# 28th Annual Report

of the

# Securities and Exchange Commission

**Fiscal Year Ended June 30, 1962**

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## SECURITIES AND EXCHANGE COMMISSION

**Headquarters Office**

**425 Second Street NW.**

**Washington 25, D.C.**

## COMMISSIONERS

**January 8, 1963**

WILLIAM L. CARY, *Chairman*
BYRON D. WOODSIDE
J. ALLEN FREAR, JR.
MANUEL F. COHEN
JACK M. WHITNEY II

ORVAL L. DUBOIS, *Secretary*

## LETTER OF TRANSMITTAL

SECURITIES AND EXCHANGE COMMISSION,

*Washington 25, D.C.*

SIR: On behalf of the Securities and Exchange Commission, I have the honor to transmit to you the Twenty-Eighth Annual Report of the Commission covering the fiscal year July 1, 1961, to June 30, 1962, in accordance with the provisions of Section 23(b) of the Securities Exchange Act of 1934, approved June 6, 1934; Section 23 of the Public Utility Holding Company Act of 1935, approved August 26, 1935; Section 46(a) of the Investment Company Act of 1940, approved August 22, 1940; Section 216 of the Investment Advisers Act of 1940, approved August 22, 1940; Section 3 of the Act of June 29, 1949, amending the Bretton Woods Agreement Act; and Section 11(b) of the Inter-American Development Bank Act.

Respectfully,

WILLIAM L. CARY,
*Chairman.*

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

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**(As of January 1, 1963)**

| **Commissioners** | *Term expires June 5* |
|---|---|
| WILLIAM L. CARY of New York, *Chairman* | 1966 |
| BYRON D. WOODSIDE of Virginia | 1967 |
| J. ALLEN FREAR, JR., of Delaware | 1965 |
| MANUEL F. COHEN of Maryland | 1963 |
| JACK M. WHITNEY II of Illinois | 1964 |

Secretary: ORVAL L. DUBOIS

**Staff Officers**

EDMUND H. WORTHY, Director, Division of Corporation Finance.
WALTER WERNER, Associate Director.
ALLAN F. CONWILL, Director, Division of Corporate Regulation.
SOLOMON FREEDMAN, Associate Director.
PHILIP A. LOOMIS, Jr., Director, Division of Trading and Exchanges.
IRVING M. POLLACK, Associate Director.
MILTON H. COHEN, Director, Special Study of Securities Markets.
RALPH S. SAUL, Associate Director.
RICHARD H. PAUL, Chief Counsel.
PETER A. DAMMANN, General Counsel.
DAVID FERBER, Associate General Counsel.
WALTER P. NORTH, Associate General Counsel.
ANDREW BARR, Chief Accountant.
LEONARD HELFENSTEIN, Director, Office of Opinion Writing.
W. VICTOR RODIN, Associate Director.
WILLIAM E. BECKER, Management Analyst.
FRANK J. DONATY, Comptroller.
ERNEST L. DESSECKER, Records and Service Officer.
HARRY POLLACK, Director of Personnel.
ARTHUR FLEISCHER, Jr., Executive Assistant to the Chairman.

## REGIONAL AND BRANCH OFFICES

### Regional Administrators

Region 1. New York, New Jersey.—Llewellyn P. Young; John J. Devaney, Associate Regional Administrator, 225 Broadway, New York 7, N.Y.

Region 2. Massachusetts, Connecticut, Rhode Island, Vermont, New Hampshire, Maine.—Philip E. Kendrick, Federal Building, Post Office Square, Boston 9, Mass.

Region 3. Tennessee, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Florida, and that part of Louisiana lying east of the Atchafalaya River.—William Green, Suite 138, 1371 Peachtree Street, NE., Atlanta 9, Ga.

Region 4. Illinois, Indiana, Iowa, Kansas City (Kans.), Kentucky, Michigan, Minnesota, Missouri, Ohio, Wisconsin.—Thomas B. Hart, Bankers Building (Room 630), 105 West Adams Street, Chicago 3, Ill.

Region 5. Oklahoma, Arkansas, Texas, and that part of Louisiana lying west of the Atchafalaya River, and Kansas (except Kansas City).—Oran H. Allred, United States Courthouse (Room 301), 10th and Lamar Streets, Fort Worth 2, Tex.

Region 6. Wyoming, Colorado, New Mexico, Nebraska, North Dakota, South Dakota, Utah.—Donald J. Stocking, 802 Midland Savings Building, 444 17th Street, Denver 2, Colo.

Region 7. California, Nevada, Arizona, Hawaii.—Arthur E. Pennekamp, Pacific Building, 821 Market Street, San Francisco 3, Calif.

Region 8. Washington, Oregon, Idaho, Montana, Alaska.—James E. Newton, Hoge Building (9th floor), 705 Second Avenue, Seattle 4, Wash.

Region 9. Pennsylvania, Maryland, Virginia, West Virginia, Delaware, District of Columbia.—Alexander J. Brown, Jr., Courts Building, 310 6th Street, N.W., Washington 25, D.C.

### Branch Offices

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

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

Houston 2, Tex. Federal Office and Court Building (Room 226), 515 Rusk Avenue.

Los Angeles 28, Calif. Guaranty Building (Room 309), 6331 Hollywood Boulevard.

Miami 32, Fla. Ainsley Building (Suite 1112), 14 Northeast First Avenue.

St. Louis, Mo. Federal Building (Room 4266A), 1520 Market Street.

St. Paul 1, Minn. Main Post Office and Customhouse (Room 1027), 180 East Kellogg Boulevard.

Salt Lake City, Utah. Newhouse Building (Room 1119), 10 Exchange Place.

## COMMISSIONERS

### William L. Cary, Chairman

Chairman Cary was born in Columbus, Ohio, on November 27, 1910. He received an A.B. degree in 1931 and an LL.B. degree in 1934 from Yale University and an M.B.A. degree from the Harvard Graduate School of Business Administration in 1938. He is a member of Phi Beta Kappa and Phi Delta Phi. Following admission to the Ohio bar in 1934, he was associated with a Cleveland law firm for 2 years. Upon completion of 2 years of graduate study at the Harvard Graduate School of Business in May 1938, he joined the legal staff of the Securities and Exchange Commission where he served for nearly 2 years in the General Counsel's Office and the Reorganization Division. He served as a Special Assistant to the Attorney General in the Tax Division of the Department of Justice from March 1940 until January 1942, and as Counsel, Office of Coordinator of Inter-American Affairs, in Rio de Janeiro until January 1943. After World War II service with the U.S. Marine Corps Reserve and the Office of Strategic Services in Rumania and Yugoslavia, he became a lecturer in finance and law at the Harvard Graduate School of Business Administration (1946–47). From 1947 to 1955, he served as professor of law at Northwestern University School of Law, except for service as Deputy Department Counsellor for Procurement, Department of the Army, during the Korean War, and at Columbia University School of Law from 1955 to March 1961. He is coauthor of several books in the corporate field, and until his appointment served as special counsel to a New York law firm. He took office as a member of the Securities and Exchange Commission on March 27, 1961, for the term expiring June 5, 1961. His appointment also covered the succeeding 5-year term ending June 5, 1966. He was designated Chairman of the Commission.

### Byron D. Woodside

Commissioner Woodside was born in Oxford, Pa., in 1908, and is a resident of Haymarket, Va. He holds degrees of B.S. in economics from the University of Pennsylvania, A.M. from George Washington University, and LL.B. from Temple University. He is a member of the bar of the District of Columbia. In 1929 he joined the staff of the Federal Trade Commission, and in 1933, following the enactment

of the Federal Securities Act, was assigned to the Securities Division of that Commission which was charged with the administration of the Securities Act of 1933. He transferred to the Securities and Exchange Commission when the Securities Exchange Act of 1934 was enacted. In 1940 he became Assistant Director and in 1952 Director of the Division (now Division of Corporation Finance) responsible for administering the registration and reporting provisions of the Securities Act, Securities Exchange Act, the Trust Indenture Act of 1939, and, in part, the Investment Company Act of 1940. For 14 months commencing in May 1948, he was on loan to the Department of the Army and assigned to duty in Japan as a member of a five-man board which reviewed reorganization plans of Japanese companies under the Occupation's decartelization program; and beginning in December 1950, he served 17 months with the National Securities Resources Board and later with the Defense Production Administration as Assistant Deputy Administrator for Resources Expansion. He took office as a member of the Securities and Exchange Commission on July 15, 1960, for the term of office expiring June 5, 1962. He was reappointed effective June 5, 1962 for the term expiring June 5, 1967.

**J. Allen Frear, Jr.**

Commissioner Frear was born on a farm near Rising Sun, Del., on March 7, 1903, where he attended a rural school, graduated from the Caesar Rodney High School, and obtained a B.S. degree from the University of Delaware in 1924. He also holds an honorary degree from Bethany College. An agriculturist by vocation, he has been active in civic and political affairs. For the 12-year period from January 3, 1949, he served two 6-year terms as a Senator from the State of Delaware in the Senate of the United States. He was a member of the Committee on Banking and Currency, which has jurisdiction over legislative and other matters affecting the Commission, and the Committee on Finance. From 1940 to 1948 he was a member of the Board of Directors, Farm Credit Administration, Second Farm Credit District, except for a period of service with the U.S. Army from 1943 to 1946 in World War II. He also served on the Delaware Old Age Assistance Commission and on the board of trustees for Delaware State College. At present he is a director of two banks in Delaware, and a member of the board of trustees of the University of Delaware. He holds membership in the Rotary Club, Sigma Nu Fraternity, and the American Legion and the Veterans of Foreign Wars. On March 15, 1961, he took the oath of office as a member of the Commission for the term expiring June 5, 1965.

**Manuel F. Cohen**

Commissioner Cohen was born in Brooklyn, N.Y., on October 9, 1912. He holds a B.S. degree in social science from Brooklyn College of the College of the City of New York. He received an LL.B. degree, cum laude, from Brooklyn Law School of St. Lawrence University in 1936, and was elected to the Philonomic Council. He is a member of the New York bar. In 1933–1934 he served as research associate in the Twentieth Century Fund studies of the securities markets. He joined the Commission Staff as an attorney in 1942 after several years in private practice, serving first in the Investment Company Division and later in the Division of Corporation Finance, of which he was made Chief Counsel in 1953. He was named Adviser to the Commission in 1959 and in 1960 became Director of the Division of Corporation Finance. He was awarded a Rockefeller Public Service Award by the trustees of Princeton University in 1956 and for a period of 1 year studied the capital markets and the processes of capital formation and of government and other controls in the principal financial centers of Western Europe. In 1961 he was appointed a member of the Council of the Administrative Conference of the United States and received a Career Service Award of the National Civil Service League. From 1958 to 1962 he was lecturer in Securities Law and Regulation at the Law School of George Washington University and he is the author of a number of articles on securities regulation published in domestic and foreign professional journals. In 1962, he received an honorary LL.D. degree from Brooklyn Law School. He took office as a member of the Commission on October 11, 1961, for the term expiring June 5, 1963.

**Jack M. Whitney II**

Commissioner Whitney was born in Huntington Beach, Calif., on May 16, 1922. He attended Millsaps College in Jackson, Miss., for 2 years, and Northwestern University School of Commerce, from which he received a B.S. degree in 1943. From 1943 to 1946 he was on active duty in the U.S. Naval Reserve, achieving the rank of Lieutenant (junior grade) in the Supply Corps. He was graduated from Northwestern University School of Law in 1949 with the degree of J.D. In law school he was an editor of the law review, and he is a member of Beta Gamma Sigma and Order of the Coif. Following graduation he became associated with the Chicago law firm of Bell, Boyd, Marshall & Lloyd, of which he was a member at the time of his appointment to the Commission. His practice was primarily in the field of corporate finance. He took office as a member of the Commission on November 9, 1961, for the term ending June 5, 1964.

# PART I

## CURRENT PROBLEMS BEFORE THE COMMISSION

**Foreword**

Fiscal year 1962 witnessed extraordinary activity in all aspects of the Commission's responsibilities. The peaks reached during fiscal 1961 in the flotation of new issues of securities, in broker-dealers and investment advisers registered with the Commission, and in the number of customers men employed and branch offices maintained by securities firms were equalled or exceeded. The sustained high level of activity and the wide public participation in the securities markets continued to attract untrained salesmen as well as those who seek to take advantage of greater interest in investment by new and inexperienced investors. These factors compelled increased vigilance in regulatory matters and more vigorous enforcement effort by the Commission and by the self-regulatory agencies of the securities industry.

During the year the Commission adopted a number of significant statements of policy and rules. At the end of the fiscal year other rules which had been published for public consideration were under study in the light of the comments received. The number of enforcement actions taken—civil, criminal and administrative—continued to rise.

Apart from the problems arising in the course of the regular activities of the Commission, fiscal 1962 saw the commencement of the Commission's Special Study of Securities Markets, the first comprehensive study of the securities markets in more than 25 years. A sharp break in securities prices toward the end of the fiscal year has also required an examination in depth of the events which preceded and accompanied this dramatic price decline as well as the performance of important market mechanisms and those professionally responsible for their operation.

During the fiscal year, the Commission also received a report of a study of certain facets of open-end (mutual) investment company operations conducted for the Commission by the Wharton School of Finance and Commerce, University of Pennsylvania. This is the first detailed study made of an increasingly important investment medium since the Commission's studies which preceded passage of the Investment Company Act of 1940.



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In the paragraphs and chapters which follow we refer in somewhat greater detail to these and other matters which received the attention of the Commission and its staff in fiscal 1962.

**Special Study of Securities Markets**

The Study was authorized by Public Law 87–196, enacted early in September 1961, which directed the Commission to make a study and investigation of the adequacy, for the protection of investors, of the rules of stock exchanges and national securities associations and to report to the Congress, on or before January 3, 1963, the results of its study together with its recommendations. Following organization of the Study unit and preliminary analysis of the topics to be investigated, it became apparent that the thorough examination and reassessment of the securities markets which were contemplated by the Congress could be completed only if the reporting date were extended. Public Law 87–561 extended the Study to April 3, 1963.

The Study, as the Congress intended, is extremely broad in scope. The effectiveness of industry self-regulation through the stock exchanges and the National Association of Securities Dealers, Inc. is undergoing thorough examination. Intensive inquiries are being conducted into the rules and practices of the stock exchanges, including those relating to the role of specialists, floor traders and odd-lot dealers.

The structure of the over-the-counter market and the adequacy of its regulation, such as controls over quotations systems, are the subject of a detailed review. Information is also being gathered regarding the character of issuers whose securities are traded in that market. Under existing law, a large number of these issuers in whose securities there is a substantial public interest are not subject to any of the reporting or other regulatory requirements imposed on companies whose securities are listed on an exchange. On the basis of the information gathered, the Commission expects to determine the appropriateness of existing distinctions in the regulation of these two categories of issuers.

The Study is also conducting an investigation into the process by which corporations distribute their securities to the public, and into the over-the-counter trading in these securities after distribution, including the problem of so-called "hot issues." Other major subjects of scrutiny include the adequacy of the existing pattern of securities credit regulation and any gaps and inconsistencies with respect to the types of lenders and securities covered; the techniques and uses of financial publicity; standards of entrance into the securities business; and sales practices, including those relating to mutual funds. Substantial progress has been made in gathering information in all these

areas, through questionnaires, interviews and public hearings, and in analyzing such information.

It is anticipated that upon completion of the Study, the present regular staff of the Commission, and additional personnel from the Study, will be assigned the task of implementing the findings and recommendations made.

The Commission believes that the Study has already had a beneficial effect by stimulating significant developments in the form of rule changes, the establishment of internal control procedures and new or improved testing and training programs by broker-dealers, and vigorous disciplinary actions by the self-regulatory agencies of the industry. These steps reflect an increased awareness by the financial community of its responsibilities and have assisted in establishing a more salutary climate in the securities markets. The most dramatic illustration of this new climate is the reorganization of the American Stock Exchange. An investigation of that Exchange, which had commenced prior to the authorization of the Study, was completed with the participation of personnel from the Study, and a report was issued on January 6, 1962. The report concluded, on the basis of detailed findings, that in the case of that Exchange the statutory scheme of self-regulation had not worked in the manner envisioned by Congress. Since that time, substantial changes have occurred in the staff, organization and constitutional structure of the Exchange. This reorganization was effected by the Exchange itself, consistent with the Commission's belief that self-regulation could be revitalized on a realistic basis. The Commission maintained close coordination with the Exchange throughout the process of reorganization.

**The Wharton School Study of Investment Companies**

As reported previously, the Commission engaged the Wharton School of the University of Pennsylvania to conduct a fact-finding study of the problems created by the growth in size of investment companies. Shortly after the close of fiscal year 1962, the study was completed and was transmitted to the Commission which in turn submitted it to the Committee on Interstate and Foreign Commerce, House of Representatives. The study constitutes the most comprehensive analysis of the mutual fund industry since the Commission's study made more than 20 years ago, prior to the adoption of the Investment Company Act of 1940. It analyzes the growth, organization and control, investment policy, and performance of open-end investment companies or mutual funds, their impact on securities markets, the extent of control of portfolio companies, and the financial and other relationships of mutual funds with their investment advisers and principal underwriters.

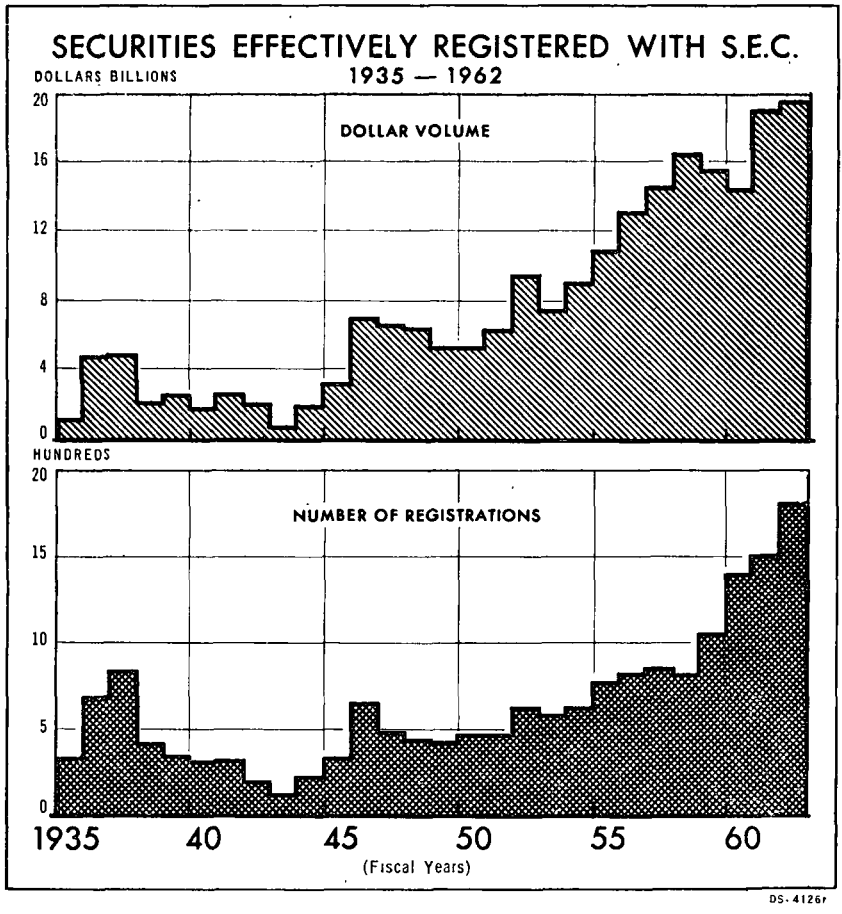
The staff of the Commission is now engaged in an evaluation of the conclusions and comments contained in the Wharton School Study, in a study of the structure of the investment company industry generally, and in a reassessment of the provisions of the Investment Company Act and the Commission's rules and regulations thereunder. This detailed analysis, together with related Commission studies now in progress, will aid the Commission in determining whether specific legislative recommendations should be made to the Congress with respect to the Act and what action, if any, should be taken to strengthen the rules and regulations under the Act.

**Registration of New Security Offerings**

Although the number of registration statements filed under the Securities Act of 1933 with respect to securities issues proposed to be publicly offered dropped off as a result of the market decline toward the end of the fiscal year, the total number of statements filed during the year, 2,307, far exceeded that for any previous year in the Commission's history. This figure represents an increase of 26 per cent over the record number of statements filed in the preceding year. The dollar amount represented by these statements aggregated $21.6 billion, or 4.4 per cent more than the corresponding figure for the previous year. During fiscal year 1962, 1,815 statements relating to offerings of $19.5 billion of securities became effective, also a record both in number and dollar amount, as graphically shown in the chart on page 5.

The unprecedented number of registration statements filed placed a heavy burden upon the Commission's staff. Aside from the sheer volume of statements, a record number of 1,377 statements representing 60 percent of all those filed, related to companies that had not previously been subject to the registration process. The examination of such statements tends of necessity to be more time-consuming than that of filings by issuers which have previously gone through the registration process.

In an effort to reduce the record backlog of registration statements on file, the staff of the Commission was forced to work frequently on an over-time basis and the Commission effected a number of changes in processing procedures during the fiscal year. Among other things, it was decided to reduce the amount and layers of review, particularly with respect to statements relating to high grade debt securities and those filed by public utility companies, by established companies which have filed financial information with the Commission within recent periods, and by other established companies where the registration statement is meticulously prepared and the financial statements are unexceptionable. The Commission also took steps to dispose of a




large group of statements which had been unsatisfactorily prepared, and had been on the docket for a long time without any corrective amendments having been filed.

**Enforcement Activity**

During the fiscal year, fraudulent sales of securities and other illegal practices in connection with securities transactions presented, as in past years, a major problem for the Commission and occupied the time of a large portion of its staff. As described in more detail in subsequent portions of this report, the Commission continued to pursue a vigorous enforcement program. Thus, it referred 64 cases to the Department of Justice for criminal prosecution during the year, constituting the largest number of referrals in a single year in the Commission's history, and brought 89 injunction actions. In addition, a total of 503 investigations of securities transactions involving pos-

sible violations of the antifraud or other provisions of the securities acts were instituted, and 51 orders suspending the exemption from registration provided for small security issues were issued.

**Delegation of Functions**

The enactment in August 1962 of Public Law 87–592, authorizing the Commission to delegate to staff members certain of its functions, should have the effect of strengthening the Commission's administration of the various acts administered by it. When implemented, the proposed delegation will relieve the Commissioners from certain routine matters with which they now deal and free them to devote more attention to major matters of policy and planning.

In December 1962, following extensive work by the Commission and at the staff level with a view to implementation of the law, the Commission published notice that it had under consideration the adoption of rules which would accomplish delegation of various routine functions to certain of its staff officials, including Division and Office heads and regional administrators, to be performed by them or under their direction by such persons as might be designated from time to time by the Chairman.

## PART II

## LEGISLATIVE ACTIVITIES

Early in the fiscal year, the Congress passed and the President signed Public Law 87–196, which directed the Commission to make a study and investigation of the adequacy of the rules of national securities exchanges and national securities associations.[1] Subsequently, Public Law 87–561 extended, from January 3, 1963 to April 3, 1963, the date by which the Commission is required to report to the Congress the results of its study and investigation, together with its recommendations.

Because of the extensive study of the securities markets which is still in progress under these laws, the Commission did not recommend any legislative program of its own during the Second Session of the 87th Congress. Several items of legislation suggested by the Commission in recent years which have not as yet been enacted may now be merged in broader legislative recommendations growing out of the Market Study, and it was thought best not to make any piecemeal recommendations during the pendency of the Study. It is unlikely that the Commission will make substantial legislative proposals prior to the completion of the Study in April 1963, unless the results of portions of the Study should suggest certain legislative changes or additions which might lend themselves to separate treatment in advance of completion of the entire Study.

Apart from the authorization of the Special Study and the extension of time for its completion, the legislation enacted during this past year which has the most direct effect upon the work of the Commission is S. 2135 which became Public Law 87–592 subsequent to the close of the fiscal year. This law is the legislative version of Reorganization Plan No. 1 which was disapproved at the First Session of the 87th Congress.

Prior to the adoption of S. 2135 by the Senate on September 1, 1961, the Commission submitted comments on the bill, recommending its adoption subject to certain suggested amendments. After its adoption by the Senate with amendments suggested by the Commission, a memorandum of comment was submitted by the Commission to the House Committee on Interstate and Foreign Commerce and

[1] See the Commission's 27th Annual Report, p. 8–9, for a discussion of H. J. Res 488, which, as modified, became Public Law 87–196.



PAUL GONSON
SECURITIES AND EXCHANGE COMM'N
WASHINGTON, DC 20549

Chairman Cary appeared before that Committee in support of the bill.

In essence, Public Law 87–592 expressly permits the Commission to delegate to one or more members of the Commission or to its staff certain functions which were previously performed by the full Commission. The statute requires the Commission to retain a discretionary right to review delegated action within a time and in a manner to be prescribed by rule, although in certain situations a person or party adversely affected by delegated action is entitled to review by the Commission as a matter of right. In addition, it provides that the vote of one Commissioner shall be sufficient to bring any delegated action before the Commission for review, and that delegated action shall become the action of the Commission for all purposes, including review by the appellate courts if no Commission review of the delegated action is sought within the time specified by rule, or if the Commission declines review.

A substantial amount of time was devoted during the fiscal year to matters pertaining to legislative proposals referred to the Commission for comment and to Congressional inquiries. A total of 47 legislative proposals was analyzed, and numerous Congressional inquiries relating to matters other than specific legislative proposals were reviewed and answered.

## PART III

## REVISION OF RULES, REGULATIONS AND FORMS

The Commission maintains a continuing program of reviewing its rules, regulations, and forms under the various statutes administered by it in order to determine whether any changes are appropriate in the light of changing conditions, methods and procedures in business and in the financial practices of business. Certain members of the staff are specifically assigned to this task, but changes are also suggested, from time to time, by other members of the staff who are engaged in the examination of material filed with the Commission, and by persons outside of the Commission who are subject to the Commission's requirements or who have occasion to work with those requirements such as underwriters, attorneys, accountants, and other representatives. With a few exceptions provided for by the Administrative Procedure Act, proposed new rules, regulations, and forms and proposed changes in existing rules, regulations, and forms are published in preliminary form for the purpose of obtaining the views and comments of interested persons, including issuers and various industry groups.[1]

During the 1962 fiscal year, the Commission adopted a number of changes in its rules, regulations, and forms. Other changes which the Commission published in preliminary form for the purpose of obtaining public comments thereon were pending at the end of the fiscal year. The changes made during the fiscal year and those pending at the end of the year are described below.

### THE SECURITIES ACT OF 1933

**Adoption of Rule 152A**

The Commission adopted Rule 152A which provides that the offering or sale of securities, evidenced by scrip certificates, order forms or similar documents, which represent fractional interests resulting

[1] The rules and regulations of the Commission are published in the Code of Federal Regulations, the rules adopted under the various acts administered by the Commission appearing in the following parts of Title 17 of that code:

Securities Act of 1933, pt. 230.
Securities Exchange Act of 1934, pt. 240.
Public Utility Holding Company Act of 1935, pt. 250.
Trust Indenture Act of 1939, pt. 260.
Investment Company Act of 1940, pt. 270.
Investment Advisers Act of 1940, pt. 275.

from a stock dividend, stock split, reverse stock split, conversion, merger or similar transaction is deemed to be a transaction by a person other than an issuer, underwriter or dealer within the meaning of the first clause of Section 4(1) of the Act, and therefore exempt from registration under the Act. The rule applies only to offers and sales involved in the matching and combination of fractional interests among security holders and the sale of whole shares representing the remaining fractional interests not so combined. The rule applies whether the transactions are effected on behalf of the security holders by the issuer or an affiliate of the issuer or by a bank or other independent agent.[2]

**Adoption of Rule 155**

During the fiscal year the Commission adopted a new Rule 155.[3] The new rule relates to the interpretation of the exemptions afforded by Section 4(1) in the context of public offerings of convertible securities by or on behalf of any person who purchased such securities directly or indirectly from the issuer in a non-public transaction, or to a public offering of the securities received upon conversion of the securities so placed. Of course, where there is an initial public offering of convertible securities, immediate registration is required in the absence of some exemption, and the rule has no application to such a situation.

The new rule defines the phrase "transactions by an issuer not involving any public offering" in Section 4(1) of the Act, as not including certain public offerings of convertible securities or of securities received upon such a conversion. The rule excludes from the quoted exemption two types of public offerings. The first is a public offering of a security, which is immediately convertible into another security of the same issuer, by or on behalf of any person or persons who purchased the convertible security directly or indirectly from the issuer in a non-public transaction. The other type of offering excluded from the quoted exemption is one by or on behalf of any such person or persons of the security acquired upon conversion, unless the person or persons making the public offering are not underwriters within the meaning of that term as defined in Section 2(11) of the Act. In determining whether any such person is an underwriter, the usual statutory tests are to be applied, as in other situations.

In order that intermediate persons who are not connected with any public offering of such securities may not be treated as underwriters, the rule provides that any such intermediate holder of the convertible security or of the underlying security who has not acquired it with a

[2] Securities Act Release No. 4470 (March 28, 1962).
[3] Securities Act Release No. 4450 (Feb. 7, 1962).

view to its distribution and is not instrumental in making or arranging a public offering is not to be deemed an underwriter for the purpose of the rule. Of course, even though a person is instrumental in making or arranging a public offering of the underlying security, the rule does not apply if the acquisition, retention and disposition of such security are such that the person is not an underwriter within the meaning of the term as defined in Section 2(11) of the Act.

The rule applies only with respect to convertible securities issued after the effective date of the rule.

**Adoption of Rule 236**

The Commission adopted Rule 236 which exempts from registration under the Securities Act, under certain conditions, shares of stock or similar security which are publicly offered to provide funds to be distributed to security holders in lieu of issuing fractional shares, scrip certificates, order forms, or other evidences of such fractional interest, in connection with a stock dividend, stock split, reverse stock split, conversion, merger or similar transaction. The conditions of the exemption are that the issuer is required to file and has filed reports with the Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, that the aggregate gross proceeds from the sale of the shares do not exceed $100,000 and that the issuer furnish certain information to the Commission at least 10 days prior to the offering of the shares.[4]

From the date of adoption of the rule to the end of the 1962 fiscal year, 11 companies furnished notices to the Commission pursuant to the rule.

**Amendment of Rule 458**

Rule 458, which deals with the payment of fees in connection with the registration of securities under the Securities Act, and prescribes the manner in which the required fees shall be paid, was amended during the fiscal year.[5] The amendment to the rule provides that payments of fees may be rounded to the nearest dollar and that the Commission will waive any deficiency in the fee amounting to less than $1. However, in no case may the amount of the registration fee be less than $25. The amendment also provides that refunds to issuers of excess payments amounting to less than $1 will be made only upon the request of the issuer and that refunds of $1 or more may be waived by the issuer. The purpose of the amendment is to reduce the time and clerical work involved in collecting or refunding insignificant amounts. However, as indicated above, the rule preserves the right of an issuer to receive a refund of any amount due it, if it so desires.

[4] Securities Act Release No. 4470 (March 28, 1962).

[5] Securities Act Release No. 4381 (July 3, 1961).

**Adoption of Rules 462 and 263**

The Commission adopted Rule 462 which requires that if a bona fide effort is not made to proceed with the offering and sale of registered securities to the public within 3 business days after the registration statement becomes effective, or if the offering or sale is suspended within 15 days after the effective date, telegraphic or air mail notice of the delay or suspension must be filed with the Commission. A similar rule, designated as Rule 263, has been added to Regulation A with respect to offerings under that regulation. The new rules are intended to apply to situations where an offering is delayed or suspended by the issuer or principal underwriters and information with respect to such delay or suspension and the reasons therefor are not contained in the prospectus or offering circular.[6]

**Adoption of Revised Form S–8**

During the fiscal year, the Commission published notice that it had under consideration certain proposed amendments to Form S–8 which is the form authorized for use in registering securities under the Securities Act to be offered pursuant to certain stock purchases, savings or similar plans, and for registering the interests in such plans where such registration is required.[7] A number of comments were received in regard to the proposed amendments and shortly after the close of the fiscal year the Commission adopted a revised Form S–8.[8]

The rule as to the use of the form has been simplified and clarified in certain respects and has been amplified to permit use of the form for securities other than "equity" securities and for securities to be offered pursuant to restricted stock options. The transmittal of annual reports and other material to employees is now required by undertakings set forth at the end of the form and the provisions making such transmittal a condition to the use of the form have been deleted. General Instruction E which defined the term "transactions within 1 year" as previously used in the third clause of Section 4(1) of the Securities Act, has been amended to define the term "transactions prior to the expiration of 40 days," which is the present language of the statute. Additional items calling for information with respect to securities to be offered pursuant to restricted stock options have been added to the form.

**Adoption of Form S–11**

During the fiscal year the Commission adopted a new form, designated Form S–11, for registration under the Securities Act of securities of certain real estate companies.[9] The form is to be used for

[6] Securities Act Release No. 4427 (November 14, 1961).
[7] Securities Act Release No. 4440 (January 15, 1962).
[8] Securities Act Release No. 4533 (August 30, 1962).
[9] Securities Act Release No. 4422 (October 26, 1961).

securities issued by real estate investment trusts, as defined in Section 856 of the Internal Revenue Code, or securities issued by other issuers whose business is primarily that of acquiring and holding for investment real estate or interests in real estate or interests in other issuers whose business is primarily that of acquiring and holding real etate or interests in real estate for investment. The new form is not to be used, however, for securities of any investment company which is registered or required to register under the Investment Company Act of 1940.

## THE SECURITIES EXCHANGE ACT OF 1934

### Adoption of Rules 13a–15 and 15d–15 and Form 7–K

During the fiscal year, the Commission adopted two new rules with regard to the periodic reporting requirements and a new quarterly report form. The new rules, designated Rules 13a–15 and 15d–15, require certain real estate companies to file with the Commission, pursuant to Sections 13 and 15(d) of the Act, quarterly reports with respect to distributions made to shareholders. Such reports are required to be filed on the new Form 7–K within 45 days after the end of the fiscal quarter for which they are filed. However, investment companies registered under the Investment Company Act of 1940, and partnerships all of whose properties are under long term lease to other persons, are not required to file such reports.[10]

### Adoption of Rule 15d–21 and Form 11–K; Amendment to Form 10–K

Shortly after the end of the fiscal year, the Commission adopted regulations governing the filing of annual reports pursuant to Section 15(d) of the Securities Exchange Act, relating to employee stock purchase, savings and similar plans. Proposed regulations relating to the filing of such reports were published for comment on June 13, 1961.[11] As a result of further consideration of these proposals and the comments and suggestions received in regard thereto, certain changes have been made in the proposed regulations. A new Form 11–K has been adopted for use in filing annual reports with respect to such plans. A new Rule 15d–21 has been adopted which provides that separate annual and other reports need not be filed with respect to any plan if the issuer of the stock or other securities offered to employees through their participation in the plan files annual reports on Form 10–K or U5S and furnishes to the Commission as a part of its annual report on such form the information, financial statements and exhibits required by Form 11–K and furnishes to the Commission copies of any annual report submitted to employees in regard to the plan. A new general instruction has been added to Form 10–K which specifies the procedure

[10] Securities Exchange Act Release No. 6820 (June 12, 1962).
[11] Securities Exchange Act Release No. 6576 (June 13, 1961).

to be followed where an issuer elects to file information and documents pursuant to Rule 15d–21.[12]

**Proposed Rule 19a2–1**

During the 1960 fiscal year the Commission invited public comments on a proposed Rule 19a2–1 under the Act, which would provide that the failure or refusal of an issuer or its officers, directors, employees, or controlling persons to cooperate with the Commission in proceedings under Section 19(a)(2) or investigations under Section 21 of the Act with respect to compliance with Section 12 or 13 of the Act shall be deemed a failure to comply with the provisions of the Act or the rules and regulations thereunder for the purpose of Section 19(a)(2).[13] The proposed rule would provide a basis for the issuance of an order under Section 19(a)(2) denying, suspending, or withdrawing the registration of a security in such cases. This matter was pending at the end of the fiscal year.

**Proposed Amendments to Form 8–K**

Form 8–K is the form prescribed for current reports filed pursuant to Section 13 or 15(d) of the Securities Exchange Act. During the fiscal year, the Commission announced that it has under consideration certain proposed amendments to Form 8–K and invited public comments.[14] The amendments are intended to supersede proposed amendments previously published for comment.[15] They are designed to bring promptly to the attention of investors information regarding material changes affecting the company or its affairs when it appears that the changes are of such importance that they should be reported promptly rather than at the end of the fiscal year. The amendments relate to matters such as the pledging of securities of the issuer or its affiliates under circumstances that a default will result in a change in control of the issuer, changes in the board of directors otherwise than by stockholder action, the acquistion or disposition of significant amounts of assets otherwise than in the ordinary course of business, interests of management and others in certain transactions, and the issuance of debt securities by subsidiaries.

The proposed amendments were still under consideration at the close of the year.

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[12] Securities Exchange Act Release No. 6857 (July 23, 1962).

[13] Securities Exchange Act Release No. 6297 (June 23, 1960); see 26th Annual Report, p. 21; 27th Annual Report, p. 18.

[14] Securities Exchange Act Release No. 6770 (April 5, 1962).

[15] Securities Exchange Act Release No. 5979 (June 9, 1959), see 26th Annual Report, p. 22; 27th Annual Report, p. 19.

**Adoption of Rule 15c2–4**

There have been instances where, as a result of financial reverses or for other reasons, underwriters and other broker-dealers participating in distributions have failed to remit amounts collected to the issuer, or to return payments made by customers to them where such return was required unless the distribution was completed within a specified period of time. Rule 15c2–4 was adopted to deal with this type of situation. The rule makes it a "fraudulent, deceptive, or manipulative act or practice" for any broker or dealer participating in any distribution other than a firm-commitment underwriting, to accept any part of the sale price of any security being distributed unless (1) it is promptly transmitted to the persons entitled thereto, or (2) if the distribution is being made on an "all-or-none" basis, or on any other contingent basis, the money is put into a trust or agency account, or delivered to an escrow bank, until the event or contingency has occurred, and it is then promptly transmitted or returned to the persons entitled thereto.[16]

**Adoption of Rule 15c2–5**

Shortly after the close of the fiscal year, the Commission adopted Rule 15c2–5 to prevent fraudulent practices by brokers or dealers in connection with the offer or sale of securities under a program which contemplates that the securities sold to the customer will be used as collateral for a loan, whose proceeds will be used to pay the premium on a life insurance policy sold to the customer at or about the same time (an activity which in various forms has come to be known as "equity funding," "secured funding," or "life funding").[17] The Commission had previously expressed the view that such a plan generally involves the offer and sale of an additional security, i.e., an investment contract, which is required to be registered under the Securities Act of 1933.[18] Some dealers were offering this type of program without adequate consideration of whether it was suitable for particular customers, and they failed to furnish customers with adequate information concerning the nature and extent of the obligations and risks involved and the commissions and other remuneration which the dealer and his associates would receive in connection with the transactions.

The rule makes it unlawful for any broker or dealer to offer, sell or attempt to induce the purchase of any security by any person if the broker or dealer, in connection therewith, offers to extend any credit to or to arrange any loan for such person, or participates in

[16] Securities Exchange Act Release No. 6737 (February 21, 1962).
[17] Securities Exchange Act Release No. 6851 (July 17, 1962).
[18] Securities Act Release No. 4491 (May 22, 1962).

arranging any such loan or credit, unless, before any part of the transaction is entered into, the broker or dealer delivers to him a written statement setting forth certain material information concerning the arrangement being offered. In addition, the broker or dealer is required to obtain from each customer information concerning the latter's financial situation and needs, to reasonably determine that the entire transaction, including the loan arrangement, is suitable for the customer, and to deliver to him a written statement setting forth the basis upon which this determination was made. If, in connection with the transaction, it is contemplated that the prospect will cancel existing life insurance, the written statement delivered to the prospect before the transaction is entered into will have to disclose the disadvantages, if any, which the prospect will incur because of this. Among other things, this may require disclosure that the premium on the new life insurance is higher than the premium on the old insurance; that the purchaser may be incurring additional expense because he is paying the "acquisition costs" twice; that it may take a specified additional period of time for the dividends or the cash value of the new policy to equal those under the old policy; and that the prospect may lose the benefits of the "incontestability provision" because the period during which the insurer may contest the policy for specified reasons may have expired under the old policy and the prospect may be required to "wait through" this period again under the new policy.

**Amendment of Rule 15c3–1**

Rule 15c3–1, which provides that no broker or dealer shall permit his aggregate indebtedness to exceed 2,000% of his net capital, exempts from its requirements the members of specified exchanges whose "rules and settled practices" were deemed by the Commission to impose requirements more comprehensive than the requirements of the rule. However, a condition precedent to the continuation of any such exemption is that the exchange conduct such inspections and maintain such other procedures as are necessary to be reasonably sure that members are complying with its capital requirements. The Salt Lake Stock Exchange requested termination of the exemption for its members because it was burdensome for it to conduct the inspections and other procedures necessary to a continuation of the exemption. Accordingly, the Commission amended Rule 15c3–1 to delete the exemption previously available to members of that exchange.[19]

**Amendment of Rules 17a–3 and 17a–4**

Rule 17a–3 specifies the books and records which must be maintained by certain members of national securities exchanges and other broker-

[19] Securities Exchange Act Release No. 6691 (Dec. 21, 1961).

dealers, and Rule 17a–4 requires the preservation of such books and records for specified periods.

The amendment of Rule 17a–3 requires each exchange member, broker or dealer subject to the rule to maintain a questionnaire or application for employment executed by each "associated person," as defined in the rule. This questionnaire or application must contain certain specified information and be approved in writing by an authorized representative of the member, broker or dealer. Under the amendment of Rule 17a–4, this information is required to be maintained until at least 3 years after such associated person terminates his employment and any other connection with the member, broker or dealer.[20]

There were two principal reasons for the adoption of the amendments. First, good business practice makes it appropriate for members, brokers and dealers to maintain fairly detailed data concerning the experience and past record of partners, officers, salesmen, traders, and other employees handling funds, securities or transactions for the firm. Secondly, the availability of such information in the firm's records will be of value to the Commission in its broker-dealer inspections and enforcement activities.

Since the National Association of Securities Dealers, Inc., and various national securities exchanges require all personnel engaged in managing, supervising or handling securities transactions for their members to be registered with or approved by the Association or the exchange, and also require the execution of applications for registration or for approval by such persons which contain information similar to the information required under Rule 17a–3, as amended, the amendment provides that the retention of copies of such applications made to the Association or to the specified exchanges shall constitute compliance with Rule 17a–3 so far as those persons are concerned.

**Amendment of Rule 15ag–1**

Rule 15ag–1 sets out the procedures to be followed in connection with Commission review of disciplinary action, or of denial of membership, by a national securities association, on the application of a person aggrieved by such action or denial. Amendments to the rule adopted during the fiscal year[21] are designed to facilitate and expedite the handling of review proceedings.

The amendments make it mandatory for the applicant to file a brief or statement in support of his application, specifying the basis of the appeal and the relief sought, within a specified period, and

[20] Securities Exchange Act Release No. 6646 (October 6, 1961).
[21] Securities Exchange Act Release No. 6606 (July 26, 1961).

authorize summary dismissal of an application where a timely brief is not filed. The filing of an answering brief by the association or of a reply by the applicant to an answering brief is optional. The amendments also provide that oral argument will be heard only with special Commission permission. The former provision which specified that oral argument would take place in all cases except where waived by the parties resulted in uncertainty and undue delay where an applicant failed to appear or where it was not possible to obtain a waiver.

## THE TRUST INDENTURE ACT OF 1939

### Amendment of Form T–3

Form T–3 is used for applications for the qualification of indentures in cases where the indenture securities are not required to be registered under the Securities Act of 1933. An amendment to this form, adopted during the fiscal year, requires that there be filed as an exhibit to such applications a cross reference sheet showing the location in the indenture of the provisions which the Trust Indenture Act requires to be included in all qualified indentures.[22] The purpose of the amendment is to facilitate the examination of indentures to determine whether they meet the requirements of the Act.

## THE INVESTMENT COMPANY ACT OF 1940

### Amendments to Rules 31a–1 and 31a–2; Adoption of Rule 31a–3

During the fiscal year, the Commission issued a notice of proposal to amend its existing Rules 31a–1 and 31a–2 under the Investment Company Act, and to adopt a new Rule 31a–3 under the Act.[23] The existing rules relate to records required to be maintained and preserved by registered investment companies, certain majority-owned subsidiaries thereof, and other persons having transactions with registered investment companies. As a result of the experience gained by the Commission in its administration and enforcement of the Act, including the experience derived from staff inspections of registered investment companies and certain affiliated persons, it appeared to the Commission that the public interest and the interest of investors required that Rules 31a–1 and 31a–2 should be amended to prescribe with greater specificity and detail the records of securities transactions required to be kept, and to prescribe the keeping of certain memoranda and documents not previously required. It also appeared that a new Rule 31a–3 should be adopted setting forth certain requirements in circumstances where the records called for in Rules 31a–1 and 31a–2 are prepared or maintained by others on behalf of the person required to maintain them.

[22] Trust Indenture Act Release No. 170 (May 7, 1962)

[23] Investment Company Act Release No. 3368 (November 28, 1961).

Subsequent to the end of the fiscal year, the Commission adopted the amendments and the new rule.[24]

**Adoption of Exemptive Rules Applicable to Licensed Small Business Investment Companies**

In the fiscal year, the Commission adopted rules and a related form applicable to small business investment companies licensed by the Small Business Administration, to provide exemptions from certain requirements of Sections 17(a), 17(d), and 18(c) of the Investment Company Act.[25] Rule 17a–6 exempts from the prohibitions of Sections 17(a)(1) and 17(a)(3) of the Act, subject to certain conditions, loans and other securities transactions which would be prohibited by those Sections solely because an SBIC owns, holds, or controls with power to vote the voting securities of a small business concern. At the same time the Commission adopted, pursuant to Section 17(d) of the Act, an amendment to Rule 17d–1 which exempts from that rule's requirements certain transactions where banks and an affiliated SBIC make investments in the same small business concern, and a new Rule 17d–2 which prescribes a related reporting Form N–17D–1. The Commission has adopted a new Rule 18c–1 which exempts a small business investment company from the requirements of Section 18(c) so as to permit it to issue more than one class of senior security representing indebtedness so long as all such indebtedness is privately held and the company does not have outstanding any publicly held indebtedness.

## THE INVESTMENT ADVISERS ACT OF 1940

**Adoption of Rules 206(4)–1 and 206(4)–2**

Section 206(4) of the Investment Advisers Act, which was enacted in September 1960, prohibits an investment adviser from engaging in any act, practice, or course of business which is fraudulent, deceptive, or manipulative, and gives the Commission the power by rules and regulations to define and prescribe means reasonably designed to prevent such acts, practices, and courses of business.

The Commission during the fiscal year adopted Rule 206(4)–1, effective January 1, 1962, defining certain advertisements by investment advisers to be fraudulent, deceptive, or manipulative within the meaning of Section 206(4) of the Act.[26] The rule is intended to implement the statutory mandate by foreclosing the use of advertisements which have a tendency to mislead or deceive clients or prospective clients.

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[24] Investment Company Act Release No. 3578 (November 28, 1962).
[25] Investment Company Act Release No. 3361 (November 17, 1961).
[26] Investment Advisers Act Release No. 121 (Nov. 2, 1961).

The rule prohibits advertisements which contain testimonials or which call attention to specific past recommendations made by the investment advisers which would have been profitable. Other provisions of the rule specify the circumstances under which advertisements offering graphs, charts, formulas, or other devices may be used, and prohibit advertisements which represent that any report, analysis, or other service can be obtained free or without charge unless it is entirely free and subject to no conditions or obligations. The rule also includes a general prohibition against the use of advertisements containing untrue or misleading statements.

The Commission also adopted Rule 206(4)–2, effective April 2, 1962.[27] The new rule is designed to implement the provisions of Section 206(4) of the Act, by requiring an investment adviser who has custody of funds or securities of any client to maintain them in such a way that they will not be jeopardized by financial reverses of the investment adviser.

The rule makes it a fraudulent, deceptive or manipulative act, practice or course of business for any investment adviser who has custody or possession of funds or securities of clients to take any action with respect to any such funds or securities unless (1) the securities of each client are segregated, and held in safekeeping in a reasonably safe place; (2) clients' funds are deposited in bank accounts which contain only such funds, maintained in the name of the investment adviser as agent or trustee, and the latter maintains a separate record for each such account containing specified information; (3) the adviser, immediately after accepting custody or possession, notifies the client in writing of the place and manner in which the funds and securities will be maintained; and (4) the adviser sends each client, at least once every 3 months, an itemized statement of the funds and securities in his custody or possession and of all transactions in the client's account; and (5) at least once each calendar year the funds and securities are verified by an independent public accountant in a surprise examination and his certificate is sent to the Commission promptly thereafter.

Since certain members of national securities exchanges and registered broker-dealers must maintain specified standards of financial responsibility under the Commission's Rule 15c3–1 under the Securities Exchange Act, or applicable rules of the exchanges of which they are members, Rule 206(4)–2 exempts from its requirements registered broker-dealers subject to and in compliance with Rule 15c3–1, and members of exchanges whose members are exempt from Rule 15c3–1, and who are in compliance with exchange requirements with respect

[27] Investment Advisers Act Release No. 123 (Feb. 27, 1962).

to financial responsibility and the segregation of customers' funds or securities.

**Proposed Amendment to Rule 204–2**

During the fiscal year the Commission invited public comment on a proposed amendment to Rule 204–2, which would require investment advisers to maintain records containing specified information concerning securities transactions in which they or their key personnel have any beneficial interest.[28] The proposed amendment, which is designed to prevent fraudulent, deceptive and manipulative acts and practices, was pending at the end of the fiscal year.

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[28] Investment Advisers Act Release No. 120 (October 16, 1961).

## PART IV

## ADMINISTRATION OF THE SECURITIES ACT OF 1933

The Securities Act of 1933 is designed to provide disclosure to investors of material facts concerning securities publicly offered for sale by the use of the mails or instrumentalities of interstate commerce, and to prevent misrepresentation, deceit, or other fraudulent practices in the sale of securities. Disclosure is obtained by requiring the issuer of such securities to file with the Commission a registration statement which includes a prospectus containing significant financial and other information about the issuer and the offering. The registration statement is available for public inspection as soon as it is filed. Although the securities may be offered after the registration statement is filed, sales may not be made until the registration statement has become "effective." A copy of the prospectus must be furnished to each purchaser at or before the sale or delivery of the security. The registrant and the underwriter are responsible for the contents of the registration statement. The Commission has no authority to control the nature or quality of a security to be offered for public sale or to pass upon its merits or the terms of its distribution. Its action in permitting a registration statement to become effective does not constitute approval of the securities, and any representation to a prospective purchaser of securities to the contrary is made unlawful by Section 23 of the Act.

### DESCRIPTION OF THE REGISTRATION PROCESS

#### Registration Statement and Prospectus

Registration of securities under the Act is effected by filing with the Commission a registration statement on the applicable form containing the prescribed disclosure. When a registration statement relates, generally speaking, to a security issued by a corporation or other private issuer, it must contain the information, and be accompanied by the documents, specified in Schedule A of the Act; when it relates to a security issued by a foreign government, the material specified in Schedule B must be supplied. Both schedules specify in considerable detail the information which should be made available to an investor in order that he may make an informed decision whether

to buy the security. In addition, the Act provides flexibility in its administration by empowering the Commission to classify issues, issuers, and prospectuses, to prescribe appropriate forms, and to increase, or in certain instances vary or diminish, the particular items of information required to be disclosed in the registration statement, as the Commission deems appropriate in the public interest or for the protection of investors.

In general, the registration statement of an issuer other than a foreign government must describe such matters as the names of persons who participate in the direction, management, or control of the issuer's business; their security holdings and remuneration and the options or bonus and profitsharing privileges allotted to them; the character and size of the business enterprise, its capital structure, past history and earnings, and its financial statements, certified by independent accountants; underwriters' commissions; payments to promoters made within 2 years or intended to be made; the interest of directors, officers, and principal stockholders in material transactions; pending or threatened legal proceedings; and the purpose to which the proceeds of the offering are to be applied. The prospectus constitutes a part of the registration statement and presents the more important of the required disclosures.

**Examination Procedure**

The staff of the Division of Corporation Finance examines registration statements for compliance with the standards of accurate and full disclosure and usually notifies the registrant by an informal letter of comment of any material respects in which the statement appears to fail to conform to those requirements. The registrant is thus ordinarily afforded an opportunity to file a curative amendment. In addition, the Commission has power, after notice and opportunity for hearing, to issue an order suspending the effectiveness of a registration statement. In certain cases, for example where a registration statement is so deficient as to indicate a willful or negligent failure to make adequate disclosure, no letter of comment is sent and the Commission either institutes an investigation to determine whether stop order proceedings should be instituted or immediately institutes stop order proceedings. Information about the use of this stop-order power during 1962 appears below under "Stop Order Proceedings."

**Time Required to Complete Registration**

Because prompt examination of a registration statement is important to industry, the Commission endeavors to complete its analysis in as short a time as possible. The Act provides that a registration statement shall become effective on the 20th day after it is filed. How-

ever, the filing of any amendment thereto establishes a new filing date. This waiting period affords investors an opportunity to become familiar with the proposed offering. Information disclosed in the registration statement is disseminated during the waiting period by means of the preliminary form of prospectus. The Commission is empowered to accelerate the effective date so as to shorten the 20 day waiting period where the facts justify such action. In exercising this power, the Commission is required to take into account the adequacy of the information respecting the issuer theretofore available to the public, the facility with which investors can understand the nature of and the rights conferred by the securities to be registered, and their relationship to the capital structure of the issuer, and the public interest and the protection of investors. The note to Rule 460 under the Act indicates, for the information of interested persons, some of the more common situations in which the Commission considers that the statute generally requires it to deny acceleration of the effective date of a registration statement.

The number of calendar days which elapsed from the date of the original filing to the effective date of registration for the median (average) registration statement with respect to the 1,646 [1] registration statements that became effective during the 1962 fiscal year was 78, compared with 55 days for 1,389 registration statements in fiscal year 1961 and 43 days for 1,275 registration statements in fiscal year 1960. The increase in the elapsed time has been due primarily to the cumulative effect of the unprecedented volume of registration statements filed, particularly those filed by issuers that had never before filed under the Act, and the lack of sufficient personnel to process such a volume. The number of registration statements filed during fiscal year 1962 was 2,109, as compared with 1,667 and 1,469 in fiscal years 1961 and 1960, respectively.[2]

The following table shows by months during the 1962 fiscal year the number of calendar days elapsed in each of the three principal stages of the registration process for the median registration statement, the total elapsed time and the number of registration statements effective.

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[1] This figure does not include the 198 registration statements of mutual fund companies that became effective during fiscal year 1962 that were filed pursuant to the provisions of Section 24(e) of the Investment Company Act of 1940. The total elapsed time on these 198 statements was 21 calendar days for the average registration statement.

[2] These figures do not include 198, 163, and 159 registration statements, respectively, filed by mutual fund companies pursuant to the provisions of Section 24(e) of the Investment Company Act of 1940 during fiscal years 1962, 1961, and 1960.

*Time in registration under the Securities Act of 1933 by months during the fiscal year ended June 30, 1962*

NUMBER OF CALENDAR DAYS

| Months | From date of original filing to date of staff's letter of comment | From date of letter of comment to date of filing amendment thereafter | From amendment after letter to effective date of registration | Total number of days in registration | Number of registration statements effective[a] |
|---|---|---|---|---|---|
| July 1961 | 41 | 10 | 7 | 58 | 121 |
| August | 47 | 13 | 7 | 67 | 146 |
| September | 46 | 16 | 8 | 70 | 136 |
| October | 50 | 14 | 7 | 71 | 153 |
| November | 60 | 13 | 8 | 81 | 157 |
| December | 65 | 11 | 7 | 83 | 122 |
| January 1962 | 77 | 14 | 10 | 101 | 116 |
| February | 88 | 13 | 8 | 109 | 98 |
| March | 87 | 14 | 7 | 108 | 156 |
| April | 70 | 13 | 8 | 91 | 211 |
| May | 37 | 15 | 7 | 59 | 141 |
| June | 40 | 26 | 9 | 75 | 89 |
| Fiscal 1962 for median effective registration statement | 57 | 14 | 7 | 78 | 1,646 |

[a] See footnote 1, *supra*.

## VOLUME OF SECURITIES REGISTERED

During the fiscal year 1962, 1,815 statements in the amount of $19.5 billion became fully effective under the Securities Act of 1933, a record both in number and dollar amount. The number of statements increased 20 percent over the preceding year while dollar amount increased only 3 percent or $477 million, reflecting a further increase in the volume of smaller issues. The chart on Page 5 shows the number and dollar amounts of fully effective registrations from 1935 to 1962.

These figures cover all registrations which became fully effective including secondary distributions and securities registered for other than cash sale, such as exchange transactions and issues reserved for conversion. Of the dollar amount of securities registered in 1962, 83.3 percent was for account of issuer for cash sale, 7.8 percent for the account of issuers for other than cash sale and 8.9 percent was for the account of others, as shown below.

*Account for which securities were registered under the Securities Act of 1933 during the fiscal year 1962 compared with the fiscal years 1961 and 1960*

| | 1962 in millions | Percent of total | 1961 in [a] millions | Percent of total | 1960 in [a] millions | Percent of total |
|---|---|---|---|---|---|---|
| Registered for account of issuer for cash sale | $16,286 | 83.3 | $16,260 | 85.3 | $11,738 | 81.7 |
| Registered for account of issuer for other than cash sale | 1,523 | 7.8 | 1,504 | 7.9 | 1,623 | 11.3 |
| Registered for account of others than issuer | 1,738 | 8.9 | 1,306 | 6.8 | 1,006 | 7.0 |
| Total | 19,547 | 100.0 | 19,070 | 100.0 | 14,367 | 100.0 |

[a] Revised. See footnote 2 to appendix table 2.

Securities to be offered for cash sale for account of issuer amounted to $16.3 billion, unchanged from the previous year. However, common stock increased by $1.7 billion and debt securities decreased by almost that amount. Debt securities made up $4.5 billion of the 1962 volume, preferred stock $250 million and common stock $11.5 billion. More than 80 percent of the common stock was to be offered for sale over an extended period, including stock of investment companies, stock for employee plans and stock called for by warrants and options. Appendix Table 1 shows the number of statements which became effective and total amounts registered for each of the fiscal years 1935 through 1962, and contains a classification, by type of security, of issues to be offered for cash on behalf of the issuer during those years. More detailed information for 1962 is given in Appendix Table 2.

Of the issues scheduled for immediate offering following effective registration, two industry groups, communication and financial and real estate, showed marked decreases in amounts as compared with fiscal year 1961. Communication companies, which had registered $2.4 billion for public sale in the fiscal year 1961, registered only $840 million in the fiscal 1962 but in the latter period also registered a major-sized issue to be sold to employees over an extended period. Financial and real estate companies registered $770 million compared with $1.3 billion in fiscal 1961. Manufacturing companies registered $1.8 billion in fiscal 1962 and electric and gas companies $2.3 billion, almost the same as in the previous fiscal year.

| | 1962 in millions | Percent of total | 1961 in millions | Percent of total | 1960 in millions | Percent of total |
|---|---|---|---|---|---|---|
| Issues offered for immediate sale: | | | | | | |
| Corporate: | | | | | | |
| Manufacturing | $1,818 | 11.2 | $1,979 | 12.2 | $841 | 7.2 |
| Extractive | 92 | .6 | 105 | .6 | 126 | 1.1 |
| Electric, gas and water | 2,327 | 14.3 | 2,385 | 14.7 | 2,307 | 19.7 |
| Transportation, other than railroad | 57 | .4 | 221 | 1.4 | 95 | .8 |
| Communication | 840 | 5.2 | 2,389 | 14.7 | 1,000 | 8.5 |
| Financial and real estate | 772 | 4.7 | 1,264 | 7.8 | 1,009 | 8.6 |
| Trade | 287 | 1.8 | 258 | 1.6 | 163 | 1.4 |
| Service | 111 | .7 | 82 | .5 | 100 | .9 |
| Construction and misc | 15 | .1 | 36 | .2 | 8 | .1 |
| Total | 6,319 | 38.8 | 8,718 | 53.6 | 5,648 | 48.1 |
| Foreign government | 247 | 1.5 | 155 | 1.0 | 369 | 3.2 |
| Total for immediate sale | 6,566 | 40.3 | 8,873 | 54.6 | 6,018 | 51.3 |
| Issues offered over an extended period | 9,721 | 59.7 | 7,387 | 45.4 | 5,720 | 48.7 |
| Total for cash sale for account of issuer | 16,286 | 100.0 | 16,260 | 100.0 | 11,738 | 100.0 |

The amount of issues to be offered over an extended period are classified as follows:

| | 1962 in millions | 1961 in millions | 1960 in millions |
|---|---|---|---|
| Investment company issues [a] | | | |
| Open-end [b] | $5,471 | $4,908 | $4,198 |
| Closed-end | 309 | 239 | 52 |
| Face amount certificates | 176 | 254 | 246 |
| Total investment companies | 5,956 | 5,401 | 4,497 |
| Employee saving plan certificates | 573 | 487 | 386 |
| Securities for employee stock option plans | 1,314 | 1,299 | 680 |
| Other, including stock for warrants or options | 1,879 | 200 | 151 |

[a] See Footnote 9 of Appendix Table 2.
[b] Includes periodic payment plans or their underlying securities.

Of the $6.1 billion expected from the immediate cash sale of corporate securities for the account of issuers in fiscal 1962, 89 percent was designated for new money purposes, including plant, equipment and working capital, 4 percent for retirement of securities and 7 percent for all other purposes including purchases of securities.

## REGISTRATION STATEMENTS FILED

During the 1962 fiscal year, 2,307 registration statements were filed for offerings of securities aggregating $21.6 billion, as compared with 1,830 registration statements filed during the 1961 fiscal year for offerings amounting to $20.7 billion. This represents an increase of 26 percent in the number of statements filed and 4.4 percent in the dollar amount involved.

Of the 2,307 registration statements filed in the 1962 fiscal year, 1,377, or 60 percent, were filed by companies that had not previously filed registration statements under the Securities Act of 1933. Comparable figures for the 1961 and 1960 fiscal years were 958, or 52 percent, and 774, or 47 percent, respectively.

A cumulative total of 21,695 registration statements has been filed under the Act by 10,506 different issuers covering proposed offerings of securities aggregating over $225 billion from the effective date of the Securities Act of 1933 to June 30, 1962.

Particulars regarding the disposition of all registration statements

filed under the Act to June 30, 1962, are summarized in the following table:

*Number and disposition of registration statements filed*

| | Prior to July 1, 1961 | July 1, 1961, to June 30, 1962 | Total June 30, 1962 |
|---|---|---|---|
| Registration statements: | | | |
| Filed | 19,388 | [a] 2,307 | 21,695 |
| Disposition: | | | |
| Effective (net) | 16,807 | [b] 1,833 | [c] 18,628 |
| Under stop or refusal order | 212 | 7 | 219 |
| Withdrawn | 1,854 | 264 | 2,118 |
| Pending at June 30, 1961 | 515 | | |
| Pending at June 30, 1962 | | | 730 |
| Total | 19,388 | | 21,695 |
| Aggregate dollar amount: | | | |
| As filed (in billions) | $203.8 | $21.6 | $225.4 |
| As effective (in billions) | $196.4 | $19.5 | $215.9 |

[a] Includes 201 registration statements covering proposed offerings totaling $5,235,031,546 filed by investment companies under Section 24(e) of the Investment Company Act of 1940 which permits registration by amendment to a previously effective registration statement.
[b] Excludes 11 registration statements that became effective during the year but were subsequently withdrawn; these 11 statements are counted in the 264 statements withdrawn during the year.
[c] Excludes 1 registration statement that became effective prior to July 1, 1961, which was placed under stop order during the 1962 fiscal year, and also excludes 11 registration statements effective prior to July 1, 1961, that were withdrawn during the 1962 fiscal year; these statements are counted under stop orders and withdrawn, respectively.

The reasons given by registrants for requesting withdrawal of the 264 registration statements that were withdrawn during the 1962 fiscal year are shown in the following table:

| Reason for registrant's withdrawal request | Number of statements withdrawn | Percent of total withdrawn |
|---|---|---|
| 1. Withdrawal requested after receipt of the staff's letter of comment | 61 | 23 |
| 2. Registrant was advised that statement should be withdrawn or stop order proceedings would be necessary | 24 | 9 |
| 3. Change in financing plans | 95 | 36 |
| 4. Change in market conditions | 56 | 21 |
| 5. Financing obtained elsewhere | 15 | 6 |
| 6. Regulation A could be used | 3 | 1 |
| 7. Registrant was unable to negotiate acceptable agreement with underwriter | 10 | 4 |
| Total | 264 | 100 |

## STOP ORDER PROCEEDINGS

Section 8(d) provides that, if it appears to the Commission at any time that a registration statement contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, the Commission may institute proceedings looking to the issuance of a stop order suspending the effectiveness of the registration statement. Where such an order is issued, the offering cannot lawfully be made, or continued if it has already begun, until the registration statement

has been amended to cure the deficiencies and the Commission has lifted the stop order.

The following table indicates the number of proceedings under Section 8(d) of the Act pending at the beginning of the 1962 fiscal year, the number initiated during the year, the number terminated and the number pending at the end of the year.

| | | |
|---|---|---|
| Proceedings pending at beginning of fiscal year | 6 | |
| Proceedings initiated during fiscal year | 7 | |
| | | 13 |
| Proceedings terminated during fiscal year by issuance of stop orders | 7 | |
| Proceedings terminated otherwise | 1 | |
| | | 8 |
| Proceedings pending at the end of the 1962 fiscal year | | 5 |

Several of the proceedings which were terminated during the fiscal year are described below.

**American Finance Company, Inc.**—The registrant, a Delaware corporation organized in 1955, engages in the automobile sales finance business primarily with overseas members of United States Armed Forces. It filed a registration statement covering a proposed offering of 2,500 units, each consisting of 1 $200 debenture, 30 shares of common stock, and 10 warrants, with the price of $500 per unit, for which Myron A. Lomasney (Lomasney) was named as the managing underwriter. The registration statement also covered 60,000 shares of common stock held by Lomasney and 17 persons associated with it, proposed to be offered from time to time at such prices as may prevail on the market following the completion of the offering of the Units.

In the course of the proceeding the registrant stipulated to certain facts and consented to the entry of a stop order. Some of the more important deficiencies found in the registration statement are described below.[3]

The Commission held that an accountant's relationship as attorney for the registrant during the same period covered by his accounting firm's certification disqualified him and the accounting firm of which he was a partner from certifying registrant's financial statements as independent accountants. The Commission stated that "though owing a public responsibility, an attorney, in acting as the client's advisor, defender, advocate, and confidant enters into a personal relationship in which his principal concern is with the interest and rights of his client. The requirement of the Act of certification by an independent accountant, on the other hand, is intended to secure for the benefit of public investors the detached objectivity of a disinterested person. The certifying accountant must be one who is in no way

[3] Securities Act Release No. 4465 (March 19, 1962).

connected with the business or its management, and who does not have any relationship that might affect the independence which at times may require him to voice public criticisms of his client's accounting practices."

Prior to the filing of the registration statement, Lomasney had purchased the 60,000 shares of registrant's common stock for its own account at an advantageous price, and passed some of these shares on to certain favored customers so that they too might benefit from the planned public offering of shares at a higher price. In offering these 60,000 shares to the public, Lomasney and his favored customers, a group of 17 persons, would be statutory underwriters participating in the distribution of a large block of the registrant's stock. The Commission found that in view of the large number of shares proposed to be offered in relation to the limited floating supply of shares, the apparent lack of cohesiveness in the selling group, and the absence of a prior market, the registration statement should have identified the sellers and their relationship to each other, the registrant, and Lomasney; and it should have disclosed that such distribution would not be coordinated or controlled by a managing underwriter and that the selling group had not provided the contractual safeguards for the protection of buyers and sellers usually provided in a conventional distribution. Accordingly, the Commission required undertakings similar to those required in *Hazel Bishop, Inc.*[4]

Standard Savings and Loan Association, a wholly-owned subsidiary of the registrant, was described in the registration statement as an operating savings and loan association. The Commission found that Standard was organized and operated merely as a collection agency for the registrant, in that it received allotment payments from military persons in connection with registrant's automobile sales financing business and forwarded such allotments to registrant for application on the unpaid balances of the automobile loans. The Commission held that the opening of shareholders' savings accounts, evidenced by pass books, involved the sale of unregistered securities in violation of Section 5 of the Act; that based on the facts there was not available for such securities the exemption provided by Section 3(a)(5) of the Act for securities issued by a savings and loan association "substantially all the business of which is confined to the making of loans to members."

**Faradyne Electronics Corp.**—Faradyne Electronics Corp., a New Jersey corporation formed in 1959, offered and sold to public investors in December 1959, while in a promotional stage, 200,000 shares of its common stock at $5 per share pursuant to a registration state-

[4] Securities Act Release No. 4371 (June 7, 1961); See 27th Annual Report, p. 31.

ment filed under the Securities Act of 1933. The four promoters together received 300,000 Class A common shares for a cash investment of $20,000. A second registration statement filed in January 1961, as amended, covered a $2 million offering of convertible debentures.

The prospectus included in the 1959 registration statement was found by the Commission to be materially false and misleading in several respects. One was in conveying the false impression that Faradyne intended to proceed promptly with plans to develop and produce capacitors whereas its officials in fact contemplated that they might develop an entirely different type of business through the acquisition of the assets or stock of other companies and might use a substantial part of the proceeds from the public offering for that purpose. Faradyne in fact used a substantial portion of the proceeds to acquire the assets or stock of six other companies within a period of several months after the effective date of the registration statement, including the assets and business of Mansol Ceramics Company, of which two of Faradyne's promoters were the principal partners.

The prospectus filed as part of the 1961 registration statement was also found materially misleading. It stated that Faradyne, through a subsidiary, Mansol Corporation, had paid $150,000 cash in March 1960, for the assets and business of Mansol Ceramics Company and that it had agreed to make further fixed payments of $1,200,000 and $200,000 plus an additional maximum contingent payment of $2,500,000, payable in annual installments comprised of 50% of Mansol Corporation's annual net profit after taxes beginning with the fiscal year ending January 31, 1961. The prospectus further stated that the obligation to make contingent payments "will terminate on February 1, 1980," and that if such payments are not completed by that date "any balance contingently due will be forgiven." These statements were found misleading in failing to disclose material provisions of the sale agreement. First, under the sale agreement Mansol Corporation could have at any time after January 31, 1962, anticipated all or any part of the obligation to pay the $2,500,000, in which event the two promoters from whom the ceramics company was acquired might receive more than would have been payable on the basis of annual payments of 50% of Mansol Corporation's net profits. Second, the agreement also provided that in the event Mansol Corporation should incur losses for any fiscal year ended January 31, 1966, or thereafter, the period ending in 1980 would be extended 1 year for each such loss year.

Moreover, the prospectus set forth a summary of consolidated earnings of Faradyne and its subsidiaries for the fiscal year ended January 31, 1961, which showed net income, after provision for

income taxes, of $387,000 in the aggregate or 74 cents per share. Based upon the Commission's findings, the earnings figure on a *pro forma* basis should have been only $108,000 or 21 cents per share for the same period.

The assets acquired, consisting of machinery, inventories, and written technical information, and carried on the books of the seller at $364,000, were recorded initially on the books of the subsidiary at the contract price of $1,550,000. However, there was no evidence to support the allocation of 100% of this amount to fixed assets and no part thereof to good will. Further, Faradyne proposed to increase the carrying value of plant assets as the amounts of the contingent payments were accrued, which would result in a continuing increase in book value of fixed assets without any actual change in assets. The Commission found the transaction to be "actually a profit-sharing or division-of-earnings arrangement—or to put it another way—it provided for the receipt of net earnings after 50% reserved to the sellers. Indeed, no contingent payments can ever be said in any realistic sense to become the property of the registrant." The Commission held that the contingent payments should have been shown as a deduction before arriving at net income, and concluded that Faradyne's failure to deduct the $134,696 of contingent payments from earnings resulted in a misleading overstatement of earnings by that amount.

The Commission further held that the summary of earnings was rendered materially misleading by the failure to present a *pro forma* earnings statement to reflect debenture interest chargeable to the replacement of a $1,200,000 interest-free obligation with an interest-bearing obligation, to provide adequately for income taxes, and to explain that net earnings for the fiscal year 1961 were higher because of the utilization of nonrecurring tax loss benefits.

The Commission concluded that the issuance of a stop order with respect to both registration statements was required in the public interest.[5] Faradyne subsequently filed amendments to the 1961 registration statement changing the offering to one of stock, and correcting the deficiencies, and on October 30, 1962, the Commission lifted the stop order.[6]

**Miami Window Corporation.**—The registrant, a Florida corporation organized in 1947, engages in the manufacture of various types of windows and other products. It filed a registration statement with the Commission on February 24, 1959, covering $3,500,000 6½ percent sinking fund debentures with detachable common stock purchase warrants, 150,000 shares of convertible preferred stock, and a

[5] Securities Act Release No. 4460 (March 21, 1962)
[6] Securities Act Release No. 4551.

total of 1,075,000 shares of common stock issuable upon exercise of the warrants and the conversion of the preferred stock. The registration statement became effective on March 24, 1959, and the offering of the debentures and the preferred stock was completed shortly thereafter. The Commission subsequently instituted stop order proceedings.

The Commission found that registrant's consolidated inventory, as shown in the balance sheet included in the registration statement, was materially overstated and included material amounts which had no adequate basis in fact.

It further found that the certifying accountants failed to comply with generally accepted auditing standards in auditing the inventory, thereby rendering false and misleading the representations in their certificate that their examination was made in accordance with such standards and that the financial statements fairly presented registrant's financial position and results of operations.

The Commission noted that subsequent to the filing of the registration statement, registrant had submitted periodic reports to the Commission and to its stockholders, including certified financial statements for the 9 months ended February 29, 1960, and the fiscal year ending February 28, 1961.

