltd.)	2	do.....	Oct. 21, 1941	Sec. 15 (a), 1934 Act.	Case pending as to first indictment, 3 defendants previously convicted and sentenced on second and third indictments. Pending as to remaining 9 defendants on the second and third indictments.
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. 238 (now sec. 1341) and 88 (now sec. 371), title 18, U. S. C.	
Monarch Radio and Television Corp.	9	Southern District of New York.	June 4, 1954	Sec. 17, 1933 Act; secs. 371 and 1341, title 18, U. S. C.	All defendants arraigned and released on bail or own recognizance.
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.	CA-10 affirmed convictions of both defendants Dec. 14, 1955; certiorari denied Mar. 26, 1956; rehearing denied May 28, 1956.

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 1956 fiscal year—Continued

Name of principal defendant	Number of defendants	United States District Court	Indictment returned	Charges	Status of case
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. Motion for consolidation of four indictments granted and case set for trial in fall.
Do-----	15	do-----	do-----	Sec. 1341, title 18, U. S. C.-----	
Do-----	15	do-----	do-----	Sec. 17 (a), 1933 Act-----	
Do-----	15	do-----	do-----	Sec. 15 (a), 1934 Act-----	
Price, Eldridge Solomon-----	2	Northern District of Georgia.	Mar. 27, 1956	Secs. 5 (a) (2) and 17 (a) (1), 1933 Act; sec. 1341, title 18, U. S. C.	Defendants surrendered and were released on bonds of \$20,000 and \$5,000 each.
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, previously a fugitive, apprehended, arraigned, pleaded not guilty and released on \$2,500 bail.
Schluter, Frederic E.-----	5	Southern District of New York.	Apr. 13, 1956	Sec. 32 (a), 1934 Act; sec. 371, title 18, U. S. C.	Four individual defendants pleaded not guilty and were released on \$3,000 bail each. Corporate defendant entered not guilty plea.
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 guilty to 1 sec. 17 (a) (3) count; imposition of sentence suspended and placed on probation for 5 years and directed to make restitution.
Snowden, Homer W.-----	2	Eastern District of Illinois.	Jan. 18, 1956	Secs. 5 (a) and 17 (a), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Defendants pleaded not guilty on March 22, 1956.
Tellier, Walter F. (Alaska Telephone Corp.)-----	4	Eastern District of New York.	Dec. 1, 1955	Sec. 17 (a), 1933 Act; secs. 1341 and 371, title 18, U. S. C.	Individual defendants pleaded not guilty; motion for transfer of trial denied. No plea entered for Corporation.
Tellier, Walter F. (Consolidated Uranium Mines, Inc.)-----	1	do-----	Apr. 26, 1956	Sec. 17 (a), 1933 Act; sec. 1341, title 18, U. S. C.	Defendant pleaded not guilty.
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' conviction affirmed by CA—9, May 18, 1955; petition for rehearing denied Aug. 29, 1955; certiorari denied Dec. 5, 1955.
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.	Conviction affirmed Apr. 15, 1955 by CA—7; certiorari denied Oct. 10, 1955. Motion for stay of execution of sentence denied, sentence reduced from 5 to 3 years, Dec. 8, 1955. Motion pursuant to 28 U. S. C. 2255 to set aside sentence, denied Dec. 16, 1955, appeal 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.
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.
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.
Young, Ben E.	1	Eastern District of Washington.	Sept. 7, 1955	Sec. 17, 1933 Act; sec. 1341, title 18, U. S. C.	Defendant pleaded not guilty on Nov. 22, 1955.