It concluded that in view of the distribution of the recent financial statements, investors would be adequately informed of the facts upon distribution of the Commission's opinion to all security holders of the registrant, and that, under all the circumstances, issuance of a stop order was not necessary, provided such distribution were made. Accordingly, the Commission dismissed the proceedings, subject to the condition noted.[7]

## EXAMINATIONS AND INVESTIGATIONS

The Commission is authorized by Section 8(e) of the Act to make an examination in order to determine whether a stop order proceeding should be instituted under Section 8(d). For this purpose the Commission is empowered to subpoena witnesses and require the production of pertinent documents. The Commission is also authorized by Section 20(a) of the Act to make an investigation to determine whether any provision of the Act or of any rule or regulation prescribed thereunder has been or is about to be violated. In appropriate cases, investigations are instituted under this section as an expeditious means of determining whether a registration statement is false or misleading or omits to state any material fact. The following

[7] Securities Act Release No. 4503 (June 21, 1962).

table indicates the number of such examinations and investigations with which the Commission was concerned during the fiscal year.

| | | |
|---|---|---|
| Cases pending at the beginning of the fiscal year | 17 | |
| Cases initiated during the fiscal year | 18 | |
| | | 35 |
| Cases in which stop order procedings were authorized during the fiscal year | 1 | |
| Other cases closed during the fiscal year | 7 | |
| | | 8 |
| Cases pending at the end of the fiscal year | | 27 |

## EXEMPTION FROM REGISTRATION OF SMALL ISSUES

Under Section 3(b) of the Securities Act, the Commission is empowered to exempt, by its rules and regulations and subject to such terms and conditions as it may prescribe therein, any class of securities from registration under the Act, if it finds that the enforcement of the registration provisions of the Act with respect to such securities is not necessary in the public interest and for the protection of investors by reason of the small amount involved or the limited character of the public offering. The statute imposes a maximum limitation of $300,000 upon the size of the issues which may be exempted by the Commission in the exercise of this power.

Acting under this authority the Commission has adopted the following exemptive rules and regulations:

Rule 234: Exemption of first lien notes.

Rule 235: Exemption of securities of cooperative housing corporations.

Rule 236: Exemption of shares offered in connection with certain transactions.

Regulation A: General exemption for United States and Canadian issues up to $300,000.

Regulation B: Exemption for fractional undivided interests in oil or gas rights up to $100,000.

Regulation F: Exemption for assessments on assessable stock and for assessable stock offered or sold to realize the amount of assessment thereon.

Under Section 3(c) of the Securities Act, which was added by Section 307(a) of the Small Business Investment Act of 1958, the Commission is authorized to adopt rules and regulations exempting securities issued by a company which is operating or proposes to

operate as a small business investment company under the Small Business Investment Act. Acting pursuant to this authority, the Commission has adopted a Regulation E which exempts upon certain terms and conditions limited amounts of securities issued by any small business investment company which is registered under the Investment Company Act of 1940. This regulation is substantially similar to the one provided by Regulation A adopted under Section 3(b) of the Act.

Exemption from registration under Section 3(b) or 3(c) of the Act does not carry any exemption from the civil liabilities for false and misleading statements imposed upon any person by Section 12(2) or from the criminal liabilities for fraud imposed upon any person by Section 17 of the Act.

**Exempt Offerings Under Regulation A**

The Commission's Regulation A implements Section 3(b) of the Securities Act of 1933 and permits a company to obtain needed capital not in excess of $300,000 (including underwriting commissions) in any one year from a public offering of its securities without registration, if the company complies with the regulation. Regulation A requires that the issuer file a notification supplying basic information about the company, certain exhibits, and an offering circular which must be used in offering the securities. However, in the case of a company with an earnings history which is making an offering not in excess of $50,000 an offering circular need not be used. A notification is filed with the Regional Office of the Commission in the region in which the company has its principal place of business.

During the 1962 fiscal year, 1,065 notifications were filed under Regulation A, covering proposed offerings of $237,238,600 compared with 1,057 notifications covering proposed offerings of $239,920,549 in the 1961 fiscal year. Included in the 1962 total were 17 notifications covering stock offerings of $4,406,907 with respect to companies engaged in the exploratory oil and gas business, 28 notifications covering offerings of $5,891,302 by mining companies and 23 notifications covering offerings of $5,226,927 by companies featuring new inventions, products or processes.

The following table sets forth various features of the Regulation A offerings during the past 3 fiscal years:

*Offerings under Regulation A*

| | Fiscal year | | |
|---|---|---|---|
| | 1962 | 1961 | 1960 |
| Size: | | | |
| $100,000 or less | 160 | 165 | 220 |
| Over $100,000 but not over $200,000 | 208 | 201 | 216 |
| Over $200,000 but not over $300,000 | 697 | 691 | 613 |
| | 1,065 | 1,057 | 1,049 |
| Underwriters: | | | |
| Used | 528 | 511 | 450 |
| Not used | 537 | 546 | 599 |
| | 1,065 | 1,057 | 1,049 |
| Offerors: | | | |
| Issuing companies | 1,000 | 1,006 | 1,021 |
| Stockholders | 24 | 28 | 27 |
| Issuers and stockholders jointly | 41 | 23 | 1 |
| | 1,065 | 1,057 | 1,049 |

Most of the offerings which were underwritten were made by commercial underwriters, who participated in 528 offerings in 1962, 511 offerings in 1961, and 398 offerings in 1960. The remaining offerings in which commissions were paid were handled by officers, directors, or other persons not regularly engaged in the securities business.

**Suspension of Exemption**

Regulation A provides for the suspension of an exemption thereunder where, in general, no exemption is available for the securities purported to be offered thereunder, or where the offering is not made in accordance with the terms and conditions of the regulation or with prescribed disclosure standards. Following the issuance of a temporary suspension order by the Commission, the respondents may request a hearing to determine whether the temporary suspension should be vacated or made permanent. If no hearing is requested within 30 days after the entry of the temporary suspension order and none is ordered by the Commission on its own motion, the temporary suspension order becomes permanent.

During the 1962 fiscal year, temporary suspension orders were issued in 51 cases. These cases together with 28 cases pending at the beginning of the fiscal year resulted in a total of 79 cases for disposition. Of these 79 cases, the temporary suspension order became permanent in 48: in 27 by lapse of time, in 9 by withdrawal of the request for hearing, and in 12 after hearing. Thus, there were 31 cases pending at the end of the fiscal year.

Two of the above cases are summarized below to illustrate the type of misrepresentations and other noncompliance with the regulation which led to the issuance of suspension orders.

**Chrislin Photo Industries Corp.**—The Commission, in ordering the exemption permanently suspended, found that the issuer's offering circular was misleading in not disclosing all the material circumstances under which the offering was made, including the following facts: that no shares were to be sold at the $6 per share offering price until after a market was established at a level well above that price; that immediately prior to any sales at $6 per share there were transactions in the over-the-counter market at prices ranging from $17 to $22.50 per share; that a substantial number of shares were reserved for sale at $6 per share to persons related to or associated with the issuer and the underwriter; that a number of persons who acquired shares at $6 per share almost immediately resold them at substantially higher prices; and that there were persons who acted as underwriters although not named as such in the offering circular.

In addition, statements in the offering circular that a camera developed by the company was ready for marketing, that it would be in production within a reasonable time after the completion of the offering, and that the company was of the opinion that the camera with accessories could profitably be retailed for $20 were found to be false and misleading because in fact the camera was not expected to be ready for marketing until March 1962, at which time additional funds would be required.

The Commission further found that the terms and conditions of Regulation A were not complied with in that the issuer sold securities without furnishing an offering circular as required by Rule 256(a) and the aggregate offering price exceeded the $300,000 limitation prescribed by Rule 254.[8]

**Mainco Electronics and Marine Development Corporation.**—According to the Commission's temporary suspension order in this case, the issuer's offering circular failed to disclose, among other things, that it was not producing the fiberglass products referred to; that it had no inventory of the electronic products described therein, was not currently producing those items and had little or no facilities to produce them; that it had cancelled a lease agreement pertaining to expansion of production facilities; and that the proceeds would not be used in the stated order of priority. The order also alleged that the offering circular named various persons as directors when in fact such persons had not consented to serve, that the description of the educational background of the general manager and projects engineer

[8] Securities Act Release No. 4484 (May 8, 1962).

was false and misleading, and that the amended offering circular contained untrue statements regarding the reasons for the resignations of certain directors.[9] No hearing was requested and the suspension became permanent.

**Exempt Offerings Under Regulation B**

During the fiscal year ended June 30, 1962, 229 offering sheets were filed pursuant to Regulation B and were examined by the Oil and Gas Section of the Commission's Division of Corporation Finance. During the 1961 fiscal year, 261 offering sheets were filed and during the 1960 fiscal year, 328 were filed. The following table indicates the nature and number of Commission orders issued in connection with such filings during the fiscal years 1960–62. The balance of the offering sheets filed became effective without order.

*Action taken on offering sheets filed under Regulation B*

| | Fiscal years | | |
|---|---|---|---|
| | 1962 | 1961 | 1960 |
| Temporary suspension orders | 34 | 16 | 7 |
| Orders terminating proceeding after amendment | 9 | 6 | 6 |
| Orders fixing effective date of amendment (no proceeding pending) | 138 | 158 | 138 |
| Orders consenting to withdrawal of offering sheet (no proceeding pending) | 11 | 7 | 11 |
| Orders consenting to withdrawal of offering sheet and terminating proceeding | 5 | 1 | |
| Total number of orders | 197 | 188 | 164 |

**Reports of sales.**—The Commission requires persons who make offerings under Regulation B to file reports of the actual sales made pursuant to that regulation. The purpose of these reports is to aid the Commission in determining whether violations of laws have occurred in the marketing of such securities. The following table shows the number of sales reports filed under Regulation B during the past 3 fiscal years and the aggregate dollar amount of sales during each of such fiscal years.

*Reports of sales under Regulation B*

| | Fiscal years | | |
|---|---|---|---|
| | 1962 | 1961 | 1960 |
| Number of sales reports filed | 4,615 | 2,091 | 4,425 |
| Aggregate dollar amount of sales reported | $2,921,591 | $1,894,018 | $2,833,457 |

[9] Securities Act Release No. 4466 (March 20, 1962).

**Exempt Offerings Under Regulation E**

Regulation E provides a conditional exemption from registration under the Securities Act of 1933, for securities of small business investment companies which are licensed under the Small Business Investment Act of 1958 or which have received the preliminary approval of the Small Business Administration and have been notified by the Administration that they may submit an application for such a license.

The regulation, which is similar in many respects to the general exemption provided by Regulation A, requires the filing of a notification with the Commission and, except in the case of offerings not in excess of $50,000, the filing and use of an offering circular containing certain specified information.

Regulation E provides for the suspension of exemption in particular cases if the Commission finds that any of the terms and conditions of the regulation have not been met or complied with.

There were no filings under Regulation E during the 1962 fiscal year.

**Exempt Offerings Under Regulation F**

Regulation F provides an exemption from registration under the Securities Act for assessments levied upon assessable stock and for delinquent assessment sales in amounts not exceeding $300,000 in any one year. It requires the filing of a simple notification giving brief information with respect to the issuer, its management, principal security holders, recent and proposed assessments and other security issues. The regulation requires a company to send to its stockholders, or otherwise publish, a statement of the purposes for which the proceeds from the assessment are proposed to be used. If the issuer should employ any other sales literature in connection with the assessment, copies of such literature must be filed with the Commission.

During the 1962 fiscal year, 36 notifications were filed under Regulation F, covering assessments of $1,300,246. Regulation F notifications were filed in three of the nine regional offices of the Commission: Denver, San Francisco, and Seattle. Underwriters were not employed in any of the Regulation F assessments.

Regulation F provides for the suspension of an exemption thereunder, as in Regulation A, where the regulation provides no exemption or where the offering is not made in accordance with the terms and conditions of the regulation or in accordance with prescribed disclosure standards.

One Regulation F filing was temporarily suspended in the fiscal year 1962. A request for hearing was made but was later withdrawn and the issuer consented to the issuance of a permanent suspension order.

# PART V

# ADMINISTRATION OF THE SECURITIES EXCHANGE ACT OF 1934

The Securities Exchange Act of 1934 is designed to ensure the maintenance of fair and honest markets in securities transactions on the organized exchanges and in the over-the-counter markets. Accordingly, the Act provides for the registration and regulation of securities exchanges and the registration of securities listed on such exchanges, and it establishes for issuers of securities so registered, financial and other reporting requirements, regulation of proxy solicitations and requirements with respect to trading by directors, officers and principal security holders. The Act also provides for the registration and regulation of brokers and dealers doing business in the over-the-counter market, contains provisions designed to prevent fraudulent, deceptive and manipulative acts and practices on the exchanges and in the over-the-counter markets and authorizes the Federal Reserve Board to regulate the use of credit in securities transactions.

## REGULATION OF EXCHANGES AND EXCHANGE TRADING

### Registration and Exemption of Exchanges

As of June 30, 1962, 14 stock exchanges were registered under the Exchange Act as national securities exchanges:

American Stock Exchange
Boston Stock Exchange
Chicago Board of Trade
Cincinnati Stock Exchange
Detroit Stock Exchange
Midwest Stock Exchange
National Stock Exchange
New York Stock Exchange
Pacific Coast Stock Exchange
Philadelphia-Baltimore Stock Exchange
Pittsburgh Stock Exchange
Salt Lake Stock Exchange
San Francisco Mining Exchange
Spokane Stock Exchange

There have been no sales of securities on the Chicago Board of Trade since 1953. The National Stock Exchange was granted registration as a national securities exchange on August 16, 1960, and commenced to operate on March 7, 1962.

Four exchanges were exempted from registration by the Commission pursuant to Section 5 of the Act:

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

**Disciplinary Action**

Each national securities exchange reports to the Commission disciplinary actions taken against its members and member firms for violation of the Securities Exchange Act of 1934 or of exchange rules. During the year 9 exchanges reported 96 cases of such disciplinary actions, including imposition of fines aggregating $48,575 in 57 cases; the suspension from membership of 13 individuals and 5 member firms; the expulsion of 1 individual from associate membership and another from allied membership; and the censure of a number of individuals and firms.

## REGISTRATION OF SECURITIES ON EXCHANGES

It is unlawful for a member of a national securities exchange or a broker or dealer to effect any transaction in a security on such exchange unless the security is registered on that exchange under the Securities Exchange Act or is exempt from such registration. In general, the Act exempts from registration obligations issued or guaranteed by a State or the Federal Government or by certain subdivisions or agencies thereof and authorizes the Commission to adopt rules and regulations exempting such other securities as the Commission may find necessary or appropriate to exempt in the public interest or for the protection of investors. Under this authority the Commission has exempted securities of certain banks, certain securities secured by property or leasehold interests, certain warrants and, on a temporary basis, certain securities issued in substitution for or in addition to listed securities.

Section 12 of the Exchange Act provides that an issuer may register a class of securities on an exchange by filing with the Commission and the exchange an application which discloses pertinent information concerning the issuer and its affairs. This must include information in regard to the issuer's business, capital structure, the terms of its securities, the persons who manage or control its affairs, the remuneration paid to its officers and directors, the allotment of options, bonuses and profit-sharing plans, and financial statements certified by independent accountants.

Form 10 is the form used for registration by most commercial and industrial companies. There are specialized forms for certain types of securities, such as voting trust certificates, certificates of deposit and securities of foreign governments.

Section 13 requires issuers having securities registered on an exchange to file periodic reports keeping current the information furnished in the application for registration. These periodic reports include annual reports, semiannual reports, and current reports. The principal annual report form is Form 10–K which is designed to keep

up-to-date the information furnished in Form 10. Semiannual reports required to be furnished on Form 9–K are devoted chiefly to furnishing mid-year financial data. Current reports on Form 8–K are required to be filed for each month in which any of certain specified events have occurred. A report on this Form deals with matters such as changes in control of the registrant, important acquisitions or dispositions of assets, the institution or termination of important legal proceedings and important changes in the issuer's capital securities or in the amount thereof outstanding.

**Statistics Relating to Registration of Securities on Exchanges**

As of June 30, 1962, a total of 2,390 issuers had 4,013 classes of securities listed on registered national securities exchanges, of which 2,821 were classified as stocks and 1,192 as bonds. Of these totals, 1,286 issuers had 1,564 stock issues and 1,142 bond issues listed on the New York Stock Exchange. Thus, 54 percent of the issuers, 55 percent of the stock issues and 96 percent of the bond issues were on the New York Stock Exchange.

During the 1962 fiscal year, 185 issuers listed securities on a registered national securities exchange for the first time, while the registration of all securities of 130 issuers was terminated. The total number of applications for registration of classes of securities on exchanges filed during the 1962 fiscal year was 319.

The following table shows the number of annual, semiannual, and current reports filed during the fiscal year by issuers having securities listed on registered national securities exchanges, and the number of such reports filed by issuers obligated to file reports under Section 15(d) of the Securities Exchange Act of 1934, by virtue of having registered securities under the Securities Act of 1933. The securities of issuers filing reports under Section 15(d) are generally traded in the over-the-counter market. As of June 30, 1962, there were 2,726 such issuers, including 350 that were also registered as investment companies under the Investment Company Act of 1940. The table also includes the number of annual reports, quarterly reports and reports to stockholders filed by issuers subject to the reporting requirements of Section 30 of the Investment Company Act.

*Number of annual and other periodic reports filed by issuers under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 during the fiscal year ended June 30, 1962*

| Type of reports | Number of reports filed by— | | | Total reports filed |
|---|---|---|---|---|
| | Listed issuers filing reports under Sec. 13 | Over-the-counter issuers filing reports under Sec. 15(d) | Issuers filing reports under Sec. 30 of Investment Company Act | |
| Annual reports on Forms 10-K, N-30A-1, etc. | 2,326 | 1,796 | 458 | 4,580 |
| Semiannual reports on Form 9-K | 1,958 | 1,458 | | 3,416 |
| Current reports on Form 8-K | 4,025 | 2,206 | | 6,231 |
| Quarterly reports on Form N-30B-1 | | | 262 | 262 |
| Reports to stockholders (Section 30(d)) | | | 1,391 | 1,391 |
| Total reports filed | 8,309 | 5,460 | 2,111 | 15,880 |

## MARKET VALUE OF SECURITIES TRADED ON EXCHANGES

The market value on December 31, 1961, of all stocks and bonds admitted to trading on one or more stock exchanges in the United States was approximately $531,833,403,000.

| | Number of issues | Market value Dec. 31, 1961 |
|---|---|---|
| Stocks: | | |
| New York Stock Exchange | 1,541 | $387,841,207,000 |
| American Stock Exchange | 1,001 | 33,010,870,000 |
| Exclusively on other exchanges | 499 | 5,132,176,000 |
| Total stocks | 3,041 | 425,984,253,000 |
| Bonds: | | |
| New York Stock Exchange [a] | 1,186 | 104,634,327,000 |
| American Stock Exchange | 73 | 1,087,260,000 |
| Exclusively on other exchanges | 25 | 127,563,000 |
| Total bonds | 1,284 | 105,849,150,000 |
| Total stocks and bonds | 4,325 | 531,833,403,000 |

[a] Bonds on the New York Stock Exchange included 47 U.S. Government and New York State and City issues with $73,903,178,000 aggregate market value.

The New York Stock Exchange and American Stock Exchange figures were reported by those exchanges. There was no duplication of issues between them. The figures for all other exchanges were for the net number of issues appearing only on such exchanges, excluding the many issues which were also traded on one or the other of the New York exchanges. The number and market value of issues as shown excluded those suspended from trading and a few others for

which quotations were not available. The number and market value as of December 31, 1961, of preferred and common stocks separately was as follows:

| | Preferred stocks | | Common stocks | |
|---|---|---|---|---|
| | Number | Market value | Number | Market value |
| Listed on registered exchanges | 575 | $8,980,105,000 | 2,198 | $401,085,368,000 |
| All other stocks [a] | 50 | 457,666,000 | 218 | 15,461,114,000 |
| | 625 | 9,437,771,000 | 2,416 | 416,546,482,000 |

[a] Stocks admitted to unlisted trading privileges only or listed on exempted exchanges.

The New York Stock Exchange has reported aggregate market values of all stocks thereon monthly since December 31, 1924, when the figure was $27.1 billion. The American Stock Exchange has reported December 31 totals annually since 1936. Aggregates for stocks exclusively on the remaining exchanges have been compiled as of December 31 annually by the Commission since 1948.

*Share values on exchanges, in billions of dollars*

| December 31 each year | New York Stock Exchange | American Stock Exchange | Exclusively on other exchanges | Total [a] |
|---|---|---|---|---|
| 1936 | $59.9 | $14.8 | | $74.7 |
| 1937 | 38.9 | 10.2 | | 49.1 |
| 1938 | 47.5 | 10.8 | | 58.3 |
| 1939 | 46.5 | 10.1 | | 56.6 |
| 1940 | 41.9 | 8.6 | | 50.5 |
| 1941 | 35.8 | 7.4 | | 43.2 |
| 1942 | 38.8 | 7.8 | | 46.6 |
| 1943 | 47.6 | 9.9 | | 57.5 |
| 1944 | 55.5 | 11.2 | | 66.7 |
| 1945 | 73.8 | 14.4 | | 88.2 |
| 1946 | 68.6 | 13.2 | | 81.8 |
| 1947 | 68.3 | 12.1 | | 80.4 |
| 1948 | 67.0 | 11.9 | $3.0 | 81.9 |
| 1949 | 76.3 | 12.2 | 3.1 | 91.6 |
| 1950 | 93.8 | 13.9 | 3.3 | 111.0 |
| 1951 | 109.5 | 16.5 | 3.2 | 129.2 |
| 1952 | 120.5 | 16.9 | 3.1 | 140.5 |
| 1953 | 117.3 | 15.3 | 2.8 | 135.4 |
| 1954 | 169.1 | 22.1 | 3.6 | 194.8 |
| 1955 | 207.7 | 27.1 | 4.0 | 238.8 |
| 1956 | 219.2 | 31.0 | 3.8 | 254.0 |
| 1957 | 195.6 | 25.5 | 3.1 | 224.2 |
| 1958 | 276.7 | 31.7 | 4.3 | 312.7 |
| 1959 | 307.7 | 26.4 | 4.2 | 338.4 |
| 1960 | 307.0 | 24.2 | 4.1 | 335.3 |
| 1961 | 387.8 | 33.0 | 5.1 | 426.0 |

[a] Total values 1936–47 inclusive are for the New York Stock Exchange and the American Stock Exchange only.

**Fiscal Year Share Values and Volumes**

The aggregate market values of all stocks on the exchanges as of June 30 annually, and the volumes of shares traded on the exchanges in years to June 30, have been as follows:

| | June 30 values (billions) | Volumes in years to June 30 | |
|---|---|---|---|
| | | Share volume | Dollar volume |
| 1955 | $222.8 | 1,324,383,000 | $36,878,540,000 |
| 1956 | 250.0 | 1,217,935,000 | 36,226,682,000 |
| 1957 | 262.0 | 1,210,807,000 | 32,929,671,000 |
| 1958 | 257.9 | 1,209,274,000 | 30,862,129,000 |
| 1959 | 337.6 | 1,806,810,000 | 51,577,195,000 |
| 1960 | 327.8 | 1,456,919,000 | 47,795,837,000 |
| 1961 | 381.0 | 1,971,508,000 | 57,029,271,000 |
| 1962 | 330.0 | 1,796,810,000 | 58,348,768,000 |

The June 30 values were as reported by the New York Stock Exchange and as estimated for all other exchanges. Volumes include shares, warrants and rights. Comprehensive statistics of volumes on exchanges are included among the appendix tables in this Annual Report.

Aggregate market values over the years are not strictly comparable, since they do not indicate to what extent they reflect new listings, mergers into listed companies, and removals from listing. The net increment from these sources during the year ending June 30, 1962, may be estimated at 4 to 5 billion dollars.

**Foreign Stock on Exchanges**

The market value on December 31, 1961, of all shares and certificates representing foreign stocks on the stock exchanges was reported at about $13.8 billion, of which $12.7 billion represented Canadian and $1.1 billion represented other foreign stocks. These figures include the total market value of the Canadian stock issues traded on the exchanges; most of the other foreign stocks were represented by American Depositary Receipts or American shares, only the outstanding amounts of which were used in determining market value.

*Foreign stocks on exchanges*

| Dec. 31, 1961 | Canadian | | Other foreign | | Total | |
|---|---|---|---|---|---|---|
| | Issues | Value | Issues | Value | Issues | Value |
| Exchanges: | | | | | | |
| New York | 12 | $5,217,161,000 | 12 | $894,192,000 | 24 | $6,111,353,000 |
| American | 103 | 7,434,040,000 | 39 | 213,832,000 | 142 | 7,647,872,000 |
| Others only | 1 | 1,057,000 | 2 | 8,600,000 | 3 | 9,657,000 |
| Net total | 116 | 12,652,258,000 | 53 | 1,116,624,000 | 169 | 13,768,882,000 |

The number of foreign stocks on the exchanges has declined somewhat in recent years, owing principally to a reduction in issues traded on the American Stock Exchange from 152 in 1956 to 142 in 1961. Trading in foreign stocks has fallen from 42.4 percent of the reported share volume on this Exchange in 1956 to 17.8 percent in 1961.

Trading in foreign stocks on the New York Stock Exchange was about 3.4 percent of the reported share volume thereon in 1956 and about 2.8 percent in 1961.

Reported volumes in foreign shares during 1961 included about 74,200,000 Canadian and 12,800,000 other foreign shares on the American Stock Exchange and about 10,200,000 Canadian and 18,100,000 other foreign shares on the New York Stock Exchange. The 87 million share volume on the American was over 3 times the 28,300,000 share volume on the New York Stock Exchange. However, in view of the higher average share prices on the latter Exchange, its dollar volume in the foreign shares would appear to have exceeded that on the American Stock Exchange.

**Comparative Exchange Statistics**

The number of stocks on the New York Stock Exchange and on the American Stock Exchange has continued to increase, and the aggregate number of stocks exclusively on the other exchanges has continued to decline in recent years.

*Net number of stocks on exchanges*

| June 30 | New York Stock Exchange | American Stock Exchange | Exclusively on other exchanges | Total stocks on exchanges |
|---|---|---|---|---|
| 1940 | 1,242 | 1,079 | 1,289 | 3,610 |
| 1945 | 1,293 | 895 | 951 | 3,139 |
| 1950 | 1,484 | 779 | 775 | 3,038 |
| 1955 | 1,543 | 815 | 686 | 3,044 |
| 1960 | 1,532 | 931 | 555 | 3,018 |
| 1961 | 1,546 | 977 | 519 | 3,042 |
| 1962 | 1,565 | 1,033 | 493 | 3,091 |

Aggregate share values on the New York Stock Exchange have become an increasing proportion of total share values on all the exchanges, at least since 1948, when our series on total share values on the exchanges was established.

*Share values on exchanges, in percentages*

| December 31 | New York Stock Exchange | American Stock Exchange | Exclusively on other exchanges |
|---|---|---|---|
| 1948 | 81.81 | 14.53 | 3.66 |
| 1950 | 84.50 | 12.52 | 2.98 |
| 1952 | 85.77 | 12.02 | 2.21 |
| 1954 | 86.81 | 11.34 | 1.85 |
| 1956 | 86.30 | 12.20 | 1.50 |
| 1958 | 88.49 | 10.14 | 1.37 |
| 1960 | 91.56 | 7.22 | 1.22 |

The ratio of share volume on the regional exchanges to the total on all exchanges has continued to decline over the years. The regional exchange percentage of dollar volume has remained fairly constant. In the following presentation, shares, warrants and rights are in-

cluded. Annual data since 1935 are shown in an appendix table in this Annual Report.

*Annual sales of stock on exchanges*

| Calendar year | Percent of share volume | | | Percent of dollar volume | | |
|---|---|---|---|---|---|---|
| | New York | American | All other | New York | American | All other |
| 1940 | 75.44 | 13.20 | 11.36 | 85.17 | 7.68 | 7.15 |
| 1945 | 65.87 | 21.31 | 12.82 | 82.75 | 10.81 | 6.44 |
| 1950 | 76.32 | 13.54 | 10.14 | 85.91 | 6.85 | 7.24 |
| 1955 | 68.85 | 19.19 | 11.96 | 86.31 | 6.98 | 6.71 |
| 1960 | 68.43 | 22.27 | 9.25 | 83.81 | 9.35 | 6.84 |
| 1961 | 64.99 | 25.58 | 9.43 | 82.44 | 10.71 | 6.85 |
| 1st 6 months 1962 | 69.87 | 21.31 | 8.82 | 85.51 | 7.54 | 6.95 |

**Comparative Over-The-Counter Statistics**

So far as can be ascertained from the standard securities manuals and from reports to the Commission, there are about 4,165 stocks with 300 holders or more, of about 3,840 domestic companies, quoted only in the over-the-counter market. The aggregate market value of these stocks on December 31, 1961, was about $105.8 billion. This number includes a few instances where it was assumed, because of active dealer interest, that there were 300 holders or more.

The $105.8 billion market value included $26.2 billion for bank stocks, $22.1 billion for insurance stocks, and $57.5 billion for industrial, utility, and other miscellaneous stocks. Stock issued by registered investment companies was not included in this compilation.

Substantial percentages of over-the-counter stocks are ordinarily held by officers, directors, and other controlling persons, and in some instances the percentages are extreme. For example, Western Electric Company stock, which has recently come to have over 300 holders, has added about $8.7 billion market value to the group of stocks issued by companies not reporting to the Commission. However, 99.82 percent of such stock was held by American Telephone and Telegraph Company and only about $15.7 million was in public circulation.

*Over-the-counter stocks referred to in the text, as of Dec. 31, 1961*

| | Stocks | Issuers | Market values |
|---|---|---|---|
| Reporting pursuant to Section 15(d): | | | |
| Miscellaneous | 1,737 | 1,545 | $31,132,640,000 |
| Insurance | 117 | 108 | 5,634,340,000 |
| Reporting for other reasons: * Miscellaneous | 134 | 111 | 4,608,950,000 |
| | 1,988 | 1,764 | 41,375,930,000 |
| Not reporting to the Commission: | | | |
| Miscellaneous | 1,189 | 1,096 | 21,747,927,000 |
| Insurance | 171 | 165 | 16,525,250,000 |
| Banks | 817 | 815 | 26,178,400,000 |
| | 2,177 | 2,076 | 64,451,577,000 |
| Total | 4,165 | 3,840 | 105,827,507,000 |

* These companies have other issues listed on stock exchanges.

In addition to the stocks mentioned above, there is a large number of actively quoted stocks of companies so small as not to require continuous reporting to the Commission, and whose coverage by the standard securities manuals is generally limited to brief announcements of the circumstances of the offerings. Their number was in excess of 1,000 on December 31, 1961, at which time they constituted about 25 percent of the actively quoted stocks in the National Quotation Bureau services.

A comprehensive view of the number of securities quoted over-the-counter at any one time is afforded by data supplied by the National Quotation Bureau, which is the principal purveyor of over-the-counter quotations in the United States. The following table shows the number of stocks quoted in the daily service and the corresponding aggregate number of dealer listings, as reported for a day at approximately January 15th annually.

*Number of stocks and dealer listings on or about January 15th*

| | Stocks [a] | Dealer listings |
|---|---|---|
| 1959 | 6,121 | 23,964 |
| 1960 | 6,551 | 25,950 |
| 1961 | 6,918 | 28,270 |
| 1962 | 8,127 | 35,050 |

[a] The number annually since 1925 is shown on p. 72 of our 26th Annual Report (1960).

About half of the stocks show substantial concentration of dealer listings, including both bids and offers. Many of the remainder are quoted only on the bid side, indicating sporadic dealings, and some are listed on domestic or Canadian stock exchanges.

**Reporting Under Section 15(d)**

Issuers reporting pursuant to Section 15(d) of the Exchange Act continue to increase in number despite the numerous reductions occasioned by listing on the exchanges or absorption into other companies by purchase of assets or mergers. They increased from 2,017 on December 31, 1960, to 2,435 on December 31, 1961. The 2,435 reporting issuers included 1,720 having $42.5 billion aggregate market value of stocks. The remaining 715 issuers included partnerships, voting trusts duplicative of listed shares, stock purchase and employees savings plans, companies with only bonds in public hands, registered investment companies, and numerous issuers for whose shares no quotation was available, including a considerable number registering in 1961 but not offering their shares until 1962.

*Issuers reporting under section 15(d) as of Dec. 31, 1961* [a]

| | Stocks | Issuers | Market values |
|---|---|---|---|
| Over the counter: | | | |
| Miscellaneous | 1,737 | 1,545 | $31,132,640,000 |
| Insurance | 117 | 108 | 5,634,340,000 |
| Foreign | 37 | 34 | 2,181,900,000 |
| | 1,891 | 1,687 | 38,948,880,000 |
| On stock exchanges: [b] | | | |
| Miscellaneous | 30 | 28 | 708,400,000 |
| Insurance | 3 | 3 | 1,267,000,000 |
| Foreign | 2 | 2 | 1,532,400,000 |
| | 35 | 33 | 3,507,800,000 |
| Total | 1,926 | 1,720 | 42,456,680,000 |

[a] Includes only issuers with stocks for which quotations were available.
[b] These issuers had stocks with only unlisted trading privileges on exchanges. They also had 31 stocks aggregating $937,440,000 which were only over the counter, and which have been included in the over-the-counter showing of stocks and market values above.

## DELISTING OF SECURITIES FROM EXCHANGES

Applications may be made to the Commission by exchanges to strike any securities or by issuers to withdraw their securities from listing and registration on exchanges pursuant to Rule 12d2–1(b) under Section 12(d) of the Exchange Act. During the fiscal year ended June 30, 1962, the Commission granted applications by exchanges and issuers to remove 60 stock issues and 45 bond issues from listing and registration. There were 64 total stock removals, since 4 stocks were each delisted by 2 exchanges. The number of issuers of stock involved was 54. The removals were as follows:

| Applications filed by: | *Stock issues* | *Bond issues* |
|---|---|---|
| New York Stock Exchange | 23 | 44 |
| American Stock Exchange | 6 | 0 |
| Boston Stock Exchange | 2 | 1 |
| Midwest Stock Exchange | 6 | 0 |
| Pacific Coast Stock Exchange | 11 | 0 |
| Pittsburgh Stock Exchange | 1 | 0 |
| Salt Lake Stock Exchange | 8 | 0 |
| San Francisco Mining Exchange | 3 | 0 |
| Issuers | 4 | 0 |
| Total | 64 | 45 |

In accordance with the practice in recent years, nearly all of the delisting applications were filed by exchanges. Only four of the applications were filed by issuers, in each instance for the purpose of reducing multiple expenses by delisting from one exchange stocks which remained listed on other exchanges.

The applications by exchanges were based on factors such as limited distribution, sale of assets, or precarious financial condition. The 45 bond issues were all of foreign origin, including 17 issues of

"iron-curtain" countries suspended from trading in 1941, and 28 small residues of offers in exchange and settlement. The 23 stock delistings by the New York Stock Exchange were in accordance with its delisting criteria established in 1914, and expanded from time to time thereafter. During the year, it obtained complete observance of its policy requiring solicitation of proxies for meetings of stockholders. The eight delistings by the Salt Lake Stock Exchange resulted from its adoption on February 16, 1962, of new requirements for retention of listed status. The American Stock Exchange on April 5, 1962, adopted new delisting rules and criteria with respect to lack of earnings, limited distribution of securities and disposal of principal operating assets.

**Delisting Proceedings Under Section 19(a)**

Section 19(a)(2) authorizes the Commission to suspend for a period not exceeding 12 months, or to withdraw, the registration of a security on a national securities exchange if, in its opinion, such action is necessary or appropriate for the protection of investors and, after notice and opportunity for hearing, the Commission finds that the issuer of the security has failed to comply with any provision of the Act or the rules and regulations thereunder. The following table indicates the number of such proceedings with which the Commission was concerned during the 1962 fiscal year.

| | | |
|---|---|---|
| Proceedings pending at the beginning of the fiscal year | 3 | |
| Proceedings initiated during the fiscal year | 1 | |
| | | 4 |
| Proceedings terminated during the fiscal year: | | |
| By order withdrawing security from registration | 2 | |
| | | 2 |
| Proceedings pending at the end of the fiscal year | | 2 |

Section 19(a)(4) authorizes the Commission summarily to suspend trading in any registered security on a national securities exchange for a period not exceeding ten days if, in its opinion, such action is necessary or appropriate for the protection of investors and the public interest so requires. During the 1962 fiscal year the Commission found it necessary and appropriate in four instances to use its authority to suspend summarily trading in securities registered on a national securities exchange. All of these suspensions remained in effect at the end of the fiscal year. In addition, two of the three suspensions which were in effect at the beginning of the fiscal year remained in effect at the end of the fiscal year.

One of the two cases in which an order was issued under Section 19(a)(2) during the fiscal year withdrawing securities from registration on a national securities exchange is described below.

**Consolidated Development Corporation.**—Registrant, a Delaware corporation organized in 1956 under the name of Consolidated Cuban Petroleum Corporation to engage in the operation, development and production of oil and gas in Cuba, registered its common stock on the American Stock Exchange in 1956. It adopted its present name in 1959, after the petroleum ventures had sustained severe financial losses. It then decided to engage in the acquisition and development of real estate in the State of Florida.

Registrant admitted that it had violated Section 13 of the Exchange Act and rules thereunder, in that its application for registration of its common stock on the exchange, its annual reports for the years 1956 through 1959, inclusive, and a number of current reports filed or required to be filed were inaccurate or inadequate. Among other things, the reports failed to set forth that registrant exchanged stock with three corporations in which officers and directors of registrant were promoters, officers, directors, and major stockholders; that it issued stock to certain persons in Cuba for oil leases and services; and that in the years 1956 through 1959, several controlling shareholders and officers disposed of a large amount of stock of registrant, which was not registered under the Securities Act, to residents of and broker-dealer firms in the United States.

Further, registrant admitted that its reports were materially inaccurate in representing that all sales and exchanges of 2,147,457 shares of outstanding stock were made in Cuba and did not require registration under the Securities Act as not involving public offerings in the United States, and in representing that it had 1,086 stockholders when in fact it had only about 766. Registrant also omitted to disclose that in November 1959, a new Cuban law was published cancelling all applications for petroleum exploration and exploitation concessions, permitting continuation of explorations in progress where certain minimum drilling requirements were met and providing for payment to Cuba of a 60 percent royalty on petroleum produced, and the effect of such law on registrant's operations.

On the basis of these and other deficiencies the Commission issued an order withdrawing the registrant's common stock from registration on the exchange, which had suspended trading in the stock in December 1959.[1]

## UNLISTED TRADING PRIVILEGES ON EXCHANGES

Stocks with only unlisted trading privileges on exchanges continued to decline in number, falling from 212 on June 30, 1961, to 187 on June 30, 1962. The American Stock Exchange accounted for 12

[1] Securities Exchange Act Release No. 6672 (November 24, 1961).

of the 25 removals. This Exchange now applies to its unlisted issues the same requirements for retention as it applies to listed issues, pursuant to rules and criteria established April 5, 1962. The Pacific Coast Stock Exchange also accounted for 12 removals, leaving only 5 stocks remaining in the unlisted category on that exchange. The distribution of unlisted stocks and share volumes among the exchanges is shown in Appendix Table 8 of this report.

The reported volume of trading on the exchanges in stocks with only unlisted trading privileges, for the calendar year 1961, was about 45,427,000 shares or about 2.1 percent of the total share volume of all the exchanges. About 83.2 percent of this volume was on the American Stock Exchange, 15.3 percent was on the Pacific Coast Stock Exchange, and three other exchanges contributed the remaining 1.5 percent. The share volume in these stocks was about 6.9 percent of the total share volume on the American Stock Exchange and about 10.8 percent of that on the Pacific Coast Stock Exchange in the calendar year 1961.

Unlisted trading privileges on some exchanges in stocks listed and registered on other exchanges numbered 1,532 on June 30, 1962. The volume of unlisted trading in these stocks, for the calendar year 1961, was reported at about 57,900,000 shares. About one-fifth of this volume was on the American Stock Exchange in stocks listed on regional exchanges, and about four-fifths was on regional exchanges in stocks listed on the New York or American Stock Exchanges. While the 57,900,000 shares amounted to only about 2.7 percent of the total share volume on all the exchanges, they constituted substantial portions of the shares traded on the leading regional exchanges, reaching about 78 percent on Boston, 72 percent on Philadelphia-Baltimore, 68 percent on Cincinnati, 53 percent on Detroit, 44 percent on Pittsburgh, 30 percent on Midwest, and 17 percent on Pacific Coast Stock Exchange.

**Applications for Unlisted Trading Privileges**

Applications by exchanges for unlisted trading privileges in stocks listed on other exchanges, made pursuant to Rule 12f–1 under Section 12(f) of the Exchange Act, were granted by the Commission during the fiscal year ended June 30, 1962, as follows:

| Stock exchange: | *Number of stocks* | Stock exchange—Con. | *Number of stocks* |
|---|---|---|---|
| Boston | 24 | Philadelphia-Baltimore | 9 |
| Cincinnati | 10 | Pittsburgh | 1 |
| Detroit | 24 | Spokane | 1 |
| Midwest | 12 | | |
| Pacific Coast | 4 | Total | 85 |

During the fiscal year, the Commission granted applications by the American Stock Exchange pursuant to Rule 12f-2 under Section 12(f) of the Exchange Act for continuance of unlisted trading, on the ground of substantial equivalence, in the stock of Dominion Tar & Chemical Co., Ltd., after the number of its shares was more than doubled through offers of exchange for other common stocks, and in the stock of Wagner Baking Corporation in substitution for voting trust certificates upon expiration of the voting trust.

## BLOCK DISTRIBUTIONS REPORTED BY EXCHANGES

The usual method of distributing blocks of listed securities considered too large for the auction market on the floor of an exchange is to resort to "secondary distributions" over the counter after the close of exchange trading.

In an effort to keep as much as possible of this business on their floors, Special Offering Plans were adopted by leading exchanges commencing in 1942, and the somewhat more flexible Exchange Distribution Plans commencing in 1953. The plans, declared effective by this Commission, include an exemption from the anti-manipulative Rule 10b–2, as set forth in paragraph (d) thereof, with respect to payment of compensation in connection with the distribution of securities.

The largest number of Special Offerings was 87 in 1944, with $32,454,000 aggregate value. The number has declined through the years, there being only two in 1961, aggregating $1,503,750.

*Block distributions reported by exchanges*

| | Number | Shares in offer | Shares sold | Value |
|---|---|---|---|---|
| | 12 months ended Dec. 31, 1961[a] | | | |
| Special offerings | 2 | 35,000 | 35,000 | $1,503,750 |
| Exchange distributions | 33 | 1,229,811 | 1,127,266 | 58,072,418 |
| Secondary distributions | 130 | 19,675,631 | 19,910,013 | 926,514,294 |
| | 6 months ended June 30, 1962 | | | |
| Special offerings | 1 | 11,400 | 11,400 | $458,850 |
| Exchange distributions | 15 | 366,043 | 323,165 | 9,010,256 |
| Secondary distributions | 28 | 5,933,570 | 6,064,711 | 365,915,367 |

[a] Details of these distributions appear in the Commission's monthly Statistical Bulletins. Data for prior years are shown in an appendix table in this Annual Report.

The largest number of Exchange Distributions was 57 in 1954, compared with 33 in 1961. However, the $58,072,418 total in 1961 was considerably larger than in any previous year.

Secondary distributions, as reported since 1942, reached a peak of $926,514,000 during the calendar year 1961. Totals for recent half-

year periods were $455,764,000 for the first 6 months and $366,572,000 for the last 6 months of 1959, $176,345,000 and $248,343,000 for the respective periods in 1960, $559,924,000 and $366,590,000 for 1961, and $365,915,000 for the first 6 months of 1962. The $559,924,000 total for the 6 months ending June 30, 1961 is the largest on record.

## MANIPULATION AND STABILIZATION

### Manipulation

The Exchange Act describes and prohibits certain forms of manipulative activity in any security registered on a national securities exchange. The prohibited activities include wash sales and matched orders effected for the purpose of creating a false or misleading appearance of trading activity in or with respect to the market for any such security; a series of transactions intended to raise or depress the price of such security or to create actual or apparent active trading for the purpose of inducing purchases or sales of such security by others; circulation by a broker, dealer, seller, or buyer, or by a person who receives consideration from a broker, dealer, seller or buyer, of information concerning market operations conducted for a rise or a decline in the price of such security; and the making of any false and misleading statement of material information by a broker, dealer, seller, or buyer regarding such security for the purpose of inducing purchases or sales. The Act also empowers the Commission to adopt rules and regulations to define and prohibit the use of these and other forms of manipulative activity in any security registered on an exchange or traded over the counter.

The Commission's market surveillance staff in its Division of Trading and Exchanges in Washington and in its New York Regional Office and other field offices observes the tickertape quotations of securities listed on the New York Stock Exchange and on the American Stock Exchange, the sales and quotation sheets of the various regional exchanges, and the bid and asked prices published by the National Quotation Bureau for about 6,000 unlisted securities to observe any unusual and unexplained price variations or market activity. The financial news ticker, leading newspapers, and various financial publications and statistical services are also closely followed.

When unusual and unexplained market activity in a security is observed, all known information regarding the security is examined and a decision made as to the necessity for an investigation. Most investigations are not made public so that no unfair reflection will be cast on any persons or securities and the trading markets will not be upset. These investigations, which are conducted by the Commission's regional offices, take two forms. A preliminary investigation or "quiz" is conducted to rapidly discover evidence of unlawful

activity. If it appears that more intensive investigation is necessary, a formal order of investigation, which carries with it the right to issue subpoenas, is issued by the Commission. If violations by a broker-dealer are discovered, the Commission may institute administrative proceedings to determine whether or not to revoke his registration or suspend or expel him from membership in the National Association of Securities Dealers, Inc., or from a national securities exchange. The Commission may also seek an injunction against any person violating the Exchange Act and it may refer information obtained in its investigation to the Department of Justice recommending that persons violating the Act be criminally prosecuted. In some cases, where state action seems likely to bring quick results in preventing fraud or where Federal jurisdiction may be doubtful, the information obtained may be referred to state agencies for state injunctive action or criminal prosecution.

The following table shows the number of quizzes and formal investigations pending at the beginning of fiscal 1962, the number initiated in fiscal 1962, the number closed or completed during the same period, and the number pending at the end of the fiscal year:

*Trading investigations*

| | Quizzes | Formal investigations |
|---|---|---|
| Pending June 30, 1961 | 91 | 16 |
| Initiated | 76 | 5 |
| Total | 167 | 21 |
| Closed or completed during fiscal year | 84 | 9 |
| Changed to formal during fiscal year | 5 | |
| Total | 89 | 9 |
| Pending at end of fiscal year | 78 | 12 |

When securities are to be distributed to the public, their markets are watched very closely to make sure that the price is not unlawfully raised prior to or during the offering period. Registered offerings numbering 1,815, having a value of over $19 billion, and 1,065 offerings exempt under Section 3(b) of the Securities Act, having a value of about $237 million, were so observed during the fiscal year. Other offerings numbering 141, such as secondary distributions and distributions of securities under special plans filed by the exchanges, having a total value of $382 million, were also kept under surveillance.

**Stabilization**

Stabilization involves open-market purchases of securities to prevent or retard a decline in the market price in order to facilitate a distribution. It is permitted by the Exchange Act subject to the

restrictions provided by the Commission's Rules 10b–6, 7, and 8. These rules are designed to confine stabilizing activity to that necessary for the above purpose, to require proper disclosure and to prevent unlawful manipulation.

During 1962 stabilizing was effected in connection with stock offerings totaling 65,028,432 shares having an aggregate public offering price of $1,536,800,426 and bond offerings having a total offering price of $153,991,500. In these offerings, stabilizing transactions resulted in the purchase of 1,803,713 shares of stock at a cost of $46,092,610 and bonds at a cost of $2,069,243. In connection with the stabilizing transactions, 10,241 stabilizing reports showing purchases and sales of securities effected by persons conducting the distribution were received and examined during the fiscal year.

## INSIDERS' SECURITY HOLDINGS AND TRANSACTIONS

Section 16 of the Act is designed to prevent the unfair use of information by directors, officers and principal stockholders by giving publicity to their security holdings and transactions and by removing the profit incentive in short-term trading by them in securities of their company. Such persons by virtue of their position may have knowledge of the company's condition and prospects which is unavailable to the general public and may be able to use such information to their personal advantage in transactions in the company's securities. Provisions similar to those contained in Section 16 of the Act are also contained in Section 17 of the Public Utility Holding Company Act of 1935 and Section 30 of the Investment Company Act of 1940.

### Ownership Reports

Section 16(a) of the Securities Exchange Act requires every person who is a direct or indirect beneficial owner of more than 10 percent of any class of equity securities (other than exempted securities) which is registered on a national securities exchange, or who is a director or officer of the issuer of such securities, to file reports with the Commission and the exchange disclosing his ownership of the issuer's equity securities. This information must be kept current by the filing of subsequent reports for any month in which a change in his ownership occurs. Similar reports are required by Section 17(a) of the Public Utility Holding Company Act of officers, and directors, of public utility holding companies and by Section 30(f) of the Investment Company Act of officers, directors, principal security holders, members of advisory boards and investment advisers or affiliated persons of investment advisers of registered closed-end investment companies.

Ownership reports are available for public inspection at the Commission's office in Washington and those filed under Section 16(a) of the Securities Exchange Act may also be inspected at the appropriate exchange. In addition, for the purpose of making the reported information available to interested persons who may not be able to inspect the reports in person, the Commission summarizes and publishes such information in a monthly "Official Summary of Security Transactions and Holdings," which is distributed by the Government Printing Office on a subscription basis. Subscriptions to this publication exceed 16,000.

During the fiscal year, 42,983 ownership reports were filed, as compared with 40,869 reports filed during the 1961 fiscal year. The number of reports filed has more than doubled during the past 10 years—21,061 reports having been filed during the 1952 fiscal year.

**Recovery of Short-Swing Trading Profits by Issuer**

In order to prevent insiders from making unfair use of information which may have been obtained by reason of their relationship with a company, Section 16(b) of the Securities Exchange Act, Section 17(b) of the Public Utility Holding Company Act, and Section 30(f) of the Investment Company Act provide for the recovery by or on behalf of the issuer of any profit realized by insiders from certain purchases and sales, or sales and purchases, of securities of the company within any period of less than 6 months. The Commission has certain exemptive powers with respect to transactions not comprehended within the purpose of these provisions, but is not charged with the enforcement of the civil remedies created thereby.

## REGULATION OF PROXIES

**Scope of Proxy Regulation**

Under Sections 14(a) of the Securities Exchange Act, 12(e) of the Public Utility Holding Company Act of 1935, and 20(a) of the Investment Company Act of 1940, the Commission has adopted Regulation 14 requiring the disclosure in a proxy statement of pertinent information in connection with the solicitation of proxies, consents and authorizations in respect of securities of companies subject to those statutes. The regulation provides, among other things, that when the management is soliciting proxies, any security holder desiring to communicate with other security holders for a proper purpose may require the management to furnish him with a list of all security holders or to mail his communication to security holders for him. A security holder may also, subject to reasonable prescribed limita-

tions, require the management to include in its proxy material any appropriate proposal which such security holder desires to submit to a vote of security holders. Any security holder or group of security holders may at any time make an independent proxy solicitation upon compliance with the proxy rules, whether or not the management is making a solicitation.

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

**Statistics Relating to Proxy Statements**

During the 1962 fiscal year, 2,259 proxy statements in definitive form were filed under the Commission's Regulation 14 for the solicitation of proxies of security holders; 2,253 of these were filed by management and 6 by nonmanagement groups or individual stockholders. These 2,259 solicitations related to 2,135 companies, some 124 of which had more than 1 solicitation during the year, generally for a special meeting not involving the election of directors.

There were 2,063 solicitations of proxies for the election of directors, 183 for special meetings not involving the election of directors, and 13 for assents and authorizations for action not involving a meeting of security holders or the election of directors.

In addition to the election of directors, the decisions of security holders were sought through the solicitation in the 1962 fiscal year of their proxies, consents and authorizations with respect to the following types of matters:

| | |
|---|---|
| Mergers, consolidations, acquisitions of businesses, purchases and sales of property, and dissolutions of companies | 139 |
| Authorizations of new or additional securities, modifications of existing securities, and recapitalization plans (other than mergers, consolidations, etc.) | 346 |
| Employee pension and retirement plans (including amendments to existing plans) | 44 |
| Bonus, profit-sharing plans and deferred compensation arrangements (including amendments to existing plans and arrangements) | 41 |
| Stock option plans (including amendments to existing plans) | 273 |
| Stockholder approval of the selection by management of independent auditors | 934 |
| Miscellaneous amendments to charter and bylaws, and miscellaneous other matters (excluding those involved in the preceding matters) | 453 |

**Stockholders' Proposals**

During the 1962 fiscal year, 44 stockholders submitted a total of 242 proposals which were included in the 122 proxy statements of 122 companies under Rule 14a–8 of Regulation 14.

Typical of such stockholder proposals submitted to a vote of security holders were resolutions relating to amendments to charters or bylaws to provide for cumulative voting for the election of directors, limitations on granting stock options and their exercise by key employees and management groups, sending a postmeeting report to all stockholders, changing the place of the annual meeting of stockholders, and the approval by stockholders of management's selection of independent auditors.

The managements of 25 companies omitted from their proxy statements under the Commission's Rule 14a–8 a total of 62 additional proposals submitted by 25 individual stockholders. The principal reasons for such omissions and the numbers of times each such reason was involved (counting only one reason for omission for each proposal even though it may have been omitted under more than one provision of Rule 14a–8) were as follows:

(a) 22 proposals were withdrawn by the stockholders;
(b) 14 proposals were not a proper subject matter under state law;
(c) 11 proposals related to the ordinary conduct of the company's business;
(d) 6 proposals involved the election of directors;
(e) 3 proposals concerned a personal grievance against the company;
(f) 3 proposals involved substantially the same matters as had previously been submitted to security holders;
(g) 2 proposals were not timely submitted;
(h) 1 proposal and reasons therefore was deemed misleading.

**Ratio of Soliciting to Nonsoliciting Companies**

Of the 2,388 issuers that had securities listed and registered on national securities exchanges as of June 30, 1962, 2,221 had voting securities so listed and registered. Of these 2,221 issuers, 6 listed and registered voting securities for the first time after their annual stockholders' meeting in fiscal 1962; of the remaining 2,215 issuers with voting securities, 1,807, or 82 percent, solicited proxies under the Commission's proxy rules during the 1962 fiscal year for the election of directors.

**Proxy Contests**

During the 1962 fiscal year, 17 companies were involved in proxy contests for the election of directors. A total of 253 persons, both management and nonmanagement, filed detailed statements as participants under the requirements of Rule 14a-11. Proxy statements in 10 cases involved contests for control of the board of directors and those in 7 cases involved contests for representation on the board.

Management retained control of the board of directors in 4 of the 10 contests for control, 1 was settled by negotiation, nonmanagement persons won 3 and 2 were pending as of June 30, 1962. Of the 7 cases where representation on the board of directors was involved, management retained all places on the board in 5 cases.

## INVESTIGATIONS

Section 21(a) of the Act authorizes the Commission to make such investigations as it deems necessary to determine whether any person has violated or is about to violate any provision of the Act or any rule or regulation thereunder. The Commission is authorized, for this purpose, to administer oaths, subpoena witnesses, compel their attendance, take evidence and require the production of records. In addition to the investigations undertaken in enforcing the anti-fraud, broker-dealer registration, and other regulatory provisions of the Act, which are discussed in Part XI of this report under "Complaints and Investigations," the following investigations were undertaken in enforcing the reporting provisions of Sections 12, 13, 14 and 15(d) of the Act and the rules thereunder, particularly those provisions relating to the filing of annual and other periodic reports and proxy material:

| | | |
|---|---|---|
| Investigations pending at beginning of the fiscal year | 27 | |
| Investigations initiated during the fiscal year | 13 | |
| | — | 40 |
| Investigations closed during the fiscal year | | 19 |
| | | — |
| Investigations pending at the close of the fiscal year | | 21 |

## REGULATION OF BROKER-DEALERS AND OVER-THE-COUNTER MARKETS

**Registration**

Section 15(a) of the Securities Exchange Act of 1934 requires the registration of all brokers and dealers who use the mails or instrumentalities of interstate commerce to effect or induce transactions in securities in the over-the-counter market. Brokers and dealers conducting an exclusively intrastate business or dealing only in exempted securities, commercial paper, commercial bills or bankers' acceptances are exempt from registration.

The table below sets forth statistics on broker-dealer registrations and applications for fiscal 1962.

| | |
|---|---|
| Effective registrations at close of preceding fiscal year | 5,500 |
| Applications pending at close of preceding fiscal year | 126 |
| Applications filed during fiscal year | 1,133 |
| Total | 6,759 |
| Applications denied | 2 |
| Applications withdrawn | 15 |
| Applications cancelled | 0 |
| Registrations withdrawn | 705 |
| Registrations cancelled | 43 |
| Registrations revoked | 47 |
| Registrations suspended | 5 |
| Registrations effective at end of fiscal year | 5,868 |
| Applications pending at end of fiscal year | 81 |
| Total | 6,766 |
| Less: Suspended registrations revoked during year | [a]7 |
| Total | 6,759 |

[a] 29 registrations were in suspension at close of the fiscal year.

**Administrative Proceedings**

The Commission is given the power to deny or revoke the registration of a broker-dealer by Section 15(b) of the Securities Exchange Act. An order of denial or revocation will be issued, after notice and opportunity for hearing, if the Commission finds that such sanction is in the public interest and the applicant or registrant, or any partner, officer, director, or other person directly or indirectly controlling or controlled by the applicant or registrant is subject to a statutory disqualification. The statutory disqualifications are:

(1) willful false or misleading statements in the application for registration or document supplemental thereto;

(2) conviction within the previous 10 years of a felony or misdemeanor involving the purchase or sale of securities or arising out of the conduct of business as a broker-dealer;

(3) injunction by a court of competent jurisdiction against engaging in any practices in connection with the purchase or sale of securities; and

(4) willful violation of the Securities Act of 1933 or the Securities Exchange Act of 1934 or any of the Commission's rules or regulations thereunder.

The Commission has no authority to deny or revoke registration without finding a disqualification of the types set forth. Therefore, bad reputation or character, or inexperience in the securities business,

or even conviction of a felony unrelated to transactions in securities is not a basis for ordering denial or revocation of registration.

Section 15A of the Securities Exchange Act empowers the Commission to suspend or expel a broker-dealer from membership in a registered securities association upon a finding of violation of the Federal securities laws or regulations thereunder. The National Association of Securities Dealers, Inc. ("NASD"), is the only such association. Section 19(a)(3) of the Act gives the Commission power to take similar action against members of national securities exchanges.

Pursuant to the provisions of Section 15A(b)(4) of the Securities Exchange Act, in the absence of Commission approval or direction, no broker or dealer may be admitted to or continued in membership in the NASD if the broker or dealer or any partner, officer, director, or controlling or controlled person of such broker or dealer was a cause of any order of denial or revocation of registration or suspension or expulsion from membership which is in effect. An individual named as a cause often is subject to one or more statutory disqualifications under Section 15(b) and his employment by any other broker-dealer thus could also become a basis for broker-dealer revocation or denial proceedings against such employer.

Set forth below are statistics on administrative proceedings instituted during fiscal 1962 to deny and revoke registration and to suspend and expel from membership in an exchange or the NASD.

| | |
|---|---|
| Proceedings pending at start of fiscal year to: | |
| Revoke registration | 51 |
| Revoke registration and suspend or expel from NASD or exchanges | 61 |
| Deny registration | 12 |
| Total proceedings pending at start of fiscal year | 124 |
| Proceedings instituted during fiscal year to: | |
| Revoke registration | 29 |
| Revoke registration and suspend or expel from NASD or exchanges | 55 |
| Deny registration | 11 |
| Total proceedings instituted | 95 |
| Total proceedings current during fiscal year | 219 |
| Disposition of proceedings: | |
| Proceedings to revoke registration: | |
| Dismissed on withdrawal of registration | 1 |
| Registration revoked | 27 |
| Registration cancelled | 2 |
| Total | 30 |

| | |
|---|---|
| Proceedings to revoke registration and suspend or expel from NASD or exchanges: | |
| Registration revoked | 15 |
| Registration revoked and firm expelled from NASD | 5 |
| Dismissed on withdrawal of registration | 2 |
| Suspended from NASD | 1 |
| Partner of firm suspended from stock exchange | 1 |
| Total | 24 |
| Proceedings to deny registration: | |
| Registration denied | 2 |
| Dismissed on withdrawal of application | 1 |
| Total | 3 |
| Total proceedings disposed of | 57 |
| Proceedings pending at end of fiscal year to: | |
| Revoke registration | 50 |
| Revoke registration and suspend or expel from NASD or exchanges | 92 |
| Deny registration | 20 |
| Total proceedings pending at end of fiscal year | 162 |
| Total proceedings accounted for | 219 |

**Revocation and Denial Proceedings**

The cases in which the Commission revoked or denied broker-dealer registrations during the 1962 fiscal year are briefly summarized at the end of this section of the report, with the exception of a few cases of unusual interest or significance which are set forth in some detail in the following paragraphs:

**Rosenson and Baumann.**—The Commission found that registrant, a partnership, and its two partners, directly and through various salesmen, made numerous misrepresentations in the sale of non-voting common stock of North American Finance Company, which had been organized by the partners. Respondents recruited inexperienced young men as salesmen, provided no program of instruction for them, and directed them to concentrate their sales efforts on unsophisticated persons and to use high pressure selling methods. In addition, the Commission found that a registration statement filed by North American falsely stated that the financial statements which were included had been examined by an independent public accountant, when in fact the accountant who certified the financial statements was not independent, since he had served as North American's principal bookkeeper so that his certification was merely an authentication of his own accounting procedures. The Commission held that the two partners, who signed the registration statement as directors and prin-

cipal officers of North American and who admittedly controlled that company, knew or should have known that the accountant was not independent, and that, by filing an untrue registration statement, they willfully violated those Sections of the Securities Act which specify the information to be included in a registration statement and prospectus. Respondents had been enjoined from offering or selling North American stock in violation of the registration or anti-fraud provisions of the Securities Acts. On the basis of the injunction, the willful violations and respondents' consent, the Commission revoked registrant's registration and found each of the partners a cause of the revocation.[2]

**Theodore A. Landau, doing business as Landau Company, and Scott Taylor & Co., Inc.**—The registrations of both firms were revoked because of manipulative practices in the sale of Anaconda Lead & Silver Company stock. Scott Taylor, before acquiring a large block of Anaconda stock from Landau and proceeding to a retail distribution, had asked Landau to insert quotations for the stock in the daily sheets of the National Quotation Bureau, Inc. In March and April 1959, blocks of stock of Anaconda, which had been an inactive company since 1952, were sold at 15 cents and 20 cents per share. Landau inserted bids, generally at $4.25 per share, in the daily sheets from April to mid-August 1959, and Scott Taylor made a distribution of the Anaconda shares in at least 29 states. The Commission found that Scott Taylor represented that the stock was being offered at the market when in fact the market was one made and controlled by Scott Taylor or by Landau. The Commission further found that Scott Taylor violated Rule 10b–6 under the Exchange Act by placing bids for the stock through an intermediary while distributing it. Sales were made by Scott Taylor through long distance telephone solicitations in which purchasers were not informed that Anaconda had been inactive since 1952, and that it had no income, machinery or equipment and practically no funds. Scott Taylor and Stephen N. Stevens, its president, consented to revocation of Scott Taylor's registration and a finding that Stevens was a cause of the revocation, based on the market manipulation and on false and misleading statements made in the sale of the stock. Landau's registration was revoked because of his participation in creating a false impression of market activity in the stock and he was also held responsible for Scott Taylor's acts in furtherance of the fraudulent enterprise.[3]

**Aldrich, Scott & Co., Inc.**—In this proceeding, the registrant and Edward L. Benedict, Jr., who owned 80 percent of its stock and was its

[2] Securities Exchange Act Release No. 6684 (Dec. 15, 1961).
[3] Securities Exchange Act Release No. 6792 (April 30, 1962).

president at the time, admitted violations of the anti-fraud provisions of the Securities Acts and of the Commission's net capital requirements and consented to revocation of registrant's registration and a finding that Benedict was a cause of such revocation. The principal issue was whether Walter Scott Aldrich, who was registrant's vice-president, secretary, and director and a 20 percent stockholder during the time of the violations, should also be found a cause. Aldrich contended, among other things, that he was inexperienced in the securities business and did not take an active part in registrant's business during this period. The Commission rejected his contention and found him a cause of registrant's revocation. It held that he was accountable for registrant's engaging in the securities business while insolvent and with a net capital deficiency, stating that a principal officer, director, and stockholder of a registered broker-dealer has at the least a duty to keep himself informed of the registrant's financial condition and to take those steps necessary to insure compliance with the Exchange Act.[4]

False and misleading statements made in the sale of securities in willful violation of the anti-fraud provisions of the Securities Acts were the bases for revocation of broker-dealer registrations in *Murray Securities Corporation*,[5] *Barclay Securities Corporation*,[6] *Lindsay Securities Corporation*,[7] *Hanover Securities Corporation* (formerly known as *Webster Securities Corporation*),[8] *Irving Kastner*,[9] *Biltmore Securities Corp.*,[10] *D. H. Victor & Company, Inc.*,[11] *Luther L. Bost*, doing business as *L. L. Bost Company*,[12] *Francis J. Brenek and Co., Inc.*,[13] *Jacwin & Costa*,[14] *Michael J. Bogan, Jr.*, doing business as *M. J. Bogan, Jr. & Co.*,[15] and for denial of registration in *Union Securities Corporation*.[16]

Willful violation of both the anti-fraud and securities registration provisions were the bases for revocation in *International Investments, Inc.*,[17] *Empire Underwriters Corporation, Inc.*,[18] *C. H. Abraham &*

[4] Securities Exchange Act Release No. 6597 (July 18, 1961).
[5] Securities Exchange Act Release No. 6635 (Sept. 22, 1961).
[6] Securities Exchange Act Release No. 6648 (Oct. 9, 1961).
[7] Securities Exchange Act Release No. 6649 (October 9, 1961).
[8] Securities Exchange Act Release No. 6659 (Oct. 25, 1961).
[9] Securities Exchange Act Release No. 6659 (Oct. 25, 1961).
[10] Securities Exchange Act Release No. 6673 (Nov. 24, 1961).
[11] Securities Exchange Act Release No. 6700 (Jan. 5, 1962).
[12] Securities Exchange Act Release No. 6703 (Jan. 8, 1962).
[13] Securities Exchange Act Release No. 6735 (Feb. 20, 1962).
[14] Securities Exchange Act Release No. 6788 (Apr. 24, 1962).
[15] Securities Exchange Act Release No. 6810 (May 23, 1962).
[16] Securities Exchange Act Release No. 6749 (May 23, 1962).
[17] Securities Exchange Act Release No. 6598 (July 18, 1961).
[18] Securities Exchange Act Release No. 6651 (Oct. 10, 1961).

*Co., Inc.*,[19] *A. G. Bellin Securities Corp.*, [20] *Phoenix Securities Corp.*,[21] *L. J. Mack & Company, Inc.*,[22] *Carlton Securities, Inc.*,[23] *Philip Newman Associates, Inc.*,[24] and *Allstate Securities, Inc.*[25] The registration of *D. Earle Hensley Co., Inc.*[26] was revoked because, among other things, registrant had engaged in the securities business before becoming registered as a broker-dealer, made misrepresentations in the sale of its stock, misappropriated customers' funds and securities, and was enjoined from various acts and practices.

Willful violation of the securities registration provisions was the principal basis for revocation in *Pauline Zipperman*, doing business as *German American Trading Company*,[27] and *Rockwell Securities Corporation*,[28] where the registrant had also been enjoined against further violations of such provisions.

The use of customers' funds or securities for registrant's own purposes, accompanied in most cases by willful violations of the Commission's net capital rule or the anti-fraud provisions of the securities acts by broker-dealers doing business while insolvent, were the causes of revocation in *Miller Smith & Co., Inc.*,[29] *Champion & Co., Inc.*,[30] and *Florida Underwriting and Securities Services Corp.*[31] The registration of *Dayton Company* [32] was revoked because it improperly hyopthecated customers' securities and in addition failed to disclose a controlling person in its registration application. Willful violation of the net capital requirements was a basis for revocation in *Lambert, M. W., Inc.*,[33] *H. S. Simmons & Co., Inc.*,[34] *Strand Investment Company*,[35] *Whitney & Company, Inc.*,[36] and *Auld & Co., Inc.*[37] In the last-named case, the registrant was also found to have made false statements in the financial statement filed with its registration application and in an annual financial report.

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[19] Securities Exchange Act Release No. 6652 (Oct. 10, 1961).
[20] Securities Exchange Act Release No. 6654 (Oct. 18, 1961).
[21] Securities Exchange Act Release No. 6657 (Oct. 25, 1961).
[22] Securities Exchange Act Release No. 6658 (Oct. 25, 1961).
[23] Securities Exchange Act Release No. 6661 (Oct. 31, 1961).
[24] Securities Exchange Act Release No. 6708 (Jan. 17, 1962).
[25] Securities Exchange Act Release No. 6733 (Feb. 14, 1962).
[26] Securities Exchange Act Release No. 6611 (Aug. 4, 1961).
[27] Securities Exchange Act Release No. 6804 (May 15, 1962).
[28] Securities Exchange Act Release No. 6751 (Mar. 9, 1962).
[29] Securities Exchange Act Release No. 6663 (Oct. 31, 1961).
[30] Securities Exchange Act Release No. 6687 (Dec. 26, 1961).
[31] Securities Exchange Act Release No. 6789 (Apr. 24, 1962).
[32] Securities Exchange Act Release No. 6616 (Aug. 17, 1961).
[33] Securities Exchange Act Release No. 6633 (Sept. 21, 1961).
[34] Securities Exchange Act Release No. 6662 (Oct. 1, 1961).
[35] Securities Exchange Act Release No. 6705 (Jan. 10, 1962).
[36] Securities Exchange Act Release No. 6787 (Apr. 24, 1962).
[37] Securities Exchange Act Release No. 6618 (Aug. 21, 1961).

Failure to file required financial reports, coupled in some instances with failure to amend the application for registration to reflect changes of names or business address, caused revocation of the broker-dealer registrations of *Robert Lee Long*,[38] *Howell, Kraft & Cummings, Inc.*,[39] *William Douglas Bradford*,[40] *Benjamin Brown Gilbert*, doing business as *Gilbert & Co.*,[41] and *William Conley Grafton*.[42] Registration was revoked or denied because of false and misleading statements in the application for registration or statements of financial condition supplemental thereto, and failure to correct them in subsequent amendments in *Long Island Securities Co., Inc.*,[43] and *Harry James Van Buskirk*, doing business as *Associated Loan Counsellors*.[44] Failure to maintain current and accurate books or to produce them for Commission inspection were among the grounds resulting in revocation in *Quinn, Neu & Co., Inc.*,[45] and *Vincent Associates, Ltd.*[46] Filing a misleading annual financial report was the basis for the revocation of the registration of *Norman Lemmons, Inc.*[47] Willful violations of Regulation T of the Board of Governors of the Federal Reserve System regulating the extension of credit by brokers and dealers were the basis for revocation in *Empire Securities Corporation*.[48] The registration of *Gibbs & Company* [49] was revoked on the basis of a permanent injunction against further violations of the anti-fraud and recordkeeping provisions of the securities acts and Regulation T.

**Suspension Proceedings**

Section 15(b) of the Securities Exchange Act authorizes the Commission to suspend a broker-dealer's registration pending final determination as to whether registration should be revoked. In order to suspend registration, the Commission must find, after notice and opportunity for a hearing, that suspension is necessary or appropriate in the public interest or for the protection of investors. The registrations of five broker-dealers were suspended during the past fiscal year after hearings at which the evidence revealed that they were engaging

[38] Securities Exchange Act Release No. 6602 (July 20, 1961).
[39] Securities Exchange Act Release No. 6599 (July 20, 1961).
[40] Securities Exchange Act Release No. 6603 (July 25, 1961).
[41] Securities Exchange Act Release No. 6603 (July 25, 1961).
[42] Securities Exchange Act Release No. 6616 (Aug. 17, 1961).
[43] Securities Exchange Act Release No. 6612 (Aug. 4, 1961).
[44] Securities Exchange Act Release No. 6612 (Aug. 4, 1961).
[45] Securities Exchange Act Release No. 6650 (Oct. 9, 1962).
[46] Securities Exchange Act Release No. 6806 (May 16, 1962).
[47] Securities Exchange Act Release No. 6725 (Feb. 7, 1962).
[48] Securities Exchange Act Release No. 6791 (Apr. 27, 1962).
[49] Securities Exchange Act Release No. 6717 (Jan. 29, 1962).

in serious misconduct.[50] To prevent further harm to investors the Commission determined that it was in the public interest to suspend those registrations pending determination of the question of revocation. The entry of a suspension order is not determinative of the ultimate questions of willful violations or revocation itself.

**Other Sanctions**

In one instance during the fiscal year the Commission suspended a registrant from membership in the National Association of Securities Dealers, Inc. for a period of 30 days.[51] In addition to revoking their registrations, the Commission also expelled the following broker-dealers from the NASD: *Barclay Securities Corporation*,[52] *C. H. Abraham & Co., Inc.*,[53] *D. H. Victor & Company, Inc.*,[54] *Luther L. Bost*, doing business as *L. L. Bost Company*,[55] and *Allstate Securities, Inc.*[56]

In *Cady, Roberts & Co.*,[57] the Commission suspended Robert M. Gintel, a partner of this New York Stock Exchange member, from the exchange for 20 days. Gintel had placed shares of Curtiss-Wright Corporation stock in the discretionary accounts of about 30 customers of registrant. On November 25, 1959, the Curtiss-Wright directors voted for a reduced dividend for the fourth quarter. A registered representative of Cady, Roberts, who was a director of Curtiss-Wright, called registrant's office with the news before the dividend reduction was made public on the exchange. Immediately on receiving this information Gintel entered two orders on the exchange, one to sell 2,000 shares of Curtiss-Wright for 10 customers' accounts, the other to sell 5,000 shares short for 11 accounts. These orders were executed on the exchange before news of the dividend cut appeared there on the Dow Jones Ticker Service. When the news was made public the exchange suspended trading in Curtiss-Wright stock because of the large number of sell orders and when trading resumed the price was approximately $3.75 per share lower.

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[50] *Alexander Reid & Co., Inc.*, Securities Exchange Act Release No. 6727 (Feb. 8, 1962); *Fred L. Carvalho*, doing business as *Capital Investment Co.*, Securities Exchange Act Release No. 6741 (Feb. 21, 1962); *Johnston & Co.*, Securities Exchange Act Release No. 6760 (Mar. 22, 1962); *Brown, Barton & Engel*, Securities Exchange Act Release No. 6821 (June 8, 1962); and *Smythe Bowers, Hilliard & Co., Inc.*, Securities Exchange Act Release No. 6831 (June 20, 1962). The U.S. Court of Appeals for the Third Circuit, subsequent to the end of the fiscal year, denied a motion of Brown, Barton & Engel to stay the effectiveness of the suspension order pending determination of an appeal from that order. (C.A. 3, Civil No. 14,080.)

[51] *Brown, Barton & Engel*, Securities Exchange Act Release No. 6751 (Mar. 9, 1962).

[52] Securities Exchange Act Release No. 6648 (Oct. 9, 1961).

[53] Securities Exchange Act Release No. 6652 (Oct. 10, 1961).

[54] Securities Exchange Act Release No. 6700 (Jan. 5, 1962).

[55] Securities Exchange Act Release No. 6703 (Jan. 8, 1962).

[56] Securities Exchange Act Release No. 6733 (Feb. 14, 1962).

[57] Securities Exchange Act Release No. 6668 (Nov. 8, 1961).

The Commission held that under the circumstances Gintel's conduct operated as a fraud and deceit upon the purchasers from his customers' accounts and constituted a willful violation of the anti-fraud provisions of the securities acts. It found that Gintel had the responsibility of an "insider" to disclose material facts which were known to him by virtue of his position but which were not known to persons with whom he dealt and which, if known, would have affected their investment judgment. The Commission said that the director of Curtiss-Wright who had informed Cady, Roberts of the dividend cut would have been prohibited from selling the securities without disclosure, and that by logical sequence Gintel, a partner of registrant, was also prohibited from selling without disclosure. Gintel argued that his sales after receiving news of the dividend action were part of a continuing program of liquidating the Curtiss-Wright holdings in his discretionary accounts and that he was carrying out a fiduciary responsibility to his customers. The Commission rejected these arguments. It found that Gintel's sales after receiving the news were in contrast to his previous moderate rate of sales of Curtiss-Wright stock; and that he allocated short sales to his wife's account and to the account of a customer with whom he had had no prior dealings. The Commission ruled that although Gintel occupied a fiduciary relationship to his customers, that relationship could not justify his use of inside information at the expense of the general public. With respect to the argument that a disclosure requirement applicable to exchange transactions would present substantial practical difficulties, the Commission stated that such problems are easily avoided where, as here, all the registered broker-dealer need do is to keep out of the market until the established procedures for public release of the information on the exchange are carried out. The Commission took no action against the registrant because it found that there was no evidence of a preconceived plan to "leak" the advance information, that Gintel had acted spontaneously, and that registrant had had no opportunity to prevent the transactions.

**Net Capital Rule**

The basic purpose of Rule 15c3–1, promulgated by the Commission under Section 15(c)(3) of the Exchange Act, is to safeguard funds and securities of customers dealing with registered broker-dealers. This rule, commonly known as the net capital rule, limits the amount of indebtedness which may be incurred by a broker-dealer in relation to its capital. It provides that the "aggregate indebtedness" of a broker-dealer may not exceed 20 times the amount of its "net capital" as computed under the rule.

If it appears from an examination of the reports filed by a registered broker-dealer with the Commission, or through inspection of its books and records, that the ratio is exceeded, the Commission normally notifies the broker-dealer of the deficiency and affords an opportunity for compliance. Unless the capital situation is promptly remedied, injunctive action may be taken by the Commission and in addition proceedings may be instituted to revoke the broker-dealer's registration. During the past fiscal year, violations of the net capital rule were charged in 25 injunctive actions and in 23 revocation proceedings instituted against broker-dealers.

Registered broker-dealers who participate in "firm commitment" underwritings must have sufficient capital to permit the participation provided by the underwriting contract without impairing the capital-debt ratio prescribed by the rule. For the protection of issuers and customers of the broker-dealer, the Commission's staff carefully analyzes the latest available information on the capital position of the participants to determine whether they will be in compliance with the rule upon assumption of the new obligations involved in the underwritings. Acceleration of the effective date of registration statements filed under the Securities Act will be denied where underwriting commitments may engender violations of the net capital rule by any participating underwriter. A participant found to be inadequately capitalized to take down his commitment is notified and given an opportunity to adjust his financial position to meet the requirements of the rule without reducing his commitments. If he is unable to meet such requirements, he must decrease his "firm commitment" until compliance with the rule is reached. If necessary he may have to withdraw from the underwriting or participate on a "best efforts" basis only.

**Financial Statements**

Rule 17a–5 under Section 17(a) of the Exchange Act requires registered broker-dealers to file annual reports of financial condition with the Commission. Such reports must be certified by a certified public accountant or public accountant who is in fact independent, with certain specified limited exemptions applicable to situations where certification does not appear necessary for customer protection. Under certain circumstances member firms of national securities exchanges are exempt from the necessity of certification and an exemption is available for a broker-dealer who, since his previous report, has limited his securities business to soliciting subscriptions as an agent for issuers, has transmitted funds and securities promptly, and has not otherwise held funds or securities for or owed monies or securities to customers. Also exempt is a broker or dealer who, from the date of

his last report, has confined his business to buying and selling evidences of indebtedness secured by liens on real estate and has carried no margin accounts, credit balances or securities for any customers.

After his registration, a broker-dealer's first financial report must reflect his condition as of a date between the end of the 1st and 5th months after the effecive date of the registration. All reports must be filed within 45 days after the date as of which the report speaks.

Through these reports the Commission and the public may evaluate the financial position and responsibility of broker-dealers. The financial report is one means by which the staff of the Commission determines whether the registrant is in compliance with the net capital rule. Failure to file the required reports may result in the institution of revocation proceedings. However, it is the policy of the Commission first to advise the broker-dealer of his obligations under the rule and to give him an opportunity to file the report.

During the fiscal year 5,228 reports of financial condition were filed with the Commission compared to the 1961 total of 5,060.

**Broker-Dealer Inspections**

Section 17(a) of the Exchange Act provides for regular and periodic inspections of registered broker-dealers. During the fiscal year the number of such inspections totaled 1,515. The inspection device is a most useful instrument in protecting investors and detecting violations of the Federal securities laws. The inspection, among other things, determines a broker-dealer's financial condition, reviews his pricing practices, evaluates the safeguards employed in handling customers' funds and securities, and determines whether adequate and accurate disclosures are made to customers.

The Commission's inspectors also determine whether brokers and dealers are keeping books and records as required by the Exchange Act and the Commission's rules thereunder and conforming to the margin and other requirements of Regulation T of the Federal Reserve Board. Inspectors also look for excessive trading or switching in customers' accounts. Inspectors frequently find evidence of the sale of unregistered securities or of fraudulent practices such as use of improper sales literature or sales techniques.

When inspections reveal that a broker-dealer is violating the statutes or rules, consideration is given to the type of violation and the effect on the public. The Commission does not take formal action as a result of every infraction discovered. Inspections frequently reveal inadvertent violations which are discovered before becoming serious and before customers' funds or securities are in danger. When no harm has come to the investing public the registrant is informed of the violations and advised to correct the improper practices. If

the violation appears to be willful and the public interest is best served by formal action against the broker-dealer, the Commission will institute appropriate proceedings.

The table below shows the types of infractions uncovered by the inspection program during the fiscal year:

| *Type* | *Number of brokers* |
|---|---|
| Financial difficulties | 204 |
| Hypothecation rules | 15 |
| Unreasonable prices in securities purchases and sales | 188 |
| Regulation T of the Federal Reserve Board | 181 |
| "Secret profit" | 6 |
| Confirmation and bookkeeping rules | 889 |
| Other | 315 |
| Total indicated violations | 1,798 |

The National Association of Securities Dealers, Inc., and the principal stock exchanges also conduct inspections of their members, and some states have inspection programs. Each inspecting agency conducts inspections in accordance with its own procedures and with particular reference to its own regulations and jurisdiction. Consequently, inspections by other agencies are not adequate substitutes for Commission inspections since they are not primarily concerned with the detection of violations of the Federal securities laws and the Commission's regulations. These other inspection programs, however, do afford added protection to the public. The Commission and certain other inspecting agencies coordinate their inspections to avoid duplication and to obtain the widest possible coverage of brokers and dealers. This program, however, does not prevent the Commission from inspecting any broker-dealer that has also been inspected by another agency, and such inspections are made whenever reason therefor exists. Agencies now participating in this coordination program include the New York Stock Exchange, the American Stock Exchange, the Boston Stock Exchange, the Midwest Stock Exchange, the Pacific Coast Stock Exchange, the Philadelphia-Baltimore Stock Exchange, the Pittsburgh Stock Exchange, and the National Association of Securities Dealers, Inc.

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

Section 15A of the Securities Exchange Act of 1934, known as the Maloney Act, provides for the registration with the Commission of national securities associations and establishes standards for such associations. The rules of such associations must be designed to promote just and equitable principles of trade, to prevent fraudulent and ma-

nipulative acts and practices and to meet other statutory requirements. Such associations are essentially disciplinary in purpose and serve as a medium for the cooperative self-regulation of over-the-counter brokers and dealers. They operate under the general supervision of this Commission which is authorized to review disciplinary actions and decisions which affect the membership of members, or of applicants for membership, and to consider all changes in their rules. The National Association of Securities Dealers, Inc. (NASD), is the only Association registered under the Act.

In adopting legislation permitting the formation and registration of such associations, Congress provided an incentive to membership by permitting such associations to adopt rules which preclude a member from dealing with a nonmember, except on the same terms and conditions as the member affords the investing public. The NASD has adopted such rules. Accordingly, membership is necessary to the profitable participation in underwritings and over-the-counter trading since members may properly grant price concessions, discounts and similar allowances only to other members. Loss or denial of membership due to expulsion or suspension or other ineligibility due to a statutory disqualification, or to failure to meet standards of qualification established in NASD rules, thus imposes a severe economic sanction.

Membership in the NASD reached an all time month-end high of 4,925 at June 30, 1962. During the year net membership increased by 314, as a result of 721 admissions to and 407 terminations of membership. At the same time there were registered with the NASD as registered representatives 102,405 individuals, also an all time month-end high, including generally all partners, officers, traders, salesmen, and other persons employed by or affiliated with member firms in capacities which involved their doing business directly with the public. The number of registered representatives increased by 8,365 during the year as a result of 25,510 initial registrations, 15,014 reregistrations and 32,159 terminations of registrations.

**NASD Disciplinary Actions**

The Commission receives from the NASD summaries of decisions in all disciplinary actions against members. Each such action must be based on allegations that a member has violated specified provisions of the NASD Rules of Fair Practice, although registered representatives of members and persons controlling or controlled by members may also be cited for having been the cause of a violation.

Where violations are found one or more of the available sanctions may be imposed. These include expulsion or suspension from membership, revocation or suspension of registration as a registered rep-

resentative, fine and censure. An individual may also be found to have been the cause of a violation and of the penalty imposed on another party for such violation. Such a cause finding can have far-reaching effects, particularly in the case of expulsion or suspension of a member from membership or suspension or revocation of registration as a registered representative. A person found to be a cause of suspension or expulsion from membership cannot be employed by any NASD member while such suspension expulsion is in effect, except with the approval of the Commission. Where an individual should have been, but was not, registered as a representative, a finding that the unregistered person was a cause of an effective expulsion, suspension or revocation acts as a disqualification from membership, or control of or by a member, just as if such a penalty had been imposed directly on the person found a cause. In many cases more than a single penalty may be imposed; thus, expulsion, suspension or revocation might be accompanied by a fine and/or censure. In cases where the penalty is a fine, censure is customarily added.

All decisions by district business conduct committees of the NASD are reviewable by the NASD board of governors on its own motion, or on the timely application of an aggrieved party. On review the board may affirm, modify, or reverse such decisions or remand them for further consideration.

During the year the Association reported to the Commission its final disposition of 411 disciplinary complaint actions against 368 different member firms and 196 registered representatives.[58] With respect to 49 members and 26 representatives, complaints were dismissed on the basis of findings that the allegations had not been sustained. Violations were found, and some penalty was imposed, with respect to 362 members and 170 representatives.

The maximum penalty of expulsion from membership was imposed in 47 decisions (one member being expelled in each of two decisions), and 9 members were suspended from membership for periods ranging from 15 days to 2 years. Fines ranging from $50 to $5,000 were imposed on members in 236 cases, including 6 in which members were suspended and 2 in which members were expelled. In 78 cases the only penalty was censure, although members subjected to fines were usually also censured.

Registered representatives found in violation of Association rules were also subjected to a wide variety of sanctions. The registrations of 74 representatives were revoked and 19 were suspended for periods ranging from 15 days to 2 years. Nine representatives were found to

[58] A total of 34 members was involved in 2 reported cases each; 3 were involved in 3; and 1 was involved in 4.

have been causes of penalties imposed on their firms. Fines ranging from $50 to $5,000 were imposed on 33 representatives, including 5 whose registrations were suspended and 9 whose registrations were revoked. Censure was the only penalty imposed on 49 representatives found in violation.

The NASD decisions during the year included 168 solely involving the NASD's so-called "free-riding" interpretation which states, in essence, that a member who fails to make a *bona fide* public offering of securities acquired for distribution is in violation of the NASD Rules of Fair Practice.[59] In 15 of these "free-riding" cases, the complaints were dismissed. With respect to the remainder, fines ranging from $50 to $4,000 were imposed on members in 110 cases, while censure was the only penalty in the other 43 cases. Registered representatives were named as respondents in only 9 "free-riding" cases. In 1 such case, 13 representatives were named, but the allegations as to them were dismissed, although the firm was fined. Eight representatives were fined amounts ranging from $500 to $5,000, and 6 of these were also suspended for periods ranging from 30 days to 6 months.

**Commission Review of NASD Action on Membership**

Section 15A(b) of the Act and the bylaws of the NASD provide that, except where the Commission finds it appropriate in the public interest to approve or direct to the contrary, no broker or dealer may be admitted to or continued in membership if he, or any controlling or controlled person, is under any of the several disabilities specified in the statute or the bylaws. By these provisions Commission approval is a condition to admission to or continuance in Association membership of any broker-dealer who, among other things, controls or is controlled by a person whose registration as a broker-dealer has been revoked or who has been and is suspended or expelled from Association membership or from a national securities exchange, or whose registration as a registered representative has been revoked by the NASD or who was found to have been a cause of such an effective order.

A Commission order approving or directing admission to or continuance in Association membership, notwithstanding a disqualification under Section 15A(b)(4) of the Act, or under an effective Association rule adopted under that Section or Section 15A(b)(3), is generally entered only after the matter has been submitted initially to the Association by the member or applicant for membership. Where, after consideration, the Association is favorably inclined, it ordinarily files with the Commission an application on behalf of the petitioner. A

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[59] See *First California Company, infra*, p. 78.

broker-dealer, however, may file an application directly with the Commission either with or without Association sponsorship. The Commission reviews the record and documents filed in support of the application and, where appropriate, obtains additional relevant and pertinent evidence. At the beginning of the fiscal year 3 such petitions were pending before the Commission. During the year 6 petitions were filed; decisions were issued in 8 cases; and 1 petition was pending at the year end.

The Commission found it appropriate in the public interest to approve 6 petitions for continuance in Association membership notwithstanding employment of a disqualified person.[60] In 2 other decisions the Commission by order remanded the applications to the Association for reconsideration.

In remanding to the NASD, for further consideration, an application by the Association for approval of the continuance of a firm in membership while employing *N. Sims Organ*, the Commission stated, in an opinion written by Chairman Cary, that such an application "must be weighed in the light of our basic objective of raising standards in the securities industry."

In March 1961, the Commission had revoked the broker-dealer registration of a firm of which Organ was president, because of Organ's "fraudulent conduct" in the sale of Continental Mining Exploration stock in 1958, while he was employed by J. H. Lederer Co., Inc., whose registration had been revoked in December 1958. Organ had represented, among other things, that the Continental stock would be a "tremendous money-maker" without disclosing that the company had suffered some $584,000 of losses. In addition to this prior violation of the Federal securities laws, the Commission took official notice of the fact that in March 1952, the Ontario Securities Commission had cancelled Organ's registration as a securities salesman in Canada. In that proceeding, Organ, in direct contradiction of the other evidence developed, had testified under oath that he did not make sales across the border to U.S. investors, and the Chairman of the Ontario Commission had stated, ". . . his attempt to mislead the Commission when under oath, fairly indicates the type of representations he would resort to over the telephone, when there is little risk, if any, of his being held accountable for his actions."

In applying for approval of Organ's employment by the member firm in question, the NASD took into consideration the fact (among others) that he would be subject to effective supervisory controls by

[60] Securities Exchange Act Releases Nos. 6604 (July 26, 1961); 6610 (August 2, 1961); 6707 (January 11, 1962); 6766 (March 27, 1962); 6783 (April 18, 1962); and 6805 (May 15, 1962).

the new employer. In view of the basic objective of improving standards, the Commission asked: "Would approval now give proper recognition to the nature of his violations? If standards are to be raised, can fraud once painfully established through extended proceedings be so swiftly ignored?" In remanding this case, the Commission stated that there should be a "penetrating review" of the employee's history by the prospective employer, the NASD and the Commission, and that the nature and activities of the firms with which he was associated could properly be taken into account in evaluating his training, experience and character.[61]

The other remanded case concerned an application filed by the Association seeking approval of the continuance of a member firm in NASD membership while employing *Edgar R. D'Abre* as a controlled person.

D'Abre's registration with the NASD as a registered representative of another firm was revoked by the NASD in March 1961, because of certain irregularities, including "free-riding" and the "manufacture" of fictitious accounts and records in an effort to deceive his former employer and to conceal violations of NASD rules. "If we accept, as the NASD apparently did," the Commission stated, "the correctness of the original findings of the District Business Conduct Committee, it would follow that, insofar as the records reveal, D'Abre has never been candid with his former employer, his prospective employer, or the NASD. A securities firm must rely to a considerable extent on the willingness of responsible employees to disclose their activities accurately and forthrightly, if it is to properly discharge its important responsibilities of supervision. If D'Abre is unwilling to make such disclosures, even now, then it would appear doubtful that he fully appreciates the professional obligations to his employer and to the public that further participation in the securities field entails. If so, the necessary finding that it is in the 'public interest' to approve the continuance of a firm in membership with D'Abre as a controlled person can hardly be made. A much different record than the one now before us will be needed to warrant approval of the application." [62]

**Commission Review of NASD Disciplinary Action**

Section 15A(g) of the Act provides that disciplinary actions by the NASD are subject to review by the Commission on its own motion or on the timely application of any aggrieved person. This section also provides that the effectiveness of any penalty imposed by the NASD is automatically stayed pending determination in any matter which

[61] Securities Exchange Act Release No. 6798 (May 4, 1962).
[62] Securities Exchange Act Release No. 6817 (June 8, 1962).

comes before the Commission for review. Section 15A(h) of the Act defines the scope of the Commission's review in proceedings to review disciplinary action of the NASD. If the Commission finds that the disciplined person engaged in such acts or practices, or has omitted such acts, as found by the NASD and that such acts, practices, or omission to act are in violation of such rules of the Association as have been designated in the determination, and that such conduct was inconsistent with just and equitable principles of trade, the Commission must dismiss such proceedings unless it finds that the penalties imposed are excessive or oppressive, having due regard to the public interest, in which case the Commission must, by order, cancel or reduce the penalties. At the beginning of the fiscal year 15 such review cases were pending before the Commission. During the year 9 additional such petitions were filed, and decisions were issued in 9 cases, certain of which are discussed below, leaving 15 petitions pending at the year end.

The Commission sustained disciplinary action by the NASD against *First California Company*. The NASD had found that First California had violated the Rules of Fair Practice, in that it had failed to make a *bona fide* public offering of shares of stock which it had acquired as a member of a selling group participating in a distribution of such stock. The NASD had fined the company $500 and assessed costs of $41.89 against it.

The basic facts, which were not in dispute, showed that First California, as a selling group member participating in a public offering of Permanent Filter Corporation stock at $15 per share, was allotted 1,500 shares on May 7, 1959, and on that day sold 400 shares at the $15 offering price to its Employees Profit-Sharing Retirement Plan, an account in which its officers and employees had a beneficial interest. The stock was quoted on May 7 at 19 to 19½ and on the following day the high bid was 20½. Thus, on the basis of the low bid on May 7, there was a potential profit on the 400 shares of $1,600 exclusive of the price concession to members of the selling group. The shares were held in the account until August 10, when they were sold at prices of 15½ and 15¾, representing a profit to the Plan of $22.50.

The NASD rested its determination that its rules were violated solely on its finding that the amount of stock sold to the Plan, representing 26.6 percent of the 1,500-share allotment, was disproportionate to that sold to public investors. Thus, the sale was held to be in violation of the NASD's published interpretation with respect to "free-riding and withholding" in connection with public distributions of securities. This announced interpretation was to the effect that a member is obligated to make a *bona fide* public offering of securities

acquired for distribution and that, among other things, sales to insiders, including accounts in which the member or its officers have an interest, in excess of their normal investment practice (unless otherwise provided in a prospectus), or withholding or refraining from making a public offering of all or any part of its participation to make an extra profit, are contrary to high standards of commercial honor and just and equitable principles of trade. With respect particularly to a practice of sales to such accounts primarily of new issues at a time when they are being quoted or sold above the offering price (so-called "hot issues"), and therefore may be resold at a profit, the NASD had pointed out that such a practice is questionable and should be the subject of careful consideration. A March 1959 clarification of the policy stated: ". . . it becomes apparent that allotments of a member's participation in a 'hot issue' to insider accounts (bona fide investments or other) in disproportionate amounts, as opposed to allotments to the public, would hardly indicate a genuine effort to sell such participation to public investors. Consideration should be given to the *fairness* of such ratios in the fulfillment of the member's obligation as a participant."

In its decision, representing its first ruling on the NASD's interpretation with respect to "free-riding" in connection with the distribution of a "hot issue," the Commission expressed agreement with the NASD position that the basic requirement under the NASD's "free-riding" interpretation that a *bona fide* public offering be made is violated, regardless of the investment history or normal investment practice of an insider account, if a sale of a "hot issue" is made to such an account in an amount which is disproportionate in comparison with the amount being offered to the public by the member. The effect of such withholding, the Commission observed, is "not only to give to the insiders the opportunity for a profit on the shares withheld, which appears highly likely under the circumstances, and thereby deprive public investors of such opportunity, but also to restrict the supply and tend to raise the market price further and enable the insiders to realize an increased profit upon subsequent sale of the shares retained by them."

The Commission concluded that the NASD properly found that the sale by First California to its own Plan account of 26.6 percent of its allotment of Permanent Filter stock, at a time when the offering price of these shares was at least $1,600 less than the contemporaneous market price, was disproportionate in relation to the amount sold to public investors, and that the NASD rules had been violated.[63] It

[63] Securities Exchange Act Release No. 6586 (July 6, 1961).

also found that the penalty imposed by the Association was not excessive or oppressive.

The Commission sustained an order of the Association which suspended for 12 months the registration of *Leonard H. Zigman* as a registered representative. Zigman had appealed the action of the NASD, which found that he had engaged in a "serious breach" of his obligations to his employer and as a securities salesman, and that his conduct was inconsistent with just and equitable principles of trade. The violation of NASD rules involved the maintenance by Zigman of an account with his employer in a fictitious name so as to conceal its true identity and on two occasions allocating to such account portions of the employer's participation in public offerings being quoted at above the offering price and immediately thereafter disposing of the shares at a profit. The Commission rejected Zigman's explanation of his conduct as an "implausible excuse" and sustained the 12-month suspension as not excessive or oppressive.[64]

[64] Securities Exchange Act Release No. 6701 (January 5, 1962).

## PART VI

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

In administering the Public Utility Holding Company Act of 1935 the Commission regulates interstate public-utility holding company systems engaged in the electric utility business and/or in the retail distribution of gas. The Commission's jurisdiction also extends to natural gas pipeline companies and other nonutility companies which are subsidiaries of registered holding companies. Although the matters under the Act dealt with by the Commission and its staff embrace a variety of intricate and complex questions of law and fact generally involving more than one area of regulation, briefly there are three principal regulatory areas. The first covers those provisions of the Act, contained principally in Section 11(b)(1), which require the physical integration of public utility companies and functionally related properties of holding company systems and those provisions, contained principally in Section 11(b)(2), which require the simplification of intercorporate relationships and financial structures of holding company systems. The second covers the financing operations of registered holding companies and their subsidiaries, the acquisition and disposition of securities and properties, and certain accounting practices, servicing arrangements and intercompany transactions. The third includes the exemptive provisions of the Act, the provisions covering the status under the Act of persons and companies, and those regulating the right of a person affiliated with a public utility company to acquire securities resulting in a second such affiliation. Matters embraced within this area of regulation frequently come before the Commission and its staff. Many such matters do not result in formal proceedings and others are reflected in such proceedings only in an indirect manner when they are related to issues principally under one of the other areas of regulation.

The Branch of Public Utility Regulation of the Commission's Division of Corporate Regulation performs the principal functions under the Act. It observes and examines problems which arise in



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connection with transactions which are or may be subject to regulation under the Act and discusses such problems with interested persons and companies and advises them as to the applicable sections of the Act, the rules thereunder and Commission policy with respect thereto. Questions are raised with and problems are presented to the staff daily. These include questions raised by security holders and problems presented by companies contemplating transactions requiring the filing of an application or declaration, particularly financing operations and the acquisition and disposition of securities and properties. This day-to-day activity includes prefiling discussions and conferences, in person and by telephone, with company representatives and with other persons where the matter under consideration affects their interest. Members of the staff of this Division actively participate in hearings and often aid the Commission in the preparation of its decision on a particular matter. The staff continually reexamines the status of exempt companies, examines the annual reports filed with the Commission and those sent to stockholders and must keep abreast of new technical developments in the electric and gas industry, including the use of atomic energy as a source of power.

## COMPOSITION OF REGISTERED HOLDING COMPANY SYSTEMS

At the close of the fiscal year there were 25 holding companies registered under the Act. Of these, 19 are included in the 17 remaining active registered holding company systems, two of which each have one subsidiary holding company.[1] In these 17 active systems, there are 90 electric and/or gas utility subsidiaries, 40 nonutility subsidiaries and 13 inactive companies, totaling 162 system companies. The following table shows the number of holding companies, the number of subsidiaries, classified as utility, nonutility and inactive, in each of the active systems as of June 30, 1962, and their aggregate assets, less valuation reserves, as of December 31, 1961, which amounted to $11,788,576,000:

[1] Registered holding companies excluded from the active list are: C. E. Burlingame Corp.; Colonial Utilities Corp.; British American Utilities Corp.; Kinzua Oil & Gas Corp. and its subholding company, Northwestern Pennsylvania Gas Corp.; and Standard Gas & Electric Co.

*Classification of companies as of June 30, 1962*

| System | Solely registered holding companies | Registered holding-operating companies | Electric and/or gas utility subsidiaries | Nonutility subsidiaries | Inactive companies | Total companies | Aggregate system assets, less valuation reserves at Dec. 31, 1961[1] (thousands) |
|---|---|---|---|---|---|---|---|
| 1. Allegheny Power System, Inc. | 1 | 1 | 13 | 5 | 2 | 22 | $604,07( |
| 2. American Electric Power Co., Inc. | 1 | 0 | 12 | 8 | 2 | 23 | 1,561,11( |
| 3. American Natural Gas Co. | 1 | 0 | 2 | 5 | 0 | 8 | 905,714 |
| 4. Central and South West Corp. | 1 | 1 | 4 | 1 | 1 | 8 | 767,081 |
| 5. Columbia Gas System, Inc., The | 1 | 0 | 11 | 8 | 2 | 22 | 1,287,32( |
| 6. Consolidated Natural Gas Co. | 1 | 0 | 4 | 3 | 0 | 8 | 812,184 |
| 7. Delaware Power & Light Co. | 0 | 1 | 2 | 0 | 0 | 3 | 210,494 |
| 8. Eastern Utilities Associates | 1 | 0 | 5 | 0 | 2 | 8 | 112,764 |
| 9. General Public Utilities Corp. | 1 | 0 | 6 | 3 | 0 | 10 | 986,456 |
| 10. Granite City Generating Co. (Voting Trustees) | 1 | 0 | 0 | 0 | 0 | 1 | [2] 397 |
| 11. Middle South Utilities, Inc. | 1 | 0 | 5 | 0 | 3 | 9 | 828,204 |
| 12. National Fuel Gas Co. | 1 | 0 | 4 | 5 | 0 | 10 | 224,268 |
| 13. New England Electric System | 1 | 0 | 17 | 1 | 0 | 19 | 650,571 |
| 14. Ohio Edison Co. | 0 | 1 | 3 | 0 | 0 | 4 | 706,753 |
| 15. Philadelphia Electric Power Co. | 0 | 1 | 1 | 0 | 1 | 3 | 39,385 |
| 16. Southern Co., The | 1 | 0 | 5 | 2 | 0 | 8 | 1,497,313 |
| 17. Utah Power & Light Co. | 0 | 1 | 2 | 0 | 0 | 3 | 270,280 |
| Subtotals | 13 | 6 | 96 | 41 | 13 | 169 | 11,464,370 |
| Less: Adjustment to eliminate duplication in count resulting from 3 companies being subsidiaries in 2 systems and 2 companies being subsidiaries in 3 systems.[3] | 0 | 0 | −6 | −1 | 0 | −7 | |
| Add: Adjustment to include the assets of these 5 jointly owned subsidiaries and to remove the parent companies' investments therein which are included in the system assets above | | | | | | | 324,206 |
| Total companies and assets in active systems | 13 | 6 | 90 | 40 | 13 | 162 | 11,788,576 |

[1] Represents the consolidated assets, less valuation reserves, of each system as reported to the Commission on Form U5S for the year 1961, except as otherwise noted.

[2] Represents total net assets, as of March 1, 1962, after deducting estimated reserves for miscellaneous fees and expenses in connection with proposed liquidation of the voting trust.

[3] These 5 companies are Beech Bottom Power Co., Inc. and Windsor Power House Coal Co., which are indirect subsidiaries of American Electric Power Co., Inc. and Allegheny Power System, Inc.; Ohio Valley Electric Corp. and its subsidiary, Indiana-Kentucky Electric Corp. which are owned 37.8 percent by American Electric Power Co., Inc., 16.5 percent by Ohio Edison Co., 12.5 percent by Allegheny Power System, Inc., and 33.2 percent by other companies; and The Arklahoma Corp., which is owned 32 percent by Central and South West Corp. System, 34 percent by Middle South Utilities, Inc. system and 34 percent by an electric utility company not associated with a registered system.

The largest number of companies subject to the Act as components of registered holding company systems at any one time was 1,620 in 1938. Altogether 2,419 companies have been subject to the Act as registered holding companies or subsidiaries thereof at one time or another during the period from June 15, 1938, to June 30, 1962. Included in this total were 223 holding companies (holding companies and holding-operating companies), 1,040 electric and/or gas utility companies, and 1,156 nonutility enterprises. From June 15, 1938, to June 30, 1962, a total of 2,235 of these companies have been released from the regulatory jurisdiction of the Act or have ceased to exist as separate corporate entities. Of the remaining 184 companies, 162

are members of the 17 active systems listed in the table above, and 22 are members of systems excluded from the active list.

Of the above-mentioned 2,235 companies, 928 with assets aggregating approximately $13 billion at their respective dates of divestment have been divested by their respective parents and are no longer subject to the Act as components of registered systems. The balance of 1,307 companies consists of 793 which were released from the regulatory jurisdiction of the Act as a result of dissolutions, mergers and consolidations and 514 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 or orders pursuant to Section 5(d) of the Act finding that such companies had ceased to be holding companies.

## SECTION 11 MATTERS AND OTHER SIGNIFICANT DEVELOPMENTS IN ACTIVE REGISTERED HOLDING COMPANY SYSTEMS

### Section 11 Matters

At the close of fiscal year 1961, there was pending before the Commission a plan filed by Middle South Utilities, Inc. under Section 11(e) providing for the exchange of its common stock for the 3.18 percent publicly held shares of common stock of New Orleans Public Service Inc., a public utility subsidiary of Middle South. The plan provided for the exchange of each share of common stock of New Orleans for 2¾ shares of common stock of Middle South. During the current fiscal year the Commission approved the plan and it was ordered enforced and carried out by a Federal Court.[2]

Also at the close of the previous fiscal year there was pending before the Commission a plan filed by National Fuel Gas Co. for the elimination of the 5.95% minority interest in its subsidiary, Pennsylvania Gas Company. On February 19, 1962, the Commission approved the plan,[3] and in April 1962, an order was entered by a Federal court enforcing the plan.[4]

During this fiscal year Granite City Generating Company (Voting Trustees) filed a plan under Section 11(e) of the Act with respect to distribution of the cash remaining from the sale of Granite City's assets, after retirement of mortgage bonds. The plan proposed that, after the payment of fees of the Voting Trustees and all liquidating and other expenses, the balance would be distributed to the holders of the voting trust certificates of the electric utility company. Subsequent to the close of the fiscal year, the Commission approved the plan [5] and in December 1962 it was ordered enforced and carried out

[2] Holding Company Act Release No. 14533 (October 19, 1961), enforced by order of District Court, E.D. La., December 1, 1961 (Civ. No. 11646).

[3] Holding Company Act Release No. 14575.

[4] W.D. Pa., Civ. No. 62–140.

[5] Holding Company Act Release No. 14739 (November 5, 1962).

by a Federal court.[6] Prior proceedings in this matter are reported at page 110 of the 27th Annual Report.

During the fiscal year C. E. Burlingame Corporation, a registered holding company, filed a plan of dissolution purusant to Section 11(e) of the Act. Subsequent to the close of the fiscal year, the Commission approved the plan and issued an order under Section 5(d) declaring that Burlingame would cease to be a holding company and that its registration would no longer be in effect upon the consummation of specified transactions.[7]

Just before the close of the fiscal year, Eastern Utilities Associates filed Step 2 of a Section 11(e) plan which contemplates the sale of the common stock of Valley Gas Co. to the public common stockholders of Blackstone Gas & Electric Co. and the shareholders of Eastern Utilities Associates. This is the final step to be taken to divest the gas properties from the System. Prior proceedings are discussed at page 109 of the 27th Annual Report.

On February 20, 1958, the Commission issued its Findings, Opinion and Order pursuant to Section 11(b)(1) permitting the retention of all of the New England Electric System's electric properties.[8] Jurisdiction was reserved to consider at later hearings the retainability of the gas properties. During the present fiscal year briefs were filed and exchanged by New England Electric System and the Commission's Division of Corporate Regulation. Oral argument was heard by the Commission on June 12, 1962, and at the close of the fiscal year the matter was under advisement.

There exists a problem under Section 11(b)(1) in the Middle South Utilities system relating to the retainability of gas and transportation properties together with electric properties by New Orleans Public Service Inc. On March 21 and 22, 1962, two bills were introduced in the Congress (H.R. 10872 and H.R. 10898, 87th Cong., 2d Sess.) which provided generally that no law of the United States shall be held to require or to authorize any department or agency of the Federal Government to require New Orleans Public Service Inc. to divest itself of control of, or any interests in, its facilities for the transportation of passengers and the distribution of gas in the City of New Orleans. No action was taken on these bills by the Congress and no proceedings have been instituted by the Commission.[9]

On December 20, 1961, the Commission issued its order approving a substantial number of the fees and expenses incurred in connection

[6] S.D. Ill. Civil Action No. 3234.

[7] Holding Company Act Release No. 14676 (July 30, 1962).

[8] 38 S.E.C. 193.

[9] No further action was taken during this fiscal year with respect to certain Section 11(b) problems of several other registered holding company systems noted at pages 104, 105 and 108 of the 27th Annual Report.

with a Section 11(d) proceeding resulting in approval of a plan requiring the elimination of the minority interest in Arkansas Fuel Oil Corporation, a subsidiary of Cities Service Co.[10] Hearings were held with respect to the remaining fees and expenses, briefs were filed, and the Commission heard oral argument. At the close of the fiscal year, the matter was under advisement.

The Commission has held with court approval that the existence of a public minority interest in the common stock of a subsidiary of an integrated registered public utility holding company system constitutes an inequitable distribution of voting power within the meaning of Section 11(b)(2). Such minority interests have been eliminated in several systems by plans filed under Section 11(e). There still remain several systems where minority interests exist as to which no proceedings have been instituted by the Commission or proposed by holding company systems. These include one or more subsidiaries of Allegheny Power System, Columbia Gas System and Eastern Utilities Associates. New England Electric System has minority interests in several of its gas utility subsidiaries. As noted above, the retainability of the gas properties is under advisement by the Commission.

**Other Developments**

Reargument was heard on January 9, 1962 on an application by Union Electric Company for exemption from the Holding Company Act pursuant to Section 3(a)(2), and on April 2, 1962, the Commission issued its Findings, Opinion and Order granting the application.[11]

On January 3, 1962, the Commission approved the proposed acquisition by General Public Utilities of $52,500,000 face amount of letters of credit issued through a group of banks as consideration for the sale by that company of its entire holdings of securities in Manila Electric Company to Philippine private interests.[12] As a result, the operations of the General Public Utilities are now confined to the States of Pennsylvania and New Jersey.

On April 2, 1962, New England Electric System filed a declaration regarding the issuance and sale of 872,786 of its common shares pursuant to a rights offering on the basis of one new share for each 15

[10] Holding Company Act Release No. 14551. For the previous history of the proceeding, see the Commission's 27th Annual Report, page 107, and the 26th Annual Report at pages 134–135.

[11] Holding Company Act Release No. 14615.

[12] Holding Company Act Release No. 14566.

shares held. It proposed that bids be invited pursuant to Rule 50 promulgated under the Act for standby compensation during the subscription period. The Commission permitted the declaration to become effective,[13] and bids were invited, the subscription price being set at $21 a share. A bid was submitted for standby compensation of $1,658,293 or $1.90 per share to purchase the unsubscribed shares at the subscription price. The company rejected the bid and filed an amended declaration proposing to proceed with the rights offering at the same subscription price but without any underwriting, which the Commission authorized.[14] Subscriptions were received for 612,440 of the 872,786 shares offered, or approximately 70%. On August 1, 1962, a further amendment proposing to offer the remaining 260,346 shares to the public at competitive bidding was filed and was approved by the Commission.[15] Under this proposal 4 bids were received, the highest bid specifying a price of $22.97 to the company and an offering price to the public of $23.50 per share. The company accepted this bid and thereby completed the marketing of the offering.

## FINANCING OF ACTIVE REGISTERED PUBLIC UTILITY HOLDING COMPANIES AND THEIR SUBSIDIARIES

During the fiscal year 1962, 11 of the active registered holding company systems issued and sold for cash, by public distribution or directly to stockholders, 17 issues of long-term debt and capital stocks aggregating $295 million[16] pursuant to authorizations granted by the Commission under Sections 6 and 7 of the Act.[17] All of the financing in 1962 was for the purpose of raising additional capital, except that in one case a portion of the funds obtained was used to refund a $3 million issue of preferred stock having a higher dividend rate.

The following table shows the amounts and types of securities issued and sold by registered holding companies and their subsidiaries during 1962:

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[13] Holding Company Act Release No. 14639 (May 16, 1962).

[14] Holding Company Act Release No. 14653 (June 14, 1962).

[15] Holding Company Act Release No. 14679 (August 3, 1962).

[16] Dollar amounts of all securities are computed at gross proceeds (the amounts paid for the securities by investors).

[17] The systems which did not sell stock or long-term debt securities to the public are: Central & South West Corp.; Delaware Power & Light Co.; General Public Utilities Corp.; Granite City Generating Co.; National Fuel Gas Co.; Ohio Edison Co.; and Philadelphia Electric Power Co.

*Securities issued and sold for cash to the public and financial institutions by active registered holding companies and their subsidiaries, fiscal year 1962*

[In millions]

| Holding company system | Bonds | Debentures | Preferred stock | Common stock |
|---|---|---|---|---|
| Allegheny Power System, Inc.: West Penn Power Co | $30 | | | |
| American Electric Power Co., Inc.: Appalachian Power Co | 25 | $20 | | |
| American Natural Gas Co.: Milwaukee Gas Light Co | 15 | | | |
| Columbia Gas System, Inc | | 25 | | |
| Consolidated Natural Gas Co | | 25 | | |
| Eastern Utilities Associates: Brockton Edison Co | | | $4 | |
| Middle South Utilities, Inc.: New Orleans Public Service Inc | 8 | | | |
| New England Electric System: New England Power Co | 20 | | | $18 |
| Southern Co., The: Alabama Power Co | 17 | | | |
| Georgia Power Co | 10 | | 7 | |
| Mississippi Power Co | 6 | | | |
| Union Electric Co.[a] | 30 | | | |
| Utah Power & Light Co | 23 | | 12 | |
| Total | 184 | 70 | 23 | 18 |

[a] These securities were sold on July 25, 1961, at which time Union Electric Co. was subject to the Act as a registered holding company. On Apr. 2, 1962, the Commission granted the company an exemption from the provisions of the Act pursuant to Section 3(a)(2) thereof. Holding Company Act Release No. 14615.

The table does not include securities issued and sold by subsidiaries to their respective parent holding companies, issuance of short-term notes to banks, portfolio sales by any of the system companies, or securities issued for stock or assets of non-affiliated companies. These issuances and sales also required authorization by the Commission except in the case of the issuance of notes having a maturity of less than 9 months where the aggregate amount does not exceed 5% of the total capitalization of the company. The issuance of such securities is exempt by the provisions of Section 6(b) of the Act.

**Competitive Bidding**

All of the 17 issues of securities sold for cash in 1962, as shown in the preceding table, were offered for competitive bidding pursuant to the requirements of Rule 50 promulgated under the Act, although one of such issues ultimately was sold by other means.[18]

As described at pages 109–110 of the 27th Annual Report, Valley Gas Company was organized for the purpose of acquiring and operating the gas properties formerly owned by Blackstone Valley Gas and Electric Company, a subsidiary of Eastern Utilities Associates, a registered holding company. In payment for the gas properties, Valley issued $4.5 million of its first mortgage bonds and $1.5 million of its long-term promissory notes to Blackstone. At that time the Commission granted an exception from the competitive bidding

[18] This one issue was that of the common shares of New England Electric System as to which see page 86–87, *supra*.

requirements of Rule 50 with respect to any subsequent sale by Blackstone of the first mortgage bonds and long term notes of Valley and reserved jurisdiction with respect to the prices to be received and the other terms and provisions of the first mortgage bonds and long-term promissory notes of Valley.[19] During fiscal year 1962, the Commission released the jurisdiction formerly reserved and the securities were sold to institutional investors.[20]

During the period from May 7, 1941, the effective date of Rule 50, to June 30, 1962, a total of 839 issues of securities with aggregate sales value of $12,300 million were sold at competitive bidding under the rule. These totals compare with 231 issues of securities with an aggregate sales value of $2,371 million which have been sold pursuant to orders of the Commission granting exceptions from the competitive bidding requirements of the rule under paragraph (a)(5) thereof.[21] Of the total amount of securities sold pursuant to orders granting exceptions under this paragraph, 126 issues with total sales value of $1,888 million were sold by the issuer and the balance of 105 issues with a value of $483 million were portfolio sales. Of the 126 issues sold by issuers, 70 were in amounts of from $1 million to $5 million and 2 bond issues were in excess of $100 million each.[22]

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

Statements of policy were adopted by the Commission in 1956, codifying the standards to which provisions covering first mortgage bonds and preferred stocks issued under the Act must conform for the protection of investors in such securities.[23] Prior to 1956 these standards had been established by the Commission on a case-by-case basis. In passing upon the issuance of first mortgage bonds and preferred stocks under the Act, the Commission examines the applicable mortgage indentures and charter provisions to insure a continuing substantial conformity with the codified standards of the respective statements of policy. Such conformity has been uniformly required except where, in particular circumstances, deviations from the statements of policy are clearly justified.[24]

[19] Holding Company Act Release No. 14266 (Aug. 10, 1960).

[20] Holding Company Act Release No. 14485 (July 24, 1961).

[21] Paragraph (a)(5) of Rule 50 provides for exception from the competitive bidding requirements of the rule where the Commission finds such bidding is not necessary or appropriate under the particular circumstances of the individual case.

[22] Ohio Valley Electric Corp., a $360 million issue of bonds, and United Gas Corp., a $116 million issue.

[23] Holding Company Act Releases Nos. 13105 (Feb. 16, 1956) and 13106 (Feb. 16, 1956) as to first mortgage bonds and preferred stocks, respectively.

[24] The application of the statements of policy to filings through June 30, 1961, is discussed in the 23d, 24th, 25th, 26th and 27th Annual Reports at pp. 141–143, 128–131, 137–141, 148–151 and 123–126, respectively.

During the fiscal year, applications or declarations were filed by public utility companies subject to the Act with respect to nine first mortgage bond issues involving an aggregate principal amount of $153,000,000, and three preferred stock issues with a total par value of $23,000,000.

The statement of policy with respect to first mortgage bonds requires, among other things, that dividends or other distributions to common stockholders be limited so as to preserve an "equity cushion" beneath the claims of the bondholders. This requirement was adequately provided for in the existing indentures covering three of the nine bond issues filed by public utility companies. In the other six bond issues, additional restrictions were required, and were provided for either at the issuers' initiative or as a result of informal discussions between the Commission's staff and representatives of the issuer.

Since the bulk of bondholders' security consists of mortgaged depreciable plant and equipment, the statement of policy for bonds also requires the periodic renewal and replacement of such property so as to preserve the book value of the underlying security. This requirement, in substance, obligates the issuing company to provide for new property additions (or, alternatively, to deposit cash or outstanding bonds with the trustee) in an amount which over the estimated useful life of the mortgaged depreciable property, will maintain the original book cost of the mortgaged property. The statement of policy requires that the mortgage indenture express the periodic renewal and replacement obligation as a percentage of the book cost of the mortgaged depreciable property, but where existing indentures express the provision on some other basis (usually, as a percent of operating revenues) such alternate provision is permitted to remain unchanged if the issuer can satisfactorily demonstrate to the Commission that the existing provision affords substantially the same protection as that based on a percent-of-property basis. To insure observance of this standard of the statement of policy, the Commission's staff conducts a continuous study of the depreciation requirements of the various issuers subject to the Act.

Of the nine bond issues sold during the fiscal year, the indentures of six expressed the renewal and replacement provision as a percentage of depreciable property deemed adequate by the Commission. The indentures covering the other three bond issues expressed the provision as a percentage of revenues which the Commission found afforded no less protection to the bondholders than that which would be afforded on an appropriate percent-of-property basis.

With respect to the three preferred stock issues aggregating $23,000,000 as to which applications or declarations were filed during

the fiscal year, all had charter provisions in substantial conformity with the statement of policy for preferred stock.

The Commission has continued to require adherence to the provision contained in both the bond and the preferred stock statements of policy that the securities be freely refundable at the option of the issuer upon reasonable notice and payment of a reasonable redemption premium, if any.[25] An exception was allowed in the case of Valley Gas Company, a new company organized for the purpose of facilitating the divestment by the Eastern Utilities Associates holding-company system of the gas utility properties owned by one of the public utility companies in that system. In light of the unusual circumstances present, the Commission in fiscal year 1961 had granted an exception from the competitive bidding requirements of Rule 50 under the Holding Company Act, and in fiscal year 1962, the Commission approved an indenture covenant negotiated by Valley Gas Company with the bond purchasers providing that if any of the bonds were redeemed during the first five years after issuance through the issuance of other debt securities bearing a lower interest rate, the company would be required to pay higher redemption premiums than customary under the Commission's usual standards, but that following such five-year period the bonds would be freely refundable by the company upon payment of the normal lower scale of redemption premiums.[26]

Continuing studies made by the Commission's staff for fiscal year 1962 with respect to electric and gas utility bond issues sold at competitive bidding, whether or not subject to the Act, indicate that the presence or absence of a restriction on free refundability has not affected the number of bids received by an issuer at competitive bidding or the ability of the winning bidder to market the bonds. This finding coincides with that described in the 27th Annual Report, at pages 125–126, containing a summary of the results of an examination of all electric and gas utility bond issues (including debentures) sold at competitive bidding between May 14, 1957, and June 30, 1961, by companies subject to the Act as well as those not so subject. This study has been extended to include fiscal year 1962.

During the period from May 14, 1957, to June 30, 1962, a total of 361 electric and gas utility bond issues, aggregating $7,838.6 million principal amount, was offered at competitive bidding. The refundable issues numbered 273 and accounted for a total of $5,036.6 million, while the nonrefundable issues—all except one being nonrefundable

[25] The significance of the refunding privilege, both as a matter of conformity with the standards of the Act and as a matter of practical finance, was discussed at some length in the 24th Annual Report, at pp. 130–131.

[26] Holding Company Act Release No. 14485 (July 24, 1961).

for a period of five years, and that one being nonrefundable for a period of seven years—numbered 88 and totaled $2,802 million principal amount. The number of refundable issues thus represented 75.6 percent of the total number of issues, while, in terms of principal amount, the refundable issues accounted for 64.3 percent.[27]

The weighted average number of bids received on the refundable issues for the period was 4.57, while on the nonrefundable issues it was 4.20. The median number of bids was five on the refundable and four on the nonrefundable issues.[28] With respect to the success of the marketing of the bond issues, an issue was considered to have been successfully marketed if at least 95 percent of the issue was sold at the syndicate price up to the date of termination of the syndicate. On this basis, 73.3 percent of the refundable issues were successful, while 67.0 percent of the nonrefundable ones were successful.[29] In terms of principal amount, 70.8 percent of the refundable issues were successful, while 65.4 percent of the nonrefundable ones were successful.[30] Extension of the comparison to include the aggregate principal amounts of all issues which were sold at the applicable syndicate prices up to the termination of the respective syndicates, regardless of whether a particular issue met the definition of a successful marketing, indicates that 88.2 percent of the combined principal amount of all the refundable issues were so sold, as compared with 81.9 percent for the nonrefundable issues.[31] These statistics developed in respect of the two groups of bond issues support the Commission's policy of requiring free refundability of utility bond issues subject to the Act.

In connection with this policy of the Commission, it may be noted that, on July 13, 1961, Brockton Edison Company, a public utility subsidiary of Eastern Utilities Associates, a registered holding company, issued and sold, at competitive bidding pursuant to the requirements of Rule 50, a total of 40,000 shares of its $100 par value 5.48% preferred stock at a dividend cost to the company of 5.44%. Approximately $3,264,000 of the net proceeds from the sale of this preferred stock was used by Brockton to redeem its outstanding $3,000,000 par

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[27] During fiscal year 1962, a total of 51 bond issues was offered, aggregating $1,275.5 million principal amount, consisting of 33 refundable issues totaling $602.5 million and 18 nonrefundable issues totaling $673 million. The number of refundable issues represented 64.7 percent of all the issues, while, in terms of principal amount, the refundable issues accounted for 47.2 percent.

[28] During fiscal year 1962, the weighted average number of bids was 4.58 on the refundables and 4.11 on the nonrefundables, while the median number of bids was 4 on both the refundables and nonrefundables.

[29] During fiscal year 1962, 69.7 percent of the refundable issues were successful, as against 55.6 percent for the nonrefundables.

[30] During the fiscal year 1962, in terms of principal amount, 70.8 percent of the refundables were successful, as against 61.7 percent for the nonrefundables.

[31] During fiscal year 1962, the applicable percentages were 92.1 percent for the refundables and 76.0 percent for the nonrefundables.

value 6.40% preferred stock at $108.80 per share and accrued dividends at a cost to call of 5.88% and which had been sold in December 1957. If the 6.40% preferred stock had been nonredeemable for a five-year period, the company would have been unable to effectuate the refinancing.

In the 27th Annual Report, at page 126, reference was made to a comprehensive study of redemption provisions of corporate bonds being conducted at the Wharton School of Finance and Commerce of the University of Pennsylvania. The final results of this study were publicly released by the Wharton School during fiscal year 1962.[32] The study, which covers the period 1926–1959 (including in certain respects data extending to June 30, 1960), indicates that it was not until the second half of the calendar year 1959 that some differences appeared in interest costs as between immediately refundable bonds and those carrying refunding restrictions. These differences, indicating somewhat lower interest costs on bonds having refunding restrictions, were found by the Wharton School not to have been material—at least when measured against the advantage to the issuer of being able to refund its bonds at any time. The Commission considers that the Wharton School study supports the position of the Commission that issuers of immediately refundable bonds have, on the whole, not been penalized in the market place as compared with those issuers which accepted a refunding restriction. In fact, the evidence appears to point to the contrary, namely, that a refunding restriction does not provide the issuer with a reduction in interest cost even approximating what one might reasonably expect as being the financial equivalent of a refunding restriction.[33]

## OTHER MATTERS

### Request for Declaratory Order

*Pacific Northwest Power Company* has pending an application filed pursuant to Section 5(d) of the Administrative Procedure Act for a declaratory order stating at what point in the construction of a hydro-electric plant it will become an electric utility company within the meaning of Section 2(a)(3) of the Act. Pacific Northwest's common stock is owned equally by Pacific Power and Light Company, Montana Power Company, Washington Water Power

[32] See Arleigh P. Hess, Jr. and Willis J. Winn, THE VALUE OF THE CALL PRIVILEGE (University of Pennsylvania), 1962. Members of the Advisory Committee of the study included a staff member of the Commission, a staff member of the Federal Power Commission, representatives of insurance companies, banks which administer pension trusts funds, and investment banking firms, and several members of the faculty of the University of Pennsylvania.

[33] *Id.*, pp. 80–82.

Company, and Portland General Electric Company. The company has not proceeded with its application pending the outcome of a proceeding before the Federal Power Commission in which the granting of a license to Pacific Northwest is being contested by certain Public Utility Districts. After the close of the fiscal year an examiner of the Federal Power Commission issued a decision and order, subject to review, granting the license to Pacific Northwest. It is expected that the company will now proceed with its application before this Commission.

**"Bottled Gas" Companies**

Unusual problems have arisen from time to time involving various so-called "bottled gas" companies which distribute gas (usually propane or butane) in portable tanks or containers. A number of companies have aggressively expanded in this field by acquiring the capital stocks of bottled gas companies which previously were operated independently or by organizing new subsidiary companies to engage in the business. One parent company, for example, recently had about 150 such subsidiary companies and another had more than 70. The operations of the subsidiaries are conducted in many different States. So long as a company distributes gas only in portable containers, it is not a "gas utility company" as defined in the Holding Company Act, and if all the subsidiaries of a parent company are strictly "bottled gas" companies or other nonutility companies, the parent company is not a "holding company" as defined in the Act.

However, some subsidiary companies in bottled gas systems have changed their character by undertaking the distribution of liquefied petroleum gas or natural gas at retail through pipes, thereby becoming "gas utility companies" within the meaning of the Act. The parent company of any such subsidiary automatically becomes a "holding company," if it is not one already.

The staff of the Commission has found it necessary to observe closely the operational changes which have been occurring in bottled gas systems. Where changes of the kind described have been observed, the staff has sought to assure that the parent company either registers under the Act, or applies for an exemption from the Act, if available.

## PART VII

## PARTICIPATION OF THE COMMISSION IN CORPORATE REORGANIZATIONS UNDER CHAPTER X OF THE BANKRUPTCY ACT

The Commission's role under Chapter X of the Bankruptcy Act, which provides a procedure for reorganizing corporations in the United States district courts, differs from that under the various other statutes which it administers. The Commission does not initiate Chapter X proceedings or hold its own hearings, and it has no authority to determine any of the issues in these proceedings. The Commission participates in such proceedings in order to provide independent, expert assistance to the court, the participants, and investors on matters arising therein. Thus, the facilities of the Commission's technical staff and its disinterested recommendations are placed at the service of the judge and the parties in a highly complex area of corporate law and finance. The Commission pays special attention to the interests of public security holders, who may not otherwise be effectively represented.

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

The Commission has lawyers, accountants and financial analysts in its New York, Chicago and San Francisco regional offices who are actively engaged in Chapter X cases in which the Commission has filed its appearance. Supervision and review of the regional offices' Chapter X work is the responsibility of the Division of Corporate Regulation of the Commission, which, through its Branch of Reorganization, also serves as a field office in cases arising in the Atlanta and Washington, D.C., regional areas.

## SUMMARY OF ACTIVITIES

The Commission's activities in Chapter X this year increased over the previous year and will probably be even more extensive in the fiscal year 1963. In fiscal year 1962, the Commission actively participated in 64 reorganization proceedings involving 101 companies (64 principal debtor corporations and 37 subsidiaries of those debtors).[1] The stated assets of these 101 companies totalled approximately $612,400,000 and their indebtedness totalled approximately $572,300,000. The proceedings were scattered among district courts in 27 states and the District of Columbia as follows: 9 proceedings in New York; 5 each in Illinois and California; 4 each in Maryland, Kentucky and North Carolina; 3 each in Colorado, Oklahoma, Florida and Texas; 2 each in Pennsylvania, Michigan and Nevada; and 1 each in Washington, Iowa, Virginia, Kansas, Georgia, New Jersey, Louisiana, Wyoming, Indiana, Mississippi, Montana, Arizona, New Mexico, Arkansas and the District of Columbia.

During the year, the Commission entered its appearance in 18 new proceedings under Chapter X involving companies with aggregate stated assets of approximately $108,292,000 and aggregate indebtedness of approximately $85,786,000. They involved the rehabilitation of corporations engaged in the operation of such varied businesses as a deluxe resort hotel, real estate development, fertilizer plant, automobile race track, retail discount stores, farmers cooperative, cement manufacturing, chain food stores, heavy construction contracting, mining, real estate and mortgage investment and machine products manufacturing.

Proceedings involving 5 principal debtor corporations were closed during the year. At the end of the year, the Commission was actively participating in 59 reorganization proceedings involving 95 companies.

The Commission has not considered it necessary or appropriate to participate in every Chapter X case. Apart from the excessive administrative burden, many of the cases involve only trade or bank creditors and few public investors. The Commission seeks to participate principally in those proceedings in which a substantial public investor interest is involved. However, the Commission may also participate because an unfair plan has been or is about to be proposed, the public security holders are not adequately represented, the reorganization proceedings are being conducted in violation of important provisions of the Act, the facts indicate that the Commission can perform a useful service, or the judge asks the Commission to participate.

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[1] Appendix table 12 contains a complete list of reorganization proceedings in which the Commission participated during the fiscal year ended June 30, 1962.

## PROCEDURAL AND ADMINISTRATIVE MATTERS

When it has participated in Chapter X proceedings, the Commission has urged upon the court the procedural or substantive safeguards to which all parties are entitled. The Commission also has attempted in its interpretations of the statutory requirements to encourage uniformity in the construction of Chapter X and the procedures thereunder.

In *Cal-West Aviation, Inc.*,[2] the Court appointed as co-trustee the president of the debtor, who was also a stockholder and director. After he was advised that he was disqualified from serving as such under Section 158(1) of Chapter X, he resigned but was retained as general manager.

In *Flora Sun Corporation*,[3] the Commission objected to the retention of the "additional trustee" on the ground that he was not disinterested. The additional trustee had, in effect, secured an option to acquire control of the debtor on behalf of a corporation of which he was president. However, the Court rejected the Commission's contention that retention of the trustee would be contrary to Section 158(4) of the Bankruptcy Act.

In *Pickman Trust Deed Corporation*,[4] investors who had acquired notes and second deeds of trust through the debtor were classified by the Court as creditors, each secured by the deed assigned and allocated to him. On this basis, the creditors supported certain compromises proposed by the trustee and approved by the Court.[5] After the time for appeal had run, the trustee sought to have investors with unrecorded assignments reclassified as unsecured creditors. The Court agreed with the Commission that the trustee was estopped since investors had relied on the prior classification order.

The Court also accepted the view of the Commission that funds received from investors and held in separate accounts pending investment should be treated as trust funds rather than general assets. Since there was a deficiency in these accounts, the Court fixed the manner of distribution by the adaptation of a formula approved by Judge Learned Hand in *In re Schmidt*.[6]

In *U.S. Durox Corp. of Colorado*,[7] the District Court confirmed a plan of reorganization providing for the liquidation of the debtor. The highest bidder for all of the debtors' assets was the Small Business Administration, which bid the approximate amount of the bal-

[2] *In the Matter of Cal-West Aviation, Inc.* (N.D. Calif., No. 62708).
[3] *In the Matter of Flora Sun Corporation* (S.D. Fla., No. 55-62-Bk).
[4] *In the Matter of Pickman Trust Deed Corporation* (N.D. Calif., No. 57469).
[5] See the discussion of this case in the 27th Annual Report, pp. 132-3.
[6] 298 Fed. 314 (S.D. N.Y., 1923).
[7] *In the Matter of U.S. Durox Corp. of Colorado* (D. Colo., No. 22895).

ance of its first mortgage on the debtor's assets. The Court adopted the Commission's position that the costs of the Chapter X administration should be paid out of the mortgaged assets, and the Court of Appeals denied the petition of the SBA for leave to appeal.[8]

### TRUSTEE'S INVESTIGATION

A complete accounting for the stewardship of corporate affairs by the old management is a requisite under Chapter X. One of the primary duties of the trustee is to make a thorough study of the debtor to assure the discovery and collection of all assets of the estate, including claims against officers, directors, or controlling persons who may have mismanaged the debtor's affairs. The staff of the Commission often aids the trustee in his investigation.

In *Texas Portland Cement Company*,[9] a comprehensive investigation by the trustees, assisted by the Commission's staff, led to a reduction in the debtor's total indebtedness from approximately $5,200,000 to about $3,150,000, and almost 215,000 shares of capital stock were cancelled or surrendered. The plan of reorganization, confirmed by the Court, provided for the subordination of the stock claims of certain of the debtor's directors who had not settled with the trustee. In confirming the plan, the Court found that these directors had been negligent "to the degree that it constitutes a breach of their fiduciary duty in the management of the corporate affairs." [10]

In *Shawano Development Corporation*,[11] as the result of an investigation in which the staff of the Commission is participating, the trustee has filed a plenary action in the United States District Court in Jacksonville, Florida, against twenty-two named defendants, seeking compensatory damages in the amount of approximately $3,000,000.[12] In *DePaul Educational Aid Society*,[13] as previously reported,[14] both the Commission and the trustee urged that DePaul University's first mortgage claim should be subordinated to that of the public bondholders. A settlement was effected whereby DePaul University agreed to reduce its claim by 45%.

### ADVISORY REPORTS ON PLANS OF REORGANIZATION

During the fiscal year, the Commission issued two advisory reports and one supplemental advisory report. Generally speaking, an advis-

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[8] (C.A. 10, No. 6949).
[9] *In the Matter of Texas Portland Cement Company* (E.D., Tex., No. 1606).
[10] 205 F. Supp. 159, 162.
[11] *In the Matter of Shawano Development Corporation* (D.C. Wyo., No. 3163).
[12] *Reynders* v. *Foremost Dairies, Inc., et al.* (S.D. Fla., No. 4892 Civ.-J).
[13] *In the Matter of DePaul Educational Aid Society* (N.D. Ill., No. 59 B 41).
[14] 27th Annual Report, p. 133.

ory report is prepared only in a case involving a substantial public investor interest and presenting significant problems. On occasion, because of the exigencies of time or for other reasons, no written report is filed but, instead, Commission counsel is authorized to make an oral or written presentation detailing the Commission's views.

In *Windermere Hotel Co.*,[15] the Commission filed an advisory report on amended plans for the reorganization of the debtor, which owned and operated the Windermere Hotel in Chicago. The trustee's plan, as amended, which was sponsored by a bondholder, gave the bondholders the alternative of receiving $70 in cash per $100 principal amount of bonds, or 5% 20-year subordinated debentures and new common stock in exchange for the outstanding bonds. The other plan, proposed by two bondholders named Shlensky, afforded the bondholders the option of receiving either $70 in cash or $20 in cash plus $50 principal amount of new 5% 15-year first mortgage bonds of the reorganized company for each $100 principal amount of bonds then held. The Shlenskys would receive all of the common stock of the reorganized company. Neither plan accorded the stockholders any participation.

The Commission concluded that both plans were fair, equitable and feasible in their provision for cash payment to the bondholders, but that the alternative proposals were not feasible, since no ceiling was placed upon the proposed debt of the reorganized company and because of the failure of the proposals to provide adequately for the payment of costs of administration and to include an undertaking by the respective sponsors to make the cash payment to bondholders. The proposal in the trustee's plan to issue securities was found in the advisory report to be unfair since it failed to classify separately the bondholders, other than the plan sponsor, for purposes of voting thereon; to indicate clearly the manner of selecting directors; to establish a proper voting procedure; and to provide proper safeguards in the provisions of the proposed indenture pursuant to which the new debentures would be issued. The proposal to issue securities under the Shlensky plan was found to be unfair because of its failure to indicate the terms of the new first mortgage indenture and to limit the amount of debt securities of the reorganized company.

The Shlensky plan, as amended, also proposed a public auction of the debtor's stock and guaranteed a bid which would give the bondholders $70 per $100 principal amount of bonds. The trustee's plan was amended to provide for a public auction of the debtor's assets at a minimum upset price of $2,285,000. In its Supplemental Advisory Report the Commission recommended that the prospective bidders

[15] *In the Matter of Windermere Hotel Co.* (N.D. Ill., No. 60 B 8818).

should be permitted to designate their preference as between a bid for the debtor's assets directly or for appropriate new securities of a reorganized company, so that effective competitive conditions could be maintained.

The Court approved the Referee's recommendation that only the trustee's plan be approved. The Shlenskys filed a notice of appeal, but dismissed their appeal when the Court of Appeals required them to post a $2,000,000 bond. At the public auction sale the plan sponsor acquired the debtor's assets with a bid of $2,285,000.

In *Texas Portland Cement Company*,[16] the Commission filed an advisory report recommending approval of a plan based upon the offer of Alpha Portland Cement Company to purchase all of the debtor's fixed assets and good-will for $4,250,000, to be paid partly in cash, and the balance in debentures of Alpha and by the assumption of a large claim allowed against the debtor. After payment of creditors' claims in full by cash and Alpha debentures, the remaining assets were to be distributed to stockholders, other than those whose stock was to be subordinated.[17] The plan was confirmed by the Court.

In *TMT Trailer Ferry Inc.*,[18] two plans for the reorganization of the debtor were found worthy of consideration by the Court, and submitted to the Commission for its examination and report. One plan provided for the internal reorganization of the debtor, vesting ownership and control in the unsecured creditors, the other for the sale of the debtor's assets for cash. Neither plan accorded participation to stockholders, since the debtor was said to be insolvent.

The Commission advised by letter that both plans were objectionable. In a memorandum, it was pointed out, *inter alia*, that the evidence on valuation was not adequate to justify the exclusion of stockholders, particularly since both plans allowed some $2,000,000 of seriously contested claims. The Commission also objected to the provisions in the internal plan which would permit the trustee to become the president of the reorganized company.

## ACTIVITIES WITH REGARD TO ALLOWANCES

Every reorganization case ultimately presents the difficult problem of determining the allowance of compensation to be paid out of the debtor's estate to the various parties for services rendered and for expenses incurred in the proceeding. The Commission, which under Section 242 of the Bankruptcy Act may not receive any allowance from the estate for the services it renders, has sought to assist

[16] *In the Matter of Texas Portland Cement Company* (E.D. Texas, No. 1606).
[17] See the discussion of the subordination point at p. 98, *supra*.
[18] *In the Matter of TMT Trailer Ferry Inc.* (S.D. Fla., No. 3659-M-Bk.

the courts in protecting debtors' estates from excessive charges and at the same time in equitably allocating compensation on the basis of the claimants' contributions to the administration of estates and the formulation of plans. A summary of interesting developments follows:

In *Mason Mortgage & Investment Corp.*,[19] the trustee and his attorney filed applications for interim fees calculated on the basis of a percentage of their estimate of the value of their services for the total time devoted to the debtor's affairs. The Court held that it was impossible to determine what the value of any services rendered might be until the proceeding had been completed, and that any interim award based upon a percentage of a hypothetical amount assumed by an applicant to be the reasonable or full value of the services rendered to date would be improper.

*In the Chamber of Commerce of the City of Newark*,[20] a proceeding in which the Commission was not participating, the Commission was granted permission to file a memorandum and present oral argument, *amicus curiae*, to oppose the petition of a firm of attorneys for the debtor which sought the Court's approval of a prior transfer of the debtor's bonds by a partner of the firm, as well as to oppose the firm's petition for allowance for legal services. During the Chapter X proceeding, the partner, who was co-executor of his father's will, and a beneficiary under the will, had sold $2,000 of the debtor's bonds which his father had owned. The Commission urged, and the Court agreed, that such sale was an absolute bar to compensation under Section 249.

In *Selected Investments Corporation*,[21] an attorney who had represented the debtor in the Chapter X proceeding and the debtor's two principal officers in a pending action by the trustees against them for an accounting,[22] requested an allowance of $35,000. The District Court, in accordance with the Commission's recommendations, denied the request on the grounds that the attorney's services were not of benefit to the estate, and that he had represented conflicting interests. After obtaining leave to appeal,[23] the attorney later moved to dismiss his appeal, stating that he had accepted a $4,000 settlement from the reorganized debtor. The Commission objected to the settlement on

[19] *In the Matter of Mason Mortgage & Investment Corp., et al.* (D.C. DC., Nos. 98–60 through 101–60).

[20] *In the Matter of Chamber of Commerce of the City of Newark, New Jersey* (D.C. N.J. No. B–73–60).

[21] *In the Matter of Selected Investments Corporation* (W.D. Okla., No. 10680).

[22] The trustee eventually recovered a judgment in excess of $12,000,000. In addition, one of the clients was convicted of a violation of Section 17 of the Securities Act of 1933. See *Burns* v. *U.S.*, 286 F. 2d 152 (C.A. 10, 1960).

[23] *B. H. Carey* v. *Selected Investment Corporation* (C.A. 10, No. 6804).

the ground that all compensation was subject to approval by the reorganization court. Upon remand, the District Court again decided that no compensation should be paid. The attorney's appeal from such action was pending at the close of the fiscal year.

In *Inland Gas Corporation*,[24] the Commission objected to the application by a member of a committee for reimbursement of advances to the committee attorney, because the committee member had traded in the securities of one of the debtors in reorganization. The Commission argued that in Chapter X a committee and its attorney each had autonomous standing to apply for compensation for services rendered and for reimbursement of expenses incidental to such services, and that in seeking recovery from the estate for advances to his attorney, the committee member was requesting in effect to be subrogated to the attorney's rights. The Commission further argued that subrogation, as an equitable remedy, should not be permitted in this case in view of the substantial trading by the committee member. The District Court agreed and the Court of Appeals affirmed, stating that "we do not think the District Judge erred in enforcing the public policy inherent in the provisions of Section 249 of the Act" and in refusing to permit subrogation.[25]

Appellant also argued that the Commission was estopped from reversing its own prior recommedation that reimbursement be allowed. The Court of Appeals held that the doctrine of equitable estoppel was not applicable to the Commission's correction of a mistake of law and that in any event the Commission's prior views were not binding upon the district judge. The Court also noted the statement of the Commission that it "necessarily acts in the light of its continuing experience and that it would be remiss in its duties if . . . it failed to advise the District Court of what it believes to be the correct view of the facts and law . . ." because at an earlier stage in the proceeding "it may have expressed a different view."

### INTERVENTION IN CHAPTER XI PROCEEDINGS

Chapter XI of the Bankruptcy Act provides a procedure by which debtors can effect arrangements with respect to their unsecured debts under court supervision. Where a proceeding is brought under that chapter but the facts indicate that it should have been brought under Chapter X, Section 328 of Chapter XI authorizes the Commission to make application to the court to dismiss the Chapter XI proceeding unless the debtor's petition is amended to comply with the requirements of Chapter X, or a creditors' petition under Chapter X is filed.

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[24] *In the Matter of Inland Gas Corporation, et al.* (D. Ky., No. 989–B).
[25] *Green Committee* v. *Williamson*, 309 F. 2d 176 (C.A. 6, 1962).

*Davega Stores Corporation* filed a petition for an arrangement under Chapter XI of the Bankruptcy Act in February 1962.[26] This company is engaged in the sale of sporting goods, photographic equipment and electrical appliances through a chain of 25 retail stores in the New York City area and concessions in discount centers in two other states. Davega's convertible debentures and its preferred and common stocks are publicly held and listed on the American Stock Exchange. The debtor had suffered substantial operating losses and had undergone several changes in management since 1959, and several attempts had been made to effect a merger or other financial arrangements with outside interests. In March 1962, the Commission filed a motion under Section 328 to dismiss the Chapter XI petition, and after lengthy hearings the motion was granted by the Court. Thereafter, the indenture trustee for the convertible debentures filed an involuntary Chapter X petition, the Chapter X petition was approved, and a disinterested trustee was appointed.

In *Cal-West Aviation, Inc.*,[27] the debtor, which owns and operates an airport and associated facilities in San Mateo County, California, filed a petition for an arrangement under Chapter XI. The Commission moved to dismiss the petition, urging that a thorough reorganization and an independent investigation into the acts of former management were necessary and that Chapter XI did not provide adequate means for such a reorganization or proper safeguards for the interests of the debtor's 2,300 public investors. The debtor's amended Chapter X petition was thereafter approved by the Court.

*Los Angeles Trust Deed & Mortgage Exchange*[28] was in the business of purchasing second trust deed notes which it sold to investors in the form of "investment contracts." It was the subject of an injunctive action brought by the Commission and a receiver was appointed. An involuntary petition in bankruptcy was filed in November 1960, an order of adjudication was entered in December 1960, and thereafter the debtor filed a Chapter XI petition. At the time the petition was filed, approximately $40,000,000 had been invested by some 10,000 investors in second deeds of trust. All the stock of the debtor was held by former officers.

In November 1961, the Commission filed a motion pursuant to Section 328, stressing the need for an independent investigation in order to protect the public investors and the fact that Chapter XI made no provision for such investigation. The District Court denied

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[26] *In the Matter of Davega Stores Corporation* (S.D. N.Y., No. 62 B 147).

[27] *In the matter of Cal-West Aviation Inc.* (N.D. Calif., No. 62708).

[28] *In the Matter of Los Angeles Trust Deed & Mortgage Exchange* (S.D. Calif., No. 118, 178–Y).

the motion, and the Commission appealed. While the appeal was pending, the Chapter XI proceeding was dismissed and the bankruptcy proceeding was reinstated, thus rendering the appeal moot.