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, 1956*

Petitioner	United States Court of Appeals	Initiating papers filed	Commission action appealed from and status of case
Johnson, R. H., & Co., et al.....	District of Columbia.....	Nov. 18, 1955	Order of Nov. 16, 1955, revoking the broker-dealer registrations and finding that Rupert H. Johnson was the cause of such revocation. Decision of CA DC, Apr. 5, 1956, affirming the Commission's order. Order by CA DC, June 15, 1956, continuing stay order to June 24, 1956, and denying petitioners' request for rehearing. Petition for certiorari filed June 18, 1956. Commission order stayed until fall by Justice Black, June 22, 1956.
Kaye, Real & Co., Inc.....	3d Circuit.....	Nov. 7, 1955	Order of Sept. 9, 1955, revoking the broker-dealer registration and not permitting withdrawal of registration to become effective. Stipulation for dismissal, May 1956; order by CA-3, May 18, 1956, dismissing appeal.
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. Judgment of CA-2, Aug. 22, 1955, reversing the order of the Commission and remanding the case for further proceedings.
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 23, 1955; denied Oct. 10, 1955. Petition for rehearing Nov. 3, 1955, denied Nov. 21, 1955.
Louisiana Public Service Commission.....	5th Circuit.....	Oct. 12, 1955	Order of Sept. 13, 1955, denying the petition of Louisiana Public Service Commission insofar as it requested the reopening of the proceeding in which the Commission's order of Mar. 20, 1955, was entered. Opinion by CA-5, June 30, 1956, granting relief petitioner requested and remanding proceeding to Commission for further consideration, such consideration restricted to the appropriateness of the retention by the Middle South System of the gas properties of Louisiana Power & Light Co. and not to any other features of the Mar. 20, 1955 order.
Mitchell Securities, Inc.....	4th Circuit.....	June 8, 1956	Order of June 6, 1956, affirming the expulsion of Mitchell Securities, Inc. from membership in National Association of Securities Dealers, Inc. Order by CA-4, June 20, 1956, staying Commission order pending review.
Phillips, Randolph.....	2d Circuit.....	Mar. 15, 1956	Order of Jan. 16, 1956, declaring The United Corp. not to be a holding company. Motion to adduce additional evidence denied by court on May 21, 1956.
Pierce, John.....	9th Circuit.....	Oct. 14, 1955	Order of Aug. 16, 1955, denying application for registration as a broker and dealer. Briefs filed.
Reynolds Metal 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-60; 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. Order by CA DC, Jan. 11, 1956, dismissing the petition for review as moot.

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 Company and Middle South Utilities, Inc. and The Southern Company. Motions of Mississippi Valley Generating Company, Middle South Utilities, Inc. and The Southern Company 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. Argued June 6, 1955. Petitioners' motion to file additional memorandum filed July 6, allowed July 25, and motion to file additional memorandum filed Aug. 18, 1955. Response of Commission and motion of Commission to remand in light of changed circumstances filed Aug. 25; petitioners' answer filed Aug. 30; remand ordered Sept. 12, 1955.
Treves, Peter G., et al.....	2d Circuit.....	June 14, 1956	Order of Apr. 18, 1956, which exempted certain transactions between affiliates under sec. 17 (b) of the Investment Company Act. Pending.
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. Order of CA—2, Aug. 23, 1955, affirming the Commission's order. Petition for certiorari filed Nov. 25, 1955, denied Jan. 16, 1956.

TABLE 17.—Contempt proceedings pending during the fiscal year ended June 30, 1956

PART 1.—CIVIL CONTEMPT PROCEEDINGS

Principal defendants	Number of defendants	United States District Court	Initiating papers filed	Status of case
East Boston Co.....	1	Massachusetts.....	Nov. 4, 1955	Petition for rule to show cause why East Boston Co. should not be held guilty of civil contempt for failure to comply with final judgment entered July 13, 1955. Order, Nov. 18, 1955, adjudging East Boston Co. guilty of civil contempt and ordering it to pay fine of \$20,000 unless it complied within thirty days. Motion to collect fine filed Feb. 6, 1956, on ground reports filed were defective. Order, Mar. 27, 1956, vacating order of Nov. 18, 1955. Order, Apr. 5, 1956, upon stipulation, directing that East Boston Co. pay \$3,000 to Clerk of Court in civil contempt and directing filing of corrected reports by not later than July 5, 1956. Fine paid April 17, 1956. Reports in purported compliance filed June 18, 1956.

PART 2.—CRIMINAL CONTEMPT PROCEEDINGS

East Boston Co.....	1	Massachusetts.....	Apr. 2, 1956	Order to show cause issued Apr. 2, 1956, returnable Apr. 5, 1956, why East Boston Co. should not be held in criminal contempt. Order Apr. 5, 1956, directing that proceeding be dismissed without prejudice.
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. Conviction affirmed by CA—9, Dec. 9, 1955.

TABLE 18.—Cases in which the Commission participated as intervenor or as amicus curiae pending during the fiscal year ended June 30, 1956

Name of case	United States District Court, Court of Appeals, or U. S. Supreme Court	Date of entry	Nature and status of case
Breswick & Phillips v. U. S., I. C. C. & Alleghany Corp.	U. S. Supreme Court	Aug. 1, 1955	Appeal by Alleghany Corp. for supersedeas on appeal and a stay of mandate of the three-judge court granting plaintiffs a preliminary injunction enjoining orders of ICC and exchange of 5½% series A preferred stock of Alleghany for new 6% convertible preferred stock. Memorandum for plaintiffs in opposition, Aug. 1, 1955. Memorandum of Commission as amicus curiae, Aug. 1, 1955. Order Aug. 9, 1955, staying orders below, which enjoined Alleghany Corp. from converting certain common stock delivered prior to restraining order and otherwise denying application, upon filing of surety bond pending final determination.
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. Order Sept. 15, 1955, dismissing the proceeding, on motion of plaintiff.
Nash, et al. v. Warner, et al.	District of Massachusetts	Sept. 23, 1955	Action seeking damages for alleged "churning" of securities by securities firm in violation of sections 10 (b) and 15 (c) (1) of 1934 Act and rules thereunder, and section 17 (a) of 1933 Act. Memorandum of Commission as amicus curiae filed at request of Court, Sept. 23, 1955. Findings and opinion dismissing action, Dec. 30, 1955.
Speed, et al. v. Transamerica Corp.	District of Delaware; 3d Circuit.	Feb. 19, 1947; Oct 14, 1948; Jan. 14, 1949; May 2, 1956.	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. Opinion on damages, Sept. 21, 1955, and final decree Nov. 2, 1955. Defendant's appeal to CA-3 filed Nov. 23, 1955; plaintiffs' cross-appeal filed Dec. 1, 1955. Memorandum of law by Commission, as amicus curiae, filed May 2, 1956.
Whittaker, et al. v. Wall, et al.	8th Circuit	Sept. 13, 1955	Action under sec. 12 (1) of 1933 Act to recover the consideration paid for securities allegedly sold in violation of the registration provisions of that Act. Memorandum of law by Commission, as amicus curiae, on proper construction of venue provisions of section 22 (a) of Act, filed Sept. 13, 1955. Opinion of CA-8, Nov. 8, 1955, affirming the District Court judgment in favor of plaintiffs.

TABLE 19.—*Proceedings by the Commission to enforce subpoenas under the Securities Act of 1933 and the Securities Exchange Act of 1934 pending during the fiscal year ended June 30, 1956*

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 subpoenas. Order May 23, 1955, enforcing subpoenas and requiring appearance of respondents.
Platt, F. F.-----	1	Western District of Washington.	Jan. 13, 1956	Sec. 22 (b), 1933 Act...	Order Jan. 13, 1956, directing respondent to show cause why an order should not issue requiring respondent to comply with subpoena. Supplemental order to show cause Jan. 27, 1956, appointing persons to serve process.
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 subpoenas duces tecum. Order by CA-9, July 15, 1955, granting petition of respondents for stay of Commission's investigation and of subpoena pending hearing. Response of Commission and motion for dismissal of petition and dissolution of stay order filed. Order by CA-9, July 29, 1955, dismissing the petition and dissolving the stay order. Order by District Court, Aug. 1, 1955, directing Stardust, Inc. to comply with subpoenas duces tecum and dismissing proceeding as to other respondent, now deceased.

TABLE 20.—Miscellaneous actions involving the Commission or employees of the Commission pending during the fiscal year ended June 30, 1956

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 ICO 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.
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, <i>inter alia</i> , violation of Sec. 5 of 1933 Act in establishment of voting trust. Trial commenced Oct. 12, 1954. Subpoena 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 subpoena 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. Appeals given calendar preference. Appellant record, briefs, reply briefs, and appendices filed. Oral argument heard by CA-6, Apr. 12, 1955. Supplementary briefs filed by parties. Contempt orders reversed and completely set aside by CA-6, Oct. 19, 1955. Mandate to District Court, Nov. 16, 1955.
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. Plaintiff's opposition to motion for summary judgment, motion to strike and cross-motion for summary judgment filed Oct. 11, 1955. Defendant's response, Dec. 12, 1955. Order, Feb. 10, 1956, denying motions for summary judgment and remanding case to Commissioner of court for trial on merits.
Universal Service Corp., Inc.....	District of Columbia.....	Aug. 25, 1955	Complaint filed Aug. 25, 1955, requesting that Commission be enjoined from proceeding with hearing. Statement of points and authorities by Commission Sept. 2, 1955, in opposition to application for preliminary injunction and in support of Commission motion to dismiss complaint. Subpoena served on Harvey Thorson, Sept. 6, 1955. Reply memorandum by plaintiff, Sept. 6, 1955. Order Sept. 20, 1955, dismissing action for failure to state a claim. Order denying plaintiff's motion to reconsider, Sept. 30, 1955.