## PUBLICATION OF BAR DATES

Substantial sums could be lost by public investors who fail to exchange outstanding securities of corporations which have been reorganized in recent years for new securities or cash distributable pursuant to the plans for reorganization of such corporations. To facilitate these exchanges, the Commission has published a list of securities of 125 corporations which have been reorganized, informing the public as to the cut-off or "bar date" after which the right to exchange such securities for cash or new securities will be lost.[29]

[29] "Securities Required To Be Exchanged For Cash Or New Securities," Corporate Reorganization Releases Nos. 163, 164, 172 (1962).

## PART VIII

## ADMINISTRATION OF THE TRUST INDENTURE ACT OF 1939

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

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

*Indentures filed under the Trust Indenture Act of 1939 during the fiscal year ended June 30, 1962*

| | Number filed | Aggregate amount |
|---|---|---|
| Indentures pending June 30, 1961 | 48 | $747,156,650 |
| Indentures filed during fiscal year | 258 | 4,125,277,611 |
| Total | 306 | 4,872,434,261 |
| Disposition during fiscal year: | | |
| Indentures qualified | 232 | 4,264,793,741 |
| Indentures deleted by amendment or withdrawn | 20 | 160,847,800 |
| Indentures pending June 30, 1962 | 54 | 446,792,720 |
| Total | 306 | 4,872,434,261 |

## PART IX

## ADMINISTRATION OF THE INVESTMENT COMPANY ACT OF 1940

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

The securities of investment companies which are offered to the public are also required to be registered under the Securities Act of 1933 and the companies must file periodic reports. Such companies are also subject to the Commission's proxy rules and closed-end companies are subject to "insider" trading rules. The Division of Corporation Finance and the Division of Corporate Regulation both assist the Commission in the administration of the statute, the former being concerned with the disclosure provisions and the latter with regulatory provisions.

### COMPANIES REGISTERED UNDER THE ACT

As of June 30, 1962, there were 727 investment companies registered under the Act, including 78 small business investment companies, and the estimated aggregate market value of their assets on that date was approximately $27.3 billion. These figures represent an overall increase of 64 registered companies, but a decrease of roughly $1.7 billion in the market value of assets compared with the corresponding totals at June 30, 1961.[1] The total registered companies by classification are as follows:

[1] The decrease in asset values as of June 30, 1962 was due primarily to the May 1962 market decline.

| | |
|---|---|
| Management open-end | 340 |
| Management closed-end | 228 |
| Unit investment trust | 149 |
| Face-amount certificate | 10 |
| Total | 727 |

During the fiscal year, 97 new companies, including 37 small business investment companies, registered under the Act while the registrations of 33 companies were terminated. The breakdown of these companies by classification is as follows:

| | Registered during the fiscal year | Registration terminated during the fiscal year |
|---|---|---|
| Management open-end | 22 | 13 |
| Management closed-end | 62 | 19 |
| Unit investment trust | 13 | 0 |
| Face-amount certificate | 0 | 1 |
| Total | 97 | 33 |

## GROWTH OF INVESTMENT COMPANY ASSETS

The following table illustrates the striking growth of investment company assets during the past 22 years, particularly in recent years:

*Number of investment companies registered under the Investment Company Act and the estimated aggregate assets at the end of each fiscal year, 1941 through 1962*

| Fiscal year ended June 30 | Number of companies | | | | Estimated aggregate market value of assets at end of year (in millions) [1] |
|---|---|---|---|---|---|
| | Registered at beginning of year | Registered during year | Registration terminated during year | Registered at end of year | |
| 1941 | 0 | 450 | 14 | 436 | $2,500 |
| 1942 | 436 | 17 | 46 | 407 | 2,400 |
| 1943 | 407 | 14 | 31 | 390 | 2,300 |
| 1944 | 390 | 8 | 27 | 371 | 2,200 |
| 1945 | 371 | 14 | 19 | 366 | 3,250 |
| 1946 | 366 | 13 | 18 | 361 | 3,750 |
| 1947 | 361 | 12 | 21 | 352 | 3,600 |
| 1948 | 352 | 18 | 11 | 359 | 3,825 |
| 1949 | 359 | 12 | 13 | 358 | 3,700 |
| 1950 | 358 | 26 | 18 | 366 | 4,700 |
| 1951 | 366 | 12 | 10 | 368 | 5,600 |
| 1952 | 368 | 13 | 14 | 367 | 6,800 |
| 1953 | 367 | 17 | 15 | 369 | 7,000 |
| 1954 | 369 | 20 | 5 | 384 | 8,700 |
| 1955 | 384 | 37 | 34 | 387 | 12,000 |
| 1956 | 387 | 46 | 34 | 399 | 14,000 |
| 1957 | 399 | 49 | 16 | 432 | 15,000 |
| 1958 | 432 | 42 | 21 | 453 | 17,000 |
| 1959 | 453 | 70 | 11 | 512 | 20,000 |
| 1960 | 512 | 67 | 9 | 570 | 23,500 |
| 1961 | 570 | 118 | 25 | 663 | 29,000 |
| 1962 | 663 | 97 | 33 | 727 | 27,300 |
| Total | | 1,172 | 445 | | |

[1] The increase in aggregate assets reflects the sale of new securities as well as capital appreciation. By way of illustration, the Investment Company Institute reported that during the fiscal year ended June 30, 1962, its open-end investment company members, numbering 172 and representing the bulk of the industry had net sales of their securities amounting to $2.1 billion.

## INSPECTION PROGRAM

In 1957 the Commission initiated a program for the periodic inspection of investment companies pursuant to the statutory authority conferred under Section 31(b) of the Investment Company Act.

Under this program, 52 companies were inspected in fiscal 1962 in comparison with a total of 113 inspections in all prior years. While the primary responsibility for making the inspections in fiscal year 1962 rested on the field offices, teams consisting of attorneys and analysts from the Division of Corporate Regulation, as in previous years, assisted the respective field offices in a number of instances. It is expected that in the fiscal year 1963 most of the inspections will be made exclusively by personnel of the field offices, which have become increasingly familiar with the regulatory provisions applicable to investment companies.

In recognition of the importance of the inspection program, a new branch has been created in the Division of Corporate Regulation charged with the responsibility of planning and supervising the program, and reviewing the reports initially prepared by the field offices.

A majority of the inspections made during the fiscal year brought to light violations of the Investment Company Act of 1940, as well as violations of other statutes administered by the Commission. While many of the violations uncovered have been of a minor nature which, when called to the attention of the investment company, its underwriter, or adviser, have been corrected by amending the company's prospectus, filing additional documents or changing the company's operations to comply with the law, serious violations have also been disclosed. Instances were discovered in which the investment advisory contract was not renewed in accordance with the provisions of Section 15 of the Investment Company Act with the consequence that the investment adviser received money under a void contract. In one such situation, the inspection and investigation which followed resulted in an investment adviser returning a total of $250,000 in settlement of claims by two investment companies which had been making payments to the investment adviser under an invalid contract. In another instance, the inspection and investigation which followed resulted in the resignation of the investment company's officers and directors and the installation of a completely new interim management.

In another situation, the inspection program uncovered such serious violations of the Act that the Commission instituted an injunction action, alleging, among other things, gross abuse of trust on the part

of the officers and directors of that company.[2] In addition, possible serious violations of Section 17 of the Act and possible gross abuse of trust have been uncovered in at least two inspections in which it was found that officers and directors had been causing the company with which they were associated to enter into transactions which benefitted such officers and directors or other affiliated persons. At the end of the fiscal year one of these cases was under active investigation and the other was being considered for possible injunctive action.

## STUDY OF SIZE OF INVESTMENT COMPANIES

Pursuant to Section 14(b) of the Act, the Commission engaged the Securities Research Unit of the Wharton School of Finance and Commerce of the University of Pennsylvania to conduct a fact-finding study of the problems created by the growth in size of open-end investment companies.

Data for the study were obtained by means of two comprehensive questionnaires. The first was mailed in December 1958 to all active registered open-end investment companies with gross assets of over $1 million. It covered the 5¾-year period from December 31, 1952 to September 30, 1958, and analyzed the growth, organization and control, investment policy, and performance of open-end investment companies; their impact on securities markets; and the extent of their control of portfolio companies. In 1960 the study was enlarged to include various aspects of the organizational, operating, and financial relationships existing among the open-end investment companies and their investment advisers and principal underwriters. This further area of study was surveyed by means of a second questionnaire, covering the year 1960, which was mailed in December 1960 to registered open-end investment companies and their investment advisers and principal underwriters.

Shortly after the close of fiscal year 1962, the Wharton School submitted its report to the Commission entitled "A Study of Mutual Funds." The report was in turn transmitted to the Committee on Interstate and Foreign Commerce, House of Representatives.[3] The

[2] *S.E.C.* v. *Midwest Technical Development Corp.*, D.C. Minn., No. 4-62 Civ. 142. This case is discussed in Part XI, *infra*, under "Civil Litigation."

[3] See Investment Company Act Release No. 3530 (August 24, 1962). The release contains copies of the letters of transmittal from the Wharton School to the Commission and from the Chairman of the Commission to the Chairman of the House Committee on Interstate and Foreign Commerce. The study consists of approximately 600 pages, and copies may be purchased from the Superintendent of Documents, Washington 25, D.C., at $1.50 each.

study concludes that there is little evidence that size *per se* of individual funds or companies is a problem at the present time, and that the more important current problems in the mutual fund industry appear to be those which involve potential conflicts of interest between fund management and shareholders, the possible absence of arm's-length bargaining between fund management and investment advisers, and the impact of fund growth and stock purchases on stock prices. It found these problems to be unrelated to company size, except to the extent that questions arise concerning the allocation between fund shareholders and investment advisers of the benefits resulting from large-scale operations.

The study found that the rates of turnover of portfolio securities were inversely related to size of fund, with the smallest funds generally having the highest turnover rates throughout the period studied and the largest funds the lowest turnover rates. It also found that, on the average, the performance of the funds did not differ appreciably from what would have been achieved by an unmanaged portfolio consisting of the same proportions of common stocks, preferred stocks, corporate bonds, government securities, and other assets as the composite portfolios of the funds. About half of the funds performed better, and half worse, than such an unmanaged portfolio. With respect to the investment policies of mutual funds, the study found that approximately 75 percent of the total net assets of the funds was held in United States common stocks, and that at December 31, 1961 such common stockholdings were equal to approximately 4½ percent of the value of all stocks listed on the New York Stock Exchange.

With respect to portfolio company control, the study states that, despite the growth of large holdings of mutual funds, outright control of portfolio companies by the funds is a rarity and is confined mainly to small portfolio companies. It also concludes that the growth in the funds' net purchases of common stock which accompanied the great extension of the mutual fund industry has probably contributed significantly to the increase of stock prices over the past decade. The study stated that there is some but not strong evidence that net purchases by mutual funds significantly affect the month-to-month movements in the stock market as a whole; and that there is stronger evidence that fund net purchases significantly affect the daily movements in the stock market, with the statistical data suggesting that this latter effect may be fairly substantial.

In commenting upon the typical management structure of the industry under which a significant part of the funds' activities are performed by affiliated organizations such as advisers, underwriters and brokers, who control or are represented on the boards of directors of

the funds, the study draws attention to the potential for divided loyalties arising from these arrangements. It also comments upon the role of, and in general questions the effectiveness of, the "unaffiliated" directors of the typical fund.

The study raises questions as to the relationship or lack of relationship between the growth, size and performance of funds and sales commissions and other sales incentives, and it questions whether the apparent historical emphasis upon constantly increasing fund assets by intensive sales efforts has always been in the interest of fund investors. It also draws attention to the relationship or lack of it between growth, size and performance of funds, on the one hand, and, on the other hand, advisory fees and costs of operation of the funds and of the advisers, including fees charged by advisers to other clients. It states that, for comparable asset levels, advisory fee rates charged mutual funds tend to be substantially higher than those charged by the same advisers to the aggregate of their clients other than investment companies. The study found that the expenses involved in advising mutual funds were less than those incurred in advising other clients.

In the letter of transmittal to the Chairman of the House Committee on Interstate and Foreign Commerce, the Chairman of the Commission pointed out that many of the practices of which the Wharton School appears critical may be attributable to an industry structure which is clearly contemplated by the Investment Company Act of 1940, but that many of the comments in the study implicitly raise questions of broad policy whether some of the practices and patterns which originated in an earlier time and under different conditions and which have become conventional within the broad tolerances of the Act should be reconsidered. Accordingly, the Commission has directed its staff to undertake a detailed analysis of the Wharton School study, and on the basis of such analysis, together with consideration of material being developed in related Commission studies now in progress, to make such recommendations to the Commission regarding the provisions of the Investment Company Act and the rules and regulations thereunder as may seem appropriate. The Commission will then be in a position to determine and formulate such legislative, rule and enforcement proposals, if any, as may be desirable and thereafter to report to the Congress.

## CURRENT INFORMATION

The Commission's rules promulgated under the Act require that the basic information contained in notifications of registration and in

registration statements of investment companies be kept current, through periodic and other reports, except in cases of certain inactive unit trusts and face-amount companies. The following reports and documents were filed during the 1962 fiscal year:

| | |
|---|---|
| Annual reports | 458 |
| Quarterly reports | 262 |
| Periodic reports to stockholders (containing financial statements) | 1,391 |
| Copies of sales literature | 2,477 |

The foregoing statistics do not reflect the numerous filings of revised prospectuses by open-end mutual funds and unit investment trusts making a continuous offering of their securities. These prospectuses, which must be checked for compliance with the Act, are required to show material changes which have occurred in the operations of the companies since the last effective date of the prospectuses on file. In this respect registration statements under the Securities Act of 1933 covering securities of such companies are essentially different from registration statements relating to the usual type of corporate securities.

## APPLICATIONS AND PROCEEDINGS

Under Section 6(c), the Commission, by rules and regulations, upon its own motion or by order upon application, may exempt any person, security, or transaction from any provision of the Act if and to the extent that 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. Other Sections, such as 6(d), 9(b), 10(f), 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. Also, under certain provisions of Sections 2, 3, and 8 the Commission may determine the status of persons and companies under the Act. One of the principal activities of the Commission in its regulations of investment companies is the consideration of applications for orders under the sections referred to.

During the fiscal year, there were 221 applications under various sections of the Investment Company Act before the Commission. The sections of the Act with which these applications were concerned and their disposition are shown in the following table:

672175—63——9

*Applications filed with and acted upon by the Commission under the Investment Company Act of 1940 during the fiscal year ended June 30, 1962*

| Sections | Subject involved | Pending July 1, 1961 | Filed | Closed | Pending June 30, 1962 |
|---|---|---|---|---|---|
| 2 | Definition of controlled person | 0 | 4 | 0 | 4 |
| 3 and 6 | Status and exemption | 16 | 5 | 9 | 12 |
| 7(d) | Registration of foreign investment companies | 2 | 1 | 1 | 2 |
| 8(f) | Termination of registration | 25 | 35 | 33 | 27 |
| 9, 10, 16 | Regulation of affiliations of directors, officers, employees, investment advisers, underwriters and others. | 3 | 6 | 7 | 2 |
| 12, 13, 14(a), 15 | Regulation of functions and activities of investment companies. | 6 | 13 | 11 | 8 |
| 11, 25 | Regulation of security exchange offers and reorganization matters. | 1 | 1 | 0 | 2 |
| 17 | Regulation of transactions with affiliated persons | 22 | 50 | 42 | 30 |
| 18, 19, 21, 22, 23 | Requirements as to capital structures, loans, distributions and redemptions, and related matters. | 6 | 18 | 19 | 5 |
| 20, 30 | Proxies and reports | 1 | 2 | 1 | 2 |
| 28 | Regulation of face-amount certificate companies | 2 | 2 | 2 | 2 |
| | Total | 84 | 137 | 125 | 96 |

Some of the more significant matters in which applications were considered are summarized below:

The Commission denied an application by *Investors Diversified Services, Inc.* ("IDS")[4] for an exemption from Section 18(j)(1) of the Act which prohibits the issuance by a registered face-amount certificate company of non-voting shares of stock. IDS has outstanding some 879,000 shares of non-voting stock and 574,540 shares of voting stock and, in order to effect a 10-for-one split of both classes of stock, an exemption order was required as to the non-voting stock.

The Commission noted that the holders of the voting stock, who owned only 39.52% of the proprietary interest in the company, possessed 100% of the voting power, thus creating an inequitable distribution of voting power. Applicant contended that since the stock split would result in lowering the market price of the stock, which ranged from $181 to $310 per share in 1961, it would create a broader and more stable market. However, the Commission noted that the split would also potentially enlarge the absolute number of shareholders without voting rights, thereby furthering an inequitable distribution of control contrary to the aims and purposes of the Act.

Commissioner Frear, in a separate opinion, concured in the denial of the application for the stock split because it carried no assurance that the non-voting stock would be eliminated to carry out the "basic reforms of providing equal voting rights."

In a dissenting opinion, Commissioner Whitney expressed the view that (1) the Act does not require the elimination of the non-voting stock of IDS which was outstanding on the effective date of the Act,

[4] Investment Company Act Release No. 3474 (April 27, 1962).

and (2) the stock split would only be a technical and formalistic issuance of shares which would not have any aggravating effect on the existing distribution of voting power. He concluded that an exemption was warranted under the statutory pattern contemplating exemptions where the result would not be inconsistent with the policies and purposes of the Act and where the adverse effect on the market attributable to the existence of a relatively small supply of IDS shares, coupled with a high unit price, would be relieved.

On June 11, 1962, pursuant to the provisions of Section 25(b) of the Act, the Commission invited interested persons to submit their views with respect to the fairness of a plan of recapitalization proposed by IDS under which each share of non-voting stock would become a share of voting stock.[5] As of the end of fiscal 1962 no definitive action had been taken by the Commission.

During the fiscal year applications were filed pursuant to Section 2(a)(9) of the Act by shareholders of *Fundamental Investors, Inc.*, *Investors Mutual, Inc.*, and *Television-Electronics Fund, Inc.*, registered open-end investment companies, alleging that certain directors who were represented to be unaffiliated with the respective investment advisers in fact had been and were now controlled by such investment advisers. Prior to ordering a hearing on the factual questions raised by the applications, the Commission directed that the parties and other interested persons file briefs and reply briefs with respect to certain specified common legal issues raised by the applications.[6] These issues relate to the Commission's jurisdiction, power and duty under Section 2(a)(9) to determine that a natural person, e.g., a director of a registered investment company, is controlled, and if so, under what circumstances, for what purposes and with what effect. In addition the Commission requested that the briefs consider the effect on its jurisdiction, if any, of the pendency in courts of competent jurisdiction of suits allegedly involving the same issues and parties, and also whether an investment company shareholder is an "interested person" within the meaning of Section 2(a)(9) so as to have standing to file applications under that Section. Oral argument was held on these issues on June 14, 1962, and the matter was under advisement at the close of the fiscal year.

After publication of the Commission's notice of the filing of the above applications, an application was filed by a shareholder of *Axe-Houghton Fund B, Inc.*, seeking a determination by the Commission pursuant to Section 2(a)(9) that certain directors of that investment company are controlled by other directors who also allegedly con-

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[5] Investment Company Act Release No. 3485.

[6] Investment Company Act Release No. 3468 (April 18, 1962).

trolled the investment company. Subsequent to the close of the fiscal year this application was dismissed by the Commission on the ground that it failed to state a basis for the requested determinations under Section 2(a)(9). Applicant thereafter filed a petition to review the Commission's action in the Court of Appeals for the Second Circuit. The petition was dismissed on October 5, 1962.

The Commission's Annual Report for fiscal 1961 referred to an application filed by *The Prudential Insurance Co. of America* for exemption from the Act or, in the alternative, for exemption from certain provisions thereof, in connection with its proposed plan for the sale of variable annuity contracts.[7] During fiscal year 1962 the hearing in this matter was completed, briefs were filed by the interested parties, and oral argument was had before the Commission. At the end of the fiscal year the matter was awaiting a decision by the Commission.

[7] 27th Annual Report, p. 152.

## PART X

## ADMINISTRATION OF THE INVESTMENT ADVISERS ACT OF 1940

The Investment Advisers Act of 1940 requires the registration of persons engaged for compensation in the business of advising others with respect to securities. Certain advisers are exempt from the requirement of registration, including those who advise only investment companies or insurance companies and those who, within the last 12 months, had fewer than 15 clients and who do not hold themselves out generally to the public as investment advisers. Furthermore, the registration requirements do not apply to an adviser whose investment advice is given only to persons resident in the state in which he maintains his principal place of business, as long as the advice does not concern securities listed on a national securities exchange or admitted to unlisted trading privileges on such an exchange.

As discussed in the last Annual Report [1] Section 206 of the Act, which prohibits certain unlawful practices by investment advisers, was amended in September 1960 by the addition of subsection (4). That subsection prohibits any investment adviser from engaging in fraudulent, deceptive or manipulative acts or practices and gives the Commission authority, by rules and regulations, to define and to prescribe means reasonably designed to prevent such acts and practices. In accordance with this provision the Commission during the fiscal year adopted Rule 206(4)–1, effective January 1, 1962,[2] which defines certain advertisements by investment advisers as fraudulent, deceptive or manipulative. It also adopted Rule 206(4)–2, effective April 2, 1962,[3] which requires an investment adviser who has custody of funds or securities of any client to segregate them, maintain them in the manner provided in the rule, and to comply with other conditions specified in the rule.

Investment advisers who also effect transactions as brokers and dealers must disclose any interest they may have in transactions effected for clients if acting as an investment adviser with regard to such transactions. The Act prohibits any investment adviser not

[1] 27th Annual Report, p. 159.
[2] Investment Advisers Act Release No. 121.
[3] Investment Advisers Act Release No. 123.

exempt from registration from basing his compensation upon a share of the capital gains or appreciation of his client's funds. The Act also makes it unlawful for any such investment adviser to enter into, extend or renew any investment advisory contract or to perform such contract if the contract provides for compensation to the investment adviser on the basis of a share of capital gains or capital appreciation of the funds or any portion of the funds of the client or fails to provide that no assignment of such contract shall be made by the investment adviser without the consent of the other party to the contract.

Prior to the 1960 amendments, the Act did not require investment advisers to keep and preserve books and records, nor was the Commission empowered to inspect books and records kept by investment advisers. Section 204 of the Act, as amended, now requires every investment adviser who is not exempt from registration to make, keep and preserve such books and records as may be prescribed by the Commission and empowers the Commission to inspect such books and records. In accordance with this provision, the Commission adopted Rule 204–2, effective July 1, 1961,[4] specifying the books and records to be maintained by investment advisers.

Inspection procedures have been revised to obtain information concerning compliance with the new rules. These rules are more fully discussed in Part III of this report.

Investment advisers who violate any of the provisions of the Act are subject to appropriate administrative, civil or criminal remedies. With respect to administrative remedies, the Act provides, in Section 203(d), that the Commission shall deny, revoke, or suspend for not more than 12 months, the registration of an investment adviser if it finds that such action is in the public interest and that the investment adviser or any partner, officer, director or controlling or controlled person of the investment adviser is subject to a specified disqualification. These disqualifications include willful misstatements in an application or report filed with the Commission, the existence of a conviction or injunction based on or related to specified types of misconduct, willful violation of any provision of the Securities Act, Securities Exchange Act or Investment Advisers Act or any rule or regulation thereunder, or aiding and abetting any other person's violation of such provisions, rules or regulations.

At the close of the fiscal year, 1836 investment advisers were registered with the Commission. The following tabulation contains statistics with respect to registrations and applications for registration during fiscal year 1962:

[4] Investment Advisers Act Release No. 114.

*Investment Adviser Registrations—1962 Fiscal Year*

| | |
|---|---|
| Effective registrations at close of preceding fiscal year | 1,855 |
| Applications pending at close of preceding fiscal year | 24 |
| Applications filed during fiscal year | 315 |
| Total | 2,194 |
| Registrations cancelled or withdrawn during year | 338 |
| Registrations denied or revoked during year | 0 |
| Applications withdrawn during year | 4 |
| Registrations effective at end of year | 1,836 |
| Applications pending at end of year | 16 |
| Total | 2,194 |

## ADMINISTRATIVE PROCEEDINGS

During fiscal 1962, the Commission instituted revocation proceedings against six registered investment advisers and in another instance instituted proceedings to determine whether an application for registration should be denied. These proceedings, and four revocation proceedings previously instituted, were pending at the close of the year. The proceedings instituted during the year included the following:

*Carroll Tillman* and *John Francis Ryan, Jr.* each doing business as *The Tillman Survey*—The Commission instituted proceedings to determine whether the registrants had engaged in fraudulent and deceptive acts including the distribution of advertising material which was "lurid and flamboyant" contrary to Rule 206(4)–1 under the Act and whether the public interest required that their registrations as investment advisers be revoked. The Commission's staff charged that Tillman, aided and abetted by Ryan, published and distributed advertising material which contained untrue statements and was false and misleading. The alleged misrepresentations in the advertisements involved comparisons between the securities recommended by Tillman and other securities without adequately disclosing the material differences between the securities, and representations that a list of 10 stocks which Tillman offered was selected in accordance with 7 tests prescribed by him and that these tests could "dig up" securities which eventually could be enormously profitable. The staff charged that the advertising material created false and misleading impressions by referring to 25%, 50% and 100% increases in market values, by falsely representing that certain subscription offers were available only to a selected group and by guaranteeing that a refund would be made to subscribers unless a group of 10 stocks rose 175 points before September 7, 1962, while omitting to disclose Tillman's complex and misleading method of determining the dates and figures used in ascertaining the availability of such guarantee.[5]

[5] Investment Advisers Act Release No. 128 (June 20, 1962).

## PART XI

## OTHER ACTIVITIES OF THE COMMISSION

### CIVIL LITIGATION

The several statutes administered by the Commission authorize the Commission to seek injunctions against continuing or threatened violations of such statutes. Such violations may involve a wide range of illegal practices, including the purchase or sale of securities by fraud, and the sale of securities without compliance with the registration requirements of the Securities Act. The Commission also participates in various other types of proceedings, including appearances as *amicus curiae* in litigation between private parties where it deems important that its views regarding the interpretation of the statutes be furnished to the court.

At the beginning of the fiscal year 1962 there were pending in the courts 96 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 89 additional proceedings were instituted and 80 cases were disposed of, leaving 105 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 9 proceedings in the District Courts under Section 11(e) of the Public Utility Holding Company Act, and in 9 miscellaneous actions. The Commission also participated in 50 civil appeals in the United States Courts of Appeals. Of these, 14 came before the courts on petition for review of an administrative order, 9 arose out of corporate reorganizations in which the Commission had taken an active part, 11 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 10 were appeals in cases in which the Commission appeared as *amicus curiae*. The Commission also participated in 6 appeals or petitions for *certiorari* before the United States Supreme Court resulting from these or similar actions.

Complete lists of all cases in which the Commission appeared before a Federal or state court during the fiscal year, either as a party or as *amicus curiae*, and the status of such cases at the close of the year are contained in the appendix tables. This section describes a few of the more noteworthy cases, not including, however, any cases arising

under the Public Utility Holding Company Act or Chapter X of the Bankruptcy Act; cases arising under those statutes are discussed in the sections of this report dealing with such statutes.

In *S.E.C.* v. *Herbert Rapp*, et al.,[1] the Commission sought a permanent injunction against Rapp, a registered broker-dealer, and certain of his salesmen for violating Section 17(a) of the Securities Act, by making false and misleading statements in the offer and sale of the stock of an aircraft manufacturing company. The District Court, after trial, dismissed the complaint for failure of proof, finding, among other things, that expressions of opinion by salesmen that the stock would soon increase significantly in value did not constitute a material misrepresentation.[2] The Court made no reference to the distribution of misleading sales literature, and it further apparently exonerated Rapp because he had made no oral representations. It also denied the Commission's motion at the end of the trial, pursuant to Rule 15(b) of the Federal Rules of Civil Procedure,[3] to conform the pleadings to the proof.

The Court of Appeals for the Second Circuit reversed the District Court, ordering that a permanent injunction issue as to Rapp and remanding as to the salesman involved in the appeal.[4] The Appellate Court held that where the defendants failed to object to the trial of issues not raised by the pleadings, the District Court was required to grant the Commission's motion to conform the pleadings. It further held that since the salesmen had no knowledge of the securities business and their statements were in accord with the sales literature which Rapp instructed them to follow, the District Court erred in stating that the latter was not responsible for the misrepresentations made by them. Furthermore, it held that Rapp was responsible for misrepresentations in a brochure mailed to prospective investors, and that he also violated Section 17(a) by leading customers to believe he was acting as agent in the sale of the stock, when in fact he was acting as principal. The action as to the salesman was remanded for further proceedings since the findings of fact were insufficient to determine whether his predictions of future value were opinions without basis in fact.

In *S.E.C.* v. *Custer Channel Wing Corporation, et al.*[5] the Commission sought to enjoin an issuing corporation, its president and a trustee from offering and selling securities without registration in violation of Section 5 of the Securities Act, and from engaging in practices operating as a fraud upon purchasers in violation of Sec-

[1] S.D.N.Y. No. 132-344.
[2] CCH Sec. L. Rep. ¶91048.
[3] 29 U.S.C.A. Rule 15(b).
[4] 304 F. 2d 786 (1962).
[5] D. Md. No. 13,500 Civil.

tion 17(a) of that Act. Defendants had represented that treasury shares of the corporation were available for sale. However, as to those treasury shares which were sold, no registration statement was in effect, and other shares sold were not treasury shares but shares which had been placed in a trust by the president. By the terms of the trust, the shares were to be returned to the president within 1 year or, if the shares were sold, the proceeds were to be paid over to him within 2 years and in the interim they were to be loaned to the corporation. These shares were also unregistered. Rejecting the defendants' contention that the shares sold were exempt from registration because they had at one time been sold as part of an intrastate distribution exempt from the registration requirements by Section 3(a)(11) of the Act, or as part of a small issue exempt under Section 3(b) and Regulation A thereunder, the District Court declared that the exempt status of the securities did not continue indefinitely or, as claimed by the defendants, until such time as there was a fundamental change in the corporate structure. The Court stated that once such stock came into the hands of the issuer or persons controlling the issuer, its subsequent offering constituted a new issuance as to which the registration requirements again became applicable. The District Court also found violations of Section 17(a) of the Act, in the sale of the trust shares to investors accepting the offer of treasury shares, holding that disclosure should have been made regarding the existence of the trust and the fact that under its terms the money received for the shares was to be loaned to the corporation, such loan to be secured by a chattel mortgage on airplanes manufactured by it.

In *S.E.C.* v. *Federal Shopping Way, Inc.*,[6] where the Commission charged numerous defendants with violations of the registration and anti-fraud provisions, the defendants sought leave to file a counterclaim against the Commission and to join seven named Commission employees as parties to such proposed counterclaim. The proposed counterclaim alleged that defendants had been defamed and tortiously aggrieved by statements contained in Commission litigation releases and statements made by Commission employees during their conduct of investigations, and sought damages and injunctive relief. The Court denied defendants such leave, holding that "Federal officials are privileged against suit for acts done within the scope of their official duties," and "(e)xamination of the record and the proposed cross-complaint clearly shows that the alleged misconduct . . . . (of defendants to the counterclaim) entirely consists of actions wholly within the course and scope of their official duties."

[6] W.D. Wash. No. 2671.

In *S.E.C.* v. *Bloomberg*,[7] which arose out of the reorganization of Bettinger Corporation under Chapter X of the Bankruptcy Act, the trustees proposed as part of their plan of reorganization to issue at stated ratios new common stock for the old stock of the company plus a certain amount of cash. They took the position that the issuance of the new stock was exempt from the registration provisions of Section 5 of the Securities Act by virtue of Section 264(a)(2) of Chapter X, which provides an exemption for "any transaction in any security issued pursuant to a plan in exchange for securities of or claims against the debtor or partly in such exchange and partly for cash and/or property." It was the Commission's view, on the other hand, that since the company was insolvent, the old stock was worthless and there could be no true "exchange" within the meaning and spirit of Section 264(a)(2), and that accordingly the new stock could not be lawfully distributed without registration.

However, the Commission's attempts to raise the issue were unsuccessful. The Commission first moved to intervene in the Chapter X proceedings, but the District Court denied the motion. Thereafter, it sought to enjoin the proposed distribution, but the Court dismissed the injunctive action. In an opinion issued later, the Court assigned as one ground for its orders that the Commission's actions were not timely. It also indicated that it considered the distribution of the new stock to be exempt.

On appeal by the Commission, the Court of Appeals for the First Circuit, without reaching the substantive issue, affirmed solely on the ground that the trial court had not abused its discretion in ruling that the Commission's actions were not timely.[8] The Appellate Court's opinion did expressly reject the intimation of the District Court that the nonregistration of stock could be excused on the basis that the time requirements of registration would be inimical to a proposed plan of reorganization. Of significance in the opinion, also, is the Appellate Court's implicit agreement that an application to intervene by the Commission as the agency administering the Securities Act was the proper method of raising the issue of registration, wholly apart from the Commission's role as Chapter X adviser, in which latter capacity its right of appeal is expressly circumscribed by statute.

In *Kukatush Mining Corp.* v. *S.E.C.*, plaintiff sought to enjoin the Commission from continuing its name on the Canadian Restricted List,[9] alleging that the Commission's action was arbitrary and con-

[7] D.C. Mass. No. 61–729–5.

[8] 299 F. 2d 315 (1962).

[9] This list and a description of its purposes will be found elsewhere in this report, pages 144–146, *infra*.

stituted a black-listing of the company without notice or opportunity to be heard. Plaintiff's complaint also alleged that it had suffered irreparable injury. The Commission moved to dismiss the action on the ground that plaintiff had not exhausted its administrative remedies, that issuance of the List was within the Commission's authority and discretion, that the District Court had no jurisdiction, and that plaintiff had not suffered any injury which entitled it to relief.

The District Court for the District of Columbia granted the Commission's motion to dismiss [10] and subsequent to the end of the fiscal year the Court of Appeals for the District of Columbia affirmed the lower court's action.[11]

*S.E.C.* v. *Union Corporation of America* [12] is an action by the Commission to compel the filing of annual reports by the corporation pursuant to Section 15(d) of the Securities Exchange Act. In granting a mandatory injunction, the District Court held that once the aggregate value of a company's registered and outstanding stock of the same class exceeds $2 million, its undertaking to file reports becomes and remains operative, and the fact that the value of those shares actually sold plus those previously outstanding never exceeds $1 million does not suspend the duty to file reports in the absence of a deregistration reducing the value of the registered and outstanding shares to less than $1 million. Following the close of the fiscal year, the Court of Appeals affirmed.[13]

In *Stanley E. Henwood, et al.* v. *S.E.C.*,[14] the Commission sought to have the court enjoin 17 stockholders of United Industrial Corporation, associated together as the Stockholders' Protective Committee, from making false and misleading statements in material distributed in solicitation of proxies which were to be voted at the 1961 annual stockholders' meeting. After entering orders temporarily enjoining further solicitation, the voting of proxies already obtained and the holding of any stockholders' meeting, the District Court upon trial held that the failure of the Committee to disclose the full extent of the participation of two resigned officers and directors of the corporation in the organization of the Committee and its solicitation of proxies violated Section 14(a) of the Securities Exchange Act of 1934, and the Commission's Rule 14a–9 thereunder. The Court found that the former president and executive vice president, who had resigned following announcement of discrepancies of $7 million in the corpora-

[10] 198 F. Supp. 508 (1961).
[11] 309 F. 2d 647 (C.A.D.C., 1962.)
[12] 205 F. Supp. 518 (E.D. Mo., 1962).
[13] C.A. 8, October 19, 1962 (No. 17,048).
[14] S.D. Calif., No. 935–61–TC.

tion's accounts, had in fact organized the Committee and participated in the solicitation of proxies.[15] The Court of Appeals for the Ninth Circuit modified and affirmed the order enjoining proxy solicitation by the Committee unless the activities of the two former officers were disclosed and enjoining the voting of proxies already obtained.[16] The enjoined defendants petitioned the Supreme Court for a writ of *certiorari*, asserting that Section 14(a) of the 1934 Act, as applied through the Commission's proxy rules, is constitutionally objectionable as being so vague and ambiguous as to constitute an unauthorized delegation of legislative powers and as invading rights of free speech and contract, and that the District Court could not enjoin the voting of proxies obtained through unlawful solicitation where an opportunity for resolicitation was allowed. The Commission filed a brief in opposition, pointing out that the terms of the statute are comparable to many other statutory provisions which have been held to be sufficiently definite, that the Commission has no power of "censorship" over proxy material and that an injunction against voting proxies obtained through unlawful solicitation is relief traditionally ancillary to the restraint against continued violation of the proxy rules. Subsequent to the close of the fiscal year, the Supreme Court denied *certiorari*.[16a]

In *Brown, Barton & Engel* v. *S.E.C.*,[17] the Court of Appeals for the Third Circuit denied a motion to stay the enforcement of a Commission order suspending petitioner's registration as a broker and dealer pending final determination of the issue as to whether such registration should be revoked. The suspension order had been issued on the basis of the Commission's findings that petitioner had engaged in a fraudulent course of conduct and was subject to two injunctions. Court review of the Commission's decision was pending at the close of the fiscal year.

In *Hansen* v. *S.E.C.*,[18] plaintiff sought to enjoin the Commission from taking his testimony in an administrative proceeding against a broker-dealer, in which plaintiff was named as a cause, and to compel the Commission to consider any charges against him in separate proceedings. He also alleged that the Commission wrongfully withheld his papers and that publication of the Commission's order instituting proceedings against the broker-dealer caused him irreparable injury. The Commission moved to dismiss the complaint or alternatively for judgment on the pleadings on the grounds that it had authority to bring public proceedings against the broker-dealer and to name plain-

[15] CCH Fed. Sec. L. Rep. § 91, 125.
[16] 298 F. 2d 641 (C.A. 9, 1962).
[16a] 371 U.S. 814 (1962).
[17] Civil No. 14080, C.A. 3, August 9, 1962.
[18] D.D.C. Civil Action No. 3829–61.

tiff a cause therein, that plaintiff had not exhausted his administrative remedies and that the District Court had no jurisdiction over plaintiff's claim. The District Court granted the Commission's motion for judgment on the pleadings.

Two cases, *Berko* v. *S.E.C.*,[19] and *Kahn* v. *S.E.C.*,[20] arose from an order issued by the Commission revoking the broker-dealer registration of Mac Robbins & Co., Inc. and finding that nine salesmen, including Berko and Kahn, were each a cause of the revocation.[21]

Mac Robbins had been co-underwriter of an issue of stock of Sports Arenas, Inc., and after the offering had been completed, its principal business was trading in Sports Arenas stock. The Commission found that Berko and Kahn had made highly optimistic statements about Sports, although they knew that there was no adequate basis for such statements or were "grossly careless or indifferent" in failing to determine whether or not such basis existed.

The Court of Appeals for the Second Circuit remanded the cases to the Commission, on the ground that the factual and legal basis for the Commission's decision was not stated with sufficient clarity. Among other things, it held that the fact that the issuer had sustained initial operating losses did not in and of itself mean that there was no adequate basis for optimistic statements regarding the stock. The Court asked the Commission to express its views, among other things, regarding the significance of participation by salesmen in a so-called "boiler-room" operation, the right of salesmen to rely on information given to them by their employer, and the extent to which the salesmen's specialization in Sports stock created or increased the duty to investigate and disclose.

Judge Clark, concurring in the result, concluded that the Commission had not made clear whether it relied upon the so-called "shingle" theory or some other legal theory.

Shortly after the close of the fiscal year, the Commission issued an Opinion and Order reaffirming its previous findings that Berko and Kahn were each a cause of the revocation (Securities Exchange Act Release No. 6846 (July 11, 1962)). In September 1962, Berko filed a petition for review in the Court of Appeals for the Second Circuit. Kahn has not sought such review, and the statutory period for seeking review has expired.

In *Silver* v. *New York Stock Exchange*,[22] the Exchange, after a confidential investigation, had directed its member firms to discontinue private wire connections with Silver, a securities dealer, and

[19] 297 F. 2d 116 (C.A. 2, 1961).
[20] 297 F. 2d 112 (C.A. 2, 1961).
[21] Securities Exchange Act Release Nos. 6462 (February 6, 1961) and 6498 (March 16, 1961).
[22] 196 F. Supp. 209 (S.D.N.Y., 1961).

Silver brought an action for damages and injunctive relief alleging violations of the anti-trust laws. The District Court granted Silver's motion for summary judgment, permanently enjoining the Exchange under Section 16 of the Clayton Act from interferring with private wire and telemeter connections between its members and Silver and holding that the Exchange was liable for damages under Section 4 of the Clayton Act. The Exchange appealed from this decision and the Commission, because of language in the opinion of the District Court suggesting that a registered stock exchange has no right or duty to discipline its members on the basis of their transactions in unlisted securities, filed a memorandum as *amicus curiae*. The Court of Appeals reversed,[23] holding that "the action of the Exchange in bringing about the cancellation of the private wire connections with members of the Exchange was within the general scope of the authority of the Exchange as defined by the 1934 Act and therefore outside the coverage of the Sherman Act," and expressly rejecting the suggestion that the authority of the Exchange in disciplining its members is limited to transactions in securities listed on the Exchange. Silver's petition for a writ of *certiorari* is pending in the Supreme Court.[24]

In the last Annual Report, the case of *Blau* v. *Lehman*, was described and it was stated that the Supreme Court had granted *certiorari*.[25] That was a derivative suit by a stockholder of Tidewater Associated Oil Company against an investment banking partnership to recover "short swing" profits realized by the firm through transactions in Tidewater's securities while one of the partners was serving on the company's board of directors. The Supreme Court [26] affirmed the decrees of the Court of Appeals [27] and the District Court [28] which, while awarding the plaintiff a judgment for that portion of the defendant's profits which were chargeable to the partner-director's income account, refused to hold that the firm itself violated Section 16(b) of the Securities Exchange Act, thus permitting the firm to retain over 96 percent of its "short swing" profits. The Court took cognizance of the Commission's position, as advocated in its *amicus curiae* brief, that while the literal language of Section 16(b) limited liability to "directors," considerations of policy were present which made it appropriate to expand that Section to cover partnerships of which a director is a member. However, the majority was of the opinion that if Section 16(b) were to be so expanded, it should be

[23] 302 F. 2d 714 (C.A. 2, 1962).
[24] No. 150, 1962 Term.
[25] 27th Annual Report, p. 96.
[26] 368 U.S. 403 (1962).
[27] 286 F. 2d 786 (C.A. 2, 1960).
[28] 178 F. Supp. 590 (S.D.N.Y., 1959).

accomplished by remedial legislation, rather than by judicial construction. In a strong dissent, charging that the majority opinion resulted in a ". . . mutilation of the Act," Justice Douglas, with whom Chief Justice Warren concurred, stated that there should be no difficulty in charging the partnership with liability as an "insider" in cases where it is determined, as a factual matter, that the partnership has either "deputed" or informally instructed its partner to represent its interests on the corporate board of directors.

At the request of the United States District Court for the Southern District of New York, the Commission filed a memorandum of law as *amicus curiae* in *Silverman* v. *Landa and Fruehauf Trailer Co.*[29] The action was brought by a stockholder of Fruehauf to recover on behalf of Fruehauf the profits realized by defendant Landa, a director of the company, in transactions in Fruehauf common stock. While the beneficial owner of 2000 shares of Fruehauf common stock, Landa had issued simultaneously two "call" options and one "put" option, each for 500 shares. Plaintiff claimed that the issuance by the defendant of a "straddle," i.e. the simultaneous issuance of a put option and a call option, constituted a purchase and sale of the underlying security for the purposes of Section 16(b) of the Securities Exchange Act of 1934, and that the issuance of the unmatched call violated Section 16(c) of the Act, since the underlying security was not delivered within 20 days of the date of the issuance of the call.

The Commission took the position that the issuance of a straddle constituted a purchase and sale of the underlying security for the purpose of Section 16(b) of the Act, but that no violation of Section 16(c) occurred since the defendant at all times owned sufficient shares of the underlying security to deliver in satisfaction of any obligation under the unmatched call. However, the District Court held that no purchase or sale of the underlying security occurs until such time as the options are exercised, and accordingly found no liability under Section 16(b) and no violation of Section 16(c).

The case was appealed to the Court of Appeals for the Second Circuit and the Commission filed a brief as *amicus curiae*, taking the same position it took in the District Court. Subsequent to the end of the fiscal year, the Court of Appeals affirmed the decision of the District Court.[30]

The case of *Warshow* v. *H. Hentz & Co.*,[31] was an action for rescission or damages brought by a customer against a broker who arranged for the purchase of securities in violation of the margin

[29] S.D.N.Y., No. 61 Civ. 1115.
[30] 306 F. 2d 422 (C.A. 2, 1962).
[31] 199 F. Supp. 581 (S.D.N.Y., 1961).

requirements of the Securities Exchange Act of 1934. Plaintiff's loss was discovered and suit instituted when the moneylender, with whom plaintiff's shares were pledged, went into receivership and such shares were not among the assets.

Defendant moved to dismiss the complaint, contending that the facts alleged in the complaint failed to set forth a cause of action. The Commission filed a brief *amicus curiae* urging that the plaintiff was entitled to rescission or to recover damages because the contract for the purchase of securities was in violation of the Act and hence void under Section 29(b). Alternatively, the Commission argued that the plaintiff had an implied private right of action against the broker-dealer for the latter's violation of the margin requirements where the losses were not caused by fluctuation of the market, but by the insolvency of the moneylender selected by the broker.

The Court denied the motion to dismiss, accepting the positions urged by the Commission, and the suit was subsequently settled by compromise.

The case of *S.E.C.* v. *Capital Gains Research Bureau, Inc.*, is described in the last Annual Report.[32] The Commission had charged an investment adviser and its president with violating Sections 206 (1) and (2) of the Investment Advisers Act. The trial court's denial of a preliminary injunction[33] was affirmed by a divided panel of the Court of Appeals for the Second Circuit,[34] and the Commission petitioned for a rehearing *en banc* which was granted. The Court of Appeals *en banc* has affirmed the trial court's decision by 5 to 4 decision.[35]

*Sutro Brothers & Co.* v. *S.E.C.*,[36] *Amos Treat & Co.*, v. *S.E.C.*,[37] and *R. A. Holman & Co.* v. *S.E.C.*[38] are three actions brought by broker-dealers to enjoin the Commission from continuing an investigation or administrative proceedings against them. Sutro Brothers sought to enjoin the Commission from continuing an investigation into violations of the Securities Exchange Act during the pendency of broker-dealer revocation proceedings based upon evidence previously developed in the same investigation. In denying plaintiff's motion for a preliminary injunction, the District Court held that neither Section 21 of the Securities Exchange Act, nor any provision of the Administrative Procedure Act, limits the Commission's inves-

[32] 27th Annual Report, p. 163.
[33] 191 F. Supp. 897 (S.D.N.Y., 1961).
[34] 300 F. 2d 745 (C.A. 2, 1961).
[35] *306* F. 2d *606* (C.A. 2, 1962).
[36] 199 F. Supp. 438 (S.D.N.Y., 1961).
[37] D.D.C., No. 1340–62.
[38] D.D.C., No. 1888–62.

tigative power during the pendency of broker-dealer revocation proceedings.

In *Amos Treat* the plaintiff sought to enjoin the Commission from continuing broker-dealer revocation proceedings, claiming that one of the members of the Commission who had participated in several preliminary rulings was disqualified from adjudicating in the case because he had previously been Director of the Commission's Division of Corporation Finance at a time when that Division had investigated a matter factually related to the administrative proceeding. It was claimed that his participation violated due process and Section 5(c) of the Administrative Procedure Act. The District Court denied plaintiff's motion for a preliminary injunction on the grounds that the administrative remedies had not been exhausted, review of any final decision could be had in a court of appeals, and there was no showing of irreparable injury. The Court of Appeals reversed and remanded the case,[39] holding that there had been a showing of a violation of due process and that the District Court had jurisdiction on this basis alone. The Commission's petition for rehearing *en banc* was denied.

The Commission, following an alternative suggestion of the Court of Appeals, thereafter terminated the proceedings, but without prejudice to the subsequent institution of new proceedings. In its order, the Commission made it clear that this result should not be regarded as a precedent since the Commission disagreed with the Court's decision, but that the Commission was of the view that to seek further court review would entail delay in the determination of the issues in the proceedings and would not be in the public interest.

The *Holman* case involved the same contention as in *Amos Treat*, in this instance regarding two members of the Commission, and the additional contention that the hearing examiner who had presided at the administrative hearings was also disqualified because he lacked the requisite independence from the Commission since he had passed the age of mandatory retirement and served at the will of the Commission. The District Court granted plaintiff's motion for a preliminary injunction, basing its order solely upon the participation of one of the members of the Commission and relying entirely upon the *Amos Treat* case. The Commission's appeal from that order is pending.[40]

During the fiscal year, the Commission participated in a number of important cases under the Investment Company Act. In *S.E.C.* v.

[39] 306 F. 2d 260 (C.A.D.C., 1962).
[40] C.A.D.C., No. 17,202.

*Midwest Technical Development Corp., et al.*,[41] the Commission brought an injunctive action alleging that the directors and officers of the defendant investment company had caused it to violate various provisions of the Investment Company Act and were committing gross misconduct and gross abuse of trust. The complaint contains detailed charges of simultaneous personal investments by several of the officers and directors in the portfolio companies in which Midwest invested, resulting in large private profits for them to the detriment of the fund's interests.

The Commission seeks not only to enjoin the various violations, but to freeze the private investments of the individual defendants to prevent further deterioration of the situation, to obtain an accounting for profits and to have a receiver appointed to preserve the public interest in Midwest.

All of the individual defendants have entered stipulations agreeing not to change their present investment position in the portfolio companies, pending trial on the merits. Upon the filing of these stipulations, the Commission withdrew its motion for a preliminary injunction. The Commission has dismissed the case against two corporate defendants which have entered final stipulations undertaking not to engage in any transactions with Midwest without first obtaining an exemption under Section 17(a) of the Investment Company Act. The case with respect to the remaining defendants was pending at the close of the fiscal year.

In *Chabot* v. *Empire Trust Co.* and *Schwartz* v. *National Securities Service*,[42] the shareholders of a mutual fund, organized as a common law trust, brought an action against the trustee and others for restoration to the fund of fees paid to the trustee. The trustee moved to stay the proceedings until the plaintiffs had delivered a bond to indemnify it against the cost and expenses of defending the action. The District Court [43] held applicable the provision of the trust agreement to the effect that no shareholder of the fund should have the right to an accounting except upon furnishing indemnity to the trustee against costs and expenses, with such indemnity to be payable unless it should be established that the trustee had been guilty of fraud, misfeasance, or gross negligence. The District Court therefore stayed the action pending the posting of security.

On appeal from that decision, the Court of Appeals for the Second Circuit upheld the right of appeal from the order of the District Court.[44] Subsequently, the Commission filed a brief as *amicus*

[41] D.C. Minn., No. 4-62 Civ. 142.
[42] 301 F. 2d 458 (C.A. 2, 1962).
[43] 189 F. Supp. 666 (S.D.N.Y., 1960).
[44] 290 F. 2d 657 (C.A. 2, 1961).

*curiae* expressing the view that the provision of the trust agreement requiring the posting of the security before the shareholders could commence their action was void under Section 17(h) of the Investment Company Act, which prohibits an investment company from operating under any instrument which contains "any provision which protects or purports to protect any director. . . ." The Court of Appeals agreed with the Commission's position and reversed the District Court, holding that the indemnity provision was violative of Section 17(h) and further stating that "any provision that renders litigation substantially less likely 'protects or purports to protect' directors and officers from liability under the Act," and is therefore invalid.[45]

During the year progress was made in another case involving implied private rights of action under the Investment Company Act. At the time of the last Annual Report, the Commission had filed a brief supporting the petition for *certiorari* in *Brouk* v. *Managed Funds*, contending that the Court of Appeals decision in that case was in conflict with numerous court of appeals and district court decisions holding that the Investment Company Act gives rise to implied private rights of action.[46] Subsequently the Supreme Court granted *certiorari*,[47] and the Commission filed a brief on the merits. However, before oral argument in the Supreme Court, the companion state court case[48] was settled by, among others, the respondents before the Supreme Court, for an amount in excess of $1 million. The Supreme Court, in a *per curiam* opinion, mooted the case, vacated the judgment of the Court of Appeals for the Eighth Circuit (whose reversal the Commission had urged), and remanded the case to the District Court for dismissal as to the respondents who were before the Supreme Court on *certiorari*.[49] While no final Supreme Court decision on the existence of implied rights of action was obtained, the opinion of the Court of Appeals to the contrary was vacated, and its value as contrary precedent nullified.

*Willheim* v. *Murchison*[50] was a case brought both derivatively and representatively by two stockholders of Investors Mutual, Inc., a registered investment company, seeking to enjoin Investors Diversified Services, Inc. (IDS) from acting as principal underwriter and investment adviser to Investors Mutual pursuant to written contracts. The plaintiffs contended that these contracts were "assigned"

[45] 301 F. 2d at 461.
[46] 27th Annual Report, pp. 156–157.
[47] 366 U.S. 958 (1961).
[48] *Lutz* v. *Boas*, 171 A. 2d 381 (Del. 1961).
[49] 369 U.S. 424 (1962).
[50] 203 F. Supp. 478 (S.D.N.Y.), *aff'd sub nom. Willheim* v. *Investors Diversified Services, Inc.*, 303 F. 2d 276 (C.A. 2, 1962).

within the meaning of the Investment Company Act and therefore automatically terminated when control of Alleghany Corporation, which held approximately 47.6 percent of the voting stock of IDS, passed from Allan P. Kirby to John D. Murchison and his associates as a result of a proxy contest. The District Court, in denying the request for a preliminary injunction, rejected this contention and, while not grounding its decision on this point, indicated that a transfer of a controlling block of Alleghany voting stock would be insufficient to cause termination of the contracts.

Plaintiffs took an appeal from this decision, and the Commission filed a brief *amicus curiae* urging the Court of Appeals, if it should reach the merits, to hold that an investment advisory contract is automatically terminated whenever a controlling block of stock of the investment adviser or of a corporation which controls the investment adviser is transferred.

The Court of Appeals affirmed the denial of the preliminary injunction, holding that neither the plantiff nor the corporation would suffer irreparable injury by delay until a hearing on the merits, but that a sudden termination of the service contracts would precipitate corporate chaos. Since the merits were not reached, the Court reserved its decision with respect to the position urged by the Commission.

In *Nadler* v. *S.E.C.*, the earlier history of which is discussed in the 1961 Annual Report,[51] the Court of Appeals for the Second Circuit [52] affirmed in a *per curiam* opinion the Commission's order refusing to revoke a previous order granting an exemption pursuant to Section 17(b) of the Investment Company Act for transactions between a registered investment company and certain affiliates and permitting it to acquire its own preferred stock pursuant to Section 23(c)(3) of the Act.

A stockholder had sought review of the Commission's second order on the ground that the investment company's directors who had authorized the filing of the application for the exemption had not been elected in accordance with the provisions of Section 16(a) of the Act, contending that this made the application and the Commission order void. The Commission had held that the acts of the directors were voidable only and that under all the circumstances the order should not be revoked.

The Court, in affirming, held that there is no basis for declaring void all acts by a board not chosen as required by Section 16(a), and

[51] 27th Annual Report, p. 156.
[52] 296 F. 2d 63 (1961), *certiorari denied*, 369 U.S. 849 (1962).

that "it would be an unsound policy, fraught with harm to the shareholders, to have everything done by such a board to carry on the corporation's normal business, especially within the statutory period, declared invalid."

*Taussig et al.* v. *Wellington Fund, Inc. et al.*[53] is a suit by stockholders of an investment company, Wellington Fund, Inc., against its corporate investment adviser and another investment company, Wellington Equity Fund and its adviser, in which the District Court enjoined the advisers and Wellington Equity Fund from employing the name "Wellington" in the investment company field, but denied damages.[54] The District Court ruled that the goodwill attached to the word "Wellington" resulting from the successful operation of Wellington Fund, Inc., was the property of that fund and that the use of the name by Wellington Equity Fund was likely to confuse investors, constituted trading on the success and goodwill of Wellington Fund, Inc., and would hinder that fund should it desire to change its investment policies to those followed by Wellington Equity Fund. Diversity jurisdiction being questionable, the District Court found pendent jurisdiction, stating that Section 35(d) of the Investment Company Act conferred an implied private right of action, and based its decision on common law principles of unfair competition. Both sides have appealed. The plaintiffs assert that the facts show violations of Sections 15, 20(a), 34(b), 35(d), 36 and 37 of the Investment Company Act, and claim that implied rights of action and appropriate remedies including damages should flow therefrom. The defendants urge that the goodwill resulting from the successful operation of the investment company is the property of the adviser, that the use of "Wellington" by the second investment company does not mislead investors and that neither common law unfair competition nor violations of the prohibitions of the various sections of the Investment Company Act are shown by the facts. The Commission is appearing in this appeal as *amicus curiae*, and has filed a brief which takes the position that implied rights of action flow from violations of provisions of the Investment Company Act, including Section 36. The brief also points out that no inferences should be drawn from the nonaction of the Commission or from its acceleration of the registration of shares as to whether names, proxy material or other material is deceptive or misleading. The Commission takes no position on the merits of the case.

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[53] C.A. 3 Nos. 13702, 13703, 13704 and 13705.

[54] *Taussig* v. *Wellington Fund, Inc.*, 187 F. Supp. 179 (Del. 1960).

## CRIMINAL PROCEEDINGS

The statutes administered by the Commission provide that the Commission may transmit evidence of violations of these statutes to the Attorney General, who, in turn, may institute criminal proceedings. The regional offices and, at times, the main office of the Commission prepare, after investigation, detailed reports where the facts appear to warrant criminal prosecution. After careful review by the General Counsel's Office, the recommendations of the regional offices and the General Counsel's Office are considered by the Commission and, if the Commission believes criminal prosecution is appropriate, the case is referred to the Attorney General and to the appropriate United States Attorney. Commission employees familiar with the case generally assist the United States Attorney in the presentation of the facts to the Grand Jury, the preparation of legal memoranda for use in the trial, the conduct of the trial, and the preparation of briefs on appeal. The Commission also submits parole reports prepared by its staff relating to convicted offenders.

During fiscal 1962, the Commission referred more cases to the Department of Justice for prosecution than in any other year in the Commission's history. In addition to the 60 cases referred for prosecution, 4 cases were referred for institution of criminal contempt proceedings for violations of injunctive decrees secured by the Commission in civil actions. As a result of these and prior referrals, 42 indictments were returned against 205 defendants during the fiscal year. There were also 67 convictions in 20 cases. Convictions were affirmed in 2 cases, and appeals were still pending in 13 other criminal cases at the close of the period. Of 4 criminal contempt cases handled during the year, 1 case was dismissed and 3 cases are still pending.

From 1934, when the Commission was established, until June 30, 1962, 3,187 defendants have been indicted in the United States District Courts in 710 cases developed by the Commission and 1,577 convictions have been obtained. The record of convictions obtained and upheld in completed cases is over 86 percent for the 28-year life of the Commission.[55]

As in prior years, the majority of the criminal cases prosecuted involved the offer and sales of securities by fraudulent representations and other fraudulent practices. These activities included high-pressure long-distance telephone "boiler-room" frauds, conversion of

[55] A condensed statistical summary of all criminal cases developed by the Commission from the fiscal year 1934 through the fiscal year 1962, is set forth in Appendix Table 25. The status of criminal cases developed by the Commission which were pending at the end of the fiscal year is set forth in Appendix Table 16.

customers' funds and securities by broker-dealers or their salesmen, frauds involving the sale of securities by new as well as established businesses, and fraudulent securities sales relating to the promotion of insurance companies, mortgage companies, oil and gas and other mining ventures, alleged inventions and other spurious investment schemes. Because of the large volume of cases, it is impossible to report in detail all the criminal matters, but some of the more important and novel fraudulent devices and techniques are described in the specific cases discussed below.

The past fiscal year has seen the culmination of the Commission's intensive investigations and prosecutions of a large number of fraudulent mortgage and trust deed promotions. The principal and perhaps the largest of these promotions was the subject of the prosecution in *United States* v. *David Farrell et al*, (S.D. Cal.). In that case some 9,000 investors paid in excess of $40 million into an alleged "Secured 10% Earnings Program" by purchasing securities of the Trust Deed & Mortgage Exchange, Los Angeles Trust Deed & Exchange, Trust Deed & Mortgage Markets, and Colorado Trust Deed & Mortgage Markets. David Farrell and Oliver J. Farrell were convicted on 32 counts of violating the anti-fraud provisions of the securities acts and the Mail Fraud Statute by falsely representing that investors were assured of 10% earnings and a degree of liquidity equivalent to that of insured bank deposits or insured savings and loan certificates, and failing to disclose that the issuing companies were insolvent and that funds entrusted to them by investors were in constant jeopardy. David Farrell received a 10 year jail sentence and was fined $86,000; Oliver J. Farrell was sentenced to 4 years in jail and was fined $52,000.[56]

Numerous convictions also have been obtained and several indictments are pending in the Southern District of Florida, in similar cases involving the "8% racket," the sale of unregistered mortgage notes to the public by fraudulently guaranteeing interest payments of between 8 and 15 percent. "Interest" was normally paid from capital contributed by purchasers of mortgage notes and not from income derived from operations.

As a result of the extensive prosecutions, this type of promotion seems to have been substantially eliminated. Among the convictions obtained were those of five defendants in *United States* v. *Joseph A. Peel, Jr.*, who were each sentenced to 18 years' imprisonment for violating the anti-fraud provisions of the Securities Act of 1933 and the Mail Fraud Statute in the sale of 8% notes of Insured Capital Corporation of Orlando, Florida. These defendants had received more

[56] Appeals are presently pending.

than a quarter of a million dollars from public investors. In another case, *United States* v. *Gradsky, et al.*, 10 defendants were convicted shortly after the close of the fiscal year of violating the anti-fraud provisions of the Securities Act and the Mail Fraud Statute in the promotion and sale of 8% and 12% short-term notes of Credit Finance Corporation, and received prison sentences ranging from 6 to 20 years.

This past fiscal year has seen a substantial number of cases involving manipulation of securities on national stock exchanges or in the over-the-counter market. In *United States* v. *Talenfeld* (W. D. Pa.), Edward H., Maurice A. and Burton M. Talenfeld were adjudged guilty of manipulating the market price of Cornucopia Gold Mines stock on the American Stock Exchange to aid distribution of their own shares of Cornucopia in the over-the-counter market. Maurice and Burton Talenfeld received 1-year sentences and were each fined $10,000. Edward H. Talenfeld was fined $7,500. Charles C. Bales and John C. Buckley, Jr., among others, pleaded guilty and *nolo contendere* in *United States* v. *Bales* (W.D. Ky.), to manipulating the market price of the stock of Cardinal Life Insurance Co., and concealing this and other facts from investors to whom they distributed over 71,000 shares of their own Cardinal stock. The defendants were fined amounts up to $15,000 and placed on probation.

In *United States* v. *Garfield, et al.* (S.D.N.Y.), still in progress at the close of the fiscal year, 22 individuals and 7 broker-dealer firms were charged with manipulating the market price of the common stock of United Dye and Chemical Corporation, and with distributing this stock in violation of the registration requirements of the Securities Act. A number of the defendants have entered pleas of guilty during the trial. Sentencing has been deferred until its completion. Some of the same defendants and others are charged, in *United States* v. *Garfield, et al.* (S.D.N.Y.), with fraud and market manipulation in connection with the sale of more than 5 million shares of Shawano Development Corporation stock to the public through J. H. Lederer Company, Inc., by means of an intensive telephone sales campaign utilizing false and misleading statements and literature.

Manipulation on the San Francisco Mining Exchange was the basis of two indictments returned near the close of the fiscal year. In *United States* v. *McDaniel* (S.D. Tex.), Paul E. McDaniel, George A. Mellen and others are charged with manipulating the market price of Ambrosia Minerals stock to facilitate the fraudulent distribution of their own stock. George J. Flach, president of the Exchange, is named as a co-conspirator but not as a defendant. And in *United States* v. *Carroll* (S.D. Calif.), the defendants are charged with manipulation and fraudulent sale of the stock of Comstock, Ltd.

In addition to the Ambrosia Minerals and Comstock promotions noted above, a number of other oil, gas and mining ventures provided, as in past years, a fertile field for fraudulent stock promotions. Among the cases involving such promotions was *United States* v. *Columbus Rexall Consolidated Mine Co.* (S.D. Fla.), where Irwin C. Glaser and 12 other defendants were found guilty of merging various corporations with insubstantial or spurious assets into Columbus Rexall, issuing over 12 million shares to themselves or associates, manipulating the price of the stock upwards on the Salt Lake Stock Exchange, and distributing large blocks of the stock to the public through "boiler-room" tactics.

A number of broker-dealers and securities salesmen were convicted in the past year for converting either their customers' securities or funds obtained from the sale of these securities. Thus, in *United States* v. *Pruett*, (N.D. Ga.), Carl and Gertrude Pruett were each convicted and sentenced to 9 years imprisonment for converting securities and funds belonging to customers, totaling about one and a half million dollars. In *United States* v. *Ficken* (N.D. Ohio), the defendant was sentenced to 18 years imprisonment after pleading guilty to charges of converting clients' funds by "bucketing" their orders.

A number of indictments have been returned in the Southern District of New York against Lowell M. Birrell and his associates charging fraud, manipulation and registration violations. In *United States* v. *Gerardo A. Re* (S.D.N.Y.), it is alleged that Birrell and others, including Jerry and Gerard Re in their capacity as specialists on the American Stock Exchange, manipulated the price of Swan-Finch Oil Company stock on that Exchange while distributing large unregistered blocks of the stock to the public through "boiler-rooms" and the Exchange at artificially inflated prices.

In *United States* v. *J. A. Winston & Co., Inc.* (S.D.N.Y.), Joel Alfred Winston, Birrell and others are charged with the manipulation and sale of unregistered stock of Jeanette Minerals, Ltd. The indictment alleges that while Birrell and other defendants manipulated the price of Jeanette stock on the Toronto Stock Exchange, Winston distributed 400,000 shares beneficially owned by Birrell to the American public through J. A. Winston & Co. The same defendants are also charged with fraud and registration violations in connection with the sale of the stock of American LeDuc Petroleums, Ltd. in *United States* v. *Albert Bernstein, et al.* (S.D.N.Y.). The indictment alleges that Birrell and the other defendants fraudulently distributed to the public, through J. A. Winston & Co., over 3 million unregistered shares of American LeDuc. Winston, J. A. Winston & Co. and others are also charged with violating the registration

and anti-fraud provisions of the Securities Act of 1933 in fraudulently distributing over 600,000 shares of Canuba Manganese Mines, Ltd. stock to the public.

Morris Mac Schwebel, an attorney who has been barred from practicing before this Commission, was charged, in *United States* v. *Morris Black, et al.* (S.D.N.Y.), with rendering fraudulent legal opinions concerning the applicability of the registration requirements of the Securities Act to the sale of the common stock of Great Sweet Grass Oils, Ltd. and Kroy Oils, Ltd. The indictment also charges Schwebel and the other defendants with arranging for the issuance of approximately 3 million shares of Great Sweet Grass stock which were placed in the names of nominees and thereafter fraudulently distributed to the public. It is alleged that the defendants manipulated the price of the stock on the American Stock Exchange to facilitate the distribution.

Several cases involving the promotion of insurance companies and the sale of their stock were prosecuted during the past fiscal year. Among these is *United States* v. *Lefferdink* (D. Colo.), where an 18-count indictment was returned charging Allan J. Lefferdink and 5 others with defrauding the purchasers of the stock of Denver Acceptance Corporation which was organized purportedly to engage in the insurance business. The indictment alleges that proceeds from the sale of the stock were diverted to other companies belonging to Lefferdink, after investors had been told the money would be used to promote one or more insurance companies.

Dr. Curtis L. Attaway, Sr. was one of the more "successful" promoters prosecuted this year. He is charged in *United States* v. *Attaway* (W.D. La.), with fraudulently obtaining over $6 million in the sale of notes to approximately 4,000 investors. The indictment alleges that the defendant represented that the profits from his various business ventures were so large and placed him in such a high federal income tax bracket that he could afford to pay interest at rates as high as 120 percent per year. It further alleges that the defendant issued to purchasers of his notes checks for the dollar amounts of the loans, and represented that, as long as the investors did not cash such checks, he would pay interest ranging from 3 percent to 10 percent per month.

At least $22 million worth of securities are alleged to have been converted to defendants' own use in *United States* v. *Eichler* (S.D.N.Y.). Defendants Leo Sinsheimer, who operated First Discount Corporation, a factor of security purchases by customers of New York broker-dealers, Arthur Katz, Robert Eichler and William

Mulligan are charged with converting and selling securities which were pledged by such customers with First Discount Corporation.

Near the close of the fiscal year, Edward M. Gilbert was indicted in the Southern District of New York for violating the anti-fraud provisions of the Securities Act by selling stock of E. L. Bruce Company to the public without disclosing that he had converted up to $1,953,000 of Bruce's funds. He was also charged with violating the registration provisions of the Securities Act, the insider reporting requirements of the Securities Exchange Act and the Federal Wire Fraud and Mail Fraud Statutes in connection with his diversion of Bruce's funds.

## COMPLAINTS AND INVESTIGATIONS

Each of the Acts administered by the Commission specifically authorizes investigations to determine whether specific violations of the Federal securities laws have occurred.

The nine regional offices of the Commission, with the assistance of their respective branch offices, are chiefly responsible for the conduct of investigations. In addition, the Office of Enforcement of the Division of Trading and Exchanges of the Commission's headquarters office conducts investigations dealing with matters of particular interest or urgency, either independently or assisting the regional offices. The Office of Enforcement also exercises general supervision over and coordination of the investigative activities of the regional offices. Its staff examines and analyzes the investigative findings and recommendations of the regional offices and recommends appropriate action to the Commission.

Prior to the organization of the Office of Enforcement in September 1962, certain of these functions were performed by a Branch of Special Investigations, Trial and Enforcement, which had been established in October 1961 within the Division of Trading and Exchanges. This Branch was set up to assist particular regional offices in certain cases, to coordinate investigations affecting several regional offices, and in some cases to assume responsibility for prosecuting multi-regional investigations. Among other things, the Branch collaborated with the Washington Regional Office in dealing with the serious enforcement problem in the Washington, D.C. area, resulting in injunctive and administrative proceedings against numerous broker-dealers; and it cooperated with several regional offices in an investigation leading to the return of an indictment in the Southern District of Texas, charging four defendants with fraud in the sale of stock of Ambrosia Minerals, Inc.

There are available to the Commission several sources of information concerning possible violations of the provisions of the Federal securities laws. The primary source of information is complaints by members of the general public concerning the activities of certain persons in securities transactions. The Division of Trading and Exchanges and the regional offices give careful consideration to this information and, if it appears that violations of the Federal securities laws may have occurred, an investigation is commenced. Other sources of information which are of assistance to the Commission in carrying out its enforcement responsibilities are the national securities exchanges, brokerage firms, state and Canadian securities authorities, better business bureaus, the National Association of Securities Dealers, Inc. and various law enforcement agencies.

It is the Commission's general policy to conduct its investigations on a confidential basis. Such a policy is necessary to effective law enforcement and to protect persons against whom unfounded or unconfirmed charges might be made. The Commission investigates many complaints where no violation is ultimately found to have occurred. To conduct such investigations publicly would ordinarily result in hardship or embarrassment to many interested persons and might affect the market for the securities in question, resulting in injury to investors with no countervailing public benefits. Moreover, members of the public would have a tendency to be reluctant to furnish information concerning violations if they thought their personal affairs would be made public. Another advantage of confidential investigations is that persons under suspicion of having violated the law are not made aware that their activities are under surveillance, since such awareness might have the effect of frustrating or obstructing the investigation. Accordingly, the Commission does not generally divulge the result of a nonpublic investigation unless it is made a matter of public record in proceedings brought before the Commission or in the courts.

When it appears that a serious violation of the Federal securities laws has occurred or is occurring, a case is opened and a full investigation is conducted.[57] Under certain circumstances it becomes necessary for the Commission to issue a formal order of investigation which appoints members of its staff as officers to issue subpoenas, to take testimony under oath and to require the production of documents. Usually this step is taken when the subjects of the investigation and others who may be involved are uncooperative and it becomes neces-

[57] Prior to January 1, 1962, information concerning a possible violation of the Federal securities laws was carried in a preliminary investigation file until a full scale investigation was begun or no violation was found. As of January 1, 1962, the category of preliminary investigations has been eliminated.

sary to use the subpoena power to complete the investigation of the case. During the past year 140 formal orders were issued in connection with investigations handled through the Division of Trading and Exchanges. In addition, there were 23 formal orders issued upon recommendation of the Division of Corporation Finance. That Division also conducts certain investigative work in connection with the processing of filings made with that Division under the Securities Act of 1933 and the Securities Exchange Act of 1934.

When an investigation has been completed and enforcement action appears appropriate, the Commission may proceed in one of several ways. It may refer the case to the Department of Justice for criminal prosecution. The Commission may also, when appropriate, authorize the institution of civil proceedings for injunctive relief to halt further violations of the Federal securities laws. In such event the complaint is filed with the appropriate United States District Court and the case is presented by a member of the Commission's staff. Finally, the Commission may institute administrative proceedings when its investigation indicates that a registration statement or report filed with it is false or misleading or omits required information, or that a broker-dealer or investment adviser registered with this Commission is violating the Federal securities laws.

The following table reflects in summarized form the investigative activities of the Commission during fiscal 1962:

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

| | Preliminary | Docketed | Total |
|---|---|---|---|
| Pending June 30, 1961 | 123 | 1,003 | 1,126 |
| New cases | 50 | 453 | 503 |
| Transferred from preliminary | | 128 | 128 |
| Total | 173 | 1,584 | 1,757 |
| Closed | 45 | 599 | 644 |
| Transferred to docketed | 128 | | [a] 128 |
| Pending at June 30, 1962 | 0 | 985 | 985 |

[a] The preliminary investigation category was eliminated by the transfer December 31, 1961, of all pending P.I.'s (120) to docketed cases.

## ENFORCEMENT PROBLEMS WITH RESPECT TO CANADIAN SECURITIES

Continued progress was made during fiscal 1962 in reducing the unlawful offer and sale of Canadian securities in the United States. The continuing cooperation of responsible Canadian officials and segments of the Canadian securities industry has greatly reduced enforcement problems.