TABLE 21.—Actions pending during fiscal year ended June 30, 1956, 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
Arkansas Natural Gas Corp.....	Delaware.....	Reopened June 25, 1956.	Petition filed June 25, 1956, by Cities Service Co. for an order requiring Elias Auerback to show cause why he should not be adjudged in contempt of order entered Jan. 29, 1953. Order entered June 25, 1956, pursuant to petition.
Electric Power & Light Corp.....	Southern District of New York.	Reopened June 20, 1952.	Supplemental application on fees filed June 20, 1957. 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. Supplemental application for an order directing final distribution of assets filed Mar. 29, 1956. Order Apr. 6, 1956, directing final distribution of assets and discharging applicants from duties upon completion of distribution.
Market Street Railway Co.....	Northern District of California.	May 3, 1950.....	Order July 11, 1956, 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. Supplemental application II filed Dec. 8, 1955. Plan approved and enforced Feb. 13, 1956.
Northern States Power Co.....	Minnesota.....	Reopened Dec. 8, 1955.	Supplemental application IV on fees filed Feb. 27, 1956. Answer of James P. McGranery to application of Commission re his fee, filed Mar. 9, 1956. Order Apr. 30, 1956, denying approval of application and remanding matter to Commission for further proceedings.
Standard Gas and Electric Co.....	Delaware.....	Reopened Feb. 27, 1956.	Application filed Feb. 27, 1956. Plan approved and enforced Mar. 13, 1956.
Standard Power and Light Corp.....	Delaware.....	Feb. 27, 1956.	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 Protective Committee, Biddle and Diamond filed May 3 and 5, 1955. Appeals by Protective Committee, Biddle and Diamond consolidated by order of CA-3, Sept. 12, 1955. Judgment of CA-3, Apr. 16, 1956, affirming the district court order. Petition for writ of certiorari by Protective Committee and Biddle filed July 13, 1956.
The United Corp.....	Delaware.....	Oct. 11, 1954.....	

TABLE 22.—Actions under section 11 (d) of the Public Utility Holding Company Act of 1935 pending during the fiscal year ended June 30, 1956, to enforce compliance with the Commission's order issued under section 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.....	Dec. 1, 1955	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. Supplemental application on fees filed Dec. 1, 1955. Order Dec. 21, 1955, approving and allowing compensation and disbursement of expenses. Order Jan. 9, 1956 approving Trustee's petition for additional compensation to certain employees. Supplemental application of Commission Jan. 16, 1956, for approval of Interim Board Plan for transformation of IHES into an investment company as approved by Commission Jan. 13, 1956. Objections of The Equity Corporation and Central-Illinois and C. A. Johnson filed Feb. 17, 1956. Briefs and reply briefs filed by the parties. Supplemental memorandum by the Commission Mar. 15, 1956, in response to reply briefs of objectors. Order of court Apr. 23, 1956, approving the Plan of Reorganization. Notice of appeals by Central-Illinois and C. A. Johnson and The Equity Corporation, May 2, 1956. Petitions for stay pending appeal filed by appellants, May 2, 1956. Memoranda in opposition to stay filed. Order May 29, 1956, staying the order of Apr. 23, 1956, pending appeal.