However, the problem has by no means ceased to exist. During the past fiscal year two former Toronto promotions were transferred to Nassau, British West Indies, and postal fraud orders were obtained against them at their new location. There are also indications that some Ontario promoters are transferring their base of operations to the Northwest Territories and British Columbia. As new developments become known, the Commission has instituted vigorous enforcement procedures including steps resulting in issuance of postal fraud orders.

Although the volume of violations has decreased, jurisdictional problems, including the status of the Supplementary Extradition Convention with Canada, remain troublesome.[58]

The Commission continues to maintain its Canadian Restricted List, which is a list of Canadian companies whose securities the Commission has reason to believe currently are being, or recently have been, distributed in the United States in violation of the registration requirements of the Securities Act of 1933. Failure to comply with the registration requirements deprives investors of material information and facilitates false claims as to the worth of such securities. Thus investors are denied the essential protections provided by the Securities Act.

The list and supplements thereto are issued to and published by the press and copies are mailed to all registered broker-dealers and are available to the public. The list serves as a warning to the public and alerts broker-dealers to the fact that transactions in the securities of the companies named therein may be unlawful. Most United States broker-dealers refuse to execute transactions in such securities. Twelve supplements to the list were issued in fiscal 1962. As a result of more effective enforcement activities, it was necessary to add only 9 names to the list during the year, compared to the 82 names added in fiscal 1960 and 47 in fiscal 1961. After deletion, upon compliance with established procedures, of 4 names during the year, the number of names on the list as of June 30, 1962, was 258.

The current list, as of September 30, 1962 follows:

[58] See 26th Annual Report, pp. 202–203 for a description of some of these problems.

## CANADIAN RESTRICTED LIST

Abbican Mines Ltd.
Adonis Mines Ltd.
Alaska-Canadian Mining & Exploration Co. Ltd.
Alaska Highway Beryllium Venture
Aldor Exploration and Development Co. Ltd.
A. L. Johnson Grubstake
Alouette Mines, Ltd.
Amador Highland Valley Coppers, Ltd.
Ambassador Mining Developments, Ltd.
Americanadian Mining & Exploration Co., Ltd.
Amican Petroleum & Natural Gas Corp., Ltd.
Anthony Gas and Oil Explorations, Ltd.
Anuwon Uranium Mines, Ltd.
Apollo Mineral Developers, Inc.
Associated Livestock Growers of Ontario
Atlantis Industrial Development Co., Ltd.
Atlas Gypsum Corp., Ltd.
Ava Gold Mining Co., Ltd.
Baranouri Minerals, Ltd.
Barite Gold Mines, Ltd.
Basic Lead and Zinc Mines, Ltd.
Bengal Development Corp., Ltd.
Black Crow Mines, Ltd.
Blue Springs Explorations
Bonwitha Mining Co., Ltd.
Burbank Minerals, Ltd.
Cable Mines and Oils, Ltd.
Caesar Minerals, Ltd.
Cairngorm Mines, Ltd.
Cameron Copper Mines, Ltd.
Canada Radium Corp., Ltd.
Canadian Alumina Corp., Ltd.
Canford Explorations, Ltd.
Canol Metal Mines, Ltd.
Cartier Quebec Explorations, Ltd.
Casgoran Mines, Ltd.
Central & Eastern Canada Mines, (1958) Ltd.
Centurion Mines, Ltd.
Cessland Corp., Ltd.
Cessland Gas and Oil Corp., Ltd.
Colville Lake Explorers, Ltd.
Consolidated Easter Island Mines, Ltd.
Consolidated Exploration & Mining Co., Ltd.
Consolidated St. Simeon Mines, Ltd.
Consolidated Woodgreen Mines, Ltd.
Continental Consolidated Mines & Oils Corp., Ltd.
Copper Prince Mines, Ltd.
Courageous Gold Mines, Ltd.
Cove Uranium Mines, Ltd.
Cree Mining Corp., Ltd.
Crusade Petroleum Corp., Ltd.
Davian Exploration, Ltd.
Dayjon Explorers, Ltd.
Dempster Explorations, Ltd.
Derogan Asbestos Corp., Ltd.
Devonshire Mining Co., Ltd.
Devonshire Mining Syndicate
Diadem Mines, Ltd.
Dolmac Mines, Ltd.
Dolsan Mines, Ltd.
Dominion Fluoridators, Ltd.
Dominion Granite and Marble, Ltd.
DuMaurier Mines, Ltd.
Dupont Mining Co., Ltd.
Eagle Plains Developments, Ltd.
Eagle Plains Explorations, Ltd.
East Trinity Mining Corp.
Eastern-Northern Explorations, Ltd.
Elk Lake Mines, Ltd.
Embassy Mines, Ltd.
Explorers Alliance, Ltd.
Export Nickel Corp. of Canada, Ltd.
Fairmont Prospecting Syndicate
Federal Chibougamau Mines, Ltd.
File Lake Explorations, Ltd.
Fleetwood Mining and Exploration, Ltd.
Flint Rock Mines, Ltd.
Font Petroleums, Ltd.
Foreign Exploration Corp., Ltd.
The Fort Hope Grubstake
Franksin Mines, Ltd.
Gasjet Corp., Ltd.
Genex Mines, Ltd.
Georay Prospecting Syndicate
Golden Algoma Mines, Ltd.
Golden Hope Mines, Ltd.
Goldmaque Mines, Ltd.
Granwich Mines, Ltd.

**CANADIAN RESTRICTED LIST—Continued**

Guardian Explorations, Ltd.
Haitian Copper Mining Corp., Ltd.
Hallmark Explorations, Ltd.
Hallstead Prospecting Syndicate
Jack Haynes Syndicate
Hoover Mining and Exploration, Ltd.
Ibsen Cobalt-Silver Mines, Ltd.
Inlet Mining Corp., Ltd.
International Ceramic Mining, Ltd.
International Claim Brokers, Ltd.
Irando Oil and Exploration, Ltd.
Jacmar Explorations, Ltd.
Jaylac Mines, Ltd.
Jilbie Mining Co., Ltd.
Jomac Mines, Ltd.
Kateri Mining Co., Ltd.
Kelkirk Mines, Ltd.
Kelly-Desmond Mining Corp., Ltd.
Kennament Development Corp., Ltd.
Key West Exploration Co., Ltd.
Kimberly Copper Mines, Ltd.
Kipwater Mines, Ltd.
Kordol Explorations, Ltd.
Korich Mining Co., Ltd.
Kukatush Mining Corp.
Kuskokwim Grubstake
Ladysmith Explorations, Ltd.
Lake Kingston Mines, Ltd.
Lake Otter Uranium Mines, Ltd.
Lama Explorations and Mining Co., Ltd.
Lambton Copper Mines, Ltd.
Larutan Petroleum Corp., Ltd.
Lavandin Mining Co.
Lavant Mines, Ltd.
Leader Mining Corp., Ltd.
Lee Gordon Mines, Ltd.
Lindsay Explorations, Ltd.
Lucky Creek Mining Co., Ltd.
Lynwatin Nickel Copper, Ltd.
Mack Lake Mining Corp., Ltd.
Magni Mining Corp., Ltd.
Mallen Red Lake Gold Mines, Ltd.
Maple Leaf Investing Corp., Ltd.
March Minerals, Ltd.
Marian Lake Mines, Ltd.
Marpic Explorations, Ltd.
Marpoint Gas & Oil Corp., Ltd.
Mattagami Explorers Corp.
Megantic Mining Corp.
Merrican International Mines, Ltd.
Mexicana Explorations, Ltd.
Mexuscan Development Corp.
Midas Mining Co., Ltd.
Mid-National Developments, Ltd.
Mile 18 Mines, Ltd.
Milldale Minerals, Ltd.
Mina-Nova Mines, Ltd.
Minden Land Enterprises, Ltd.
Mineral Exploration Corp., Ltd.
Missile Metals and Mining Corp., Ltd.
Monarch Asbestos Co., Ltd.
Monitor Gold Mines, Ltd.
Monpre Mining Co., Ltd.
Montclair Mining Corp., Ltd.
Mylake Mines, Ltd.
National Telepix (Canada), Ltd.
Nationwide Minerals, Ltd.
Natto Mining Co., Ltd.
Neeland Flin Flon Mining and Explorations, Ltd.
New Campbell Island Mines, Ltd.
New Faulkenham Mines, Ltd.
New Hamil Silver-Lead Mines, Ltd.
New Mallen Red Lake Mines, Ltd.
New Metalore Mining Co., Ltd.
New Spring Coulee Oil and Minerals, Ltd.
New Surpass Petrochemicals, Ltd.
Norbank Explorations, Ltd.
Norcopper and Metals Corp.
Normalloy Explorations, Ltd.
Norsco Mines, Ltd.
Norseman Nickel Corp., Ltd.
North American Asbestos Co., Ltd.
North Gaspe Mines, Ltd.
North Lake Mines, Ltd.
North Tech Explorations, Ltd.
Northport Mineral Explorers, Ltd.
Nortoba Mines, Ltd.
Nu-Gord Mines, Ltd.
Nu-Reality Oils, Ltd.
Nu-World Uranium Mines, Ltd.
Olympus Mines, Ltd.
Outlook Explorations, Ltd.
Palliser Petroleums, Ltd.
Pantan Mines, Ltd.
Paramount Petroleum & Minerals Corp., Ltd.
Peace River Petroleums, Ltd.
Pick Mines, Ltd.
Plexterre Mining Corp., Ltd.

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**CANADIAN RESTRICTED LIST—Continued**

Prestige Lake Mines, Ltd.
Primary Gold Mines, Ltd.
Prudential Petroleums, Ltd.
Quebec Graphite Corp.
Queensland Explorations, Ltd.
Quinalta Petroleum, Ltd.
Rambler Exploration Co., Ltd.
Red River Mining & Exploration, Ltd.
Regal Mining & Development, Ltd.
Resolute Oil and Gas Co., Ltd.
Revere Mining Corp., Ltd.
Riobec Mines, Ltd.
Roberval Mining Corp.
Rockroft Explorations, Ltd.
Rothsay Mines, Ltd.
Roxton Mining & Development Co., Ltd.
St. Anthony Mines, Ltd.
St. Lawrence Industrial Dev. Corp.
St. Stephen Nickel Mines, Ltd.
Saskalon Uranium and Oils, Ltd.
Sastex Oil and Gas, Ltd.
Savoy Copper Mines, Ltd.
Seaboard Industries, Ltd.
Senvil Mines, Ltd.
Sheba Mines, Ltd.
Sheraton Uranium Mines, Ltd.
Shoreland Mines, Ltd.
Sico Mining Corp., Ltd.
Sinclair Prospecting Syndicate
South Seas Mining, Ltd.
Space Age Mines, Ltd.
Stackpool Mining Co., Ltd.
Strathcona Mines, Ltd.
Sturgeon Basin Mines, Ltd.
Success Mines, Ltd.
Sudbay Beryllium Mines, Ltd.
Sudbay Exploration and Mining, Ltd.
Swift Cooper Mines, Ltd.
Tabor Lake Gold Mines, Ltd.
Taiga Mines, Ltd.
Tamicon Iron Mines, Ltd.
Taurcanis Mines, Ltd.
Temanda Mines, Ltd.
Territory Mining Co., Ltd.
Trans Nation Minerals, Ltd.
Trans-Oceanic Hotels Corp., Ltd.
Trenton Petroleum & Minerals Corp., Ltd.
Tri-Cor Mining Co., Ltd.
Triform Explorations, Ltd.
Triform Explorations (B.C.), Ltd.
Trio Mining Exploration, Ltd.
Trojan Consolidated Mines, Ltd.
Tumac Mining & Development Co., Ltd.
Turbenn Minerals, Ltd.
Turzone Explorations, Ltd.
Tyndal Explorations, Ltd.
Upper Ungava Mining Corp., Ltd.
Val Jon Exploration, Ltd.
Val Ray Explorations, Ltd.
Venus Chibougamau Mines, Ltd.
Ver-Million Gold Placer Mining, Ltd.
Vico Explorations, Ltd.
Vimy Explorations, Ltd.
Viscount Oil and Gas, Ltd.
Wakefield Uranium Mines, Ltd.
Webbwood Exploration Co., Ltd.
Western Allenbee Oil and Gas Co., Ltd.
Westwind Explorations, Ltd.
Windy Hill Mining Corp.
Wingdam & Lightning Creek Mining Co., Ltd.
Yukon Prospectors' Syndicate

## SECTION OF SECURITIES VIOLATIONS

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

these files is kept current through the cooperation of the U.S. Post Office Department, the Federal Bureau of Investigation, parole and probation officials, state securities authorities, Federal and state prosecuting attorneys, police officers, better business bureaus, chambers of commerce and other agencies. At the end of the fiscal year these records contained information concerning 79,000 persons against whom Federal or state action had been taken in connection with securities violations. In keeping these records current, there were added during the fiscal year items of information concerning 8,761 persons, including 2,601 persons not previously identified in these records.

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

Extensive use is made of the information available in these records by regulatory and law enforcing officials. Numerous requests are received each year for special reports on individuals in addition to the information supplied by regular distribution of the quarterly bulletin. All available information is supplied in response to inquiries from law enforcement agencies. During the fiscal year the Commission received and disposed of 1,920 "securities violations" letters or reports and dispatched 450 communications to cooperating agencies.

### APPLICATION FOR NONDISCLOSURE OF CERTAIN INFORMATION

The Commission is authorized under the various Acts administered by it to grant requests for nondisclosure of certain types of information which would otherwise be disclosed to the public in applications, reports or other documents filed pursuant to these statutes. Thus, under paragraph (30) of Schedule A of the Securities Act of 1933, disclosure of any portion of a material contract is not required if the Commission determines that such disclosure would impair the value of the contract and is not necessary for the protection of 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. Under Section 24(b) of that Act, written objection to public disclosure of information contained in any material filed with the Commission may be made to the Commission which is then

authorized to make public disclosure of such information only if in its judgment such disclosure is in the public interest. Similar provisions are contained in Section 22 of the Public Utility Holding Company Act of 1935 and in Section 45 of the Investment Company Act of 1940. These statutory provisions have been implemented by rules specifying the procedure to be followed by applicants seeking determination that public disclosure is not necessary in a particular case.

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

*Applications for nondisclosure during 1962 fiscal year*

| | Number pending July 1, 1961 | Number received | Number granted | Number denied or withdrawn | Number pending June 30, 1962 |
|---|---|---|---|---|---|
| Securities Act of 1933 [a] | 5 | 61 | 43 | 19 | 4 |
| Securities Exchange Act of 1934 [b] | 8 | 11 | 2 | 1 | 16 |
| Investment Company Act of 1940 [c] | 0 | 15 | 15 | 0 | 0 |
| Totals | 13 | 87 | 60 | 20 | 20 |

[a] Filed under Rule 485.
[b] Filed under Rule 24b-2.
[c] Filed under Rule 45a-1.

## ACTIVITIES OF THE COMMMISSION IN ACCOUNTING AND AUDITING

The several Acts administered by the Commission recognize the importance of dependable informative financial statements which disclose the financial status and earnings history of a corporation or other commercial entity. These statements, whether filed in compliance with the requirements under those statutes or included in other material available to stockholders or prospective investors, are indispensable to investors as a basis for investment decisions. The Congress, cognizant of the fact that such statements lend themselves readily to misleading inferences or even deception, whether or not intended, included express provisions with respect to disclosure requirements. Thus, for example, the Securities Act requires the inclusion in the prospectus of balance sheets and profit and loss statements "in such form as the Commission shall prescribe" [59] 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 . . ." [60] Similar authority is contained in the Securities Exchange Act,[61] and even more compre-

[59] Sections 7 and 10(a) (Schedule A, pars. 25, 26).
[60] Section 19(a).
[61] Section 13(b).

hensive power is embodied in the Investment Company Act [62] and the Public Utility Holding Company Act.[63]

Pursuant to the broad rule-making power thus conferred with respect to the preparation and presentation of financial statements, the Commission has prescribed uniform systems of accounts for companies subject to the Holding Company Act; [64] has adopted rules under the Securities Exchange Act governing accounting and auditing of securities brokers and dealers; [65] and has promulgated rules contained in a single comprehensive regulation, identified as Regulation S–X,[66] which govern the form and content of financial statements filed in compliance with the several Acts. This regulation is supplemented by the Commission's Accounting Series Releases, of which 93 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 regulations thus established, except for the uniform systems of accounts which are regulatory reports, prescribe accounting principles to be followed only in certain limited areas. In the large area of financial reporting not covered by such rules, the Commission's principal means of providing investors protection from inadequate financial reporting, fraudulent practices and over-reaching by management is by requiring a certificate of an independent public accountant based on an audit performed in accordance with generally accepted auditing standards which expresses an opinion as to whether the financial statements are presented fairly in conformity with accounting principles and practices which are recognized as sound and which have attained general acceptance.

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." [67] The other three statutes permit the Commission to require that such statements be accompanied by a certificate of an independent public accountant,[68] and the Commission's rules require, with minor excep-

[62] Sections 30, 31.

[63] Sections 14, 15.

[64] 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; revised November 24, 1959). (Accounting Series Release No. 84).

[65] Rule 17a–5 and Form X–17A–5 thereunder.

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

[67] Sections 7 and 10(a) (Schedule A, pars. 25, 26).

[68] Securities Exchange Act, Section 13(a)(2); Investment Company Act, Section 30(e); Holding Company Act, Section 14.

tions, 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. The Commission's rules accept an accountant who is qualified to practice in his own state as qualified to practice before the Commission unless he has entered into disqualifying relationships with a particular client, such as becoming a promoter, underwriter, voting trustee, director, officer, employee, or stockholder; [69] or, in rare cases, has demonstrated incompetence, subservience to the management, or has engaged in unethical or improper professional conduct.[70] The Commission endeavors to encourage and foster the independence of the accountant in his relationships with his client so that he may better be able to perform the service to the public contemplated by the Congress in the various Acts.

The Commission had occasion during the year to issue for the first time an opinion [71] regarding the independence of a certifying accountant who also acts as counsel for the registrant. The Commission's opinion included the following statements:

Though owing a public responsibility, an attorney in acting as the client's advisor, defender, advocate and confidant enters into a personal relationship in which his principal concern is with the interests and rights of his client. The requirement of the Act of certification by an independent accountant, on the other hand, is intended to secure for the benefit of public investors the detached objectivity of a disinterested person. The certifying accountant must be one who is in no way connected with the business or its management and who does not have any relationship that might affect the independence which at times may require him to voice public criticisms of his client's accounting practices.

In our opinion, the partner's relationship as attorney for the registrant here during the same period covered by his firm's certification disqualified him and the firm of which he was a partner from certifying registrant's financial statements as independent accountants.

The Commission is vigilant in its efforts to assure itself that the audits which it requires are performed by independent accountants; that the information contained in the financial reports represents full and fair disclosure and that appropriate auditing and accounting practices and standards have been followed in their preparation. In addition it recognizes that changes and new developments in financial and economic conditions affect the operations and financial status of the several thousand commercial and industrial companies required

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[69] See, for example, Rule 2-01 of Regulation S-X.

[70] See, for example, Securities Exchange Act Release No. 3073 (1941); 10 S.E.C. 982 (1942); Accounting Series Release No. 68 (1949); Accounting Series Release No. 82 (1959); and Accounting Series Release No. 88 (1961). See also Accounting Series Release Nos. 91 and 92 (1962) which are discussed at page 154, *infra*.

[71] *American Finance Company, Inc.*, Securities Act Release No. 4465 (March 19, 1962).

to file statements with the Commission and that accounting and auditing procedures cannot remain static and continue to serve well a dynamic economy. The Commission's accounting staff, therefore, studies the changes and new developments for the purpose of establishing and maintaining appropriate accounting and auditing policies, procedures and practices for the protection of investors. The primary responsibility for this program rests with the Chief Accountant of the Commission, who has general supervision with respect to accounting and auditing policies and their application.

Progress in these activities requires continuing contact and consultation between the staff and accountants both individually and through such representative groups as, among others, the American Accounting Association, the American Institute of Certified Public Accountants, the American Petroleum Institute, the Financial Analysts Federation, the Financial Executives Institute, and the National Association of Railroad and Utilities Commissioners, as well as many Government agencies. Recognizing the importance of cooperation in the formulation of accounting principles and practices, adequate disclosure and auditing procedures which will best serve the interests of investors, the American Institute of Certified Public Accountants, the Financial Analysts Federation and the Financial Executives Institute appoint committees which maintain liaison with the Commission's staff. The Commission on its part has authorized its Chief Accountant to continue to serve as a member of an advisory committee to the accounting principles board of the American Institute of Certified Public Accountants.

The many daily decisions to be made require the 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. As a result of this day-to-day activity of the Commission and the need to keep abreast of current accounting problems, the Chief Accountant's staff continually reexamines accounting and auditing principles and practices. From time to time members of the staff are called upon to assist in field investigations, to participate in hearings and to review opinions insofar as they pertain to accounting matters.

Prefiling and other conferences, in person or by telephone, with officials of corporations, practicing accountants and others are also an important part of the work of the staff. Resolution of questions and problems in this manner saves registrants and their representatives both time and expense.

Many specific accounting and auditing problems are disclosed in the examination of financial statements required to be filed with the

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

These procedures are particularly appropriate in resolving the problems which arise in connection with initial filings made by new corporate entities and by corporations whose securities had been closely held or traded over the counter. During the past year many such filings were made by companies whose business is closely associated with rapidly growing technological and scientific developments and with our expanding population, as in real estate and recreational activities.

Certain special problems related to real estate filings and the increase in their number indicated the need for a new form designed to provide adequate disclosure of the problem areas. The Chief Accountant and his staff cooperated with other divisions of the Commission in the preparation of a new Form S–11 for this purpose which was adopted effective December 1, 1961.[72]

The Commission also adopted, on June 12, 1962, new Rules 13a–15 and 15d–15 under the Securities Exchange Act, and new Form 7–K to require real estate companies to file quarterly reports of gross income, expense and net income; cash available for distribution; and distributions to shareholders.[73]

Difficulties often arise in connection with initial filings because accountants and other advisers who serve the registrant have not had any prior experience with the Commission. In some cases these persons have not familiarized themselves with the rules and regulations of the Commission—particularly the instructions as to financial statements required by the forms, the rules relating to independence of the certifying accountant, and those relating to the form and content of financial statements as set forth in Regulation S–X.

Some of the current problems in initial filings are created because audits had not been made in years preceding the filing of a registration

[72] Securities Act Release No. 4422.

[73] Securities Exchange Act Release No. 6820 and Securities Act Release No. 4499 (June 12, 1962).

statement or the audits for prior years did not measure up to generally accepted auditing standards and procedures, particularly with respect to verification of inventories and receivables. These standards require the observation of inventory taking and the confirmation of receivables where practicable and reasonable if either of these assets represents a significant proportion of the current assets. Where these procedures have not been applied, the auditor must satisfy himself as to the reasonableness of inventories for prior years by other appropriate auditing procedures. In some instances this is very difficult because the client may not have taken an inventory at the end of any prior year or because inventory records for such years are incomplete or may have been destroyed. Failure to adequately verify inventories and receivables may preclude expression of an opinion as to the fairness of the financial statements taken as a whole since discrepancies may exist which would materially affect the income, earned surplus, and working capital.

During the year it came to the attention of the Commission that wide variations had developed in the certificates of independent accountants with respect to representations concerning the verification of inventories of prior years in first audits. In some cases such representations have raised a question as to whether the certifying accountant intended to limit his opinion regarding the fairness of presentation of the income statements. Accordingly, an Accounting Series Release [74] was issued to reemphasize that our rules under the Securities Act require that registration statements contain a certificate of an independent accountant based on an audit conducted in accordance with generally accepted auditing standards and procedures.

The Chief Accountant and his staff cooperated with other divisions of the Commission and the industry in the preparation of proposals to amend Articles 7 and 12 of Regulation S–X governing the form and content of financial statements and schedules filed by insurance companies other than life and title insurance companies. The revision of Articles 7 and 12 which was adopted July 26, 1961,[75] reflects changes in requirements of the annual statement filed with state regulatory authorities and developments in insurance reporting since those articles were originally adopted. Details of these changes were discussed in last year's report. Similar cooperative effort during the year resulted also in the development of a proposed amendment to Regulation S–X which would add to that regulation provisions governing the form and content of financial statements and related schedules to be filed by life insurance companies.[76]

[74] Accounting Series Release No. 90 (March 1, 1962).
[75] Accounting Series Release No. 89.
[76] Securities Act Release No. 4525 (August 20, 1962).

During the year the Chief Accountant and his staff participated in the determination of requirements regarding disclosures and financial statements pertaining to employee stock purchase, savings or similar plans. On July 23, 1962, a new Form 11–K was adopted for use in filing annual reports with respect to such plans, and Regulation S–X was amended by the addition of a new Article 6C which prescribes the form and content of the financial statements to be filed.[77]

Shortly after the close of the fiscal year, the Commission issued its findings, opinions, and orders in two proceedings under Rule 2(e) of its Rules of Practice. In *Arthur Levison*,[78] the Commission found that Levison, a certified public accountant, was not in fact independent with respect to a registrant and was therefore disqualified under Rule 2–01(b) of Regulation S–X from certifying its financial statements. Levison's lack of independence resulted from the facts that he had been an employee of the registrant and had served as a director of an associated company during the period under report. In addition he certified materially false and misleading financial statements of the registrant and an affiliated company without having audited or ever having seen the books and records of either company. Because Levison's conduct constituted a serious breach of the standards of his profession and of his responsibilities to the Commission and to the public, he was denied the privilege of practicing before the Commission.

In *Morton I. Myers*,[79] the Commission held that Myers, a certified public accountant, engaged in unethical and improper professional conduct when he prepared a balance sheet for a "proposed corporation" on the basis of information supplied over the telephone by a client and sent the statement to the client with a covering letter addressed to the "Board of Directors," which falsely stated that he had examined the books and records of the "corporation." The balance sheet was used to obtain a bank loan, the proceeds of which were used to purchase control of a company whose stock was listed on the American Stock Exchange. After consideration of several factors urged by Myers in mitigation of his conduct, the Commission ruled that Myers should be denied the privilege of appearing or practicing before the Commission without its prior approval and that no application for approval would be entertained for a period of 1 year from the date of the order.

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[77] Accounting Series Release No. 93 (July 23, 1962).
[78] Accounting Series Release No. 91 (July 20, 1962).
[79] Accounting Series Release No. 92 (July 20, 1962).

## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Section 15 of the Bretton Woods Agreements Act, as amended, exempts from registration under both the Securities Act of 1933 and the Securities Exchange Act of 1934 securities issued, or guaranteed as to both principal and interest, by the International Bank for Reconstruction and Development. The Bank is required to file with the Commission such annual and other reports with respect to such securities as the Commission shall determine to be appropriate in view of the special character of the Bank and its operations and necessary in the public interest or for the protection of investors. The Commission has, pursuant to the above authority, adopted rules requiring the Bank to file quarterly reports and also to file copies of each annual report of the Bank to its board of governors. The Bank is also required to file reports with the Commission in advance of any distribution in the United States of its primary obligations. The Commission, acting in consultation with the National Advisory Council on International Monetary and Financial Problems, is authorized to suspend the exemption at any time as to any or all securities issued or guaranteed by the Bank during the period of such suspension.

During the Bank's last fiscal year ending June 30, 1962, the Bank made 29 loans totaling the equivalent of $882.3 million, compared with a total of $610 million last year. The loans were made in Argentina, Australia, Austria, Colombia (2 loans), Costa Rica (2 loans), Ethiopia (2 loans), Finland, Ghana, Iceland, India (5 loans), Israel, Japan, Kenya, Mexico (2 loans), Peru, Philippines (2 loans), South Africa (2 loans), Trinidad and Tobago and Venezuela. This brought the gross total of loan commitments at June 30 to $6,672.8 million. By June 30, as a result of cancellations, repayments, sales of loans and exchange adjustments, the portions of loans signed still retained by the Bank had been reduced to $4,665.4 million.

During the year the Bank sold or agreed to sell $318.8 million principal amount of loans. On June 30, the total sales of loans amounted to $1,332 million, of which all except $69 million was without the Bank's guarantee.

The outstanding funded debt of the Bank amounted to $2,520.8 million on June 30, 1962, reflecting a net increase of $292.3 million in the past year. During the year there was a gross increase in borrowings of $463 million. This increase consisted of three public bond issues, including an Italian lire issue in the amount of Lit. 15 billion (U.S. $24 million), a $100 million U.S. dollar issue, and a Swiss franc issue in the amount of Sw F 100 million ($23.3 million); the

private placement of an issue of $100 million of U.S. dollar bonds; the drawing down of the Swiss franc borrowing of Sw F 100 million ($23.2 million) of October 1961; the drawing down of U.S. $120 million and the balance of DM 250 million ($62.5 million) of the German borrowing of August 1960, and the delivery of $10 million of bonds which had been subject to delayed delivery arrangements. The funded debt was decreased by $170.7 million as a result of the maturing of $122.7 million of bonds, the redemption of Sw F 100 million ($23.2 million), the revaluation of the Canadian dollar issues by $3.2 million, $4.5 million of unissued bonds which were subject to delayed delivery, and sinking and purchase fund transactions amounting to $17.1 million.

During the fiscal year, Laos (with a capital subscription of $10 million), Liberia ($15 million), New Zealand ($166.7 million), Nepal ($10 million) and Cyprus ($15 million) became members of the Bank; the Dominican Republic was readmitted to membership in the Bank with a capital subscription of $8 million; and Syria resumed separate membership in the Bank with a capital subscription of $20 million. At June 30, 1962, the Bank had 75 members with capital subscriptions totaling $20,484.8 million.

### INTER-AMERICAN DEVELOPMENT BANK

The Inter-American Development Bank Act, which authorizes the United States to participate in the new Inter-American Development Bank, provides an exemption for certain securities which may be issued by the Bank similar to that provided for securities of the International Bank for Reconstruction and Development. Acting pursuant to this authority, the Commission adopted Regulation IA, which requires the Bank to file with the Commission substantially the same information, documents and reports as are required from the International Bank for Reconstruction and Development. The Bank is also required to file a report with the Commission prior to the sale of any of its primary obligations to the public in the United States. Up to June 30, 1962, no such sales had been made.

During the year ending June 30, 1962, the Bank made 37 loans totaling the equivalent of $131,607,014 from its ordinary capital resources, bringing the gross total of loan commitments at June 30, to 49 loans aggregating $156,102,014, including $450,000 representing one loan which was cancelled. During the year, the Bank sold or agreed to sell $4,197,632 in participations in the aforesaid loans, all of such participations being without the guarantee of the Bank. The loans from the Bank's ordinary capital resources were made in Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru and Uruguay.

During the year the Bank also made 14 loans from its Fund for Special Operations totaling the equivalent of $39,035,000, bringing the gross total of loan commitments at June 30, to 21 loans aggregating $68,185,000, including $150,000 representing one loan which was cancelled. The Bank made 36 loans from the Social Progress Trust Fund, which it administers for the United States, aggregating $223,787,000. Lending operations of the Trust Fund commenced during the period.

The outstanding funded debt of the Bank on June 30, 1962, was Italian lire equivalent to $24,193,548 resulting from the sale of its bonds in Italy.

The subscribed capital of the Bank on June 30, 1962, was the equivalent of $813,160,000, of which $431,580,000 represented callable capital.

## STATISTICS AND SPECIAL STUDIES

During the past fiscal year the Branch of Economic Research continued its regular work in connection with the statistical activities of the Commission and the overall Government statistical program under the direction of the Office of Statistical Standards, Bureau of the Budget. In addition, the Branch of Exchange Regulation continued its compilation of data on the stock market.

The statistical series described below are published in the Commission's Statistical Bulletin and in addition, except for data on registered issues, on corporate pension funds, and on the stock market, current figures and analyses of the data are published in quarterly press releases.

### Issues Registered Under the Securities Act of 1933

Monthly statistics are compiled on the number and volume of registered securities, classified by industry of issuer, type of security, and use of proceeds. Summary statistics for the years 1935–62 are given in Appendix Table 1 and detailed statistics for the fiscal year 1962 appear in Appendix Table 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 for recent years as well as monthly figures

from January 1961 through June 1962, are given in Appendix Tables 3, 4, and 5.

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.

**Individuals' Saving**

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 debt. The study shows the aggregate amount of saving and the form in which the saving occurred, such as investment in securities, expansion of bank deposits, increases in insurance and pension reserves, etc. A reconciliation of the Commission's estimates with the personal saving estimates of the Department of Commerce, derived in connection with its national income series, is published annually by the Department of Commerce as well as in the Securities and Exchange Commission Statistical Bulletin.

**Corporate Pension Funds**

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

**Financial Position of Corporations**

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

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

**Plant and Equipment Expenditures**

The Commission, together with the Department of Commerce, conducts quarterly and annual surveys of actual and anticipated plant and equipment expenditures of all United States business, exclusive

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

**Directory of Registered Companies**

The Commission annually publishes a listing of companies required to file annual reports under the Securities Exchange Act of 1934. In addition to an alphabetical listing, there is a listing of companies by industry group classified according to The Standard Industrial Classification Manual.

**Stock Market Data**

The Branch of Exchange Regulation regularly compiles statistics 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. It also computes indexes of stock market prices each week based upon the closing market prices of common stocks listed on the New York Stock Exchange. This stock price index and data on round-lot and odd-lot trading on the two New York exchanges are released weekly. The other statistical data mentioned above, as well as these weekly series, are published regularly in the Commission's Statistical Bulletin.

## OPINIONS OF THE COMMISSION

Administrative proceedings arising under the statutes administrated by the Commission and under its Rules of Practice generally culminate in the issuance of an opinion by the Commission, which includes findings of fact and conclusions of law. The extent to which the factual and legal issues are discussed in these opinions depends largely on their importance and novelty. The Commission's findings are based on evidence taken at hearings which are in almost all cases before a hearing examiner, or on stipulated facts or admissions.

In the preparation of opinions, the Commission, or the individual Commissioner to whom a case may be assigned for the preparation of an opinion, is assisted by the Office of Opinion Writing. This Office is directly responsible to the Commission and is completely independent of the operating divisions, consistent with the principle of separation of functions embodied in the Administrative Procedure Act. Where the parties to a proceeding waive their right to such

separation, the operating division of the Commission which participated in the proceeding may assist in the drafting of the Commission's decision.

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

During the fiscal year 1962, the Commission issued 164 opinions and other rulings of an adjudicatory nature.

## DISSEMINATION OF INFORMATION

Various activities of the Commission supplement the underlying objective of the securities laws of providing for the dissemination of financial and other information about securities offered for public sale or traded on exchanges. All registration statements and other corporate reports filed pursuant to the requirements of these laws are public documents and available for inspection by investors and other interested persons. Much of the data included therein is reprinted and receives general circulation through the medium of published securities manuals, which are standard reference material for securities analysts, investment advisers and trust departments throughout the country.

To facilitate public dissemination with respect to corporate financing and other proposals filed with the Commission and actions taken by it in its administration of the laws, the Commission issues a daily News Digest containing a résumé of each filing, as well as a summary of each order, decision or rule issued by or other action of the Commission. In addition to its distribution to the press, the Digest is distributed on a subscription basis by the Government Printing Office and some 3,500 investors, securities firms and other interested persons are currently subscribing to this service. During the year the Digest included a résumé of each of the 2,106 registration statements filed with the Commission (not including investment company filings which added additional securities by way of amendments to previous statements); and it also included summaries of the 1,250 orders, decisions, rules and other actions of the Commission. Much of the information reflected in the Digest is published in the daily press and in financial and other periodicals. A more limited distribution of the full text of the Commission's decisions or other pronouncements is made to registrants, practicing lawyers and others.

Members of the Commission and its staff frequently deliver addresses before professional, business, and other groups, and participate in "briefing" and other conferences in order to explain the Commission's functions and activities, explain important rules and policies, and otherwise contribute to a better understanding by individuals and firms subject to its jurisdiction as well as the investing public of the role of the Commission.

**Information Available for Public Inspection**

The many thousands of registration statements, applications, declarations, and annual and other periodic reports filed each year are available for public inspection at the Commission's principal office in Washington, D.C. In addition, copies of recent reports filed by companies having securities listed on exchanges other than the New York Stock Exchange and the American Stock Exchange, and copies of current reports of many nonlisted companies which have registered securities for public offering under the Securities Act, may be examined in the Commission's New York regional office; and recent reports filed by companies whose securities are listed on the New York and American Stock Exchanges may be examined in the Commission's Chicago regional office. Moreover, there are available for examination in all regional offices copies of prospectuses relating to recent public offerings of securities registered under the Securities Act; and all regional offices have copies of broker-dealer and investment adviser registration applications, broker-dealer annual financial reports and Regulation A letters of notification filed in their respective regions. Reports of companies whose securities are listed on the various exchanges may be seen at the respective exchange offices.

Photocopies of reports or portions thereof and other material in the public files of the Commission may be obtained upon request directed to the Commission's public reference room in Washington. The charge per page for photocopies varies from 14 to 25 cents, depending upon the size of the page being copied. A minimum charge of $1 is made for less than seven pages (legal size). The charge for each certification of any such document by the Commission is $2.

Each year many thousands of requests for photocopies of and information from the public files of the Commission are received by the public reference room in Washington, D.C. During the year 6,565 persons examined material on file in the Washington office, and several thousand others examined files in the New York and Chicago regional offices. About 289,907 photocopy pages were sold pursuant to 4,361 individual orders.

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## PUBLICATIONS

Publications currently being issued include:

Weekly: Index of Weekly Closing Prices.

Monthly:

- Statistical Bulletin.[a]
- Official Summary of Security Transactions and Holdings of Officers, Directors and Principal Stockholders.[a]

Quarterly:

- Financial Report, U.S. Manufacturing Corporations[a] (jointly with the Federal Trade Commission).
- Plant and Equipment Expenditures of U.S. Corporations (jointly with the Department of Commerce).
- New Securities Offerings.
- Volume and Composition of Individuals' Saving.
- Working Captial of U.S. Corporations.

Annually:

- Annual Report of the Commission.[a]
- Securities Traded on Exchanges under the Securities Exchange Act of 1934.
- Companies Registered under the Investment Company Act of 1940.
- Corporate Pension Funds.
- Directory of Companies Filing Annual Reports.

Other publications:

- Decisions and Reports of the Commission.[a]
- The Work of the Securities and Exchange Commission.

## ORGANIZATION

The Commission's staff consists of attorneys, security analysts, accountants, engineers, investigators, and administrative and clerical personnel.

The following organizational changes have been made since June 30, 1961, in accordance with the Commission's policy of continuing review of its organization and functional alignments:

In August 1961, the Commission established three additional Branches of Corporate Analysis and Examination in the Division of Corporation Finance, to handle the increased volume of filings on proposed new financing under the Securities Act of 1933.

In October 1961, the Commission established a Special Study of Securities Markets to conduct the study and investigation of the adequacy of the rules of the national securities exchanges and national securities associations provided for by Public Law 87-196, dated September 5, 1961.

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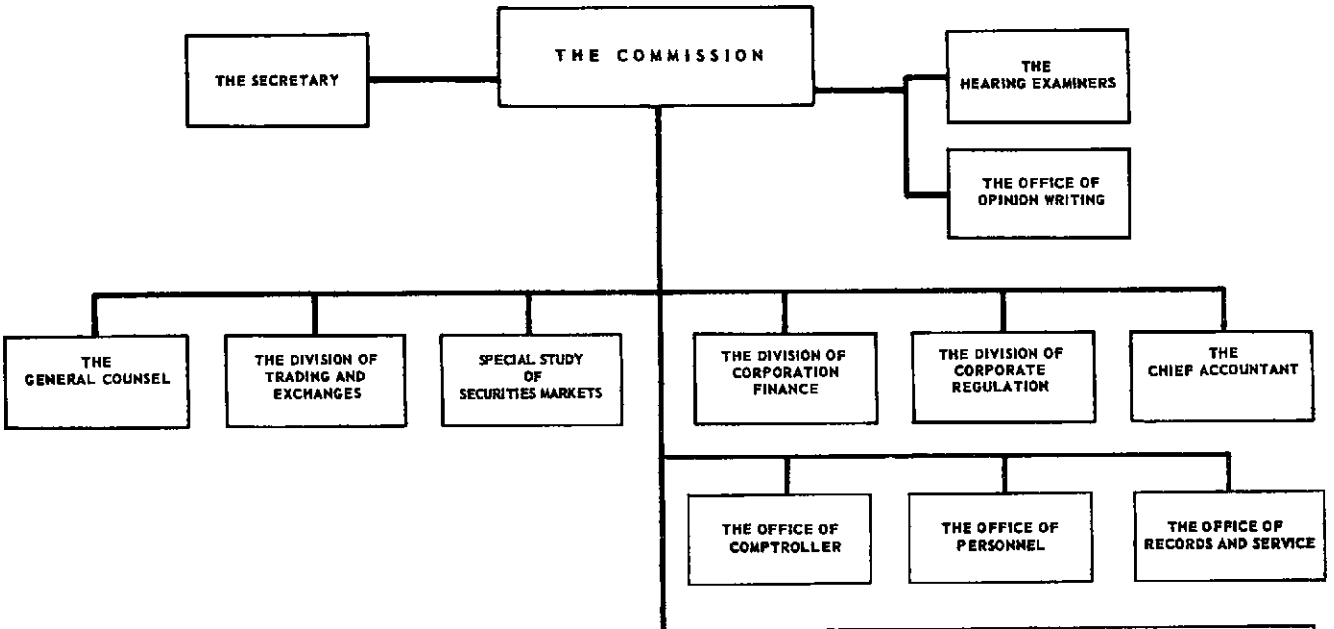
[a] Must be ordered from the Superintendent of Documents, Government Printing Office, Washington 25, D.C.

# SECURITIES AND EXCHANGE COMMISSION




THE REGIONAL OFFICES

| NEW YORK REGIONAL OFFICE | BOSTON REGIONAL OFFICE | ATLANTA REGIONAL OFFICE | CHICAGO REGIONAL OFFICE | FORT WORTH REGIONAL OFFICE | DENVER REGIONAL OFFICE | SAN FRANCISCO REGIONAL OFFICE | SEATTLE REGIONAL OFFICE | WASHINGTON, D.C. REGIONAL OFFICE |
|---|---|---|---|---|---|---|---|---|
| | | Miami, Fla. Branch | Cleveland, Ohio Branch<br>Detroit, Mich. Branch<br>St. Paul, Minn. Branch<br>St. Louis, Mo. Branch | Houston, Texas Branch | Salt Lake City, Utah Branch | Los Angeles, Calif. Branch | | |

AS OF APRIL, 1962

Also in October 1961, the Commission established two new branches, the Branch of Special Investigations, Trial and Enforcement, and the Branch of Criminal References, in the Division of Trading and Exchanges. This action was designed to consolidate in one division the Commission's investigation and enforcement activities in the headquarters office and to contribute to more effective coordination of such activities in the several regional offices. Subsequently, in September 1962, the enforcement activities of the Division of Trading and Exchanges were reorganized to centralize the responsibility for all enforcement matters other than criminal references in an Office of Enforcement, with two Branches of Enforcement. The Branch of Criminal References was renamed the Office of Criminal Reference.

In December 1961, the Division of Administrative Management was abolished and the three branches in that Division were established as separate organizational units, as the Office of the Comptroller, Office of Personnel, and Office of Records and Service. The heads of these offices are responsible directly to the Chairman.

In July 1962, a Branch of Investment Company Inspections was established in the Division of Corporate Regulation to plan and supervise the Commission's investment company inspection program. In December 1962, this Branch was assigned the responsibility for investigations and enforcement actions with respect to investment companies.

Also in December 1962, the Assistant Director of the Division of Corporate Regulation with responsibility for the Commission's functions under the Public Utility Holding Company Act of 1935 was also given responsibility for its functions under Chapter X of the Bankruptcy Act; and a staff unit was established to assist the Commission in policy planning under the Investment Company Act of 1940.

Finally, there was a realignment of functions in the New York Regional Office in August 1962, involving principally the consolidation of enforcement activities under an Assistant Regional Administrator and the appointment of another Assistant Regional Administrator with responsibility for the Commission's functions under Chapter X of the Bankruptcy Act and for the investment company and investment adviser inspection programs.

## PERSONNEL AND FINANCIAL MANAGEMENT

In fiscal 1962, the Commission continued its intensive efforts to recruit outstanding law and business graduates. Several on-campus visits to law schools and to colleges offering undergraduate and graduate programs in finance were made by Commission representa-

tives. A number of high-caliber graduates were appointed to the staff as a result of these visits.

The enactment of Public Law 87-196 by the Congress, authorizing the Commission to conduct a special study of the securities markets, required the recruitment of a specialized staff in as short a time as possible. Authority to appoint employees without regard to Civil Service laws, rules and regulations and to establish pay without regard to the Classification Act of 1949, as amended, materially assisted the Commission in expediting the appointment of well-qualified individuals to the Special Study staff. A general staffing policy to fill positions created under Public Law 87-196 was approved by the Chairman on October 6, 1961.

The Commission was authorized by the Civil Service Commission to examine and rate stenographers and typists in Grades GS-2, GS-3, and GS-4 and clerical applicants in Grades GS-2 and GS-3. This authority enabled the Commission to staff its clerical vacancies under a field recruiting program conducted in states surrounding the Washington Metropolitan Area.

The Commission found it necessary to supplement its on-the-job training of newly appointed professional employees with more formalized training sessions. The Divisions of Corporation Finance and Trading and Exchanges demonstrated the feasibility of conducting their training sessions outside of office hours. This permitted them to use senior officials as lecturers or instructors, to solve classroom space problems and to continue work production during office hours. The New York Regional Office also conducted instructional sessions for new attorneys and investigators employed during the fiscal year. Clerical training for stenographic and typing personnel covering telephone etiquette, correspondence procedures, mail, files and records, etc., was conducted in the Headquarters Office under the direction of a special secretarial committee recruited from experienced staff employees.

In its seventh annual service and merit awards ceremony in October 1961, the Commission recognized the long service of its career employees by presenting pins to 31 employees with 25 years of S.E.C. service. In addition, 52 employees were presented 20, 15, and 10-year service pins, respectively. In recognition of those members of the staff whose terms of Government service include service in other Federal agencies, 8 employees received 30-year pins, 15 received 25-year pins, 24 received 20-year pins, 33 received 15-year pins, and 43 received 10-year pins. Cash awards totaling $7,650 and certificates of merit were presented to 73 employees and 6 employees received a total of $250 for suggestions which were adopted.

The following comparative table shows the personnel strength of the Commission as of June 30, 1961 and 1962:

| | June 30, 1962 | June 30, 1961 |
|---|---|---|
| Commissioners | 5 | 5 |
| Staff: | | |
| Headquarters office | 862 | 675 |
| Regional offices | 469 | 407 |
| Total staff | 1,331 | 1,082 |
| Grand total | 1,336 | 1,087 |

The table on page 167 shows the status of the Commission's budget estimates for the fiscal years 1958 to 1963, from the initial submission to the Bureau of the Budget to final enactment of the annual appropriation.

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.[80]

The following table shows the Commission's appropriation, total fees collected, percentage of fees collected to total appropriation, and the net cost to the taxpayers of Commission operations for the fiscal years 1960, 1961, and 1962:

| Year | Appropriation | Fees collected [a] | Percentage of fees collected to total appropriation (percent) | Net cost of commission operation |
|---|---|---|---|---|
| 1960 | $8,100,000 | $2,631,498 | 32 | $5,468,502 |
| 1961 | 9,517,500 | 2,927,407 | 31 | 6,590,093 |
| 1962 | 11,412,500 | 3,422,403 | 30 | 7,990,097 |

[a] Fees are deposited in the general fund of the Treasury and are not available for expenditure by the Commission.

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

*Securities and Exchange Commission*

*Action taken on budget estimates and appropriation from fiscal 1958 through fiscal 1963*

| ACTION | Fiscal 1958 | | Fiscal 1959 | | Fiscal 1960 | | Fiscal 1961 | | Fiscal 1962 | | Fiscal 1963 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Positions | Money | Positions | Money | Positions | Money | Positions | Money | Positions | Money | Positions | Money |
| Estimate submitted to the Bureau of the Budget | 985 | $7,178,000 | 1,005 | $7,500,000 | 1,036 | [a] $8,437,000 | 1,190 | $9,760,000 | 1,290 | $11,450,000 | 1,671 | [e] $14,516,500 |
| Action by the Bureau of the Budget | | | −56 | −400,000 | −18 | −162,000 | −98 | −860,000 | −36 | −435,000 | −91 | −716,500 |
| Amount allowed by the Bureau of the Budget | 985 | 7,178,000 | 949 | 7,100,000 | 1,018 | 8,275,000 | 1,092 | 8,900,000 | 1,254 | [c] 11,015,000 | 1,580 | 13,800,000 |
| Action by the House of Representatives | −67 | −478,000 | −48 | −300,000 | −55 | −475,000 | −46 | −375,000 | | −15,000 | −47 | −500,000 |
| Subtotal | 918 | 6,700,000 | 901 | 6,800,000 | 963 | 7,800,000 | 1,046 | 8,525,000 | 1,254 | 11,000,000 | 1,533 | 13,300,000 |
| Action by the Senate | | | +48 | +300,000 | +55 | +475,000 | +101 | [b] +775,000 | +65 | [d] +450,000 | | |
| Subtotal | 918 | 6,700,000 | 949 | 7,100,000 | 1,018 | 8,275,000 | 1,147 | 9,300,000 | 1,319 | 11,450,000 | 1,533 | 13,300,000 |
| Action by Conferees | | | | | −18 | −175,000 | −57 | −387,500 | | −37,500 | −52 | −500,000 |
| Annual appropriation | 918 | 6,700,000 | 949 | 7,100,000 | 1,000 | 8,100,000 | 1,090 | 8,912,500 | 1,319 | 11,412,500 | 1,481 | 12,800,000 |
| Supplemental appropriation for statutory pay increases | | 235,000 | | 605,000 | | | | 605,000 | | | | |
| Total appropriation | 918 | 6,935,000 | 949 | 7,705,000 | 1,000 | 8,100,000 | 1,090 | 9,517,500 | 1,319 | 11,412,500 | 1,481 | 12,800,000 |

[a] Excludes a supplemental request for $200,000.
[b] Includes a supplemental request for $400,000.
[c] Includes a supplemental request for $100,000.
[d] Includes a supplemental request for $450,000 for the Special Study of the Securities Markets.
[e] Includes a supplemental request for $1,306,000.

PART XII

# APPENDIX

# STATISTICAL TABLES

TABLE 1.—*A 28-year record of registrations fully effective under the Securities Act of 1933*

*1935–1962*

[Amounts in millions of dollars]

| Fiscal year ended June 30 | Number of statements [1] | All registrations | For cash sale for account of issuers | | | |
|---|---|---|---|---|---|---|
| | | | Total | Bonds, debentures, and notes | Preferred stock | Common stock |
| 1935 [2] | 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 | 420 | 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 | 7,281 | 4,240 | 531 | 2,610 |
| 1955 | 779 | 10,960 | 8,277 | 3,951 | 462 | 3,864 |
| 1956 | 833 | 13,096 | 9,208 | 4,123 | 539 | 4,544 |
| 1957 | 860 | 14,624 | 12,019 | 5,689 | 472 | 5,858 |
| 1958 | 809 | 16,490 | 13,281 | 6,857 | 427 | 5,998 |
| 1959 | 1,055 | 15,657 | 12,095 | 5,285 | 443 | 6,387 |
| 1960 | 1,398 | 14,367 | [4] 11,738 | 4,224 | 253 | 7,260 |
| 1961 | 1,507 | 19,070 | [3] 16,260 | 6,162 | 248 | 9,850 |
| 1962 | 1,815 | 19,547 | 16,286 | 4,512 | 253 | 11,521 |

[1] Statements registering American Depositary Receipts against outstanding foreign securities as provided by Form S–12 are not included.

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

[3] Revised. See footnote 2 to Appendix Table 2.

TABLE 2.—*Registrations fully effective under the Securities Act of 1933, fiscal year ended June 30, 1962*

PART I.—DISTRIBUTION BY MONTHS

[Amounts in thousands of dollars [1]]

| Year and month | All registrations | | | Proposed for sale for account of issuers [2] | | | |
|---|---|---|---|---|---|---|---|
| | | | | Total | | Corporate | |
| | Number of statements | Number of issues [3] | Amount | Number of issues [3] | Amount | Number of issues [3] | Amount |
| *1961* | | | | | | | |
| July | 124 | 157 | $1,094,105 | 126 | $949,340 | 89 | $490,952 |
| August | 155 | 180 | 1,383,324 | 149 | 1,112,785 | 114 | 401,615 |
| September | 142 | 164 | 1,127,472 | 126 | 615,382 | 100 | 328,707 |
| October | 172 | 204 | 1,272,335 | 165 | 932,773 | 117 | 580,540 |
| November | 168 | 197 | 1,287,853 | 155 | 1,062,274 | 121 | 580,248 |
| December | 135 | 160 | 1,302,148 | 133 | 1,150,510 | 104 | 353,637 |
| *1962* | | | | | | | |
| January | 135 | 150 | 1,329,093 | 125 | 1,238,289 | 81 | 335,027 |
| February | 106 | 116 | 1,192,759 | 97 | 976,651 | 69 | 563,596 |
| March | 171 | 198 | 1,871,553 | 160 | 1,544,528 | 118 | 777,169 |
| April | 251 | 305 | 4,826,701 | 244 | 4,194,029 | 133 | 729,250 |
| May | 159 | 183 | 1,078,842 | 154 | 1,698,308 | 87 | 646,803 |
| June | 97 | 120 | 880,826 | 91 | 811,454 | 59 | 531,194 |
| Total, fiscal year 1962 | [4] 1,815 | 2,134 | 19,547,011 | 1,725 | 16,286,325 | 1,192 | [5] 6,318,737 |

PART 2.—PURPOSE OF REGISTRATION AND TYPE OF SECURITY

[Amounts in thousands of dollars [1]]

| Purpose of registration | All types | Type of security | | |
|---|---|---|---|---|
| | | Bonds, debentures, and notes [6] | Preferred stock | Common stock[7] |
| All registrations (estimated value) | $19,547,011 | $4,617,856 | $420,644 | $14,508,511 |
| For account of issuer for cash sale | 16,286,325 | 4,512,471 | 252,664 | 11,521,190 |
| For immediate offering [2] | | | | |
| Corporate [8] | 6,318,737 | 4,088,483 | 251,526 | 1,978,728 |
| Offered to: | | | | |
| General public | 5,298,634 | 3,822,150 | 149,751 | 1,326,734 |
| Security holders | 965,485 | 262,319 | 96,431 | 606,735 |
| Other special groups | 54,618 | 4,014 | 5,344 | 45,260 |
| Foreign governments | 246,875 | 246,875 | 0 | 0 |
| For extended cash sale and other issues [2] | 9,720,713 | 177,113 | 1,138 | 9,542,462 |
| For account of issuer for other than cash sale | 1,523,179 | 86,331 | 164,829 | 1,272,019 |
| For account of other than issuer | 1,737,508 | 19,054 | 3,151 | 1,715,303 |
| For cash sale | 1,418,475 | 8,322 | 113 | 1,410,041 |
| Other | 319,032 | 10,732 | 3,038 | 305,261 |

See footnotes at end of part 4 of table.

TABLE 2.—*Registrations fully effective under the Securities Act of 1933, fiscal year ended June 30, 1962*—Continued

PART 3.—PURPOSE OF REGISTRATION AND INDUSTRY OF REGISTRANT

[Amounts in thousands of dollars [1]]

| Purpose of registration | Type of issuer | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | All registrations | Manufacturing | Extractive | Electric, gas and water | Communication | Financial and real estate | Commercial and other [8] | Foreign governments | Investment companies | Other types |
| Number of statements | 1,815 | 595 | 43 | 108 | 32 | 241 | 336 | 11 | 278 | 171 |
| Number of issues [2] | 2,134 | 690 | 48 | 125 | 34 | 309 | 395 | 14 | 316 | 203 |
| All registrations (estimated value) | $19,547,011 | $3,254,357 | $125,790 | $2,502,677 | $1,137,114 | $1,429,512 | $1,129,973 | $246,875 | $5,955,865 | $3,764,847 |
| For account of issuer | 17,809,504 | 2,209,542 | 118,789 | 2,496,229 | 844,402 | 1,296,772 | 876,182 | 246,875 | 5,955,865 | 3,764,847 |
| For cash sale | 16,286,325 | 1,817,852 | 92,151 | 2,326,769 | 839,873 | 771,506 | 470,586 | 246,875 | 5,955,865 | 3,764,847 |
| For immediate offering | 6,565,612 | 1,817,852 | 92,151 | 2,326,769 | 839,873 | 771,506 | 470,586 | 246,875 | ---------- | ---------- |
| Corporate [3] | [4] 6,318,737 | 1,817,852 | 92,151 | 2,326,769 | 839,873 | 771,506 | 470,586 | ---------- | ---------- | ---------- |
| Foreign governments | 246,875 | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | 246,875 | ---------- | ---------- |
| For extended sale [5] | 9,720,713 | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | 5,955,865 | 3,764,847 |
| Investment companies [6] | 5,955,865 | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | 5,955,865 | ---------- |
| Employee saving plan certificates | 572,011 | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | 572,011 |
| Securities for employee stock option plans | 1,314,126 | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | 1,314,126 |
| Other | 1,878,710 | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | 1,878,710 |
| For other than cash sale | 1,523,179 | 391,690 | 26,638 | 169,460 | 4,529 | 525,266 | 405,596 | ---------- | ---------- | ---------- |
| Exchange transactions [10] | 631,957 | 82,146 | 4,098 | 27,096 | 2,020 | 326,870 | 189,727 | ---------- | ---------- | ---------- |
| Reserved for conversion | 757,824 | 274,439 | 18,413 | 140,950 | 2,327 | 163,878 | 157,817 | ---------- | ---------- | ---------- |
| Other | 133,397 | 35,105 | 4,127 | 1,414 | 182 | 34,517 | 58,052 | ---------- | ---------- | ---------- |
| For account of other than issuer | 1,737,508 | 1,044,815 | 7,001 | 6,448 | 292,712 | 132,740 | 253,791 | ---------- | ---------- | ---------- |
| For cash sale | 1,418,475 | 774,429 | 4,774 | 4,706 | 292,712 | 120,610 | 221,244 | ---------- | ---------- | ---------- |
| Other | 319,032 | 270,386 | 2,227 | 1,743 | 0 | 12,130 | 32,547 | ---------- | ---------- | ---------- |

See footnotes at end of part 4 of table.

TABLE 2.—*Registrations fully effective under the Securities Act of 1933, fiscal year ended June 30, 1962*—Continued

PART 4.—USE OF PROCEEDS AND INDUSTRY OF REGISTRANT----

[Amounts in thousands of dollars [1]]

| Use of proceeds | Industry of issuer | | | | | | |
|---|---|---|---|---|---|---|---|
| | All corporate | Manufacturing | Extractive | Electric, gas and water | Communication | Financial and real estate | Commercial and other [8] |
| Corporate issues for immediate cash offering for account of issuers (estimated gross proceeds) | [9] $6,318,737 | $1,817,852 | $92,151 | $2,326,769 | $839,873 | $771,508 | $470,586 |
| Cost of flotation | 217,755 | 77,574 | 3,593 | 37,559 | 11,612 | 48,740 | 38,677 |
| Commissions and discounts | 155,613 | 52,314 | 2,360 | 25,185 | 8,215 | 39,737 | 27,802 |
| Expenses | 62,142 | 25,260 | 1,233 | 12,374 | 3,397 | 9,003 | 10,875 |
| Expected net proceeds | 6,100,982 | 1,740,279 | 88,558 | 2,289,210 | 828,261 | 722,766 | 431,909 |
| New money purposes | 5,405,660 | 1,464,645 | 82,122 | 2,082,188 | 825,313 | 550,233 | 401,160 |
| Plant and equipment | 4,283,043 | 982,143 | 17,937 | 2,080,179 | 817,839 | 210,125 | 174,821 |
| Working capital | 1,122,617 | 482,502 | 64,185 | 2,009 | 7,473 | 340,108 | 226,339 |
| Retirement of securities | 243,921 | 100,899 | | 128,458 | 66 | 9,085 | 5,414 |
| Purchase of securities | 97,286 | 18,327 | 50 | | 2,678 | 66,373 | 9,859 |
| Other | 354,116 | 156,407 | 6,386 | 78,564 | 206 | 97,075 | 15,477 |

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

[2] A new category, *Extended Cash Sale*, has been introduced in the tables for fiscal year 1962. This group includes four classifications: (1) investment companies, (2) employee stock option plans, (3) employee saving plans, and (4) other extended offerings. Formerly, saving plans were included under "Corporate—for cash sale account of issuer," and were classified in the industry group "other financial and real estate." Stock option plans were formerly classified according to industry of the registrant and were divided among three categories: (a) portions registered to cover options exercisable within a year were classified as "for cash sale" (b) those registered to cover outstanding and future options were classified as "noncash" and (c) securities already purchased through exercise of options were classified as "for account of others." Securities under the classification "other" include securities for exercise of warrants, options and other contingent offerings, and generally cover parts of issues being registered, the other parts being included elsewhere in the table. Data shown for the fiscal years 1960 and 1961, in Table 1 have been revised where possible to reflect these changes. As a result, the dollar amount of "corporate issues for cash sale" has been reduced materially as has the amount for "For other than cash sale" which now covers only such items as securities issued for property, services and other miscellaneous purposes.

[3] Warrants are excluded from the count of number of issues although included in dollar amounts.

[4] The 1,815 fully effective registrations shown in this table differ from the 1,833 net effectives shown in text table "Number and disposition of registration statements filed" as follows:

Excluded from fully effective but included in net effectives:
- 29 registrations of American Depositary Receipts
- 1 registration effective prior to receiving competitive bids. The amendment disclosing the accepted terms was not received in fiscal 1962.

Included in fully effective but excluded from net effectives:
- 1 registration which became effective in fiscal 1961 subject to amendments which were filed in fiscal 1962.
- 11 registrations which became effective in fiscal 1962 but were later withdrawn.

[5] This total differs from the sum of the monthly figures for offerings shown in Table 3, Part 1, under the heading "Registered under 1933 Act" chiefly because of differences in timing between effective registration dates and offering dates.

[6] Includes face amount certificates.

[7] Includes certificates of participation and warrants.

[8] Includes trade, construction, transportation other than railroads, service and agriculture.

[9] Includes a number of registrations of new investment companies organized for the purpose of exchanging individuals' portfolio holdings for investment company shares.

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

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 | | | | | | |
| | | | Public offerings [3] | | | | | Private placements [6] | |
| | | | Total public offerings | Registered under 1933 act | Not registered under 1933 act | | | | |
| | | | | | Total | Railroad issues | Issues exempt because of size [4] | Other exempt offerings [5] | |
| 1957 | 30,570,624 | 12,883,533 | 8,958,974 | 8,171,410 | 787,564 | 843,647 | 114,433 | 329,484 | 3,924,559 | 17,687,090 |
| 1958 | 34,443,069 | 11,558,343 | 8,068,461 | 7,579,337 | 489,123 | 237,852 | 112,226 | 139,045 | 3,489,883 | 22,884,726 |
| 1959 | 31,074,208 | 9,748,069 | 5,993,154 | 5,426,192 | 566,962 | 151,415 | 161,180 | 254,368 | 3,754,915 | 21,326,139 |
| 1960 | 27,540,560 | 10,153,980 | 6,657,092 | 6,047,677 | 609,414 | 193,744 | 196,357 | 219,314 | 3,496,888 | 17,386,580 |
| 1961 | 35,493,995 | 13,147,279 | 8,148,655 | 7,487,521 | 661,135 | 128,363 | 237,236 | 295,535 | 4,998,624 | 22,346,716 |
| *1961* | | | | | | | | | | |
| January | 1,773,744 | 600,616 | 293,524 | 241,006 | 52,518 | 23,870 | 14,811 | 13,837 | 307,092 | 1,173,128 |
| February | 5,454,957 | 695,413 | 400,397 | 353,749 | 46,648 | 17,063 | 13,635 | 15,950 | 295,016 | 4,759,544 |
| March | 2,161,069 | 696,272 | 352,589 | 291,432 | 61,156 | 22,537 | 21,147 | 17,473 | 343,684 | 1,464,797 |
| April | 3,392,807 | 2,231,437 | 1,870,928 | 1,827,149 | 43,779 | 10,154 | 18,526 | 15,099 | 360,509 | 1,161,370 |
| May | 4,432,323 | 1,341,815 | 895,438 | 842,678 | 52,860 | 14,204 | 18,386 | 20,270 | 446,377 | 3,090,508 |
| June | 3,493,786 | 1,778,602 | 1,185,458 | 1,126,998 | 58,460 | 1,237 | 22,079 | 35,144 | 593,203 | 1,715,124 |
| July | 1,900,808 | 1,075,335 | 666,816 | 629,384 | 37,432 | 4,797 | 23,662 | 8,972 | 408,519 | 825,563 |
| August | 2,063,621 | 813,335 | 379,469 | 334,459 | 45,011 | 10,433 | 22,574 | 12,003 | 433,866 | 1,250,287 |
| September | 1,912,654 | 677,511 | 324,811 | 290,346 | 34,466 | 0 | 22,209 | 12,257 | 352,700 | 1,235,143 |
| October | 4,410,155 | 1,155,464 | 640,979 | 598,297 | 42,681 | 4,194 | 25,523 | 12,964 | 514,485 | 3,254,691 |
| November | 2,404,067 | 987,193 | 631,202 | 591,053 | 40,149 | 14,441 | 20,105 | 5,603 | 355,991 | 1,416,874 |
| December | 2,093,914 | 1,094,227 | 507,045 | 361,070 | 145,975 | 5,432 | 14,579 | 125,963 | 587,182 | 999,687 |
| *1962* | | | | | | | | | | |
| January | 3,506,137 | 647,265 | 412,168 | 374,103 | 38,065 | 8,822 | 15,195 | 14,048 | 235,096 | 2,858,872 |
| February | 2,537,450 | 883,533 | 639,966 | 557,187 | 82,779 | 17,396 | 15,843 | 49,541 | 243,567 | 1,653,917 |
| March | 1,877,386 | 846,906 | 592,019 | 545,920 | 46,099 | 19,501 | 16,281 | 10,317 | 254,887 | 1,030,479 |
| April | 4,074,507 | 1,216,982 | 979,687 | 951,626 | 28,260 | 7,248 | 17,572 | 3,440 | 237,096 | 2,857,525 |
| May | 2,149,391 | 801,097 | 377,285 | 345,253 | 32,032 | 11,565 | 11,530 | 8,937 | 423,812 | 1,348,294 |
| June | 2,422,441 | 1,232,496 | 644,709 | 611,440 | 33,269 | 17,514 | 9,915 | 5,839 | 587,787 | 1,189,945 |

See footnotes at end of part 4 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 | | |
| 1957 | 30,579,624 | 12,883,533 | 17,687,090 | 27,643,959 | 9,956,869 | 17,687,090 | 410,504 | 2,516,160 |
| 1958 | 34,443,069 | 11,558,343 | 22,884,726 | 32,537,517 | 9,652,791 | 22,884,726 | 571,474 | 1,334,079 |
| 1959 | 31,074,208 | 9,748,069 | 21,326,139 | 28,515,908 | 7,189,769 | 21,326,139 | 531,101 | 2,027,109 |
| 1960 | 27,540,560 | 10,153,980 | 17,386,580 | 25,467,927 | 8,081,346 | 17,386,580 | 409,525 | 1,664,109 |
| 1961 | 35,493,995 | 13,147,279 | 22,346,716 | 31,772,172 | 9,425,456 | 22,346,716 | 449,300 | 3,272,524 |
| *1961* | | | | | | | | |
| January | 1,773,744 | 600,616 | 1,173,128 | 1,644,973 | 471,845 | 1,173,128 | 29,891 | 98,880 |
| February | 5,454,957 | 695,413 | 4,759,544 | 5,288,187 | 528,643 | 4,759,544 | 37,262 | 129,508 |
| March | 2,161,069 | 696,272 | 1,464,797 | 2,007,181 | 542,384 | 1,464,797 | 28,545 | 125,343 |
| April | 3,392,807 | 2,231,437 | 1,161,370 | 2,222,548 | 1,061,178 | 1,161,370 | 59,595 | 1,110,664 |
| May | 4,432,323 | 1,341,815 | 3,090,508 | 4,111,953 | 1,021,445 | 3,090,508 | 92,416 | 227,954 |
| June | 3,493,786 | 1,778,062 | 1,715,124 | 3,210,366 | 1,495,242 | 1,715,124 | 39,895 | 243,525 |
| July | 1,900,898 | 1,075,335 | 825,563 | 1,642,170 | 816,607 | 825,563 | 19,917 | 238,812 |
| August | 2,063,621 | 813,335 | 1,250,287 | 1,886,809 | 636,522 | 1,250,287 | 45,476 | 131,338 |
| September | 1,912,654 | 677,511 | 1,235,143 | 1,694,877 | 459,734 | 1,235,143 | 16,576 | 201,201 |
| October | 4,410,155 | 1,155,464 | 3,254,691 | 4,100,052 | 845,361 | 3,254,691 | 11,958 | 298,145 |
| November | 2,404,067 | 987,193 | 1,416,874 | 2,179,055 | 762,181 | 1,416,874 | 41,494 | 183,518 |
| December | 2,093,914 | 1,094,227 | 999,687 | 1,784,002 | 784,315 | 999,687 | 26,275 | 283,637 |
| *1962* | | | | | | | | |
| January | 3,506,137 | 647,265 | 2,858,872 | 3,363,307 | 504,435 | 2,858,872 | 1,988 | 140,842 |
| February | 2,537,450 | 883,533 | 1,653,917 | 2,382,366 | 728,449 | 1,653,917 | 9,449 | 145,634 |
| March | 1,877,386 | 846,906 | 1,030,479 | 1,668,775 | 638,296 | 1,030,479 | 4,640 | 203,970 |
| April | 4,074,507 | 1,216,982 | 2,857,525 | 3,738,344 | 880,819 | 2,857,525 | 120,031 | 216,132 |
| May | 2,149,391 | 801,097 | 1,348,294 | 2,015,066 | 666,772 | 1,348,294 | 14,497 | 119,828 |
| June | 2,422,441 | 1,232,496 | 1,189,945 | 2,253,149 | 1,063,204 | 1,189,945 | 45,500 | 123,792 |

See footnotes at end of part 4 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 | Extractive | Electric, gas, and water | Railroad | Other transportation | Communication | Financial and real estate [7] | Commercial and other | Total noncorporate | U.S. Government (including issues guaranteed) | Federal agency (issues not guaranteed) | State and municipal | Foreign government and international | Nonprofit institutions |
| 1957 | 12,883,533 | 4,233,708 | 288,574 | 3,938,087 | 343,647 | 479,921 | 1,461,748 | 1,795,413 | 342,435 | 17,687,000 | 9,600,598 | 571,550 | 6,958,152 | 504,898 | 51,892 |
| 1958 | 11,558,343 | 3,515,407 | 246,565 | 3,804,105 | 238,352 | 585,539 | 1,423,776 | 1,088,299 | 656,299 | 22,884,726 | 12,062,886 | 2,321,105 | 7,448,803 | 995,403 | 56,529 |
| 1959 | 9,748,069 | 2,072,820 | 161,396 | 3,257,790 | 173,913 | 792,829 | 717,101 | 1,852,906 | 719,314 | 21,326,139 | 12,322,475 | 706,998 | 7,681,054 | 545,658 | 69,955 |
| 1960 | 10,153,980 | 2,152,419 | 245,682 | 2,851,215 | 211,244 | 507,286 | 1,049,810 | 2,524,619 | 611,705 | 17,386,680 | 7,906,326 | 1,672,086 | 7,229,500 | 504,445 | 74,223 |
| 1961 | 13,147,279 | 4,111,683 | 261,386 | 3,039,442 | 178,693 | 534,318 | 1,820,801 | 2,274,833 | 926,123 | 22,346,716 | 12,252,824 | 1,447,508 | 8,344,510 | 236,099 | 65,775 |
| *1961* | | | | | | | | | | | | | | | |
| January | 600,616 | 173,177 | 15,171 | 139,643 | 27,620 | 55,123 | 21,300 | 148,579 | 20,012 | 1,173,128 | 454,952 | 0 | 706,396 | 6,005 | 5,775 |
| February | 695,413 | 106,322 | 28,283 | 162,751 | 17,063 | 44,615 | 41,306 | 227,664 | 67,410 | 4,759,544 | 4,069,143 | 0 | 659,784 | 29,117 | 1,500 |
| March | 696,272 | 285,626 | 16,756 | 85,067 | 22,537 | 60,434 | 90,200 | 97,401 | 38,251 | 1,464,797 | 433,797 | 252,320 | 755,880 | 19,950 | 2,850 |
| April | 2,231,437 | 601,932 | 9,935 | 278,098 | 10,404 | 23,623 | 1,044,870 | 190,836 | 71,738 | 1,161,370 | 347,509 | 100,125 | 709,955 | 1,581 | 2,200 |
| May | 1,341,815 | 480,831 | 34,168 | 461,286 | 14,204 | 54,134 | 97,929 | 117,686 | 81,577 | 3,090,508 | 2,244,233 | 148,500 | 625,447 | 65,754 | 6,575 |
| June | 1,778,662 | 584,897 | 10,675 | 408,145 | 13,237 | 109,741 | 269,544 | 243,233 | 139,190 | 1,715,124 | 368,885 | 278,438 | 1,034,636 | 29,201 | 3,965 |
| July | 1,075,335 | 451,725 | 32,912 | 275,744 | 8,547 | 3,051 | 16,095 | 217,518 | 69,744 | 825,563 | 341,678 | 0 | 463,403 | 5,399 | 15,083 |
| August | 813,335 | 287,658 | 15,292 | 219,670 | 16,433 | 53,910 | 13,250 | 132,982 | 74,140 | 1,250,287 | 392,367 | 249,875 | 603,373 | 2,472 | 2,200 |
| September | 677,511 | 268,437 | 15,287 | 112,674 | 0 | 27,907 | 76,946 | 110,045 | 66,215 | 1,235,143 | 337,740 | 193,250 | 699,153 | 0 | 5,000 |
| October | 1,155,464 | 308,272 | 36,844 | 318,050 | 19,444 | 41,601 | 25,630 | 290,932 | 114,690 | 3,254,691 | 2,563,717 | 0 | 643,214 | 42,516 | 5,245 |
| November | 987,193 | 232,576 | 4,427 | 367,029 | 23,771 | 32,249 | 81,498 | 183,355 | 62,288 | 1,416,874 | 357,330 | 225,000 | 789,034 | 34,105 | 11,405 |
| December | 1,094,227 | 330,229 | 41,636 | 211,284 | 5,432 | 27,931 | 42,234 | 314,612 | 120,868 | 999,087 | 341,473 | 0 | 654,237 | 0 | 3,977 |
| *1962* | | | | | | | | | | | | | | | |
| January | 647,265 | 224,512 | 15,388 | 115,747 | 11,822 | 12,323 | 74,673 | 104,315 | 88,485 | 2,858,872 | 1,589,150 | 245,500 | 865,605 | 141,811 | 16,806 |
| February | 883,533 | 138,538 | 12,014 | 152,837 | 17,396 | 27,903 | 365,906 | 126,041 | 42,298 | 1,653,917 | 361,460 | 155,581 | 1,123,499 | 9,852 | 3,525 |
| March | 846,906 | 329,406 | 15,528 | 196,541 | 19,501 | 56,630 | 21,098 | 143,426 | 64,776 | 1,030,479 | 372,137 | 0 | 620,648 | 34,684 | 3,010 |
| April | 1,216,982 | 462,666 | 14,691 | 382,753 | 7,248 | 21,238 | 89,514 | 142,035 | 96,836 | 2,857,525 | 1,505,619 | 461,300 | 876,937 | 9,800 | 3,869 |
| May | 801,097 | 278,633 | 36,867 | 216,943 | 11,565 | 26,816 | 65,071 | 96,496 | 68,705 | 1,348,204 | 352,351 | 0 | 897,097 | 86,478 | 12,367 |
| June | 1,232,496 | 361,224 | 23,099 | 472,979 | 17,514 | 31,272 | 80,372 | 172,656 | 73,379 | 1,189,945 | 362,739 | 0 | 759,983 | 49,823 | 17,400 |

See footnotes at end of part 4 of table.

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

PART 4.—PRIVATE PLACEMENT OF CORPORATE SECURITIES [8]

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

| Calendar year or month | All private placements | Type of security | | Industry of issuer | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Bonds, debentures, and notes | Stocks | Manufacturing | Extractive | Electric, gas, and water | Railroad | Other transportation | Communication | Financial and real estate | Commercial and other |
| 1957 | 3,924,559 | 3,838,917 | 85,642 | 1,656,940 | 146,685 | 665,506 | 0 | 419,319 | 137,455 | 714,662 | 183,993 |
| 1958 | 3,489,883 | 3,320,294 | 169,589 | 1,397,250 | 105,483 | 616,692 | 500 | 505,126 | 175,792 | 501,659 | 187,380 |
| 1959 | 3,754,915 | 3,632,417 | 122,498 | 978,778 | 59,023 | 676,987 | 22,498 | 659,161 | 101,170 | 982,567 | 274,730 |
| 1960 | 3,496,888 | 3,275,407 | 221,482 | 958,134 | 112,926 | 517,568 | 17,500 | 386,146 | 107,027 | 1,093,362 | 304,225 |
| 1961 | 4,998,624 | 4,719,902 | 278,722 | 1,837,032 | 180,928 | 824,042 | 50,330 | 396,052 | 173,281 | 1,109,905 | 427,054 |
| *1961* | | | | | | | | | | | |
| January | 307,092 | 293,775 | 13,317 | 122,905 | 12,371 | 17,200 | 3,750 | 52,523 | 21,000 | 64,568 | 12,775 |
| February | 295,016 | 255,336 | 39,680 | 86,708 | 16,500 | 29,187 | 0 | 43,298 | 17,950 | 54,224 | 47,150 |
| March | 343,684 | 331,384 | 12,300 | 195,622 | 5,614 | 21,771 | 0 | 42,084 | 9,500 | 52,295 | 16,798 |
| April | 360,509 | 348,359 | 12,150 | 73,480 | 5,750 | 119,189 | 250 | 23,623 | 11,250 | 109,355 | 17,611 |
| May | 446,377 | 354,960 | 91,418 | 155,154 | 30,473 | 128,283 | 0 | 27,420 | 4,870 | 59,880 | 40,288 |
| June | 593,203 | 571,726 | 21,478 | 260,835 | 3,600 | 80,031 | 12,000 | 31,638 | 9,949 | 145,151 | 50,001 |
| July | 408,519 | 392,497 | 16,022 | 117,903 | 31,532 | 93,240 | 3,750 | 2,789 | 14,775 | 115,052 | 29,479 |
| August | 433,866 | 411,376 | 22,490 | 194,807 | 7,935 | 72,401 | 6,000 | 51,000 | 13,250 | 70,228 | 18,245 |
| September | 352,700 | 336,321 | 16,378 | 166,700 | 0 | 30,556 | 0 | 27,607 | 30,693 | 63,858 | 33,286 |
| October | 514,485 | 509,463 | 5,022 | 138,724 | 31,000 | 67,879 | 15,250 | 39,501 | 11,950 | 151,122 | 59,059 |
| November | 355,991 | 347,732 | 8,259 | 123,394 | 760 | 88,899 | 9,330 | 27,140 | 10,860 | 76,586 | 19,022 |
| December | 587,182 | 566,974 | 20,208 | 200,791 | 35,393 | 75,405 | 0 | 27,431 | 17,234 | 147,586 | 83,342 |
| *1962* | | | | | | | | | | | |
| January | 235,096 | 231,596 | 3,500 | 141,960 | 10,750 | 31,198 | 3,000 | 11,244 | 5,000 | 15,163 | 16,781 |
| February | 243,567 | 231,709 | 11,858 | 85,438 | 3,000 | 57,520 | 0 | 26,915 | 10,042 | 47,634 | 13,018 |
| March | 254,887 | 252,521 | 2,366 | 100,989 | 3,198 | 18,533 | 0 | 13,930 | 18,880 | 60,590 | 38,767 |
| April | 237,096 | 227,117 | 9,979 | 98,372 | 0 | 12,693 | 0 | 12,541 | 8,230 | 54,401 | 50,858 |
| May | 423,812 | 419,783 | 4,029 | 242,202 | 27,009 | 13,452 | 0 | 26,616 | 24,660 | 61,347 | 28,525 |
| June | 587,787 | 574,787 | 13,000 | 242,761 | 17,099 | 76,118 | 0 | 31,272 | 27,546 | 136,628 | 56,363 |

[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 1 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; U.S. Government "Special Series" issues and other sales directly to Federal agencies and trust accounts; notes issued exclusively to commercial banks; issues of investment companies; and issues to be sold over an extended period such as offerings under employee-purchase plans. The chief sources of data are the financial press and documents filed with the Commission. Data for offerings of State and municipal securities are from 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 1934–56, see 25th 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 Regulation A 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] Excluding issues of investment companies.

[8] Excluding issues sold by competitive bidding directly to ultimate investors.

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

PART 1.—ALL CORPORATE

[Amounts in thousands of dollars [1]]

| Calendar year 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 | | |
| 1957 | 12 883, 533 | 12, 661, 300 | 11, 783. 879 | 9, 039, 778 | 2, 744. 101 | 214, 294 | 663, 127 |
| 1958 | 11, 558, 343 | 11. 371, 563 | 9, 907. 135 | 7, 792, 008 | 2, 115, 127 | 548, 952 | 915, 475 |
| 1959 | 9. 748, 069 | 9. 526, 631 | 8, 577, 764 | 6, 084, 152 | 2, 493, 612 | 134, 548 | 814, 319 |
| 1960 | 10, 153, 980 | 9, 923, 779 | 8, 758, 240 | 5, 661, 567 | 3, 096, 673 | 270, 784 | 894, 755 |
| 1961 | 13, 147, 279 | 12, 874, 167 | 10, 829, 087 | 7, 539, 489 | 3, 289, 598 | 895, 231 | 1, 149, 849 |
| *1961* | | | | | | | |
| January | 600, 616 | 590, 250 | 551, 575 | 359, 176 | 192, 399 | 10, 346 | 28, 328 |
| February | 695, 413 | 681, 810 | 611, 886 | 304, 253 | 307, 632 | 14, 327 | 55, 598 |
| March | 696, 272 | 679, 178 | 484, 111 | 288, 762 | 195, 349 | 117, 655 | 77, 412 |
| April | 2, 231, 437 | 2, 202, 858 | 2, 055, 451 | 1, 780, 209 | 275, 242 | 84, 749 | 62, 658 |
| May | 1, 341, 815 | 1, 314, 344 | 1, 090, 014 | 833, 809 | 256, 205 | 55. 279 | 169, 051 |
| June | 1, 778, 662 | 1, 743, 947 | 1, 126, 731 | 758. 816 | 367, 915 | 426, 340 | 190, 877 |
| July | 1, 075, 335 | 1, 049, 237 | 845, 655 | 560, 086 | 285, 569 | 21, 590 | 182, 042 |
| August | 813, 335 | 792, 866 | 662, 165 | 433, 982 | 228, 183 | 30, 512 | 100, 189 |
| September | 677, 511 | 658, 487 | 611, 633 | 402, 121 | 209, 562 | 11, 204 | 35, 600 |
| October | 1, 155, 464 | 1, 129, 133 | 951, 815 | 641, 013 | 310, 802 | 39, 609 | 137, 709 |
| November | 987, 193 | 960, 647 | 907, 977 | 670, 790 | 237, 187 | 12, 615 | 40, 055 |
| December | 1, 094, 227 | 1, 071, 359 | 930, 024 | 506, 472 | 423, 552 | 71, 004 | 70, 330 |
| *1962* | | | | | | | |
| January | 647, 264 | 631, 924 | 507, 166 | 326, 198 | 180, 968 | 39, 479 | 85, 279 |
| February | 883, 533 | 865, 820 | 792, 001 | 641, 865 | 150, 136 | 6, 851 | 66, 968 |
| March | 846, 906 | 822, 607 | 709, 407 | 458, 250 | 251, 157 | 15, 916 | 97, 284 |
| April | 1, 216, 982 | 1, 185, 003 | 1, 032, 903 | 753, 421 | 279, 482 | 72, 016 | 80, 084 |
| May | 801, 097 | 784, 966 | 620. 950 | 435, 248 | 185, 703 | 24, 963 | 139, 053 |
| June | 1, 232, 496 | 1, 214, 338 | 952, 698 | 712, 791 | 239, 906 | 81, 930 | 179, 710 |

PART 2.—MANUFACTURING

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1957 | 4, 233, 708 | 4, 153, 534 | 3, 764, 423 | 2, 644, 460 | 1. 119, 963 | 49, 131 | 339, 980 |
| 1958 | 3, 515, 407 | 3, 459, 399 | 2, 851, 033 | 2. 027, 328 | 823, 705 | 194, 620 | 413, 738 |
| 1959 | 2, 072, 820 | 2, 011, 306 | 1, 684, 071 | 863, 709 | 820, 362 | 70, 419 | 256, 815 |
| 1960 | 2, 152, 419 | 2, 076, 267 | 1, 710, 743 | 944, 632 | 766, 111 | 79, 327 | 286, 196 |
| 1961 | 4, 111, 683 | 4, 014, 274 | 3, 059, 739 | 1, 921, 751 | 1, 137, 988 | 305, 925 | 648, 611 |
| *1961* | | | | | | | |
| January | 173, 177 | 169, 784 | 155. 356 | 97, 322 | 58, 034 | 1, 246 | 13, 183 |
| February | 106, 322 | 103, 654 | 75, 114 | 29, 653 | 45, 461 | 4, 739 | 23, 801 |
| March | 285, 626 | 279, 351 | 182, 692 | 79, 230 | 103, 462 | 31, 736 | 64, 923 |
| April | 601, 932 | 590, 049 | 543, 257 | 439, 882 | 103, 375 | 16, 380 | 30, 412 |
| May | 480, 831 | 468. 993 | 339, 003 | 203, 516 | 135, 487 | 22, 449 | 107, 542 |
| June | 584, 897 | 573, 715 | 340, 098 | 170, 540 | 169. 549 | 127, 677 | 105, 939 |
| July | 451, 725 | 440, 363 | 312, 156 | 229, 874 | 82, 282 | 12, 184 | 116, 023 |
| August | 287, 658 | 280, 188 | 179, 244 | 92, 849 | 86, 395 | 25, 302 | 75, 641 |
| September | 268, 437 | 260, 457 | 232, 913 | 154, 286 | 78, 627 | 8, 254 | 19, 290 |
| October | 308, 272 | 299, 576 | 234. 258 | 141, 671 | 92, 587 | 28, 301 | 37, 017 |
| November | 232, 576 | 224, 675 | 189, 278 | 127, 558 | 61, 720 | 9, 857 | 25, 540 |
| December | 330, 229 | 323, 469 | 276, 370 | 155, 363 | 121, 008 | 17, 800 | 29, 298 |
| *1962* | | | | | | | |
| January | 224, 512 | 219, 178 | 186. 402 | 103, 186 | 83. 216 | 13, 812 | 18, 964 |
| February | 138, 538 | 133, 086 | 89. 316 | 52, 650 | 36, 665 | 2, 069 | 41, 702 |
| March | 329, 406 | 320, 657 | 280, 036 | 141, 567 | 138. 469 | 2, 412 | 38, 209 |
| April | 462, 666 | 450, 814 | 355, 095 | 206, 238 | 148, 857 | 67, 250 | 28, 468 |
| May | 278, 633 | 274, 816 | 154, 895 | 72, 674 | 82, 221 | 5, 104 | 114, 817 |
| June | 361, 224 | 355, 611 | 290, 167 | 198, 477 | 91, 690 | 13, 938 | 51, 505 |

See footnote 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.—EXTRACTIVE

[Amounts in thousands of dollars [1]]

| 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 | | |
| 1957 | 288,574 | 276,809 | 242,826 | 159,783 | 83,042 | 6,838 | 27,145 |
| 1958 | 246,565 | 239,274 | 184,092 | 95,221 | 88,871 | 2,033 | 53,149 |
| 1959 | 161,396 | 154,495 | 119,555 | 39,190 | 80,365 | 12,245 | 22,695 |
| 1960 | 245,682 | 239,469 | 154,216 | 71,338 | 82,879 | 8,476 | 76,777 |
| 1961 | 261,386 | 256,241 | 181,642 | 88,106 | 93,536 | 2,724 | 71,875 |
| *1961* | | | | | | | |
| January | 15,171 | 15,105 | 13,282 | 6,414 | 6,867 | 593 | 1,230 |
| February | 28,283 | 27,682 | 25,071 | 9,024 | 16,047 | 817 | 1,794 |
| March | 16,756 | 16,130 | 15,136 | 6,387 | 8,749 | 249 | 745 |
| April | 9,935 | 9,762 | 5,852 | 2,828 | 3,024 | 286 | 3,623 |
| May | 34,168 | 33,644 | 32,017 | 24,791 | 7,226 | 514 | 1,113 |
| June | 10,675 | 9,965 | 9,476 | 3,822 | 5,654 | 32 | 458 |
| July | 32,912 | 32,549 | 15,420 | 575 | 14,846 | 37 | 17,092 |
| August | 15,292 | 14,826 | 14,033 | 6,628 | 7,405 | 196 | 596 |
| September | 15,287 | 14,975 | 14,825 | 3,669 | 11,156 | 0 | 150 |
| October | 36,844 | 36,521 | 6,551 | 1,420 | 5,131 | 0 | 29,970 |
| November | 4,427 | 4,264 | 4,089 | 1,050 | 3,039 | 0 | 175 |
| December | 41,636 | 40,817 | 25,889 | 21,497 | 4,391 | 0 | 14,929 |
| *1962* | | | | | | | |
| January | 15,398 | 15,066 | 13,373 | 5,164 | 8,209 | 500 | 1,194 |
| February | 12,614 | 11,994 | 7,402 | 2,432 | 4,969 | 0 | 4,592 |
| March | 15,528 | 14,999 | 14,881 | 3,260 | 11,620 | 0 | 118 |
| April | 14,691 | 14,049 | 10,229 | 2,021 | 8,208 | 0 | 3,820 |
| May | 36,867 | 36,204 | 34,811 | 29,631 | 5,179 | 160 | 1,244 |
| June | 23,099 | 23,027 | 20,418 | 8,412 | 12,006 | 652 | 1,957 |

PART 4.—ELECTRIC, GAS AND WATER

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1957 | 3,938,087 | 3,871,899 | 3,659,189 | 3,645,919 | 13,271 | 51,280 | 161,430 |
| 1958 | 3,804,105 | 3,743,395 | 3,441,074 | 3,411,355 | 29,719 | 138,392 | 163,928 |
| 1959 | 3,257,790 | 3,204,090 | 3,056,634 | 3,036,644 | 19,990 | 15,250 | 132,205 |
| 1960 | 2,851,215 | 2,805,315 | 2,655,559 | 2,624,059 | 31,500 | 51,170 | 98,587 |
| 1961 | 3,039,442 | 2,996,763 | 2,808,861 | 2,792,792 | 16,070 | 104,394 | 83,507 |
| *1961* | | | | | | | |
| January | 139,643 | 137,235 | 134,198 | 134,160 | 37 | 0 | 3,037 |
| February | 162,751 | 159,999 | 159,961 | 159,923 | 38 | 0 | 38 |
| March | 85,067 | 83,693 | 81,912 | 81,546 | 366 | 0 | 1,782 |
| April | 278,098 | 274,984 | 247,393 | 247,116 | 277 | 21,442 | 6,149 |
| May | 461,286 | 455,732 | 408,095 | 406,670 | 1,425 | 16,757 | 30,880 |
| June | 408,145 | 401,912 | 387,411 | 385,869 | 1,552 | 13,174 | 1,327 |
| July | 275,744 | 272,092 | 255,551 | 255,299 | 251 | 3,378 | 13,164 |
| August | 219,670 | 216,800 | 214,307 | 213,466 | 841 | 1,606 | 797 |
| September | 112,674 | 111,315 | 110,909 | 105,319 | 5,589 | 203 | 203 |
| October | 318,050 | 313,608 | 281,887 | 280,479 | 1,407 | 7,721 | 24,000 |
| November | 367,029 | 361,721 | 361,597 | 359,626 | 1,971 | 0 | 123 |
| December | 211,284 | 207,672 | 165,642 | 163,327 | 2,315 | 40,023 | 2,006 |
| *1962* | | | | | | | |
| January | 115,747 | 113,414 | 83,859 | 83,822 | 37 | 24,000 | 5,554 |
| February | 152,837 | 151,303 | 147,545 | 146,710 | 836 | 3,757 | 0 |
| March | 196,541 | 194,078 | 191,920 | 191,588 | 332 | 1,082 | 1,077 |
| April | 382,763 | 376,726 | 376,726 | 376,495 | 231 | 0 | 0 |
| May | 216,943 | 213,600 | 195,122 | 192,911 | 2,211 | 15,940 | 2,537 |
| June | 472,979 | 466,398 | 332,996 | 332,934 | 62 | 56,161 | 77,241 |

See footnotes at end of table.

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

PART 5.—RAILROAD

[Amounts in thousands of dollars [1]]

| Calendar year 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 | | |
| 1957 | 343,647 | 340,244 | 326,409 | 326,409 | 0 | 13,835 | 0 |
| 1958 | 238,352 | 235,542 | 206,381 | 188,784 | 17,597 | 29,161 | 0 |
| 1959 | 173,913 | 172,244 | 172,244 | 169,314 | 2,930 | 0 | 0 |
| 1960 | 211,244 | 209,146 | 174,485 | 174,485 | 0 | 34,661 | 0 |
| 1961 | 178,693 | 176,868 | 148,348 | 148,148 | 200 | 21,271 | 7,250 |
| *1961* | | | | | | | |
| January | 27,620 | 27,384 | 27,384 | 27,384 | 0 | 0 | 0 |
| February | 17,063 | 16,848 | 10,374 | 10,175 | 200 | 6,473 | 0 |
| March | 22,537 | 21,984 | 13,171 | 13,171 | 0 | 8,812 | 0 |
| April | 10,404 | 10,300 | 10,300 | 10,300 | 0 | 0 | 0 |
| May | 14,204 | 14,065 | 14,065 | 14,065 | 0 | 0 | 0 |
| June | 13,237 | 13,185 | 7,200 | 7,200 | 0 | 5,985 | 0 |
| July | 8,547 | 8,481 | 8,481 | 8,481 | 0 | 0 | 0 |
| August | 16,433 | 16,276 | 16,276 | 16,276 | 0 | 0 | 0 |
| September | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| October | 19,444 | 19,360 | 12,110 | 12,110 | 0 | 0 | 7,250 |
| November | 23,771 | 23,608 | 23,608 | 23,608 | 0 | 0 | 0 |
| December | 5,432 | 5,378 | 5,378 | 5,378 | 0 | 0 | 0 |
| *1962* | | | | | | | |
| January | 11,822 | 11,727 | 11,727 | 11,727 | 0 | 0 | 0 |
| February | 17,396 | 17,239 | 17,239 | 17,239 | 0 | 0 | 0 |
| March | 19,501 | 19,330 | 19,330 | 19,330 | 0 | 0 | 0 |
| April | 7,248 | 7,191 | 7,191 | 7,191 | 0 | 0 | 0 |
| May | 11,565 | 11,472 | 11,472 | 11,472 | 0 | 0 | 0 |
| June | 17,514 | 17,347 | 17,347 | 17,347 | 0 | 0 | 0 |

PART 6.—OTHER TRANSPORTATION

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1957 | 479,021 | 475,421 | 465,095 | 456,665 | 8,430 | 204 | 10,122 |
| 1958 | 585,539 | 580,031 | 474,438 | 458,345 | 16,093 | 8,505 | 97,088 |
| 1959 | 792,829 | 784,469 | 747,347 | 699,873 | 47,474 | 15,077 | 22,045 |
| 1960 | 507,286 | 501,031 | 451,064 | 423,993 | 27,071 | 3,908 | 46,059 |
| 1961 | 534,318 | 529,020 | 477,680 | 453,943 | 23,737 | 4,839 | 46,501 |
| *1961* | | | | | | | |
| January | 55,123 | 54,396 | 53,544 | 51,236 | 2,308 | 322 | 529 |
| February | 44,615 | 44,230 | 44,051 | 43,108 | 943 | 90 | 90 |
| March | 60,434 | 59,653 | 58,210 | 53,084 | 5,125 | 722 | 722 |
| April | 23,623 | 23,524 | 20,871 | 19,259 | 1,611 | 830 | 1,823 |
| May | 54,134 | 53,181 | 52,959 | 49,297 | 3,662 | 111 | 111 |
| June | 109,741 | 108,656 | 67,842 | 66,975 | 867 | 708 | 40,106 |
| July | 3,051 | 2,976 | 2,876 | 2,316 | 560 | 50 | 50 |
| August | 53,910 | 53,434 | 52,137 | 50,643 | 1,494 | 649 | 649 |
| September | 27,907 | 27,783 | 27,783 | 26,638 | 1,145 | 0 | 0 |
| October | 41,601 | 41,327 | 39,270 | 38,638 | 632 | 497 | 1,561 |
| November | 32,249 | 32,047 | 32,047 | 27,691 | 4,356 | 0 | 0 |
| December | 27,931 | 27,812 | 26,090 | 25,057 | 1,034 | 861 | 861 |
| *1962* | | | | | | | |
| January | 12,323 | 12,076 | 10,933 | 10,233 | 700 | 509 | 634 |
| February | 27,903 | 27,670 | 27,268 | 26,771 | 497 | 160 | 242 |
| March | 56,630 | 54,944 | 54,396 | 53,574 | 822 | 345 | 203 |
| April | 21,238 | 20,601 | 20,601 | 20,511 | 90 | 0 | 0 |
| May | 26,816 | 26,736 | 26,736 | 25,459 | 1,278 | 0 | 0 |
| June | 31,272 | 31,147 | 30,392 | 30,015 | 377 | 377 | 377 |

See footnotes at end of table.

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

PART 7.—COMMUNICATION

[Amounts in thousands of dollars [1]]

| Calendar year 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 | | |
| 1957 | 1,461,748 | 1,444,446 | 1,427,977 | 1,425,696 | 2,281 | 3,904 | 12,566 |
| 1958 | 1,423,776 | 1,411,831 | 1,265,315 | 1,262,382 | 2,933 | 118,112 | 28,404 |
| 1959 | 717,101 | 707,265 | 702,959 | 701,347 | 1,612 | 113 | 4,192 |
| 1960 | 1,049,810 | 1,036,460 | 1,031,659 | 1,022,870 | 8,790 | 682 | 4,119 |
| 1961 | 1,820,801 | 1,804,593 | 1,407,979 | 1,397,898 | 10,081 | 377,656 | 18,958 |
| *1961* | | | | | | | |
| January | 21,300 | 21,140 | 17,857 | 17,588 | 270 | 0 | 3,283 |
| February | 41,306 | 40,527 | 38,700 | 36,914 | 1,786 | 0 | 1,827 |
| March | 90,200 | 88,994 | 18,885 | 18,709 | 176 | 69,933 | 176 |
| April | 1,044,870 | 1,038,794 | 993,779 | 991,649 | 2,130 | 44,973 | 42 |
| May | 97,929 | 97,193 | 84,881 | 84,723 | 158 | 12,154 | 158 |
| June | 269,544 | 266,613 | 13,948 | 13,778 | 169 | 250,531 | 2,134 |
| July | 16,095 | 15,694 | 14,980 | 13,627 | 1,353 | 66 | 648 |
| August | 13,250 | 13,191 | 4,534 | 4,348 | 186 | 0 | 8,657 |
| September | 76,946 | 75,179 | 74,088 | 73,503 | 585 | 0 | 1,091 |
| October | 25,630 | 25,181 | 24,444 | 23,188 | 1,256 | 0 | 737 |
| November | 81,498 | 80,272 | 80,066 | 78,054 | 2,012 | 0 | 206 |
| December | 42,234 | 41,816 | 41,816 | 41,816 | 0 | 0 | 0 |
| *1962* | | | | | | | |
| January | 74,673 | 73,084 | 71,304 | 71,304 | 0 | 0 | 1,780 |
| February | 365,906 | 362,342 | 360,804 | 360,741 | 62 | 0 | 1,539 |
| March | 21,098 | 20,873 | 20,719 | 20,565 | 154 | 0 | 154 |
| April | 89,514 | 88,608 | 86,745 | 86,711 | 34 | 112 | 1,750 |
| May | 65,071 | 63,544 | 63,148 | 62,724 | 424 | 0 | 396 |
| June | 80,372 | 79,352 | 77,602 | 77,602 | 0 | 0 | 1,750 |

PART 8.—FINANCIAL AND REAL ESTATE

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1957 | 1,795,413 | 1,768,353 | 1,635,740 | 241,464 | 1,394,276 | 67,314 | 65,298 |
| 1958 | 1,088,299 | 1,060,792 | 900,109 | 186,773 | 713,336 | 46,887 | 113,796 |
| 1959 | 1,852,906 | 1,807,390 | 1,568,990 | 300,592 | 1,268,398 | 6,116 | 232,285 |
| 1960 | 2,524,619 | 2,472,229 | 2,143,135 | 267,586 | 1,875,549 | 71,366 | 257,728 |
| 1961 | 2,274,833 | 2,212,051 | 2,014,989 | 499,495 | 1,515,494 | 35,572 | 161,490 |
| *1961* | | | | | | | |
| January | 148,570 | 146,232 | 132,005 | 18,781 | 113,224 | 8,106 | 6,121 |
| February | 227,664 | 223,842 | 220,843 | 7,215 | 213,628 | 1,022 | 1,977 |
| March | 97,491 | 93,643 | 85,816 | 27,044 | 58,772 | 1,400 | 6,427 |
| April | 190,836 | 186,144 | 168,987 | 59,420 | 109,566 | 410 | 16,748 |
| May | 117,686 | 113,014 | 90,146 | 27,308 | 62,837 | 1,834 | 21,034 |
| June | 243,233 | 236,587 | 203,184 | 77,870 | 125,314 | 5,442 | 27,962 |
| July | 217,518 | 210,382 | 182,322 | 33,010 | 149,313 | 4,165 | 23,895 |
| August | 132,982 | 128,808 | 116,276 | 22,665 | 93,611 | 1,849 | 10,683 |
| September | 110,045 | 106,559 | 100,840 | 23,162 | 77,678 | 1,452 | 4,268 |
| October | 290,932 | 282,344 | 260,039 | 108,834 | 151,206 | 1,760 | 20,545 |
| November | 183,355 | 176,646 | 163,531 | 32,160 | 131,371 | 2,372 | 10,743 |
| December | 314,612 | 307,848 | 291,000 | 62,026 | 228,975 | 5,761 | 11,087 |
| *1962* | | | | | | | |
| January | 104,315 | 102,750 | 59,465 | 30,493 | 28,972 | 558 | 42,728 |
| February | 126,041 | 122,477 | 108,726 | 11,114 | 97,612 | 755 | 12,995 |
| March | 143,426 | 136,414 | 76,576 | 9,683 | 66,892 | 10,414 | 49,425 |
| April | 142,035 | 135,196 | 97,399 | 27,312 | 70,087 | 1,405 | 36,392 |
| May | 96,496 | 93,815 | 78,354 | 16,808 | 61,546 | 2,744 | 12,717 |
| June | 172,656 | 170,049 | 137,869 | 21,884 | 115,985 | 7,493 | 24,687 |

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 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 | | |
| 1957 | 342,435 | 330,593 | 262,220 | 139,382 | 122,838 | 21,788 | 46,585 |
| 1958 | 656,299 | 641,298 | 584,692 | 161,819 | 422,873 | 11,234 | 45,372 |
| 1959 | 719,314 | 685,374 | 525,963 | 273,483 | 252,480 | 15,328 | 144,082 |
| 1960 | 611,705 | 583,860 | 437,378 | 132,604 | 304,774 | 21,194 | 125,288 |
| 1961 | 926,123 | 884,356 | 729,849 | 237,357 | 492,492 | 42,850 | 111,657 |
| *1961* | | | | | | | |
| January | 20,012 | 18,975 | 17,950 | 6,201 | 11,659 | 80 | 945 |
| February | 67,410 | 65,028 | 37,771 | 8,242 | 29,530 | 1,186 | 26,070 |
| March | 38,251 | 35,730 | 28,289 | 9,590 | 18,699 | 4,803 | 2,638 |
| April | 71,738 | 69,300 | 65,013 | 9,754 | 55,258 | 428 | 3,860 |
| May | 81,577 | 78,521 | 68,848 | 23,439 | 45,409 | 1,460 | 8,213 |
| June | 139,190 | 133,315 | 97,573 | 32,764 | 64,809 | 22,792 | 12,951 |
| July | 69,744 | 66,750 | 53,869 | 16,904 | 36,965 | 1,711 | 11,170 |
| August | 74,140 | 69,344 | 65,368 | 27,107 | 38,251 | 820 | 3,166 |
| September | 66,215 | 62,218 | 50,325 | 15,544 | 34,781 | 1,295 | 10,598 |
| October | 114,690 | 111,216 | 93,256 | 34,672 | 58,583 | 1,331 | 16,629 |
| November | 62,288 | 57,414 | 53,761 | 21,043 | 32,718 | 386 | 3,267 |
| December | 120,868 | 116,546 | 97,838 | 32,008 | 65,830 | 6,559 | 12,150 |
| *1962* | | | | | | | |
| January | 88,485 | 84,628 | 70,103 | 10,269 | 59,834 | 100 | 14,425 |
| February | 42,298 | 39,709 | 33,702 | 24,207 | 9,494 | 110 | 5,898 |
| March | 64,776 | 61,312 | 51,550 | 18,683 | 32,867 | 1,664 | 8,098 |
| April | 96,836 | 91,819 | 78,917 | 26,941 | 51,975 | 3,248 | 9,664 |
| May | 68,705 | 64,779 | 56,411 | 23,567 | 32,844 | 1,025 | 7,342 |
| June | 73,379 | 71,407 | 45,906 | 26,121 | 19,785 | 3,309 | 22,192 |

[1] Slight discrepancies between the sum of figures in the tables and the totals shown are due to rounding.
[2] For earlier data see 25th 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.

TABLE 5.—*A summary of corporate securities publicly offered and privately placed in each year from 1934 through June 1962*

[Amounts in millions of dollars]

| Calendar year | Total | | | Public offerings | | | Private placements | | | Private placements as percent of total | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | All issues | Debt issues | Equity issues | All issues | Debt issues | Equity issues | All issues | Debt issues | Equity issues | All issues | Debt issues |
| 1934 | 397 | 372 | 25 | 305 | 280 | 25 | 92 | 92 | 0 | 23.2 | 24.7 |
| 1935 | 2,332 | 2,225 | 108 | 1,945 | 1,840 | 106 | 387 | 385 | 2 | 16.6 | 17.3 |
| 1936 | 4,572 | 4,029 | 543 | 4,199 | 3,660 | 539 | 373 | 369 | 4 | 8.2 | 9.2 |
| 1937 | 2,309 | 1,618 | 691 | 1,979 | 1,291 | 688 | 330 | 327 | 3 | 14.3 | 20.2 |
| 1938 | 2,155 | 2,044 | 111 | 1,463 | 1,353 | 110 | 692 | 691 | 1 | 32.1 | 33.8 |
| 1939 | 2,164 | 1,979 | 185 | 1,458 | 1,276 | 181 | 706 | 703 | 4 | 32.6 | 35.5 |
| 1940 | 2,677 | 2,386 | 291 | 1,912 | 1,628 | 284 | 765 | 758 | 7 | 28.6 | 31.8 |
| 1941 | 2,667 | 2,389 | 277 | 1,854 | 1,578 | 276 | 813 | 811 | 2 | 30.5 | 33.9 |
| 1942 | 1,062 | 917 | 146 | 642 | 506 | 136 | 420 | 411 | 9 | 39.5 | 44.8 |
| 1943 | 1,170 | 990 | 180 | 798 | 621 | 178 | 372 | 369 | 3 | 31.8 | 37.3 |
| 1944 | 3,202 | 2,670 | 532 | 2,415 | 1,892 | 524 | 787 | 778 | 9 | 24.6 | 29.1 |
| 1945 | 6,011 | 4,855 | 1,155 | 4,989 | 3,851 | 1,138 | 1,022 | 1,004 | 18 | 17.0 | 20.7 |
| 1946 | 6,900 | 4,882 | 2,018 | 4,983 | 3,019 | 1,963 | 1,917 | 1,863 | 54 | 27.8 | 38.2 |
| 1947 | 6,577 | 5,036 | 1,541 | 4,342 | 2,889 | 1,452 | 2,235 | 2,147 | 88 | 34.0 | 42.6 |
| 1948 | 7,078 | 5,973 | 1,106 | 3,991 | 2,965 | 1,028 | 3,087 | 3,008 | 79 | 43.6 | 50.4 |
| 1949 | 6,052 | 4,890 | 1,161 | 3,550 | 2,437 | 1,112 | 2,502 | 2,453 | 49 | 41.3 | 50.2 |
| 1950 | 6,362 | 4,920 | 1,442 | 3,681 | 2,360 | 1,321 | 2,680 | 2,560 | 120 | 42.1 | 52.0 |
| 1951 | 7,741 | 5,691 | 2,050 | 4,326 | 2,364 | 1,962 | 3,415 | 3,326 | 88 | 44.1 | 58.4 |
| 1952 | 9,534 | 7,601 | 1,933 | 5,533 | 3,645 | 1,888 | 4,002 | 3,957 | 45 | 42.0 | 52.1 |
| 1953 | 8,898 | 7,083 | 1,815 | 5,580 | 3,856 | 1,725 | 3,318 | 3,228 | 90 | 37.3 | 45.6 |
| 1954 | 9,516 | 7,488 | 2,029 | 5,848 | 4,003 | 1,844 | 3,668 | 3,484 | 184 | 38.5 | 46.5 |
| 1955 | 10,240 | 7,420 | 2,820 | 6,763 | 4,119 | 2,644 | 3,477 | 3,301 | 176 | 34.0 | 44.5 |
| 1956 | 10,939 | 8,002 | 2,937 | 7,053 | 4,225 | 2,827 | 3,886 | 3,777 | 109 | 35.5 | 47.2 |
| 1957 | 12,884 | 9,957 | 2,927 | 8,959 | 6,118 | 2,841 | 3,925 | 3,839 | 86 | 30.6 | 38.6 |
| 1958 | 11,558 | 9,653 | 1,906 | 8,068 | 6,332 | 1,736 | 3,490 | 3,320 | 170 | 30.2 | 34.4 |
| 1959 | 9,748 | 7,190 | 2,558 | 6,993 | 3,557 | 2,436 | 3,755 | 3,632 | 122 | 38.5 | 50.5 |
| 1960 | 10,154 | 8,081 | 2,073 | 6,657 | 4,806 | 1,851 | 3,497 | 3,275 | 221 | 34.4 | 40.5 |
| 1961 | 13,147 | 9,425 | 3,722 | 8,149 | 4,706 | 3,443 | 4,999 | 4,720 | 279 | 38.0 | 50.1 |
| 1962 (January-June) | 5,628 | 4,482 | 1,146 | 3,646 | 2,544 | 1,102 | 1,982 | 1,938 | 45 | 35.2 | 43.2 |

TABLE 6.—*Brokers and dealers registered under the Securities Exchange Act of 1934* [1]*—effective registrations as of June 30, 1962, classified by type of organization and by location of principal office*

| Location of principal office | Number of registrants | | | | Number of proprietors, partners, officers, etc. [2,3] | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Sole proprietorships | Partnerships | Corporations [4] | Total | Sole proprietorships | Partnerships | Corporations [4] |
| Alabama | 37 | 12 | 6 | 19 | 117 | 12 | 18 | 87 |
| Alaska | 5 | 4 | 0 | 1 | 7 | 4 | 0 | 3 |
| Arizona | 32 | 6 | 3 | 23 | 127 | 6 | 8 | 113 |
| Arkansas | 30 | 5 | 2 | 23 | 115 | 5 | 4 | 106 |
| California | 474 | 182 | 85 | 207 | 1,809 | 181 | 564 | 1,064 |
| Colorado | 98 | 27 | 5 | 66 | 352 | 27 | 19 | 206 |
| Connecticut | 46 | 15 | 12 | 19 | 196 | 15 | 59 | 122 |
| Delaware | 20 | 7 | 5 | 8 | 73 | 7 | 25 | 41 |
| District of Columbia | 111 | 30 | 18 | 63 | 473 | 30 | 119 | 324 |
| Florida | 145 | 43 | 9 | 93 | 452 | 43 | 22 | 387 |
| Georgia | 40 | 12 | 6 | 22 | 219 | 12 | 29 | 178 |
| Hawaii | 35 | 9 | 5 | 21 | 162 | 9 | 12 | 141 |
| Idaho | 17 | 9 | 1 | 7 | 46 | 9 | 3 | 33 |
| Illinois | 200 | 40 | 57 | 103 | 983 | 40 | 299 | 644 |
| Indiana | 59 | 28 | 4 | 27 | 181 | 28 | 8 | 145 |
| Iowa | 39 | 13 | 5 | 21 | 125 | 13 | 14 | 98 |
| Kansas | 34 | 9 | 5 | 20 | 140 | 9 | 15 | 122 |
| Kentucky | 20 | 5 | 6 | 9 | 71 | 5 | 22 | 44 |
| Louisiana | 47 | 24 | 10 | 13 | 117 | 24 | 41 | 52 |
| Maine | 31 | 12 | 2 | 17 | 80 | 12 | 7 | 61 |
| Maryland | 77 | 23 | 16 | 38 | 271 | 23 | 98 | 150 |
| Massachusetts | 226 | 91 | 35 | 100 | 975 | 91 | 246 | 638 |
| Michigan | 61 | 10 | 17 | 34 | 320 | 10 | 100 | 210 |
| Minnesota | 80 | 8 | 7 | 65 | 428 | 8 | 31 | 389 |
| Mississippi | 21 | 7 | 6 | 8 | 62 | 7 | 16 | 39 |
| Missouri | 90 | 25 | 17 | 48 | 539 | 25 | 133 | 381 |
| Montana | 17 | 8 | 2 | 7 | 39 | 8 | 4 | 27 |
| Nebraska | 33 | 10 | 0 | 23 | 121 | 10 | 0 | 111 |
| Nevada | 7 | 2 | 1 | 4 | 24 | 2 | 2 | 20 |
| New Hampshire | 11 | 7 | 1 | 3 | 24 | 7 | 2 | 15 |
| New Jersey | 246 | 123 | 33 | 90 | 552 | 123 | 83 | 346 |
| New Mexico | 10 | 4 | 3 | 3 | 30 | 4 | 10 | 16 |
| New York State (excluding New York City) | 523 | 274 | 49 | 200 | 1,093 | 274 | 140 | 679 |
| North Carolina | 40 | 11 | 4 | 25 | 212 | 11 | 10 | 191 |
| North Dakota | 10 | 2 | 1 | 7 | 30 | 2 | 2 | 26 |
| Ohio | 135 | 26 | 36 | 73 | 636 | 26 | 201 | 409 |
| Oklahoma | 44 | 18 | 4 | 22 | 120 | 18 | 9 | 93 |
| Oregon | 29 | 5 | 6 | 18 | 104 | 5 | 12 | 87 |
| Pennsylvania | 246 | 67 | 83 | 96 | 1,032 | 67 | 404 | 561 |
| Rhode Island | 24 | 3 | 9 | 12 | 63 | 3 | 24 | 36 |
| South Carolina | 28 | 6 | 4 | 18 | 87 | 6 | 9 | 72 |
| South Dakota | 6 | 2 | 0 | 4 | 17 | 2 | 0 | 15 |
| Tennessee | 52 | 12 | 7 | 33 | 224 | 12 | 27 | 185 |
| Texas | 210 | 90 | 21 | 99 | 672 | 90 | 76 | 506 |
| Utah | 48 | 15 | 8 | 25 | 135 | 15 | 31 | 89 |
| Vermont | 5 | 3 | 0 | 2 | 15 | 3 | 0 | 12 |
| Virginia | 54 | 18 | 12 | 24 | 200 | 18 | 64 | 118 |
| Washington | 85 | 45 | 3 | 37 | 277 | 45 | 6 | 226 |
| West Virginia | 16 | 10 | 2 | 4 | 34 | 10 | 5 | 19 |
| Wisconsin | 50 | 6 | 3 | 41 | 255 | 6 | 24 | 225 |
| Wyoming | 11 | 7 | 0 | 4 | 24 | 7 | 0 | 17 |
| Total (excluding New York City) | 4,015 | 1,430 | 636 | 1,949 | 14,465 | 1,429 | 3,057 | 9,979 |
| New York City | 1,749 | 376 | 585 | 788 | 8,075 | 376 | 3,823 | 3,876 |
| Total | 5,764 | 1,806 | 1,221 | 2,737 | 22,540 | 1,805 | 6,880 | 13,855 |

[1] Does not include 104 registrants whose principal offices are located in foreign countries or other territorial jurisdictions not listed.

[2] Includes directors, officers, trustees, and all other persons occupying similar status or performing similar functions.

[3] Allocations made 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, 1962.

[4] Includes all forms of organizations other than sole proprietorships and partnerships.

TABLE 7.—*Number of issuers and security issues on exchanges*

PART 1.—UNDUPLICATED NUMBER OF STOCK AND BOND ISSUES ADMITTED TO TRADING ON EXCHANGES AND THE NUMBER OF ISSUERS INVOLVED, AS OF JUNE 30, 1962

| Status under the Act [1] | Stocks | Bonds | Total stocks and bonds | Issuers involved |
|---|---|---|---|---|
| Registered pursuant to Section 12 (b), (c), and (d) | 2,821 | 1,192 | 4,013 | 2,390 |
| Temporarily exempted from registration by Commission rule | 8 | 6 | 14 | 5 |
| Admitted to unlisted trading privileges on registered exchanges pursuant to Section 12(f) | 173 | 26 | 199 | 159 |
| Listed on exempted exchanges under exemption orders of the Commission | 75 | 8 | 83 | 60 |
| Admitted to unlisted trading privileges on exempted exchanges under exemption orders of the Commission | 14 | 0 | 14 | 14 |
| Total | 3,091 | 1,232 | 4,323 | 2,628 |

[1] Registered: Section 12(b) of the Act provides that a security may be registered on a national securities exchange by the issuer filing an application with the exchange and with the Commission containing certain types of specified information. Section 12(c) authorizes the Commission to require the submission of information of a comparable character if in its judgment information specified under Section 12(b) is inapplicable to any specified class or classes of issuers. Section 12(d) provides that if the exchange authorities certify to the Commission that the security has been approved by the exchange for listing and registration, the registration shall become effective 30 days after the receipt of such certification by the Commission or within such shorter period of time as the Commission may determine.

Temporarily exempted: These are stocks of certain banks and other securities resulting from mergers, consolidations, etc., which the Commission has by published rules exempted from registration under specified conditions and for stated periods.

Admitted to unlisted trading privileges: Section 12(f) provides, in effect, that securities which were admitted to unlisted trading privileges on Mar. 1, 1934 (i.e., without applications for listing filed by the issuers), may continue such status. Additional securities may be granted unlisted trading privileges on exchanges only if they are listed and registered on another exchange or the issuer is subject to the reporting requirements of the Act under Section 15(d).

Listed on exempted exchanges: Certain exchanges were exempted from full registration under Section 6 of the Act because of the limited volume of transactions. The Commission's exemption order specifies that securities which were listed on the exchange at the date of such order may continue to be listed thereon, and that thereafter no additional securities may be listed except upon compliance with Section 12 (b), (c), and (d).

Unlisted on exempt exchanges: The Commission's exemption order specifies that securities which were admitted to unlisted trading privileges thereon at the date of such order may continue such privileges, and that no additional securities may be admitted to unlisted trading privileges except upon compliance with Section 12(f).

PART 2.—NUMBER OF STOCK AND BOND ISSUES ON EACH EXCHANGE AND NUMBER OF ISSUERS INVOLVED, AS OF JUNE 30, 1962

| Exchanges | Issuers | Stocks | | | | | | Bonds | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | R | X | U | XL | XU | Total | R | X | U | XL | Total |
| American | 970 | 836 | 2 | 195 | | | 1,033 | 59 | 2 | 31 | | 92 |
| Boston | 400 | 62 | | 348 | | | 410 | 10 | | | | 10 |
| Chicago Board of Trade | 10 | 6 | | 4 | | | 10 | | | | | |
| Cincinnati | 156 | 42 | | 121 | | | 163 | 9 | 2 | | | 11 |
| Colorado Springs | 10 | | | | 11 | | 11 | | | | | |
| Detroit | 250 | 101 | 2 | 155 | | | 258 | | | | | |
| Honolulu | 53 | | | | 50 | 15 | 65 | | | | 8 | 8 |
| Midwest | 459 | 390 | 1 | 120 | | | 511 | 15 | | | | 15 |
| National | 8 | 9 | | | | | 9 | | | | | |
| New York Stock | 1,321 | 1,564 | 1 | | | | 1,565 | 1,143 | 10 | | | 1,153 |
| Pacific Coast | 499 | 339 | | 231 | | | 570 | 26 | | | | 26 |
| Philadelphia-Baltimore | 537 | 174 | 5 | 447 | | | 626 | 51 | | | | 51 |
| Pittsburgh | 110 | 40 | 1 | 75 | | | 117 | 1 | | | | 1 |
| Richmond | 18 | | | | 27 | | 27 | | | | | |
| Salt Lake | 83 | 81 | | 3 | | | 84 | | | | | |
| San Francisco Mining | 40 | 40 | | | | | 40 | | | | | |
| Spokane | 26 | 23 | | 6 | | | 29 | | | | | |
| Wheeling | 13 | | | | 12 | 3 | 15 | | | | | |

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

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

TABLE 8.—*Unlisted stocks on stock exchanges* [1]

PART 1.—NUMBER OF STOCKS ON THE EXCHANGES IN THE VARIOUS UNLISTED CATEGORIES [2] AS OF JUNE 30, 1962

| Exchanges | Unlisted only [3] | | Listed and registered on another exchange | | |
|---|---|---|---|---|---|
| | Clause 1 | Clause 3 | Clause 1 | Clause 2 | Clause 3 [4] |
| American | 162 | 2 | 26 | 4 | 1 |
| Boston | 0 | 0 | 123 | 225 | 0 |
| Chicago Board of Trade | 1 | 0 | 3 | 0 | 0 |
| Cincinnati | 0 | 0 | 0 | 121 | 0 |
| Detroit | 0 | 0 | 13 | 142 | 0 |
| Honolulu | 15 | 0 | 0 | 0 | 0 |
| Midwest | 0 | 0 | 0 | 120 | 0 |
| Pacific Coast | 5 | 0 | 57 | 169 | 0 |
| Philadelphia-Baltimore | 2 | 0 | 213 | 232 | 0 |
| Pittsburgh | 0 | 0 | 16 | 60 | 0 |
| Salt Lake | 2 | 0 | 0 | 0 | 1 |
| Spokane | 3 | 0 | 1 | 2 | 0 |
| Wheeling | 0 | 0 | 0 | 3 | 0 |
| Total [5] | 190 | 2 | 452 | 1,078 | 2 |

PART 2.—UNLISTED SHARE VOLUME ON THE EXCHANGES—CALENDAR YEAR 1961

| Exchanges | Unlisted only [3] | | Listed and registered on another exchange | | |
|---|---|---|---|---|---|
| | Clause 1 | Clause 3 | Clause 1 | Clause 2 | Clause 3 [4] |
| American | 37,787,647 | 21,300 | 6,554,040 | 4,808,100 | 18,300 |
| Boston | 0 | 0 | 2,395,263 | 2,492,278 | 0 |
| Chicago Board of Trade | 0 | 0 | 0 | 0 | 0 |
| Cincinnati | 0 | 0 | 0 | 611,501 | 0 |
| Detroit | 0 | 0 | 348,695 | 3,085,888 | 0 |
| Honolulu | 91,396 | 0 | 0 | 0 | 0 |
| Midwest | 0 | 0 | 0 | 13,349,585 | 0 |
| Pacific Coast | 6,937,171 | 0 | 4,772,588 | 7,396,614 | 0 |
| Philadelphia-Baltimore | 1,314 | 0 | 5,497,421 | 6,021,088 | 0 |
| Pittsburgh | 0 | 0 | 259,986 | 196,358 | 0 |
| Salt Lake | 0 | 0 | 0 | 0 | 0 |
| Spokane | 588,001 | 0 | 31,100 | 100 | 0 |
| Wheeling | 0 | 0 | 0 | 1,400 | 0 |
| Total | 45,405,439 | 21,300 | 19,862,093 | 38,022,912 | 18,300 |

[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.
[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.—*Dollar volume and share volume of sales effected on securities exchanges in the calendar year 1961 and the 6-month period ended June 30, 1962*

[Amounts in thousands]

PART 1.—12 MONTHS ENDED DEC. 31, 1961

| | Total dollar volume | Stocks | | Bonds | | Rights and warrants | |
|---|---|---|---|---|---|---|---|
| | | Dollar volume | Share volume | Dollar volume | Principal amount | Dollar volume | Number of units |
| Registered exchanges | 66,067,691 | 63,802,355 | 2,010,314 | 2,022,766 | 1,953,823 | 242,571 | 130,842 |
| American | 6,921,020 | 6,751,977 | 525,289 | 57,910 | 44,622 | 111,133 | 22,872 |
| Boston | 318,944 | 318,520 | 6,269 | 0 | 0 | 424 | 283 |
| Chicago Board of Trade | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cincinnati | 46,607 | 46,539 | 894 | 60 | 84 | 8 | 14 |
| Detroit | 240,617 | 240,532 | 6,533 | 0 | 0 | 85 | 58 |
| Midwest | 1,764,807 | 1,761,746 | 43,951 | 158 | 176 | 2,903 | 3,734 |
| National | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New York | 54,784,685 | 52,698,552 | 1,292,280 | 1,964,379 | 1,908,652 | 121,754 | 100,293 |
| Pacific Coast | 1,279,810 | 1,275,109 | 70,639 | 24 | 17 | 4,707 | 2,559 |
| Philadelphia-Baltimore | 665,110 | 663,320 | 16,003 | 233 | 272 | 1,557 | 1,029 |
| Pittsburgh | 35,400 | 35,400 | 1,026 | 0 | 0 | 0 | 0 |
| Salt Lake | 3,049 | 3,049 | 19,573 | 0 | 0 | 0 | 0 |
| San Francisco | 2,894 | 2,894 | 20,129 | 0 | 0 | 0 | 0 |
| Spokane | 4,718 | 4,718 | 7,729 | 0 | 0 | 0 | 0 |
| Exempted exchanges | 26,726 | 26,453 | 1,225 | 28 | 30 | 245 | 142 |
| Colorado Springs | 80 | 80 | 313 | 0 | 0 | 0 | 0 |
| Honolulu | 25,635 | 25,361 | 889 | 28 | 30 | 245 | 142 |
| Richmond | 686 | 686 | 16 | 0 | 0 | 0 | 0 |
| Wheeling | 325 | 325 | 7 | 0 | 0 | 0 | 0 |

PART 2.—6 MONTHS ENDED JUNE 30, 1962

| | Total dollar volume | Stocks | | Bonds | | Rights and warrants | |
|---|---|---|---|---|---|---|---|
| | | Dollar volume | Share volume | Dollar volume | Principal amount | Dollar volume | Number of units |
| Registered exchanges | 30,976,514 | 29,918,948 | 883,373 | 1,000,666 | 1,005,348 | 56,900 | 34,282 |
| American | 2,294,181 | 2,216,710 | 189,314 | 32,393 | 33,085 | 45,078 | 6,386 |
| Boston | 147,567 | 147,567 | 2,940 | 0 | 0 | 1 | 29 |
| Chicago Board of Trade | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cincinnati | 23,395 | 23,325 | 440 | 58 | 84 | 12 | 16 |
| Detroit | 127,702 | 127,702 | 3,241 | 0 | 0 | 0 | 0 |
| Midwest | 848,156 | 848,109 | 20,683 | 7 | 7 | 40 | 122 |
| National | 319 | 319 | 138 | 0 | 0 | 0 | 0 |
| New York | 26,610,733 | 25,631,842 | 614,392 | 967,812 | 971,506 | 11,079 | 27,301 |
| Pacific Coast | 581,134 | 580,463 | 27,706 | 7 | 5 | 665 | 328 |
| Philadelphia-Baltimore | 321,987 | 321,572 | 7,976 | 380 | 662 | 26 | 99 |
| Pittsburgh | 18,121 | 18,121 | 425 | 0 | 0 | 0 | 0 |
| Salt Lake | 929 | 929 | 5,864 | 0 | 0 | 0 | 0 |
| San Francisco Mining | 1,139 | 1,139 | 8,613 | 0 | 0 | 0 | 0 |
| Spokane | 1,152 | 1,152 | 1,642 | 0 | 0 | 0 | 0 |
| Exempted Exchanges | 13,608 | 13,605 | 749 | 3 | 3 | 0 | 0 |
| Colorado Springs | 36 | 36 | 228 | 0 | 0 | 0 | 0 |
| Honolulu | 12,914 | 12,911 | 507 | 3 | 3 | 0 | 0 |
| Richmond | 504 | 504 | 7 | 0 | 0 | 0 | 0 |
| Wheeling | 153 | 153 | 6 | 0 | 0 | 0 | 0 |

NOTE.—Data on the value and volume of securities sales are reported in connection with fees paid under Section 31 of the Securities Exchange Act of 1934. They include all securities sales effected on exchanges except sales of bonds of the U.S. Government which are not subject to the fee. The data cover odd-lot as well as round-lot transactions. Reports of most exchanges for a given month cover transactions cleared during the calendar month; clearances occur for the most part on the 4th day after that on which the trade actually was affected.

TABLE 10.—*Comparative share sales and dollar volumes on exchanges*

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

| Year | Share sales | NYS % | AMS % | MSE % | PCS % | PBS % | BSE % | DSE % | PIT % | CIN % | Other % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1935 | 681,970,500 | 73 13 | 12 42 | 1.91 | 2.69 | 0.76 | 0.96 | 0.85 | 0 34 | 0.03 | 6.91 |
| 1936 | 962,135,940 | 73 02 | 16.43 | 2.18 | 2.96 | .69 | .72 | .74 | .32 | .04 | 2.90 |
| 1937 | 838,469,889 | 73.19 | 14.75 | 1.79 | 3.23 | .70 | .83 | .59 | .38 | .03 | 4.51 |
| 1938 | 543,331,878 | 78.08 | 10.55 | 2.27 | 2.67 | .79 | 1.03 | .75 | .25 | .04 | 3.57 |
| 1939 | 468,330,340 | 78.23 | 11.39 | 2.26 | 2 35 | .93 | 1.18 | .76 | .25 | .05 | 2.60 |
| 1940 | 377,896,572 | 75.44 | 13.20 | 2 11 | 2 78 | 1.02 | 1.19 | .82 | .31 | .08 | 2.05 |
| 1941 | 311,150,395 | 73.96 | 12.73 | 2.72 | 2.69 | 1 24 | 1.50 | .87 | .36 | .14 | 3 79 |
| 1942 | 221,159,616 | 76.49 | 11.64 | 2.70 | 2.62 | 1.08 | 1.39 | .90 | .29 | .12 | 2.77 |
| 1943 | 486,290,926 | 74.58 | 16.72 | 2.20 | 1.92 | .85 | .76 | .64 | .20 | .07 | 2.06 |
| 1944 | 465,523,183 | 73.40 | 16.87 | 2.07 | 2.40 | .79 | .81 | .86 | .26 | .06 | 2.48 |
| 1945 | 769,018,138 | 65 87 | 21.31 | 1.77 | 2.98 | .66 | .66 | .79 | .40 | .05 | 5 51 |
| 1946 | 803,976,532 | 66.07 | 19.37 | 1.74 | 3 51 | .68 | .84 | .63 | .28 | .05 | 6.83 |
| 1947 | 513,274,867 | 69.82 | 16.98 | 1.67 | 4.22 | .90 | 1.05 | .66 | .19 | .08 | 4.43 |
| 1948 | 571,107,842 | 72.42 | 15.07 | 1.63 | 3.95 | .87 | .76 | .68 | .18 | .08 | 4.36 |
| 1949 | 516,408,706 | 73 51 | 14 49 | 1.67 | 3.72 | 1.21 | .93 | .73 | .18 | .09 | 3.47 |
| 1950 | 893,320,458 | 76.32 | 13.54 | 2.16 | 3 11 | .79 | .65 | .55 | .18 | .09 | 2.61 |
| 1951 | 863,918,401 | 74.40 | 14.60 | 2 10 | 3.54 | .76 | .70 | .58 | .16 | .08 | 3.08 |
| 1952 | 732,400,451 | 71.21 | 16 08 | 2 43 | 3 85 | .85 | .73 | .55 | .16 | .09 | 4.05 |
| 1953 | 716,732,406 | 72.64 | 15.85 | 2 28 | 3 90 | .83 | .81 | .55 | .15 | .11 | 2.88 |
| 1954 | 1,053,841,443 | 71.04 | 16 87 | 2.00 | 3.21 | .88 | .60 | .53 | .13 | .07 | 4.74 |
| 1955 | 1,321,400,711 | 68.85 | 19.19 | 2.09 | 3 08 | .75 | .48 | .39 | .10 | .05 | 5.02 |
| 1956 | 1,182,487,035 | 66.31 | 21.01 | 2.32 | 3.25 | .72 | .47 | .49 | .11 | .05 | 5.27 |
| 1957 | 1,293,021,856 | 70.70 | 18.14 | 2.33 | 2.73 | .98 | .40 | .39 | .13 | .06 | 4.14 |
| 1958 | 1,400,578,512 | 71.31 | 19.14 | 2.13 | 2.99 | .73 | .45 | .35 | .11 | .05 | 2.74 |
| 1959 | 1,699,696,619 | 65 59 | 24.50 | 2.00 | 2.81 | .90 | .37 | .31 | .07 | .04 | 3.41 |
| 1960 | 1,441,047,664 | 68.48 | 22.27 | 2.20 | 3.11 | .89 | .39 | .34 | .06 | .05 | 2.21 |
| 1961 | 2,142,523,490 | 64.99 | 25.58 | 2.22 | 3.42 | .79 | .31 | .31 | .05 | .04 | 2.29 |
| Six months to June 30, 1962 | 918,400,496 | 69.87 | 21.31 | 2.26 | 3.05 | .88 | .32 | .35 | .05 | .05 | 1.86 |
| | Dollar volume (000 omitted) | | | | | | | | | | |
| 1935 | $15,396,139 | 86.64 | 7.83 | 1 32 | 1.39 | .68 | 1.34 | .40 | .20 | .04 | .16 |
| 1936 | 23,640,431 | 86.24 | 8.69 | 1.39 | 1.33 | .62 | 1.05 | .31 | .20 | .03 | .14 |
| 1937 | 21,023,865 | 87.85 | 7.56 | 1.06 | 1.25 | .60 | 1.10 | .24 | .20 | .03 | .11 |
| 1938 | 12,345,419 | 89 24 | 5 57 | 1 03 | 1.27 | .72 | 1.51 | .37 | .18 | .04 | .07 |
| 1939 | 11,434,528 | 87.20 | 6.56 | 1.70 | 1.37 | .82 | 1.70 | .34 | .18 | .06 | .07 |
| 1940 | 8,419,772 | 85.17 | 7.68 | 2.07 | 1.52 | .92 | 1.91 | .36 | .19 | .09 | .09 |
| 1941 | 6,248,055 | 84.14 | 7.45 | 2.59 | 1.67 | 1.10 | 2.27 | .33 | .21 | .12 | .12 |
| 1942 | 4,314,294 | 85.16 | 6.60 | 2.43 | 1.71 | .96 | 2.33 | .34 | .23 | .13 | .11 |
| 1943 | 9,033,907 | 84.93 | 8.90 | 2 02 | 1.43 | .80 | 1.30 | .30 | .16 | .07 | .09 |
| 1944 | 9,810,149 | 84.14 | 9.30 | 2 11 | 1.70 | .79 | 1.29 | .34 | .15 | .07 | .11 |
| 1945 | 16,284,552 | 82 75 | 10.81 | 2.00 | 1.78 | .82 | 1.16 | .35 | .14 | .06 | .13 |
| 1946 | 18,828,477 | 82 65 | 10.73 | 2.00 | 1.87 | .79 | 1.23 | .33 | .16 | .07 | .17 |
| 1947 | 11,596,806 | 84 01 | 8.77 | 1.82 | 2.26 | .91 | 1.51 | .36 | .14 | .11 | .11 |
| 1948 | 12,911,665 | 84.67 | 8.07 | 1.85 | 2 53 | .88 | 1.33 | .34 | .14 | .10 | .09 |
| 1949 | 10,746,935 | 83.85 | 8 44 | 1.95 | 2 49 | 1.11 | 1.43 | .39 | .13 | .12 | .09 |
| 1950 | 21,808,284 | 85.91 | 6.85 | 2 35 | 2.19 | .92 | 1.12 | .39 | .11 | .11 | .05 |
| 1951 | 21,306,087 | 85.48 | 7.56 | 2.30 | 2.06 | .89 | 1 06 | .36 | .11 | .11 | .07 |
| 1952 | 17,394,395 | 84.86 | 7.39 | 2.67 | 2.20 | .99 | 1.11 | .43 | .15 | .12 | .08 |
| 1953 | 16,715,533 | 85.25 | 6.79 | 2.84 | 2.20 | 1.06 | 1.04 | .46 | .16 | .13 | .07 |
| 1954 | 28,140,117 | 86 23 | 6.79 | 2.42 | 2 02 | .94 | .89 | .39 | .14 | .10 | .08 |
| 1955 | 38,039,107 | 86.31 | 6.98 | 2.44 | 1.90 | .90 | .78 | .39 | .13 | .09 | .08 |
| 1956 | 35,143,115 | 84.95 | 7.77 | 2.75 | 2 08 | .96 | .80 | .42 | .12 | .08 | .07 |
| 1957 | 32,214,846 | 85.51 | 7.33 | 2.69 | 2.02 | 1.00 | .76 | .42 | .12 | .08 | .07 |
| 1958 | 38,419,560 | 85.42 | 7.45 | 2.71 | 2.11 | 1.01 | .71 | .37 | .09 | .08 | .05 |
| 1959 | 52,001,255 | 83.66 | 9 53 | 2.67 | 1.04 | 1.01 | .66 | .33 | .08 | .07 | .05 |
| 1960 | 45,306,603 | 83 81 | 9.35 | 2.73 | 1.95 | 1.04 | .60 | .34 | .06 | .08 | .04 |
| 1961 | 64,071,623 | 82.44 | 10.71 | 2.75 | 2.00 | 1.04 | .50 | .37 | .06 | .07 | .06 |
| Six months to June 30, 1962 | 29,989,453 | 85.51 | 7.54 | 2.83 | 1.94 | 1.07 | .49 | .42 | .06 | .08 | .06 |

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

TABLE 11.—*Block distributions*

[Value in thousands of dollars]

| Calendar year | Special offerings | | | Exchange distributions | | | Secondary distributions | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | Shares sold | Value | Number | Shares sold | Value | Number | Shares sold | Value |
| 1942 [1] | 79 | 812,390 | 22,694 | | | | 116 | 2,397,454 | 82,840 |
| 1943 | 80 | 1,097,338 | 31,054 | | | | 81 | 4,270,580 | 127,462 |
| 1944 | 87 | 1,053,667 | 32,454 | | | | 94 | 4,097,298 | 135,760 |
| 1945 | 79 | 947,231 | 29,878 | | | | 115 | 9,457,358 | 191,961 |
| 1946 | 23 | 308,134 | 11,002 | | | | 100 | 6,481,291 | 232,398 |
| 1947 | 24 | 314,270 | 9,133 | | | | 73 | 3,961,572 | 124,671 |
| 1948 | 21 | 238,879 | 5,466 | | | | 95 | 7,302,420 | 175,991 |
| 1949 | 32 | 500,211 | 10,056 | | | | 86 | 3,737,249 | 104,062 |
| 1950 | 20 | 150,308 | 4,940 | | | | 77 | 4,280,681 | 88,743 |
| 1951 | 27 | 323,013 | 10,751 | | | | 88 | 5,193,756 | 146,459 |
| 1952 | 22 | 357,897 | 9,931 | | | | 76 | 4,223,258 | 149,117 |
| 1953 | 17 | 380,680 | 10,486 | | | | 68 | 6,906,017 | 108,229 |
| 1954 | 14 | 189,772 | 6,670 | 57 | 705,781 | 24,664 | 84 | 5,738,359 | 218,490 |
| 1955 | 9 | 161,850 | 7,223 | 19 | 258,348 | 10,211 | 116 | 6,756,767 | 344,871 |
| 1956 | 8 | 131,755 | 4,557 | 17 | 156,481 | 4,645 | 146 | 11,696,174 | 520,966 |
| 1957 | 5 | 63,408 | 1,845 | 33 | 390,832 | 15,855 | 99 | 9,324,599 | 339,062 |
| 1958 | 5 | 88,152 | 3,286 | 38 | 619,876 | 29,454 | 122 | 9,508,505 | 361,886 |
| 1959 | 3 | 33,500 | 3,730 | 28 | 545,038 | 26,491 | 148 | 17,330,941 | 822,336 |
| 1960 | 3 | 63,663 | 5,439 | 20 | 441,664 | 11,108 | 92 | 11,439,065 | 424,688 |
| 1961 | 2 | 35,000 | 1,504 | 33 | 1,127,266 | 58,072 | 130 | 19,910,013 | 926,514 |

[1] The first special offering plan was made effective Feb. 14, 1942; the plan of exchange distribution was made effective Aug. 21, 1953; secondary distributions are not made pursuant to any plan but generally exchanges require members to obtain approval of the exchange to participate in a secondary and a report on such distribution is filed with this Commission.

TABLE 12.—*Reorganization proceedings under Chapter X of the Bankruptcy Act in which the Commission participated during the fiscal year 1962*

| Debtor | District court | Petition filed | Petition approved | Securities and Exchange Commission notice of appearance filed |
|---|---|---|---|---|
| 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 1, 1940 |
| Buckeye Fuel Co. | do. | Nov. 28, 1939 | Nov. 28, 1939 | Do. |
| Buckeye Gas Service Co. | do. | do. | do. | Do. |
| Carbreath Gas Co. | do. | do. | do. | Do. |
| Inland Gas Distributing Co. | do. | do. | do. | Do. |
| American Seal Savings & Loan Association [1] | D. Md. | June 23, 1961 | June 30, 1961 | Aug. 8, 1961 |
| Astrotherm Corp. [1] | S.D. Ind. | Jan. 18, 1962 | Jan. 18, 1962 | Feb. 23, 1962 |
| Automatic Washer Co. | S.D. Iowa | Oct. 17, 1956 | Nov. 2, 1956 | Nov. 2, 1956 |
| Brookwood Country Club | N.D. Ill. | Feb. 17, 1959 | Mar. 3, 1959 | Mar. 19, 1959 |
| Cal-West Aviation Inc. [1] | N.D. Calif. | Oct. 26, 1961 | Oct. 26, 1961 | Oct. 26, 1961 |
| Central States Electric Corp. | E.D. Va. | Feb. 26, 1942 | Feb. 27, 1942 | Mar. 11, 1942 |
| Charlotte Motor Speedway Inc. [1] | W.D.N. Car. | Nov. 3, 1961 | Nov. 3, 1961 | Nov. 3, 1961 |
| Coastal Finance Corp. | D. Md. | Feb. 15, 1956 | Feb. 18, 1956 | Apr. 16, 1956 |
| Coffeyville Loan & Investment Co., Inc. | D. Kans. | July 17, 1959 | July 17, 1959 | Aug. 10, 1959 |
| Colorado Trust Deed Funds [1] | D. Colo. | Sept. 5, 1961 | Pending | Nov. 2, 1961 |
| Davega Stores Corp. [1] | S.D. N.Y. | June 5, 1962 | June 11, 1962 | June 6, 1962 |
| DePaul Educational Aid Society | N.D. Ill. | Jan. 5, 1959 | Jan. 13, 1959 | Feb. 4, 1959 |
| Dixie Aluminum Corp. | N.D. Ga. | Dec. 12, 1960 | Dec. 16, 1960 | Dec. 21, 1960 |
| Dixie Fertilizer Co., Inc. [1] | S.D. Miss. | July 21, 1961 | July 22, 1961 | Aug. 18, 1961 |
| Dumont-Airplane & Marine Instruments Inc. | S.D. N.Y. | Oct. 27, 1958 | Oct. 27, 1958 | Nov. 10, 1958 |
| Le John Manufacturing Co. | do. | Oct. 31, 1958 | Oct. 31, 1958 | Do. |
| Edlund Engineered Products Inc. [1] [2] | S.D. Fla. | Oct. 19, 1961 | Oct. 19, 1961 | Nov. 6, 1961 |
| El-Tronics Inc. | E.D. Pa. | Nov. 25, 1958 | Nov. 25, 1958 | Jan. 16, 1959 |
| Equitable Plan Co. | S.D. Calif. | Mar. 18, 1958 | May 29, 1958 | Mar. 27, 1958 |
| Farmers Federation Cooperative [1] | W.D. N.Car. | Feb. 6, 1962 | Feb. 7, 1962 | Apr. 13, 1962 |
| Fleetwood Motel Corp. | D. N.J. | Sept. 26, 1960 | Sept. 27, 1960 | Nov. 3, 1960 |
| Flora Sun Corp., et al. (6 subsidiaries) [1] | S.D. Fla. | Feb. 27, 1962 | Apr. 25, 1962 | June 5, 1962 |
| Food Town Inc. | D. Md. | July 29, 1959 | July 29, 1959 | Aug. 13, 1959 |
| General Stores Corp. | S.D. N.Y. | Apr. 30, 1956 | May 1, 1956 | May 23, 1956 |
| Great American Development Co. [1] | W.D. Tex. | June 1, 1961 | June 3, 1961 | July 28, 1961 |
| Hudson & Manhattan Railroad Co. | S.D. N.Y. | Aug. 11, 1954 | Dec. 14, 1954 | Jan. 7, 1955 |

See footnotes at end of table.