TABLE 23.—*Reorganization cases under ch. X of the Bankruptcy Act pending during the fiscal year ended June 30, 1956, 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. Opinion of CA-2, Apr. 14, 1955, holding that relief should be sought under Chapter X. Petition for writ of certiorari filed by debtor granted Oct. 10, 1955. Opinion of Supreme Court Mar. 26, 1956, affirming the decision of the two lower courts.
Hudson & Manhattan Railroad Co., debtor-appellant (2d Circuit).	Appeal from order of Feb. 23, 1955, denying the debtor's petition to employ experts to testify to debtor's solvency and appeal from order of Apr. 7, 1955, denying the debtor's petition for leave to withdraw its answer consenting to reorganization and for leave to answer de novo. Commission filed brief Nov. 4, 1955 urging affirmance of both orders. Decision of CA-2, Feb. 8, 1956, affirming the orders of the district court. Petition for writ of certiorari filed by debtor, May 4, 1956. Certiorari denied June 11, 1956.
Inland Gas Corp., et al., debtors; Ben Williamson, Jr., Paul E. Kern, Green Committee, Clinton M. Harbison, Allen Committee, Vans-ton Committee, and Gregory Committee, appellants (6th Circuit).	Appeals from order of Mar. 14, 1956, <i>inter alia</i> denying confirmation of Trustees' Amended Plan of Reorganization, refusing to find worthy of consideration a plan submitted by a security holder and refusing to confirm a plan of reorganization because it provided for post-bankruptcy interest and since it was not accepted by the requisite majority of creditors affected by the plan.
Liberty Baking Corp., debtor; Securities and Exchange Commission, appellant (2d Circuit).	Appeal from order of Dec. 19, 1955, denying the Commission's motions for leave to intervene and for dismissal of Debtor's petition under Chapter XI on ground proceeding should be under Chapter X.
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 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. Petitions for writs of certiorari dismissed Mar. 1, 1956, pursuant to stipulation.
Silesian-American Corp., debtor (2d Circuit).	Petition of Bondholder's Protective Committee for leave to appeal from order of June 4, 1956, making allowances of compensation to the Trustee, the petitioner and others. Commission filed memorandum in support of petition, June 8, 1956. Leave to appeal granted; notice of appeal filed June 29, 1956.
The Wilcox-Gay Corp., and Garod Radio Corp., debtors; Securities and Exchange Commission, appellant (6th Circuit).	Appeal from order of Aug. 3, 1955, denying the Commission's motion to dismiss the Chapter XI proceedings and to reinstate the petitions under Chapter X. Application for stay denied by order of Sept. 23, 1955. Commission's brief filed Nov. 17, 1955. Brief for appellees filed Dec. 9, 1955. Reply brief by Commission filed Dec. 27, 1955. Decision of CA-6, Apr. 14, 1956, affirming the judgment of the district court.

TABLE 24.—A 23-year summary of criminal cases developed by the Commission—1934 through 1956 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	19	13	25	0
1950.....	18	28	15	27	21	1	5	0
1951.....	29	42	24	48	37	5	6	0
1952.....	14	26	13	24	17	4	3	0
1953.....	18	32	15	33	19	6	5	3
1954.....	19	44	19	52	16	4	2	30
1955.....	8	12	7	12	5	0	2	5
1956.....	³ 17	43	8	21	0	0	0	21
Total.....	655	2, 150	⁴ 543	2, 283	1, 237	280	⁵ 662	104

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 Nine of these references as to 24 proposed defendants were still being processed by the Department of Justice as of the close of the fiscal year.

⁴ 513 of these cases have been completed as to 1 or more defendants. Convictions have been obtained in 444 or 87 percent of such cases. Only 69 or 13 percent of such cases have resulted in acquittals or dismissals as to all defendants, including 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 51 defendants who died after indictment.

TABLE 25.—Summary of criminal cases developed by the Commission which were still pending at June 30, 1956

	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	1	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.....	0	0	0	0	0	0
1950.....	0	0	0	0	0	0
1951.....	0	0	0	0	0	0
1952.....	0	0	0	0	0	0
1953.....	3	13	10	1	2	0
1954.....	6	30	0	7	23	0
1955.....	2	5	0	0	5	0
1956.....	8	21	0	0	20	1
Total.....	31	124	20	51	52	1

SUMMARY

Total cases pending ¹	41
Total defendants ¹	149
Total defendants as to whom cases are pending ¹	129

¹ Except for 1955 and 1956 indictments have been returned in all pending cases. As of the close of the fiscal year, indictments had not yet been returned as to 25 proposed defendants in 10 cases referred to the Department of Justice in 1955 and 1956. These are reflected only in the recapitulation of totals at the bottom of the table.

TABLE 26.—A 23-year summary classifying all defendants in criminal cases developed by the Commission—1934 to June 30, 1956

	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).....	345	213	24	99	9
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).....	717	358	57	257	45
All others ²	1,098	602	183	264	49
Total.....	2,283	1,237	280	662	104

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 23-year summary of all injunction cases instituted by the Commission, 1934 to June 30, 1956, 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.....	23	54	19	43
1956 (to June 30).....	19	49	11	29
Total.....	712	2,082	² 641	1,632

SUMMARY

	Cases	Defendants
Actions instituted.....	712	2,082
Injunctions obtained.....	634	1,632
Actions pending.....	16	³ 40
Other dispositions ⁴	62	410
Total.....	712	2,082

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 2 defendants in 1 case in which injunctions have been obtained as to 3 co-defendants.

⁴ Includes (a) actions dismissed (as to 342 defendants); (b) actions discontinued, abated, vacated, abandoned, or settled (as to 53 defendants); (c) actions in which judgment was denied (as to 11 defendants); (d) actions in which prosecution was stayed on stipulation to discontinue misconduct charged (as to 4 defendants).