TABLE 12.—*Reorganization proceedings under Chapter X of the Bankruptcy Act in which the Commission participated during the fiscal year 1962*—Continued

| Debtor | District court | Petition filed | Petition approved | Securities and Exchange Commission notice of appearance filed |
|---|---|---|---|---|
| Hughes Homes Inc.[1] | D. Mont. | Sept. 8, 1961 | Sept. 15, 1961 | Oct. 19, 1961 |
| Hughes Homes Acceptance of Iowa [1] | do. | Sept. 15, 1961 | do. | Do. |
| Hughes Homes Acceptance of Montana [1] | do. | do. | do. | Do. |
| Hughes Homes Acceptance of Washington [1] | do. | do. | do. | Do. |
| Hughes Homes Acceptance of Wyoming [1] | do. | do. | do. | Do. |
| Inland Gas Corp. | E.D. Ky. | Oct. 14, 1935 | Nov. 1, 1935 | Mar. 28, 1939 |
| F. L. Jacobs Co. | E.D. Mich. | Mar. 17, 1959 | Mar. 18, 1959 | Mar. 20, 1959 |
| 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 |
| Kentucky Jockey Club Inc. | W.D. Ky. | Dec. 9, 1959 | Dec. 9, 1959 | Jan. 18, 1960 |
| Kirchofer & Arnold Inc. | E.D. N.Car. | Nov. 5, 1959 | Nov. 5, 1959 | Nov. 9, 1959 |
| Liberty Baking Corp. | S.D. N.Y. | Apr. 22, 1957 | Apr. 22, 1957 | May 2, 1957 |
| Magic Mountain Inc. | D. Colo. | Oct. 3, 1960 | Dec. 15, 1960 | Oct. 20, 1960 |
| Magnolia Park Inc. | E.D. La. | Oct. 16, 1957 | Feb. 26, 1958 | Oct. 24, 1957 |
| Mason Mortgage & Investment Co. | D. D.C. | Oct. 31, 1960 | Oct. 31, 1960 | Nov. 9, 1960 |
| Mason Mortgage Fund of Florida Inc. | do. | do. | do. | Do. |
| Mason Acceptance Corp. | do. | do. | do. | Do. |
| Southern Mortgage Co., Inc. | do. | do. | do. | Do. |
| Morehead City Shipbuilding Corp. | E.D. N.Car. | Nov. 5, 1959 | Nov. 5, 1959 | Nov. 9, 1959 |
| H. H. Mundy Corp. | N.D. Okla. | Apr. 17, 1961 | Apr. 17, 1961 | May 22, 1961 |
| Rutang Corp. | do. | do. | do. | Do. |
| Muskegon Motor Specialties | E.D. Mich. | May 11, 1961 | May 11, 1961 | May 12, 1961 |
| Parker Petroleum Co., Inc. | W.D. Okla. | May 6, 1958 | May 6, 1958 | June 9, 1958 |
| Pickman Trust Deed Corp. | N.D. Calif. | June 13, 1960 | June 13, 1960 | June 13, 1960 |
| Republic Cement Corp.[1] [2] | D. Ariz. | Sept. 3, 1957 | Sept. 3, 1957 | Sept. 18, 1961 |
| Reynolds Engineering & Supply Inc.[2] | D. Md. | Feb. 1, 1960 | Feb. 1, 1960 | Feb. 17, 1960 |
| San Souci Hotel Inc.[2] | D. Nev. | Aug. 1, 1958 | Aug. 1, 1958 | Sept. 16, 1958 |
| Scranton Corp. | M.D. Pa. | Apr. 3, 1959 | Apr. 3, 1959 | Apr. 15, 1959 |
| Hal Roach Studios | do. | do. | do. | Do. |
| Chemical & Rubber Corp. of America | do. | July 17, 1959 | July 17, 1959 | Do. |
| Rabco TV | do. | Oct. 1, 1959 | Oct. 1, 1959 | Do. |
| Selected Investments Trust Fund [2] | N.D. Okla. | Mar. 3, 1958 | Mar. 3, 1958 | Mar. 17, 1958 |
| Selected Investments Corp.[2] | do. | do. | do. | Do. |
| Shawano Development Corp. | D. Wyo. | Apr. 3, 1959 | Apr. 13, 1959 | May 20, 1959 |
| Southern Enterprise Corp. | S.D. Tex. | Oct. 31, 1958 | Nov. 3, 1958 | June 18, 1960 |
| West American Corp. | do. | May 18, 1961 | May 18, 1961 | Do. |
| Southwest Foundation Inc.[1] | D. N.Mex. | May 19, 1960 | June 22, 1960 | Oct. 31, 1961 |
| Stardust Inc. | D. Nev. | July 19, 1956 | Sept. 10, 1956 | Sept. 7, 1956 |
| Swan-Finch Oil Corp. | S.D. N.Y. | Jan. 2, 1958 | Jan. 2, 1958 | Jan. 27, 1958 |
| Keta Gas & Oil Corp. | do. | Oct. 20, 1959 | Oct. 28, 1959 | Oct. 29, 1959 |
| Texas Portland Cement Co. | E.D. Tex. | July 7, 1958 | July 7, 1958 | Aug. 12, 1958 |
| 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 |
| TMT Trailer Ferry Inc. | S.D. Fla. | June 27, 1957 | Nov. 15, 1957 | Nov. 25, 1957 |
| Trans-Caribbean Transport Inc. | do. | do. | do. | Do. |
| Trans-Caribbean Motor Transport | do. | do. | do. | Do. |
| Trailer Marine Transportation Inc. | do. | do. | do. | Do. |
| Commonwealth Inter-Island Towing Co., Inc. | do. | do. | do. | Do. |
| Townsend Growth Fund Inc. | S.D. N.Y. | May 10, 1961 | May 10, 1961 | May 10, 1961 |
| Trinity Buildings Corp. of New York | S.D. N.Y. | Jan. 18, 1945 | Jan. 18, 1945 | Feb. 19, 1945 |
| Trustor's Corp.[1] | N.D. Calif. | Sept. 14, 1961 | Oct. 9, 1961 | Oct. 17, 1961 |
| Twentieth Century Foods Corp.[1] | E.D. Ark. | Oct. 30, 1961 | Nov. 9, 1961 | Feb. 21, 1962 |
| U.S. Durox Corp. of Colorado | D. Colo. | Feb. 4, 1959 | Feb. 9, 1959 | Mar. 31, 1959 |
| Waleo Building Corp.[1] | N.D. Ill. | July 31, 1961 | Sept. 15, 1961 | Sept. 15, 1961 |
| Windermere Hotel Co. | N.D. Ill. | Sept. 13, 1960 | Oct. 12, 1960 | Oct. 24, 1960 |
| Yuba Consolidated Industries Inc.[1] | N.D. Calif. | Mar. 21, 1962 | Mar. 21, 1962 | Mar. 23, 1962 |

[1] Commission filed notice of appearance in fiscal year 1962.
[2] Reorganization proceeding closed during fiscal year 1962.

TABLE 13.—*Summary of criminal cases developed by the Commission which were pending at June 30, 1962*

| | 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 pending and reasons therefor | | |
|---|---|---|---|---|---|---|
| | | | | Not yet apprehended | Awaiting trial | Awaiting appeal |
| Pending, referred to Department of Justice in the fiscal year— | | | | | | |
| 1938 | 1 | 2 | 1 | 1 | 0 | 0 |
| 1939 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1940 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1941 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1942 | 2 | 18 | 4 | 13 | 1 | 0 |
| 1943 | 1 | 5 | 2 | 2 | 1 | 0 |
| 1944 | 1 | 7 | 2 | 5 | 0 | 0 |
| 1945 | 1 | 1 | 0 | 1 | 0 | 0 |
| 1946 | 4 | 16 | 1 | 15 | 0 | 0 |
| 1947 | 1 | 5 | 1 | 4 | 0 | 0 |
| 1948 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1949 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1950 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1951 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1952 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1953 | 1 | 11 | 10 | 1 | 0 | 0 |
| 1954 | 1 | 16 | 9 | 7 | 0 | 0 |
| 1955 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1956 | 1 | 1 | 0 | 0 | 1 | 0 |
| 1957 | 7 | 45 | 0 | 0 | 42 | 3 |
| 1958 | 2 | 3 | 0 | 0 | 0 | 3 |
| 1959 | 12 | 114 | 8 | 26 | 77 | 3 |
| 1960 | 16 | 87 | 19 | 9 | 50 | 9 |
| 1961 | 27 | 238 | 38 | 11 | 176 | 13 |
| 1962 | 26 | 75 | 6 | 0 | 67 | 2 |
| Total | [1] 104 | [1] 644 | 101 | 95 | 415 | 33 |

SUMMARY

| | |
|---|---|
| Total cases pending [1] | 145 |
| Total defendants [1] | 840 |
| Total defendants as to whom cases are pending [1] | 739 |

[1] As of the close of the fiscal year, indictments had not yet been returned as to 196 proposed defendants in 41 cases referred to the Department of Justice. These are reflected only in the recapitulation of totals at the bottom of the table.

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

| Types of cases | Total cases instituted up to end of 1962 fiscal year | Total cases closed up to end of 1962 fiscal year | Cases pending at end of 1962 fiscal year | Cases pending at end of 1961 fiscal year | Cases instituted during 1962 fiscal year | Total cases pending during 1962 fiscal year | Cases closed during 1962 fiscal year |
|---|---|---|---|---|---|---|---|
| Actions to enjoin violations of the above Acts | 1,163 | 1,061 | 103 | 96 | 87 | 103 | 80 |
| Actions to enforce subpoenas under the Securities Act and the Securities Exchange Act | 79 | 77 | 2 | 0 | 2 | 2 | 0 |
| Actions to carry out voluntary plans to comply with Section 11(b) of the Holding Company Act | 142 | 136 | 6 | 6 | 3 | 6 | 3 |
| Miscellaneous actions | 35 | 33 | 2 | 5 | 2 | 7 | 5 |
| Total | 1,419 | 1,307 | 113 | 107 | 94 | 118 | 88 |

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

| Types of cases | Total cases instituted up to end of 1962 fiscal year | Total cases closed up to end of 1962 fiscal year | Cases pending at end of 1962 fiscal year | Cases pending at end of 1961 fiscal year | Cases instituted during 1962 fiscal year | Total cases pending during 1962 fiscal year | Cases closed during 1962 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 | 9 | 9 | 0 | 0 | 0 | 0 | 0 |
| Petitions for review of Commission's orders by courts of appeals under the various Acts administered by the Commission | 244 | 239 | 5 | 10 | 4 | 5 | 9 |
| Miscellaneous actions against the Commission or officers of the Commission and cases in which the Commission participated as intervenor or *amicus curiae* | 244 | 230 | 14 | 9 | 15 | 14 | 10 |
| Appeal cases under Chapter X in which the Commission participated | 182 | 177 | 5 | 2 | 7 | 5 | 4 |
| Total | 743 | 719 | 24 | 21 | 26 | 24 | 23 |

TABLE 16.—*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 1962 fiscal year*

| Name of principal defendant | Number of defendants | U.S. District Court | Indictment returned | Charges | Status of case |
|---|---|---|---|---|---|
| Abrams, Joseph (Automatic Washer Co. Inc.). | 6 | Southern District of New York. | Apr. 3, 1961 | Secs. 5(a)(1) and 5(a)(2), 1933 Act; Sec. 371, Title 18, U.S.C. | 1 defendant deceased. Pending. |
| Addison, John Milton | 10 | Northern District of Texas. | May 16, 1960 | Secs. 5(a)(2), 5(c) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Appeal filed Feb. 21, 1961, from the conviction of 6 defendants. Pending. |
| Albert, Sydney L. (Bellanca Corp.). | 7 | Southern District of New York. | Mar. 14, 1960 | Secs. 5(a)(1) and (2), 1933 Act; Secs. 9(a)(2), 16(a) and 32(a), 1934 Act; Secs. 2, 371 and 1621, Title 18, U.S.C. | All defendants arraigned; pleaded not guilty and posted bonds. Pending. |
| Attaway, Sr., Curtis Lee. | 1 | Western District of Louisiana | Nov. 2, 1961 | Secs. 5(a)(2), 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C. | Defendant apprehended and released on $25,000 bond. Pending. |
| Autrey, Basil P. (National Union Life Insurance Co.). | 7 | Southern District of Florida. | Jan. 23, 1958 | Secs. 5(a) (1) and (2) and 17(a)(1), 1933 Act; Secs. 371, 1341 and 1343, Title 18, U.S.C. | Defendants' petition for rehearing on Government's petition for writ of mandamus dismissed, July 5, 1961. 1 defendant pleaded nolo contendere and found guilty on all counts of indictment and fined $5,000; remaining defendants dismissed. |
| Smith, Murray L. | 2 | do | July 5, 1961 | Sec. 10(b), Rule 10b-5, 1934 Act. | Information filed against 2 defendants, both pleaded guilty and fined $5,000 each. |
| Bartz, Donald E. (Financial Enterprises, Inc.). | 2 | District of Nevada. | May 14, 1957 | Sec. 17(a)(1), 1933 Act; Sec. 371, Title 18, U.S.C. | Remaining defendant dismissed, Aug. 3, 1961. |
| Beckerley, Richard L. (Montana Reserve Underwriting Corp.). | 2 | Montana | Aug. 24, 1961 | Sec. 17(a); 1933 Act; Sec. 1341, Title 18, U.S.C. | 1 defendant pleaded guilty to count 6 charging a violation of the Mail Fraud statute; imposition of sentence deferred and placed on probation for 5 years. Indictment dismissed as to remaining defendant. |
| Benjamin, Martin (American Equities Corp.). | 5 | Southern District of New York. | Feb. 20, 1962 | Secs. 5(a), 5(c), 17(a) and 24, 1933 Act; Secs. 2, 1341 and 2314, Title 18, U.S.C. | Pending. |
| Bergman, Vernon Evans (Solomon Evans). | 2 | Eastern District of Texas. | Jan. 24, 1962 | Sec. 17(a), 1933 Act; Secs. 1341 and 2314, Title 18, U.S.C. | Do. |

TABLE 16.—*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 1962 fiscal year*—Continued

| Name of principal defendant | Number of defendants | U.S. District Court | Indictment returned | Charges | Status of case |
|---|---|---|---|---|---|
| Berman, Charles E. (Cornelis DeVroedt Co.). | 25 | Southern District of New York. | Dec. 2, 1958 | Sec. 17(a), 1933 Act; Secs. 371, 1341 and 1343, Title 18, U.S.C. | Opinion filed denying motions of 3 defendants for severance and granting limited inspection and certain particulars. Pending. |
| Bernstein, Albert (J. A. Winston & Co.). | 6 | do | Oct. 3, 1961 | Sec. 371, Title 18, U.S.C. | Pending. |
| Bernstein, Albert (J. A. Winston & Co.). | 6 | do | Jan. 15, 1962 | Sec. 371, Title 18, U.S.C. | Do. |
| Birrell, Lowell M. (Doeskin Products, Inc.). | 16 | do | Mar. 1, 1961 | Secs. 17(a) and 24, 1933 Act; Secs. 10(b) 32(a) and Rule 10b-5, 1934 Act; Secs. 2, 1341 and 2314, Title 18, U.S.C. | 4 individual defendants and 2 corporate defendants pleaded guilty to various counts of the indictment; another defendant pleaded to an information charging violations of Sec. 10(b) of the 1934 Act. Pending. |
| Kurlander, Sol R. | 1 | do | Apr. 17, 1961[1] | Sec. 10(b) and Rule 10b-5, 1934 Act. | Defendant pleaded guilty. |
| Black, Morris (Great Sweet Grass Oils, Ltd.). | 4 | do | Oct. 5, 1961 | Sec. 371, Title 18, U.S.C. | Pending. |
| Bowden, Norman E. (S.D.C. Distributors and Sales Co.). | 1 | Northern District of Georgia. | Aug. 31, 1960 | Secs. 5(a)(2), 17(a)(1), 1933 Act; Sec. 1341, Title 18, U.S.C. | Closed. |
| Do | 7 | do | Mar. 5, 1962[2] | Secs. 5(a)(2), 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Pending. |
| Broadley, Albert E. (Hudson Securities). | 5 | Western District of New York. | July 17, 1947 | Secs. 5(a) (1) and (2) and 17(a)(1), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Do. |
| Byrnes, Joe H. (Investors Mortgage Corp.). | 6 | Southern District of Florida. | Feb. 26, 1962 | Secs. 5(a)(2), 17(a). 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Pending. |
| Cage, Ben Jack (Bankers Bond Co., Inc.). | 6 | Northern District of Texas. | Apr. 22, 1960 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | $10,000 bond set for 5 defendants. 1 defendant deceased and 1 defendant a fugitive. Pending. |
| Caine, James E. (Estates Life of Washington). | 6 | Western District of Washington. | Mar. 28, 1961 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | 1 defendant pleaded guilty to 3 counts of mail fraud, 3 Sec. 17(a) counts and conspiracy count. Pending. |
| Cannon, Jr., Thomas P. (Capital Funds, Inc.). | 5 | Alaska | Mar. 29, 1962 | Secs. 5(a)(2) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18 U.S.C. | Plea of not guilty entered as to 2 defendants. Pending. |
| Carroll, Howard P. (H. Carroll & Co.). | 2 | Southern District of California. | May 23, 1962 | Sec. 17(a), 1933 Act. | Pending. |

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| Chapman, Frederick L. (Barrett Herrick & Co., Inc.). | 1 | Southern District of New York. | Feb. 6, 1961 | Secs. 17(a), 1933 Act; Sec. 2, Title 18, U.S.C. | Closed. |
| Charney, David B. (Trans Continental Industries, Inc.). | 3 | Southern District of New York. | June 21, 1962 | Sec. 1621, Title 18, U.S.C. | Pending. |
| Clark, William | 2 | Massachusetts | Mar. 2, 1960 | Secs. 17(a)(1), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Case transferred to WD of Oklahoma. 1 defendant pleaded guilty, suspended imposition of sentence and placed on probation for a period of 5 years. Pending. |
| Cohen, Leon Allen (Continental Underwriters, Inc.). | 9 | Northern District of Georgia. | Sept. 17, 1959 | Sec. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C. | Notice of appeal filed by 1 of the 3 defendants convicted. Decision rendered by CA-5 affirming conviction of district court. Petition for writ of certiorari filed. Pending. |
| Columbus Rexall Consolidated Mines Co. | 23 | Southern District of Florida. | May 31, 1961 | Secs. 5(a)(1), 5(a)(2), 5(c) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | 11 defendants pleaded guilty and 1 defendant pleaded nolo contendere, 1 defendant was sentenced to 2 years imprisonment, suspended and put on probation; fines ranging from $200 to $36,000 were imposed as to some of the defendants. Pending |
| Vidalakis, Nick S | 1 | do | Nov. 30, 1961 [1] | Rule 10b-5, 1934 Act | Closed. |
| Cayias, William J | 1 | do | Jan. 11, 1962 [1] | do | Do. |
| Cromer, L. L | 1 | do | Jan. 12, 1962 | Rule 10.6(3), 1934 Act | Do. |
| Corrigan, Herbert E. (Insured Mortgage & Title Corp.). | 1 | do | Feb. 26, 1962 | Sec. 17(a), 1933 Act. Sec. 1341, Title 18 U.S.C. | Pending. |
| Crane, John Joseph (Southern Investment and Finance Corp.). | 4 | Middle District of Georgia. | Jan. 31, 1961 | Sec. 17(a)(1), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | 2 defendants each sentenced to 3 years on their guilty pleas to Sec. 17 counts. Remaining defendants dismissed. |
| Cromer, Lyman L. (Columbus Rexall Oil Co.). | 11 | Utah | Sept. 28, 1961 | Secs. 9(a)(2), 10(b), 32(a) and Rule 10b-6, 1934 Act; Secs. 2 and 371, Title 18, U.S.C. | Closed. |
| Do | 10 | do | Nov. 8, 1961 [2] | Secs. 9(a)(1), 9(a)(2), 10(b) and 32(a), 1934 Act; Sec. 371, Title 18, U.S.C | Order entered dismissing indictment as to 4 defendants. Notice of appeal filed from the order entered Feb. 14, 1962, dismissing as to 1 defendant. Pending. |
| Columbus Rexall Oil Company. | 4 | do | Nov. 8, 1961 | Secs. 20, 32(a), 1934 Act; Secs. 2 and 371, Title 18, U.S.C. | Order entered dismissing indictment as to 3 defendants. Notice of appeal filed from the court's order of Feb. 14, 1962, dismissing 1 defendant. Pending. |
| Crosby, Francis Peter (Texas-Adams Oil Co.). | 11 | Southern District of New York. | July 30, 1958 | Secs. 5(a)(1), 5(a)(2) and 24, 1933 Act; Secs. 371, 1341 and 1343, Title 18, U.S.C. | Closed. |
| Do | 12 | do | Oct. 8, 1958 [2] | Secs. 5(a)(1), 5(a)(2) and 24, 1933 Act; Secs. 2, 371, 1341 and 1343, Title 18, U.S.C. | Notice of appeal filed by 8 defendants. Opinion by CA-2 affirming the judgments of convictions of 4 defendants, reversing conviction and dismissing indictment as to remaining defendants. |
| Curtis, Lee A., Jr. (Greater Georgia Investment Corp.). | 8 | Northern District of Georgia. | Sept. 17, 1959 | Sec. 17(a)(1), 1933 Act; Sec. 1341, Title 18, U.S.C. | One defendant deceased. All other defendants arraigned and pleaded not guilty; 1 defendant changed plea to guilty to 1 mail fraud count and 1 Sec. 17(a) count and sentenced to 4 years. Pending. |
| Denner, Robert M. (DuPont Mortgage Co.). | 5 | Southern District of Florida. | May 18, 1960 | Secs. 5(a)(1), 5(a)(2), 5(c) and 17(a)(1), 1933 Act; Sec. 1341, Title 18, U.S.C. | Closed. |
| Do | 5 | do | Mar. 1, 1961 [2] | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | 2 defendants found guilty on Sec. 17(a) of 1933 Act and Sec. 1341, Title 18, U.S.C.; 1 defendant sentenced to 3 years, suspended after 3 months followed by probation for 2 years and 9 months and fined $1,500; the other defendant fined $1,000 and placed on probation for 3 years. Pending. |

See footnotes at end of table.

TABLE 16.—*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 1962 fiscal year*—Continued

| Name of principal defendant | Number of defendants | U.S. District Court | Indictment returned | Charges | Status of case |
|---|---|---|---|---|---|
| Stern, James | 1 | Southern District of Florida. | Mar. 3, 1961 [1] | Sec. 10(b), 1934 Act and Rule X-10b-5. | Defendant pleaded nolo contendere and was sentenced to pay a fine of $500. |
| De Pasquale, Ralph (General Investing Corp.). | 8 | Southern District of New York. | July 21, 1961 | Secs. 17(a) and 24, 1933 Act; Secs. 2, 371 and 1341, Title 18 U.S.C. | Pending. |
| Dwire, George J. (Southwestern Productions Investment Co.). | 2 | Eastern District of Oklahoma. | Mar. 1, 1961 | Secs. 5(a)(2), 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C. | Defendants apprehended; bonds set at $5,000 each. Pending. |
| Edens, Arnold E | 1 | Eastern District of Arkansas. | June 14, 1961 | Secs. 17(a) (1) and (2), 1933 Act; Secs. 1341 and 2314, Title 18, U.S.C. | Defendant posted $20,000 bond and pleaded not guilty. Pending. |
| Eichler, Robert (Arlee Associates). | 7 | Southern District of New York. | May 28, 1962 | Secs. 2, 371 and 2314, Title 18, U.S.C. | Pending. |
| Emigh, Leslie F. (Uranium & Federated Minerals Co.). | 1 | South Dakota | Mar. 16, 1961 | Secs. 5(a) and 17(a)(2), 1933 Act. | Defendant pleaded nolo contendere and sentenced to 3 years probation. |
| Farrell, David (Los Angeles Trust Deed and Mortgage Exchange). | 3 | Southern District of California. | Mar. 8, 1961 | Sec. 17(a)(1), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Closed. |
| Do | 3 | do | Dec. 20, 1961 [2] | do | 2 defendants found guilty on 32 counts of indictment; 1 defendant sentenced to a total of 10 years and fined $86,500; other defendant sentenced to a total of 4 years and fined $52,000. Both defendants appealed. Pending. |
| Ficken, Wilbur H | 1 | Northern District of Ohio. | Dec. 13, 1961 | Sec. 17(a), 1933 Act; Secs. 1341 and 1343, Title 18, U.S.C. | Defendant pleaded guilty and sentenced to 8 years imprisonment on 4 mail fraud counts, all to run consecutively, with an additional sentence of 3 years each on 13 counts charging securities fraud, mail fraud and interstate fraud by wire to run concurrently with the mail fraud counts; remaining counts dismissed. |
| Filosa, Frank Robert (Filosa Securities Co.). | 2 | Colorado | Oct. 31, 1961 | Secs. 17(a) and 24, 1933 Act; Secs. 10(b), 32 and Rule 10b-5, 1934 Act; Sec. 1341, Title 18, U.S.C. | Both defendants pleaded guilty on 1 Sec. 17 count. Pending sentencing. |
| Forsythe, Thomas G | 2 | Eastern District of Illinois. | Dec. 8, 1961 | Secs. 5(a(2) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Both defendants pleaded not guilty and posted bond of $3,000 each. Motions for dismissal of indictment filed Apr. 18, 1962; and denied June 29, 1962. Pending. |
| Fry, Clark L | 1 | Western District of Wisconsin. | Jan. 7, 1960 | Secs. 5(a)(2) and 17(a), 1933 Act. | Defendant found guilty on 5 Sec. 17 counts and 1 Sec. 5 count and sentenced to 10 years, 4 of which were suspended, and fined $5,000. Appeal pending. |
| Garfield, Samuel S. (United Dye & Chemical Corp.). | 33 | Southern District of New York. | July 14, 1961 | Secs. 5(a)(1) and 24, 1933 Act; Secs. 9(a)(2), 9(a)(6) and 32(a), 1934 Act; Secs. 2 and 371, Title 18, U.S.C. | 8 defendants pleaded guilty and sentencing deferred. Pending. |

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| George, David Lloyd (National Tractor Rentals, Inc.). | 3 | Montana | Aug. 25, 1961 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | 1 defendant pleaded guilty to 2 mail fraud counts and the conspiracy count; sentenced to 1 year on each count to run consecutively with sentence on last 2 counts suspended; 5 years probation to begin at end of time served. Pending. |
| Getchell, Francis E. (Florada Palms, Inc.). | 3 | Southern District of Florida. | Jan. 15, 1957 | Secs. 5(a) and 17(a)(1), 1933 Act; Sec. 1341, Title 18, U.S.C. | Closed. |
| Do | 4 | do | Aug. 19, 1957[2] | do | Judgment of acquittal as to 3 defendants. Pending as to remaining defendant. |
| Gilbert, Edward M | 1 | Southern District of New York. | June 28, 1962 | Secs. 5(a)(1), 17(a) and 24, 1933 Act; Secs. 16(a), 32, and 32(a), 1934 Act; Secs. 2, 1341, 1343 and 2314, Title 18, U.S.C. | Pending |
| Gradsky, Norman (Credit Finance Corp.). | 11 | Southern District of Florida. | June 14, 1961 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Do. |
| Grant, Harry L | 2 | Northern District of Illinois. | Sept. 19, 1961 | Secs. 5(a)(1), 17(a) 1933 Act; Sec. 1341, Title 18, U.S.C. | Pleas of not guilty entered by defendants and bond set for $1,000 each. Various motions filed. Pending. |
| Gray, Chester (Imperial Petroleum Co.). | 6 | Southern District of Florida. | Aug. 2, 1961 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | 2 defendants convicted and sentenced to 3 years imprisonment on 4 counts of the indictment; 1 defendant pleaded guilty to 1 Sec. 17(a) count and sentenced to 1 year, suspended, placed on probation and fined $500; another defendant dismissed; 2 defendants appealed from their convictions. Pending. |
| Graye, James C. (James C. Graye Co.). | 50 | Connecticut | May 18, 1950 | Secs. 5(a) (1) and (2) and Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Judgments of guilty were entered as to 20 defendants; 16 as to 1 Sec. 5(a) count and 4 defendants as to 1 Sec. 17(a) count; 5 other defendants pleaded guilty; 4 to 2 mail fraud counts and 1 to 1 Sec. 17(a) count. Sentences imposed on 20 defendants ranging from 1 year to 8½ years with various conditions for probation as to some defendants. Remaining defendants awaiting sentences. 1 defendant dismissed; 3 defendants deceased. Pending. |
| Yetman, Jack | 2 | do | Sept. 15, 1960 | Secs. 5(a)(1), 5(a)(2), 5(c) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Dismissed as to defendant who entered guilty plea on perjury indictment. Pending. |
| Greenberg, Jacob H. (Morris Mac Schwebel). | 2 | Southern District of New York. | Feb. 6, 1961 | Sec. 371, Title 18, U.S.C | Motion by defendants to dismiss both indictments denied Jan. 15, 1962. Pending. |
| Do | 2 | do | do | Secs. 5(a)(1), 5(a)(2) and 17(a), 1933 Act; Secs. 2 and 371, Title 18, U.S.C. | Do. |
| Gregory, Kenneth H. (Canam Investments, Ltd.). | 28 | New Hampshire | Sept. 21, 1961 | Secs. 5(a) (1) and (2) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Pending. |
| Gully, Guy W. (Universal Fuel and Chemical Corp.). | 6 | Western District of Pennsylvania. | Dec. 7, 1961 | Secs. 5(a)(1), 5(a)(2), 17(a), 1933 Act; Sec. 371, Title 18, U.S.C. | Defendants pleaded not guilty. Pending. |

See footnotes at end of table.

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| Name of principal defendant | Number of defendants | U.S. District Court | Indictment returned | Charges | Status of case |
|---|---|---|---|---|---|
| Guterma, Alexander L. (United Dye & Chemical Corp.). | 8 | Southern District of New York. | Aug. 25, 1959 | Secs. 17(a) and 24, 1933 Act; Secs. 13, 14, 20(c), 32(a), 1934 Act and Sec. 371, Title 18, U.S.C. | 1 defendant pleaded guilty; sentencing deferred. Pending. |
| Garfield, Samuel S. | 6 | do | Nov. 2, 1960 | Secs. 5(a)(1) and 24, 1933 Act; and Sec. 371, Title 18, U.S.C. | Do. |
| Haley, Fred T. (Haley Oil Corp.). | 2 | Western District of Michigan. | Mar. 1, 1961 | Secs. 5(a)(2), 5(c) and 17(a) of 1933 Act; Secs. 371, 1341 and 1343, Title 18, U.S.C. | Both defendants pleaded not guilty; 1 defendant posted bond in the amount of $10,000; other defendant refused to post bond and remanded to Kent County, Michigan jail to await trial set for Sept. 4, 1962. Pending. |
| Hand, Thomas E. | 2 | Southern District of Texas. | Jan. 6, 1960 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Closed. |
| Hensley, David Earle (D. Earle Hensley Co., Inc.). | 1 | Western District of Washington. | Mar. 22, 1961 | Sec. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C. | Defendant pleaded not guilty and posted $2,500 bond. Pending. |
| Herck, John | 6 | Eastern District of Michigan. | July 30, 1942 | Sec. 17(a)(1), 1933 Act; Secs. 371, 1341, Title 18, U.S.C. | Pending. |
| Do | 1 | do | do | Sec. 15(a), 1934 Act | Do. |
| Do | 5 | do | do | Sec. 15(a)(1) and (2), 1933 Act; Sec. 371, Title 18, U.S.C. | Do. |
| Herr, Walter E. (American Sales Training and Research, Inc.). | 2 | Northern District of Illinois. | Nov. 30, 1961 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18 U.S.C. | Both defendants pleaded not guilty and posted bond of $3,000 each. Pending. |
| Howard, Robert A. (Montana Chemical Corp.). | 2 | Colorado | Oct. 31, 1961 | Secs. 5(a)(1), 5(a)(2), 1933 Act; Sec. 10(b) and Rule 10b-5, 1934 Act; Secs. 1341 and 2314, Title 18, U.S.C. | Both defendants apprehended, pleaded not guilty and posted bonds of $1,000 and $5,000. Pending. |
| Howard, Robert A. | 1 | do | Dec. 7, 1960 | Sec. 17(a), 1933 Act; Sec. 1001, Title 18, U.S.C. | Defendant apprehended Dec. 30, 1960, and posted $5,000 bond. Pending. |
| Hughes, Paul M. (World Wide Investors Corp.). | 13 | Southern District of New York. | Nov. 18, 1960 | Secs. 5(a)(1), 5(a)(2), 17(a) and 24, 1933 Act; Secs. 2 and 371, Title 18, U.S.C. | 2 defendants pleaded guilty; sentencing deferred. 6 other defendants pleaded not guilty and were admitted to bail in amounts ranging from $500 to $15,000. Pending. |
| Garfield, Samuel (Shawano Development Corp.). | 12 | do | Apr. 13, 1961 | Secs. 5(a), 5(c), 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | 1 defendant pleaded guilty; sentencing deferred. Pending. |
| Karal, William C. | 1 | Massachusetts | Nov. 30, 1960 | Sec. 10(b) and Rule 10b-5, 1934 Act; Sec. 1341, Title 18, U.S.C. | Defendant pleaded guilty and sentenced to 6 months imprisonment. |

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| Kevin, Melvyn | 2 | Southern District of New York. | June 15, 1962 | Rule 10b-5, 1934 Act | Pending. |
| Kimball Securities, Inc. | 20 | do | Dec. 7, 1959 | Secs. 5(a)(1), 17(a) and 24, 1933 Act; Secs. 2 and 371, Title 18, U.S.C. | Guilty pleas filed as to 4 defendants; sentencing deferred; pending trial as to remaining defendants. Pending. |
| Algranati, Mayer | 1 | do | Mar. 25, 1960 | Sec. 1621, Title 18, U.S.C. | Pending. |
| Kirchofer, Robert Carl (Kirchofer and Arnold, Inc.). | 2 | Eastern District of North Carolina. | Apr. 11, 1960 | Secs. 5(a)(2) and 17(a), 1933 Act; Sec. 15(a), 1934 Act; Secs. 371 and 1341, Title 18 U.S.C. | Both defendants arraigned and 1 pleaded guilty; other not guilty. Pending. |
| Lederer, Joseph H. | 6 | Southern District of New York. | Sept. 14, 1961 | Secs. 5(a)(1) and 24, 1933 Act; Secs. 371 and 1341, Title 18 U.S.C. | Pending. |
| Lefferdink, Allen J. (Denver Acceptance Corp.). | 6 | Colorado | Oct. 31, 1961 | Sec. 17(a), 1933 Act; Secs. 371, 1341 and 1343, Title 18, U.S.C. | Do. |
| Lincoln Securities Corp. | 21 | Ohio | Apr. 19, 1960 | Secs. 5(a)(1) and (2), 5(c) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Sentencing imposed on 12 defendants ranging from 18 months to 2 years with various conditions for probation as to some defendants, fines from $1,000 to $3,500; 4 defendants dismissed and 1 deceased. Pending. |
| Low, Harry (Trenton Valley Distillers Corp.). | 2 | Eastern District of Michigan. | Feb. 3, 1939 | Sec. 17(a)(1), 1933 Act; Sec. 1341, Title 18, U.S.C. | Pending. |
| Makris, M.A.S. (Inter-City Finance Corp.). | 2 | Southern District of Florida. | Oct. 18, 1961 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Defendants arraigned and pleaded not guilty. Motion for dismissal as to 1 defendant filed Jan. 16, 1962. Order entered denying said motion Mar. 5, 1962. Pending. |
| Mann, Wayne M. | 1 | Northern District of Illinois. | May 29, 1962 | Secs. 5(c), 17(a) 1933 Act; Sec. 1341, Title 18 U.S.C. | Pending. |
| McLean & Co., E.M. (Devon Gold Mines, Ltd.): | 2 | Eastern District of Michigan. | Oct. 21, 1941 | Sec. 15(a), 1934 Act | Do. |
| Do | 7 | do | do | Secs. 5(a)(1) and (2), 1933 Act; Sec. 371, Title 18, U.S.C. | |
| Do | 12 | do | do | Sec. 17(a)(1), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | |
| Mende, Milton Z. (North American Petroleum Corp.). | 4 | Southern District of California. | Apr. 26, 1961 | Secs. 5(a), 5(a)(1), 17(a), 1933 Act; Secs. 2, 371 and 1341, Title 18, U.S.C | 1 defendant pleaded guilty on 2 Sec. 17(a) counts; sentenced to 1 year on each count to run concurrently; execution suspended and placed on probation for 3 years following present incarceration on a mail fraud conviction; indictment dismissed as to 2 defendants. Pending. |
| Meyer, John (Treasure State Life Insurance Co.). | 13 | Eastern District of Washington. | Mar. 21, 1961 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | 12 defendants found guilty and received sentences ranging from 30 days to 30 months; 2 defendants fined $5,000 each; 1 defendant appealed from his conviction. Pending. |
| Swanson, Glenn G. | 2 | do | do | do | |
| Moxham, Jerome E. | 1 | Northern District of Indiana. | Jan. 5, 1962 | Sec. 17(a), 1933 Act; Sec. 1341, Title 18 U.S.C. | Pending. |
| Murray, John (Alabama Acceptance Corp.). | 5 | Northern District of Alabama. | Sept. 4, 1959 | Sec. 17(a)(1), 1933 Act; Sec. 1341, Title 18, U.S.C. | Appeal filed. Opinion rendered affirming convictions of district court. Pending. |

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| Name of principal defendant | Number of defendants | U.S. District Court | Indictment returned | Charges | Status of case |
|---|---|---|---|---|---|
| Newman Associates, Philip. | 28 | New Hampshire | June 16, 1960 | Secs. 5(a)(1), 5(a)(2), 5(c) and 17(a)(1), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | 15 defendants pleaded guilty and 4 defendants pleaded nolo contendere; received sentences ranging from 3 months to 3 years and probation periods up to 3 years; other sentences suspended and defendants placed on probation and 2 fined $400. Indictment dismissed as to 2 defendants. Pending. |
| Noonan, John A. (Security Finance Plan, Inc.). | 1 | Massachusetts | Dec. 12, 1960 | Secs. 17(a) and 24 and Rule 260, 1933 Act; Secs. 1001 and 1341, Title 18, U.S.C. | Defendant pleaded guilty on 5 Sec. 1001 counts and sentenced to 3 months. |
| Do | do | do | June 16, 1961 | Sec. 24 and Rules 255(a) and 256(f), 1933 Act; Sec. 1001, Title 18, U.S.C. | Defendant pleaded guilty to count 5 of Sec. 24 and Rules 255(a), 256(f) of the 1933 Act; given 2 years suspended sentence plus 3 years probation. |
| Parker, T. M., Inc | 16 | Eastern District of Michigan. | Apr. 27, 1954 | Sec. 371, Title 18, U.S.C | Pending. |
| Do | 15 | do | do | Sec. 1341, Title 18, U.S.C | Do. |
| Do | 15 | do | do | Sec. 17(a), 1933 Act | Do. |
| Do | 15 | do | do | Sec. 15(a), 1934 Act | Do. |
| Peel, Jr., Joseph A. (Insured Capital Corporation). | 6 | Southern District of Florida. | June 14, 1961 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | 5 defendants convicted by jury on April 12, 1962, on 9 counts of the 11 count indictment; sentenced to serve 2 years on each count to run consecutively, or a total of 18 years as to each defendant. Notices of appeal filed by each defendant. Pending. |
| Powell, Irwin Vincent | 1 | Southern District of New York. | Jan. 15, 1962 | Secs. 2, 1001 and 1505, Title 18 U.S.C. | Pending. |
| Powis, Francis Algernon Gaylord (A. G. Powis & Co., Ltd.). | 22 | Connecticut | May 10, 1961 | Secs. 5(a)(1), 5(a)(2) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Bench warrants issued on all defendants with the exception of corporate defendants, and bonds in the amount of $10,000 set for each defendant. Order entered dismissing 1 defendant Nov. 8, 1961. Pending. |
| Prettyman, L. Travers (Thunderbird Development Corp.). | 2 | Kansas | Feb. 27, 1962 | Secs. 5(a)(2), 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | 1 defendant pleaded guilty to 3 counts of the indictment charging violations of Sec. 5 of 1933 Act; remaining defendant found guilty on 23 counts of indictment for violations of Secs. 5 and 17 of 1933 Act, Mail Fraud and Conspiracy Statutes; remaining counts dismissed. Pending. |
| Price, Daniel (National Electro Process Corp.). | 13 | Eastern District of Virginia. | Dec. 18, 1959 | Secs. 5(a)(2), 5(c) and 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Pending. |
| Pruett, Carl A. (Pruett & Co., Inc.). | 2 | Northern District of Georgia. | June 1, 1961 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Both defendants each sentenced to 9 years on their guilty pleas to 3 counts of the indictment charging violations of Sec. 17 of 1933 Act, and the Mail Fraud Statute. |
| Re, Gerardo A. (Re, Re and Sagarese, Swan-Finch Oil Corp.). | 7 | Southern District of New York. | Apr. 2, 1962 | Secs. 5(a)(1), 1933 Act; Secs. 2, 371 and 1001, Title 18, U.S.C. | Pending. |

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| Rhine, Arnold R. (A. R. Rhine dba Rhine Petroleum Industries). | 1 | Colorado | Feb. 27, 1962 | Secs. 5(a)(1) and 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C. | Defendant sentenced to 3½ years imprisonment on plea of guilty to 1 Sec. 17(a) count. |
| Robertson, Thomas E. (American-Canadian Oil & Drilling Corp.). | 3 | Southern District of New York. | June 17, 1959 | Secs. 5(a)(1) and 17 (a), 1933 Act. | CA-2 sustained defendant's conviction on all but 3 counts; court modified sentence and placed defendant on probation. Pending. |
| Roe, D. N. (Stratoray Oil, Inc.). | 3 | Northern District of Texas. | Aug. 16, 1957 | Secs. 5(a) (1) and (2) and 17(a)(1), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Petition for writ of certiorari to review the judgment of CA-5 filed June 19, 1961. Denied Oct. 9, 1961. 2 defendants found guilty on April 27, 1962, on counts 15-19 charging violations of the registration provisions of the 1933 Act; Corporate defendant fined $15,000 and individual defendant sentenced to 4 years on each count 15 and 17; imposition of remaining counts suspended and placed on probation for a period of 5 years. Appeal filed from the judgment of the district court May 2, 1962. Pending. |
| Schaefer, Carl D. | 1 | Northern District of Illinois. | Mar. 26, 1958 | Secs. 5(a)(2) and 17(a), 1933 Act. | CA-7 affirmed counts 3 and 6 of Sec. 17(a) and counts 11 and 12 of Sec. 5(a) of 1933 Act; reverese 6 counts of Sec. 17(a) and remanded counts 4 and 5 of Sec. 17(a) for a new trial. Pending. |
| Seybold, George Robert. | 1 | Eastern District of Michigan. | July 18, 1961 | Sec. 17(a), 1933 Act; Secs. 206(1) 206(2) of Inv. Adv. Act of 1940; Sec. 1341, Title 18, U.S.C. | Defendant pleaded guilty on all counts of indictment and sentenced to 10 years imprisonment. |
| Schindler, David L. | 4 | Southern District of New York. | June 28, 1957 | Sec. 17(a)(2), 1933 Act; Sec. 9(a)(2), 1934 Act; Sec. 371, Title 18, U.S.C. | 1 defendant deceased; other defendants awaiting trial. Pending. |
| Sills, Robert Bernard (Sills & Co.). | 2 | Southern District of Florida. | Feb. 5, 1959 | Sec. 17(a)(1), 1933 Act; Sec. 32, 1934 Act; Sec. 1341, Title 18, U.S.C. | 1 defendant previously convicted; other defendant apprehended on Apr. 25, 1961, and released on $10,000 bond. Pending. |
| Silver, Benjamin W. (Stardust, Inc.). | 6 | Nevada | May 26, 1960 | Secs. 5(a)(2), 17(a)(1), 1933 Act; Sec. 1341, Title 18, U.S.C. | Closed. |
| Silver State Farms, Inc. (Valley Farms, Inc.). | 6 | do | Jan. 26, 1960 | Sec. 371, Title 18, U.S.C. | CA-9 reviewed conviction of 2 defendants and remanded the case for a new trial. 1 defendant on plea of nolo contendere sentenced to 3 years, suspended and placed on probation for 3 years. Another defendant pleaded nolo contendere. Pending. |
| South, Dudley Pritchett (William Newman & Co.). | 8 | New Jersey | Dec. 11, 1958 | Secs. 5(a)(1) and 17(a), 1933 Act; Secs. 2, 371 and 1341, Title 18, U.S.C. | 1 defendant deceased; 2 defendants are still fugitives and remaining defendants awaiting trial. Pending. |
| Spivey, Vernon M. | 1 | Eastern District of Wisconsin. | Aug. 30, 1961 | Sec. 17(a), 1933 Act; Sec. 1341, Title 18 U.S.C. | Pending. |
| Springer, Alan C. (Arkansas Business Development Corp.). | 1 | Eastern District of Arkansas. | Feb. 20, 1961 | Sec. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C. | Do. |
| Sylk, Albert J. (Nylonet Corp.). | 1 | Northern District of Georgia. | Jan. 9, 1962 | Sec. 1001, Title 18 U.S.C. | Do. |

TABLE 16.—*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 1962 fiscal year*—Continued

| Name of principal defendant | Number of defendants | U.S. District Court | Indictment returned | Charges | Status of case |
|---|---|---|---|---|---|
| Talenfeld, Murray A. | 4 | Western District of Pennsylvania. | Mar. 15, 1960 | Secs. 9(a)(2) and 32(a), 1934 Act; Sec. 2, 371, 1001, 1341, 1343 and 2314, Title 18, U.S.C. | Closed. |
| Do | 4 | do | Mar. 8, 1961[2] | Sec. 371, Title 18, U.S.C. | 1 defendant on nolo contendere plea fined $7,500, given suspended sentence and placed on probation for a period of 5 years; 2 defendants on pleas of guilty sentenced to 1 year and placed on probation for 5 years and fined $10,000 each. Pending as to remaining defendant. |
| Do | 4 | do | do | Secs. 2, 1341, 1343 and 2314, Title 18, U.S.C. | Do. |
| Do | 4 | do | do | Sec. 5(a)(2), 1933 Act; Secs. 9(a)(2) and 32, 1934 Act; Sec. 1001, Title 18, U.S.C. | Do. |
| Tellier, Walter F. | 7 | Eastern District of New York. | Aug. 3, 1956 | Sec. 17(a), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | 1 defendant arraigned and bail previously set in the amount of $25,000 continued. Pending. |
| Metz, Abraham M. | 1 | do | do | Sec. 1621, Title 18, U.S.C. | Pending. |
| Tellier, Walter F. (Consolidated Uranium Mines, Inc.). | 1 | Eastern District of New York. | Apr. 26, 1956 | Sec. 17(a), 1933 Act; Sec. 1341, Title 18, U.S.C. | Defendant pleaded not guilty. Pending. |
| Todd, Douglas M. (Platalloy Corp.). | 5 | Southern District of California. | Jan. 25, 1961 | Secs. 5(a)(1), 17(a)(1), (2) and (3), 1933 Act; Secs. 2, 371 and 1341, Title 18, U.S.C. | 3 defendants convicted of violating Sec. 17(a); corporate defendant fined $11,500 to be paid within 3 years; 1 defendant received 3 years imprisonment, suspended, and placed on probation for 3 years; 1 defendant sentenced to 1 year and 1 day, execution of which was suspended, and a probation of 3 years; remaining defendants acquitted. |
| Van Allen, John (Gulf Coast Leaseholds, Inc.). | 20 | Southern District of New York. | Mar. 24, 1960 | Secs. 5(a)(1) and (2), 5(c), 17 and 24, 1933 Act; Secs. 2 and 1341, Title 18, U.S.C. | 6 corporate and 10 individual defendants pleaded not guilty. 1 defendant pleaded guilty to all counts; sentencing deferred. Pending. |
| Do | 2 | do | June 16, 1960 | Secs. 2 and 1001, Title 18, U.S.C. | Dismissal as to 1 defendant June 7, 1962. Pending as to remaining defendant. |
| Warner, J. Arthur & Co., Inc. | 11 | Massachusetts | July 7, 1953 | Sec. 17(a)(3), 1933 Act; Secs. 371 and 1341, Title 18, U.S.C. | Pending. |
| Wechsler, Nathan (Coombs & Co., Inc.). | 2 | District of Columbia. | May 25, 1961 | Secs. 371, 1341 and 1343, Title 18, U.S.C. | Closed. |
| J. A. Winston & Co., Inc. | 14 | Southern District of New York. | July 20, 1961 | Secs. 5(a)(1), 5(a)(2), 17(a) and 24, 1933 Act; Secs. 2, 371 and 1341, Title 18, U.S.C. | Various defendants posted bonds ranging from $1,000 to $25,000. Pending. |

[1] Information. [2] Superseding indictment.

TABLE 17.—*Injunction proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1962*

| Name of principal defendant | Number of defendants | U.S. District Court | Initiating papers filed | Alleged violations | Status of case |
|---|---|---|---|---|---|
| C. H. Abraham & Co., Inc. | 2 | Southern District of New York. | Apr. 11, 1960 | Secs. 15(c)(1), 15(c)(3) and Rules 15c1-2 and 15c3-1, 1934 Act. | Complaint filed Apr. 11, 1960. Order entered dismissing action as to both defendants, Feb. 5, 1962. Closed. |
| Aircraft Dynamics International Corp. | 3 | do | Aug. 18, 1960 | Sec. 17(a), 1933 Act | Complaint filed Aug. 18, 1960. Preliminary injunction entered as to all defendants, Feb. 17, 1961. Order entered extending defendants' time to answer complaint to Sept. 17, 1962. Pending. |
| Alaska Consolidated Oil Co., Inc. | 4 | do | Apr. 21, 1961 | Sec. 5(b)(1) and (2), 1933 Act | Final judgment by consent as to 2 defendants and order dismissing as to 1 defendant entered June 5, 1961. Final judgment by consent entered Aug. 14, 1961, as to remaining defendant. Closed. |
| Aldred Investment Trust. | 3 | do | Aug. 11, 1961 | Sec. 10(b), and Rule 10b-5, 1934 Act. | Complaint filed Aug. 11, 1961. Stipulation extending defendants' time to answer to May 4, 1961. Pending. |
| All American Marble Co. | 3 | New Mexico | Sept. 1, 1961 | Sec. 5(a), 1933 Act | Complaint filed and temporary restraining order signed Sept. 1, 1961. Answers filed Sept. 17, and 26, 1961. Order entered Nov. 16, 1961, denying preliminary injunction and dissolving temporary restraining order. Pending. |
| Allen Investment Co. | 2 | Colorado | Oct. 22, 1959 | Sec. 15(c)(3) and Rule 15c3-1, 1934 Act. | Motion by defendant to set aside the stipulation and order entered Dec. 7, 1959. Order entered June 5, 1962, denying said motion. Pending. |
| Allen, McFarland & Co., Inc. | 3 | District of Columbia. | Dec. 21, 1960 | Secs. 15(c)(1), 15(c)(3) and Rules 15c1-2 and 15c3-1, 1934 Act. | Complaint and request for the appointment of a receiver filed Dec. 21, 1960. Final judgment by consent as to all defendants entered Dec. 22, 1960. Receiver appointed Feb. 27, 1961. Pending. |
| American Capital Corp. | 1 | do | May 31, 1962 | Sec 17(a)(3), 1933 Act. | Complaint and request for the appointment of a receiver filed May 31, 1962. Temporary restraining order signed May 31, 1962. Order appointing receiver May 31, 1962. Pending. |
| American Diversified Securities, Inc. | 1 | do | Apr. 6, 1961 | Sec. 15(c)(3) and Rule 15c3-1, 1934 Act. | Complaint and request for the appointment of a receiver filed Apr. 6, 1961. Final judgment by consent entered Apr. 18, 1961. Order entered appointing a receiver, Apr. 25, 1961. Order entered referring action to the referee in bankruptcy Sept. 14, 1961. On Oct. 20, 1961, final report of equity receiver filed. Order entered approving receiver's final account and discharging equity receiver Jan. 10, 1962. Pending as to referee in bankruptcy. |
| American Equities Corp. | 4 | Southern District of New York. | Mar. 22, 1961 | Secs. 5(a), 5(c) and 17(a), 1933 Act. | Summons and complaint filed Mar. 22, 1961. Answer filed by 1 defendant Apr. 25, 1961. Default judgment as to 3 defendants entered May 31, 1961. Pending as to 1 defendant. |
| American International Savings and Loan Association, Inc. | 15 | Maryland | Aug. 21, 1961 | Sec. 5 (a) and (c), 1933 Act. | Summons and complaint filed Aug. 21, 1961. Opinion rendered and order entered Oct. 31, 1961, enjoining 14 defendants. Plaintiff's motion for dismissal of action as to 1 defendant granted. Closed. |
| American-International Securities, Inc. | 3 | Southern District of California. | Feb. 16, 1962 | Sec. 15(c)(3) and Rule 15c3-1, 1934 Act. | Complaint filed Feb. 16, 1962. Final judgment by consent as to all defendants entered Apr. 12, 1962. Closed. |
| American Orbitronics Corp. | 19 | District of Columbia. | Aug. 16, 1961 | Secs. 5 (a) and (c) and 17(a), 1933 Act. | Complaint filed Aug. 16, 1961. Preliminary injunction entered Aug. 31, 1961, as to 11 defendants and denied as to 4 defendants. Praecipe for dismissal of action as to 2 defendants filed Oct. 1961. Final judgment by consent as to 5 defendants entered Oct. 30, 1961. Pending. |

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1962.*—Con.

| Name of principal defendant | Number of defendants | U.S. District Court | Initiating papers filed | Alleged violations | Status of case |
|---|---|---|---|---|---|
| American Quicksilver Corp. | 5 | Southern District of California. | Apr. 11, 1962 | Sec. 17(a)(1), 1933 Act | Complaint filed Apr. 11, 1962. Preliminary injunctions entered May 3, 1962, as to 4 defendants and June 18, 1962, as to 1 defendant. Pending. |
| American Seal Savings and Loan Association, Inc. | 3 | Maryland | May 9, 1960 | Secs. 17(a) (2) and (3), 1933 Act. | Motion for permanent injunction and appointment for a liquidating receiver filed and granted Apr. 28, 1961. Order not submitted because other parties appeared and expressed a desire to take over and rehabilitate company. Petition under Chapter X filed and approved by court. Pending. |
| American Television & Radio Co. | 2 | Minnesota | Apr. 6, 1960 | Sec. 17(a)(2), 1933 Act | Complaint filed Apr. 6, 1960. Final judgment by consent as to both defendants entered Nov. 17, 1961. Closed. |
| Ampet Corp | 26 | Colorado | Mar. 9, 1962 | Secs. 5(a) and (c) and 17(a), 1933 Act; Sec. 10(b) and Rule 10b-5, 1934 Act. | Complaint filed Mar. 9, 1962. Temporary restraining order, Mar. 9, 1962. Answers filed. Final judgment by default as to 1 defendant entered May 16, 1962. Pending as to remaining defendants. |
| Anaconda Lead & Silver Co. | 2 | do | June 3, 1960 | Sec. 17(a), 1933 Act; Sec. 10(b) and Rule 10b-5, 1934 Act. | Default judgment as to 1 defendant entered Feb. 20, 1961. Final judgment as to 1 defendant entered July 12, 1961. Closed. |
| J. Morris Anderson & Associates, Inc. | 3 | District of Columbia. | Dec. 27, 1961 | Secs. 15(c) (3) and 17(a), and Rules 15c3-1, and 17a-3, 1934 Act. | Complaint filed Dec. 27, 1961. Final judgment by consent as to all defendants entered Dec. 27, 1961. Closed. |
| Angelson, John P | 3 | Eastern District of Virginia. | Dec. 21, 1959 | Sec. 15(c) (3) and Rule 15c3-1, 1934 Act. | Receiver appointed Feb. 16, 1960. Final judgment by consent as to all defendants entered Apr. 19, 1960. Order entered discharging receiver Jan. 15, 1962. Closed. |
| Aquafilter Corp | 2 | Massachusetts | Aug. 25, 1961 | Secs. 5(a) and 5(c) 1933 Act | Complaint filed Aug. 25, 1961. Final judgment by consent as to both defendants entered Aug. 25, 1961. Closed. |
| Arlee Associates, Inc. | 4 | Southern District of New York. | June 1, 1961 | Sec. 17(a), 1933 Act; Secs. 10(b), 15(a) and Rule 10b-5, 1934 Act. | Summons, complaint and request for the appointment of a receiver filed June 1, 1961. Final judgment by consent as to all defendants and order appointing a receiver entered June 1, 1961. Pending as to receivership. |
| Armstrong & Co., Inc. | 3 | do | Feb. 15, 1962 | Sec. 17(a) and Rule 17a-3, 1934 Act. | Summons, complaint and request for the appointment of a receiver filed Feb. 15, 1962. Preliminary injunction and order appointing a receiver entered Feb. 26, 1962. Answers filed. Order entered May 21, 1962, authorizing receiver to sell furniture and furnishings. Pending. |
| Lloyd Arnold & Co. | 2 | Southern District of California. | Feb. 27, 1961 | Sec. 17(a)(3), 1933 Act; Secs. 15(c)(1), 15(c)(3) and Rules 15c1-2, 15c3-1, 1934 Act. | Complaint and request for the appointment of a receiver filed Feb. 27, 1961. Receiver appointed Apr. 10, 1961. Final judgment by consent entered as to both defendants Dec. 19, 1961. Pending as to receiver. |
| Babson, Kaye & Robb Co. | 4 | Southern District of New York. | Nov. 18, 1960 | Secs. 15(c)(3), 17(a) and Rules 15c3-1 and 17a-3, 1934 Act. | Summons, complaint and request for the appointment of a receiver filed Nov. 18, 1960. Receiver appointed. Final judgments by consent entered Dec. 2, 1960, as to defendants and Dec. 16, 1960, as to remaining defendant. Receiver discharged Dec. 5, 1961. Closed. |
| Ball, Pablo & Co. | 3 | District of Columbia. | Aug. 25, 1960 | Sec. 17(a) and Rule 17a-3, 1934 Act. | Complaint filed and preliminary injunction by consent entered Aug. 25 1960. Motion for appointment of a receiver filed and receiver appointed Dec. 20, 1960. Receiver's petition for authority to liquidate stock served June 25, 1962. Pending. |

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| Bartlett Petroleum Co., Inc. | 2 | Northern District of Texas. | Sept. 6, 1961 | Secs. 5(a)(1), 5(a)(2) and 5(c), 1933 Act. | Complaint filed and final judgment by consent as to both defendants entered Sept. 6, 1961. Closed. |
| Becker, George W. | 7 | New Mexico | Dec. 14, 1961 | Secs. 5(a), 5(c) and 17(a)(2), 1933 Act. | Summons and complaint filed Dec. 14, 1961. Final judgments by consent entered Dec. 15, 1961, as to 3 defendants; Dec. 22, 1961, as to 1 defendant; Dec. 29, 1961, as to 1 defendant; Jan. 9, 1962, as to 1 defendant; and Feb. 5, 1962, as to remaining defendant. Closed. |
| Belmont Oil Corp. | 10 | Southern District of New York. | Aug. 3, 1959 | Sec 17(a), 1933 Act | Preliminary injunction as to 7 defendants entered Dec. 15, 1959. Notice of appeal from the order of preliminary injunction filed by 1 defendant Jan. 7, 1960. Opinion rendered Oct. 27, 1960, by CA-2 affirming order of the district court entered Dec. 15, 1959. Pending. |
| Do. | 15 | do. | June 30, 1959 | Sec. 5, 1933 Act | Notice of appeal from the order of preliminary injunction filed by 1 defendant Jan. 7, 1960. Opinion rendered Oct. 27, 1960, by CA-2 affirming the order of the district court entered Dec. 15, 1959. Pending. |
| Bennett & Co. | 3 | New Jersey | May 21, 1962 | Sec. 17(a), 1933 Act | Summons, complaint and request for the appointment of a receiver filed May 21, 1962. Temporary restraining order signed May 21, 1962. Pending. |
| Beverly Hills Security Investments. | 5 | Southern District of California. | Feb. 6, 1961 | Secs. 5(a) and 5(c), 17(a) (2) and (3), 1933 Act; Secs. 10(b), 15(a), 15(c)(1), and Rules 10b-5 and 15c1-2, 1934 Act. | Complaint filed Feb. 6, 1961. Final judgments by consent entered Feb. 20 and Mar. 1, 1961, as to 4 defendants. Final judgment by consent as to the remaining defendant entered June 1, 1962. Closed. |
| Biltmore Securities Corp. | 3 | Southern District of New York. | Aug. 12, 1960 | Sec. 17(a), 1933 Act | Summons and complaint filed and temporary restraining order signed Aug. 12, 1960. Notice of dismissal without prejudice as to all defendants ordered Mar. 15, 1962. Closed. |
| Black, Ello Dorothy dba E. D. Black & Co. | 1 | Montana | May 28, 1962 | Secs. 10(b), 15(c)(1) and 15(c)(3), and Rules 10b-5, 15c1-2 and 15c3-1, 1934 Act. | Complaint and request for the appointment of a receiver filed May 28, 1962. Final judgment entered and receiver appointed June 4, 1962. Pending. |
| Bloomberg, Arthur H. | 4 | Massachusetts | Sept. 22, 1961 | Secs. 5(a) and 5(c), 1933 Act. | Complaint filed Sept. 22, 1961. Orders entered Oct. 18, 1961, denying motion for leave, *nunc pro tunc*, to file suit, and dismissing complaint. Appeals filed by the Commission Oct. 18, 1961, from order entered Sept. 18, 1961, denying its motion to intervene in the reorganization proceeding in order to insure compliance with the regulation provisions of the 1933 Act; and from orders of the district court dated Oct. 18, 1961. Order by court denying application for temporary stay. Order Feb. 6, 1962, by CA-1 affirming the district court orders entered Oct. 18, 1961. Closed. |
| Bond and Share Corp. | 26 | Western District of Oklahoma. | Dec. 13, 1961 | Secs. 5 (a) and (c), 17(a)(1), 17(a)(2) and 17(a)(3), 1933 Act; Sec. 10(b) and Rule 10b-5, 1934 Act. | Complaint filed Dec. 13, 1961. Answers filed. Final judgment by consent as to 2 defendants entered Jan. 29, 1962. Pending. |
| Brandle Trust | 16 | Southern District of New York. | July 15, 1958 | Secs. 5(b) and 17(a), 1933 Act; Secs. 15(c)(1) and (3) and Rules 15c1-2 and 15c3-1, 1934 Act. | Receiver appointed July 21, 1958. Final judgment by consent as to 2 defendants entered July 22, 1958. Pending. |
| Francis J. Brenek and Co., Inc. | 3 | Western District of Washington. | May 1, 1961 | Sec. 17(a), 1933 Act; Secs. 15(c)(1), 15(c)(3), 17(a) and Rules 15c1-2, 15c1-4, 15c3-1, 17a-3 and 17a-4, 1934 Act. | Complaint and request for the appointment of a receiver filed May 1, 1961. Final judgment by consent as to 3 defendants entered Aug. 15, 1961. By agreement plaintiff can move for appointment of receiver if such action appears warranted. Closed. |

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1962*—Con.

| Name of principal defendant | Number of defendants | U.S. District Court | Initiating papers filed | Alleged violations | Status of case |
|---|---|---|---|---|---|
| Brown, Barton & Engel. | 9 | New Jersey | May 1, 1962 | Sec. 17(a), 1933 Act | Complaint filed May 1, 1962. Temporary restraining order signed May 1, 1962. Petition to hold revocation proceeding in abeyance filed May 9, 1962. Pending. |
| Brownlie, John | 1 | Eastern District of New York. | Apr. 27, 1962 | Sec. 5, 1933 Act | Summons and complaint filed Apr. 27, 1962. Final judgment by consent entered Apr. 27, 1962. Closed. |
| E. A. Burka, Inc. | 2 | District of Columbia. | May 9, 1960 | Secs. 15(c)(1) and 17(a) and Rules 15c1-2 and 17a-5, 1934 Act. | Final judgment by consent as to both defendants entered Aug. 31, 1960. Final report of receiver filed with court Sept. 12, 1961. Closed. |
| Byquist, Jr., Richard | 3 | Eastern District of Washington. | June 7, 1961 | Secs. 5(a) and 5(c), 1933 Act. | Complaint filed June 7, 1961. Default judgment entered Jan. 29, 1962, as to all defendants. Closed. |
| C.I.A., Inc. | 2 | Northern District of Illinois. | May 22, 1962 | Secs. 5(a) and 5(c), 1933 Act. | Complaint filed May 22, 1962. Final judgment by consent as to both defendants entered June 7, 1962. Closed. |
| T. J. Campbell Investment Co., Inc. | 4 | Southern District of Texas. | Oct. 16, 1958 | Secs. 17(a)(2), 17(a)(3), 1933 Act, Secs. 15(c)(1), 15(c)(3), and 10(b), 1934 Act. | Final judgment entered as to all defendants and receiver appointed Oct. 16, 1958. Order approving final report and discharging receiver filed. Closed. |
| Canadian Javelin Ltd. | 24 | Southern District of New York. | Sept. 23, 1958 | Secs. 5(a)(1) and (2), 17a (1), (2) and (3) and 17(b), 1933 Act; Sec. 10(b), 1934 Act. | Final judgment by consent as to 3 defendants entered Nov. 24, 1958. Undertaking filed as to 1 defendant, June 1959. Pending. |
| Capital Gains Research Bureau, Inc. | 2 | do | Nov. 17, 1960 | Sec. 206(1) and (2), Inv. Adv. Act of 1940. | Complaint filed Nov. 17, 1960. Opinion rendered denying motion for preliminary injunction. Notice of appeal filed Apr. 1961, by Commission from the order of the district court denying motion for preliminary injunction. Pending. |
| Casavan Industries, Inc. | 3 | New Jersey | July 18, 1961 | Secs. 5(a) and 5(c) and 17(a), 1933 Act. | Summons and complaint filed July 18, 1961. Final judgment by consent as to all defendants entered July 19, 1961. Closed. |
| Chamberlain Associates. | 7 | Southern District of New York. | June 19, 1961 | Secs. 5(a), 5(c) and 17(a), 1933 Act. | Complaint filed June 19, 1961. Preliminary injunction as to 7 defendants entered Sept. 18, 1961. Final judgment by consent as to 1 defendant entered Apr. 23, 1962. Pending. |
| Cohen, Charles E. | 2 | New Jersey | June 30, 1960 | Secs. 15(c)(1), 15(c)(3) and 17(a) and Rules 15c1-2, 15c3-1 and 17a-3, 1934 Act. | Order of preliminary injunction as to both defendants signed July 21, 1960. Order denying defendants' application to vacate preliminary injunction entered July 21, 1960. Pending. |
| The Colorado Co. Inc., and Raymond T. Sweeney, aka Philip J. Sweeney. | 2 | Colorado | May 1, 1962 | Secs. 15(c)(1), 15(c)(3), and 17(a) and Rules 15c1-2, 15c3-1 and 17a-3, 1934 Act. | Complaint and request for the appointment of a receiver filed May 1, 1962. Final judgment by consent as to both defendants entered May 25, 1962. Stipulation recommending that appointment of receiver be held in abeyance pending compliance of said stipulation. Pending. |
| Colorado Trust Deed Funds, Inc. | 5 | do | Apr. 25, 1961 | Sec. 17(a)(2) and (3), 1933 Act. | Complaint and request for the appointment of a receiver filed Apr. 25, 1961. Final judgment by consent entered as to all defendants May 2, 1961. Order entered Dec. 6, 1961, appointing a receiver. Pending. |
| Columbus-Rexall Oil Co. | 3 | Utah | Oct. 9, 1957 | Sec. 5(a)(1) and (2), and 5(c), 1933 Act. | Final judgment by consent as to 2 defendants entered Nov. 13, 1957. Pending as to remaintng defendant. |
| Cook, Jr., C. Berkeley | 4 | Southern District of New York. | Apr. 12, 1961 | Sec. 10(b) and Rule 10b-5, 1934 Act. | Summons and complaint filed Apr. 12, 1961. Preliminary injunction entered as to 3 defendants Apr. 28, 1961, and as to remaining defendant May 8, 1961. Pending. |

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| Cooper-Matthews, Inc. | 2 | Southern District of California. | Aug. 23, 1961 | Secs. 17(a)(3), 1933 Act; Secs. 15(c)(1), 15(c)(3), and Rules 15c1-2 and 15c3-1, 1934 Act. | Complaint and request for the appointment of a receiver filed Aug. 23, 1961. Final judgment by consent entered Sept. 7, 1961, as to both defendants, further ordering that plaintiff's request for appointment of a receiver be dismissed, with stipulation for reinstatement of order if warranted. Closed. |
| Costello, Arthur C. | 2 | Eastern District of Missouri. | July 27, 1959 | Secs. 17(a)(2) and 17(a)(3), 1933 Act; Secs. 15(c)(1), 15(c)(3) and 10(b) and Rules 15c1-2, 15c3-1 and 10b-5, 1934 Act. | Petitions to reclaim property filed Oct. 13, 1959. Order entered denying petitions, June 30, 1960. Appeal filed Aug. 25, 1960. Opinion rendered Apr. 24, 1962, per curiam reversing judgment of the district court insofar as it undertakes to adjudicate the Reclamation Claim and directing court to enter a decree sustaining the Reclamation Claim of intervenors. Pending. |
| Craig, Harold J. | 4 | Northern District of Illinois. | Sept. 8, 1961 | Secs. 5(a) and (c), 1933 Act. | Complaint filed Sept. 8, 1961. Final judgment as to the chief defendant and "his associates" entered Nov. 30, 1961; no formal disposition as to other defendants. Closed. |
| Cryan, Frank M. Jefferson Custodian Fund, Inc.). | 5 | Southern District of New York. | Mar. 14, 1958 | Sec. 36 and 16(a), Inv. Co. Act of 1940. | Default judgment entered as to 1 defendant, Feb. 29, 1960. Court judgment entered as to another defendant June 9, 1960. Pending. |
| Custer Channel Wing Corp. | 3 | Maryland. | Dec. 22, 1961 | Secs. 5 (a) and (c) and 17(a), 1933 Act. | Complaint filed Dec. 22, 1961. Final judgment by the court as to all defendants entered Apr. 24, 1962. Closed. |
| Dann, Sol A. | 1 | Eastern District of Michigan. | Mar. 23, 1961 | Sec. 14(a) and Regulation 14, 1934 Act. | Complaint filed Mar. 23, 1961. Order of preliminary injunction signed Mar. 31, 1961. Ordered entered Dec. 7, 1961, dismissing complaint. Closed. |
| DiRoma, Alexik & Co. | 4 | Massachusetts. | July 19, 1960 | Sec. 17(a), 1933 Act; Sec. 15(c)(3) and Rule 15c3-1, 1934 Act. | Complaint filed July 19, 1960. Complaint amended to include additional violations and appointment of receiver requested, Aug. 17, 1960. Final judgment by consent as to 3 defendants and dismissal as to 1 defendant entered Sept. 8, 1960. Order entered Sept. 19, 1960, appointing a new receiver. Pending. |
| Diversified Automated Sales Corp. | 3 | Middle District of Tennessee. | Nov. 3, 1961 | Secs. 5(a), 5(c) and 17(a), 1933 Act. | Complaint filed Nov. 3, 1961. Final judgment by consent as to all defendants entered Nov. 3, 1961. Closed. |
| Dodge, Sherburn J. | 1 | Eastern District of Wisconsin. | Sept. 28, 1959 | Secs. 15(c)(1), 15(c)(3) and 10(b) and Rules 15c1-2, 15c3-1 and 10b-5 1934 Act; Secs. 17(a)(2) and 17(a)(3), 1933 Act. | Receiver appointed Oct. 2, 1959. Final judgment by consent entered Oct. 16, 1959. Closed. |
| Duffy, James L. | 3 | Northern District of Ohio. | June 19, 1961 | Secs. 5(a) and 5(c), 1933 Act | Complaint filed June 19, 1961. Final judgment by consent as to all defendants entered July 26, 1961. Closed. |
| Dugan, A. W. | 9 | Southern District of Texas. | Sept. 14, 1961 | Secs. 5(a), 5(c) and 17(a)(2), 1933 Act. | Complaint filed Sept. 14, 1961. Final judgment by consent as to 6 defendants entered Sept. 29, 1961. Pending as to remaining defendants. |
| duPont, Homsey & Co. | 2 | Massachusetts. | Sept. 17, 1960 | Secs. 15(c)(1), 10(b), 8(c), 8(d) and Rules 15c1-2, 10b-5 and 8c-1, 1934 Act. | Complaint and request for the appointment of a receiver filed Sept. 17, 1960. Receiver appointed and temporary restraining order signed Sept. 17, 1960. Final judgment as to both defendants entered Sept. 26, 1960. Pending as to receiver. |
| Dyer, J. Raymond | 1 | Eastern District of Missouri. | Apr. 9, 1957 | Sec. 12(e), 1935 Act. | Order Mar. 8, 1960, denying defendant's motion to vacate Nov. 16, 1959 judgment. Notice of appeal filed May 6, 1960. Finding of violation affirmed. Injunction vacated. Opinion filed June 30, 1961. CA-8 denied petition for rehearing. Mandate filed Aug. 15, 1961. Cause dismissed Oct. 10, 1961. Closed. |
| Dynamic Metals, Inc. | 4 | Southern District of Texas. | Nov. 8, 1961 | Secs. 5(a), 5(c) and 17(a)(2), 1933 Act. | Complaint filed Nov. 8, 1961. Final judgment by consent as to 3 defendants entered Nov. 16, 1961. Final judgment by default as to 1 defendant entered Mar. 12, 1962. Closed. |

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1962*—Con.

| Name of principal defendant | Number of defendants | U.S. District Court | Initiating papers filed | Alleged violations | Status of case |
|---|---|---|---|---|---|
| East Coast Investors Co. | 4 | Southern District of New York. | Apr. 4, 1962 | Secs 15(b), 15(c)(3) and 17(a) and Rules 15b-2, 15c3-1, 17a-3, 17a-5, 1934 Act. | Summons and complaint filed Apr. 4, 1962. Answer filed. Preliminary injunction as to all defendants entered May 21, 1962. Pending. |
| Electronics Security Corp. and Simeon Miller. | 2 | Minnesota | Sept. 8, 1961 | Sec. 17(a), 1933 Act; Secs. 10(b) and 15(c)(1), and Rules 10b-5 and 15c1-3, 1934 Act. | Complaint and request for the appointment of a receiver filed Sept. 8, 1961. Answer filed. Preliminary injunction entered Sept. 29, 1961, as to 2 defendants and appointment of a receiver continued until hearing for permanent injunction. Pending. |
| F. R. Ernst & Co., Inc. and Frank R. Ernst. | 2 | Maryland | June 22, 1962 | Secs. 15(c)(1), 15(c)(3) and 17(a), Rules 15c1-2, 15c3-1 and 17a-3, 1934 Act. | Complaint and request for the appointment of a receiver filed June 22, 1962. Temporary restraining order signed June 22, 1962. Application for receiver denied. Pending. |
| Fairfax Investment Corp. | 3 | District of Columbia. | Mar. 29, 1962 | Sec. 15(c)(3) and Rule 15c3-1, 1934 Act. | Complaint and request for the appointment of a receiver filed Mar. 29, 1962. Receiver appointed Mar. 30, 1962. Preliminary injunction as to all defendants entered Apr. 5, 1962. Order entered June 13, 1962, denying motions of 2 defendants to dismiss complaint. Second order entered June 13, 1962, vacating first order and reinstating motions. Pending. |
| Federal Shopping Way, Inc. | 19 | Western District of Washington. | Mar. 10, 1961 | Secs. 17(a)(2) and (3), 1933 Act. | Complaint filed Mar. 10, 1961. Amended complaint filed Mar. 26, 1962, seeking additional violations of 1933 Act as to 1 defendant. Motion of SEC for preliminary injunction, based only on amendment to complaint, filed Apr. 18, 1962. Denied June 14, 1962. Order dismissing action as to 1 defendant and adding 1 defendant as trustee entered Apr. 18, 1962. Pending. |
| Financial Equity Corp. | 2 | Southern District of California. | Nov. 21, 1961 | Sec. 15(c)(3) and Rule 15c3-1, 1934 Act. | Summons and complaint filed Nov. 21, 1961. Answer filed. Preliminary injunction entered Dec. 20, 1961, as to both defendants. Pending. |
| First Maine Corp | 3 | Maine | Dec. 14, 1961 | Secs. 5(a), 5(c) and 17(a)(2), 1933 Act. | Complaint filed Dec. 14, 1961. Final judgment as to all defendants entered Dec. 14, 1961. Closed. |
| Flo-Mix Fertilizers | 3 | Eastern District of Louisiana. | Jan. 13, 1960 | Sec. 15(d), 1934 Act | Final judgment by consent as to 1 defendant entered Mar. 31, 1960. Pending. |
| Fraser & Co, Inc | 3 | Eastern District of Pennsylvania. | Oct. 20, 1961 | Sec. 15(c)(1), 15(c)(3) and Rules 15c1-2 and 15c3-1, Act. | Complaint and request for the appointment of a receiver filed Oct. 20, 1961. Final judgment as to all defendants and order appointing receiver entered Oct. 24, 1961. Pending. |
| Gibson, Robert B | 4 | Montana | Mar. 23, 1961 | Secs. 5(a) and 5(c) ,1933 Act. | Complaint filed Mar. 23, 1961. Final judgment by consent entered July 31, 1961, enjoining 3 defendants and further ordering dismissal as to 1 defendant. Closed. |
| Glass Marine Industries, Inc. | 1 | Delaware | Dec. 7, 1960 | Secs. 17(a)(1) 17(a)(3) and 24, 1933 Act; Sec. 10(b) and Rule 10b-5, 1934 Act. | Complaint and request for the appointment of a receiver filed Dec. 7, 1960. Amended complaint filed Dec. 13, 1961, seeking to enjoin the intervenor. Pending. |
| Globe Securities Corp. | 10 | Southern District of New York. | Apr. 29, 1958 | Sec. 17(a), 1933 Act | Final judgments entered as to 1 defendant by consent on Apr. 4, 1960, and by default as to 6 defendants, Apr. 12, 1960. Stipulation of discontinuance as to 1 defendant Apr. 10, 1961. Pending as to remaining defendants. |

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| Grant, Fontaine & Co. | 2 | Northern District of California. | Oct. 25, 1961 | Sec. 15(c)(3), 17(a), and Rules 15c3-1 and 17a-3, 1934 Act. | Complaint filed Oct. 25, 1961. Amended and supplemental complaint seeking additional violations filed Dec. 21, 1961. Final judgment by consent as to 2 defendants entered Dec. 21, 1961. Petition for leave to file second amended and supplemental complaint and request for the appointment of a receiver filed Jan. 30, 1962. Pending. |
| Graye, James C. | 4 | Southern District of New York. | Jan. 23, 1958 | Sec. 17(a), 1933 Act. | Final judgment by consent as to 1 defendant entered Apr. 3, 1958. Pending. |
| Greenwald, William | 3 | do. | Mar. 11, 1960 | Sec. 10(b) and Rule 10b-5, 1934 Act. | Preliminary injunction by consent entered as to 1 defendant Mar. 31, 1960, and by default as to 1 defendant Apr. 8, 1960. Pending. |
| Guardian Investment Corp. | 2 | District of Columbia. | Jan. 26, 1962 | Secs. 15(c)(3) and 17(a) and Rules 15c3-1 and 17a-3, 1934 Act. | Complaint filed Jan. 26, 1962. Preliminary injunction by consent as to both defendants entered Jan. 29, 1962. Pending. |
| Guild Films Co., Inc. | 4 | Southern District of New York. | Sept. 25, 1959 | Sec. 5, 1933 Act. | Notice of appeal filed from the order of preliminary injunction. Order entered by CA-2 affirming the judgment of the district court. Petition for certiorari denied on Oct. 10, 1960. Pending. |
| Guterma, Alexander L. (F. L. Jacobs Co.). | 2 | do. | Feb. 11, 1959 | Secs. 5(a) and (c) and 17(a), 1933 Act; Secs. 10(b), 13 and 16(a) and Rules 10b-5, 13a-1, 11 and 16a-1, 1934 Act. | Mandatory injunction by consent as to 1 defendant entered Feb. 26, 1959. Petition for reorganization under Chapter X of the Bankruptcy Act, filed in district court for the Eastern District of Michigan. Pending as to remaining defendant. |
| N. A. Hart & Co. | 3 | Eastern District of New York. | Jan. 8, 1962 | Secs. 15(c)(1), 15(c)(3), and 17(a) and Rules 15cl-2, 15c3-1 and 17a-3, 1934 Act. | Summons, complaint and request for the appointment of a receiver filed Jan. 8, 1962. Preliminary injunction and order appointing receiver entered Jan. 12, 1962. Answer filed. Petition of receiver for an order directing sale of all stocks listed in certain categories and for such other and further relief the court may deem just and proper, filed May 11, 1962. Pending. |
| Harvey, H. Duane | 3 | Western District of Washington. | Jan. 23, 1962 | Secs. 17(a)(2) and 17(a)(3), 1933 Act. | Complaint filed Jan. 23, 1962. Final judgment by consent as to all defendants entered Feb. 2, 1962. Closed. |
| Harwyn Securities, Inc. | 6 | Southern District of New York. | Jan. 16, 1961 | Sec. 17(a), 1933 Act; Secs. 10(b), 15(c)(3), 17(a) and Rules 10b-6, 15c3-1 and 17a-3, 1934 Act. | Summons and complaint filed Jan. 16, 1961. Final judgment by consent entered as to 3 defendants Feb. 8, 1961. Final judgment entered as to 1 defendant Mar. 22, 1961. Final judgment by default entered as to 1 defendant Sept. 19, 1961. Pending as to 1 defendant. |
| J. Henry Helser & Co. | 2 | Northern District of California. | Nov. 19, 1954 | Sec. 17(a)(2) and (3), 1933 Act; Sec. 10(b) and Rule 10b-5(2) and (3), 1934 Act; Sec. 206(2), Inv. Adv. Act of 1940. | Final compliance order by consent, Mar. 22, 1958. Order Mar. 25, 1958, granting application for amendment of Exhibit A to Interlocutory Order dated Apr. 29, 1955. Amended compliance order, May 8, 1958. Closed. |
| Henwood, Stanley E. | 22 | Southern District of California. | July 21, 1961 | Sec. 14(a) and Regulation 14, 1934 Act. | Complaint filed July 21, 1961. Final judgment as to 1 defendant entered Sept. 22, 1961. Order entered Sept. 27, 1961, dismissing as to 1 defendant. Final judgment entered Oct. 18, 1961, as to 6 defendants and dismissing action as to 14 defendants. Appeal filed Oct. 20, 1961, from the order entered Oct. 18, 1961. Order affirming and modifying judgment of district court entered Jan. 17, 1962. Petition of certiorari filed. Pending. |
| Hercules Mines Co. of Nevada. | 3 | Northern District of California. | June 5, 1962 | Sec. 5(a) and 5(c), 1933 Act. | Summons and complaint filed June 5, 1962. Final judgment as to all defendants entered June 28, 1962. Closed. |
| Higgins, G. Sterling | 6 | New Mexico | July 27, 1960 | Sec. 17(a), 1933 Act; Sec. 10(b) and Rule 10b-5, 1934 Act. | Complaint filed July 27, 1960. Preliminary injunction as to all defendants entered Aug. 15, 1960. Final judgment by consent as to 2 defendants entered Nov. 22, 1960. Default judgment as to 3 defendants entered Dec. 12, 1960. Pending as to remaining defendant. |
| Hiner, Donald M. dba Hiner & Co. | 1 | District of Columbia. | Mar. 30, 1962 | Secs. 15(c)(3) and 17(a) and Rules 15c3-1, 17a-3 and 17a-5, 1934 Act. | Complaint filed Mar. 30, 1962. Receiver appointed Apr. 2, 1962. Preliminary injunction by consent entered Apr. 5, 1962. Petition and order enlarging receiver's powers Apr. 27, 1962. Pending. |

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1962*—Con.

| Name of principal defendant | Number of defendants | U.S. District Court | Initiating papers filed | Alleged violations | Status of case |
|---|---|---|---|---|---|
| Donald J. Hinkley & Co. | 2 | Colorado | July 20, 1961 | Secs. 5(a), 5(c) and 17(a), 1933 Act; Secs. 15(c)(1) and 15(c)(3), 1934 Act; and Rules 15c1-2 and 15c3-1, 1934 Act. | Complaint and request for the appointment of a receiver filed July 20, 1961. Order entered appointing receiver. Final judgment by consent as to both defendants entered Oct. 11, 1961. Company liquidated by receiver. Closed. |
| J. P. Howell & Co., Inc. | 2 | New Jersey | June 20, 1960 | Secs. 15(c)(1), 15(c)(3) and Rules 15c1-2 and 15c3-1, 1934 Act. | Preliminary injunction as to both defendants entered Aug. 3, 1960. Answer filed Aug. 8, 1960. Pending. |
| Hughes Homes Acceptance Corp. | 3 | Montana | July 25, 1961 | Secs. 17(a)(2) and 17(a)(3), 1933 Act. | Complaint and request for the appointment of a receiver filed July 25, 1961. Final judgment by consent entered as to all defendants and receiver appointed July 28, 1961. Pending. |
| Insured Mortgage and Title Corp. | 4 | Southern District of Florida. | Nov. 15, 1960 | Secs. 5(a), 5(c) and 17(a), 1933 Act; Sec. 15(a), 1934 Act. | Complaint and request for the appointment of a receiver filed Nov. 15, 1960. Preliminary injunction entered Dec. 14, 1960. Receiver appointed Mar. 9, 1961. Pending. |
| International Iron, Inc. | 4 | Southern District of Texas. | Sept. 14, 1961 | Secs. 5(a), 5(c) and 17(a)(2) | Complaint filed Sept. 14, 1961. Final judgment by consent as to all defendants entered Sept. 29, 1961. Closed. |
| International Petroleum Holding Corp. | 4 | Utah | Feb. 11, 1960 | Secs. 5(a) and 5(c), 1933 Act. | Default judgment as to 1 defendant and consent judgment as to 1 defendant Oct. 6, 1960. Complaint dismissed Aug. 25, 1961, as to 1 defendant, and June 28, 1962, as to remaining defendant. Closed. |
| International Planning Inc. | 5 | District of Columbia. | Mar. 2, 1960 | Secs. 5(a) and (c) and 17(a), 1933 Act. | Final judgment by consent as to 3 defendants and dismissal as to 1 defendant entered Dec. 13, 1960. Final judgment by consent as to remaining defendant entered Oct. 4, 1961. Closed. |
| Investment Brokers of New Jersey, Inc. | 2 | New Jersey | Mar. 2, 1960 | Secs. 15(c)(1), 15(c)(2) and 17(a) and Rules 15c1-2, 15c3-1 and 17a-3, 1934 Act. | Complaint filed Mar. 2, 1960. Preliminary injunction by consent signed Mar. 30, 1960. Order entered approving final report of receiver and discharging him upon filing a supplemental final report, June 26, 1961. Receiver's supplemental final report filed, July 14, 1961. Pending. |
| Jacoby & Co., Inc. | 2 | Southern District of California. | Jan. 11, 1961 | Sec. 15(c)(3) and Rule 15c3-1, 1934 Act. | Complaint filed Jan. 11, 1961. Order to show cause and temporary restraining order signed, Oct. 30, 1961. Supplemental complaint and order for the appointment of a receiver filed Jan. 30, 1962. Answer of defendants to supplemental complaint, filed July 12, 1962. Pending. |
| F. S. Johns & Co. | 6 | New Jersey | June 20, 1962 | Sec. 17(a), 1933 Act | Summons and complaint filed June 20, 1962. Temporary restraining order signed June 20, 1962. Pending. |
| Josephson, Sidney B. (Stratford Securities Co., Inc.). | 5 | Southern District of New York. | Nov. 26, 1958 | Secs. 5 and 17(a), 1933 Act | Final judgment by consent as to 1 defendant entered as to Sec. 5, 1933 Act, Mar. 3, 1961. Default judgment entered Aug. 29, 1961, enjoining 1 defendant as to Secs. 5 and 17(a) of 1933 Act. Pending as to remaining defendants. |
| Keewaydin Shores, Inc., La-Sal Properties, Inc. | 2 | New Hampshire | Jan. 19, 1962 | Secs. 5(a) and 5(c), 1933 Act. | Complaint filed Jan. 19, 1962. Final judgment by consent as to both defendants entered Jan. 19, 1962. Closed. |
| Keller Brothers Securities Co., Inc. | 2 | Massachusetts | May 15, 1961 | Secs. 10(b), 15(c)(1), 15(c)(3) and Rules 10b-5, 15c1-2 and 15c3-1, 1934 Act. | Complaint and request for the appointment of a receiver filed May 15, 1961. Final judgment entered by the court as to 2 defendants Oct. 6, 1961, and permanent co-receivers appointed. Pending. |

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| Kormel, Inc. | 4 | Nevada | June 12, 1961 | Secs. 17(a) (2) and 17(a) (3), 1933 Act. | Complaint filed June 12, 1961. Final judgment by consent as to all defendants entered Sept. 27, 1961. Closed. |
| LaForce, Inc. | 2 | Vermont | July 6, 1961 | Secs. 5(a) and 5(c), 1933 Act. | Complaint filed July 6, 1961. Final judgment by consent as to both defendants entered Oct. 18, 1961. Closed. |
| J. H. Lederer Co., Inc. | 46 | Southern District of New York. | Dec. 9, 1958 | Secs. 5(b) (1) and (2), 10, 17(a) (1), (2) and (3), 1933 Act. | Final judgment by consent as to 2 defendants entered Dec. 19, 1958. Order entered dismissing action as to 1 defendant Dec. 21, 1961. Order directing clerk to mark case closed on Mar. 13, 1962. Motion for an order to set aside said order was denied Apr. 24, 1962. Notice of appeal filed May 11, 1962, from the order of the district court entered Mar. 13, 1962. Pending. |
| Norman Lemmons, Inc. | 2 | Northern District of Indiana. | May 12, 1961 | Sec. 15(c)(3) and Rule 15c3-1, 1934 Act. | Complaint filed May 12, 1961. Final judgment as to both defendants entered Sept. 7, 1961. Closed. |
| Lister, Leward M. dba Leward M. Lister & Co. | 1 | Massachusetts | June 8, 1962 | Sec. 15(c)(3), 1934 Act. | Complaint filed June 8, 1962. Final judgment by consent entered June 18, 1962. Closed. |
| Lloyd, Miller & Co. | 4 | Southern District of New York. | Apr. 27, 1962 | Secs. 15(b), 17(a) and Rules 15b-2 and 17a-3, 1934 Act. | Findings of fact and conclusions of law and order denying preliminary injunction on condition that defendants not engage in securities business pending outcome of administrative proceeding. Pending. |
| J. Logan & Co. | 5 | Southern District of California. | Aug. 20, 1958 | Sec. 17(a)(3), 1933 Act; Secs. 10(b) and 15(c)(1), 1934 Act. | Summons and complaint filed Apr. 27, 1962. Preliminary injunction entered May 31, 1962, as to all defendants. Pending. |
| Lowell, Murphy & Co., Inc. | 3 | Colorado | Oct. 11, 1961 | Sec. 15(c)(1), and Rule 15c1-2, 1934 Act. | Complaint and request for the appointment of a receiver filed Oct. 11, 1961. Preliminary injunction entered Oct. 18, 1961, enjoining 3 defendants. Order entered Oct. 20, 1961, denying motion for appointment of a receiver, and granting renewal of said motion if defendant company does not comply with stipulation dated Oct. 18, 1961. Order to show cause and temporary restraining order signed Feb. 2, 1962. Order permitting withdrawal of attorneys filed Apr. 3, 1962. Order entered Apr. 4, 1962, adjourning hearing to May 21, 1962, on plaintiff's application for appointment of receiver and on all pending motions. Pending. |
| Luckhurst & Co. Inc. | 4 | Southern District of New York. | Jan. 28, 1960 | Sec. 15(c)(3) and Rule 15c3-1, 1934 Act. | Order of dismissal as to all defendants entered Jan. 30, 1962. Closed. |
| Macinar, Inc. | 9 | District of Columbia. | Mar. 30, 1962 | Secs. 5 (a) and (c), 1933 Act. | Complaint filed Mar. 30, 1962. Preliminary injunction enjoining 3 defendants Apr. 19, 1962. Final judgments by consent as to 7 defendants entered Apr. 24, 1962. Pending as to remaining 2 defendants. |
| J. I. Magaril Co., Inc. | 4 | Southern District of New York. | May 28, 1962 | Secs. 15(c)(1), 15(c)(2), 15(c)(3), and 17(a) and Rules 15c1-2, 15c3-1, 15c2-4, 17a-5 and 17a-3, 1934 Act. | Complaint filed May 28, 1962. Final judgment by consent as to 3 defendants entered June 1, 1962. Stipulation dismissing action as to 1 defendant, June 11, 1962. Closed. |
| Magic Mountain Corp. | 2 | Vermont | July 18, 1961 | Secs. 5(a) and 5(c), 1933 Act. | Complaint filed July 18, 1961. Final judgment by consent as to both defendants entered July 18, 1961. Closed. |
| Mainland Securities Corp. | 2 | Southern District of New York. | Jan. 27, 1961 | Sec. 17(a) and Rules 17a-3 and 17a-4, 1934 Act. | Summons and complaint filed Jan. 27, 1961. Preliminary injunction signed as to both defendants. Stipulation of dismissal as to both defendants filed Dec. 26, 1961. Closed. |
| Ronald Mark & Co., Inc. | 5 | do | July 3, 1961 | Sec. 17(a), 1933 Act; Sec. 15(c) (1), 1934 Act. | Complaint filed July 3, 1961. Preliminary injunction as to all defendants entered July 19, 1961. Pending. |
| Mashburn, Morris | 1 | Middle District of Tennessee. | Dec. 7, 1961 | Secs. 5(a) and 5(c), 1933 Act. | Complaint filed Dec. 7, 1961. Final judgment by consent entered Dec. 7, 1961. Closed. |
| Matralin Co., Inc. | 3 | Northern District of Illinois. | Feb. 7, 1962 | Secs. 5(a) and 5(c), 1933 Act. | Complaint filed Feb. 7, 1962. Final judgment by consent as to all defendants entered Mar. 8, 1962. Closed. |
| P. Michael & Co. | 4 | New Jersey | Aug. 11, 1961 | Secs. 5 and 17(a), 1933 Act. | Summons and complaint filed Aug. 11, 1961. Final judgment by consent as to all defendants entered Oct. 10, 1961. Closed. |

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1962*—Con.

| Name of principal defendant | Number of defendants | U.S. District Court | Initiating papers filed | Alleged violations | Status of case |
|---|---|---|---|---|---|
| Midwest Technical Development Corp. | 22 | Minnesota | May 1, 1962 | Secs. 17(a), 17(d) and 17(e) and Rules 17d-1, and Sec. 20(a), Sec. 36 and Rule 20a-1, Inv. Co. Act of 1940; and Rules 14a-3, 14a-6 and 14a-9 of Regulation 14. | Summons, complaint and request for the appointment of a receiver filed May 1, 1962. Answers filed. Pending. |
| Miller, Sidney | 2 | Southern District of New York. | May 24, 1960 | Sec. 17(a) and Rule 17a-3, 1934 Act. | Final judgment by consent as to both defendants entered Apr. 6, 1962. Closed. |
| Mono-Kearsarge Consolidated Mining Co. | 7 | Utah | June 2, 1958 | Sec. 5(a) and (c), 1933 Act | Final judgments by consent entered July 17, 1958, as to 1 defendant and Aug. 25, 1958, as to 1 defendant. Final judgment by the court as to 3 defendants entered Oct. 21, 1958. Order entered dismissing action as to 2 defendants June 28, 1962. Closed. |
| Raymond Moore & Co. | 2 | Southern District of California. | June 15, 1962 | Sec. 15(c) (3) and Rule 15c3-1, 1934 Act. | Complaint filed June 15, 1962. Final judgment by consent as to both defendants entered June 15, 1962. Closed. |
| Motors Insurance Investment Corp. | 2 | Northern District of Texas. | Mar. 9, 1962 | Secs. 5(a)(1), 5(a)(2) and 5(c), 1933 Act. | Complaint filed Mar. 9, 1962. Final judgment by consent as to both defendants entered Mar. 9, 1962. Closed. |
| Mountain States Petroleum Corp. | 9 | Utah | Mar. 29, 1962 | Secs. 5(a) and 5(c) and 17(a), 1933 Act. | Complaint filed Mar. 29, 1962. Final judgments by consent entered Apr. 17, 1962, as to 4 defendants and Apr. 27, 1962, as to 4 defendants. Order dismissing as to 1 defendant without prejudice entered June 28, 1962. Closed. |
| National Securities, Inc. | 6 | Arizona | Aug. 2, 1961 | Secs. 17(a)(2) and 17(a)(3), 1933 Act. | Complaint filed Aug. 2, 1961. Preliminary injunction by consent entered Sept. 5, 1961, as to all defendants. Pending. |
| Newman, Hal C. | 1 | Northern District of Texas. | June 5, 1962 | Secs. 5(a)(1), 5(a)(2) and 5(c), 1933 Act. | Complaint filed June 5, 1962. Final judgment by consent entered June 5, 1962. Closed. |
| Philip Newman Associates Inc. | 43 | New Jersey | Dec. 30, 1958 | Secs. 5(a)(1) and (2) and 17(a) (1), (2), and (3), 1933 Act. | Final judgments by consent as to 4 defendants entered Jan. 19, 1959; as to 2 defendants Sept. 1, 1959; as to 9 defendants Apr. 7, 1961, and as to 1 defendant Jan. 1962. Order dismissing as to remaining 27 defendants entered Jan. 31, 1962. Pending as to receiver. |
| Odzer, Harry dba Harry Odzer Co. | 1 | Southern District of New York. | June 15, 1962 | Secs. 15(c)(1), 15(c)(3) and 17(a) and Rules 15c1-2, 15c3-1 and 17a-3, 1934 Act. | Summons, complaint and request for the appointment of a receiver filed June 15, 1962. Temporary restraining order signed June 15, 1962. Pending. |
| Osborne, Clark & Van Buren, Inc. | 2 | do | Mar. 16, 1961 | Sec. 17(a) and Rule 17a-3, 1934 Act. | Summons and complaint filed Mar. 16, 1961. Final judgment by default as to 1 defendant entered Nov. 30, 1961. Pending as to remaining defendant. |
| Peerless-New York Inc. | 6 | do | Feb. 13, 1960 | Secs. 5 and 17(a), 1933 Act; Sec. 10(b) and Rule 10b-6, 1934 Act. | Final judgment by consent as to 3 defendants and receiver appointed Feb. 26, 1960. Final judgment by consent as to remaining defendants for violations of Sec. 5 of 1933 Act, Mar. 22, 1960. Pending as to receiver. |
| Do | 1 | do | Nov. 7, 1957 | Sec. 15(c)(3) and Rule 15c3-1, 1934 Act. | Preliminary injunction entered Feb. 3, 1958. Pending. |
| Perma Research and Development Co. and Frank A. Perrino. | 2 | Massachusetts | Oct. 5, 1961 | Secs. 5(a), 5(c) and 17(a), 1933 Act. | Complaint filed Oct. 5, 1961. Final judgment by consent as to both defendants entered Oct. 30, 1961. Closed. |

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| Peruvian Oil Concessions Co., Inc. | 5 | Southern District of New York. | Apr. 2, 1959 | Sec. 15(d), 1934 Act | Mandatory judgment by consent as to 2 defendants entered May 4, 1959. Pending. |
| Petroleum Development Services, Inc. | 4 | Eastern District of Michigan. | Mar. 19, 1962 | Secs. 5 (a) and (c) and 17(a), 1933 Act. | Complaint filed Mar. 19, 1962. Final judgment by consent as to all defendants entered Mar. 20, 1962. Closed. |
| Phoenix Securities | 10 | New Jersey | Apr. 24, 1962 | Sec. 17(a), 1933 Act | Summons and complaint filed Apr. 24, 1962. Preliminary injunction as to all defendants entered May 16, 1962. Pending. |
| Pittsburgh Hanseatic, Inc. | 1 | Western District of Pennsylvania. | Aug. 11, 1961 | Sec. 15(c)(3), and Rule 15c3-1, 1934 Act. | Compliant filed, receiver appointed and final judgment by consent as to 1 defendant entered Aug. 11, 1961. Order entered Jan. 9, 1962, discharging receiver. Closed. |
| Pruett & Company, Inc. | 3 | Northern District of Georgia. | May 15, 1961 | Secs. 17(a)(2), 17(a)(3), 1933 Act; Secs. 15(c)(1), 15(c)(3), 10(b), 17(a) and Rules 15c1-2, 15c3-1, 10b-5 and 17a-3, 1934 Act. | Complaint and request for the appointment of a receiver filed May 15, 1961. Final judgment by consent entered as to all defendants and receiver appointed May 15, 1961. Pending. |
| E. J. Quinn & Co., Inc. | 2 | Southern District of New York. | Jan. 20, 1960 | Secs. 15(c)(1), 15(c)(3) and 17(a) and Rules 15c1-2, 15c3-1 and 17a-3, 1934 Act. | Complaint filed Jan. 20, 1960. Final judgment by consent as to both defendants entered Mar. 1, 1962. Closed. |
| Herbert Rapp bda Webster Securities Co. | 15 | do | Apr. 29, 1958 | Sec. 17(a), 1933 Act | Final judgment as to 1 defendant entered Jan. 27, 1960 and action dismissed as to 9 defendants. On Sept. 19, 1961, the district court dismissed the complaint as to 4 defendants for failure of proof. On Oct. 18, 1961, a notice of appeal from the judgment of the district court was filed. On Jan. 24, 1962, action as to 1 defendant dismissed by stipulation. Opinion rendered June 21, 1962, reversing and remanding for further proceedings as to 1 defendant and issuance of permanent injunction as to 2 defendants. Pending as to 4 defendants. |
| Reed, Hutchison & Co., Inc. | 4 | do | Oct. 20, 1960 | Sec. 17(a) and Rule 17a-3, 1934 Act. | Summons and complaint filed Oct. 20, 1960. Default judgment as to 3 defendants entered Mar. 21, 1961. Pending as to remaining defendant. |
| Casper Rogers & Co., Inc. | 2 | do | Apr. 7, 1961 | Secs. 15(c)(3), 17(a) and Rules 15c3-1 and 17a-3, 1934 Act. | Summons and complaint filed Apr. 7, 1961. Opinion rendered May 15, 1961, denying plaintiff's motion for preliminary injunction. Pending. |
| Ronwin Securities Corp. | 2 | Eastern District of New York. | Mar. 20, 1962 | Secs. 15(c)(1), 15(c)(3) and 17(a) and Rules 15c1-2, 15c3-1 and 17a-3, 1934 Act. | Complaint and request for the appointment of a receiver filed Mar. 20, 1962. Final judgment by consent enjoining both defendants and order appointing a receiver entered Mar. 20, 1962. Pending. |
| San Juan Petroleum Corp. | 3 | Massachusetts | Feb. 7, 1962 | Secs. 5(a), 5(c) and 17(a), 1933 Act. | Complaint filed Feb. 7, 1962. Final judgment by consent as to all defendants entered Mar. 23, 1962. Closed. |
| Sano, Anthony J. | 2 | Southern District of New York. | June 30, 1959 | Secs. 15(c)(1) and 15(c)(3) and Rules 15c1-2 and 15c3-1, 1934 Act. | Final judgment by consent entered as to both defendants and receiver appointed July 1, 1959. Pending as to receiver. |
| Security Adjustment Corp. | 3 | Eastern District of New York. | Feb. 15, 1960 | Secs. 15(c)(1), 15(c)(3) and Rules 15c1-2 and 15c3-1, 1934 Act. | Summons, complaint and request for the appointment of a receiver filed Feb. 15, 1960. Stipulation of dismissal as to all defendants filed Mar. 13, 1962. Closed. |
| Shanman, Neil James | 4 | Southern District of New York. | Nov. 15, 1960 | Secs. 15(c)(3) and 17(a) and Rules 15c3-1 and 17a-3, 1934 Act. | Summons and complaint filed Nov. 15, 1960. Amended complaint adding additional violations and request for the appointment of a receiver filed. Stipulation consenting to withdrawal of motion for receiver filed. Final judgment by consent as to 2 defendants entered Apr. 24, 1961. Pending as to remaining defendants. |
| Sheppard, Oscar R. dba O. R. Sheppard and Co. | 1 | District of Columbia. | May 26, 1962 | Secs. 15(c)(3) and 17(a) and Rules 15c3-1 and 17a-3, 1934 Act. | Complaint filed May 26, 1962. Plaintiff's motion for appointment of receiver denied. Final judgment by consent entered May 26, 1962. Closed. |

TABLE 17.—*Injunctive proceedings brought by the Commission which were pending during the fiscal year ended June 30, 1962*—Con.

| Name of principal defendant | ber of defend-ants | U.S. District Court | Initiating papers filed | Alleged violations | Status of case |
|---|---|---|---|---|---|
| Shiels Securities, Inc. | 4 | Oregon | Apr. 18, 1961 | Sec. 17(a), 1933 Act | Complaint and motion for preliminary injunction filed Apr. 18, 1961. Answer filed May 10, 1961. Stipulation and order entered Oct. 23, 1961, staying proceedings pending final determination of administrative proceedings. Pending. |
| H. S. Simmons & Co., Inc. | 2 | Southern District of New York. | Jan. 6, 1961 | Secs. 15(c)(1), 15(c)(3), 10(b) and Rule 15c1-2, 15c3-1 and 10b-5, 1934 Act. | Summons, complaint and request for the appointment of a receiver filed Jan. 6, 1961. Preliminary injunction and appointment of a receiver entered Jan. 23, 1961. Pending. |
| Sissom, Joe Bert dba Sissom Investment Securities. | 1 | Western District of Texas. | Mar. 14, 1962 | Secs. 17(a)(2), and 17(a)(3), 1933 Act; Secs. 8(c)(2), 8(d), 10(b), 15(b), 15(c)(1), 15(c)(3), 17(a) and Rules 8c-1(a)(3), 10b-5, 15b-2(b), 15c1-2(a), 15c3-1 and 17a-3, 1934 Act. | Complaint filed Mar. 14, 1962. Final judgment by consent entered Apr. 12, 1962. Closed. |
| Southwell, Robert J. dba R. J. Southwell Co. | 1 | New Jersey | Aug. 26, 1960 | Secs. 17(a), 15(b) and Rules 15b-2 and 17a-3, 1934 Act. | Summons and complaint filed Aug. 26, 1960. Final judgment by consent entered June 15, 1962. Closed. |
| Standard Petroleum Corp. | 3 | Massachusetts | Apr. 4, 1962 | Secs. (5(a) and 17(a), 1933 Act. | Complaint filed Apr. 4, 1962. Final judgment by consent as to 2 defendants entered Apr 16, 1962. Final judgment as to 1 defendant entered June 18, 1962. Pending. |
| Stocks and Bonds, Inc. and George M. Mitchell. | 2 | Southern District of Mississippi. | Apr. 16, 1962 | Sec. 17(a)(2), 1933 Act; Secs. 15(a) and 15(c)(1) and Rule 15c1-2, 1934 Act. | Complaint filed Apr. 16. 1962. Final judgment by consent as to both defendants entered Apr. 21, 1962. Closed. |
| Strong Productions Inc. | 3 | Northern District of California. | Dec. 6, 1960 | Secs. 5(a) and 5(c), 1933 Act | Summons and complaint filed Dec. 6, 1960. Pending. |
| Sylvester-Anderson Oil Co., Inc. | 3 | Northern District of Indiana. | Mar. 1, 1962 | Secs. 5(a) and 5(c), 1933 Act | Complaint filed Mar. 1, 1962. Final judgment by consent as to all defendants entered Apr. 16, 1962. |
| Tague, W. Edward | 1 | Western District of Pennsylvania. | Mar. 30, 1961 | Secs. 15(c)(1), 15(c)(3) and 17(a) and Rules 15c1-2, 15c3-1 and 17a-3, 1934 Act. | Final judgment by consent entered May 24, 1961. Pending as to receivership. |
| Tannen & Co., Inc. | 20 | Southern District of New York. | Aug. 2, 1957 | Secs. 5(a) (1), (2) and 5(c), 1933 Act. | Final judgment by consent as to 8 defendants on various dates. Notice of dismissal as to 12 defendants filed Nov. 30, 1961. Closed. |
| Scott Taylor & Co., Inc. | 7 | do | Jan. 28, 1959 | Sec. 17(a), 1933 Act | Final judgments by consent entered Jan. 6, 1961, as to 2 defendants and Apr. 5, 1962, as to 2 defendants. Pending as to remaining defendants. |
| Do | 3 | do | Aug. 18, 1959 | Sec. 17(a), 1933 Act; Sec. 10(b), 1934 Act. | Final judgments by consent entered Oct. 18, 1961, as to 1 defendant and Nov. 1, 1961, as to 2 defendants. Closed. |
| TexN Petroleum Corp. | 6 | Southern District of Texas. | July 17, 1961 | Sec. 15(d), 1934 Act | Complaint filed July 17, 1961. Order entered dismissing action as to 1 defendant and final judgment by consent enjoining remaining 5 defendants entered Aug. 2, 1961. Closed. |
| Titan Mines, Inc. | 3 | Colorado | June 25, 1962 | Secs. 5(a), 5(c) and 17(a), 1933 Act. | Complaint and request for the appointment of a receiver filed June 25, 1962. Temporary restraining order entered June 26, 1962. Pending. |
| Tower Hotel Corp. | 7 | Nevada | Jan. 23, 1961 | Secs. 5(a), 5(c) and 17(a), 1933 Act. | Complaint filed Jan. 23, 1961. Final judgments by consent as to 6 defendants filed on various dates. Final judgment by consent as to remaining defendant filed Sept. 1, 1961. Closed. |

| | | | | | |
|---|---|---|---|---|---|
| Townsend Corp. of America. | 14 | New Jersey | Apr. 24, 1961 | Secs. 7, 12, 18, 20, 21, 30, 34, 36, 48 and Rule 30d–1 Inv. Co. Act of 1940. | Final judgments by consent as to 5 defendants entered May 31, 1961. Dismissal as to remaining defendants entered May 31, 1961. Order entered appointing interim board of directors. Pending. |
| Triumph Mines, Ltd. | 3 | Western District of Washington. | Mar. 18, 1958 | Secs. 5(a) and (c) and 17(a), 1933 Act. | Final judgment by consent as to 2 defendants entered Mar. 18, 1958. Remaining corporate defendant dismissed without prejudice Apr. 20, 1962. Closed. |
| Union Corp. of America. | 8 | Eastern District of Missouri. | May 22, 1961 | Sec. 15(d), 1934 Act. | Mandatory injunction entered Jan. 26, 1962. Appeal filed Mar. 22, 1962. Pending. |
| Jean R. Veditz Co., Inc. | 1 | Southern District of New York. | Oct. 18, 1957 | Sec. 15(c)(3) and Rule 15c3–1, 1934 Act. | Notice of appeal filed Jan. 12, 1959, by Commission from the order of the district court denying permanent injunction Jan. 6, 1959. Pending. |
| Vickers, Christy & Co., Inc. | 3 | do | Feb. 6, 1961 | Secs. 15(c)(3), 15(c)(1), 17(a) and Rules 15c3–1, 15c1–2 and 17a–3, 1934 Act. | Summons and complaint filed Feb. 6, 1961. Amended complaint filed Feb. 14, 1961, seeking additional violations of Sec. 15(c)(1) and Rule 15c1–2 of 1934 Act, and for an order appointing a receiver. Order of preliminary injunction entered Mar. 27, 1961, and receiver appointed Mar. 30, 1961. Court enlarged receiver's powers and directed him to liquidate corporate defendant. Permanent injunction by default entered as to all defendants, Dec. 1, 1961. Pending as to receiver. |
| Vincent Associates, Ltd. and Vincent Agostino. | 2 | do | Dec. 21, 1961 | Sec. 17(a), 1934 Act. | Summons and complaint filed Dec. 21, 1961. Amended complaint filed. Final judgment by default as to both defendants entered Mar. 7, 1962. Closed. |
| Mulford Wakeman & Co., Inc. | 2 | District of Columbia. | Dec. 8, 1961 | Secs. 15(c)(1), 15(c)(3) and 17(a), and Rules 15c1–2, 15c3–1 and 17a–3, 1934 Act. | Complaint and request for the appointment of a receiver filed Dec. 8, 1961. Final judgment by consent as to both defendants, and order appointing receiver entered Dec. 11, 1961. Pending. |
| Western Industries, Inc. | 2 | Nevada | July 24, 1961 | Secs. 17(a)(2) and 17(a)(3), 1933 Act. | Summons and complaint filed July 24, 1961. Answer filed. Pending. |
| Western Travel, Inc. | 7 | Utah | June 22, 1962 | Secs. 5(a) and 5(c), 1933 Act. | Complaint filed June 22, 1962. Pending. |
| Whiffen Estate, Inc. | 5 | Northern District of Texas. | Mar. 29, 1962 | Secs. 5(a)(1), 5(a)(2) and 5(c), 1933 Act. | Complaint filed Mar. 29, 1962. Final judgment by consent as to all defendants entered Apr. 26, 1962. Closed. |
| Whitaker, C. B. A. J. Zappa & Co., Inc. | 3 | Southern District of New York. | Sept. 28, 1960 | Sec. 15(c)(3) and Rule 15c3–1, 1934 Act. | Summons and complaint filed Sept. 28, 1960. Final judgment by consent as to all defendants entered Dec. 28, 1961. Closed. |
| White Caps Gold Mining Co. | 3 | Northern District of California. | June 5, 1962 | Secs. 5(a) and 5(c), 1933 Act. | Summons and complaint filed June 5, 1962. Final judgment by consent as to all defendants entered June 28, 1962. Closed. |
| Richard Woike & Co. | 3 | Southern District of New York. | June 7, 1962 | Secs 15(a) and 17(a), Rule 17a–3, 1934 Act. | Summons and complaint filed June 7, 1962. Pending. |
| Woods & Co., Inc., Capital Securities, Co. | 2 | Western District of Texas. | Nov. 22, 1961 | Secs. 5(a), 5(c) and 17(a)(2), 1933 Act; Secs. 15(c)(1), 15(c)(3) and 17(a) and Rules 15c1–2, 15c3–1 and 17a–3, 1934 Act. | Complaint filed Nov. 22, 1961. Final judgments by consent entered Feb. 22, 1962, as to 1 defendant and May 16, 1962, as to the remaining defendant. Closed. |
| World Land Corp. | 11 | Colorado | Apr. 12, 1962 | Secs. 5(a) and 5(c) and Sec. 17(a), 1933 Act. | Complaint filed Apr. 12, 1962. Final judgments by consent as to 5 defendants entered Apr. 27, 1962. Answers filed. Final judgments by consent as to 2 defendants entered June 18, 1962. Pending as to remaining defendants. |
| Benjamin Zwang & Co., Inc. | 2 | Southern District of New York. | Sept. 27, 1956 | Sec. 15(c)(3) and Rule 15c3–1, 1934 Act. | Note of issue filed Aug. 6, 1958. Pending. |

TABLE 18.—*Proceedings by the Commission to enforce subpoenas pending during the fiscal year ended June 30, 1962*

| Principal defendants | Number of defendants | U.S. District Court | Initiating papers filed | Sections of act involved | Status of case |
|---|---|---|---|---|---|
| Stewart, Marshall I. | 1 | District of Columbia. | Sep. 21, 1961 | Sec. 22(b), 1933 Act | Order Sept. 21, 1961, directing respondent to show cause why an order should not issue requiring compliance with subpoena. Pending. |
| Sylvester-Anderson Oil Co., Inc. | 1 | Northern District of Indiana. | June 13, 1962 | do | Order June 13, 1962, directing respondent to show cause why order should not issue requiring compliance with subpoena. Order to show cause returnable July 5, 1962. Pending. |

TABLE 19.—*Actions pending during fiscal year ended June 30, 1962, 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 | U.S. District Court | Initiating papers filed | Status of case |
|---|---|---|---|
| Arkansas Fuel Oil Corp., et al. | Delaware | July 19, 1960 | Application filed by Commission for an order enforcing the carrying out of a plan pursuant to Sec. 11(d) and 18(f) of the 1935 Act, as per Commission order of July 14, 1960. Order Sept. 2, 1960, approving and enforcing plan with the Court taking jurisdiction and possession of Arkansas Fuel Oil Corporation and its assets. Pending as to certain fees. |
| Arkansas Natural Gas Corp., et al., In re. | do | Reopened June 25, 1956 | Petition filed June 25,1956, by Cities Service Company for an order requiring Elias Auerback to show cause why he should not be adjudged in contempt of order entered Jan. 29, 1953, Petition filed by Louis E. Marron July 23, 1956, seeking intervention. Order Oct. 26, 1956, denying petition for intervention but directing the petitioner be permitted to appear amicus curiae. Pending as to certain fees. |
| Long Island Lighting Co., et al., In re. | Eastern District of New York. | Reopened Oct. 14, 1960 | Application by Long Island Lighting Co. for an order extending time for the exchange of its old stock for the new stock provided in the plan of consolidation from Oct. 24, 1960, to Oct. 24, 1962. Order Oct. 19, 1960, granting application with Commission's consent attached. Pending. |
| Louisiana Gas Service, et al., In re. | Eastern District of Louisiana. | Reopened Aug. 12, 1960 | Supplemental application filed by Commission for an order enforcing the carrying out of amendments to a plan pursuant to Sec. 11(e) and 18(f) of the 1935 Act, approved by Commission order of Aug. 11, 1960, and to enjoin interference of amended plan. Order Sept. 14, 1960, approving and enforcing amendments to the plan. Closed. |
| Lynn Electric Co., et al., In re. | Massachusetts | Aug. 10, 1961 | Application filed by Commission for an order enforcing the carrying out of a plan pursuant to Sec. 11(e) of the 1935 Act, as per Commission order of Aug. 3, 1961. Order Oct. 23, 1961, approving and enforcing plan. Closed. |
| New Orleans Public Service Inc., et al., In re. | Eastern District of Louisiana. | Oct. 23, 1961 | Application filed by Commission for an order enforcing the carrying out of a plan pursuant to Sec. 11(e) of the 1935 Act, approved by Commission order entered Oct. 19, 1961, and enjoining interference with the plan. Order Dec. 1, 1961, approving and enforcing plan. Pending. |
| Pennsylvania Gas Co., et al., In re. | Western District of Pennsylvania. | Feb. 28, 1962 | Application filed by the Commission for an order approving and enforcing the carrying out of a plan pursuant to Sec. 11(e) of the 1935 Act, as approved by Commission order entered Feb. 19, 1962. Order Apr. 10, 1962, approving and enforcing plan. Closed. |
| Standard Gas & Electric Co., et al., In re. | Delaware | Reopened Jan. 26, 1961 | Supplemental application filed by Commission for an order enforcing the carrying out of Step V as amended of the Standard Plan pursuant to Sec. 11(e) of the 1935 Act, approved by Commission order of Jan. 19, 1961, and to enjoin interference with carrying out of the plan. Order Apr. 22, 1961, approving and enforcing plan and reserving jurisdiction to the court. Pending. |
| Valley Gas Co., In re. | Rhode Island | Aug. 12, 1960 | Application filed by Commission for an order enforcing Step I of a plan pursuant to Sec. 11(e) of the 1935 Act, as approved by Commission order of Aug. 10, 1960. Commission's memorandum on its application filed. Brief and supplemental brief filed by John B. Kelaghan in support of his statement of objections. Order Oct. 21, 1960, enforcing provisions of Step I of plan with the court reserving jurisdiction. Notice of appeal filed Jan. 25, 1961, by Kelaghan from the order of the District Court. Stipulation and order Jan. 5 1961, suspending order of Oct. 21, 1960, pending appeal. Briefs for appellants and Valley Gas Co., et al., filed. Commission's brief Feb. 23, 1961, served. Judgment by CA–1 Mar. 24, 1961, affirming order of the district court. Step II of plan, providing for rights of Valley Gas common stock to stockholders of Eastern Utilities Associates and minority, stockholders of Blackstone Valley Gas and Electric Company, filed June 27, 1962. Pending. |

TABLE 20.—*Contempt proceedings pending during the fiscal year ended June 30, 1962*

CRIMINAL CONTEMPT PROCEEDINGS

| Principal defendants | Number of defendants | U.S. District Court | Initiating papers filed | Status of case |
|---|---|---|---|---|
| Birrell, Lowell M | 1 | Southern District of New York. | Oct. 11, 1957 | Pending. |
| Colotex Uranium and Oil Inc. | 3 | Colorado | Jan. 17, 1957 | Order of Jan. 17, 1957, directing defendants to show cause why they should not be adjudged in criminal contempt for violating injunction, prohibiting violations of Secs. 5 and 17 of the 1933 Act. Order entered adjudging all defendants guilty and sentencing ranged from fines of $200 to $350. |
| Kormel, Inc | 3 | Nevada | Mar. 2, 1962 | Order of Mar. 2, 1962, directing the defendants to show cause why they should not be adjudged in criminal contempt of injunction prohibiting violations of Sec. 17 of the 1933 Act. Pending. |
| Winburn, Roland (All American Marble Co.). | 1 | Colorado | Sept. 14, 1961 | Order of Sept. 14, 1961, to show cause why he should not be punished for criminal contempt in violation of final judgment entered June 30, 1955, in *S.E.C.* v. *Roland Winburn*. Order dismissed Nov. 3, 1961. |

TABLE 21.—*Petitions for review of orders of Commission pending in courts of appeals during the fiscal year ended June 30, 1962*

| Petitioner | U.S. Court of Appeals | Initiating papers filed | Commission action appealed from and status of case |
|---|---|---|---|
| Aurell, Walter A. | 2d Circuit | May 21, 1962 | Petition to review order Mar. 28, 1962, affirming the disciplinary action taken against petitioner by NASD, Inc. Pending. |
| Berko, Irwin | do | Apr. 5, 1961 | Order Feb. 6, 1961, finding petitioner to be a cause of the broker-dealer registration of Mac Robbins Co., Inc. Petitioner's brief and appendix filed. Opinion and judgment entered by CA-2 remanding case to the Commission. Commission opinion pursuant to remand promulgated July 11, 1962. Pending. |
| Brown, Barton & Engel | 3d Circuit | June 20, 1962 | Order June 8, 1962, suspending petitioner's broker-dealer registration pending final determination of the issue of revocation. Notice of motion for stay filed June 20, 1962. Pending. |
| D'Antoni & Associates, Inc., Blaise, et al. | 5th Circuit<br>USSC | June 16, 1960 | Order Apr. 19, 1960, revoking the broker-dealer registration of Blaise D'Antoni & Associates, Inc. and denying application for withdrawal of registration of Blaise D'Antoni. Briefs and reply briefs filed. Opinion Apr. 20, 1961, affirming the Commission order. Opinion June 12, 1961, denying petition for rehearing. Order June 15, 1961, granting stay of mandate for a period of 90 days from June 12, 1961. Petition for writ of certiorari filed Aug. 30, 1961, and denied Nov. 6, 1961. Closed. |
| Franklin, Samuel B., & Co. | 9th Circuit<br>USSC | June 15, 1959 | Order of Mar. 24, 1959, dismissing proceedings instituted by petitioner pursuant to Sec. 15A(g) of the 1934 Act, for review of disciplinary action by the NASD, Inc.; and Commission's order of Apr. 20, 1959, denying rehearing. Briefs and reply briefs filed. Opinion May 1, 1961, affirming the order of the Commission. Petition for rehearing denied June 3, 1961. Petition for writ of certiorari filed Aug. 14, 1961, and denied Oct. 23, 1961. Closed. |
| Hennesey, Dorothy dba Hennesey & Co. | 3d Circuit | Sept. 13, 1960 | Order July 15, 1960, pursuant to Sec. 6(c) of the Investment Company Act of 1940, exempting Great American Life Underwriters, Inc., of which petitioner is a stockholder from all provisions of the Act after Jan. 1, 1940. Motion and memorandum by intervenor-respondent Great American Life Underwriters, Inc., to dismiss petition for review served Nov. 23, 1960. SEC's memorandum in opposition to motion to dismiss filed Dec. 2, 1960. Petitioner's brief and intervenor's briefs on motions to dismiss filed. Opinion and order Jan. 10, 1961, denying intervenor's motion to dismiss petition for review. Various briefs filed by all parties. Mandate of CA-3 affirming order of the Commission. Petition for rehearing filed and denied. Closed. |
| Holman & Co., Inc., R.A. | USDC DC<br>CA DC<br>USSC | June 13, 1961 | (Considered a petition for review although filed in the District Court.) Summons and complaint filed demanding a judgment enjoining pending proceeding before the Commission and declaring invalid Rule 252(e)(2) of Regulation A, which curtails plaintiff's underwriting activities in exempt offerings. Motion to dismiss Complaint June 21, 1961. Plaintiff's brief in opposition to motion to dismiss filed June 26, 1961. Order July 6, 1961, granting motion for dismissal, denying plaintiff's motions for preliminary injunction and for stay. Notice of appeal filed by R. A. Holman & Co., Inc., from the order of the district court. Order Jan. 18, 1962, affirming judgment of the district court, dismissing action for lack of jurisdiction and failure to state a claim. Writ of certiorari denied on June 4, 1962. Closed. |
| Kahn, Arnold Leonard | 2d Circuit | Mar. 24, 1961 | Order Feb. 6, 1961, revoking the broker-dealer registration of Mac Robbins & Co., Inc., and finding Kahn among others a cause of such revocation. Petitioner's brief and appendix filed. Opinion of CA-2 remanding decision to the Commission. Pending. |

TABLE 21.—*Petitions for review of orders of Commission pending in courts of appeals during the fiscal year ended June 30, 1962*—Con.

| Petitioner | U.S. Court of Appeals | Initiating papers filed | Commission action appealed from and status of case |
|---|---|---|---|
| Leighton, William | {2d Circuit<br>USSC | {Aug. 26, 1960 | Petition to review Commission's failure to take action against management of Paramount Pictures Corp. for alleged violations of proxy rules under Sec. 14(a) of the 1934 Act. Order Nov. 3, 1960, granting SEC's motion to dismiss petition for review, and denying petitioner's cross motion for summary judgment. Order Feb. 7, 1961, denying petitioner's motion to vacate order of Nov. 3, 1960. Petition for writ of certiorari filed and denied Apr. 17, 1961. Petition for rehearing filed in CA–2 and denied July 17, 1961. Closed. |
| Nadler, Aaron M | do | Feb. 17, 1961 | Order Dec. 23, 1960, affirming Commission order of Dec. 30, 1959, exempting Securities Corporation General, a registered investment company, from provisions of Sec. 17(a) of the 1940 Act, and permitting it to purchase its own preferred stock in accord with Sec. 23(c)(3) of the Act. Order Mar. 6, 1961, granting Securities Corporation General to intervene as intervenor-respondent. Order entered Nov. 14, 1961, affirming the order of the Commission. Closed. |
| Organ & Co., Inc., N. Sims | do | Mar. 21, 1961 | Order Mar. 14, 1961, revoking the broker-dealer registration of the petitioner and finding N. Sims Organ a cause of such revocation. Judgment entered Sept. 19, 1961, affirming the order of the Commission. Petition for writ of certiorari filed from the order entered Sept. 19, 1961. Brief of the Commission in opposition filed Jan. 1962. Petition for writ of certiorari denied Jan. 15, 1962. Closed. |
| Powell, I. Vincent | do | May 3, 1961 | Petition to review orders of the Commission of Mar. 8, and Mar. 31, 1961, instituting proceedings to determine whether to deny broker-dealer registration and postponing the effective date of registration until a final determination on the question of denial. Response of the SEC to petitioner s motion to stay SEC orders filed June 1, 1961. Memorandum of petitioner in support of motion for stay filed June 3, 1961. Pending. |
| Stewart, Marshall I | CA DC | Mar. 5, 1962 | Petition to set aside order of the Commission issued Feb. 12, 1962, directing petitioner to testify and produce records pertaining to hearing of Lloyd, Miller and Company. Motion for stay of proceedings filed Mar. 5, 1962, and denied Mar. 7, 1962. Order dismissing petition for review Mar. 22, 1962. Closed. |
| Zigman, Leonard H | 5th Circuit | Feb. 14, 1962 | Order Jan. 5, 1962, affirming the disciplinary action taken against petitioner by National Association of Securities Dealers, Inc. Order staying order of Jan. 5, 1962, pending appeal. Stipulation dismissing appeal with prejudice filed June 19, 1962. Closed. |

TABLE 22.—*Miscellaneous actions involving the Commission or employees of the Commission during the fiscal yead ended June 30, 1962*

| Plaintiff | Court | Initiating papers filed | Status of case |
|---|---|---|---|
| Hansen, Howard J. | District of Columbia | Dec. 8, 1961 | Complaint filed Dec. 8, 1961, for judgment restraining Commission from joining plaintiff as a party to pending revocation proceedings in re Atlantic Equities Company and Klein, Runner and Black. Answer filed by SEC on Feb. 7, 1962. Defendants' motion to dismiss and for summary judgment filed Feb. 7, 1962. Order Mar. 5, 1962, granting motion and allowing plaintiff to file amended complaint. Amended complaint filed Mar. 5, 1962. Answer to amended complaint and motion for summary judgment filed Mar. 16, 1962. Order entered Apr. 6, 1962, granting defendant's motion for judgment on pleadings. Closed. |
| R. A. Holman & Co., Inc. | do | June 13, 1962 | Summons and complaint filed June 13, 1962, seeking a permanent injunction to enjoin the Commission from further administrative proceedings entitled, "In the matter of R. A. Holman & Co., Inc., and In the matter of Pearson Corporation". Pending. |
| Kukatush Mining Corp., et al. | District of Columbia<br>CA DC | Aug. 24, 1961<br>Oct. 26, 1961 | Complaint filed Aug. 24, 1961, for a declaratory judgment restraining Commission from continuing to include the name Kukatush Mining Company in the Canadian Restricted List issued by the Commission. Motion to dismiss complaint filed Sept. 12, 1961. Opinion and order granting the Commission's motion Oct. 19, 1961. Notice of appeal filed from the district court's order. Various briefs filed and case argued. Pending. |
| Levinson, Herman D. | U.S. Court of Claims | July 30, 1954 | Petition for judgment alleging improper separation in reduction in force and seeking recovery of lost pay filed July 30, 1954. Government's first amended answer filed Jan. 12, 1961. Defendant's brief and exceptions filed Jan. 10, 1962. To be argued before the court during the week of Oct. 1, 1962. Pending. |
| Silver Springs Acres, Inc., and Joseph Onello. | Southern District of New York. | June 11, 1962 | Order directing respondent to show cause why subpoena duces tecum directed to petitioners should not be vacated. Memorandum order denying motion to quash subpoena, June 14, 1962. Closed. |
| Sutro Brothers & Co. | do | Nov. 2, 1961 | Complaint filed to enjoin the Commission from continuing an investigation into violations of the Securities Exchange Act, during the pendency of broker-dealer revocation proceedings based upon evidence previously developed in the investigation. Plaintiff's motion for preliminary injunction denied Nov. 15, 1961. Pending. |
| Amos Treat & Co., Inc., et al. | District of Columbia<br>CA DC | Apr. 25, 1962<br>Apr. 30, 1962 | Summons and complaint filed seeking a permanent injunction from further continuing and prosecuting the revocation proceedings now pending before the Commission. Order entered Apr. 30, 1962, denying plaintiff's motion for preliminary injunction and appeal filed Apr. 30, 1962. Opinion reversing order of the district court, May 10, 1962. Petition for rehearing filed May 25, 1962. Petition denied June 14, 1962. Pending. |
| Vandersee, Arnold E. | do<br>CA DC<br>USSC | June 23, 1961<br>Oct. 19, 1961<br>Jan. 23, 1962 | Petition for declaratory judgment and application for bail pending judicial review. Government's motion to dismiss petition granted Oct. 10, 1961. Notice of appeal filed from the order of the district court, Oct. 19, 1961. Motion of appellant to petition for application to appeal in forma pauperis served Oct. 30, 1961, and denied Dec. 1, 1961. Petition for writ of certiorari denied May 14, 1962. Closed. |
| Wechsler, Nathan | District of Columbia | June 14, 1962 | Complaint field for an order permanently enjoining defendants from holding a private hearing re plaintiff's fitness to practice before the Commission. Order entered denying motion for temporary restraining order June 14, 1962. Motion for preliminary injunction withdrawn by stipulation of the parties. Complaint pending. |

TABLE 23.—*Cases in which the Commission participated as inter-venor or as* amicus curiae, *pending during the fiscal year ended June 30, 1962*

| Name of case | U.S. District Court, Court of Appeals, or U.S. Supreme Court | Date of entry | Nature and status of case |
|---|---|---|---|
| Bellanca Corporation v. Sidney L. Albert, et al. | Northern District of Ohio. | Feb. 21, 1961 | Action under Sec. 20(c) and 10(b) of the 1934 Act, and Rule 10b-5 thereunder, alleging that the plaintiff was fraudulently induced by Albert to transfer its stock or other assets in connection with transactions whereby Bellanca acquired assets of other companies and that Albert hindered the filing of reports required by the Act. The defendant-directors of Bellanca aided and abetted the fraud on the corporation by authorizing, acquiescing in or ratifying Albert's actions in connection with these transactions. Commission's memorandum Mar. 6, 1961, as amicus curiae in opposition to motion to dismiss the complaint, served. Pending. |
| Blau, Isadore, et al., v. Robert Lehman, et al. | 2d Circuit<br>USSC | Jan. 4, 1961 | An action based upon Sec. 16(b) of the 1934 Act, in which recovery was denied for "short swing" profits realized by a partnership from trading in securities of a corporation of which a partner was a director. Decision Dec. 20, 1960, affirming the judgment of the district court. Petition by appellant for rehearing and motion Jan. 4, 1961, by the Commission for leave to participate amicus curiae denied by CA-2 on Feb. 21, 1961. Petition for writ of certiorari to the Supreme Court filed. Commission's brief Apr. 1961, Amicus curiae, in support of petition for certiorari, filed. Supreme Court, Apr. 24, 1961, granted petition for certiorari. Brief of SEC amicus curiae in support of appellant filed Aug. 1961. Oral argument filed in Dec. 1961. Decision rendered affirming the order of CA-2. Closed. |
| Brouk, J. John, et al., v. Managed Funds, Inc., et al. | 8th Circuit<br>USSC | Feb. 8, 1961<br>June 9, 1961 | Action under the Investment Company Act of 1940, in connection with petition for rehearing since there is a question of law as to whether a private right of action lies under this Act. Order Feb. 8, 1961, denying petition for rehearing of opinion Jan. 13, 1961, reversing district court order and denying Commission participation. Petition by Managed Funds, Inc., for writ of certiorari to the Supreme Court, filed. Commission's brief June 9, 1961, amicus curiae in support of petition for certiorari. Certiorari granted June 19, 1961. Order Apr. 16, 1962, entered dismissing the writ of certiorari as moot, vacating judgment of CA-8 and remanding case to district court. Closed. |
| Brown, Ethel, et al v. Hugh Bullock, et al. | Southern District of New York.<br>2d Circuit | Dec. 1960<br>May 4, 1961 | Action under Secs. 20(a), 36 and 37 of the Investment Company Act of 1940. Commission's memorandum Dec. 12, 1960, as amicus curiae served. Brief and reply briefs filed. Commission's supplemental memorandum Mar. 1, 1961, amicus curiae, served. Opinion Mar. 9, 1961, denying motion to dismiss. Defendants' application for leave to appeal granted May 3, 1961, by CA-2. Briefs filed in CA-2. Commission's brief May 16, 1961, amicus curiae filed. Decision by CA-2 affirming order of the district court. Closed. |
| Chabot, Allen v. Empire Trust Co., Inc. | 2d Circuit | May 3, 1961 | Action against directors for violations of the Investment Company Act of 1940. The preliminary issue raised in this appeal is whether the provision of the trust agreement requiring security for expenses may be enforced in the face of Sec. 17(h) of the Act. District court had directed that such security be posted. Commission's brief amicus curiae served Oct. 16, 1961. Opinion by CA-2 reversing the decision of the district court. Closed. |
| Honigman, Edith v. Green Giant Co., et al. | District of Minnesota. | Feb. 0, 1961 | Shareholder class action under Sec. 10(b) of the 1934 Act, and Sec. 12(2) and 17(a) of the 1933 Act, in which plaintiff demands recovery. Commission moved to participate as amicus. Commission memorandum Mar. 10, 1961, amicus curiae served. Memorandum decision entered finding no basis for complaint filed by plaintiff. Ordered on Oct. 20, 1961, that judgment be entered for defendants. Pending. |

| | | | |
|---|---|---|---|
| Moses, W. S., et al., v. Fred Michael, et al. | 5th Circuit | Mar. 31, 1961 | Action on questions relating to various Sections of the 1933 Act. Notice of appeal filed July 23, 1960, from the order of the district court entered June 25, 1960, granting appellees recovery of the purchase price of undivided working interests which interests were allegedly sold in violation of the 1933 Act. Briefs filed. Commission's brief May 13, 1961, amicus curiae maintaining that the order of the district court should be affirmed. Opinion July 20, 1961, affirming the orders of the district court granting summary judgments under Sec. 12(1) of the 1933 Act. Petition for rehearing filed Aug. 8, 1961, and denied Sept. 6, 1961. Closed. |
| Saminsky, Hyman, et al., v. Charles C. Abbott, et al. | Court of Chancery of the State of Delaware. | Mar. 30, 1962 | Action in which Chancellor Seitz decided that the Keystone Funds' principal underwriting contract was void under Sec. 47(b) of the Investment Company Act of 1940, because it had extended over a longer period than is permitted under Sec. 15(b) of that Act. Motion filed by Commission for amicus curiae participation on March 30, 1962. Order Apr. 25, 1962, appointing Commission an amicus curiae. Pending. |
| Sawyer, Harriet B., v. Pioneer Mill Co., Ltd., et al. | 9th Circuit | Mar. 28, 1961 | Action under Sec. 10 of the 1934 Act, as implemented by Rule 10b-5. Commission's brief Mar. 28, 1961, amicus curiae served. Briefs and reply briefs filed. Commission's reply brief May 20, 1961, filed. Order June 15, 1961, directing the case be heard en banc. Judgment entered on Mar. 14, 1962, affirming order of district court. Pending. |
| Silver, Harold J., et al., v. New York Stock Exchange. | 2d Circuit<br>USSC | Nov. 20, 1961 | Action in which the Commission appears as amicus curiae to insure the right and duty of registered stock exchanges to discipline their members for violations of the Securities Exchange Act of 1934. Memorandum of amicus curiae filed by Commission on Dec. 24, 1961. Opinion of CA-2 reversing and remanding judgment of district court, granting plaintiff's motion for summary judgment Apr. 4, 1962. Petition for writ of certiorari filed May 31, 1962, from the order of Apr. 4, 1962. Pending. |
| Silverman, Bertha v. Alfons Landa and Fruehauf Trailer Co. | Southern District of New York.<br>2d Circuit | Nov. 27, 1961 | An action based upon alleged violations of Sec. 16(b) and (c) of the 1934 Act, in which recovery is sought of "short swing" profits realized in transactions in securities of a company and individual. Memorandum of the Commission amicus curiae served Nov. 27, 1961. Opinion and orders denying plaintiff's motion for summary judgment and granting defendant's motion for summary judgment Dec. 27, 1961. Notice of appeal filed from this order Jan. 9, 1962. Brief for Securities and Exchange Commission amicus curiae filed Mar. 23, 1962. Affirmed on appeal susbequent to end of the fiscal year. Pending. |
| Taussig, Ralph J., et al., v. Wellington Fund, Inc., et al. | Delaware<br>3rd Circuit | Apr. 30, 1962 | This is an action which the Commission appears as amicus curiae to set forth its disagreement with certain arguments respecting the interpretation of the Investment Company Act of 1940. Appeals filed Apr. 9, 1962, by plaintiffs-appellants from the order of the district court seeking reversal of the denial of money damages, and by respondents from the order seeking reversal of injunctive order and award of attorneys' fees. Brief of the Commission amicus curiae filed May 15, 1962. Pending. |
| United Industrial Corp., et al., v. Stanley E. Henwood, et al. | Southern District of California. | July 17, 1961 | Private action charging violations of Sec. 14(a) of the 1934 Act, and the Commission's proxy rules. Memorandum of the Commission amicus curiae filed July 17, 1961. Judgment for plaintiffs' entered on March 9, 1962. Closed. |
| Warshow, Seymour v. H. Hentz & Co. | Southern District of New York. | Oct. 16, 1961 | Action concerning the question whether the complaint alleges a violation of Sec. 7(c) of the 1934 Act, and Regulation T thereunder. Motion to dismiss filed by defendant. Notice and motion for leave to participate amicus curiae served Oct. 16, 1961, together with memorandum of law in opposition to motion to dismiss. Opinion and order entered denying defendant's motion to dismiss Nov. 28, 1961. Case settled. Closed. |
| Willhelm, Else, et al., v. John E. Murchison, et al. | 2d Circuit | Apr. 20, 1962 | This action is one brought by the plaintiffs derivatively and representatively as stockholders of Investors Mutual, Inc., a registered Investment Company, to enjoin the performance of the investment advisory and underwriting distribution contracts heretofore entered into between the defendants, Investors Diversified Services, Inc., and Investors Mutual, Inc. Motion of Commission for leave to participate amicus curiae filed Apr. 20, 1962. Brief filed May 2, 1962. Decision by CA-2 affirming the order of the district court. Petition for rehearing filed June 1, 1962, and denied June 7, 1962. Pending. |

TABLE 24.—*Reorganization cases under Chapter X of the Bankruptcy Act pending during the fiscal year ended June 30, 1962, in which the Commission participated when district court orders were challenged in appellate courts*

| Name of case and U.S. Court of Appeals | Nature and status of case |
|---|---|
| Coffeyville Loan and Investment Co., Inc., debtor; Harlow King, Sebree, Shook, Hardy and Ottman; and Claud L. Rice, appellants (10th Circuit). | Appeal from order of Sept. 20, 1961, denying certain portions of appellant's claim against debtor. Commission's response in opposition filed Dec. 15, 1961. Order Dec. 26, 1961, denying petition for allowance of appeal. Closed. |
| Colorado Trust Deed Funds, Inc., Appellant vs. James Thomas, III, Boyd Thomas and Securities and Exchange Commission, appellees (10th Circuit). | Notice of appeal filed by Colorado Trust Deed Funds, Inc., from an order entered Nov. 6, 1961, dismissing its petition for reorganization under Chapter X of the Bankruptcy Act. Briefs filed and hearing set for July 27, 1962. Pending. |
| General Stores Corp., debtor; Lewis J. Ruskin, appellant (2d Circuit). | Appeal from order of Mar. 6, 1961, awarding supplemental allowances. Decision rendered affirming the order denying an additional allowance for services and expenses of the collateral trustee's application for certiorari. Closed. |
| Inland Gas Corp., et al., debtors; Green Committee, et al., appellants (6th Circuit). | Appeal from order of Apr. 8, 1961, limiting the recovery of expenses by the Green Committee. Brief and appendix of appellee filed Nov. 2, 1961. Brief of the Commission filed Nov. 9, 1961. Oral argument held Mar. 26, 1962. Decision pending. |
| Los Angeles Trust Deed & Mortgage Exchange, debtor; Securities and Exchange Commission, appellants (9th Circuit). | Notice of appeal filed by Commission from order of the district court denying motion to dismiss Chapter XI proceedings under an amended petition to comply with provisions of Chapter X. Pending. |
| Parker Petroleum Co., Inc. (Occidental Petroleum Corp. v. Honorable Stephen S. Chandler) (10th Circuit). | Petition for writ of mandamus and/or prohibition filed by Occidental Petroleum Corporation for an order disqualifying Judge Chandler from proceedings on grounds of personal bias and prejudice. Petition for leave to amend and supplement petition for writ of mandamus filed Mar. 12, 1962, and granted Mar. 13, 1962. Memorandum of the Commission in opposition filed Apr. 9, 1962. Opinion per curiam granting petition Apr. 20, 1962. Petition for rehearing filed and denied June 1, 1962. Closed. |
| Selected Investments Corp., debtor; B. H. Carey, appellant (10th Circuit). | Appeal from order of the district court denying appellant's compensation for legal services and reimbursement of expenses as attorney for debtor. Motion for dismissal of appeal filed by appellant due to satisfactory settlement negotiations. Commission's objections filed Nov. 1, 1961. Order Nov. 20, 1961, remanding case to district court. Pending. |
| TMT Trailer Ferry, Inc., debtor; Protective Committee for Independent Stockholders, Arthur H. Shaffer, M. James Spitzer, appellants (5th Circuit) USSC. | Appeal from order of Mar. 6, 1959, confirming trustee's plan of reorganization and various other orders dated Aug. 12, 1960, Aug. 15, 1960, Sept. 30, 1960, Dec. 22, 1960; Feb. 6, 1961, and Apr. 27, 1961. CA-5 on Sept. 9, 1960, denied motion of trustee to dismiss appeal. Order Oct. 4, 1960, consolidating appeals. Commission's telegram to the Court Jan. 25, 1961, in opposition to appellants' motion to file petition for writ of prohibition and/or mandamus. CA-5 Jan. 26, 1961, denied motion for leave to file petition. Commission's brief as appellee May 15, 1961, stating that the order of the District Court entered Aug. 15, 1960, vacating the order of confirmation of Mar. 6, 1959, should be affirmed or the order of confirmation of the District Court entered Mar. 6, 1959, should be reversed, filed. Briefs and reply briefs filed. Opinion July 7, 1961, by CA-5 affirming the order of the district court vacating a previous order confirming a plan of reorganization under Chapter X. Petition for rehearing filed July 7, 1961, and denied Aug. 18, 1961. Motion by appellants to stay issuance of mandate and denied Sept. 19, 1961. Petition for writ of certiorari filed Nov. 13, 1961, and denied Jan. 8, 1962. Closed. |
| Scranton Corp. and Hal Roach Studios, debtors; State of California, appellant (3d Circuit). | Appeal filed March 9, 1962, from order of Court approving sale of assets of Hal Roach Studios pursuant to Sec. 116(3) of Chapter X proceedings. Pending. |

TABLE 25.—*A 29-year summary of criminal cases developed by the Commission—fiscal years 1934-1962*

[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 U.S. 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 U.S. 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 | 49 | 14 |
| 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 | 16 | 4 |
| 1948 | 16 | 32 | 15 | 29 | 20 | 3 | 6 | 0 |
| 1949 | 27 | 44 | 25 | 57 | 19 | 13 | 25 | 0 |
| 1950 | 18 | 28 | 15 | 27 | 21 | 1 | 5 | 0 |
| 1951 | 29 | 42 | 24 | 48 | 37 | 5 | 6 | 0 |
| 1952 | 14 | 26 | 13 | 24 | 17 | 4 | 3 | 0 |
| 1953 | 18 | 32 | 15 | 33 | 20 | 7 | 5 | 1 |
| 1954 | 19 | 44 | 19 | 52 | 29 | 10 | 6 | 7 |
| 1955 | 8 | 12 | 8 | 13 | 7 | 0 | 6 | 0 |
| 1956 | 17 | 43 | 16 | 44 | 28 | 5 | 10 | 1 |
| 1957 | 26 | 132 | 19 | 86 | 30 | 5 | 7 | 44 |
| 1958 | 15 | 51 | 13 | 31 | 12 | 5 | 11 | 3 |
| 1959 | 45 | 217 | 37 | 235 | 98 | 21 | 10 | 106 |
| 1960 | 53 | 281 | 43 | 188 | 84 | 9 | 28 | 67 |
| 1961 | 42 | 240 | 41 | 275 | 61 | 6 | 8 | 200 |
| 1962 | [3] 60 | 191 | 27 | 73 | 6 | 0 | 6 | 61 |
| Total | 896 | 3,262 | [4] 732 | 3,195 | 1,572 | 338 | [5] 752 | 533 |

[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. Also more than 1 indictment may result from a single reference.

[2] See table 13 for breakdown of pending cases.

[3] 32 of these references as to 121 proposed defendants were still being processed by the Department of Justice as of the close of the fiscal year, and also 8 of the prior years references as to 74 proposed defendants.

[4] 638 of these cases have been completed as to 1 or more defendants. Convictions have been obtained in 548 or 86 percent of such cases. Only 91, or 14 percent, of such cases have resulted in acquittals or dismissals as to all defendants, this includes numerous cases in which indictments were dismissed without trial because of the death of defendants or for other administrative reasons. See note 5, *infra*.

[5] Includes 72 defendants who died after indictment.

TABLE 26.—*A 29-year summary classifying all defendants in criminal cases developed by the Commission—1934 to June 30, 1962*

| | Number indicted | Number convicted | Number acquitted | Number as to whom cases were dismissed on motion of U.S. attorneys | Number as to whom cases are pending |
|---|---|---|---|---|---|
| Registered broker-dealers [1] (including principals of such firms) | 501 | 265 | 33 | 111 | 92 |
| Employees of such registered broker-dealers | 256 | 109 | 17 | 52 | 78 |
| Persons in general securities business but not as registered broker-dealers (includes principals and employees) | 816 | 395 | 65 | 263 | 93 |
| All others [2] | 1,622 | 803 | 223 | 326 | 270 |
| Total | 3,195 | 1,572 | 338 | 752 | 533 |

[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 29-year summary of all injunction cases instituted by the Commission, 1934 to June 30, 1962, 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 | 53 | 122 | 42 | 89 |
| 1957 | 58 | 192 | 32 | 93 |
| 1958 | 71 | 408 | 51 | 158 |
| 1959 | 58 | 206 | 71 | 179 |
| 1960 | 99 | 270 | 84 | 222 |
| 1961 | 84 | 368 | 85 | 272 |
| 1962 (to June 30) | 47 | 204 | 41 | 105 |
| Total | 1,163 | 3,803 | [2] 1,036 | 2,721 |

SUMMARY

| | Cases | Defendants |
|---|---|---|
| Actions instituted | 1,163 | 3,803 |
| Injunctions obtained | 1,010 | 2,721 |
| Actions pending | 49 | [3] 400 |
| Other dispositions [4] | 104 | 682 |
| Total | 1,163 | 3,803 |

[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 26 cases which were counted twice in this column because injunctions against different defendants in the same cases were granted in different years.

[3] Includes 94 defendants in 13 cases in which injunctions have been obtained as to 36 codefendants.

[4] Includes (*a*) actions dismissed (as to 611 defendants); (*b*) actions discontinued, abated, vacated, abandoned, stipulated, or settled (as to 55 defendants); (*c*) actions in which judgment was denied (as to 12 defendants); (*d*) actions in which prosecution was stayed on stipulation to discontinue misconduct charged (as to 4 defendants).

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